

## Q4 2008 Earnings Call

### Company Participants

- Andre Covre, CFO & IR Officer

### Other Participants

- Denis Parisien, Analyst
- Pedro Nieto, Analyst
- Tereza Mello, Analyst

### Presentation

#### Operator

Good morning, ladies and gentlemen. At this time, we would like to welcome everyone to Ultrapar's 4Q '08 and 2008 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 slide 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 on 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'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 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 begin the conference.

## Andre Covre {BIO 15233513 <GO>}

Thank you very much for the introduction. Good morning, everyone. A pleasure to be here today with you to comment on the results of Ultrapar for the Fourth Quarter 2008 and for the year 2008 as well as our outlook for 2009.

Before we start, I'd like to draw your attention to slides number three and four, where we provide some considerations on the criteria adopted for the financial information contained in this presentation, namely the criteria related to including the acquisitions we have made in the recent years and certain accounting changes introduced by Brazilian law in relation to year 2008.

Regarding the second aspect, the accounting changes, in order to provide direct comparability with prior information to the adoption of the new law, the financial information of 2008 contained in this presentation does not contemplate the accounting changes of Law 11.638.

The financial statements for 2008 prepared in accordance with Law 11.638 are available in our management report and in our earnings release of Fourth Quarter '08, both of them available at our website, [www.ultra.com.br](http://www.ultra.com.br). In addition, to provide a better understanding of the facts of the new legislation, both the earnings release and the 2008 management report contain a statement of the impacts arising from the new law on the main accounts of the financial statements of 2008, impacts which are not relevant to our financial statements.

With that introduction, let's move to our presentation. On slide number five, we show the economic and operating environment for 2008. And undoubtedly, the Brazilian economic environment was marked by two very distinct moments, two very different moments in 2008. The first, from January to September was characterized by strong growth in the economy reflected in commodity prices, particularly oil prices, and by intense flows of foreign investment in Brazil, contributing to the appreciation of 16% of the Brazilian real and the assignment of investment grade rating by S&P to Brazil.

The facts of such growth in the economy were noted mainly in our volumes of diesel sold at Ipiranga, the volumes of LPG in the bulk segment of Ultragas, and the volumes of specialty chemicals in the domestic market of Oxitenio.

However, since the end of September, the worsening in the global crisis resulted in the bankruptcy of some financial institutions, as we all know, with immediate impacts on the liquidity of the market and, consequently, significant reduction in the volume of credit, reversing the scenario of global growth, reflecting in international commodity prices, and beginning a depreciation in the Brazilian real against the dollar, after a long period of five years of continued appreciation.

This more challenging economic environment that began to install in Fourth Quarter '08 has been influencing some segments of our businesses, which are more directly correlated to the growth of the economy. Those sectors are the ones that I just

mentioned, in other words, the sales of diesel by Ipiranga, the sales of LPG to the bulk segment and Ultragas, and the volumes of Oxitenó. On the other hand, the depreciation of the Brazilian real and the lowering international oil prices impact positively the results of Oxitenó, as we will see in a moment on the Fourth Quarter results.

But before that, moving to slide six, I wanted to call your attention to the 2008 highlights in terms of the deployment of our strategy. 2008 was a year of great achievements for Ultra. In regards to the expansions of our businesses, we concluded a cycle of significant organic investments and acquisitions, which will allow significant growth and generation of value for the next years.

In the fuels distribution, we finished the acquisition of Ipiranga. We finalized the remaining steps. And we also signed the contract for the purchase of Texaco in Brazil. In our logistics business, we announced and concluded the acquisition of Uniao Terminais. In the organic expansion area, we increased the capacity at Oxitenó.

We strengthened Ipiranga's network with opening or re-branding about 250 service stations in 2008. And we also expanded into certain niche markets in Ultragas. All of that is aimed at creating value through the growth of our scale, in other words, expanding our scale and gains of productivity and competitiveness.

In the capital markets, we increased our presence with the increase in our free float. And the average daily trading volume of our stock expanded by about 125%. And it stands now at about BRL30 million, more than double 2007. That also led us to become part of the Ibovespa Index and the MSCI Index.

The high liquidity of our shares has proved to be particularly important at this time of greater stability in the markets, allowing access to a large pool of investors. The combination of this element with the natural resilience of our businesses to an economic down cycle and the huge potential benefits of the investments made in recent years have been important in the positive performance of the stock of Ultrapar recently.

Another important event in 2008 was obtaining and, more important, maintaining the investment grade by Moody's, which confirms the steps taken -- confirms that the steps taken in recent years with the large investment that we did and that will pave the way for growth in the next few years have been done without compromising one of our core values, our financial strength.

Moving now to the financial results of '08 and Fourth Quarter for Ultra consolidated, we reported growth in revenues in all our business units in 2008 and also in the Fourth Quarter, again demonstrating the resilience of our businesses with a positive progression in operating results and in spite of slowdown reflected into GDP growth in the quarter.

Ultrapar's EBITDA in the Fourth Quarter amounted to BRL331 million, up 50% from Fourth Quarter '07, mainly as a consequence of the increase in EBITDA at Ipiranga and Oxitenó and the beginning of the consolidation of the results of Uniao Terminais. For the year,

EBITDA surpassed for the first time BRL1 billion and represents an increase of 37%, compared to 2007.

Net earnings in the Fourth Quarter amounted to BRL77 million, slightly lower than in the same period in 2007, mainly as a consequence of three elements -- firstly, higher depreciation and amortization expenses as a result of the investments made and that came into operation in the last few months.

Secondly, the benefits of our tax holidays related to our plant in Camacari that were generated in 2007 were only recognized in the Fourth Quarter of 2007 after a renewal of our tax holidays were approved by the competent authorities in October '07. In other words, we have an extraordinary benefit on the Fourth Quarter in relation to the tax holidays, the Fourth Quarter last year, which was earned through the entire year but only booked on the Fourth Quarter. And as we're comparing Fourth Quarter against Fourth Quarter, that's an extraordinary element on that quarter.

Lastly, in this Fourth Quarter of '08, we presented higher financial expenses due to the increase in our net debt, the rise in interest rates, and also the devaluation of the real -- the fact of the devaluation in real in our foreign currency position. At the end of 2008, we had approximately \$50 million in a net debt position in foreign currency.

Ultrapar's net earnings in 2008 more than doubled, totaling BRL388 million compared to BRL182 million reported in 2007. The positive performance in 2008 contributed to the approval of an additional dividend distribution of BRL119 million, which added to the amount distributed in August, totals a distribution of BRL238 million, which corresponds to 61% of net earnings in the period and a 3% dividend yield on the average price during 2008.

With a focus on maintaining a strong cash position, our investment plan for 2009 amounts to BRL528 million, practically half of the amount invested in 2008. In addition, at the end of the year, we signed -- or in the last couple weeks, we signed a contract for new funds through an instrument called a bank credit bill in Brazil for the amount of BRL500 million with a three-year term and a 24-month grace period.

This will allow us to extend the Company's debt profile and maintain flexibility in financial management as we weather even possibly a worse crisis or prepare ourselves for opportunities that may arise in this more difficult environment.

Moving onto our businesses and the performance of them, beginning with Ipiranga in slide nine, in 2008, growth in sales volume at Ipiranga was 8%, basically as a consequence of the increase in the number of new cars in the fleet. This contributed to an increase in the fleet in the country and therefore allowed a growth in volumes. In addition, the sales of diesel were also increased as a consequence of the economy growth.

Improvement in legislation and inspection implemented in this sector contributed to an increase in the market share by Sindicom members in the ethanol market, rising from 56%

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in 2007 to 60% in 2008. And this is an important indicator because it demonstrates the evolution in the reduction in the informal market.

And as the informal market declines, in other words, as it becomes more difficult for certain gas station owners that are operating under white flags or do not have one of the brands and operate under some form of tax evasion or product adulteration, as it becomes more difficult for them to do those things, the volumes that they sell diminish. And the volumes on the rest of the market increase.

Well the increase in the sales volume for the year and the consequent increase in operating leverage combined with 22% decline in expenses contributed to a 42% increase in Ipiranga's EBITDA, amounting to BRL593 million in 2008.

Speaking a little about the quarter, Ipiranga sales volume continued to increase, although at a lower pace compared to the increases Ipiranga presented in previous quarters. Sales volume for passenger cars -- and in Brazil, passenger cars use gasoline, ethanol, or natural gas for vehicles -- so sales volumes for those combined fuels presented a 7% increase compared to the Fourth Quarter of 2007, while diesel sales were up by 4%, less than in previous quarters as a result of the weaker economy.

The 5% increase in total sales volume together with an increase in operating leverage and the fact of earnings from MaxFacil related to the year 2008 but recognized in our books only in the Fourth Quarter resulted in BRL171 million of EBITDA in the Fourth Quarter of 2008, 53% higher than the Fourth Quarter of 2007.

Moving now to slide 11, I'd like to talk a little bit about the drivers of market growth that should influence the volumes of Ipiranga during the next quarters. For the volumes of gasoline, ethanol, and natural gas, the key driver of volumes is the size of the fleet of passenger cars. In 2008, approximately 2.7 million vehicles were sold in Brazil, a historic record in the auto industry, corresponding to a growth of 14% in relation to 2007.

I remind you that on the nine months to September, in other words, the first nine months of 2008, the number of new cars grew 27%. And that pace of growth was slightly weakened on the Fourth Quarter through the restriction of credit that started in the Fourth Quarter.

In the chart on the left of slide 11, we show an estimate of the fleet as of December 2008. That estimate is based on the fleet reported at the end of 2007 by a statistic bureau of the industry called Sindipeças to which we added the numbers of cars that were registered in 2008, the 2.7 million that I mentioned. And we reduced by an estimated number of cars that have been scrapped during the year. The result is that the fleet in December of 2008 is 7% higher than the fleet in December 2007.

So in other words, starting 2009, the fleet is bigger than 2008. And the average fleet for the year is already higher than the average fleet of 2008, independent of the sales of new cars. In addition, despite the lower sales of cars in the last months, the fleet

continues to increase. In other words, new cars continue to be sold. And therefore, new cars continue to be added to the fleet.

A second important driver for sales volumes of gasoline, ethanol, and natural gas is the process of continuous improvement in legislation and inspection, which I mentioned a moment ago. This aims at decreasing the sales volume in the grey market usually sold with tax evasion or adulteration of products, currently mainly in the ethanol market.

As the grey market is curbed and controlled, the volume consumed does not disappear. It migrates to the formal market, allowing the increase in sales volumes in companies like Ipiranga, which only operate in the formal market, even if the total market is not growing, which is not the case. In other words, the drivers for 2009 volume growth are both the growth in the fleet, which is already higher in 2008 and is continuing to increase, and the reduction in the grey market.

Talking about diesel, the drivers are different. The main driver is the Brazilian GDP growth that in 2008 presented a 5.1% growth, while the diesel market grew slightly more. It grew 7%. In the chart on the right side, we show a data series of GDP growth and diesel sales growth in the market since 2000. And as one can see, the growth is very similar during this period with small variations from one year to the other depending on particular aspects of the diesel market.

Moving onto slide 12, I would like to remind you a little bit about our strategy and benefits of the acquisition of Texaco now that its closing is nearby. The business plan for the acquisition had two elements -- firstly, increasing the operating and financial scale and obviously the benefits from those economies of scale and productivity. To put in some numbers, Texaco will add about 2,000 service stations to the 3,000 that Ipiranga already has and it will increase our sales volume by about 60%. Therefore, the economies of scale potential is very significant.

The second element, the acquisition of Texaco marks the beginning of our expansion to the midwest, northeast, and north regions of Brazil, regions that have growth rates above the national average. In addition, the nationwide coverage will allow us to tap into new commercial opportunities that were not available to us while we were only operating in the south and southeast of Brazil.

The benefits of expanding our operating and financial scale are notable with productivity gains in practically all of the Company's areas. In addition, we intend to implement Ipiranga's business model in the business acquired with a range of differentiated products and services available in our service stations, which benefits consumers and resellers.

Based on these two elements, in other words, gains of scale and the adoption of Ipiranga's business model, we intend to bring in approximately two years Texaco's EBITDA margin, which is currently at around BRL20 per cubic meter, to the levels of Ipiranga's margins, which are currently about BRL50 for the year of 2008.

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Some good news from the work we've been doing on the last several months on the process of integration, the amounts that we intend to spend in converting the Texaco service stations to the Ipiranga brand name has been reduced by about 30%. We had initially forecasted that we were going to spend about BRL50,000 per gas station to re-brand it from Texaco to Ipiranga. And we have been able to develop a cheaper and faster way of doing it. We expect now each gas station to cost about BRL35,000.

And also, we expect to convert the entire network in the south and southeast regions within 12 months of the closing of the deal. That is about 1,400 gas stations of the 2,000 gas stations. The remaining 400 gas stations are located in the midwest, northeast, and north regions of Brazil, where we can only start the process of re-branding after April 2012 as a function of our licensing agreement with Petrobras pursuing the acquisition of Ipiranga in April 2007.

Here on Ipiranga, I'd like to give you our expectations for this First Quarter. We estimate that sales volume will continue to grow, mainly the fuels for passenger cars. That should present a similar growth to that presented during the year of 2008.

Regarding diesel, in this First Quarter, we are seeing an evolution in volume compared to the same period in 2008 in line with the Brazilian economy performance, which is showing a slowdown in the first months. In other words, we are experiencing reductions in the sales of diesel as the GDP in Brazil gives signs of having a reduction in the First Quarter of this year.

On EBITDA, we expect also continuation of growth compared to the same period, First Quarter against First Quarter, however, at a different pace, due partially to the lower sales volume or to the lower growth in sales volume, pardon, but also the finishing of most of the organizational optimization process and expense reductions that we had planned when we acquired Ipiranga.

From the closing of Texaco, we will start working on capturing economies of scale and expense reductions in new fronts. In other words, it's a cycle that finished in terms of the optimization of Ipiranga in relation to expenses. And now, the next step starts in a couple weeks after we close Texaco.

Moving onto the next slide and discussing Oxiteno's performance in the quarter and in the year, Oxiteno sales volume in 2008 totaled 567,000 tons, 14% lower than in 2007, as a result of lower commodity sales in the period. The specialty chemical sales were stable when compared to 2007.

As a consequence, we showed the significant improvement in mix and sales composition resulting of commercial initiatives implemented by the Company in the specialty chemicals market. The share of specialty chemicals represented 89% of the volumes sold in the year compared to 77% in 2007, all of that reducing a benefit in average prices in dollar.

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During the first nine months of the year, Oxiteno faced a more challenging macroeconomic environment, consequence of the strong Brazilian real appreciation until September and the high cost of raw materials, while at the same time specialty chemicals capacity restrictions did not allow us to capture all the benefits of the economy growth.

In the Fourth Quarter with the change in the trend of the Brazilian real and the significant depreciation that we experienced, Oxiteno generated BRL93 million, a significant improvement in relation to the previous year, offsetting the impacts of volume, lower volume, and higher costs related to the maintenance, plant stoppages, and the de-stocking process in the value chain of many sectors of the economy. Overall in the year, Oxiteno reported an EBITDA of BRL210 million, up 33% compared to 2007.

Talking about the future of Oxiteno, in the Fourth Quarter, we completed some important specialty chemicals production capacity expansions, which should allow us to improve significantly the specialty chemicals volume resulting in a better sales mix. At first, these expansions will allow the replacement and displacement of imported products. And as the Brazilian economy resumes growth, it will be then used to serve the market growth.

We are in a position to replace imported products because, while we were expanding our plants over the last few years, the market grew faster than we had expected. Based on the advantages that we have by being a local supplier and the client proximity and the quality of services, Oxiteno intends to grow its volume to the displacement of imports back to its historical level.

Looking at the First Quarter, in the months of January and February, we have seen improvements in the comparison against the same months of the previous year in terms of volumes. In other words, we had declining volumes December against December. We had a smaller decline January against January. We had an even smaller decline February against February.

And we currently expect that for the quarter, we will have declining volumes but much less than what we had in comparison Fourth Quarter against Fourth Quarter. In other words, at this moment, our expectations are that in the First Quarter of 2009, Oxiteno will have a volume reduction in relation to the First Quarter of 2008 of approximately half of the reduction that we had between Fourth Quarters.

In relation to First Quarter EBITDA, we estimate that we will have another quarter of growth year-over-year but lower than the Fourth Quarter of this 2008. And this stands from two reasons. Firstly, the Brazilian real has been stable during this quarter, while during the Fourth Quarter, we experienced a meaningful devaluation. And second, the benefits of lower prices of raw materials will only be reflected in a meaningful way in our costs as we sell our current inventory.

Moving onto Ultragaz on slide 17, in 2008, sales volume reached 1.572 million tons of product, a 2% growth, mainly derived or derived from a 2% increase in the bottled segment, while the bulk segment remained stable. In the first half of 2008, Ultragaz faced



a more competitive environment in the bottled segment. And in order to offset the effects of that more competitive market, Ultragaz intensified its cost reduction program.

As a result, SG&A expenses were only 3% [ph] higher in the period despite an approximately 6% inflation rate and a 2% volume growth. In the year, Ultragaz EBITDA reached BRL211 million, 16% lower than in 2007, mainly because of the more competitive environment in the bottled segment of 2008.

Turning now to slide 18, we now show the performance of the Fourth Quarter, where total volume was stable compared to Fourth Quarter 2007. We have a highlight to the bottled segment, 3% higher in the period, as a result of commercial initiatives implemented by Ultragaz. That offset a decline of 6% in the bulk segment, due to the lower level of economic activity in the Fourth Quarter of 2008.

During the quarter, we kept our focus on initiatives to reduce expenses and the overall decline of 4% in relation to Fourth Quarter 2007. EBITDA reached BRL51 million, practically stable compared to the Fourth Quarter as the mix effect from the reduction of bulk sales versus increase in bottled sales offset the reduction in SG&A expenses.

The performance in this Fourth Quarter shows that a relevant portion of Ultragaz volume is not influenced by economy growth as LPG is a good first necessity for most Brazilians. The bottled LPG in Brazil is mainly used in households for cooking. In other words, it's the energy of choice for the vast majority of stoves in Brazil. And therefore, its correlation to economic growth is very, very small.

In addition to the resilience in volumes, Ultragaz strategy will continue to focus on operational excellence, looking for ways to do more with the same, and also expanding in niche markets, mainly focusing on capture of higher growths in certain regions.

One example of that strategy is our expansions to the states of Para and Maranhao, regions with higher growth and where we are currently strengthening our position. As part of the implementation of the business plan, we have already about 70 resellers operating. And we expect to have about 120 until the end of the year. Our volume sold in these two states in the month of January was double the volume in January 2008, showing obviously a positive evolution, but also starting from a small comparison base.

To conclude, for Ultragaz in the First Quarter, we expect a performance in volume similar to the Fourth Quarter compared to the previous year. Regarding EBITDA, we expect a positive evolution compared to the First Quarter of 2008 due to the reduction in costs and expenses under implementation and to the growing focus on cash generation by the companies in this sector.

Moving now to slide 20 and talking about Ultracargo, in the Fourth Quarter, we began to consolidate the results of Uniao Terminais, which together with expansion that we carried out in our terminal in Aratu and the increased amount of ethanol handled at our Santos terminal resulted in a 55% increase in average stored volume in the Fourth Quarter

compared to the Fourth Quarter of '07. For the year, Ultracargo's storage volume was up 20% compared to 2007 due to the same factors.

Regarding EBITDA, in the Fourth Quarter, it totaled BRL21 million, three times the EBITDA in the Fourth Quarter of '07, as a consequence of the higher occupancy rates in Aratu and Santos, the consolidation of Uniao Terminais, and certain nonrecurring costs that we had in the Fourth Quarter of 2007. With all of that, we finished the year with an EBITDA of BRL51 million, a 17% growth in relation to 2007.

An important part of the growth of Ultracargo will come on the next quarters from Uniao Terminais, which we began to consolidate in the Fourth Quarter. Our integration process is in very advanced stages as the operating systems were fully integrated to ours. And the financial and admin functions are 100% integrated with absolutely no additional costs being added to the existing structures of Ultracargo and the corporate center of Ultra in relation to absorbing those functions. We are now working on some of the commercial and operating synergies, which are well underway.

The results of Ultracargo in the First Quarter of our operation, which was the Fourth Quarter last year, left us very pleased. The EBITDA of the acquired operation was BRL11 million, which was significantly above the EBITDA they used to produce under the previous owner. And it represents an annualized EBITDA of approximately BRL43 million, BRL44 million above our business plan. In relation to the First Quarter, we expect a similar performance as in the Fourth Quarter with no relevant impact in the results of Ultracargo as a consequence of the weaker level of economic activity.

Finally, our investment plan for 2009, excluding any possible acquisitions, amounts to BRL528 million, down 46% from 2008. As I mentioned at the beginning of the presentation, the year of 2008 crowned a major cycle of investments started in 2007 with the acquisition of Ipiranga and followed by the acquisitions of Uniao Terminais, Texaco, and the conclusion of significant portion of Oxiteno's production capacity expansions.

In 2009, investments will therefore be significantly lower as we will be focusing on capturing the benefits of those major investments and on the cash flow generation of our businesses. Of the total BRL528 million, approximately half will be vested in Ipiranga with a focus on its fuel distribution network and the brand name switching on the acquisition of Texaco. At Oxiteno, investment will be focused on the expansion of our ethylene oxide production at Camacari, which is now scheduled to enter operation in 2010 and the modernization of our facilities.

At Ultragaz, investments include the strengthening of our operations in the states of Para and Maranhao, following -- pursuing our strategy of growth in niche markets and the renewal of LGP bottles and tanks. And finally, Ultracargo will focus its investments in operational improvements and some small expansions in our terminals in Santos and Aratu.

So this brings to the end of what we had prepared to show you today. And I'm available together with the team that is here from each one of the businesses as well as the

financial team to respond to any questions you have.

## Questions And Answers

### Operator

Thank you. The floor is now open for questions. (Operator Instructions).

Our first question comes from Denis Parisien from Santander. Please go ahead.

#### Q - Denis Parisien {BIO 20333702 <GO>}

Good morning. Thanks very much for the call. I have a couple of questions. I'll ask a couple and then I'll get back in the queue I guess to leave room for other people. Could you update us, please, on -- or any color that you might be able to give us on the completing the acquisition of the Texaco deal?

Is that still an April-May -- likely in April-May event? Are we still -- are you expecting to draw down your cash level by the entire BRL1.2 billion? Is there a potential for additional costs there to -- for estimates -- adjustments in estimates of receivables and inventories and whatnot? And how much is the assumed debt there, please?

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

Thank you, Denis. We are working together with the Texaco team towards a closing at the end of this month. There are certain things that need to still be finished and achieved. But the target is at the end of the month. At that moment, we are expected to pay BRL1.1 billion as we have made a 5% deposit on signing of the contract. That amount is denominated in reais. Therefore, it is not subject to variation of exchange rate.

The only adjustments contemplated in the price are the usual adjustments for working capital and that as of the day of closing, which sometime after closing are calculated. And if working capital -- target working capital -- actual working capital was higher than target working capital, we'd pay for it. If actual working capital was lower than target working capital, then we get a refund on the price. And the same thing works for net debt. The expected debt to be assumed is zero. So the Company is expected to come with basically a zero net debt position and a zero gross debt position.

#### Q - Denis Parisien {BIO 20333702 <GO>}

Great. And the financing, is it going -- are you going to draw down cash for the entire amount?

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

We have at this moment the sufficient funds in our banks, in our balance sheet to pay for it. So we'll simply be reducing the amount of cash that we have. At the end of the year, we had BRL2.1 billion in cash. The new credit line that we draw down that I mentioned in the presentation adds BRL0.5 billion to that. So we are currently at BRL2.6 billion in cash. And

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we have to pay BRL1.1 billion out of that BRL2.6 billion in a couple weeks. Knock on wood. If everything goes right, then we close at the end of the month.

**Q - Denis Parisien** {BIO 20333702 <GO>}

Good luck with that. You mentioned the new credit line that you obtained. Is that -- there's no restriction on the use of that? It's not meant specifically for CapEx or anything like that? Is there anything that -- is there any additional color on that credit that would help us understand it better? Or is it pretty much just a straightforward loan?

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

It's pretty much a straightforward loan. So it's for general corporate purposes. Obviously, it'll be used to pay Texaco. Total term is three years with two years of no amortization. Its cost -- its interest rate is 120% of the CDI. And it can be repaid at any point without any penalty.

**Q - Denis Parisien** {BIO 20333702 <GO>}

Great. Thanks for that. I'll ask one more and then get back in the queue. Your Oxiteno Fourth Quarter volumes declined something like 24% year-over-year.

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

Correct.

**Q - Denis Parisien** {BIO 20333702 <GO>}

And EBITDA grew by a remarkable 88%. You cited the improvement in your sales mix. It's quite a remarkable event in terms of the cash generation compared to the volume, assuming that you had a lower absorption of fixed cost and lower capacity utilization due to the drop in volume. Can you give us any more color on the sales mix and the difference in EBITDA margins between the commodity chemicals and the specialty chemicals or anything that would help us understand better that divergence between volume and EBITDA generation?

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

Yes, so should decline volumes more often, right? There are a couple things that made the Fourth Quarter a very good quarter in terms of EBITDA. The first one is the one you mentioned, is the improvement in the composition of our sales with an increased participation in the specialty chemicals and a decline in the glycols. In the glycols, basically at the current environment, there's basically no money to be made. So the entire money is made on the specialty chemicals. And as we had more specialty chemicals now, that improved our average pricing.

But that was only one of the elements. Another very important element was that the real depreciated quite significantly during the Fourth Quarter. And as Oxiteno is basically a dollarized business in Brazil, the devaluation of real improves quite significantly its results. It is what I mentioned earlier is a change in the economic environment.

For the last five years, the real appreciated. And Oxitenno had been dealing with it by increasing its scale, reducing its costs, improving its mix. And now, we are starting from a much better position towards a situation of lower costs because oil price declines will allow us to have over time lower costs and also a more devaluated real.

**Q - Denis Parisien** {BIO 20333702 <GO>}

Thank you. And you mentioned displacing imports. Can you give us more color on the percentage on average? I know it'll vary from product to product. But is there any color you can give us in terms of the percentage of imports that made up that market, your overall market for Oxitenno's products and where you expect -- you said you would get back to historical levels by the end of this year or in the not-too-distant future. Can you give us some color as to what the percentages would look like?

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

Historically, Oxitenno has on average something like 70%, 80% of the market. And the rest is largely served by imports. It does, as you said, vary tremendously by product, by family, and so on. But 70% to 80% is a rough estimate.

On the last few years, particularly 2008, when we were expending our plants, the market grew faster than we had expected, as I mentioned. And as we didn't have more product to sell, some of our customers started to import more than they normally would. And as a consequence of that, again, as a sort of baseline broad estimate, we lost about 10% market share.

**Q - Denis Parisien** {BIO 20333702 <GO>}

And you expect to get back to around 80% then from around 70%. Would that be fair?

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

We expect to recapture those 10percentage points on average over a period of time.

**Q - Denis Parisien** {BIO 20333702 <GO>}

Great. Thanks very much.

**Operator**

Our next question comes from Tereza Mello from Citigroup. Please go ahead.

**Q - Tereza Mello** {BIO 6448187 <GO>}

Hi. How are you? A couple of quick questions -- first, on accounting, the MaxFacil is going to be always accounted in the Fourth Quarter on Ipiranga? Second, on the profitability of Oxitenno, could you talk a little bit more about your expectations for the First Quarter? Are you seeing any decline already in contract prices in Europe for ethylene?

And you talked about the inventories and moving to inventories and that volumes should be lower year-over-year. Should margins decline quarter-over-quarter? And how is the startup of the fatty alcohol plant going on, as expected? How much do you expect to produce and sell in 2009? Thank you.

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

Hi, Tereza.

**Q - Tereza Mello** {BIO 6448187 <GO>}

Hi.

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

Thanks for the questions. First, MaxFacil -- MaxFacil is the company that manages our credit card business. Ipiranga as part of its differentiated product and positioning offer in the gas stations has a branded Ipiranga credit card -- actually a family of Ipiranga branded credit cards. This is a company that is in partnership with Itau Unibanco. And it operates for a couple of years now. But we were until recently discussing the final corporate status and form of this partnership. And while that was happening, all the results of the activity were warehoused in Itau.

**Q - Tereza Mello** {BIO 6448187 <GO>}

Okay.

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

We finished that process at the end of last year. And as a consequence, now this will be recognized on a monthly basis. In December, Itau Unibanco paid us BRL13 million, which were 50% of the profits, our share of the profits of MaxFacil during 2008.

**Q - Tereza Mello** {BIO 6448187 <GO>}

Okay. Great.

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

Your second question was on prices of raw materials.

**Q - Tereza Mello** {BIO 6448187 <GO>}

Exactly.

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

The prices of ethylene have started to decline. Particularly in the month of February and March, they already showed a decline.

**Q - Tereza Mello** {BIO 6448187 <GO>}

Okay.

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

And therefore, we are acquiring ethylene at much lower cost than before. However, jumping to your second question, we do have inventory of finished products and also some raw materials. And we'll only be able to see the full benefit of the lower raw material prices as we continue to sell the inventory that we already have. In other words, our inventory has old costs. And as we sell that, we're going to start getting the benefit of the lower raw material prices.

**Q - Tereza Mello** {BIO 6448187 <GO>}

Okay.

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

That is one of the reasons that in relation to Fourth Quarter you will see in the First Quarter a decline in EBITDA margin --

**Q - Tereza Mello** {BIO 6448187 <GO>}

Okay.

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

But a growth in relation to the First Quarter last year.

**Q - Tereza Mello** {BIO 6448187 <GO>}

Okay, okay. Great. And if I can ask another question, what about -- have you seen any increases in your bad account receivables, in your provisions for account receivables? And how is your customers? I would say I don't think it's much of an issue in Ipiranga. I may be wrong. But in Oxitenio, I don't know how it is, Ultragaz. Are you seeing an increased -- more clients asking for credit? Yes. That's the question.

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

We have not seen meaningful change in our receivables due.

**Q - Tereza Mello** {BIO 6448187 <GO>}

Okay.

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

Obviously, everyone is asking for more credit.

**Q - Tereza Mello** {BIO 6448187 <GO>}

Okay.

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

But that's just I think an economy-wide event. And we respond on a case-by-case basis. So it has not affected our credit levels or our levels of bad debt at this moment.

**Q - Tereza Mello** {BIO 6448187 <GO>}

Okay. And where do you see more how the business operates? Do you see more people asking for time to pay [ph] in Ipiranga, Oxitenó, Ultragaz?

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

In the retail operations, it is a lot of small customers.

**Q - Tereza Mello** {BIO 6448187 <GO>}

Okay.

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

So you tend to get sort of an integral effect, in other words, a lot of people asking. In Oxitenó, customers are larger. So it's more of a negotiation with a handful of customers.

**Q - Tereza Mello** {BIO 6448187 <GO>}

Okay. Okay. Thank you very much, Andre.

**Operator**

Our next question comes from Pedro Nieto from Santander. Please go ahead.

**Q - Pedro Nieto** {BIO 17309251 <GO>}

Hi, Andre. Thank you very much for the call. I have two very specific questions. The first one is related to the financing and bonuses to clients at Ipiranga. If you could give us more color there on how it affects working capital, that's the first question.

And the second one is about financial income and financial expense. The company was very nice providing all the details with the new law and the old law, looking at the ITR the Company provides, that breakdown into interest expense and interest income with the new law. Is there any material change between the new law and old law on interest income and interest expense? And if so, could we get those new figures? Thank you very much.

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

Thank you, Pedro. As you probably have seen on the numbers that compare the financial expenses on the old law and the new law, the effects are not at all meaningful. Can you repeat your first question because the sound was breaking up a little?



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**Q - Pedro Nieto** {BIO 17309251 <GO>}

Sure. The first question was related to the financing and bonuses to clients at Ipiranga. And so, a little more color on that if you could specify what lines it affects in working capital. I'm trying to understand a little more what that means.

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

When we bring a new gas station to our network, Pedro, we sign with them normally a five-year contract, where the owner of the gas station agrees to buy fuels only from us, agrees to use our brand, agrees to use a certain business format, and form a group of protocols. In exchange, we help him as a business partner. We make a portion of the investment in the gas station.

Normally, we own the tanks and pumps, which is by the way one of the best ways to control any potential environmental liabilities. And we also often give him a loan towards his working capital. That loan is normally three years, two years. And that has to be repaid. And it has slightly more attractive rates than a market rate.

This appears in our financial statements in accounts receivable for long-term clients I think. So it is in the balance sheet item of working capital. But as management wise, it is something that you can do through a loan or you can give him a bonus as opposed to a loan. Or you can invest in the gas station. Management wise, we treat that as an investment. But financial wise, that doesn't show in our fixed assets. It shows in our working capital.

**Q - Pedro Nieto** {BIO 17309251 <GO>}

Okay. That's very clear. Then, to confirm on the financial -- income financial expense, going to interest income and interest expense, you mentioned that there is no material change from the old law to the new law, right?

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

Correct.

**Q - Pedro Nieto** {BIO 17309251 <GO>}

Okay. Thank you very much.

**Operator**

Ladies and gentlemen. this does conclude the question-and-answer session for today. At this time, I will turn the floor back over to Mr. Andre Covre for any closing remarks.

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

Well thank you very much for being with us on our Fourth Quarter and 2008 conference call. We appreciate the interest. Our Investor Relation team is available to discuss with you

any additional doubts. And we look forward to seeing you in our next conference call.  
Thank you.

## Operator

Thank you. This concludes today's Ultrapar 4Q '08 and 2008 Results Conference Call.  
You may disconnect your lines at this time.

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