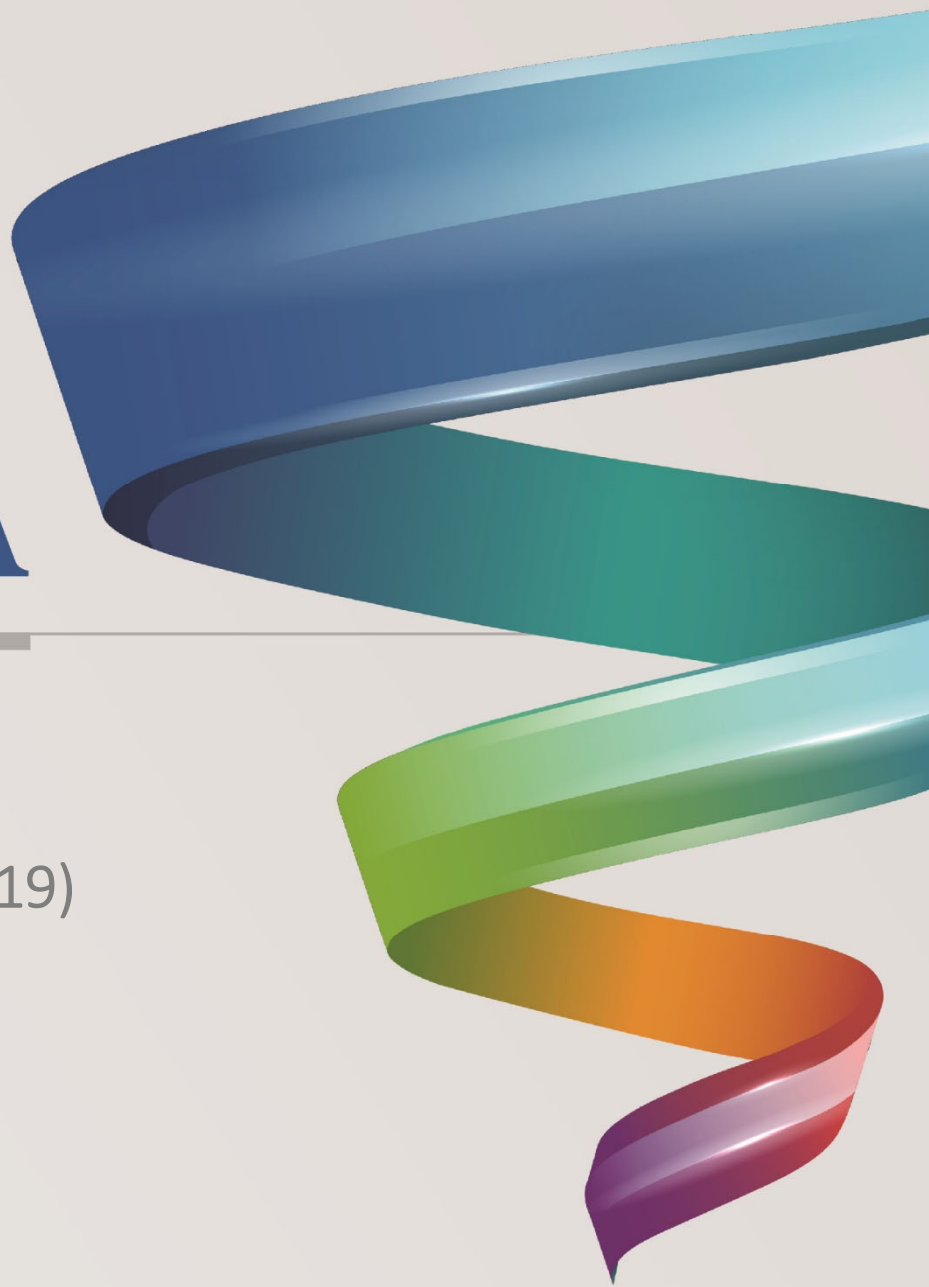


ITAÚSA

Management Report
2nd quarter, 2019 (2Q19)



MANAGEMENT REPORT

We present the Management Report and the Financial Statements of Itaúsa – Investimentos Itaú S.A. (Itaúsa) for the second quarter of 2019 (2Q19), prepared in accordance with the standards established by the Accounting Pronouncement Committee (CPC) and approved by the Brazilian Securities and Exchange Commission (CVM), as well as the International Financial Reporting Standards (IFRS).

Independent auditor's report

The Financial Statements were audited by PricewaterhouseCoopers Auditores Independentes (PwC) and have received an unqualified opinion from the external auditor. The Financial Statements were approved by the Fiscal Council.

The Financial Statements were made available to the market on the websites of Itaúsa, B3 S.A. – Brasil, Bolsa, Balcão (B3) and the CVM.

1. ECONOMIC ENVIRONMENT

Economic activity indicators remain below the expectations raised in early 2019, and the climate of caution, still present even now, is illustrated by a high unemployment rate of 12.3%, with a slight downward trend in view of certain significant decisions made in the political field, such as the social security reform making headway at the Brazilian Congress and some measures adopted by the government to encourage consumer spending, such as the release of part of the assets in the workers' severance fund, known as FGTS. These measures may help businessmen and consumers resume confidence, with increase in consumer spending and investments.

In the economic arena, inflation (as measured by the IPCA) remains under control (3.4% in the last twelve months up to June), which, added up to the weak economic performance, has enabled the Central Bank of Brazil (BACEN) to gradually reduce the Selic interest rate, a move that started in October 2016, reaching current 6.00% from 14.25%, with a downward trend up to the end of the year according to market forecasts.

The global economy continues its downward trend in 2019, maintaining conditions of high uncertainty. The U.S. GDP growth is expected to slow down to 2.4% in 2019 (from 2.9% in 2018) and GDP in the euro zone would grow by mere 1.0% in 2019 (1.8% in 2018), according to Itaú BBA's estimates. Inflation remains low, which should lead the European Central Bank to cut interest rates within the year. Still according to Itaú BBA's estimates, China's growth should reach 6.2% in 2019, from 6.6% in 2018, driven by the impacts of the trade war with the U.S.

Itaúsa Conglomerate investees continue to perform in a challenging and competitive environment. Nevertheless, the potential recovery of consumption levels in the coming quarters suggests enhanced conditions for improvements in consumer goods operations, which, in turn, also take advantage of the gradual recovery of civil construction and seasonality. In the financial sector, the outstanding recovery of capital markets in the first half of 2019, together with the cut in Selic interest rates, should continue to favor the funds, investment banking transactions, and credit granting industry, which also benefits from improved consumer spending.

2. ITAÚSA HIGHLIGHTS

Return to stockholders

In August 2019, the Company disclosed dividends of R\$2.9 billion (R\$0,3405 per share). Earnings declared in the first half of 2019 totaled R\$3.2 billion, up 60.3% on a year-on-year basis.

The latest earnings declared and/or paid, as well as those scheduled for the coming months, are shown in the table below:

Competence Year	Declared provents	Declaratory act	Shareholding position	Date of payment	Nominal payment per share (R\$)
2018	Quarterly dividends	11/10/2008	8/31/2018	10/1/2018	0.0150
2018	Quarterly dividends	11/12/2018	11/30/2018	1/2/2019	0.0200
2018	Interest on capital *	12/12/2018	12/17/2018	3/7/2019	0.0081
2018	Interest on capital *	2/18/2019	2/21/2019	3/7/2019	0.3111
2018	Additional dividends	2/18/2019	2/21/2019	3/7/2019	0.4532
2018	Quarterly dividends	11/12/2018	2/28/2019	4/1/2019	0.0200
2019	Quarterly dividends	5/28/2019	5/31/2019	7/1/2019	0.0200
2019	Dividends - antecipation of 2019	8/12/2019	8/15/2019	8/23/2019	0.3405
Total provens in the last 12 months					1.1879

Stock's Price on Aug 9, 2019 13.06

Dividend Yield 9.1%

Competence Year	Expected provents	Declaratory act	Shareholding position	Date of payment	Nominal payment per share (R\$)
2019	Quarterly dividends	5/28/2019	8/30/2019	10/1/2019	0.0200
2019	Quarterly dividends	5/28/2019	11/29/2019	1/2/2020	0.0200
2019	Quarterly dividends	5/28/2019	2/28/2020	4/1/2020	0.0200

* Retention of 15% income tax, except for stockholders that are proven immune or exempt.

Merger of shares in Itaotec – Grupo Itaotec S.A. completed and end of the warranty services provided by Itaotec

The merger of shares in Itaotec– Grupo Itaotec S.A. into Itaúsa was completed on June 14, 2019. As a result of this merger, Itaúsa issued approximately 119,000 preferred shares (ITSA4), ending up with the dilution of 0.001% for Itaúsa's stockholders. Holders of Itaotec's common shares now are the holders of the same number of ITSA4 shares and entitled to all earnings to be declared by the Company as of that date. The Company's stockholders exercising their right to dissent and appraisal ensued the acquisition of 1,873 common shares for treasury, which were then cancelled on August 12, 2019 as resolved by the Board of Directors.

Proceeding with the merger process, Itaotec's shares are no longer traded on B3 as of June 14, 2019, and the process to cancel its registration as a publicly-held company is pending at CVM.

The Itaotec/ Infoway branded equipment warranty and maintenance agreements elapsed in June 2019, with Itaotec successfully complying with all agreed-upon commitments accordingly.

Increased interest held in Alpargatas' capital stock

On May 21, 2019, Itaúsa took part in the auction of shares in Alpargatas held at B3 and acquired 5.2 million preferred shares at R\$18.25 each, therefore increasing its interest in the company's capital by 0.9% to 28.0% (28.5% excluding treasury shares). This move, which was followed by the remaining controlling group and took advantage of a market opportunity driven by the offer of sale of a great number of shares, strengthens Itaúsa's trust in the long-term value creation of this investment.

BUSINESS SUSTAINABILITY

Social Impact Committee set up

With the purpose of strengthening and sparking the sustainability debate, on June 12, 2019, the Social Impact Committee was set up to operate as an advisory body to Management to drive and identify opportunities to improve the performance of the Committees, Foundations, and Institutes of investees.

The composition of this body and the summarized résumé of its members are available at:

<http://www.itausa.com.br/en/corporate-governance/management>

SUBSEQUENT EVENT

Proposal for merger of wholly-owned subsidiary

Itaúsa's administrative structure is composed of 80 professionals dedicated to its operational activities, who are currently allocated at Itaúsa Empreendimentos S.A., a company with its capital stock fully held by Itaúsa.

Aimed at streamlining its corporate structure, seeking more operational synergy and efficiency, with the resulting optimization and rationalization of administrative costs and accessory obligations derived from the maintenance of Itaúsa Empreendimentos, a General Stockholders' Meeting will be held on August 30, 2019 to resolve on the merger of this company.

3. ITAÚSA'S ECONOMIC PERFORMANCE

As a holding company, Itaúsa's results are basically derived from its share of income, determined based on the results of its subsidiaries and revenues from investments in financial assets. We present below the individual Statement of Income of Itaúsa:

Individual results, in R\$ million	2Q19	2Q18	Δ %	1H19	1H18	Δ %
INVESTEES' RESULTS IN ITAÚSA	2.573	2.234	15,2%	5.050	4.696	7,5%
FINANCIAL SECTOR	2.446	2.164	13,0%	4.852	4.538	6,9%
NON-FINANCIAL SECTOR	127	47	170,2%	202	126	61,0%
ALPARGATAS	26	(11)	336,4%	35	1	3400,0%
DURATEX	25	10	150,0%	33	21	61,0%
NTS ⁽¹⁾	76	48	58,3%	134	104	28,8%
OTHER COMPANIES ⁽²⁾	-	23	-100,0%	(4)	32	-112,4%
RESULTS OF ITAÚSA	(47)	(49)	4,1%	(336)	(376)	10,6%
FINANCIAL INCOME / EXPENSES	(20)	(21)	4,8%	(35)	(51)	31,4%
ADMINISTRATIVE EXPENSES ⁽²⁾	(26)	(23)	-13,0%	(58)	(38)	-52,6%
TAX EXPENSES	(2)	(7)	71,4%	(246)	(291)	15,5%
OTHER OPERATING REVENUES	1	2	-50,0%	3	4	-25,0%
INCOME BEFORE INCOME TAX/SOCIAL CONTRIBUTION	2.526	2.185	15,6%	4.714	4.320	9,1%
INCOME TAX / SOCIAL CONTRIBUTION	(107)	(9)	-1088,9%	(19)	9	-311,1%
RECURRING INDIVIDUAL NET INCOME	2.419	2.176	11,2%	4.695	4.329	8,5%
NON-RECURRING RESULTS	16	(129)	112,4%	226	118	91,5%
NET INCOME	2.435	2.047	19,0%	4.921	4.447	10,7%

(1) Includes dividends and interest on capital, adjustment to fair value of shares, interest on debentures convertible into shares, and expenses on time installment of the amount invested in NTS.

(2) For better comparability, some administrative expenses of the 1H18 on the administrative structure dedicated to the holding company's activities, recorded in Itaúsa Empreendimentos (a wholly-owned subsidiary of Itaúsa) in the amount of R\$4 million, were reclassified to line "Administrative Expenses" of Itaúsa (Income Statement of the Parent Company).

General and administrative (G&A) expenses

In the second quarter of 2019, administrative expenses, in the Individual Statement of Income of Itaúsa, totaled R\$26 million, and this increase, on a year-on-year basis, was mainly driven by the enhanced administrative structure, additional merger and acquisition projects and technology expenses, and by the payment and recognition of a provision of profit sharing, as well as the sureties and guarantees taken out to secure lawsuits.




MAIN INDICATORS OF RESULTS OF ITAÚSA CONSOLIDATED AND MARKET

	R\$ million			R\$ per share		
	1H19	1H18	change	06/30/2019	06/30/2018	change
PROFITABILITY						
Net income	4,921	4,447	10.7%	0.59	0.54	9.0%
Recurring net income	4,695	4,329	8.5%	0.56	0.52	6.8%
Return on Equity (annualized)	18.7%	17.6%	110 bps			
Recurring Return on Equity (annualized)	17.8%	17.1%	70 bps			
BALANCE SHEET						
Total assets	56,449	55,059	2.5%			
Net indebtedness	547	322	69.9%			
Stockholders' equity	52,362	51,081	2.5%	6.23	6.07	2.5%
CAPITAL MARKETS						
Market Value ⁽¹⁾	108,415	77,219	40.4%			
Average daily traded financial volume - Itaúsa PN	319	224	42.5%			

(1) Based on the closing price of preferred shares in the last day of the period.

MAIN INDICATORS OF ITAÚSA CONGLOMERATE COMPANIES

We present below the main indicators of Itaúsa Conglomerate companies, based on the Consolidated Financial Statements under IFRS.

	January to June	R\$ million		
		Financial Sector 	Non-Financial Sector  	
Operating revenues ⁽¹⁾	2019	94,674	1,947	2,217
	2018	80,447	1,793	2,173
Net income ⁽⁶⁾	2019	13,274	86	93
	2018	12,129	137	197
Total Assets	2019	1,566,311	4,323	10,345
	2018	1,469,095	3,679	9,488
Stockholders' equity ⁽⁶⁾	2019	129,914	2,457	4,728
	2018	126,336	2,130	4,996
Annualized return on average equity (%) ^{(2) (6)}	2019	21.7%	7.1%	4.0%
	2018	20.0%	12.7%	8.2%
Internal fund generation ⁽³⁾	2019	29,332	274	468
	2018	26,158	237	765
Interest of Itaúsa in companies ^{(4) (5)}	2019	37.46%	28.45%	36.66%
	2018	37.58%	27.55%	36.67%

(1) Operating revenue by area of operations was obtained as follows:

- Itaú Unibanco Holding: Interest and similar income, dividend income, adjustments to fair value of financial assets and liabilities, banking service fees, income from insurance, private pension and capitalization operations before claim and selling expenses and other income.
- Alpargatas and Duratex: Sales of products and services.

(2) Represents the ratio of net income for the period and the average equity ((jun + mar+ dec'18)/3).

(3) Refers to funds arising from operations as reported by the statement of cash flows.

(4) Represents the direct/ indirect Itaúsa interest in the Capital of Companies

(5) The Interest presented consider the outstanding shares.

(6) Net Income, Stockholders' Equity and ROE correspond to the amounts attributable to controlling stockholders.

RECONCILIATION OF RECURRING NET INCOME

	2Q19	2Q18	1H19	1H18
Recurring Net income	2,419	2,176	4,695	4,329
Addition/(Exclusion) of Non-Recurring Effects D= (A + B + C)	16	(129)	226	118
Own (A)	28	(85)	28	(85)
Disposal of shares in Elekeiroz	-	(85)	-	(85)
Disposal of interest in Itaú Unibanco Centro Empresarial	28	-	28	-
Arising from Ownership Interest in the Financial Sector (B)	-	(95)	209	141
Changes in treasury shares	2	(90)	211	144
Provision for civil contingencies – Economic plans	-	(2)	-	34
Realization of assets and Impairment	-	(3)	-	(38)
Other	(2)	-	(2)	1
Arising from Ownership Interest in the Non-Financial Sector (C)	(12)	51	(11)	62
Alpargatas	(12)	-	(12)	11
Duratex	-	51	1	51
Net Income	2,435	2,047	4,921	4,447

3.1. Capital markets

Itaúsa's preferred shares (traded on B3 under ticker ITSA4) closed June 2019 at R\$12.89, a 40.4% increase in the previous 12 months (or 53.1% as adjusted by declared earnings), whereas Ibovespa, B3's main index, rose by 38.8% in the same period.

The daily average financial volume of preferred shares in the first half of 2019 was R\$319 million, with an average of 30,000 daily trades.

On June 30, 2019, Itaúsa had 246,500 individual stockholders, up 156.1% from the number of 96,200 on a year-on-year basis.

Itaúsa discount

Discount is an indicator of the difference between the market price ascertained for Itaúsa's shares and the theoretical value obtained through the sum of the market values of the parts that compose the holding company's investments. On June 30, 2019, Itaúsa's shares were traded at a 21.8% discount.

Market capitalization on June 30, 2019, based on the price of the most liquid shares (ITSA4), was R\$108,415 million, whereas the sum of interests in investees at market value totaled R\$138,714 million.

The Investor Relations department discloses information about the discount, which may be received by email, on a monthly basis on its website. To receive it, please register on <http://www.itausa.com.br/en/e-mail-alert>.

Public Meeting with stockholders, investors and capital markets, in partnership with Apimec/SP

On September 3, 2019, Itaúsa will hold, for the 19th consecutive year, its annual public meeting with stockholders, investors, and the general public interested in capital markets, in partnership with Apimec/SP, to discuss the results and strategies of Itaúsa and its investees. Presentations will start at 9:30 a.m. and broadcast live on the Company's website at <http://www.itausa.com.br/en>. The Q&A session at the end of the event is open to all.

4. COMMENTS ON THE PERFORMANCE OF INVESTEES



Itaú Unibanco Holding S.A.

Highlights

Rede's new commercial proposal

Rede launched a new commercial proposal establishing that clients with annual revenues of up to R\$30 million that receive their payments at Itaú Unibanco will receive the proceeds of their single-installment credit card sales with zero cost on advances.

Digital transformation

Given the increasing number of customers operating digitally, the bank has made investments in technological enhancements to provide more convenience and reliability. Among the major projects in progress, the highlights are (i) the iti (Itaú, technology and innovation) pilot project launched in May, a platform that waives the need for card machines or physical cards to make payments in commercial establishments or between people using QR Code®, (ii) the possibility to purchase US dollars and Euros on the apps, free of charge, and make fully digital international transfers, and (iii) a cost-free international credit card launched in partnership with Mercado Livre and Visa, with contactless payment technology.

Results under IFRS

Net income attributable to controlling stockholders totaled R\$6.5 billion in the second quarter of 2019, up 13.7% on a year-on-year basis, mainly driven by increase in Operating Revenues¹. The main business lines that contributed to higher Operating Revenues are as follows:

R\$ million (except where indicated)	2Q19	2Q18	Δ%	1H19	1H18	Δ%
Operating Revenues	28,753	21,176	35.8	57,049	48,585	17.4
Net Income	6,527	5,740	13.7	13,274	12,129	9.4
ROE	21.0%	18.7%	2.3 p.p.	21.7%	20.0%	1.7 p.p.
Loan Portfolio	663,176	627,238	5.7	663,176	627,238	5.7

(i) **Commissions and fees** were up 3.7%, positively impacted by fund management revenues (+14.5%) and credit and debit card revenues (7.6%), and

(ii) **Loan portfolio**, including financial guarantees provided and corporate securities, was up 5.7%, driven by the very small, small and middle-market companies (+18.4%) and the individuals (+13.6%) segments outperforming.

Noteworthy mentioning in the period was the performance of operating revenues in the retail banking segment, up 7.5%, mainly driven by the increase in loan portfolio, as stated above.

General and administrative expenses were down 0.2% in 2Q19 on a year-on-year basis. Increase in personnel expenses, in connection with resignations, retirements and terminations in the period, was made up for the better control over administrative expenses.

Net income attributable to controlling stockholders totaled R\$13.3 billion in the first half of 2019.

Capital management is a key element of the management model, through which a company seeks to optimize the application of funds and ensure its strength. These goals are reflected on capital ratio and dividend distribution policies, which have set a minimum Tier I capital ratio of 13.5%. Therefore, profit distributions are conditioned on this threshold, as well as business growth outlooks, profitability for the year, mergers and acquisitions, changes in the market, and tax and regulatory changes that may modify capital requirements. Dividends paid, provided for or registered in stockholders' equity in the first half of 2019 totaled R\$8.5 billion, up 60.8% on a year-on-year basis. On August 23, 2019, the Company will pay out R\$7.7 billion as dividends (equivalent to R\$0.7869 per share). In the first half of 2019, Tier 1 capital ratio was 14.9%.

¹ Information by segment is not prepared in accordance with IAS 34, but rather with the accounting standards adopted in Brazil, as established by the Central Bank of Brazil. It includes the following pro-forma adjustments: (i) recognizing the impact of capital allocation by using a proprietary model; (ii) using raising and cost of capital at market prices, based on certain managerial criteria; (iii) excluding non-recurring events from our results; and (iv) reclassifying tax effects on hedge instruments to foreign investments.



Highlights

Acquisition of Cecrisa

In July 2019, the Company completed the acquisition of Cecrisa Revestimentos Cerâmicos S.A., one of Brazil's largest ceramic tiles companies in the premium segment, which produces and sells Cecrisa and Portinari branded products. Duratex will pay up to R\$539 million in the transaction, subject to variation of working capital and certain conditions precedent, in addition to assuming Cecrisa's net debt. With this transaction, the Company expects to gradually capture operational and administrative synergies of over R\$250 million. The transaction was approved in June by CADE, the Brazilian anti-trust agency.

New investments and adjusting assets to further value creation

In line with the value creation strategy based on furthering capital allocation discipline, over the second quarter the Company spearheaded a number of fronts in connection with the Company's assets.

The joint venture set up to produce dissolving wood pulp ('DWP') has obtained the environment pre-construction permit and has already set off the infrastructure work.

A significant portion of investments in the quarter was allocated to the Ceusa unit expansion project, which will double the Company's production capacity of ceramic tiles. Operations are scheduled to set off in the fourth quarter.

Last but not least, aimed at adjusting the use of assets and focusing on increase productivity, in July 2019 the Company decommissioned the bathroom porcelain manufacturing unit located in São Leopoldo/RS. Operations were transferred to other units accordingly. The effects of this operation are reflected in the company's results of 2Q19, with an impact of R\$ 30.4 million in the EBITDA in the period.

Results

Net revenue totaled R\$1,144.7 million in 2Q19, down 2.0% on a year-on-year basis, mainly driven by the sale of forest assets in 2Q 18 for R\$57 million. Accounting for 19% of total net revenue, exports were adversely impacted by international freight costs.

R\$ million (except where indicated)	2Q19	2Q18	Δ%	1H19	1H18	Δ%
Net Revenue	1,144.7	1,167.5	-2.0%	2,217.2	2,173.5	2.0%
EBITDA	286.9	501.5	-42.8%	515.7	726.4	-29.0%
Net Income	69.4	166.6	-58.4%	93.3	197.4	-52.7%
ROE	5.9%	13.6%	- 7.7 p.p.	4.0%	8.2%	- 4.2 p.p.

Wood Division's net revenue totaled R\$701.8 million in the second quarter of 2019, down 6.1% on a year-on-year basis. Excluding the positive effect of the fiberboard business revenue in 2Q18, the Wood Division's pro forma net revenue would be up 7.7%, and noteworthy mentioning is the maintenance of the sales policy.

Deca Division posted net revenue of R\$385.9 million, up 3.1% from 2Q18. Highlights are the recurring gross margin closing the 2Q19 at 30.3%, up 310 basis points year-on-year, and the EBITDA margin of 16.5%, the highest in the last 12 months, driven by the capture of synergies arising from the integration in Hydra and by the projects to increase productivity/efficiency in the bathroom fixtures and porcelain lines.

Operating under the Ceusa brand, the **Ceramic Tiles Division** increased volume by 19.0% year-on-year, outperforming its peers in the market. The second quarter of 2019 was marked by new product lines and the resulting improvement in the mix of prices. The division's net revenue totaled R\$56.9 million, up 24.7% on a year-on-year basis.

EBITDA totaled R\$286.9 million, whereas recurring EBITDA was R\$213.3 million in 2Q19, adjusted by non-cash events and extraordinary events, such as the decommissioning of the production unit and the positive effect of the Company's winning the tax claim in connection with the exclusion of ICMS from the PIS/COFINS calculation base. Net income in 2Q19 totaled R\$69.4 million (-58.4%), whereas net income adjusted by the same non-recurring events and the sale of land of subsidiary Duratex Florestal would have increased by 152.7%.

Net debt totaled R\$2,059.6 million at the end of June, representing 2.45 times the recurring adjusted EBITDA for 12 months, substantially stable from the previous quarter, but with its profile now restructured given the issue of R\$1.2 billion in debentures in the quarter.



Highlights

Optimizing assets and leaving the textile segment in Argentina

In June 2019, the Company concluded negotiations to sell its textile segment assets in Argentina, which will result in it receiving approximately US\$ 14.4 million. The transfers of these assets to their respective buyers are subject to certain conditions precedent. With this transaction scheduled to be completed by October 1, 2019, Alpargatas will no longer operate in the textile segment.

Results

Net revenue increased by 11.6% in 2Q19 on a year-on-year basis, driven by the double-digit growth in all business in Brazil (Havaianas Brazil, Mizuno, and Osklen) and by the 14.4% increase in international Havaianas operations, despite the fall by 8.1% in Argentina in Brazilian reais.

R\$ million (except where indicated)	2Q19	2Q18	Δ%	1H19	1H18	Δ%
Net Revenue	993.4	890.6	11.6%	1,947.0	1,792.7	8.6%
EBITDA	98.0	64.1	53.0%	231.2	233.2	-0.9%
Net Income	35.9	22.5	59.5%	86.5	136.6	-36.7%
ROE	5.9%	4.2%	1.7 p.p.	7.1%	12.7%	- 5.6 p.p.

Net revenue in **Brazil** line, represented by Havaianas, Dupé, Mizuno, and Osklen brands, reached R\$563.8 million, up 16.6%, mainly driven by a larger volume and improved mix/price of products in Havaianas. **Sandals International** posted net revenue of R\$282.9 million, up 14.4% from that reported in 2Q18, driven by the volume of sales being 15.1% higher, with growth in the EMEA (Europe and Middle-East), Latam (Latin America) and APAC (Asia Pacific) regions. Net revenue in **Argentina** was R\$146.7 million. The strong rise in prices in Argentinian pesos in the period has made up for the 13.3% fall in volume, thus partially preserving the net revenue in Brazilian reais compared to 2Q18.

In own stores and franchises operated in Brazil, including e-commerce, sales volume, according to the same-store sales concept, increased by double digits on a year-on-year basis (Havaianas +17% and Osklen +21%).

Gross profit increased by 8.6% in 2Q19 on a year-on-year basis, with a 120 basis-point loss in gross margin, mainly driven by the effect of hyperinflation in Argentina and the greater share of the wholesale channel in the EMEA region. In Brazil, the cost of rubber impacted results compared to 2Q18, which was partially mitigated by the richer mix of channels and products in the quarter.

Recurring EBITDA increased by 39.4% and reached R\$127.7 million, driven by increased revenues in the Brazil and in Sandals International lines and the better management of the company's expenses year-on-year, arising from VIP 100% (Value Improvement Program) and ZBB (Zero-Based Budgeting) projects. There were positive non-recurring effects from the final and unappealable decision of the lawsuit that challenged the inclusion of ICMS in PIS calculation base and the adoption of IFRS 16, as well as the negative effects of the inflation adjustment in Argentina and the impairment of Argentina goodwill in Brazil. In 2Q18, restructuring was carried out in Argentina and Brazil.

Net income attributable to stockholders in the second quarter totaled R\$35.9 million, up 59% on a year-on-year basis, whereas recurring net income totaled R\$70.4 million, up 278.3%, driven by the factors mentioned above. Operating cash generation was R\$314,7 million, and cash balance was R\$177.5 million on June 30, 2019.



Results

In the second quarter of 2019, net revenue totaled R\$1,097 million, up 9.4% on a year-on-year basis, driven by the annual inflation-adjustment to gas ship-or-pay agreements. Net income in 2Q19 totaled R\$561 million, up 17.0% on a year-on-year basis, driven by lower debenture financial expenses due to the fall in interest rates and the debt restructuring with funds raised under more attractive conditions, and fall in costs of services provided in view of the PIS/COFINS credits on depreciation of fixed assets. In the first half of 2019, the Company recorded net revenue of R\$2,181 million and net income of R\$1,099 million.

R\$ million	2Q19	2Q18	Δ%	1H19	1H18	Δ%
Net Revenue	1,097	1,003	9.4%	2,181	1,993	9.4%
Net Income	561	480	17.0%	1,099	935	17.6%

Dividends and interest on capital

In the period from April to June 2019, Itaúsa received dividends and interest on capital, gross, in the amount of R\$44.5 million. In the first half of 2019, the amount received totaled R\$84.2 million.

5. PEOPLE MANAGEMENT

Itaúsa Conglomerate had the support of approximately 128,000 employees on June 30, 2019, including 15,900 employees in foreign units. Its dedicated structure, intended to carry out the holding company's activities, had 80 professionals on that same date.

6. INDEPENDENT AUDITORS – CVM INSTRUCTION No. 381

Procedures adopted by the company

The policy adopted by Itaúsa, its subsidiaries and parent company, to engage non-audit services from our independent auditors is based on the applicable regulations and internationally accepted principles that preserve the auditors' independence. These principles include the following: (a) an auditor cannot audit his or her work; (b) an auditor cannot hold managerial positions at their client's; and (c) an auditor cannot promote the interests of its client.

In the period from April to June 2019, the independent auditors and related parties did not provide non-audit services in excess of 5% of total external audit fees.

Independent Auditors' Justification - PwC

The provision of the above-described on-audit services do not affect the independence or the objectivity of the external auditor of Itaúsa and its subsidiaries. The policy adopted for providing non-audit services to Itaúsa is based on principles that preserve the independence of the Independent Auditors, all of which were considered in the provision of the referred services.

7. ACKNOWLEDGMENTS

We thank our stockholders for their trust, which we always try to repay by obtaining results differentiated from those of the market, and our employees, for their talent and dedication, which have enabled the sustainable growth of business.