ULTRAPAR HOLDINGS INC
Form 20-F
June 30, 2010
Table of Contents

As filed with the Securities and Exchange Commission on June 30, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark one)

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2009

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number: 001-14950

ULTRAPAR PARTICIPAÇÕES S.A.

(Exact name of Registrant as specified in its charter)

ULTRAPAR HOLDINGS INC.

(Translation of Registrant s name into English)

The Federative Republic of Brazil

(Jurisdiction of incorporation or organization)

Av. Brigadeiro Luis Antônio, 1343, 9º Andar

São Paulo, SP, Brazil 01317-910

Telephone: 55 11 3177 6695

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Preferred Shares, without par value (represented by, and traded only in the form of, American Depositary Shares (evidenced by American Depositary Receipts), with each American Depositary Share representing one preferred share)	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

The number of outstanding shares of each class as of December 31, 2009.

Title of Class	Number of Shares Outstanding
Common Stock	**49,429,897**
Preferred Stock	**86,666,102**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. x Yes ¨ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. ¨ Yes x No

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ¨ Yes x No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer x Accelerated Filer ¨ Non-accelerated Filer ¨

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ¨ International Financial Reporting Standards as

issued by the International Accounting Standards Board ¨ other x

Indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 ¨ Item 18 x

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes x No

TABLE OF CONTENTS

Table of Contents

INTRODUCTION

With a track record of over 70 years, Ultrapar is one of the largest business groups in Brazil, with leading positions in the markets in which it operates: fuel distribution through Ultragaz and Ipiranga, chemicals through Oxiteno, and storage for liquid bulk through Ultracargo. Ultragaz is the leader in LPG distribution in Brazil with a 24% market share as of December 31, 2009 and one of the largest independent LPG distributors in the world in terms of volume sold. We deliver LPG to an estimated 10 million households using our own vehicle fleet and our network of more than 4,000 independent retailers. Ipiranga is the second largest fuel distributor in Brazil, with a network of approximately 5.5 thousand service stations and a 21% market share as of December 31, 2009. Oxiteno is one of the largest producers of ethylene oxide and its main derivatives in Latin America, a major producer of specialty chemicals and the sole producer of fatty-alcohols and related by-products in Latin America. Oxiteno has nine industrial units in Brazil, Mexico and Venezuela and commercial offices in the United States, Argentina, and Belgium. Ultracargo is the largest provider of storage for liquid bulk in Brazil, with seven terminals and storage capacity of approximately 625,000 cubic meters.

References in this annual report to Ultrapar , we , our , us and the company are to Ultrapar Participações S.A. and its consolidated subsidiaries (unless the context otherwise requires). In addition, all references in this annual report to:

ABTL are to *Associação Brasileira de Terminais de Líquidos*, the Brazilian Association of Liquid Bulk Terminal Operators ;

ABIQUIM are to *Associação Brasileira da Indústria Química*, the Brazilian Association of Chemical Industries;

ADRs are to the American Depositary Receipts evidencing our ADSs;

ADSs are to our American Depositary Shares, each representing one share of our non-voting preferred stock;

am/pm are to Ipiranga s convenience stores franchise network that operate under the brand am/pm, managed by am/pm Comestíveis Ltda. and Conveniência Ipiranga Norte Ltda.;

ANFAVEA are to *Associação Nacional dos Fabricantes de Veículos Automotores*, the Brazilian Association of Vehicle Producers;

ANP are to the *Agência Nacional de Petróleo, Gás Natural e Biocombustíveis*, the Brazilian oil, natural gas and biofuels regulatory agency;

BM&FBovespa are to the BM&FBOVESPA S.A. Bolsa de Valores, Mercadorias e Futuros, the São Paulo Stock Exchange;

Braskem are to Braskem S.A.;

Brazilian Central Bank, BACEN, Central Bank of Brazil or Central Bank are to the *Banco Central do Brasil*, the Brazilian central bank;

Brazilian Corporate Law are to Law No. 6,404 enacted in December 1976, as amended by Law No. 9,457 enacted in May 1997, by Law No. 10,303 enacted in October 2001, and by Law No. 11,638 enacted in December 2007 and by Law No. 11,941/09 (former

Provisional Measure 449/08) enacted in May 2009;

Brazilian government are to the federal government of the Federative Republic of Brazil;

CBPI are to Companhia Brasileira de Petróleo Ipiranga, a company that was merged into IPP in November 2009;

CBL are to Chevron Brasil Ltda. (currently IPP), a former subsidiary of Chevron that, together with Galena, held Texaco;

Chevron are to Chevron Latin America Marketing LLC and Chevron Amazonas LLC;

Commission or SEC are to the U.S. Securities and Exchange Commission;

CVM are to *Comissão de Valores Mobiliários*, the Brazilian securities authority;

Deposit Agreement are to the Deposit Agreement between Ultrapar Participações S.A. and the Bank of New York Mellon , dated July 12, 1999, and all subsequent amendments thereto;

DPPI are to Distribuidora de Produtos de Petróleo Ipiranga S.A., a company that was merged into CBPI in December 2008;

EMCA are to Empresa Carioca de Produtos Químicos S.A.;

Galena are to Sociedade Anônima de Óleo Galena Signal, a former subsidiary of Chevron that, together with CBL, held Texaco;

Ipiranga are to Ultrapar s subsidiaries that operate in the fuel distribution business and related activities;

Table of Contents

Ipiranga Group are to RPR, DPPI, CBPI, Ipiranga Química S.A. (IQ), Ipiranga Petroquímica S.A. (IPQ), Companhia Petroquímica do Sul S.A. (Copesul) and their respective subsidiaries prior to their sale to Ultrapar, Petrobras and Braskem;

Ipiranga Group SPA are to the Share Purchase Agreement entered into and among Ultrapar, with the consent of Petrobras and Braskem, and the Key Shareholders on March 18, 2007;

Ipiranga Group Transaction Agreements are to agreements related to the acquisition of Ipiranga Group by Ultrapar, Petrobras and Braskem. Each Ipiranga Group Transaction Agreement is incorporated by reference to Exhibits 2.6, 2.7, 2.8, 4.4, 4.5, 4.6 and 4.7 to Form 20-F of Ultrapar Participações S.A. filed on June 7, 2007;

IPP are to Ipiranga Produtos de Petróleo S.A., formerly CBL;

Key Shareholders are to Ipiranga Group s former controlling shareholders prior to the closing of the Ipiranga Group SPA;

Latin America are to countries in America other than the United States and Canada;

LPG are to liquefied petroleum gas;

NYSE are to the New York Stock Exchange;

Northern Distribution Business are to former CBPI s fuel and lubricant distribution businesses located in the North, Northeast and Mid-West regions of Brazil;

Oil Refining Operations are to the oil refining operations of RPR;

Oxiteno are to Oxiteno S.A. Indústria e Comércio, our wholly owned subsidiary and its subsidiaries that produce ethylene oxide and its principal derivatives, fatty alcohols and other specialty chemicals;

Petrobras are to Petróleo Brasileiro S.A.;

Petrochemical Business are to IQ, IPQ and IPQ s stake in Copesul;

Quattor are to Quattor Participações S.A, acquired by Braskem in May 2010;

Quattor Química are to Quattor Química S.A., formerly Petroquímica União S.A., a subsidiary of Quattor;

real , *reais* or R$ are to Brazilian *reais*, the official currency of Brazil;

RPR are to Refinaria de Petróleo Riograndense S.A. (formerly Refinaria de Petróleo Ipiranga S.A.), a company engaged in oil refining;

SBP are to Sociedade Brasileira de Participações Ltda., a company that was merged into IPP in August 2009;

Securities Act are to the U.S. Securities Act of 1933, as amended;

Share Exchange are to the exchanges of RPR s, DPPI s and CBPI s preferred shares and any remaining common shares for Ultrapar s preferred shares in connection with the acquisition of Ipiranga Group;

Sindigás are to the Brazilian Association of LPG Distributors;

Sindicom are to the Brazilian Association of Fuel Distributors;

Southern Distribution Business are to Ipiranga Group s fuel and lubricant distribution businesses located in the South and Southeast regions of Brazil and their related activities;

Texaco are to the Texaco-branded fuels marketing business in Brazil, previously carried-out by CBL and Galena;

TRR are to Retail Wholesale Resellers, specialized resellers in the fuel distribution;

Ultra S.A. are to Ultra S.A. Participações, the controlling shareholder of Ultrapar;

Ultracargo are to Ultracargo Operações Logísticas e Participações Ltda., our wholly owned subsidiary and its subsidiaries that provide road transportation, storage, handling and logistics services for liquid bulk cargo;

Ultragaz are to Ultrapar s subsidiaries that operate in the distribution of LPG;

União Terminais are to União Terminais e Armazéns Gerais Ltda., a company that was merged into Terminal Químico de Aratu S.A. Tequimar in December 2008;

União/Vopak are to União/Vopak Armazéns Gerais Ltda., a company in which União Terminais had a 50% stake;

Unipar are to União das Indústrias Petroquímicas S.A.; and

US$, dollars or U.S. dollars are to the United States dollar.

Table of Contents

The Glossary of Petrochemical Industry Terms that begins on page 143 provides definitions of certain technical terms used in this annual report. Unless otherwise specified, data related to (i) the Brazilian petrochemical industry included in this annual report were obtained from ABIQUIM, (ii) the LPG business were obtained from Sindigás and ANP, (iii) the fuel distribution business were obtained from Sindicom and ANP, and (iv) the liquid bulk storage industry were obtained from ABTL.

PRESENTATION OF FINANCIAL INFORMATION

Our audited consolidated financial statements include our consolidated balance sheets as of December 31, 2009 and 2008 and our consolidated statements of income, cash flows, changes in shareholders equity and value added for the years ended December 31, 2009, 2008 and 2007, as well as notes thereto. We have not included our consolidated balance sheets as of December 31, 2007, 2006 and 2005 and our consolidated statements of income, cash flows, changes in shareholders equity and value added including the notes thereto for the years ended in December 31, 2006 and 2005 in this annual report. The financial information presented in this annual report should be read in conjunction with our consolidated financial statements.

In April 2007, Ultrapar acquired the Southern Distribution Business and EMCA and a one-third stake in RPR as a result of the acquisition of the Ipiranga Group. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of Ipiranga Group . Accordingly, the financial information of the Southern Distribution Business and EMCA have been fully consolidated into Ultrapar s financial statements and the financial information of RPR has been proportionally consolidated into Ultrapar s financial statements since April 1, 2007.

In addition, between April 1, 2007 and January 1, 2008, EMCA s financial information was consolidated into Ipiranga s financial statements. Since January 1, 2008, EMCA s financial information has been consolidated into Oxiteno, to reflect the effective management responsibility for the business. The financial information of Oxiteno and Ipiranga in this annual report prior to January 1, 2008 reflects the current consolidation retrospectively, which differs from those reported in the Annual Report Form 20-F for the year ended December 2007, filed with the SEC on June 7, 2007.

In June 2008, Ultrapar executed a sale and purchase agreement for the acquisition of 100% of the shares of União Terminais, a company engaged in the storage and handling of liquid bulk. In connection with this agreement, Ultrapar acquired port terminals in Santos and Rio de Janeiro in October 2008 and a 50% stake in União/Vopak, a company that owns a port terminal in Paranaguá (in the state of Paraná), in November 2008. The results of operations of the acquired businesses were consolidated into Ultrapar s financial statements after their respective closing dates. Ultrapar s financial statements as of and for the periods prior to such dates do not reflect any financial information of the acquired businesses. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of União Terminais .

In August 2008, Ultrapar executed a sale and purchase agreement for the acquisition of Texaco s fuel distribution business in Brazil, which was closed on March 31, 2009. The results of operations of the businesses acquired were consolidated into Ultrapar s financial statements as from April 1, 2009. Ultrapar s financial statements as of and for the periods prior to April 1, 2009 do not reflect any financial information of the acquired businesses. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of Texaco .

On June 25, 2010 the exchange rate for *reais* into U.S. dollars was R$1.778 to US$1.00, based on the commercial selling rate as reported by the Central Bank. The commercial selling rate was R$1.741 to US$1.00 on December 31, 2009, and R$2.337 to US$1.00 on December 31, 2008. The *real*/dollar exchange rate fluctuates widely, and the current commercial selling rate may not be indicative of future exchange rates. See Item 3.A. Key Information Selected Consolidated Financial Data Exchange Rates for information regarding exchange rates for the Brazilian currency. Solely for the convenience of the reader, we have translated some amounts included in Item 3.A. Key Information Selected Consolidated Financial Information and elsewhere in this annual report from *reais* into U.S. dollars using the commercial selling rate as reported by the Central Bank at December 31, 2009 of R$1.741 to US$1.00. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or at any other exchange rate. Such translations should not be construed as representations that the *real* amounts represent or have been or could be converted into U.S. dollars as of that or any other date.

Segment information for our businesses is presented on an unconsolidated basis. Consequently, intercompany transactions have not been eliminated in segment information, and such information may differ from consolidated financial information provided elsewhere in this annual report. In addition, unless the context requires otherwise, segment information with respect to Ipiranga includes financial and operating information of Ipiranga before its acquisition by us. See Item 7.B. Major Shareholders and Related Party Transactions Related Party Transactions for more information on intercompany transactions.

Certain figures included in this annual report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

4

Table of Contents

Brazilian GAAP and U.S. GAAP

Our consolidated financial statements were prepared in accordance with accounting policies derived from the Brazilian Corporate Law and CVM (Brazilian GAAP), including, with respect to our financial statements as of and for the years ended December 31, 2009 and 2008, Laws 11,638/07 and 11,941/09 (former Provisional Measure 449/08), which amended the accounting policies adopted in Brazil and were enacted on December 28, 2007 and May 27, 2009, respectively. Our financial information under Brazilian GAAP as of and for any period prior to the year ended December 31, 2008 does not reflect any changes resulting from Laws 11,638/07 and 11,941/09, as allowed by CVM. See Note 2 to our consolidated financial statements.

Brazilian GAAP differs in certain material respects from the accounting principles generally accepted in the United States of America (U.S. GAAP). See Note 24 to our consolidated financial statements for a summary of the differences between Brazilian GAAP and U.S. GAAP, and a reconciliation of shareholders equity as of December 31, 2009 and 2008 and net income for the years ended December 31, 2009, 2008 and 2007 from Brazilian GAAP to U.S. GAAP. During the year ended December 31, 2009, the Accounting Pronouncement Committee (*Comitê de Pronunciamentos Contábeis*), or CPC, issued and the CVM approved a series of accounting standards for the convergence of the Brazilian GAAP to the International Financial Reporting Standards (IFRS). These new standards apply as of and for the year ended December 31, 2010 and to the comparative financial information for the year ended December 31, 2009.

Market share and economic information

All market share information, unless otherwise specified, related to (i) the LPG business was obtained from Sindigás and ANP, (ii) the fuel distribution business was obtained from Sindicom and ANP, and (iii) the liquid bulk storage industry was obtained from ABTL. Unless otherwise specified, all macroeconomic data are obtained from the *Instituto Brasileiro de Geografia e Estatística* IBGE, *Fundação Getúlio Vargas* FGV and the Central Bank. Although we do not have any reason to believe any of this information is inaccurate in any material respect, we have not independently verified any such information.

FORWARD-LOOKING STATEMENTS

This annual report contains estimates and forward-looking statements subject to risks and uncertainties, including our plans, forecasts and expectations regarding future events, strategies and projections. Forward-looking statements speak only as of the date they were made, and we undertake no obligation to update publicly or revise any forward-looking statements after we distribute this annual report because of new information, future events and other factors. Words such as believe , expect , may , will , plan , strategy , prospect , foresee , estimate , anticipate , can , intend and similar words are intended to identify forward-looking statements. We have made forward-looking statements with respect to, among other things, our:

- strategy for marketing and operational expansion;
- capital expenditures forecasts; and
- development of additional sources of revenue.

The risks and uncertainties described above include, but are not limited to:

- general economic and business conditions, including the price of crude oil and other commodities, refining margins and prevailing foreign exchange rates;
- competition;

ability to produce and deliver products on a timely basis;

ability to anticipate trends in the LPG, fuels, chemicals and logistics industries, including changes in capacity and industry price movements;

changes in official regulations;

receipt of official authorizations and licenses;

political, economic and social events in Brazil;

access to sources of financing and our level of indebtedness;

ability to integrate acquisitions;

regulatory issues relating to acquisitions;

instability and volatility in the financial markets;

availability of tax benefits; and

Table of Contents

other factors contained in this 20-F under Item 3.D. Key Information Risk Factors .

Forward-looking statements involve risks and uncertainties and are not a guaranty of future results. In light of the risks and uncertainties described above, the forward-looking events and circumstances discussed in this annual report might not occur and our future results may differ materially from those expressed in or suggested by these forward-looking statements.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Consolidated Financial Data

We have selected the following consolidated financial data from our audited consolidated financial statements, for the periods indicated. You should read our selected consolidated financial data in conjunction with Item 5. Operating and Financial Review and Prospects and our consolidated financial statements and notes thereto included in this annual report.

Our consolidated financial statements are prepared in *reais* in accordance with Brazilian GAAP, which differ in certain material respects from the U.S. GAAP. See Note 24 to our consolidated financial statements for a summary of the differences between Brazilian GAAP and U.S. GAAP.

The following table presents our selected financial information at the dates and for each of the periods indicated in Brazilian GAAP and, where indicated, in U.S. GAAP. The consolidated balance sheet information as of December 31, 2009 and 2008 and the consolidated statements of income, cash flows, changes in shareholders equity and value added for the years ended December 31, 2009, 2008 and 2007 are derived from our audited consolidated financial statements included in this annual report. The consolidated balance sheet information as of December 31, 2007, 2006 and 2005 and the consolidated statements of income, cash flows, changes in financial position and changes in shareholders equity for the years ended December 31, 2006 and 2005 are derived from our audited consolidated financial statements that are not included in this annual report.

Our consolidated financial statements were prepared in accordance with accounting policies derived from Brazilian GAAP, including, with respect to our financial statements as of and for the years ended December 31, 2009 and 2008, Laws 11,638/07 and 11,941/09 (former Provisional Measure 449/08), which amended the accounting policies adopted in Brazil and were enacted on December 28, 2007 and May 27, 2009, respectively. Our financial information under Brazilian GAAP as of and for any period prior to the year ended December 31, 2008 does not reflect any changes resulting from Laws 11,638/07 and 11,941/09, as allowed by CVM. See Note 2 to our consolidated financial statements.

	Year Ended December 31					
	2009(1)	2009	2008	2007	2006	2005
	(in millions, except per share data)					
Income Statements:	**US$**	**R$**	**R$**	**R$**	**R$**	**R$**
Gross revenue from sales and services	21,738.7	37,851.4	29,536.4	20,841.1	5,229.9	5,158.0
Deductions	(996.7)	(1,735.5)	(1,268.4)	(919.8)	(435.8)	(464.2)
Net revenue from sales and services	**20,742.0**	**36,115.9**	**28,268.0**	**19,921.3**	**4,794.1**	**4,693.8**
Cost of products and services sold	(19,189.1)	(33,412.0)	(26,152.3)	(18,224.2)	(3,859.9)	(3,783.4)

Gross income	**1,552.9**	**2,703.9**	**2,115.7**	**1,697.1**	**934.2**	**910.4**
Operating (expenses) revenues						
Selling, general and administrative expenses	(1,038.5)	(1,808.2)	(1,424.4)	(1,223.3)	(605.1)	(551.7)
Other net operating income	11.1	19.3	22.1	12.3	1.3	(0.4)
Total operating expenses	(1,027.4)	(1,788.9)	(1,402.3)	(1,211.0)	(603.8)	(552.1)
Operating income before financial income and other income	**525.5**	**915.0**	**713.4**	**486.1**	**330.4**	**358.3**

Table of Contents

	Year Ended December 31					
	2009(1)	2009	2008	2007	2006	2005
	(in millions, except per share data)					
Net financial income (expense)	(159.8)	(278.2)	(168.8)	(119.4)	30.6	(27.3)
Other income	11.7	20.3	11.2	8.8	(18.5)	(1.8)
Income before income and social contribution taxes, equity in income of affiliates and employees statutory interest	377.4	657.1	555.8	375.5	342.5	329.2
Income tax and social contribution	(107.5)	(187.0)	(151.6)	(85.9)	(56.1)	(28.8)
Income before equity in income of affiliates and employees statutory interest	269.9	470.1	404.2	289.6	286.4	300.4
Equity in income of affiliates	0.1	0.2		0.6	1.0	1.6
Employees statutory interest			(9.4)	(7.3)		
Net income for the year	**270.2**	**470.3**	**394.8**	**282.9**	**287.4**	**302.0**
Net income attributable to Ultrapar	**268.1**	**466.7**	**390.3**	**181.9**	**282.1**	**299.2**
Net income attributable to non-controlling interests(2)	2.1	3.6	4.5	101.0	5.3	2.8
Earnings per share(3)	1.97	3.43	2.87	2.19	3.55	3.73
Dividends per common share(4)	1.19	2.08	1.78	1.78	1.78	1.94
Dividends per preferred share(4)	1.19	2.08	1.78	1.78	1.78	1.94
Other financial data						
Cash flows from operating activities(5)	792.9	1,380.6	373.5	468.2	384.3	410.0
Cash flows from investing activities(5)	(826.9)	(1,439.8)	(1,299.0)	(999.4)	(915.5)	(676.3)
Cash flows from financing activities(5)	(388.6)	676.7	1,330.4	1,061.7	(183.6)	762.0
Depreciation and amortization(6)	252.3	439.3	375.5	300.6	185.8	187.7
Adjusted EBITDA(7)	**777.8**	**1,354.4**	**1,079.4**	**779.4**	**516.2**	**546.0**
Net cash (debt)(8)	(1,182.9)	(2,059.6)	(1,538.2)	(1,434.1)	120.7	191.2
Number of common shares (in thousands)(9)	49,429.9	49,429.9	49,429.9	49,429.9	49,429.9	49,429.9
Number of preferred shares (in thousands)(9)	86,666.1	86,666.1	86,666.1	86,666.1	31,895.5	31,895.5
U.S. GAAP:						
Net income attributable to Ultrapar(11)	222.8	387.9	415.2	217.5	280.5	288.9
Basic and diluted earnings per common share(10)(11)	1.67	2.90	3.09	2.55	3.46	3.57
Basic and diluted earnings per preferred share(10)(11)	1.67	2.90	3.09	2.55	3.46	3.57
Depreciation and amortization	242.1	421.6	288.6	220.7	143.9	137.4

(1) The figures in *reais* for December 31, 2009 have been converted into dollars using the exchange rate of US$1.00 = R$1.741, which is the commercial rate reported by the Central Bank on this date. This information is presented solely for the convenience of the reader. You should not interpret the currency conversions in this annual report as a statement that the amounts in *reais* currently represent such values in U.S. dollars. Additionally, you should not interpret such conversions as statements that the amounts in *reais* have been, could have been or could be converted into U.S. dollars at this or any other foreign exchange rates. See Item 3.A. Key Information Selected Consolidated Financial Data Exchange Rates .

(2) Non-controlling interests of Ultrapar s results amounted to R$101 million in 2007, reflecting the stake held by minority shareholders of RPR, DPPI and CBPI prior to the Share Exchange. As of September 30, 2007, Ultrapar held, directly and indirectly, 11.52% of CBPI s total shareholder capital, 32.45% of DPPI s total shareholder capital and 30.02% of RPR s total shareholder capital. After the Share Exchange in December 2007, the correspondent portion of the minority interest in these companies was reduced and, since October 2007, Ultrapar consolidates 100% of the results of the businesses acquired.

(3) Net earnings per share are calculated based on the net income attributable to Ultrapar and the weighted average shares outstanding during each of the periods presented. Under Brazilian GAAP, net earnings per share are not retroactively adjusted for the stock dividend but are retroactively adjusted for the reverse stock split described under Item 4.A. Information on the Company History and Development of the Company .

(4) See Item 8.A. Financial Information Consolidated Statements and Other Financial Information Dividend and Distribution Policy for information regarding declaration and payment of dividends. Dividends per share do not reflect any adjustments related to the stock dividend described under Item 4.A. Information on the Company History and Development of the Company .

Table of Contents

(5) Cash flow information has been derived from our consolidated financial statements prepared in accordance with Brazilian GAAP. See our consolidated financial statements.

(6) Represents depreciation and amortization expenses included in cost of products and services sold and in selling, general and administrative expenses.

(7) The purpose of including adjusted EBITDA information is to provide a measure for assessing our ability to generate cash from our operations. Adjusted EBITDA is equal to net income before non-controlling interests, equity in income of affiliates, income tax and social contribution, other income, net financial income (expense) and depreciation and amortization. In managing our business we rely on adjusted EBITDA as a means for assessing our operating performance and a portion of our employee profit sharing plan is linked to adjusted EBITDA performance. Because adjusted EBITDA excludes equity in income of affiliates, income tax and social contribution, other income, net financial income (expense), depreciation and amortization, it provides an indicator of general economic performance that is not affected by debt restructurings, fluctuations in interest rates or effective tax rates, or levels of other income, depreciation and amortization. Accordingly, we believe that this type of measurement is useful for comparing general operating performance from period to period and making certain related management decisions. We also calculate adjusted EBITDA in connection with covenants related to some of our financing. We believe that adjusted EBITDA enhances the understanding of our financial performance and our ability to satisfy principal and interest obligations with respect to our indebtedness as well as to fund capital expenditures and working capital requirements. Adjusted EBITDA is not a measure of financial performance under U.S. GAAP or Brazilian GAAP. Adjusted EBITDA should not be considered in isolation, or as a substitute for net income, as a measure of operating performance, as a substitute for cash flows from operations or as a measure of liquidity. Adjusted EBITDA has material limitations that impair its value as a measure of a company s overall profitability since it does not address certain ongoing costs of our business that could significantly affect profitability such as financial expenses and income taxes, depreciation or capital expenditures and associated charges.

The tables below provide a reconciliation of our net income to our adjusted EBITDA, of our operating income before financial income and other income to our adjusted EBITDA and of the operating income before financial income and other income of Ultragaz, Ipiranga, Oxiteno and Ultracargo and their respective Adjusted EBITDA for the years ended December 31, 2009, 2008, 2007, 2006 and 2005:

	Ultrapar Reconciliation of net income to adjusted EBITDA Year ended December 31,				
	2009	**2008**	**2007**	**2006**	**2005**
	(in millions of *reais*)				
Net income for the year	470.3	394.8	282.9	287.4	302.0
Equity in income of affiliates	(0.2)		(0.6)	(1.0)	(1.6)
Income tax and social contribution	187.0	151.6	85.9	56.1	28.8
Other income	(20.3)	(11.2)	(8.8)	18.5	1.8
Net financial income (expense)	278.2	168.8	119.4	(30.6)	27.3
Depreciation and amortization	439.3	375.5	300.6	185.8	187.7
Adjusted EBITDA	**1,354.4**	**1,079.4**	**779.4**	**516.2**	**546.0**

8

Table of Contents

	Ultrapar Reconciliation of operating income before financial income and other income to adjusted EBITDA Year ended December 31,				
	2009	2008	2007	2006	2005
	(in millions of *reais*)				
Operating income before financial income and other income	915.0	713.4	486.1	330.4	358.3
Depreciation and amortization	439.3	375.5	300.6	185.8	187.7
Employees statutory interests		(9.4)	(7.3)		
Adjusted EBITDA	**1,354.4**	**1,079.4**	**779.4**	**516.2**	**546.0**

	Ultragaz Reconciliation of operating income before financial income and other income to adjusted EBITDA Year ended December 31,				
	2009	2008	2007	2006	2005
	(in millions of *reais*)				
Operating income before financial income and other income	162.3	87.9	132.3	167.3	77.8
Depreciation and amortization	119.0	122.9	119.5	113.2	117.3
Adjusted EBITDA	**281.4**	**210.8**	**251.8**	**280.5**	**195.1**

	Ipiranga Reconciliation of operating income before financial income and other income to adjusted EBITDA Year ended December 31,				
	2009	2008	2007	2006	2005
	(in millions of *reais*)				
Operating income before financial income and other income	622.6	515.7	260.6	n.a.	n.a.
Depreciation and amortization	154.9	96.9	68.4	n.a.	n.a.
Employees statutory interests		(9.4)	(7.3)	n.a.	n.a.
Adjusted EBITDA	**777.5**	**603.2**	**321.7**	**n.a.**	**n.a.**

	Oxiteno Reconciliation of operating income before financial income and other income to adjusted EBITDA Year ended December 31,				
	2009	2008	2007	2006	2005
	(in millions of *reais*)				
Operating income before financial income and other income	40.7	154.2	108.1	146.3	257.9
Depreciation and amortization	104.1	55.8	49.3	45.3	42.3
Adjusted EBITDA	**144.8**	**210.0**	**157.4**	**191.6**	**300.2**

Ultracargo
Reconciliation of operating income before financial income and other income to adjusted

	EBITDA				
	Year ended December 31,				
	2009	2008	2007	2006	2005
	(in millions of *reais*)				
Operating income before financial income and other income	52.5	7.3	14.6	11.4	17.2
Depreciation and amortization	52.3	43.3	28.4	26.6	27.1
Adjusted EBITDA	**104.8**	**50.6**	**43.0**	**38.0**	**44.3**

Table of Contents

(8) Net cash (debt) is included in this document in order to provide the reader with information relating to our overall indebtedness and financial position. Net cash (debt) is not a measure of financial performance or liquidity under U.S. GAAP or Brazilian GAAP. In managing our businesses we rely on net cash (debt) as a means of assessing our financial condition. We believe that this type of measurement is useful for comparing our financial condition from period to period and making related management decisions. Net cash (debt) is also used in connection with covenants related to some of our financings. The table below provides a reconciliation of our consolidated balance sheet data to the net cash (debt) positions shown in the table, for the years ended December 2009, 2008, 2007, 2006 and 2005.

	Ultrapar Reconciliation of cash and cash equivalents to net cash (debt) Year ended December 31,				
	2009	**2008**	**2007**	**2006**	**2005**
	(in millions of *reais*)				
Cash and cash equivalents	1,887.5	1,275.1	862.4	385.1	1,114.2
Short-term financial investments	427.5	851.4	845.3	737.3	184.8
Long-term financial investments	7.2	7.2	120.8	548.0	372.7
Short-term loans and financing and finance lease	(1,057.9)	(1,658.1)	(674.7)	(155.1)	(184.0)
Short-term debentures	(1.4)		(1,228.7)	(12.8)	(17.9)
Long-term loans and financing and finance lease	(2,136.0)	(2,013.8)	(1,009.2)	(1,081.8)	(978.6)
Long-term debentures	(1,186.5)		(350.0)	(300.0)	(300.0)
Net cash (debt) position	(2,059.6)	(1,538.2)	(1,434.1)	120.7	191.2

(9) The number of shares is retroactively adjusted for the reverse stock split that occurred in 2005.

(10) The calculation of earnings per share is retroactively adjusted for stock dividends and reverse stock split for all the periods presented.

(11) The calculation of net income and earnings per share is retroactively adjusted for the effect of a change in an accounting policy for the period of 2005.

Table of Contents

	As of December 31,					
	2009(1)	2009	2008	2007	2006	2005
	(in millions of U.S. dollars or *reais*, where indicated)					
Consolidated Balance Sheet Data	**US$**	**R$**	**R$**	**R$**	**R$**	**R$**
Current assets						
Cash and cash equivalents	1,084.0	1,887.5	1,275.1	862.4	385.1	1,114.2
Financial investments	245.5	427.5	851.4	845.3	737.3	184.8
Trade accounts receivable	926.1	1,612.5	1,429.3	1,344.4	360.0	343.3
Inventories	541.1	942.2	1,033.7	631.1	217.2	191.7
Recoverable taxes	183.9	320.2	311.9	202.6	117.8	62.9
Other	130.3	226.9	234.4	1,894.7	42.0	39.4
	3,111.0	**5,416.8**	**5,135.8**	**5,780.5**	**1,859.4**	**1,936.3**
Non-current assets						
Trade accounts receivable	194.2	338.2	210.1	176.9	19.2	
Financial investments	4.1	7.2	7.2	120.8	548.0	372.7
Related companies	4.4	7.6	5.6	12.9	7.4	3.7
Deferred income and social contribution taxes	271.5	472.7	408.7	119.6	58.2	61.0
Recoverable taxes	30.6	53.2	43.0	68.7	65.3	46.8
Other	83.1	144.7	81.2	77.0	28.7	49.3
	587.9	**1,023.6**	**755.8**	**575.9**	**726.8**	**533.5**
Investments	13.4	23.3	33.9	47.0	30.8	32.3
Property, plant and equipment and intangible assets	2,673.9	4,655.8	3,726.1	2,335.8	1,172.8	1,072.7
Deferred charges	5.6	9.8	15.6	570.1	112.3	98.3
	2,692.9	4,688.9	3,775.6	2,952.9	1,315.9	1,203.3
TOTAL ASSETS	**6,391.7**	**11,129.3**	**9,667.2**	**9,309.3**	**3,902.1**	**3,673.1**
Current liabilities						
Loans, financing, debentures and finance lease	608.4	1,059.3	1,658.1	1,903.4	167.9	201.9
Trade payables	512.2	891.9	614.2	582.7	112.5	90.9
Salaries and related charges	101.4	176.5	164.6	123.2	81.2	66.1
Post-employment benefits	6.9	12.0	8.8	8.8		
Dividends payable	98.0	170.7	127.0	285.1	101.4	103.9
Provision for contingencies	13.2	23.0	32.5	14.9		
Other	111.2	193.6	142.5	175.7	20.8	25.5
	1,451.3	**2,527.0**	**2,747.7**	**3,093.8**	**483.8**	**488.3**
Non-current liabilities						
Financing, debentures and finance leases	1,908.2	3,322.5	2,013.8	1,359.2	1,381.8	1,278.6
Related companies	2.4	4.1	4.4	4.7	4.7	5.0
Provision for contingencies	156.0	271.7	103.5	112.0	36.5	54.7
Post-employment benefits	51.7	90.0	77.7	85.1		
Other	28.5	49.7	31.8	18.8	28.7	26.8
	2,146.8	3,738.0	2,231.2	1,579.8	1,451.7	1,365.1
TOTAL LIABILITIES	**3,598.1**	**6,265.0**	**4,978.9**	**4,673.6**	**1,935.5**	**1,853.4**

Shareholders equity						
Share capital	2,123.1	3,696.8	3,696.8	3,696.8	946.0	946.0
Capital reserve	0.7	1.3	0.9	0.9	0.6	0.3
Revaluation reserve	4.7	8.2	10.3	11.6	13.0	15.0
Profit reserves and treasury shares	650.4	1,132.4	940.0	891.6	973.9	828.8
Valuation adjustment	(2.4)	(4.1)	(6.2)			
Cumulative translation adjustments	(3.0)	(5.3)	8.3			
Non-controlling interests	20.1	35.0	38.2	34.8	33.1	29.6
TOTAL SHAREHOLDERS EQUITY	**2,793.6**	**4,864.3**	**4,688.3**	**4,635.7**	**1,966.6**	**1,819.7**

Table of Contents

			As of December 31,			
	2009(1)	2009	2008	2007	2006	2005
		(in millions of U.S. dollars or *reais*, where indicated)				
Consolidated Balance Sheet Data	**US$**	**R$**	**R$**	**R$**	**R$**	**R$**
TOTAL LIABILITIES SHAREHOLDER S EQUITY	**6,391.7**	**11,129.3**	**9,667.2**	**9,309.3**	**3,902.1**	**3,673.1**
U.S. GAAP						
Total assets	**6,384.4**	**11,115.2**	**9,726.5**	**9,354.9**	**3,843.5**	**3,610.0**
Total shareholders equity(2)(3)	**2,782.0**	**4,844.1**	**4,734.5**	**4,676.4**	**1,905.2**	**1,759.0**

(1) The figures in *reais* for December 31, 2009 have been converted into dollars using the exchange rate of US$1.00 = R$1.741, which is the commercial rate reported by the Central Bank on this date. This information is presented solely for the convenience of the reader. You should not interpret the currency conversions in this annual report as a statement that the amounts in *reais* currently represent such values in U.S. dollars. Additionally, you should not interpret such conversions as statements that the amounts in *reais* have been, could have been or could be converted into U.S. dollars at this or any other foreign exchange rates. See Item 3.A. Key Information Selected Consolidated Financial Data Exchange Rates .

(2) Includes non-controlling interests for all periods presented as required by Accounting Standards Codification 810 (ASC 810). See Note 24(I)(w) to our consolidated financial statements.

(3) Shareholders equity as of December 31, 2005 was retroactively adjusted to reflect changes in accounting policies as from January 2006.

Exchange Rates

Before March 14, 2005, there were two principal foreign exchange markets in Brazil, in which notes were freely negotiated but could be strongly influenced by Central Bank intervention:

- the commercial rate exchange market dedicated principally to trade and financial foreign exchange transactions such as the buying and selling of registered investments by foreign entities, the purchase or sale of shares, or the payment of dividends or interest with respect to shares; and

- the floating rate exchange market that was generally used for transactions not conducted through the commercial foreign exchange market.

On March 4, 2005, the National Monetary Council enacted Resolution No. 3,265, pursuant to which the commercial rate exchange market and the floating rate exchange market were unified in a sole exchange market, effective as of March 14, 2005. The new resolution allows, subject to certain procedures and specific regulatory provisions, the purchase and sale of foreign currency and the international transfer of *reais* by a person or legal entity, without limitation of the amount involved; provided, however, the transaction is legal. Foreign currencies may only be purchased through financial institutions domiciled in Brazil authorized to operate in the exchange market.

From 2003 to 2007, the *real* appreciated 39% against the U.S. dollar. In 2008, the worsening of the global financial crisis from mid-September onwards led to a sharp reduction in the flow of capital to Brazil that resulted in a 32% *real* devaluation, reversing the *real* appreciation trend in place since 2003. However, in 2009, the quick rebound of the Brazilian economy has driven the inflow of foreign investments in the country, thus contributing to a 25% appreciation of the *real* against the U.S. dollar in 2009 the highest appreciation in the decade. From January 1, 2010 to June 25, 2010 the *real* resumed its depreciation, and, as a result, depreciated 2% against the U.S. dollar in the period.

It is not possible to predict whether the *real* will remain at its present level and what impact the Brazilian government s exchange rate policies may have on us.

Table of Contents

On June 25, 2010, the exchange rate for *reais* into U.S. dollars was R$1.778 to US$1.00, based on the commercial selling rate as reported by the Central Bank. The following table sets forth information on prevailing commercial foreign exchange selling rates for the periods indicated, as published by the Central Bank on its electronic information system, SISBACEN, using PTAX 800, Option 5.

	Exchange rates of nominal *reais* per US$1.00			
	High	**Low**	**Average**	**Period-Ended**
Year Ended				
December 31, 2005	2.762	2.163	2.412(1)	2.341
December 31, 2006	2.371	2.059	2.168(1)	2.138
December 31, 2007	2.156	1.733	1.930(1)	1.771
December 31, 2008	2.500	1.559	1.833(1)	2.337
December 31, 2009	2.422	1.702	1.990(1)	1.741
Month Ended				
January 31, 2010	1.875	1.723	1.799(2)	1.875
February 28, 2010	1.877	1.805	1.841(2)	1.811
March 31, 2010	1.823	1.764	1.793(2)	1.781
April 30, 2010	1.781	1.731	1.756(2)	1.731
May 31, 2010	1.881	1.732	1.806(2)	1.817
June 30, 2010 (through June 25)	1.866	1.766	1.816(2)	1.778

(1) Average of the foreign exchange rates on the last day of each month in the period.
(2) Average of the high and low foreign exchange rates for each month.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Investing in our preferred shares and ADSs involves a high degree of risk. You should carefully consider the risks described below and the other information contained in this annual report in evaluating an investment in our preferred shares or ADSs. Our business, results of operations, cash flow, liquidity and financial condition could be harmed if any of these risks materializes and, as a result, the trading price of the preferred shares or the ADSs could decline and you could lose a substantial part or even all of your investment.

We have included information in these risk factors concerning Brazil based on information that is publicly available.

Risks Relating to Ultrapar and Its Industries

Petrobras is the only supplier of LPG and the main supplier of oil-based fuels in Brazil. Fuel distributors in Brazil, including Ipiranga, have formal contracts with Petrobras for the supply of oil-based fuels. Ultragaz has a formal contract with Petrobras for the supply of LPG. Any interruption in the supply of LPG or oil-based fuels from Petrobras would immediately affect Ultragaz or Ipiranga s ability to provide LPG and oil-based fuels to their customers.

Prior to 1995, Petrobras held a constitutional monopoly for the production and importation of petroleum products in Brazil. Although the Brazilian government terminated Petrobras monopoly in November 1995, Petrobras effectively remains the sole provider of LPG and oil-based fuels in Brazil. Currently, Ultragaz and all other LPG distributors in Brazil purchase all or nearly all LPG from Petrobras. Ultragaz s net sales and services represented 10% of our consolidated net sales and services for the year ended December 31, 2009. The procedures for ordering and purchasing LPG from Petrobras are generally common to all LPG distributors including Ultragaz. For more details, see Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Ultragaz Supply of LPG .

With respect to fuel distribution, Petrobras also supplied nearly all of Ipiranga and other distributors oil-based fuel requirements in 2009. Petrobras supply to Ipiranga is governed by an annual contract, under which the supply volume is established based on the volume purchased in the previous year. Ipiranga s net sales and services represented 84% of our consolidated net sales and services for the year ended December 31, 2009.

The last significant interruption in the supply of oil derivatives by Petrobras to LPG and fuel distributors occurred during the 1995 strike by Petrobras employees. See Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Industry and Regulatory Overview and Item 4.B. Information on the Company Business Overview Fuel Distribution Industry and Regulatory Overview .

Significant interruptions of LPG and oil-based fuel supply from Petrobras may occur in the future. Any interruption in the supply of LPG or oil-based fuels from Petrobras would immediately affect Ultragaz or Ipiranga s respective ability to provide LPG or oil-based fuels to its customers. If we are not able to obtain an adequate supply of LPG or oil-based fuels from Petrobras under acceptable terms, we may seek to meet our demands through LPG or oil-based fuels purchased on the international market. The average cost of LPG and oil based fuels in the international market has been historically higher than the price we obtained through Petrobras. As a result, any such interruption could increase our purchase costs and, as a result, adversely affect our operating margins.

Intense competition in the LPG and in the Brazilian fuel distribution market may affect our operating margins.

The Brazilian LPG market is very competitive in all segments residential, commercial and industrial. Petrobras, our supplier of LPG, and other major companies with greater resources than we possess participate in the Brazilian LPG distribution market. Intense competition in the LPG distribution market could lead to lower sales volumes and increased marketing expenses which may have a material adverse effect on our operating margins. See Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Industry and Regulatory Overview The role of Petrobras and Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Ultragaz Competition .

The Brazilian fuel distribution market is highly competitive in both the retail and wholesale segments. Petrobras, our supplier of oil-derivative products, and other major companies with greater resources than we possess participate in the Brazilian fuel distribution market. Intense competition in the fuel distribution market could lead to lower sales volumes and increased marketing expenses which may have a material adverse effect on our operating margins. See Item 4.B. Information on the Company Business Overview Fuel Distribution Industry and Regulatory Overview The role of Petrobras and Item 4.B. Information on the Company Business Overview Fuel Distribution Ipiranga Competition . In addition, a number of small local and regional distributors entered the Brazilian fuel distribution market in the late 90s, after the market was deregulated, which further increased competition in such market.

Anticompetitive practices by our competitors may distort market prices.

In the last few years, anticompetitive practices have been one of the main problems affecting fuels distributors in Brazil, including Ipiranga. Generally these practices have involved a combination of tax evasion and fuels adulteration, such as the dilution of gasoline by mixing solvents or adding anhydrous ethanol in an amount greater than the 25% permitted by applicable law.

Taxes constitute a significant portion of the cost of fuels sold in Brazil. For this reason, tax evasion on the part of some fuel distributors has been prevalent, allowing them to lower the prices they charge. As the final prices for the products sold by these distributors, including Ipiranga, are calculated based on, among other factors, the amount of taxes levied on the purchase and sale of these fuels, such anticompetitive practices as tax evasion may affect Ipiranga s sales volume and increase marketing expenses, which could have a material adverse effect on our operating margins. Should there be any increase in the taxes levied on fuel, tax evasion may increase, resulting in a greater distortion of the prices of fuels sold.

These practices have enabled certain distributors to supply large quantities of fuel products at prices lower than those offered by the major distributors, including Ipiranga, resulting in a considerable increase in the sales volumes of the distributors who have adopted these practices.

Although the Brazilian government has taken measures to inhibit these practices, if such practices become more prevalent, Ipiranga could suffer from a reduction in sales volume and an increase in marketing expenses, which could have a material adverse effect on our operating margins.

LPG competes with alternative sources of energy. Competition with and the development of alternative sources of energy in the future may adversely affect the LPG market.

LPG competes with alternative sources of energy, such as natural gas, wood, diesel, fuel oil and electricity. Natural gas is currently the principal source of energy against which we compete. Natural gas is currently less expensive than LPG for industrial consumers who purchase large volumes, but more expensive for residential consumers. In addition, supply of natural gas requires significant investments in pipelines. Changes in relative prices or the development of alternative sources of energy in the future may adversely affect the LPG market and consequently our business, financial results and results of operations. See Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Ultragaz Competition .

Table of Contents

Ethylene, the principal raw material used in our petrochemical operations, comes from limited supply sources. Any reduction in the supply of ethylene would have an immediate impact on Oxiteno s production and results of operations.

All second generation petrochemical producers in Brazil that use ethylene as their key raw material, including Oxiteno, our subsidiary involved in the production and sale of chemical and petrochemical products, purchase ethylene from Brazilian suppliers. Approximately 3% of our net sales are derived from the sale of chemical products that require ethylene. Oxiteno purchases ethylene from two of Brazil s three naphtha crackers, which are the sole sources of ethylene in Brazil. Pursuant to long-term contracts, Braskem supplies all of our ethylene requirements at our plant located at Camaçari and Quattor Química supplies all of our ethylene requirements at our plant located at Mauá. For more detailed information about these contracts see Item 5.F. Operating and Financial Review and Prospects Tabular Disclosure of Contractual Obligations . In January 2010, Braskem announced the acquisition of Quattor, which was concluded in May 2010. Given its characteristics, ethylene is difficult and expensive to store and transport, and cannot be easily imported to Brazil. Therefore, Oxiteno is almost totally dependent on ethylene produced at Braskem (including ethylene produced at Quattor Química) for its supply. For the year ended December 31, 2009, Brazilian ethylene imports totaled approximately 21 tons, representing less than 0.01% of Brazil s installed capacity.

Due to ethylene s chemical characteristics, Oxiteno does not store any quantity of ethylene, and reductions in supply from Braskem (including Quattor Química) would have an immediate impact on our production and results of operations. We are currently investing in the ethylene oxide production capacity expansion in Camaçari and we have agreed with Braskem on an additional ethylene supply after this expansion is completed. See Item 4.A. Information on the Company History and Development of the Company Investments . If we further expand our production capacity, there is no assurance that we will be able to obtain additional ethylene from Braskem (including Quattor Química). In addition, Petrobras is the principal supplier of naphtha to crackers in Brazil, and any interruption in the supply of naphtha from Petrobras to the crackers could adversely impact their ability to supply ethylene to Oxiteno.

The Brazilian petrochemical industry is influenced by the performance of the international petrochemical industry and its cyclical behavior.

The international petrochemical market is cyclical in nature, with alternating periods typically characterized by tight supply, increased prices and high margins, or by overcapacity, declining prices and low margins. The decrease in Brazilian tariff rates on petrochemical products, the increase in demand for such products in Brazil, and the ongoing integration of regional and world markets for commodities, among other factors, have contributed to the increasing integration of the Brazilian petrochemical industry into the international petrochemical marketplace. As a consequence, events affecting the petrochemical industry worldwide could have a material adverse effect on our business, financial condition and results of operations.

The price of ethylene is subject to fluctuations in international oil prices.

The price of ethylene, which is the principal component of Oxiteno s cost of sales and services, is directly linked to the price of naphtha, which, in turn, is largely linked to the price of crude oil. Consequently, ethylene prices are subject to fluctuations in international oil prices. A significant increase in the price of crude oil and, consequently, naphtha and ethylene, could increase our costs, which could have a material adverse effect on Oxiteno s results of operations.

The reduction in import tariffs on petrochemical products can reduce our competitiveness in relation to imported products.

Final prices paid by importers of petrochemical products include import tariffs. Consequently, import tariffs imposed by the Brazilian government affect the prices we can charge for our products. The Brazilian government s negotiation of commercial and free trade agreements may result in reductions in Brazilian import duties on petrochemical products, which generally range between 12% and 14%, and may reduce the competitiveness of Oxiteno s products vis-à-vis imported petrochemical products.

We may be adversely affected by the imposition and enforcement of more stringent environmental laws and regulations.

We are subject to extensive federal and state legislation and regulation by government agencies responsible for the implementation of environmental and health laws and policies in Brazil, Mexico and Venezuela. Companies like ours are required to obtain licenses for their manufacturing facilities from environmental authorities which may also regulate their operations by prescribing specific environmental standards in their operating licenses. Environmental regulations apply particularly to the discharge, handling and disposal of gaseous, liquid and solid products and by-products from manufacturing activities.

In 2007, a new legislation entitled REACH (Registration Evaluation Authorization of Chemicals) was established by the European Union, focusing on controlling the production, imports and utilization of chemical products in the region. According to REACH, all the chemical products exported to the European Union must be registered by the exporting company through the submission of information regarding properties, uses and safety of each product that will be analyzed by the European Regulatory Agency for authorization. In 2009, 3% of the volume sold by Oxiteno was exported to this region. Oxiteno is in compliance with the current requirements of this legislation. We cannot guarantee the effect that amendments to this new legislation could have on any product we export to the European Union, or whether similar legislation may come into force in other regions.

Table of Contents

Changes in these laws and regulations, or changes in their enforcement, could adversely affect us by increasing our cost of compliance or operations. In addition, new laws or additional regulations, or more stringent interpretations of existing laws and regulations, could require us to spend additional funds on related matters in order to stay in compliance, thus increasing our costs and having an adverse effect on our results. See Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Industry and Regulatory Overview Environmental, health and safety standards , Item 4.B. Information on the Company Business Overview Fuel Distribution Industry and Regulatory Overview Environmental, health and safety standards, Item 4.B. Information on the Company Business Overview Petrochemicals and Chemicals Industry and Regulatory Overview Environmental, health and safety standards and Item 4.B. Information on the Company Business Overview Logistics Ultracargo Transportation Regulation .

The production, storage and transportation of LPG, fuels and petrochemicals are inherently hazardous.

The complex operations we perform at our plants involve a variety of safety and other operating risks, including the handling, production, storage and transportation of highly inflammable, explosive and toxic materials. These risks could result in personal injury and death, severe damage to or destruction of property and equipment and environmental damage. A sufficiently large accident at one of our plants, service stations or storage facilities could force us to suspend our operations temporarily and result in significant remediation costs and loss of revenues. In addition, insurance proceeds may not be available on a timely basis and may be insufficient to cover all losses. Equipment breakdowns, natural disasters and delays in obtaining imports or required replacement parts or equipment can also affect our manufacturing operations and consequently our results from operations.

Our insurance coverage may be insufficient to cover losses that we might incur.

The operation of any chemical manufacturing plant and the distribution of petrochemicals, as well as the operations of logistics of oil, chemical products, LPG and fuel distribution involve substantial risks of property contamination and personal injury and may result in material costs and liabilities. Although we believe that current insurance levels are adequate, the occurrence of losses or other liabilities that are not covered by insurance or that exceed the limits of our insurance coverage could result in significant unexpected additional costs.

The suspension, cancellation or non-renewal of certain federal tax benefits may adversely affect our results of operations.

We are entitled to federal tax benefits providing for income tax exemption or reduction for our activities in the northeast region of Brazil. These benefits have defined terms and may be cancelled or suspended at any time if we do not comply with our commitment, to distribute to our shareholders the amounts under the benefits or if the relevant tax authorities decide to suspend or cancel our benefits. As a result, we may become liable for the payment of related taxes at the full tax rates. If we are not able to renew such benefits, or if we are only able to renew them under terms that are substantially less favorable than expected, our results of operations may be adversely affected. Income tax exemptions amounted to R$20.6 million, R$40.3 million and R$35.2 million, respectively, for the years ended December 31, 2009, 2008 and 2007. See Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Ultragaz Income tax exemption status, Item 4.B. Information on the Company Business Overview Petrochemicals and Chemicals Oxiteno Income tax exemption status and Item 4.B. Information on the Company Business Overview Logistics Ultracargo Income tax exemption status .

We are currently controlled by members of our founding family and our senior management, which substantially limits the ability of other shareholders to control the direction of our business.

Our senior management and the members of our founding family indirectly control approximately 66% of our voting shares through their control of Ultra S.A. This level of control enables Ultra S.A. to elect the majority of our directors and to determine the outcome of substantially all actions requiring shareholder approval. See Item 7.A. Major Shareholders and Related Party Transactions Major Shareholders Shareholders Agreements . Accordingly, minority shareholders, including holders of preferred shares or ADSs, have limited ability to control the direction of our business.

Our status as a holding company may limit our ability to pay dividends on the preferred shares and consequently, on the ADSs.

As a holding company, we have no significant operating assets other than our ownership of shares of our subsidiaries. Substantially all of our operating income comes from our subsidiaries. Consequently, our ability to pay dividends depends solely upon our receipt of dividends and other cash flows from our subsidiaries.

As a result of the acquisitions of Ipiranga, União Terminais and Texaco, Ultrapar has assumed certain liabilities of the businesses acquired and all the risks related to those liabilities.

Ultrapar has assumed certain liabilities of the business acquired in the acquisitions of Ipiranga, União Terminais and Texaco; therefore, certain existing financial obligations, legal liabilities or other known and unknown contingent liabilities or risks of the businesses acquired have become the responsibility of Ultrapar. See Item 5.B. Operating and Financial Review and Prospects Liquidity and Capital Resources Indebtedness for more information regarding the financial obligations assumed by Ultrapar in connection with the acquisitions of Ipiranga and União Terminais. See Item 4.A. Information on the Company History and Development of the Company Recent Developments for more information in connection with the acquisition of Texaco.

These liabilities may cause Ultrapar to be required to make payments, incur charges or take other actions that may adversely affect Ultrapar s financial position and results of operations and the price of Ultrapar s preferred shares.

Our business may be vulnerable to disruptions and volatility in the global financial markets.

From mid-2007 to mid-2008, the global financial system has experienced difficult credit and liquidity conditions and disruptions leading to greater volatility. In September 2008, global financial markets deteriorated and a number of major foreign financial institutions experienced significant difficulties, including inadequate liquidity. However, the initiatives adopted by several governments to minimize the effects of the crisis through monetary and tax policies contributed to the economic recovery of certain countries, particularly in emerging markets, including Brazil.

Continued disruption in the global financial markets could have a material adverse effect on our ability to access capital and liquidity on acceptable financial terms. If financial market volatility causes capital outflow and/or significant exchange rate fluctuations, it may pressure inflations indexes and thereby adversely affect our cash operating expenses that are substantially in *reais*. See Item 3.D. Key Information Risk Factors Risks Relating to Brazil . Furthermore, an economic downturn could negatively affect the financial stability of our customers, which could result in a general reduction in business activity and a consequent loss of income for us.

Our reported financial condition and results could be adversely affected by changes in Brazilian accounting principles due to the convergence to IFRS.

Brazilian accounting principles have been undergoing rapid change pursuant to legislation adopted late in 2007, requiring, among other things, that Brazilian accounting standard-setters move toward convergence with IFRS, which will be mandatory by 2010. Accounting changes that took effect in 2008 have been given effect for the years 2007 and 2008 presented in our audited consolidated financial statements and are described in Presentation of Financial Information and Note 2 to the audit consolidated financial statements. Many new accounting standards have been adopted and are currently being implemented. Others are expected in the near future. Although we believe our results would not be materially affected by these new rules, we cannot predict if the changes will have a significant effect on our financial statements in the future. These effects could include reducing our reported revenues, operating income or net income, or adversely affecting our balance sheet.

Rising climate change concerns could lead to additional regulatory measures that may result in increased costs of operation and compliance, as well as a decrease in demand for our products.

Due to concern over the risk of climate change, a number of countries, including Brazil, have adopted, or are considering the adoption of, regulatory frameworks to, among other things, reduce greenhouse gas emissions. These include adoption of cap and trade regimes, carbon taxes, increased efficiency standards, and incentives or mandates for renewable energy. These requirements could reduce demand for hydrocarbons, as well as shifting hydrocarbon demand toward relatively lower-carbon sources. In addition many governments are providing tax advantages and other subsidies and mandates to make alternative energy sources more competitive against oil and gas. Governments are also promoting research into new technologies to reduce the cost and increase the scalability of alternative energy sources, all of which could lead to a decrease in demand for our products. In addition, current and pending greenhouse gas regulations may substantially increase our compliance costs and, as a result, increase the price of the products we produce or distribute.

Risks Relating to Brazil

The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. Brazilian political and economic conditions could adversely affect our businesses and the market price of our preferred shares and ADSs.

The Brazilian government frequently intervenes in the Brazilian economy and occasionally makes substantial changes in policy and regulations. The Brazilian government s actions to control inflation and affect other policies and regulations have involved wage and price controls, currency devaluations, capital controls, and limits on imports, among other measures. Our business, financial condition and results of operations may be adversely affected by changes in policy or regulations involving or affecting tariffs, exchange controls and other matters, as well as factors such as:

currency fluctuations;

inflation;

Table of Contents

- interest rates;
- price instability;
- energy shortages;
- liquidity of domestic capital and lending markets;
- fiscal policy; and
- other trade, political, diplomatic, social and economic developments in or affecting Brazil.

Uncertainty over whether the Brazilian government may implement changes in policy or regulation affecting these or other factors in the future may contribute to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets and securities issued abroad by Brazilian issuers. These and other future developments in the Brazilian economy and government policies may adversely affect us and our businesses and results of operations and may adversely affect the trading price of our ADSs and preferred shares.

Inflation and certain governmental measures to curb inflation may contribute significantly to economic uncertainty in Brazil and could harm our business and the market value of the ADSs and our preferred shares.

Brazil has in the past experienced extremely high rates of inflation. Inflation and some of the Brazilian government s measures taken in an attempt to curb inflation have had significant negative effects on the Brazilian economy. Since the introduction of the *real* in 1994, Brazil s inflation rate has been substantially lower than that in previous periods. However, during the last several years, the economy has experienced increasing inflation rates and actions taken in an effort to curb inflation, coupled with speculation about possible future governmental actions, have contributed to economic uncertainty in Brazil and heightened volatility in the Brazilian securities market. According to the *Índice Geral de Preços-Mercado*, or IGP-M, an inflation index, the Brazilian general price inflation rates were 1.7% deflation in 2009, and inflation of 9.8% in 2008, 7.8% in 2007 and 3.8% in 2006. From January 2010 to May 2010 IGP-M index was 4.8%. According to the *Índice Nacional de Preços ao Consumidor Amplo*, or IPCA, an inflation index to which Brazilian government s inflation targets are linked, inflation in Brazil was 4.3% in 2009, 5.9% in 2008, 4.5% in 2007 and 3.1% in 2006. From January 1, 2010 to May 31, 2010, inflation as measured by IPCA was 3.1%.

Brazil may experience high levels of inflation in the future. Our operating expenses are substantially in *reais* and tend to increase with Brazilian inflation. Inflationary pressures may also hinder our ability to access foreign financial markets or may lead to further government intervention in the economy, including the introduction of government policies that could harm our business or adversely affect the market value of our preferred shares and, as a result, our ADSs.

Exchange rate instability may adversely affect our financial condition and results of operations and the market price of the ADSs and our preferred shares.

The Brazilian currency has been devalued periodically during the last four decades. Throughout this period, the Brazilian government has implemented various economic plans and utilized a number of exchange rate policies, including sudden devaluations, periodic mini-devaluations during which the frequency of adjustments has ranged from daily to monthly, floating exchange rate systems, exchange controls and dual exchange rate markets. Although over long periods depreciation of the Brazilian currency generally has correlated with the rate of inflation in Brazil, devaluation over shorter periods has resulted in significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar and other currencies.

From 2003 to 2007, the *real* appreciated 39% against the U.S. dollar. In 2008, the worsening of the global financial crisis from mid-September led to a sharp reduction in the flow of capital to Brazil that resulted in a 32% *real* devaluation, reversing the *real* appreciation trend in place since 2003. However, in 2009, the quick rebound of the Brazilian economy has driven the inflow of foreign investments in the country, thus contributing to a 25% appreciation of the *real* against the U.S. dollar in 2009 the highest appreciation in the decade. From January 1, 2010 to June 25, 2010 the *real* resumed its depreciation, and, as a result, depreciated 2% against the U.S. dollar in the period. See Item 3.A. Key Information Selected Consolidated Financial Data Exchange Rates .

There are no guarantees that the exchange rate between the *real* and the U.S. dollar will stabilize at current levels. Although we have managed our existing U.S. dollar debt obligations in order to protect against fluctuations in the dollar/*real* exchange rate, we could in the future experience monetary losses relating to these fluctuations. See Item 11. Quantitative and Qualitative Disclosures about Market Risk Foreign Exchange Risk for information about our foreign exchange risk hedging policy .

Depreciations of the *real* relative to the U.S. dollar can create additional inflationary pressures in Brazil that may negatively affect us. Depreciations generally curtail access to foreign financial markets and may prompt government intervention, including recessionary governmental policies. Depreciations also reduce the U.S. dollar value of distributions and dividends on the ADSs and the U.S. dollar equivalent of the market price of our preferred shares and, as a result, the ADSs. On the other hand, appreciation of the *real* against the U.S. dollar may lead to a deterioration of the country s current account and the balance of payments, as well as to a dampening of export-driven growth.

Although a large part of our sales is denominated in *reais*, prices and certain costs (particularly ethylene and palm kernel oil, purchased by our subsidiary Oxiteno) in the chemical business are benchmarked to prices prevailing in the international markets. Hence, we are exposed to foreign exchange rate risks that could materially adversely affect our business, financial condition and results of operations as well as our capacity to service our debt.

Developments and the perception of risk in other countries, especially emerging market countries, may adversely affect the results of our operations and the market price of the preferred shares and ADSs.

The market value of securities of Brazilian companies is affected to varying degrees by economic and market conditions in other countries, including other Latin American and emerging market countries. Although economic conditions in such countries may differ significantly from economic conditions in Brazil, investors reactions to developments in these other countries may have an adverse effect on the market value of securities of Brazilian issuers. Crises such as the recent global financial crisis may diminish investor interest in securities of Brazilian issuers, including our preferred shares and ADSs. This could also make it more difficult for us to access the capital markets and finance our operations in the future on acceptable terms or at all.

Our businesses, financial condition and results of operations may be materially adversely affected by a general economic downturn and by instability and volatility in the financial markets.

The turmoil of the global financial markets and the scarcity of credit have led to lack of consumer confidence, increased market volatility and widespread reduction of business activity. An economic downturn could materially adversely affect the liquidity, businesses and/or financial conditions of our customers, which could in turn result not only in decreased demand for our products, but also increased delinquencies in our accounts receivable. Furthermore, the global financial crisis could have a negative impact on our cost of borrowing and on our ability to obtain future borrowings. The disruptions in the financial markets could also lead to a reduction in available trade credit due to counterparties liquidity concerns. If we experience a decrease in demand for our products or an increase in delinquencies in our accounts receivable, or if we are unable to obtain borrowings our business, financial condition and results of operations could be materially adversely affected.

United States investors may not be able to obtain jurisdiction over or enforce judgments against us.

We are a company incorporated under the laws of the Federative Republic of Brazil. All members of our board of directors, executive officers and experts named in this annual report are residents of Brazil. All or a substantial part of the assets pertaining to these individuals and to Ultrapar are located outside the United States. As a result, it is possible that investors may not be able to obtain jurisdiction over these individuals or Ultrapar in the United States, or enforce judgments handed down by United States courts of law based on provisions for civil liability under federal law in relation to securities of the United States or otherwise.

Risks Relating to the Preferred Shares and the American Depositary Shares

The preferred shares and the ADSs generally do not give you voting rights.

Generally under Brazilian Corporate Law and in the case of our bylaws, holders of preferred shares do not have the right to vote at shareholders meetings except in limited circumstances. This means, among other things, that holders of our preferred shares and our ADSs, which represent preferred shares, are not entitled to vote on important corporate transactions including mergers or consolidations with other companies. See Item 10.B. Additional Information Memorandum and Bylaws .

The preferred shares and the ADSs do not entitle you to a fixed or minimum dividend.

Under our bylaws, unless otherwise proposed by the board of directors and approved by the voting shareholders in the Annual General Meeting, we must pay our shareholders a mandatory distribution equal to at least 50% of our adjusted net income. The net income may be capitalized, used to set off losses and/or retained in accordance with the Brazilian Corporate Law and may not be available for the payment of dividends. Therefore, whether or not you receive a dividend depends on the amount of the mandatory distribution, if any, and whether the board of directors and the voting shareholders exercise their discretion to suspend these payments. See Item 8.A. Financial Information Consolidated Statements and Other Financial Information Dividend and Distribution Policy Dividend Policy for a more detailed discussion of mandatory distributions.

You might be unable to exercise preemptive rights with respect to the preferred shares.

In the event of a rights offering or a capital increase that would maintain or increase the proportion of capital represented by preferred shares, preferred shareholders would have preemptive rights to subscribe to newly issued preferred shares. In the event of a capital increase that would reduce the proportion of capital represented by preferred shares, preferred shareholders would have preemptive rights to subscribe for preferred shares in proportion to their shareholdings and for common shares only to the extent necessary to prevent dilution of their interest in the company.

Our bylaws establish that the board of directors may exclude preemptive rights to the current shareholders, holding either common or preferred shares, in the case of an offering of new shares to be sold on a registered stock exchange or otherwise through a public offering.

The holders of preferred shares or ADSs may be unable to exercise their preemptive rights in relation to the preferred shares represented by the ADSs, unless we file a registration statement pursuant to the United States Securities Act of 1933 or an exemption from the registration requirements applies. We are not obliged to file registration statements with respect to the preemptive rights and therefore do not assure holders that such a registration will be obtained. If the rights are not registered as required, the depositary will try to sell the preemptive rights held by holder of the ADSs and you will have the right to the net sale value, if any. However, the preemptive rights will expire without compensation to you should the depositary not succeed in selling them.

If you exchange the ADSs for preferred shares, you risk losing certain foreign currency remittance and Brazilian tax advantages.

The ADSs benefit from the depositary s certificate of foreign capital registration permits the depositary to convert dividends and other distributions with respect to the preferred shares into foreign currency and remit the proceeds abroad. If you exchange your ADSs for preferred shares, you will be entitled to rely on the depositary s certificate of foreign capital registration for five business days from the date of exchange. Thereafter, you will not be able to remit abroad non-Brazilian currency unless you obtain your own certificate of foreign capital registration or you qualify under National Monetary Council Resolution 2,689, dated January 26, 2000, known as Resolution 2,689, which entitles certain investors to buy and sell shares on Brazilian stock exchanges without obtaining separate certificates of registration. If you do not qualify under Resolution 2,689, you will generally be subject to less favorable tax treatment on distributions with respect to the preferred shares. The depositary s certificate of registration or any certificate of foreign capital registration obtained by you may be affected by future legislative or regulatory changes, and additional Brazilian law restrictions applicable to your investment in the ADSs may be imposed in the future. For a more complete description of Brazilian tax regulations, see Item 10.E. Additional Information Taxation Brazilian Tax Consequences .

The relative volatility and illiquidity of the Brazilian securities markets may adversely affect you.

Investing in securities, such as the preferred shares or ADSs, of issuers from emerging market countries, including Brazil, involves a higher degree of risk than investing in securities of issuers from more developed countries. For the reasons above, investments involving risks relating to Brazil, such as investments in ADSs, are generally considered speculative in nature and are subject to certain economic and political risks, including but not limited to:

- changes to the regulatory, tax, economic and political environment that may affect the ability of investors to receive payments, in whole or in part, in respect of their investments; and

- restrictions on foreign investment and on repatriation of capital invested.

The Brazilian securities market is substantially smaller, less liquid, more concentrated and more volatile than major securities markets in the United States. This may limit your ability to sell the preferred shares underlying your ADSs at the price and time at which you wish to do so. The São Paulo Stock Exchange, known as BM&FBovespa, the only Brazilian stock exchange, had a market capitalization of approximately US$1.3 trillion as of December 31, 2009 and an average monthly trading volume of approximately US$56 billion for 2009. In comparison, the New York Stock Exchange had a market capitalization of US$18.9 trillion as of December 31, 2009 and an average monthly trading volume of approximately US$1.0 trillion for 2009.

There is also a large concentration in the Brazilian securities market. The ten largest companies in terms of market capitalization represented approximately 55% of the aggregate market capitalization of BM&FBovespa as of December 31, 2009. The top ten stocks in terms of trading volume accounted for approximately 50% of all shares traded on BM&FBovespa in 2009. Ultrapar s average daily trading volume on both stock exchanges in 2009, 2008 and 2007 was R$27.0 million, R$26.5 million and R$11.8 million, respectively.

Controls and restrictions on the remittance of foreign currency could negatively affect your ability to convert and remit dividends, distributions or the proceeds from the sale of our preferred shares, Ultrapar s capacity to make dividend payments to non-Brazilian investors and the market price of our preferred shares and ADSs.

Brazilian law provides that, whenever there is a serious imbalance in the Brazilian balance of payments or reasons for believing that there will be a serious imbalance in the future, the Brazilian government can impose temporary restrictions on remittances of income on investments by non-Brazilian investors in Brazil. The probability that the Brazilian government might impose such restrictions is related to the level of the country s foreign currency reserves, the availability of currency in the foreign exchange markets on the maturity date of a payment, the amount of the Brazilian debt servicing requirement in relation to the economy as a whole, and the Brazilian policy towards the International Monetary Fund, among other factors. We are unable to give assurances that the Central Bank will not modify its policies or that the Brazilian government will not introduce restrictions or cause delays in payments by Brazilian entities of dividends relating to securities issued in the overseas capital markets up to the present. Such restrictions or delays could negatively affect your ability to convert and remit dividends, distributions or the proceeds from the sale of our preferred shares, Ultrapar s capacity to make dividend payments to non-Brazilian investors and the market price of our preferred shares and the ADSs.

Changes in Brazilian tax laws may have an adverse impact on the taxes applicable to a disposition of our ADSs.

According to Law No. 10,833, enacted on December 29, 2003, the disposition of assets located in Brazil by a non-resident to either a Brazilian resident or a non-resident is subject to taxation in Brazil, regardless of whether the disposal occurs outside or within Brazil. In the event that the disposal of assets is interpreted to include a disposal of our ADSs, this tax law could result in the imposition of the withholding income tax on a disposal of our ADSs between non-residents of Brazil. See Item 10.E Additional Information Taxation Brazilian Tax Consequences Taxation of Gains .

Substantial sales of our shares or our ADSs could cause the price of our preferred shares or our ADSs to decrease.

Shareholders of Ultra S.A. have the right to withdraw and convert common shares owned through Ultra S.A. into our preferred shares as more fully described under Item 7.A. Major Shareholders and Related Party Transactions Major Shareholders Shareholders Agreements . Two other shareholders, who may freely sell their respective shares, hold a substantial portion of our remaining common shares. A sale of a significant number of shares could negatively affect the market value of the preferred shares and ADSs. The market price of our preferred shares and the ADSs could drop significantly if the holders of shares or the ADSs sell them or the market perceives that they intend to sell them.

If we were treated as a passive foreign investment company, U.S. Holders of our preferred shares or our ADSs would be subject to disadvantageous rules under the U.S. tax laws.

If we were characterized as a passive foreign investment company, or PFIC, in any year, U.S. holders of our preferred shares or our ADSs could be subject to unfavorable U.S. federal income tax treatment. Although we do not believe that we, based on the manner in which we currently operate our business, on the projected composition of our income and valuation of our assets, and the current interpretation of the PFIC provisions of the Internal Revenue Code of 1986, as amended from time to time, were a PFIC in 2009 and we do not expect to be a PFIC in the foreseeable future, there can be no assurance that our business and activities will not lead to PFIC status for us in the future. PFIC classification is a factual determination made annually and thus is subject to change. See Item 10.E. Additional Information Taxation U.S. Federal Income Tax Considerations for a description of the PFIC rules.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We were incorporated on December 20, 1953, with our origins going back to 1937, when Ernesto Igel founded Cia Ultragaz and brought LPG to be used as cooking gas in Brazil using bottles acquired from Companhia Zeppelin. The gas stove began to replace the traditional wood stove and, to a lesser degree, kerosene and coal, which dominated Brazilian kitchens at the time.

In 1966, Transultra Armazenamento e Transporte Especializado Ltda., or Transultra, was formed to meet the demand for high-quality transportation services and focused on the transportation of chemicals, petrochemicals and LPG. In 1978, Terminal Químico de Aratu S.A. Tequimar, or Tequimar, was founded for the specific purpose of operating the storage business. Transultra and Tequimar are operating subsidiaries of Ultracargo.

We were also one of the pioneers in developing the Brazilian petrochemicals industry with the creation of Oxiteno in 1970, whose first plant was located in the Mauá petrochemical complex in São Paulo. In 1974, Oxiteno inaugurated its second industrial unit, in the Camaçari petrochemical complex in Bahia. In 1986, Oxiteno established its own research and development center in order to respond to specific customer needs.

Table of Contents

In 1997, through Ultragaz, we introduced UltraSystem a small bulk distribution system to residential, commercial and industrial segments, and we started the process of geographical expansion through the construction of new LPG filling plants. We also concluded the expansion of capacity of Oxiteno s industrial unit in Camaçari Petrochemical Complex, in the state of Bahia.

On October 6, 1999, we concluded our Initial Public Offering of preferred shares, listing our shares on the São Paulo Stock Exchange (BM&FBovespa) and on the New York Stock Exchange (NYSE).

In 2000, Ultragaz started the construction of four new filling plants, therefore practically covering the entire Brazilian territory. In August 2000, the first of the four new plants, located in Goiânia, in the state of Goiás, started operations. In 2001, Ultragaz started two new plants: in Fortaleza, in the state of Ceará, and in Duque de Caxias, in the state of Rio de Janeiro. In 2002, the company started operations at the new plant in Betim, in the state of Minas Gerais.

On March 22, 2000, the controlling shareholders of Ultrapar signed an agreement, assuring equal treatment of all shareholders (holders of both common and/or preferred shares) in the event of any change in control tag along rights. The agreement stipulated that any transfer of control of Ultrapar, either direct or indirect, would only be executed in conjunction with a public offer by the acquiring entity to purchase the shares of all shareholders in the same proportion and under the same price and payment terms as those offered to the controlling shareholders.

On May 23, 2001, we acquired a 35% voting interest in Transultra from Petrobras Distribuidora S.A., increasing Ultrapar s ownership in Transultra to 100% of its total share capital. We made this acquisition through our wholly owned subsidiary, Ultracargo, in an auction held at the BM&FBovespa.

In March 2002, Oxiteno made a tender offer for the acquisition of the shares of its subsidiary Oxiteno Nordeste S.A. Indústria e Comércio, known as Oxiteno Nordeste. The tender offer was completed on April 16, 2002, through the acquisition of 93,871 shares of Oxiteno Nordeste by Oxiteno, representing approximately 73.3% of the shares held by minority shareholders. Oxiteno increased its share ownership from 97% to 98.9% for approximately R$4.4 million.

On December 20, 2002, we completed a corporate restructuring process that we began on October 15, 2002. The effects of the corporate restructuring were:

- the merger of Gipóia Ltda., a company which held a 23% direct stake in Ultragaz and was owned by Ultra S.A., into Ultrapar, increasing Ultrapar s ownership in Ultragaz from 77% to 100% of its total share capital. Ultrapar issued approximately 7.8 billion common shares in connection with this merger; and

- the exchange of shares issued by Oxiteno for shares issued by Ultrapar, increasing Ultrapar s ownership in Oxiteno from 48% to 100% of its total share capital. The holders of approximately 12 million of Oxiteno s shares elected to exchange their shares for shares in Ultrapar, which resulted in the issuance of approximately 5.4 billion common shares and 3.4 billion preferred shares by Ultrapar. We paid R$208.1 million to Oxiteno s minority shareholders who exercised their statutory withdrawal rights and owned approximately 13 million shares of Oxiteno.

The table below shows the effects of the corporate restructuring in our share capital:

	Total capital (in millions of *reais*)	Common shares	Preferred shares	Total shares
As of December 31, 2001	433.9	37,984,012,500	15,015,987,500	53,000,000,000
Shares issued for:				
Merger of Gipóia	38.5	7,850,603,880		7,850,603,880
Incorporation of Oxiteno s shares	191.6	5,430,005,398	3,410,659,550	8,840,664,948
As of December 31, 2002	664.0	51,264,621,778	18,426,647,050	69,691,268,828

In August 2003, Ultragaz acquired Shell Gás, Royal Dutch/Shell N.V. s LPG operations in Brazil, for a total amount of R$170.6 million. With this acquisition, Ultragaz became the Brazilian market leader in LPG, with a 24% share of the Brazilian market on that date.

On December 4, 2003, we concluded the acquisition of the chemical business of the Berci Group, or CANAMEX, a Mexican specialty chemicals company. CANAMEX had two plants in Mexico (Guadalajara and Coatzacoalcos). The acquisition amount was US$10.25 million, without assuming any debt. In June 30, 2004, we acquired the operational assets of Rhodia Especialidades S.A. de C.V. in Mexico for US$2.7 million. Both acquisitions had the target of establishing a stronger presence in the Mexican petrochemical market and to create a production and distribution platform to the United States. Since July 2, 2007, CANAMEX has operated under a new name, Oxiteno Mexico, S.A. de C.V., or Oxiteno Mexico.

Table of Contents

On May 18, 2004, at an Extraordinary General Shareholders Meeting, the shareholders of Ultrapar approved the inclusion of tag along rights to the company s bylaws, for all shareholders, at 100% of the offer price, improving a right that was already established through a shareholders agreement dated March 22, 2000. The bylaws set forth that any transfer of control of Ultrapar, either direct or indirect, triggers a mandatory public offer by the acquiring entity for all of the shares in the same proportion and at the same terms and conditions (including price) as those offered for the control block.

On September 22, 2004, the shareholders of Ultra S.A. signed a new shareholders agreement replacing the previous agreement, which was executed by the same group of shareholders. This new agreement sought to maintain a stable controlling shareholder block in Ultrapar. See Item 7.A. Major Shareholders and Related Party Transactions Major Shareholders .

Igel Participações S.A. and Avaré Participações S.A., former controlling shareholders of Ultra S.A., were dissolved on December 16, 2004, and, as a result, their shares in Ultra S.A. were distributed to their respective shareholders on a *pro rata* basis.

At our board of directors meeting held on February 2, 2005, our directors approved a stock dividend of 10,453,690,324 preferred shares of Ultrapar, or 15 shares for each 100 outstanding common or preferred shares as of February 16, 2005. As a result of the stock dividend, we issued 10,453,690,324 new preferred shares to our shareholders through a capitalization of reserves. At an extraordinary shareholders meeting held on February 22, 2005, our shareholders approved the issuance of additional preferred shares of Ultrapar to permit certain shareholders, including Ultra S.A., to exchange common shares of Ultrapar held by them into preferred shares at a ratio of one common share for one preferred share. Common shares tendered for exchange into preferred shares were cancelled.

On April 8, 2005, we completed our first offering of unsecured debentures in the aggregate principal amount of R$300 million with a term of three years, at a rate of 102.5% of CDI. Standard & Poor s assigned the company and its debentures its br AA+ corporate credit rating.

On April 28, 2005, we concluded a primary and secondary offering of our preferred shares. The offering consisted of 7,869,671,318 preferred shares owned by Monteiro Aranha S.A. and certain shareholders of Ultra S.A., and 1,180,450,697 newly issued preferred shares resulting from the exercise of an overallotment option. The offering price was R$40.00 per thousand preferred shares and the offering totaled R$362 million. As a result of the offering, Ultrapar s total capital increased by R$47 million, to a total of approximately R$946 million, and there were 81,325,409,849 total shares outstanding, with 49,429,897,261 common shares and 31,895,512,588 preferred shares.

At an Extraordinary General Shareholders Meeting held on July 20, 2005, our shareholders approved a reverse stock split of all our issued common and preferred shares. As a result, each 1,000 shares of any class would be converted into one share of each such class. In connection with this reverse stock split, we authorized a change to the ADS ratio of our ADR program from one ADS representing 1,000 preferred shares to one ADS representing one preferred share. This reverse stock split and ratio change became effective on August 23, 2005. As a result of the reverse stock split, we have amended our bylaws. As of April 30, 2006, we had 81,325,409 shares outstanding, with 49,429,897 common shares and 31,895,512 preferred shares.

In July 2005, Ultracargo inaugurated a new terminal in Santos, its second port installation that integrates road, rail and maritime transportation systems. The new terminal has a storage capacity of 33,500 m^3 for chemical products, 40,000 m^3 for ethanol and 38,000 m^3 for vegetable oil.

On December 20, 2005, Ultrapar, through its subsidiary LPG International Inc., issued US$250 million in notes in the international market, with the aim of lengthening the company s debt profile, financing possible acquisitions and other corporate purposes. The notes mature in December 2015, have a coupon of 7.25% per annum and were priced at 98.75% of par value, resulting in a yield of 7.429% per annum. Standard & Poor s assigned its BB+ credit rating on a global scale for the company and the securities issued.

In August 2006, Ultrapar announced the signing of an agreement between its subsidiary Oxiteno Nordeste and Braskem, for the supply of ethylene, with a 15-year term. The 265 thousand tons/year volume of ethylene represents an addition of 68 thousand tons/year to the previous contractual amount and will be fully available after the conclusion of the expansion of ethylene oxide production capacity at the Camaçari plant. See Item 4.A. Information on the Company History and Development of the Company Investments . The agreed upon supply price is indexed to ethylene prices in the international market and to the volume effectively purchased by Oxiteno. In 2006, Ultrapar also announced its plans to expand its ethylene oxide and specialty chemicals production capacity at Oxiteno s plants located in Mauá, São Paulo and in Camaçari, Bahia.

In August 2006, Oxiteno s first commercial office in Buenos Aires, Argentina Oxiteno Argentina S.R.L. was opened.

In April 2007, Ultrapar acquired the Southern Distribution Business, EMCA and a one-third stake in RPR in connection with the acquisition of the Ipiranga Group. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of Ipiranga Group .

Table of Contents

In April 2007, Ultrapar also acquired the operational sulfate and sulfonate assets of Unión Química S.A. de C.V., in San Juan del Río, Mexico through its subsidiary Oxiteno Mexico. These assets include a plant with a production capacity for sulfates/sulfonates of 8,600 tons/year that serves mainly the cosmetics and detergents industries. The investment for this acquisition totaled US$4.0 million of enterprise value and was financed entirely by Oxiteno Mexico in the local market.

In September 2007, Oxiteno acquired Arch Química Andina, C.A., or Arch, a Venezuelan subsidiary of the U.S. company Arch Chemicals, Inc. Arch is the sole producer of ethoxylates in Venezuela, which had been the only ethylene oxide producing country in Latin America where Oxiteno did not have operations. This acquisition is consistent with the company s growth and global expansion strategy and was intended to help Oxiteno (i) to strengthen its presence in Latin America, (ii) to have access to sources of raw materials at competitive prices given Venezuela s position as one of the main oil and natural gas producers in the world and (iii) to expand ethoxylate production capacity by an additional 70,000 tons/year. The amount of the acquisition was US$7.6 million. The company was renamed Oxiteno Andina. Also in September 2007, Oxiteno announced the opening of its first sales office in the United States. The company intends to leverage a local U.S. presence to grow in that market, particularly with respect to specialty chemicals.

In January 2008, Ultrapar significantly increased the liquidity of its shares through the issuance of 55 million preferred shares, as a consequence of the Share Exchange. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of Ipiranga Group . The Share Exchange increased Ultrapar s free float from 32 million shares to 87 million shares, with the free float reaching 64% of the company s total capital from 39%. Ultrapar s shares achieved a new level of trading liquidity in equity markets, with average trading volume higher than the historic average of Ultrapar, RPR, CBPI and DPPI combined. This significant increase in the size of the free float helped Ultrapar to become part of Ibovespa, the BM&FBovespa index, as well as the MSCI index, which is widely recognized in international financial markets. In addition, the Share Exchange resulted in greater alignment of interests of all the company s shareholders and the extension of Ultrapar s recognized corporate governance standards to all the former shareholders of RPR, DPPI and CBPI.

In February 2008, Ultrapar s board of directors decided to join Level 2 of BM&FBovespa s Special Corporate Governance Levels as another step in our continuing efforts to improve our corporate governance practices. Joining Level 2 on BM&FBovespa reinforces our commitment to the capital markets, recognizing the material increase in our shareholder basis after receiving the new shareholders from Ipiranga. As was already the case for Level 1, Ultrapar s corporate governance standards will continue to exceed certain requirements of Level 2, the most prominent of which is the 100% tag along rights for all shareholder classes, while the requirement of Level 2 is 80% for all shareholder classes.

In May 2008, the credit rating agency Moody s Investors Service (Moody s) assigned its Baa3 rating on a global scale to Ultrapar, a rating equivalent to investment grade level. According to Moody s, the Baa3 rating reflects Ultrapar s track record of cost-focused management and the company s leading market position in all three of its business sectors, which are supported by continuous investments in its strong brands in the fuel distribution business and in research and development for specialty chemicals.

In June 2008, Ultrapar announced that its subsidiary Ultracargo signed the sale and purchase agreement for the acquisition of 100% of the shares of União Terminais held by Unipar. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of União Terminais .

In July 2008, Oxiteno inaugurated its first sales office in Europe and the third outside Brazil. Oxiteno Europe SPRL is located in Brussels, Belgium, as part of Oxiteno s internationalization strategy.

In August 2008, Ultrapar announced that its subsidiary SBP entered into a sale and purchase agreement with Chevron for the acquisition of 100% of the shares of CBL and Galena, former subsidiaries of Chevron that held Texaco. In March 2009, Ultrapar completed the acquisition and paid R$1,106 million to Chevron, in addition to a US$38 million deposit that it had made to Chevron in August 2008. In August 2009, Ultrapar also paid R$162 million related to the expected working capital adjustment as set forth in the sale and purchase agreement. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of Texaco .

In August 2008, Ultrapar announced the execution of a supply contract between Oxiteno and Quattor Química for the supply of ethylene to the Mauá unit, in the state of São Paulo, effective through 2023. The long-term contract establishes the ethylene supply conditions, referenced on the international market. The volume contracted will allow the increase of at least 30% in the ethylene oxide production compared to 2007. At the same time, Oxiteno sold the equity interest it owned in Quattor Química, equivalent to 2,803,365 shares, for approximately R$46 million.

In October 2008, certain production capacity expansions at Oxiteno were completed, including (i) the operational start-up of the fatty alcohols plant unit with an annual production capacity of approximately 100,000 tons of fatty alcohols and by-products; (ii) the expansion of the ethylene oxide unit at Mauá, adding 38,000 tons to the annual production capacity of this product; and (iii) the expansion of the ethoxylate and ethanolamine production at Camaçari, adding 120,000 tons to the annual capacity of these products. These expansions aimed at replacing imports, mainly in the agrochemical, cosmetics & detergents and paint & varnishes segments. See Item 4.A. Information on the Company History and Development of the Company Investments .

Table of Contents

In November 2008 and December 2008, in order to simplify the corporate structure, Ultragaz Participações S.A. and DPPI were merged into CBPI, respectively, thus consolidating all companies that operate in the distribution business into one single company. For further information see Note 4(a) to our consolidated financial statements.

In February 2009, an Extraordinary Shareholders Meeting of RPR was held to approve a capital increase of R$15 million through the issuance of 15 million new common and preferred shares and the admission of new shareholders in its capital stock, as part of the acquisition of the Ipiranga Group. As a result, RPR ceased to be a wholly-owned subsidiary of Ultrapar, which retained an equity interest of 33%.

In March 2009, CBPI contracted a bank credit note with Caixa Econômica Federal CEF, in the total amount of R$500 million, with a 24-month grace period and 36-month term, with interest rate equivalent to 120% of the CDI, focusing on extending the company s debt profile and maintaining strong cash position. We believe that the high interest rate applicable to this loan reflected the sharp tightening in credit markets in the period due to the worsening of the global financial crisis. In the first quarter of 2010, this bank credit note was redeemed. See Item 4.A. Information on the Company History and Development of the Company Recent Developments .

In June 2009, Ultrapar completed its third issuance of R$1.2 billion unsecured debentures in Brazil with a three-year term and interest of 100% of the CDI plus 3.0% per annum. The proceeds from this issuance were used to redeem the promissory notes issued by Ultrapar in December 2008. In December 2009, Ultrapar renegotiated certain terms and conditions of these debentures and, as a result, was able to reduce interest rates applicable to the debentures to 108.5% of the CDI per annum and extend their terms to December 2012.

In August 2009 and in November 2009, SBP and CBPI were merged into IPP, respectively, in order to simplify the corporate structure, eliminate duplicated structures, enhance logistics efficiency and capture synergies, thus consolidating all light fuel and lubricant distribution and related activities into a single legal entity.

In September 2009, Oxiteno concluded the expansion of the acetates unit at Mauá, which added 40,000 tons to its production capacity.

In October 2009, the credit rating agency Standard & Poor s assigned Ultrapar its BBB- rating in global scale and brAAA in Brazil national scale, both of which are equivalent to investment grade. According to Standard & Poor s, the ratings assigned to Ultrapar reflect its resilient results supported by its strong brands and leading position in LPG distribution and specialty chemicals; strategic diversification into the fuel distribution business with relevant market share; relatively stable cash generation and intermediate financial profile.

In December 2009, shareholders of Ultra S.A. entered into a new shareholders agreement that replaced the previous agreement which was to expire on December 16, 2009. The terms and conditions of the new shareholders agreement are substantially the same as those of the previous agreement and have a two-year term. See Item 7.A. Major Shareholders and Related Party Transactions Major Shareholders .

In December 2009, Ultrapar, through Ultracargo, acquired from Puma Storage do Brasil Ltda., or Puma, a storage terminal for liquid bulk with a 83 thousand cubic meters capacity located at the port of Suape, in the state of Pernambuco. The acquired terminal is located in an area leased by Ultracargo and adjacent to its existing terminal in the port of Suape, which allowed the immediate integration of its operations. This acquisition strengthened Ultracargo s position in the region of the port of Suape, enhanced its operational scale and represented another step in Ultracargo s strategy of strengthening its position as an important provider of storage for liquid bulk in Brazil.

Description of the Acquisition of Ipiranga Group

On March 19, 2007, Ultrapar, Petrobras and Braskem announced their intent to acquire the Ipiranga Group and that on March 18, 2007, Ultrapar had entered into, and Petrobras and Braskem had acknowledged, Ipiranga Group SPA with the Key Shareholders of the principal companies constituting of the Ipiranga Group. In connection with the acquisition of Ipiranga Group, Ultrapar acted on its own behalf and on behalf of Petrobras and Braskem pursuant to the Ipiranga Group Transaction Agreements. Ultrapar acted as a commission agent, under Articles 693 through 709 of the Brazilian Civil Code, for Petrobras and Braskem in the acquisition of the Petrochemical Business, and for Petrobras for the acquisition of Northern Distribution Business.

Following the acquisition of Ipiranga Group, Ultrapar, already the largest LPG distributor in Brazil, became the second largest fuel distributor in Brazil. Ultrapar believes that fuel distribution is a natural extension of LPG distribution because it has similar profitability drivers: logistics efficiency, management of a dealer network and leveraging a renowned brand. In addition, Ultrapar believes that the fuel distribution business presents attractive growth prospects in light of increased fuel consumption in Brazil in the

recent past, principally due to increased national income, greater availability of credit and curbing unfair competitive practices, which cause the grey market to decline in relation to the formal market.

After the completion of the acquisition of Ipiranga Group, its businesses were divided among Petrobras, Ultrapar and Braskem. Ultrapar retained the fuel and lubricant distribution businesses located in the South and Southeast regions of Brazil; Petrobras received the fuel and lubricant distribution businesses located in the North, Northeast and Mid-West regions of Brazil; Petrobras and Braskem received the Petrochemical Business, in the proportion of 60% for Braskem and 40% for Petrobras.

For a more detailed discussion of the acquisition of Ipiranga Group, see our Form F-4 filed with the Commission on December 17, 2007.

Description of the Acquisition of União Terminais

In June 2008, Ultrapar announced that its subsidiary Ultracargo entered into a sale and purchase agreement for the acquisition of 100% of the shares of União Terminais held by Unipar. União Terminais had two port terminals for storage and handling of liquid bulk, with total capacity of 119 thousand cubic meters. The main facility, located in Santos (in the state of São Paulo), has storage capacity of 102 thousand cubic meters and concluded an expansion that added 20% (21 thousand cubic meters) to its capacity. The main products handled in this terminal are fuels, ethanol and chemicals. The terminal located in Rio de Janeiro has a storage capacity of 17 thousand cubic meters and the main products handled in this terminal are chemicals and lubricants. União Terminais also held 50% of the total capital of União/Vopak, which owns a port terminal in Paranaguá (in the state of Paraná) with storage capacity of 60 thousand cubic meters for the handling of vegetable oil and chemical products.

In October 2008, Ultrapar completed the acquisition in relation to the port terminals in Santos and Rio de Janeiro. In November 2008, it closed the acquisition of the port terminal in Paranaguá. The results of the businesses acquired were consolidated into Ultrapar s financial statements after their respective closing dates. Ultrapar s financial statements in periods prior to fourth quarter 2008 do not include the results of the businesses acquired.

The total amount Ultrapar paid for União Terminais was R$519 million, which included the assumption of net debt of R$32 million. The combination of its operations with those of União Terminais doubled the size of Ultracargo in terms of adjusted EBITDA, and made it the largest liquid bulk storage company in Brazil, strengthening its operating scale. With this acquisition, Ultracargo has increased its presence at the port of Santos, the largest Brazilian port, and is now strategically positioned in the ports of Rio de Janeiro and Paranaguá, where the company did not have operations.

Description of the Acquisition of Texaco

In August 2008, Ultrapar announced that its subsidiary SBP entered into a sale and purchase agreement with Chevron for the acquisition of 100% of the shares of CBL and Galena, former subsidiaries of Chevron that held Texaco. On March 31, 2009, Ultrapar closed the acquisition through SBP. Prior to the closing, Chevron s lubricant and oil exploration activities in Brazil were spun-off from CBL and Galena to other Chevron s legal entities.

On March 31, 2009, Ultrapar completed this acquisition and paid R$1,106 million to Chevron, in addition to the US$38 million deposit that it had made to Chevron in August 2008. In August 2009, Ultrapar also paid R$162 million related to the expected working capital adjustment, reflecting the increased working capital effectively received by Ultrapar on the closing date of the acquisition (as set forth in the sale and purchase agreement). The results of Texaco were consolidated into Ultrapar s financial statements as from April 1, 2009. Accordingly, Ultrapar s financial statements for periods prior to such date do not reflect Texaco s results of operations.

Texaco markets fuel in the entire Brazilian territory, except for the state of Roraima, through a network of more than 2,000 service stations and directly to large clients, supported by a logistics infrastructure with 48 distribution terminals. Texaco s acquisition is part of Ultrapar s strategy to increase its operational scale in the fuel marketing business and expand its operations to the Mid-West, Northeast and North regions of Brazil. The combination with Texaco created a nationwide fuel marketing business, with a network of 5.5 thousand service stations and 21% market share as of December 31, 2009, strengthening its competitiveness through a larger operational scale. The addition of Texaco allowed, for example, improved efficiency and competitiveness in the distribution and sales processes, dilution of advertising, marketing and product development expenses and gains of scale in administrative functions. Additionally, Texaco s acquisition led to Ultrapar geographical expansion in the sector, allowing the company to reach regions with consumption growth above the national average, and brought new commercial opportunities arising from the national coverage.

After completion of this acquisition, Ultrapar started managing Texaco and implementing its business plan, which consisted of two main work streams (i) the integration of operations and administrative and financial functions of Texaco, and (ii) the implementation of Ipiranga s business model in the expanded network, with a wider range of products and services and a differentiated approach to its resellers. In August 2009, Texaco s information technology (IT) systems were integrated into Ipiranga s and, as a result,

Table of Contents

Ultrapar s fuel distribution business started operating with a single IT system. In November 2009, Ultrapar completed the corporate merger of Texaco and Ipiranga, which created additional gains from the simplified structure. Ultrapar has also been converting the acquired Texaco branded stations into Ipiranga brand since 2009. From April 1, 2009 to December 31, 2009, 1,020 service stations in the South and Southeast regions were converted, representing 75% of the acquired service stations in these regions. Under the terms of the Ipiranga Group Transaction Agreements, Petrobras has the exclusive right to use Ipiranga s brand in the operating regions of the Northern Distribution Business for five years from the date of the acquisition of Ipiranga Group, expiring in April 2012. Until then, Ipiranga will operate under the Texaco brand in those regions.

Recent Developments

In March 2010, Ultrapar entered into a loan agreement with Banco do Brasil through IPP in the amount of R$500 million, with a three-year term, interest rate equivalent to 98.5% of CDI, and a single payment at the maturity date. This loan replaced the loan that Ultrapar had in the same principal amount entered into in 2009 at a cost of 120% of the CDI.

In March 2010, Ultrapar entered into a sale and purchase agreement to sell the in-house logistics, solid bulk storage and road transportation businesses to Aqces Logística Internacional Ltda. (Aqces). The transaction value is R$82 million, subject to adjustments on the closing date and to certain conditions precedent, including the segregation of the in-house logistics, solid bulk storage and road transportation operations, with the transfer of the respective assets, contracts, licenses and employees from Ultracargo to its subsidiaries AGT Armazéns Gerais e Transporte Ltda. and Petrolog Serviços e Armazéns Gerais Ltda. The closing of this transaction is expected to occur by mid-2010, when the shares of AGT and Petrolog will be transferred to the acquirer. This transaction allows Ultracargo to focus exclusively on its liquid bulk storage business, segment in which it has a leadership position and which already represented approximately 85% of its adjusted EBITDA in 2009 after the recent acquisitions of União Terminais and Puma and investments in capacity expansions at the Aratu, Santos and Suape terminals.

In June 2010, Ultrapar entered into a series of three loan agreements with Banco do Brasil through IPP in the total amount of R$900 million, with a four-year duration and average cost equivalent to 99% of CDI. See Item10.C. Additional Information Material Contracts .

Investments

We have made substantial investments in our operations over the last three fiscal years to the date of this annual report. At Ultragaz, we have invested in small bulk LPG distribution (UltraSystem), in the purchase and renewal of LPG bottles and tanks, and in the restructuring of our distribution logistics. We have also invested in the consolidation of our national coverage over the past years. Since March 2007, investments at Ipiranga included the expansion of the service station network, renewal of contracts and improvement in fuel service stations and distribution facilities, as well as investments related to information technology. Oxiteno has invested in increasing installed production capacity, mainly for specialty chemicals production, in the modernization of its industrial plants and in the development of new products. Oxiteno has also been investing in the development of products derived from renewable raw materials, including the building of a new fatty alcohols plant which started operations in October 2008 and required total investment of R$460 million. Ultracargo has invested in the expansion and maintenance of storage facilities in response to strong demand for a better logistics infrastructure in Brazil, including investments in capacity expansions at the Aratu, Santos and Suape terminals and in the integration of storage terminal acquired from Puma. See Item 4.A. Information on the Company History and Development of the Company . We have invested in information technology at all our businesses for integrating processes, improving the quality of information, increasing the response time in decision-making and improving our services.

The following table shows our organic investments for the years ended December 31, 2009, 2008 and 2007:

	Year ended December 31,		
	2009	**2008**	**2007**
	(in millions of *reais*)		
Ultragaz	105.4	166.6	128.9
Ipiranga(1)	222.4	228.8	143.6
Oxiteno	163.8	515.8	453.0
Ultracargo	78.9	55.9	44.2
Others(2)(3)	15.0	11.2	3.4
Total capital expenditures, net of disposals	585.5	978.4	773.2

(1) Includes financing and bonuses to our resellers, net of repayments, and assets acquired through leasing operations. Bonuses are lump sum payments made by distributors to resellers. Resellers typically use these payments to improve their facilities or to invest in working capital. Financing and bonuses for clients are included under working capital in the cash flow statement. In 2009, 2008 and 2007 assets acquired through leasing, financing and bonuses to clients amounted to R$105 million, R$89 million and R$79 million, respectively.

Table of Contents

(2) Includes expenditures related to maintenance of our headquarters, which is performed by our wholly owned subsidiary Imaven Imóveis Ltda.

(3) 2009 and 2008 figures include expenditures made by Serma (*Associação dos Usuários de Equipamentos de Processamento de Dados e Serviços Correlatos*, responsible for providing IT services to Ultrapar), in accordance with Law 11,638 and Law 11,941. See Note 2 to our consolidated financial statements for more information. In 2009 includes financial leasing in the amount of R$1.3 million.

We have also made several acquisitions and related investments to maintain and create new opportunities for growth and to consolidate our position in the markets in which we operate or in complementary markets. In March 2007, we led one of the largest acquisitions in the Brazilian history, with the acquisition of Ipiranga. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of Ipiranga Group . In April 2007, we acquired the sulfates and sulfonates operating assets of Unión Química S.A. de C.V., in San Juan del Río, Mexico. In September 2007, Oxiteno acquired the totality of shares of Arch Química Andina in Venezuela for US$7.6 million. In November 2008, Ultracargo closed the acquisition of União Terminais. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of União Terminais . The operations of União Terminais have been integrated into our logistics business. In March 2009, Ultrapar concluded the acquisition of Texaco. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of Texaco .

The acquisitions in the petrochemical segment were motivated by our desire to establish a presence in the Mexican and Venezuelan petrochemical markets as a platform for production and distribution to supply the local markets, the U.S. and the countries located in the Pacific coast of South America and to geographically diversify Oxiteno s production facilities. The acquisitions in the logistics segment are part of our strategy to become Brazil s leading provider of storage services for special bulk cargo, reinforcing our operating scale. The acquisition of Ipiranga is part of Ultrapar s growth strategy for the fuel distribution sector, in which it already operated through Ultragaz, distributing LPG. The acquisition of Texaco is also part of our growth strategy in the fuel distribution industry, representing the company s expansion to the Mid-West, Northeast and North regions of Brazil and the significant increase in Ipiranga s operational scale.

Our investment plan for 2010 calls for a total budget of R$920 million. We expect to invest R$152 million at Ultragaz, R$414 million at Ipiranga, R$252 million at Oxiteno and R$81 million at Ultracargo. At Ultragaz, investments will be allocated primarily to the expansion of UltraSystem, a segment with growth linked to the economic performance, to the strengthening of activities in the North and Northeast of Brazil and to the replacement of LPG bottles and tanks. At Ipiranga, investments will be directed to the expansion and renewal of its distribution network and to operational improvements, as well as expansion of operations to the Mid-West, Northeast and North regions, which started with the acquisition of Texaco. Of the total investments budgeted by Ipiranga, R$217 million are related to additions to property, plant and equipment and R$197 million are related to financing and bonuses to clients, net of repayments. At Oxiteno, investments include R$185 million for the conclusion of the expansions of ethylene oxide and ethoxylates facilities in Camaçari, which will add, respectively, 90 thousand tons/year and 70 thousand tons/year to its production capacity. Ultracargo will allocate its investments primarily to a 50 thousand cubic meters expansion in its terminals in Suape, Santos and Aratu.

In March 2010, Ultrapar announced that it has entered into a sale and purchase agreement to sell the in-house logistics, solid bulk storage and road transportation businesses of Ultracargo so that it can focus exclusively on its liquid bulk storage business. The investment plan for 2010 discussed above does not include reflect such divestiture. See Item 4.A. Information on the Company History and Development of the Company Recent Developments .

In the three months ended on March 31, 2010, our capital expenditures were R$205 million. At Ultragaz, R$37 million was invested mainly in new clients in the bulk segment and renewal of assets. At Ipiranga, R$60 million was invested in the conversion of unbranded service stations, new service stations, renewal and improvement of the distribution network. From the total amount invested at Ipiranga, R$28 million was related to additions to property, plant and equipment, and R$31 million was related to financing and bonuses to clients of Ipiranga, net of repayments. At Oxiteno, R$98 million was invested, concentrated on projects to expand ethylene oxide and ethoxylates production capacity in Camaçari and to increase productivity. Ultracargo invested R$6 million in expansions of the Suape and Santos terminals.

Other projects under study. We are considering the possibility to invest in an ethylene oxide and derivatives plant in a new complex under design and construction by Petrobras in the municipalities of Itaboraí and São Gonçalo, in Rio de Janeiro State. We have not made any commitments to invest in this project.

Equity Investments

The table below shows our equity investments for the years ended December 31, 2009, 2008 and 2007:

	Year ended December 31,		
	2009(6)	2008	2007
	(in millions of *reais*)		
Ultragaz			0.1
Ipiranga		(0.1)	
Oxiteno		(45.7)(1)	22.7
Ultracargo		478.2(2)	8.1
Others(4)	1,360.6(5)	105.0	1,883.1(3)
Total	1,360.6	537.4	1,914.0

(1) Sale of the equity stake in Quattor Química held by Oxiteno.

(2) Investments made in connection with the acquisition of União Terminais. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of União Terminais .

(3) Includes investments made in connection with the acquisition of Ipiranga Group, which also included the assumption of the existing net debt of Ipiranga of approximately R$0.5 billion at the time of the acquisition in 2007. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of Ipiranga Group .

(4) Share repurchase program, included in our consolidated statement of cash flows under Cash flows from financing activities .

(5) Investments made in connection with the acquisition of Texaco. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of Texaco .

(6) Does not reflect the sale of the in-house logistics solid bulk storage and road transportation businesses of Ultracargo. See Item 4.A. Information on the Company History and Development of the Company Recent Developments .

We are a company incorporated under the laws of Brazil. Our principal executive office is located at Avenida Brigadeiro Luis Antônio, 1343, 9th Floor, 01317-910, São Paulo, SP, Brazil. Our telephone number is 55 11 3177 7014. Our Internet website address is http://www.ultra.com.br. Our agent for service of process in the United States is C.T. Corporation System, located at 111 Eighth Avenue, New York, New York 10011.

B. Business Overview

With a track record of over 70 years, Ultrapar is one of the largest business groups in Brazil, with leading positions in the markets in which it operates: fuel distribution through Ultragaz and Ipiranga, chemicals through Oxiteno, and storage for liquid bulk through Ultracargo. Ultragaz is the leader in LPG distribution in Brazil with a 24% market share as of December 31, 2009 and one of the largest independent LPG distributors in the world in terms of volume sold. We deliver LPG to an estimated 10 million households using our own vehicle fleet and our network of more than 4,000 independent retailers. Ipiranga is the second largest fuel distributor in Brazil, with a network of approximately 5.5 thousand service stations and a 21% market share as of December 31, 2009. Oxiteno is one of the largest producers of ethylene oxide and its main derivatives in Latin America, a major producer of specialty chemicals and the sole producer of fatty-alcohols and related by-products in Latin America. Oxiteno has nine industrial units in Brazil, Mexico and Venezuela and commercial offices in the United States, Argentina, and Belgium. Ultracargo is the largest provider of storage for liquid bulk in Brazil, with seven terminals and storage capacity of approximately 625,000 cubic meters.

The following chart simplifies our organizational structure as of December 31, 2009, showing our principal business units. For more detailed information about our current organizational structure, see Item 4.C. Information on the Company Organizational Structure .

Table of Contents

Our Strengths

Leading market positions across businesses

Ultragaz is the largest LPG distributor in Brazil. As of December 31, 2009, Ultragaz´s national market share was 24%, serving approximately 10 million homes in the bottled segment and approximately 34 thousand customers in the bulk segment. For the year ended December 31, 2009, Ultragaz s total volume of LPG sold was approximately 1.6 million tons.

Ipiranga is the second largest fuel distributor in Brazil with a 21% market share as of December 31, 2009. After the closing of the acquisition of Texaco in March 2009, Ipiranga consolidated its position as the second largest player in Brazil, with a network of 5.5 thousand service stations as of December 31, 2009. In addition to the service stations, Ipiranga s network has approximately 1.5 thousand convenience stores and Jet Oil stores. The acquisition of Texaco strengthened Ipiranga s competitiveness by increasing its operational scale. The implementation of Ipiranga s business model in the acquired network allows it to offer a broader range of products and services, which benefits consumers and resellers. The volume of fuel sold by Ipiranga in 2009 was 17,214 thousand cubic meters, including the fuels sales volume of Texaco as from April 1, 2009.

Oxiteno is the largest producer of ethylene oxide and its principal derivatives in Latin America and is also a major producer of specialty chemicals. Our chemical operations supply a broad range of market segments, particularly crop protection chemicals, food, cosmetics, leather, detergents, packaging for beverages, thread and polyester filaments, brake fluids, petroleum and coatings. For the year ended December 31, 2009, Oxiteno sold 634 thousand tons of chemical products. In Brazil, Oxiteno competes principally against imports.

Ultracargo is the largest provider of storage for liquid bulk in Brazil, with seven terminals and storage capacity of approximately 625,000 cubic meters. In 2009, Ultracargo accounted for approximately 75% of all tank capacity for liquids at the Aratu terminal in the State of Bahia, which serves South America s largest petrochemical complex.

Robust business portfolio

Our operations encompass LPG and fuel distribution, the production of ethylene oxide and its derivatives and storage services for liquid bulk. We believe our businesses provide us with increased financial capability and flexibility. Our business mix makes us less vulnerable to economic fluctuations and allows us to pursue growth opportunities as they arise in any of our business segments.

Highly efficient LPG distribution network

In addition to making direct sales of bottled LPG, Ultragaz is the only LPG distributor in Brazil with an exclusive network of independent dealers. This network is constituted of more than 4,000 dealers who sell Ultragaz LPG bottles. This has enabled Ultragaz to control the quality and productivity of its dealers leading to a strong brand name recognition that we believe is associated with quality, safety and efficiency, and also to have frequent contact with LPG customers. In addition, Ultragaz was the first player to introduce LPG small bulk delivery in Brazil, with lower distribution costs than bottled distribution. Over the years it has built a strong client base.

Table of Contents

Efficiencies in retail network logistics in addition to resale management know-how

We believe that the expertise in logistics and resale management that we have gained at Ultragaz can be complemented by Ipiranga s know-how in the same areas, thus maximizing efficiency and profitability at both companies.

Flexibility across the petrochemical cycle

Oxiteno is the largest producer of ethylene oxide and its principal derivatives in Latin America. Approximately 97% of its ethylene oxide production was used internally in the production of ethylene oxide derivatives in 2009, which can be classified in two groups: specialty and commodity chemicals. Oxiteno is a major producer of specialty chemicals, which have traditionally higher margins and less exposure to petrochemical cycles than commodity chemicals. Oxiteno has also been heavily investing in the development of products derived from renewable raw materials, by building a new fatty alcohols plant, reducing its dependence on oil-based feedstock and expanding its product portfolio.

Cost-efficient operations

Oxiteno s operations have a high degree of production efficiency derived from a scale that we believe is similar to that of the largest producers in the world. Ultragaz has significant market presence in densely populated areas, which allows it to operate its filling plants and distribution system with a high level of capacity utilization and efficiency. Ipiranga also has a significant market presence in the South and Southeast regions of Brazil, which allows it to operate its extensive network of primary and secondary storage terminals and its distribution system in a cost-efficient manner. After the consolidation of Texaco, the increased scale of Ipiranga and Texaco combined operations allowed improved efficiency and competitiveness in the distribution and sales processes, dilution of advertising, marketing and new product development expenses, and gains from economies of scale in administrative functions.

Strong operational track record

Our business has exhibited a solid operational track record. Our adjusted EBITDA presented an average compound annual growth of 15% over the ten years ended December 31, 2009, in spite of the overall macroeconomic volatility in Brazil during this same period. Our adjusted EBITDA is used to provide a measure of assessing the company s ability to generate cash from its operations. See Item 3.A. Key Information Selected Consolidated Financial Data for more information about adjusted EBITDA. Our net income (excluding income attributable to minority shareholders) presented average compound annual growth of 18% over the ten years ended December 31, 2009.

Experienced management team

We are led by a strong and experienced management team with a proven track record in the LPG and fuel distribution, petrochemical and specialized logistics industries. Our senior management team possesses an average of more than 20 years of experience in the company and its subsidiaries; its members are shareholders of Ultrapar and have a performance-linked compensation based on an economic value-added metric (EVA®).

Alignment of shareholders interests

Our bylaws provide important rights that align the interests of all our shareholders, including our controlling shareholders, management shareholders and minority shareholders. If our controlling shareholders sell their controlling stake in our company, our bylaws provide that holders of our preferred and common shares are entitled to sell their shares in a public tender offer at the same price terms and conditions as our controlling shareholders.

Our Strategy

Build on the strength of our LPG and fuel distribution brands

Our LPG and fuel distribution businesses have a high brand recognition associated with quality, safety and efficiency. We intend to reinforce this market perception by continuing to supply high-quality products and services and to introduce new services and distribution channels.

Maintain a strong relationship with our resellers in the LPG and fuel distribution business

We intend to preserve our strong relationship with dealers by keeping their distribution exclusivity and continuing to implement our differentiated incentive programs in Ultragaz and Ipiranga. We plan to continue to invest in training our dealers, in order to maximize efficiency, further strengthen our relationship and promote the high standards of our distribution network. In parallel, we plan to continue to increase our operational efficiency and productivity at Ultragaz and Ipiranga.

Continuously improve cost and capital efficiency in LPG and fuel distribution

We plan to continue to invest in the cost and capital efficiency of our distribution systems. Current initiatives include enhanced discipline with respect to our capital allocations and programs to revise Ultragaz s distribution structure.

Increase market share in fuel distribution

We intend to benefit from a generally favorable outlook in the fuel distribution market as a result of an increasing vehicle fleet in Brazil. Our sales strategy is to increase Ipiranga s market share by converting unbranded stations to Ipiranga s brand and to increase our scale in the Mid-West, Northeast and North regions of Brazil, where we have lower market share and the consumption growth is higher than the national average, given the lower car penetration and faster-growing household income in these regions.

Promote and benefit from the formalization of the fuel distribution market

We plan to continue to collaborate with the competent authorities to promote improvements to legislation and to enhance regulatory enforcements in the fuel distribution sector as means of creating a level playing field in the market, increasing sales volume in the formal market and improving our gross margin, thus reducing the competitiveness of players which benefited from cost advantages derived from unfair practices.

Enhance retail network

We intend to continue expanding Ipiranga s sources of non-fuel income by creating new products and expanding our services, such as convenience store sales, lubricant changing services, car maintenance services, credit cards, the sale of car-related products in the fuel service stations and the offering of some 18,000 items in a website through Ipirangashop.com. In 2009, Ipiranga launched two initiatives aiming at strengthening Ipiranga s brand recognition: (i) Km de Vantagens, a customer incentive program that awards points in connection with purchases of products and services at Ipiranga s network and allows customers to exchange such points for discounts, products or services provided by Ipiranga and its partners, and (ii) Jet Oil Motos, a specialized oil-changing service for motorcycles in Brazil.

Invest in niche segments for LPG distribution

Ultragaz is strengthening its presence in the North and Northeast regions of Brazil by focusing on expanding to states, such as Pará and Maranhão, where it did not use to have significant operations and where LPG consumption is growing faster than Brazil s national average rate. Ultragaz also intends to expand its portfolio by selling the propellant (Dymethyl-oxide) DMO, which is currently sold in Brazil exclusively through imports.

Expand capacity at Oxiteno

We intend to maintain Oxiteno s production capacity ahead of demand in Brazil. We also plan to continue our efforts to apply the best global practices to Oxiteno s plants and production processes with a view to remain technologically competitive.

Continue to enhance product mix at Oxiteno

We increased Oxiteno s capacity to produce a variety of value-added ethylene oxide derivatives and other specialty chemicals in order to optimize its sales mix across petrochemical cycles. Oxiteno s investments in research and development have resulted in the introduction of 58 new applications for its products during the last three years. Oxiteno will continue to invest in research and development focused on developing new product applications to meet clients needs. In addition, we intend to focus Oxiteno s sales in the local market, which allows us to have higher margins.

Maintain financial strength

We seek to maintain a sound financial position to allow us to pursue investment opportunities and enhance our shareholders return on their investment in our company. Our net debt position for the year ended December 31, 2009 was R$2,060 million. The company is assigned credit risk ratings equivalent to the investment grade by both Moody s and Standard & Poor s. We have been consistently distributing dividends to our shareholders. During the five years ended December 31, 2009, we have declared yearly dividends representing an average of approximately 65% of our net income.

Continue to grow our businesses

Our principal corporate goal is to enhance shareholder value and strengthen our market presence by growing our business. Historically, we have grown our business organically and through acquisitions, such as the acquisitions of Ipiranga, União Terminais and Texaco, and we intend to continue this strategy.

We have also made several investments in the expansion of our existing operations in Oxiteno during the last three years, focusing on specialty chemicals. We constantly analyze acquisition opportunities in the segments in which we operate and in complementary segments that could add value to our company.

Key Financial Information

The table below sets forth certain financial information for us and our principal businesses:

	Year ended December 31,				
	2009	2008	2007	2006	2005
	(in millions of *reais*)				
Net sales and services(1)					
Ultrapar	36,115.9	28,268.0	19,921.3	4,794.1	4,693.8
Ultragaz	3,441.2	3,339.4	3,112.9	3,067.0	2,902.4
Ipiranga(2)	30,498.8	22,676.4	14,869.9		
Oxiteno(2)	1,921.1	1,926.1	1,764.8	1,549.6	1,610.1
Ultracargo	337.0	283.4	229.1	226.1	234.2
Adjusted EBITDA(3)					
Ultrapar	1,354.4	1,079.4	779.4	516.2	546.0
Ultragaz	281.4	210.8	251.8	280.5	195.1
Ipiranga(2)	777.5	603.2	321.7		
Oxiteno(2)	144.8	210.0	157.4	191.6	300.2
Ultracargo	104.8	50.6	43.0	38.0	44.3
Net Income attributable to Ultrapar					
Ultrapar	466.7	390.3	181.9	282.1	299.2
Net cash (debt)(4)					
Ultrapar	(2,059.6)	(1,538.2)	(1,434.1)	120.7	191.2

(1) Segment information for Ultragaz, Ipiranga, Oxiteno and Ultracargo is presented on an unconsolidated basis. See Presentation of Financial Information for more information.

(2) Since January 1, 2008, EMCA has been consolidated into Oxiteno, reflecting the effective management responsibility for the business. The financial information of Oxiteno and Ipiranga in this annual report prior to January 1, 2008 reflects the current consolidation retrospectively, which differs from those previously reported.

(3) See footnote 7 under Item 3.A. Key Information Selected Consolidated Financial Data for a more complete discussion of adjusted EBITDA and its reconciliation to information in our financial statements.

(4) See footnote 9 under Item 3.A. Key Information Selected Consolidated Financial Data for a more complete discussion of net cash (debt) and its reconciliation to information in our financial statements.

Distribution of Liquefied Petroleum Gas

Industry and Regulatory Overview

Liquefied petroleum gas (LPG) is a fuel derived from the oil and natural gas refining process. In Brazil, approximately 80% of local demand in 2009 was produced in local refineries and the remaining 20% was imported. LPG has the following primary uses in Brazil:

Bottled LPG used primarily by residential consumers for cooking; and

Bulk LPG used primarily for cooking and water heating in shopping malls, hotels, residential buildings, restaurants, laundries, hospitals and industries, with several other specific applications to each industrial process.

33

The following chart shows the process of LPG distribution:

Historically, bottled LPG has represented a substantial portion of the LPG distributed in Brazil, and is primarily used for cooking. The use of LPG for domestic heating in Brazil is immaterial compared with its use in other developed and emerging countries, primarily because of Brazil s generally warm climate. Consequently, demand seasonality throughout the year is significantly small. In addition, because LPG is not used to a significant extent for domestic heating in Brazil, overall consumption of LPG per capita is lower in Brazil compared to countries where domestic heating is a major element of LPG demand, making low distribution costs a major competitive differential in the Brazilian LPG market.

Prior to 1990, extensive governmental regulation of the LPG industry essentially limited the use of LPG to domestic cooking. Since 1990, regulations have permitted the use of LPG for certain commercial and industrial uses, and the use of LPG has increased accordingly.

The primary international suppliers of LPG are major oil companies and independent producers of both liquefied natural gas and oil. However, due to Petrobras monopoly over the production and import of petroleum and petroleum products until the end of 2001, Petrobras is currently the *de facto* sole supplier of LPG in Brazil.

Table of Contents

Currently, the LPG distribution industry in Brazil consists of 16 LPG distribution companies or groups of companies, and is regulated by the ANP. The LPG distribution industry includes purchasing nearly all its LPG requirements from Petrobras, filling LPG bottles and bulk delivery trucks at filling stations, selling LPG to dealers and end users, controlling product quality and providing technical assistance to LPG consumers. See Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Industry and Regulatory Overview The role of the ANP . LPG produced by Petrobras, which represented approximately 80% of total LPG sold in Brazil in 2009, is transported in pipelines and by trucks from Petrobras production and storage facilities to filling stations maintained by LPG distributors. The balance is imported by Petrobras into Brazil and stored in large storage facilities maintained by Petrobras. The imported LPG is then transported from the storage facilities by pipeline and truck to the LPG distributors filling stations.

LPG can be delivered to end users either in bottles or in bulk. The bottles are filled in the LPG distributors filling stations. Distribution of bottled LPG is conducted through the use of bottles via two principal channels:

- home delivery of LPG bottles; and
- the sale of LPG bottles in retail stores and at filling stations.

In both cases, the bottles are either delivered by the LPG distributors themselves or by independent dealers.

Bulk delivery is the principal delivery method to large volume consumers, such as residential buildings, hospitals, small- and medium-sized businesses and industries. In the case of bulk delivery, LPG is pumped directly into tanker trucks at filling stations, transported to customers and pumped into a bulk storage tank located at the customer s premises.

The role of the Brazilian government. The Brazilian government historically regulated the sale and distribution of LPG in Brazil. The period from 1960 to 1990 was characterized by heavy governmental regulation, including price controls, regulation of the geographical areas in which each LPG distributor could operate, regulation of the services offered by distributors and governmental quotas for the LPG sold by distributors, thus restricting the growth of larger LPG distributors. In 1990, the government started a deregulation process with the purpose of establishing a largely unregulated LPG market. This process included easing the requirements for the entry into the market of new distribution companies, reducing certain administrative burdens and removing restrictions on the areas in which distributors could conduct their business and on sales quotas. There are currently no restrictions on foreign ownership of LPG companies in Brazil.

Since May 2001, distributors have been allowed to freely establish retail prices, which were previously set by the government. Until the end of 2001, the LPG refinery price, which is charged by Petrobras to all LPG distributors, was determined by the government and was the same for all LPG distributors in all regions of Brazil. Historically, refinery prices have been subsidized by the government. In January 2002, the government abolished subsidies to refinery prices and from January 2002, Petrobras started to freely price LPG in the domestic market, adopting the international price plus surcharges as its benchmark. However, the Petrobras refinery price of LPG is still subject to government influence when the government deems appropriate. Prices of LPG in *reais* remained unchanged from May 2003 to December 2007. In 2008, Petrobras increased the LPG refinery price for commercial and industrial usage by 15% in January, an additional 10% in April and 6% in July. LPG refinery prices for residential use have remained unchanged since 2003. In 2009, Petrobras average refinery price was approximately US$493 per ton compared with the average international price of US$445 per ton.

The role of Petrobras. Petrobras, Brazil s national oil and oil products company, had a legal monopoly in the exploration, production, refining, importing and transporting of crude oil and oil products in Brazil and Brazil s continental waters since its establishment in 1953. This monopoly was confirmed in Brazil s federal constitution enacted in 1988. As a result, Petrobras was historically the sole supplier in Brazil of oil and oil-related products, including LPG.

In November 1995, Petrobras monopoly was removed from the federal constitution by a constitutional amendment approved by the Brazilian Congress. According to this amendment, other state and private companies would be able to compete with Petrobras in virtually all fields in which Petrobras operated. This amendment was implemented through Law No. 9,478, dated August 6, 1997, which effectively allowed Petrobras monopoly to continue for a maximum period of three years. Law No. 9,478 prescribed that the termination of Petrobras monopoly would be accompanied by the deregulation of prices for oil, gas and oil products, and created a new regulatory agency, the ANP, to oversee oil-related activities. However, in practice, Petrobras still remains the sole LPG supplier in Brazil, even though there are no legal restrictions to the operation of other suppliers.

On June 25, 2004, Petrobras entered the LPG distribution market in Brazil through the acquisition of Liquigás (then Agip do Brasil S.A.), one of the main players in the market.

Table of Contents

The role of the ANP. The ANP is responsible for the control, supervision and implementation of the government s oil, gas and biofuels policies. The ANP regulates all aspects of the production, distribution and sale of oil and oil products in Brazil, including product quality standards and minimum storage capacities required to be maintained by distributors.

In order to operate in Brazil, an LPG distributor must be licensed with the ANP and must comply with certain minimum operating requirements, including:

- maintenance of sufficient LPG storage capacity;
- maintenance of an adequate quantity of LPG bottles;
- use of bottles stamped with the distributor s own brand name;
- possession of its own filling plant;
- appropriate maintenance of LPG filling units;
- distribution of LPG exclusively in areas where it can provide technical assistance to the consumer either directly or indirectly through an authorized dealer; and
- full compliance with the Unified Suppliers Registration System Sistema Único de Cadastramento Unificado de Fornecedores SICAF.

LPG distributors are required to provide the ANP with monthly reports showing their sales in the previous month and the volume of LPG ordered from Petrobras for the next four months. The ANP limits the volume of LPG that may be ordered by each distributor based on the number of bottles and infrastructure owned by the distributor. Based on the information provided by the distributors, Petrobras supplies the volume of LPG ordered, provided its production and imports of LPG are sufficient to meet the demand.

LPG distribution to the end consumer may be carried out directly by the LPG distribution companies or by independent dealers. Each LPG distributor must provide the ANP with information regarding its contracted independent dealers on a monthly basis. The construction of LPG filling plants and storage facilities is subject to the prior approval of the ANP, and filling plants and storage facilities may only begin operations after ANP inspection.

The self-regulatory code. In August 1996, most of the Brazilian LPG distributors, representing more than 90% of the market, bottle manufacturers, LPG transportation companies and certain LPG retail stores, under the supervision of the Brazilian government, entered into a statement of intent regarding the establishment of a program for requalifying LPG bottles (a process under which they undergo safety and quality checks) and other safety procedures, known as the Self-Regulatory Code or *Código de Auto-Regulamentação* . See Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Ultragaz Bottle swapping centers and Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Ultragaz Requalification of bottles . Before the Self-Regulatory Code came into effect, certain LPG distributors, not including Ultragaz, would fill bottles stamped with another distributor s brand. This practice resulted in a low level of investment in new bottles, giving rise to concerns regarding the safety of older bottles. The Self-Regulatory Code provides, among other things, that:

- each LPG distributor may only fill and sell bottles that are stamped with its own trademark;

- each LPG distributor is responsible for the quality and safety control of its bottles; and

- each LPG distributor must maintain a sufficient number of bottles to service its sales volume.

Under the Ministry of Mines and Energy Normative Ruling No. 334 of November 1, 1996, or Ruling 334, any party that defaults on its obligations under the Self-Regulatory Code will be subject to the legal penalties, ranging from payment of a fine and suspension of supply of LPG to such party to suspension of such party s LPG distribution operations.

Ruling 334 set forth the following timetable for the implementation of the measures adopted under the Self-Regulatory Code:

- the construction of at least 15 bottle swapping centers, starting in November 1996 (see Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Ultragaz Bottle swapping centers and Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Ultragaz Requalification of bottles);

- the filling of third-party bottles to have ceased by October 1997;

- by November 1, 2006, the requalification of 68.8 million bottles manufactured up to 1991; and

- by November 1, 2011, the requalification of 12.8 million bottles manufactured between 1992 and 1996.

Table of Contents

Ultragaz itself was required to requalify 13.8 million bottles before November 2006 and an additional 10.7 million bottles by November 2011. In 2009, Ultragaz requalified 2.6 million bottles. For 2010, Ultragaz expects to requalify approximately 3.0 million bottles.

Environmental, health and safety standards. LPG distributors are subject to Brazilian federal, state and local laws and regulations relating to the protection of the environment, public health and safety. The National Council of the Environment, or *Conselho Nacional do Meio Ambiente* CONAMA, the Ministry of Labor, or *Ministério do Trabalho*, and the Ministry of Transport, or *Ministério dos Transportes*, are the primary environmental regulators of Ultragaz at the federal level.

Brazilian federal and state environmental laws and regulations require LPG distributors to obtain operating permits from the state environmental agencies and from the fire department. In order to obtain such permits, distributors must satisfy regulatory authorities that the operation, maintenance and repair of facilities are in compliance with regulations and are not prejudicial to the environment. In addition, regulations establish standard procedures for transporting, delivering and storing LPG and for testing and requalification of LPG bottles. Civil, administrative and criminal sanctions, including fines and the revocation of licenses, may apply to violations of environmental regulations. Under applicable law, distributors are strictly liable for environmental damages.

Distributors are also subject to federal, state and local laws and regulations that prescribe occupational health and safety standards. In accordance with such laws and regulations, it is mandatory for distributors to prepare reports on their occupational health and safety records on an annual basis to the local office of the Ministry of Labor in each of the states in which they operate. In addition, they are also subject to all federal, state and local governmental regulation and supervision generally applicable to companies doing business in Brazil, including labor laws, social security laws, and public health and consumer protection laws.

Ultragaz

We distribute LPG through Ultragaz. Founded in 1937, we were the first LPG distributor in Brazil. At that time, Brazilians used wood stoves and, to a lesser extent, alcohol, kerosene and coal stoves. Ultragaz was the leading company by sales volume in the Brazilian LPG market as of December 31, 2009.

Ultragaz operates nationwide in the distribution of both bottled and bulk LPG, including the most highly populated states in Brazil, such as São Paulo, Rio de Janeiro and Bahia, and sells bottled LPG through its own retail stores and through independent dealers as well as its own truck fleet, which operates on a door-to-door basis or on a scheduled delivery basis. Bulk LPG is serviced through Ultragaz own truck fleet.

In August 2003, Ultragaz acquired Shell Gás, Royal Dutch/Shell N.V. s LPG operations in Brazil, for a total price of R$170.6 million. Shell Gás had about a 4.5% market share in Brazilian LPG distribution, selling approximately 287,400 tons of LPG in 2002. With this acquisition, Ultragaz has become the national market leader in LPG with a 24% share of the Brazilian market at the date of the acquisition and has also improved its economies of scale for distribution and logistics.

Ultragaz has three operating subsidiaries:

- Companhia Ultragaz S.A., or Cia Ultragaz, the company that pioneered our LPG operations;
- Bahiana Distribuidora de Gas Ltda., or Bahiana, which primarily operates in the Northeast region of Brazil; and
- Utingás Armazenadora S.A., or Utingás, a storage services provider that operates two facilities in São Paulo and Paraná. Utingás was incorporated in 1967 when Ultragaz and other LPG distributors joined to construct LPG storage facilities based in the states of São Paulo and Paraná. Ultragaz currently controls 56% of the storage operations. See Storage of LPG .

Markets and marketing. When Ultragaz began its operations, it served only the Southeast region of Brazil. Currently, Ultragaz is present in almost all of Brazil s significant population centers. In 2008 and 2009, Ultragaz strengthened its presence in the North and Northeast of Brazil, selling LPG in the states of Pará and Maranhão, where it did not have significant operations and where LPG consumption has been growing faster than Brazil s national average growth rate. Distribution of bottled LPG includes direct home delivery and retail stores, both carried out by Ultragaz or its dealership network using 13 kg ANP approved bottles. In the case of Ultragaz, the bottles are painted blue, which we believe is an important element in recognizing the Ultragaz brand. Ultragaz s operating margins for bottled LPG vary from region to region and reflect market share and the distribution channel in the region.

Before Shell Gás acquisition, Ultragaz s sales strategy for bottled LPG delivery was to increase market share through geographical expansion as well as protecting and incrementing market participation in regions where it already operated. With the acquisition of Shell Gás, Ultragaz became the Brazilian market leader in LPG, and the focus of its marketing strategy evolved to investing in the brand, protecting market share and strengthening its position in certain regions where it does not have a significant presence. The LPG bottled market in Brazil is a mature one and Ultragaz believes that growth in demand will be a function of an increasing number of households consuming the product as well as an increasing level of household income.

Table of Contents

Distribution of bulk LPG is largely carried out through 190 kg storage tanks installed on its clients premises. Since 1994, Ultragaz has been investing in small- and medium-sized bulk delivery facilities and in bob-tail trucks, known together as UltraSystem, which deliver LPG in bulk to commercial clients, small industries and government bodies. Ultragaz s clients in the commercial sector include shopping centers, hotels, residential buildings, restaurants, laundries and hospitals. Ultragaz s trucks supply clients stationary tanks using a system that is quick, safe and cost effective.

Ultragaz s bulk sales include large industrial clients, including companies in the food, metallurgical and steel sectors that have large fixed tanks at their plants and consume monthly volumes in excess of five tons of LPG. These clients represent a small portion of Ultragaz s sales volume since, in the case of large volume consumers, Ultragaz is competing with other highly competitive energy sources such as natural gas, diesel and fuel oil.

Ultragaz supplies its bulk delivery clients on the basis of supply contracts with terms ranging from two to five years. This type of contract limits fluctuations in sales given that the installation of the tanks is carried out by Ultragaz, and any change in supplier would imply the client s reimbursing Ultragaz s investments. The contract also requires that any tank supplied by Ultragaz may only be filled with LPG delivered by the company. When the bulk delivery contract expires, it can be renegotiated or the tank is removed. Since the installation of the tank represents a significant investment for Ultragaz, it seeks to achieve a return on its investment within the term of the contract.

Ultragaz s strategy for bulk LPG distribution is to continue its process of product and service innovation and to increase the profile of its trademark. Ultragaz also has a team to identify the needs of each bulk LPG client and to develop technical solutions for using LPG as an energy source.

The table below shows Ultragaz s sales of LPG to clients of bottled and bulk LPG:

	Year ended December 31,		
Client category	**2009**	**2008(2)**	**2007**
	(in thousands of tons)		
Bottled LPG			
Residential delivery by Ultragaz	76.3	75.8	74.5
Ultragaz owned retail stores	1.5	2.1	2.2
Independent dealers(1)	1,036.2	1,028.1	978.5
Total bottled LPG	1,114.0	1,106.0	1,055.1
Total bulk LPG	475.1	495.0	517.1
Total tons delivered	1,589.1	1,601.0	1,572.2

(1) Includes residential deliveries and distribution through retailers stores.

(2) Ultragaz s sales volume between the bottled and bulk segments from the first quarter of 2008 on were reclassified to reflect the current structure and management responsibility between geographies and segments.

Residential delivery has evolved during the last few years from primarily door-to-door to a primarily scheduled or phone-order delivery.

In 2008, Ultragaz was granted the Marketing Best award for the technological and marketing innovation of its Management and Planning System. The system supports company decisions regarding its marketing positioning through market share and competitiveness analysis using geoprocessing techniques, collecting regional information on the markets in which Ultragaz operates.

In line with its innovative profile, in 2008 Ultragaz took another pioneering step in the LPG market in Brazil with the launching of multi-brand mobile credit card payment terminals, which enable customers to pay for the purchase of bottles using any brand of credit card at the time of residential delivery. The project also aims to develop new functions for the terminals, such as receiving and printing orders made by phone, validation of electronic gas vouchers, bank check consultations and other uses, including charge for the pre-paid mobile phone in order to add value in the service offered. Ultragaz also started to offer a new product in 2009, the synthetic natural gas (SNG), which is a mixture of LPG and compressed air, features that make it an alternative or supplement for companies located in areas supplied with natural gas.

In order to differentiate itself from its competitors, Ultragaz has been implementing initiatives directed to the end consumer and brand promotion. As part of these initiatives Ultragaz developed programs like *Ultragaz na sua rua* (Ultragaz in your street) and *Carreta Ultragaz*, both aimed to increase interaction and proximity to customers through distribution of souvenirs and brochures containing safety tips and relevant information on LPG, cultural contests, culinary courses, and handicraft work courses as an

Table of Contents

alternative source of income, among others. Through its new brand positioning *Ultragaz especialista no que faz* (Ultragaz the specialist), Ultragaz reinforced the features of quality and differentiation of its products and services offered in a nationwide marketing campaign through magazines and radio advertisements.

Distribution infrastructure. Ultragaz s distribution strategy includes having its own distribution infrastructure, since it believes proximity to customers is a significant factor in successful distribution and sales strategies. The services associated with Ultragaz s home deliveries strongly influence the ranking of the Ultragaz brand name in the bottled market. Ultragaz seeks to expand its home delivery services by having its delivery personnel provide safety recommendations to household customers, by serving telephone-made orders on a 24 hours a day, 7 days a week basis and by scheduling deliveries on the same weekday in each covered area. For both bottled and bulk LPG, deliveries are made by employees wearing Ultragaz uniforms and driving vehicles with Ultragaz s logo.

Ultragaz delivers bottled LPG using a distribution network, which in 2009 included 66 company-owned retail stores, and more than 4,000 independent dealers. In 2009, Ultragaz had a fleet of 450 vehicles for the delivery of gas bottles and 255 for bulk delivery. Ultragaz also maintains a call center which centralizes all LPG bottle orders made through phone calls.

Bottled sales capacity derives from the number of bottles bearing Ultragaz s brands. Ultragaz estimates that, as of December 31, 2009, there were approximately 20 million 13kg bottles stamped with Ultragaz s brands in the market.

Independent dealers. Ultragaz s independent distribution network ranges from large dealers, which carry out extensive home delivery, to single retail stores, which sell small quantities of LPG bottles. Until the enactment of ANP Rule 297 on November 18, 2003, independent dealers needed only to be registered with ANP for the sale of LPG bottles. No licenses were required except for those required by the fire department and the municipal authorities. Rule 297 established that the independent dealers must be registered with ANP and comply with a list of prerequisites contained in such rule, as well as those required by law for the storage of bottles up to 90 kg. Also, each municipality sets forth its own safety regulations applicable to stores that sell LPG, including a minimum distance from certain locations, such as schools. For the year ended December 31, 2009, approximately 90% of Ultragaz s bottled LPG sales were made through independent dealers. The agreements entered into between Ultragaz and independent dealers require the use of the Ultragaz brand and the display of the Ultragaz logo in the delivery vehicles and on the uniforms worn by delivery personnel. Proprietary rights in the trademark and logo are retained by Ultragaz and are duly registered with the National Institute of Industrial Property (INPI *Instituto Nacional de Propriedade Industrial*). All contracted dealers are Ultragaz s exclusive representatives. Under the terms of the respective contracts, each dealer agrees not to deliver non-Ultragaz LPG bottles.

In order to strengthen the relationship with its network of independent dealers, Ultragaz has created Project SOMAR (Marketing Solutions Applied to Independent Dealers), as part of which it recommends changes to dealers operating procedures, helps to improve the efficiency of their operations and encourages their adoption of best practices. Ultragaz believes that improving the efficiency of independent dealers is a key factor in improving the profitability of the distribution chain of LPG.

In order to improve the efficiency of its network of independent dealers, other reseller relationship programs were implemented aiming at establishing guidelines of best practices for its network focusing on operational excellence. The main initiatives carried out in 2009 were *Academia de Revendedores* (Resellers Academy), the training program Ultragaz the specialist , both designed to promote the quality improvement of its resellers, to develop specific training of its resellers employees, to improve technical and behavioral skills of resellers, and to improve the external auditing process for classifying resellers (Qualificação da Revenda) based on network quality.

Distribution channels to bulk consumers. Large bulk distribution, classified by Ultragaz as consumption of more than five tons per month and constituted almost exclusively of industrial users, is made by tanker trucks that deliver the LPG directly to the storage tanks located at the customers premises. Small bulk distribution, classified by Ultragaz as consumption of between 0.5 and five tons per month and comprised of commercial users and smaller industrial users, is made primarily by bob-tail trucks. Ultragaz uses the UltraSystem trade name in connection with its small bulk distribution through bob-tail trucks. Ultragaz makes bulk sales directly to customers using its own fleet and transportation provided by third-party transportation companies.

Payment terms. Ultragaz s sales through its retail stores and through home delivery are made on a cash basis. Ultragaz s sales to independent dealers and to industrial and commercial users have payment terms of 22 days on average.

Bottle swapping centers. Pursuant to the Self-Regulatory Code, the LPG distributors have established nine operating swapping centers to facilitate the return of the bottles to the appropriate distributor. Under the Self-Regulatory Code, while LPG distributors may pick up any empty LPG bottles tendered by customers in exchange for full LPG bottles, whether or not such empty bottles were put in circulation by that distributor, after October 1997, LPG distributors were not permitted to refill third-party bottles. Accordingly, LPG distributors may deliver third-party bottles to a swapping center where such bottles may be exchanged for bottles placed in circulation by such LPG distributor. The swapping centers currently charge a fee of R$0.25 per exchanged LPG bottle. In areas where only one LPG distributor has a sizable market share, it is customary to use the facilities of that distributor as an unofficial swapping center.

Requalification of bottles. The useful life of a bottle varies depending on a number of factors, the two most important of which are the extent to which the bottle has been exposed to corrosion from the atmosphere and whether the bottle has been damaged. The Self-Regulatory Code provides that all bottles must be requalified after their first 15 years use, and every ten years thereafter. Each bottle is visually inspected for damage and corrosion to determine if it can be requalified or if it should be scrapped. In the case of bottles which pass the quality and safety checks, several procedures are followed before the bottles are stamped with the year of requalification and the next term in which they are due for requalification.

Supply of LPG. Currently, Ultragaz and all other LPG distributors in Brazil purchase all or nearly all LPG from Petrobras. Ultragaz has a formal contract with Petrobras for the supply of LPG. The procedures for ordering and purchasing LPG from Petrobras are generally common to all LPG distributors, including Ultragaz, which basically consist of sending an estimate of our

Table of Contents

needs to Petrobras four months in advance and a more precise estimate of our needs one month in advance. There have been no significant interruptions in the supply of LPG by Petrobras to the distributors with the exception of an interruption in 1995 due to a 15-day strike by Petrobras employees.

Petrobras freely prices LPG in the domestic market. Prices of LPG in *reais* remained unchanged from May 2003 to December 2007. However, the Petrobras refinery price of LPG is subject to government influence when the government deems appropriate. In 2008, Petrobras increased the LPG refinery price for commercial and industrial usage by 15% in January, an additional 10% in April and 6% in July. LPG refinery prices for residential use have remained unchanged since 2003. In 2009, Petrobras average refinery price was approximately US$493 per ton compared with the average international price of US$445 per ton. See Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Industry and Regulatory Overview The role of the Brazilian government .

Storage of LPG. On December 31, 2009, Ultragaz s storage capacity was approximately 16,700 tons, including Utingás storage capacity. Based on its 2009 average LPG sales, Ultragaz could store approximately three days supply of LPG. Petrobras maintains approximately two days supply of LPG at its refineries and other facilities. Accordingly, any interruption in the production of LPG can result in shortages, such as the one that occurred during the Petrobras strike in 1995.

Ultragaz stores its LPG in large tanks at each of its filling plants located throughout the regions in which it operates. Primary filling plants receive LPG directly from Petrobras by pipeline; secondary filling plants are supplied by truck; and satellite plants primarily hold LPG which is used to fill bob-tail trucks for small bulk distribution to customers that are not located near a primary or secondary filling plant. See Item 4.D. Information on the Company Property, Plants and Equipment .

Competition. Ultragaz s main competitors are:

SHV Gas, formed by the merger of Minasgás S.A. and Supergasbrás S.A. and controlled by SHV Energy, a major multinational LPG distributor, which operates through its two separate brands, Minasgás and Supergasbrás ;

Liquigás (formerly Agip do Brasil S.A.), which was acquired by Petrobras in June 2004 from the ENI Group and has been operating in the Brazilian LPG distribution sector for more than 40 years; and

Nacional Gás, a Brazilian LPG distributor which has been present in the market for more than 45 years.

The following table sets forth the market share of Ultragaz and its competitors:

	Year ended December 31,		
LPG Distributor	**2009**	**2008**	**2007**
Ultragaz	23.7%	23.6%	23.7%
Liquigás	22.3%	22.2%	21.8%
SHV Gas	22.1%	22.9%	23.1%
Nacional Gás	18.6%	18.3%	18.4%
Others	13.3%	13.0%	13.0%
Total	100.0%	100.0%	100.0%

Prior to 1990, the government specified the areas in which LPG distributors were permitted to operate and each LPG distributor was allocated a limit in its LPG sales for each Brazilian geographic region in which it operated. These limits impacted the growth of larger LPG distributors and limited competition among LPG distributors. These restrictions were removed as part of the deregulation process, resulting in a substantial increase in competition among domestic LPG distributors.

The bottled market for LPG is a mature market with relatively low consumption growth and thus competition is largely based upon attempts by LPG distributors to increase market share at the expense of their competitors. LPG distributors in the bottled market compete primarily on brand awareness and reliability of delivery and the service provided to customers. Ultragaz believes that it is competitive in these aspects. Since *per capita* consumption is small, low distribution cost is the critical factor in dictating profitability. Therefore, LPG distributors largely compete on the basis of efficiencies in distribution and delivery as all LPG distributors currently purchase nearly all of their LPG requirements from Petrobras, and as Petrobras refinery price charged to the distributors is the same to all LPG distributors. Ultragaz s principal markets, including the cities of São Paulo, Salvador and Recife, contain heavy concentration of residential consumers and therefore distribution to this market can be carried out with great economies of scale resulting in lower distribution costs to Ultragaz. Additionally, Ultragaz enjoys low bulk LPG distribution costs through UltraSystem.

In addition to competing with other LPG distributors, Ultragaz competes with companies that offer alternative energy sources to LPG, mainly natural gas, and other sources such as wood, diesel, fuel oil and electricity. Natural gas is currently the principal

Table of Contents

source of energy against which we compete. Natural gas is currently less expensive than LPG for industrial consumers who purchase large volumes, but more expensive for residential consumers. In addition, supply of natural gas requires significant investments in pipelines. While fuel oil is less expensive than LPG, LPG has performance and environmental advantages over fuel oil in most uses.

In 2006, the Brazilian LPG market grew by 1%, substantially as a result of the intensification by the Brazilian government of social programs, which contributed to an increase in Brazilians average income. Additionally, the nationalization of the natural gas reserves in Bolivia generated uncertainties related to the natural gas supply from Bolivia to Brazil. The same factors that were present in the market in 2006, combined with a 5.4% growth in GDP, led to a 2.6% growth in the Brazilian LPG market in 2007. In 2008, the 5.1% GDP growth contributed to the 2.5% increase in the LPG market, mainly concentrated in the first nine months of the year, before the worsening of the global financial crisis. In 2009, given the economic downturn seen particularly in the first half of 2009, Brazilian LPG market decreased by 1% compared to 2008, mostly driven by the bulk segment, which decreased 4% compared to 2008. The volume of the bottled segment remained flat, given its resilient nature as an essential good.

The following graph shows LPG sales volume for the Brazilian market and Ultragaz for the periods indicated:

Source: Sindigás (volume for 2009 according to ANP)

Income tax exemption status. Pursuant to legislation which provides tax relief for industries located in the northeast region of Brazil, Ultragaz benefits from a 75% income tax reduction at the Caucaia, Mataripe, Aracaju and Suape filling plants, expiring in 2012, 2013, 2017 and 2018, respectively. Income tax exemptions amounted to R$6.8 million, R$7.6 million and R$9.8 million for the years ended December 31, 2009, 2008 and 2007 respectively. We cannot guarantee that there will be no amendments to the current tax legislation. For further information see Note 10(d) to our consolidated financial statements.

Quality. We were the first Brazilian LPG distributor to receive ISO (International Standards Organization) certification for excellence in quality management. We were also the first LPG distributor in Brazil to be awarded with *Prêmio Paulista de Qualidade*, a well recognized quality award in Brazil.

Fuel Distribution

Industry and Regulatory Overview

The Brazilian fuels market comprises the distribution and marketing of gasoline, ethanol, diesel, fuel oil, kerosene and natural gas for vehicles (NGV). In 2009, diesel represented 47.5% of the fuels distributed in Brazil, followed by gasoline, ethanol, fuel oils, NGV and kerosene, each of which represented 27.2%, 17.7%, 5.4%, 2.3% and 0.02%, respectively.

Growth in the fuel distribution sector has been directly influenced by GDP growth rates and size of light vehicle fleet. GDP growth is the main driver for diesel volume, given that diesel in Brazil is highly used for buses, trucks and agricultural engines. The size of the light vehicle fleet influences the growth in the combined volumes of gasoline, ethanol and NGV, which are basically used for light vehicle. The growth in the size of the car fleet in turn, is highly correlated with credit availability and disposable income. Since 2005, the Brazilian economy has been passing through a structural change with the creation of a well-established credit market for consumer goods. Credit in Brazil in December 2009 reached 45% of GDP, compared to 41% in December 2008, 35% in December 2007, 31% in December 2006 and 28% in December 2005, which, combined with an increase in disposable income in Brazil, has had a positive effect on the sales of vehicles. According to ANFAVEA (Brazilian Association of Vehicle Producers), the number of new vehicles registered in Brazil increased by 11% to 3.1 million in 2009 compared to 2008, partially as a result of the federal tax on manufactured products (IPI) break on vehicles implemented to stimulate the economy during the economic downturn, with the number of buses and trucks decreasing by 11% and the number of light vehicles increasing by 13%. Among the total vehicles sold in 2009, including trucks and buses, 84% were flex-fuel vehicles, which have engines adapted to function using either gasoline or ethanol, or by a combination of the two, 7% were gasoline-only fueled vehicles and the remaining 9% were powered by diesel. Since the launching of flex-fuel vehicles in Brazil in 2003, 9.7 million flex-fuel cars were sold in Brazil.

Moreover, recent changes to legislation and inspection in the fuel distribution sector have helped to progressively curb unfair competition, creating a level playing field. These improvements should benefit the formal market by capturing the volume from the grey market.

According to ANP, the distribution of fuels is made mainly through three channels as follows:

- Service stations (73% of the market in 2009), which serve final retail consumers;
- Large consumers (20% of the market in 2009), mainly industries and fleets; and
- Retail wholesale resellers TRR (7% of the market in 2009), specialized resellers that distribute diesel to medium and small volume end-users.

The following chart shows the oil-derivative fuel distribution process in Brazil:

The following chart shows the ethanol distribution process in Brazil:

Distribution of oil-derivative products is carried out through an extensive network of primary and secondary storage terminals. Primary storage terminals are generally located near refineries and are used to store products to be sold to customers (service stations, large consumers and TRRs) and to be transported to secondary storage terminals.

Oil-derivative products are transported from refineries to primary storage terminals via pipelines and coastal or river shipment. Transportation of oil-derivative products between primary and secondary storage terminals is provided by pipeline, railroad, trucks and coastal or river barges. Ethanol is transported from the many distilleries to primary and secondary storage bases by trucks. Delivery to service stations, large consumers and TRRs is made exclusively by trucks.

All gasoline sold in Brazil must contain a certain proportion of anhydrous ethanol that can vary from 20% to 25% anhydrous ethanol. Currently, the Brazilian Minister of Agriculture sets this level at 25%. Gasoline A , as it is known in its unmixed form, is mixed with anhydrous ethanol at primary storage terminals or at secondary storage terminals. Gasoline A, mixed with anhydrous ethanol, forms gasoline C, which is delivered directly to service stations and large consumers by truck. Since January 2008, under the Biodiesel Program, distributors have been required to include 2% of biodiesel in the volume of diesel sold, in order to reduce greenhouse gas emissions. In addition, this program has also the social purpose of encouraging and developing small agriculture producers of biodiesel raw materials. On July 1, 2008 and 2009, the biodiesel mix requirement was increased to 3% and to a further 4%, respectively. Since January 1, 2010, the biodiesel mix requirement is 5%.

As of December 31, 2009, there were 201 oil-derivative product distributors authorized by ANP to operate in Brazil.

Supply. Petrobras is currently the only relevant supplier of oil derivatives in Brazil. There are currently 14 oil refineries in Brazil, of which Petrobras owns 11. Brazil s total refining capacity in 2008 was 325 thousand cubic meters per day, of which Petrobras accounts for 98%. Brazilian refineries are located predominantly in the South and Southeast regions of Brazil. The overall product yield for these refineries in 2009 was 40% diesel, 19% gasoline, 13% fuel oil, 7% liquefied petroleum gas and 21% other products, including naphtha.

Ethanol is purchased from various producers. In 2009, there were more than 400 distilleries in Brazil, which produced more than 26 million cubic meters of ethanol, 26% of which was anhydrous ethanol and the rest of which was hydrated ethanol. Brazil s supply of anhydrous and hydrated ethanol is seasonal and depends on the sugarcane harvest. In 2009, 91% of such supply came from Central and Southern Brazil, between May and December, and the remainder of which comes from Northern Brazil, between September and March.

Biodiesel is purchased from the many producers of biofuels in Brazil, and can come from soy and tallow. Since January 2008, which was the first year of the Biodiesel Program, Petrobras has been required to purchase biofuels in auctions promoted by ANP and supply distributors with amounts of biodiesel corresponding to the proportional volume of diesel purchased. This policy aims to prevent distributors from selling diesel without including the minimum required amount of biodiesel.

The role of the Brazilian government. The Brazilian government has historically regulated the pricing of oil and oil-derivative products, ethanol, natural gas and electric energy. Until the adoption of the Oil Law (*Lei do Petróleo*) in 1997, the government maintained strict control over the prices that could be charged by (i) refineries to distributors, (ii) distributors to service stations and through other channels and (iii) service stations to end-users. After 1990, the Brazilian oil and gas sector was significantly deregulated and the Brazilian government changed its price regulation policies.

Currently there is no legislation or regulation in force giving the Brazilian government power to set oil-derivative and ethanol fuel prices. However, given that Petrobras is a state-controlled company, prices of oil-derivative fuels are still subject to indirect government influence, resulting in potential differences between international prices and internal oil-derivative prices. Until 2005, the prices of certain oil-derivative products, especially gasoline and diesel, were periodically updated by Petrobras to minimize the differences between prices practiced in Brazil and in the international markets. From September 2005 to May 2008, gasoline and diesel prices remained unchanged. In May 2008, Petrobras increased diesel and gasoline prices by 15% and 10%, respectively, in order to adjust internal prices for the successive increases in international oil prices. In order to minimize the effects of the increase in oil-derivative fuels on the inflation rate, the Brazilian government simultaneously announced a reduction in CIDE tax from R$0.28 per liter to R$0.18 per liter for gasoline and from R$0.07 per liter to R$0.03 per liter for diesel. As a result of CIDE s reductions, the increase in the prices charged to the distributors was 9% for diesel and the price remained unchanged for gasoline, as CIDE s reduction compensated such increase. However, with the worsening of the global financial crisis and the consequent slowdown in the global economy, prices of commodities fell sharply, including oil prices. As a consequence, prices of gasoline and diesel in international markets as of December 31, 2009, were lower than those in Brazil. In June 2009, Petrobras reduced diesel and gasoline prices by 15% and 4.5%, respectively. The Brazilian government simultaneously announced an increase in CIDE tax from R$0.18 per liter to R$0.23 per liter for gasoline and from R$0.03 per liter to R$0.07 per liter for diesel. As a result of CIDE s increases, the decrease in the prices charged to the distributors was 10% for diesel and the price remained unchanged for gasoline, as CIDE s increase compensated such reduction. In late 2009, the increase in sugar prices in the international market coupled with the inter-harvest season in Brazil, resulted in a reduced availability of ethanol, pressuring ethanol prices up. In order to balance the

44

availability of ethanol during this period, the Brazilian government reduced the proportion of anhydrous ethanol mixed to gasoline from 25% to 20% from February 1, 2010 to May 1, 2010, offsetting the effects of the reduced proportion of anhydrous ethanol in gasoline prices through the decrease in CIDE tax on gasoline from R$0.23 per liter to R$0.15 per liter during this period.

Ethanol prices are freely charged by the ethanol producers. In order to curb unfair competitive practices in the ethanol sales, some measures have been taken by the government, supported by Sindicom members. In April 2008, it became mandatory for fuel producers and distributors, as well as retail wholesale resellers - TRRs, to issue electronic tax invoices in all the states of Brazil. In addition, in June 2008 the government, through the Brazilian Congress, enacted the Law 11,727/08, based on the Provisional Measure 425 (*Medida Provisória 425*) which came into force in October 2008. Under this law two initiatives were imposed to prevent tax evasion: (i) increasing the proportion of collection of Social Integration Program Taxes (*Programa de Integração Social - PIS*) and Contribution for the Financing of Social Security Taxes (*Contribuição para o Financiamento da Seguridade Social - Cofins*) at distilleries from 25% to 40%, which is currently in place and (ii) requiring distilleries to install flow meters (*medidores de vazão*) to control the output of ethanol, which is still awaiting the definition of certain technical aspects to be implemented. In 2009, ANP started to track sales of methanol. The addition of methanol to ethanol is an example of product adulteration practiced by certain distributors or gas station owners, mainly in the State of São Paulo.

The role of Petrobras. Since its establishment in 1953, Petrobras maintained a legal monopoly in the exploration, production, refining, importing and transporting of crude oil and oil products in Brazil and its continental waters. This monopoly was confirmed in Brazil s federal constitution enacted in 1988. As a result, Petrobras has historically been the sole supplier of oil-derivatives in Brazil. In November 1995, Petrobras monopoly was removed from the federal constitution by a constitutional amendment approved by the Brazilian Congress. According to this amendment, other state and private companies are permitted to compete against Petrobras in virtually all fields in which Petrobras operates. This amendment was also reflected in Law No. 9,478, dated August 6, 1997, which limited Petrobras monopoly to a maximum period of three years. Law No. 9,478 prescribed that the termination of Petrobras monopoly would be accompanied by the deregulation of oil, gas and oil-derivative product prices, and created a new regulatory agency, the ANP, to oversee all oil-related activities. However, in practice, Petrobras still remains basically the sole oil-derivative supplier of oil and oil-related products, including naphtha, LPG and oil-derivative fuels in Brazil, even though there are no legal restrictions on the operations of other suppliers and imports.

Since 1971, Petrobras has acted in the Brazilian fuel distribution market through its subsidiary BR Petrobras Distribuidora. BR is the leader in the fuel distribution market and in 2009 its market share reached 34%, according to ANP.

The role of the ANP. The ANP is responsible for the control, supervision and implementation of the government s policies related to oil, natural gas and biofuels. The ANP regulates all aspects of the industry, from the exploration and/or production to the sale of these products, including product quality standards and to the minimum storage capacities required to be maintained by distributors with respect to oil and oil products in Brazil. Prior to 1999, there were no formal requirements imposed by the Brazilian government on the fuel distribution segment. Distributors were only required to register with the national department of fuels or the national Petroleum Agent or the National Agency prior to starting operations. On December 30, 1999, the ANP established through Portaria No. 202, a number of requirements, with which all distributors must comply. In order to operate in Brazil, a fuels distributor must be licensed with the ANP and must meet certain minimum operating requirements, including:

- minimum paid-in capital of R$1,000,000;
- proof of financial capacity equivalent to expected volumes to be sold (proof of such capacity may include proof of ownership of assets, insurance or a bank guarantee).

ANP is also responsible for establishing the limits of oil-based fuel volume purchased by distributors based on their storage capacity. Fuel distributors are required to provide the ANP with monthly reports showing their previous month sales and the volume of oil derivative fuels ordered from Petrobras for the following four months.

Fuel distribution for service stations and large consumers must be carried out by a registered distributor or retail wholesale resellers - TRR, the latter being allowed to trade only diesel, lubricants and grease. Each distributor must provide the ANP with information regarding its contracted independent dealers on a monthly basis. The construction of storage facilities and approval for new retail sellers to operate is subject to the prior approval of the ANP. Service stations and storage facilities may only begin operations after ANP inspections.

Regulation. Distributors are prohibited from operating service stations, other than for training purposes, and for the development and testing of new products and services. Three types of arrangements between distributors and service station operators are generally used in the fuels industry: (i) the distributor owns land, equipment and buildings for a service station that it leases to an operator, (ii) a third party owns land, leases it to a distributor who constructs a service station facility or makes improvements to an existing facility and leases the station to an operator and (iii) the operator or a third party owns the land and constructs a service station facility or makes improvements to an existing facility, which is typically financed by the distributor (the most common practice in Brazil). Agreements between distributors and operators of service stations are generally exclusive for a given period. In exchange for being an exclusive supplier, the operator is granted the right to operate under the distributor s brand name. The agreement might also include provisions related to the leasing of pumps, layout standards, tanks, training, quality control, technical and financial support, marketing and advertising support and franchises for complementary services, such as convenience stores (am/pm) and oil servicing franchises (Jet Oil).

Sindicom represents the interests of major Brazilian fuels distributors, which controlled 76% of the Brazilian fuels market as of December 31, 2009. Sindicom was formed in 1941 and its primary purpose is to promote uniform standards for industry regulation and to provide a forum in which members can discuss matters affecting the industry. Sindicom represents its members in discussions before federal and state governmental bodies and presents its members perspectives on relevant laws and regulations, including those relating to taxation, operations, industrial and occupational safety and environmental protection.

During the 1990s, when the process of deregulation began in the fuel distribution sector in Brazil, a number of parties entered the market with a business model based on cost advantages derived from anticompetitive practices through fuel adulteration and tax evasion, including (i) diluting gasoline by mixing solvents or adding anhydrous ethanol in an amount greater than the 25% permitted by applicable law (anhydrous ethanol is not taxed and is cheaper than gasoline), (ii) non-payment of federal taxes on fuels, taxes on gross revenues and state value-added taxes and (iii) selling anhydrous ethanol mixed with water as hydrated ethanol. Such practices have enabled these players, all of them non-Sindicom distributors, to increase their market share by charging artificially lower prices based on artificially lower costs. Sindicom distributors, including Ipiranga, have taken, individually and collectively, a number of actions targeted at reducing or eliminating the effects of these anticompetitive and illegal practices. Among the actions taken were: (i) significant interaction with the Brazilian judiciary, including holding seminars for judges and prosecutors concerning the problems facing the industry and directly participating in tax litigation involving distributors that are not Sindicom members, (ii) sponsorship of the development of a chemical coloring solvent that according to ANP Resolution Nº 36 must be added to anhydrous ethanol in order to prevent the addition of water (and later to be sold as hydrated ethanol), (iii) support of ANP resolution No. 5 that restricts the sale of hydrated ethanol by producers to distributors and prohibits sales by producers to resellers or end-consumers, (iv) supporting ANP resolution Nº 7 that forbids distributors to sell fuels to resellers operating under another brand, except for white-flag dealers, who operate without a brand, (v) contribution to the development of CODIF, a system that electronically controls the collection of value-added taxes on fuel sales, (vi) support in the implementation of electronic invoices at the federal level, concluded in 2008, (vii) support for ANP resolution nº 33, which established brand definition and the obligation of disclosing the origin of the fuels in order to inhibit certain distributors from using a fake brand (known as cloned stations) and (viii) the suggestion of several other measures, supported by ANP, including focusing the collection of PIS/COFINS - Social Integration Program Taxes and Contribution for the Financing of Social Security Taxes at distilleries and the installation of flow meters, which were included in Law 11,727/2008. As a result of these efforts, the more regulated market is leading to the weakening of the business model of lower prices based on artificially lower costs and unfair practices, creating a level playing field and increasing sales volumes of the formal market. In 2009, the share of ethanol volume sold by Sindicom members over the total market was 61%, compared to 60% in 2008 and 56% in 2007.

Environmental, health and safety standards. Fuel distributors are subject to Brazilian federal, state and local laws and regulations relating to environmental protection, safety and occupational health and safety licensing by the fire department and transportation. The National Environment Council CONAMA is the principal responsible for ruling and accepting matters with respect to the environment. Environmental state agencies and municipal departments are also responsible for establishing and supervising complementary laws and regulations within its areas of operation.

Fuel distributors must obtain authorizations and/or licenses from federal, state and/or municipal environmental agencies and fire departments to implement and operate their facilities. They are required to develop programs to control air and water pollution and hazardous waste. Emergency plans for its plants and headquarters, involving communities, public companies and other private companies must also be implemented. Fuel distributors must also comply with laws from the Ministry of Labor, which prescribes occupational health and safety standards. To maintain a safe and healthy workplace, companies must carry out comprehensive occupational health and safety programs.

Fuels may be transported only under special conditions. In Brazil, transportation of dangerous products is regulated by regulatory authority and the regulations cover all modes of transport.

Ipiranga

Ipiranga was founded in 1937 and is currently the largest private player in the Brazilian fuel distribution market, with approximately 21% market share and 5.5 thousand service stations as of December 31, 2009.

In 2009, Ipiranga distributed diesel, gasoline, ethanol, NGV, fuel oil, kerosene and lubricants nationwide. In addition to a traditional fuel distribution business, Ipiranga has a significant and growing convenience store business, branded am/pm, as well as a lubricant servicing business, branded Jet Oil , and other related products and services.

Table of Contents

Markets and marketing. Until March 2009, Ipiranga only operated in the South and Southeast regions of Brazil. After the acquisition of Texaco, Ipiranga became a nationwide distributor and started to operate in the Northeast, North and Mid-West regions of Brazil, regions where the fuel consumption grows above the national average rate, given the lower car penetration and faster-growing household income compared to other regions. Under the terms of the Ipiranga Group Transaction Agreements, Petrobras has the exclusive right to use Ipiranga s brand in the operating regions of the Northern Distribution Business for five years from the date of the acquisition of Ipiranga Group, expiring in April 2012. Until then, Ipiranga will operate with the Texaco brand in those regions.

Growth in the fuel distribution sector is directly influenced by GDP growth rates and by the size of car fleet. Vehicle sales in Brazil have been increasing at a fast pace due to higher disposable income and increased availability of credit in Brazil. The increases of Brazilian GDP of 5.1% in 2008 and 5.4% in 2007, coupled with greater availability of credit, resulted in record levels of vehicle sales. In 2009, despite the 0.2% decrease in GDP, a new record of car sales was registered in Brazil, as a result of the government reduction in taxes levied on car sales to encourage an increase in demand in the sector, as well as higher credit availability during the second half of the year. See Item 5.D. Operating and Financial Review and Prospects Trend Information . See Item 4.B. Information on the Company Business Overview Fuel Distribution Industry and Regulatory Overview . Furthermore, recent legislative changes and inspection in the fuel distribution sector have progressively curbed unfair competition, creating a level playing field in the Brazilian distribution market. These improvements should benefit the formal market by capturing the volume from the grey market.

In 2009, approximately 3.0 million new light vehicles were registered according to ANFAVEA, an increase of 13% from 2008, with flex fuel cars increasing by 14%. The total light vehicles fleet in Brazil as of December 31, 2008, according to the last available data, was 25.5 million, according to ANFAVEA. In 2009, the fuel volume sold by Ipiranga grew by 43% compared to 2008, with (i) the combined sales volume of gasoline, ethanol and NGV increasing by 59% (2,770 thousand cubic meters) driven by (a) the consolidation of Texaco s volume from the second quarter of 2009 onwards, (b) the general growth in vehicle fleet, and (c) changes to legislation implemented in the fuel distribution sector, which encouraged the expansion in the number of flex-fuel vehicles and resulted in a 80% increase in ethanol sales, and (ii) diesel sales volume increasing by 32% in the period (2,233 thousand cubic meters), as a result of the consolidation of Texaco from April 1, 2009, partially offset by a decrease in the Brazilian GDP.

Ipiranga s sales through its service stations accounted for 70% of its total sales in 2009. As of December 31, 2009, there were 5,499 service stations operating under the Ipiranga and Texaco brand, of which 636 had the land either owned by us or under a long term lease to us and 4,863 owned by third parties. In 2009, 86% of these service stations were located in urban, high population density areas, with the remaining 14% being highway service stations.

Distribution to large consumers represented 23% of Ipiranga s sales in 2009. Ipiranga had 3,328 customers in 2009, including state and municipal governments and transportation fleet owners.

Ipiranga also sells diesel, lubricants, fuel oil and kerosene to approximately 286 independent TRRs that redistribute these products to small and medium-sized companies throughout Brazil. Ipiranga s TRR clients consist mostly of companies that have large fixed tanks at their facilities. These clients represented 7% of Ipiranga s sales volume in 2009.

The relationship between Ipiranga and its clients is generally governed by exclusive supply contracts with terms ranging from 1 to 10 years. The types of contracts change according to the distribution channel. For service stations, contracts usually have longer terms (5 to 10 years) and may provide for the installation of pumps and tanks on the client s premises and for the offering of financing and pre-payment discounts. Supply to large consumers and TRRs is rarely made under contracts and is mostly provided on a spot basis. When contracts are entered into with these clients, the terms range from 1 to 3 years.

The table below shows Ipiranga s sales by product:

	Year ended December 31, (in thousand cubic meters)		
Client category	**2009**	**2008**	**2007(1)**
Diesel			
Service station	4,605.7	3,100.4	2,890.9
Large consumers	3,592.5	3,097.0	2,903.0
Retail wholesale resellers - TRR	1,078.5	846.4	796.1
Total Diesel	9,276.7	7,043.8	6,590.0
Gasoline	4,605.4	3,039.2	3,039.4
Ethanol	2,567.5	1,424.5	961.0
Others	764.3	567.2	578.1
Total volume sold	**17,213.8**	**12,074.7**	**11,168.5**

(1) Figures include Ipiranga s results of operations for the entire year and are being presented for comparison purposes only. Ultrapar has been consolidating Ipiranga s results of operations into its financial statements from the second quarter of 2007 onwards and, accordingly, sales of Ultrapar derived from Ipiranga s operations in 2007 are materially lower than figures shown in the table above.

Distribution infrastructure. Ipiranga had 68 storage terminals as of December 31, 2009, that were strategically located to facilitate fast and economic delivery of its products. There are two types of facilities: primary storage terminals, generally located near the coast and major cities, which are supplied by refineries through pipelines, and secondary storage terminals, which are mainly located inland, and are supplied by primary terminals by railroad or through road transportation for locations not accessible by railroad. Ethanol is supplied to the terminals, by road. Ipiranga has its own fleet of trucks through its transportation company, Tropical, which was responsible for transportation of 56% of the volume of fuels sold by Ipiranga in 2009, with the remaining portion of the transportation provided by third parties.

Resellers. Ipiranga generally enters into three types of arrangements with resellers: (i) it owns land, equipment and buildings for a service station that it leases to an operator, (ii) a third party owns land, and leases it to Ipiranga and it constructs a service station facility or make improvements to an existing facility and leases the station to an operator and (iii) the operator or a third party owns the land and constructs a service station facility or makes improvements to an existing facility that is typically financed by Ipiranga. For all of these arrangements Ipiranga not only owns, but is also responsible for installing the storage tanks and service pumps at the service stations. Under the terms of the contracts and in accordance with applicable law, each reseller operating under Ipiranga s brand must purchase fuels exclusively from us. For the year ended December 31, 2009, approximately 70% of Ipiranga s volume sold was through resellers.

In order to strengthen its relationship with its reseller network and differentiate itself from its competitors, Ipiranga has created incentive programs aiming at strengthening loyalty to Ipiranga s brand. As part of these incentive programs Ipiranga provides yearly rewards to its service station owners with free trips abroad through the relationship program *Clube do Milhão* (Million Club) upon the accomplishment of pre-established targets. Ipiranga also establishes relationship programs with service stations employees, such as *Clube Vip* (VIP Club), in order to encourage the sale of added-value products and services, including credit cards, such as *Cartão Ipiranga* (Ipiranga private label credit card), *Cartão Ipiranga Carbono Zero* (Ipiranga Zero Carbon Card) and premium gasoline. Training programs are given to these employees focusing on developing their knowledge about the business and their capacity for selling products and services. Following the strategy of innovation in the retail segment and providing differentiated customer service, in 2008 Ipiranga launched Ipirangashop.com, a service which is intended to maximize potential business from the large flow of consumers at its fuel service stations and combines two sales channels: the sale of car-related products in its fuel service stations, and the offering of some 18,000 items in a website. Ipirangashop.com is a partnership with Grupo Hermes, a large retailer in Brazil, which is in charge of the operational aspects of this service, including the purchase, inventory and delivery of the goods sold. Ipiranga, in turn, is responsible for marketing campaigns and for the implementation of Ipirangashop.com in its service station network and website.

In 2009, Ipiranga created the *Km de Vantagens* , a customer incentive program that awards points in connection with purchases of products and services at Ipiranga s network and allows customers to exchange such points for discounts, products or services provided by Ipiranga and its partners. Ipiranga developed strategic partnerships to broaden the scope of the program and the benefits for its clients and resellers, including partners in the areas of entertainment, tourism, magazines, among others. The *Km de Vantagens* program reached 2.4 million clients in the end of 2009. In 2009, Ipiranga am/pm convenience stores, the largest convenience store network in Brazil, launched some initiatives to increase product offer through the launch of private label products and the introduction of the am/pm bakeries. The Jet Oil units, Ipiranga s lubricant changing and automotive service specialized network, ended 2009 with 577 franchises. Based on the success of Jet Oil, Ipiranga launched in 2009 the Jet Oil Motos, which offers a pioneering specialized oil-changing service for motorcycles in Brazil.

Table of Contents

In addition, we monthly analyze our service stations and franchises results and compare them to established marketing plans in order to recognize and implement improvements for our resellers network, as well as to identify resellers who surpassed their individual targets and should be awarded under the incentive programs.

Supply of fuels. Currently, Ipiranga and its competitors purchase all or nearly all oil-derivative fuels from Petrobras under a formal supply contract that establishes the volume and the terms for supply. The contract is renewed annually and the volume contracted for is based on the volume purchased in the previous year. The procedures for ordering and purchasing fuels from Petrobras are generally common to all distributors, including Ipiranga. There have been no significant interruptions in the supply of fuels by Petrobras to the distributors, with the exception of an interruption in 1995 due to a 15-day strike by Petrobras employees.

The ethanol fuel market in Brazil consists of more than 400 independent distilleries, producing sugar and ethanol from sugarcane. Ethanol production occurs approximately eight months per year. A portion of the production is stored in the distilleries to meet demand during the inter-harvest season. Distilleries produce two types of ethanol: (i) anhydrous ethanol, which must be blended with gasoline and (ii) hydrated ethanol, which is essentially used for flex fuel vehicles.

Prices of ethanol are determined by the market in Brazil with no governmental intervention. Producers and distributors mostly trade ethanol on a spot basis and rarely enter into long-term supply contracts (with set volume and price terms).

Ethanol in Brazil is substantially based on sugarcane that can either be used to produce ethanol or sugar. From an ethanol producer s perspective the production ratio between ethanol and sugar is determined based on the respective prices of ethanol in the Brazilian market and of sugar in the international markets, such choice being fundamental for leveraging the profitability of their plant. Although ethanol production is subject to favorable climate conditions, the risk of interruptions in supply is primarily confined to the end of the harvest.

Storage of fuels. Ipiranga stores its fuels in large tanks at each of its facilities located throughout the regions in which it operates. Primary facilities receive fuels directly from Petrobras by pipeline and from distilleries by railroad and road transportation and secondary facilities are supplied by railroad and truck. See Item 4.D. Information on the Company Property, Plant and Equipment . In 2009, Ipiranga s storage capacity was 470,694 cubic meters. Based on its 2009 average sales, Ipiranga can store for approximately ten days of fuel supply, in line with the average stock period of the fuel distribution industry. Accordingly, an interruption in the production of oil-based fuels for longer than that time period could result in shortages, such as the one that occurred during the Petrobras strike in 1995.

Competition. Ipiranga s main competitors in 2009 were:

BR, a subsidiary of Petrobras, which has been operating in the Brazilian fuel distribution sector since 1971. BR is the Brazilian market leader and operates throughout the entire country.

Shell, a subsidiary of Royal Dutch Shell, which has a worldwide presence in more than 110 countries. In Brazil, Shell is the third largest fuel distributor and has been operating in the market since 1913.

Esso has been operating in Brazil since 1912 and was a subsidiary of Exxon Mobil Corporation group until 2008, when Cosan S.A. Indústria e Comércio (Cosan) acquired Esso s fuel distribution business in Brazil. Cosan is the largest producer of sugar and ethanol in Brazil, but until the acquisition it did not operate in the fuel distribution market. In January 2010, Cosan announced that they have entered into a non-binding memorandum of understanding with Shell International Petroleum Company Limited, a subsidiary of Royal Dutch Shell, for the creation of a joint venture combining certain of their respective assets. Both companies would contribute, among other assets, with their respective fuel distribution business.

Alesat, a domestic Brazilian fuel distributor created in 2006 as a result of the merger of Ale and Satelite, is present in 21 Brazilian states. In December 2008, Alesat acquired the fuel distribution business of Repsol YPF in Brazil, which had a 1% market share in 2008.

49

Table of Contents

The following table sets forth the market share of Ipiranga and its competitors based on ANP data:

	Year ended December 31,		
Distributor(1)	**2009**	**2008**	**2007**
Petrobras	34.0	34.4	34.6
Ipiranga(2)	20.9	13.8	14.2
Shell	12.1	11.7	11.4
Texaco		8.2	8.8
Cosan	5.5	5.3	5.7
Alesat(3)	4.2	3.7	4.1
Others	23.3	22.8	21.2
Total cubic meters	**100.0**	**100.0**	**100.0**

(1) Volume sold of gasoline, ethanol and diesel.
(2) Includes Texaco s volume for the entire year of 2009.
(3) Includes Repsol.

The retail market for gasoline, diesel and ethanol in Brazil is highly competitive. Prices to retailers tend to be similar among competing distributors, particularly due to low margins in the sector. Therefore, our strategy is to differentiate ourselves in the market by offering value-added services to complement our main products, with the goal of becoming the preferred customer choice. In line with this strategy, in 2009 Ipiranga launched an innovative client incentive program for the customers of its service station network, *Km de Vantagens*, and the specialized oil-changing service for motorcycles in Brazil, Jet Oil *Motos*. In 2008, Ipiranga launched Ipirangashop.com, offering new products and services to the customers in its service stations and increasing the sources of revenues for itself and its resellers. In 2007, Ipiranga invested in the marketing campaign *Gasolina Original* (Original Gasoline) aiming at reinforcing the quality and reliability of Ipiranga s gasoline. In 2007, Ipiranga also launched *Gasolina Original Aditivada*, a premium gasoline, with a higher added value. Media campaigns were made for the launch of this product and the sales of this premium gasoline were included as targets of our incentive programs, such as *Clube Vip* and *Clube do Milhão*. In order to add value to the diesel sold, Ipiranga offers complementary programs to facilitate control of the product sold to large consumers allowing them to reduce their fuels costs, such as the Freight Monitor (*Controle Teleprocessado de Frotas)* and Digital Freight (*Frete Digital*). The following graph shows sales volumes for the Brazilian market and Ipiranga for the periods indicated:

(1) Diesel, gasoline, ethanol and natural gas for vehicles (Source: ANP, Brasil Energia and Sindicom).

Quality. In 1998, Ipiranga s terminal in Londrina, in the state of Paraná, received the first ISO 14001 (Environmental Management System) certificate for a fuel distribution terminal in Latin America. In the same year, Ipiranga s lubricant factory located in Rio de Janeiro obtained an ISO 9001 (Quality Management System). In 1999, Ipiranga s Betim Terminal obtained ISO 9001 and ISO 14001 certifications and OHSAS 18001 (Safety and Occupational Health Management System) in 2008. Currently, Ipiranga adopts an environmental policy through SIGA (Ipiranga Environmental Management System), which includes safety, occupational health, environment, social responsibility and quality aspects.

Petrochemicals and Chemicals

Industry and Regulatory Overview

The petrochemical industry transforms crude oil or natural gas into widely used consumer and industrial goods. The Brazilian petrochemical industry is generally divided in three sectors, depending on the stage of transformation of the petrochemical raw materials. The companies that operate in these different stages are known as first, second and third generation companies.

First generation companies. Brazil s first generation companies, which are referred to as crackers, break down or crack naphtha (a by-product of the oil refining process), their principal feedstock, into basic petrochemicals. In Brazil, the crackers supply

Table of Contents

their naphtha requirements from Petrobras and through imports. Currently, Petrobras is the major Brazilian producer of naphtha. The basic petrochemicals produced by the crackers include olefins, primarily ethylene, propylene and butadiene, and aromatics, such as benzene, toluene and xylenes. Braskem, with three plants, located in Camaçari, in Triunfo and in Mauá (the recently acquired Quattor Química) Brazil s three naphtha crackers sell these basic petrochemicals to second generation companies. The basic petrochemicals, which are in the form of either gases or liquids, are transported to the second generation companies through pipelines for further processing. This sector is passing through a restructuring process, with the emergence of Braskem as the main player and Petrobras as a relevant minority shareholder.

Second generation companies. Second generation companies process the basic petrochemicals produced by the crackers to obtain intermediate petrochemicals, such as:

- polyethylene, ethylene oxide, polystyrene and polyvinyl chloride, or PVC, each produced from ethylene;
- polypropylene, oxo-alcohols and acrylonitrile, each produced from propylene;
- styrene butadiene rubber, or SBR, and polybutadiene, each produced from butadiene;
- caprolactam, produced from benzene; and
- purified terephtalic acid, or PTA, produced from p-xylene.

In 2009, there were 47 second generation companies operating in Brazil, including Oxiteno. The intermediate petrochemicals are produced in solid form (as plastic pellets or powders) and in liquid form and are transported through roads, railroads or by ship to third generation companies.

Third generation companies. Third generation companies, known as transformers, purchase the intermediate petrochemicals from the second generation companies and transform them into final products, including:

- polyester produced from PTA and ethylene glycol (ethylene glycols produced from ethylene oxide);
- plastics produced from polyethylene, polypropylene and PVC;
- elastomers produced from butadiene;
- acrylic fibers produced from acrylonitrile; and
- nylon produced from caprolactam.

Third generation companies produce a variety of consumer and industrial goods, including containers and packaging materials, such as bags, film and bottles, textiles, detergents and paints as well as automobile parts, toys and consumer electronic goods. There are over 6,000 third generation companies operating in Brazil.

Petrochemical complexes. The production of first and second generation petrochemicals in Brazil centers around three complexes: the northeast complex, the São Paulo petrochemical complex and the southern petrochemical complex. Each complex has a single first generation producer or cracker and several second generation companies.

The northeast complex, located in the municipality of Camaçari in the state of Bahia, began operations in 1978. It consists of approximately 15 second generation companies, including Oxiteno, situated around Braskem. Braskem currently has an ethylene production capacity of 1.3 million tons per annum.

The São Paulo complex, located in the municipality of Santo André and Mauá in the state of São Paulo, was created in 1972 and is the oldest petrochemical complex in Brazil. Its cracker, Quattor Química, recently acquired by Braskem, supplies first generation petrochemicals to 26 second generation companies including Oxiteno. Quattor Química has an ethylene production capacity of 720,000 tons per annum.

The southern complex, located in the municipality of Triunfo in the state of Rio Grande do Sul, is based around the raw materials cracker, Braskem, and includes six second generation companies. Braskem s plant in Triunfo has an ethylene production capacity of 1.2 million tons per annum. Oxiteno does not purchase ethylene from Braskem in Triunfo, but purchases C4, a raw material used in the production of Methyl-ethyl-ketone, or MEK.

In December 2005, RioPol, a subsidiary of Quattor located in the state of Rio de Janeiro, started operations of its ethylene production plant based on natural gas. RioPol has an ethylene production capacity of 520,000 tons per year. All of RioPol s ethylene production is used in its own polyethylene production.

Table of Contents

Role of Petrobras. Naphtha is the raw material used in Brazil for the production of basic petrochemicals such as ethylene and propylene. Petrobras is still the most important naphtha supplier in Brazil, even though its legal monopoly ended in August 2000. See 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Industry and Regulatory Overview for a discussion of the termination of the Petrobras monopoly.

Naphtha prices have been freely negotiated since August 9, 2000 in Brazil between Petrobras and its customers.

Environmental, health and safety standards. Petrochemical companies are subject to Brazilian federal, state and local laws and regulations governing the protection of the environment. At the federal level, the main regulators are CONAMA and the Ministry of Labor.

In accordance with environmental laws and regulations, petrochemical companies are required to obtain licenses for their manufacturing facilities from competent environmental authorities, which may also regulate their operations by prescribing specific environmental standards in their operating licenses. Petrochemical companies must satisfy regulatory authorities that the operation, maintenance, and reclaiming of facilities comply with regulations and do not cause damage to the environment.

Environmental regulations apply particularly to the discharge, handling and disposal of gaseous, liquid and solid products and by-products from manufacturing activities. Rules issued by CONAMA and by state authorities also prescribe preventive measures relating to environmental pollution and waste treatment requirements. In addition, the transportation, storage and supply of products are subject to specific standards designed to prevent spills, leakages and other accidents.

Historically, environmental regulations have imposed increasingly stricter standards, higher fines, and greater exposure to liability and increased operating costs and capital expenditures. In addition, civil, administrative and criminal sanctions, including fines and the revocation of licenses may apply to violations of environmental regulations. Under applicable law, Oxiteno is strictly liable for environmental damages.

Petrochemical companies are also subject to federal, state and local laws and regulations that establish occupational health and safety standards. In accordance with such laws and regulations, these companies are also required to report on their occupational, health and safety records on a yearly basis to the local office of the Ministry of Labor in each of the states in which they operate. They are also subject to all federal, state and local government regulation and supervision generally applicable to companies doing business in Brazil, including labor laws, social security laws, public health, consumer protection, securities laws and antitrust laws.

Oxiteno

We operate in the chemical sector through the second generation company, Oxiteno, a wholly owned subsidiary of Ultrapar. Oxiteno is the only Brazilian producer of ethylene oxide, ethylene glycols, ethanolamines, glycol ethers and methyl-ethyl-ketone. Oxiteno is also a major producer of specialty chemicals. Besides a plant in Venezuela, Oxiteno is the only ethylene oxide producer in South America. Its products are used in a broad range of industrial sectors, such as cosmetics, detergents, crop protection chemicals, polyester, packaging, coatings and oil industry. During the year ended December 31, 2009, Oxiteno sold 634 thousand tons of chemical and petrochemical products.

Oxiteno s strategic focus is to provide a broad coverage of the ethylene oxide and derivatives, maintaining a leading position in these markets that strengthens barriers to entry. Oxiteno s strategy is to increase its specialty chemical production capacity and its geographic reach.

Products and markets. Although a portion of Oxiteno s products could be classified as either a commodity or a specialty chemical depending on the use of each product by our customer, for ease of understanding, Oxiteno s products are here divided into two principal groups: (i) commodity chemicals, which are generally higher-volume products, with standard specifications, and (ii) specialty chemicals, which tend to be lower-volume products sold on the basis of chemical features and suitability to meet a particular end-use requirement. Oxiteno s principal commodity chemicals are ethylene oxide, ethylene glycol and methyl-ethyl-ketone, or MEK. Oxiteno s principal specialty chemicals include a wide variety of products that are used as surfactants, softeners, dispersants, emulsifiers and hydraulic fluids.

Table of Contents

The following chart outlines the principal raw materials used by Oxiteno and their intermediate and final products.

Commodity products. The following are Oxiteno s principal commodity products and their principal uses and markets:

Ethylene oxide. Ethylene oxide is a colorless and highly flammable gas at room temperature and atmospheric pressure. Ethylene oxide is produced in a continuous production process by gaseous phase catalytic partial oxidation of ethylene by oxygen at high temperature and pressure. In 2009, Oxiteno used approximately 97% of its ethylene oxide production in the production of derivatives and sold the remaining 3% to other petrochemical companies.

Ethylene glycols. The principal ethylene glycol produced by Oxiteno is mono-ethylene glycol, known as MEG. Oxiteno also produces di- and tri-ethylene glycol. Mono-ethylene glycol is a clear, non-flammable, non-volatile liquid at room temperature and atmospheric pressure. Ethylene glycols are produced in a continuous process from an ethylene oxide solution and principally sold to chemical companies for the manufacture of polyester fibers and polyethylene terephthalate, known as PET, with the remainder sold for use in the production of antifreeze, brake fluids, solvent and other chemicals.

Methyl-ethyl-ketone. Methyl-ethyl-ketone, or MEK, a clear, volatile, flammable liquid at room temperature and atmospheric pressure, is Oxiteno s principal commodity chemical not produced from ethylene oxide. MEK is used as a fast evaporation solvent for thinners, paints, lacquers and adhesives and also as an active solvent for several resins such as cellulosics, acrylics, polyesters, polyuretanics, PVC, neoprene and maleic.

Table of Contents

Specialty chemicals. The following table sets forth Oxiteno s principal specialty chemical products and their principal uses and markets.

Major Markets	Specialty Chemicals	Examples of uses and effects
Detergents	Alkylbenzene sulfonic acids, alkylsulfates, alkyl ether sulfates, ethoxylated alkylphenols, ethoxylated fatty alcohols, polyethyleneglycols, alkanolamides, betaines, sulphosuccinates, block copolymers EO/PO	Used in detergents, the specialty chemicals are added mainly to improve cleaning power and foaming and to reduce skin irritability.
Crop protection chemicals	Ethoxylated fatty amines, ethoxylated alkylphenols, alkyl ether sulfates, blends, naphthalene sulfonate, ethoxylated vegetable oil, copolymers EO/PO	Used as part of the composition of crop protection chemical, such as herbicides. Increases their efficiency, by improving soil penetration and adherence of the products to plant surfaces.
Cosmetics	Alkylsulfates, alkyl ether sulfates, betaines, ethoxylated fatty alcohols, polyethyleneglycols, alkanolamides, ethoxylated sorbitan esters, sorbitan fatty esters	Used in cosmetics as moisturizers, detergents for foaming and residue removal, and reduction of eye irritation in shampoos.
Foods	Sorbitan fatty esters, ethoxylated sorbitan esters, emulsifiers, stabilizers, dispersants	Principally used as additives for breads and cakes, improving their texture and consistency, and as an emulsifier responsible for ice cream creaminess.
Textiles	Ethoxylated alkylphenols, ethoxylated fatty alcohols, ethoxylated vegetable oils, ethoxylated fatty amines, antistatic agents, lubricants, softeners, emulsifiers, antifoamers, mercerizing additives, humectants, low foam detergents	Used in the processing of textiles, improving spinning and weaving performance. Permits greater evenness in the mixing of fibers, dyeing, bleaching and improving the softness of the final cloth.
Leather	Ethoxylated alkylphenols, polyethyleneglycols, naphthalenes, sulfonates	Applied from the beginning of the leather processing stage up to the finishing stage as an emulsifier, detergent, degreaser, dispersant, moistener, color penetrating agent and vulcanization additive (manufacture of soles).
Hydraulic fluids	Ethylene glycol ethers, ethylene glycols, corrosion inhibitors	Used directly as hydraulic fluids in vehicles. Brake fluids guarantee brake system performance and safe braking. Cooling liquids help to cool the motor and maintain the correct operating temperature.
Oil field chemicals	Additives, emulsion preventer, mutual solvent, surfactant, antifouling, glycols, ethanolamines and dispersants	Chemical inputs applied in all stages of the production of oil and gas, such as drilling, cementing, completion, stimulation, production and refining, each one with specific characteristics.

Domestic sales. The Brazilian petrochemicals industry seeks to prioritize demand from the domestic market, where there is greater value added, although sales are also made to the overseas market. While Oxiteno sells the larger part of its commodities and specialty chemicals in Brazil, production capacity exceeds domestic market demand, with Oxiteno exporting surplus production to more than 40 countries in Asia, Latin America, Europe and North America. Oxiteno maintains production capacity above local demand for strategic reasons. For the years ended December 31, 2009, 2008 and 2007, 31%, 29% and 29% of Oxiteno s net sales, respectively, were from sales outside Brazil. For the years ended December 31, 2009, 2008 and 2007, 32%, 30% and 29% of Oxiteno s sales volume, respectively, were from sales outside Brazil. In the Brazilian market, mono-ethylene glycol, or MEG, produced by Oxiteno, is sold mainly to chemical companies that manufacture polyester fiber, which is used to produce a variety of fabrics, and is also sold to producers of polyethylene terephthalate, or PET, which is a polymer used to make packaging, such as soft drink bottles.

Table of Contents

The following table shows Oxiteno s domestic market sales volume by market segment for the period indicated:

Market sector	Year Ended December 31, 2009(1)	2008(1)	2007(1)
	(in thousand metric tons)		
Polyester (fabrics and PET)	27.6	18.5	75.3
Polymers	27.3	33.5	33.0
Coatings	36.9	37.1	36.9
Distributors	70.2	59.9	62.6
Home and personal care	92.7	83.3	84.1
Hydraulic Fluids	29.7	31.1	31.1
Crop protection chemical	88.9	80.3	71.6
Textiles, Leather and Paper	15.2	15.9	15.9
Oil and Gas	33.2	26.8	36.3
Others(2)	8.0	10.3	11.6
Total Brazilian market	**429.8**	**396.8**	**458.3**

(1) Figures in 2009, 2008 and 2007 were reclassified to reflect the current structure of market sector and management responsibility.
(2) Includes catalysts, civil construction, pharmaceutical and food.

Many of Oxiteno s commodity product prices in the Brazilian market are set by reference to international contract prices in U.S. dollars, although the prices are denominated in *reais*. For specialty products, sales are individually negotiated and sometimes made pursuant to contracts. Specialty chemicals are designed to meet specific customer needs and are less exposed to replacement by imported products. Accordingly, specialty chemicals have a higher value added and Oxiteno has more flexibility in pricing for these products.

Sales outside Brazil. Oxiteno s export sales are made mainly to customers in the Mercosur region, NAFTA region, Far East and Europe. In Europe, Oxiteno exports mainly to the Netherlands, Belgium, Turkey and Italy. In the Far East, Oxiteno exports to China, Taiwan and South Korea.

Table of Contents

The following table sets forth Oxiteno s sales by volume for each geographic market served by Oxiteno in the periods indicated:

Breakdown of sales volume outside Brazil	Year Ended December 31, 2009		2008		2007	
	(in thousand metric tons and percentage of the total)					
From Oxiteno Brazil						
Mercosur (not including Brazil)	48.3	24%	38.6	23%	53.2	28%
Europe	19.2	9%	27.4	16%	37.3	20%
Far East	24.7	12%	19.4	11%	25.5	13%
NAFTA	33.6	16%	11.0	6%	20.7	11%
Other	13.0	7%	9.0	5%	12.7	7%
Sub-Total	**138.8**	**68%**	**105.4**	**62%**	**149.4**	**79%**
From Oxiteno Mexico						
Mexico	32.1	16%	24.4	14%	20.2	11%
USA	10.4	5%	15.7	9%	8.7	5%
Other	6.0	3%	6.1	4%	5.9	3%
Sub-Total	**48.5**	**24%**	**46.2**	**27%**	**34.8**	**19%**
From Oxiteno Andina						
Venezuela	16.6	8%	17.0	10%	4.7	2%
Other	0.7	0%	1.9	1%	0.3	0%
Sub-Total	**17.3**	**8%**	**18.9**	**11%**	**5.0**	**2%**
Total	**204.6**	**100%**	**170.5**	**100%**	**189.2**	**100%**

Oxiteno exports a wide variety of chemical products including glycols, MEK, ethoxylated alkylphenols, glycol ether acetates, glycol ethers, ethanolamines and surfactants.

With the acquisition, in December 2003, of Oxiteno Mexico (formerly CANAMEX a Mexican specialty chemicals company), Oxiteno has been focusing on establishing a growing presence in the Mexican market for specialty chemicals and creating a distribution platform for its product sales to the United States. At that time, CANAMEX had two production units, manufacturing principally ethoxylates, which were operating at 25% production capacity on the acquisition date due to serious financial difficulties being faced by CANAMEX. Currently, most of Oxiteno Mexico s production is sold to the domestic Mexican market, largely for the food, agrichemical, oil and textile segments. The remaining sales volume is exported, mainly to the United States. In April 2007, Oxiteno acquired the operating assets of Unión Química SA de CV, in San Juan del Río, Mexico, adding 8,600 tons/year to Oxiteno Mexico s production capacity of sulfonates and sulfates. See Item 4.A. Information on the Company History and Development of the Company .

For the year ended December 31, 2009, Oxiteno Mexico s sales volume totaled 48,478 tons, representing a 5% growth compared to the year ended December 31, 2008, despite the volatile economic environment mainly faced in 2009 due to the world financial crisis, and a 25% compound average growth rate over 2004, the first year that its plants operated under Oxiteno s management. We believe Oxiteno Mexico s success represents a positive step in our expansion outside Brazil, and also strengthens Oxiteno s brand.

In September 2007, Oxiteno acquired 100% of the shares of Arch Química Andina in Santa Rita, Venezuela (renamed Oxiteno Andina). With this acquisition, Oxiteno increased its ethoxylates production capacity by 70,000 tons/year. For the year ended December 31, 2009, Oxiteno Andina s sales volume totaled 17,305 tons.

As part of our strategy to grow outside of Brazil, we opened commercial offices in Argentina in 2006, in the United States in 2007 and in Belgium in 2008.

In most cases, Oxiteno s sales prices for its commodity chemicals in the export markets are based on international prices. International spot prices are established by reference to published data regarding the price at which industry participants have sold the relevant product. In general, Oxiteno s operating margins on products sold in the international market are lower than operating margins for similar products sold in the domestic market. Nevertheless, Oxiteno deems it important to maintain a presence in international markets and is focused on expanding its presence in other specialty chemicals markets by opening international commercial offices. Oxiteno intends to shift sales to the domestic market as local demand for its products increases, but will continue to export and will maintain its presence in the international market.

Table of Contents

Customers. Oxiteno s most important customers for its commodity chemicals are chemical companies, surface coating producers and polyester producers. In turn, the customers for specialty chemicals constitute a variety of industrial and commercial enterprises including brake fluid distributors, agrochemical producers, manufacturers of food additives and manufacturers of detergents and cosmetics. Oxiteno believes that by distributing its products to a variety of markets it is able to protect itself, to a certain extent, from the effects of a decrease in economic activity in any particular market.

Oxiteno s principal customers in the domestic market include Monsanto, which mainly purchases ethanolamines, Clariant S.A., which mainly purchases ethylene oxide and ethoxylated products, and Indústrias Gessy Lever Ltda. (Unilever) and Procter & Gamble, which mainly purchase surfactants. In the international market, Oxiteno sells both to industrial customers, including Monsanto US, Unilever Argentina, Syngenta and Mafisa, as well as trading companies and other third-party distributors. In 2009, Oxiteno s ten largest customers accounted for 29% of its net sales. No single customer accounted for more than 7% of Oxiteno s net sales in such year.

Competition. Oxiteno competes in the domestic market largely with imported products. Since 1990, it has had to operate in an increasingly competitive environment due to imports from international and transnational petrochemical industries. As imported products are mostly commodity chemicals, competition is based principally on price. Importers incur additional costs when selling their products in the Brazilian market, due to import tariffs which generally range between 12% and 14%, and additional freight charges. However, factors such as product quality, timely delivery, reliability of supply and technical service and support are also important competitive factors. Because it is a local producer, Oxiteno believes it has a particular competitive advantage over imports with regard to timely delivery and reliability of supply.

In the case of specialty chemicals, pricing is a less decisive competitive factor than with true commodity chemicals, while conformity with specifications, product performance and reliability of service are comparatively more important. Access to technology, technical assistance and research and development are important factors with regard to conformity to specifications and product performance, especially in the development of new products to meet customers needs. Oxiteno s strategy involves ensuring access to technology through its own research and development activity, licensing and joint ventures, if appropriate opportunities become available.

Oxiteno s principal competitors are Shell Chemical, Exxon Mobil, Dow Chemical, Lyondell Brasil, Cognis, Clariant S.A., BASF S.A. and Rhodia.

Research and development. Oxiteno carries on a wide range of research and development activities, principally related to the application of specialty chemicals and improvements in production processes. As of December 31, 2009, 103 employees of Oxiteno were engaged in research and development and engineering activities. Oxiteno s research and development expenditures in 2009, 2008 and 2007 were R$20.5 million, R$18.5 million and R$19.4 million, respectively. In 2004, Oxiteno founded its own Science and Technology Council , with six of the world s major specialists in surfactants as members. These specialists, with experience in the surfactant industry or in the academic environment in the US, Europe and Latin America, follow the trends and opportunities in the sector. The council, currently composed of five specialists, meets once a year in September in São Paulo to analyze Oxiteno s research and development project portfolio, as well as the management methodology applied. Their recommendations enable Oxiteno to improve its research and development activities efficiency, as well as to broaden the reach of its partnerships with international entities.

Raw materials. Oxiteno s principal raw material is ethylene. For the year ended December 31, 2009, ethylene was responsible for 35% of Oxiteno s variable costs of production and approximately 29% of its total cost of sales and services. Among Oxiteno s other raw materials, the principal materials include palm kernel oil, C4, butyl alcohol, primary fatty amine and phenol. Supply of ethylene constitutes an entry barrier for new ethylene oxide producers in the country since the current production capacity of ethylene by Brazilian crackers is committed to existing second generation companies, including Oxiteno, and significant investments are needed for the construction of a new cracker. Ethylene is difficult and expensive to transport and store because it must be kept at a temperature below -200 degrees Fahrenheit (-100 degrees Celsius) during transportation and storage, therefore importing and exporting of ethylene is generally uneconomical. Accordingly, the naphtha crackers, including Braskem and Quattor Química, are largely dependent for their sales upon the second generation petrochemical companies, such as Oxiteno, located in the respective petrochemical complexes. However, ethylene oxide derivatives are regularly imported by the major international petrochemical companies and by international and domestic trading companies.

Ethylene supply. Ethylene is used for the production of ethylene oxide at the Camaçari plant and the Mauá plant. Braskem and Quattor Química supply all of Oxiteno s ethylene requirements for the Camaçari plant and Mauá plant, respectively, through pipelines, thus minimizing the costs of delivery of ethylene and helping to ensure the reliability of supply. See Item 4.B. Information on the Company Business Overview Petrochemicals and Chemicals Industry and Regulatory Overview .

Oxiteno has a long term contract with Braskem governing the conditions for the supply of ethylene from Braskem to Oxiteno. Under the terms of the agreement, Oxiteno is currently required to purchase and Braskem is currently required to supply at least 190,000 tons of ethylene per year and for 2011 the parties will be required to purchase and supply at least 220,000 tons. After the conclusion of the ethylene oxide production capacity expansion at Oxiteno s Camaçari plant in 2011, Braskem will be required to supply Oxiteno with up to 265,000 tons of ethylene per year until 2021. The minimum purchase commitment is subject to proportional reduction in the case of scheduled shutdowns in the supplier s and/or Oxiteno´s facilities. The supply price is indexed to ethylene prices on international markets and on the volume purchased by Oxiteno.

In August 2008, Oxiteno signed an ethylene supply agreement with Quattor Química that expires in 2023. The contract establishes and regulates the conditions for the supply of ethylene to Oxiteno based on the international market for this product. The minimum purchase is 19,800 tons of ethylene semiannually. The minimum purchase commitment is subject to proportional reduction in the case of scheduled shutdowns in the supplier s and/or Oxiteno´s facilities.

Oxiteno does not maintain any storage of ethylene and any unexpected interruptions in supply from the crackers would have an immediate impact on Oxiteno s production.

First generation petrochemical companies undergo scheduled maintenance shutdowns. Oxiteno anticipates these shutdowns by building up inventory. Oxiteno also uses these planned shutdowns for regular maintenance work on its own plants or eventual substitution of catalysts or for expansion of installed capacity.

Price of ethylene. The price of ethylene supplied by Braskem (including Quattor Química) to Oxiteno for the production of goods to be sold in Brazil is linked to ethylene contract prices on international markets as from August 2006 to our plant in Camaçari and August 2008 to our plant in Mauá. Until July 2006, the price of ethylene supplied by Braskem was determined by a margin sharing mechanism established in March 1997. Prior to March 1997, the price of ethylene was negotiated between Braskem and its ethylene customers on a monthly basis.

Table of Contents

The following table shows the average ethylene prices referenced to the North-Western Europe (NWE) contract prices:

	NWE (US$/ton)
2009	
First Quarter	772.50
Second Quarter	939.23
Third Quarter	1,171.51
Fourth Quarter	1,246.27
Maximum Price in Year	1,274.02
Minimum Price in Year	680.36
Year Average	1,032.38
2008	
First Quarter	1,536.52
Second Quarter	1,622.84
Third Quarter	1,845.24
Fourth Quarter	1,462.44
Maximum Price in Year	1,937.83
Minimum Price in Year	1,418.62
Year Average	1,616.76
2007	
First Quarter	1,118.01
Second Quarter	1,199.86
Third Quarter	1,274.85
Fourth Quarter	1,368.33
Maximum Price in Year	1,384.82
Minimum Price in Year	1,106.69
Year Average	1,240.26

As naphtha is the main raw material for the production of ethylene in Brazil, fluctuations in the price of naphtha strongly influence fluctuations in the price of ethylene. Because the main determinant of the price of naphtha is the price of crude oil, the price of naphtha, and thus ethylene, is subject to fluctuations based on changes in the international oil price. The increases in the price of ethylene could affect Oxiteno s competitiveness in the petrochemical market. See Item 3.D. Key Information Risk Factors Risks Relating to Ultrapar and Its Industry .

Other raw materials. For the year ended December 31, 2009, other raw materials, principally palm kernel oil, C4, butyl alcohol, acetic acid, nonene, phenol, primary fatty amine, fuel oil, ethanol, oxygen, base oils, ammonium and other accounted for approximately 31% of Oxiteno s variable costs and 26% of its total costs of sales and services.

Oxiteno generally obtains these other raw materials from a variety of sources, except for phenol, which Oxiteno purchases principally from a single supplier, Rhodia Poliamida Especialidades Ltda., and for C4, which is supplied by Braskem in Triunfo.

Utilities. Steam, electric power and natural gas are the main utilities required for Oxiteno s production. Part of the electricity and steam used by Oxiteno is generated internally and part is purchased from electricity companies and third-party suppliers of steam in the regions where Oxiteno s plants are located. Natural gas is purchased from local companies.

Income tax exemption status. Pursuant to legislation that provides tax relief for industries located in the northeast region of Brazil, Oxiteno benefited from an income tax exemption on operating profits from sales of its products at the Camaçari plant until December 2006. In December 2006, the Camaçari plant s income tax exemption expired and a request was filed with ADENE (Northeast Development Agency), the agency in charge of managing this incentive program, seeking a 75% income tax reduction until 2016. The income tax reduction was approved by ADENE in May 2007. Income tax exemptions amounted to R$13.0 million, R$31.1 million and R$24.1 million for the years ended December 31, 2009, 2008 and 2007, respectively. We cannot guarantee that there will be no amendments to the current tax legislation. For further information see Note 10(d) to our consolidated financial statements.

Table of Contents

Maintenance and quality control. Oxiteno carries out a program of preventive maintenance at each of its plants and uses statistical analysis to help predict production problems. The shutdowns due to the maintenance program take place at the same time as the shutdowns for the change of the ethylene oxide catalyst. In the case of the ethylene oxide and ethylene glycol units at the Mauá and Camaçari plants, which have continuous production processes, maintenance is preferably scheduled for periods when the relevant cracker, which supplies ethylene to the plant, is scheduled to be shut down for maintenance. Each cracker is typically shut down for maintenance for a period of approximately 20 days every 36 to 48 months. The same happens to the Triunfo plant, which receives C4 from Braskem. In the case of the other production units at such plants and the Tremembé plants, maintenance is performed during scheduled breaks in production. Oxiteno uses its own employees for specialized maintenance and uses third-party contractors for routine maintenance. In addition, Oxiteno has a team of employees responsible for quality control that operates continuously.

Health, safety and environmental matters. Oxiteno continuously monitors its compliance with federal, state and municipal legislation applicable to its various places of operation. In accordance with applicable law, Oxiteno is strictly liable for losses and damages of an environmental nature. See Item 4.B. Information on the Company Business Overview Petrochemicals and Chemicals Industry and Regulatory Overview .

Each of Oxiteno s plants is licensed by the competent environmental authorities. Licenses granted are valid for a fixed period of time and then must be renewed. The other terms of the licenses vary according to the applicable legislation and to the periodic inspections performed by environmental authorities.

Waste products from Oxiteno s industrial plants are discharged in accordance with legal requirements. Effluents are discharged and treated in Oxiteno s own treatment centers or by petrochemical complexes where it has activities. Oxiteno seeks to reprocess solid waste products in cement furnaces. Where reprocessing is not possible, these products are mainly incinerated.

Oxiteno s health and safety indicators are comparable to relevant international standards and are a priority in Oxiteno s activities and in the action plans for the upcoming years.

In addition to the legal requirements, Oxiteno voluntarily complies with other requirements, such as those related to the Responsible Care Program, issued by ABIQUIM, the Brazilian Chemical Industries Association, which sets forth international standards for environmental protection and occupational health as well as safety measures to be followed by chemical product producers.

Oxiteno developed an important project to increase the use of renewable raw materials, the oleochemical unit, which uses palm kernel oil, extracted from the palm seed, to produce fatty alcohols and its by-products. After the start-up of the oleochemical unit, in late 2008, the share of renewable raw materials in Oxiteno s costs reached 18% in 2009, compared with 8% in 2005.

Logistics

Ultracargo

Ultracargo is the largest provider of storage for liquid bulk in Brazil. Ultracargo s main differentiating characteristic is the strategic location of its facilities, located at port terminals and rail junctions in Brazil. Transportation services at Ultracargo include integrated multimodal transportation as well as the receiving and dispatching of customer s goods. Ultracargo also offers ship loading and unloading services, the operation of pipelines, logistics programming and installation engineering. Ultracargo s ten largest clients accounted for 55% of its revenues in 2009, with its three largest clients, Braskem, Petrobras and Oxiteno accounting for 21%, 6% and 5%, respectively, of Ultracargo s revenues. Ultracargo s strategic location of its operations, close to the main Brazilian port terminals, railroad junctions and roads, is one of the company s main strengths and a key driver of integrated services profitability. The latest available data shows that Ultracargo accounted for approximately 75% of all tank capacity for liquids at the Aratu Terminal in the State of Bahia, which serves South America s largest petrochemicals complex. The company is also present in the port of Santos, in the state of São Paulo, which was responsible for approximately 26% of the Brazilian foreign trade in 2009 (US$281 billion in 2009). The Santos Intermodal Terminal (TIS), inaugurated in mid-2005, has become the largest storage facility operated by Ultracargo after the integration of the terminals acquired from União Terminais in 2008.

As of December 31, 2009, Ultracargo operated a fleet of approximately 490 trucks and storage facilities with a capacity of 625,462 cubic meters, including 83,400 cubic meters derived from the asset acquisition of Puma, and an area of 30,200 square meters. See Item 4.A. Information on the Company History and Development of the Company . Ultracargo s history is one of pioneering logistics solutions in the Brazilian market. In March 2010, Ultrapar announced that it has entered into a sale and purchase agreement to sell the in-house logistics, solid bulk storage and road transportation businesses of Ultracargo so that it can focus exclusively on its liquid bulk storage business. The transaction is expected to close by mid-2010. See Item 4.A. Information on the Company History and Development of the Company Recent Developments .

Transportation. Ultracargo s principal market for transportation is the chemical industry, for which transportation is provided by trucks between and among port terminals and first, second and third generation petrochemical companies operating at the various petrochemical complexes. Ultracargo has been establishing long-term relationships with key companies in the chemical industry, and provides its services on a negotiated basis with each individual customer.

Ultracargo, through a fleet of tanker trucks, offered in 2009 transportation services for chemical products, fuels and other special bulk cargo in several major industrial regions in Brazil. In 2009, Ultracargo operated a fleet of approximately 640 trucks and, in the years ended December 31, 2009. 2008 and 2007, transported approximately 1.5 million, 2.2 million and 2.1 million tons, respectively.

In the LPG distribution industry, Ultracargo provides bulk transportation from Petrobras facilities to filling stations of the distributors and between the distributors and their final industrial clients.

In 1997, Ultracargo began operating in the market for bulk transportation of solid chemical products, an important sector of the transport business in the domestic market in which products are transported utilizing special silos and semi-trailers. Ultracargo believes that it has a competitive advantage to offer to clients in certain segments that require outstanding quality and safety standards. For the year ended December 31, 2009, Ultracargo transported approximately 1.5 million tons of products, of which 715 thousand tons were solid chemical products and 186 thousand tons were LPG.

In March 2010, Ultrapar announced that it has entered into a sale and purchase agreement to sell the in-house logistics, solid bulk storage and road transportation businesses of Ultracargo so that it can focus exclusively on its liquid bulk storage business. The transaction is expected to close by mid-2010. See Item 4.A. Information on the Company History and Development of the Company Recent Developments .

Transportation regulation. Ultracargo s principal market for transportation is the chemical industry. Therefore, besides the general Brazilian transport regulation (National Code of Traffic Law 9,503/1997), Ultracargo is subject to specific legislation that rules the transportation of hazardous products, mainly Decree 96,044/88, Portaria 204 of the Ministry of Transportation and Resolution 420/04 of the National Agency of Road Transportation. According to these regulations, a vehicle transporting hazardous materials must have clear indication of what kind of products are being transported as well as carry symbols identifying whether the material is inflammable. The vehicle is also subject to INMETRO *Instituto Nacional de Metrologia, Normalização e Qualidade Industrial* inspection every three years in order to attest that it complies with the current legislation. The regulation also provides specific rules regarding parking, travel itinerary, documentation and emergency procedures. Violations of the legislation are subject to monetary fines and cancellation of the registry for product transportation.

Storage. Ultracargo primarily provides storage services for liquid bulk, especially chemicals, fuels and vegetable oil. Ultracargo provides storage facilities to Braskem and most of the second-generation petrochemical companies in the Northeastern Petrochemical Complex, including Oxiteno. Transactions between Ultracargo and Oxiteno are carried out strictly on an arm s-length basis. At the end of 2003, Ultracargo maintained five storage terminals in Aratu and Camaçari in the state of Bahia, in Paulínia and Santos in the state of São Paulo, and in Suape in the state of Pernambuco. In late 2004, Ultracargo completed construction of an intermodal terminal in Montes Claros, in the state of Minas Gerais.

Ultracargo completed the construction of another intermodal terminal in Santos (TIS) in mid-2005. This project is Ultracargo s second port installation to integrate road, rail and maritime transportation systems, the first being Aratu. Ultracargo s investment in this terminal was approximately R$80 million. The terminal occupies an area of approximately 64,000 square meters that hosts 33,500 cubic meters of tankage space for chemical products, 40,000 cubic meters for ethanol and 38,000 cubic meters for vegetable oils. The terminal was built in partnership with Crystalsev and Cargill/Coinbra.

In 2007, Ultracargo added 9,300 square meters to its solid products storage area through: (i) Suape s Logistics Terminal (TLS), in Suape, Pernambuco, with a 3,300 square meter area; (ii) Mauá s Logistic Terminal (TLM) in Mauá, São Paulo, with a 4,800 square meter area; and (iii) the expansion of Camaçari Terminal adding 1,200 square meters. Ultracargo also expanded its liquid storage capacity with the addition of 10,000 cubic meters to Aratu.

In 2008, Ultracargo added 183,925 cubic meters to its liquid bulk storage capacity through: (i) the acquisition of União Terminais which added 169,775 cubic meters and (ii) the expansion of its terminal in Aratu, adding 14,150 cubic meters. Ultracargo also expanded its solid storage capacity with an additional 10,200 square meters in its Mauá Logistic Terminal.

In 2009, Ultracargo added 95,400 cubic meters to its liquid bulk storage capacity through (i) the acquisition of Puma s assets in Suape, adding 83,400 cubic meters and (ii) the expansion of its terminal in Aratu, adding 12,000 cubic meters.

Income tax exemption status. Pursuant to legislation which offers tax relief to industries located in the northeast region of Brazil, Ultracargo enjoys a 75% reduction in income tax on the total operating profits from its Aratu terminal, valid through 2012, and a 75% reduction in income tax on operating profits from acetic acids and butadiene product storage activities at the Suape Terminal, valid through 2015. For the years ended December 31, 2009, 2008 and 2007, tax breaks totaled R$0.8 million, R$1.6 million and R$0.8 million, respectively.

Table of Contents

We cannot assure that there will be no amendments to the current legislation. For further information see Note 10(d) to our consolidated financial statements.

Quality. In 2007, Ultracargo s main terminal in Aratu obtained an ISO 14,000 certification. In 2006, Ultracargo completed its ISO 9001:2000 recertification process. The evaluation process occurred under a unified Quality Management System for the entire country. Ultracargo was a pioneer in its segment to obtain ABIQUIM s System for the Evaluation of Safety, Health, Quality and the Environment (SASSMAQ) in 2001, having been re-certificated in 2009. The purpose of the system is to ensure that service providers in this industry comply with the technical standards required by the chemical industry, reducing, therefore, the risks in transportation and distribution. Paulínia Intermodal Terminal (TIP) obtained the ISO 14000 certification in 2004 and underwent re-certification process in 2009. The adequate treatment of the environment as a central element of Ultracargo s strategy is also present in the Santos terminal, designed and built to meet the highest safety and environmental standards, consequently obtaining the ISO 14001 certification and ISO 18001:2007 in 2009.

Oil Refining

RPR consists of a refinery in the city of Rio Grande, in the state of Rio Grande do Sul, in the Southern region of Brazil. The refinery s nominal capacity is 17,000 barrels per day, and its principal products include gasoline, diesel, naphtha, fuel oil, LPG, kerosene, maritime bunker and asphalt. During 2006, the Ipiranga Group faced difficulties in keeping its refinery operating at full capacity, due to an increase in international oil prices, to which the refinery s costs are linked, without a corresponding increase in oil derivatives prices in Brazil. This led the Ipiranga Group to suspend its operations for five months during that year. In 2009, the average production of the refinery was 13,858 barrels per day, which represented 82% of the refinery s nominal capacity, and less than 1% of the total Brazilian oil refining capacity, according to ANP data. Ultrapar currently owns approximately one third of the capital of RPR. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of Ipiranga Group . RPR s results have been proportionally consolidated into Ultrapar s financial statements since the acquisition of Ipiranga Group. Results generated by the oil refining operations are not significant to Ultrapar. In 2009, the adjusted EBITDA from RPR operations consolidated into Ultrapar s adjusted EBITDA amounted to R$32.8 million, corresponding to 2% of Ultrapar consolidated adjusted EBITDA for the year.

From the last quarter of 2007 to December 2008, RPR faced a challenging operating scenario, due to costly raw materials and market selling prices below international benchmarks. In 2009, RPR s results were benefited from lower oil prices. Although raw materials prices have remained stable in the first quarter of 2010, no assurance can be given that the company will continue to operate throughout this year. See Item 4.A. Information on the Company History and Development of the Company .

Insurance

We maintain insurance policies covering all the facilities of our wholly owned subsidiaries, which we consider appropriate to cover the risks to which we believe we are exposed, including loss and damage from fire, lightning, explosion of any nature, windstorm, plane crash and electrical damage. The maximum indemnification amount per event, including business interruption, based on the maximum possible loss that could result from specific location, is US$1,050 million, as of December 2009.

We have additional insurance that covers all our wholly owned subsidiaries with coverage of up to a maximum of US$400 million for losses and damage incurred by third parties as a result of any accidents that occur in connection with our commercial/industrial operations and/or the distribution and sale of our products and services.

Finally, we also have group life insurance, personal accident insurance, health insurance, domestic and international transportation and other risks insurance.

We believe that our insurance covers, in all material respects, the risks to which we are exposed and is in line with industry standards in Brazil. However, the occurrence of losses or other liabilities that are not covered by insurance or that exceed the limits of our insurance coverage could result in significant unexpected additional costs to us.

Table of Contents

C. Organizational Structure

The following chart shows our organizational structure for our principal subsidiaries as of December 31, 2009:

(1) Percentages represent approximate ownership of voting share capital and total capital (voting capital/total capital).

(2) Minority participations in Utingás are mainly held by Liquigás Distribuidora S.A. and SHV Gas (31% and 8% of voting capital, respectively).

(3) RPR was a wholly owned subsidiary of Ultrapar, jointly managed by Petrobras, Ultrapar and Braskem since it was acquired from the Ipiranga Group pursuant to the Ipiranga Group Transaction Agreements. Accordingly, since the acquisition of the Ipiranga Group, RPR s results have been proportionally consolidated into Ultrapar s financial statements. In February 2009, Braskem and Petrobras became direct shareholders of RPR by participating in its capital increase. See Item 4.B. Information on the Company Business Overview Oil Refining and See Item 4.A. Information on the Company History and Development of the Company .

We conduct LPG distribution through Ultragaz. Ultragaz operates through three primary subsidiaries, Cia Ultragaz, Bahiana, and Utingás. The first two companies operate in the filling and distribution of LPG bottles. Bahiana operates primarily in the Northeast regions of Brazil and Cia Ultragaz serves South, Southeast and Mid-West regions of Brazil. Utingás is an LPG storage company, with facilities in the states of São Paulo and Paraná.

Table of Contents

We conduct our fuel distribution business through Ipiranga, represented by our wholly owned subsidiary IPP, except for IPP s subsidiaries that operates in the LPG distribution business. See Item 4.A. Information on the Company History and Development of the Company . Ipiranga covers the distribution and marketing of petroleum products, fuel ethanol and NGV throughout Brazil. IPP also controls am/pm, the master franchisor of the am/pm brand in Brazil and Tropical Transportes, which provides transportation services for Ipiranga and other fuel distributors.

We conduct petrochemical and chemical activities through our wholly owned subsidiary, Oxiteno. Oxiteno operates in the petrochemical and chemical sector directly and through its subsidiaries, Oxiteno Nordeste, Oleoquímica, EMCA, Oxiteno Mexico and Oxiteno Andina. Oxiteno directly operates plants located in the state of São Paulo. Oxiteno Nordeste operates plants located in Camaçari, in the state of Bahia, and in Triunfo, in the state of Rio Grande do Sul. Oleoquímica and EMCA also operate in the Camaçari plant. Oxiteno Mexico operates three plants in Mexico, including the acquired plant of Unión Química. Oxiteno Andina operates one plant located in Venezuela. Oleoquímica is the subsidiary through which we built a fatty alcohol plant in Camaçari.

We conduct special bulk cargo logistics through our wholly owned subsidiary, Ultracargo, which operates through two main subsidiaries, Tequimar and Transultra. Transultra provides transportation services throughout Brazil, and Tequimar maintains storage facilities at five port terminals located near two of the main petrochemical complexes in Brazil, Camaçari and São Paulo. In March 2010, Ultrapar announced that it has entered into a sale and purchase agreement to sell the in-house logistics, solid bulk storage and road transportation businesses of Ultracargo so that it can focus exclusively on its liquid bulk storage business. The transaction is expected to close by mid-2010. See Item 4.A. Information on the Company History and Development of the Company Recent Developments .

Except for Oxiteno Mexico and Oxiteno Andina, all of our material subsidiaries are incorporated under the laws of Brazil.

D. Property, Plants and Equipment

Ultragaz

Ultragaz LPG distribution network includes 15 filling plants. LPG is carried to the filling plants either via gas pipelines from Petrobras installations or by tanker trucks. When LPG transportation is via gas pipeline the bases are known as primary and when transportation is via tanker truck, the bases are known as secondary. Ultragaz also operates LPG storage bases, known as satellite bases for supplying our bulk trucks. Ultragaz maintains storage facilities for LPG bottles and satellite bulk distribution plants at strategic locations in order to maintain supplies close to its customer bases and thus to reduce transportation costs. Part of the LPG transported by truck from Petrobras to Ultragaz s secondary plants is transported by Ultracargo s fleet of tanker trucks on an arm s-length basis. LPG is stored in the filling plants in large LPG storage tanks with a typical capacity of 60 tons per tank. In the case of LPG to be delivered in bulk, the LPG is pumped directly from the storage tanks into the bulk tankers. In the case of LPG to be delivered in bottles, the LPG is pumped from the storage tanks into a number of filling heads, which fills the LPG bottles.

Table of Contents

The following table sets forth the total storage capacity, total filling capacity (assuming one 8-hour shift per day) during 2009 and the 2009 average filling utilization for each of Ultragaz s primary and secondary filling stations and satellite stations.

Base	Type	Total storage capacity (in tons)	Filling capacity (in tons per month)	2009 average filling utilization rate
Capuava	Primary	720	13,136	94%
Santos	Primary	960	3,727	76%
São José dos Campos	Primary	960	4,725	84%
Rio de Janeiro	Primary	500	8,029	77%
Barueri	Secondary	1,500	4,100(1)	122%
Araraquara	Satellite	60		
Mauá	Satellite	720		
Pouso Alegre	Satellite	60		
Paulínia	Primary	1,500	9,827	98%
Araucária	Primary	240	9,677	82%
Canoas	Secondary	600	4,694	87%
Betim	Secondary	882	7,658	90%
Ribeirão Preto	Secondary	180	4,679(1)	103%
Goiânia	Secondary	360	3,512	80%
São José do Rio Preto	Satellite	60		
Araçatuba	Satellite	180		
Bauru	Satellite	120		
Cascavel	Satellite	120		
Londrina	Satellite	60		
Blumenau	Satellite	60		
Chapecó	Satellite	60		
Florianópolis	Satellite	60		
Joinville	Satellite	60		
Caxias do Sul	Satellite	60		
Ponta Grossa	Satellite	57		
Sorocaba	Satellite	115		
Mataripe	Primary	900	13,512(1)	108%
Suape	Primary	500	3,620(1)	147%
Caucaia	Secondary	420	4,304(1)	113%
Aracaju	Secondary	240	4,246	90%
Juazeiro	Satellite	60		
João Pessoa	Satellite	30		
Pirajá Salvador	Satellite	60		
Total		12,464	99,446	97%

(1) These bases operated with more than one 8-hour shift per day.

In addition, Ultragaz maintains headquarters in the city of São Paulo and regional offices in the areas in which it operates. Ultragaz also maintains 66 retail stores.

Table of Contents

Ipiranga

Distribution of fuels is carried out through an extensive network of primary and secondary storage terminals. Primary storage terminals are generally located near refineries and are used as storage terminals for products to be transported either to secondary storage terminals or to large customers and retail wholesale resellers TRRs. Distributors own their own storage terminals (Owned), lease space in third parties storage terminals (Third Party Agreement TPA) or participate in pools (Joint-Operated terminals JO) that serve two or more distributors. The following table sets forth the total storage capacity and ownership structure for each of Ipiranga s primary and secondary facilities in 2009.

Table of Contents

Base	Type	Ownership structure of Storage Terminal	Storage Capacity(m³)
Açailândia	Secondary	JO operated by others(2)	2,360
Araucária	Primary	TPA(1)	188
Araucária	Primary	JO operated by others(2)	46,646
Bagé	Secondary	Owned	5,199
Barcarena	Primary	Owned	9,180
Barra do Piraí	Secondary	MRS(3)	450
Barueri	Primary	TPA(1)	8,285
Bauru	Secondary	TPA(1)	1,205
Bauru	Secondary	JO operated by others(2)	3,292
Belém	Primary	Owned	11,645
Betim	Primary	JO operated by Ipiranga(2)	13,255
Betim	Primary	TPA(1)	1,300
Betim	Primary	JO operated by others(2)	11,659
Biguaçu	Primary	TPA(1)	3,130
Brasília	Primary	JO operated by others(2)	2,561
Cabedelo	Primary	TPA(1)	4,741
Campo Grande	Secondary	Owned	2,252
Campos	Secondary	JO operated by Ipiranga(2)	4,213
Canoas	Primary	Owned	39,324
Canoas	Primary	TPA(1)	4,410
Cascavel	Secondary	Owned	2,839
Caxias	Primary	Owned	31,763
Caxias	Primary	TPA(1)	2,255
Caxias	Primary	JO operated by others(2)	7,349
Cruz Alta	Secondary	Owned	4,372
Cubatão	Primary	TPA(1)	3,340
Cuiaba	Secondary	TPA(1)	470
Embiruçu	Primary	JO operated by Ipiranga(2)	5,197
Fortaleza	Primary	TPA(1)	6,387
Goiânia	Primary	JO operated by others(2)	6,345
Governador Valadares	Secondary	Owned	2,603
Guaramirim	Primary	TPA(1)	980
Guarapuava	Secondary	Owned	3,100
Guarapuava	Secondary	TPA(1)	1,220
Guarulhos	Primary	TPA(1)	1,850
Itabuna	Primary	TPA(1)	277
Itaguaí MRS	Secondary	MRS(3)	630
Itajaí	Primary	JO operated by Ipiranga(2)	8,721
Jequié	Primary	JO operated by others(2)	1,831
Juazeiro	Secondary	JO operated by others(2)	1,093
Londrina	Secondary	JO operated by Ipiranga(2)	3,815
Macapá	Secondary	Owned	4,454
Maceió	Primary	JO operated by others(2)	5,620
Manaus	Primary	Owned	1,698
Manaus	Primary	TPA(1)	600
Marabá	Secondary	TPA(1)	213
Maringá	Secondary	TPA(1)	3,640
Montes Claros	Secondary	TPA(1)	892
Munguba	Secondary	Owned	12,139
Ourinhos	Secondary	Owned	6,982
Passo Fundo	Primary	JO operated by Ipiranga(2)	6,909
Paulínia	Primary	Owned	9,943
Paulínia	Primary	TPA(1)	2,170
Paulínia	Primary	JO operated by Ipiranga(2)	29,284

Table of Contents

Base	Type	Ownership structure of Storage Terminal	Storage Capacity(m³)
Porto Velho	Secondary	TPA(1)	1,900
Pres. Prudente	Secondary	Owned	2,679
Ribeirão Preto	Primary	JO operated by others(2)	10,677
Rio Grande	Secondary	TPA(1)	1,070
Santa Maria	Secondary	Owned	5,840
São Brás Suaçui	Secondary	MRS(3)	2,737
São Caetano	Primary	Owned	20,707
São Francisco do Conde	Primary	TPA(1)	3,010
São José do Rio Preto	Secondary	Owned	5,877
São José dos Campos	Primary	JO operated by others(2)	5,099
São José dos Campos	Primary	TPA(1)	550
São José dos Campos	Secondary	MRS(3)	232
São Luis	Primary	JO operated by Ipiranga(2)	11,299
Suape	Primary	JO operated by others(2)	16,921
Teresina	Secondary	JO operated by others(2)	3,640
Uberaba	Primary	TPA(1)	1,810
Uberlândia	Primary	JO operated by others(2)	6,987
Vitória	Primary	TPA(1)	13,380
		Total	**470,694**

(1) Third party agreements.
(2) Joint-operated with other distributors.
(3) Storage terminal owned by MRS, a Brazilian logistic company, and operated by Ipiranga.

Oxiteno

Oxiteno has five plants in Brazil: Camaçari, in the northeast complex, the Mauá plant in the São Paulo complex, the Triunfo plant in the southern complex and the Tremembé and Suzano plants in the state of São Paulo.

The following table sets forth the current ethylene oxide production capacity of Oxiteno s plants in Brazil.

Units	Capacity (in tons per year)
Camaçari	260,000
Mauá	90,000
Tremembé	
Triunfo	
Suzano	
Total	350,000

Ethylene oxide is primarily an intermediate material used in the production of ethylene oxide derivatives only approximately 3% of Oxiteno s sales volume in the year ended December 31, 2009 were ethylene oxide. Therefore, Oxiteno s total production output may not be determined by adding the capacities of ethylene oxide and its derivatives.

As Oxiteno s capacity for ethylene oxide derivatives exceeds its ethylene oxide production capacity, Oxiteno cannot produce the maximum amount of each derivative product in any year and, accordingly, actual production of ethylene oxide derivatives is less than its capacity shown in the tables below.

However, the excess production capacity of ethylene oxide derivatives provides a degree of operating flexibility that enables the company to switch production partially to other products and re-manage its ethylene oxide output for derivative products depending on relative demand, thus mitigating the effects of reductions in demand for certain products resulting from downturns in the petrochemical business cycle.

Camaçari plant. The Camaçari plant, located in the Northeast Complex, was built by Oxiteno and commenced production in 1978. The Camaçari plant produces ethylene oxide and ethylene oxide derivatives, such as ethylene glycols, ethanolamines, glycol ethers and ethoxylated derivatives. In July 1997, a new plant was built with 105 thousand tons of ethylene oxide production capacity.

Table of Contents

In October 2008, Oxiteno began operations of its oleochemicals unit in Camaçari, with a processing capacity of 100,000 tons of vegetable oil per year (especially palm kernel oil), for the production of approximately 100,000 tons of fatty alcohols and co-production of fatty acids and glycerin. In addition, Oxiteno also completed the capacity expansions of the ethoxylate and ethanolamine production at Camaçari, adding 120,000 tons to the capacity of these products. See Item 4.A. Information on the Company History and Development of the Company Investments .

The following table sets forth the production capacity of the Camaçari plant for each of its principal products.

Units	Capacity (in metric tons per year)
Ethylene oxide	260,000
Ethylene glycols	285,000
Ethanolamines	110,000
Glycol ethers	25,000
Ethoxylated derivatives	200,000
White Mineral Oils	60,000
Fatty Alcohols	77,000
Fatty Acids	7,000
Glycerin	11,000

In 2009, the Camaçari plant operated at 68% of its production capacity.

Table of Contents

Mauá plant. The Mauá plant, located in the São Paulo Complex, was the first plant built by Oxiteno and it commenced production in 1974. The Mauá plant has process units for ethylene oxide, ethylene glycols, glycol ethers, glycol ether acetates, natural alcohols and ethoxylated derivatives. In addition to the production units, the plant has drumming, storage, warehouse and maintenance facilities and also houses Oxiteno s principal research and development laboratory. The following table sets forth the current production capacity of the Mauá plant for each of its principal products.

Units	**Capacity (in metric tons per year)**
Ethylene Oxide	90,000
Ethylene Glycols	40,000
Glycol Ethers	40,000
Acetates	72,000
C4+C5 Alcohols	10,000
Ethoxylated Derivatives	106,000
Alkylation	17,000
Esterification	4,000
Emulsification	3,000
Hydraulic fluids	30,000

In 2009, the Mauá plant operated at 69% of its production capacity.

Tremembé plant. The Tremembé plant, located at Bairro dos Guedes, Tremembé, in the state of São Paulo, has three principal production units, a sulfonation/sulfation unit and two multipurpose units. The Tremembé plant commenced production in 1970 and was subsequently acquired by us in 1985.

The following table shows the current capacity of the principal units at the Tremembé plant.

Units	**Capacity (in metric tons per year)**
Esterification	10,000
Specialties	15,000
Sulfonation/Sulfation	30,000
Betaines	10,000
Hydraulic fluids	3,200
Naphthalenes Sulfonates	9,000
Agricultural Blends	11,000

In 2009, the Tremembé plant operated at 79% of its production capacity.

Suzano plant. In 2007, Oxiteno began operating a sulfonation and sulfation plant in Suzano, with a production capacity of 13,300 tons per year. This plant is managed by the Tremembé plant staff. In 2009, the Suzano plant operated at 67% of its production capacity.

Triunfo plant. The Triunfo plant is located in the Southern Complex. The Triunfo plant was built by Oxiteno and started production in October 1989. The Triunfo plant has two process units, one for the production of secondary butyl alcohol, which is used in the production of MEK, and one for the production of MEK.

The following table shows the current capacity of the principal units at the Triunfo plant.

Units	**Capacity (in metric tons per year)**
Oxygenated solvents	42,000

In 2009, the Triunfo plant operated at 96% of its production capacity.

With the acquisition of Oxiteno Mexico (formerly CANAMEX) in December 2003 and Unión Química in 2007, Oxiteno acquired three specialty chemical plants in Mexico. As of December 31, 2009, the Coatzacoalcos plant had a production capacity of 56,000 tons per year of ethoxylates and 8,000 tons per year of alkyphenols; the Guadalajara plant had a production capacity of 32,000 tons per year of specialty chemicals and San Juan del Río had a production capacity of 11,000 tons per year of specialty chemicals. In 2009, the Guadalajara, the Coatzacoalcos and San Juan del Río plants operated at an average rate of 64%, 60% and 84% of their production capacity, respectively. With the acquisition of Oxiteno Andina in September 2007, Oxiteno acquired a specialty chemical plant in Venezuela.

Table of Contents

As of December 31, 2009, the Santa Rita plant had a production capacity of 70,000 tons per year of ethoxylates.

The following table sets forth Oxiteno s production plants located outside of Brazil:

Units	Capacity (in metric tons per year)
Ethoxylated derivatives Coatzacoalcos plant	56,000
Alkylation Coatzacoalcos plant	11,000
Ethoxylated derivatives Guadalajara plant	19,000
Esterification Guadalajara plant	13,000
Sulfonation/Sulfation San Juan del Río	8,000
Alkoxylated derivatives Santa Rita	70,000

Ultracargo

The following tables set forth the principal products stored at, and the storage capacity operated by, Ultracargo s facilities at December 31, 2009, and the average utilization of Ultracargo s facilities during 2009.

Facility	Capacity (in cubic meters)	Average utilization %	Product Lines
Aratu (Bahia)	192,600	99%	Glycols, aromatics, acrylates, acrylonitrile, EDC, TDI, normal paraffins, linear alkyl benzene (LAB), linear alkyl sulphonate (LAS), methanol, ethers, alcohols, caustic soda, vegetable oil, fuels, PKO and Estearin.
Montes Claros (Minas Gerais)	4,400	138%	Fuels
Suape (Pernambuco)(2)	132,010	99%	Fuels, VAM, acetic acid, styrene, butadiene, glycols
Santos (São Paulo)	239,096	132%	Chemicals, fuels, lubricants, ethanol and vegetable oils
Rio de Janeiro(1)	16,920	100%	Chemicals and lubricants
Paranaguá(1)	29,955	66%	Chemicals and vegetable oils
Paulínia Solid Bulk (São Paulo)	1,881	0%	PET
Paulínia Liquid (São Paulo)	8,600	77%	Phenol, LAB, LAS, Ethanol
Total	625,462	95%	

(1) Terminals acquired through the acquisition of União Terminais
(2) Includes capacity from the terminal acquired in Suape. See Item 4.A. Information on the Company History and Development of the Company .

Facility(1)	Area (in square meters)	Average utilization %	Product Lines
Paulínia (São Paulo)	6,000	109%	Chemicals and special bulk cargo
Tatuí (São Paulo)	2,400	53%	Chemicals and special bulk cargo
Camaçari (Bahia)	4,000	54%	Chemicals and special bulk cargo
Mauá (São Paulo)	14,500	91%	Chemicals and special bulk cargo
Suape (Pernambuco)	3,300	41%	Chemicals and special bulk cargo
Total	30,200	70%	Chemicals and special bulk cargo

(1) In March 2010, Ultrapar announced that it has entered into a sale and purchase agreement to sell the in-house logistics, solid bulk storage and road transportation businesses of Ultracargo so that it can focus exclusively on its liquid bulk storage business. This transaction is expected to close by mid-2010. See Item 4.A. Information on the Company History and Development of the Company Recent Developments .

For more information about further investments to our property, plant and equipment, see Item 4.A. Information on the Company History and Development of the Company Investments .

Collateral

As of December 31, 2009, R$38.7 million of our consolidated debt was secured by property, plant and equipment.

Table of Contents

ITEM 4A. UNRESOLVED STAFF COMMENTS
None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS
A. Operating Results

You should read this discussion together with our consolidated financial statements, including the notes thereto, and other financial information included elsewhere in this annual report and in conjunction with the financial information included under Item 3.A. Key Information Selected Consolidated Financial Information . Our consolidated financial statements are prepared in *reais* in accordance with Brazilian GAAP and the accompanying notes contain a description of the principal differences between such practices and U.S. GAAP, and a reconciliation to U.S. GAAP of net income for each of the three years ended December 31, 2009, 2008 and 2007 and shareholders equity for the periods ended December 31, 2009 and 2008. Our consolidated financial statements as of and for the years ended December 31, 2009, 2008 and 2007 were audited by the independent registered public accounting firm, KPMG Auditores Independentes.

Our consolidated financial statements were prepared in accordance with accounting policies derived from the Brazilian GAAP, including, with respect to our financial statements as of and for the years ended December 31, 2009 and 2008, Laws 11,638/07 and 11,941/09 (former Provisional Measure 449/08), which amended the accounting policies adopted in Brazil and were enacted on December 28, 2007 and May 27, 2009, respectively. Our financial information under Brazilian GAAP as of and for any period prior to the year ended December 31, 2008 does not reflect any changes resulting from Laws 11,638/07 and 11,941/09, as allowed by CVM. See Note 2 to our consolidated financial statements.

Overview

Our four principal businesses are:

- the LPG distribution business, conducted by Ultragaz;
- the fuel distribution business, conducted by Ipiranga;
- the chemical and petrochemical business, conducted by Oxiteno; and
- storage for liquid bulk, conducted by Ultracargo.

Ultragaz sells LPG to residential, commercial and industrial market segments. Ipiranga distributes gasoline, ethanol, diesel, NGV, fuel oil, kerosene and lubricants through a network of approximately 5.5 thousand service stations and directly to large customers. Oxiteno produces ethylene oxide and its principal derivatives, and is also a significant producer of specialty chemicals, particularly surfactants. It manufactures approximately 700 products used in various industrial sectors such as cosmetics, detergents, crop protection chemicals, packaging, textiles and coatings. Ultracargo is the largest provider of storage for liquid bulk in Brazil, with seven terminals and storage capacity of approximately 625,000 cubic meters.

In April 2007, Ultrapar acquired the Southern Distribution Business, EMCA and a one-third stake in RPR as a result of the acquisition of the Ipiranga Group. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of Ipiranga Group . Accordingly, the financial information of the Southern Distribution Business and EMCA has been fully consolidated into Ultrapar s financial statements and the financial information of RPR has been proportionally consolidated into Ultrapar s financial statements since April 1, 2007.

In addition, between April 1, 2007 and January 1, 2008, EMCA s financial information was consolidated into Ipiranga s financial statements. Since January 1, 2008, EMCA s financial information has been consolidated into Oxiteno to reflect the effective management responsibility for the business. The financial information of Oxiteno and Ipiranga in this annual report prior to January 1, 2008 reflects the current consolidation retrospectively (i.e. the consolidation of EMCA s financial information into Oxiteno s financial information), which differs from those reported in the Annual Report Form 20-F for the year ended December 2007, filed with the SEC on June 7, 2007.

In June 2008, Ultrapar executed a sale and purchase agreement for the acquisition of 100% of the shares of União Terminais, a company engaged in the storage and handling of liquid bulk. In connection with this agreement, Ultrapar acquired the port terminals in Santos and Rio de Janeiro in October 2008 and a 50% stake that Unipar held in União/Vopak, a company that owns a port terminal in Paranaguá (in the state of Paraná), in November 2008. The results of operations of the acquired businesses were consolidated into Ultrapar s financial statements after their respective closing dates. Ultrapar s financial statements as of and for the periods prior to such dates do not reflect any financial information of the acquired businesses. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of União Terminais .

Table of Contents

In August 2008, Ultrapar executed a sale and purchase agreement for the acquisition of Texaco s fuel distribution business in Brazil, which was closed on March 31, 2009. The results of operations of the businesses acquired were consolidated into Ultrapar s financial statements as from April 1, 2009. Ultrapar s financial statements as of and for the periods prior to April 1, 2009 do not reflect any financial information of the acquired businesses. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of Texaco .

Brazilian economic background

Since most of our operating businesses are located in Brazil, we are significantly affected by Brazil s economic and social conditions, including, but not limited to, gross domestic product, or GDP, growth rates, the domestic rate of inflation and exchange rate fluctuations.

Gross domestic product. In 2005, the Central Bank increased interest rates in order to meet inflation targets, and GDP growth decreased to 2.9% in the year ended December 31, 2005, compared to 5.7% growth in the year ended in December 2004. During 2006 and 2007, Brazil benefited from a period of relatively stable economical conditions and GDP grew by 3.8% and 5.4%, respectively, in line with successive reductions of interest rate by the Central Bank. The economic and operational environment in 2008 was marked by two distinct moments. In the first three quarters of 2008, Brazil s GDP recorded a strong growth of 6.4% compared to the same period in 2007. However in the fourth quarter the deepening of the global financial crisis reversed this growth trend, and, as a result, GDP growth in 2008 was 5.1%. The year 2009 was marked by the effects of the global financial crisis, which was more intense during the first quarter of 2009, when the Brazilian GDP decreased by 2.1% compared with the same period of 2008. However, measures adopted by the Brazilian government to minimize the impacts of the crisis started to reflect on the economy in the following quarters, leading to a gradual recovery of the GDP. In 2009, Brazil s GDP recorded a slight contraction of 0.2%. Our operations are significantly impacted by Brazilian GDP growth, specifically, sales of LPG to the commercial and industrial customers, sales of diesel, Oxiteno s sales to the domestic market and Ultracargo s logistics operations. In addition, sales of LPG to residential customers and sales of gasoline and ethanol are indirectly affected by the level of household income, which often bears a relation to GDP performance.

Inflation and currency fluctuations. Our cash operating expenses are substantially in *reais* and tend to increase with inflation. However, a significant portion of our costs of sales and services rendered are linked to the U.S. dollar and are not substantially affected by the Brazilian inflation rate. In addition, some of our *real*-denominated debt is indexed to take into account the effects of inflation. In 2005 and 2006, the *real* continued its appreciation trend against the U.S. dollar, which, together with the increased average interest rates, resulted in an inflation rate of 1.2% and 3.9%, respectively, as measured by the IGP-M, the Brazilian general price inflation rate and 5.7% and 3.1%, respectively, as measured by *Índice Nacional de Preços ao Consumidor Amplo*, or IPCA, an inflation index to which Brazilian government s inflation targets are linked. In 2007, the IGP-M was 7.8%, and the IPCA was 4.5%, mainly due to an increase in food prices, despite the 17% appreciation of the *real* against the U.S. dollar in 2007. In 2008, the IGP-M was 9.8% and IPCA was 5.9% due to high inflationary pressures until September, mainly the economic growth and high commodity prices. In 2008 foreign direct investment in Brazil peaked the record level of US$45 billion, significantly increasing capital inflow, contributing to the appreciation of the *real* until September and to the assignment of the investment-grade rating to Brazil in April of that year. However, the deepening of the global financial crisis led to a reversal of the appreciation trend in the *real* of the previous five years resulting in a 32% depreciation of the *real* against the U.S. dollar in 2008. In 2009, the quick rebound of the Brazilian economy drove the inflow of foreign investments in the country, thus contributing to a 25% appreciation of the *real* in relation to the U.S. dollar, the highest appreciation in the decade. Despite the gradual recovery of the Brazilian economy after the first quarter of 2009, Brazil presented a 1.7% deflation in the year as measured by the IGP-M. According to the IPCA, however, the inflation rate was 4.3% in 2009, which is more in line with the growth trend in the Brazilian *per capita* income. From January 1, 2010 to May 31, 2010, the IGP-M and the IPCA index rates were 4.8% and 3.1%, respectively. From January 1, 2010 to June 25, 2010, the *real* depreciated 2% against the U.S. dollar. The principal foreign exchange risk we face arises from certain U.S. dollar denominated costs and expenses. Although a substantial part of our debt is dollar-denominated, it is currently hedged against currency devaluation through the use of various derivative instruments or matching investments in the same currency. Additionally, a significant part of our raw materials is also denominated or indexed to the U.S. dollar. A large part of our sales is denominated in *reais*, although prices in the chemical business are benchmarked to prices prevailing in the international markets, which in turn are linked to U.S. dollars. Hence, we are exposed to foreign exchange rate risks which could negatively impact our businesses, financial situation and operating results as well as our capacity to service our debt.

The table below shows the inflation rate for the periods indicated, as measured by the IGP-M as well as the devaluation (or appreciation) of the *real* against the U.S. dollar.

	Year ended December 31,		
Index	**2009**	**2008**	**2007**
IGP-M	(1.7)%	9.8%	7.8%

IPCA	4.3%	5.9%	4.5%
Devaluation (appreciation) of the *real* against the U.S. dollar	(25.5)%	31.9%	(17.2)%

Table of Contents

We manage the foreign exchange risk associated with the scheduled payments under the terms of our U.S. dollar indebtedness by investing in U.S. dollar-denominated securities and foreign currency/interest swap contracts, under which we pay variable interest in *reais* based on the interbank certificate of deposit rate, or CDI, and receive fixed interest in U.S. currency. As of December 31, 2009 our total obligations denominated in foreign currency (excluding RPR) were R$724.8 million (US$416.3 million), including import payables. At the same date our total asset position in foreign currency (excluding RPR) was R$602.8 million (US$346.2 million), comprised of investments indexed to U.S. dollars and hedging instruments used to manage fluctuations of exchange rates and foreign currency receivables exposures. As of December 31, 2009, RPR s total asset position in foreign currency recorded in Ultrapar s financial statements was R$87.0 million (US$50.0 million), which includes contracted exchange rate swaps primarily to protect the future import of oil, net of financing and suppliers in foreign currency. As of December 31, 2009, Ultrapar had a net exposure in foreign currency short in US$20.1 million. For the purposes of this paragraph, U.S. dollar values were calculated based on the December 31, 2009 *real* / dollar exchange rate. See Item 11. Quantitative and Qualitative Disclosures About Market Risk Foreign Exchange Risk for information about our foreign exchange risk hedging policy and Notes 16 and 21 to our consolidated financial statements.

Critical accounting policies and estimates

The presentation of our financial condition and results of operations requires our management to make judgments regarding the effects of matters that are inherently uncertain on the carrying value of our assets and liabilities and may affect the reported amount of them as well as our revenues and expenses. Actual results may differ from those estimated under different variables, assumptions or conditions, even though our management believes that its accounting estimates are reasonable. The following paragraphs review the critical accounting estimates that management considers most important for understanding our financial condition, results of operations and cash flows. An accounting estimate is considered a critical accounting estimate if it meets the following criteria:

- The accounting estimate requires management to make assumptions about matters that were highly uncertain at the time the accounting estimate was made; and

- Different estimates that management reasonably could have used for the accounting estimate in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, would have a material impact on our financial condition, results of operations or cash flows.

We have identified the following five of our accounting policies as critical.

Allowance for doubtful accounts. We maintain allowances for doubtful accounts for estimated losses resulting from the subsequent inability of our customers to make required payments. The allowance for doubtful accounts is recorded in an amount we consider sufficient to cover any probable losses on realization of our accounts receivable from our customers, as well as other receivables, and is included as selling expenses; no adjustment is made to net sales and services revenue. In order to establish the allowance for doubtful accounts, our management constantly evaluates the amount and characteristics of our accounts receivable. When significant delays occur and the likelihood of receiving these payments decreases, a provision is made. In case receivables in arrears are guaranteed or there are reasonable grounds to believe they will be paid, no provision is made. If the financial conditions of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances would be required in future periods. However, because we cannot predict with certainty the future financial stability of our customers, we cannot guarantee that our reserves will continue to be adequate. Actual credit losses may be greater than the allowance we have established, which could have a significant impact on our selling expenses. See Note 6 and 21 to our consolidated financial statements for additional information about our allowance for doubtful accounts.

Deferred Taxes. We recognize deferred tax assets and liabilities which do not expire, arising from tax loss carryforwards, temporary add-backs, revaluation of property, plants and equipment and other procedures. We periodically review the deferred tax assets for recoverability and establish a valuation allowance, as required, based on historical taxable income, projected future taxable income, and the expected timing of the reversals of existing temporary differences. In the event we or one of our subsidiaries operate at a loss or are unable to generate sufficient future taxable income, or if there is a material change in the actual effective tax rates or time period within which the underlying temporary differences become taxable or deductible, we evaluate the need to establish a valuation allowance against all or a significant portion of our deferred tax assets, resulting in an increase in our effective tax rate, thereby decreasing net income. A high degree of management judgment is required in determining any valuation allowance. The principal uncertainty relates to the likelihood of future taxable income from the subsidiary that generated the deferred tax asset. A change in our projections of profitability could result in the need to record a valuation allowance against deferred tax assets, resulting in a negative impact of future results. See Note 10 to our consolidated financial statements for additional information on taxes.

Table of Contents

Contingent liabilities. We are currently involved in certain legal and administrative proceedings that arise from our normal course of business as described in Item 8.A. Financial Information Consolidated Statements and Other Financial Information Legal Proceedings and Note 22 to our consolidated financial statements. We believe that the extent to which these contingencies are recognized in our consolidated financial statements is adequate. It is our policy to record accrued liabilities in regard to contingencies that can be reasonably estimated and could have a material adverse impact on the result of our operations or our financial condition, to the extent not covered by insurance, and that are likely to occur in the opinion of our management, based on information available to us including information obtained from our legal advisors. Future results of operations could be materially affected by changes in our assumptions, by the effectiveness of our strategies relating to these proceedings, by future developments in each matter being discussed or by changes in approach, such as a change in settlement strategy in dealing with these matters.

Fair value of financial instruments. Our financial instruments are classified as follows:

Measured at fair value through income: financial assets held for trading, that is, purchased or created primarily for the purpose of sale or repurchase in the short term, and derivatives. Changes in fair value are recorded as income, and the balances are stated at fair value.

Held to maturity: non-derivative financial assets with fixed payments or determinable payments with fixed maturities for which the entity has the positive intention and ability to hold to maturity. The interest earned is recorded as income, and balances are stated at acquisition cost plus the interest earned.

Available for sale: non-derivative financial assets that are designated as available for sale or were not classified into other categories. The interest earned is recorded as income, and the balances are stated at fair value. Differences between fair value and acquisition cost plus the interest earned are recorded in a specific account of the shareholders equity. Gains and losses recorded in the shareholders equity are included in income, in case of prepayment.

Loans and receivables: non-derivative financial instruments with fixed payments or determinable payments not quoted in active markets, except: (i) those which the entity intends to sell immediately or in the short term and which the entity classified as measured at fair value through income; (ii) those classified as available for sale; or (iii) those the holder of which cannot substantially recover its initial investment for reasons other than credit deterioration. The interest earned is recorded as income, and balances are stated at acquisition cost plus the interest earned.

Certain derivative financial instruments used to hedge against changes in interest rates were designated as cash flow hedges for purposes of measuring their fair value. In the case of derivatives designated to cash flow hedge of the variation in interest rates, the difference between the fair value of the financial instrument and its value plus interest earned is recognized as a valuation adjustment in shareholders equity, not affecting the income statement. In case of foreign exchange derivatives designated by RPR for protection for future cash flows, the effect of foreign exchange rate variations in the derivative is recorded under the valuation adjustments account in shareholders equity during the period when the hedged item does not affect the income statement. The difference between the fair value of the derivative and updated cost is recorded directly in the income statement. Gains and losses recorded in the shareholders equity are included in income, in case of prepayment.

For further detail on financial instruments of Ultrapar and its subsidiaries, see Notes 3(c), 5 and 21 to our consolidated financial statements.

In order to estimate fair values, we consider several variables, such as interest rates, discount rates, foreign exchange rates and future cash flows. Our most important sources of information concerning these variables are the market projections of future exchange and interest rates provided by the BM&FBovespa. We believe BM&FBovespa to be the most adequate and reliable source of information available for our calculations. However, given the volatility inherent in financial markets, estimates concerning the variables used to calculate fair values are subject to constant change. As a consequence, our judgment related to, among other issues, the behavior of these variables, the selection of sources of information and the timing of calculation, directly affects the fair values of our financial instruments and the amount of gains or losses recorded in the income statement.

Post-employment benefits.

Ipiranga and RPR recognized a provision for post-employment benefits mainly related to payment of Severance Pay Fund and health and life insurance plan for eligible retirees. The amounts related to such benefits were determined based on a valuation conducted by an independent actuary and are recorded in the financial statements in accordance with Resolution CVM 371/2000. The independent actuary adopted certain economic and demographic assumptions in its valuation that may differ materially from those effectively verified as of the date they occur, which may have an impact on our post-employment benefits payments. See Note 23(b) to our consolidated financial statements.

Table of Contents

Results of operations

The following discussion of our results of operations is based on the financial information derived from our consolidated financial statements prepared in accordance with Brazilian GAAP.

Year ended December 31, 2009 compared to the year ended December 31, 2008.

The following table shows a summary of our results of operations for the years ended December 31, 2009 and 2008:

	Year ended December 31, 2009	Percentage of net sales and services	Year ended December 31, 2008	Percentage of net revenue from sales and services	Percent change
		(in millions of *reais*, except percentages)			
Gross revenue from sales and services	37,851.4		29,536.4		28%
Deductions	(1,735.5)		(1,268.4)		37%
Net revenue from sales and services	36,115.9	100%	28,268.0	100%	28%
Cost of products and services sold	(33,412.0)	93%	(26,152.3)	93%	28%
Gross income	**2,703.9**	**7%**	**2,115.7**	**7%**	**28%**
Selling, general and administrative expenses (SG&A)	(1,808.2)	5%	(1,424.4)	5%	