



**International Conference Call
Itaúsa – Investimentos Itaú S/A
2017 Earnings Results
February 20th, 2018**

Operator: Good morning ladies and gentlemen, thank you for standing by. Welcome to ITAÚSA's conference call to discuss 2017 results.

At this time, all participants are in a listen-only mode. Later, we will conduct a question and answer session and instructions will be given at that time.

Should you require assistance during the call, please press the star followed by zero. As a reminder, this conference is being recorded. The file will be available at the Company's website at www.itausa.com.br/en, at the Investor Relations section. This conference call and the slide presentation are being transmitted via internet as well. You can access the webcast by logging on to the Company's website, www.itausa.com.br/en.

Before proceeding, let me mention that forward-looking statements are being made under the safe harbor of the Securities Litigation Reform Act of 1996. Actual performance could differ materially from that anticipated in any forward-looking comments as a result of macroeconomic conditions, market risks and other factors. With us today we have:

- Mr. Alfredo Egydio Setubal - CEO and Investor Relations Officer at Itaúsa
- Mr. Henri Penchas – Chairman of the Board of Director at Itaúsa
- Mr. Alexsandro Broedel Lopes – Group Executive Finance Director and Investor Relations Officer at Itaú Unibanco Holding
- Mr. Guilherme Setúbal Souza e Silva – Investor Relations Executive Manager at Duratex
- Mr. Marcos De Marchi – CEO and Investor Relations Officer at Elekeiroz
- Mr. Fabio Leite Souza – CFO and Investor Relations Officer at Alpargatas

It is now my pleasure to turn the call over to Mr. Alfredo. Sir, you may now begin.

Mr. Alfredo Setubal: Hello everybody, thank you for your participation in our conference call. Sorry for the delay, but the conference call in Portuguese took more time than we were expecting, but here we are to talk about Itaúsa in this conference call.

For those who are following through the Internet, we are on slide number 3, on the ownership structure. I would highlight here against the 2016 conference call the new

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participation in Alparbatas, when we bought at the end of last year 27.55% of the total capital, sharing the control of the company with BW Cambuí, [0:03:11 unintelligible] the Moreira Salles' company, and also the participation that we bought in April 7.65 of NTS, the gas distribution that was sold through Petrobras.

I also would highlight (because of the bank acquisition of shares by the treasury of the bank) we increased our participation in the bank in 0.23 basis points during the year, and also, we increased the participation in Duratex by 0.27%.

On slide number 4, we have the governance of Itaúsa. I would like to highlight here that Itaúsa doesn't have an Audit Committee, all the Audit Committees are under the Boards of the subsidiaries. So we decided to transform our Fiscal Counsel to be permanent, with an annual election of its members, but it will be a permanent Fiscal Counsel that will also perform some aspects of an Audit Committee.

On page 5, continuing on governance, we created many communities and commissions during the year to have a better governance at Itaúsa level. So I think the most important thing during last year was the renewal of Itaúsa shareholders' agreement by the families that control the voting shares of Itaúsa. The shareholders' agreement was renewed by 10 years, then it will probably be renewed in the future, but for the next 10 years the shareholders' agreement is still valid, with no changes.

On page 6, we have numbers that we just released last night about the results of Itaúsa. The net income of R\$ 8.4 billion with a little growth from last year that was 8.2. Recurring 9.1 against 8.6, the main difference related to provisions that were made under the IFRS (that is not accepted by IFRS in the bank if related to provisions for bad debt), that's the main difference here in the net income against the recurrent net income. The shareholders equity finished at R\$ 53.2 billion with annualized recurring return average equity of 18.2, and annualized return on average equity at 15.8 of the return... the net income.

On page 7, we have results per share. I would highlight here the dividends and interest on capital that was paid and declared yesterday part of debt. The total is 0.88 cents per share related to the results of 2017. That represents an increase of 75.1% when we compare to the dividends and interest on capital paid last year.

On page 8, how the stockholders' equity increased in a pace of 12.6%, the recurring net income increased in the last 5 years by 10.1, and the net income by 10.3 in the same period.

On page 9, we have the ROE that decreased a little in these last 2 years when we compare to the other years of 2014 and 15, but still much higher than the cost of capital that we have here at Itaúsa, that is around 13.5-14%.

Total assets on page 10, we see the total assets is R\$ 57.8 billion. Of that, 55.3 are related to investments that we have in the companies that we have participation.

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On page 11, we see that from these R\$ 55 billion, 50 billion is related to the stake that we have at Itaú Unibanco Holding, that represents 90.3% of the investment on an accounting number, and the nonfinancial sector of 5 billion, that is represented by 1.7 on Alparbatas (the new investment), 1.7 also on Duratex, 1.4 on NTS (the gas distribution), and 0.1 on Elekeiroz.

On page 12, we see here the big numbers of Itaúsa that we talked about in the last slide and the numbers from the subsidiaries that I will pass through because the investor directors will talk about them in their own the presentation.

On page 14, we have here the equity and other liabilities. We see that 92% is equity and only 8% are other liabilities that we can see that the main liabilities are related to debentures of R\$ 1.2 billion that we have, we issued last year to face the payment of the NTS deal, loans and mutual between companies that are money that we used to pay for part of the investment we made at Alparbatas, and we have the dividends and interest over capital that was announced last December before the announcement that we made yesterday after the Board approval.

On page 15, we see that debentures, the maturity will be in 3 years (in 2022, 23 and 24), and the cost of that debentures is 106.9% of the CDI here in Brazil.

On page 16, we have the dividends, interest on capital. Here to show that we continue to practice the distribution of the dividends. The total dividends that we receive from Itaú Unibanco Holding is distributed to the shareholders. So, related to 2017 numbers, Itaúsa will distribute a total of R\$ 6.6 billion; it's the same amount that we received from the bank related to 2017 results.

That means a yield on the average quotation of our preferred shares around 9%, which is very high.

On page 17, we can see how we distribute the dividends and part of that in some years and we will do that again this year, we will call the shareholders to increase the capital of Itaúsa on R\$ 1.3 billion to reinforce the liquidity of the company to pay debt and to have at the end a liquidity of R\$ 500 million paying the debt and all the dividends that we have to pay in the coming months, quarters, that we have a quarterly dividend.

On page 18, we can see the dividends that we received from the companies these last years. Last year we received R\$ 172 billion of dividends and [0:13:29 unintelligible] from NTS, R\$ 35 million from Alparbatas (that was a quarterly... a dividend that the company paid last quarter), 19 from Duratex, and 7 million that we are going to receive from Elekeiroz. So, between the companies Duratex and Elekeiroz are going back to pay dividends, that they paid very little, especially last year.

On page 19, we can see numbers of the capital markets. We have today 73,000 shareholders, direct shareholders, not considering the shareholders of the mutual funds and pension funds that are indirect shareholders of Itaúsa, and the number of

shareholders (especially of individuals) are growing very fast in the last years. We have a daily liquidity of R\$ 155 million and Ibovespa, we don't ADRs in New York or any other Stock Exchange, and we have 11 houses that follow Itaúsa and we have 8 buys and 3 holds.

On page 20, we can see that the share trading above the stockholders' equity. At the end of the year, the stockholders' equity was R\$ 53 billion and the market capital was R\$ 80 billion, almost 81. And now, these days, because of the increase of the shares under the Bovespa index during the year, the total market capital of Itaúsa is around R\$ 100 billion.

On page 21, we see the discount of some of the parts of Itaúsa in their investments of the other companies. At the end of the year was 25%, at the end of 2016 was 28, and on the 16th February was almost 23%. So, it reduced a little bit during last year and this year.

On page 21, talking about the strategy of Itaúsa related to the investments and use of capital, we have announced that we wanted to make some new investments, especially now that we see the economy growing and more opportunities in the industrial and services sectors in Brazil. We made 2 investments last year, and what is the focus of Itaúsa when we talk about investment diversification? It's to find sectors that don't have or have low regulatory risk, we don't want sectors where the government, be it federal or state government, can have their influence, especially related to the prices. We want companies with good cash flow, companies that are already established and if possible with a brand or a dominant participation in their markets.

In terms of governance, Itaúsa don't want to control alone any of the investments, we want to share the control with other families or other companies, it is the case of Alpargatas, for example, that we share the control with the Moreira Salles' family, that we share the control also in the bank, in Duratex we have the share control with Seibel family. So we don't want to have total control of the new investments, like we have in the portfolio today.

And we want to have good partners, be in a good family or good shareholders that we can share the same values and the same culture that the families that control Itaúsa have. And the size of the investments that we target is around R\$ 1.5 billion.

This strategy in terms of movements related to our portfolio started in 2014 with the sale of the operations of Itaútec. During 2016 and 17 we repurchased shares for the treasury of Itaúsa in a total of R\$ 650 million, we announced the portfolio acquisition... new acquisition of NTS and Alpargatas last year, and in the companies that we have participation we had a very active M&A in the bank and also in Duratex, as Guilherme will show and talking the future, in the coming moments, during his presentation about Duratex.

In terms of investments, at the end of 2016 Itaúsa had R\$ 84 billion in market value in the shares that we have investments. At the end of last year R\$ 110 billion, it was

an increase of 31%. When we talk about market value, the total of the bank participation in the portfolio is 94%. When we talk about accounting numbers, as we saw before, is 90%.

In slide 25, we have the recent acquisition of NTS. As I said, it was privatization of Petrobras of the Southeast distribution of gas, we bought 7.65% in the consortium led by Brookfield and other institution investors, and we are very happy with that investment, we already received 172 million in dividends as I said before, and R\$ 31 million in debentures that we invested in the company. The company has a strong cash flow, is doing very well, better than we expected when we decided to go on on this investment.

Also with the investment in Alpargatas, here that was a good opportunity that appeared because the J&F problems, they had to sell this company, we bought the control with the Moreira Salles' family, it's the largest footwear and clothing company in Brazil, a very good brand, especially Havaianas in the flip-flops, Osklen and Mizuno, with a very important international presence and has in our view a good potential to increase the Havaianas brand into other sectors.

As I said, we bought back shares also, we consider in these last 2 years the shares of Itaúsa has very high discounts and we take the advantage to buy back these shares as a payout for the shareholders also, it was an important investment for the company.

And to finalize, here the differential that we see investing in Itaúsa: strong corporate governance; ethical and transparent principles; we have a very consistent history of profitability and high level of dividends and interest on capital that we pay for shareholders; very solid company, with liquidity in a very low debt, what permits the company to make new investments; the stock performance is very good, is above Bovespa, CDI, US dollar at the B3 Stock Exchange; we have been for the 14th year in the Dow Jones Sustainability Index; we are at the B3 Sustainability Index also; we have reviewed our portfolio focusing much more on creating value for shareholders; and we have (what we consider) investments in solid companies, with market leaders, older and renewed brand, like Deca in Duratex, and also Havaianas in Alpargatas, Itaú of course is a very, very strong name in the financial sector here in Brazil.

On page 29, the appreciation in reais of our shares that shows that we have been beating the market in the last few years.

I pass now the word for Alexandro Broedel to talk about the results of Itaú Unibanco Holding of last year.

Mr. Alexandro Broedel: Okay, thank you Alfredo. I go to Itaú's financials of 2017. First point I'd like to mention is I am presenting Itaú's results under IFRS, which is not the number that we normally see when you see the bank's results, normally you see the bank's results according to Brazilian GAAP, which is mainly the Central Bank of Brazil accounting standards, and the main difference between Brazilian GAAP and

IFRS is that under IFRS we still have incurred loss provision and in Brazilian GAAP we already have expected loss provisioning. IFRS is not... it does not affect those financials, so we are still working on IFRS under the old IF 39 standard.

Having said that, our net income under IFRS is 23.9 billion in 17, which is an increase of 2.8% over 2016.

Moving to slide 33, we see the [0:25:40 unintelligible] to the recurring net income of R\$ 5.9 billion in the quarter, that our recurring net income is R\$ 24.4 billion, which is an increase of 3.8% from 2016. The main difference between that number and the 23.9 billion that we saw on last slide is the addition of nonrecurring items of the period.

Despite the fact that we have achieved a substantial rate of return during 2017, 17 was a very difficult year, very challenging year in terms of declining interest rates, credit growth still lagging and generally lower volumes over the economy.

Nevertheless, we ended the period in a good note, with unemployment rates already down, inflation under control, and overall activity in the economy recovering.

When we take a detailed view of our results, you can see that the state of the economy reflected in lower net interest margin, mainly because of the results of the SELIC rate and lack of growth in our portfolio. But at the same time, we saw a very important improvement in our provision for loan and losses, which is a result of the bank strategy of derisking and adopting a very consistent and prudent view of market liquidity.

Still our commission and fees have a very good performance over year increasing 4.3% over 16 and 4.2% over last quarter. So, it's a very important result for us and in line with our business model, which focuses strongly on services and insurance.

We see also very significant discipline in terms of administrative expenses, they decreased 3.4% over the same period of last year, which is a very important result and way below inflation.

When we look at loan portfolio, the good news is that we had a very good fourth quarter of our portfolio, especially the individuals' portfolio started to recover, and this is in line with the general improvement in the economy and GDP growth starting to... especially in the last two quarters of 2017.

Moving to slide number 34, we see our recurring net income and ROE over the years. You can see a very consistent performance, we've been able to produce very strong and significant results despite the fact that the last few years in Brazil have been a few of the worst years in Brazilian economic history with strong recession, so despite this fact, our strategy has helped us to maintain a significant rate of return during this period.

We see our credit portfolio on slide 35, you see that our loan portfolio, especially for individuals, resumed its growth in 2017, especially with the 6.8% increase in credit cards. That was driven by the high economic activity and our increase in the client basis.

For companies, we noticed a very small recovery, but only in very small and middle market companies, not on the large companies or corporate portfolio.

The performance in Latin America is also positive but is mainly driven by foreign exchange rate. So generally, what we see here is a good fourth quarter and we see an important recovery in the Brazilian economy that's affecting directly our individuals' portfolio. We will discuss that a little bit further when we talk about our guidance for 18.

On nonperforming loans ratio has been performing significantly well, we see our 15 to 90 days NPL ratio decreasing 10 basis points, in the 90 days NPL ratio for individuals decreased 60 basis points of the previous period; that's again pretty much consistent with the strategy of the bank of derisking and adopting a prudent approach to managing credit risk.

Our coverage ratio (again, in IFRS) is at 187%. That number differs from the 247% that we present in Brazilian GAAP mainly because under IFRS we present numbers that are adopting current loss approach instead of the expected loss approach that we use on the Brazilian GAAP.

On page 38, we talk a little bit about our payout practice here, and just to remember that in September 17 we announced changes in our capital management practice: (1) first, we excluded the cap of 45% of payout ratio, but maintained the minimum floor of 35% of net income. So, we excluded 45% cap and maintained the 35% floor on payout policy; (2) second, at the beginning of each cycle, we consider 3 main variables: we consider the minimum Tier 1 capital ratio of 13.5%; our profitability (that's the main generator of capital); and our growth in RWA, which consumes capital. So we are taking into consideration those 3 variables, which is the minimum level of capital that our risk appetite demands, 13.5. We consider the profitability of the bank with the main generator of capital and the demand that comes from the increase in our risk rated asset, you have... you achieve... it will result in the payout policy.

So the bank is not committing to a specific fixed number in terms of payout policy, we are committing to that concept of considering growth and capital generating and this limit of 13.5% to result in our payout structure.

It's also very important to highlight that we do not intend to have capital surplus in excess of the level established by our risk appetite and without the prospect of using it. So it's not accumulating capital for accumulation sake. And the possible surplus will be obviously returned to our stockholders.

Having said that, in slide 39 you will see that the common equity Tier 1 of 15.5% is already on a fully-loaded Basel III basis. If we consider the approval of our 81-instrument, that has been issued in December 17, and the acquisition of minority interest in XP Investment, that number would be 15.3.

So in order to achieve the 13.5% level that we intended based on our risk appetite, we will pay on March 7 additional dividend of R\$ 13.7 billion. So, basically, we are applying the framework that we released on the third quarter that will result (if you move to next slide, slide 40) to a payout ratio, and not considering buybacks of 70% on a payout ratio considering buyback of 83%. So pretty much consistent with our payout policy. That payout policy resulted in a dividend yield of 8% over 17.

I'll talk a little about our forecast. Our forecasts are based on Brazilian GAAP numbers and we see that on 2017 our product portfolio we ended below the forecast (on the slide 41), so the growth in the fourth quarter was still insufficient to achieve the range of 0 to 4% over the year, and the result in the financial margin with clients was below the forecast range and also the reduction in the SELIC base rate also contributed to that number, which is below the minimum point of our guidance.

Cost of credit is within the guidance, near the top of the guidance, that reached R\$ 17.9 billion. Remembering the top of the guidance was R\$ 18 billion. And our commission and fees and results from insurance operations grew 5.2%, over the top of our guidance, resulting in a very strong emphasis of the bank in fees, commissions and insurance operations.

And finally, our net interest expenses. So our costs generally 0.3%, which is way below our guidance. So basically, 17 our results generally pretty much reflect the state of the economy, a very difficult top line and a stronger action of the bank in commission and fees and insurance, and also a strong discipline in terms of controlling costs and making sure the costs will run below inflation.

On the slide 42, we will talk about 2018 guidance. And for 2018 guidance we expect our performance to grow between 4 and 7%, which translates into a financial margin with clients range from -0.5 to 3%. Here you can see our expectation that the better economic performance in 18 will translate into superior credit portfolio and better margins than we had in 17.

The company also expects financial margin with the market to be between R\$ 4.3 and 5.3 billion, and we also expect a strong reduction in cost of credit, which will be between R\$ 12 and 15 billion. Remembering that that number was R\$ 17.9 billion for 2017, so we still expect an important decrease in cost of credit for 18.

In commission and fees, we also expect a stronger year with the pace of growth between 5.5 and 8.5%. Everything here in a consolidated basis. So, these also reflects the better economic prospects that we expect for 18.

And on costs, we expect to deliver our numbers to grow below inflation and within the range of between 0.5 and 3.5%. We also provided guidance this year relating to our

effective tax rate, and we expect that to be below 33.5 and 35.5% in the year. So, this is also increase over the 17 numbers.

Having said that, I finished the presentation and you have now Guilherme Setubal presenting Duratex results.

Mr. Guilherme Setubal: Thank you very much Aleksandro. Good morning everyone and thank you for joining Itaúsa's conference call. The idea here is to discuss the Duratex results in 2017.

Please, move to page 45. So generally speaking, we finished the year in a better shape that we started. We have noticed more favorable environment in 2017, especially in the second semester of the year, which has benefited our results. We recognized the gain of around R\$ 40 million from the adjustment in the discount rate using the calculation in the biological assets, therefore, it has increased the fair value of our forests.

The Duratex Management System, our main tool in promoting efficiency in cost cut, has resulted in a gain of R\$ 76 million above our initial plans, reinforcing our commitment to the efficiency management. And finally, the subsequent events disclosed in the beginning of the year are going to allow us to reach a higher level of competitiveness. We will discuss these 2 events further on.

Now, please, let's move to the next page, page 46, and the idea here is to discuss the consolidated results of the company.

We have grown 2% in net revenue in 2017, closing the year with almost R\$ 4 billion. The improvement of our margins was a positive highlight of 2017 with the recurrent Ebitda at R\$ 760 million, an increase of 12% against last year.

Net profit has also shown a significant increase, closing the year at R\$ 185 million, largely due to the operational improvement and less pressure from the interest rates.

Now let's move to the next page, page 46, and the idea is to discuss the cash flow and the debt. The great highlight here is that, when we exclude the investment in Ceusa, we have started generation cash in 2017 after 2 years.

We started from the Ebitda of R\$ 760 million, after that we have a gain in working capital of R\$ 59 million, mainly due to an increase in the base payment and a huge decrease in the inventory level in the second semester of the year.

We spent R\$ 366 million were invested in the sustaining Capex, 15 million below 2015, showing our commitment to the cash flow. R\$ 36 million were paid in taxes and 65 million in other expenses. Lastly, the financial expenses were R\$ 157 million and our investment in Ceusa was around R\$ 200 million.

After all these considerations, we closed 2017 at a negative cash flow generation of R\$ 11 million. If you exclude the investment in Ceusa, we finished the year with a

positive cash flow of R\$ 185 million versus a negative cash flow of R\$ 26 million in 2016. Regarding net debt, the net debt has remained stable in 17 versus 16.

Our financial leverage, however, has improved, closing 2007 at 2.8 times net debt Ebitda. If you exclude Ceusa, we would have a financial average of 2.5 times.

Now, please move the page 48, and the idea here is to discuss the 2 divisions; the Wood Division and Deca Division. Let's start with the Wood Division. The wood panel market in Brazil hasn't started to grow once again after 3 years of huge decrease. The idle capacity in the industry was lower than 2016, it was a good sign of a stronger demand.

Moreover, we have noticed our market share stabilizing in the second semester of the year after suffering a setback in the second quarter. A better supply and demand dynamic has allowed us to increase MDP pricing in 80% in January along with a specific increase in MDF price.

Now, please move to next page, page 49, and here we will discuss the financial figures of the Wood Division. We have registered a slight lower shipment of panels in 2017, mostly due a setback in the market share in the end of the first semester.

The net revenue has decreased to a lower volume and upper mix. Our commercial strategy of favoring prices has had a positive outcome and we have shown an increase in margins in 2017, which were also benefited by the cost savings and productivity gain.

Finally, we still have a high level of idle capacity of 40%. We see this as an opportunity to capture the recovery of the demand, and with a leaner operation increase our returns.

Now, let's turn to the Deca, on page 50. Deca Division has outperformed the market average. The Duratex Management System and the higher volumes were the main leverage behind Deca's performance last year. Furthermore, we had the incorporation of Ceusa on the last quarter results of 2017.

Please, turn to page 51, and the idea here is to discuss the financial figures of Deca Division. 2017 was a year of recovery for Deca, and we have seen an improvement in the operations and process. Our top-of-brand and the high-quality products were key for this recovery. Deca registered an increase of 6% in volumes, which reflected in a net revenue of R\$ 1.5 billion in 17, representing a gross margin of 30.2%. This margin was above 16. The Ebitda closed the year at R\$ 250 million with a margin of 70%.

I end here my comments on the results of our divisions. Now, please move to next page, page 52, and we will discuss the development of our strategy over the last years.

We split it in 5 different cycles. We can clearly see a history of evolution when we take a look at Duratex recent past. From 2007 to 2014, we had an expansion in our operations through the combination of organic growth and acquisitions. Basically, we doubled our capacity in these 2 divisions. After that, the end of the growth cycle was marked by one of the largest economic crisis the country has ever seen. It was now time to revisit our strategy and focus on our internal agenda, redefining our priorities and placing greater focus on discipline.

It was during this time that we created the Duratex Management System, which is now an important tool within our management strategy. At the same time, we started a huge cultural transformation in 16. In 17, we started what we call “The New Duratex”, with a new management model and cultural and the main foundation of Duratex when we then developed our new value proposition: Solution for Better Living. We are now focusing on asset life growth and seeking business that has recurring net revenues and that bring greater returns on our invested capital.

And finally, from now on we are working to explore our strength and to incorporate solutions with more attractive returns into our portfolio. This will be the direction of our asset allocation moving forward.

Now, please turn to page 53, and we will discuss the 2 subsequent events that we announced in the beginning of the year.

We have received and accepted Eucatex bidding offer to sell our installation and equipment dedicated to the production of thin wood fiber board. What is the rationale of the deal? When we look at the evolution of the wood panel sector in Brazil, we notice that the hard board has lost relevance within our portfolio of solutions. Besides this, we intend to resume operations in our plant in Itapetininga until April this year. Therefore, we are moving towards products that are more aligned with our strategy.

This transaction envisages the swap of installation and equipment for land and forest in the value of R\$ 60 million. We do not expect significant impact in our results in 2018 as we are swapping one asset for another one. It is important to mention here that we continue for production of MDF in Botucatu plant.

Now, let's turn to next page, page 54, to discuss the deal with Suzano. An important part of our strategy is rationalizing our asset base to prepare the company for the better results. We entered in this transaction with Suzano Papel and Celulose in 2 steps: (1) the first one is the sales of land and forests totalizing R\$ 380 million, and we are recognizing an extraordinary profit in this operation in the amount of around R\$ 140 million; (2) the second step was to issue an exclusive call option for Suzano to purchase another lot of land and forest in the total amount of R\$ 749 million. This option can be exercised until July 2, 2018. If Suzano chooses to exercise this option, we recognize an extraordinary profit in the order of R\$ 360 million. Although it was extraordinary and therefore has no impact on the recurrent results.

This transaction will be important in our deleverage target, we will reduce slightly less than one half of our net debt since the amount received will be located basically for this purpose.

I'd like to make it clear that this operation is of Duratex surplus, so this does not compromise our capacity to supply panel [48:51 unintelligible], nor should this result in an impact on the cost of wood. We still have some foreign surplus and we are working on the best way to monetize these assets and improve the return of our operation.

Now, I'd like to move to the last slide, the message from the management. In recent years, we have shared several initiatives and made a commitment to improve our operation and profitability. Gradually, we became to present positive results of those initiatives. When we defined our strategic plan according to the new value proposition, we created the foundation with some of the main movements we have made in recent years: consolidation of [0:49:35 unintelligible]; acceleration of the process of cultural transformation; improve our sustainability; and seeking innovation.

Our capital allocation in the coming years will be driven by the 4 growths of avenues: (1) first one, digital transformation; (2) second one, impairment solutions; (3) third one, water solutions; (4) and finally, forest solutions. Every time that we think about growth for Duratex, we have to connect to these avenues.

This initiative is in line with an efficient cash management and deleverage process that we are discussing during the presentation are designed to improve the organization's returns and position us as the best choice for our shareholders and other stakeholders.

I finished my presentation now, and I will be available in the end of the call for any questions you may have. Now, I pass to word for Marcos de Marchi, from Elekeiroz. Thank you.

Mr. Marcos de Marchi: Thank you Guilherme. Good morning and good afternoon to all of you.

I invite you to move to page 59. 2017 was a year of recovery for the Brazilian industrial production and this has reflected also in an increase of 30% in the consumption of chemical products in Brazil. For Elekeiroz, we have the volumes shipped 25% higher than in 2016, mainly driven by a smooth operating performance of Elekeiroz assets and a favorable market condition in 3 key segments for us: (1) the alcohols, the oxo-alcohols; (2) the plasticizers; (3) and the sulfuric acid. In this way, we have had a 25% increase in the volumes that occurred both in the inorganic and the organic segments.

Moving to the page 60, we can see that net revenue has also followed the volumes and we have had a significant increase of 27%, especially in the fourth quarter, we highlight 70% increase in the inorganic products due to favorable prices, due to a shortage in the sulfuric acid in the Brazilian market.

On page 61, in 2016 the company has implemented a project to optimize its production chain, it has concentrated in plasticizers and phthalic anhydride production in the most competitive factories in Várzea Paulista, and therefore, we shutdown to product lines in the Camaçari plant.

You can see in the full-time employees this has had an important reflection, as well as we have also, in addition, a set of actions focused on reviewing business processes and increasing productivity, and the start adjustment is then a reflection of all this.

The reduction in the full-time employees' number, as well as the increase in the production, we utilized 80% of the capacity in 2017 and 50% in the previous year. As a result of those 2 factors, we have an increase in productivity by 64%, and also our action plan in administrative expenses and fixed costs has had a result of -20% of expenses from 2016 to 2017.

Well, on page 62, we can see that those factors combined resulted in a turnaround on the Ebitda. I mean, the Ebitda was increasing quarter by quarter, finalizing the year in the level of R\$ 80 million combined with... added by 8 million on nonrecurring Ebitda, we achieved then R\$ 88 million in Ebitda of 2017; a result completely different from the previous year.

On page 63, we can see that also the turnaround was in the loss to profit, ending the year with a profit of 48 million.

Well, the page 64 is a reminder of the all nonrecurring items that affected us, especially in 2016. As I said, 2017 was just one tax credit recognition in the level of 8 million, but in the year before we have had the impairment and restructuring and many other things that affected either net loss at the time or Ebitda, according to the chart you have on the page 64.

On page 65, our income statements point out the most important points, the net sales increasing by 27%, the gross profit increasing by more than 280%, and the turnaround from the loss to profit in the final results. You can see also that the fourth quarter 2017 was in the same good level as the previous quarters.

The page 66 shows that we have in the balance sheet and cash flow we have also worked in the reduction of working capital despite of the increase in the sales and production, and this was due to a better management of the production chain. We have then reduced the inventories and we have, together, an increase in Ebitda, we could then reduce the net debt by 75 million in the year of 2017, going from 184 to 280 the net debt, achieving finally 1.2 ratio of net debt by Ebitda, the lowest level in the past years, the last 5 years.

In page 67, then we can (I think) conclude that 2017 was a combination of higher volume, an outstanding operating performance with improvements in the yield and

reduction in the costs and expenses, so we achieved a positive recovery in the results.

The priorities for 2018 are: to concentrate in the operational excellence with lower costs to yield and productivity improvements. continues increase in the capacity occupation; a lean structure with teams that are very well-trained and committed to change management and sustainability of operations, and in business wise strengthen our leadership in the plasticizer market, where we are a regional leader with the most complete portfolio of products; and explore the South American markets for oxo-alcohols.

Thank you very much. I move now to Fabio to talk about Alpargatas.

Mr. Fabio Leite Souza: Thank you Marcos. Good afternoon, good morning to everybody. I'll start my presentation on page 69, analyzing our net revenue performance in the year.

So, as you can see, our sales declined by 8.2%, it was driven mainly by the performance of Havaianas do Brasil. There was anticipation of volumes from the first quarter of 17 to the last quarter of 2016, this was an isolated event, so it shouldn't repeat anymore.

It's also important to mention that in the last quarter, however, the performance was very different, growing our sales by 3.5%, and it shows that our company is on a recovery path.

On the next page, 70, we see a breakdown of revenues by business unit. So, the situation is pretty much the same compared to 2016: sandals business represents 64% of the whole sales, followed by sporting-goods division with 24%, and then textile in Argentina, and finally Osklen with 6% participation (which is our fashion brand that we acquired some years ago).

On page 71, we have a different breakdown by region, and again situation stable with Brazil accounting for 65% of total sales, followed by Argentina with 80%, and then sandals international are representing 17%.

On page 72, we see our gross profit performance. Gross margin remained flat, almost flat compared to 2016. However, again it's important to mention what happened in the last quarter, when we had a significant improvement in margin, growing 1.1 percentage points versus the last quarter of 2016, driven mainly by the performance in Brazil, where we grew our gross margin by 2.5 percentage points.

On page 73, we see the performance on our recurring Ebitda. And again, the performance of last quarter is pretty much different from what we had for the full year, so on the last quarter our recurring Ebitda grew by approximately 17% with Ebitda margin growing 2 percentage points in the last quarter.

On the next page, page 74, we had a page to explain our net income performance. So, we can see that, although we had a reduction on Ebitda, this reduction was partially offset by an increase in income tax credits, and then we had also other positive variations that led to a net income that is slightly below what we had in 2016. So we were able to really cover for the losses in Ebitda as we presented before, and then with that we reached an improvement in net margin reaching a 9.4% level.

Next page, page 75, we can see that the R\$ 274 million of operating cash was enough to cover for the payment to shareholders amounting to approximately R\$ 150 million and, even then, was sufficient to enable for an improvement in net financial position from R\$ 91 million in December 2016 to R\$ 27 million negative in December 2017.

On page 76, we have the big event of the year: we had a change in our ownership structure, Itaúsa now belongs to the controlling group of Alpargatas. This led to an important improvement in our governance level with the creation of 4 committees, described here: strategy, people, finance and audit, and also an amendment of our company's bylaws.

Those changes were very appreciated by investors and shareholders in general, and this situation led to an appreciation of our stock price, as you can see on page 77. So, we see here the preferred shares of Alpargatas appreciated by 79% last year compared to Ibovespa index, that grew 26%.

Although, it's important to mention that Alpargatas has been outperforming the Ibovespa index in the last 3 years.

On the right side, we can see the payment to shareholders. So last year we had a total distributable income of R\$ 178 million, being part of it, R\$ 115 million, already paid last year as interest on capital, and the remaining part, 27.8, to be paid now in April. Moreover, we are also going to pay dividends related to the previous years, amounting to approximately R\$ 70 million, which is also going to be paid in April.

Finally, we have a summary on page 78, summary of strategic priorities for the company for each brand. I'll just highlight the key initiatives here.

So for Havaianas the main initiative is really to expand Havaianas internationally, this is one of the pillars for not only Havaianas' brother company as a whole in the next years; Mizuno, we need to continue to improve our margins, also we need to accelerate sales, especially in our direct channels; in Topper Argentina, we need to restructure the business, we need to cutback [1:03:59 unintelligible] so we can be more competitive and sustainable for the next years.

So, having said that, I conclude my presentation, and I pass to Alfredo Setúbal for his final remarks.

Mr. Alfredo Setúbal: Thank you. Now we are open for questions. We can go on.

Q&A Session

Operator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please, press the star key followed by the one key on your touchtone phone now. If at any time you would like to remove yourself from the questioning queue, press the star key followed by the two key.

Please, restrict your questions to 2 at a time.

Our first question comes from Jason Mollin, Scotia Bank.

Mr. Mollin: *Boa tarde.* Thanks for the opportunity to ask a question or 2. My first question is about Itaúsa's strategy, and you show in the presentation that the non-financing investments now represents about 90% of assets and about 95% of net asset value as we calculate this in market values.

In the past, Itaúsa has talked about Itaú Unibanco, the financial segment representing about 90% of investments. So, we are really there in recent terms of assets, I'm not sure if we should be thinking about that 90% as of assets or the net asset value. And in this context, should we think of Itaúsa having reached the diversification target with the current capital base? And if not, I guess that this level it seems like, given that debt, if you were to make further investments that it would require capital in the near term if you would do that. That's my first question.

Mr. Setúbal: Okay, Jason. Alfredo. I will answer also the question for Yuri Fernandes, that is around the same subject that you asked.

The idea is to really keep around 90% of the investments of Itaúsa at the bank, and the other 10% in other nonfinancial investments.

As you said, we are there, we are 90%, but you have to remember that the bank grows very fast the results and net worth and so on. So very fast we open again space for new investments if we find something that really will create value to our shareholders. So, for the moment, we are not studying many alternatives, we're happy with NTS and Alpargatas.

But, in the future, we can consider other investments because we will open space just because of the results of the bank and the growth for the net worth of the bank, and by consequence, our investment account will also grow related to the bank.

But, for the moment, yes, we are studying other alternatives because we are now being... all investment bankers and private equity come here to show opportunities, but we, at the moment, we are very quiet in terms of investments. We have some alternatives that we are looking, but we have to follow the rules that we showed during the presentation of what kind of investments we want and how much we would like to invest.

So probably, we are going to have new investments in the future, but at the moment the 90% to investments in the bank, in the portfolio of Itaúsa, remains our target for the moment.

Mr. Mollin: So, just a follow-up. Should we be thinking of it as, as you said, assets or should we be thinking of them as a metric of net asset value with market values? I mean, they are close, but it would mean 5% of your net asset value having... [1:09:05 inaudible - background noise] ...?

Mr. Setúbal: We are talking about our investment account, 90% of the investments. Book value.

Mr. Mollin: Okay. And maybe a second question related to all the investments made in 2016 and 17. You bought back shares with [1:09:28 inaudible - background noise] to the use of capital, especially given the discounts in net asset value during those years. Now beginning of this year come down a little bit, close to 22%.

So how do you think about that discount? I mean, we know we are [1:09:45 unintelligible] in the past you provide... you track that forth and helped us track it ourselves, but if you can kind of go back over, we know that you paid... I just wanted to double check that that hasn't changed, the tax that you are paying, the COFINS and PIS tax that you pay on the interest on capital you receive is that expected to remain stable? In my last calculation I thought that would 9.25%, and I guess that continues to be the biggest leakage in value for the holding group structure, correct? Because your [1:10:26 unintelligible] are still very low, they were up year on year, but they are still a very small portion of the net asset value at 1% I think, the last time I calculated it.

Mr. Penchas: Hi Jason, Henri speaking. Jason, exactly what you said: we have a taxation of 9.25% on the net interest on capital that we receive from the controlled companies.

Mr. Mollin: And the increase in the expenses this year, there was a statement that it was related to some of the (I guess) the acquisitions and transactions that were made. Should that go down if we are not going to see more transactions this year?

Mr. Penchas: Yes, if we don't have any other transaction, the number will decrease. On the other side, as the bank increased very much the payment of interest on capital, we will have 9.25% over a bigger value, bigger amount received mainly from the bank.

Mr. Mollin: Thank you Henri, that's very helpful.

Mr. Penchas: Thank you.

Operator: This concludes today's question and answer session. Mr. Alfredo, at this time you may proceed with your closing statements.

Mr. Setúbal: Okay. Thank you all for the participation. We are very happy to explain the quality of the Itaúsa in terms of diversification, dividends paid, policies, and also to complement with the view from the companies about their own business and how the companies are performing and what are their strategies for further on businesses.

Thank you for all the participation, and we will be back next year for the conference call of Itaúsa annual report. Thank you.

Operator: That does conclude our Itaúsa's 2017 results conference call for today. Thank you very much for your participation. You may now disconnect.