

**Itaúsa – Investimentos Itaú S/A  
4th Quarter 2013 Earnings Results  
February 21st, 2014**

**Operator:** Good morning ladies and gentlemen, thank you for standing by and welcome to ITAÚSA's conference call to discuss 2013 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](http://www.itausa.com.br/en), at the Investor Relations section.

If you still do not have a copy of ITAÚSA's earnings report released on Wednesday, February 19, you may download it from the Company's website - [www.itausa.com.br/en](http://www.itausa.com.br/en).

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](http://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. Henri Penchas - Investor Relations Officer at Itaúsa
- Mr. Guilherme Tadeu Pereira Júnior - CFO and Investor Relations Officer at Itaútec
- Mr. Ricardo J. Baraldi – Administrative Director at Elekeiroz
- Mr. Flávio Marassi Donatelli - Investor Relations Officer at Duratex
- Mr. Alfredo Egydio Setubal - Executive Vice President and Investor Relations Officer at Itaú Unibanco Holding

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

**Mr. Henri Penchas:** Good morning. It's always a pleasure to have this annual conference call. Now we will speak about the 2013 results.

As have been said by the presenter, we have here the four investor relations officers of the main companies of Itaúsa.

We intend to develop the presentation in the following order: First Itaúsa, second Itaútec, third Elekeiroz, fourth Duratex, and fifth Unibanco and after that for the final comments I will make a short, very very short presentation.

Slide number 4 the ownership structure of Itaúsa and the main companies; nothing changed

since 2012, it's exactly the same.

Page 5 the evolution of the third-party assets and own assets, as you can see 96% of the total assets are our own assets and only 4% are third-party assets. And from the third-party assets – that represents 1.3 billion – approximately 1 billion is represented just by the liability to pay dividends to our shareholders.

Slide number 6 the net debt of Itaúsa, the overall liquidity, debt index; everything is much better than it was already as of 31st of December 2012.

Slide 7 the flow of dividends and interest of capital, exactly as promised, exactly the same as a total dividend received directly and indirectly from Itaú Unibanco with a compound annual growth rate of 11.1%.

Slide number 8 dividends and interest of capital total and a net amount paid to the shareholders. As we can see in 2011 we didn't have an increase in capital due to the high volatility of the market and we compensated that in 2012 with amounts that would be increased in 2011 and 2012.

And in the slide 9 you see exactly the evolution of the dividends if we had had the capital increase in 2011. The dividend net of the capital increases growing 10% per annum.

On page 10 the dividend yield, you can see the high dividend yield of Itaúsa and the dividend yield net of capital increase compared with the dividend yield of Itaú Banco.

Slide 11 total assets and the evolution of debt. The total assets with an increase of 7%, capital increase of 7% and the investments in subsidiary companies with a compound annual growth of 7.9% per annum.

Slide 12 the composition of investments by area: 93% of investments in subsidiaries is invested in the financial area, 6.4% in the industrial area and just 0.3% in other sectors. From the industrial area Duratex represents from the 2 billion in the industrial area Duratex represents 1.5 billion, Elekeiroz 500 million and Itaútec R\$46 million. That's the total invested in subsidiaries, in controlled subsidiaries.

Slide 13 stockholders equity and net income and the evolution since 2010 with a growth of the net income with a compound annual growth rate of 8.9% and the stockholders equity with a compound annual growth rate of 8.2%.

Slide 14 we can see the distribution of the profit of the equity by area, where the financial area represents 96.9% and if industrial area 3.1%.

Slide 16 are the main indicators of the balance sheet and statement of profit and loss of Itaúsa, the parent companies, huge increases in net income, recurrent net income, stockholders equity and return on average equity, and the results also per share with big increases in the year of 2013.

The slide 17 only for those who want to know exactly the difference and where is the main difference between the recurring and nonrecurring net income.

Slide 18 you have the main financial indicators of Itaúsa, the consolidated Itaúsa and the four main companies of Itaúsa; everything with a big increase during the year of 2013.

Most detailed presentation of the recurring and nonrecurring of each of the main companies (for those who want to examine in detail the difference) and that's mainly the presentation of Itaúsa that had a wonderful year in 2013.

Now I would like Guilherme to present Itaútec. Please, Guilherme.

**Mr. Guilherme Pereira:** Ok thank you Henri. Good morning everyone. It's a pleasure to be here today to talk a little bit about Itaútec 2013 performance.

I'm going to start with slide 21 where I will give you some overview on the market scenario and how it affects the business segments of Itaútec.

It's not only related to the 2013 performance, but profitability in Itaútec business segment has fallen significantly due to a series of factors, especially since the beginning of 2011, including macroeconomic, trading and competition aspects.

It is also important to highlight that the situation became worse with the entry of new players, especially in the computing segments in Brazil since they are able to leverage their scales gains from their global productions.

Despite of several initiatives that we took in order to adjust to the company in the past years, such as the reductions of G&A and some operational efficiency programs that were implemented in the industrial area, we were not able, or the initiatives were not enough to compensate the losses originated by the issues we faced to with the market scenario.

As a consequence with the low returns in the past and the small prospects for shareholders value the company decided to start its strategic repositioning in 2013.

In the slide 22 you can see what I just said represented by numbers here. Here we have the operating income for Itaútec, the evolution since 2010. When we had a small operating income, a small profit in 2010 and since then the results have been deteriorating significantly, especially in the gross margin where you can see a huge drop from the end of 2011 to 2013.

It is important to point out that we are showing here the operating income adjusted by the extraordinary events, or the nonrecurring results, which have been also disclosed in the previous financial statements of the Itaútec.

The main important ones were the positive results we had in 2012 due to a special judicial order, a process that we gain in 2012; it represented a profit of R\$65.1 million that made our

2012 results positive. In 2013 we have made several numbers of adjustments due to the strategic repositioning, especially in Q2 and which has led the Itaútec results to a very negative loss.

In the slide 23, I'm going to give you some highlights on the strategic repositioning of Itaútec. Starting in May 2013, when we disclosed to the market our strategic, our intention to have the a strategic partnership with Oki Electric, a Japanese company, and at the time we also disclosed that it was a subject to some prior conditions that we had to fulfill.

It was not only related to regulatory matters, but also we had some several important initiatives to make the new company *BR Automação* able to operate.

At the same time we also disclosed that the company decided to gradually phase out the computing segment. Then, in June, we had the approval of the antitrust body, the CADE in Brazil. In July we had the conclusion of the computing product sales in the retail segments. In August we started outsourcing our computer production mainly in desktops to honor the corporate and government contracts we had in place.

In September we had the assets transferred to *BR Automação* – the company we established to have the partnership with Oki Electric, and last January, we formally agreed and announced that we had completed the partnership with Oki Electric after fulfilling all the prior conditions we have.

Also, in January, as a consequence of the agreements we had to with Oki Electric, Itaútec has changed its business purposes and at the same time we started the dissenting period. The end of the dissenting period has just been concluded in February 13 and yesterday, just yesterday, we released a notice to the shareholders communicating the dissenting process results.

Talking about the partnerships with Oki Electric, the current ownership structure of Oki Brasil – the former *BR Automação* company – is the following shown in this slide, where Itaútec has now 30% of the Oki Brasil shares and Oki Electric has 70% and the control of the company.

Starting in 2014 Itaútec will recognize the results from Oki Brasil as equity equivalents corresponding to its 30% interest in the company.

On slide 25 we have some information on the computing segments and its gradual phase-out, which started in 2013. The main achievements since then were the conclusion of the computing product sales in the retail sector, the end of the production at Jundiaí plant and the consequence we outsourced the remaining desktop production.

The corporate segment is still alive since we have to honor the contracts and obligations we have, especially with the government clients and we keep our commitment to maintain and provide service for Itaútec and InfoWay machines.

Slide 26 we have the financial results, as you can see these are the consolidated results including 2013 the automation and service segments within the numbers we are showing here. We had a net revenue of 1.050 billion with 32% lower than last year, basically due to the

computing segments phase-out.

We have recognized or some important nonrecurring results as a result of the company's restructuring and it is booked. On the other gains and losses, in the right side box in the same slide, we have the breakdown of this nonrecurring adjustment. We ended up with a net loss of R\$388.7 million basically due to the nonrecurring results.

I'm finishing the presentation reinforcing that Itaútec's commitment with the sustainability. We kept some environmental initiatives and we are also awarded and recognized especially in the automation segment where we received an award in three categories of the World Finance Technology Awards.

We are also nominated as a finalist in the communication transparency category for an important Ethics Business Awards in Brazil due to the way that we disclosed all the data related to the strategic repositioning we had in 2013.

So I conclude my presentation and now I pass the word to my colleague Mr. Ricardo Baraldi, who will talk about Elekeiroz.

**Mr. Ricardo Baraldi:** Thank you the Guilherme .Good morning to everyone. It's a pleasure also to be with you talking a little about Elekeiroz.

In Elekeiroz the main highlight was the acquisition from Air Products Brazil of all assets of oxo gas production plant located in the Camaçari petrochemical complex, in the state of Bahia.

The total investment is estimated at R\$70 million over two years covering the current assets, not only the current assets, but also the plant interconnection with Elekieroz's facilities and the purchase of additional equipment to adjust the product portfolio to Elekeiroz needs.

Oxo gas is an indispensable raw material for manufacturing oxo alcohols and the derivatives, such as butanol, octanol and 2-ethyl hexanoic acid and part this oxo gas was already internally produced at Elekeiroz, while the rest was supplied by Air Products.

With the acquisition Elekeiroz ensures its supply to expand its production and meet the growing demand in the local market, particularly for butanol – an important material for the acrylic complex that is currently being set up at that industrial site.

In the next slide we are underlying four of all our key performance indicators for 2013 showing their evolution over the past three years.

Shipment reached 470,000 tons with a compound annual growth rate of 3% from 2011 to 2013. Net revenues amounted to R\$1 billion with a growth rate of 14% in the same period while gross margins over net revenues remains relatively stable.

Ebitda was R\$81 million while Ebitda margin was up 8%. Finally net income and return on equity developed as well, reaching R\$39 million and 8% respectively.

Concerning net income and Ebitda both of them were impacted by the resolution favoring the company of a tax related lawsuit known as PIS 770. Without this impact our net income would have been R\$21 million and Ebitda R\$57 million.

We'd also like to point out that the recovery of profitability in 2013 has enabled the company to pay out dividends totaling R\$50 million equivalent to 39% of its net income and the company remains with a low financial net debt equivalent to 34% of its Ebitda and 6% of its stakeholders equity.

To conclude my presentation I pointed out that Elekeiroz has been doing business for 120 years in the Brazilian chemical industry, which grows as does the quality of life of Brazil's population. For 2013 the apparent consumption of chemical increased by 7% in Brazil.

Elekeiroz is a market leader in its main segments served; it is the only integrated producer of oxo derivatives and organic anhydrides and plasticizers in South America.

Elekeiroz is also going through an intensive process of regrouping and adapting to the current environment, has increased a team dedicated to strategic planning and government, created business units by products to get even closer to the our customers and seeks operational excellence, the implementation of industry competitiveness, improvement plan is part of this, and also modernize its management model by using management cockpit concept and new ERP.

Elekeiroz also seeks innovation through partnerships with research institutions for developing products and processes through alternative production routes, especially those which use raw materials from renewable sources, and it continues having low indebtedness.

All of these conditions put the company in a favorable position to consider opportunities and new investments, such as the gas plant acquisition demonstrating that it is strongly believing in growing its business and investing in Brazil.

Thank you and now Flávio Donatelli from Duratex.

**Mr. Flávio Donatelli:** Thank you Baraldi. It's a pleasure to be here. Duratex had again a very good year in 2013.

On page 34 you can see the highlights. Our net revenue reached almost R\$4 billion with an annual growth of almost 15%. Our recurring adjusted Ebitda reached R\$1.2 billion with a margin of 31%. The Ebitda of Deca growth 9% and the Ebitda of Wood more than 20%.

Recurring net income was R\$560 million, a growth of 23.3%. It's important to mention now that in 2013 we are recognizing the write-down of the goodwill of first stake we bought of Tablemac.

The IFRS and the CPC 15 obliged us to recognize the value of our first purchase as a market value, so we had to recognize this R\$43 million in our balance sheet considering that this R\$43

million doesn't mean cash only; It's a non-cash event.

Our investments during the period were above R\$600 million, we concluded a very important Capex investments. I will talk about it later. And the payout in 2013 reached 40% and the net remuneration to the shareholders reached almost 200 million, which represented a payout of the year 33% higher than the minimum dividends.

On page 35 you can see the consolidated numbers of Duratex. Our net revenue, as I told you, growth of almost 15%; reaching R\$3.8 billion. Our Ebitda and recurrent Ebitda growth of 70% posted R\$1.2 billion. Our net income growth of 33%, reaching R\$560 million and our ROE was 13.3%.

On page 36 you can see the highlights of both the divisions of Duratex. And upside in the wood division, you can see a very good performance it had in 2013. The volumes shipped increased 1.3%, reaching 2.7 million m<sup>3</sup>. Net revenue of R\$2.5 million and a recurring Ebitda growing more than 20%, reaching R\$808 million.

In the Deca division the volume shipped reached almost 28 million pieces; an increase of 8.6% over 2012. Net revenue reached R\$1.4 billion; a growth of 18.3%, if you disregard the revenue of Thermosystem (the company of electric showers we bought in the beginning of 2013) this growth would have been above 11%.

The recurring Ebitda reached R\$319 million with a margin of 23.4%.

On page 37 we talk about the shareholder remuneration and dividends per share. I would say that as a consequence of the good results of the year and considering the low leverage of the company, the Board decided to increase the dividend payout to 40% this year; an increase of 33% of our remuneration defined by the law. Law defines a 30% pay out and this year the Board decided to pay 40%.

On page 38 despite all the investments we did in 2013, of about R\$600 million, our net debt grew only R\$80 million going from R\$1.370 billion to R\$1.4 billion. Our rate on net debt equity reached 33.3% and our multiple net debt Ebitda was 1.17% below the 1.33 we reached in 2012.

Here in the amortization schedule we can see that the amount we have in cash of almost R\$1 billion is more than sufficient to meet all the debts amortization of 2014.

Here we can see a very well balanced capital structure, which allows us to analyze future expansions and acquisitions.

On page 39 we can see that in 2013 we invested more than R\$600 million and it's important to mention that in January we finalized the tender offer of Tablemac shares in Columbia. We acquired more 43% participation in this company, now we have more than 80% of the company, total investments of R\$152 million.

For 2014 our expectation is to invest around R\$500 million not considering these investments in Tablemac.

We can see this page too that in the last three years –from 2011 to 2013 – the company invested more than R\$2 billion. On page 40 from these R\$2 billion I point out an investment of R\$1.2 billion in 6 main projects: Projects that are organic growth or acquisitions.

In the organic growth in the Wood division we finalized a new line of MDF in the Itapetininga plant, with a capacity of 520,000 m<sup>3</sup> per year, and in Itaquari with a bottleneck in the line with an increase of 230,000 m<sup>3</sup> a year. These both investments in these two plants represent an increase of 24% of the capacity of the Wood division.

In Queimados (Rio de Janeiro) we made an investment in a new plant, in a new line of sanitary ware, which will increase in 2.4 million pieces a year our capacity, which means an increase of 25%.

Below you can see the acquisitions we did in the end of 2012 and beginning of 2013 and the evolution we had against the debt performance before the repurchase of these projects.

In Thermosystem, which produces electronic showers, by the time we acquired this company their capacity was 1.5 million pieces a year. During 2013 with an investment in sales force and maintenance our net revenues reached 31%, a growth of 21% over 2012 and Ebitda the company growth 10%.

In Mipel, which produces industrial valves, we acquired this capacity... when we acquired the company the capacity was 780 and after some adjustments in the capacity the capacity reached 2.6 million pieces a year, which means that this investment was very important in order to increase the capacity production.

And in Tablemac in 2012 when we bought the first part of the company in 2012, in 2013 net revenue in the first nine months growth 26% and the Ebitda growth of almost 30%. Those investments must present returns from 2014 on.

In the last page, page 41, Duratex is very well positioned to grow. We had a very well balanced capital structure to explore more M&A opportunities. During 2013 the completion of our major investments in both the divisions (Wood and Deca) we have a high degree of forest integration, which means that Duratex has the lowest cost of the wood in the sector.

Our proximity to customers with the geographic diversification, we have 14 plants in Brazil in Deca and Wood, and we can supply our customers with the lowest logistic cost in the market, and you have a very skilled, focused and motivated team.

Thank you very much I pass the word to Alfred Setúbal.

**Mr. Alfredo Setúbal:** Thank you Flávio. Let's talk about the Itaú Unibanco Holding. I think it's important to notice that those who are following through the slides that the numbers that we are



going to see are different from the ones that were presented by the bank when it released its results because here, as Itaúsa, the numbers of Itaú Unibanco Holding are in IFRS, so the numbers may differ a little bit.

The recurrent net income 16.6 billion, this compares to 2012 in the IFRS an increase of 23.7%. This means an ROE of 21.3% in the last year. The total funds own capital and manage funds and deposits, the total of the bank is R\$1.5 trillion.

We continue to invest a lot in technology. We announced in 2012 a three-year investment of more than R\$11 billion. This will be very important to prepare the bank for the growth of volumes and new systems that will also help in terms of efficiency.

We announced in December 2013 that all the approvals about the Creditcard transaction, our acquisition from Citibank, so since December we have been consolidating the numbers of Creditcard that helped us to increase our share in that credit card business in Brazil, where we are already leaders of this segment.

Last month we announced the merge between Itaú Chile and CorpBanca, we did an announcement; we will be the fourth bank in Chile and the fifth bank in Columbia, in line with our strategy of growing in the Latin American countries

On slide 44 you can see the results of the bank. We can see the managerial financial margins reduced last year, the main reason was reduction in the financial margins with clients. We had a reduction of almost 4% last year mainly because of the reduction of risk in the credit portfolio that we have been making in the last two years and with this policy we have been more selective and the kind of clients that we are providing credit are much better level, so they pay less spreads.

So we have here composition of less spreads and a different mix of credit portfolio. And also the financial margin with the market with a reduction of almost 50% compared to 2012 because of the difficulties of the market, not only in Brazil, but also internationally.

We can see that the banking fees increased a lot also because of volumes, but also because of Redecard that was totally consolidated last year. The big gain came from loan losses and claims, net of recoveries where we had R\$5 billion in a better number when we compare to 2012 we achieved a R\$14.8 billion last year when we compared to almost 21 billion in 2012 due to this policy of having much less risk in terms of credit portfolio when we compare to the other years.

The general expenses also in line with inflation and we will continue to be very tough in this line because it's part of our strategy to continue to increase our net income.

On slide 45 we can see the changes in the credit portfolio. We see an increase in credit card business mainly because of the acquisition that we started to consolidate last year in terms of the business of Creditcard that we bought from Citibank. We continue to reduce the risk of the portfolio for individuals, especially in vehicles.

We reduce more 21% of the portfolio last year and we finished with a little bit more than R\$40 billion and we will see probably more reduction in the first semester of this year.

By the other hand, we continue to increase the credit portfolio in segments that we have lower costs, like payroll loans that we increased 66% driven by the joint venture between Itaú and BMG that is growing this portfolio.

And also we continue to grow mortgages that achieved R\$24.5 billion and we continue to grow and the growth was in line with the other years of 32%. In terms of companies we continue to reduce the risk with small and very small companies. This portfolio continues to reduce, by the other hand we increased a lot the corporate segment even though the spreads are lower the delinquency also is lower, is under control.

We can see the growth of our international credit portfolio in the countries of Latin America, not only because of the organic growth of these portfolios, but also because of the devaluation of the Real against the Dollar.

So the total credit portfolio including endorsements and sureties was R\$480 billion. We have to add debt securities that we carry on our treasury that also is credit risk of R\$26 billion, so the total credit risk that we are under is 509 billion that means that we increased our total credit exposure in 13.2% last year.

On slide 46 the NPL ratio we continue to reduce achieving 3.7 by the end of the year that is the lowest level since the merge between Itaú and Unibanco.

Now on slide 47 we can see what were our expectations for last year in terms of total loan growth of the portfolio, expenses, fees, and we in general we achieved the numbers and expectations that we had at the beginning of the year.

On slide 48 we can see the status of our operations in Latin America. We continue to be interested in growing our international business to Latin America and I think the deal with CorpBanca is very important in this strategy.

To finalize, on slide 49, the expectations that we have for our portfolio, for this year. We expect to the portfolio to grow, the credit portfolio to grow between 10 and 13%, in line with what we had last year. Loan losses provision net of recoveries that last year was almost 15 billion we expect some reduction again this year and we expect something between 13 and 15 billion for 2014.

Commissions fees and insurance business a growth of 12 to 14, here includes also the credit card business that we acquired last year.

Noninterest expenses not considering credit card we expect something in line with inflation or a little bit above. And with all this growth in terms of revenue and more control in terms of expenses we expect the efficiency ratio to improve 15 to 117 basis points.

That's the presentation of Itaú Unibanco Holding and I give back the word to Henri Penchas to continue the Itaúsa presentation.

**Mr. Penchas:** Thank you Alfredo. Last chapter of our presentation I'll try to mention a lot of aspects of our shares in the stock market.

Page 51 we issued last year the new website of Itaúsa that has a lot of improvements in comparison with the old one.

Page 52 a lot of nominations and prizes we won last year, as the Dow Jones Sustainability Index that's worldwide, obviously also the Emerging Markets one. And we were considered, we have reached the highest score in Anti-Crime Policy, Brand Management, Financial Stability and Systemic Risk and Human Capital Development.

For the seventh consecutive year we were selected to compose the ISE that's the Bovespa index for the sustainable companies and the CDP we were considered as a Latin America leader in transparency.

Page 53 the performance of Itaúsa preferred shares in terms of trading volume. The high increase, much higher than the Bovespa and Itaúsa shares, Itaú Banco shares and Duratex shares represent 9.7% of the total number of shares traded daily in the Bovespa.

In terms of amounts, page 54, last year Itaúsa preferred shares traded R\$118 million daily, with a compound annual growth rate of 9.5 since 2008 against 6% of the general index of Bovespa.

Page 55 the chart I always like to show is the discounted in the price of Itaúsa where we still have a discount of 21% in relation to the sum of the parts that are the shares of Itaú Unibanco, Duratex, Itaútec and Elekeiroz and that not including the premium of control.

Slide 56 historical discounted of Itaúsa. Page 57 the consensus of the analysts that analyze Itaúsa. From six analysts five recommend buy in our shares, in very recent research.

And finally the last slide, page 58, the evolution of R\$100 invested 10 years ago, five years ago and last year in Itaúsa shares in comparison with IBovespa (the Brazilian index) and with an interbank rate, where we can see that in 10 years the annual growth was bigger, in five years also and just the last months it was bigger than the national index, a little bit smaller when compared with the CDI.

That's all for the presentation. I and my colleagues, we are now open to your eventual questions, please. Thank you.

## Q&A Session

**Operator:** 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 (1) key on your touch-tone phone now. If at any time you would like to remove yourself from the questioning queue, press star 2.

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

**Mr. Penchas:** I would like to thank all the participants in this conference call and any questions you may have in the future I and my colleagues we are open by e-mail, by phone to try to answer your questions. Thank you very much. Bye-bye.

**Operator:** That does conclude our Itaúsa 2013 results conference call for today. Thank you very much for your participation. You may now disconnect.