PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

1. Selected Consolidated Financial Data

[Reserved]

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

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

We have included information in these risk factors concerning Brazil based on information that is publicly available. Other risks that we do not presently know about or deem as immaterial could also cause adverse effects on our businesses, operations, financial condition and results of operations.

Summary of Risk Factors

Risks Relating to Ultrapar and Its Industries

- *Petrobras is the main supplier of LPG and oil-based fuels in Brazil. Fuel and LPG distributors in Brazil, including Ipiranga and Ultragaz, have formal contracts with Petrobras for the supply of oil-derivatives. Any material delay or interruption in the supply of LPG or oil-based fuels from Petrobras would immediately affect Ultragaz or Ipiranga's ability to provide LPG and oil-based fuels to their customers;*
- *Our businesses may be materially and adversely affected by the outbreak of communicable diseases, such as the ongoing COVID-19 pandemic, or other epidemics or pandemics;*
- *Intense competition is generally inherent to distribution markets, including the LPG, the fuel distribution and the retail pharmacy markets and may affect our operating margins;*
- *Anticompetitive practices in the fuel distribution sector may distort market prices;*
- *LPG and oil-based fuels compete with alternative sources of energy. Competition with and the development of alternative sources of energy in the future may adversely affect the LPG and oil-based fuels market;*
- *The Brazilian petrochemical industry is influenced by the performance of the international petrochemical industry and its cyclical behavior;*

- *The sale of Extrafarma might not be consummated, which could have an adverse effect on our businesses, operations, financial condition and results of operations;*
- *Regulatory, political, economic and social conditions could adversely impact our businesses and the market price of our securities;*
- *Our businesses would be materially adversely affected if operations at our transportation and distribution facilities experienced significant interruptions;*
- *We may be adversely affected by changes to specific laws and regulations in our operating sectors;*
- *We may be adversely affected by the imposition and enforcement of more stringent environmental laws and regulations, including as a result of rising climate change concerns, that may result in increased costs of operation and compliance, as well as a decrease in demand for our products;*
- *The production, storage and transportation of LPG, fuels and petrochemicals are inherently hazardous;*
- *Our level of indebtedness may require us to use a significant portion of our cash flow to service such indebtedness;*
- *Our insurance coverage may be insufficient to cover losses that we might incur;*
- *The suspension, cancellation or non-renewal of certain tax benefits may adversely affect our results of operations;*
- *No single shareholder or group of shareholders holds more than 50% of our capital stock, which may increase the opportunity for alliances between shareholders and other events that may occur as a result thereof;*
- *As a result of acquisitions, Ultrapar has assumed and may assume in the future certain liabilities related to the businesses acquired or to be acquired. Additionally, Ultrapar has assumed and may assume certain risks associated with acquisitions and divestments, including regulatory risks;*
- *Our founding family and part of our senior management, through their ownership interest in Ultra S.A. and Parth, own a significant portion of our shares and may influence the management, direction and policies of Ultrapar, including the outcome of any matter submitted to the vote of shareholders;*
- *Our status as a holding company may limit our ability to pay dividends on the shares and consequently, on the ADSs;*
- *Our governance and compliance processes may fail to prevent regulatory penalties and reputational harm;* and
- *Information technology failures, including those that affect the privacy and security of personal data, as a result of cyber-attacks or other causes, could adversely affect our businesses and the market price of our shares and ADSs.*

Risks Relating to Brazil

- *The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. Brazilian political and economic conditions, including ongoing political instability and perceptions of these conditions in the international markets, could adversely affect our businesses and the market price of our shares and ADSs*;
- *Inflation and certain governmental measures to curb inflation, including as a result of the COVID-19 pandemic, may contribute significantly to economic uncertainty in Brazil and could harm our businesses and the market value of the ADSs and our shares;*
- *Exchange rate instability may adversely affect our financial condition, results of operations and the market price of the ADSs and our shares*;
- *Economic and market conditions in other countries, including in the United States and emerging market countries, may materially and adversely affect the Brazilian economy and, therefore, our financial condition and the market price of the shares and ADSs*;

- *Our businesses, financial condition and results of operations may be materially and adversely affected by a general economic downturn and by instability and volatility in the financial markets and commodity prices, including as a result of the conflict between Ukraine and Russia; and*
- *Holders of our ADSs may face difficulties in serving process on or enforcing judgments against us and other relevant persons.*

Risks Relating to Our Common Shares and ADSs

- *Asserting limited voting rights as a holder of ADSs may prove more difficult than for holders of our common shares*;
- *Holders of our shares or ADSs may not receive dividends*;
- *Holders of our shares may be unable to exercise preemptive rights with respect to the shares*;
- *If shareholders exchange ADSs for shares, they may lose certain foreign currency remittance and Brazilian tax advantages*;
- *Controls and restrictions on the remittance of foreign currency could negatively affect your ability to convert and remit dividends, distributions or the proceeds from the sale of our shares, Ultrapar's capacity to make dividend payments to non-Brazilian investors and the market price of our shares and ADSs*;
- *Changes in Brazilian tax laws may have an adverse impact on the taxes applicable to a disposition of our ADSs*;
- *Substantial sales of our shares or our ADSs could cause the price of our shares or our ADSs to decrease*; and
- *There may be adverse U.S. federal income tax consequences to U.S. Holders if we are or become a PFIC under the Code.*

Risks Relating to Ultrapar and Its Industries

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

Prior to 1995, Petrobras held a constitutional monopoly for the production and importation of petroleum products in Brazil. Although this constitutional monopoly was formally terminated pursuant to an amendment to the Brazilian constitution enacted in 1995, Petrobras effectively remains the main provider of LPG and oil-based fuels in Brazil. In 2021, Ultragaz and all other LPG distributors in Brazil purchased all or nearly all LPG from Petrobras. Ultragaz's net revenue from sales and services represented 9% of our net revenue from sales and services for the year ended December 31, 2021. The procedures for ordering and purchasing LPG from Petrobras are generally common to all LPG distributors—including Ultragaz. For more details, see "Item 4.B. Information on the Company—Business Overview—Distribution of Liquefied Petroleum Gas—Ultragaz—Supply of LPG."

With respect to fuel distribution, Petrobras also supplied the majority of Ipiranga and other distributors' oil-based fuel requirements in 2021. Petrobras' supply to Ipiranga is governed by an annual contract, under which the supply volume is established based on the volume purchased in the previous year. Ipiranga's net revenue from sales and services represented 91% of our net revenue from sales and services for the year ended December 31, 2021. For further information, see "Item 4.B. Information on the Company—Business Overview—Fuel Distribution—Ipiranga—Supply of fuels."

Significant interruptions or delays of LPG and oil-based fuel supply from Petrobras may occur in the future. Any interruption in the supply of LPG or oil-based fuels from Petrobras would immediately affect Ultragaz or Ipiranga's respective ability to provide LPG or oil-based fuels to its customers, and material delays in the supply could also impact our operations. If we are not able to obtain an adequate supply of LPG or oil-based fuels from Petrobras under acceptable terms, we may seek to meet our demands through LPG or oil-based fuels purchased in the international market. The logistics infrastructure for LPG and oil-based fuel imports in Brazil is limited and is substantially controlled by Petrobras. Any such interruption or material delays could increase our purchase costs and reduce our sales volume, consequently, adversely affecting our operating margins.

Petrobras is currently under investigation by the CVM, the Brazilian Federal Police and other Brazilian public authorities in connection with corruption allegations (so called *Lava Jato* investigations) consisting, among other things, of illegal payments made to officers, directors and other employees of Petrobras to influence commercial decisions. Petrobras was under investigation by the SEC and the US Department of Justice and announced a settlement of those investigations in September 2018. In addition, Petrobras was previously subject to a class action in the United States, which was also settled in 2018. As disclosed by Petrobras, it is currently party to a collective action commenced in the Netherlands, an arbitration proceeding in Argentina, and arbitration and judicial proceedings commenced in Brazil. In each case, the proceedings were brought by investors (or entities that allegedly represent investors' interests) who purchased shares of Petrobras traded on the B3 or other securities issued by Petrobras outside of the United States, alleging damages caused by facts uncovered in the *Lava Jato* investigations. Such investigations and proceedings have had a destabilizing effect on Petrobras, and it is difficult to ascertain what further impact such matters will have on Petrobras' supply of LPG and oil-based fuels to market players.

In addition, Petrobras has made several changes to the composition of its management team and has undertaken a long-term divestment plan. It is not clear how these changes or any future changes in management may impact price adjustment policy and how the divestment plan may change the structure and long-term outlook of the fuel market. We cannot predict the outcome that the *Lava Jato* investigations will have on the fuel market and, specifically, on the availability of, and our ability to access, the LPG and oil-based fuel supply from Petrobras.

Our businesses may be materially and adversely affected by the outbreak of communicable diseases, such as the ongoing COVID-19 pandemic, or other epidemics or pandemics.

A novel strain of coronavirus, COVID-19, was first identified in China in December 2019 and became a global pandemic in March 2020. Our businesses were materially and adversely affected by the ongoing COVID-19 pandemic and may be materially and adversely affected by the outbreak of other communicable diseases, including epidemics and pandemics.

The COVID-19 pandemic has had a material impact on businesses around the world, including ours, and the economic and political environments in which businesses operate. There are several factors associated with the ongoing COVID-19 pandemic and its impact on global economies that could have a material adverse effect on our businesses, financial condition, results of operations, cash flows, prospects and the market price of our securities.

A number of countries, states or areas where we operate have implemented policies in response to the COVID-19 pandemic, including declaring states of emergency, implementing severe restrictions on the movement and activities of people and/or implementing restrictions on the operations of certain businesses. These restrictions are determined by the central or local governments of individual jurisdictions (including through the implementation of emergency powers) and impacts (including the timing of implementation and any subsequent lifting of restrictions) may vary from jurisdiction to jurisdiction. Restrictions on the movement of people and on businesses operations have a significant impact on economic activity in the relevant countries, states or areas and could adversely affect our operational capacity or productivity, could disrupt transportation networks and supply and distribution chains causing disruptions in our businesses operations, and could significantly reduce customer demand or result in unfavorable changes in consumer behavior. In addition, new governmental and regulatory actions and support measures taken in response to the COVID-19 outbreak may impose restrictions or obligations on our businesses and may limit management's flexibility in managing our business.

The dissemination of COVID-19 made us change our businesses practices (including additional hygienic practices for workplaces and employees, and canceling in-person meetings, events and conferences) during the pandemic. In addition, we also created a crisis committee to identify and monitor the main developments and risks relating to COVID-19 and to adopt preventive and emergency measures to reduce their effects. We may take additional actions, as required by government authorities or as determined by management, considering the best interests of our employees, customers and business partners. We cannot guarantee that these measures will be sufficient to mitigate the risks posed by the pandemic or that they will meet the demands of government authorities.

The COVID-19 pandemic has caused disruption to our customers, suppliers, personnel and resellers in Brazil and in all other countries in which we operate. Nonetheless, pursuant to Federal Decree No. 10,282/20, which was issued in the context of Federal Law No. 13,979/20, the activities of the subsidiaries of Ultrapar were considered essential during the ongoing COVID-19 pandemic. As a result, our subsidiaries have continued to operate and have ensured a continuous supply of their products and services to their clients. However, we cannot assure that our subsidiaries will not be impacted by external factors, such as the limitation of access by our subsidiaries to operational inputs, clients, and financial resources. We also cannot assure that the current legal framework will not be altered. If it happens, all or some of our subsidiaries' activities may no longer be considered essential and might be subject to restrictions that could materially affect the results of our operations and businesses.

In addition, the COVID-19 pandemic has affected business and economic sentiment, causing significant volatility in global markets and affecting the outlook of the economy of Brazil and of the other countries in which we operate. Such affects include significant volatility in the price of crude oil, the price of LPG and the price of other commodities, as well as significant volatility in foreign exchange rates, borrowing costs and the availability of credit. The COVID-19 pandemic has led to a weakening in gross domestic product in several countries around the world, including in the countries in which we operate.

In addition to general effects on the economy and the businesses of our suppliers and clients, the COVID-19 pandemic – and any other communicable disease – imposes risks to our operations directly. For instance, if a group of employees of the same division is infected simultaneously, such division may have its activities and businesses affected. If this occurs to a strategic division – or to more than one division simultaneously, it can adversely affect our operation and businesses, and results as a consequence.

New variants and mutations of the virus that causes COVID-19 have emerged in different countries, including in Brazil. Events like new waves of mutated coronavirus can add even more uncertainty to the economic scenario, rapidly changing predictions and forecasts. In addition, we cannot predict the potential severity of the economic downturn or recession and we cannot predict the post-crisis recovery environment which, from a commercial, economic, political, regulatory and risk perspective, could be significantly different to past crises and could persist for a prolonged period. The extent to which the COVID-19 outbreak will affect our businesses, financial condition, results of operations or cash flows will depend on present and future developments, which are highly uncertain and unpredictable. These developments include, among others, the duration and geographic distribution of the outbreak and new waves, its severity, actions to contain the virus or minimize its impact, and how quickly and to what extent normal economic and operational conditions can be resumed. Even after containing the outbreak of COVID-19, our businesses may continue to suffer adverse and material impacts due to the global or regional economic impact, including recession and economic slowdown, which may affect the purchasing power of our customers.

The implemented measures of social distancing, restrictions on the mobility of people and the operation of certain businesses due to the COVID-19 pandemic affected economic activity in Brazil over the last two years; however, these negative impacts have been mitigated as local governments gradually lift such restrictions in response to the increase in COVID-19 vaccinations. No significant effects were observed on the operations of the Company and its subsidiaries in the year ended December 31, 2021.

Still, we cannot predict to what extent the financial information, after December 31, 2021, may be affected by the commercial, operational and financial impacts of the pandemic, because it will depend on its duration and the impacts on economic activities, as well as government, and businesses in response to the crisis. In this context, some financial risk assessments, projections and impairment tests, in connection with the preparation of these financial statements, may be impacted by the pandemic, and may adversely affect the financial position of the Company and its subsidiaries. In addition, the increased volatility in financial markets may impact our financial results where a fair value approach is required.

As there are no comparable recent events that can provide us with guidance regarding the effect of a severe global pandemic, we cannot predict the final impact of the COVID-19 outbreak. Finally, the impact of the COVID-19 pandemic can also precipitate or exacerbate the other risks described in this annual report.

For the impact of ongoing COVID-19 pandemic on our results and operations in 2021 see “Item 5.A. Operating and Financial Review and Prospects—Operating Results—Impact of ongoing COVID-19 pandemic”, and other risk factors included herein and “—Trend Information” below.

Intense competition is generally inherent to distribution markets, including the LPG, the fuel distribution and the retail pharmacy markets and may affect our operating margins.

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

The Brazilian fuel distribution market is highly competitive as well, in both retail and wholesale segments, with companies with significant resources participating in the Brazilian fuel distribution market. Furthermore, small, local and regional distributors, as well as some important international players have increased their market share in recent years. Intense competition in the fuel distribution market could lead to lower sales volumes and increased marketing expenses, which may have a material adverse effect on our operating margins. See “Item 4.B. Information on the Company—Business Overview—Fuel Distribution—Industry and Regulatory Overview—The role of Petrobras” and “Item 4.B. Information on the Company—Business Overview—Fuel Distribution—Ipiranga—Competition.”

Likewise, the Brazilian drugstore market is highly competitive. Extrafarma competes with national, regional and local drugstore chains, independent drugstores, prescription-only pharmacies, internet purveyors of pharmaceutical and beauty products, and other retailers such as supermarkets, beauty products’ stores and convenience stores. In addition, new retailers may enter the market and compete with us. Competition in the retail pharmacy market is shaped by a variety of factors, such as location, range of products, advertising, commercial practices, prices, quality of services and strength of brand name, among others. If we are unable to anticipate, predict and meet the preferences of our customers, we may lose revenue and market share to our competitors.

Anticompetitive practices in the fuel distribution sector may distort market prices.

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

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

LPG and oil-based fuels compete with alternative sources of energy. Competition with and the development of alternative sources of energy in the future may adversely affect the LPG and oil-based fuels market.

LPG competes with alternative sources of energy, such as natural gas, wood, diesel, fuel oil and electricity. Natural gas is currently the main source of energy that we compete with. Currently, natural gas is less expensive than LPG for large industrial consumers, but more expensive for most of residential consumers. Changes in relative prices or the development of alternative sources of energy in the future may adversely affect the LPG market and consequently our business, financial results and results of operations. Oil-based fuels also compete with alternative sources of energy, such as electricity. See “Item 4.B. Information on the Company—Business Overview—Distribution of Liquefied Petroleum Gas—Ultragaz—Competition.”

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

The international petrochemical market is cyclical by nature, with alternating periods typically characterized by tight supply, increased prices and high margins, or by overcapacity, declining prices and low margins. The decrease in Brazilian import tariffs on petrochemical products, the increase in demand for such products in Brazil, and the ongoing integration of regional and world markets for commodities have contributed to the increasing integration of the Brazilian petrochemical industry into the international petrochemical marketplace. In addition, to the extent that Petrobras' price adjustment policy is aligned with international market price variation, those variations are relevant for the Brazilian petrochemical industry. Consequently, events affecting the petrochemical industry worldwide, including the escalating military tension between Russia and Ukraine, could have a material adverse effect on our business, financial condition and results of operations.

The sale of Extrafarma might not be consummated, which could have an adverse effect on our businesses, operations, financial condition and results of operations.

On May 18, 2021, Ultrapar entered into a share purchase and sale agreement ("SPA") for the sale of all of its shares in Extrafarma to Pague Menos for a total sale price of R$700 million, subject to certain adjustments due mainly to changes in working capital and Extrafarma's net debt position on the closing date of the transaction, as provided in the SPA. The completion of the transaction is subject to usual conditions precedent, including the approval by Brazilian antitrust authority. If we fail to meet any of the conditions precedent set forth in the SPA, including the aforementioned antitrust approval, and the fulfillment of any such conditions precedent are not waived (if applicable) by Pague Menos, we would not be able to consummate the transaction. Consequently, we would not receive the proposed purchase price in connection with such sale, which could have an adverse effect on our businesses, operations, financial condition or results of operations. Additionally, we have incurred in significant costs, expenses, and fees for professional services and other transaction costs in connection with the sale of Extrafarma and we will have to pay such costs, expenses and fees even if the transaction is not completed. For more information, see "Item 4.A. Information on the Company—History and Development of the Company—A.2. Discontinued Operations—Extrafarma" and "Item 4.A. Information on the Company—History and Development of the Company—Recent Developments—Investitures and Divestitures."

Regulatory, political, economic and social conditions could adversely impact our businesses and the market price of our securities.

Our financial and operational performance may be negatively affected by regulatory, political, economic and social conditions. In some of these jurisdictions, we are exposed to various risks such as potential renegotiation, nullification or forced modification of existing contracts, expropriation or nationalization of property, foreign exchange controls, changes in local laws, regulations and policies, trade controls and tariffs, global trade uncertainties and political instability. Furthermore, we operate in labor-intensive industries that are subject to the effects of instabilities in the labor market, including strikes, work stoppages, protests and changes in employment regulations, increases in wages and the conditions of collective bargaining agreements that, individually or in the aggregate, could have a material adverse effect on our results. The industries in which we operate have experienced these types of instabilities in the past and we cannot assure that these instabilities will not occur again.

Actual or potential political or social changes and changes in economic policy may undermine investor confidence, which may hamper investment and thereby reduce economic growth, and otherwise may adversely affect the economic and other conditions under which we operate in ways that could have a materially negative effect on our businesses.

We are also exposed to risks relating to the ongoing COVID-19 pandemic and the regulatory, political, economic and social impacts of that outbreak. See "—Our businesses may be materially and adversely affected by the outbreak of communicable diseases, such as the ongoing COVID-19 pandemic, or other epidemics or pandemics."

Our businesses would be materially adversely affected if operations at our transportation and distribution facilities experienced significant interruptions.

The distribution of LPG, fuels and pharmaceutical products is subject to inherent risks, including interruptions or disturbances in the distribution system which may be caused by accidents or force majeure events, including the ongoing COVID-19 pandemic. Our operations are dependent upon the uninterrupted operation of our terminals, storage and distribution facilities and various means of transportation. We are also dependent upon the uninterrupted operation of certain facilities owned or operated by our suppliers. Operations at our facilities and at the facilities owned or operated by our suppliers could be partially or completely shut down, temporarily or permanently, as the result of any number of circumstances that are not within our control, such as:

- catastrophic events, including hurricanes and floods;
- social and economic conflicts, such as terrorist events and wars, including the escalating military tension between Russia and Ukraine;
- epidemics and pandemics, such as the ongoing COVID-19 pandemic (see "—Our businesses may be materially and adversely affected by the outbreak of communicable diseases, such as the ongoing COVID-19 pandemic, or other epidemics or pandemics");
- environmental matters (including environmental licensing processes or environmental incidents, contamination, and others);
- labor difficulties (including work stoppages, strikes and other events); and
- disruptions in our means of transportation, affecting the supply of our products.

Any significant interruption at these facilities or inability to transport products to or from these facilities or to our customers for any reason could subject us to liability in judicial, administrative or other proceedings, including for disruptions caused by events outside of our control, which could materially affect our businesses and results.

For example, on May 21, 2018, Brazilian truck drivers announced a nationwide strike, which lasted 10 days, demanding a reduction in taxes imposed on diesel and an amendment to the fuel pricing methodology adopted by Petrobras. The nationwide strike also involved the blockage of some of our facilities, obstruction of highways and other public roadways all over the country which have affected the delivery of various types of cargos and prevented us from carrying out our activities and operations in a normal manner. Amongst the impacts caused by the nationwide strike, the ANP issued a series of exceptional measures to remain in effect while the strike was ongoing to avoid fuel shortages. The Brazilian Federal Government also announced the implementation of measures to meet the demands made by the truck drivers to end the nationwide strike.

We may be adversely affected by changes to specific laws and regulations in our operating sectors.

We are subject to extensive federal, state and local legislation and regulation by government agencies and sector associations in the industries we operate. Rules related to quality of products, product storage, staff working hours, among others, may become more stringent or be amended overtime, and require new investments or the increase in expenses so our operations are in compliance with the applicable rules. Changes in specific laws and regulations in the sectors we operate may adversely affect the conditions under which we operate in ways that could have a materially negative effect on our businesses and our results.

For example, as a consequence of the nationwide truck drivers’ strike, the ANP issued a series of exceptional measures to remain in effect while the strike was ongoing to avoid fuel shortages. The Brazilian Federal Government also announced the implementation of measures to meet the demands made by the truck drivers to end the nationwide strike.

The nationwide strike and the measures adopted in response had a direct impact on our businesses and results. Further strikes and any additional measures to be implemented by the Brazilian Federal Government and regulatory agencies in response may also affect our operations and further adversely impact our results.

We may be adversely affected by the imposition and enforcement of more stringent environmental laws and regulations, including as a result of rising climate change concerns, that may result in increased costs of operation and compliance, as well as a decrease in demand for our products.

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

Changes in these laws and regulations, or changes in their enforcement, could adversely affect us by increasing our cost of compliance or operations. In addition, new laws or additional regulations, or more stringent interpretations of existing laws and regulations, could require us to spend additional funds on related matters in order to stay in compliance, thus increasing our costs and having an adverse effect on our results. Due to concern over the risk of climate change, a number of countries, including Brazil, have adopted or are considering the adoption of regulatory frameworks to, among other things, reduce greenhouse gas emissions. These include adoption of cap and trade regimes, carbon taxes, increased efficiency standards, prohibition of oil-based fuels vehicles, and incentives or mandates for renewable energy. These requirements could reduce demand for hydrocarbons in different rhythm aces and different levels in countries where our customers are located, as well as shifting hydrocarbon demand toward relatively lower-carbon sources. In addition, many governments are providing tax advantages and other subsidies and mandates to make alternative energy sources more competitive against oil and gas, what can disincentivize the sale of certain products supplied by our subsidiaries. Governments are also promoting research into new technologies to reduce the cost and increase the scalability of alternative energy sources, all of which could lead to a decrease in demand for our products. In addition, current and pending greenhouse gas regulations may substantially increase our compliance costs and, as a result, increase the price of the products we produce or distribute.

If we do not invest in researching and developing new, less carbon intensive solutions and adapt our operating structure to operate on cleaner energy sources, we may incur greater compliance and operating costs than other companies in the markets in which we operate, which may have an adverse effect on our competitiveness and revenues.

Furthermore, if we are perceived to be in violation of environmental laws and regulations, we may face reputational harm before consumers, our B2B customers, investors, the communities in which we operate and other stakeholders, which may adversely affect our access to capital, revenues and capacity to obtain the licenses we need to perform our operations.

For more information on environmental laws and regulation within our businesses, see “Item 4.B. Information on the Company—Business Overview—Distribution of Liquefied Petroleum Gas—Industry and Regulatory Overview—Environmental, health and safety standards”, “Item 4.B. Information on the Company—Business Overview—Fuel Distribution—Industry and Regulatory Overview—Environmental, health and safety standards” and “Item 4.B. Information on the Company—Business Overview—Petrochemicals and Chemicals—Industry and Regulatory Overview—Environmental, health and safety standards.”

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

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

For example, on April 2, 2015, part of the storage facilities operated by Ultracargo in Santos, in the state of São Paulo, endured a nine-day fire surrounding six ethanol and gasoline tanks. There were no casualties in this accident and, following an investigation by the State and Federal Police into the accident and its impact on the region, the cause of the accident was determined to be inconclusive. See “Item 4.A. Information on the Company—History and Development of the Company—Ultracargo – Fire at storage facilities in Santos.”

Our level of indebtedness may require us to use a significant portion of our cash flow to service such indebtedness.

As of December 31, 2021, our consolidated debt was R$16,377.6 million (US$2,934.8 million) and our net cash provided by operating activities from continuing operations totaled R$1,603.4 million (US$287.3 million). The level and composition of our indebtedness could have significant consequences for us, including requiring a portion of our cash flow from operations to be committed to the payment of principal and interest on our indebtedness, thereby reducing the available cash to finance our working capital and investments.

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

The operation of any chemical manufacturing plant and the specialized distribution and retail, as well as the operations of logistics of oil, LPG, fuels and pharmaceuticals distribution involve substantial risks of property damage and personal injury and may result in material costs and liabilities. Although we maintain insurance policies, the occurrence of losses or other liabilities that are not covered by insurance or that exceed the limits of our insurance coverage could result in significant unexpected additional costs.

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

Currently, we are entitled to tax benefits providing for income tax reduction for our activities in the Northeast region of Brazil, subject to certain conditions. Conversely, if the corresponding tax authorities understand that we have not complied with any of the tax benefit requirements or if the current tax programs from which we benefit are modified, suspended, cancelled, not renewed or renewed under terms that are substantially less favorable than expected, we may become liable for the payment of related taxes at the full tax rates and our results of operations may be adversely affected. Income tax exemptions amounted to R$110.9 million, R$83.9 million and R$43.2 million, for the years ended December 31, 2021, 2020 and 2019, respectively. See “Item 4.B. Information on the Company—Business Overview—Distribution of Liquefied Petroleum Gas—Ultragaz—Income tax exemption status”, “Item 4.B. Information on the Company—Business Overview—Petrochemicals and Chemicals—Oxiteno—Income tax exemption status” and “Item 4.B. Information on the Company—Business Overview—Storage services for liquid bulk —Ultracargo—Income tax exemption status.”

No single shareholder or group of shareholders holds more than 50% of our capital stock, which may increase the opportunity for alliances between shareholders and other events that may occur as a result thereof.

No single shareholder or group of shareholders holds more than 50% of our capital stock. Due to the absence of a controlling shareholder, we may be subject to future alliances or agreements between shareholders, which may result in the exercise of a relevant influence over our Company by them. In the event a controlling group is formed and decides to exercise its influence over our Company, we may be subject to unexpected changes in our corporate governance and strategies, including the replacement of key executive officers. Any unexpected change in our management team, business policy or strategy, any dispute between our shareholders, or any attempt to acquire control of our Company may have an adverse impact on us. The term of office of our current members of our Board of Directors, who were elected at the annual and extraordinary general shareholders’ meeting held on April 14, 2021, will expire in the annual general shareholders’ meeting to be held in 2023.

As a result of acquisitions, Ultrapar has assumed and may assume in the future certain liabilities related to the businesses acquired or to be acquired. Additionally, Ultrapar has assumed and may assume certain risks associated with acquisitions and divestments, including regulatory risks.

Ultrapar has assumed certain liabilities of previously acquired businesses; therefore, certain existing financial obligations, legal liabilities or other known and unknown contingent liabilities or risks of the businesses acquired have become Ultrapar´s responsibility. Ultrapar may acquire new businesses in the future and, as a result, it may be subject to additional liabilities, obligations and risks. See “Item 4.A. Information on the Company—History and Development of the Company” for more information in connection with these acquisitions.

In addition, Ultrapar is subject to risks relating to acquisitions and divestments that it enters into from time to time. Such risks include that the approval of such transactions may ultimately be refused by the relevant regulatory bodies, including CADE. See “Item 8.A. Financial Information—Consolidated Statements and Other Financial Information—Legal Proceedings.”

These liabilities may cause Ultrapar to be required to make payments (including indemnifications and future claims in judicial and arbitral proceedings), incur charges or take other actions that may adversely affect Ultrapar’s financial position and results of operations and the price of Ultrapar’s shares.

Our founding family and part of our senior management, through their ownership interest in Ultra S.A. and Parth, own a significant portion of our shares and may influence the management, direction and policies of Ultrapar, including the outcome of any matter submitted to the vote of shareholders.

Although there is no controlling shareholder of Ultrapar, our founding family and part of our senior management, through their ownership interest in Ultra S.A., beneficially own 25% of our outstanding common stock. Ultra S.A., together with Parth, another branch of the Igel family, entered into a shareholders’ agreement on May 2, 2018 relating to their Ultrapar shares. On August 18, 2020, Ultra S.A. and Parth entered into the 2020 Shareholders’ Agreement to include Pátria, in its capacity as Ultra S.A.'s shareholder then holding a 20% stake in Ultra S.A.'s capital stock, as consenting intervening party, therefore bound by the provisions of the 2020 Shareholders' Agreement. The 2020 Shareholders’ Agreement replaced the 2018 Shareholders’ Agreement in its entirety, and the terms and conditions remain substantially the same of the latter. On September 28, 2021, Ultra S.A. informed the Company that Mr. Marcos Marinho Lutz, our Chief Executive Officer, became a shareholder of Ultra S.A., holding 2.4% of its capital stock, and also became a consenting intervening party of the 2020 Shareholders’ Agreement. As of December 31, 2021, the 2020 Shareholders' Agreement binded a total of shares representing 34.7% of the Company’s capital stock.

See “Item 4.A. Information on the Company—History and Development of the Company”, “Item 7.A. Major Shareholders and Related Party Transactions—Major Shareholders—Shareholders’ Agreements” and “Exhibit 2.12—2020 Shareholders’ Agreement, dated as of August 18, 2020.” Accordingly, these shareholders, acting together through Ultra S.A. and Parth, may exercise significant influence over all matters requiring shareholder approval, including the election of our directors.

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

As a holding company, we have no significant operating assets other than the ownership of shares of our subsidiaries. Substantially all of our operating income comes from our subsidiaries, and therefore we depend on the distribution of dividends or interest on shareholders’ equity from our subsidiaries. Consequently, our ability to pay dividends depends solely upon our dividends and other cash flows from our subsidiaries.

Our governance and compliance processes may fail to prevent regulatory penalties and reputational harm.

We are committed to conduct our businesses in a legal and ethical manner in compliance with the local and international statutory requirements and standards applicable to our activities. However, our governance and compliance processes, which include reviewing internal controls over financial reporting, may not prevent future violations of applicable legal, including anti-corruption, antitrust and conflicts of interest laws and regulations, accounting or governance standards. Although we have implemented what we understand to be a robust compliance and ethics program to detect and prevent violations of applicable anti-corruption, antitrust and conflicts of interest laws, we may be subject to breaches of our Code of Ethics, anti-corruption policies and commercial conduct protocols, and to instances of fraudulent behavior, corrupt, anticompetitive and unethical practices and dishonesty by our employees, contractors or other agents. In the recent past, anticompetitive practices have been one of the main problems affecting fuels and LPG distributors in Brazil, including Ipiranga and Ultragaz. There are allegations of cartels involved in price fixing in the fuel distribution and LPG sectors, and CADE has been targeting players of these sectors in different regions of Brazil. CADE has recently been actively investigating these sectors and the outcome of the ongoing investigations, administrative proceedings and lawsuits could have a material adverse effect on Ipiranga and Ultragaz. Our failure to comply with applicable laws and other standards could subject us to, among others, litigation, investigations, expenses, fines, loss of operating licenses and reputational harm.

Information technology failures, including those that affect the privacy and security of personal data, as a result of cyber-attacks or other causes, could adversely affect our businesses and the market price of our shares and ADSs.

We increasingly rely on information technology systems to process, transmit, and store electronic information. A significant portion of the communication between our personnel, customers, and suppliers depends on information technology. In addition, our billing systems relies heavily on technology infrastructure. As with all large systems, our information systems may be vulnerable to a variety of interruptions due to events beyond our control, including, but not limited to, natural disasters, terrorist attacks, telecommunications failures, computer viruses, hacker attacks, human errors or other security issues.

We depend on information technology to enable us to operate efficiently and interface with customers, as well as to maintain in-house management and control. We also collect and store non-public personal information that customers provide to purchase products or services, including personal information and payment information.

In addition, the concentration of processes in shared services centers means that any technology disruption could impact a large portion of our businesses within the operating regions we serve. Any transitions of processes to, from or within shared services centers as well as other transformational projects, could lead to business disruptions. If we do not allocate, and effectively manage, the resources necessary to build and sustain the proper technology infrastructure, we could be subject to transaction errors, processing inefficiencies, loss of customers, operations disruptions, or the loss of or damage to intellectual property caused by security breach. As with all information technology systems, our system could also be penetrated by outside parties with the purpose of extracting information, corrupting information or disrupting business processes.

In Brazil, we are subject to laws and regulations relating to data protection and data privacy, including Brazilian Law No. 13,709 (LGPD). LGPD, which came into force in September 2020, except for its administrative sanctions (Articles 52, 53 and 54), which came into force on August 1, 2021, pursuant to Law No. 14,010, sets out the rights of data holders and, among others, creates a legal framework for the processing of personal data. LGPD requires mandatory breach notification in case of relevant risk or damage to the data holder and authorizes regulatory investigations that could lead to fines and other sanctions in case of non-compliance. To date, we are not aware of any ongoing regulatory investigations affecting us. However, we cannot assure that we will not be subject to any such investigations and any resulting sanctions in the future, should any breaches take place.

LGPD, as well as any other changes to existing personal data protection laws, may subject us to, among other measures, additional costs and expenses, which would require costly changes to our businesses practices and security systems, policies, procedures and practices.

As a result of our activities, Ultra Group processes personal data, including data of employees, dealers, customers and consumers. Therefore, in order to comply with the applicable laws and regulations, we have designed and implemented a privacy program, which, among others, aims to ensure that our businesses will put in place the procedures required to provide the appropriate legal basis for the processing of personal data and the adequate handling of said personal data.

We have implemented security measures to protect our databases and prevent cyberattacks, thereby reducing risks of exposure to data breaches and IT security incidents and we have adopted various actions aiming to minimize potential technology disruptions, such as tools, controls and procedures in the management and monitoring of internal and perimeter security, periodic analysis of vulnerabilities, an information security and cybersecurity awareness program, contingency plans for critical processes, a secondary environment for physical disaster recovery and respective periodic tests, tools for continuous monitoring and correlation of events, a dedicated team responsible for maintaining and continuously improving the information security management system, incident response plans and other best practices and tools, but all of these protections may be compromised as a result of third-party security breaches, burglaries, cyberattack, errors by employees or employees of third-party vendors, contractors, misappropriation of data by employees, vendors or unaffiliated third parties, or other irregularities that may result in persons obtaining unauthorized access to company data or otherwise disrupting our business.

For example, on January 11, 2021, an unauthorized party disrupted access to our IT systems, which caused a temporary interruption to our operations and resulted in the theft of certain proprietary data. On January 14, 2021, we began restoring the systems that were affected by this incident, consistent with our cybersecurity guidelines and policies. All critical information systems of the Company and its subsidiaries have been fully operational since February 2021. For further information, see Note 1.b to our consolidated financial statements.

As of the date of this annual report, the Company does not carry insurance against cyber incidents. Therefore, similar interruptions, data breaches or any noncompliance with LGPD could have an adverse effect on our businesses, reputation, results of operations, cash flows or financial condition, or result in proceedings or actions against us, including the imposition of fines.

Risks Relating to Brazil

The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. Brazilian political and economic conditions, including ongoing political instability and perceptions of these conditions in the international markets, could adversely affect our businesses and the market price of our shares and ADSs.

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

- currency fluctuations;
- inflation;
- interest rates;
- exchange rate policies;
- liquidity available in the domestic capital, credit and financial markets;
- oil and gas sector regulations, including price policies;
- petrochemical and chemical sectors regulations;
- retail pharmacy business regulations;
- payment business regulations;
- the impact of epidemics and pandemics, such as the ongoing COVID-19 pandemic;
- price instability;
- social and political instability;
- energy and water shortages and rationing;
- liquidity of domestic capital and lending markets;
- fiscal policy; and
- other political, economic, social, trade and diplomatic developments in or affecting Brazil.

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

Political instability in Brazil has been growing in recent years and can adversely affect the economy.

Brazilian markets have registered an increase in volatility due to uncertainties resulting from ongoing investigations conducted by the Brazilian Federal Police and the Brazilian Federal Public Prosecutor’s Office with respect to high-ranking members of the government, including President Jair Bolsonaro. Such investigations have impacted the country’s economy and political environment.

Furthermore, President Bolsonaro has been criticized both in Brazil and internationally, with the destabilizing effects of the COVID-19 pandemic increasing political uncertainty and instability in Brazil, particularly after the departure of several high-ranked federal ministers and the allegations of corruption against President Bolsonaro. As of the date of this 20-F, President Bolsonaro is under investigation by the Brazilian Supreme Court for potential misconduct, as alleged by former Minister of Justice, Sergio Moro. In addition, in April 2021, the Brazilian Congress has launched a Parliamentary Inquiry Commission (Comissão Parlamentar de Inquérito, or “CPI”) to investigate the government’s management of the COVID-19 pandemic. The CPI investigated, among other things, alleged failures to impose lockdowns or promote social distancing, the successive removals of health ministers amid the pandemic, and the promotion of unproven drugs in treating COVID-19. Upon completion of the congressional investigation, a final report was approved on October 26, 2021 recommending President Bolsonaro to be indicted for nine crimes related to his handling of the COVID-19 pandemic, including crimes against humanity. The congressional report could lead to criminal charges or trigger an impeachment proceeding. Any resulting consequences of these investigations could have material adverse effects on the political and economic environment in Brazil, as well as on businesses operating in Brazil, including us.

In February 2021, President Bolsonaro moved to replace the then-CEO of state-controlled Petrobras with the army general, Joaquim Silva e Luna, suggesting a more interventionist government agenda, which had an adverse effect on Brazilian capital markets. In March, 2022, Mr. Luna was ousted by President Bolsonaro in a stand-off over fuel prices. To replace him, president Bolsonaro nominated José Mauro Coelho, who was elected on April 14, 2022, for a one-year term, becoming Petrobras’s third CEO in just over a year. More recently, President Bolsonaro’s ongoing criticism of Brazil’s electronic voting system and the judiciary for investigations involving his supporters for allegedly financing, organizing or inciting violence or anti-democratic acts, or disseminating false information, contributed to heightened tensions with the Brazilian Supreme Court.

The potential outcome of these and other matters is uncertain, but they have already had a negative impact on the market general perception regarding the Brazilian economy and have adversely affected and may continue to affect our businesses, financial condition and results of operations, as well as the market price of our common shares. We cannot predict whether the ongoing investigations, including those involving President Jair Bolsonaro, will lead to further political and economic instability, nor whether new allegations against government officials and executives and/or private companies will emerge in the future. We are also unable to foresee the results of these investigations, nor the impact on the Brazilian economy or the Brazilian stock market.

In addition, general elections in Brazil, including to elect the president, are scheduled to be held in October 2022. Historically, election years in Brazil, especially presidential ones, are marked by political uncertainty which generates greater instability and volatility in the Brazilian economic and political scenario. Moreover, in March 2021, the Brazilian Supreme Court overturned criminal convictions and restored former President Luiz Inácio Lula da Silva’s political rights, allowing him to run in the upcoming presidential election, adding more uncertainty to the Brazilian political landscape. The outcome of the upcoming presidential election, as well as its impacts on the Brazilian economy, are uncertain and may adversely affect our operations, financial results, and the trading price of our shares.

Moreover, the Brazilian government may be subject to internal pressure to change its current macroeconomic policies in order to achieve higher rates of economic growth. Prior to the COVID-19 pandemic, Brazil was just emerging from a prolonged recession and a period of slow recovery, with only meager GDP growth in 2017, 2018 and 2019. Brazil’s incipient economic recovery in 2020 was torpedoed with the onset of the COVID-19 pandemic and governmental measures in relation thereto, all of which have introduced an additional level of economic and political uncertainty. These dynamics further impacted the start of 2021 which, as restrictions were gradually lifted and government stimulus reduced, amplified the uncertainty by adding volatility to the market through accelerated inflation and higher Selic rates in Brazil.

Brazil’s federal budget has been in deficit since 2014. Similarly, the governments of Brazil’s constituent states are also facing fiscal concerns due to their high debt burdens, declining revenues and inflexible expenditures. The Brazilian Congress has approved a ceiling on government spending that limits primary public expenditure growth to the prior year’s inflation for a period of at least 10 years. In 2019, Congress approved the reform of Brazil’s pension system, which is expected to contribute towards complying with the spending limit. However, discussions in the Brazilian Congress relating to a tax and an administrative reform remain ongoing as of the date of this annual report. In addition, governmental responses to the ongoing COVID-19 pandemic may have significant effect on the fiscal position in Brazil, including reduced tax revenue and increased governmental spending to combat COVID-19 and its impacts. The Brazilian Congress has approved a legislative decree that recognizes the state of public calamity in Brazil due to the COVID-19 pandemic and such state of calamity was effective until December 31, 2020. Due to the state of public calamity, the government was not required to meet the fiscal primary balance target for 2020. In addition, a constitutional amendment has been approved by the Congress to allow the separation of expenses incurred to combat COVID-19 from the budget of the Federal Government, creating an extraordinary regime to allow the increase in public expenditures during the ongoing COVID-19 pandemic without the constitutional barriers that currently restrict federal spending. The proposed constitutional amendment exempts the Federal Government from the so-called fiscal “golden rule” of balancing the budget through the end of 2020. Moreover, on December 8, 2022, the Congress passed another amendment to the Brazilian Constitution (the so-called “PEC dos Precatórios”), which eases certain rules related to the payment of “precatórios” in Brazil (judicial payment orders related to debts owed by the federal treasury and other federal governmental entites in Brazil) to release part of the Federal Government Budget for 2022, which will be used finance a new social program launched by President Bolsonaro ahead of his 2022 re-election campaign. Recently, proposals under consideration may also include significant financial support to the budgets of states and municipalities, further increasing government spending, which is expected to further increase the fiscal deficit in Brazil.

Diminished confidence in the Brazilian government’s budgetary condition and fiscal stance could result in downgrades of Brazil’s sovereign debt by credit rating agencies and the rise of risk premium, negatively impacting Brazil’s economy, lead to further depreciation of the Real and an increase in inflation and interest rates. In addition, negative ratings actions could be taken by rating agencies as a result of economic and political uncertainties or other factors in connection with the COVID-19 pandemic (see “—Risks Relating to Ultrapar and Its Industries—Our businesses may be materially and adversely affected by the outbreak of communicable diseases, such as the ongoing COVID-19 pandemic, or other epidemics or pandemics”, and other risk factors included herein). The occurrence of any of these factors could adversely affect our businesses, results of operations and financial condition.

We cannot predict which policies will be adopted by the Brazilian government, including with respect to the oil and gas industry or Petrobras’ pricing policies. Moreover, in the past, the Brazilian economy has been affected by the country’s political events, which have also affected the confidence of investors and the public in general, thereby adversely affecting the performance of the Brazilian economy. Furthermore, any indecisiveness by the Brazilian government in implementing changes to certain policies or regulations may contribute to economic uncertainty in Brazil and heightened volatility for the Brazilian securities markets and securities issued abroad by Brazilian companies. We are not able to fully estimate the impact of global and Brazilian political and macroeconomic developments on our businesses. In addition, there is substantial uncertainty regarding future economic policies, and we cannot predict which policies will be adopted by the Brazilian government and whether these policies will negatively affect the economy or our businesses or financial performance. Recent economic and political instability has led to a negative perception of the Brazilian economy and higher volatility in the Brazilian securities markets, which also may adversely affect our securities and us. Any continued economic instability and political uncertainty which results in reduced availability of credit and reduced economic growth may materially and adversely affect our businesses.

Inflation and certain governmental measures to curb inflation, including as a result of the COVID-19 pandemic, may contribute significantly to economic uncertainty in Brazil and could harm our businesses and the market value of the ADSs and our shares.

In the past, Brazil has experienced extremely high rates of inflation. Inflation and some of the Brazilian government's measures taken in an attempt to curb inflation have had significant negative effects on the Brazilian economy. Since the introduction of the Real in 1994, Brazil's inflation rate has been substantially lower than that in previous periods. However, during the recent past, the economy has experienced increasing inflation rates and actions taken in an effort to curb inflation, coupled with economic and political impacts derived from COVID-19 crisis and speculation about possible future governmental actions, have contributed to economic uncertainty in Brazil and heightened volatility in the Brazilian securities market. According to the Índice Geral de Preços-Mercado, or IGP-M, an inflation index, the Brazilian general price inflation rates were 17.8% in 2021, 23.1% in 2020 and 7.3% in 2019. According to the Índice Nacional de Preços ao Consumidor Amplo, or IPCA, an inflation index to which Brazilian government's inflation targets are linked, inflation in Brazil was 10.1% in 2021, 4.5% in 2020 and 4.3% in 2019. Brazil may experience high levels of inflation in the future. Our operating expenses are substantially in Reais and tend to increase with Brazilian inflation. Inflationary pressures due to low interest rates and exchange rate depreciation may also hinder our ability to access foreign financial markets or may lead to further government intervention in the economy, including the introduction of government policies that could harm our businesses or adversely affect the market value of our shares and, as a result, our ADSs.

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

Although a substantial portion of our sales is denominated in Reais, a significant portion of the products that we distribute, including LPG and fuel, have prices linked to commodity prices denominated in U.S. dollars. Therefore, we are exposed to foreign exchange rate risks that could materially adversely affect our businesses, financial condition and results of operations as well as our capacity to service our debt. See "Item 11. Quantitative and Qualitative Disclosures about Market Risk."

During the last decades, the Brazilian government has implemented various economic plans and a number of exchange rate policies, including sudden devaluations, periodic mini-devaluations during which the frequency of adjustments has ranged from daily to monthly, floating exchange rate systems, exchange controls and dual exchange rate markets. Although over long periods depreciation of the Brazilian currency has been generally correlated with the rate of inflation in Brazil, there have historically been observed shorter periods of significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar and other currencies, in particular in the last 10 years.

In 2017, the Real depreciated 2% against the U.S. dollar reflecting the continued political instability and deterioration of the expectation of the pension reform approval, despite the slight improvement in the Brazilian macroeconomic scenario. In 2018, the Real depreciated 17%, pressured mainly by the global instability, result of economic crises in developed countries and the increase of interest rates by the Federal Reserve System in the United States. The domestic scenario, characterized by political instability due to the presidential election and the slow progress of fiscal and pension reforms, also influenced the Real depreciation during the year. In 2019, the Brazilian Central Bank reduced the interest rate to boost economic momentum after indications of low inflation. The reduction in interest rates, along with geopolitical instability – mainly the commercial conflict between the United States and China, led to pressures on the Real exchange rate in 2019. Despite the pension reform approval by the Brazilian Congress and other events that caused periods of appreciation during the year, the Real depreciated 4% against the U.S. dollar in 2019. In 2020, the Real depreciated 29% against the U.S. dollar, mainly due to the low interest rate environment in Brazil coupled with local and international market conditions, including the economic, political and other impacts of the ongoing COVID-19 pandemic. In 2021, the Real depreciated 7% against the U.S. dollar, mainly due to the slow recovery of Brazil from the economic downturn, the increase in global inflation and fiscal risks in the country. From December 31, 2021 to April 22, 2022, the Real appreciated 15% against the U.S. dollar.

There are no guarantees that the exchange rate between the Real and the U.S. dollar will stabilize at current levels, and the Real and the U.S. dollar exchange rate may be adversely impacted by the economic and fiscal scenario caused by the ongoing COVID-19 pandemic and governmental responses to this. Although we have contracted hedging instruments with respect to part of our existing U.S. dollar debt obligations, in order to reduce our exposure to fluctuations in the dollar/Real exchange rate, we cannot guarantee that such instruments will be adequate to fully protect us against further devaluation of the Real, and we could in the future experience monetary losses as a result. See “Item 11. Quantitative and Qualitative Disclosures about Market Risk” for information about our foreign exchange risk hedging policy.

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

Economic and market conditions in other countries, including in the United States and emerging market countries, may materially and adversely affect the Brazilian economy and, therefore, our financial condition and the market price of the shares and ADSs.

The market for securities issued by Brazilian companies is influenced by economic and market conditions in Brazil, and, to varying degrees, market conditions in other countries, including the United States, other Latin American and emerging market countries. Although economic conditions are different in each country, the reaction of investors to developments in one country may cause the capital markets in other countries to fluctuate. Developments or conditions in other countries, including the United States and other emerging market countries, have at times significantly affected the availability of credit in the Brazilian economy and resulted in considerable outflows of funds and declines in the amount of foreign currency invested in Brazil, as well as limited access to international capital markets, all of which may materially and adversely affect our ability to borrow funds at an acceptable interest rate or to raise equity capital when and if we should have such a need.

In 2019, 2020 and 2021, the Brazilian market remained volatile due to, among other factors, uncertainties about the increasing risk aversion to emerging market countries, and the uncertainties regarding Brazilian macroeconomic and political conditions. These uncertainties adversely affected us and the market value of our securities. In addition, we continue to be exposed to disruptions and volatility in the global financial markets because of their effects on the financial and economic environment, particularly in Brazil, such as a slowdown in the economy, an increase in the unemployment rate, a decrease in the purchasing power of consumers and the lack of credit availability. In addition, since the beginning of 2020, the ongoing COVID-19 pandemic has resulted in significant financial market volatility and uncertainty around the globe. See “Our businesses may be materially and adversely affected by the outbreak of communicable diseases, such as the ongoing COVID-19 pandemic, or other epidemics or pandemics.”

Disruption or volatility in the global financial markets, including as a result of the military conflict between Russia and Ukraine, could further increase negative effects on the financial and economic environment in Brazil, which could have a material adverse effect on our businesses, results of operations and financial condition.

Our businesses, financial condition and results of operations may be materially and adversely affected by a general economic downturn and by instability and volatility in the financial markets, including as a result of the conflict between Ukraine and Russia.

The turmoil of the global financial markets and the scarcity of credit in the past led to lack of consumer confidence, increased market volatility and widespread reduction of business activity. An economic downturn could materially and adversely affect the liquidity, businesses and/or financial conditions of our customers, which could in turn result not only in decreased demand for our products, but also increased delinquencies in our accounts receivable.

On February 24, 2022, a full-scale military invasion of Ukraine by Russian troops was reported. Since then, global markets have been experiencing volatility and disruption following the escalation of geopolitical tensions and the start of the military conflict between these countries. Although the length and impact of the ongoing military conflict are highly unpredictable, the conflict in Ukraine has led and could further lead to market disruptions, including significant volatility in commodity prices, including crude oil and natural gas, which could impact the prices of LPG and oil-based fuel, and demand in the markets in which we operate. Additionally, governments in the United States and many other countries have imposed economic sanctions on certain Russian individuals, including politicians, and Russian corporate and banking entities. These sanctions, or even the threat of further sanctions, could result in Russia taking countermeasures or retaliatory actions which may lead to further market disruptions and an increase in crude oil and natural gas prices globally, which could negatively impact our businesses and operations.

Moreover, an eventual new global financial crisis could have a negative impact on our cost of borrowing and on our ability to obtain future borrowings. The disruptions in the financial markets could also lead to a reduction in available trade credit due to counterparties’ liquidity concerns. If we experience a decrease in demand for our products or an increase in delinquencies in our accounts receivable, or if we are unable to obtain borrowings our businesses, financial condition and results of operations could be materially adversely affected.

Additionally, the rapid escalation of COVID-19 pandemic across the world since the beginning of 2020 has had, and can continue to have, a number of negative impacts on our businesses, financial condition and results of operations. See “—Our businesses may be materially and adversely affected by the outbreak of communicable diseases, such as the ongoing COVID-19 pandemic, or other epidemics or pandemics.”

Holders of our ADSs may face difficulties in serving process on or enforcing judgments against us and other relevant persons.

We are a company incorporated under the laws of Brazil. All members of our Board of Directors, executive officers and experts named in this annual report are residents of Brazil or have business address in Brazil. All or a substantial part of the assets pertaining to these individuals and to Ultrapar are located outside the United States. As a result, it is possible that investors may not be able to effect service of process upon these individuals or us in the United States or other jurisdictions outside Brazil, or enforce judgments against us or these other persons obtained in the United States or other jurisdictions outside Brazil, including for civil liability based upon United States federal securities laws or otherwise. In addition, because judgments of United States courts for civil liabilities based upon the United States federal securities laws may only be enforced in Brazil if certain conditions are met, holders may face greater difficulties in protecting their interests in the case of actions against us or our Board of Directors or executive officers than would shareholders of a United States corporation.

Risks Relating to the Shares and the American Depositary Shares

Asserting limited voting rights as a holder of ADSs may prove more difficult than for holders of our common shares.

Under the Brazilian Corporate Law, only shareholders registered as such in our corporate books may attend shareholders’ meetings. All common shares underlying the ADSs are registered in the name of the depositary bank. A holder of ADSs, accordingly, is not entitled to attend shareholders’ meetings. A holder of ADSs is entitled to instruct the depositary bank as to how to exercise the voting rights of its common shares underlying the ADSs in accordance with procedures provided for in the Deposit Agreement, but a holder of ADSs will not be able to vote directly at a shareholders’ meeting or appoint a proxy to do so. In addition, a holder of ADSs may not have sufficient or reasonable time to provide such voting instructions to the depositary bank in accordance with the mechanisms set forth in the Deposit Agreement and custody agreement, and the depositary bank will not be held liable for failure to deliver any voting instructions to such holders.

Holders of our shares or ADSs may not receive dividends.

Under our bylaws, unless otherwise proposed by the Board of Directors and approved by the voting shareholders at our annual shareholders’ meeting, we must generally pay our shareholders a mandatory distribution equal to at least 25% of our adjusted net profit, after the allocation of 5% of the net profit to the legal reserve. However, our net income may be used to increase our capital stock, used to set off losses and/or otherwise retained in accordance with the Brazilian Corporate Law and may not be available for the payment of dividends, including in the form of interest on shareholders’ equity. Therefore, whether you receive a dividend or not depends on the amount of the mandatory distribution, if any, and whether the Board of Directors and the voting shareholders exercise their discretion to suspend these payments. See “Item 8.A. Financial Information—Consolidated Statements and Other Financial Information—Dividends and Distribution Policy—Dividend Policy” for a more detailed discussion of mandatory distributions.

Holders of our shares may be unable to exercise preemptive rights with respect to the shares.

In the event that we issue new shares pursuant to a capital increase or offer rights to purchase our shares, shareholders would have preemptive rights to subscribe for the newly issued shares or rights, as the case may be, corresponding to their respective interest in our share capital, allowing them to maintain their existing shareholder percentage.

However, our bylaws establish that the Board of Directors may exclude preemptive rights to the current shareholders or reduce the time our shareholders have to exercise their rights, in the case of an offering of new shares to be sold on a registered stock exchange or otherwise through a public offering.

The holders of our shares or ADSs may be unable to exercise their preemptive rights in relation to the shares represented by the ADSs, unless we file a registration statement for the offering of rights or shares with the SEC pursuant to the United States Securities Act or an exemption from the registration requirements applies. We are not obliged to file registration statements in order to facilitate the exercise of preemptive rights and, therefore, we cannot assure ADS holders that such a registration statement will be filed. As a result, the equity interest of such holders in our Company may be diluted. If the rights or shares, as the case may be, are not registered as required, the depositary will try to sell the preemptive rights held by holder of the ADSs and you will have the right to the net sale value, if any. However, the preemptive rights will expire without compensation to you should the depositary not succeed in selling them.

If shareholders exchange ADSs for shares, they may lose certain foreign currency remittance and Brazilian tax advantages.

The ADSs benefit from the depositary’s certificate of foreign capital registration, which permits the depositary to convert dividends and other distributions with respect to the shares into foreign currency and remit the proceeds abroad. In order to surrender ADSs for the purpose of withdrawing the shares represented thereby, investors are required to comply with National Monetary Council (“CMN”) Resolution 4,373 of September 29, 2014 (“CMN Resolution 4,373”), which requires, among other things, that investors appoint a legal representative in Brazil. If the investors fail to comply with CMN Resolution 4,373, or the legal representative appointed by the investors fail to comply with CMN Resolution 4,373 or to take action when required to do so, it could affect the investors’ ability to receive dividends or distributions relating to our shares or the return of their capital in a timely manner. Investors that are registered as CMN Resolution 4,373 investors may buy and sell their shares on the Brazilian stock exchanges without obtaining separate certificates of registration. If investors do not qualify under CMN Resolution 4,373, they will generally be subject to less favorable tax treatment on distributions with respect to the shares. The depositary’s certificate of registration or any certificate of foreign capital registration obtained by the investor may be affected by future legislative or regulatory changes, and additional Brazilian law restrictions applicable to their investment in the ADSs may be imposed in the future. For a more complete description of Brazilian tax regulations, see “Item 10.E. Additional Information—Taxation—Brazilian Tax Consequences.”

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

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

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

According to Article 26 of Brazilian Law No. 10,833/2003, if a holder not deemed to be domiciled in Brazil for Brazilian tax and regulatory purposes, or a Non-Brazilian Holder, disposes of assets located in Brazil, the transaction will be subject to taxation in Brazil, even if such disposition occurs outside Brazil or if such disposition is made to another Non-Brazilian Holder. A disposition of our ADSs involves the disposal of a non-Brazilian asset, which in principle should not be subject to taxation in Brazil. Nevertheless, in the event that the disposal of assets is interpreted to include a disposal of our ADSs, this tax law could result in the imposition of the withholding income tax on a disposal of our ADSs between non-residents of Brazil. See “Item 10.E. Additional Information—Taxation—Brazilian Tax Consequences—Taxation of Gains.”