

## Q4 2009 Earnings Call

### Company Participants

- Andre Covre, CFO

### Other Participants

- Marco Spinar, Analyst
- Ricardo Cavanagh, Analyst

### Presentation

#### Operator

Good morning, ladies and gentlemen. At this time we would like to welcome everyone to Ultrapar's Fourth Quarter 2009 results conference call. There is also a simultaneous webcast that may be accessed through Ultrapar's website at [www.ultra.com.br](http://www.ultra.com.br), 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 Securities Litigation Reform Act of 1996. Forward-looking statements are based on the beliefs and assumptions of Ultrapar's 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 effect the future results of Ultrapar, and could cause results to differ materially from those expressed in such forward-looking statements.

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

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

FINAL

Thank you very much. Good morning, to people following us from the United States. Good afternoon, to the ones in Europe. It is a real pleasure to be here with you today to discuss another quarter of growing results for Ultrapar, and also to discuss our performance in 2009, which was a year of great accomplishments for Ultra despite the fact of economic instability seen in the beginning of the year. Before I proceed to the results on the presentation, I would like to briefly call your attention to the slides 3 and 4, which highlight the criteria adopted for the financial and operational information released and included in this presentation.

Moving to Slide 5, in order to provide some context of the results, we are going to present, it is worth presenting to you the evolution of the macroeconomic environment during 2009, and how that affected our results in a general way. The Brazilian gross domestic product presented strong slowdown at the end of 2008 and beginning of 2009. It immediately reflected on our sales volume, the sales volumes that are directly linked to the economic performance. In other words, overall sales volumes at Oxiteno, diesel sales at Ipiranga, bulk LPG sales at Ultragaz. The last two, diesel sales of Ipiranga and bulk LPG sales of Ultragaz, are shown on the graphs on the bottom part of slide number 5, where you see a meaningful decline towards negative territory on the Fourth Quarter, and then on the First Quarter.

The environment of uncertainty at that time, an increased risk aversion, reduced the capital inflows to emerging countries, resulting in a strong depreciation of the Brazilian real in the Fourth Quarter of 2008, as shown in the chart at the center of this slide. Similar to other commodities, oil price decreased by about half at the end of 2008, beginning of 2009, and these two elements, the depreciation of real, and the decline in the price of oil, contributed positively to Oxiteno's strong results in the Fourth Quarter of 2008. During the following quarters, measures adopted to soften the effects of the crisis, such as Federal IPI tax break on durable goods, and a 5% decrease in the basic interest rates during 2009, together with higher credit availability and the pent-up demand in Brazil, all resulted in the Brazilian economy to recover faster than other countries.

From the Second Quarter on, we saw a gradual economic recovery. We saw inflow of foreign investments, which resulted in a 25% depreciation of the Brazilian real in the year, the highest depreciation in decades, and we also saw a recovery of the demand for commodities, with a consequent upward trend in their prices. As shown in the chart on the top right, the oil price in the Fourth Quarter was approximately, Fourth Quarter 2009, was approximately 7% higher than that of the First Quarter of 2009, a meaningful increase during the year.

This significant increase in oil prices and the Brazilian Real appreciation during the year, directly affected Oxiteno results in 2009. Although official data regarding the Brazilian GDP growth rate has not been published yet, the facts of such measures have already been felt in the Fourth Quarter with the recovery of diesel growth in Ipiranga, with the recovery of bulk LPG volumes in Ultragaz, and with the significant improvement of Oxiteno sales volume in the domestic market. This one last one, I will remind you, was also influenced by the import replacement process implemented during 2009 by Oxiteno.

FINAL

Finally, I would like to highlight the performance of LPG for residential use, and the performance for fuels for light vehicles, namely gasoline, ethanol, and natural gas vehicles, which you will recall all together combined auto cycle. As you can see on the bottom left charts, as expected, these segments were not strongly affected by the economic crisis during 2009. There are a consequence of reasons that I believe you are already familiar with, in other words LPG for residential use is an essential group, used mainly for domestic cooking, and you see that throughout 2008 and 2009, its evolution has been changed in a meaningful way. The combined volume of gasoline, ethanol, and natural gas, as I mentioned, the auto cycle, has its growth linked to the light-vehicle fleet growth, which is estimated to have grown between 7 and 8% in 2009 over 2008, having before maintained a healthy growth, a healthy rate of growth, both in 2008 and 2009.

Moving on to Slide number 6, I would like to spend a few minutes about the main events in 2009. As you might recall, approximately a year ago, we said we expected a strong positive evolution in our earnings for 2009 based on our growth plan through positions in order to gain scale, expansions of our production capacity, and operational efficiency gains, as well as the resilient nature of our businesses. Well even during the economic recession and the economic difficult time, 2009 was another year of strong growth for Ultrapar, in volumes and in earnings, with positive evolution and results every quarter, which confirmed the resilience of our businesses, and the capturing of gains from acquisitions, expansions, and operational efficiency gains progress. Ultrapar's EBITDA reached 1.4 billion Reals in 2009, 25% growth over 2008, and our earnings, net earnings amounted to 467 million Reals, 20% higher than that of 2008.

Regarding our growth plan, during the year, we successfully closed the acquisition of Texaco in March, and have since implemented the integration of the operations at a very fast pace, with execution of the main initiatives required to capture the synergies and the benefits of the acquisition in the shortest time possible. In parallel, although the focus was the acquisition integration, we moved on with our organic investments by adding approximately 100 service stations in the year to the conversion of unbranded service stations, and also through brand new service stations.

At the end of 2009, we acquired a storage terminal for liquid bulk in Suape, which is one of the most important ports of Brazil. Such a storage terminal was already located in an area leased by Ultracargo, and before allowed the immediate integration of operations. Another investment completed by Ultracargo in 2009 was the extension of the Aratu terminal, another important port in Brazil, which resulted in the addition of 12,000 cubic meters capacity. In addition to the strong results and the significant progress on our expansion plans, in 2009 we were very pleased to receive an upgrade for S&P, which granted Ultrapar our second investment-grade rating. The first one had been previously assigned by Moody's in 2008.

We consider this second investment grade rating another demonstration of the resilience of our businesses, the standards of our financial strategy, and the efficiency in our capital allocation, particularly were being granted in a year marked by credit restriction, and by severe risk aversion worldwide. In 2009, our attention to those aspects, efficiency in capital allocation, and financial strategy were reinforced, by maintaining a sound financial position, and placed us in a position to face any uncertainty from the economic

environment. And such focus resulted in a significant reduction in our net acquisitions throughout the year, as you see on the bottom left graph.

The process of planning and executing our strategy, resulted in robust return for our shareholders. The return from appreciation of Ultrapar's shares during the last two years, was meaningfully higher than the Ibovespa return, which I believe once again, attests to Ultrapar's resilience through economic cycles. In fact, resilience and economic growth, has been present, and has been a trademark of Ultra over these 10 years as a listed company. Since 1999 when we became a public company, we have grown EBITDA on average 15% a year, and net earnings on average 18% a year. You certainly realize that over these last 10 years we have had strong economies in Brazil, periods of economy weak periods of economy, we had Real devaluation, we had Real appreciation. We had increasing oil prices, we had declining oil prices, we had oil at \$20, we had oil at \$150, and in spite of any combination that we have had over the 10 years, our business has managed to produce a 15% yearly growth in EBITDA, and an 18% growth in net profits. Finally, the growing results and strong cash flow generation of this year allowed us to increase the dividends declared by 17% for the year 2009, resulting in total distribution of 179 million reais, responding to a 60% payout ratio.

Moving on to the performance of each of our business units and starting with Ipiranga on Slide number 7. On volumes, once again, the progression was positive when compared to same quarter of previous year. Obviously to a great extent, derived from the consolidation of the acquired Texaco business. The total growth in volumes sold was 61%, our largest progression of volumes since the acquisition of Texaco. In addition to the consolidation of Texaco, this growth also results from two other elements. The first is the increase in the life of the available fleet, a trend that we have seen over the last few years, including other quarters of last year. In 2009, more than 3 million vehicles were added to the Brazilian fleet, a historical record for the automotive industry, resulting in an estimated growth of 7 to 8% of the Brazilian fleet during 2009. In spite of such growth, I would like to remind you that the Brazilian fleet still has a great potential to continue to grow in the next few years.

Such potential derived from the low penetration of cars in Brazil, which stands at around 15%, when compared to the rates seen in countries such as Argentina and Mexico, with rates of around about 20%, and significantly lower than the rates of developed countries, such as the United States, which has a car penetration of about 80%. The second element that together with the acquisition of Texaco, contributed to the meaningful volume growth seen in this Fourth Quarter, was the economic recovery in the last few months of the year. The economy has a positive effect on the consumption of diesel, as I mentioned earlier, and such recovery has had such strength, that we have seen growth even compared to the Third Quarter of 2009, which is typically seasonally stronger. In 2009, overall status volume amounted to 17.2 million cubic meters, up 43% over 2008, and I must remind you that we only started to consolidate the volumes of Texaco from April 1, so if nothing else, we have a lot of good prospects in the market, but if nothing else existed, we would have additional volume in the First Quarter this year.

Moving on to the financial performance, you can see on the charts on the top right, the consistent evolution of the profitability of Ipiranga since the beginning of the consolidation

FINAL

of Texaco. This is the result of the benefit from increased scale and accelerated implementation of Texaco's business plan in the acquired service stations. The Fourth Quarter of 2009, in addition to the progression due to the acquisition of Texaco, the results also benefited from a seasonal improvement in sales mix, and in fact it was boosted by the lower competitiveness of the ethanol, and consequent decrease in the consumption of gasoline, which has higher margins than ethanol, as in the ethanol segment, we still have a high degree of informality.

With all of this, Ipiranga's unit EBITDA margin, excluding the nonrecurring expenses related to the integration of Texaco was 55 reais per cubic meter, almost in-line with the EBITDA margin in the Fourth Quarter of 2008 before the acquisition of Texaco. For the overall 2009, EBITDA excluding the same nonrecurring expenses from the Texaco integration amounted to 846 million reais, up 40% over 2008, a very strong evolution, but still with potential to grow in 2010, as the integration from the plan of acquisition was implemented during 2009. In other words, as we assumed Texaco in April, and then started the implementation of economies of scale gains, and the conversion of the branded gas stations to Ipiranga, we have seen an evolution of results over the year, which should benefit the full year of 2010.

Moving on to Slide 8, where we show the integration of the Texaco integration. Well first, on the workstream efficiency gains, we completed in November the corporate merger of Texaco and Ipiranga, resulting in additional gains from the simplified corporate structure, which combined with the integration value systems carried out in August, we presented another step in our process of capturing operational gains and synergies. As shown in the chart on the left, the kinds of scale gains so far have translated into a 9% reduction, or 5% per cubic meter reduction in Ipiranga unit SG&A, when compared with the Fourth Quarter of 2008.

The workstream of implementing Ipiranga's business model and the Texaco gas stations, we continue to advance on the process of converting Texaco service stations to the brand of Ipiranga, and averaged 75% to the Texaco acquired network in the South and Southeast regions of Brazil, equivalent to more than 1,000 gas stations, and about 200 convenience stores. We expect to conclude the conversions in the South and Southeast regions at the end of the First Quarter. As you might recall, the service stations that we acquired in the remaining regions of Brazil will remain operating under the brand Texaco until March 2012, when our licensing agreement with Petrobras regarding the brand Ipiranga lapses, and then we will be able to rebrand all of the Texaco gas stations in the regions to the Ipiranga brand as well. One of the strategic pillars of the Texaco acquisition was to start out expansions to the Midwest, Northeast, and North regions of Brazil, and with that to reach nationwide coverage.

Such nationwide coverage has provided us with several commercial opportunities already. Since the assumption of Texaco in April, we have added approximately 300 clients in those regions, mostly in Brazil, having now the nationwide coverage. In addition, now that we have done a significant portion of the Texaco's integration, we have started refocusing our resources towards expanding in the North, Northeast, and West, to maximize the benefits of the potential growth in these regions. As you can see in 2009, the growth in those regions were almost twice as big as in the South and Southeast. So in

Bloomberg Transcript

FINAL

addition to growing with the market, we intend to grow faster than the growth in the market, and we are confident that is possible, because approximately 30% of the volume sold in the northern regions of Brazil is sold by the non-SINDICOM members, allowing the forward strategy of growing faster than the market, through the conversion of unbranded gas stations and acquisition of regional networks.

Moving on to Slide number 9, as you know, Ipiranga has a market positioning based on differentiation. This is built on heavy investments in our brand, excellent relationships with our resellers, effectively the operators of our gas stations, and a differentiated offer of products and services to the consumer. The central element in this differentiation strategy is the constant development of new products and services, which contributes to generate traffic in our service stations, and results in benefits to the entire value chain. In other words, our end consumer has access and benefits from products and services that offer comfort and convenience to their business at the service stations, generating business opportunities and profitability to our resellers in Ipiranga.

On Slide 9, we will give you a brief update on Ipiranga's retail and client loyalty initiatives through 2010, such initiatives are precisely the ones that are key to this differentiated market positioning that contributes significantly to the sales of fuels. Starting on the top left, we finished 2009 with almost 1,000 convenience stores, which makes am/pm the largest convenience store network in Brazil. For 2010, our focus is to expand the number of franchised stores, all of the stores are franchised, so expanding the number of stores, and increasing product offers.

A few examples of such initiatives. We expect to launch private-label products, such as snack, and energetic beverages, something that is in Brazil is an innovation for convenience stores. We also expect to increase the number of so-called am/pm bakeries, which amounted to about 40 in 2009, and proved to be a great success in attracting traffic, and increasing the convenience of our service stations. Still in terms of our franchise operations, the jet oil units, which is our lubricant changing and automotive service specialized network will also have a number of new initiatives. For 2010, the strategy will focus on the expansion of related products offered, for example, the availability of tool kits, and also the continued expansion of jet oil for motorcycles, a pioneering specialized oil changing service for motorcycles launched in 2009.

We started 2010 with about 50 of jet oil for motorcycle units, and we expect to double this number by the end of the year. In recent years, the motorcycle fleet in Brazil has increased significantly, and the annual consumption of lubricants by a motorcycle is similar than one of a car, and therefore this initiative has great potential to add to our reservices, and the convenience of our service stations, therefore strengthening the market positioning of Ipiranga. Our marketing plans for 2010 also aims at maximizing the benefits of Ipirangashop.com, a service that explores the business potential from the large flow of consumers at our service stations. This is focused on the sale of car-related products, but also, it explores the offering of some 35,000 iPhones in a website to a partnership with a company that specializes in electronic retail. For 2010, the most important news and initiatives will be the possibility to create credits to the position of certain products and on the website, that can then be used to buy fuels in the gas stations.

FINAL

Another initiative consolidated already in Ipiranga are credit cards, implemented in a different way than I think most credit card operations are. Behind our credit card operation is a philosophy of aligning interests among all interested parties. We offer the holder of the credit card as available to him, discounts and other commercial advantages at our gas stations. The owner of the gas station has lower fees than when accepts other credit cards, and the attendant of the gas station, and you might recall in Brazil, all gas stations are manned, so the attendant for the service station earns a variable remuneration when he accepts a credit card.

Finally, our Km de Vantagens loyalty program will be the connecting point between all of these initiatives. This program consists in accumulating points for every product and service purchased at Ipiranga network, offering not only the opportunity to exchange products and services at the service stations, but also products and services from partners, such as exchanging for points, changing points for magazine subscriptions, movie theater tickets, airline miles, amongst others. This program proved to be a great success in 2009 with about 2.4 million award redemption transactions. For 2010, the focus will be on increasing the number of partnerships in the program, and maximizing its contribution to the Ipiranga market positioning, and consequently, improving our fuel sales.

Talking now about the results that we expect for the First Quarter, our expectations are very positive. These volumes, following the positive GDP trend are presenting a very strong recovery, with expectation that growth in the current quarter will be stronger than the growth that we have seen Fourth Quarter over Fourth Quarter. The combined volume of gasoline and ethanol, and natural gas vehicles, is experiencing growth slightly lower though, than between Fourth Quarters, due to the shift from ethanol to gasoline, that reduces the combined volumes, because the difference of energy contained between these two fuels. However as gasoline margins are higher than ethanol margins, this produces a better margin mix, as I mentioned earlier on, when explaining the Fourth Quarter results, where this effect was also present. Overall, our expectation at this point is that the total volume at Ipiranga will probably grow more than the growth that we have seen between Fourth Quarters.

Regarding our profitability on the First Quarter, as a consequence of the significant inroads that we have done on the Texaco integration, the estimated non-recurring expenses for the First Quarter 2010 is about 15 million reais, mainly related to the conversion of the remaining service stations in the South and Southeast regions. Regarding EBITDA, the advanced stage of our acquisition gains, and the favorable positive current market conditions enable us to estimate an EBITDA margin, excluding the non-recurring events for this First Quarter 2010, similar to the one that we had in the Fourth Quarter of 2009.

Moving on now to Ultragaz, sales volume in the Fourth Quarter 2009 presented a targeted progression over Fourth Quarter 2008, with a 2% growth driven by the recovering bulk segment, which grew 6% in the period. Such growth was actually twice as big as the ones seen in the market. EBITDA in the Fourth Quarter continued to grow strongly, as seen in the other quarters of 2009, totaling 61 million reais, and a 23% growth over Fourth Quarter of 2008. Excluding a 7 million non-recurring in fact related to a fiscal

FINAL

item, EBITDA would have grown more than 30%, similar to the phase that we have had through the remaining of the year.

Regarding the full year of 2009, Ultragaz sales volume declined by about 1%. The Bottled segment presented growth of 1% over 2008, as a consequence of its resilient nature, as it is a good first necessity, but as well as commercial initiatives implemented by Ultragaz, which included the entry of new niche markets. On the other hand, the bulk segment, more affected by the economic crisis in the first half of the year, decreased by 4% for the overall 2009. However, in the particular case of Ultragaz, this reduction was more related to the consumption of 50,000 tons by a large client in 2008, which was known to be temporary. If one excludes this effect, Ultragaz volume in the bulk segment would have remained stable, and volumes of Ultragaz in the year would have grown. Regarding our results in 2009, we observed the positive effect of the economic recovering margins throughout the year 2009. To which the operational efficiency programs and the commercial initiatives implemented in the last 12 years contributed meaningfully, all of it resulting in a 34% increase in EBITDA, compared to 2008.

A number of initiatives were implemented by Ultragaz this year, most of that focusing on our relationship with our resellers. We had programs to diagnose the quality of our resellers, then look for ways to improve the IT system to be used, the training of the personnel that they use, and the types of profitability analysis that they do. We also had as part of this, a new market positioning called Ultragaz The Specialist, reinforcing the attributes of quality and differentiation of Ultragaz products and services, that in 2009 was widely released in the printed media, and in radio.

Talking now about the current quarter, we expect year-over-year volume growth similar to what we had in the Fourth Quarter, but with a slightly smaller growth in the bulk segment, as sales volume presented a strong decrease of 6% in the Fourth Quarter of 2008, which was before a weaker comparison basis. As for EBITDA, we expect a year-over-year progression slightly higher than that of the Fourth Quarter of 2009 as the result of the concentration of expenses and costs in the Fourth Quarter of 2009.

Let's move now to Oxitenos on Slide 11, please. Oxitenos sales volume presented a 36% growth compared to Fourth Quarter 2008. In the domestic market, the volume of specialty chemicals grew by 33%, with a strong performance with the Specialties directed to the industries that has not had resurgence, as mechanical, paint, furnishings, and petroleum. Mainly as a consequence of the past expansions that we have had in 2008, and the recovery of economic activity. In the foreign markets, the volume grew by 32%, due to an increase in the sales volume specialty chemicals, derived from the expansions carried out.

As most of you are aware, it is expected that after large capacity expansions, such as the one that we did at the end of 2008, it is expected and natural to increase exports at first, and then redirect them to the domestic market as the gross, thus reducing the exports proportionally over time. This migration to the domestic market is part of Oxitenos's strategy to maintain its production capacity ahead of domestic liquid demand, providing surplus production to the foreign market. In 2009, Oxitenos sales volume presented a 14%



growth compared to 2008, sales of Specialties grew 15%, and were enabled by the expansions of capacity reduction implemented.

Regarding results, Oxiten's EBITDA in the Fourth Quarter totaled 31 million reais, 67% lower than 2008, in spite of the growth of 12% in volume as I mentioned. This is due to three elements. A 24% appreciation on the Brazilian real, when you compare to levels, Fourth Quarter over Fourth Quarter. The rising dollar costs of raw materials during the Fourth Quarter, and the benefit of the 22% depreciation of the real during the Fourth Quarter of 2008. For the entire year of 2009, Oxiten's EBITDA amounted to 145 million reais, 31% lower than 2008, due to the rising cost of raw materials along the year, with ethylene beginning the year at about \$700, and ending 2009 at about \$1,200 per ton. In addition in 2009 we had an estimated impact of 78 million reais in Oxiten's EBITDA, as a result of the difference between historical costs and replacement costs. This effect results from the realization of inventories with historical costs significantly higher than replacement costs in 2009. Excluding this one-off effect, the 2009 EBITDA would have been higher than 2008, despite the terrible economic conjunction to Oxiten.

For the current First Quarter, our expectation is for volumes with an evolution slightly lower than the one we saw between Fourth Quarters, due to the comparison base a bit stronger in the First Quarter of 2009. And a similar effect to the one I mentioned related to Ultragas. As for EBITDA, we expect a recovery in the results with an EBITDA higher than the one of the Fourth Quarter, even though the First Quarter is seasonally weaker in volume when compared to the Fourth Quarter, but yet lower than the First Quarter of 2009, as a result of the significantly stronger real, and the ongoing process of aligning prices and costs of raw materials.

Moving on now to Slide 12, let's talk about the performance of our storage business. In the Fourth Quarter, Ultragas average storage was 4% lower than the Fourth Quarter of 2008, a period in which we already consolidated (inaudible). This decline in average storage is a result of reduced availability of ethanol and vegetable oils to the export markets. This reduction was partially offset by the expansions we carried out at our Aratu terminal, slated in 2009, which added 12,000 cubic meters to its storage capacity. Ultracargo's EBITDA in the Fourth Quarter amounted to 22 million reais, a 6% growth on 2008, particularly on the back of the operating synergies resulting from integration of the terminals.

Those effects were partially offset by a decrease in the volume of products as I mentioned, and higher costs with maintenance of the terminals, taking advantage of the reduced activity in the period. For the year 2009, Ultracargo experienced a meaningful growth in average storage, 37%, particularly as the result of the consolidation of Uniao [ph] in the Fourth Quarter of 2008, all expansions in the Aratu terminal that I mentioned, and higher volumes of products handled at the Suape terminal. Ultracargo's EBITDA in 2009 surpassed 100 million reais, more than double the EBITDA for 2008, a growth well above the increase in average store, resulting from the acquisition of (inaudible). Such growth derives not only from the acquisition, but more importantly from the benefits of increased scale, operating synergies derived from the acquisition. As a consequence of this acquisition, the activities and segments of storage facilities for liquid bulk, became the

main area of activities in Ultracargo, and as a consequence EBITDA margins have also grown.

Moving on to Slide 13, I would like to spend a few brief words on the acquisition we did at the end of the year, for Ultracargo where we purchased a liquid bulk terminal in the Port of Suape. Suape is a very important port in Brazil. It is privileged by a very strategic location, it is one of the most complete ports in the country, an important concentrator and distributor of cargo in the north of Brazil. In addition, it is operationally very sound, with very good operational draft, which allows very large ships to operate in the port. Over the last five years, the flow in the port grew by an average of 20% annually, with the main products handled being oil derivatives, chemical products, alcohols, and vegetable oils. With the position of this terminal Ultracargo reports its position in the region, and took another step in the implementation of its strategy to strengthen itself as a provider of liquid bulk storage in Brazil. We paid 44 million reais to acquire this terminal, and we added 83,000 cubic meters to Ultracargo's storage capacity, representing a 15% increase in overall storage capacity.

Well to finalize the performance discussion of our businesses, very briefly about the near-term results of Ultracargo. In the First Quarter of 2010, we are still expecting a scenario of lower volumes of ethanol and vegetable oils to the export market. In fact, the situation has become even more acute than we had in the Fourth Quarter. On the other hand, in the current quarter, we have already a renewed Suape terminal, adding 15% capacity with economies of scale in its operations. So as a consequence, we expect that in the First Quarter of 2010, EBITDA will present growth higher than the storage capacity coming from the acquisition of Suape.

Before I go to the last slide, I must mention that other results outlook that I have mentioned in relation to the First Quarter of 2010, do not consider the facts of Ultrapar participating in a Federal tax program established by law 11941. This law has provided a number of conditions for companies to pay down taxes that were in discussion with the Federal authorities. We decided, judging in all of our tax contingencies, that during a number of these processes, and the consequence in our results is expected to be a 21 million reais decline in EBITDA in the First Quarter, mostly in Ipiranga, and a net earnings reduction by 17 million. So again, a fact of 21 million reais in EBITDA, mainly at Ipiranga, and an effect on net earnings of 17 million reais, both taxes of a non-recurring nature.

So Slide 14. As I believe you have seen, we finished 2009 very positively, and are starting 2010 with very clear visibility through very strong results in the First Quarter of 2010. Furthermore, and most important is that we also have, we believe we have very good reasons to be optimistic about meeting the long-term outlook, and some of these reasons are listed on this slide 14. In 2009, the resilience of our businesses was essential to a strong earnings growth in a year of uncertainties and weaker economy. In 2010, with economy growth recovery, the leading position in the markets in which we operate combined with the investments made in the last few years, placed each one of our business units in a privileged position to benefit from the significant growth potential of the Brazilian market.

FINAL

At Ipiranga, the continued growth in the fleet of vehicles, and the increased demand for diesel as a consequence of the economic recovery, allow Ipiranga to foresee increasing sales volumes. In addition to maximizing the benefits of such economic growth, Ipiranga will continue to capture the remaining gains from the acquisition of Texaco, and exploring the existing potential to expand its network to the conversion of unbranded service stations, and through the acquisition of local companies, mainly in the North, Northeast, and Midwest of Brazil. Ultragaz, which reported significant growth and results in 2009, is uniquely positioned to benefit from the growth recovery in sales volume in the bulk segment, whose performance is directly linked to economic activity, and in which Ultragaz has a leading position.

In addition, Ultragaz will continue to carry out its strategy of expanding niche markets that present stronger growth opportunities than the average markets. At Oxiteno, the expansions of the Specialty chemicals production capacity completed, and the strong presence in segments of the economy with significant growth potential, such as cosmetics, detergents, agro chemicals, paints, furnishings, oil and gas, should allow the Company to benefit through the increase of sales volume in consequence operating leverages. Such benefits will also depend on a possible appreciation of the real, and increase of oil prices over time, particularly on the speed of those movements. Lastly, Ultracargo which in 2009 assumed the leading role in the consolidation of liquid bulk storage segment, through integration and acquisition of Uniao Terminais and the acquisition of the terminal at Suape, is now expected to benefit from the increased globalization of the Brazilian economy, a process that will pass through the ports where Ultracargo operates, and will benefit the segments served by the Company.

With this, I thank you for your attention, and I am here with the administrative and controlling directors of each one of our business units, as well as Investor Relations personnel that some of you know, and some of our financial executives to respond to any questions you might have.

## Questions And Answers

### Operator

Thank you. The floor is now open for questions. (Operator Instructions). In case you are following the conference call via webcast, please click on question to the host to send your question. Questions will be taken in the order they are received. We do ask that when you pose your question, that you pick up your handset to provide optimum sound quality. Please hold while we pose for questions. Your first question comes from the line of Ricardo Cavanagh of Raymond James.

### Q - Ricardo Cavanagh {BIO 1702523 <GO>}

Hi. Good morning. Good morning everybody. Thanks for the very thorough presentation. I have two questions. The first one is regarding Ipiranga. I see that in the quarter you basically obtained the efficiency objectives that you were considering that it would take two years. And the question would be, if you think that there could be some new higher targets in terms of EBITDA per cubic meter for the consolidated operation? And secondly,

taking into consideration that the real for Oxiteno, that the real might continue being strong and oil prices might continue being high within these conditions, if you think that there is any possibility or any action that could be taken, in order to increase Oxiteno's resource? Thank you.

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

Thank you, Ricardo. I would say, I was for a moment smiling here, because we have run a poll amongst ourselves to bet over what was going to be the first question on the conference call. And on the conference call that we just had in Portuguese, the first question was about the margins of Ipiranga, and the first call of this conference call was also about the margins of Ipiranga. We have all won here, the problem is that no one lost, so there are no payouts. Well addressing your question, we are very pleased that we have had the opportunity to achieving the targets of margins of our acquisition of Texaco much earlier than we had initially forecasted. This is due to two reasons.

First, we have been able to deploy the actions and initiatives that would generate such gains much faster than we had initially imagined. The second, and very important, we have encountered a market environment, particularly in the second half of the year, that presented a number of opportunities, both in volume and in profitability. And this itself had two effects, first, it helped us accelerate the benefits of acquisition of Texaco, and it has also generated benefits on its own right, such as the one I alluded in reference to the mix of ethanol and gasoline. It is the advanced stage of integration of Texaco, and the existing market conditions that allowed us to forecast for the First Quarter of 2010, a similar level of EBITDA margin to the one that we saw in the First Quarter of 2009.

What do we have ahead of us? We have still some gains of acquisition to be realized, and we have now the dynamics of the market, and the drivers of increasing the margins, return to the operating leverage, a reduction in the degree of informality in the sector, and as I mentioned, the remaining gains of the acquisition of Texaco. Regarding Oxiteno, you mentioned that oil price continues to rise, and the real continues to appreciate. In fact, the real in the last couple of weeks depreciated a little bit, and this benefits Oxiteno;

I take your question is, what if the real appreciates, and the oil price continues to appreciate, continues to rise? And the main issue of these two things it is not the level, for example, of oil price, but it is the speed that the price of oil moves from time to time. In other words, with some time, we are able to adapt the prices of our products to the new level of oil prices, but it takes some time, because it requires a number of actions, including improving our products, so that we can justify to our customers an improvement in price, so while that is happening, margins narrow a little bit, but once the oil prices find a new plateau, then very, very quickly, prices are realigned to costs, so what really concerns us is not if oil price is high or low, but it is if it is decreasing very rapidly. If it does, then for one, two, three quarters, depending on how long the oil price decrease lasts, profitability will be lower, but then it recovers.

#### **Q - Ricardo Cavanagh {BIO 1702523 <GO>}**

Okay. Well I think that questions have been answered, and basically if I may, on Oxiteno, during the past few years where margins have hovered between 8 and 12% basically,

EBITDA margins, and you have expanded capacity quite actively, do you think that at some point in time, EBITDA margins could be significantly above what we have seen in the past few years?

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

On a steady state scenario, where we have oil at a certain level, we have the currency at a certain level, so we don't have these abrupt movements, the capacity expansions were down on the basis that they generate economies of scale to our business. In other words, they have EBITDA margins that are higher than the average of the business, so when they are all functioning, and we have a moment where all of these variables are relatively stable, one should expect to see margins that were higher than previous years.

**Q - Ricardo Cavanagh** {BIO 1702523 <GO>}

Okay. Thank you. Thank you very much again.

**Operator**

Your next question comes from the line of Marco Spinar of Neuberger.

**Q - Marco Spinar** {BIO 16367505 <GO>}

Good afternoon, and thanks for hosting the call. My question relates to some of the financial leverage, and something that we have talked a little bit about, or you have mentioned a little bit in the past, is the financial leverage in the current model, and I just wanted to hear your comments on 2009 earnings growth relative to the growth in EBITDA. I would have thought that given a much lower level of net debt, that you would have had better earnings growth than you did EBITDA growth, but it didn't work out that way. Can you just comment a little bit on what is going on there? I haven't had a chance to really look at the numbers specifically, so maybe there is something obvious there. But if you wouldn't mind, I would be curious to hear your thoughts to what extent you still expect financial leverage going forward?

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

Thank you for your question, Marco. The answer to your question relates to the ramp-up of the benefits of the investments acquisition during the last several years. 2009 was the first year on that upward curve, where the benefits and EBITDA are still partial, and the effects on depreciation and interest expense are at its maximum. As you have seen during the year, net debt has started to decline. If you extrapolate the Fourth Quarter level to 2010, you see that generates with the same EBITDA 2009 already a meaningful increase in the earnings. But the trend as one would expect, is for the next several years EBITDA, consolidated EBITDA to grow, depreciation to decline, and debt level to decline if we don't do any other meaningful acquisition, or pay a massive amount of dividends.

**Q - Marco Spinar** {BIO 16367505 <GO>}

Okay. Okay. Thank you.

## Operator

(Operator Instructions). We will pause again to compile the Q&A roster. Thank you. This concludes today's conference call. At this time, I would like to turn the floor back over to Mr. Andre Covre for any closing remarks.

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

I would like to thank you very much for your time, and your interest in learning and hearing about our Company. We look forward to having you next time. We, as I mentioned, are very optimistic about the next quarter, very optimistic about the year, and the prospects of our businesses for the future to come. Thank you very much.

## Operator

Thank you. You may disconnect 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.*

FINAL

Bloomberg Transcript