



ITAÚSA
Investimentos Itaú S.A.

Annual Report 2004

ITAÚSA

Profile



Itaúsa - Investimentos Itaú S.A., is a pure holding company which is listed on the stock market and controls the second largest privately-owned Brazilian business group in terms of gross revenues – R\$ 33.8 billion in 2004. It defines, centralizes and aligns the vision for the development and management of the businesses, the commercial values which direct their activities and the broad strategies, including the financial strategies of the companies it controls. At the same time, it preserves the operational autonomy of each company, allowing them to adopt specific strategies according to the demands of their respective operating areas. The companies operate in the following areas: finance (financial market, capital markets, insurance, private pensions and capitalization), industrial (electronic and information technology for consumers, wooden panels, porcelain and metal fixtures for bathrooms, chemicals) and real estate.

Itaúsa 's alignment means that all companies apply the same basic directives these are: the diffusion of a single organizational culture, respect for individuals, appreciation of human capital, business ethics, accounting standards, creation of shareholder value in a continuous, sustainable form, solidity, and drive for expansion, based on technology and production. The selection and interchange of the best management practices within the group companies, the creation of competitive differentials, and the incessant pursuit of positive differentiated results in all the companies has become second nature.

The Itaúsa companies are committed to the sustainable development of Brazil in every way possible, while ensuring the growth and sustainability of their own business. They operate in a rigorously ethical and transparent way which allows society to see exactly how the Organization meets its commitment.

In the name of this transparency, all the main operating companies controlled by Itaúsa – Duratex, Itaútec Philco and Elekeiroz – have established codes of conduct. Banco Itaú has maintained a rigorous code of conduct since it was founded and in 2000 it reinforced its commitment to society by publishing its Code of Ethics.

The quality of Itaúsa 's management and its results led to it being listed on the Dow Jones Sustainability World Index (DJSWI) for the second consecutive year. This index evaluates large international companies by their economic value, corporate governance practices, and social, cultural and environmental policies.

At the end of 2004, Itaúsa had stockholders' equity of R\$ 17.2 billion and assets of R\$ 134.2 billion. Net income reported for the year amounted to R\$ 4.1 billion and the market capitalization came to R\$ 14.6 billion.

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Chairman's Message

Economic Outlook

Brazil's economic growth in 2004 was the best for 10 years, with GDP rising by more than 5%. This recovery resulted in higher employment and income, with the creation of around 1.5 million jobs by December, and greater demand for goods and services. The year was also marked by a strong upturn in investments, which rose by 10.9%, and an export boom which brought a record trade surplus of US\$33.7 billion and a current account surplus of US\$11.7 billion (2% of GDP).

Another positive factor was a fall in inflation to 7.6%, as measured by the Amplified Consumer Price Index (IPCA). The Central Bank has set an inflation target of 5.1% for 2005. Efforts to reduce rising prices intensified from September and led to increases in the base interest rate (Selic) to 17.75% p.a. by the year-end.

Despite the reversal of the trend towards lower interest rates, free credit increased by 12.7% in real terms, rising from R\$241.3 billion (14% of GDP) in December 2003 to R\$271.9 billion (14.8% of GDP) in December 2004. It is worth highlighting the increase of 19.8% in loans to private individuals. Loans to corporate bodies rose by 8.1%. The higher credit was accompanied by a reduction in default levels which fell from 13.8% to 11.7% for private individuals and from 4.0% to 3.1% for corporate entities. These figures point to a positive outlook.

Growth in 2005 will depend on the continuity of the fiscal adjustment and the performance of the external sector. In 2004, the fiscal adjustment increased the primary surplus from 4.25% to 4.61% of GDP. This led to a fall in the public debt/GDP ratio from 57% in January to 51.8% in December and put the accumulated public debt over 12 months below 3% of GDP for the first time since 1994.

We now believe that the Brazilian economy is less vulnerable to external risks, such as the devaluation of the dollar, higher oil prices and any fall in the price of export commodities.

All Itaúsa's business areas grew and great steps were taken forward in corporate governance.

This led to us appearing in the Dow Jones Sustainability World Index for the second year, putting Itaúsa among a select group of 318 companies in the world.



Itaúsa

Against this favorable economic background in Brazil, all Itaúsa's business areas reported growth. The conglomerate's consolidated gross revenues for 2004 totaled R\$33.8 billion while net income came to R\$4.1 billion. These were increases of 21.5% and 24.2% respectively over the 2003 results and were equivalent to a return on stockholders' equity of 23.7%.

Confidence in the Brazilian economy encouraged Itaúsa to make investments of R\$2.2 billion, 50.1% higher than in 2003. Priority was given to investments in technology in the financial and industrial areas, with the largest share going to Banco Itaú.

We are proud to announce that, for the second consecutive year, Itaúsa appeared on the Dow Jones Sustainability World Index (DJSWI) of companies recognized for their adoption of differentiated practices of corporate governance and social, cultural and environmental responsibility. This index includes 318 companies from 24 countries chosen from among the 2,500 largest companies listed by market capitalization on the Dow Jones Global Index.

We made marked new advances in corporate governance. Banco Itaú Holding Financeira (Itaú), which also appears on the Dow Jones Sustainability World Index, created an independent Audit Committee. This was in anticipation of the Sarbanes-Oxley law which increases the controls over companies listed on the New York Stock Exchange. Duratex opened the way to being listed on the São Paulo Stock Exchange (Bovespa) at Corporate Governance Level 1 by eliminating the Beneficiary Parts conditions. This change will be carried out over a four-year period and came as a positive surprise to the market. Duratex is also increasing its minimum dividend from 25% to 30% of net income.

For Itaú, the year was marked by the expansion of credit, which recorded an accumulated increase of 19.5% over the year, and by its focus on client service. These priorities will be maintained in 2005 and involve three large operations: 1) the launch of the consumer credit house Taií, with its own brand and identity, aimed at providing loans to non-accountholders from the "C" and "D" economic classes. At the end of 2004 there were 30 stores concentrated in São Paulo and Rio de Janeiro and the goal for 2005 is to open another 120 stores in the main Brazilian cities; 2) The partnership with Companhia Brasileira de Distribuição (CBD) of the

Grupo Pão de Açúcar supermarket chain to provide exclusive differentiated financial products and services to the clients of CDB's 555 stores throughout Brazil; 3) The increase to 50% in the Bank's stake in Credicard, thereby assuming the market leadership in the credit card issuing sector, and the acquisition of Orbital.

Itaú's revenues rose to R\$30.1 billion and net income amounted to R\$3.8 billion, providing a return on stockholders' equity of 27%. The Basle index, which measures the solvency ratio, was 20.6%, well above the limit of 11% established by the Central Bank. Itaú also strengthened its leadership position among Latin American banks and had the highest stock market capitalization – R\$44.1 billion (US\$16.6 billion).

In the industrial area, Duratex consolidated a five-year cycle of investments during which R\$890 million was spent on expanding capacity. This will allow the company to take advantage of the opportunities when the economy recovers, particularly in wood products. Revenues rose by 20% to R\$1.2 billion and net income amounted to R\$125.3 million, 95.7% higher than the previous year. There was a strong cash generation with EBITDA amounting to R\$311.4 million, an increase of 38.6%.

Itautec Philco confirmed its vocation as an innovative company by winning, for the fourth consecutive year, the most important design prize in the world in the technological area – the iF Design Award, presented in Hanover, Germany. Other products which received awards were the Mini PoS, a compact cash machine with a monitor for sales points, and the Tira-Teima.Net, the most modern and compact terminal for consulting prices by bar coding. The company has a diversified line of products – banking and commercial automation machines, information technology, electro-electronics, components and services. Net revenues came to R\$1.5 billion, 17.8% higher than the previous year, with net income of R\$22.5 million.

Elekeiroz commemorated 110 years of existence with record return on equity of 24.6%. The net revenues of R\$704 million were 26% higher than the previous year and net income more than doubled from R\$37.2 million to R\$70.8 million. One of the highlights of the year was the start of an investment project to modernize the production lines at the Camaçari complex. These include a new line of 2-ethylhexanoic acid which should come into operation in the second semester of 2005. This product, which is currently imported in its entirety, is used in the paint and coatings industries, a sector in which Elekeiroz has a large presence.

While the group companies concentrate on sustaining their business activities, they also play their part in developing society in three ways: business, social and environmental. In this area, we would highlight the initiatives of the Itaú Social Foundation (Fundação Itaú Social) and the Itaú Cultural Institute (Instituto Itaú Cultural). Both have helped develop Brazil by focusing their activities on projects aimed at improving education and making culture more widely accessible to the population at large.

Although the economic outlook for 2005 is positive, we believe we will create the conditions needed for consistent long-term results regardless of the economic background. This certainty derives from the support of our shareholders, the dedication and commitment of our employees, and the confidence of our clients, all of whom we thank for the results we have achieved.

Yours sincerely,

Olavo Egydio Setubal
Chairman of the Board of Directors

Results and Performance Indicators

Main Indicators of the Companies Controlled by Itaúsa

R\$ thousand	Year	Financial and Insurance Area		Industrial Area			Consolidated/ Conglomerate (2)
		Banco Itaú Holding Financeira Consolidated	Insurance, Pension Plan and Capitalization (1)	Duratex	Itaotec Philco	Elekeiroz	
Total Assets	2004	130,338,643	15,302,720	1,812,552	949,165	492,463	134,232,984
	2003	118,737,862	11,228,307	1,668,115	982,973	440,961	122,330,235
Operating Revenue (3)	2004	30,063,311	7,518,958	1,188,226	1,502,491	703,971	33,775,017
	2003	24,791,306	5,883,143	989,602	1,275,581	554,860	27,801,294
Net Income	2004	3,775,616	736,950	125,293	22,527	70,839	4,069,389
	2003	3,151,820	664,553	64,017	10,403	37,187	3,277,284
Stockholders' Equity	2004	13,971,082	3,246,204	990,436	326,990	287,436	17,198,877
	2003	11,879,208	2,427,419	936,591	313,178	235,020	14,759,584
Annualized Return (Net Income/ Stockholders' Equity) %	2004	27.02%	22.70%	12.65%	6.89%	24.65%	23.66%
	2003	26.53%	27.38%	6.84%	3.32%	15.82%	22.20%
Permanent Assets	2004	3,118,823	1,593,149	1,156,683	169,860	225,074	4,627,885
	2003	3,208,592	1,368,116	1,104,146	197,089	216,516	4,676,623
Investment in the Period	2004	2,015,902	106,321	139,343	32,299	29,876	2,173,204
	2003	1,261,935	455,085	172,850	29,183	10,448	1,447,529
Internal Fund Generation (4)	2004	9,587,404	2,854,244	212,741	83,851	86,896	10,016,024
	2003	8,774,634	2,529,777	138,884	78,531	56,201	9,000,791
Dividends Paid	2004	1,372,564	212,460	58,110	8,715	20,414	1,474,607
	2003	1,107,949	194,009	25,700	8,715	11,020	1,227,972
Personnel Expenses	2004	3,573,445	128,000	240,415	259,275	55,092	4,146,613
	2003	3,376,103	122,047	215,011	213,253	40,230	3,862,780
Voluntary Benefits	2004	258,065	14,940	14,704	6,883	5,503	285,183
	2003	191,344	9,910	14,343	5,963	3,164	214,662
Number of Employees	2004	45,316	2,009	5,951	5,234	787	57,288
	2003	42,450	1,871	5,829	5,046	770	54,095
Taxes Paid and Provisioned	2004	3,362,678	300,767	288,951	135,354	20,221	3,886,996
	2003	2,606,985	244,131	223,237	155,752	35,949	3,070,980

(1) Data related to insurance, pension plan and capitalization companies are consolidated in Banco Itaú Holding Financeira S.A. and are also presented separately to highlight them.

(2) Data related to consolidated/conglomerate are net of consolidation eliminations and unrealized income from intercompany transactions.

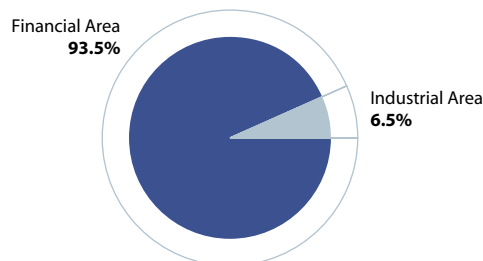
(3) Following a worldwide trend, Operating income by area of operation was obtained as follows:

- Banco Itaú Holding Financeira S.A.: totality of Income from financial intermediation, Income from services rendered, Income from insurance premiums, Capitalization and Pension plans and other operating income.
- Insurance, pension plan and capitalization: taking into consideration Income from insurance premiums, Capitalization, Pension plan, Financial income and Capital gains.
- Duratex, Itaotec Philco and Elekeiroz: taking into consideration net revenue from sales of products and/or services.

(4) Covers resources arising from operations:

- Plus expenses from allowance for possible loan losses;
- Not taking into consideration changes in mathematical provisions for capitalization and pension plan and considering the changes in unsettled claims, credits and debts from insurance operations and deferred selling expenses from insurance, pension plan and capitalization.

Income Breakdown



Main Indicators of Itaúsa Consolidated Results

	Parent Company		Minority stockholders		Conglomerate	
R\$ thousand	2003	2004	2003	2004	2003	2004
Total Net Income	1,561,263	1,962,392	1,716,021	2,106,997	3,277,284	4,069,389
Recurring Net Income	1,823,275	2,646,772	2,014,894	2,686,890	3,838,169	5,333,662
Extraordinary Results	(262,012)	(684,380)	(298,873)	(579,893)	(560,885)	(1,264,273)
Stockholders' Equity	7,636,181	8,879,419	7,123,403	8,319,458	14,759,584	17,198,877
Annualized Return (Net Income/ Stockholders' Equity) (%)	20,45	22,10	24,09	25,33	22,20	23,66
Dividends/Interest on Own Capital	613,283	696,775	614,689	777,832	1,227,972	1,474,607

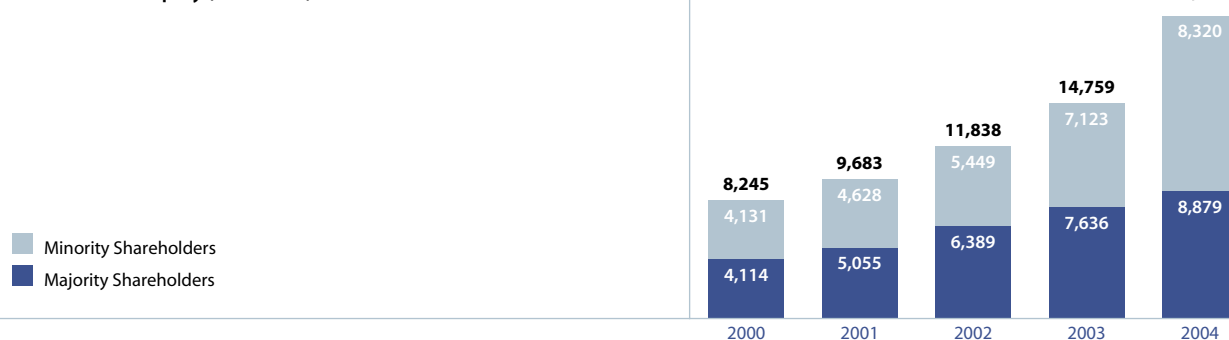
Main Financial Indicators

Results per lot of 1,000 shares - in R\$	2003	2004	Change (%)
Net Income	486,66	608,58	25.05
Book Value	2,380,29	2,753,68	15.69
Price per Common Share (ON) (1)	3,303,85	4,578,75	38.59
Price per Preferred Share (PN) (1)	3,214,50	4,509,52	40.29
Market Capitalization (2) - in thousands of R\$	10,418,238	14,624,742	40.38

(1) Based on the average quote during the month of December of each year.

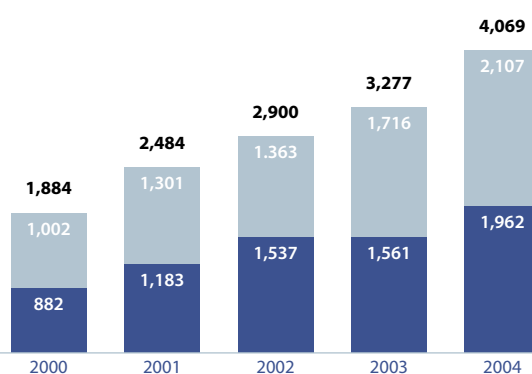
(2) Calculated on the basis of the average quote of the shares during the month of December of each year.

Shareholders' Equity (R\$ million)



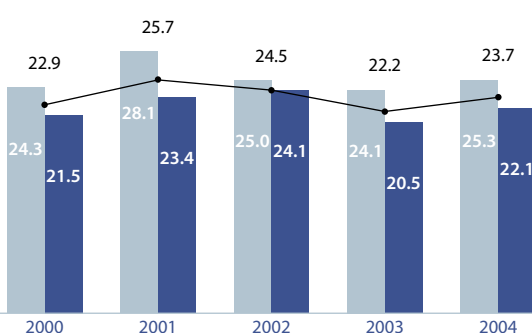
Net Income (R\$ million)

Minority Shareholders
Majority Shareholders



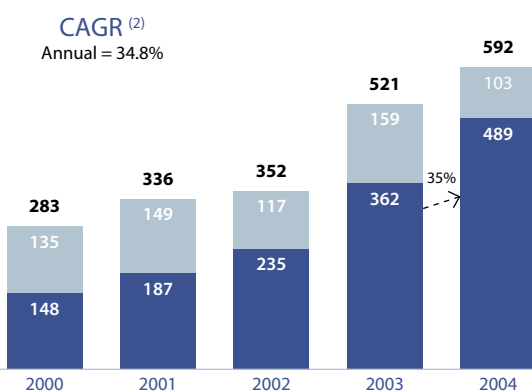
Return on Net Equity (%)

Minority Shareholders
Majority Shareholders
Conglomerate



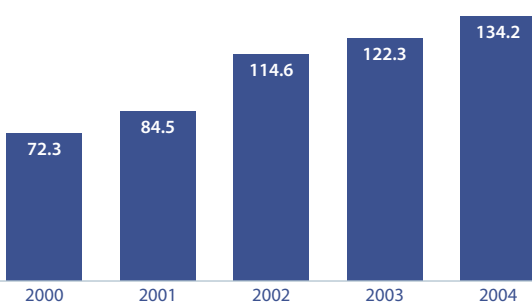
Dividends/Interest Paid on Own Capital ⁽¹⁾(R\$ million)

Dividends Paid Net of Capital Increase
Capital Increase



⁽¹⁾ Net of IRRF tax
⁽²⁾ CAGR Compound Annual Growth Rate

Total Assets (R\$ billion)



Capital Markets and Share Performance

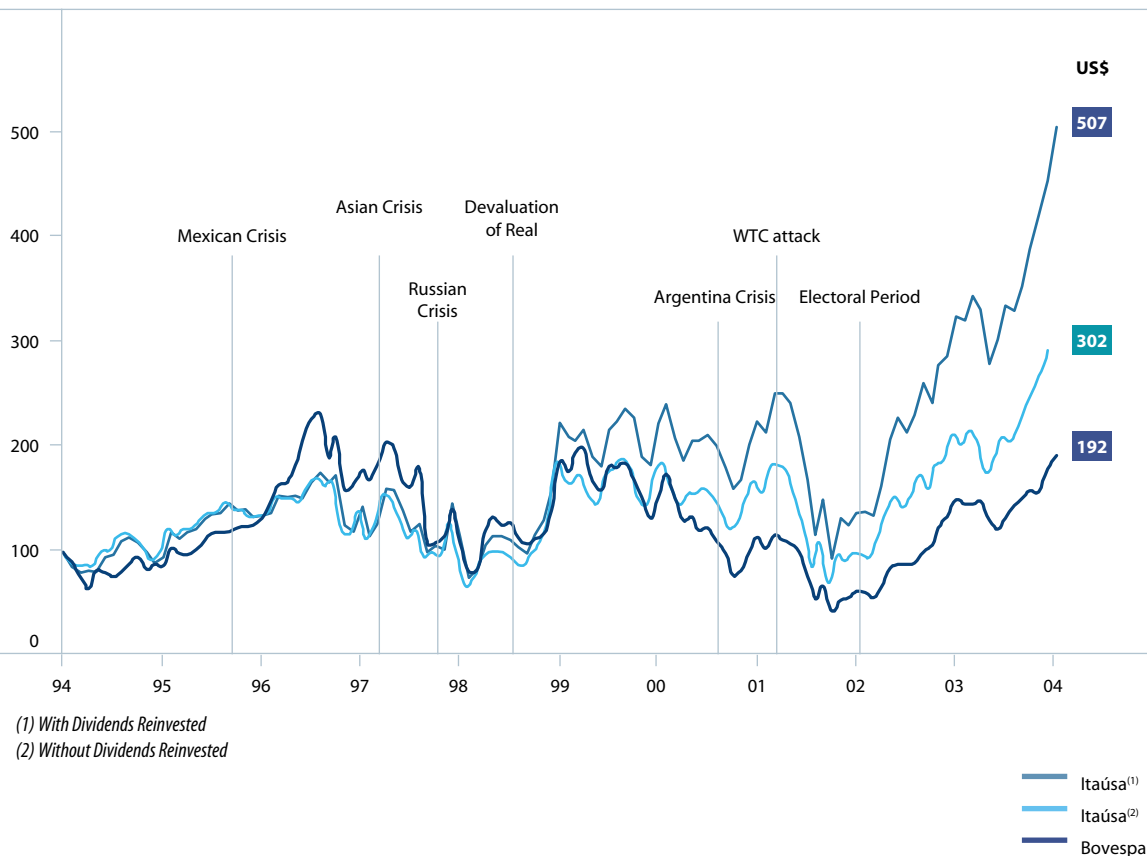
Itaúsa's preferred shares appreciated in dollar terms by 55.7% on the São Paulo Stock Exchange in 2004. The Ibovespa index registered a variation of 28.2% during the same period. By the end of the year, Itaúsa's market value amounted to R\$14.6 billion, 40.4% higher than in 2003.

Over the last 10 years, the Company's preferred shares have risen annually by an average of 17.62% in dollar terms, in cases where the dividends were reinvested, and by 11.69%, where no reinvestment was made. During the same period, the Ibovespa theoretical portfolio, which includes the most traded shares, rose by 6.75% in dollar terms.

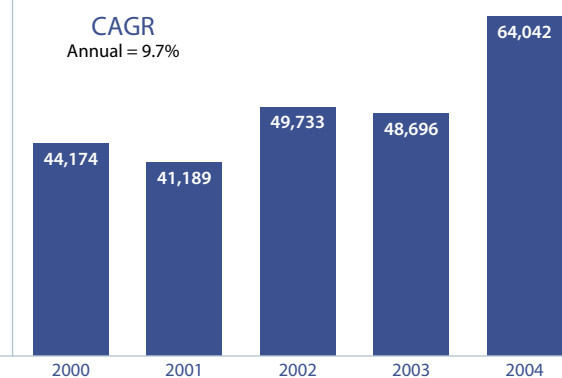
Appreciation of Preferred Shares - Performance of US\$100 invested on December 30, 1994 until December 30, 2004

Average Annual Appreciation in Dollar Terms

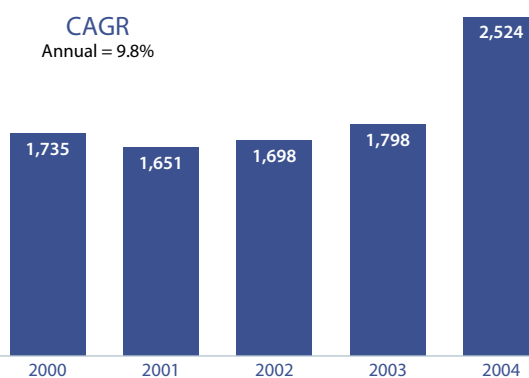
	Itaúsa ⁽¹⁾	Itaúsa ⁽²⁾	Ibovespa	Itaú ⁽²⁾
10 years	17.62%	11.69%	6.75%	18.32%
5 years	17.77%	11.22%	0.65%	11.65%
2004	55.67%	47.22%	28.23%	51.32%



Number of Trades



Trading Volume (R\$ million)



Shareholders' Remuneration

Itaúsa has remunerated its shareholders since 1998 through the payment of interest on own capital. The difference compared with the payment of dividends lies in the fiscal effect of interest on own capital, which has a positive impact on the result, thereby creating value for the shareholder.

The Board of Directors is proposing the payment of R\$592.2 million for the 2004 reporting year, equivalent to 25.1% of the net income for the period.



Risk Management

The companies which make up Itaúsa maintain a strict risk management policy, aimed at ensuring the solidity and sustainability of their businesses. The approach taken by the financial area is to pursue the best risk-return relation. The evaluation is based on risk analysis tools, using the Value at Risk (VAR) methodology which takes into account prefixed limits in carrying out business as well as the overall background. The aim is to add value to the capital employed and provide information and protection to the client's investments. The industrial area aims to eliminate or minimize the loss potential from associated or operational factors.

Banco Itaú Holding Financeira (Itaú) anticipated the new Basle Capital Agreement, which comes into effect in 2007, and adopted the new rules to monitor and dilute risks. Its capital allocation models rigorously obey those laid down by the Basle Committee. The analysis is made through a data bank containing historical information going back more than three years. The monitoring allows the Bank to have a consolidated view of the risks, thereby making its decisions more flexible and safer.

The internal policy also includes following the rules governing capital reserves for prefixed operating risks and exposure to foreign currency, according to the norms and models established by the Brazilian Central Bank.

Itaú takes the following risks into consideration:

- **Market** – Risks arising from the variation in the value of assets and liabilities caused by uncertainty and changes in prices and market rates (interest rates, shares, currency exchange rate and commodity prices);
- **Credit** – Risks caused by uncertainty over whether the loan will be repaid at the committed amount. The Bank uses statistical models to calculate the potential loss in the loan portfolio. The analysis is based on the quality and concentration of the portfolio as well as the risk classification of the clients involved;
- **Liquidity** – Risks brought about by the level of reserves being below the obligations. Itaú protects itself from this risk by constantly monitoring and analyzing assets and liabilities in order to maintain adequate reserve limits for all its operations;
- **Operational** – Risks represented by internal losses caused by inadequate management or external factors. The Bank constantly updates and reevaluates its management processes to minimize losses. Various kinds of insurance policies aim to provide protection from external factors.

The industrial area tries to eliminate or minimize possible losses arising from changes on the market and restrict operating risks. The companies focus their risk management on the following areas:

- **Market** – The constant pursuit of lower operational, financial and administrative costs is part of the risk management policy. In the consumer sector, product lines with items of greater added value provide protection against fluctuations in sales volume. The companies also pay great attention to consumer trends to try and find niches in the more profitable markets;



Exchange Rate – The risk from a debt in foreign currency and importing input items and raw materials. This exposure is reduced or annulled by hedge operations and revenues from exporting companies;

Inventories – The efficient management of inventories controls and reduces the risk of obsolescence and the financial cost of the operation;

Operational Credit – With a portfolio distributed among thousands of clients throughout Brazil, the companies face a low risk of loss from the loans conceded. At the same time, a committee evaluates client loans at Itaútec Philco and Duratex, based on the analysis of balance sheets and the performance of the sector, amongst other factors. Debts which are overdue by 60 days (Duratex) and 90 days (Itaútec Philco) are provisioned 100% as bad debts;

Operational – These are covered by insurance policies for different kinds of risk (material damage, civil responsibility, etc.). Preventative maintenance programs ensure good conditions in the industrial area, and reduce losses and the need for possible stoppages;

Technological – Investments in research and development are the main methods of combating the risk of obsolescence in the Company;

Environmental – The companies comply rigorously with environmental legislation. They treat their waste, emissions and effluents, reuse and recycle water and material, as well as using the minimum quantity of natural resources and energy possible. Duratex's forestry management is carried out in such a way as to reduce the impact on the soil and the flora and fauna.

Corporate Governance

Itaúsa is constantly working to improve and diffuse good corporate governance practices, thereby bringing transparency to its shares, respect for its investors and the widespread disclosure of its results. As a result of this approach, the Company appeared in the Dow Jones Sustainability World Index (DJSWI) for the second consecutive year in 2004. This index highlights companies with the ability to create long-term value for their shareholders, have qualified management and are committed to social, cultural and environmental responsibility. The holding company was also one of the first Brazilian corporations to adhere to Corporate Governance Level 1 on the São Paulo Stock Exchange and appear on the Corporate Governance Index (IGC).

The Dividend Reinvestment Program was launched in 2004 and benefits Itaúsa and Banco Itaú Holding Financeira (Itaú) shareholders by allowing the automatic reinvestment of their dividends in the purchase of the company's preferred or common shares. The year was also marked by efforts to adapt the Conglomerate to the Sarbanes-Oxley law, which establishes a series of rules to be followed by companies which have their shares traded on the New York Stock Exchange. This law comes into effect in 2006.

Itaúsa has granted owners of preferred shares tag-along rights since 2002, guaranteeing them the right to receive 80% of the amount paid to the controlling shareholders should the company be sold through a public offer. Itaú, Duratex, Itaútec Philco and Elekeiroz also guarantee this right to their shareholders.

In 2002, Itaúsa adopted a new form of Market Notice, according to the Brazilian Securities and Exchange Commission (CVM), but opted to go beyond the legal demands. In 2002, it also established a policy on the trading of its own shares and set up Disclosure and Trading committees which administer this area and are subordinate to the Board of Directors.

Itaúsa held a meeting with the Association of Capital Markets Analysts and Investment Professionals (Apimec) in 2004 to present the results of all the companies controlled by the holding company. It also has an Investor Relations site and has promoted the publication of its quarterly results in the print media and on the Internet since 1997. Teleconference calls on its quarterly results have been held since 2001.

The companies which are part of the Itaúsa holding company follow the parent company's corporate governance practices.

Itaú is listed on the Bovespa at Corporate Governance Level 1 and was also listed on the Dow Jones Sustainability World Index (DJSWI) for the fifth consecutive year. In 2004, it established a single Audit Committee for the Itaú financial conglomerate, with three members who are independent of the executive management. The initiative is in line with Resolution No. 3,198 of the National Monetary Council, the Sarbanes-Oxley (SOX) law and the Securities and Exchange Commission (SEC). In 2004, it also started adapting itself to comply with Section 404 of the SOX, by examining, testing and documenting internal controls.

In 2004, Duratex adopted measures to strengthen the capital structure, preserve the rights of minority shareholders and prepare for listing on the São Paulo Stock Exchange (Bovespa) at Corporate Governance Level 1. It is worth highlighting the gradual extinction of the Beneficiary Parties conditions which guarantee the holders of securities issued in 1964 a share of 10% of the company's annual net income. This participation will be reduced by 2.5% annually until the right becomes extinct in 2006. The Company also announced that the minimum dividend should increase to 30% of net income instead of the 25% foreseen until then.

Advances in the Corporate Governance Area

2000	2001	2002	2003	2004
Duratex _Increase in free-float _Investor Relations area created Itaú _Member of the Dow Jones Sustainability World Index (DJSWI) _Investor Relations website established _Code of Ethics established	Itaúsa and Itaútec _Investor Relations site established Itaúsa and Itaú _São Paulo Stock Exchange Level 1 of Corporate Governance listing Itaú _Election of Non-executive directors to the Board of Directors _Member of the DJSWI Duratex _Awarded Apimec São Paulo Silver Prize Itaúsa _1 st Apimec Meeting	Itaúsa _1 st Teleconference for Analysts held Itaútec _Investor Relations area created Itaú _Member of DJSWI _Best Corporate Governance in Latin America (CLSA) _Awarded Animec Listed Companies Seal _Honorable Mention in Corporate Governance in Latin America (IR magazine)	Itaúsa, Itaú, Duratex, Elekeiroz and Itaútec Philco _Tag-Along Rights for all shareholders _Disclosure Policy introduced Itaúsa and Itaú _Trading Policy introduced Itaúsa _Awarded Animec Listed Companies Seal Itaú _Investor Relations Professional (Apimec Award) Itaúsa and Itaú _Members of the DJSWI _Best Corporate Governance in Emerging Markets (Euromoney magazine)	Itaúsa and Itaú _Members of the DJSWI Itaú _Audit Committee meets international standards _Adoption of Equator Principles Duratex _Beneficiary Parts rights eliminated and dividend increased to 30%

Independent Auditors

The policy of Itaúsa – Investimentos Itaú S.A., its subsidiary companies and group companies for the engagement of non-audit services from our current independent auditors is based on internationally accepted principles to preserve the independence of the auditor. These principles consist of: (a) the auditor should not audit his own work; (b) the auditor should not perform managerial roles for his client; and (c) the auditor should not promote the interests of the client.

During the period, PricewaterhouseCoopers Auditores Independentes was engaged by Banco Itaú Holding Financeira S.A. to provide audit related services to enable compliance with the rules set forth by the Sarbanes-Oxley Act, Section 404, in the amount of R\$1,730,000, which represents 13.9% of total fees paid by the Group.

During this period, PricewaterhouseCoopers Auditores Independentes did not provide to Itaúsa - Investimentos Itaú S.A. or its subsidiary companies any services unrelated to the external audit which had fees that exceeded 5% of total external audit costs.

Intangible Assets

The companies which Itaúsa controls share a series of specific or common qualities which bring competitive differentials and put them in outstanding positions in their operating markets and sectors.

Brands

Itaúsa promotes constant attention to its companies' brands, products and services with the aim of adding value which clients notice. The Group's leading brands include Itaú, Duratex, MaDeFibra, Durafloor, Durawall, Deca, Hydra and Personnalité.

Overseeing and increasing the value of the brands is carried out through publicity campaigns and merchandising, to keep them in the public eye and improve their quality aspects. Banco Itaú took an important step in brand management in 2004 by changing the layout and frontages of its branches.

To increase the value of its brands, Itaúsa also invests constantly in developing products and services which are different from those offered by the competition and improve the companies' relationships with their strategic clientele.

In 2004, the Itaú brand was once again considered to be the most valuable in Brazil, according to a survey carried out by the British consultancy Interbrand. The value of the Itaú brand rose from US\$1.093 billion in 2003 to US\$1.204 billion.

Technological Developments

The Itaúsa Group companies must accompany the technological advances in their respective operating sectors in order to maintain their market competitiveness.

Itaú has an extremely wide and diversified client portfolio and made large investments in technology to ensure the continuous improvement in the products and services it provides to the public. In 2004 alone, it invested more than R\$1 billion.

Itautec Philco invested R\$55.6 million in 2004 (9.9% more than in the previous year) in technological development, consolidating its position as a benchmark in innovation and design, and creating competitive advantages. In addition, a laboratory was built, in partnership with the Federal University of Pernambuco, to measure the processing capacity of the servers.

Duratex added more technology to its industrial units with the acquisition of a new ceramic kiln and the introduction of softwares to maintain equipment and the management of inventories and shipments. It launched over 100 new products in metal and bathroom fittings in 2004 and 25 wood model. This shows the attention the Company pays to the interests and needs of its consumers.

Elekeiroz will begin enjoying the advantages from its R\$170 million investment in the Camaçari unit. This project will be extended over a three-year period and be funded by the Brazilian National Economic and Social development Bank (BNDES) and Banco do Nordeste do Brasil (BNB). It includes a new production line for 2-ethylhexanoic acid. The line will have its own technology and use part of the assets which are currently idle. The company invested R\$30 million in the Várzea Paulista plant. Much of this investment was used to automate the sulfuric acid unit during the scheduled bi-annual maintenance and will end the first cycle of the automation of the main productive areas of the industrial complex. At the same time, the company signed a partnership with DSM Composite Resins AG, a leading European company in the unsaturated polyester resins sector. This agreement will bring access to innovative products and more advanced technologies.

Acknowledgements

The awards and recognition received by the group companies are also ways of increasing the value of the brands, as well as testifying to the seriousness, honesty and responsibility of the companies' operations. Among the various awards made in 2004, the following are worth noting:

Banco Itaú Holding Financeira

- Best Bank in Brazil – elected the best bank in Brazil by *Euromoney*, *The Banker*, *Latin Finance* and *Global Finance* magazines.
- Best Bank in Latin America – awarded by *Emerging Markets* magazine.
- The Ten Most Respected Global Companies – awarded by PricewaterhouseCoopers and the *Financial Times*.
- Most admired company in Brazil – leader in the retail banking and insurance categories (third consecutive year) and Private Pensions (second time) by *Carta Capital* magazine.
- Best company in terms of Corporate Governance in Brazil – awarded by *Euromoney* magazine (second consecutive year).
- Best Corporate Governance in the Financial Institutions category – awarded by *Institutional Investor* magazine.
- Best Investor Relations of Financial Institutions in Latin America – awarded by *Institutional Investor-Research Group*.
- Best Investor Relations in Brazil in the Sell Side category - *Institutional Investor*.
- Melhores da Dinheiro 2004* (Best Companies of Dinheiro magazine 2004) – best in the Insurance, Pension and Capitalization category; best in Financial Sustainability Indicator category in the ranking of *IstoÉ Dinheiro* magazine.
- Considered one of the 10 model companies in Brazil – Good Corporate Citizenship Guide of *Exame* magazine.
- Best Social Responsibility Marketing for the Writing the Future Program – awarded by the *Referência e Mídia Marketing* publisher.

Itautec Philco

- iF Design Award (Hanover, Germany) – Promoted by IF Design, for the Mini PoS system and the Tira-Teima Net price reader.
- Excellency in R&D – Awarded by *Informática Hoje* magazine for the launch of the first orthopedic mouse in the world with optic technology.
- Best Company in the Technology Equipment Sector – *IstoÉ Dinheiro* magazine.
- Info – Best image and cost benefit in TVs – *InfoExame* magazine
- Honorable Mention and Design – the Casa Brasileira Museum
- Best attendance – VipLine Philco, awarded by *Home Theater* magazine
- Info – awarded by *InfoExame* magazine for the best image for the Philco Plasma TV with a 32-inch screen.

Duratex

- Worldstar – World Packaging Organization (WPO) – Deca Bathroom Metals awarded the packaging prize for kitchen taps in the home solutions (domestic equipment) category.
- The Pini Prize – For the 10th consecutive year, the Company was awarded the prize as the market leader in bathroom porcelain and metal fittings by *Construção* magazine, published by Pini. Also awarded a prize in the laminated floor category (Durafloor).
- Top Company – Awarded the *Casa e Mercado* magazine prize for the innovative character of the bathroom metals and porcelain lines.
- Top of Mind – *Casa e Mercado* magazine mentioned the Durafloor floor as the one which was recalled most spontaneously by consumers.
- Top of Brands – Consumers interviewed by the *Projeto e Design* magazine chose Duratex as the brand they most remembered.
- Best Product of the Year – *Revenda e Construção* magazine carried out a survey of construction material retailers who elected the Vogue Plus line, in porcelain, and the Hydra valve, in metal bathroom fittings, as the best products of the year in their respective categories.

Elekeiroz

- TOP 4 Alpargatas Prize – Distinction awarded for not having any delivery refused by the company over the last three years.
- Paint & Pintura Prize – First Prize in the 8th award of *Paint & Pintura* magazine in the Raw Materials for Resins and Emulsions category.
- Quality Prize for Suppliers of Raw Material for Paints – Social Responsibility Category – Coatings, Paints and Varnishes.

Human Resources

The companies controlled by Itaúsa operate policies aimed at the constant strengthening of the personnel management processes in order to attract, develop and retain talented people who identify with and are committed to the Organization's values. Employees are encouraged to further their learning and plan their careers. The Group develops corporate educational initiatives designed to train its employees, on an individual and team basis.

At the end of 2004, the companies within Itaúsa employed 57,288 people. Staff remuneration, combined with the social contributions and benefits, totaled R\$3.4 billion. The social benefits for employees and their dependents totaled R\$566 million and covered supplementary retirement pensions, food vouchers, medical and dental assistance, social assistance, study grants, leisure activities, sport and culture, loans at subsidized interest rates, insurance, transport vouchers, donations and special concessions, amongst other.

The Group companies also distributed R\$444 million to employees in 2004 within the Profits and Results Sharing scheme.

Itaúsa's policy of variable remuneration includes bonuses for company executives. The different business sectors have variable remuneration policies linked to the results, taking into consideration the objectives, goals and skills. By so doing, the Organization tries to ensure that executives are committed to the aims of their respective companies while simultaneously recognizing the efforts made to turn these objectives into reality.

The Group companies are also concerned with social inclusion for their employees. This can be seen through the hiring of employees with special needs. There were 900 employees in this category at Itaú in 2004, an increase of 20.5% over the previous year. This is the direct result of a specific program to provide these people with opportunities.

Itaúsa also operates a policy of hiring young people as trainees and apprentices. Under an agreement with the São Paulo state government, the Bank provides work grants to young people aged from 16 to 21 who are studying at medium-grade. Although they are not employees, the participants in the program have the right to benefits such as meal tickets and travel vouchers.

All the companies recruit trainees from universities who are studying specific courses related to the Group's activities. After undergoing a rigorous selection process, the approved candidates can complement their professional learning with practical experience. All the trainees are evaluated regularly. At the end of the training period, the most successful students join the workforce as trainees providing there are vacancies available.



Education and Training

Part of Itaúsa's personnel management policy is to train employees in their working areas. The group companies also help employees to study at graduate and postgraduate level by paying part of the study costs. Employees are also encouraged to learn languages. At the same time, the Organization encourages the exchange of knowledge and experiences, through partnerships with teaching institutions and research and educational centers in Brazil and abroad. Investments in educational, training and professional improvement programs totaled R\$49 million in 2004.

Itaú established MBA programs in Strategic Management Operations in Banks, Financial and Risk Management and a specialist course in Insurance and Pensions. The commercial and operating areas receive specific skills training.

The group's industrial companies emphasize operating and managerial training to prepare employees for the challenges of the market. Elekeiroz maintains a Continuous Education Program, designed to raise the educational level of its employees. The Program ranges from the basic grade for those employees who did not have time to study, to language and postgraduate courses.

Among the highlights of the professional improvement initiatives at Itaútec Philco were the training and development of sales staff, the 5S and 6 Sigma total quality programs, negotiating, statistical process control, and environmental and project management. Itaútec Philco's Educational Center trained around 4,000 technicians over a period of 124,000 hours-lesson, through the hiring of outside instructors, support and logistics staff.

The training and skill-building courses at Duratex include outsourced support staff (retail, hydraulic installers, carpenters and technical assistance services) as well as the company's own employees. The various training courses benefited 42,945 employees in 2004.



Social Responsibility

Clients

Improving the quality of their products, services and client attendance has always been a goal for the Itaúsa companies. The Organization uses its contacts with the consumer as a way of checking client satisfaction and detecting how products and services can be enhanced, with the aim of providing continuous improvement and growing client satisfaction. One way of ensuring better service is by the continuous training of employees so they can respond quickly and correctly to client demands and maintain the companies' image of being committed to transparency and the rights of clients and consumers.

Both Itaú and the industrial companies which produce consumer goods (Itautec Philco and Duratex) have direct client attendance channels by phone, mail or the Internet. The telephone services areas carry out regular surveys to measure client satisfaction levels. In corporate image surveys, clients and society saw Banco Itaú as a solid, modern, profitable and socially responsible institution.

In 2004, Banco Itaú increased attendance capacity in its Bankfone Client Support and Talk to Us services and also reinforced relations with consumer rights bodies, the Brazilian Central Bank and the press. The Bank received ISO 9001/2000 quality certification in 2004 for its attendance to the public via the Internet. This means that Itaú now has certification for all its consumer support and rights services. It was the only financial institution in Brazil to be recognized by Société Générale de Surveillance (SGS), the largest inspection, verification, analysis and certification organization in the world.

The special attention given to client service led to the creation of the Attendance Coordination Management in May 2004. This area will be responsible for constant improvements in client attendance. Itaú also completed the implementation of the instant attendance service in cases where clients questioned amounts, the first bank to do so in Brazil. Problems are resolved promptly after being communicated so that the client does not suffer losses.

Service was also improved for people with special needs. Besides the equipment and facilities for easy access, these people now have a specially-trained team to attend them quickly, regardless of whether or not they are Itaú clients. At the end of 2004, 97% of the Bank's branches were adapted to receive people with special needs or mobility problems.

The industrial area has specific client-relationship programs. These include Philcommerce, which makes awards to the best retailers of Philco products and Vip Line which is directed at consumers of high-end audio and video products. There are also training and assistance programs for large consumers of Duratex products and Deca brands (bathroom fixtures) and Hydra brands (metal bathroom fittings).

At Itautec Philco, demands received by telephone are listed and analyzed by a committee representing all areas of the company (Product, Plant, Commercial, Services, Legal and Marketing). The group hold regular meetings at which it evaluates complaints, identifies the specific causes of the problems under discussion, proposes corrective measures and examines suggestions. It also considers the trend for the company's products and services, in order to anticipate the market and attend consumer concerns, above all in product development. The committee also analyzes the results of the monthly client-satisfaction surveys.

Client attendance at Duratex is carried out separately by the Wood and Deca divisions (bathroom fittings and metals). The Company is guided by the concept of providing the consumer with solutions and constantly trying to surpass the requirements of the Consumer Defense Code. The sales, promotion and technical assistance areas use direct communication channels with the plant and the product development sector, in order to convey clients' impressions and problems quickly. This procedure resolves problems quickly, creates standardized solutions and brings the feedback needed for the development of products. Besides providing free attendance by telephone (0800) and the Duratex website, clients also have access to the company via the technical assistance network available throughout Brazil.

Suppliers

The Itaúsa companies only maintain business relations with suppliers which share their principles in respecting the law, tax and fiscal regulations, society, business ethics and the environment. Contracts are only made with companies which do not employ child labor – except in cases foreseen in law, such as apprentices – and with suppliers which agree to submit themselves to technical norms and security inspections.

Banco Itaú ended 2004 with approximately 18,000 registered suppliers. This was a rise of around 25% and clearly shows the Bank's intention of registering all private service providers with which it does business.

The industrial companies also use a wide range of suppliers, many of which are international. All are submitted to technical criteria and quality standards. These suppliers must provide quality or environmental certifications whenever these are required or recommended by the nature of the operation.

Employees of contracted companies are submitted to specific training programs, as well as being integrated into the operational procedures. The training covers operating and safety questions, the use of individual protection equipment and the observation of international certification standards, such as the ISO 9001 and ISO 14001 norms.

Each of the industrial companies maintains a procedural protocol for handling dangerous substances. This is made available to contracted suppliers whose employees come into contact with these materials for technical or operational reasons.

Social Activities

Itaúsa bases its relationship with the community on respect and the belief that, in a democratic state, everyone should be involved in the creation of wealth and the reduction of social inequality. Itaúsa also believes that the problems and difficulties experienced by Brazil cannot be addressed without the active collaboration of the main private business concerns. At the same time, no company can be considered successful by just providing its products and services but must also provide the society of which it is part with prospects for better economic and social conditions.

All the Itaúsa companies carry out campaigns to encourage citizenship, and encourage their employees to take part in voluntary activities. This is done through helping voluntary institutions, participating in campaigns to donate food, clothes, school, hygiene and cleaning materials, and participating in health programs and cultural initiatives.

Social programs at Itaú are carried out with the help of the Itaú Social Foundation (Fundação Itaú Social). This is one of the main instruments the Bank uses to implement its social responsibility activities.



The main projects the Itaú Social Foundation developed in 2004 were:

Regional Educational Meetings

Starting Date: 1996

Coverage: throughout Brazil

Aim: to train members of NGOs registered in the Itaú-Unicef Prize and help improve their activities, as well as their interaction with schools and other sectors of society.

Held 11 meetings with 1,268 representatives of NGOs and public bodies, indirectly benefiting around 165,000 children and adolescents, and 22,000 instructors and members of NGOs.

Investment: around R\$1.7 million

Writing the Future Program

Writing the Future Prize

Starting date: 2002

Coverage: throughout Brazil

Aims: to help improve the quality of teaching, teacher training and developing pupils' writing skills.

10,544 schools from 2,430 municipalities in all Brazilian states were registered, involving 25,377 teachers and more than one million pupils.

Investment: around R\$5.7 million

Learning Managers Projects

Starting date: 2002

Coverage: throughout Brazil

Aims: to help NGO members and public employees plan and carry out initiatives which complement those of the schools.

Directly benefited: 383 members of 199 NGOs, and 125 public employees.
Indirectly benefited: around 29,000 children and adolescents.

Investment: R\$168,000

Improving Education in the Municipality Program

Starting date: 1999

Coverage: Brazilian municipalities with low Human Development Index (IDH) ratios.

Aims: to advise the municipal teams from government institutions and non-government organizations to develop educational initiatives which strengthen the municipality's activities, so they can provide basic education of a higher quality, creating a network in favor of teaching by mobilizing communities and establishing collective solutions for the educational problems discovered in the municipal systems.

Implemented in 184 municipalities in 5 Brazilian states (São Paulo, Bahia, Piauí, Pernambuco and Paraíba).

Directly benefited: 514 educational administrators (secretaries of education, educational technicians, directors and coordinators from schools, counselors and civil representatives).
Indirectly benefited: around 335,000 pupils.

Investment: R\$1 million

Itaú Voluntary Program

Starting date: 2003

Coverage: The central administration areas of Banco Itaú

Aims: to strengthen citizenship and encourage social participation, raise awareness about the importance of social responsibility, strengthen the Banks' commitment to community initiatives, support those areas of the Bank with community initiatives, structuring the volunteer programs, and integrating the volunteer employee within the structure of the Itaú Social Foundation.

Program implemented in the central administration of the Bank, with 156 employees taking part in the Itaú Social Foundation Program and supporting the activities of NGOs.
The pilot project for the branch network has been initiated.

Investment: around R\$120,000

Young People's Urban Program

Starting date: 2004

Coverage: Municipality of São Paulo – Brasilândia and Campo Limpo regions

Aims: To provide education for young people living on the peripheries of large cities, in partnership with NGOs which operate in these communities. The program aims to improve the levels of schooling, encourage the young people to take part in regular school activities, conclude their basic and medium-grade studies and allow them to develop basic skills in their personal and professional lives, expand their cultural and social horizons, and prepare them for the labor market.

Directly benefited: 480 young people aged between 16 and 24, living in areas of high risk to adolescents.
Indirectly benefited: 26 members of 10 NGOs (instructors and coordinators)

Investment: around R\$1.2 million

Cultural Activities

The Itaú Cultural Institute (Instituto Itaú Cultural) promotes and publicizes Brazilian culture in Brazil and abroad. It operates in different areas and develops continuous and integrated projects which value artistic production and increase access to culture. These activities help form citizens as well as recognize Brazil's cultural diversity.

Investments totaling R\$25 million were made in 2004, of which R\$9.6 million were due to the incentive provided by the Rouanet law on culture.

The importance of the Chronicle in the Classroom Program (*Crônica na Sala de Aula*), designed to train teachers in the public school network, was recognized by the 2004 Good Corporate Citizen Guide published by *Exame* Magazine.

The Ways Program (*Rumos*) received 1,656 applications and included 80 projects in the music, cultural journalism and audio-fiction literature categories. This program was created in 1997 and aims to identify and expand artistic production through discussions between cultural representatives, artists, researchers and institutions. The Ways Caravan (*Caravana Rumos*) held seminars and meetings on cultural administration and creation in 29 towns and cities and also presented artistic events. The Question Sessions (*Encontros de Interrogação*) directed at literary production culminated in the launch of the magazine *Rumos Literatura*. The Ways project also held the International Cultural Journalism Seminar and showed videos and documentaries on dance, cinema and video.

The Itaú Cultural Institute headquarters hosted three temporary exhibitions. The Price of Seduction – From Corsets to Silicon (*O Preço da Sedução – Do Espartilho ao Silicóneo*) on the ideal of feminine beauty was visited by more than 120,000 people. The Artificial Emotion 2.0 (*Emoção Artificial 2.0*), on the political use of technology, its growing presence in every day life and impact on society, was seen by around 128,000 spectators. The Everything is Brazil (*Tudo é Brasil*) exhibition was presented at the Cultural Institute after appearing at the Imperial Palace in Rio de Janeiro. It showed historical and contemporary works by 34 Brazilian artists.

The Institute promoted the showing of two cultural programs on television: (Ideas Game) *Jogo de Idéias*, transmitted on the educational TV network in 14 Brazilian states, and Guerrilla (*Guerrilha*), shown by TV Cultura of São Paulo.

The Itaú Theater Encyclopedia (*Itaú Cultural de Teatro*) was launched in 2004. This is a digital reference work containing 600 definitions on the theatre in São Paulo and Rio de Janeiro from the 1930 until today. It is an important contribution to Brazilian theater and is accessible to the whole population.

Environmental Management

Equator Principles

Banco Itaú's environmental management is based on the Equator Principles, a series of directives on project finance established by the International Finance Corporation (IFC), a body within the World Bank. Abiding by the principles is a voluntary act and shows the Group's commitment to economic development which preserves the environment. Under the Equator Principles, loans are only made to projects which have been shown to be economically, environmentally and socially viable.

The Bank also carried out an internal campaign which successfully reduced water consumption by 17% and energy consumption by 4% over the previous year.



Environmental Preservation

Integrating their productive activities with environmental conservation is the main principle of Itaúsa's industrial companies. Duratex, Itaútec Philco and Elekeiroz are guided by the concept of sustainability in their businesses. This involves the rational use of natural resources and the preservation of the environment in order to ensure a balanced and enduring economic development. This concept also includes the constant pursuit of technological advances which promote the improved quality of products and services, lower costs and less use of natural resources, as well as management and operating practices which promote higher productivity and less waste.

The products from the industrial areas aim to make consumers' lives better, easier and more comfortable but this cannot be done at the expense of the environment. For this reason, Itaúsa's industrial companies are concerned with cleaner industrial processes, lower consumption of energy, non-polluting solutions and nature preservation programs.

Itaútec Philco has ISO 14001 certification, which testifies to its standards of excellence in the environmental management of its plants at Tatuapé (São Paulo) and Manaus (Amazonas state). This environmental concern is also seen in the Company's participation in the Internal Environmental Management Commission (Ciga) of the Center of Amazon Industries. This body aims to encourage debate on environmental questions with the government and community on themes such as waste treatment, recycling etc. Through its Jundiaí plant, the Company is also a member of the Environmental Committee of the Brazilian Printed Circuit Association (Abraci).

Duratex's forestry area has ISO 14001 certification for the planting of eucalyptus and the production of seedlings at its nursery. It also has certification from the Forest Stewardship Council (FSC), one of the most highly respected environmental certifications in the world. The FSC covers 87% of the forests cultivated by the Company.

Duratex owns approximately 90,000 hectares of land and forest which ensure that the production of wood panels is sustainable. The adoption of modern practices of planting, using fertilizers and cutting, combined with an average distance of 55 kilometers from the forestry units to the production plants gives the Company an important cost differential.

The principles which the Itaúsa industrial companies follow include:

- _____ Respecting the relevant environmental legislation;
- _____ Preventing occurrences of pollution and ensuring the continuous improvement in environmental indicators linked to its operations;
- _____ Managing industrial waste, reducing its generation as far as possible, optimizing its reuse and recycling;
- _____ Disclosing environmental educational initiatives, ensuring that its internal and external employees are committed to behaving responsibly in conserving the environment;
- _____ Maintaining continuous communication on environmental questions with interested parties;
- _____ Establishing, reviewing and accompanying environmental objectives and targets.



Since 1992, Elekeiroz has been a signatory to the "Responsible Activities" world program for chemical companies. The program is administered and inspected in Brazil by the Brazilian chemical companies' association ABIQUIM.

The Group's investments in the environmental area amounted to around R\$14.8 million in 2002. This sum includes the adoption of new technologies, the purchase of equipment and the construction of installations to treat the industrial units' effluents and solid waste.

Waste

These investments led to gains from reusing materials, lower costs in waste disposal and less harmful effects to the environment. Among the most successful examples are the water reuse program at Duratex's bathroom fittings production unit in Jundiaí (São Paulo state). The installation of new collecting, treatment and distribution systems led to 60% of the water from the productive process being reused by the end of 2004. This and other advances in environmental management led to a reduction of 11.4% in the plant's total water consumption (23.5% of the reduction came from the productive process). Reusing material brought a reduction of 12.5% in the volume of solid waste disposed of in landfills.

Itautec Philco has an Environmental Preservation Awareness Program based on the 3 Rs: reduce, reuse, and recycle. The program aims to reduce the use of natural resources and implement the correct separation and disposal of the waste products before sending them to the Environmental Management area. In 2004, 984,000 kilos of recyclable material such as paper, cardboard, plastic and metal were collected and packaged for recycling. This was 70% higher than the previous year and reflects the employees' teamwork and awareness.

Duratex has committees which are responsible for approving service suppliers in order to ensure that waste is disposed of correctly and safely. The Company is also seeking to increase the reuse of products. The Deca Division is reusing around 20% of materials used in the manufacture of porcelain bathroom fittings and this ratio should increase to 35% in 2005. Other initiatives include the sale of sub-products to grape growers, energy generation, and the manufacture of fertilizers and soap.

The introduction of a new productive technology at Duratex's Botucatu plant led to a reduction of 27.3% in water consumption per product in 2004. The company has also made efforts in the forestry area through constant investments in research to obtain better genetics and control of pests, amongst other aspects. It is also adopting management practices which reduce the use of the land for cultivation and the application of fertilizers and agricultural protective products.

The expansion of the concept of selective collection to improve the disposal of the waste increases reuse and reduces disposal costs and the effect on the environment. It also includes a training program to help employees identify waste and dispose of it correctly. This program brought gains in efficiency of more than 90% in the Deca Division.

Effluents

Itautec Philco maintains a water project at its plant in Jundiá. The aim is to reuse the waste water through a system of reverse osmosis. This initiative led to savings of 12% in consumption in 2004, despite an increase in production. Regular campaigns are held throughout the Company to raise employee awareness. Water and energy consumption measures are made daily and accompanied on a monthly basis.

Duratex's Wood Division's industrial area's treatment of effluents efficiency indices are comparable with the highest environmental standards in the world.

Elekeiroz began operating its own effluent disposal system at the Várzea Paulista plant through a four-kilometer long pipeline which takes the effluent directly to the municipal water treatment station at Jundiá. Through this initiative, the company has anticipated plans by the local authorities to mobilize companies in the region to improve the quality of the water in the Jundiá river basin.

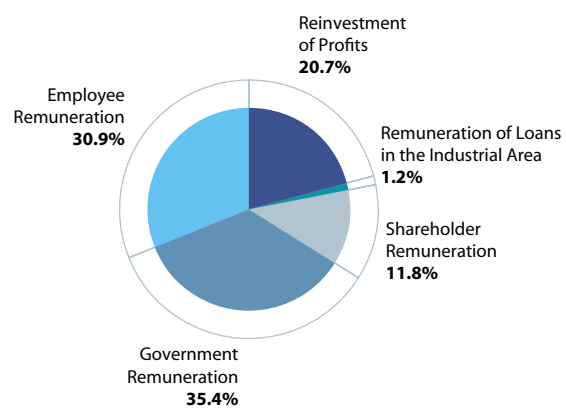
Although Elekeiroz uses the services of a specialist effluent treatment firm at its plant in Camaçari (Bahia state), the company also has its own treatment system which reduces the waste created in the industrial operations.



Statement of Added Value

	Amount (R\$ thousand)		Participation (%)	
	2004	2003	2004	2003
Sales of Products and Services, Net of Cost of Materials, Services of Third Parties and Others (A)	7,706,717	6,399,308	–	–
Result of Financial Intermediation (B)	10,461,279	9,298,952	–	–
Result of Insurance, Pensions and Capitalization Operations (C)	780,449	746,976	–	–
Other Operating Revenues/Costs (D)	(6,411,770)	(5,817,582)	–	–
Added Value (E=A+B+C+D)	12,536,675	10,627,654	–	–
Employee Remuneration (F)	3,875,214	3,649,636	30.9	34.3
Government Remuneration (G)	4,443,578	3,498,786	35.4	32.9
Shareholder Remuneration (H)	1,474,607	1,227,972	11.8	11.6
Majority Shareholders	696,775	613,283	5.6	5.8
Minority Shareholders	777,832	614,689	6.2	5.8
Remuneration of Loans in the Industrial Area (I)	148,494	201,948	1.2	1.9
Reinvestment of Profits (J)	2,594,782	2,049,312	20.7	19.3
Majority Shareholders	1,265,617	947,980	10.1	8.9
Minority Shareholders	1,329,165	1,101,332	10.6	10.4
Distribution of Added Value (K=F+G+H+I+J)	12,536,675	10,627,654	100.0	100.0

Distribution of Added Value



Main Economic and Social Indicators

(Amounts in R\$ thousand)

1 – Calculation Base	2004 Amount			2003 Amount		
Net revenues (NR)	33,775,017			27,801,294		
Operating result (OR)	7,876,778			5,921,631		
Gross payroll (GP)	4,146,613			3,862,780		
2 – Internal Social Indicators	Amount	% of GP	% of NR	Amount	% of GP	% of NR
Food	247,928	5.98	0.73	224,111	5.80	0.81
Mandatory social charges	866,080	20.89	2.56	770,886	19.96	2.77
Private pension plans	32,481	0.78	0.10	41,301	1.07	0.15
Health	131,844	3.18	0.39	113,628	2.94	0.41
Safety and workers' health	2,637	0.06	0.01	14,125	0.37	0.05
Education	4,392	0.11	0.01	3,984	0.10	0.01
Transport	29,607	0.71	0.09	0	0.00	0.00
Culture	678	0.02	0.00	354	0.01	0.00
Professional training and development	46,579	1.12	0.14	40,711	1.05	0.15
Day care and child assistance	15,738	0.38	0.05	14,727	0.38	0.05
Profits and results sharing	388,164	9.36	1.15	321,696	8.33	1.16
Other Benefits	54,491	1.31	0.16	49,141	1.27	0.18
Total – Internal social indicators	1,820,619	43.90	5.39	1,594,664	41.28	5.74
3 – External Social Indicators	Amount	% of OR	% of NR	Amount	% of OR	% of NR
Education	19,417	0.25	0.06	19,465	0.33	0.07
Culture	27,967	0.36	0.08	32,140	0.54	0.12
Health and sanitation	1,134	0.01	0.00	3,630	0.06	0.01
Sport	62	0.00	0.00	0	0.00	0.00
Recreation and entertainment	180	0.00	0.00	138	0.00	0.00
Child day care	20	0.00	0.00	0	0.00	0.00
Food	1,277	0.02	0.00	299	0.01	0.00
Others	26,616	0.34	0.08	12,472	0.21	0.04
Total of contributions to society	76,673	0.98	0.22	68,144	1.15	0.24
Taxes (excluding social charges)	3,886,996	49.35	11.51	3,070,980	51.86	11.05
Total – External social indicators	3,963,669	50.33	11.73	3,139,124	53.01	11.29
4 – Environmental Indicators	Amount	% of OR	% of NR	Amount	% of OR	% of NR
Investments related to company's production/operations	13,083	0.17	0.04	8,579	0.14	0.03
Investments in programs and/or external projects	1,736	0.02	0.01	2,490	0.04	0.01
Total environmental investments	14,819	0.19	0.05	11,069	0.18	0.04

5 – Workforce Indicators

2004

2003

No. of employees at the end of year

57,288

54,095

No. of employees hired during year

5,463

4,599

No. of trainees

1,187

609

No. of employees over 45

7,743

6,756

No. of women employees

25,894

24,119

% of management positions held by women

31.35%

29.34%

No. of black/mixed race employees

6,572

6,267

% of management positions held by black/mixed race employees

5.59%

5.20%

No. of handicapped or employees with special needs

1,512

1,225

6 – Information on exercise of corporate citizenship

2004

Goals 2005

Total number of work-related accidents

861

–

The social and environmental projects developed by the company were established by:

Directors

Directors

Safety and health standards in the work place were established by:

Directors and Managers

Directors and Managers

In terms of union representation and collective bargaining rights, the companies:

Follow the ILO norms

Follow the ILO norms

The private pension plan includes:

All employees

All employees

The profits and results sharing scheme includes:

All employees

All employees

In selecting suppliers, the same ethical and social responsibility standards adopted by the companies:

Mandatory

Mandatory

In terms of employee participation in voluntary work programs, the companies:

Give support

will give support

Total added value to be distributed (R\$thousand)

2004: 12,536,675**2003: 10,627,654**

Distribution of Added Value (DAV):

Employees

30.9%

34.3%

Government

35.4%

32.9%

Shareholders

11.8%

11.6%

Financing in Industrial Area

1.2%

1.9%

Reinvestment of Profits

20.7%

19.3%

Financial Services Area



Banco Itaú Holding Financeira

Banco Itaú Holding Financeira (Itaú) is one of the largest financial institutions in Brazil. It has 11.8 million clients and plays an active role in all areas of the country's business life through its main subsidiaries, Banco Itaú and Banco Itaú BBA. Itaú controls all the Itaúsa conglomerate's activities in the financial services area and its strategic long-term vision focuses on profitability and the creation of shareholder value. Its main priorities in 2005 will be the expansion of the loan portfolio to private individuals and small and medium-sized companies, as well as controlling costs to achieve greater efficiency.

Itaú's activities in the consumer credit area in 2004 were reinforced through three large operations: I) the launch of the finance company Taií, with its own brand and identity, aimed at providing loans to people from the "C" and "D" social classes who are not Itaú accountholders; II) the partnership with Companhia Brasileira de Distribuição (CBD) of the Grupo Pão de Açúcar supermarket chain, to provide exclusive financial products and services to the clients of CBD's 555 stores; III) the increase in the Bank's stake of Credicard, thereby assuming the leadership in the credit card issuing sector, with a market share of around 20%. This transaction increased Itaú's credit card base to 3.8 million clients. The Bank also increased its stake in the credit card processing company, Orbitall, from 33.33% to 100%.

Itaú and Banco BMG signed a cooperation agreement to expand their activities in the private individual segment. An agreement was also signed with Banco Intercape S.A. for the acquisition of its vehicle financing portfolio for private individuals and its sales promotion company.

Itaú's balance sheet at the end of 2004 showed strong capitalization, outstanding revenue diversification, rigorous cost control and a conservative risk management policy.

Itaú still has the highest stock market value of any Latin American bank – R\$44.1 billion, an increase of 44.8% over the year.

Itaú's attendance network consisted of 3,073 branches and service points and 653 electronic service points inside companies. The ATM network totaled 21,150 machines. More than two billion transactions were carried out through ATMs, telephone, fax, Internet, automatic debit systems and purchases by debit card.

Main Indicators

Results – R\$ million	2003	2004	Variation (%) (2003/2004)
Gross Revenue from Financial Intermediation	9,224	10,200	10.6
Revenues from Services and Insurance, Pension Plans and Capitalization	10,129	12,398	22.4
Administrative and Taxation Expenses (except ISS, PIS and Cofins) (1)	8,770	9,014	2.8
Operating Income	5,714	7,342	28.5
Recurring Consolidated Net Income	3,717	4,870	31.0
Consolidated Net Income	3,152	3,776	19.8
Results per Share in 2004 – R\$ (Other years by 1,000-share lot)			
Consolidated Net Income	27.66	33.33	20.5
Book Value	104.25	123.34	18.3
Interest on Own Capital	9.72	12.11	24.6
Price of PN Share – Nominative Preferred (2)	267.26	389.26	45.6
Market Capitalization – R\$million (3)	30,453	44,092	44.8
Balance Sheet – R\$ million			
Total assets	118,738	130,339	9.8
Total Loans (Including Sureties and Guarantees)	44,581	53,275	19.5
Own, Third Party and Managed Funds	183,627	211,238	15.0
Subordinate Debt	4,814	4,765	(1.0)
Consolidated Stockholders' Equity	11,879	13,971	17.6
Capital Base (4)	17,185	19,806	15.3
Financial Indices (%) p.a.			
Recurrent Return on Stockholders' Equity	31.3	34.9	-
Return on Stockholders' Equity	26.5	27.0	-
Return on Assets	2.7	2.9	-
Efficiency Ratio (5)	54.5	52.4	-
Solvency Ratio (Basle Index) (6)	19.8	20.6	-
Fixed Assets Ratio (6)	25.0	27.4	-

(1) Includes Personnel Expenses, Other Administrative Expenses, Tax Expenses for CPMF and Other Taxes and Other Operating Expenses.

(2) Based on the average price in December.

(3) Calculation based on the average price of the preferred shares in December.

(4) Capital base, calculated according to Resolution 2837 of the Brazilian Central Bank of 05/30/2001, based on the consolidated business and financial position.

(5) Calculated according to international criteria.

(6) Position on December 31.

Itaúsa Portugal

The Itaú conglomerate's activities in the European Union are concentrated in the holding company, Itaúsa Portugal, SGPS, S.A. The consolidated assets of Itaú Portugal amounted to €2.4 billion (R\$8.7 billion) at the end of the year, 6% higher than in 2003. Consolidated net income and stockholders' equity came to €29.5 million (R\$106.8 million) and €316.2 million (R\$1,144 million) respectively, with a return of 9.6% on stockholders' equity. Itaúsa Portugal is the sole owner of Banco Itaú Europa S.A., based in Lisbon. In turn, Banco Itaú Europa S.A. owns 100% of the capital stock of Banco Itaú Europa Luxemburgo S.A. and 51% of the 16.1% stake the Itaú group holds in Banco BPI S.A.

Banco Itaú Europa's positive results in 2004 reinforce its strategic direction, confirmed by the increase in assets and return on investment, high liquidity and solvency ratios.

The expansion of the different business areas diversified sources of revenue. It is worth noting the financial margin of the loan operations, the performance of the capital markets, treasury and international private banking areas, and the stake held in Banco BPI. Net income amounted to €30 million (R\$109 million), 27.1% higher than in 2003. The efficiency ratio was 32.4%.

Banco Itaú Europa's consolidated business, including assets and guarantees, amounted to €2,719 million (R\$9,841 million), a rise of 13.9% over 2003. The highlights were corporate loan operations which came to US\$720 million (R\$1,911 million). Itaú Europa has been operating in concert with the market segmentation structure of the Itaú Group, expanding its corporate and middle-market client bases, providing structured foreign trade and capital market products, and supporting the investments of European companies in Brazil.

The Bank's investment grade status has allowed it to diversify its liabilities by issuing medium and long-term eurobonds on the international capital markets on competitive terms to support its clients' business flows. In July 2004, Itaú Europa led the issue of a three-year eurobond of €200 million (R\$728 million), along with ING and HypoVereinsbank. The success of the operation was also due to the Bank's capital market trading desk in London.

The synergies which resulted from the incorporation of Itaú Europa Luxemburgo into the Bank accounted for 26.6% of its banking output in 2004. This subsidiary continued to expand its private client base. Assets under management came to US\$2.1 billion (R\$5.6 billion) by the end of the year.

The associate company, Banco BPI, which is the holding company for one of Portugal's largest banking groups, had total assets of €24 billion (R\$87 billion), stockholders' equity of €1.2 billion (R\$4.3 billion) and net income of €174 million (R\$630 million) at the end of 2004.

Industrial and Real Estate Area



Duratex

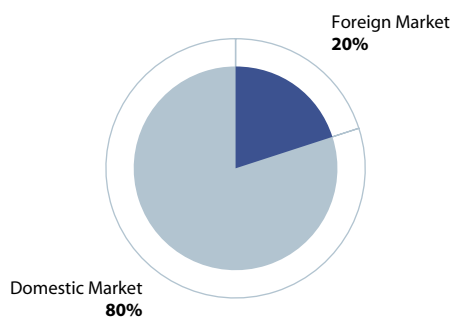
Duratex is the market leader in wood and metal bathroom fixtures products and has a leading position in the porcelain bathroom fixtures sector. It has eight industrial plants (seven in São Paulo and one in Rio Grande do Sul) and uses the most advanced technology in the production of wood and porcelain items and metal bathroom fittings.

Duratex's consolidated gross revenues amounted to R\$1,580.6 million in 2004 with net revenues of R\$1,188.2 million, increases of 26.0% and 20.1% respectively over 2003. Exports totaled US\$57.5 million, 23.7% higher than in 2003. The operating result before financial income increased by 43% to R\$237.2 million and cash generation (EBITDA) came to R\$311.4 million, 38.6% above the 2003 figure. Net income amounted to R\$125.3 million, 95.7% higher than in 2003 and brought a return on equity of 12.6%. This was a substantial increase over the previous year when the ROE came to 6.8%.

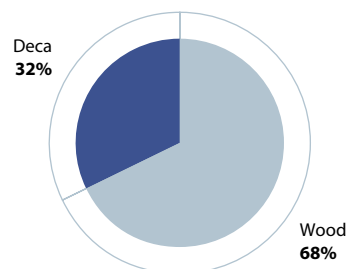
Duratex's preferred shares increased by 49.4% compared with an increase of 17.8% in the Ibovespa index. This performance reflected the important changes in the company's corporate by-laws made during the year. These were the announcement of the gradual extinction of the Beneficiary Parties' rights and the increase in the minimum dividend from 25% to 30% of net income.

Duratex invested R\$171.4 million in 2004, of which R\$136.8 million was spent on acquiring fixed assets. The most important of these were the expansion of the Ceramic II unit at Jundiaí (São Paulo state), a new low-pressure coating line (BP) at Botucatu, equipment for the production of particleboard panels with a superfine finish suitable for painting, and the acquisition of 4,100 hectares of land in the Botucatu and Itapetininga regions of São Paulo state.

Source of Revenues



Revenue Breakdown



Wood Division

The Wood Division's results were boosted by greater demand on the domestic market and higher exports. Net revenues rose by 23% year-on-year to R\$807.2 million. This result was due to an increase of 16% in the volume of shipped products and price adjustments made during the year. Exports rose by 21.2% to US\$52.8 million. Of this total, exports of InterD+ brand furniture amounted to US\$3.0 million compared with US\$900,000 in 2003.

Deca Division

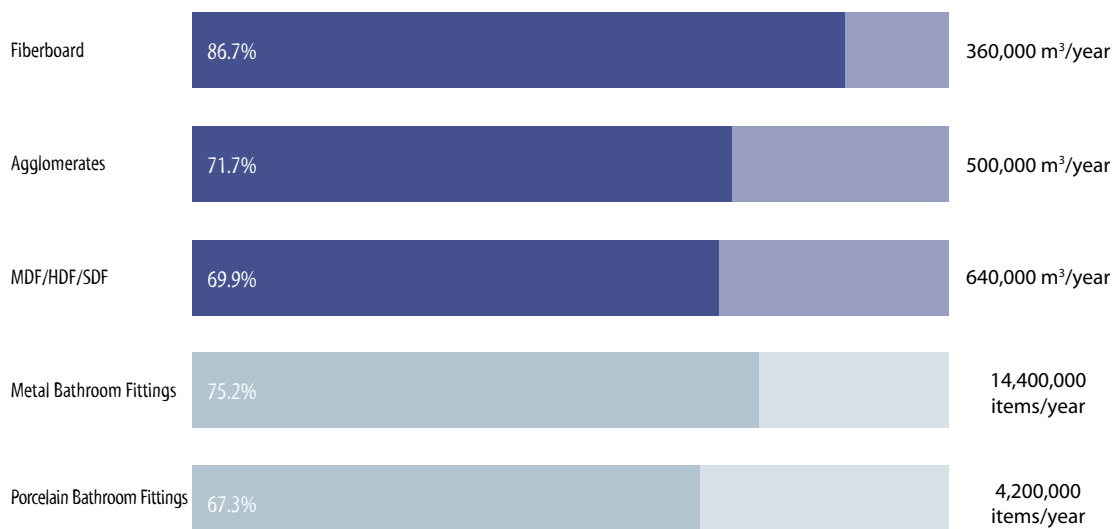
The Deca Division's net revenues rose by 14.2% over 2003 to R\$381.0 million. The higher revenues were caused by price adjustments since shipped volume increased by only 3.2% compared with 2003, reflecting the difficulties the sector is facing. Exports increased by 62% to US\$4.7 million, of which US\$3.6 million came from sales of porcelain bathroom fittings.

The Deca Division adopted measures at the end of the year to improve the operations and results. These had an extraordinary negative effect on the operating result of R\$1.9 million. This was fully recognized in the 2004 financial statements.

Main Indicators

R\$ million	2003	2004	Change
Net Revenues	989.6	1,188.2	20.07%
Domestic Market	799.4	950.6	18.91%
External Market	190.2	237.6	24.92%
EBITDA	224.7	311.4	38.58%
EBITDA Margin (%)	22.7%	26.2%	-
Net Income	64.0	125.3	95.78%
Net Margin (%)	6.5%	10.5%	-
Return on Equity (ROE)	6.8%	12.6%	-
Return on Invested Capital (ROIC)	8.5%	10.2%	-

Industrial Capacity and Occupation Rate 2004



Itautec Philco

Itautec Philco is active in the areas of banking and sales automated machines, information technology, electro-electronic consumer production, technical assistance, services and components (semi-conductors and printed circuit boards). It has three industrial plants located in São Paulo, Jundiaí (São Paulo state) and Manaus (Amazonas state) and is split into five business units: Solutions and Automation; Information Technology; Consumer Products; Services and Components. It also has subsidiaries in Portugal, Spain, Argentina, Mexico, Ecuador and the United States.

Itautec Philco's gross revenues from sales and services in 2004 amounted to R\$1,760.4 million, 21.5% higher than the previous year. Accumulated net income came to R\$22.5 million. EBITDA was R\$114.9 million, 18.2% higher than in 2003.

Investments from the Resources Investment Plan totaled R\$131.5 million, with emphasis being given to technology development which received R\$55.6 million.

Itautec Philco's revenues from abroad increased by 26.5% in 2004 to R\$88.1 million. The subsidiaries in Argentina, Ecuador, Mexico, the United States, Portugal and Spain have more than 100 employees and show good growth prospects.

Gross revenues from the Solutions and Automation area came to R\$338.4 million, 14.6% above the 2003 figure.

The Banking Automation segment registered the shipment of 5,800 Automatic Teller Machines. A highlight of the year was the installation of the first bank branch using the Security way system which centralizes the administration of access authorization to the ATMs and the branch's restricted areas.

The volume of Commercial Automation equipment shipments increased in 2004 by 42.4% to 9,500. In the Self-Attendance sector, 2,600 machines were shipped. Of these, around 1,000 InfoMusic machines were exported to Europe in the third quarter.

The gross revenues of Itec S.A – Grupo Itautec Philco rose by 47% to R\$69.4 million, a substantial improvement in its results. It is worth mentioning the increase of 73% in its billings in Argentina and the start-up of operations in Ecuador.

Gross revenues in the Information Technology area rose by 7% to R\$407 million. Shipments of 117,000 units from the Micros & Mobiles area and 3,700 Servers were made.

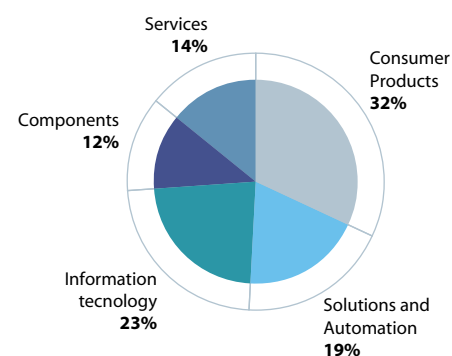


Philco's gross revenues amounted to R\$550.6 million, an increase of 28.6% over 2003, with shipments of 1,136,000 units. Philco continued to give priority to improving its product mix by increasing its focus on the high-end market with higher added-value products. There were increases in sales volume of 183% and 108% in TVs and DVDs respectively.

Gross revenues from the Services area amounted to R\$249.9 million, 20.8% higher than in 2003. This area is strengthening its operations in the security sector, concentrating on the Closed Circuit TV product, and infrastructure, through structured cable systems.

The Components area's gross revenues rose by 55.2% to R\$214.5 million. Gross revenues from Semiconductors amounted to R\$125.7 million, with 744,000 memory modules being shipped. In the Boards segment, gross revenues rose by 26.3% to R\$88.8 million. This result was partly due to the consolidation of the Multilayer product which was well received in the automotive sector.

Revenue Breakdown



Main Indicators

Results (R\$ million)	2003	2004	Variation
Gross Revenues	1,448.8	1,760.4	21.51%
Net Revenues	1,276.0	1,502.5	17.75%
Gross Income	277.1	346.4	25.05%
Gross Margin	21.70%	23.10%	6.45%
Operating Income	10.8	33.0	205.56%
EBITDA	97.2	114.9	18.21%
Net Income	10.4	22.5	116.35%

Industrial Capacity and Occupation Rate 2004

Microcomputers and Servers	54%	223,000 units/year
Automatic	52%	24,000 units/year
Electronic Consumer Goods	80%	1,420,000 units/year
Memory Modules	95%	783,000 units/year

Elekeiroz

Elekeiroz was founded in 1894 as a laboratory where products were prepared from vegetable extracts. In 1910, it built the first sulfuric acid plant in Brazil and since then has been a pioneer in the manufacture of various chemical products, such as phthalic anhydride, maleic anhydride, 2-ethylhexanoic acid and carbon disulphide, amongst others. When Itaúsa assumed shareholder control in 1992, the company was consolidated, rationalized, modernized, automated and its operations were expanded. It now has three units located in Camaçari, Bahia state, and Várzea Paulista and Taubaté in São Paulo state.

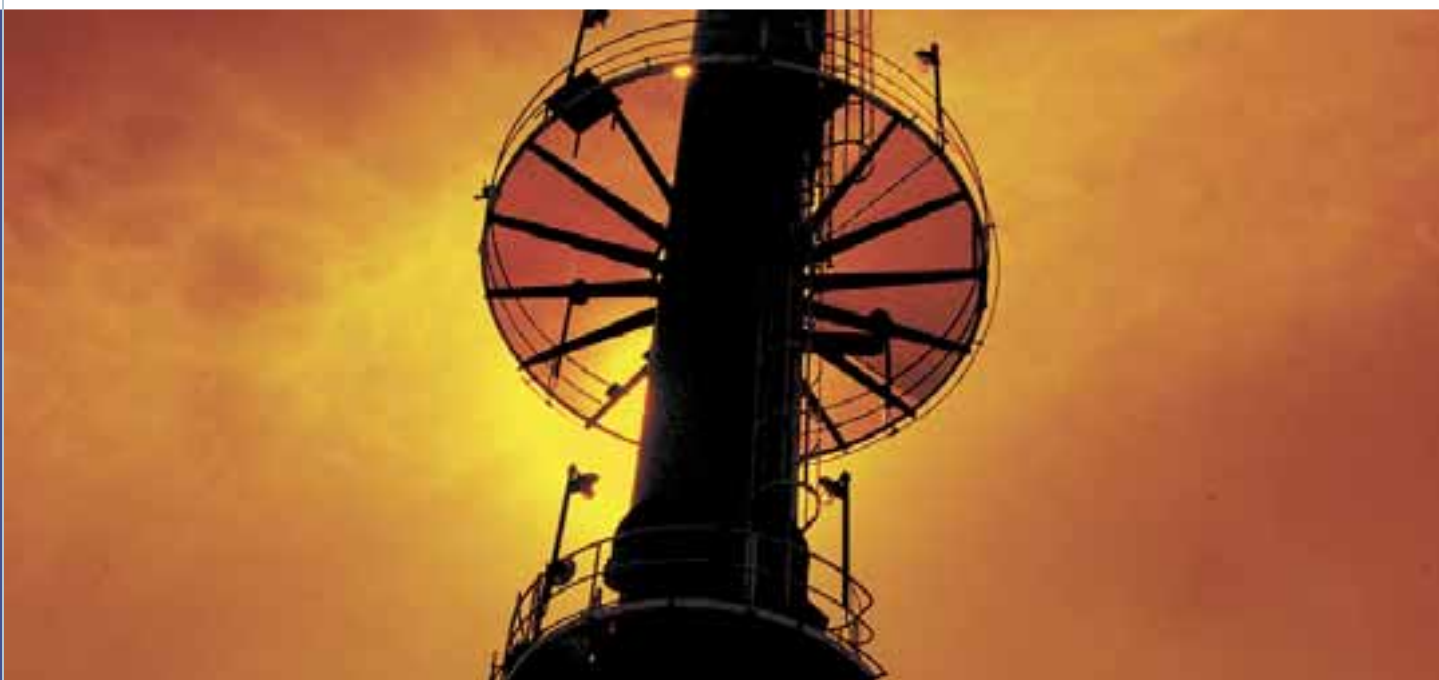
The company is the Latin American leader in the production of oxy-alcohols (octanol, normal and isobutanol), phthalic and maleic anhydride, and plasticizers. It also produces fumaric acid, polyester resins, formaldehyde, concentrated urea-formaldehyde, sulfuric acid and carbon disulphide. It is also the only company in the region to integrate the entire production chain of plasticizers. In the second quarter of 2005, it will restart production of 2-ethylhexanoic acid, using its own technology. This product is currently totally imported and is used in the paints and coatings sector where the company has a large presence.

In 2004 Elekeiroz shipped 485,000 tonnes, a fall of 4% over the previous year. The domestic market was responsible for 440,000 tonnes. Organic products increased by 8% to 196,000 tonnes while inorganic products fell by 12% to 244,000 tonnes. Exports amounted to 45,000 tonnes, a fall of 6%. The works to modernize, rationalize and automate the Camaçari complex got underway, with investment of R\$170 million programmed for the coming three years. These projects will be funded by the Brazilian National Economic and Social Development Bank (BNDES) and Banco do Nordeste do Brasil (BNB).

Investments in the Várzea Paulista plant amounted to R\$30 million in 2004. The highlight will be the automation of the sulfuric acid unit during the scheduled bi-annual maintenance.

In November, Elekeiroz signed a technological cooperation agreement with DSM Composite Resins AG, a leading company in the unsaturated polyester resin sector in Europe. The agreement – which was duly filed with the National Institute of Industrial Property – will allow Elekeiroz to provide clients with innovative products and a high technological content.

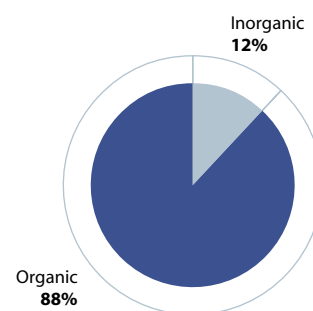
Discussions were restarted with Petrobras on the manufacturing complex for acrylic acid, acrylates and super absorbing polymers, all of which are currently imported and are of strategic interest to the company and Brazil.



An Extraordinary Shareholders Meeting, held on December 30, approved a capital increase of R\$10.7 million by capitalizing reserves. No new shares will be issued.

Better margins resulted from an average increase of 42% in shipment prices per tonne, a larger relative share of organic products in shipments to several consumers, increases in productivity through the investments and measures taken to reduce costs. These were reflected in the company's results indicators despite the fact that raw material prices for petrochemical derivatives rose by between 17% and 78% during the year.

Sales Areas



Main Indicators

R\$Million	2004	2003	Variation (%)
Gross Revenues	886	652	36
Export Revenues	111	97	14
Operating Result	93	47	99
Net Income	71	37	91
EBITDA	126	84	49
Annual Return (%)	24.6%	15.8%	

Industrial Capacity and Occupation Rate 2004

Oxo-Alcohols	99%	138,000 t/year
Maleic Anhydride	92%	20,000 t/year
Sulphuric Acid	91%	250,000 t/year
Phthalic Anhydride	81%	69,000 t/year
Formaldehyde	80%	68,000 t/year
Carbon Disulfide	75%	10,000 t/year
Polyester Resin	67%	12,000 t/year
Plasticizers	63%	122,000 t/year

Itaúsa Empreendimentos

Itaúsa Empreendimentos operates in the real estate area and began its activities in 1979. Its activities are diversified and it has developed residential, commercial and hotel projects and operates in the retail sector.

The civil construction sector began growing again in 2004 after three years of decline. In the city of São Paulo, the sales volume of residential units increased by 40% in the year and production of input material for civil construction pointed to a rise of 5.5%.

Protective mechanisms brought greater guarantees to the system, thereby making more resources available to the property market.

The office market confirmed the trend to growth with the occupation of new buildings. Prices continued to be squeezed by the vacancy rate which remained high.

Accumulated sales in the Raposo Shopping center rose by 7.6% in the year. The investment program for the expansion of the shopping center and the restructuring of the mix of stores will continue in 2005.



Board of Directors and Executive Management

Board of Directors

Chairman

Olavo Egydio Setubal

Deputy Chairman

Maria de Lourdes Egydio Villela

Advisers

Alfredo Egydio Arruda Villela Filho
José Carlos Moraes Abreu
Paulo Setúbal

Executive Board

Chief Executive Officer

Olavo Egydio Setubal

General Director

José Carlos Moraes Abreu

Executive Vice-Presidents

Jairo Cupertino
Roberto Egydio Setubal

Executive Directors

Henri Penchas
Luiz de Campos Salles

Fiscal Council

Chairman

José Marcos Konder Comparato

Advisers

Geraldo de Camargo Vidigal
Marcos de Andrade Reis Villela

Trading Committee

Henri Penchas
Alfredo Egydio Arruda Villela Filho
Paulo Setúbal

Disclosure Committee

Henri Penchas
Alfredo Egydio Arruda Villela Filho
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e-mail: ricardo.baladin@br.pwcglobal.com

Reginaldo José Camilo
Accountant - CRC 1SP114497/O-9