

## Q4 2010 Earnings Call

### Company Participants

- Andre Covre, CFO, IRO

### Other Participants

- Michael Holme, Analyst

### Presentation

#### Operator

Good morning, ladies and gentlemen. At this time we would like to welcome everyone to Ultrapar's 4Q '10 Results Conference Call. There is also a simultaneous webcast that may be accessed through Ultrapar's website at [www.ultra.com.br/ir](http://www.ultra.com.br/ir), where the presentation is available for download. Please feel free to flip through the slides during the conference call.

Today with us we have Mr. Andre Covre, chief financial and investor relations officer, together with other executives of Ultrapar. We would like to inform you that this Event is being recorded and all participants will be in a listen-only mode during the Company's presentation. After Ultrapar's remarks are completed, there will be a question and answer session. At that time, further instructions will be given. (Operator Instructions). We remind you that questions which will be answered during the Q&A session may be posted in advance in the webcast. A replay of this call will be available for one week.

Before proceeding, let me mention that forward-looking statements are being made under the Safe Harbor of the Securities Litigation Reform Act of 1996. Forward-looking statements are based on the beliefs and assumptions of Ultrapar management and on information currently available to the Company. They involve risks, uncertainties and assumptions because they relate to future events, and therefore depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Ultrapar and could cause results to differ materially from those expressed in such forward-looking statements.

Now I'll turn the conference over to Mr. Covre, who will present Ultrapar's results in the quarter and discuss about perspectives. Mr. Covre, you may now begin the conference.

#### Andre Covre {BIO 15233513 <GO>}

Good morning, everyone. It's a real pleasure to be here with you again at this time to discuss our full year results of 2010 and the performance in the Fourth Quarter of the year,

which was our 18th consecutive quarter of year-over-year growth in Ultrapar results.

Before we proceed to the discussions of the results, I would like to draw your attention to slide number three. And there we are highlighting that, as established by the local Brazilian regulator, the adoption of International Financial Reporting Standards, IFRS, became mandatory in the financial statements for the year 2010. And report the figures that we have published and that you will see in this presentation for 2010 and 2009 already include the adoption of IFRS.

Moving to slide four, this year was marked by a very strong growth of the Brazilian economy, as shown by the graph on the left side of page four. Brazilian gross domestic product grew strong 8% to September year-to-date. However, with reducing growth pace throughout 2010.

Credit availability finished the year at a record level of 47% of GDP, contributing to another good year of the automotive industry and consequently for the growth of sales of fuels for light vehicles. The record inflow for investment in Brazil -- or to Brazil in turn contributed to the trend of currency appreciation, leading to a 12% stronger real, as evidenced by the graph on the bottom left. Finally, on the last graph, oil prices, which until, September remained relatively stable, resumed an increasing movement on the Fourth Quarter of the year, mainly to the higher demand worldwide.

Moving to slide five, 2010 was a remarkable year for Ultrapar, with important strategic initiatives and strong growth of results. At Ipiranga, with the conclusion of the integration of Texaco, we started the second phase of the expansion of the distribution network, focusing in the regions of Midwest, northeast and north of Brazil. As part of that strategy, as you may know, we acquired in November DNP, which is the fourth -- or was the fourth largest fuel distributor in the northern region of Brazil. It had a network of 110 service stations, which have now been incorporated to Ipiranga.

Concurrently, we have continued and will continue to execute our investment plan, converting unbranded service stations and opening new service stations. We have at this - we had at the end of the year more than 400 service stations in process of being added to our network, out of which about 280 were already operating. All things consider, at the end of 2010 we had almost 5,700 service stations, with approximately 900 service stations in the higher growth area of Midwest, northeast and north of Brazil.

Ultracargo concluded its strategic repositioning with the sale of the in-house logistics, solid bulk storage, and on roads transportation businesses in July of last year, starting to focus only in liquid bulk storage business. As part of that strategy, Ultracargo accelerated its expansion projects in its three main terminals, Santos, Aratu and Suape. These investments will increase Ultracargo current storage capacity by 15% until the end of 2012.

At Oxiteno, as part of an important investment cycle that finishes this year, we concluded in 2010 the expansion of the ethoxylation unit in Camacari, adding 70,000 tons to its production capacity and consolidating Oxiteno as the second largest ethoxylate producer in the world. Another remarkable fact in Oxiteno this year was the significant earnings

progression, with EBITDA growth of 41% in 2010 as a result of the work around recovery margins.

Finally, at Ultragaz we invested in the expansion of the resellers network and in the small bulk delivery system labeled UltraSystem, focusing on capturing new clients. All of these initiatives, combined with the specific developments of each market, allowed for volume and earnings growth in all our business units, which we'll discuss now in the next slides.

Starting with Ipiranga, on slide six, the positive progression of results in the year was boosted by two critical elements of our strategy, maximizing the benefits from volume growth, and strengthening the Ipiranga business model, which is guided by differentiation through initiatives in retail and customer loyalties.

On market volumes, the light vehicle fleet in Brazil has been growing at 8% a year for the last several years. As a consequence, total consumption of gasoline, ethanol and natural gas for vehicles grows at similar pace, and 2010 it was not different. In addition, as you can see on the right chart of slide six, car penetration in Brazil is still significantly lower than the one in countries with similar levels of development, a fact that allows for an outlook of maintaining this fast speed of growth for the next several years.

In addition to maximizing the benefits from this volume growth in the results, we have a particular focus on the network expansion in the Midwest, northeast and north of Brazil, as I mentioned earlier. These are regions which have shown regional growth above national average and where our market share is 11%, significantly lower than the 26% we have in the south and southeast of Brazil, which are the biggest portion of the market.

We have been working on the expansion through rebranding and new service stations, as well through acquisitions of regional distributors. 2010 we had a stronger level of investments exactly guided towards acquiring more gas stations in Brazil, but with a focus on the target high growth areas. By the end of the year, we acquired DNP, which, as I mentioned, was the fourth largest distributor in the north region of the country.

On the second pillar of the strategy, the differentiation, we continue to broaden the product and service range in our network. Amongst the main initiatives of 2010, I highlight the opening of the bakeries in the am/pm convenience stores, an initiative that have boosted sales and proved to be an excellent to attract clients to our service court.

Another initiative in 2010 was the release of private label products in the am/pm convenience stores, including energy drinks and snacks. We finished the year with more than 1,000 am/pm stores, which consolidates our position as the largest convenience store chain in Brazil, and the second largest retail chain in number of points of sale.

In our Jet Oil stores, the focus was to expand the Jet Oil motorcycle stores, aiming to benefit from the significant growth of motorcycle fleet in Brazil. Jet oil ended the year with 700 stores, a 20% growth over 2009, boosted by the opening of the new Jet Oil motorcycle stores.

FINAL

To strengthen the relationship with our customers, we broadened the number of partners of our loyalty program called kilometers of advantages. That continues to be a great success, with over 5.5 million participants in a little over a year of existence. As another element of the strategy, we have also reached six million Ipiranga credit cards in partnership with Itau Unibanco.

These initiatives together allow for an important element in profitability. In addition to adding traffic to the service courts, they add convenience and quality of service to our customers, which provide, in consequence, more return to Ipiranga and to the (restorers) of our reseller -- or to our resellers. In other words, this strategy benefits the whole value chain. It benefits consumers, it benefits the owners of the gas stations, and it benefits Ipiranga in its growth and profitability.

Moving on to slide number seven, where we show the performance in the Fourth Quarter and in the year 2010 for Ipiranga. With respect to volumes, we have once again positive evolution over the quarter of previous year, with a 6% volume growth. That came as a consequence of the increase of the light vehicle fleet, and as I mentioned earlier. Also, it comes as a consequence of the higher diesel sales due to the increased economic activity in the year.

For the year as a whole, Ipiranga volume reached more than 20 million cubic meters, up 17% over 2009. In addition to the organic volume growth, it's important to mention that we consolidated Texaco only from April 2009. So we have four quarters of the Texaco business in 2010, but only three quarters of Texaco in 2009, which makes up the difference between the organic growth and the 17% reported for the year.

EBITDA in the Fourth Quarter amounted to BRL323 million, up 11% over Fourth Quarter 2009. For the year 2010, EBITDA, excluding the non-recurring experience -- expenses related to the integration of Texaco, amounted to BRL1.1 billion, up 24% over 2009. This significant EBITDA growth is mainly due to the increased sales volume and to the implementation of the Texaco synergy plan.

I'm not sure all of you realize the level of progression that we have made in Ipiranga over the last several years. As I mentioned, we had an EBITDA of BRL1.1 billion in 2010. When we acquired Ipiranga in 2007, the previous full year, 2006, Ipiranga had had an EBITDA of BRL350 million. So between investing in increasing the network and productivity gains and the acquisition of Texaco, we went from BRL350 million of EBITDA in 2006 to BRL1.1 billion, nearly 2.5 times -- sorry, more than 3 times the EBITDA that we had initially four years before.

Well coming back to the Fourth Quarter, another important element to the increased profitability, in addition to the sales volume and the implementation of Texaco synergy plan, was a strong increase in the volume sold of gasoline on the back of lower volumes of ethanol, a product in which there's still a certain degree of informality and tax evasion, and therefore has lower margins compared to gasoline.

Bloomberg Transcript

With this results, Ipiranga's unit EBITDA margin in the Fourth Quarter of 2010, excluding the non-recurring expenses, was BRL61 per cubic meter, up BRL3 over Fourth Quarter of 2009. For the year 2010, EBITDA margin was BRL55 per cubic meter, also BRL3 up in relation to 2009.

For the next quarters, the outlook remains clearly positive, with continued growth of the vehicle fleet due to the increased income of the ability credit and the economic growth. Moreover, Ipiranga will continue to prioritize expansion plan focused in the north, northeast and midwest, and strengthen its business model based on differentiation.

The outlook for the First Quarter of 2011 is also very positive. We expect volume growth similar to the year-over-year growth seen in the Fourth Quarter. However, with a change in sales mix. With the larger investments made last year starting to mature, which reflect in a stronger more pervasive distribution network, we expect stronger sales of auto cycle, namely the combined volume of gasoline, ethanol and natural gas for vehicles.

On the other hand, volumes of diesel are likely to grow a little less than they have grown on the Fourth Quarter in line with what's happening with the economy of Brazil. In relation to EBITDA, we expect a strong growth of over 20% on the reported EBITDA of the First Quarter of 2010, with EBITDA margin, ex non-recurring expenses, somewhat higher than the one we had in the First Quarter of 2010.

Moving to our other distribution business, in 2010 Ultragaz volume presented a positive progression, with the bulk segment having grown 4%, basically due to the higher level of economic activity and the recovery in the industrial activity. Excluding extraordinary expenses with an acquisition project, Ultragaz EBITDA amounted to BRL69 million in the Fourth Quarter 2010, up 12%.

For the year 2010, EBITDA totaled BRL307 million, up 9% over 2009, due to a recovery in margins, to which the operational efficiency programs that we have implemented contributed greatly. And also the improvement in the bulk volume segment performance contributed greatly.

At Ultragaz, our strategy includes investments in the expansion of the bulk delivery system, in which Ultragaz has a strong leadership positions and where volumes are strongly linked to the economy. In 2010, this strategy, as I mentioned, contributed to the growth of the results of the year, and in 2011 we plan to keep the same route. In addition, Ultragaz will maintain its strategy of growth in niche markets and capturing of new clients.

For the current quarter, we expect an evolution in volumes similar to the one we had in the recent past. However, the volumes sold will be lower than the Fourth Quarter of 2010 due to the typical seasonality of the market. Despite the lower seasonal volume in the First Quarter, we expect at this moment an EBITDA at the same level to the one we had in the Fourth Quarter, excluding the extraordinary expense.

Moving on to slide nine, end of Fourth Quarter of 2010, Oxiteno volumes were down 6% compared to the previous year due to the lower availability of raw materials. This

FINAL

happened as a result of stoppages of the Braskem Camacari plant and export sales in the Fourth Quarter 2009.

In the year as a whole, Oxitenio volume performance was very positive, with 8% growth, leveraged by the sales of specialty chemicals in Brazil, which have grown 11% compared to 2009. We were also helped by the higher level of economic activity and obviously by the availability of additional production as a result of the expansion that we have been implemented over the last several years. I remind you that historically, the sales of specialty chemicals in Brazil tend to grow at a multiple of more than 2 times GDP.

Regarding results, Oxitenio EBITDA in the Fourth Quarter amounted to BRL54 million, up 44% over previous year, despite the lower volumes sold, as a result of the recovery in margins during 2010. In the year, Oxitenio's EBITDA amounted to BRL241 million, up 41% over 2009, a strong growth derived from the higher volumes sold and the recovery in margins, partially offset by the 12% stronger real. Oxitenio's margin reached EUR200 -- sorry, US\$200 per ton, nearly 50% higher than 2009.

Looking to 2011, Oxitenio will conclude an important investment cycle, which has included the expansion of production capacity of specialty chemicals methyl [ph] ethylene oxide. These investments were directed to serve the demand in segments with strong growth outlook, such as cosmetics, detergents, agricultural chemicals, coatings, oil and gas. These segments have been growing at rates which are significantly higher than the GDP. Together with expansions, that provides us visibility to continuing the growth of volumes sold and improving our sales mix.

In relation to the immediate quarter, as you might have known, we had a energy blackout in the beginning of February in the north region -- northeast region of Brazil. As a consequence, the Camacari petrochemical complex was a whole -- as a whole, was brought to a stoppage. And as a result, limited availability of raw material to us during this First Quarter. As a consequence, we are not in a position to expect volume growth in this quarter, basically because of the lack of raw materials.

So we expect volumes flat compare to the First Quarter of 2010. And in spite of that, regarding the results, the process of recovery in margins in 2010 allows for a strong growth of EBITDA in the First Quarter. A growth in similar level to the one we saw between Fourth Quarters. We have an EBITDA -- margin EBITDA per ton similar to the one we had in the First Quarter of 2011 -- sorry, margin EBITDA similar in the First Quarter of 2011 similar to the one we had in 2010.

Moving on to slide 10 to discuss the performance of Ultracargo, our storage business, in the Fourth Quarter Ultracargo had a volume growth of 24% as a result of three elements, the consolidation of the terminal we acquired in the Porto Suape in December '09, higher volume of operations in the Santos terminal, and higher volume of operations in the Aratu terminal. Such growth was not only -- was not even higher because we saw a reduction in the ethanol handling in Santos due to the lower availability of ethanol for exports.

Bloomberg Transcript

FINAL

Ultracargo's EBITDA in the Fourth Quarter amounted to BRL25 million, up 13% due to the higher average storage in the terminals. With that, Ultracargo reached a new level of EBITDA margin, 42% compared to 28% in the Fourth Quarter '09. For the year, Ultracargo's EBITDA was BRL111 million, up 7% over 2009.

Looking further into the future, we are working on the expansion of our terminals in Suape, Aratu and Santos to serve the growing demand. In the last five years, the demand for liquid bulk terminals grew by 8% average, a higher growth than the performance of the economy in the period, which demonstrates the potential of the sector in which Ultracargo is a prominent leader in market share and quality of services. The three expansions underway will allow a 15% increase in Ultracargo's current capacity and are forecasted to be concluded during 2011 and 2012.

Looking to the immediate quarter, the First Quarter of 2011, the energy blackout that affected the Camacari complex also affects the products handled in our terminal of Aratu. And as a consequence, we expect volume and EBITDA to be flat compared to the First Quarter of 2010.

Well to conclude, on slide 11, the good performance of our businesses allowed Ultrapar to reach record levels of EBITDA and net earnings in 2010, up 24% and 74% over 2009 respectively, maintaining our sound financial position and at the same time providing a return on equity of 15%. Such strong value creation to the growth of results combined with significant returns on invested capital, have influenced our company's share price.

Ultrapar's share price appreciated 31% during the year, one of the five highest stock appreciations amongst the companies that are part of the ibovespa index in 2010. The ibovespa index itself appreciated only 1% in the period. In addition to this strong returns of the Ultrapar share, we increased dividends by 54% in 2010, with a distribution of BRL429 million, represented a 56% payout and a dividend yield of 4%. With these results, we have closed the decade with an average annual growth of 19% in EBITDA and a average annual growth of 20% in net earnings during the period.

We believe it's a consistent and strong growth for a long period of time, a period in which we have had many combinations of performance of the Brazilian economy, exchange rate, oil price, international scenarios and so on. We believe that once again demonstrates the powerful combination of resilience and growth, key characteristics of the positioning of our four businesses together.

Equally strong, Ultrapar shares closed the decade with an average annual appreciation of 21%. Considering that investments that we distributed in the period, if they were reinvested, the yearly average shareholder return in the decade is 29% per year. As a reference, in the same period the Bovespa had a average annual return of only 16%.

We enter into the new decade working, focused to produce the same kind of growth and returns that we produced on the last decade. The leadership position we have in our business, the resilience in growth that I just mentioned, and our focus on value creation allows us a privileged position to look to the future, to enjoy the investment opportunities

in our businesses, which we have, in fact, already started doing, as demonstrated by the higher investments forecasted for 2011. This is what we had prepared for you today. I thank you very much for your attention. And myself and the team that is here with me are available to answer any questions you might have. Thank you very much.

## Questions And Answers

### Operator

Thank you. The floor is now open for questions. (Operator Instructions). Your first question comes from the line of Michael Holme with Altima.

### Q - Michael Holme {BIO 6633057 <GO>}

Good morning, Andre. First of all, many, many congratulations on those figures that you illustrated for the last decade. They're very impressive. I've got two questions today. One, the Central Bank, I believe, has announced a number of so-called macro-measures with the view to restrict car lending. Just wondering if you could comment, if you're seeing an impact in terms of the number of new cars and how that's affecting car fleet numbers?

Then number two, if you could give any particular comment regarding Oxiteno and the increase in oil prices that we're seeing the last two weeks, how you're positioned in terms of inventories and when we could see the impact of what's going on in international oil prices in that line of the business. Thank you.

### A - Andre Covre {BIO 15233513 <GO>}

Michael, thank you very much for your question. Good to have you with us. I think the measures that the Central Bank has enacted are important and necessary because of the spike of inflation that we had recently. Inflation is very negative for the present economy and we are of the opinion that all measures need to be taken to control it. So whatever the Central Bank is doing to control inflation, even if it has a short term negative impact, has a medium and long term positive impact.

Now, in relation to car sales, it is too early to tell. It is possible that it may have an impact on car sales. But that is something that will concern us really for 2012 because the fleet that will consume fuels this year was basically constructed until 1st of January. So the impact on this year obviously is very, very marginal.

What we need to pay attention is 2012. At the recent level car sales, which was about three million cars a year, the fleet was growing around 8% to 9%. Even if there is a decline in car sales as a result of the more restricted credits, it is unlikely that the number will change significantly from the three million. And therefore, the impact on car fleet is always significantly smaller than the impact on car sales. And what matters to us, as you know well, is the size of the fleet. It's not directly how many cars are sold.

Now, in relation to Oxiteno, the increasing oil price normally has a consequence in ethylene price with a certain delay. We have started to see some of the increase of the oil



price increase in the Fourth Quarter in the ethylene costs now in the First Quarter. And we are working to align prices to the new level of costs. As you know well, that takes a few months. In this case, because demand is very strong, we are in a position to work on that are, a probably faster than the last round that we had of increasing oil price.

## Operator

(Operator Instructions). This concludes the question and answer section. At this time, I would like to turn the floor back to Mr. Andre Covre for any closing remarks.

## A - Andre Covre {BIO 15233513 <GO>}

I'd like to thank you very much for your attention, your presence with us today. We look forward to having you in a few months to discuss the First Quarter results. And I wish you a very good day. Thanks a lot.

## Operator

Thank you. This concludes today's Ultrapar's 4Q '10 Results Conference Call. You may now disconnect your lines at this time.

*This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2022, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.*