



ITAÚSA

Management
Report
March 31, 2018

MANAGEMENT REPORT

We present the Management Report and the Financial Statements of Itaúsa - Investimentos Itaú S.A. (Itaúsa) and its subsidiaries for the period from January to March 2018 (1Q18), prepared in accordance with the standards established by the Accounting Pronouncements 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 CVM and to B3 S.A. – Brasil, Bolsa, Balcão (B3).

Adoption of CPC 47 and 48

For better comparability, the information on the first quarter of 2017 was adjusted to the effects arising from Itaú Unibanco's adoption of CPC 47 and 48.

1) ECONOMIC ENVIRONMENT

The global economy is expected to consolidate a sharper economic growth in 2018. Even though the U.S. economy growth slowed down in the first quarter (to 2.3% from 2.9%), it should resume its strong pace in the 2Q18 and close 2018 at 2.7%. Job creation has kept an intense pace, unemployment rate is at 4.1%, and inflation is coming down to around 2.0%.

The Euro zone witnessed an economic downturn in the 1Q18 (to 0.4% from 0.7% in the quarter), but it is expected to speed up in the coming quarters and close 2018 at 2.5%, the same level recorded for 2017. This scenario should allow the European Central Bank to close the assets purchase program in 2018.

After a 6.9% growth in 2017, China again recorded a strong result in the 1Q18 (6.8%), even though we expect the economic activity to slow down in 2018.

In the domestic scenario, GDP increased 1.0% in 2017. This figure evidences an improvement from the 2015-2016 period, years defined by economic shrinkage. A 2.5% GDP is expected for 2018.

Regarding the labor market, unemployment rate is 13.1% in the quarter ended March 2018, from 13.7% in the same period of the previous year, as measured by the

Continuous Pnad (Continuous National Household Sample Survey). Although unemployment levels are stable, this is driven by the reduction in the economically active population, which made up for the decrease in employed population.

Industry has shown slight signs of recovery. The monthly increase, without seasonal adjustments, in the last six months is at 0.3% up to March. Prospectively, we project that industry will continue to recover, in line with falling interest rates and adjustments to companies' balance sheets.

In March 2018, the annual change in the financial system credit balance was negative 2.5% in actual terms, against a 6.8% decrease in March 2017. Loans in the 12-month period to March 2018 increased 2.5% in actual terms compared to a 12.7% decrease one year before. Default rate for loans to individuals decreased 40 bps in the last 12 months to reach 3.6% in March 2018. Default rate for loans to companies fell to 2.9% (3.7% in March 2017).

Inflation measured by IPCA was 2.7% in the last 12 months ended in March, from 4.6% recorded one year before. Analysis of broken-down figures shows that regulated prices raised 7.1% in the period, whereas free prices raised 1.3%.

Current inflation in a clearer downward trend and economic activity below expectations have allowed a more flexible monetary policy. The Central Bank of Brazil started a cycle of cuts in interest rates in October 2016 and since then the Selic rate has been reduced to current 6.5% per year (March 2018) from 14.25%.

Deficit in external accounts remains at a low level (0.4% of GDP in the 12 months ended in March). Our forecast for the coming years is a slight rise in the current account deficit, but without compromising external sustainability.

2) ITAÚSA HIGHLIGHTS

ITAÚSA

Sustainability

To keep a transparent relationship with its stakeholders, in April 2018, Itaúsa disclosed its Annual Report 2017, which included the Materiality Matrix.

The content was defined based on a new Materiality Matrix that has identified the most relevant topics for the key stakeholders consulted. These topics are linked, in this document, to the pillars of protection and appreciation of assets, ongoing improvement and shared culture.

This document brings about an innovative content,

describing with transparency the Company's new momentum and reporting the rationale behind investments made, the expected return and the investees' creation of value.

Since 2009, Itaúsa's report has followed the Global Reporting Initiative (GRI) guidelines, which focus on how the most significant aspects of management are approached and managed, as well as those aspects of greater impact from the viewpoint of the Company and its main stakeholders. This document was reviewed by PwC, which issued an assurance report.

To access it, please visit Itaúsa's website:

<http://www.itausa.com.br/en/financial-information/annual-and-sustainability-report>

Offering Public Acquisition (OPA) for Shares of Alpargatas

On February 7, 2018, CVM granted the request for registration of the Public Acquisition Offering for shares of Alpargatas aimed at the acquisition of common shares from minority stockholders at 80% of the amount paid by current controlling shareholders (R\$11.34/share). On March 23, 2018, Itaúsa informed that an action was held and no shareholder of Alpargatas had expressed interest in joining the OPA. Therefore, the equity interest held by Itaúsa in Alpargatas remains unchanged.

Change in the Share Buyback Program

On February 19, 2018, the Board of Directors changed the share buyback program currently in force by reducing the acquisition limits to up to 77 million book-entry shares of own issue (27 million common and 50 million preferred shares).

Related-Parties Policy Approved

Discussed and approved at the Board of Directors' Meeting of February 19, 2018, the Related-Parties Policy was designed to establish rules and consolidate procedures to be followed by the Company in the event of related-party transactions, thus ensuring transparent and arm's length transactions and providing stockholders, investors and other related parties with transactions carried out in compliance with the best Corporate Governance practices.

Corporate Events and Return on Investments

Quarterly Dividend Payments

On April 2, 2018, Itaúsa paid quarterly dividends for the fourth quarter of 2017, in the amount of R\$0.015 per share, without withholding tax, based on the final shareholding position of February 28, 2018, in conformity with the quarterly payment system approved on November 10, 2008.

Capital Call

On February 19, 2018, the Board of Directors resolved on the increase of Itaúsa's capital stock, to R\$38,515 million, from R\$37,145 million, by issuing 175,641,026 new book-entry shares, with no par value, of which 66,355,919 are common and 109,285,107 are preferred shares, for private subscription within the limits of authorized capital. Upon the expiry of the preemptive period for subscription and after the first and second apportionments of the remaining unsubscribed shares, the balance of the remaining unsubscribed shares will be sold at an auction to be held at the Stock Exchange. The approval of capital increase, receipt of subscribed shares and release of these shares for trading are expected for the end of May 2018, with stockholders entitled to the quarterly dividend payable on July 2, 2018.

Dividend Reinvestment Program (DRP)

We should assert that Itaúsa's Stockholders who are also account holders of Itaú in Brazil and hold book-entry shares may automatically invest dividends to purchase shares by way of the Dividend Reinvestment Program (DRP). To join the DRP, please access Itaú Bankline (www.itaubank.com.br) or call us on (xx11) 3003-9285 if you are in capital cities or metropolitan regions or 0800-720-985 for other locations in Brazil.

Subsequent Event:

Strategic Development: Alienation in the Ownership Interest of Elekeiroz S.A.

In line with its investments portfolio review strategy, on March 8, 2018, Itaúsa announced that it granted H.I.G. Brasil Partners I B - Fundo de Investimento em Participações Multiestratégia Investimento no Exterior ("H.I.G.") the exclusive rights to negotiate a possible sale of the ownership interest of Elekeiroz to H.I.G.

On April 26, 2018, Itaúsa announced that it had executed a share purchase and sales agreement with Kilimanjaro Brasil Partners I B - Fundo de Investimento em Participações Multiestratégia Investimento no Exterior, whose funds arise from entities managed by H.I.G. Capital LLC, aimed at selling the total shares of Elekeiroz held by Itaúsa to the Fund, represented by 14,261,761 common and 16,117,360 preferred shares, equivalent to 98.2% and 95.0% of common and preferred shares, respectively, which jointly account for 96.5% of Elekeiroz' total capital stock.

The value assigned to Elekeiroz for this transaction, based on the Company's Total Value, was R\$160 million, and the share sell price will be equivalent to the Company's Total Value" reduced from Elekeiroz' net indebtedness, multiplied by the ownership interest held by Itaúsa in

Elekeiroz at the closing date. At the date this deal is closed, Itaúsa will receive the share sell value, of R\$0.95283 per share, which will be subject to adjustments according to the changes in working capital and net indebtedness of Elekeiroz to be calculated after the deal is closed.

The share sell value may be supplemented, conditioned on: (a) the performance or sale of certain Elekeiroz' assets, including non-operational property; (b) receiving certain surplus assets and having a successful outcome in certain

lawsuits; and (c) the fund ultimately reaching a certain minimum return rate.

This deal will be closed subject to meeting certain conditions precedent customary in such transactions.

Members of the Board of Directors Reelected

At the General Stockholders' Meeting held on April 12, 2018, the six effective members of Itaúsa's Board of Directors and respective three alternates were reelected.

3) ITAÚSA ECONOMIC PERFORMANCE

MAIN INDICATORS OF ITAÚSA'S INDIVIDUAL RESULTS

As a holding company, Itaúsa's results are basically derived from its share of income, determined based on the results of its subsidiaries. Below we present Itaúsa's share of income and result, considering recurring events only (non-recurring events are detailed in the Reconciliation of Recurring Net Income table).

Recurring Share of Individual Income by Area

	01/01 a		01/01 a		R\$ million	
	03/31/2018	%	03/31/2017	%	Change	Change (%)
Financial Sector	2,387	98.6%	2,246	100.4%	141	6.3%
Non Financial Sector	33	1.4%	(9)	-0.4%	42	466.7%
Alpargatas	15	0.6%	-	0.0%	15	n.a.
Duratex	11	0.5%	(4)	-0.2%	15	375.0%
Elekeiroz	13	0.5%	(1)	0.0%	14	1400.0%
Itautec	(1)	0.0%	(5)	-0.2%	4	80.0%
Others	(5)	-0.2%	1	0.0%	(6)	-600.0%
Recurring share of individual income	2,420	100.0%	2,237	100.0%	183	8.2%
Results of Itaúsa - net of taxes	(251)		(375)		124	33.1%
Financial Income / Expenses	(15)		21		(36)	
Dividends / Interest on Capital	41		-		41	
General Administrative Expenses	(13)		(11)		(2)	
Tax Expenses	(284)		(220)		(64)	
Other Operating Revenues	2		3		(1)	
Income Tax / Social Contribution	18		(168)		186	
Recurring Net Income	2,169		1,862		307	16.5%
Non-Recurring results	231		82			
Arising from stockholding interest in Financial Sector	223		81			
Arising from stockholding interest in Non Financial Sector	8		1			
Alpargatas	8		-			
Duratex	-		1			
Net Income	2,400		1,944		456	23.5%

General and Administrative Expenses (G&A)

Taking into account the administrative structure dedicated to Itaúsa's activities, composed of 75 people, G&A totaled R\$21 million in the first quarter of 2018, which accounted for 0.86% of net income for this quarter.

MAIN INDICATORS OF RESULTS OF ITAÚSA CONSOLIDATED

	R\$ million					
	Parent company		Non-controlling interests		Consolidated	
	3/31/2018	3/31/2017	3/31/2018	3/31/2017	3/31/2018	3/31/2017
Net income	2,400	1,944	20	(5)	2,420	1,939
Recurring net income	2,169	1,862	(1)	(7)	2,168	1,855
Stockholders' equity	48,500	46,811	3,028	2,950	51,528	49,761
Annualized return on average equity (%)	19.1%	16.6%	2.7%	-0.7%	18.2%	15.6%
Annualized recurring return on average equity (%)	17.3%	15.9%	-0.1%	-0.9%	16.3%	14.9%

MAIN FINANCIAL INDICATORS

Results per share - in R\$






	3/31/2018	3/31/2017	Change
Net income of parent company	0.32	0.26	22.9%
Recurring net income of parent company	0.29	0.25	16.0%
Book value of parent company	6.49	6.32	2.6%
Dividends/ interest on capital, net	0.08	0.06	23.9%
Price of preferred share (PN) ⁽¹⁾	13.80	9.59	43.9%
Market capitalization ⁽²⁾ - R\$ million	103,136	70,998	45.3%

(1) Calculated based on the average quotation of preferred shares on the last day of the period.

(2) Calculated based on the average quotation of preferred shares on the last day of the period (quotation of average PN multiplied by the number of outstanding shares at the end 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. Net Income, Stockholders' equity and ROE correspond to results attributable to controlling stockholders.

	January to March	Financial Sector	Non Financial Sector				R\$ million
							ITAÚSA
Total assets	2018	1,441,407	3,784	9,196	10,004	460	61,471
	2017	1,323,260	3,734	9,142	n.d.	429	57,260
Operating revenues ⁽¹⁾	2018	43,985	902	1,006	990	257	3,895
	2017	53,957	807	952	n.d.	225	3,505
Net income	2018	6,389	114	31	455	14	2,400
	2017	6,063	186	(8)	n.d.	(1)	1,944
Stockholders' equity	2018	123,031	2,160	4,770	3,881	165	48,500
	2017	119,500	2,126	4,567	n.d.	110	46,811
Annualized return on average equity (%) ⁽²⁾	2018	21.3%	21.0%	2.6%	46.5%	35.3%	19.1%
	2017	20.8%	36.2%	-0.7%	n.d.	-4.1%	16.6%
Internal fund generation ⁽³⁾	2018	14,980	149	197	907	16	119
	2017	17,831	98	198	n.d.	10	(26)
Interest of Itaúsa in companies ⁽⁴⁾⁽⁵⁾	2018	37.51%	27.55%	36.68%	7.65%	96.60%	
	2017	37.29%	n.d.	35.52%	n.d.	96.60%	

(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, Duratex, Elekeiroz and NTS: Sales of products and services.

(2) Represents the ratio of net income for the period and the average equity ((mar + dec'17) / 2).

(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.

4) CAPITAL MARKETS

Traded on B3, Itaúsa's preferred shares (ticker ITSA4) closed the first quarter of 2018 at R\$13.79, a 46.6% increase from the closing price in the first quarter of 2017, whereas Ibovespa, B3's main index, increased 31.4%.

At March 31, 2018, Itaúsa had 77,382 individual stockholders, up 37.6% from March 2017.

The daily average financial volume of preferred shares traded in the first quarter of 2018 was R\$221.5 million, as compared to R\$139.8 million in the same period of the previous year, with a total 1,478 thousand transactions (1,609 thousand in 2017).

Itaúsa Discount

Discount is an indicator of the difference between the market price ascertained for Itaúsa and the theoretical value obtained through the sum of the market values of the parts that compose the Holding Company's investments. The Investor Relations area discloses information on a monthly basis about the discount on the Company's website. To receive it, please register on www.itausa.com.br.

On March 29, 2018, Itaúsa's shares were traded at a 20.5% discount, compared to 26.4% in the same period of 2017.

At the end of the period, market capitalization, based on the price of the most liquid shares (ITSA4), was R\$103,136 million, a 45.3% increase from the same period of the previous year, whereas the total market value of the sum of interests in subsidiaries reached R\$129.851 million.

5) ITAÚSA PORTFOLIO



On January 1, 2018, the new standard IFRS 9 on financial instruments came into force. This standard introduces significant changes in classification and measurement, impairment and hedge accounting. One of the key points refers to the recognition of incurred losses, which will be recorded as expected rather than actual losses incurred, as before.

Corporate Governance

Change in the Board of Directors

On April 25, 2018, Itaú Unibanco held its Annual and Extraordinary General Stockholders' Meeting. At this

annual meeting, stockholders elected 12 members for the Board of Directors, as follows: 11 members were reelected and Ms. Ana Lúcia de Mattos Barretto Villela was elected. The Board of Directors of Itaú Unibanco is composed of 100% non-executive members, of whom 42% are independent members.

Noteworthy is the fact that stockholders were able to take part in the Meeting either in person, by proxy or remote voting form, and 15% of the votes are cast by using the latter.

Strategic Frontlines

Seeking excellence and the creation of differentiated value for its stockholders and other audiences, Itaú Unibanco has defined six strategic priorities with medium and long-term perspectives, which have guided its management, as follows: client centricity, digital transformation, people management, risk management, sustainable profitability, and internationalization. Permeating all those challenges are corporate governance and sustainability.

In this quarter, some significant initiatives in connection with this strategic agenda are highlighted:

➡ Digital Transformation

Apple Pay

A simple, safe and private way to make payments and shop at stores, by apps and on the Internet

Now in April 2018, Itaú Unibanco's clients count on Apple Pay, a new payment way that enable shopping with iPhone, Apple Watch, iPad or Macbook, in a simple, safe and private way, without having to use a plastic card. The bank is the first Brazilian financial institution to offer Apple Pay to its clients. To do so, clients only need to register their Itaucard or Credicard credit cards or Itaú multiple cards that count on 'credit' function enabled in the "Wallet" app of their Apple devices.

Using Blockchain

Pioneering tech use

As part of its digital transformation, in February 2018 Itaú Unibanco adopted the blockchain technology to provide more agility and traceability to the margin call trading process, as these are guarantees that banks receive to mitigate the credit risk associated with unfavorable variations in over-the-counter derivatives markets. These derivatives are financial products traded outside a stock exchange and whose value derives from another asset. As an example, we have a dollar derivative whose value will be based on foreign exchange variation.

Using this technology strengthens the bank's pioneering the search for groundbreaking solutions for the sector. It is worth mentioning that Itaú Unibanco is part of international group R3, which comprises institutions from throughout the world for blockchain practical application analysis.

Internationalization

LatAm Strategic Council

Designed to spearhead the internationalization process

In April 2018, Itaú Unibanco disclosed the creation of the LatAm Strategic Council, an advisory body aimed at intensifying the bank's process of understanding different markets and business to better serve regional clients, identifying opportunities for expanding operations, integrating units and creating value for its stockholders.

Other Highlights

XP Investimentos (XP)

CADE approved the acquisition of a minority interest, reaffirming management independence

In March 2018, the Administrative Council for Economic Defense (local acronym CADE) approved the acquisition of 49.9% of XP announced last year by Itaú Unibanco. This approval is conditioned, among others, on Itaú Unibanco's commitment not to intervene in XP's business management, as well as to avoid possible barriers to the entry and development in the segment of open platforms.

These commitments are in line with the agreement executed with XP's shareholders in May 2017, which provides for that Itaú Unibanco will act as a minority partner and will not influence commercial and operating policies of any company belonging to the XP Group. XP will continue to operate as an open and independent platform, competing freely with other brokers and capital market distributors, including with those controlled by the Itaú Unibanco conglomerate.

This acquisition strengthens Itaú Unibanco's business model, increasing its commissions and fees through minority interest. XP operation, aimed at client experience, its open platform, high growth potential and pioneering, will make the bank's results more robust accordingly.

This acquisition of minority interest is currently under analysis by the Central Bank of Brazil, and is conditioned on its approval.

Selected Financial Information

From January to March 2018, Itaú Unibanco's recurring net income was R\$6.4 billion, up 5.5% from the same period of the previous year.

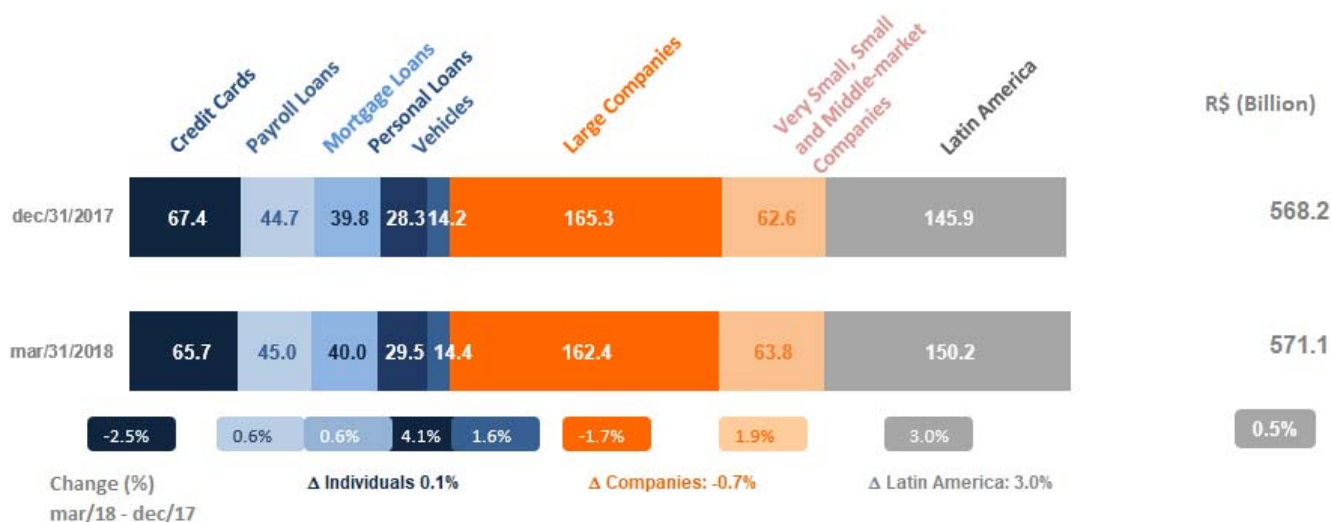
General and administrative expenses increased 2.4% between the first three months of 2017 and of 2018, mainly driven by increases in compensation and benefits, and the bank's risk-adjusted efficiency ratio was 60.8%, down 370 basis points from the same period of 2017.

In this quarter, another highlight was the 7.6% increase in commissions and fees from the first quarter of 2017, mainly those related to current account, fund management, and credit card services.

Loan portfolio reached R\$571.1 billion at the end of March 2018, up 0.5% from December 2017. In the first quarter of 2018, as well as in the previous quarter, the bank recorded increases in the portfolios of loans to individuals and to very small, small and middle-market companies.

Itaú Unibanco is present in 19 countries with a team totaling, at March 31, 2018, 99.6 thousand employees who work focused on customer satisfaction. Employees' fixed compensation plus charges and benefits totaled R\$4.1 billion in the first three months of 2018.

We highlight below Itaú Unibanco's loan portfolio with financial guarantees provided at the end of March 2018:



Capital Management and Distribution of Profits

Aimed at ensuring soundness and capital availability to support Itaú Unibanco’s business growth, regulatory capital levels were kept above those required by the Central Bank of Brazil, as evidenced by the Common Equity Tier I, Tier I, and BIS ratios. Itaú Unibanco intends to keep the minimum level, established by the Board of Directors, at 13.5% for Tier 1 Capital, which must be composed of at least 12% of Common Equity Tier I. For further information, see to “Risk and Capital Management Report – Pillar 3” report on website www.itaubank.com.br/investor-relations > Corporate Governance.

The minimum capital requirement, either regulatory or the one established by the Board of Directors, is directly associated with the percentage of dividends and interest on capital to be distributed to stockholders, and this amount is determined based on the profitability for the year, the prospective use of capital based on the expected business growth, share buyback programs, mergers and acquisitions, and regulatory changes that may change capital requirement, as well as changes in tax legislation. Therefore, the percentage to be distributed may vary every year according to the Company’s profitability and capital demands, and always takes into account the minimum distribution set forth in the Bylaws.

At the end of March 2018, the BIS ratio reached 16.6%, of which: (i) 14.5% related to Tier I Capital, which is composed of the sum of Core Capital and Additional Capital; and (ii) 2.1% related to Tier II Capital. These indicators provide evidence of the bank’s effective capacity of absorbing unexpected losses. The amount of subordinated debt, which is part of Tier II regulatory capital, reached R\$15.8 billion at March 31, 2018.



In the first quarter of 2018, Alparagatas’ consolidated investments to support operations (CAPEX) totaled R\$9.8 million. CAPEX forecast for fiscal year 2018 is R\$157.3 million.

Results

At the end of the first quarter of 2018, Alparagatas’ net revenue totaled R\$902.1 million, up 11.7% from the same period of the previous year.

Consolidated gross profit was R\$408.8 million, up 16.7% from the 1Q17, and gross margin was 45.3%, higher than the 1Q17 by 190 basis points.

Consolidated EBITDA totaled R\$169.1 million, down 31.8% from the first quarter of 2017, and the EBITDA margin was 18.7%. Excluding the impact of non-recurring items in both quarters, consolidated recurring EBITDA for the 1Q18 rose 40.3% and margin was up 290 basis points from the same period of the previous year.

In the first quarter of 2018, the highlight in Alparagatas’ result was the good performance in **Brazil**, whose net revenue increased 22.9% driven by a growth in revenue in all business, particularly in the Flip-flop business. The volume of sales of Havaianas and Dupé flip-flops was up 33.1% from the 1Q17. As the Flip-flop business increased its share in the Company’s revenue and improved profitability, the gross margin in Brazil was 450 basis points higher than the 1Q17. Recurring EBITDA in Brazil increased 175.0% (excluding non-recurring effects, such as the exclusion of ICMS from the COFINS calculation basis in the 1Q17).

The **International Flip-Flops** division recorded a drop in revenues in foreign currencies in most regions, except for LATAM, due to falling volumes. Gross margin was up 130 basis points, even though it was not enough to make up for the lower productivity of operating expenses, which led to a lower EBITDA margin.

In **Argentina**, the 19.0% increase in revenue in Pesos was below local inflation. Gross margin fell 510 basis points due to the impact of poorer manufacturing efficiency on production costs. Excluding the effects of non-recurring items, the EBITDA margin in Argentina was down 420 basis points.

Consolidated net income for the quarter totaled R\$112.8 million, down 37.2% from the 1Q17, with net margin of 12.5%, impacted by non-recurring items in Brazil and in Argentina.

Operating cash generation totaled R\$427.6 million in the 12 months ended March 31, 2018. At March 31, 2018, Alpargatas' net financial position was R\$111.3 million, as a result of a cash balance of R\$709.9 million and indebtedness of R\$598.6 million.



Consolidated investments to support operations totaled R\$80.7 million in the first three months of 2018, of which R\$43.1 million were invested in biological assets and R\$37.6 million in industrial maintenance and projects. CAPEX forecast for 2018 is R\$465.0 million with focus still restricted to business sustainability and productivity growth projects.

In April 2018, CADE approved the sale of land and forests to Suzano, as disclosed in a Material Fact. The first tranche of this business involves the disposal of 9,500 hectares of land and forests to Suzano Papel e Celulose, for the total amount of R\$308.1 million. The result of this transaction will be accounted for in the second quarter of 2018, and the full inflow of cash related to this transaction will be carried out by the end of this year.

Results

Consolidated net revenue for the quarter increased 5.7% from the same period of 2017, totaling R\$1,006.0 million, mainly driven by the greater volume of sales at the **Wood Division**, the successful implementation of rises in prices early in the year, and the integration of Ceusa's results. Of this amount, R\$177.1 million come from the foreign market, via exports and the sale of our operations in Duratex Colombia. Therefore, foreign revenue accounts for 17.6 % of total revenue.

The first quarter of 2018 was positive for the **Wood Division**, boosted by a greater volume of sales in both local and foreign markets. The rise in the price of wood panels, successfully implemented early in the year, and an efficient cost structure have helped this result. Accordingly, gross margin was 27.0%, higher than that recorded in the same quarter of the previous year, as a result of higher operating efficiency. The Wood Division's revenue totaled R\$628.1 million.

The result of **Deca Division** was slightly below the first quarter of 2017, due to the slow recovery of the civil construction sector, the fierce competition, a mix of products concentrated on lower added value products, and high costs. The Company recorded a fall in the volume of sales of approximately 7.9%, mainly driven by a decrease in the sales of bathroom porcelain and electronic showers. Deca Division's revenue was R\$333.5 million, with gross margin of 26.1%. This result was impacted by a second-best mix of products sold in the quarter and the low activity of production lines, which impaired the dilution of fixed costs.

The **Ceramic Tiles** operations, through the Ceusa brand, supplement Duratex's strategy to provide clients with a wider range of solutions. Net revenue for the quarter was R\$44.3 million, as a result of the shipment of 1.3 million square meters of tiles. These operations account for a gross margin of 40.1% in the period. Recurring EBITDA of these operations totaled R\$10.1 million, representing a 22.9% margin.

Consolidated net income for the 1Q18 was R\$30.8 million, which led to a 2.6% ROE. The increase in Duratex's net income was mainly driven by the operational improvement recorded in the period, together with a more favorable financial performance influenced by a drop in interest rates.

The Company's net debt closed the quarter at R\$2,216.1 million, which represents a leverage ratio of 2.79 times (net debt to EBITDA), slightly below that recorded in the same period of the previous year. In spite of the improvement in operations and the business cash generation capacity, this quarter witnessed a series of significant cash outflows, such as the investments made in Viva Decora and Ceusa, in addition to the distribution of dividends and interest on capital.



NTS holds permits to operate 2,050 km of gas pipelines in the Southeast region and has 100% of its transportation capacity of 158.2 million cubic meters per day contracted with Petróleo Brasileiro S.A. through five long-term ship-or-pay contracts.

Results

In the first quarter of 2018, net revenue totaled R\$990 million, with recurring EBITDA of R\$890 million. NTS recorded recurring net income of R\$455 million in the period.

Dividends and Interest on Capital

In the period from January to March 2018, dividends/interest on capital, gross, received by Itaúsa totaled R\$41.2 million, and income from interest on debentures held by Itaúsa totaled R\$11.4 million.

Elekeiroz

The amount of R\$5.9 million was invested in the first quarter of 2018 aimed at supporting the Company's operations.

Results

In the first quarter of 2018, Elekeiroz recorded net income of R\$14.0 million, compared to the loss of R\$1.1 million in the same period of 2017.

Net revenue was up 14% from the first quarter of 2017, totaling R\$257 million, driven by the increase in exports. Domestic sales remained stable, with a slight rise of 1% in the period, and the decrease in volume was made up for by a different mix of products.

Gross profit for the 1Q18 reached R\$41.4 million, up 67% from the 1Q17.

6) PEOPLE MANAGEMENT

Itaúsa Conglomerate had the support of approximately 131,000 employees at the end of March 2018, including approximately 18,000 employees in foreign units and 75 people dedicated to Itaúsa's specific activities.

Products shipped in the first quarter of 2018 were down 8% from the same period of the previous year, with this drop mainly driven by a reduction in the shipment of inorganic products (-11%), due to the scheduled maintenance shutdown of the sulfuric acid plant. The volume of organic products sold fell 4%, partially made up for the 258% increase in exports.

EBITDA for the first quarter of 2018 followed the increase recorded in gross profit and was up 98% from the same period of 2017, totaling R\$21.2 million.

Itautec

Results

The Oki Brasil's Annual Stockholders' Meeting held on March 19, 2018 approved its increase in capital through the issue of 1,374,120 new shares. Itautec has decided to refrain from taking part in this capital increase, and remains as the holder of 1,717,650 shares, now accounting for 10.31% of Oki Brasil's capital stock. This remaining interest will be sold in January 2020 through a put option to be exercised against Oki.

In March 2018, Itautec settled the payment of the financing obtained from the Studies and Projects Financing Agency (local acronym FINEP), and therefore has no debt with financial institutions at the end of the period.

7) 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 related services from our independent auditors is based on the applicable regulations and internationally accepted principles that preserve the auditor's independence. These principles include the following: (a) an auditor cannot audit his or her own 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 January to March 2018, the independent auditors and related parties did not provide non-audit related services in excess of 5% of total external audit fees.

According to CVM Instruction No. 381, we list below the non-audit services provided and related dates:

- January 11 - review of compliance with transfer pricing policies;
- February 1 - review of tax-accounting bookkeeping; and
- February 15 - acquisition of technical material.

Independent Auditors' justification – PwC

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

8) ACKNOWLEDGMENTS

We thank our stockholders and clients for their trust, which we always try to pay back by obtaining results differentiated from those of the market, and making available quality products and services, and our employees for their talent, which has enabled the sustainable growth of business.