
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark one)

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

OR

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

For the fiscal year ended December 31, 2018

OR

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

OR

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

For the transition period from _____ to _____

Commission file number: 001-14950

ULTRAPAR PARTICIPAÇÕES S.A.

(Exact name of Registrant as specified in its charter)

ULTRAPAR HOLDINGS INC.

(Translation of Registrant's name into English)

The Federative Republic of Brazil

(Jurisdiction of incorporation or organization)

Av. Brigadeiro Luis Antônio, 1343, 9º Andar

São Paulo, SP, Brazil 01317-910

Telephone: 55 11 3177 3820

(Address of principal executive offices)

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

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

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

None

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

None

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

The number of outstanding shares of each class as of December 31, 2018.

Title of Class	Number of Shares Outstanding
Common Stock	543,014,947

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

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

Large Accelerated Filer ☒ Accelerated Filer ☐

Non-accelerated Filer ☐ Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards[†] provided pursuant to Section 13(a) of the Exchange Act. ☐

[†] The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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

U.S. GAAP ☐ International Financial Reporting Standards as issued by the International Accounting Standards Board ☒ other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow: Item 17 ☐ Item 18 ☐

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

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INTRODUCTION

Ultrapar is a Brazilian company with more than 80 years of history, with leading positions in the markets in which it operates: specialized distribution and retail through Ultragaz, Ipiranga and Extrafarma, production of specialty chemicals through Oxiteno and liquid bulk storage services through Ultracargo.

- Ultragaz is the leader in LPG (as defined below) distribution in Brazil, which is one of the largest markets worldwide. Ultragaz had a 23.6% market share as of December 31, 2018 according to ANP and was one of the largest independent LPG distributors in the world in terms of volume sold. “Item 4.B. Information on the Company—Business Overview—Distribution of Liquefied Petroleum Gas—Ultragaz—Competition.” As of December 31, 2018, we delivered LPG to an estimated 11 million households through a network of approximately 5.4 thousand independent retailers in the bottled segment and to approximately 54 thousand customers in the bulk segment.
- Ipiranga is one of the largest fuel distributors in Brazil, with a network of 7,218 service stations and 20.2% market share as of December 31, 2018 according to ANP. See “Item 4.B. Information on the Company—Business Overview—Fuel Distribution—Ipiranga—Competition.”
- Oxiteno is one of the largest producers of ethylene oxide and its main derivatives in Latin America, a major producer of specialty chemicals and the sole producer of fatty-alcohols and related by-products in Latin America, according to IHS Chemical. Oxiteno has twelve industrial units: six in Brazil, three in Mexico, one in the United States, one in Uruguay and one in Venezuela and commercial offices in Argentina, Belgium, China and Colombia.
- Ultracargo has a leading position in its sector, being the largest provider of liquid bulk storage in Brazil in terms of number of terminals and storage capacity according to ABTL, with six terminals and a storage capacity of 700 thousand cubic meters as of December 31, 2018.
- Extrafarma is the fifth largest drugstore chain in Brazil, according to ABRAFARMA, with 433 drugstores and 2 distribution centers as of December 31, 2018.

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

- “ABIQUIM” are to *Associação Brasileira da Indústria Química*, the Brazilian association of chemical industries;
- “ABRAFARMA” are to *Associação Brasileira de Redes de Farmácias e Drogarias*, the Brazilian association of pharmacy and drugstore chains;
- “ABTL” are to *Associação Brasileira de Terminais de Líquidos*, the Brazilian association of liquid bulk terminal operators;
- “ADSs” are to our American Depositary Shares, each representing (i) one common share, with respect to any period on or after August 17, 2011; or (ii) one non-voting preferred share, with respect to any period prior to August 17, 2011;
- “Alesat” are to Alesat Combustíveis S.A.;
- “am/pm” are to Ipiranga’s convenience stores franchise network that operate under the brand am/pm, managed by am/pm Comestíveis Ltda.;
- “American Chemical” are to American Chemical I.C.S.A., a company that was acquired by Oxiteno in November 2012, currently Oxiteno Uruguay;
- “ANFAVEA” are to *Associação Nacional dos Fabricantes de Veículos Automotores*, the Brazilian association of vehicle producers;
- “ANP” are to the *Agência Nacional do Petróleo, Gás Natural e Biocombustíveis*, the Brazilian oil, natural gas and biofuels regulatory agency;
- “ANVISA” are to the *Agência Nacional de Vigilância Sanitária*, the Brazilian health surveillance agency;

- “Aqces” are to Aqces Logística Internacional Ltda.;
- “Arch Andina” are to Arch Química Andina, C.A., a company that was acquired by Oxiteno in September 2007, currently Oxiteno Andina;
- “ARLA” are to Automotive Liquid Reducing Agent;
- “B3” are to the B3 S.A.—Brasil, Bolsa, Balcão, the São Paulo Stock Exchange;
- “Braskem” are to Braskem S.A.;
- “Brazil” are to the Federative Republic of Brazil;
- “Brazilian Corporate Law” are to Law No. 6,404 enacted in December 1976, as amended by Law No. 9,457 enacted in May 1997, by Law No. 10,303 enacted in October 2001, by Law No. 11,638 enacted in December 2007, by Law No. 11,941 enacted in May 2009, by Law No. 12,431 enacted in June 2011, by Law No. 12,810 enacted in May 2013, and by Law No. 13,129 enacted in May 2015;
- “Brazilian GAAP” are accounting practices adopted in Brazil that comprise the Brazilian Corporate Law and the Pronouncements, Guidelines and Interpretations issued by the Accounting Pronouncements Committee (“CPC”) and approved by the Federal Accounting Council (“CFC”) and the Brazilian Securities and Exchange Commission (“CVM”);
- “Brazilian government” are to the federal government of the Federative Republic of Brazil;
- “CADE” are to *Conselho Administrativo de Defesa Econômica*, the Brazilian Antitrust Authority;
- “Canamex” are to the chemical business formerly owned by the Berci Group, a company that was acquired by Oxiteno in December 2003, currently Oxiteno Mexico;
- “CBL” are to Chevron Brasil Ltda. (currently IPP), a former subsidiary of Chevron that, together with Galena, held Texaco;
- “CBLSA” are to Chevron Brasil Lubrificantes S.A., now called Iconic;
- “CBPI” are to Companhia Brasileira de Petróleo Ipiranga, a company that was merged into IPP in November 2009;
- “CDI” are to the Brazilian money market interest rate (*Certificados de Depósito Interbancário*);
- “Central Bank” are to the *Banco Central do Brasil*, the Brazilian central bank;
- “Chevron” are to Chevron Latin America Marketing LLC and Chevron Amazonas LLC;
- “Cia. Ultragaz” are to Companhia Ultragaz S.A.;
- “Code” are to the U.S. Internal Revenue Code of 1986, as amended;
- “Commodity Exception” are to gains derived from “qualified active sales” of commodities and “qualified hedging transactions” involving commodities, within the meaning of the applicable U.S. Treasury regulations;
- “Conab” are to the National Supply Company (*Companhia Nacional de Abastecimento*), a public company responsible for managing agricultural and supply policies;
- “CONAMA” are to *Conselho Nacional do Meio Ambiente* – the National Council of the Environment;
- “ConectCar” are to ConectCar Soluções de Mobilidade Eletrônica S.A., a joint-venture initially formed by Ipiranga and OTP (Odebrecht Transport S.A.), which started its operations in November 2012. In January 2016, Redecard S.A. acquired OTP’s interest in ConectCar;
- “Conversion” are to the conversion of all preferred shares issued by the company into common shares, at a ratio of 1 (one) preferred share for 1 (one) common share, as approved at the extraordinary general shareholders’ meeting and the special preferred shareholders’ meeting, both held on June 28, 2011;

- “CVM” are to *Comissão de Valores Mobiliários*, the Securities and Exchange Commission of Brazil;
- “ICVM 527/12” are to CVM Instruction No. 527/12, issued by the CVM on October 4, 2012, which governs the voluntary disclosure by listed companies in Brazil of EBITDA—Earnings Before Interest, Taxes, Depreciation and Amortization, and EBIT—Earnings Before Interest and Taxes, for the results disclosed from January 1, 2013 onwards;
- “Deposit Agreement” are to the Deposit Agreement between Ultrapar Participações S.A. and the Bank of New York Mellon, dated September 16, 1999, and all subsequent amendments thereto;
- “DNP” are to Distribuidora Nacional de Petróleo Ltda., a company that was acquired by Ipiranga in October 2010 and was merged into IPP in February 2011;
- “DPPI” are to Distribuidora de Produtos de Petróleo Ipiranga S.A., a company that was merged into CBPI in December 2008;
- “EMCA” are to Empresa Carioca de Produtos Químicos S.A.;
- “Extrafarma” are to Imifarma Produtos Farmacêuticos e Cosméticos S.A.;
- “Extrafarma Transaction” are to the exchange of shares of Extrafarma for Ultrapar’s shares on January 31, 2014, as described in “Item 4.A. Information on the Company—History and Development of the Company—Extrafarma”;
- “FGTS” are to *Fundo de Garantia do Tempo de Serviço*, the Brazilian government severance indemnity fund;
- “Galena” are to Sociedade Anônima de Óleo Galena Signal, a former subsidiary of Chevron that, together with CBL, held Texaco;
- “IAS” are to International Accounting Standard;
- “IASB” are to International Accounting Standards Board;
- “Iconic” are to Iconic Lubrificantes S.A., formerly CBLSA, an association formed by Ipiranga and Chevron, which started its operations in December 2017;
- “IFRS” are to International Financial Reporting Standards, as issued by IASB;
- “IGP-M” are to General Index of Market Prices of Brazilian inflation (*Índice Geral de Preços – Mercado*), calculated by the Getúlio Vargas Foundation;
- “IpiLubs” are to Ipiranga Lubrificantes S.A., a company that was merged into CBLSA in November 2018;
- “Ipiranga” are to Ultrapar’s subsidiaries that operate in the fuel distribution business and related activities;
- “Ipiranga Group” are to RPR, DPPI, CBPI, Ipiranga Química S.A. (“IQ”), Ipiranga Petroquímica S.A. (“IPQ”), Companhia Petroquímica do Sul S.A. (“Copesul”) and their respective subsidiaries prior to their sale to Ultrapar, Petrobras and Braskem;
- “Ipiranga Group SPA” are to the Share Purchase Agreement entered into and among Ultrapar, with the consent of Petrobras and Braskem, and the Key Shareholders on March 18, 2007;
- “Ipiranga Group Transaction Agreements” are to agreements related to the acquisition of Ipiranga Group by Ultrapar, Petrobras and Braskem. Each Ipiranga Group Transaction Agreement is incorporated by reference to Exhibits 2.5, 2.6, 2.7, 4.4, 4.5, 4.6 and 4.7 to Form 20-F of Ultrapar Participações S.A. filed on June 7, 2007;
- “IPP” are to Ipiranga Produtos de Petróleo S.A., formerly CBL;
- “IQVIA”, are to the merger of Quintiles and IMS Health, Inc.;
- “IRS” are to U.S. Internal Revenue Service;
- “Key Shareholders” are to Ipiranga Group’s former controlling shareholders prior to the closing of the Ipiranga Group SPA;

- “Latin America” are to countries in America other than the United States and Canada;
- “Liquigás” are to Liquigás Distribuidora S.A.;
- “LPG” are to liquefied petroleum gas;
- “LPG International” are to LPG International Inc.;
- “Northern Distribution Business” are to former CBPI’s fuel and lubricant distribution businesses located in the North, Northeast and Midwest regions of Brazil;
- “NAFTA” are to North American Free Trade Agreement, formed by the United States, Canada and Mexico. A revised version of NAFTA has been agreed to by all three countries for approval under a new name, the United States Mexico Canada Agreement, or USMCA, and is awaiting legislative approval before it comes into force;
- “*Novo Mercado*” are to *Novo Mercado* listing segment of B3;
- “NYSE” are to the New York Stock Exchange;
- “Oleoquímica” are to Oleoquímica Indústria e Comércio de Produtos Químicos Ltda.;
- “Oxiten” are to Oxiten S.A. – Indústria e Comércio, our wholly-owned subsidiary and its subsidiaries that produce ethylene oxide and its principal derivatives, fatty alcohols and other specialty chemicals;
- “Oxiten Andina” are to the business of Oxiten carried out in Venezuela;
- “Oxiten Mexico” are to the business of Oxiten carried out in Mexico;
- “Oxiten Nordeste” are to Oxiten Nordeste S.A. Indústria e Comércio;
- “Oxiten Uruguay” are to the business of Oxiten carried out in Uruguay;
- “Oxiten USA” are to the business of Oxiten carried out in the United States;
- “Parth” are to Parth do Brasil Participações Ltda., an investment company controlled by Mrs. Daisy Igel’s family and owner of 8% of Ultrapar’s capital stock;
- “Petrobras” are to Petrobras – Petróleo Brasileiro S.A.;
- “Petrochemical Business” are to IQ, IPQ and IPQ’s stake in Copesul;
- “PFIC” are to passive foreign investment company;
- “PIS and COFINS taxes” are to *Programa de Integração Social* (Integration Program Taxes) and *Contribuição para o Financiamento da Seguridade Social* (Contribution for the Financing of Social Security Taxes), respectively;
- “Plural”, formerly Sindicom, are to the Brazilian association of fuel distributors;
- “*Real*”, “*Reais*” or “R\$” are to Brazilian *Reais*, the official currency of Brazil;
- “Repsol” are to Repsol Gás Brasil S.A., a company that was acquired by Ultragaz in October 2011 and was merged into Cia. Ultragaz in December 2012;
- “RPR” are to Refinaria de Petróleo Riograndense S.A. (formerly Refinaria de Petróleo Ipiranga S.A.), a joint-venture owned by Petrobras, Braskem and Ultrapar;
- “SBP” are to Sociedade Brasileira de Participações Ltda., a company that was merged into IPP in August 2009;
- “SEC” are to the U.S. Securities and Exchange Commission;
- “Securities Act” are to the U.S. Securities Act of 1933, as amended;
- “Selic” are to the Brazilian base interest rate;
- “Serma” are to *Associação dos Usuários de Equipamentos de Processamento de Dados e Serviços Correlatos*, our wholly owned company, responsible for providing IT services to Ultrapar and its subsidiaries;
- “Share Exchange” are to the exchanges of RPR’s, DPPI’s and CBPI’s preferred shares and any remaining common shares for Ultrapar’s preferred shares in connection with the acquisition of Ipiranga Group;
- “Sindicagás” are to the Brazilian association of LPG distributors;

- “Sindusfarma” are to *Sindicato da Indústria de Produtos Farmacêuticos no Estado de São Paulo*, the Brazilian association of the industry of pharmaceutical products in the state of São Paulo;
- “Southern Distribution Business” are to Ipiranga Group’s fuel and lubricant distribution businesses located in the South and Southeast regions of Brazil and their related activities;
- “STF” are to *Supremo Tribunal Federal*, the Brazilian Supreme Federal Court;
- “SUDENE” are to Superintendência do Desenvolvimento do Nordeste, the development agency of the Northeast of Brazil;
- “TEAS” are to TEAS – Terminal Exportador de Álcool de Santos Ltda., a company acquired by Ultracargo in March 2018;
- “Temmar” are to Terminal Marítimo do Maranhão S.A., a company that was acquired by Ultracargo in August 2012 and was merged into Tequimar in December 2013;
- “Tequimar” are to Terminal Químico de Aratu S.A., Ultracargo’s subsidiary that operates in the liquid bulk storage segment;
- “Texaco” are to the Texaco-branded fuels marketing business in Brazil, previously carried-out by CBL and Galena, companies that were acquired by Ipiranga in March 2009;
- “Tropical” are to Tropical Transportes Ipiranga Ltda.;
- “TRR” are to Retail Wholesale Resellers, specialized resellers in the fuel distribution;
- “Ultra S.A.” are to Ultra S.A. Participações, a holding company owned by members of the founding family and senior management of Ultrapar. Ultra S.A. is the largest shareholder of Ultrapar, holding 22% of its total capital stock;
- “Ultracargo” are to Ultracargo Operações Logísticas e Participações Ltda., our wholly owned subsidiary and its subsidiaries that provide storage, handling and logistics services for liquid bulk cargo;
- “Ultragaz” are to Ultrapar’s subsidiaries that operate in the distribution of LPG;
- “Ultrapar International” are to Ultrapar International S.A.;
- “União Terminais” are to União Terminais e Armazéns Gerais Ltda., a company that was merged into Tequimar in December 2008;
- “União Vopak” are to União Vopak Armazéns Gerais Ltda., a joint venture in which Ultracargo has a 50% stake;
- “Unipar” are to União das Indústrias Petroquímicas S.A.;
- “U.S. Holder” has the meaning given in “Item 10. Additional Information—E. Taxation—U.S. Federal Income Tax Considerations”;
- “US\$”, “dollar”, “dollars” or “U.S. dollars” are to the United States dollar; and
- “2018 Shareholders’ Agreement” has the meaning given in “Item 4.A. Information on the Company—History and Development of the Company”, “Item 7.A. Major Shareholders and Related Party Transactions—Major Shareholders” and “Item 10. Additional Information—Material Contracts.”

Unless otherwise specified, data related to (i) the Brazilian petrochemical industry included in this annual report were obtained from ABIQUIM, (ii) the LPG business were obtained from Sindigás and ANP, (iii) the fuel distribution business were obtained from Plural and ANP, (iv) the liquid bulk storage industry were obtained from ABTL, and (v) the retail pharmacy business were obtained from ABRAFARMA, IQVIA, ABIHPEC and Sindusfarma.

PRESENTATION OF FINANCIAL INFORMATION

Our audited consolidated financial statements included in Items 17 and 18 were prepared in accordance with IFRS as issued by the IASB and include our consolidated Statements of Financial Position, as of December 31, 2018 and 2017 and the related Statements of Profit or Loss, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016, as well as notes thereto.

The following standards became effective on January 1, 2018.

- IFRS 9—Financial instrument classification and measurement that includes new requirements for the classification and measurement of financial assets and liabilities, derecognition requirements, new impairment methodology for financial instruments, and new hedge accounting guidance.
- IFRS 15—Revenue from contracts with customers, which establishes the principles of nature, amount, timing and uncertainty of revenue and cash flow arising from a contract with a customer.

These adoptions impacted our consolidated financial statements. Thus, the information for the years ended December 31, 2017 and 2016, presented in this annual report, has been retrospectively restated to reflect the changes resulting from the adoption of IFRS 9 and 15 as the Company adopted the full retrospective method. For further information about the adoption of these standards with respect to our Statements of Financial Position as of December 31, 2017 and January 1, 2017 and Statements of Profit or Loss and Statements of Cash Flows for the years ended December 2017 and 2016 see Note 2.x of our audited consolidated financial statements. For the years ended December 31, 2015 and 2014, presented in this annual report, the information was the same as previously reported in the respective years, without retrospective restatement.

The financial information presented in this annual report should be read in conjunction with our consolidated financial statements.

On April 11, 2019 the exchange rate for *Reais* into U.S. dollars was R\$3.840 to US\$1.00, based on the commercial selling rate as reported by the Central Bank. The commercial selling rate was R\$3.875 to US\$1.00 on December 31, 2018, R\$3.308 to US\$1.00 on December 31, 2017, and R\$3.259 to US\$1.00 on December 31, 2016. The *Real*/dollar exchange rate fluctuates widely, and the current commercial selling rate may not be indicative of future exchange rates. See “Item 3.A. Key Information—Selected Consolidated Financial Data—Exchange Rates” for information regarding exchange rates for the Brazilian currency. Solely for the convenience of the reader, we have translated some amounts included in “Item 3.A. Key Information—Selected Consolidated Financial Data” and elsewhere in this annual report from *Reais* into U.S. dollars using the commercial selling rate as reported by the Central Bank at December 31, 2018 of R\$3.875 to US\$1.00. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or at any other exchange rate. Such translations should not be construed as representations that the *Real* amounts represent or have been or could be converted into U.S. dollars as of that or any other date.

Segment information for our businesses is presented on an unconsolidated basis. See Note 32 to our consolidated financial statements for further information on segment information. Consequently, intercompany transactions have not been eliminated in segment information, and such information may differ from consolidated financial information provided elsewhere in this annual report. See “Item 7.B. Major Shareholders and Related Party Transactions—Related Party Transactions” for more information on intercompany transactions.

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

Market share and economic information

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

FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements within the meaning of Section 27A of the Securities Act subject to risks and uncertainties, including our estimates, plans, forecasts and expectations regarding future events, strategies and projections. Forward-looking statements speak only as of the date they were made, and we undertake no obligation to update publicly or revise any forward-looking statements after we distribute this annual report because of new information, future events and other factors. Words such as “believe”, “expect”, “may”, “will”, “plan”, “strategy”, “prospect”, “foresee”, “estimate”, “project”, “anticipate”, “can”, “intend” and similar words are intended to identify forward-looking statements. We have made forward-looking statements with respect to, among other things, our:

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

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

- the effect of the global economic situation on the Brazilian and Latin American economic condition;
- general economic and business conditions, including the price of crude oil and other commodities, refining margins and prevailing foreign exchange rates;
- competition;
- ability to produce and deliver products on a timely basis;
- ability to anticipate trends in the LPG, fuels, chemicals, logistics and retail pharmacy industries, including changes in capacity and industry price movements;
- changes in official regulations;
- receipt of official authorizations and licenses;
- political, economic and social events in Brazil and the other countries in which we have operations;
- access to sources of financing and our level of indebtedness;
- ability to integrate acquisitions;
- regulatory issues relating to acquisitions;
- instability and volatility in the financial markets;
- availability of tax benefits; and
- other factors contained in this annual report under “Item 3.D. Key Information—Risk Factors.”

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

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Consolidated Financial Data

We have selected the following consolidated financial data from our audited consolidated financial statements, for the periods indicated. You should read our selected consolidated financial data in conjunction with “Item 5. Operating and Financial Review and Prospects” and our audited consolidated financial statements and notes thereto included in this annual report. Our consolidated financial statements are prepared in *Reais* and in accordance with IFRS. The consolidated Statements of Financial Position as of December 31, 2018 and 2017 and January 1, 2017 and the Statements of Profit or Loss and Statements of Cash Flows as of and for the years ended December 31, 2018, 2017 and 2016 are derived from our audited consolidated financial statements included in this annual report. For the years ended December 31, 2015 and 2014, the information is derived from our audited consolidated financial statements as previously reported in the respective years, without retrospective restatement. See “Presentation of Financial Information” and “Item 5.A. Operating and Financial Review and Prospects — Operating Results — Critical accounting policies.” The following table presents our selected financial information in accordance with IFRS at the dates and for each of the periods indicated.

		Years Ended December 31,					
		2018 ⁽¹⁾	2018	2017	2016	2015	2014
				Restated ⁽²⁾		As previously reported ⁽²⁾	
		(in millions, except per share data)					
Statements of Profit or Loss data:		US\$	R\$	R\$	R\$	R\$	R\$
		23,407.	90,698.	79,230.	76,740.	75,655.	67,736.
Net revenue from sales and services.....	1	0	0	0	3	3	
Cost of products and services sold.....		(21,817.)	(84,537.)	(72,431.)	(70,196.)	(68,933.)	(62,304.)
	2	4	5	9	7	6	
		1,589.	6,160.	6,798.	6,543.	6,721.	5,431.
Gross profit	9	6	5	1	6	7	
Operating income (expenses)							
Selling and marketing		(689.)	(2,670.)	(2,486.)	(2,220.)	(2,516.)	(2,158.)
	3	9	4	2	6	7	
General and administrative		(419.)	(1,625.)	(1,576.)	(1,445.)	(1,321.)	(1,130.)
	6	8	5	9	3	3	
Gain (loss) on disposal of property, plant and equipment and intangibles.....	7	1	2	1	3	0	37.
Other operating income, net.....	8	5	4	0	6	9	106.
Financial result, net.....	3	5	3	6	3	4	
Share of profit (loss) of joint-ventures and associates.....	8	8	7	5	9	5	
Income before income and social contribution taxes.....	1	0	1	8	3	7	
Income and social contribution taxes							
Current	9	3	5	5	5	7	
Deferred	9	4	2	5	8	7	
	8	7	3	0	3	5	
		292.	1,132.	1,525.	1,546.	1,513.	1,251.
Net income for the year	2	3	9	8	0	2	
Net income for the year attributable to:							
Shareholders of the Company	9	4	5	8	5	6	1,241.
Non-controlling interests in subsidiaries...	7	1	6	0	5	7	9.
Earnings per share⁽³⁾							
Basic	8	0.2	1.0	1.4	1.4	1.3	1.1
		6	1	2	8	4	

	Years Ended December 31,					
	2018 ⁽¹⁾	2018	2017	2016	2015	2014
			Restated ⁽²⁾		As previously reported ⁽²⁾	
	(in millions, except per share data)					
Statements of Profit or Loss data:	US\$	R\$	R\$	R\$	R\$	R\$
Diluted	0.2	1.0	1.4	1.4	1.3	1.1
	7	5	0	1	7	3
Dividends per share ⁽⁴⁾	0.3	1.2	1.7	1.6	1.6	1.4
	3	6	5	7	0	2

⁽¹⁾ The figures in *Reais* for December 31, 2018 have been converted into U.S. dollars using the exchange rate of US\$1.00 = R\$3.8748, which is the commercial rate reported by the Central Bank on that date. This information is presented solely for the convenience of the reader. You should not interpret the currency conversions in this annual report as a statement that the amounts in *Reais* currently represent such values in U.S. dollars. Additionally, you should not interpret such conversions as statements that the amounts in *Reais* have been, could have been or could be converted into U.S. dollars at this or any other foreign exchange rates. See “Item 3.A. Key Information—Selected Consolidated Financial Data—Exchange Rates.”

⁽²⁾ See “Presentation of Financial Information.”

⁽³⁾ Earnings per share are calculated based on the net income attributable to Ultrapar’s shareholders and the weighted average shares outstanding during each of the years presented. The earnings per share was adjusted retrospectively due to the approval of the stock split on April 10, 2019. See “Item 4.A. Information on the Company—History and Development of the Company—Recent Development” and Notes 31 and 35 to our consolidated financial statements for further information on earnings per share.

⁽⁴⁾ Dividends per share does not consider the approval of the stock split on April 10, 2019, which is scheduled to become effective on April 24, 2019.

The following table presents other financial data information at the dates and for each of the periods indicated.

	Years Ended December 31,						
	2018 ⁽¹⁾	2018	2017	2016	2015	2014	
			Restated ⁽²⁾		As previously reported ⁽²⁾		
	(in millions, except per share data)						
Other financial data	US\$	R\$	R\$	R\$	R\$	R\$	
Net cash provided by operating activities	6	745.0	2,889.0	1,739.9	1,988.7	3,201.7	2,650.0
Net cash used in investing activities .	1	(820.)	(3,177.)	(1,371.)	(1,324.)	(801.)	(1,540.)
Net cash provided by (used in) financing activities	7	(206.)	(801.)	340.	928.	(2,520.)	(539.)
Depreciation and amortization ⁽³⁾	7	209.	812.	704.	628.	1,002.	887.
Amortization of contractual assets with customers – exclusive rights (Ipiranga) ⁽⁴⁾	0	96.	371.	463.	463.	—	—
		792.	3,068.	3,981.	4,169.	3,953.	3,157.
Adjusted EBITDA⁽⁵⁾	0	9	0	0	3	9	
Net debt ⁽⁶⁾	3	(2,119.)	(8,211.)	(7,220.)	(5,715.)	(4,928.)	(3,975.)
Number of common shares (in thousands) ⁽⁷⁾	1	556,405.	556,405.	556,405.	556,405.	556,405.	556,405.

⁽¹⁾ The figures in *Reais* for December 31, 2018 have been converted into U.S. dollars using the exchange rate of US\$1.00 = R\$3.8748, which is the commercial rate reported by the Central Bank on that date. This information is presented solely for the convenience of the reader. You should not interpret the currency conversions in this annual report as a statement that the amounts in *Reais* currently represent such values in U.S. dollars. Additionally, you should not interpret such conversions as statements that the amounts in *Reais* have been, could have been or could be converted into U.S. dollars at this or any other foreign exchange rates. See “Item 3.A. Key Information—Selected Consolidated Financial Data—Exchange Rates.”

⁽²⁾ See “Presentation of Financial Information.”

⁽³⁾ Represents depreciation and amortization expenses included in cost of products and services sold and in selling, marketing, general and administrative expenses.

⁽⁴⁾ Represents amortization of contractual assets with customers – exclusive rights (Ipiranga) included in revenues reduction as a consequence of adoption of IFRS 15. See “Presentation of Financial Information.” In 2015 and 2014, the amortization of contractual assets with customers—exclusive rights (Ipiranga) was classified as amortization from intangible assets. See Note 2.a, 2.f and 11 to our consolidated financial statements for further information.

⁽⁵⁾ EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) and Adjusted EBITDA (adjusted for amortization of contractual assets with customers—exclusive rights) are presented in this annual report in accordance with ICVM 527/12. The purpose of including EBITDA and Adjusted EBITDA information is to provide a measure used by management for internal assessment of our operating results, and because part of our employee profit sharing plan is linked directly or indirectly to EBITDA and Adjusted EBITDA performance. It is also a financial indicator widely used by investors and analysts to measure our ability to generate cash from operations and our operating performance. We also calculate EBITDA and Adjusted EBITDA in connection with covenants related to some of our financing, as described in Note 15 to our consolidated financial statements. We believe EBITDA and Adjusted EBITDA allow a better understanding not only of our financial performance but also of our capacity of meeting the payment of interest and principal from our debt and of obtaining resources for our investments and working capital. Our definition of EBITDA and Adjusted EBITDA may differ from, and, therefore, may not be comparable with similarly titled measures used by other companies, thereby limiting its usefulness as a comparative measure. Because EBITDA and Adjusted EBITDA exclude net financial expense (income), income and social contribution taxes, depreciation and amortization (and, in the case of Adjusted EBITDA, also excludes amortization of contractual assets with customers—exclusive rights), they provide an indicator of general economic performance that is not affected by debt restructurings, fluctuations in interest rates or changes in income and social contribution taxes, depreciation and amortization. EBITDA and Adjusted EBITDA are not measures of financial performance under IFRS and should not be considered in isolation, or as substitutes for net income, as measures of operating performance, as substitutes for cash flows from operations or as measures of liquidity. EBITDA and Adjusted EBITDA have material limitations that impair their value as a measure of a company’s overall profitability since they do not address certain ongoing costs of our business that could significantly affect profitability such as financial expense (income), income and social contribution taxes, depreciation and amortization, (and in the case of Adjusted EBITDA, also excludes amortization of contractual assets with customers—exclusive rights).

⁽⁶⁾ Net debt is included in this annual report in order to provide the reader with information relating to our overall indebtedness and financial position. Net debt is not a measure of financial performance or liquidity under IFRS. In managing our businesses, we rely on net debt as a means of assessing our financial condition. We believe that this type of measurement is useful for comparing our financial condition from period to period and making related management decisions. Net debt is also used in connection with covenants related to some of our financings.

⁽⁷⁾ The number of shares corresponds to the all of shares issued by the Company, including those held in treasury and does not consider the approval of the stock split on April 10, 2019, which is scheduled to become effective on April 24, 2019.

The tables below provide a reconciliation of net income and operating income before financial income (expenses) and share of profit (loss) of joint-ventures and associates to EBITDA and Adjusted EBITDA for Ultrapar and a reconciliation of operating income before financial income (expenses) and share of profit (loss) of joint-ventures and associates to Adjusted EBITDA for Ipiranga and to EBITDA for Ultragaz, Oxiteno, Ultracargo and Extrafarma for the years ended December 31, 2018, 2017, 2016, 2015 and 2014.

Ultrapar					
Reconciliation of net income to EBITDA and Adjusted EBITDA					
Years ended December 31,					
2018	2017	2016	2015	2014	
	Restated ⁽¹⁾		As previously reported ⁽¹⁾		
(in millions of Reais)					
Net income.....	1,132.3	1,525.9	1,546.8	1,513.0	1,251.2
Net financial expenses	113.5	474.3	842.6	703.3	445.4
Income and social contribution taxes.....	638.7	813.3	688.0	734.3	573.5
Depreciation and amortization.....	812.5	704.5	628.2	1,002.6	887.8
EBITDA ⁽²⁾	2,697.1	3,518.0	3,705.5	3,953.3	3,157.9
Adjustment					
Amortization of contractual assets with customers—exclusive rights (Ipiranga)	371.8	463.0	463.5	—	—
Adjusted EBITDA ⁽²⁾	3,068.9	3,981.0	4,169.0	3,953.3	3,157.9

Ultrapar					
Reconciliation of operating income to Adjusted EBITDA					
Years ended December 31,					
2018	2017	2016	2015	2014	
	Restated ⁽¹⁾		As previously reported ⁽¹⁾		
(in millions of Reais)					
Operating income before financial income (expenses) and share of profit (loss) of joint-ventures and associates	1,899.4	2,792.7	3,069.9	2,961.5	2,286.6
Depreciation and amortization.....	812.5	704.5	628.2	1,002.6	887.8
Share of profit (loss) of joint-ventures and associates	(14.8)	20.7	7.5	(10.9)	(16.5)
EBITDA ⁽²⁾	2,697.1	3,518.0	3,705.5	3,953.3	3,157.9
Adjustment					
Amortization of contractual assets with customers—exclusive rights (Ipiranga)	371.8	463.0	463.5	—	—
Adjusted EBITDA ⁽²⁾	3,068.9	3,981.0	4,169.0	3,953.3	3,157.9

Ultragaz					
Reconciliation of operating income to EBITDA					
Years ended December 31,					
2018	2017	2016	2015	2014	
	Restated ⁽¹⁾		As previously reported ⁽¹⁾		
(in millions of Reais)					
Operating income before financial income (expenses) and share of profit (loss) of associates	35.6	255.9	267.3	213.9	169.0
Depreciation and amortization.....	222.5	182.8	158.2	143.2	136.4
Share of profit (loss) of associates	0.0	1.2	(0.0)	(0.1)	0.2
EBITDA ⁽²⁾	258.1	440.0	425.4	357.0	305.5

	Oxiteno				
	Reconciliation of operating income to EBITDA				
	Years ended December 31,				
	2018	2017	2016	2015	2014
		Restated ⁽¹⁾		As previously reported ⁽¹⁾	
	(in millions of Reais)				
Operating income before financial income (expenses) and share of profit (loss) of associates	457.1	141.4	311.5	579.5	264.2
Depreciation and amortization	167.4	153.1	149.7	158.3	138.5
Share of profit (loss) of associates	0.9	1.4	1.0	2.0	1.0
EBITDA ⁽²⁾	625.4	295.9	462.2	739.8	403.7

	Ultracargo				
	Reconciliation of operating income to EBITDA				
	Years ended December 31,				
	2018	2017	2016	2015	2014
		Restated ⁽¹⁾		As previously reported ⁽¹⁾	
	(in millions of Reais)				
Operating income (expenses) before financial income (expenses) and share of profit (loss) of joint-ventures and associates	124.7	75.0	127.7	(16.1)	117.3
Depreciation and amortization	52.4	47.7	43.4	41.7	49.4
Share of profit (loss) of joint-ventures and associates	1.3	1.6	(0.0)	0.7	0.2
EBITDA ⁽²⁾	178.5	124.3	171.1	26.3	166.9

	Ipiranga				
	Reconciliation of operating income to Adjusted EBITDA				
	Years ended December 31,				
	2018	2017	2016	2015	2014
		Restated ⁽¹⁾		As previously reported ⁽¹⁾	
	(in millions of Reais)				
Operating income before financial income (expenses) and share of profit (loss) of associates	1,396.6	2,357.1	2,364.0	2,154.6	1,758.1
Depreciation and amortization	283.4	245.4	220.3	612.7	529.0
Share of profit (loss) of associates	0.6	1.2	1.2	1.5	1.0
EBITDA ⁽²⁾⁽³⁾	1,680.6	2,603.8	2,585.5	2,768.8	2,288.0
Adjustment.....					
Amortization of contractual assets with customers – exclusive rights	371.8	463.0	463.5	—	—
Adjusted EBITDA ⁽²⁾⁽³⁾	2,052.4	3,066.8	3,049.0	2,768.8	2,288.0

Extrafarma					
Reconciliation of operating income to EBITDA					
Years ended December 31,					
	2018	2017	2016	2015	2014 ⁽⁴⁾
		Restated ⁽¹⁾		As previously reported ⁽¹⁾	
(in millions of Reais)					
Operating income (expenses) before financial income (expenses).....	(118.3)	(37.7)	(3.8)	5.0	16.9
Depreciation and amortization.....	71.6	60.8	42.7	23.7	12.8
EBITDA⁽²⁾	(46.8)	23.1	38.8	28.7	29.8

⁽¹⁾ See “Presentation of Financial Information.”

⁽²⁾ See footnote 5 under “Item 3.A. Key Information—Selected Consolidated Financial Data” for a more complete discussion of EBITDA and Adjusted EBITDA and its reconciliation to information in our financial statements.

⁽³⁾ EBITDA and Adjusted EBITDA for Ipiranga do not include losses related to ConectCar in the amount of R\$18.7 million, R\$21.0 million, R\$24.4 million, R\$23.2 million and R\$18.7 million in 2018, 2017, 2016, 2015 and 2014, respectively.

⁽⁴⁾ Reflects results of operations for the 11-month period from February 1, 2014, the date on which Extrafarma’s results of operations were consolidated into our financial statements, through December 31, 2014. For additional information, see “Presentation of Financial Information.”

The reconciliation of Adjusted EBITDA to cash flows from operating activities for the years ending December 31, 2018, 2017, 2016, 2015 and 2014 is presented in the table below:

		2018		2017		2016		2015		2014
						Restated ⁽¹⁾		As previously reported ⁽¹⁾		
						(in millions of Reais)				
		1,132.		1,525.		1,546.		1,513.		1,251.
Net income for the year	3		9		8		0		2	
Adjustments to reconcile net income to Adjusted EBITDA:										
Depreciation and amortization	5	812.	5	704.	2	628.	6	1,002.	8	887.
Amortization of contractual assets with customers—exclusive rights	8	371.	0	463.	5	463.	—	—	—	—
Financial result, net	5	113.	3	474.	6	842.	3	703.	4	445.
Income and social contribution taxes	7	638.	3	813.	0	688.	3	734.	5	573.
		3,068.		3,981.		4,169.		3,953.		3,157.
Adjusted EBITDA⁽²⁾	9		0		0		3		9	
Adjustments to reconcile Adjusted EBITDA to cash provided by operating activities:										
Financial result that affected the cash flow from operating activities	0	913.	4	380.	8	(78.)	2	879.	4	519.
Current income and social contribution taxes	3	(476.)	5	(922.)	5	(800.)	5	(719.)	7	(551.)
PIS and COFINS credits on depreciation	7	15.	1	13.	6	12.	1	12.	7	12.
Assets retirement obligation	—	—	—	—	—	—	9	(3.)	0	(4.)
Others	3	109.	0	129.	9	85.	3	0.	5	(14.)
(Increase) decrease in current assets										
Trade receivables and reseller financing	9	(355.)	2	(725.)	9	(372.)	4	(615.)	3	(212.)
Inventories	7	168.	5	(606.)	5	(267.)	4	(615.)	3	(184.)
Recoverable taxes	5	(11.)	2	(334.)	0	87.	1	(60.)	8	(106.)
Dividends received from subsidiaries and joint-ventures	4	42.	4	29.	9	7.	—	—	—	—
Insurance and other receivables	5	(14.)	7	358.	7	(309.)	6	13.	2	(8.)
Prepaid expenses	5	(37.)	0	(23.)	0	(40.)	2	(14.)	1	8.
Increase (decrease) in current liabilities										
Trade payables	2	576.	4	412.	1	249.	0	181.	1	192.
Salaries and related charges	1	40.	1	7.	6	(41.)	7	109.	6	(19.)
Taxes payable	5	46.	1	33.	0	4.	0	30.	1	19.
Income and social contribution taxes	5	166.	7	783.	3	567.	5	504.	1	437.
Post-employment benefits	6	15.	1	5.	2	11.	—	—	5	(0.)
Provision for tax, civil and labor risks	3	13.	9	11.	4	7.	8	(18.)	1	(5.)
Insurance and other payables	2	(59.)	4	(49.)	0	54.	2	29.	0	(21.)

		2018	2017	2016	2015	2014
			Restated ⁽¹⁾		As previously reported ⁽¹⁾	
			(in millions of Reais)			
Deferred revenue	2	8.	(3.	(2.	1.	0.
		9	) 1	) 0	6	
(Increase) decrease in non-current assets						
Trade receivables and reseller financing	6	(99.	(102.	(74.	(8.	(19.
		) 9	) 8	) 4	) 3)
Recoverable taxes.....	5	(539.	(130.	(47.	(60.	(38.
		) 2	) 2	) 0	) 0)
Escrow deposits.....	8	(58.	(39.	(37.	(44.	(80.
		) 8	) 9	) 0	) 6)
Other receivables.....	4	6.	(4.	13.	(10.	0.
		4	) 8	7	) 8	
Prepaid expenses	7	(58.	(116.	(65.	(15.	0.
		) 7	) 8	) 4	) 5	
Increase (decrease) in non-current liabilities						
Post-employment benefits	5	(8.	(0.	(7.	10.	9.
		) 8	) 7	) 9	5	
Provision for tax, civil and labor risks	8	11.	(68.	42.	61.	(12.
		2	) 4	4	0)
Other payables.....	4	(4.	88.	(19.	20.	(10.
		) 0	3	) 1	8)
Deferred revenue	0	(1.	0.	1.	3.	(1.
		) 4	5	3	4)
Payments of contractual assets with customers— exclusive rights	2	(390.	(529.	(514.	—	—
		) 7	) 3) —		
Income and social contribution taxes paid	9	(197.	(836.	(644.	(422.	(416.
		) 8	) 2	) 0	) 6)
		2,889.	1,739.	1,988.	3,201.	2,650.
Net cash provided by operating activities	0	0	9	7	7	

⁽¹⁾ See “Presentation of Financial Information.”

⁽²⁾ See footnote 5 under “Item 3.A. Key Information—Selected Consolidated Financial Data” for a more complete discussion of EBITDA and Adjusted EBITDA and its reconciliation to information in our financial statements.

The table below provides a reconciliation of our consolidated balance sheet data to the net debt positions shown in the table:

Ultrapar					
Reconciliation of consolidated statements of financial position to net debt					
As of December 31,					
	2018	2017	2016	2015	2014
		Restated ⁽¹⁾		As previously reported ⁽¹⁾	
	(in millions of Reais)				
Current loans and hedging instruments and finance leases	(2,010.3)	(1,822.5)	(1,824.0)	(1,050.5)	(2,557.5)
)))))
Current debentures	(263.7)	(1,681.2)	(651.6)	(47.4)	(884.9)
)))))
Non-current loans and hedging instruments and finance leases	(6,530.6)	(6,159.4)	(6,846.2)	(5,604.9)	(3,533.9)
)))))
Non-current debentures	(6,401.5)	(3,927.6)	(2,095.3)	(2,198.8)	(1,399.0)
)))))
Gross debt position	(15,206.1)	(13,590.6)	(11,417.1)	(8,901.6)	(8,375.2)
)))))
Cash and cash equivalents	3,939.0	5,002.0	4,274.2	2,702.9	2,827.4
Current financial investments	2,853.1	1,283.5	1,412.6	803.3	1,441.8
Non-current financial investments	202.3	84.4	15.1	467.0	130.9
Net debt	(8,211.7)	(7,220.7)	(5,715.3)	(4,928.4)	(3,975.1)
)))))

⁽¹⁾ See "Presentation of Financial Information."

The following tables present our consolidated statements of financial position in accordance with IFRS as of the dates indicated.

As of December 31,						
	2018 ⁽¹⁾	2018	2017	2016	2015	2014
			Restated ⁽²⁾		As previously reported ⁽²⁾	
	(in millions)					
Consolidated Statements of Financial Position Data:	US\$	R\$	R\$	R\$	R\$	R\$
Current assets						
Cash and cash equivalents	1,016.	3,939.	5,002.	4,274.	2,702.	2,827.
6	0	0	2	9	4	
Financial investments and hedging instruments	736.	2,853.	1,283.	1,412.	803.	1,441.
3	1	5	6	3	8	
Trade receivables	1,050.	4,069.	3,861.	3,177.	3,167.	2,604.
2	3	3	1	2	1	
Reseller financing	94.	367.	286.	211.		
8	3	6	1	—	—	
Inventories	865.	3,354.	3,513.	2,781.	2,495.	1,925.
7	5	7	4	2	0	
Recoverable taxes	165.	639.	665.	382.	628.	593.
1	7	0	4	8	5	
Recoverable income and social contribution taxes	66.	257.	216.	159.		
4	2	6	4	—	—	
Other receivables	15.	59.	55.	395.	32.	43.
4	6	2	9	5	3	
Prepaid expenses	48.	187.	150.	123.	81.	67.
4	6	0	9	5	3	
Contractual assets with customers – exclusive rights	125.	484.	456.	448.		
0	5	2	3	—	—	
Total current assets	4,183.	16,211.	15,490.	13,366.	9,911.	9,502.
9	7	1	1	4	4	

		As of December 31,					
		2018 ⁽¹⁾	2018	2017	2016	2015	2014
				Restated ⁽²⁾		As previously reported ⁽²⁾	
				(in millions)			
Consolidated Statements of Financial							
Position Data:		US\$	R\$	R\$	R\$	R\$	R\$
Non-current assets							
Financial investments and hedging instruments	2	52.	202.	84.	15.	467.	130.
Trade receivables	1	21.	81.	46.	49.	152.	143.
Reseller financing	9	89.	348.	283.	177.	—	—
Related parties	1	0.	0.	0.	0.	0.	10.
Deferred income and social contribution taxes	7	132.	514.	614.	459.	306.	311.
Recoverable taxes, net	8	192.	747.	234.	146.	135.	75.
Recoverable income and social contribution taxes	3	27.	105.	78.	35.	—	—
Escrow deposits	5	227.	881.	822.	778.	740.	696.
Indemnity asset – business combination	3	50.	194.	202.	—	—	—
Other receivables	4	0.	1.	7.	2.	16.	5.
Prepaid expenses	0	103.	399.	346.	222.	146.	131.
Contractual assets with customers – exclusive rights	9	266.	1,034.	1,046.	989.	—	—
		1,164.0	4,510.4	3,768.2	2,878.6	1,965.2	1,506.7

		As of December 31,					
		2018 ⁽¹⁾	2018	2017	2016	2015	2014
				Restated ⁽²⁾		As previously reported ⁽²⁾	
				(in millions)			
		US\$	R\$	R\$	R\$	R\$	R\$
Investments							
In joint-ventures		26.	102.	122.	116.	79.	54.
	3	0		1	1	4	5
In associates		6.	24.	25.	22.	21.	13.
	3	3		3	7	5	1
Other.....		0.	2.	2.	2.	2.	2.
	7	8		8	8	8	8
Property, plant and equipment, net		1,878.	7,278.	6,637.	5,796.	5,438.	5,092.
	5	9		8	4	9	0
Intangible assets, net		611.	2,369.	2,238.	1,891.	3,293.	3,158.
	5	4		0	6	9	1
		2,523.	9,777.	9,026.	7,829.	8,836.	8,320.
	3	3		1	7	6	5
		3,687.	14,287.	12,794.	10,708.	10,801.	9,827.
Total non-current assets.....	3	7		2	4	7	3
		7,871.	30,499.	28,284.	24,074.	20,713.	19,329.
TOTAL ASSETS	2	4		3	5	1	6

		As of December 31,					
		2018 ⁽¹⁾	2018	2017	2016	2015	2014
				Restated ⁽²⁾		As previously reported ⁽²⁾	
				(in millions)			
		US\$	R\$	R\$	R\$	R\$	R\$
Consolidated Statements of							
Financial Position Data:							
Current liabilities							
Loans and hedging instruments		518.	2,007.	1,819.	1,821.	1,048.	2,554.
	1	4		8	4	1	7
Debentures		68.	263.	1,681.	651.	47.	884.
	1	7		2	6	4	9
Finance leases		0.	2.	2.	2.	2.	2.
	7	8		7	6	4	7
Trade payables		705.	2,731.	2,155.	1,709.	1,460.	1,279.
	0	7		5	7	5	5
Salaries and related charges		110.	428.	388.	362.	404.	294.
	5	2		1	7	3	6
Taxes payable		69.	268.	221.	168.	168.	138.
	2	0		5	4	8	8
Dividends payable		73.	284.	338.	320.	298.	218.
	3	0		8	9	8	4
Income and social contribution		14.	55.	86.	140.	216.	134.
taxes payable	3	5		8	0	9	4
Post-employment benefits.....		11.	45.	30.	24.	13.	11.
	8	7		1	9	7	4
Provision for asset retirement		1.	4.	4.	4.	5.	4.
obligation	1	4		8	6	2	6
Provision for tax, civil and labor		20.	77.	64.	52.	45.	64.
risks	1	8		6	7	3	2
Other payables		36.	141.	197.	202.	97.	80.
	4	0		4	6	5	4
Deferred revenue		6.	26.	18.	22.	24.	23.
	9	6		4	3	4	5
		1,635.	6,336.	7,009.	5,484.	3,833.	5,692.
Total current liabilities.....	4	8		7	3	4	1
Non-current liabilities							

		As of December 31,					
		2018 ⁽¹⁾	2018	2017	2016	2015	2014
		Restated ⁽²⁾				As previously reported ⁽²⁾	
		(in millions)					
Consolidated Statements of Financial Position Data:		US\$	R\$	R\$	R\$	R\$	R\$
Loans and hedging instruments		1,674.	6,487.	6,113.	6,800.	5,561.	3,489.
	3	4	5	1	4	6	
Debentures		1,652.	6,401.	3,927.	2,095.	2,198.	1,399.
	1	5	6	3	8	0	
Finance leases		11.	43.	45.	46.	43.	44.
	2	2	8	1	5	3	
Related parties		1.	4.	4.	4.	4.	4.
	1	1	2	3	4	4	
Deferred income and social contribution taxes		2.	9.	83.	7.	13.	2.
	4	3	6	6	0	1	
Provision for tax, civil and labor risks		223.	865.	861.	727.	684.	623.
	3	2	2	1	7	3	
Post-employment benefits.....		52.	204.	207.	119.	112.	108.
	7	2	5	8	8	4	
Provision for assets retirement obligation		13.	50.	60.	73.	69.	66.
	0	3	0	0	5	2	
Subscription warrants – indemnification		31.	123.	171.	153.	112.	92.
	8	1	5	4	2	1	
Other payables		41.	162.	162.	74.	94.	74.
	9	4	8	9	1	0	
Deferred revenue		3.	11.	12.	12.	11.	7.
	1	9	9	5	0	7	
		3,706.	14,362.	11,650.	10,114.	8,905.	5,910.
Total non-current liabilities	7	6	6	2	5	9	
		5,342.	20,699.	18,660.	15,598.	12,738.	11,603.
TOTAL LIABILITIES	0	4	3	5	9	0	

	As of December 31,					
	2018 ⁽¹⁾	2018	2017	2016	2015	2014
			Restated ⁽²⁾		As previously reported ⁽²⁾	
	US\$	R\$	(in millions)		R\$	R\$
Equity						
Share capital	1,334.7	5,171.8	5,171.8	3,838.7	3,838.7	3,838.7
Equity instrument granted.....	1.1	4.3	0.5	—	—	—
Capital reserve	140.0	542.4	549.8	552.0	546.6	547.5
Treasury shares	(125.3)	(485.4)	(482.3)	(483.9)	(490.9)	(103.0)
))))))
Revaluation reserve on subsidiaries	1.2	4.7	4.9	5.3	5.6	5.8
Profit reserves	1,057.9	4,099.1	3,629.9	4,384.0	3,802.0	3,169.7
Additional dividends to the minimum mandatory dividends	28.2	109.4	163.7	165.5	157.2	189.0
Valuation adjustments	(16.5)	(64.0)		(24.0)		
	)	)	154.8	)	19.0	7.1
Cumulative translation adjustments	17.0	65.9	53.1	7.5	66.9	43.2
Equity attributable to:						
Shareholders of the Company	2,438.3	9,448.1	9,246.2	8,445.2	7,945.0	7,698.0
Non-controlling interest in subsidiaries	90.8	351.9	377.8	30.9	29.1	28.6
TOTAL EQUITY.....	2,529.2	9,800.0	9,624.0	8,476.1	7,974.1	7,726.6
TOTAL LIABILITIES AND EQUITY .	7,871.2	30,499.4	28,284.3	24,074.5	20,713.1	19,329.6

⁽¹⁾ The figures in *Reais* for December 31, 2018 have been converted into dollars using the exchange rate of US\$1.00 = R\$3.8748, which is the commercial rate reported by the Central Bank on that date. This information is presented solely for the convenience of the reader. You should not interpret the currency conversions in this annual report as a statement that the amounts in *Reais* currently represent such values in U.S. dollars. Additionally, you should not interpret such conversions as statements that the amounts in *Reais* have been, could have been or could be converted into U.S. dollars at this or any other foreign exchange rates. See “Item 3.A. Key Information—Selected Consolidated Financial Data—Exchange Rates.”

⁽²⁾ See “Presentation of Financial Information.”

Exchange Rates

In 2014, despite the weak performance of the Brazilian economy, and the recovery of the North American economy, the *Real* remained relatively stable against the dollar until September, when it started to devalue, closing the year with a depreciation of 13% against the U.S. dollar. In 2015, the political instability, the downgrade of Brazil’s sovereign credit rating and the expectation for an interest rate rise by the Federal Reserve System contributed to a 47% depreciation of the *Real* against the U.S. dollar. In 2016, the *Real* appreciated 17% against the U.S. dollar, marking the first year that it has appreciated against the U.S. dollar since 2011, despite residual political instability and continuing signs that the Brazilian economy was shrinking. This was due mostly to improvements in the Brazilian political environment, following the impeachment of former president Dilma Rousseff and certain stabilizing measures proposed by former President Michel Temer as well as ongoing efforts by the government’s economic team to curb public spending and debt. In 2017, the *Real* depreciated 2% against the U.S. dollar, reflecting the continued political instability and diminished expectations of the pension reform despite a slight improvement in the Brazilian economic 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. The domestic scenario, characterized by political instability due to the presidential elections and the slow progress of fiscal and pension reforms, also influenced the *Real* depreciation during the year.

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

On April 11, 2019, the exchange rate for *Reais* into U.S. dollars was R\$3.840 to US\$1.00, based on the commercial selling rate as reported by the Central Bank. The average *Real*-U.S. dollar of the monthly exchange rate in 2018 was R\$3.654 per US\$1.00 compared with R\$3.192 per US\$1.00 in 2017, a depreciation of 14%. The following table sets forth information on prevailing commercial foreign exchange selling rates for the periods indicated, as published by the Central Bank on its electronic information system, SISBACEN, using PTAX 800, Option 5.

	Exchange rates of nominal <i>Reais</i> per US\$1.00			
	High	Low	Average	Period-Ended
Year Ended				
December 31, 2014.....	2.740	2.197	2.360 ⁽¹⁾	2.656
December 31, 2015.....	4.195	2.575	3.388 ⁽¹⁾	3.905
December 31, 2016.....	4.156	3.119	3.450 ⁽¹⁾	3.259
December 31, 2017.....	3.381	3.051	3.203 ⁽¹⁾	3.308
December 31, 2018.....	4.188	3.139	3.680 ⁽¹⁾	3.875
Month Ended				
November 30, 2018.....	3.893	3.697	3.795 ⁽²⁾	3.863
December 31, 2018.....	3.933	3.829	3.881 ⁽²⁾	3.875
January 31, 2019.....	3.860	3.652	3.756 ⁽²⁾	3.652
February 28, 2019.....	3.776	3.669	3.723 ⁽²⁾	3.739
March 31, 2019.....	3.968	3.776	3.872 ⁽²⁾	3.897
April 11, 2019.....	3.871	3.835	3.853 ⁽²⁾	3.840

⁽¹⁾ Average of the foreign exchange rates on the last day of each month in the period.

⁽²⁾ Average of the high and low foreign exchange rates for each month.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Investing in our 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 business, results of operations, cash flow, liquidity and financial condition could be harmed if any of these risks materializes and, as a result, the trading price of the 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.

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 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 monopoly was removed from the Brazilian constitution, Petrobras effectively remains the main provider of LPG and oil-based fuels in Brazil. Currently, Ultragaz and all other LPG distributors in Brazil purchase all or nearly all LPG from Petrobras. Ultragaz's net revenue from sales and services represented 8% of our consolidated net revenue from sales and services for the year ended December 31, 2018. 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 2018. 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 84% of our consolidated net revenue from sales and services for the year ended December 31, 2018.

The last significant interruption in the supply of oil derivatives by Petrobras to LPG and fuel distributors occurred during 1995 due to a 15-day strike by Petrobras employees. See "Item 4.B. Information on the Company—Business

Overview—Distribution of Liquefied Petroleum Gas—Industry and Regulatory Overview” and “Item 4.B. Information on the Company—Business Overview—Fuel Distribution—Industry and Regulatory Overview.”

Significant interruptions of LPG and oil-based fuel supply from Petrobras may occur in the future. Any interruption in the supply of LPG or oil-based fuels from Petrobras would immediately affect Ultragaz or Ipiranga’s respective ability to provide LPG or oil-based fuels to its customers. If we are not able to obtain an adequate supply of LPG or oil-based fuels from Petrobras under acceptable terms, we may seek to meet our demands through LPG or oil-based fuels purchased in the international market. The logistics infrastructure for LPG and oil-based fuel imports in Brazil is limited and is substantially all controlled by Petrobras. Any such interruption 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. Such investigations and litigation 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 that 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.

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

The Brazilian fuel distribution market is highly competitive in both retail and wholesale segments. Petrobras, our supplier of oil-derivative products, and other major companies with significant resources participate in the Brazilian fuel distribution market. Intense competition in the fuel distribution market could lead to lower sales volumes and increased marketing expenses, which may have a material adverse effect on our operating margins. See “Item 4.B. Information on the Company—Business Overview—Fuel Distribution—Industry and Regulatory Overview—The role of Petrobras” and “Item 4.B. Information on the Company—Business Overview—Fuel Distribution—Ipiranga—Competition. In addition, a number of small local and regional distributors entered the Brazilian fuel distribution market in the late 1990’s, after the market was deregulated, which further increased competition in such market. Moreover, in 2018, some important international players entered the Brazilian fuel distribution market: (i) Glencore Oil Participações Ltda., a Swiss company, through the acquisition of 78% of Alesat; (ii) Total, a French company, through the acquisition of 100% of Zema; (iii) PetroChina, a Chinese company, through the acquisition of 30% of TT Work and (iv) Vitol, a Dutch company, acquired 50% of Rodoil and, subsequently, Rodoil acquired 100% of MegaPetro Petróleo Brasil S.A..

Likewise, the Brazilian drugstore market is highly competitive. Extrafarma competes with national, regional and local drugstore chains, independent drugstores, phone marketing services, direct marketing companies, 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, price, 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 revenues 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 principal source of energy that we compete with. Natural gas is currently less expensive than LPG for 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—Ultragas—Competition."

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

All second generation petrochemical producers in Brazil that use ethylene as their key raw material, including Oxiten, purchase ethylene from Brazilian suppliers. Approximately 3% of our net revenue from sales and services were derived from the sale of chemical products manufactured in Brazil that require ethylene in 2018. Oxiten purchases ethylene from two of Brazil's three naphtha cracker units, which are the sole sources of ethylene in Brazil. Pursuant to long-term contracts, Braskem is the sole supplier of all ethylene required at our plants located at Camaçari and Mauá. For more detailed information about these contracts see "Item 5.F. Operating and Financial Review and Prospects—Tabular Disclosure of Contractual Obligations." Given its characteristics, ethylene is difficult and expensive to store and transport, and cannot be easily imported to Brazil. Therefore, Oxiten is almost totally dependent on ethylene produced by Braskem. For the year ended December 31, 2018, Brazil's ethylene imports totaled 15 tons, representing less than 0.01% of Brazil's installed capacity.

Due to ethylene's chemical characteristics, Oxiten does not store any quantity of ethylene, and reductions or interruptions in supply from Braskem, Oxiten's sole supplier of ethylene in Brazil, would have an immediate impact on our production and results of operations. See "Item 4.A. Information on the Company—History and Development of the Company—Investments." If we further expand our production capacity, there is no assurance that we will be able to obtain additional ethylene from Braskem. In addition, Petrobras is the principal supplier of naphtha to crackers in Brazil, and any interruption in the supply of naphtha from Petrobras to the crackers could adversely impact their ability to supply ethylene to Oxiten.

In addition, Brazilian markets have been experiencing heightened volatility due to the uncertainties derived from the ongoing *Lava Jato* and other corruption investigations, which are being conducted by the Office of the Brazilian Federal Prosecutor, and their impact on the Brazilian economy and political environment. Members of the Brazilian federal government and of the legislative branch, as well as former senior officers of Petrobras, have faced allegations of political corruption. These government officials and senior officers allegedly accepted bribes by means of kickbacks on contracts granted by Petrobras to several infrastructure, oil and gas and construction companies, including Odebrecht S.A., Braskem's controlling shareholder. We cannot currently predict how the investigations and any future decisions and actions by authorities in relation to Braskem's shareholders may impact Braskem or, consequently, Oxiten's supply of ethylene.

The prices of ethylene and palm kernel oil, Oxitenó's main raw materials, are subject to fluctuations in international markets.

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

Palm kernel oil is one of Oxitenó's main raw materials, used to produce fatty alcohols and its by-products in the oleochemical unit. Oxitenó imports the palm kernel oil from the main producing countries, especially Malaysia and Indonesia, and therefore palm kernel oil prices are subject to the effects of foreign exchange rate variation. Palm kernel oil is a vegetable oil, also commonly used by the food industry. Consequently, palm kernel oil prices are subject to the effects of environmental and climatic variations that affect the palm plantations, fluctuations of harvest periods, economic environment in major producing countries and fluctuations in the demand for its use in the food industry. A significant increase in the price of palm kernel oil combined with foreign exchange rate variations of the *Real* could increase our costs, which could have a material adverse effect on Oxitenó's results of operations.

New natural gas reserves, primarily in North America, may reduce the global prices of natural gas-based ethylene, which could affect Oxitenó's competitiveness with imported petrochemical products.

The ethylene used in the chemical and petrochemical industries can be obtained either from ethane, which is derived from natural gas, or naphtha, which is derived from oil. During the last few years, naphtha-based ethylene has been more expensive than natural gas-based ethylene, as oil prices have been higher than those of natural gas. The discovery of new shale gas reserves in North America and improvements in the technology to extract natural gas from shale gas have intensified the difference between naphtha and natural gas-based ethylene prices. Most of the ethylene produced in Brazil is derived from naphtha. As Oxitenó competes in the Brazilian market largely with imported products, declining feedstock costs of international players could affect the competitiveness of Oxitenó, which could materially affect our results.

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. As a consequence, events affecting the petrochemical industry worldwide could have a material adverse effect on our business, financial condition and results of operations.

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

Final prices paid by importers of petrochemical products include import tariffs. Consequently, import tariffs imposed by the Brazilian government affect the prices we can charge for our products. The Brazilian government's negotiation of commercial and other intergovernmental agreements may result in reductions in the Brazilian import tariffs on petrochemical products, which generally range between 12% and 14%, and may reduce the competitiveness of Oxitenó's products *vis-à-vis* imported petrochemical products. Additionally, Oxitenó's competitiveness may also be reduced in case of higher import tariffs imposed by countries to which the company exports its products.

Regulatory, political, economic and social conditions in the countries where we have operations or projects could adversely impact our business and the market price of our securities.

Our financial and operational performance may be negatively affected by regulatory, political, economic and social conditions in countries where we have operations or projects. 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 and political instability. We also face the risk of having to submit to the jurisdiction of a foreign court or arbitration panel or having to enforce a judgment against a sovereign nation within its own territory. 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 you 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 business.

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

The distribution of LPG, fuels, petrochemicals and pharmaceutical products are subject to inherent risks, including interruptions or disturbances in the distribution system which may be caused by accidents or force majeure events. 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;
- 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 business 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 in an attempt to end the nationwide strike. It was announced that (i) the price of diesel at the pump would be reduced by R\$0.46 for 60 days and thereafter adjusted on a monthly basis until the end of 2018, (ii) no tariffs would be levied on vehicles with suspended axles at road tolls and (iii) certain provisional measures were amended to require Conab to hire 30% of the independent truck drivers for its freight and to establish a minimum value of the freight under the nationally used table. See “Item 4.B. Information on the Company—Business Overview—Distribution of Liquefied Petroleum Gas—Industry and Regulatory Overview” and “Item 4.B. Information on the Company—Business Overview—Fuel Distribution—Industry and Regulatory Overview.”

Ultrapar results of 2018 were impacted by the truck drivers' strike, mainly due to losses of sales volume during the period of the strike in Ipiranga, Oxitenó, Ultragaz and Extrafarma and inventory losses at Ipiranga due to the reduction of R\$0.46 on the price of diesel. At Ipiranga, blockades at the distribution terminals during the strike prevented delivery of products. At Oxitenó, the strike caused a temporary stoppage at four production units due to impossibility of delivering products. At Ultragaz, difficulties of product delivery centered round the bulk segment. At Extrafarma, there were logistical problems in receiving and distributing products.

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, days of product storage, staff working hours, among others, may become more stringent or be amended overtime, and require new investments or the increase in expenses to adequate our operations. 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 business 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 in an attempt to end the nationwide strike.

Ultrapar results of 2018 were impacted by the truck drivers' strike, mainly due to losses of sales volume during the period of the strike in Ipiranga, Oxitenó, Ultragaz and Extrafarma and inventory losses at Ipiranga due to the reduction of R\$0.46 on the price of diesel.

The nationwide strike and the measures adopted in response had a direct impact to our business 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.

We are subject to extensive federal and state legislation and regulation by government agencies responsible for the implementation of environmental and health laws and policies in Brazil, Mexico, the United States, Uruguay and Venezuela. Companies like ours are required to obtain licenses for their manufacturing facilities from environmental authorities who 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. 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.

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 Civil 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, 2018, our consolidated gross debt (consisting of loan, debentures and finance leases recorded as current and non-current liabilities) totaled R\$15,206.1 million (US\$3,924.4 million), our consolidated net debt was R\$8,211.7 million (US\$2,119.3 million) and our cash flow generated from operating activities was R\$2,889.0 million (US\$745.6 million). See “Selected Consolidated Financial Data.” 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 our 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, chemical products, LPG, fuel 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 federal tax benefits may adversely affect our results of operations.

Currently, we are entitled to federal 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\$107.7 million, R\$48.6 million and R\$98.9 million, for the years ended December 31, 2018, 2017 and 2016, respectively. See “Item 4.B. Information on the Company—Business Overview—Distribution of Liquefied Petroleum Gas—Ultragas—Income tax exemption status”, “Item 4.B. Information on the Company—Business Overview—Petrochemicals and Chemicals—Oxitenó—Income tax exemption status” and “Item 4.B. Information on the Company—Business Overview—Storage services for liquid bulk —Ultracargo—Income tax exemption status.”

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 a 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 22% 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. Such agreement binds a total of shares representing 31.25% of the Company’s capital stock. See “Item 4.A. Information on the Company—History and Development of the Company” and “Item 7.A. Major Shareholders and Related Party Transactions—Major Shareholders—Shareholders’ Agreements.” 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.

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 our 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 general shareholders' meeting held on April 10, 2019, will expire in the annual general shareholders' meeting to be held in 2021.

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 receipt of dividends and other cash flows from our subsidiaries.

As a result of the significant acquisitions of Ipiranga, União Terminais, Texaco, the Extrafarma Transaction, as well as other smaller acquisitions and possible future acquisitions, Ultrapar has assumed and may assume in the future certain liabilities related to the businesses acquired or to be acquired and risks associated with the transactions, 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 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, 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.

If we fail to successfully implement our organic growth strategy in Extrafarma, our future results of operations may not meet the expectations of investors, which could adversely affect the market price of our shares and ADSs.

Our main growth strategy for Extrafarma consists of the opening of new drugstores in Brazil. Our ability to open new drugstores could be affected if we are unable to find enough appropriate outlets for new drugstores, or if the necessary investments to adapt the property to our needs are too high. Stricter regulations, including those relating to land use and zoning laws in the regions in which we operate may also result in increased expenses and make it more difficult to find suitable outlets for opening our drugstores.

In addition, new or recently opened drugstores may not achieve maturity of its sales within the period we estimate. Also, our new or recently opened stores may adversely affect the profitability of our drugstores, what could adversely affect our business and our consolidated results.

Moreover, personnel are a key success factor in the retail pharmacy business, and we may be adversely affected if we are unable to hire, train or retain employees. Our business strategy will require the opening of new drugstores, heightening the need to hire, train and retain employees. Failure to do so may impair the process of opening new stores and our operating and financial results. Additionally, a shortage of pharmacists in Brazil as a result of continued robust market growth may result in increased wages or limit our ability to retain or recruit new pharmacists and, consequently, limit our ability to open new drugstores in the long term.

Other risks associated with the opening of new drugstores include (i) entry of new competitors in the retail pharmacy business, (ii) greater competition with market leaders in the North and Northeast regions of Brazil, (iii) limited knowledge about the new regions where we may open new drugstores and (iv) decrease in demand for our products as a result of restrictions in consumer spending or other factors. Any of these risks could adversely affect our ability to implement our organic growth strategy with respect to Extrafarma and, therefore, our business and operating and financial results. This could lead to our failure to meet the expectations of investors and to meet our goals for the operating and financial results of our drugstore business.

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

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

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 the review of internal control over financial reporting, may not prevent future breaches of legal, regulatory (including applicable anti-corruption and antitrust laws), accounting or governance standards. Although we have implemented what we understand to be a robust compliance and anti-corruption program to detect and prevent violations of applicable anti-corruption and antitrust laws, we may be subject to breaches of our Code of Ethics, anti-corruption policies and business conduct protocols, and to instances of fraudulent behavior, corrupt or anticompetitive 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 could disrupt our operations.

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 rely 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 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 center means that any technology disruption could impact a large portion of our business 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 through a 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.

We take various actions with the aim of minimizing potential technology disruptions, such as tools, controls and procedures in the management and monitoring of internal and perimeter security, periodic analysis of vulnerabilities performed by an independent external company, an information security and cybersecurity awareness program, a secondary environment for 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, currently certified by ISO 27001 (Information Security Management standards) 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, of 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.

These or other similar interruptions could have a material adverse effect on our business, results of operations, cash flows or financial condition.

In addition, our management evaluated and concluded that our disclosure controls and procedures as of December 31, 2018, were not effective due to deficiencies that represent a material weakness in our internal control over financial reporting, in the design and maintenance of our controls regarding change management and privileged access to our Information Technology (“IT”) environment, as described in Item 15 of this Form 20-F.

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;
- 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 and government policies may adversely affect us and our businesses and results of operations and may adversely affect the trading price of our ADSs and 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 president Dilma Rousseff was reelected for a second four-year term in October 2014, which began in January 2015. Following the reelection, wide scale protests throughout Brazil called for the impeachment of Dilma Rousseff. On April 17, 2016, Brazil's lower house of Congress voted in favor of sending an impeachment motion against Mrs. Rousseff to the Brazilian Senate. In May 2016, the Brazilian Senate voted to approve the commencement of an impeachment trial, which was concluded on August 31, 2016 with approval by the Senate of the impeachment of Mrs. Rousseff. As a result, Michel Temer, the former Vice-President assumed the presidency of Brazil following Rousseff's ouster. In October 2018, Mr. Jair Messias Bolsonaro, a former member of the lower house of Congress, was elected president for a 4-year term, from 2019 to 2022.

We have no control over and cannot predict what policies or actions the Brazilian government may take in the future. Any of these factors may have an adverse impact on the Brazilian economy, our business, financial condition, results of operations and the market price of our ADSs and shares.

Currently, Brazilian markets are experiencing heightened volatility due to the uncertainties derived from the ongoing *Lava Jato* and similar corruption investigations, being conducted by Law Courts in Paraná and other states, and the Office of the Brazilian Federal Prosecutor, and its impact on the Brazilian economy and political environment. Former members of the Brazilian federal government and of the legislative branch, as well as senior officers of large state-owned companies as well as privately held companies have faced allegations of political corruption, including through the alleged acceptance of bribes by means of kickbacks on contracts granted by the government to infrastructure, oil and gas and construction companies. The potential outcome of these investigations is uncertain, but they have already had an adverse impact on the image and reputation of the implicated companies, and on the general market perception of the Brazilian economy. We cannot predict whether such allegations will lead to further political and economic instability or whether new allegations against government officials will arise in the future. In addition, we cannot predict the outcome of any such allegations nor their effect on the Brazilian economy. The development of such unethical cases could adversely affect our business, financial condition and results of operations.

The Brazilian government may be subject to internal pressure to change its current macroeconomic policies in order to achieve higher rates of economic growth and has historically maintained a tight monetary policy with high interest rates, thereby restricting the availability of credit and reducing economic growth. For example, 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. While the Brazilian Congress has approved a ceiling on government spending that will limit primary public expenditure growth to the prior year's inflation for a period of at least 10 years, local and foreign investors believe that fiscal reforms, and in particular a reform of Brazil's pension system, will be critical for Brazil to comply with the spending limit. As of the date of this annual report, discussions in the Brazilian Congress relating to such reforms remain ongoing. 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, negatively impact Brazil's economy, lead to further depreciation of the *Real* and an increase in inflation and interest rates, thus adversely affecting our business, results of operations and financial condition.

We cannot predict which policies will be adopted by the Brazilian government. 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 business. 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 business 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 business.

Inflation and certain governmental measures to curb inflation may contribute significantly to economic uncertainty in Brazil and could harm our business and the market value of the ADSs and our 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 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 7.5% in 2018, -0.5% in 2017, 7.2% in 2016, 10.5% in 2015 and 3.7% in 2014. From January to March 2019, IGP-M index was 2.2%. 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 3.7% in 2018, 2.9% in 2017, 6.3% in 2016, 10.7% in 2015 and 6.4% in 2014.

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

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

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 2014, despite the weak performance of the Brazilian economy, and the recovery of the North American economy, the *Real* remained relatively stable against the dollar until September, when started to devalue, closing the year with a depreciation of 13%. In 2015, the political instability, the downgrade of Brazil's sovereign credit rating and the expectation for an interest rate rise by the Federal Reserve System contributed to a 47% depreciation of the *Real* against the U.S. dollar. In 2016, the *Real* appreciated 17% against the U.S. dollar, marking the first year that it has appreciated against the U.S. dollar since 2011, despite residual political instability and continuing signs of shrinking of the Brazilian economy. This was due mostly to improvements in the Brazilian political environment, following the impeachment of former president Dilma Rousseff and certain stabilizing measures proposed by current President Michel Temer as well as ongoing efforts by the government's economic team to curb public spending and debt. 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. From December 31, 2018 to April 11, 2019, the *Real* appreciated 1% against the U.S. dollar. See "Item 3.A. Key Information—Selected Consolidated Financial Data—Exchange Rates."

There are no guarantees that the exchange rate between the *Real* and the U.S. dollar will stabilize at current levels. Although we have contracted hedging instruments with respect to 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 protect us fully 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—Foreign Exchange Risk" for information about our foreign exchange risk hedging policy.

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

Although a large part of our sales is denominated in *Reais*, prices and certain costs in the chemical business (including but not limited to ethylene and palm kernel oil, purchased by our subsidiary Oxitenio) are benchmarked to prices prevailing in the international markets. Therefore, we are exposed to foreign exchange rate risks that could materially adversely affect our business, financial condition and results of operations as well as our capacity to service our debt. See "Item 11. Quantitative and Qualitative Disclosures about Market Risk."

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 2016, 2017 and 2018, there was an increase in volatility in all Brazilian markets due to, among other factors, uncertainties about how monetary policy adjustments in the United States would affect the international financial markets, 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.

Disruption or volatility in the global financial markets could further increase negative effects on the financial and economic environment in Brazil, which could have a material adverse effect on our business, results of operations and financial condition.

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

The turmoil of the global financial markets and the scarcity of credit in 2008 and 2009, and to a lesser extent, the European crisis deteriorated in 2011, led to lack of consumer confidence, increased market volatility and widespread reduction of business activity. An economic downturn could materially adversely affect the liquidity, businesses and/or financial conditions of our customers, which could in turn result not only in decreased demand for our products, but also increased delinquencies in our accounts receivable. Furthermore, 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 business, financial condition and results of operations could be materially adversely affected.

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 50% 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 or not you receive a dividend depends on the amount of the mandatory distribution, if any, and whether the Board of Directors and the voting shareholders exercise their discretion to suspend these payments. See "Item 8.A. Financial Information—Consolidated Statements and Other Financial Information—Dividend and Distribution Policy—Dividend Policy" for a more detailed discussion of mandatory distributions.

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. If the shareholders exchange the ADSs for shares, they will only be entitled to rely on the depositary's certificate of foreign capital registration for five business days from the date of exchange. Thereafter, the shareholders will not be able to remit abroad non-Brazilian currency unless they obtain their own certificate of foreign capital registration or they qualify under National Monetary Council Resolution 4,373 of September 29, 2014 (which replaced Resolution 2,689, of January 26, 2000) which entitles certain investors to buy and sell shares on Brazilian stock exchanges without obtaining separate certificates of registration. If the shareholders do not qualify under Resolution 4,373 (which replaced Resolution 2,689), 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 shareholders 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 income on investments by non-Brazilian investors in Brazil. The probability that the Brazilian government might impose such restrictions is related to the level of the country's foreign currency reserves, the availability of currency in the foreign exchange markets on the maturity date of a payment, the amount of the Brazilian debt servicing requirement in relation to the economy as a whole, and the Brazilian policy towards the International Monetary Fund, among other factors. We are unable to give assurances that the Central Bank will not modify its policies or that the Brazilian government will not introduce restrictions or cause delays in payments by Brazilian entities of dividends relating to securities issued in the overseas capital markets up to the present. Such restrictions or delays could negatively affect your ability to convert and remit dividends, distributions or the proceeds from the sale of our 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 Law No. 10,833, enacted on December 29, 2003, the disposition of assets located in Brazil by a non-resident to either a Brazilian resident or a non-resident is subject to taxation in Brazil, regardless of whether the disposal occurs outside or within Brazil. In the event that the disposal of assets is interpreted to include a disposal of our ADSs, this tax law could result in the imposition of the withholding income tax on a disposal of our ADSs between non-residents of Brazil. See "Item 10.E. Additional Information—Taxation—Brazilian Tax Consequences—Taxation of Gains."

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

Shareholders of Ultra S.A. and Parth, which own 31% of our outstanding shares, have the right to exchange their shares of Ultra S.A. and Parth for shares of Ultrapar and freely trade them in the market as more fully described under "Item 7.A. Major Shareholders and Related Party Transactions—Major Shareholders—Shareholders' Agreements." Other shareholders, who may freely sell their respective shares, hold a substantial portion of our remaining shares. A sale of a significant number of shares could negatively affect the market value of the shares and ADSs. The market price of our shares and the ADSs could drop significantly if the holders of shares or the ADSs sell them or the market perceives that they intend to sell them.

There may be adverse U.S. federal income tax consequences to U.S. Holders if we are or become a PFIC under the Code.

If we were characterized as a PFIC, in any year during which a U.S. Holder holds our shares or ADSs, certain adverse U.S. federal tax income consequences could apply to that person. Based on the manner in which we currently operate our business, the projected composition of our income and valuation of our assets, and the current interpretation of the PFIC rules, including the Commodity Exception, we do not believe that we were a PFIC in 2018 and we do not expect to be a PFIC in the foreseeable future. However, because PFIC classification is a factual determination made annually and is subject to change and differing interpretations, there can be no assurance that we will not be considered a PFIC for the current taxable year or any subsequent taxable year. U.S. Holders should carefully read “Item 10.E. Additional Information — Taxation — U.S. Federal Income Tax Considerations” for a description of the PFIC rules and consult their tax advisors regarding the likelihood and consequences of us being treated as a PFIC for U.S. federal income tax purposes.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

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

With more than 80 years of history, Ultrapar occupies positions of leadership in the five business segments in which it operates: specialized distribution and retail through Ultragaz, Ipiranga and Extrafarma, production of specialty chemicals through Oxitenos and liquid bulk storage services through Ultracargo.

We are a company incorporated under the laws of Brazil. Our principal executive office is located at Avenida Brigadeiro Luis Antônio, 1343, 9th Floor, 01317-910, São Paulo, SP, Brazil. Our telephone number is +55 (11) 3177 7014. Our internet website address is <http://ri.ultra.com.br>. Unless expressly incorporated by reference into this annual report, including the exhibits and schedules filed herewith, the contents of our website are not incorporated by reference into this annual report. Our agent for service of process in the United States is C.T. Corporation System, located at 111 Eighth Avenue, New York, New York 10011.

Ultragaz

When Ultragaz began its operations, it served only the Southeast region of Brazil. Currently, Ultragaz operates nationwide in the distribution of both bottled and bulk LPG, including the most highly populated states in Brazil, such as São Paulo, Rio de Janeiro and Bahia, and may sell bottled LPG through independent dealers. Bulk LPG is serviced through Ultragaz own infrastructure.

In 1995, Ultragaz introduced UltraSystem – a small bulk distribution system – to residential, commercial and industrial segments, and started the process of geographical expansion through the construction of new LPG filling and satellite plants.

In August 2003, Ultragaz acquired Shell Gás, Royal Dutch Shell plc’s LPG operations in Brazil. With this acquisition, Ultragaz became the Brazilian market leader in LPG, with a 24% share of the Brazilian market on that date. In October 2011, Ultragaz acquired Repsol’s LPG distribution business in Brazil.

Oxitenos

We were also one of the pioneers in developing the Brazilian petrochemicals industry with the creation of Oxitenos in 1970, whose first plant was located in the Mauá petrochemical complex in São Paulo metropolitan area. In 1974, Oxitenos inaugurated its second industrial unit, in the Camaçari petrochemical complex in Bahia. In 1986, Oxitenos established its own research and development center in order to respond to specific customer needs. In April 2002, Oxitenos completed a tender offer for the acquisition of the shares of its subsidiary Oxitenos Nordeste, through the acquisition of approximately 73.3% of the shares held by minority shareholders. Oxitenos increased its share ownership in Oxitenos Nordeste from 97% to 98.9%.

In December 2003, we concluded the acquisition of Canamex, later renamed Oxitenos Mexico, a Mexican specialty chemicals company. In June 2004, we acquired the operational assets of Rhodia Especialidades S.A. de C.V. in Mexico. Both acquisitions had the target of establishing a stronger presence in the Mexican petrochemical market and to create a production and distribution platform to serve the United States market.

In September 2007, Oxitenó acquired Arch Andina, a subsidiary of the U.S. company Arch Chemicals, Inc. At such time, Arch Andina was the sole producer of ethoxylates in Venezuela, which had been the only ethylene oxide producing country in Latin America where Oxitenó did not have operations. The company was later renamed Oxitenó Andina.

In April 2012, Oxitenó acquired a specialty chemicals plant in the United States. The plant is located in Pasadena, Texas, one of the most important chemical hubs in the world, benefiting from attractive feedstock conditions, including competitive natural gas-based raw materials, and highly efficient logistics infrastructure. In September 2018, Oxitenó completed the construction of the new alkoxylation unit in the same site in Texas, US. The unit expands Oxitenó's footprint in the United States, focusing on local markets of agrochemicals, personal care, household and industrial cleaning, coatings and oil and gas.

In November 2012, Oxitenó acquired American Chemical (currently Oxitenó Uruguay), a Uruguayan specialty chemicals company. Oxitenó Uruguay's production capacity is 81 thousand tons per year, particularly sulfonate and sulfate surfactants for the home and personal care industries.

Oxitenó continued the expansion of its international activities, initiated in 2003 with the opening of commercial offices outside Brazil. In August 2006, Oxitenó opened its first commercial office outside Brazil, in Buenos Aires, Argentina – Oxitenó Argentina S.R.L. In July 2008, Oxitenó inaugurated its first sales office in Europe and the third outside Brazil in Brussels, Belgium, as part of Oxitenó's internationalization strategy. In May 2012, Oxitenó opened a commercial office in Shanghai, China – Oxitenó Shanghai Trading LTD.

Ultracargo

The market demand, in the decade of 1960, for high-quality and safe transportation services led to our entrance in the transportation of chemicals, petrochemicals and LPG segment. In 1978, Tequimar was founded for the specific purpose of operating the storage business. Later, Tequimar was acquired by Ultracargo, which is currently the largest provider of liquid bulk storage in Brazil.

In July 2005, Ultracargo started up a new terminal in Santos, its second port terminal that integrates road, rail and maritime transportation systems. In June 2008, Ultracargo signed the sale and purchase agreement for the acquisition of 100% of the shares of União Terminais held by Unipar. In October 2008, the acquisition of the port terminals in Santos and Rio de Janeiro were concluded. In November 2008, Ultracargo completed the acquisition of 50% of the total capital stock held by Unipar in União Vopak, which owned a port terminal in Paranaguá. The combination of its operations with those of União Terminais doubled the size of Ultracargo in terms of EBITDA and made it the largest liquid bulk storage company in Brazil, strengthening its operating scale. With this acquisition, Ultracargo increased its presence at the port of Santos, the largest Brazilian port, and is now strategically positioned in the ports of Rio de Janeiro and Paranaguá, where the company did not previously have operations.

In December 2009, Ultracargo acquired Puma Storage do Brasil Ltda., a storage terminal for liquid bulk located at the port of Suape, in the state of Pernambuco. In July 2012, Ultracargo acquired Temmar from Temmar Netherlands B.V. and Noble Netherlands B.V., subsidiaries of Noble Group. Temmar owned a terminal in the port of Itaqui, in the state of Maranhão.

In January 2018, Tequimar entered into a sale and purchase agreement for the acquisition of 100% of the quotas of TEAS, owned by Raízen Energia S.A. and Raízen Araraquara Açúcar e Alcool Ltda., whose assets had already been operated by Tequimar in the port of Santos. On March 29, 2018, the acquisition was concluded.

Ipiranga

In March 2007, Ultrapar, Petrobras and Braskem announced their intent to acquire the Ipiranga Group, and Ultrapar entered into, and Petrobras and Braskem acknowledged, the Ipiranga Group SPA with the Key Shareholders of the principal companies comprising the Ipiranga Group. In April 2007, Ultrapar acquired the control of the Southern Distribution Business, EMCA and a one-third stake in RPR, in connection with the acquisition of the Ipiranga Group. Following the acquisition, Ultrapar, which was already Brazil's largest LPG distributor, became the second largest fuel distributor in the country, with a 14% market share in 2007, according to ANP.

After the completion of the acquisition of Ipiranga Group, its businesses were divided among Petrobras, Ultrapar and Braskem. Ultrapar retained the fuel and lubricant distribution businesses located in the South and Southeast regions of Brazil; Petrobras received the fuel and lubricant distribution businesses located in the North, Northeast and Midwest regions of Brazil; Petrobras and Braskem received the Petrochemical Business, in the proportion of 60% for Braskem and 40% for Petrobras. For a more detailed discussion of the acquisition of Ipiranga Group, see our Form F-4 filed with the Commission on December 17, 2007.

In August 2008, Ipiranga entered into a sale and purchase agreement with Chevron for the acquisition of 100% of the shares of CBL and Galena. The combination with Texaco created a nationwide fuel distribution business, strengthening its competitiveness through a larger operational scale. After completion of the acquisition, Ipiranga implemented its business plan, which consisted of two main work streams (i) the integration of operations, administrative and financial functions of Texaco, and (ii) the implementation of Ipiranga's business model in the expanded network, with a wider range of products and services and a differentiated approach to its resellers. As of December 31, 2012, Ipiranga had also converted all the acquired Texaco branded stations into the Ipiranga brand.

In February 2009, a capital increase of R\$15 million was approved at an extraordinary general shareholders' meeting of RPR through the issuance of 15 million new common and preferred shares and the admission of new shareholders in its capital stock, as part of the acquisition of the Ipiranga Group. As a result, RPR ceased to be a wholly-owned subsidiary of Ultrapar. Ultrapar retains an equity interest of 33% in RPR.

In October 2010, Ipiranga acquired 100% of the shares of DNP. DNP distributed fuels in the states of Amazonas, Rondônia, Roraima, Acre, Pará and Mato Grosso through a network of 110 service stations, with 4% market share in 2009 in the North of Brazil.

In November 2012, Ipiranga entered the segment of electronic payment for tolls, parking and fuels through ConectCar. ConectCar fits into Ipiranga's strategy of differentiation, offering more products and services in its service station network focused on convenience and practicality, generating benefits for its clients, retailers and for the company itself. In October 2015, Redecard S.A. acquired 50% of ConectCar from a former partner. This new partner provided opportunities to ConectCar expand its services to new markets, continuing with its purpose of offering customers mobility, convenience, flexibility and, above all, differentiated benefits.

In August 2016, Ipiranga entered into an association agreement with Chevron to create a new company in the lubricants business, Iconic; of which Ipiranga and Chevron hold 56% and 44%, respectively. Operations commenced on December 1, 2017.

Extrafarma

Benefitting from over 50 years of activity in the wholesale and retail of pharmaceutical products, Extrafarma is a leading drugstore chain in the main regions in which it operates. In September 2013, Ultrapar and the former shareholders of Extrafarma entered into an association agreement with Extrafarma, one of Brazil's top ten drugstores chains, marking our entry in the retail pharmacy business. According to the terms of the agreement, Ultrapar and Extrafarma entered into a merger of shares, pursuant to which Ultrapar acquired 100% of the shares of Extrafarma in exchange for up to 2.9% of shares issued by Ultrapar to Extrafarma's shareholders. Extrafarma became a wholly-owned subsidiary of Ultrapar from February 1, 2014 onwards. The total consideration of the Extrafarma Transaction consisted of the issuance of up to 16,028,131 shares of Ultrapar and the assumption by Ultrapar of Extrafarma's net debt of R\$106 million as of December 31, 2012.

Ultrapar received from the former seven shareholders of Extrafarma all of the shares of Extrafarma in exchange for 12,021,100 newly issued shares of Ultrapar, in accordance with Art. 252 of the Brazilian Corporate Law, increasing our issued share capital to 556,405,096 shares. In addition, as a mechanism for possible adjustments related to contingencies whose triggering events occurred prior to the closing of the transaction, we issued subscription warrants to the former Extrafarma shareholders that, if exercised, could potentially lead to the issuance of up to 4,007,031 shares until 2020, subject to adjustment based on numerous factors. Of the total possible shares that could be issued to the former Extrafarma shareholders upon exercise of the subscription warrants, Extrafarma's shareholders could receive up to 801,409 additional shares of Ultrapar based on working capital adjustments and 3,205,622 shares of Ultrapar based on absence of indemnification obligations. In 2015, after a final agreement between Ultrapar and Extrafarma, the subscription warrants related to the working capital adjustments were cancelled. Therefore, currently, the exercise of subscription warrants by the former Extrafarma shareholders could potentially lead to the issuance of up to 3,205,622 shares of Ultrapar until 2020, none of which have been exercised at the date of this annual report.

Ultrapar's 12,021,100 shares received by the former shareholders of Extrafarma are subject to lock-up agreements and will become available for trading in phases. Of the total shares, 33.5% were immediately available for trading after the closing, 8.3% became available in each of February 2015, February 2016, February 2017, February 2018 and February 2019 with the final tranche of 25% to be released from the lock-up in 2020, which will mark the sixth year after the closing.

Corporate events

On October 6, 1999, we concluded our initial public offering, listing our shares simultaneously on B3 and NYSE. In March 2000, Ultra S.A.'s shareholders signed an agreement, assuring equal treatment of all shareholders (holders of both common and/or preferred shares) in the event of any change in control – tag along rights. The agreement determined that any transfer of control of Ultrapar, either directly or indirectly, would only be executed in conjunction with a public offer by the acquiring entity to purchase the shares of all shareholders in the same proportion and under the same price and payment terms as those offered to the controlling shareholders. In December 2002, we completed a corporate restructuring process that had begun in October 2002. The effects of the corporate restructuring were (i) the merger of Gipóia Ltda., a company which held a 23% direct stake in Ultragaz and was owned by Ultra S.A., into Ultrapar, increasing our ownership in Ultragaz to 99.6% and (ii) the exchange of shares issued by Oxiteno for shares issued by Ultrapar.

In January 2008, Ultrapar significantly increased the liquidity of its shares through the issuance of 55 million preferred shares, as a consequence of the Share Exchange. The Share Exchange increased Ultrapar's free float from 32 million shares to 87 million shares, with the free float reaching 64% of the Company's total capital. The significant increase in the size of the free float helped Ultrapar to become part of Ibovespa, one of B3 index.

In April 2011, our Board of Directors approved the submission to our shareholders a proposal to (a) convert any and all shares of preferred stock issued by the Company into common shares, on a 1:1 conversion ratio; (b) amend the Company's bylaws, modifying several of its provisions, aiming to strengthen the Company's corporate governance; and (c) adhere to the *Novo Mercado* segment rules. Our shareholders approved all the proposals and, in August 2011, Ultrapar's shares began trading on the *Novo Mercado* under ticker symbol UGPA3. Simultaneously, Ultrapar's ADSs, formerly represented by preferred shares, began representing Ultrapar's common shares and began trading on the NYSE under this new format.

In May 2018, Ultra S.A.'s and Parth's shareholders entered into a new shareholders' agreement which became effective as of that date and replaced the shareholders' agreement that was executed in 2014. The abovementioned companies are holding companies of the two branches of the Igel family, as well as of former executives of the Company. The agreement sets forth a set of rules to govern the relationship between these two shareholders and binds a total of shares representing 31.25% of the Company's capital stock. The agreement aims to reinforce, without any change, the principles that have been governing the actions of two reference shareholders of Ultrapar, in favor of all shareholders' interests and the guarantee that the Company is managed in a professional and independent manner. See "Item 7.A. Major Shareholders and Related Party Transactions—Major Shareholders—Shareholders' Agreements."

Leadership

In May 2012, the Board of Directors approved the nomination of Thilo Mannhardt to succeed Pedro Wongtschowski as Chief Executive Officer starting January 1, 2013. Pedro Wongtschowski replaced Thilo Mannhardt on the Board of Directors consistent with Ultrapar's philosophy of adequately planning changes in its management.

In June 2015, Ultrapar announced changes in its executive board approved by its Board of Directors. After eight years as Chief Financial and Investor Relations Officer of Ultrapar, André Covre took over as Chief Executive Officer of Extrafarma. André Covre succeeded Paulo Lazera, who continued involved with Ultrapar as a shareholder and special consultant to Extrafarma. The Chief Financial and Investor Relations Officer position was assumed by André Pires de Oliveira Dias.

In June 2017, Ultrapar announced changes to its executive officers approved by its Board of Directors. As of October 2017, Frederico Curado replaced Thilo Mannhardt and assumed the position of Chief Executive Officer.

As part of a planned succession process and consistent with the Company's governance, in May 2018, Paulo Guilherme Aguiar Cunha, after three decades of contributions, was nominated Chairman Emeritus of the Board of Directors, an honorary and life time position. To succeed him, Pedro Wongtschowski, Vice-Chairman of the Board of Directors and Chief Executive Officer of Ultrapar between 2007 and 2012, was elected Chairman. Mr. Lucio de Castro Andrade Filho, who joined the Company in 1977 and has been a member of the Board of Directors since 1998, was appointed for the position of Vice-Chairman of the Board of Directors.

Other important succession movements took place at the senior management level, with the nomination of Mr. Rodrigo de Almeida Pizzinatto, Mr. Tabajara Bertelli Costa and Mr. Marcelo Pereira Malta de Araújo as Presidents of Extrafarma, Ultragas and Ipiranga, respectively, equally aligned to a planned succession process which blended internal promotions with the attraction of external talents.

Ultracargo—Fire at storage facilities in Santos

In April 2015, a fire occurred in six ethanol and gasoline tanks operated by Ultracargo in Santos, which represented 4% of the subsidiary's overall capacity as of December 31, 2014. The Civil and Federal Police investigated the accident and its impacts, and concluded that it was not possible to determine the cause of the accident or to individualize active or passive conduct related to the cause, and there was no criminal charge against either any individual or Ultracargo, by both authorities. Notwithstanding, on February 21, 2018, the Federal Public Court accepted a criminal indictment filed by the Public Prosecutor's Office against Tequimar, which has already presented its defense against these charges, after being summoned in June, 2018. As of the date of this annual report, a stay of proceedings is in effect while the parties attempt to reach a settlement agreement regarding certain civil damages alleged by the Public Prosecutor's Office.

In June 2017, Ultracargo obtained the licensing required for the return to operation of 67.5 thousand cubic meters of the total of 151.5 thousand cubic meters affected by the fire. The remaining tanks are still non-operational and the process to obtain licensing to restart operations is currently underway as of the date of this annual report.

As a result of the evolution of the regulation process with insurers, as of December 31, 2016, the Company recorded insurance receivables in the amount of R\$366.7 million and indemnities to customers and third parties in the amount of R\$99.9 million in its balance sheet. In the first quarter of 2017, Ultracargo received the full amount from the insurers. The remaining amount for indemnities to customers and third parties recorded in its balance sheet was R\$3.5 million and R\$72.2 million for the years ended December 31, 2018 and 2017, respectively. In addition, on December 31, 2018, there were contingent liabilities not recognized related to lawsuits and extrajudicial lawsuits in the amount of R\$62.9 million and R\$3.4 million, respectively (R\$88.1 million and R\$25.9 million as of December 31, 2017).

See "Item 8.A. Financial Information Consolidated Statements and Other Financial Information—Legal Proceedings."

Recent Developments

Port concessions

On March 22, 2019, Ultrapar, through its subsidiary Ipiranga, won the port concessions of three areas located with minimum storage capacity of 64 thousand cubic meters at the port of Cabedelo, in the state of Paraíba, and one area with minimum storage capacity of 66 thousand cubic meters at the port of Vitória, in the state of Espírito Santo, which will be designated for handling, storage and distribution of fuels. These concessions were carried out by two consortia of which Ipiranga holds one third of the total participation. The total investment to be made in respect of Ipiranga's stake in the consortia is R\$160 million, to be disbursed throughout the next five years, for a concession term of 25 years.

On April 5, 2019, Ultrapar, through its subsidiaries Ipiranga and Ultracargo, also won other three port concessions. Ipiranga won two areas located at the port of Miramar, in Belém, state of Pará: (i) BEL02A area, through a consortium 50% owned by Ipiranga, that shall have minimum storage capacity of 41 thousand cubic meters, and (ii) BEL04A area, which is currently operated by Ipiranga with minimum storage capacity of 23 thousand cubic meters. Such areas will be operated for at least 15 years, according to the auction notice. Ultracargo won the concession of VDC12 area in the port of Vila do Conde, in Barcarena, state of Pará. The minimum storage capacity will be 59 thousand cubic meters. The area will be operated by Ultracargo for at least 25 years, according to the auction notice. The estimated investments regarding these port concessions up to approximately R\$450 million, to be disbursed throughout the next five years.

IPP administrative process

On April 10, 2019, CADE concluded the administrative proceeding involving IPP that discussed alleged non-competitive conduct in the fuel-distribution and resale market in the cities of Belo Horizonte, Contagem and Betim, in the state of Minas Gerais, between October 2006 and July 2008. Despite IPP's assertion as to the good standing of its conducts demonstrated throughout the proceeding, the CADE administrative award ruled against IPP for allegedly influencing uniform commercial conduct among fuel resellers, while the charges against IPP for participating in the formation of a cartel among fuel distributors were dismissed. The award requires IPP to pay a fine of R\$40.7 million.

Approval of stock split

On April 10, 2019, the Company's extraordinary and annual general meeting approved the stock split of common shares issued by Ultrapar, at a ratio of one currently existing share to two shares of the same class and type. The stock split approved shall not imply in any change in the Ultrapar's capital stock. The new shares and ADRs resulting from the stock split approved will be of the same class and will grant to its holders the same rights of the current shares and ADRs.

Investments

We have made substantial investments in our operations over the last three fiscal years. Investments at Ipiranga have been directed to (i) the expansion of the Ipiranga network of service stations, convenience stores and lubricant service shops, (ii) the expansion of its logistics infrastructure to support the growing demand, and (iii) the maintenance of its operations. Oxitenno has invested in the maintenance of its production units, mainly for specialty chemicals in Brazil, Mexico and the United States, the commencement of operations in the United States, and the modernization of its industrial plants. At Ultragaz, we have invested mainly in small bulk LPG distribution (UltraSystem) and the purchase and renewal of LPG bottles and tanks. We have also invested in the consolidation of our national coverage over the past three years. Ultracargo has mainly invested in the expansion and maintenance of its storage facilities in response to strong demand for logistics infrastructure in Brazil, including investments in modernization of safety systems of its terminals. Extrafarma has invested mainly in the opening and maintenance of its drugstores. See "Item 4.A. Information on the Company—History and Development of the Company."

The following table shows our total additions to property, plant, equipment, and intangible assets for the years ended December 31, 2018, 2017 and 2016:

	Year ended December 31,		
	2018	2017 Restated ⁽¹⁾	2016 Restated ⁽¹⁾
	(in millions of Reais)		
Ipiranga.....	387.6	519.5	367.5
Oxitenno	466.6	462.6	288.4
Ultragaz	225.0	214.9	225.5
Ultracargo	161.8	86.4	78.9
Extrafarma	118.0	170.5	142.8
Others ⁽²⁾	18.3	22.6	9.9
Total – additions to property, plant, equipment and intangible assets	1,377.3	1,476.5	1,113.1

⁽¹⁾ See "Presentation of Financial Information."

⁽²⁾ Includes mainly capital expenditures related to corporate information technology.

In 2018, Ultrapar's investments net of divestments and repayments were R\$1,947 million.

- Ipiranga invested R\$957 million, practically 50% allocated to the expansion of the service stations network (through branding unbranded stations, opening new stations and capturing new customers), am/pm and Jet Oil franchises and logistics facilities. The remaining 50% was invested in network renovation, maintenance and logistics infrastructure. Out of the total investment, R\$388 million were related to property, plant and equipment and additions to intangible assets, R\$390 million to contractual assets with clients – exclusive rights (exclusive rights disbursement provided in Ipiranga's agreements for resellers and major consumers which are recognized as contractual assets when paid and amortized according to the conditions established in the agreements) and R\$179 million to financing to clients and leasing advances, net of repayments.
- Oxiteno invested R\$467 million, principally allocated to the construction of the plant in the United States and in the expansion and maintenance of its industrial units as a whole.
- Ultragaz invested R\$225 million, mainly in the bulk segment, replacement and acquisition of gas bottles and information technology.
- Ultracargo invested R\$162 million, mainly allocated to the expansion of the Itaquí and Santos terminals and adjustments and maintenance to existing infrastructure.
- Extrafarma invested R\$118 million, largely allocated to the opening of new stores and the new information systems platform.

Ultrapar's investment plan for 2019 totals R\$1,762 million and is indicative of the Company's commitment to the sustainable growth of its businesses and operating excellence.

- At Ipiranga, the approved limit for investments is R\$824 million, approximately 50% being allocated to expansion of the resellers network with the addition of fueling stations and am/pm and Jet Oil franchises and the expansion of logistics infrastructure with the construction of two bases and expansion of three others. The remaining 50% will be invested in maintenance and modernization of Ipiranga's activities, principally the renewal of reseller contracts and information to support the operations.
- The investment of R\$319 million approved for Oxiteno will be used mainly for technological modernization of its productive units, in addition to investments in safety, with a view to efficiency gains and increased productivity.
- At Ultragaz, investments of R\$279 million were approved for the: (i) capture of new clients in both the bottled and bulk segments; (ii) replacement and acquisition of gas bottles; (iii) expansion and maintenance of the filling plants; and (iv) investments in information technology to achieve efficiency gains and as part of the innovation strategy.
- Ultracargo is expected to invest R\$161 million in increased tankage at the Itaquí and Santos terminals, adding 16% to its total capacity over the course of the second half of 2019, and in the continuing improvement in safety and infrastructure at the terminals.
- Extrafarma plans to invest R\$158 million for expanding the store network with the rollout of new stores as well as expanding its logistical infrastructure and IT capability.

Equity investments

We have also made several acquisitions and related investments to maintain and create new opportunities for growth and to consolidate our position in the markets in which we operate.

Equity investments consist of acquisition of subsidiaries and capital increases, net of capital reductions in subsidiaries, joint-ventures and associates. The table below shows our equity investments for the years ended December 31, 2018, 2017 and 2016:

	Year ended December 31,		
	2018	2017	2016
	(in millions of Reais)		
Ipiranga ⁽¹⁾	31.9	16.0	47.3
Oxitenno	—	—	—
Ultrazaz	—	—	—
Ultrazazgo ⁽²⁾	103.4	—	—
Extrafarma	—	—	—
Others.....	(1.2)	—	—
Total equity investments(3).....	134.0	16.0	47.3

⁽¹⁾ Capital invested in ConectCar.

⁽²⁾ Acquisition of 100% of quotas of TEAS.

⁽³⁾ Equity investments consist of acquisition of subsidiaries and capital increases, net of capital reductions in joint-ventures and associates.

B. Business Overview

Ultrazaz is a Brazilian company with more than 80 years of history, with leading positions in the markets in which it operates: specialized distribution and retail through Ultrazaz, Ipiranga and Extrafarma, production of specialty chemicals through Oxitenno and liquid bulk storage services through Ultrazazgo.

- Ultrazaz is the leader in LPG distribution in Brazil, which is one of the largest markets worldwide. Ultrazaz had a 23.6% market share as of December 31, 2018 according to ANP and was one of the largest independent LPG distributors in the world in terms of volume sold. “Item 4.B. Information on the Company—Business Overview—Distribution of Liquefied Petroleum Gas—Ultrazaz—Competition.” As of December 31, 2018, we delivered LPG to an estimated 11 million households through a network of approximately 5.4 thousand independent retailers in the bottled segment and to approximately 54 thousand customers in the bulk segment.
- Ipiranga is one of the largest fuel distributors in Brazil, with a network of 7,218 service stations and 20.2% market share as of December 31, 2018 according to ANP. See “Item 4.B. Information on the Company—Business Overview—Fuel Distribution—Ipiranga—Competition.”
- Oxitenno is one of the largest producers of ethylene oxide and its main derivatives in Latin America, a major producer of specialty chemicals and the sole producer of fatty-alcohols and related by-products in Latin America, according to IHS Chemical. Oxitenno has twelve industrial units: six in Brazil, three in Mexico, one in the United States, one in Uruguay and one in Venezuela and commercial offices in Argentina, Belgium, China and Colombia.
- Ultrazazgo has a leading position in its sector, being the largest provider of liquid bulk storage in Brazil in terms of number of terminals and storage capacity, with six terminals and a storage capacity of 700 thousand cubic meters as of December 31, 2018.
- Extrafarma is the fifth largest drugstore chain in Brazil, according to ABRAFARMA, with 433 drugstores and 2 distribution centers as of December 31, 2018.

The following chart simplifies our organizational structure as of the date hereof, showing our principal business units. For more detailed information about our current organizational structure, see “Item 4.C. Information on the Company—Organizational Structure.”



Our Strengths

Leading market positions across all businesses

Ultragaz is the largest LPG distributor in Brazil. In 2018, Ultragaz’s national market share was 23.6% according to ANP, and served approximately 11 million homes in the bottled segment and 54 thousand customers in the bulk segment. For the year ended December 31, 2018, Ultragaz’s total volume of LPG sold was 1.7 million tons.

Ipiranga is one of the largest fuel distributors in Brazil with a 20.2% market share in 2018 according to ANP and a network of 7,218 service stations as of December 31, 2018. See “Item 4.B. Information on the Company—Business Overview—Fuel Distribution—Ipiranga—Competition.” In addition to the service stations, Ipiranga’s network has 2,493 am/pm convenience stores and 1,772 Jet Oil franchises. In 2018, Ipiranga focused on its strategy of expansion of its network (branding unbranded stations, opening new stations and new customers). The implementation of Ipiranga’s business model—including its network of convenience stores and loyalty programs—in its service station network allows it to offer a broad range of products and services, which benefits consumers and resellers. The volume of fuel sold by Ipiranga in 2018 was 23.7 million cubic meters.

Oxiteno is a major producer of specialty chemicals and one of the largest producers of ethylene oxide and its principal derivatives in Latin America, according to IHS Chemical. Our chemical operations supply a broad range of market segments, particularly crop protection chemicals, food, cosmetics, detergents, packaging for beverages, thread and polyester filaments, brake fluids, petroleum and paints and coatings. For the year ended December 31, 2018, Oxiteno sold 769 thousand tons of chemical products. In Brazil, Oxiteno competes principally against imports.

Ultracargo is the largest provider of liquid bulk storage in Brazil, with six terminals and storage capacity of 700 thousand cubic meters as of December 31, 2018, and leading positions in the main ports in Brazil in which it operates.

Extrafarma is the fifth largest drugstore network in the country, according to ABRAFARMA’s ranking, with 433 drugstores and 2 distribution centers as of December 31, 2018.

Robust business portfolio

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

Ultrapar’s businesses are simultaneously resilient and leveraged on Brazilian economic growth. Certain of Ultrapar’s businesses, such as the sale of LPG for residential use and fuels for light vehicles, are resilient due to their inelastic demand profile and, therefore, are less volatile in economic downturns. Bottled LPG is an essential good, as it is mainly used for cooking, and, therefore, is not as correlated to economic performance. Volume of fuels for light vehicles tends to grow linked to the number of light vehicles in Brazil. The Brazilian light vehicle fleet grew at rates ranging from 1% to 6% per year during the last five years, despite the volatility in the economic growth during this period, leading to a similar level of growth in the volume of fuels for light vehicles.

On the other hand, other of Ultrapar's businesses, such as sales of diesel fuel, specialty chemicals and bulk LPG are linked to economic performance and tend to experience higher sales volumes during periods of strong economic growth. Sales growth of these products have been historically correlated to the performance of the Brazilian economy.

Highly efficient LPG distribution network

Ultragaz maintains an exclusive network of independent dealers, which has enabled Ultragaz to control the quality and productivity of its dealers leading to a recognition that we believe is associated with quality, safety and efficiency, and also to have frequent contact with LPG customers. This network constituted approximately 5,400 dealers that sell Ultragaz LPG bottles. In addition, in April 1995, Ultragaz was the first player to introduce LPG small bulk delivery in Brazil, with lower distribution costs than bottled distribution. Over the years, it has built a strong client base in this segment.

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

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

Distinguished positioning in the fuel distribution sector

We believe that Ipiranga differentiates itself from its competition in the sector by having a more diverse array of products and services and thereby being a more convenient choice for customers. These services and products include convenience stores, lubricant-changing service shops, electronic payment, bakeries, loyalty program, Ipiranga-branded credit cards, and a set of initiatives that aim at enhancing customer's convenience and loyalty.

Flexibility across the petrochemical cycle

Oxiteno is one of the largest producers of ethylene oxide and its principal derivatives in Latin America. In 2018, 98% of its ethylene oxide production was used internally in the production of ethylene oxide derivatives, which can be roughly classified in two groups: specialty and commodity chemicals. Oxiteno is a major producer of specialty chemicals, which have traditionally higher margins and less exposure to petrochemical cycles than commodity chemicals. Oxiteno has also been heavily investing in the development of products derived from renewable raw materials, aiming at reducing its dependence on oil-based feedstock and expanding its product portfolio.

Cost-efficient operations

Oxiteno's operations have a high degree of production efficiency derived from a scale that we believe is similar to that of the largest producers in the world. Ultragaz has significant market presence in densely populated areas, which allows it to operate its filling plants and distribution system with a high level of capacity utilization and efficiency with depth and capillarity. Ipiranga also has a significant market presence in the South and Southeast regions of Brazil, which allows it to operate its extensive network of primary and secondary storage terminals and its distribution system in a cost-efficient manner. After the consolidation of Texaco and DNP and the network expansion through the opening of new gas stations and the conversion of unbranded service stations, the increased scale of Ipiranga allowed improved efficiency and competitiveness in the distribution and sales processes, dilution of advertising, marketing and new product development expenses, and gains from economies of scale in administrative functions. Ultracargo is the largest independent liquid bulk storage company in Brazil and the only player in the liquid bulk storage sector present in more than three major ports. Such position provides Ultracargo with increased operational flexibility, operational efficiency and economies of scale.

Strong operational track record

Our Company has exhibited a solid operational track record. Our EBITDA presented an average compound annual growth of 15% from 1998 to 2018, despite the overall macroeconomic volatility in Brazil and in the world during this same period. See "Item 3.A. Key Information—Selected Consolidated Financial Data" for more information about EBITDA. Our net income attributable to shareholders of the Company presented average compound annual growth of 18% from 1998 to 2018.

Experienced management team

We are led by a strong and experienced management team with a proven track record in the LPG and fuel distribution, retail, petrochemical and specialized logistics industries. Our senior management team has on average more than 15 years of experience in the Company. In addition, among the ten members of our Board of Directors, three have more than 15 years with the Company and the new members bring relevant experience and knowledge to Ultrapar, providing a renewed vision and contributing to the development of the Company.

Alignment of interests

Members of Ultrapar's management are shareholders of Ultrapar and receive variable compensation linked to performance and value generation to shareholders measured by Economic Value Added (EVA®) growth targets. Moreover, Ultrapar has consistently implemented improvements in corporate governance, such as being the first Brazilian company to grant 100% tag along rights to all its shareholders, the segregation of the roles of Chief Executive Officer and Chairman of the Board of Directors and its emphasis on maintaining transparency and consistency in its interactions with investors. Ultrapar is also a founding member of the Latin American Corporate Governance Roundtable Companies Circle, a group dedicated to promoting corporate governance in Latin America.

In 2011, Ultrapar completed the implementation of a new corporate governance structure, further aligning our shareholders' interests by converting all preferred shares into common voting shares. The conversion resulted in all of our shares having identical voting rights, which allows our shareholders to actively participate in the decisions of shareholders' meetings, without (i) any limitations on voting rights, (ii) special treatment to current shareholders, (iii) mandatory public tender offers at a premium to market prices once a certain beneficial ownership threshold is crossed or (iv) any other poison pill provisions.

Our Strategies

Build on the strength of our brands

We believe that our businesses have a high brand recognition associated with quality, safety and efficiency that we continually strive to deliver. We intend to reinforce this market perception by continuing to supply high-quality products and services and to introduce new services and distribution channels.

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

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

Continuously improve cost and capital efficiency in the LPG and fuel distribution business

We plan to continue to invest in the cost and capital efficiency of our distribution systems. Current initiatives include enhanced discipline with respect to our capital allocations and other programs designed to control our costs in both the LPG and fuel distribution business units.

Increase market share in fuel distribution

Our sales strategy is to increase Ipiranga's market share by converting unbranded stations to Ipiranga's brand and by opening new service stations. In the Midwest, Northeast and North regions of Brazil, we have lower market share and consumption growth is higher than the national average, given the lower car penetration and faster-growing household income in these regions, which we believe presents opportunities for growth. Ipiranga's strategy also includes expanding its logistics infrastructure to support the growing demand for fuels in Brazil and initiatives aiming at differentiating our products and services.

Promote and benefit from the formalization of the fuel distribution market

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

Enhance retail network

Ultrapar's strategy for its retail operations is strongly focused on differentiation and innovation. At Ipiranga, this focus has translated to the creation of new market niches through its reseller network characterized by customer service and convenience, thus contributing to high levels of customer loyalty. We believe these initiatives result in a better value proposition for customers and resellers, creating benefits for the whole chain – the client has access to differentiated, more convenient products and services; the reseller has a more attractive business; and the service station has a differentiated positioning, contributing to the evolution of the company's results.

Ipiranga's *Posto Ecoeficiente* project (Eco-Efficient service station) is one of the initiatives that reflect Ultrapar's innovation philosophy. It aggregates, in a single project, innovative solutions and sustainable technologies, in harmony with the profitability of the service station for the reseller. This project offers solutions in the construction and operation of service stations that result in better use of resources, such as water and electricity, and reduction of wastage and residues. Ipiranga ended 2018 with 1,182 eco-efficient services stations.

In 2009, Ipiranga launched *Km de Vantagens* ("KMV"), a loyalty program through which customers and resellers may redeem rewards and benefits in areas of entertainment, tourism, magazines, airline tickets, car rental and others. With over 29 million participants in 2018, KMV has served as an important platform, strengthening relationships with Ipiranga's customers and resellers.

Also, as part of its differentiation strategy, Ipiranga launched in 2010 bakeries within its am/pm stores and became Brazil's largest bakery franchise chain. Our bakeries serve fresh products – like bread, coffee, snacks and hot meals – through more than 100 items, including am/pm branded products. As of December 31, 2018, there were 930 bakeries.

In 2012, among the initiatives of Ipiranga, we highlight the entrance in the segment of electronic payment for tolls, parking and fuels through ConectCar. Once installed on a vehicle's windshield, ConectCar's tag automatically opens toll gates through a monthly payment system. At the end of 2018, ConectCar reached 392 thousand active customers and is available in all toll roads in Brazil, as well as in several malls, parking lots and airports.

In 2014, Ipiranga launched a verticalized and integrated supply solution, concentrating logistics, sales and service of am/pm convenience stores under a single umbrella structure: *am/pm Suprimentos*. This initiative aims to streamline am/pm operations, improve the franchisees' competitiveness and ensure a higher quality product assortment, creating value for clients and franchisees. As of December 31, 2018, *am/pm Suprimentos* operated four distribution centers located in the states of Rio de Janeiro, São Paulo, Paraná and Rio Grande do Sul, which supply am/pm convenience stores in those states with the main categories of products, except tobacco and ice cream.

Also in 2014, Ipiranga launched Beer Cave, a new beer purchase experience at its am/pm convenience stores. The Beer Cave is a walk-in refrigerated container aimed at the retail consumer that stores more than 100 national and international brands of cold beers ready for consumption. As of December 31, 2018, there were 545 Beer Caves installed in Ipiranga's franchisees premises.

In addition, in 2015, Ipiranga opened a new configuration of am/pm in São Paulo: an expanded concept of convenience comparable to small neighborhood supermarkets for urban service stations, with supply of fresh products – like fruits, vegetables, meats, flowers and a wider range of fast meals. Ipiranga also launched a flagship store, "am/pm Estação", in the State of São Paulo, a model developed for highway service stations to provide long distances travelers with a broader array of convenience and personal care products distances drivers and travelers.

In 2016, Ipiranga developed and launched *Abastece Aí* (Portuguese for Fill Up Here), a mobile payment service app that seeks to maximize advantages from the integration of platforms to offer even greater convenience and benefits to customers. Through the *Abastece Aí* app, customers can obtain discounts in exchange for KMV points. In addition, they can receive rewards of their preference and finalize the refueling process by using a unique KMV password in a safe payment method. In 2018, more than 1.4 million customers used the app as a mean of payment and nine times more payments were made through *Abastece Aí* as compared to 2017.

Ipiranga also launched a new gasoline called DT Clean in 2016, using one of the most modern fuel additive technologies that aims to restore the engine's performance to its original state, while at the same time increasing the car's useful life and efficiency. In addition, in 2017, Ipiranga launched Octapro, a high-octane gasoline that features a combination of cutting-edge additives and, among other benefits, helps engines reach their top power and improves driving performance.

In 2017, Ipiranga further strengthened the products offered at its am/pm stores with the launch of Wine Cave. In an air-conditioned wine cellar, customers can find a wide variety of wines, from 60 to 80 different labels, at the right temperature. As of December 31, 2018, there were 15 Wine Cave units installed in the states of Minas Gerais, São Paulo, Rio de Janeiro, Santa Catarina, Paraná and Amazonas.

Invest in niche segments for LPG distribution

Ultragas is strengthening its presence in the North and Northeast regions of Brazil by focusing on expanding to states where it previously did not have significant operations and where LPG consumption has historically grown faster than Brazil's national average rate.

For the bulk segment, Ultragas strategy is focused on two areas. The first one is offering its clients mainly in industrial and agribusiness segments new applications for LPG. As a result, Ultragas aims at expanding its participation in the use of LPG for home and personal care and localized heating, such as preheating of industrial furnaces, especially in steel, lead, asphalt manufacturing and metallurgical plants, and in new applications in agribusiness, such as drying grains and seeds, with greater operational and economic efficiency.

The second one is to invest in the expansion of the bulk LPG distribution to small- and medium-sized businesses, such as laundry shops, restaurants, bakeries, residential condominiums and steam car wash, on the basis of agile and convenience services.

Expand capacity at Oxitenó to maintain our capacity ahead of domestic demand

We intend to maintain Oxitenó's production capacity ahead of demand in Brazil. Between 2008 and 2011, Oxitenó invested heavily to significantly increase its production capacity, thereby allowing it to maintain production capacity ahead of domestic demand. We also plan to continue our efforts to apply the best global practices to Oxitenó's plants and production processes with a view to remain technologically competitive.

On November 4, 2015, Ultrapar's Board of Directors approved the expansion of Oxitenó's specialty chemicals' capacity in Pasadena (Texas) in the United States, by building an alkoxylation unit at its current site, which started operating in September 2018. The plant is located in one of the world's most important chemical hubs, taking advantage of attractive conditions of raw materials, as well as highly efficient logistics infrastructure. The investment expands Oxitenó's footprint in the United States, focusing on local markets of agrochemicals, personal care, household and industrial cleaning, coatings and oil and gas. The new unit's capacity is 120,000 tons per year at its initial stage. Until December 31, 2018, the total amount invested in this plant was US\$185 million.

Continue to enhance product mix at Oxitenó

We increased Oxitenó's capacity to produce a variety of value-added ethylene oxide derivatives and other specialty chemicals in order to optimize its sales mix across petrochemical cycles. Oxitenó's investments in research and development have resulted in the introduction of 72 new products during the last three years. Oxitenó will continue to invest in research and development focused on developing new products to meet clients' needs. In addition, we intend to continue to focus Oxitenó's sales in the Brazilian market, which allows us to continuously add value to our products. In 2018, Oxitenó's research and development expenditures were R\$57 million.

Maintain financial strength

We seek to maintain a solid financial position to allow us to pursue investment opportunities and enhance our shareholders' return on their investment in our Company. Our net debt (consisting of loans, debentures and finance leases recorded as current and non-current liabilities, net of cash and cash equivalents and financial investments) as of December 31, 2018 was R\$8,211.7 million, representing a 2.68 times net debt (consisting of loans, debentures and finance leases recorded as current and non-current liabilities, net of cash and cash equivalents and financial investments) to EBITDA ratio. We have been consistently distributing dividends to our shareholders. During the five years ended December 31, 2018, we have declared yearly dividends representing an average of 59% of our net income.

Key Financial Information

The table below sets forth certain financial information for us:

	Year ended December 31,				
	2018	2017	2016	2015	2014
		Restated ⁽¹⁾		As previously reported ⁽¹⁾	
	(in millions of Reais)				
Net revenue from sales and services	90,698.0	79,230.0	76,740.0	75,655.3	67,736.3
Net income attributable to Ultrapar's shareholders ...	1,150.4	1,526.5	1,537.8	1,503.5	1,241.6
Gross debt	(15,206.1)	(13,590.6)	(11,417.1)	(8,901.6)	(8,375.2)
)))))
Cash, cash equivalents and financial investments	6,994.4	6,369.9	5,701.8	3,973.2	4,400.1
Net debt ⁽²⁾	(8,211.7)	(7,220.7)	(5,715.3)	(4,928.4)	(3,975.1)
)))))

⁽¹⁾ See "Presentation of Financial Information."

⁽²⁾ See footnote 6 under "Item 3.A. Key Information—Selected Consolidated Financial Data" for a more complete discussion of net debt and its reconciliation to information in our financial statements.

The table below sets forth the net revenue from sales and services for our principal businesses:

	Year ended December 31,				
	2018	2017	2016	2015	2014
		Restated ⁽¹⁾		As previously reported ⁽¹⁾	
	(in millions of Reais)				
Net revenue from sales and services⁽²⁾	0	0	0	3	3
Ultragaz	7,043.	6,071.	5,365.	4,621.	4,091.
	2	0	1	2	3
Ipiranga	76,473.	66,950.	65,793.	65,349.	58,830.
	4	5	7	8	1
Oxitenio	4,748.	3,959.	3,701.	4,082.	3,413.
	4	4	4	5	6
Ultracargo	493.	438.	355.	315.	346.
	6	4	4	5	5
Extrafarma ⁽³⁾	2,028.	1,868.	1,578.	1,336.	1,101.
	0	9	6	3	3

⁽¹⁾ See "Presentation of Financial Information."

⁽²⁾ Segment information for Ultragaz, Ipiranga, Oxitenio, Ultracargo and Extrafarma is presented on an unconsolidated basis. See "Presentation of Financial Information" for more information.

⁽³⁾ In 2014, reflects net revenue for the 11-month period from February 1, 2014, the date on which Extrafarma's results of operations were consolidated into our financial statements, through December 31, 2014. For additional information, see "Presentation of Financial Information."

The tables below set forth Adjusted EBITDA for Ipiranga and EBITDA for Ultragaz, Oxitenó, Ultracargo and Extrafarma:

	Year ended December 31,				
	2018	2017	2016	2015	2014
		Restated ⁽¹⁾		As previously reported ⁽¹⁾	
	(in millions of <i>Reais</i>)				
Adjusted EBITDA ⁽²⁾					
Ipiranga	2,052.4	3,066.8	3,049.0	2,768.8	2,288.0
EBITDA ⁽²⁾					
Ultragaz	258.1	440.0	425.4	357.0	305.5
Oxitenó.....	625.4	295.9	453.9	739.8	403.7
Ultracargo.....	178.5	124.3	171.1	26.3	166.9
Extrafarma ⁽³⁾	(46.8)				
	)	23.1	38.8	28.7	29.8

⁽¹⁾ See “Presentation of Financial Information.”

⁽²⁾ See footnote 5 under “Item 3.A. Key Information—Selected Consolidated Financial Data” for a more complete discussion of EBITDA and Adjusted EBITDA and its reconciliation to information in our financial statements.

⁽³⁾ In 2014, reflects EBITDA for the 11-month period from February 1, 2014, the date on which Extrafarma’s results of operations were consolidated into our financial statements, through December 31, 2014. For additional information, see “Presentation of Financial Information.”

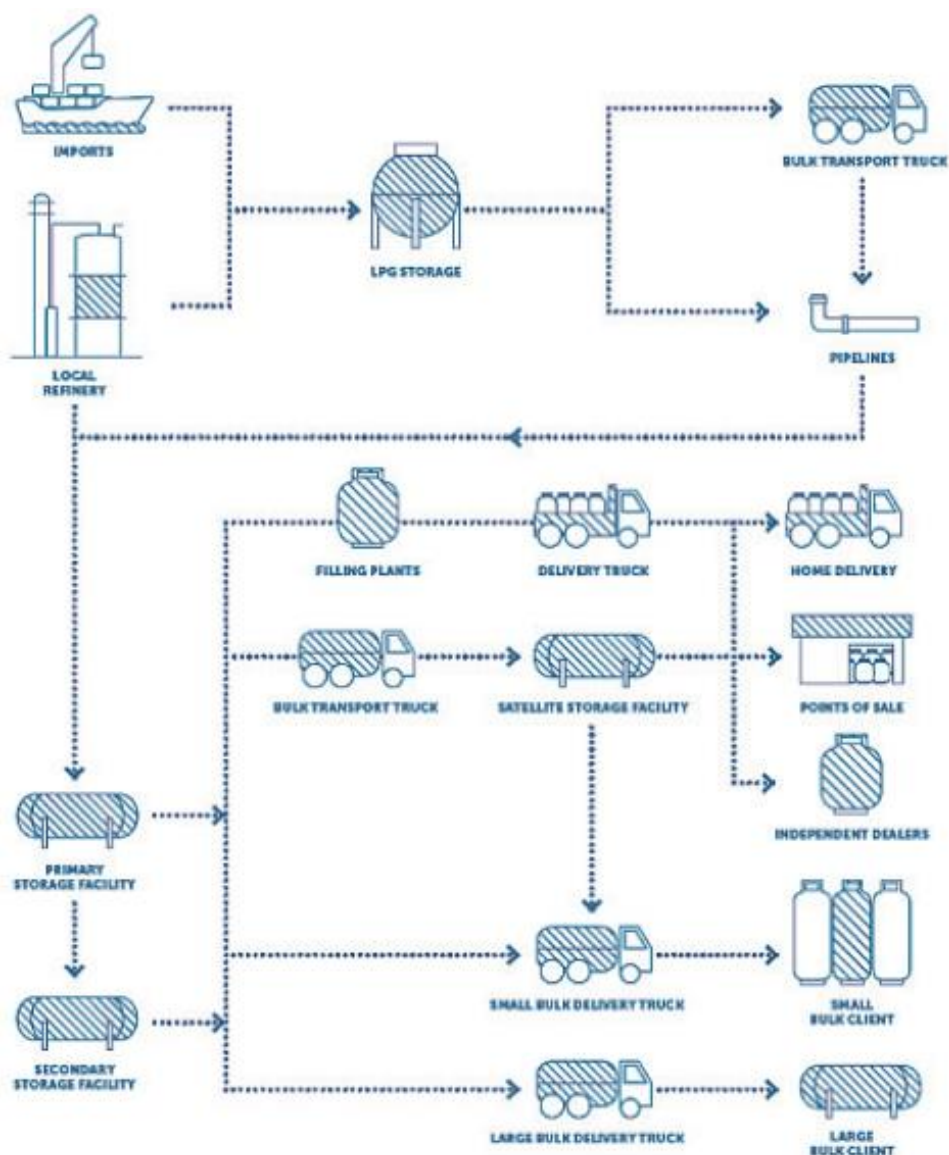
Distribution of Liquefied Petroleum Gas

Industry and Regulatory Overview

Liquefied petroleum gas (LPG) is a fuel derived from the oil or natural gas refining process. In Brazil, 71% of local demand in 2018 was produced in local refineries and the remaining 29% was imported. LPG has the following primary uses in Brazil:

- Bottled LPG — used primarily by residential consumers for cooking; and
- Bulk LPG — used primarily for cooking and water heating in shopping malls, hotels, residential buildings, restaurants, laundries, hospitals and industries, with several other specific applications to each industrial process, such as furnace heating, asphalt production, among others.

The following chart shows the process of LPG distribution:



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

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

The primary international suppliers of LPG are major oil companies and independent producers of both liquefied natural gas and oil. However, due to Petrobras' market dominance over the production and import of petroleum and petroleum products, a result of its legal monopoly that was abolished only in 1997, following Constitutional Amendment No. 09/1995 and the enactment of Federal Law No. 9,478/97, Petrobras is currently the *de facto* sole supplier of LPG in Brazil.

Currently, the LPG distribution industry in Brazil consists of 15 LPG distribution companies or groups of companies and is regulated by the National Petroleum Agency (ANP). The LPG distribution industry includes purchasing nearly all its LPG requirements from Petrobras, filling LPG bottles and bulk delivery trucks at filling stations, selling LPG to dealers and end users, controlling product quality and providing technical assistance to LPG consumers. See “— Industry and Regulatory Overview — The role of the ANP.” LPG produced by Petrobras, which represented 71% of total LPG sold in Brazil in 2018, is transported in pipelines and by trucks from Petrobras' production and storage facilities to filling stations maintained by LPG distributors. The balance is imported by Petrobras into Brazil and stored in large storage facilities mostly maintained by Petrobras. The imported LPG is then transported from the storage facilities by pipeline and truck to the LPG distributors' filling stations.

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

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

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

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

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

Since 2001, distributors have been allowed to freely establish retail prices, which were previously set by the Brazilian government. Until the end of 2001, the LPG refinery price charged by Petrobras to all LPG distributors was determined by the Brazilian government and was the same for all LPG distributors in all regions of Brazil. Historically, refinery prices have been subsidized by the Brazilian government. In January 2002, the Brazilian government abolished subsidies to refinery prices and Petrobras started to freely price LPG in the domestic market, adopting the international price plus surcharges as its benchmark. However, the Petrobras refinery price of LPG is still subject to the Brazilian government influence when the government deems appropriate. Refinery prices of LPG in *Reais* remained unchanged from May 2003 to the end of 2007, despite increases in oil and LPG prices in the international markets, which were partially offset by the appreciation of the *Real* compared to the U.S. dollar, reducing the difference between LPG prices in Brazil and in the international markets. From 2008 to 2016, Petrobras increased LPG refinery prices for commercial and industrial usage sporadically. In 2017 and 2018, LPG refinery prices were adjusted more frequently, as shown below:

	Jan-08	Apr-08	Jul-08	Jan-10	Dec-14	Sep-15	Dec-15	Dec-16	Apr-17	Jul-17	Aug-17
Commercial and Industrial LPG (% adjustment)	15%	10%	6%	6%	15%	11%	4%	12%	-4.0%	-5.2% and 8.0%	7.2%
	Sep-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	May-18	Jul-18	Sep-18	Nov-18	Dec-18
Commercial and Industrial LPG (% adjustment)	2.3% and 7.9%	6.5%	5.3%	-	-	-	7.1% and 3.6%	4.4%	5.0%	-5.6% and -9.2%	-

The LPG refinery price for residential use remained unchanged from May 2003 to September 2015, when Petrobras increased prices by 15%. In the recent past, Petrobras' practice was not to immediately reflect in its oil derivatives prices in Brazil the volatility of international prices of oil and oil derivatives. However, in June 2017, the dynamic of LPG prices supplied to the distributors was modified to reflect international price volatility and exchange rate variation, as shown below:

	<u>Mar-17</u>	<u>Jun-17</u>	<u>Jul-17</u>	<u>Aug-17</u>	<u>Sep-17</u>	<u>Oct-17</u>	<u>Nov-17</u>	<u>Dec-17</u>
Residential LPG (% adjustment)	9.8%	6.7%	-4.5%	6.9%	10.7% and 6.9%	12.9%	4.5%	8.9%

In January 2018, the price dynamic for LPG acquisition at refineries was adjusted to soften the transfer of price volatility in the international market to the domestic price. The period for verification of international prices and currency rates, which dictate the percentages of price adjustment, will be the average of the preceding twelve months and no longer the monthly variation and price movement will now become quarterly and not monthly. The following table shows residential LPG adjustments:

	<u>Jan-18</u>	<u>Apr-18</u>	<u>Jul-18</u>	<u>Nov-18</u>
Residential LPG (% adjustment)	-5.0%	-4.4%	4.4%	8.5%

In 2016 and 2017, Petrobras' average refinery price was US\$356 per ton and US\$484 per ton, respectively, compared with the average international price of US\$273 per ton and US\$409 per ton, respectively. In 2018, Petrobras' average refinery price was US\$560 per ton compared with the average international price of US\$459 per ton.

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

In November 1995, Petrobras' monopoly was removed from the federal constitution by the aforementioned Constitutional Amendment No. 09/1995 approved by the Brazilian Congress. According to this amendment, other state and private companies would be able to compete with Petrobras in virtually all fields in which Petrobras operated. This amendment was implemented through Law No. 9,478, dated August 6, 1997, which effectively allowed Petrobras' monopoly over the prices for oil, gas and oil products to continue for a maximum period of three years. Law No. 9,478, also known as *Lei do Petróleo*, (the "Petroleum Law"), prescribed that the termination of Petrobras' monopoly would be accompanied by the deregulation of prices for oil, gas and oil products, and created a new regulatory agency, the ANP, to oversee oil-related activities. However, in practice, Petrobras still remains the sole LPG supplier in Brazil, even though there are no legal restrictions to the operation of other suppliers or to imports.

On June 25, 2004, Petrobras entered the LPG distribution market in Brazil through the acquisition of Liqueigás, one of the main players in the market.

With the discovery of the pre-salt reservoirs, the Brazilian Government created an inter-ministerial committee to analyze the various alternatives and suggest modifications to Brazil's exploration and production concession regime, which has been in force since the enactment of the Petroleum Law. The Brazilian Government decided to develop the oil and natural gas deposits in the pre-salt region by means of production sharing contracts ("PSC"), resulting in the new regulatory regime for the pre-salt reservoirs, which was finally implemented through Federal Law No. 12,351/2010 (the "Pre-salt Law").

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

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

- maintenance of sufficient LPG storage capacity;
- maintenance of an adequate quantity of LPG bottles;
- use of bottles stamped with the distributor's own brand name;

- possession of its own filling plant;
- appropriate maintenance of LPG filling units;
- distribution of LPG exclusively in areas where it can provide technical assistance to the consumer either directly or indirectly through an authorized dealer; and
- full compliance with the Unified Suppliers Registration System (*Sistema de Cadastramento Unificado de Fornecedores – SICAF*).

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

LPG distribution to the end consumer may be carried out by independent dealers or exclusive dealers, according to ANP Resolution 49/2016 and 51/2016. Each LPG distributor must provide the ANP with information regarding its contracted independent dealers on a monthly basis. The construction of LPG filling plants and storage facilities is subject to the prior approval of the ANP, and filling plants and storage facilities may only begin operations after ANP inspection.

The self-regulatory code/ANP Resolution 49/2016 and 51/2016. In August 1996, most of the Brazilian LPG distributors, representing more than 90% of the market, bottle manufacturers, LPG transportation companies and certain LPG retail stores, under the supervision of the Brazilian government, entered into a statement of intent regarding the establishment of a program for “requalifying” LPG bottles (a process under which they undergo safety and quality checks) and other safety procedures, known as the “Self-Regulatory Code” or “*Código de Autorregulamentação*.” See “—Ultraz—Bottle swapping centers” and “— Ultraz—Requalification of bottles.” Before the Self-Regulatory Code came into effect, certain LPG distributors, not including Ultraz, would fill bottles stamped with another distributor’s brand. This practice resulted in a low level of investment in new bottles, giving rise to concerns regarding the safety of older bottles. The Self-Regulatory Code provides, among other things, that:

- each LPG distributor may only fill and sell bottles that are stamped with its own trademark;
- each LPG distributor is responsible for the quality and safety control of its bottles; and
- each LPG distributor must maintain a sufficient number of bottles to service its sales volume.

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

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

- the construction of at least 15 bottle swapping centers, starting in November 1996 (see “—Ultraz—Bottle swapping centers” and “—Ultraz—Requalification of bottles”);
- the filling of third-party bottles which ceased in October 1997;
- the requalification of 68.8 million bottles manufactured up to 1991 starting in November 1996; and
- the requalification of 12.8 million bottles manufactured between 1992 and 1996 starting in November 1996.

The Self-Regulatory Code was replaced by ANP Resolution 49/2016 and 51/2016, which regulates the distribution of LPG activities.

Ultraz had to requalify 2.5 million bottles, 2.6 million bottles and 2.4 million bottles in 2016, 2017 and 2018, respectively. In 2019, Ultraz expects to requalify approximately 2.9 million bottles.

Environmental, health and safety standards. LPG distributors are regulated by ANP and subject to Brazilian federal, state and local laws and regulations relating to the protection of the environment, public health and safety. The CONAMA, the Ministry of Economy (*Ministério da Economia*), and the Ministry of Infrastructure (*Ministério da Infraestrutura*) are the primary regulators of LPG distribution at the federal level.

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

The LPG industry and market are also subject to occupational health and safety standards, including labor laws, social security laws and consumer protection laws. In addition, the company also has a sustainability policy that describes the good management practices for health, safety and the environment (HSE). Ultragaz annually conducts audits in its HSE – related processes to verify the performance and compliance with HSE legislation, HSE internal standards and sustainability policy.

Ultragaz

We distribute LPG through Ultragaz. Founded in 1937, we were the first LPG distributor in Brazil. At that time, Brazilians used wood stoves and, to a lesser extent, alcohol, kerosene and coal stoves. Ultragaz was the leading company by sales volume in the Brazilian LPG market as of December 31, 2018, according to ANP.

Ultragaz operates nationwide in the distribution of both bottled and bulk LPG, including the most highly populated states in Brazil, such as São Paulo, Rio de Janeiro and Bahia, and may sell bottled LPG through independent dealers. Bulk LPG is serviced through Ultragaz own infrastructure.

In August 2003, Ultragaz acquired Shell Gás, Royal Dutch Shell's LPG operations in Brazil, for a total price of R\$171 million. Shell Gás had about a 4.5% market share in Brazilian LPG distribution according to ANP, selling 287.4 thousand tons of LPG in 2002. With this acquisition, Ultragaz became the national market leader in LPG, with a 24% share of the Brazilian market in 2003. In October 2011, Ultragaz acquired Repsol, which sold approximately 22 thousand tons of LPG in 2011.

Ultragaz is comprised of the following operating subsidiaries:

- Cia. Ultragaz, the company that pioneered our LPG operations;
- Bahiana, which primarily operates in the Northeast region of Brazil; and
- Utingás, a storage services provider that operates two facilities in São Paulo and Paraná. Utingás was incorporated in 1967 when Ultragaz and other LPG distributors joined to construct LPG storage facilities based in the states of São Paulo and Paraná. Ultragaz currently indirectly owns 57% of Utingás. See “— Storage of LPG”.

Markets and marketing. When Ultragaz began its operations, it served only the Southeast region of Brazil. Currently, Ultragaz is present in almost all of Brazil's significant population centers. In recent years, Ultragaz strengthened its presence in the North and Northeast of Brazil, where it did not have significant operations and where LPG consumption has historically grown faster than Brazil's national average growth rate. Distribution of bottled LPG includes mainly retail stores, carried out by Ultragaz's dealership network mainly using 13 kg ANP approved bottles. In the case of Ultragaz, the bottles are painted blue. Ultragaz's operating margins for bottled LPG vary from region to region and reflect the distribution channel in the region.

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

Distribution of bulk LPG is largely carried out through 190 kg storage tanks installed on the clients' premises. Since 1995, Ultragas operates small- and medium-sized bulk delivery facilities with bob-tail trucks, known together as UltraSystem, which deliver LPG in bulk mainly to residential buildings, commercial and industrial clients. Ultragas's clients in the commercial sector include shopping centers, hotels, residential buildings, restaurants, laundries and hospitals. Ultragas's trucks supply clients' stationary tanks using a system that is quick, safe and cost effective.

Ultragas's bulk sales include large industrial clients, including companies in the food, metallurgical, steel and home and personal care sectors that have large fixed tanks at their plants. In the case of large volume consumers, Ultragas is competing with other highly competitive energy sources such as natural gas, diesel, wood, fuel oil and electricity.

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

Ultragas's strategy for bulk LPG distribution is to continue its process of product and service innovation. Ultragas has a team to identify the needs of each bulk LPG client and to develop technical solutions for using LPG as an energy source. Furthermore, in 2015 Ultragas started operating under a new concept for the small and medium business clients, named *Ultrapronto*. As an innovative concept in the LPG industry, *Ultrapronto* represents a more agile and complete service to the client, including prospecting of clients, setup of equipment, logistics and after-sale service. It permeates the entire value chain of the bulk segment, based on: (i) differentiated value proposition for the client, (ii) standardization of processes, in order to enable the service to client, and (iii) rationalization of the installation process.

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

Client category	Year ended December 31,		
	2018	2017	2016
	(in thousands of tons)		
Bottled LPG			
Residential delivery by Ultragas / Ultragas owned retail stores	56.3	61.1	60.4
Independent dealers ⁽¹⁾	1,141.5	1,139.8	1,137.0
Total bottled LPG	1,197.7	1,201.0	1,197.5
Total bulk LPG	527.2	544.8	562.8
Total tons delivered	1,724.9	1,745.7	1,760.3

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

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

LPG distribution is a very dynamic retail market where consumers' habits change constantly, thus creating opportunities for the company. In order to more closely track market developments and differentiate itself from its competitors, Ultragas has developed and enhanced sales channels and payment methods. In the last decade, the company expanded the participation of Disk Gás (sale of LPG bottles by telephone) and, more recently, introduced ordering through a smartphone app (Ultragas Connect) and through a website (*Pedido Online*). These initiatives provide customers with greater convenience, add further value and generate logistic optimization to Ultragas. The same principles have been extended to the bulk segment, in which Ultragas is a pioneer and has a leading position. Ultragas has been developing new usages for its products, such as localized heating for the ignition of industrial furnaces, mainly in lead, iron and steel industries. Ultragas has also expanded LPG uses portfolio to agribusiness, such as a solution for coffee roasting and for cotton ginning. Lastly, tracking consumption trends in the bulk segment, Ultragas intensified its unique account billing service in residential condominiums, through which it provides individual gas bills.

Given Ultragaz's network and reach to the most remote communities in Brazil, it has engaged in a series of initiatives and partnerships to promote social inclusion, education and culture. The table below shows the most relevant ones:

Project	Year of launch	Brief description
Ultragaz Cultural	2000 •	Series of shows, movies, theater, literature, music and educational workshops
	•	2008 – 2018: served more than 268 thousand children in 22 states in Brazil
Partnership with Ministry of Health.....	2008 •	Awareness and educational campaigns to address diseases prevention, such as dengue, Zika virus, H1N1 and yellow fever, as well as other basic health concerns
	•	2009 – 2018: reached more than 140 million people
United Nations Partnership	2009 •	Ultragaz is a signatory of the UN Global Compact
	•	In 2016, Ultragaz joined the 17 Objectives of Sustainable Development
Junior Achievement	2009 •	The largest and oldest organization in Brazil dedicated to educating youth in business
	•	2018: 290 volunteers were involved in 13 states in Brazil, benefiting more than 2,400 students
“Pega Pilhas, Baterias e Celulares”	2012 •	Collection and disposal of used batteries in Ultragaz's consumers' households
	•	2018: almost 1 ton of batteries collected in 10 states in Brazil
“Campanha Junte Óleo: Ultragaz Coleta e Soja Recicla” – Partnership with Bunge and Triângulo Institute, a NGO	2013 •	Cooking oil recycle campaign to avoid its disposal into drinkable water sources
	•	2015: the project won the 14 th Marketing Best Sustainability Award
	•	2018: over 1 million liters of oil collected, reaching 610,000 Brazilian households with approximately 400 resellers involved
“Somar Sustentabilidade”	2014 •	A project that aims to foster sustainability concept and practices among its resellers
	•	By the end of 2018, more than 480 resellers had participated
Ultragaz Sustainable Shop	2014 •	A LPG Shop constructed according to USGBC (United States Green Building Council) criteria, seeking to be accredited by LEED (Leadership in Energy and Environmental Design) and AQUA (High Environmental Quality) certifications
	•	The first store was launched in 2014 in São Paulo, and the second one in 2016 in Ceará
CDP Partnership	2015 •	With the support of CDP, Ultragaz promotes training with its critical suppliers about CO ₂ emissions, encouraging them to develop inventories for greenhouse gas emissions
	•	2018: 45 suppliers were involved
Ultragaz Volunteer Portal	2016 •	A corporate social network to foster volunteer projects
	•	2018: more than 550 employees registered on the website
Female Empowerment	2018 •	Partnership with the Feminine Association for Social and University Studies (Afesu) focused in supporting socially vulnerable women by offering training schemes for entry into the labor market. 2018: 70 girls (between 12-17 years old) were benefited
	•	With the support of Woman Entrepreneur Network (<i>Rede Mulher Empreendedora</i>), Ultragaz offers opportunities and fosters entrepreneurship and redeeming self-esteem among women who are victims of domestic violence. 2018: 120 women were involved

Distribution infrastructure. Ultragaz's distribution strategy includes having its own distribution infrastructure for bulk LPG, since it believes proximity to customers is a significant factor in successful distribution and sales strategies. Ultragaz also maintains a large independent dealer network for the bottled LPG. See "—Independent dealers." For both bottled and bulk LPG, deliveries are made by a staff wearing Ultragaz uniforms and driving vehicles with Ultragaz's logo. Ultragaz has also invested in information technology for improving its process, such as logistics optimization and production efficiency. Ultragaz delivers bottled LPG, using a distribution network, which included 5.4 thousand independent dealers and a fleet of 41 vehicles for the delivery of gas bottles and 287 for bulk delivery as of December 31, 2018. Bottled sales capacity derives from the number of bottles bearing Ultragaz's brands. Ultragaz estimates that, as of December 31, 2018, there were 26.1 million 13 kg bottles stamped with Ultragaz's brands in the market.

Independent dealers. Ultragaz's independent distribution network ranges from large dealers, which carry out extensive home delivery, to single retail stores, which sell small quantities of LPG bottles. ANP Rule 51, enacted on November 30, 2016, that repealed the ANP Rule 297, sets that the independent dealers must be registered with ANP and comply with a list of prerequisites contained in such rule, as well as those required by law for the storage of bottles up to 90 kg. Also, each municipality sets forth its own safety regulations applicable to stores that sell LPG, including a minimum distance from certain locations, such as schools. For the year ended December 31, 2018, 95% of Ultragaz's bottled LPG sales were made through independent dealers. The agreements entered into between Ultragaz and independent dealers require the use of the Ultragaz brand and the display of the Ultragaz logo in the delivery vehicles and on the uniforms worn by delivery personnel. Proprietary rights of the trademark and the logo are retained by Ultragaz and are duly registered with the National Institute of Industrial Property (INPI – *Instituto Nacional de Propriedade Industrial*). All contracted dealers are Ultragaz's exclusive representatives. Under the terms of the respective contracts, each dealer agrees not to deliver non-Ultragaz LPG bottles.

Ultragaz understands that investing in the efficiency of its reseller network is key for staying ahead of competition and at the same time aligned with market demand for LPG. Accordingly, Ultragaz has developed several programs aimed at improving resellers' management quality and standards.

The main tool is the *Programa de Qualificação de Revendas* (Reseller Qualification Program), which seeks to standardize Ultragaz's resellers' best management practices, including brand standardization, management quality, and strict compliance with the laws applicable to the industry. Through an assessment process, resellers are classified into categories (blue diamond, diamond, golden, bronze and opportunity), allowing the participants to check their performance compared to Ultragaz's excellence standards and stimulating constant improvement. In 2018, approximately 4.5 thousand resellers participated in the program – a significant increase compared to 2008, when the program began with approximately 750 resellers evaluated. Out of the resellers that participated in the program in 2018, 74% (or 3.3 thousand) were qualified as bronze or above, in line with 2017 (72%) and 2016 (73%), attesting their compliance with most of Ultragaz's quality requirements. In addition to the Reseller Qualification Program, Ultragaz has been deploying new initiatives to improve the efficiency of its resellers, such as the pre-operation training programs, aiming to accelerate their maturing process and anticipate financial results, increasing success rates among the new resellers, comprised of courses focused on key aspects of LPG operations, marketing and cash flows, among others.

Ultragaz also has invested in the development of training programs offered to its dealers. The first of them is Project SOMAR (Marketing Solutions Applied to Dealers), a program that includes replication of best practices and recommendations of changes to dealers' operating procedures aiming at improving the efficiency of their operations.

The main initiative carried out since 2007 is *Academia Revenda* (Reseller's Academy), which includes the training programs *Formação em Gestão de Revenda* (Reseller Management Education), *O Especialista em Atendimento* (The serving specialist) and *Disk Especialista* (Disk specialist). In addition, in 2016, Ultragaz launched *Ultratop*, a program for the reseller's employees, including online trainings and campaigns focused on customer services. These programs seek to provide its resellers and their employees with critical skills to ensure an effective management in the LPG retail market and strengthen the qualification of the resellers' network.

Distribution channels to bulk consumers. Large bulk distribution, constituted mostly of industrial users, is made by tanker trucks that deliver the LPG directly to the storage tanks located at the customers' premises. Small bulk distribution, comprised of residential buildings and commercial users, and smaller industrial users, is made primarily by bob-tail trucks. Ultragaz uses the UltraSystem trade name in connection with its small bulk distribution through bob-tail trucks. Ultragaz makes bulk sales directly to customers using its own infrastructure and transportation provided by third-party transportation companies.

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

Bottle swapping centers. Pursuant to the Self-Regulatory Code, established in 1996 and approved by ANP, the LPG distributors have established 9 operating swapping centers to facilitate the return of the bottles to the appropriate distributor. Under the Self-Regulatory Code, while LPG distributors may pick up any empty LPG bottles tendered by customers in exchange for full LPG bottles, whether or not such empty bottles were put in circulation by that distributor, after October 1997, LPG distributors were not permitted to refill third-party bottles. Accordingly, LPG distributors may deliver third-party bottles to a swapping center where such bottles may be exchanged for bottles placed in circulation by such LPG distributor. The swapping centers currently charge a fee of R\$0.56 per exchanged LPG bottle.

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

Supply of LPG. Currently, Ultragaz and all other LPG distributors in Brazil purchase all or nearly all LPG from Petrobras. Ultragaz has a formal contract with Petrobras for the supply of LPG. The procedures for ordering and purchasing LPG from Petrobras are generally common to all LPG distributors, including Ultragaz, which basically consist of sending an estimate of our needs to Petrobras four months in advance and a more precise estimate of our needs one month in advance. There have been no significant interruptions in the supply of LPG by Petrobras to the distributors since an interruption in 1995 due to a 15-day strike by Petrobras employees.

Since 2001, distributors have been allowed to freely establish retail prices, which were previously set by the Brazilian government. Until the end of 2001, the LPG refinery price charged by Petrobras to all LPG distributors was determined by the Brazilian government and was the same for all LPG distributors in all regions of Brazil. Historically, refinery prices have been subsidized by the Brazilian government. In January 2002, the Brazilian government abolished subsidies to refinery prices and Petrobras started to freely price LPG in the domestic market, adopting the international price plus surcharges as its benchmark. However, the Petrobras refinery price of LPG is still subject to the Brazilian government influence when the government deems appropriate. Refinery prices of LPG in *Reais* remained unchanged from May 2003 to the end of 2007, despite increases in oil and LPG prices in the international markets, which were partially offset by the appreciation of the *Real* compared to the U.S. dollar, reducing the difference between LPG prices in Brazil and in the international markets. From 2008 to 2016, Petrobras increased LPG refinery prices for commercial and industrial usage sporadically. In 2017 and 2018, LPG refinery prices were adjusted more frequently, as shown below:

	<u>Jan-08</u>	<u>Apr-08</u>	<u>Jul-08</u>	<u>Jan-10</u>	<u>Dec-14</u>	<u>Sep-15</u>	<u>Dec-15</u>	<u>Dec-16</u>	<u>Apr-17</u>	<u>Jul-17</u>	<u>Aug-17</u>
Commercial and Industrial LPG (% adjustment)	15%	10%	6%	6%	15%	11%	4%	12%	-4.0%	-5.2% and 8.0%	7.2%
	<u>Sep-17</u>	<u>Nov-17</u>	<u>Dec-17</u>	<u>Jan-18</u>	<u>Feb-18</u>	<u>Mar-18</u>	<u>May-18</u>	<u>Jul-18</u>	<u>Sep-18</u>	<u>Nov-18</u>	<u>Dec-18</u>
Commercial and Industrial LPG (% adjustment)	2.3% and 7.9%	6.5%	5.3%	-6.3%	-4.6%	-4.2% and 4.7%	7.1% and 3.6%	4.4%	5.0%	-5.6% and -9.2%	-4.7%
.....											

The LPG refinery price for residential use remained unchanged from May 2003 to September 2015, when Petrobras increased prices by 15%. In the last years, Petrobras' practice was not to immediately reflect in its oil derivatives prices in Brazil the volatility of international prices of oil and oil derivatives. However, in June 2017, the dynamic of LPG prices supplied to the distributors was modified to reflect international price volatility and exchange rate variation, as shown below:

	<u>Mar-17</u>	<u>Jun-17</u>	<u>Jul-17</u>	<u>Aug-17</u>	<u>Sep-17</u>	<u>Oct-17</u>	<u>Nov-17</u>	<u>Dec-17</u>
Residential LPG (% adjustment)	9.8%	6.7%	-4.5%	6.9%	10.7% and 6.9%	12.9%	4.5%	8.9%

In January 2018, the price dynamic for LPG acquisition at refineries was adjusted to soften the transfer of price volatility in the international market to the domestic price. The period for verification of international prices and currency rates which dictate the percentages of price adjustment will be the average of the preceding twelve months and no longer the monthly variation and price movement will now become quarterly and not monthly. The following table shows residential LPG adjustments:

	Jan-18	Apr-18	Jul-18	Nov-18
Residential LPG (% adjustment)	-5.0%	-4.4%	4.4%	8.5%

We cannot guarantee that this trend will continue. Any sharp increase in LPG prices charged to LPG distributors could have an impact on Ultragaz's results if it is unable to maintain its operational margins or sales volume.

In 2016 and 2017, Petrobras' average refinery price was US\$356 per ton and US\$484 per ton, respectively, compared with the average international price of US\$273 per ton and US\$409 per ton, respectively. In 2018, Petrobras' average refinery price was US\$560 per ton compared with the average international price of US\$459 per ton. See "— Industry and Regulatory Overview—The role of the Brazilian government."

Storage of LPG. On December 31, 2018, Ultragaz's storage capacity was approximately 19.7 thousand tons, including Utingás' storage capacity. Based on its 2018 average LPG sales, Ultragaz could store approximately 3.4 days of LPG supply. Accordingly, an interruption in the production of LPG may result in shortages, such as the one that occurred during the Petrobras strike in 1995.

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

Competition. Ultragaz's main competitors are:

- Liquigás, which was acquired by Petrobras in June 2004 from the ENI Group and has been operating in the Brazilian LPG distribution sector for more than 60 years;
- Supergasbras, formed by the merger of Minasgás S.A., founded in 1955, and Supergasbras S.A., founded in 1946, and controlled by SHV Energy, a major multinational LPG distributor, which operates through its two separate brands, Minasgás and Supergasbras; and
- Nacional Gás Butano, a Brazilian LPG distributor, which has been present in the market for more than 60 years.

The following table sets forth the market share of Ultragaz and its competitors in terms of volume according to ANP:

LPG Distributor	Year ended December 31,		
	2018 ¹	2017	2016
Ultragaz	23.7%	23.6%	23.8%
Liquigás	21.3%	21.6%	21.7%
Supergasbras	20.0%	20.1%	20.5%
Nacional Gás Butano	19.5%	19.5%	19.3%
Others.....	15.4%	15.1%	14.7%
Total	100.0%	100.0%	100.0%

⁽¹⁾ Data from January to September 2018, since the information for the 12-month period is not available, except for Ultragaz.

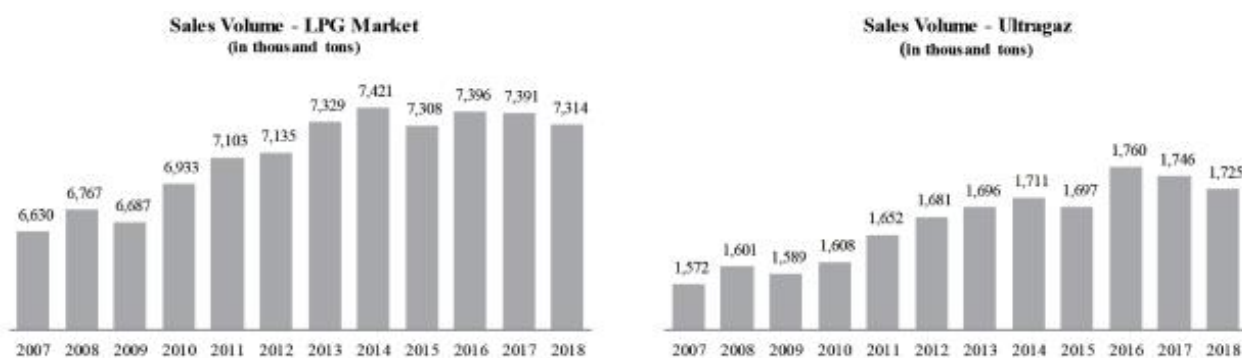
Prior to 1990, the Brazilian government specified the areas in which LPG distributors were permitted to operate and each LPG distributor was allocated a limit in its LPG sales for each Brazilian geographic region in which it operated. These limits impacted the growth of larger LPG distributors and limited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

Considering that the bottled market for LPG is a mature market with relatively low consumption growth, the competition is largely based upon attempts by LPG distributors to increase market share at the expense of their competitors. Since *per capita* consumption is small, low distribution cost is the critical factor in dictating profitability. Therefore, LPG distributors largely compete on the basis of efficiencies in distribution and delivery as all LPG distributors currently purchase nearly all of their LPG requirements from Petrobras, and as Petrobras' refinery price charged to the distributors is the same to all LPG distributors. Ultragaz's principal markets, including the cities of São Paulo, Salvador and Recife, are highly populated areas and therefore distribution to this market can be carried out with great economies of scale resulting in lower distribution costs to Ultragaz. Additionally, Ultragaz enjoys low bulk LPG distribution costs through UltraSystem.

In addition to competing with other LPG distributors, Ultragaz competes with companies that offer alternative energy sources to LPG, mainly natural gas, and other sources such as wood, diesel, fuel oil and electricity. Natural gas is currently the principal source of energy against which we compete. The supply of natural gas requires significant investments in pipelines. While fuel oil is less expensive than LPG, LPG has performance and environmental advantages over fuel oil in most uses.

In 2015, the Brazilian LPG market decreased by 1.5% compared to 2014, mainly driven by the decrease of 5.4% in the bulk segment compared to 2014, mostly due to the continued worsening of the economic environment in Brazil. In 2016, the Brazilian LPG market increased by 1.2% compared to 2015, driven by an increase in both segments. The bottled segment grew by 1.2% over 2015, given its resilient nature as an essential good and the bulk segment grew by 1.1% compared to 2015, due to new clients entering this market in 2016. In 2017, the Brazilian LPG market remained stable compared to 2016. The bottled segment increased by 0.6%, and the bulk segment decreased by 1.8%. In 2018, the Brazilian LPG market decreased by 1.0% compared to 2017, mainly driven by the decrease of 1.4% in the bottled segment.

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



Source: ANP (volume for 2007 according to Sindigás)

Income tax exemption status. Brazilian legislation provides a 75% income tax reduction for businesses located in the Northeast region of Brazil, which depends of SUDENE's formal and previous approval. Ultragaz is entitled to this tax benefit at its filling plants located at Mataripe, Caucaia, Juazeiro and Aracaju until 2024, 2025, 2026 and 2028, respectively. Suape's plant obtained an extension of its tax benefit in January 2019 for a 10-year period, based on the modernization of the facilities, and a benefit appraisal report was sent on January 23, 2019 to the Brazilian Federal Revenue Service for approval within 120 days. The total amount of SUDENE's income tax exemption for Ultragaz for the years ended December 31, 2018 and 2017 was R\$12.8 million and R\$3.0 million, respectively. For further information, see Note 9.c to our 2018 consolidated financial statements.

Quality. We were the first Brazilian LPG distributor to receive ISO (International Standards Organization) certification for excellence in quality management. We were also the first LPG distributor in Brazil to be awarded with *Prêmio Paulista de Qualidade*, a well-recognized quality award in Brazil. Ultragaz is implementing the Management Excellence Model (*Modelo de Excelência da Gestão*® – MEG), of the National Quality Foundation (FNQ). This system standardizes and certifies the main working processes in four areas: Quality Management (ISO 9001), Environmental Management (ISO 14001), Occupational Health and Safety Management (OHSAS 18001) and Social Responsibility Management (SA 8000). Also, in the last 3 years Ultragaz has received several awards related to quality and management quality in different states in which it operates.

Fuel Distribution

Industry and Regulatory Overview

The Brazilian fuels market comprises the distribution and marketing of gasoline, ethanol, diesel, fuel oil, kerosene and natural gas for vehicles (NGV). In 2018, diesel represented 47% of the fuels distributed in Brazil, followed by gasoline, ethanol, fuel oils, NGV and kerosene, each of which represented 33%, 16%, 2%, 2% and less than 0.01%, respectively.

Growth in the fuel distribution sector has been directly influenced by GDP growth rates and size of light vehicle fleet. GDP growth is the main driver for diesel volume, given that diesel in Brazil is highly used for buses, trucks and agricultural engines. The size of the light vehicle fleet influences the growth in the combined volumes of gasoline, ethanol and NGV, which are basically used for light vehicles. The growth in the size of the car fleet in turn, is highly correlated with credit availability and disposable income. Since 2005, the Brazilian economy has been passing through a structural change with the creation of a larger credit market for consumer goods. However, in recent years, the economic recession has affected the credit availability and levels of disposable income in Brazil.

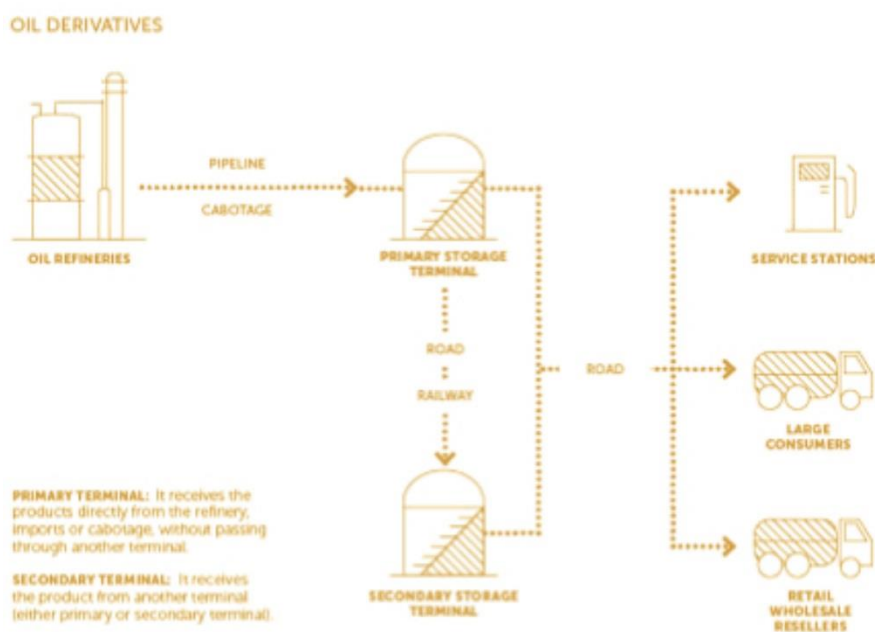
In December 2018, credit in Brazil reached 47% of GDP, compared to 47% in December 2017, 49% in December 2016, 54% in December 2015 and 52% in December 2014, which, combined with a growth in disposable income in Brazil in 2018 (although with continued high unemployment rates), had a positive effect on the sales of vehicles in the year. According to ANFAVEA, approximately 2.5 million new light vehicles were registered in Brazil in 2018, an increase of 14% compared to 2017. The average light vehicle fleet increased by 1.6% in 2018, reaching 42 million at the end of the year. Among the total vehicles sold in 2018, 88% were flex-fuel vehicles, which have engines adapted to operate using either gasoline or ethanol, or by any combination of the two, 3% were gasoline-only fueled vehicles, 9% were diesel-only and less than 0.2% were electric vehicles. Since the launching of flex-fuel vehicles in Brazil in 2003, 32.6 million flex-fuel cars were sold in Brazil.

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

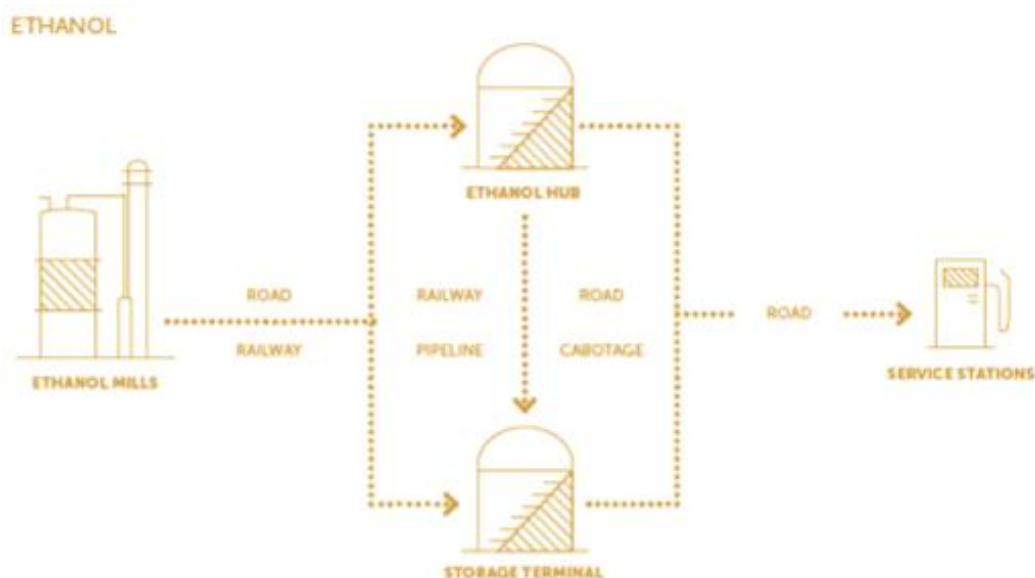
According to ANP, the distribution of fuels (gasoline, ethanol and diesel) is made mainly through three channels, as follows:

- Service stations, which serve final retail consumers;
- Large consumers, mainly industries and fleets; and
- Retail—wholesale resellers—TRR, specialized resellers that distribute diesel to medium and small volume end-users.

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



The following chart shows the ethanol distribution process in Brazil:



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

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

All gasoline sold in Brazil must contain a certain proportion of anhydrous ethanol that can vary from 18% to 27%. In May 2013, the Brazilian Mines and Energy Ministry increased the required percentage of anhydrous ethanol mixed with gasoline again to 25%. In March 2015, the Brazilian Agriculture Ministry increased the required percentage of anhydrous ethanol mixed with gasoline from 25% to 27%. Currently, the percentage of anhydrous ethanol mixed with gasoline is 27%. The Brazilian Sugar and Alcohol Interministerial Council (*Conselho Interministerial do Açúcar e Alcool*) establishes the percentage of anhydrous ethanol that must be used as an additive to gasoline (currently, at 27% in regular gasoline and 25% in additive/premium gasoline).

Gasoline “A”, as it is known in its unmixed form, is mixed with anhydrous ethanol at primary storage terminals or at secondary storage terminals. Gasoline “A”, mixed with anhydrous ethanol, forms gasoline “C”, which is delivered directly to service stations and large consumers by truck.

Since January 2008, under the Biodiesel Program, distributors have been required to include a percentage of biodiesel in the volume of diesel sold, in order to reduce greenhouse gas emissions. In addition, this program has also the social purpose of encouraging and developing small agriculture producers of biodiesel raw materials. From January 2008 to June 2008, the biodiesel mix requirement was 2%. On July 1, 2008 and 2009, the biodiesel mix requirement was increased to 3% and to a further 4%, respectively. On January 1, 2010, the biodiesel mix requirement was increased to 5%, on July 1, 2014 to 6% and on November 1, 2014 to 7%. In March 2016, the government enacted Law No. 13,263, which increased the required percentage of biodiesel mix to diesel to 8% until March 2017, reaching 10% up to 2019. On March 1, 2017, the biodiesel mix was 8% and since March 1, 2018, the biodiesel mix requirement is 10%. On October 29, 2018, the National Council of Energy Policy published CNPE 16/2018 Resolution authorizing ANP to increase the biodiesel mix requirement to 15% until 2023, subject to technical testing of engines. As of January 31, 2019, there were 156 fuel distributors authorized by the ANP to operate in Brazil.

Supply. Petrobras is currently the only relevant domestic supplier of oil derivatives, accounting for 99% of Brazilian production. There are currently 17 oil refineries in Brazil, of which Petrobras owns 13. Petrobras's total refining capacity in 2018 was 375 thousand cubic meters per day. Brazilian refineries are located predominantly in the South and Southeast regions of Brazil. The overall product yield for these refineries in 2018 was 40% diesel, 23% gasoline, 10% fuel oil, 7% LPG and 20% other products, including naphtha. In 2018, 81% of oil derivatives was supplied by local refineries and the remaining 19% was imported.

Ethanol is purchased from various producers. In 2018, there were 367 mills in Brazil, which produced approximately 33 million cubic meters of ethanol, 29% of which was anhydrous ethanol and the rest of which was hydrated ethanol. Brazil's supply of anhydrous and hydrated ethanol is seasonal and depends mostly on the sugarcane harvest. Since July 2017, six corn-based ethanol plants have been operating in the Midwest region of Brazil. In 2018, 93% of such supply came from Central and Southern Brazil and the remainder of which came from Northern Brazil.

Biodiesel is purchased from the many producers of biofuels in Brazil, and its main raw materials are tallow and soy seeds. As of December 31, 2018, there were 52 biodiesel producers, located predominantly in the Midwestern region. Brazil's biodiesel production in 2018 was 65% of its total production capacity. Since January 2008, which was the first year of the Biodiesel Program, Petrobras has been required to purchase biofuels in auctions promoted by ANP and supply distributors with amounts of biodiesel corresponding to the proportional volume of diesel purchased. This policy aims to prevent distributors from selling diesel without including the minimum required amount of biodiesel.

The role of the Brazilian government. The Brazilian government has historically regulated the pricing of oil and oil-derivative products, ethanol, natural gas and electric energy. From 1990 onwards, the Brazilian oil and gas sector has been significantly deregulated. Until the adoption of the Petroleum Law, the Brazilian government maintained strict control over the prices that could be charged by (i) refineries to distributors, (ii) distributors to service stations and other channels and (iii) service stations to end-users.

Currently there is no legislation or regulation in force giving the Brazilian government power to set oil-derivative and ethanol fuel prices. However, given that Petrobras is a state-controlled company and the dominant supplier in this market, prices of oil-derivative fuels are still subject to indirect government influence, resulting in potential differences between international prices and domestic oil-derivative prices. Until 2005, the prices of certain oil-derivative products, especially gasoline and diesel, were periodically updated by Petrobras to minimize the differences between prices practiced in Brazil and in the international markets. From September 2005 to May 2008, gasoline and diesel prices remained unchanged.

From 2008 to 2010, Petrobras changed the prices of gasoline and diesel charged by refineries twice, and the Brazilian government simultaneously changed the CIDE tax in order to partially or fully offset the effect of the change in prices to the end consumer.

In October 2011, the Brazilian government reduced the percentage of anhydrous ethanol mixed into gasoline from 25% to 20%, due to a shortage of ethanol production. To avoid the gasoline price increase to the end consumer, the Brazilian government decided to simultaneously reduce the CIDE tax of gasoline A from R\$230 per cubic meter to R\$193 per cubic meter. In November 2011, Petrobras increased gasoline and diesel prices by 10% and 2%, respectively and, simultaneously, the Brazilian government reduced once more the CIDE tax of gasoline A to R\$91 per cubic meter and that of diesel from R\$70 per cubic meter to R\$47 per cubic meter, therefore without affecting final consumer prices.

In June 2012, as a consequence of its increased requirements for importing oil products at prices above those practiced in Brazil, Petrobras increased gasoline and diesel prices by 3.9% and 7.8%, respectively, and the CIDE tax of both products was simultaneously reduced to zero by the Brazilian government, offsetting the effect of the increase in prices. In July 2012, Petrobras further increased its refinery price for diesel by 6.2%.

Due to the *Real* depreciation and to the fact that the average cost of oil derivatives imported from the international markets was higher than the price practiced by Petrobras in the Brazilian market, (i) in January 2013, Petrobras increased gasoline and diesel prices by 6.6% and 5.4%, respectively; (ii) in March 2013, Petrobras announced a new adjustment in diesel price, of 4.9%; and (iii) in November 2013, Petrobras increased gasoline and diesel prices by 4.0% and 8.0%, respectively. In November 2014, Petrobras announced another increase in the gasoline and diesel prices by 3.0% and 5.0%, respectively.

In January 2015, the Brazilian government announced the return of the CIDE tax and the increase in the PIS and COFINS taxes on fuel, with an impact of R\$220 per cubic meter for gasoline and R\$150 per cubic meter for diesel, valid from February 1, 2015. On September 30, 2015, Petrobras announced a new increase in gasoline and diesel prices of 6.0% and 4.0%, respectively.

In October 2016, a new pricing for gasoline and diesel was established with the objective of, among other aspects, controlling fluctuating prices according to international references on a monthly basis. Therefore, gasoline and diesel prices became directly influenced by the international prices and the *Real*/U.S. dollar exchange rate. Under the new pricing dynamic, gasoline prices were reduced by 3.2% and 3.1% and increased by 8.1% in October, November and December 2016, respectively. On the same occasions, diesel prices were reduced by 2.7% and 10.4% and increased by 9.5%.

In July 2017, the new price dynamic was updated in order to make daily price adjustments based on international references and the *Real*/U.S. dollar exchange rates. Also, in July 2017, Brazilian Government announced an increase in PIS and COFINS taxes for gasoline and diesel. On gasoline the taxes levied increased from R\$381.6 to R\$792.5 per cubic meter, while for diesel it jumped from R\$248.0 to R\$461.5 per cubic meter.

In 2018, fuel costs increased in Brazil as oil prices rose globally and the *Real* depreciated. As a consequence, at the end of May 2018, the truck drivers started a nationwide strike claiming for a decrease on diesel prices, exemption from tolls on passages without goods, a legal reform among others demands. The strike caused fuels and other consumer goods shortages all over the country. Therefore, the Brazilian government reacted by establishing emergency measures, such as minimum freight price table, reduction of R\$460 per cubic meter (or R\$0.46 per liter) in diesel price, being R\$160 per cubic meter (or R\$0.16 per liter) in CIDE and PIS and COFINS tax exemptions and R\$300 per cubic meter (or R\$0.30 per liter) by the subvention program up to December 31, 2018. Initially, prices were maintained for 60 days, and after this period, they were monthly adjusted according to a parametric formula established by the ANP. The program ended on December 31, 2018 and Petrobras returned to the previous adjustment policy according to the international market.

The following graphs show the price volatility of fuels acquired by the distributors from the refineries:



Source: Petrobras

Ethanol prices are deregulated, being freely charged by the ethanol producers. In order to curb unfair competitive practices in the ethanol sales, some measures have been taken by the government, supported by Plural members. In April 2008, it became mandatory for fuel producers and distributors, as well as TRRs, to issue electronic tax invoices in all the states of Brazil. In addition, in June 2008 the government, through the Brazilian Congress, enacted Law No. 11,727/08, based on the Provisional Measure 425 (*Medida Provisória 425*), which came into force in October 2008. Under this law, two initiatives were imposed to prevent tax evasion: (i) increasing the proportion of collection of PIS and COFINS taxes at distilleries from 25% to 40% and (ii) requiring distilleries to install flow meters (*medidores de vazão*) to control the output of ethanol, however this initiative was not implemented due to technical aspects. In 2009, ANP started to track sales of methanol. The blending of methanol with ethanol is an example of product adulteration practiced by certain distributors or gas station owners, mainly in the State of São Paulo. On May 7, 2013, the government adopted the Provisional Measure 613 (*Medida Provisória 613*), which, among other resolutions, granted tax incentives to ethanol producers and to chemical producers through PIS and COFINS tax credits and reductions. As a result, all PIS and COFINS taxes levied on ethanol, which corresponded to R\$120 per cubic meter as of December 31, 2013, were collected by the producers, and they received a R\$120 per cubic meter tax credit to offset the increased PIS and COFINS taxes levied on ethanol. However, in January 2017, PIS and COFINS taxes for ethanol producers were reestablished at R\$120 per cubic meter, without any corresponding credit.

In July 2017, the Brazilian Government announced an increase in PIS and COFINS taxes for ethanol. For ethanol producers, taxes levied increased from R\$120.0 to R\$130.9 per cubic meter and for ethanol distributors went from zero to R\$110.9 per cubic meter.

In accordance with the publication of Law No. 11,097 on January 13, 2005, the National Biodiesel Program (*Programa Nacional de Biodiesel*) was created. Since 2008, a certain amount of biodiesel has been required to be added to diesel. In addition, some changes were required in the distributors' facilities, as well as the restructuring of its logistics. In March 2016, the government enacted Law No. 13,263, which increased the required percentage of biodiesel mix to diesel to 8% until March 2017, reaching 10% up to 2019. On March 1, 2017, the biodiesel mix was 8% and since March 1, 2018, the biodiesel mix requirement is 10%. On October 29, 2018, the National Council of Energy Policy published CNPE 16/2018 Resolution authorizing the ANP to increase the biodiesel mix requirement to 15% until 2023, subject to technical testing of engines.

The role of Petrobras. Since its establishment in 1953, Petrobras maintained a legal monopoly in the exploration, production, refining, importing and transporting of crude oil and oil products in Brazil and its continental waters. This monopoly was confirmed in Brazil's federal constitution enacted in 1988. As a result, Petrobras has historically been the sole supplier of oil and oil-derivatives in Brazil.

In November 1995, Petrobras' monopoly was removed from the federal constitution by a constitutional amendment approved by the Brazilian Congress. According to this amendment, other state and private companies are permitted to compete against Petrobras in virtually all fields in which Petrobras operates. This amendment was also reflected in Law No. 9,478, dated August 6, 1997, which limited Petrobras' monopoly to a maximum period of three years. Law No. 9,478 prescribed that the termination of Petrobras' monopoly would be accompanied by the deregulation of oil, gas and oil-derivative product prices, and created a new regulatory agency, the ANP, to oversee all oil-related activities. However, in practice, Petrobras still remains basically the largest domestic oil-derivative supplier of oil and oil-related products, including naphtha, LPG and oil-derivative fuels in Brazil, even though there are no legal restrictions on the operations of other suppliers or to imports.

Since 1971, Petrobras has acted in the Brazilian fuel distribution market through its subsidiary BR. BR is the leader in the fuel distribution market, with market share of 26.3% in 2018, according to ANP.

With the discovery of the pre-salt reservoirs, the Brazilian government adopted a series of measures in the regulatory environment, establishing a new legal framework for the oil industry, which may result in a series of regulations, such as production-sharing and concession contracts, among others. This discovery may bring a new scenario for the sector, creating major investments and adaptations in infrastructure such as new refineries, highways, pipelines, platforms, ports and ships, among others.

The role of the ANP. The ANP is responsible for the control, supervision and implementation of the Brazilian government's policies with respect to activities related to oil, natural gas and biofuels. The ANP regulates all aspects of the industry, from the exploration and/or production, transportation to the sale of these products, including product quality standards and to the minimum storage capacities required to be maintained by distributors with respect to oil and oil products in Brazil. Prior to 1999, there were no formal requirements imposed by the Brazilian government on the fuel distribution segment. Distributors were only required to register with the national department of fuels or the national Petroleum Agent or the National Agency prior to starting operations. On December 30, 1999, the ANP established through Resolution No. 202, a number of requirements, with which all distributors must comply. In October 2014, the ANP Resolution No. 202 was replaced by Resolution ANP No 58/2014. Under the new rules, a fuel distributor, in order to operate in Brazil, must obtain an operating authorization and meet certain minimum requirements of operation, including:

- minimum paid-in capital of R\$4,500,000.00; and
- proof of financial capacity equivalent to expected volumes to be sold (proof of such capacity may include proof of ownership of assets, insurance or a bank guarantee).

ANP is also responsible for establishing the limits of oil-based fuel volume purchased by distributors based on their storage capacity. Fuel distributors are required to provide the ANP with monthly reports showing their previous month sales.

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

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

Plural (formerly, Sindicom) is the association that represents the interests of major Brazilian fuel distributors, with its members controlling 67.1% of the Brazilian fuel market in 2018. The association was formed in 1941 and its primary purpose is to promote uniform standards for industry regulation and to provide a forum in which members can discuss matters affecting the industry. Plural represents its members in discussions before federal and state governmental bodies and presents its members perspectives on relevant laws and regulations, including those relating to taxation, operations, industrial and occupational safety and environmental protection.

During the 1990s, when the process of deregulation began in the fuel distribution sector in Brazil, a number of parties entered the market with a business model based on cost advantages derived from anticompetitive practices through fuel adulteration and tax evasion, including (i) diluting gasoline by mixing solvents or adding anhydrous ethanol in an amount greater than the permitted by applicable law (anhydrous ethanol has its taxation incorporated into gasoline "A" and is historically cheaper than gasoline), (ii) non-payment of federal taxes on fuels, taxes on gross revenues and state value-added taxes and (iii) selling anhydrous ethanol mixed with water as hydrated ethanol. Such practices have enabled these players, all of them non-Plural distributors, to increase their market share by charging artificially lower prices also based on artificially lower costs. Plural distributors, including Ipiranga, have taken, individually and collectively, a number of actions targeted at reducing or eliminating the effects of these anticompetitive and illegal practices.

Among the actions taken were:

(i) significant interaction with the Brazilian judiciary, including holding seminars for judges and prosecutors concerning the problems facing the industry and directly participating in tax litigation involving distributors that are not Plural members, (ii) sponsorship of the development of a chemical coloring solvent that is added to anhydrous ethanol, in order to prevent the addition of water (and later to be sold as hydrated ethanol), (iii) support of ANP resolution that restricts the sale of hydrated ethanol by producers to distributors and prohibits sales by producers to resellers or end-consumers; (iv) support of ANP resolution that forbids distributors to sell fuels to resellers operating under another brand, except for white-flag dealers, who operate without a brand; (v) contribution to the development of CODIF, a system that electronically controls the collection of value-added taxes on fuel sales, (vi) support in the implementation of electronic invoices at the federal level, concluded in 2008, (vii) support for ANP regulation which established brand definition and the obligation of disclosing the origin of the fuels in order to inhibit certain distributors from using a fake brand (known as cloned stations); and (viii) the suggestion of several other measures, supported by ANP, including focusing the collection of PIS and COFINS on distilleries and the installation of flow meters, which were included in Law No. 11,727/2008. As a result of these efforts, the more regulated market is leading to the weakening of the business model of lower prices based on artificially lower costs and unfair practices, creating a level playing field and increasing sales volume of the formal market.

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

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

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

Ipiranga

Ipiranga was founded in 1937 and is one of the largest fuel distributors in Brazil, with 20.2% market share in terms of sales volume in 2018, according to ANP. Ipiranga distributes diesel, gasoline, ethanol, NGV, fuel oil, kerosene, ARLA (liquid agent to reduce nitrogen oxides emissions from heavy vehicles), lubricants and greases nationwide through its network of 7,218 service stations and 87 storage terminals as of December 31, 2018.

Ipiranga has implemented a differentiation strategy by offering a broad range of products and services throughout its service station network. This strategy has led to a significant and growing convenience store business, branded am/pm, including the expansion of the bakery network and private label products under the same brand, as well as lubricant servicing businesses, Jet Oil and Jet Oil Motos (for motorcycles), and the consolidation of other related products and services.

Ipiranga conducts its commercial operations through five businesses units, as follows:

- Retail – fuel distribution through retail service stations;
- Business to business – large consumers and TRRs;
- am/pm – convenience store;
- Jet Oil – oil change service centers; and
- Digital products – responsible for developing and marketing Ipiranga's loyalty program, KMV, and Ipiranga's digital products.

Post the acquisition by Ultrapar, Ipiranga only operated in the South and Southeast regions of Brazil. In March 2009, Ipiranga acquired Texaco gas stations network in Brazil and became a nationwide distributor, operating in all regions of Brazil, including the Northeast, North and Midwest regions where the fuel consumption grows above the national average rate, given the lower car penetration and faster-growing household income compared to other regions. In November 2010, Ipiranga closed the acquisition of DNP, which distributed fuel in the states of Amazonas, Rondônia, Roraima, Acre, Pará and Mato Grosso through a network of 110 service stations, with 4% market share in the North region of Brazil in 2009 and was the fourth largest fuel distributor in this geographic area.

In August 2016, Ipiranga entered into a joint venture agreement with Chevron to create a new company in the lubricants business, Iconic, of which Ipiranga and Chevron hold 56% and 44%, respectively. Operations commenced on December 1, 2017. The JV combines two complementary and experienced companies in this business, aiming at value creation by sharing best practices and strengthening its position in the competitive Brazilian lubricants market. The combination of the two businesses increases the capillarity of the sales channels in Brazil through Ipiranga's network, as well as through Ipiranga's and Chevron's lubricant distributors network. Currently, Iconic attends more than 100 thousand retailers in Brazil through approximately 50 authorized distributors. The company operates three plants, two in the state of Rio de Janeiro and one in São Paulo. Iconic sells lubricants, greases, additives and coolants under Ipiranga and Chevron brands. For the year ended December 31, 2018, Iconic's sales volume was 292 thousand cubic meters. As of December 31, 2018, Iconic had 619 employees.

Fuel distribution

Ipiranga operates in the retail segment of the fuels distribution market through a network of service stations operating under the Ipiranga brand throughout Brazil. Sales volume from service stations network accounted for 76% of the total sales in 2018. Ipiranga also operates in the business-to-business (B2B) segment with almost seven thousand clients, such as state and municipal governments, industries and cargo and passenger transportation fleet owners. Distribution to B2B represented 24% of Ipiranga's sales in 2018.

In 2018, the fuel volume sold by Ipiranga grew 1%, with sales volume of diesel increasing 2%, in line with the gradual recovery of the economy. Conversely, the volume of gasoline, ethanol and NGV was 1% less year-over-year, declining until July before resuming growth during the second half of the year. Large ethanol production in 2018 contributed to the reduction in its prices and, consequently, drove the 45% increase in sales, while gasoline sales volume recorded a decline of 14%.

Growth in the fuel distribution sector is directly influenced by GDP growth rates and by the size of the car fleet. See "Item 5.D. Operating and Financial Review and Prospects—Trend Information." Legislative changes and inspection in the fuel distribution sector in recent years have progressively curbed unfair competition, creating a level playing field in the Brazilian distribution market. Overtime, these improvements should benefit the formal market by capturing the volume from the grey market. See "Item 4.B. Information on the Company—Business Overview—Fuel Distribution—Industry and Regulatory Overview."

In 2018, 2.5 million new light vehicles were registered according to ANFAVEA, an increase of 13.8% compared to 2017, with flex fuel cars representing 88% of the total light vehicles registered in 2018. According to ANFAVEA, the average light vehicles fleet in Brazil as of December 31, 2018 was more than 42 million, an increase of 1.6% from 2017, as a consequence of the 2.5 million new cars registered and a scrapping of 1.7 million cars in 2018.

The table below shows Ipiranga's sales of fuels by products:

	Year ended December 31,		
	2018	2017	2016
	(in thousand cubic meters)		
Diesel (by client category)			
Retail (service station).....	6,377.9	6,317.3	6,330.0
B2B (large consumers and TRR)	5,586.6	5,426.1	5,602.2
Total diesel	11,964.5	11,743.4	11,932.2
Gasoline	7,589.0	8,791.6	8,493.3
Ethanol.....	3,375.5	2,321.6	2,453.8
Lubricants	292.4	156.5	204.3
Others ⁽¹⁾	458.2	410.7	423.3
Total volume sold	23,679.6	23,458.5	23,506.9

⁽¹⁾ Includes NGV, fuel oil, kerosene and ARLA.

Retail. Accounting for 76% of the total sales in 2018, the retail segment of the fuels distribution market has a network of 7,218 service stations operating under the Ipiranga brand throughout Brazil.

In 2018, Ipiranga continued its strategy to increase its scale of operations, adding 399 service stations through the conversion of unbranded service stations and the opening of new gas stations. As of December 31, 2018, there were 7,218 service stations, of which 881 had the land either owned by us or under a long-term lease to us and 6,337 owned by third parties. In 2018, 90% of these service stations were located in urban areas, with the remaining 10% located in highways. Furthermore, Ipiranga ended 2018 with 1,182 eco-efficient service stations (*Posto Ecoeficiente* — service stations with a set of solutions that reduce the consumption of materials, natural resources and energy of these service stations, including the reduction of waste generated during the construction).

Ipiranga generally enters into three types of arrangements with resellers in which: (i) Ipiranga owns the land, the service station and its equipment and leases it to an operator, (ii) a third party owns the land and leases it to Ipiranga and it constructs a service station facility or make improvements to an existing facility and further leases the station to an operator and (iii) the operator or a third party owns the land and constructs a service station facility or makes improvements to an existing facility that is typically financed by Ipiranga. Under the terms of the contracts and in accordance with applicable law, each reseller operating under Ipiranga's brand must purchase fuels exclusively from us.

Ipiranga has created incentive programs over the years in order to strengthen brand loyalty and its relationship with its resellers' network, in order to differentiate itself from its competitors. These incentive programs include annual rewards to its resellers, such as international trips through the relationship program *Clube do Milhão* (Million Club), upon the accomplishment of pre-established goals.

Ipiranga also establishes relationship programs with resellers' employees, such as *Clube Vip* (VIP Club), to encourage the sale of added-value products and services, including credit cards, such as *Cartão Ipiranga* (Ipiranga private label credit card), *Cartão Ipiranga Carbono Zero* (Ipiranga Zero Carbon Card), premium gasoline and lubricants. Training programs are provided to these employees focusing on developing their knowledge about the business and their capacity for selling products and services.

B2B. Ipiranga operates in the B2B segment with almost seven thousand clients, such as state and municipal governments, industries and cargo and passenger transportation fleet owners. In 2018, Ipiranga's ten largest clients in B2B segment accounted for 16% of its revenue and no single customer accounted for more than 4%. Distribution to B2B represented 24% of Ipiranga's sales in 2018.

Contracts. The relationship between Ipiranga and its clients is generally governed by exclusive supply contracts with terms ranging from 1 to 10 years. The types of contracts change according to the distribution channel. For service stations, contracts usually have longer terms (5 to 10 years) and may provide for the installation of pumps and tanks on the client's premises and for the offering of financing and bonuses. Our commercial strategy includes the concession of bonuses agreements, which can be paid upfront (received on the signing of the contract) and/or post-paid (through the achievement of certain targets defined in contract). For the B2B segment, Ipiranga may sell fuels in the spot market or under exclusive supply contracts, with the terms ranging from 1 to 3 years on average. Ipiranga has been working to increase the percentage of supply of fuels in the B2B segment under exclusive supply contracts by providing additional services and generating value to its clients.

Distribution infrastructure. Ipiranga operated through 87 storage terminals as of December 31, 2018 that were strategically located to facilitate fast and efficient delivery of its products. There are two types of facilities: primary storage terminals, generally located near the coast and major cities, which are supplied by refineries through pipelines, and secondary storage terminals, which are mainly located inland, and are supplied by primary terminals by railroad or through road transportation for locations not accessible by railroad. Ethanol is supplied to the terminals mostly by road.

Ipiranga has its own fleet of trucks through its transportation company, Tropical, which was responsible for transporting 25% of the volume of fuels sold by Ipiranga in 2018, with the remaining portion of the transportation provided by third parties.

Supply of fuels. Currently, Ipiranga and its competitors purchase the majority of oil-derivative fuels from Petrobras under a formal supply contract that establishes the volume and the terms of supply. The contract with Petrobras is renewed annually and the volume contracted is based on the volume purchased in the previous year. The procedures for ordering and purchasing fuels from Petrobras are generally common to all distributors, including Ipiranga. There have been no significant interruptions in the supply of fuels by Petrobras to the distributors, with the exception of an interruption in 1995 due to a 15-day strike by Petrobras employees. In 2018, 81% of oil derivatives was supplied by local refineries and the remaining 19% was imported.

The ethanol fuel market in Brazil consists of 367 sugarcane mills, producing sugar and ethanol from sugarcane. Ethanol production occurs approximately eight months per year. A portion of the production is stored in the distilleries to meet demand during the inter-harvest season. Distilleries produce two types of ethanol: (i) anhydrous ethanol, which must be blended with gasoline and (ii) hydrated ethanol, which is essentially used for flex fuel vehicles.

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

Storage of fuels. Ipiranga stores its fuels in large tanks at each of its facilities located throughout the regions in which it operates. Primary facilities receive fuels directly from Petrobras by pipeline and from distilleries by railroad and road transportation, while secondary facilities are supplied by railroad and trucks. See "Item 4.D. Information on the Company—Property, Plant and Equipment." In 2018, Ipiranga's storage capacity was 818.8 thousand cubic meters. Based on its 2018 average sales, Ipiranga can store approximately eleven days of fuel supply. Accordingly, an interruption in the production of oil-based fuels for longer than that time period could result in shortages, such as the one that occurred during the Petrobras strike in 1995. See "—The role of Brazilian government."

am/pm

am/pm convenience store is the second largest franchise network in the country, according to ABF's (Brazilian franchising association) ranking, with 2,493 stores, a penetration of 35% in the total service stations as of December 31, 2018.

Through its am/pm convenience stores, Ipiranga has been developing initiatives to increase product offerings. In 2010, we announced the launch of private label products, including energy drinks and snacks, and the expansion of the am/pm bakeries, providing to resellers an additional source of income, as well as strengthening the am/pm brand.

With nationwide presence, our bakeries serve fresh products – such as bread, coffee, snacks and hot meals – through more than 100 items, including am/pm branded products. A convenience store with a bakery has the potential to increase revenues by 100% compared to a regular am/pm by offering more products of daily consumption and increasing the flow of costumers in the store. Ipiranga ended 2018 with 930 bakeries.

In 2014, Ipiranga launched a new beer purchase experience through its Beer Cave, which is a walk-in refrigerated container that stores more than 100 brands of beer. Ipiranga ended 2018 with 545 Beer Caves.

In order to strengthen the am/pm convenience stores' product offerings and operations, Ipiranga launched in 2014 its own supply solution. The *am/pm Suprimentos* concentrates logistics, sales and customer service of the convenience store main products in just one structure – covering 45% of the products basket and serving approximately 1.5 thousand stores. This initiative aims to streamline the am/pm convenience store's operation, increase the competitiveness of franchisees and ensure higher-quality product range and higher standardization of products assortment and availability.

At the end of 2018, *am/pm Suprimentos* operated four distribution centers located in Rio de Janeiro, São Paulo, Paraná and Rio Grande do Sul states, which supply the stores in those states with the main categories of products, except tobacco and ice cream.

Ipiranga presented in São Paulo new configurations of the am/pm store concept in 2015. The new am/pm store models increase the options for complementary revenues to resellers. As of December 31, 2018, there were four stores with these new concepts installed in the states of Santa Catarina, São Paulo and Rio de Janeiro.

In 2018, Ipiranga further strengthened the products offered at its am/pm stores with the launch of Wine Cave. An air-conditioned wine cellar that customers can find a wide variety of wines, from 60 to 80 different labels, at the right temperature. As of December 31, 2018, there were 15 Wine Cave units installed in the states of Minas Gerais, São Paulo, Rio de Janeiro, Santa Catarina, Paraná and Amazonas.

The table below shows the highlights of am/pm stores:

2018	
Number of gas station	7,218
Number of stores	2,493
Penetration	35%
Market share in terms of number of stores	31%
Revenues (in millions of <i>Reais</i>)	2,152.8
Market share in terms of revenues	12%
Weighted monthly revenues—store (in <i>Reais</i>)	110,899
Number of transactions (in millions of transactions)	185.1
Average ticket (in <i>Reais</i>)	11.63
Average area (in square meters)	58.4

am/pm revenues include a fixed franchising fee and a percentage of total revenues, which generally range between 4% and 8%. We also receive merchandising fees linked to contracts with suppliers, which establish trade agreements for the convenience stores. The model of convenience stores integrated with service stations is complementary, increasing fuel sales by 18%, on average.

Service stations convenience stores' revenues in the Brazilian markets were R\$7.4 billion in 2017 (last data available), a 3% growth compared to 2016, according to Plural. We believe the sector has potential for continued growth, mainly due to the shifts in cultural and household habits, such as (i) higher participation of women in the labor market; (ii) the increase of single-person households and smaller apartments; (iii) urbanization, increasing population density and logistical complexity; among others. Moreover, penetration of convenience stores in service stations in Brazil is below international standards. Only 19% of gas stations in Brazil have associated convenience stores, compared to 80% in the USA, 88% in the UK, and 75% in Argentina.

The convenience proposal increasingly adapts to the needs of consumers who seek practicality and speed in their routine, trying to solve their demands in a single stop. Thus, convenience stores fit the ideal model, adapting a complete service in one place.

These strategic differentiation initiatives implemented by Ipiranga resulted in a better value proposition for customers and resellers, generating benefits for the whole chain – the consumer gets access to differentiated products and services, the reseller earns higher revenues, and the service station obtains a differentiated positioning, turning Ipiranga into a convenience business platform for facilitating people's daily routine and mobility.

Jet Oil

The Jet Oil business unit, Ipiranga's lubricant-changing and automotive specialized service network, is the biggest franchise of automotive services in Brazil and the fifth in ABF (*Associação Brasileira de Franquias* – Brazilian Franchise Association) ranking among all kind of franchises. Jet Oil ended 2018 with 1,772 franchises, including 240 Jet Oil Motos, the first specialized lubricant-changing and service network for motorcycles.

More than seven thousand oil changes are made at Jet Oil units per day and 65% of the products sold are premium products. Jet Oil units offer an oil change service that features technology and safety, unifying quality products and expert services. These attributes translate Jet Oil's slogan for consumers: "The full care that your car deserves". Since 2015, we have modernized 27% of units into an innovative and more technological model, the Jet Oil Digital, a higher-selling version that offers consumers a new digital consumption experience.

Digital products

Digital products area is responsible for developing and marketing Ipiranga's loyalty program, KMV, and Ipiranga's digital products, focused on three pillars: innovation, intelligence and transformation.

KMV was created in 2009 and is a pioneer customer loyalty program in the fuel industry through which customers and resellers may redeem rewards and benefits in areas of entertainment, tourism, magazines, airline tickets, car rental and others. With over 29 million participants, KMV has served as an important platform, strengthening relationships with Ipiranga's customers.

In 2018, more than 22 million products were redeemed at KMV loyalty platform and 28% of customers that filled-up at Ipiranga's service stations collected points. Also, in 2018, the result of an analysis by Mastercard Advisors that assessed the fuel purchases in credit / debit card of more than 176 thousand customers comparing the behavior six months before and six months after the registration in the KMV loyalty program pointed to an average of 85% growth in total expenditures at Ipiranga's service stations after joining the loyalty program. Each year, Ipiranga seeks new initiatives to add further value to the program, maintain current participants and increase the number of new participants.

Ipiranga developed and launched *Abastece Ai* (Portuguese for Fill Up Here) in 2016, a mobile payment service app, that seeks to maximize advantages from the integration of platforms to offer even greater convenience and benefits to customers. Through the *Abastece Ai* app, customers can obtain discounts in exchange for KMV points. In addition, they can receive rewards of their preference and finalize the refueling process by using a unique KMV password in a safe payment method. In 2018, more than 1.4 million customers used the app as a mean of payment and nine times more payments were made through *Abastece Ai* compared to 2017.

Ipiranga is a well-known and relevant brand in Brazil being considered Top of Mind by Kantas TNS 2018 in the segment. The marketing campaign "*Ipiranga: um lugar completo esperando por você*" (Portuguese for "Ipiranga: a complete place waiting for you") was created with the concept of creating a place where customers can find a broader range of products and services to meet their needs. This concept is stimulated on Ipiranga's communications, especially its TV ads, which includes the catchphrase "*Pergunta lá no Posto Ipiranga*" (Portuguese for "Ask there at the Ipiranga service station"), commonly used by many Brazilians as a jargon in its daily conversation.

Competition. Ipiranga's main competitors in 2018 were:

- Petrobras Distribuidora S.A. ("BR"), a subsidiary of Petrobras, which has been operating in the Brazilian fuel distribution sector since 1971. BR is the Brazilian market leader and operates throughout the entire country. In December 2017, BR concluded its initial public offering, listing the shares on B3.
- Raízen Combustíveis S.A. ("Raízen"), a joint venture between Cosan S.A. ("Cosan") and Shell International Petroleum Company Limited ("Shell"), a subsidiary of Royal Dutch Shell. Cosan, through its subsidiaries, is the largest producer of sugar and ethanol in Brazil, having entered the fuel distribution market in 2008, when it acquired Esso's fuel distribution business in Brazil. In June 2011, Cosan established Raízen, a joint venture with Shell by combining certain of their respective assets, including their respective distribution businesses.
- Alesat, a domestic Brazilian fuel distributor created in 2006, as a result of the merger of Ale and Satellite, is present in 21 states. In December 2008, Alesat acquired the fuel distribution business of Repsol YPF in Brazil. In August 2017, the company decided to disassociate from Plural. In 2018, Glencore acquired 78% of Alesat fuel distribution.

The following table sets forth the market share of Ipiranga and its competitors based on volume of gasoline, ethanol and diesel sold, according to ANP and Plural data:

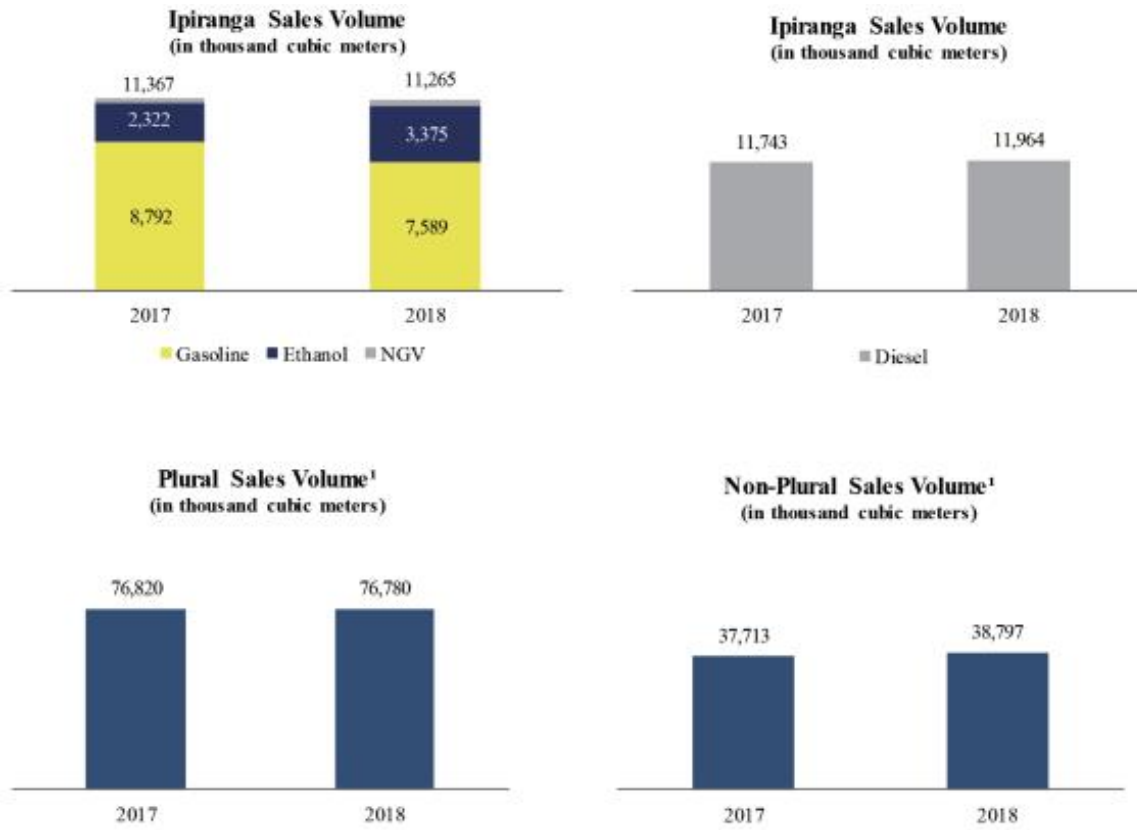
Distributor ⁽¹⁾	Year ended December 31,		
	2018	2017	2016
Petrobras	26.3%	26.8%	28.2%
Ipiranga	20.2%	20.3%	20.4%
Raízen	20.6%	20.6%	19.9%
Alesat ⁽²⁾	—	—	3.8%
Others	32.9%	32.3%	27.6%
Total cubic meters.....	100.0%	100.0%	100.0%

⁽¹⁾ Volume sold of gasoline, ethanol and diesel.

⁽²⁾ No data is available in 2017 and 2018 because Alesat dissociated with Plural. Since 2017, Alesat's market share is included in "Others".

The retail market for gasoline, diesel and ethanol in Brazil is highly competitive, with similar products and relatively low margins. Therefore, our strategy is to differentiate ourselves in the market by offering value-added services to complement our main products, with the goal of becoming the preferred choice of customers. For more information on Ipiranga's strategy see "Item 4.B. Information on the Company—Business Overview—Our Strategy—Enhance retail network."

The following graphs show sales volumes for the Brazilian market and Ipiranga for the periods indicated:



¹ Diesel, gasoline, ethanol (Source: ANP and Plural) and NGV (Source: Abegás). Information provided by ANP and Plural are subject to retroactive adjustments and, therefore, can differ from the information contained herein.

Socio-environmental responsibility and quality. Since 2013, Ipiranga is a signatory of the UN Global Compact, an initiative sponsored by the United Nations formed by companies, institutions and the society. Its main goal is to mobilize the international business community to adopt internationally accepted business practices in the areas of human rights, labor relations, environment and anti-corruption intended to promote sustainable growth and civic awareness. Ipiranga annually publishes a Communication of Progress—COP—showing projects and actions taken during the year to comply with the UN Global Compact.

Since 2002, Ipiranga has adopted its own environmental management system through a program named SIGA, which applies what we believe to be the highest international standards to its policies and practices. Initially focused only on environmental initiatives, in 2009 the program expanded its scope to include areas such as safety, health, quality and social responsibility, in order to align the operations of its terminals to a broader vision of sustainability, becoming SIGA+ (Ipiranga's management system applied to health, safety, environment, quality and social responsibility). The program included audits in 2010 to verify the results of its implementation and to identify areas of improvement. Since then, SIGA+ grew from 23 operational units audited in 2010 to 56 in 2018, including some offices and all owned storage terminals and joint operated terminals.

In 1998, Ipiranga's terminal in Londrina (PR), received the first ISO 14001 (Environmental Management System) certificate for a fuel distribution terminal in Latin America. In the same year, Ipiranga's lubricant factory located in Rio de Janeiro obtained an ISO 9001 (Quality Management System). One year later, Ipiranga's Betim terminal obtained ISO 9001 and ISO 14001 certifications and in 2008 the OHSAS 18001 (Safety and Occupational Health Management System) certificate. These certifications are reaffirmed every three years.

Petrochemicals and Chemicals

Industry and Regulatory Overview

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

First generation companies. Brazil's first-generation companies, which are referred to as "crackers", break down or "crack" naphtha (a by-product of the oil refining process), their principal feedstock, into basic petrochemicals. In Brazil, the crackers supply their naphtha requirements from Petrobras and through imports. Currently, Petrobras is the major Brazilian producer of naphtha. The basic petrochemicals produced by the crackers include olefins, primarily ethylene, propylene and butadiene, and aromatics, such as benzene, toluene and xylenes. Braskem has three naphtha-cracker plants, located in Camaçari, in Triunfo and in Mauá. Brazil's naphtha cracker units sell these basic petrochemicals to second generation companies. The basic petrochemicals, which are in the form of either gases or liquids, are transported to the second-generation companies through pipelines for further processing. This sector passed through a restructuring process, with the emergence of Braskem as the main player and Petrobras as a relevant minority shareholder.

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

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

The intermediate petrochemicals are produced in solid form (as plastic pellets or powders) and in liquid form and are transported through roads, railroads or by ship to third generation companies.

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

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

Third generation companies produce a variety of consumer and industrial goods, including containers and packaging materials, such as bags, film and bottles, textiles, detergents and paints as well as automobile parts, toys and consumer electronic goods.

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

The Northeast complex, located in the municipality of Camaçari in the state of Bahia, began operations in 1978. Braskem currently has an ethylene production capacity of 1.28 million tons per annum.

The São Paulo complex, located in the municipality of Santo André and Mauá in the state of São Paulo, was created in 1972 and is the oldest petrochemical complex in Brazil. Braskem has an ethylene production capacity of 700 thousand tons per annum.

The Southern complex, located in the municipality of Triunfo in the state of Rio Grande do Sul, is based around the raw materials cracker, Braskem. Braskem's plant in Triunfo has an ethylene production capacity of 1.25 million tons per annum. Oxiteno does not purchase ethylene from Braskem in Triunfo, but purchases C4, a raw material used in the production of Methyl-ethyl-ketone (MEK).

In December 2005, Rio Polímeros S.A. (RioPol), a subsidiary of Braskem located in the state of Rio de Janeiro, started operations of its ethylene production plant based on natural gas. RioPol has an ethylene production capacity of 520 thousand tons per year. All of RioPol's ethylene production is used in its own polyethylene production.

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

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

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

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

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

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

Due to the use of controlled products, petrochemical companies are also subject to regulation and surveillance by the Army and Civil and Police Forces. In accordance with the applicable laws and regulations, they shall obtain from governmental authorities permits, licenses and certificates to use controlled substances in their activities. Decree No. 3,665, dated November 20, 2000, regulates the Brazilian Army control over explosive substances and/or substances that could be used to prepare explosives and establishes that those that manufacture, store or sell such substances are required to obtain a registration certificate, which must be periodically renewed. Law No. 10,357, dated December 27, 2001, sets forth that those that manufacture, store, handle, use and distribute chemical substances that could be employed in the manufacture of narcotics or psychotropic substances are subject to control by the Federal Police Department and shall obtain the required certificates, which must be periodically renewed. The sanctions that can be imposed in case of noncompliance with the applicable regulations concerning controlled substances include warnings, fines, pre-interdiction fines, interdiction, apprehension of products, suspension, cancellation or forfeiture of the corresponding certificates and licenses.

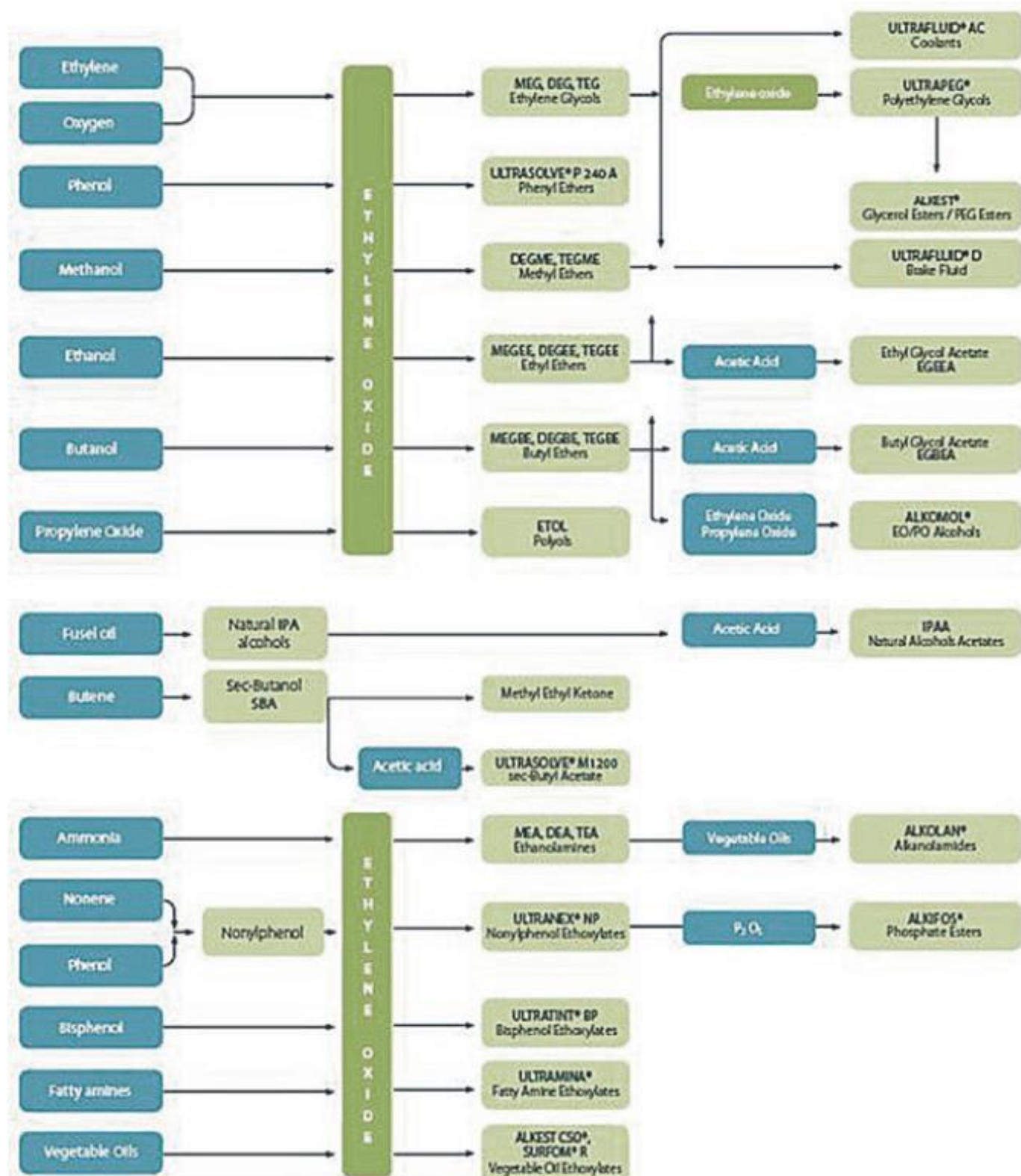
Oxiteno

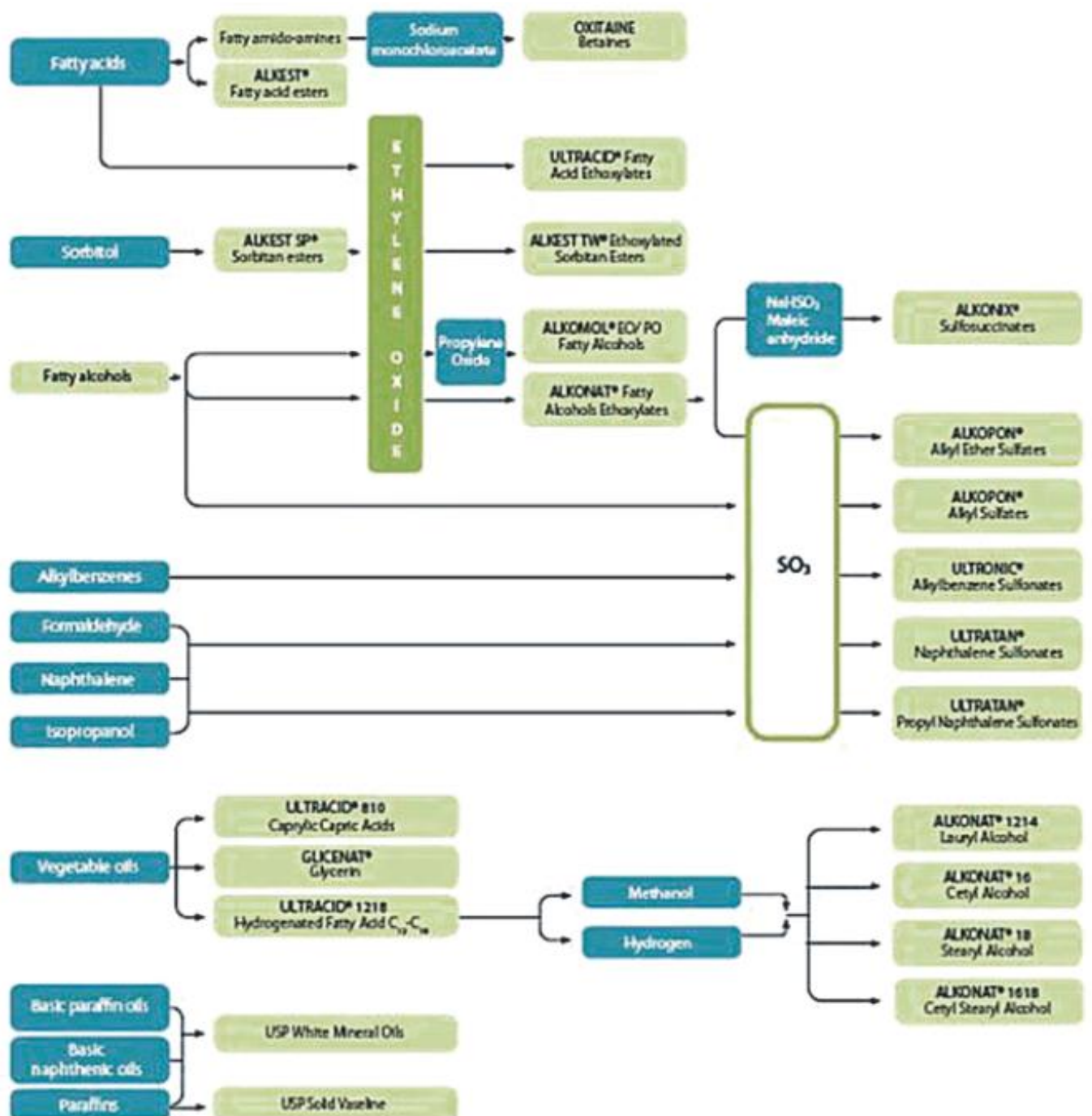
We operate in the chemical sector through the second-generation company, Oxiteno, a wholly owned subsidiary of Ultrapar and major producer of specialty chemicals. Oxiteno is the only producer of ethylene oxide, ethylene glycols, ethanolamines, glycol ethers and methyl-ethyl-ketone in Brazil, as well as the only producer of fatty alcohol in Latin America. Besides a plant in Venezuela, Oxiteno is the only ethylene oxide producer in South America. Its products are used in a broad range of industrial sectors, such as cosmetics, detergents, crop protection chemicals, polyester, packaging, coatings and oil industry. During the year ended December 31, 2018, Oxiteno sold 769 thousand tons of chemical and petrochemical products.

Oxiteno's strategic focus is to provide a broad coverage of the ethylene oxide and derivatives, maintaining a leading position in these markets that strengthens its market positioning in Brazil. We intend to maintain Oxiteno's production capacity ahead of demand in Brazil. Oxiteno's strategy is to increase its specialty chemical production capacity and its geographic reach.

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

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





* required trademark
Oxiteno® registered trademark

Raw Materials
Products and intermediates

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

Major Markets	Specialty Chemicals	Examples of uses and effects
Detergents	Alkylbenzene sulfonic acids, alkylsulfates, alkyl ether sulfates, ethoxylated alkylphenols, ethoxylated fatty alcohols, polyethyleneglycols, alkanolamides, betaines, sulphosuccinates, block copolymers EO/PO.	Used in detergents, the specialty chemicals are added mainly to improve cleaning power and foaming and to reduce skin irritability.
Cosmetics.....	Alkylsulfates, alkyl ether sulfates, betaines, ethoxylated fatty alcohols, polyethyleneglycols, alkanolamides, ethoxylated sorbitan esters, sorbitan fatty esters.	Used in cosmetics as moisturizers, detergents for foaming and residue removal, and reduction of eye irritation in shampoos.
Crop protection chemicals	Ethoxylated fatty amines, ethoxylated alkylphenols, alkyl ether sulfates, blends, naphthalene sulfonate, ethoxylated vegetable oil, copolymers EO/PO.	Used as part of the composition of crop protection chemical, such as herbicides. Increases their efficiency, by improving soil penetration and adherence of the products to plant surfaces.
Foods	Sorbitan fatty esters, ethoxylated sorbitan esters, emulsifiers, stabilizers, dispersants	Principally used as additives for breads and cakes, improving their texture and consistency, and as an emulsifier responsible for ice cream creaminess.
Textiles	Ethoxylated alkylphenols, ethoxylated fatty alcohols, ethoxylated vegetable oils, ethoxylated fatty amines, antistatic agents, lubricants, softeners, emulsifiers, antifoamers, mercerizing additives, humectants, low foam detergents.	Used in the processing of textiles, improving spinning and weaving performance. Permits greater evenness in the mixing of fibers, dyeing, bleaching and improving the softness of the final cloth.
Hydraulic fluids	Ethylene glycol ethers, ethylene glycols, corrosion inhibitors.	Used directly as hydraulic fluids in vehicles. Brake fluids guarantee brake system performance and safe braking. Cooling liquids help to cool the motor and maintain the correct operating temperature.
Oil field chemicals	Additives, emulsion breaker, mutual solvent, surfactant, antifouling, glycols, ethanolamines and dispersants.	Chemical inputs applied in all stages of the production of oil and gas, such as drilling, cementing, completion, stimulation, production and refining, each one with specific characteristics.
Coatings	Acetates, alcohols, glycols ethers, glycols, ketones, alkyl ether sulfates, ethoxylated alkylphenols, ethoxylated fatty alcohols, block copolymers EO/PO.	Solvents and surfactants are used in the preparation of paints and coatings, adhesives and inks. Solvents serve multiple functions in solvent borne paints and coatings: solubilization of the resin or polymer forming the continuous coating phase, pigment wetting and viscosity reduction to facilitate the application of the coating. Surfactants are used in emulsion polymerization and also as additive: thickeners, antifoaming agents, additives used to control rheological properties and others.

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

Ethylene oxide. Ethylene oxide is a colorless and highly flammable gas at room temperature and atmospheric pressure. Ethylene oxide is produced in a continuous production process by gaseous phase catalytic partial oxidation of ethylene by oxygen at high temperature and pressure. In 2018, Oxitenó used 98% of its ethylene oxide production in the production of derivatives and sold the remaining 2% to other chemical companies.

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

Domestic sales. The Brazilian petrochemicals industry seeks to prioritize demand from the domestic market, where there is greater value added, although sales are also made to the overseas market. While Oxitenó sells the larger part of its commodities and specialty chemicals in Brazil, production capacity exceeds domestic market demand, with Oxitenó exporting surplus production to more than 50 countries in Asia, America, Europe, Africa and Oceania. Oxitenó maintains production capacity above local demand for strategic reasons. For the years ended December 31, 2018, 2017 and 2016, 29%, 29% and 29% of Oxitenó's net revenue from sales and services, respectively, were from sales outside Brazil. For the years ended December 31, 2018, 2017 and 2016, 28%, 28% and 28% of Oxitenó's sales volume, respectively, were from sales outside Brazil.

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

Market sector	Year Ended December 31,		
	2018	2017	2016
	(in thousand tons)		
Polyester	150.5	139.3	117.7
Cosmetics and detergents.....	108.9	109.8	111.6
Crop protection	86.5	99.9	97.9
Distributors	50.6	55.6	51.6
Coatings	46.7	46.6	44.6
EO / DOT (brake fluids)	31.0	37.4	32.8
Performance Products ⁽¹⁾	27.4	26.9	27.2
Glycols.....	24.3	22.3	19.7
Oil and Gas	25.9	26.1	20.3
Others ⁽²⁾	5.4	6.6	6.1
Total Brazilian market	557.3	570.5	529.4

⁽¹⁾ Includes food, civil construction, textiles, leather and paper.

⁽²⁾ Includes mineral oils and polymers.

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

Sales outside Brazil. Oxitenó's export sales are made mainly to customers in the Mercosur, Far East, Europe and NAFTA. In Europe, Oxitenó exports its products mainly to the Netherlands, Belgium, Italy, Germany and Spain. In the Far East, Oxitenó exports its products mainly to China, Japan, Taiwan and Thailand.

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

	Year Ended December 31,					
Breakdown of sales volume outside Brazil	2018		2017		2016	
	(in thousand metric tons and percentage of the total)					
From Oxiteno Brazil						
Mercosur (not including Brazil).....	37.	18	48.	22	43.	21
	1	%	0	%	6	%
Asia.....	24.	11	20.	9	19.	9
	1	%	2	%	1	%
Europe.....	17.	8	15.	7	17.	8
	3	%	9	%	2	%
NAFTA.....	14.	7	24.	11	12.	6
	0	%	9	%	4	%
Other	15.	7	17.	8	19.	10
	5	%	8	%	9	%
	108.	51	126.	58	112.	54
Sub-Total	0	%	9	%	2	%
From Oxiteno Mexico						
Mexico.....	36.	17	41.	19	38.	18
	8	%	6	%	3	%
USA	19.	9	15.	7	13.	7
	1	%	9	%	7	%
Other	5.	2	5.	2	6.	3
	0	%	4	%	7	%
	60.	29	62.	29	58.	28
Sub-Total	9	%	9	%	7	%
From Oxiteno Andina						
Venezuela	1.	1	1.	1	2.	1
	2	%	4	%	1	%
Other	0.	0	3.	2	4.	2
	6	%	3	%	2	%
	1.	1	4.	2	6.	3
Sub-Total	8	%	7	%	3	%
From Oxiteno Uruguay						
Brazil	16.	8	17.	8	16.	8
	2	%	9	%	8	%
Uruguay	9.	4	11.	5	11.	5
	4	%	9	%	4	%
USA	1.	1	0.	0	0.	0
	1	%	7	%	7	%
Other	19.	9	20.	9	20.	10
	2	%	2	%	4	%
	45.	22	50.	23	49.	24
Sub-Total	9	%	7	%	3	%
From Oxiteno USA						
USA	31.	15	23.	10	13.	6
	8	%	0	%	2	%
Other	1.	1	2.	1	2.	1
	2	%	7	%	8	%
	33.	16	25.	12	16.	8
Sub-Total	0	%	7	%	0	%
	211.	100	219.	100	208.	100
Total ⁽¹⁾	5	%	7	%	7	%

⁽¹⁾ Does not include intercompany sales volume.

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

Since 2003, Oxiteno has focused on expanding its presence in Americas, and on increasing its specialty chemicals sales, creating a closer relationship with its customers. As a first step, in December 2003, Oxiteno acquired Canamex—a Mexican specialty chemicals company (renamed Oxiteno Mexico). In April 2007, Oxiteno acquired the operating assets of Unión Química SA de CV, in San Juan del Río, Mexico. For the year ended December 31, 2018, Oxiteno Mexico's sales volume totaled 40,043 tons, which represented an 11% decrease compared to the year ended December 31, 2017. See "Item 4.A. Information on the Company—History and Development of the Company."

In September 2007, Oxitenó acquired 100% of the shares of Arch Andina in Santa Rita, Venezuela (renamed Oxitenó Andina). For the year ended December 31, 2018, Oxitenó Andina's sales volume totaled 1,842 tons, representing a decrease of 37% compared to the year ended December 31, 2017. See "Item 4.A. Information on the Company—History and Development of the Company."

In April 2012, Oxitenó acquired a specialty chemicals plant in Pasadena, Texas. In September 2018, Oxitenó completed the construction of the new alkoxylation unit in its site in Texas, US. The new facility reaches a production capacity of 120 thousand tons per year in its initial stage. For the year, ended December 31, 2018, sales volume from the plant totaled 32,569 tons, representing an increase of 38% compared to the year ended December 31, 2017. See "Item 4.A. Information on the Company—History and Development of the Company."

In November 2012, Oxitenó acquired 100% of the shares of American Chemical (renamed Oxitenó Uruguay), a Uruguayan specialty chemicals company. For the year ended December 31, 2018, Oxitenó Uruguay's sales volume totaled 43,070 tons, which represented a 9% decrease compared to the year ended December 31, 2017. See "Item 4.A. Information on the Company—History and Development of the Company."

As part of our strategy to grow outside of Brazil, we opened commercial offices in Argentina in 2006, in Belgium in 2008, in Colombia in 2011 and in China in 2012.

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

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

In 2018, Oxitenó's main customers in the domestic market included Monsanto, which mainly purchases ethanolamines, Syngenta, Indústrias Gessy Lever Ltda. (Unilever), which mainly purchase surfactants and MEGlobal, which mainly purchases glycols. In the international market, Oxitenó sells both to industrial customers, including Unilever and Procter&Gamble, as well as trading companies and other third-party distributors. In 2018, Oxitenó's ten largest customers accounted for 36% of its net revenue from sales and services. No single customer accounted for more than 7% of Oxitenó's net sales in such year.

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

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

Oxitenó's main competitors are Shell Chemical, Dow Chemical, Clariant, BASF S.A., Solvay and Stepan.

Research and development. Oxitenó carries on a wide range of research and development activities, principally related to the application of specialty chemicals and improvements in production processes. As of December 31, 2018, 155 employees of Oxitenó were engaged in research and development and engineering activities. Oxitenó's research and development expenditures in 2018, 2017 and 2016 were R\$57 million, R\$53 million and R\$50 million, respectively.

Oxitenó's investments in research and development have resulted in the introduction of 72 new applications for its products during the last three years. Oxitenó will continue to invest in research and development focused on developing new product applications to meet clients' needs.

Raw materials. Oxitenó's principal raw material is ethylene. For the year ended December 31, 2018, ethylene was responsible for 33% of Oxitenó's variable costs of production and 27% of its total cost of sales and services. Among Oxitenó's other raw materials, the principal materials include palm kernel oil, C4, butyl alcohol, primary fatty amine and phenol. Supply of ethylene constitutes an entry barrier for new ethylene oxide producers in Brazil since the current production capacity of ethylene by Brazilian crackers is committed to existing second-generation companies, including Oxitenó, and significant investments are needed for the construction of a new cracker. Additionally, ethylene's transport and storage is complex and expensive because it must be kept at a temperature below -200 degrees Fahrenheit (-100 degrees Celsius) during transportation and storage, therefore importing and exporting of ethylene is generally uneconomical. Accordingly, the naphtha crackers, such as Braskem, are largely dependent for their sales upon the second-generation petrochemical companies, such as Oxitenó, located in the respective petrochemical complexes.

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

Oxitenó has a supply agreement with Braskem, which establishes a minimum annual consumption level of ethylene and conditions for the supply of ethylene until 2021 at the Camaçari plant. The minimum purchase commitment clause is 205 thousand tons of ethylene per year. Should the minimum purchase commitment not be met, Oxitenó would be liable for a penalty of 40% of the current ethylene price for the quantity not purchased. The minimum purchase commitment is subject to proportional reduction in the case of scheduled shutdowns in the supplier's and/or Oxitenó's facilities.

In addition, Oxitenó has a supply agreement with Braskem that expires in 2023 at the Mauá plant. The contract establishes and regulates the conditions for the supply of ethylene to Oxitenó based on the international market for this product. The minimum purchase commitment clause is 44,100 tons of ethylene annually. Should the minimum purchase commitment not be met, Oxitenó would be liable for a penalty of 30% of the current ethylene price for the quantity not purchased. The minimum purchase commitment is subject to proportional reduction in the case of scheduled shutdowns in the supplier's and/or Oxitenó's facilities.

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

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

Price of ethylene. The price of ethylene supplied by Braskem to Oxitenó for the production of goods to be sold in Brazil is linked to ethylene contract prices referenced to the North-Western Europe (NWE) markets as from August 2006 to our plant in Camaçari and as from August 2008 to our plant in Mauá.

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

	NWE	
	(US\$/ton)	Equivalent to (R\$/ton) ⁽¹⁾
2018		
First Quarter.....	1,308	5,069
Second Quarter	1,291	5,001
Third Quarter	1,319	5,111
Fourth Quarter	1,248	4,837
Maximum Price in Year.....	1,354	5,245
Minimum Price in Year	1,120	4,340
Year Average	1,292	5,005
2017		
First Quarter.....	1,086	3,592
Second Quarter	1,139	3,768
Third Quarter	1,149	3,801
Fourth Quarter	1,212	4,009
Maximum Price in Year.....	1,249	4,132
Minimum Price in Year	1,049	3,470
Year Average	1,147	3,794
2016		
First Quarter.....	926	3,018
Second Quarter	1,024	3,337
Third Quarter	1,039	3,386
Fourth Quarter	1,025	3,341
Maximum Price in Year.....	1,051	3,425
Minimum Price in Year	903	2,943
Year Average	1,004	3,272

⁽¹⁾ The figures in U.S. dollars have been converted into *Reais* using the exchange rate of US\$1.00 = R\$3.875, US\$1.00 = R\$3.308 and US\$1.00 = R\$3.259 for 2018, 2017 and 2016, respectively, which is the commercial rate reported by the Central Bank on that date. This information is presented solely for the convenience of the reader.

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

In April 2013, the Brazilian government announced a reduction in the PIS and COFINS taxes levied on certain raw materials for the petrochemical industry (first and second generation), including ethylene. The PIS and COFINS paid on raw material procurement, including ethylene, was reduced from 9.25% to 1%. The lower tax rate became effective in May 2013 and has been increasing gradually since then. In 2018, Provisional Measure No. 836/2018 revoked the incentive. However, this Provisional Measure was not converted into ordinary law and the incentive became effective again. The level of PIS and COFINS taxes levied on the acquisition of ethylene in 2018 was 5.6%.

Other raw materials. For the year ended December 31, 2018, other raw materials, such as palm kernel oil, C4, butyl alcohol, acetic acid, nonene, phenol, primary fatty amine, ethanol, oxygen, base oils, ammonium and other accounted for approximately 42% of Oxitenó's variable costs and 35% of its total costs of sales and services.

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

Utilities. Electric power, steam and natural gas are the main utilities required for Oxitenó's production. Part of the electricity and steam used by Oxitenó is generated internally and part is purchased from electricity companies and third-party suppliers of steam in the regions where Oxitenó's plants are located. Natural gas is purchased from local companies. In 2018, electric power represented 2% of Oxitenó's variable costs.

Income tax exemption status. Brazilian legislation provides a 75% income tax reduction for businesses located in the Northeast region of Brazil, which depends of SUDENE's formal and previous approval. Oxitenó is entitled to this tax benefit at Oxitenó Nordeste and EMCA until 2026 and Oleoquímica until 2021. The total amount of SUDENE's income tax reduction for Oxitenó for the years ended December 31, 2018 and 2017 was R\$80.1 million and R\$36.7 million, respectively. For further information, see Note 9.c to our 2018 consolidated financial statements.

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

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

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

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

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

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

Oxiteno developed an important project to increase the use of renewable raw materials, the oleochemical unit, which uses palm kernel oil, extracted from the palm seed, to produce fatty alcohols and its by-products. After the start-up of the oleochemical unit, the share of renewable raw materials in Oxiteno's raw materials total costs reached 27% in 2018. In 2010, Oxiteno joined the Roundtable on Sustainable Palm Oil, an organization that works to regulate the sustainable plantation of palm, aiming to strengthen its regional leadership and its sustainability practices.

Storage services for liquid bulk

Ultracargo

Ultracargo is the largest provider of liquid bulk storage in Brazil. Ultracargo stores and handles liquid bulk, mainly chemicals, fuels and vegetable oil. Ultracargo also offers ship loading and unloading services, the operation of pipelines, logistics programming and installation engineering. Ultracargo's ten largest clients accounted for 70% of its revenues in 2018, with its three largest clients, Braskem, Petrobras and Ipiranga (a related party) accounting for 15%, 12% and 10%, respectively, of Ultracargo's revenues.

Ultracargo's strategic location of its operations, close to the main Brazilian port terminals, railroad junctions and roads, is one of the company's main strengths and a key driver of integrated services profitability. As of December 31, 2018, Ultracargo operated storage facilities with a capacity of 700 thousand cubic meters. Ultracargo's history is one of pioneering logistics solutions in the Brazilian market. As of December 31, 2018, Ultracargo accounted for 67% of all tank capacity for liquids at the Aratu port in the State of Bahia, which serves South America's largest petrochemicals complex. The company is also present in the port of Santos, in the state of São Paulo, which was responsible for 27% of the Brazilian foreign trade in 2018. The Santos terminal, which started operating in mid-2005, has become the largest storage facility operated by Ultracargo after the integration of the terminals acquired from União Terminais in 2008. In December 2009, with the acquisition of Puma, a storage terminal for liquid bulk located at the port of Suape, in the state of Pernambuco, Ultracargo added 83.4 thousand cubic meters to its current capacity. In July 2012, Ultracargo acquired Temmar from Temmar Netherlands B.V. and Noble Netherlands B.V., subsidiaries of Noble Group Limited. This terminal is located in the port of Itaquí, which added 55 thousand cubic meters to Ultracargo's capacity. In January 2018, Ultracargo, through its subsidiary Tequimar, entered into a sale and purchase agreement for the acquisition of 100% of the quotas of TEAS, owned by Raízen Energia S.A. and Raízen Araraquara Açúcar e Alcool Ltda., whose assets had already been operated by Ultracargo in the port of Santos. The purchase price of the acquisition was R\$103 million. Closing of the acquisition took place on March 29, 2018.

Storage. Ultracargo primarily provides storage services for liquid bulk, especially chemicals, fuels and vegetable oil. Ultracargo provides storage facilities to Braskem and most of the second-generation petrochemical companies in the Northeastern Petrochemical Complex, including Oxiteno. Transactions between Ultracargo and Oxiteno are carried out strictly on an arm's-length basis.

At the end of 2003, Ultracargo maintained four liquid bulk storage terminals—in Aratu in the state of Bahia, in Paulínia and Santos in the state of São Paulo, and in Suape in the state of Pernambuco. In late 2004, Ultracargo completed construction of an intermodal terminal in Montes Claros, in the state of Minas Gerais, which was sold to Ipiranga in 2012. With the acquisition of União Terminais in 2008, Ultracargo also started to operate in Paranaguá, in the state of Paraná, and in Rio de Janeiro, in the state of Rio de Janeiro. Since August 2012, Ultracargo has been operating in Itaquí, in the State of Maranhão. In August 2015, Ultracargo's terminal in Paulínia was permanently closed and, in June 2017, it was sold to a third party.

Ultracargo completed the construction of another intermodal terminal in Santos in mid-2005. This project is Ultracargo's second port installation to integrate road, rail and maritime transportation systems, the first being Aratu. The terminal occupies an area of approximately 64 thousand square meters that hosts 38 thousand cubic meters of tankage space for chemical products, 40 thousand cubic meters for ethanol and 38 thousand cubic meters for vegetable oils. In 2007, Ultracargo also expanded its liquid storage capacity with the addition of 10 thousand cubic meters to Aratu.

In 2008, Ultracargo added 184 thousand cubic meters to its liquid bulk storage capacity through: (i) the acquisition of União Terminais, which added 170 thousand cubic meters and (ii) the expansion of its terminal in Aratu, adding 14 thousand cubic meters. In 2009, Ultracargo added 95 thousand cubic meters to its liquid bulk storage capacity through (i) the acquisition of Puma's assets in Suape, adding 83 thousand cubic meters and (ii) the expansion of its terminal in Aratu, adding 12 thousand cubic meters.

In 2010, Ultracargo added 16 thousand cubic meters to its liquid bulk storage in the terminal of Santos. Additionally, in July 2010, Ultrapar sold Ultracargo's in-house logistics, solid bulk storage and road transportation businesses, with the transfer of shares of AGT and Petrolog to Aqces. See "Item 4.A. Information on the Company — History and Development of the Company." In 2011, Ultracargo added 26 thousand cubic meters to its liquid bulk storage capacity in the Suape terminal. In 2012, Ultracargo added 55 thousand cubic meters to its liquid bulk storage capacity through the acquisition of a terminal in Itaquí. In 2013, Ultracargo concluded an expansion in the terminal of Santos, adding 46 thousand cubic meters (42 thousand cubic meters in 2012 and 4 thousand cubic meters in 2013), and in the terminal of Aratu, adding 26 thousand cubic meters (4 thousand cubic meters in 2012 and 22 thousand cubic meters in 2013). This project was part of Ultracargo's expansion plan started in 2010 and increased its total storage capacity by 15%.

Income tax exemption status. Brazilian legislation provides a 75% income tax reduction for businesses located in the Northeast region of Brazil, which depends on SUDENE formal and previous approval. Ultracargo's terminals at Aratu, Suape and Itaquí are entitled to the tax benefit up to 2022, 2020 and 2025, respectively. The total amount of SUDENE's income tax exemption for the years ended on December 31, 2018 and 2017 was R\$14.8 million and R\$8.8 million, respectively. For further information, see Note 9.c to our 2018 consolidated financial statements.

Quality. In 2007, Ultracargo's terminal in Aratu obtained an ISO 14001 certification and, since then, has undergone several re-certification processes, most recently in 2018. The evaluation process occurred under a unified Quality Management System for the entire country. In 2002, Santos terminal obtained the ISO 14001 certification and OHSAS 18001 in 2003. In 2011, Suape terminal obtained an ISO 14001 certification. In 2012, Suape and Aratu terminals obtained OHSAS 18001 certification. In 2014 and 2016, the Aratu terminal was recognized for its performance in Health, Safety and the Environment by Industrial Development Committee of Camaçari (Cofic). In 2015, Itaquí terminal obtained an ISO 14001 and OHSAS 18001 certification.

Retail Pharmacy

Industry Overview

The retail pharmacy business in Brazil is responsible for the purchase, distribution and resale of medicines to end consumers through drugstores. It is also a common practice in this industry to sell beauty and personal care products as well as certain convenience products at drugstores. Its main suppliers are pharmaceutical producers and beauty and personal care producers.

The retail pharmacy business is a highly regulated industry. In Brazil, the regulation of the sector is executed by the Federal Government, the State and Municipalities. The Federal Government enacts laws and regulations of general applicability, which are enforced and complemented by actions of the States and Municipalities. At the federal level, the health and pharmaceutical sectors are regulated and supervised by the Ministry of Health, through ANVISA, a public agency established by Federal Law No. 9,782/99 and regulated by Decree No. 3,029/99.

In addition, pursuant to Law No. 10,742/03 and Decree No. 4,766/03, the regulation of standards and criteria for setting and adjusting the prices of medicines in Brazil is established by the Drug Market Regulation Chamber ("CMED"), which fixes a capped price for sales from pharmaceutical companies to their distributors, and for final sales to consumers. This capped-price is based on the mechanism which comprises essentially: (i) an inflation rate measured by the IPCA; (ii) factor of productiveness, which is a percentage calculated based on future earnings of productivity by the pharmaceutical industry; and (iii) factor of price adjustments, which is a percentage calculated based on the input costs applicable among market sector prices and to intra-sector prices. The medicines are readjusted in April of every year. However, some pharmaceutical products, such as herbal and homeopathic medicines are not currently subject to CMED's price regulation. In Brazil, the front-store area occupied by drugstores is usually smaller than 300 square meters.

Brazilian drugstores' total revenues, according to data from IQVIA, were R\$113 billion in 2018, a 5% growth compared to 2017. We believe the sector has potential for continued growth, mainly due to the aging population, greater access to medicines, especially due to the growing prominence of generic drugs, the growing demand for personal care, wellness and beauty products in drugstores, and higher levels of disposable income among consumers in the longer term. In addition, consolidation of the sector, supported by increasing market formalization and consequent investments, is in its early stages, with the top five drugstore chains in Brazil accounting for only 28% of the overall market revenues in 2018, according to ABRAFARMA. According to IQVIA, there were approximately 78 thousand drugstores in Brazil in 2018.

The main types of pharmaceutical products sold in Brazil are listed below:

Branded medicine — Innovative products, registered at the federal agency responsible for sanitary surveillance and marketed in the country whose efficacy, safety and quality have been scientifically proven by the federal competent body upon registration.

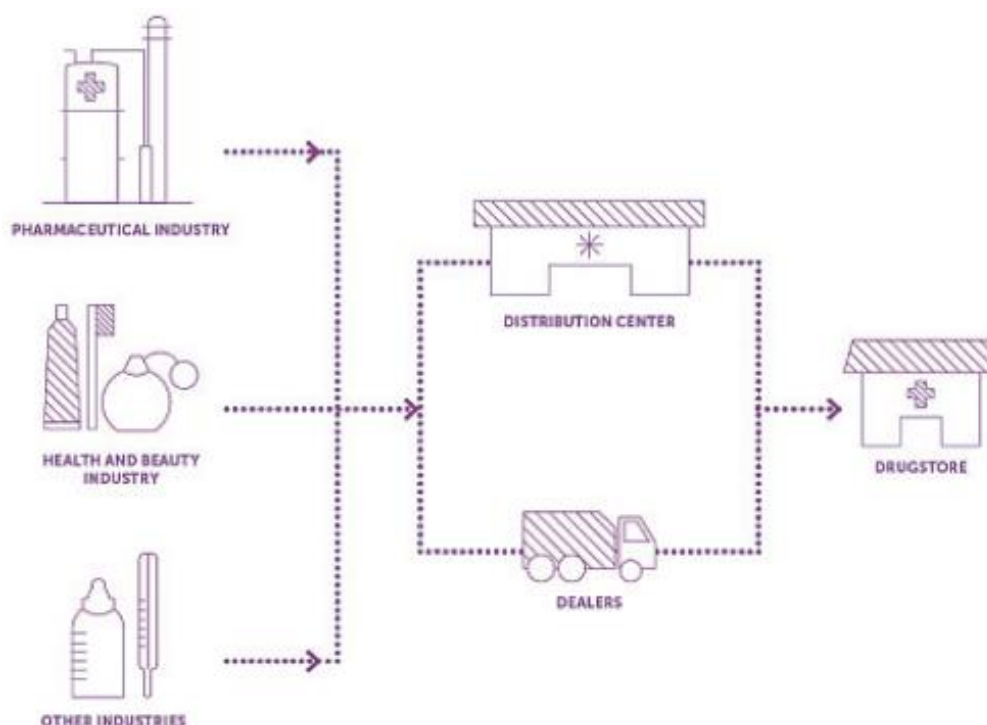
Generic medicine — Contain the same active ingredient, in the same strength and dosage form, being administered by the same route and with the same therapeutic indication as the reference drug in the country, showing the same safety as the reference drug in the country, and which can be interchangeable with the latter.

Similar medicine — Contain the same active ingredients, has the same concentration, pharmaceutical form, method of administration, dosage and therapeutic instructions, and is equivalent to a medicine registered with the Federal agency responsible for sanitary surveillance, differing only as regard the characteristics of size and form of the product, period of validity, packaging, labelling, excipients and vehicle.

OTC medicines — Over the Counter (“OTC”) medicines that do not need a prescription to be sold.

According to ABRAFARMA, the sale of medicines accounted for 68% of the total sales of its members in the retail pharmacy business in Brazil in September 2018 (the latest available data as of the date of this annual report), and products other than medicines accounted for the remaining 32% of the sales. Sales of OTC products during the winter are usually higher than in warmer seasons, while sales of personal care products during the summer are usually higher than in other seasons.

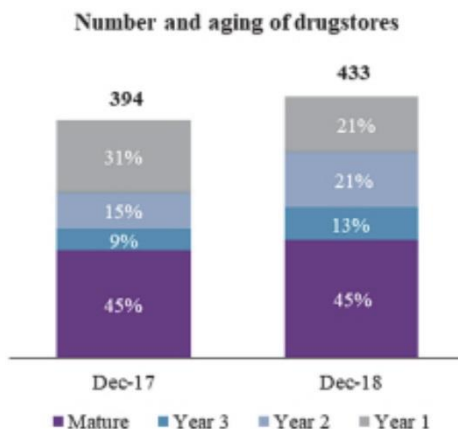
The following chart shows the supply process of retail pharmacy in Brazil:



Extrafarma

Benefitting from over 50 years of activity in the wholesale and retail of pharmaceutical products, Extrafarma is a leading drugstore chain in the regions in which it operates. Extrafarma operates in areas where recent sales growth rates have been above the national average, which we believe presents attractive potential for future growth.

As of December 31, 2018, Extrafarma operated 433 drugstores in thirteen states of Brazil (123 in Pará, 11 in Amapá, 7 in Tocantins, 92 in Ceará, 56 in Maranhão, 36 in Pernambuco, 18 in Rio Grande do Norte, 17 in Bahia, 10 in Paraíba, 9 in Piauí, 5 in Sergipe, 3 in Alagoas and 46 in São Paulo). Extrafarma operates two distribution centers in Benevides, in the state of Pará, and in Aquiraz, in the state of Ceará, which are responsible for supplying all of our stores.



Extrafarma operates both in the retail and wholesale of pharmaceutical products. In 2018, Extrafarma's gross revenues reached R\$2.1 billion, of which the retail business represented 94% and the wholesale business represented 6%.

Extrafarma's main strategy is focused on the retail business, which is responsible for the larger share of its revenues. Within this business, Extrafarma's product mix consists of all the main types of pharmaceutical products (branded medicine, generic medicine, similar medicine and OTC) in addition to personal care products and convenience products. In 2018, out of Extrafarma's revenues in the retail business, branded medicines represented 39%, generic/similar medicines represented 15%, OTC 10%, personal care products represented 22% and convenience products represented 14%.

On the wholesale side, Extrafarma operates as a distributor of both pharmaceutical and personal care products. It purchases the products from manufacturers and sells them to other drugstore chains and independent retailers, which are serviced through Extrafarma's own and leased truck fleet. As of December 31, 2018, the average payment term of Extrafarma's sales to independent retailers was 74 days.

In January 2016, Extrafarma remodeled its loyalty program and renamed it *Clube Extrafarma*. The program provides immediate discounts on purchases, in addition to accumulating 1 point for each R\$1 spent. Points received by Extrafarma's customers may be exchanged during the period of 6 months for significant discounts in store products, pre-paid mobile phone credits, Ipiranga's KMV and *Multiplus Fidelidade*. As of December 31, 2018, *Clube Extrafarma* had 8.4 million clients registered.

Competition. The consolidation process of the retail pharmacy business is in its early stages.

The drugstore chains associated to ABRAFARMA represented an estimated 41% of the total revenues in the sector in 2018. There were more than 20 drugstore chains associated to ABRAFARMA in 2018. According to ABRAFARMA the main players in Brazil are Raia Drogasil, DPSP, Pague Menos, Araujo and Paniel.

Oil Refining

RPR consists of a refinery in the city of Rio Grande, in the state of Rio Grande do Sul, in the Southern region of Brazil. The refinery's nominal capacity is 17,000 barrels per day, and its principal products include gasoline, diesel, naphtha, fuel oil, LPG, special oils, pentanes and solvents. In 2018, the average production of the refinery was 14,345 barrels per day, which represented 84% of its nominal capacity and less than 1% of the total Brazilian oil refining capacity, according to ANP data. Ultrapar currently owns approximately one third of the capital of RPR. See "Item 4.A. Information on the Company—History and Development of the Company." RPR's results are accounted for using the equity method, as share of profit of joint-ventures and associates. Results generated by the oil refining operations are not significant to Ultrapar. In 2018, the share of profits from RPR operations recognized into Ultrapar's results amounted to R\$1.1 million, corresponding to less than 1% of Ultrapar's consolidated net income for the year.

In August 2014, there was a sharp reduction in the international crude oil prices, reaching in December 2015 the lowest level since December 2008 (US\$36 per barrel). Despite the reduction in oil prices, the prices of oil – based fuels in Brazil have increased during the same period, helping improve RPR's margins. In October 2016, a new price dynamic for gasoline and diesel was established with the objective of, amongst other aspects, fluctuating prices according to international references. Therefore, gasoline and diesel prices became directly influenced by the international prices and the *Real*/U.S. dollar exchange rate. In July 2017, the new price dynamic was updated in order to make daily price adjustments based on international references and the *Real*/U.S. dollar exchange rates. In the fourth quarter of 2017, operating margins for refining activities were negatively impacted by the increase in crude oil prices internationally, as a reflection of the reduction of oil production by OPEC countries. As a result of the truck drivers' strike in May 2018, the Brazilian Government announced, among other measures, a significant drop in diesel prices, a combination of tax reduction and a subvention program that lasted until December 31, 2018. These measures resulted in a narrowing margins in the refining activity in 2018.

Insurance

We maintain insurance policies covering all the facilities of our wholly owned subsidiaries, which we consider appropriate to cover the risks to which we believe we are exposed, including but not limited to loss and damage from fire, lightning, explosion of any nature, windstorm, plane crash and electrical damage. The maximum compensation values based on the maximum possible loss that could result from specific location, as of December 31, 2018, are shown below:

	Maximum compensation value ^(*)
Oxiteno	US\$1,142
Ipiranga	R\$1,032
Ultracargo	R\$949
Ultragaz	R\$266
Extrafarma	R\$160

^(*) In millions. In accordance with our policies terms and conditions.

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

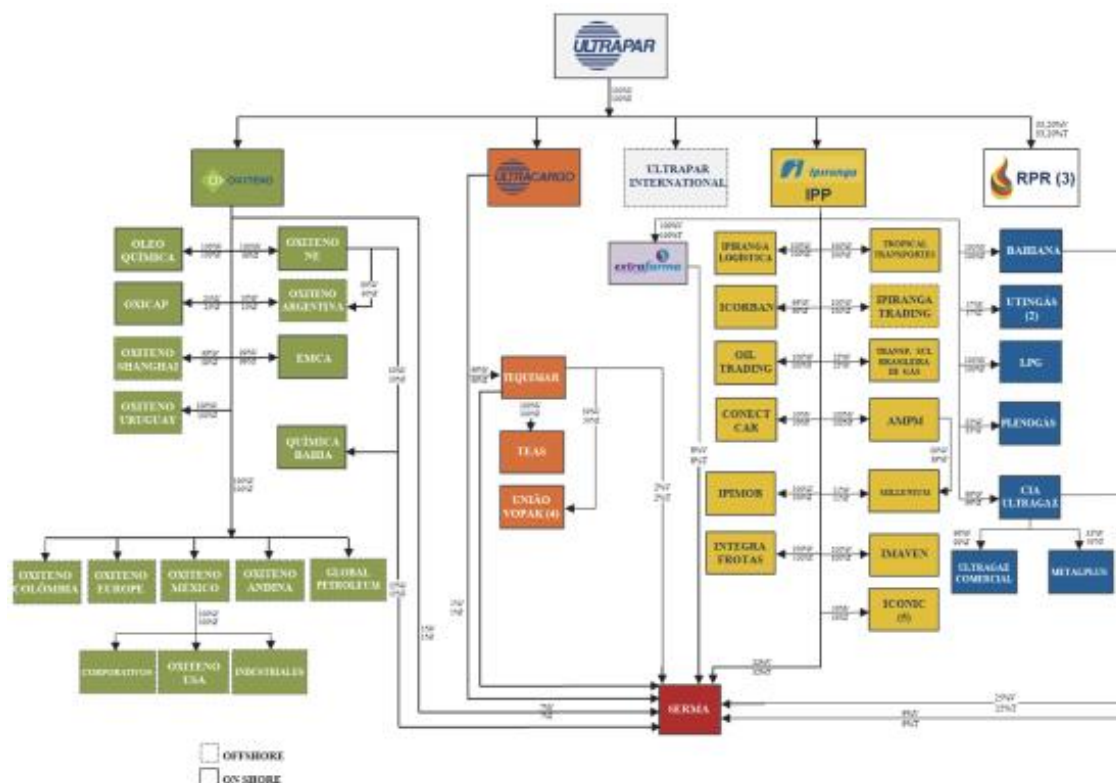
We maintain Directors & Officers Liability insurance policies to indemnify members of the Board of Directors, fiscal council and executive officers of Ultrapar and its subsidiaries (insured persons) in the total amount of US\$80 million, which covers any insured liabilities resulting from wrongful acts, including any act or omission or any matter claimed against them solely by reason of his or her serving in such capacity, except if the act, omission or the claim is consequence of gross negligence or willful misconduct.

In addition, we also take out group life and personal accident, health, national and international transportation and other insurance policies.

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

C. Organizational Structure

The following chart shows our organizational structure⁽¹⁾ for our principal subsidiaries as of December 31, 2018:



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

⁽²⁾ Non-controlling interests in Utingás are mainly held by Liquigás Distribuidora S.A. and SHV Gas (31% and 8% of total capital, respectively).

⁽³⁾ Other shareholders of RPR are Petrobras and Braskem, each holding 1/3 of the voting shares.

⁽⁴⁾ União Vopak — a company jointly owned by Tequimar and Vopak Brasil S.A.

⁽⁵⁾ Iconic — an association between Ipiranga and Chevron.

We conduct our LPG distribution business through Ultragaz, composed of Cia. Ultragaz, Bahiana and Utingás. Cia. Ultragaz operates in the business of distribution of LPG, primarily in the South, Southeast and Midwest regions of Brazil. Bahiana operates in the business of distribution of LPG, primarily in the Northeast regions of Brazil. Utingás is an LPG storage company, with facilities in the states of São Paulo and Paraná.

We conduct our fuel distribution business through Ipiranga, represented by our wholly-owned subsidiary IPP, except for IPP's subsidiaries that operates in the LPG distribution business, as described above and Extrafarma as described below. Ipiranga covers the distribution and marketing of petroleum products, fuel ethanol and NGV throughout Brazil. IPP also, through its subsidiaries, owns am/pm brand in Brazil and Tropical, which provides transportation services for Ipiranga and other fuel distributors.

We conduct petrochemical and chemical activities through our wholly-owned subsidiary, Oxitenor. Oxitenor operates in the petrochemical and chemical sector directly and through its subsidiaries, Oxitenor Nordeste, Oleoquímica, EMCA, Oxitenor Mexico, Oxitenor Andina and Oxitenor Uruguay. Oxitenor directly operates plants located in the state of São Paulo. Oxitenor Nordeste operates plants located in Camaçari, in the state of Bahia, and in Triunfo, in the state of Rio Grande do Sul. Oleoquímica and EMCA also operate in the Camaçari plant. Oxitenor Mexico operates three plants in Mexico and one plant in the United States through Oxitenor USA. Oxitenor Andina operates one plant located in Venezuela. Oleoquímica is the subsidiary through which we built a fatty alcohol plant in Camaçari. Oxitenor Uruguay, acquired in November 2012, operates one plant located in Uruguay.

We conduct liquid bulk storage business through our wholly-owned subsidiary, Ultracargo, which operates through its subsidiary Tequimar. Tequimar maintains storage facilities at six terminals, of which two are located near the main petrochemical complexes in Brazil, Camaçari and São Paulo.

On January 31, 2014, we closed the Extrafarma Transaction, pursuant to which Extrafarma became our wholly owned subsidiary. Extrafarma operates a retail and wholesale pharmacy business in the North, Northeast and Southeast regions of Brazil. See “Item 4.A. Information on the Company—History and Development of the Company—Extrafarma.”

On August 4, 2016, the Company, through its subsidiary IPP, entered into an association agreement with Chevron to create a new company in the lubricants market. The association is formed by IPP and Chevron’s lubricants operations in Brazil. On December 1, 2017, the association process was concluded, with the contribution of the subsidiary IpiLubs to CBLSA pursuant to which IPP obtained direct control of CBLSA. Ipiranga and Chevron hold 56% and 44%, respectively, of CBLSA. In order to simplify the corporate structure and join companies with similar activities, IpiLubs was merged with and into CBLSA on November 1, 2018. In that same shareholders’ meeting, the subsidiary changed its corporate name to Iconic.

In September 2016, subsidiary Ultrapar International S.A. was created and subsequently issued an aggregate principal amount of US\$750 million of notes in the foreign capital markets.

On January 30, 2018, the Company through its subsidiary Tequimar entered into a sale and purchase agreement for the acquisition of 100% of the quotas of TEAS, owned by Raízen Energia S.A. and Raízen Araraquara Açúcar e Álcool Ltda., which were operated by the subsidiary Tequimar in the port of Santos. Closing of the acquisition took place on March 29, 2018.

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

For further information, see “Item 4.A. Information on the Company—History and Development of the Company.”

D. Property, Plant and Equipment

Ultragaz

Ultragaz’s LPG distribution network includes 18 filling plants. LPG is carried to the filling plants either via gas pipelines from Petrobras’ installations or by tanker trucks. When LPG transportation is via gas pipeline the bases are known as primary and when transportation is via tanker truck, the bases are known as secondary. Ultragaz also operates LPG storage bases, known as satellite bases for supplying our bulk trucks. Ultragaz maintains storage facilities for LPG bottles and satellite bulk distribution plants at strategic locations in order to maintain supplies close to its customer bases and thus to reduce transportation costs. LPG is stored in the filling plants in large LPG storage tanks with a typical capacity of 60 tons per tank. In the case of LPG to be delivered in bulk, the LPG is pumped directly from the storage tanks into the bulk tankers. In the case of LPG to be delivered in bottles, the LPG is pumped from the storage tanks into a number of filling heads, which fills the LPG bottles.

The following table sets forth the total storage capacity, total filling capacity during 2018 and the 2018 average filling utilization for each of Ultragas's primary and secondary filling stations and satellite stations.

Base	Type	Total storage capacity (in tons)	Filling capacity (in tons per month)	2018 average filling utilization rate
Aracajú.....	Secundar	24		80
	y	0	4,388	%
Araçatuba.....	Satellit	18		
	e	0		
Aracruz	Secundar	12		30
	y	0	4,388	%
Araraquara	Satellit	6		
	e	0		
Araucária	Primar	24		85
	y	0	8,776	%
Barra de São Francisco	Secundar	36		37
	y	0	2,498	%
Barueri	Secundar	1,50		74
	y	0	5,363	%
Bauru	Satellit	6		
	e	0		
Betim	Secundar	48	8,776 ⁽¹⁾	53
	y	0	%	
Blumenau.....	Satellit	6		
	e	0		
Canoas	Secundar	60	4,388 ⁽²⁾	89
	y	0	%	
Capuava	Primar	72		45
	y	0	13,164	%
Cascavel.....	Satellit	12		
	e	0		
Caucaia	Secundar	42	8,776 ⁽¹⁾	66
	y	0	%	
Caxias do Sul	Satellit	6		
	e	0		
Chapecó	Satellit	6		
	e	0		
Florianópolis.....	Satellit	6		
	e	0		
Goiânia.....	Secundar	36		75
	y	0	5,363	%
Imbiruçu.....	Primar	37		
	y	2		
João Pessoa	Satellit	6		
	e	0		
Joinville	Satellit	6		
	e	0		
Juazeiro.....	Secundar	18		52
	y	0	4,388	%
Londrina.....	Satellit	6		
	e	0		
Mataripe.....	Primar	1,02	20,341 ⁽¹⁾	71
	y	5	%	
Mauá	Satellit	72		
	e	0		
Paulínia	Primar	2,26		83
	y	0	8,776	%
Pirajá – Salvador.....	Satellit	6		
	e	0		

Base	Type	Total storage capacity (in tons)	Filling capacity (in tons per month)	2018 average filling utilization rate
Ponta Grossa	Satellit	6		
	e	0		
Pouso Alegre.....	Satellit	6		
	e	0		
Ribeirão Preto	Secundar	18		80
	y	0	4,388	%
Rio de Janeiro	Primar	72	5,363	108
	y	0	⁽¹⁾	%
Santos.....	Primar	2,40		46
	y	0	3,500	%
São José do Rio Preto	Satellit	6		
	e	0		
São José dos Campos.....	Primar	96		62
	y	0	5,363	%
Sorocaba	Satellit	12		
	e	0		
Suape	Primar	48		136
	y	0	5,363	%
Total		15,53	126,653	%
		7		69

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

⁽²⁾ Canoas facilities operated with one 8-hour shift per day in 2018.

Note: Facilities with more than 100% average filling utilization rate operated during and outside of normal business hours.

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

Ipiranga

Distribution of fuels is carried out through an extensive network of primary and secondary storage terminals. Primary storage terminals are generally located near refineries and are used as storage terminals for products to be transported either to secondary storage terminals or to large customers and TRRs. Distributors own their storage terminals (Owned), lease space in third parties' storage terminals (Third Party Agreement—TPA) or participate in pools (Joint-Operated terminals—JO) that serve two or more distributors. The following table sets forth the total storage capacity and ownership structure for each of Ipiranga's primary and secondary facilities in 2018.

Base	Type	Owner Structure of Storage Terminal	Storage Capacity (cubic meters)
Açailândia	Secondary	JO operated by others ⁽²⁾	4,449
Araucária	Primary	TPA ⁽¹⁾	850
Araucária	Primary	JO operated by others ⁽²⁾	53,898
Bagé	Secondary	Owned	4,721
Barcarena	Primary	Owned	8,202
Barueri	Primary	TPA ⁽¹⁾	6,100
Bauru	Secondary	Owned	3,288
Belém	Primary	Owned	19,674
Belém	Primary	TPA ⁽¹⁾	1,200
Betim	Primary	JO operated by Ipiranga ⁽²⁾	13,462
Betim	Primary	JO operated by others ⁽²⁾	7,258
Biguaçu	Primary	TPA ⁽¹⁾	2,313
Brasília	Primary	JO operated by others ⁽²⁾	6,931
Cabedelo	Primary	TPA ⁽¹⁾	7,344
Campo Grande	Secondary	Owned	5,870
Campos	Secondary	JO operated by Ipiranga ⁽²⁾	3,728
Canoas	Primary	Owned	40,577
Canoas	Primary	TPA ⁽¹⁾	200
Cascavel	Secondary	Owned	3,930
Caxias	Primary	Owned	36,284
Caxias	Primary	JO operated by others ⁽²⁾	9,640
Chapecó	Secondary	TPA ⁽¹⁾	640
Cruz Alta	Secondary	Owned	5,480
Cubatão	Primary	Owned	9,588
Cubatão	Primary	TPA ⁽¹⁾	1,890
Cuiabá	Secondary	Owned	1,598
Cuiabá	Secondary	TPA ⁽¹⁾	440
Fortaleza	Primary	TPA ⁽¹⁾	4,560
Goiânia	Primary	TPA ⁽¹⁾	2,185
Goiânia	Primary	JO operated by others ⁽²⁾	8,179
Governador Valadares	Secondary	Owned	4,745
Guamaré	Primary	JO operated by others ⁽²⁾	2,790
Guaramirim	Primary	TPA ⁽¹⁾	402
Guarapuava	Secondary	Owned	5,625
Guarulhos	Primary	TPA ⁽¹⁾	3,080
Imbiruçu	Primary	JO operated by Ipiranga ⁽²⁾	5,241
Itabuna	Primary	TPA ⁽¹⁾	145
Itacoatiara	Primary	TPA ⁽¹⁾	250
Itaituba	Secondary	Owned	1,350
Itajaí	Primary	TPA ⁽¹⁾	923
Itajaí	Primary	JO operated by Ipiranga ⁽²⁾	10,539
Jequié	Primary	JO operated by others ⁽²⁾	4,710
Juazeiro	Secondary	JO operated by others ⁽²⁾	1,818
Lages	Secondary	TPA ⁽¹⁾	1,310
Londrina	Secondary	JO operated by Ipiranga ⁽²⁾	6,233
Luis Eduardo Magalhães	Secondary	TPA ⁽¹⁾	306
Macapá	Primary	JO operated by Ipiranga ⁽²⁾	4,284
Maceió	Primary	JO operated by Ipiranga ⁽²⁾	6,895
Manaus	Primary	Owned	6,664
Manaus	Primary	TPA ⁽¹⁾	700
Marabá	Secondary	TPA ⁽¹⁾	1,183
Maringá	Secondary	TPA ⁽¹⁾	7,453
Miritituba	Secondary	TPA ⁽¹⁾	2,200
Montes Claros	Secondary	Owned	904
Munguba	Secondary	Owned	12,377
Ourinhos	Secondary	Owned	10,011
Paranaguá	Primary	TPA ⁽¹⁾	90,000
Passo Fundo	Primary	JO operated by Ipiranga ⁽²⁾	8,983
Paulínia	Primary	Owned	7,994

Base	Type	Owner Structure of Storage Terminal	Storage Capacity (cubic meters)
Paulínia	Primary	JO operated by Ipiranga ⁽²⁾	30,603
Porto Nacional	Secondary	TPA ⁽¹⁾	2,790
Porto Velho	Secondary	Owned	8,318
Pres. Prudente	Secondary	Owned	3,381
Ribeirão Preto	Primary	JO operated by others ⁽²⁾	12,810
Rio Grande	Primary	TPA ⁽¹⁾	3,466
Rondonópolis	Secondary	Owned	7,609
Santa Maria	Secondary	Owned	5,224
Santarém	Secondary	Owned	3,221
Santos	Primary	TPA ⁽¹⁾	80,000
São Caetano	Primary	Owned	21,605
São Francisco do Conde	Primary	TPA ⁽¹⁾	4,846
São José do Rio Preto	Secondary	JO operated by others ⁽²⁾	1,685
São José do Rio Preto	Secondary	Owned	6,491
São José do Rio Preto	Secondary	Owned	1,029
São José dos Campos	Primary	JO operated by others ⁽²⁾	13,640
São José dos Campos	Primary	TPA ⁽¹⁾	1,570
São Luis	Primary	TPA ⁽¹⁾	33,570
São Luis	Primary	JO operated by Ipiranga ⁽²⁾	15,152
Sinop	Secondary	TPA ⁽¹⁾	95
Suape	Primary	TPA ⁽¹⁾	30,450
Suape	Primary	JO operated by others ⁽²⁾	13,630
Teresina	Secondary	JO operated by others ⁽²⁾	4,395
Uberaba	Primary	TPA ⁽¹⁾	740
Uberlândia	Primary	JO operated by others ⁽²⁾	11,005
Vila Velha	Primary	TPA ⁽¹⁾	9,170
Vilhena	Secondary	Owned	884
Vitória	Primary	TPA ⁽¹⁾	7,836
Total			818,810

⁽¹⁾ Third party agreements.

⁽²⁾ Joint-operated with other distributors.

Oxiteno

Oxiteno has six plants in Brazil: Camaçari plants in the Northeast complex, Mauá plant in the São Paulo complex, Triunfo plant in the Southern complex and Tremembé and Suzano plants in the state of São Paulo.

The following table sets forth the current ethylene oxide production capacity of Oxiteno's plants in Brazil as of December 31, 2018.

Units	Capacity (in tons per year)
Camaçari	350,000
Mauá	90,000
Tremembé	—
Triunfo	—
Suzano	—
Total	440,000

Ethylene oxide is primarily an intermediate material used in the production of ethylene oxide derivatives — only 2% of Oxitenó's sales volume in the year ended December 31, 2018 were ethylene oxide. Therefore, Oxitenó's total production output may not be determined by adding the capacities of ethylene oxide and its derivatives.

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

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

Camaçari plants. The first Camaçari plant, located in the Northeast Complex, was built by Oxitenó and commenced production in 1978. The Camaçari plants produce ethylene oxide and ethylene oxide derivatives, such as ethylene glycols, ethanolamines, glycol ethers and ethoxylated derivatives.

In 2007, in connection with the acquisition of Ipiranga Group by Ultrapar, Oxitenó started to operate a mineral oils production plant, EMCA.

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

Units	Capacity (in tons per year)
Ethylene oxide	350,000
Ethylene glycols.....	285,000
Ethanolamines.....	110,000
Glycol ethers	25,000
Ethoxylated derivatives.....	270,000
White Mineral Oils	60,000
Fatty Alcohols.....	77,000
Fatty Acids.....	7,000
Glycerin	11,000

In 2018, the Camaçari plant operated at 52% of its production capacity. The plant had planned stoppages for regular maintenance.

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

Units	Capacity (in tons per year)
Ethylene Oxide	90,000
Ethylene Glycols.....	40,000
Glycol Ethers	40,000
Acetates	72,000
C4+C5 Alcohols	13,500
Ethoxylated Derivatives.....	106,000
Alkylation	17,000
Esterification.....	4,000
Hydraulic fluids	30,000

In 2018, the Mauá plant operated at 35% of its production capacity.

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

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

Units	Capacity (in tons per year)
Esterification.....	10,000
Specialties.....	15,000
Sulfonation/Sulfation.....	16,000 ⁽¹⁾
Betaines.....	10,000
Hydraulic fluids.....	3,200
Naphthalenes Sulfonates.....	9,000
Agricultural Blends.....	15,000

⁽¹⁾ Capacity adjusted for 100% active matter.

In 2018, the Tremembé plant operated at 43% of its production capacity.

Suzano plant. In 2007, Oxiten began operating a sulfonation and sulfation plant in Suzano, with a production capacity of 13.5 thousand tons per year. In 2012, Oxiten added 11.5 thousand tons per year to its capacity. As a result, production capacity at the Suzano plant increased to 26.5 thousand tons per year.

Units	Capacity (in tons per year)
Sulfonation/Sulfation.....	13,500
Esterification.....	11,500
Betaines.....	1,500

In 2018, the Suzano plant operated at 50% of its production capacity.

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

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

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

In 2018, the Triunfo plant operated at 56% of its production capacity.

With the acquisition of Oxiten Mexico (formerly Canamex) in December 2003 and Unión Química in 2007, Oxiten acquired three specialty chemical plants in Mexico. As of December 31, 2018, the Coatzacoalcos plant had a production capacity of 86 thousand tons per year of ethoxylates and 8 thousand tons per year of alkyphenols; the Guadalajara plant had a production capacity of 32 thousand tons per year of specialty chemicals and San Juan del Río had a production capacity of 8 thousand tons per year of specialty chemicals. In 2018, the Guadalajara, the Coatzacoalcos and San Juan del Río plants operated at an average rate of 48%, 44% and 79% of their production capacity, respectively.

With the acquisition of Oxitenio Andina in September 2007, Oxitenio acquired a specialty chemical plant in Venezuela. As of December 31, 2018, the Santa Rita plant had a production capacity of 70 thousand tons per year of ethoxylates and operated with 4% of its production capacity in 2018.

Oxitenio acquired a specialty chemical plant in Pasadena, Texas in April 2012. As of December 31, 2018, the Pasadena plant had a production capacity of 120 thousand tons per year of specialty and agricultural blends. In 2018, Pasadena plant operated at an average rate of 19% of its production capacity.

With the acquisition of Oxitenio Uruguay in November 2012, Oxitenio acquired a specialty chemical plant in Montevideo, Uruguay. As of December 31, 2018, the Montevideo plant had a production capacity of 63 thousand tons per year of specialty chemicals and operated with 33% of its production capacity.

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

Units	Capacity (in tons per year)
Ethoxylated derivatives — Coatzacoalcos plant	86,000
Alkylation — Coatzacoalcos plant	7,860
Ethoxylated derivatives — Guadalajara plant	19,000
Esterification — Guadalajara plant	13,000
Sulfonation/Sulfation — San Juan del Río	8,400
Alkoxylated derivatives — Santa Rita	70,000
Specialties/Agricultural Blends — Pasadena	32,000
Alkoxylation — Pasadena	120,000
Sulfonation/Sulfation — Montevideo	45,000
Fatty Acid Sulfate (FAS) — Montevideo	10,000
Betaines/Amides — Montevideo	6,000
Fatliquor oils — Montevideo	2,000

Ultracargo

The following tables set forth the principal products stored at, and the storage capacity operated by, Ultracargo's facilities at December 31, 2018, and the average utilization of Ultracargo's facilities during 2018.

Facility	Capacity (in cubic meters)	Average utilization % ⁽²⁾	Product Lines
Aratu (Bahia)	218,190	105%	Chemicals, ethanol, vegetable oils, corrosives, and fuels
Suape (Pernambuco)	157,910	141%	Chemicals, ethanol, corrosives, and fuels
Itaqui (Maranhão)	55,280	138%	Ethanol and fuels
Santos (São Paulo) ⁽¹⁾	222,775	86%	Chemicals, ethanol, lubricants, fuels, and corrosives
Rio de Janeiro (Rio de Janeiro)	17,247	105%	Corrosives and lubricants
Paranaguá (Paraná)	28,262	70%	Corrosives and vegetable oils
Total	699,664	108%	

⁽¹⁾ 152 thousand cubic meters of effective capacity at our Santos facilities have been interrupted due to the fire accident in April 2015. In June 2017, Ultracargo resumed operations with 67.5 thousand cubic meters. Please see "Item 4.A. Information on the Company—History and Development of the Company—Ultracargo —Fire at storage facilities in Santos."

⁽²⁾ Based on an estimated turnover of products for each terminal.

Extrafarma

As of December 31, 2018, Extrafarma operated 433 drugstores and 2 distribution centers in the North and Northeast regions of Brazil.

The following tables set forth the breakdown per region of Extrafarma's drugstores and the capacity for each of Extrafarma's distribution centers as of December 31, 2018:

Location	# of stores
North	141
Pará.....	123
Amapá.....	11
Tocantins.....	7
Northeast	246
Ceará.....	92
Maranhão.....	56
Pernambuco.....	36
Rio Grande do Norte.....	18
Bahia.....	17
Paraíba.....	10
Piauí.....	9
Sergipe.....	5
Alagoas.....	3
Southeast	46
São Paulo.....	46
Total	433

Distribution center	Area (in square meters)	Height (in meters)
Benevides (Pará).....	9,777	13.0
Aquiraz (Ceará).....	7,500	12.3
Total	17,277	

Collateral

As of December 31, 2018, Ultrapar had no debt secured by property, plant and equipment.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. Operating Results

You should read this discussion together with our audited consolidated financial statements, including the notes thereto, and other financial information included elsewhere in this annual report and in conjunction with the financial information included under “Item 3.A. Key Information—Selected Consolidated Financial Data.”

Our audited consolidated financial statements included herein were prepared in accordance with IFRS and include our consolidated Statements of Financial Position as of December 31, 2018 and 2017 and January 1, 2017, and Statements of Profit or Loss, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016, as well as notes thereto.

Overview

With more than 80 years of history, Ultrapar occupies positions of leadership in the five business segments in which it operates:

- LPG distribution, conducted by Ultragaz;
- fuel distribution, conducted by Ipiranga;
- chemicals production, conducted by Oxiteno;
- storage services for liquid bulk, conducted by Ultracargo; and
- retail pharmacy business, conducted by Extrafarma.

Ultragaz distributes LPG to residential, commercial and industrial market segments. Ipiranga distributes gasoline, ethanol, diesel, NGV, fuel oil, kerosene and lubricants through a network of 7,218 service stations and directly to large customers. Oxiteno produces ethylene oxide and its principal derivatives, and is also a significant producer of specialty chemicals, particularly surfactants. It manufactures approximately 1,000 products used in various industrial sectors such as cosmetics, detergents, crop protection chemicals, packaging, textiles and coatings. Ultracargo is the largest provider of storage for liquid bulk in Brazil, with six terminals and storage capacity of 700 thousand cubic meters. As of December 31, 2018, Extrafarma operated 433 drugstores in twelve Brazilian states.

Brazilian economic background

Since most of our operating businesses are located in Brazil, we are significantly affected by Brazil’s economic and social conditions, including, but not limited to, gross domestic product (“GDP”), growth rates, credit availability and disposable incomes, the domestic rate of inflation and exchange rate fluctuations.

Gross domestic product. In 2014, inflation remained at high levels, reaching 6.4% at the end of the year, and the Brazilian government raised again the economy’s basic interest rate from 10.00% at the end of 2013 to 11.75% at the end of 2014. Brazil’s GDP grew 0.5% in 2014. In 2015, Brazilian GDP decreased 3.5%, influenced by a challenging domestic environment with a combination of economic slowdown, higher unemployment levels, inflationary pressure and a higher economy’s basic interest rate (from 11.75% at the end of 2014 to 14.25% at the end of 2015). In 2016, Brazil’s GDP further contracted 3.3%, reflecting the worsening of the crisis on both political and economic fronts, with a combination of weak economic activity and a deterioration in disposable income and employment rates, thus curbing consumption levels and creating a challenging business environment. However, the inflation rates have been gradually declining since the second half of 2016, paving the way for a reduction in basic interest rate (from 14.25% at the end of 2015 to 13.75% at the end of 2016). In 2017, GDP grew 1.1% backed by falling inflation and interest rate (from 13.75% at the end of 2016 to 7.00% at the end of 2017). In 2018, Brazilian GDP grew 1.1%, driven by a recovery in demand, consumption and investment, supported by the resumption of several sectors in the economy, the IPCA index rate below government’s target and the consequent lower level of interest rate (from 7.00% in the end of 2017 to 6.50% in the end of 2018). The growth for 2018 was negatively impacted due to the disruptions caused by the nationwide strike by truck drivers. Our operations are significantly impacted by Brazilian GDP growth, principally sales of LPG to commercial and industrial customers; sales of diesel; Oxiteno’s sales to the domestic market; and Ultracargo’s logistics operations.

Inflation and currency fluctuations. Our cash operating activities are substantially in *Reais* and tend to increase with inflation. However, some of our costs of sales and services sold are linked to the U.S. dollar and are not substantially affected by the Brazilian inflation rate. In addition, some of our *Real*-denominated debt is indexed to take into account the effects of inflation. In 2014, the weak performance of the Brazilian economy and the recovery of the North American economy contributed to a 13% depreciation of *Real* against the U.S. dollar. In 2014, the IGP-M and the IPCA index rates were 3.7% and 6.4%, respectively. In 2015, the IGP-M and the IPCA index rates were 10.5% and 10.7%, respectively, impacted by the adjustment of regulated prices, such as fuels and electric energy, and the *Real* depreciated 47% against the U.S. dollar influenced by the downgrade of Brazil's sovereign credit rating and the expectation for an interest rate rise by the Federal Reserve System. In 2016, the IGP-M and the IPCA index rates were, respectively, 7.2% and 6.3%. In 2016, the *Real* appreciated 17% against the U.S. dollar. In 2017, the *Real* depreciated 2% against the U.S. dollar and the IPCA index rate was 2.9%. The IGP-M index rate was -0.5%, the lowest rate since 2009. In 2018, the *Real* depreciated 17% against the U.S. dollar, pressured by the rise of the interest rate by the Federal Reserve System and the unstable economic political environment in Brazil (Presidential election and discussion on economic reforms). The IGP-M index rate was 7.5%, influenced by global commodities prices and the *Real* depreciation. The IPCA index rate was 3.7%, impacted by the adjustment of prices, such as food and beverages, fuels and electric energy. From December 31, 2018 to April 11, 2019, the *Real* appreciated 1% against the U.S. dollar. The principal foreign exchange risk we face arises from certain U.S. dollar denominated costs and expenses. Although a substantial part of our debt is dollar-denominated, it is currently hedged against currency devaluation through the use of various derivative instruments or matching assets in the same currency. Additionally, a significant part of our raw materials is also denominated or indexed to the U.S. dollar. A large part of our sales is denominated in *Reais*, although prices in the chemical business are benchmarked to prices prevailing in the international markets, which in turn are linked to U.S. dollars. Hence, we are exposed to foreign exchange rate risks which could negatively impact our businesses, financial situation and operating results as well as our capacity to service our debt.

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

Index	Year ended December 31,		
	2018	2017	2016
IGP-M	7.5%	(0.5%)	7.2%
IPCA	3.7%	2.9%	6.3%
Devaluation (appreciation) of the Real against the U.S. dollar	17.1%	1.5%	(16.5%)

We manage foreign exchange risk associated with the scheduled payments under the terms of our U.S. dollar indebtedness by investing in U.S. dollar-denominated securities and foreign currency/interest swap contracts, under which we pay variable interest in *Reais* based on the CDI, and receive fixed interest in U.S. currency. As of December 31, 2018, our total obligations denominated in foreign currency were R\$6,083.3 million (US\$1,570.0 million), including debts, payables arising from imports and net of advances to foreign suppliers. At the same date, our total asset position in foreign currency was R\$4,357.2 million (US\$1,124.5 million), comprised of investments indexed to U.S. dollars and hedging instruments used to manage fluctuations of exchange rates and foreign currency receivables exposures. As of December 31, 2018, Ultrapar had a net exposure in foreign currency of R\$1,726.1 million (US\$445.5 million), comprised of a net short term position in U.S. dollars of R\$407.4 million (US\$105.1 million), a net long term position in U.S. dollars of R\$2,260.5 million (US\$583.4 million), a net short term position in other currencies of R\$9.2 million (US\$2.4 million) and a net long term position in other currencies, principally the Mexican Peso of R\$136.2 million (US\$35.1 million), due to the company's operations in this country. For the purposes of this paragraph, U.S. dollar values were calculated based on the December 31, 2018 *Real*/U.S. dollar exchange rate. See "Item 11. Quantitative and Qualitative Disclosures About Market Risk—Foreign Exchange Risk" for information about our foreign exchange risk hedging policy and Notes 15 and 33 to our consolidated financial statements.

Critical accounting policies and estimates

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

- The accounting estimate requires management to make assumptions about matters that were highly uncertain at the time the accounting estimate was made; and
- Different estimates that management reasonably could have used for the accounting estimate in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, would have a material impact on our financial condition, results of operations or cash flows.

We have identified the following accounting policies as critical.

Use of estimates, assumptions and judgments. The preparation of the financial statements requires the use of estimates, assumptions, and judgments for the accounting and disclosure of certain assets, liabilities, and income. Therefore, the Company and subsidiaries' management use the best information available at the date of preparation of the financial statements, as well as the experience of past and current events, also considering assumptions regarding future events. The estimates and assumptions are reviewed periodically.

- **Judgments:** Information on the judgments is included: in the determination of control in subsidiaries, the determination of joint control in joint venture and the determination of significant influence in associates.
- **Uncertainties related to the assumptions and estimates:** The information regarding uncertainties related to the assumptions and estimates are included: in determining the fair value of financial instruments, the determination of the estimated losses on doubtful accounts, the determination of provisions for losses of inventories, the determination of deferred IRPJ and CSLL amounts, the determination of exchange rate used to translation of Oxitenio Andina' information, the useful lives of property, plant, and equipment, the useful lives of intangible assets, and the determination of the recoverable amount of goodwill, provisions for assets retirement obligations, provisions for tax, civil, and labor risks, estimates for the preparation of actuarial reports and the determination of fair value of subscription warrants – indemnification. The actual result of the transactions and information may differ from their estimates.

Estimates of credit losses. The estimated losses take into account, at the initial recognition of the contract, the expected losses for the next 12 months and for the lifetime of the contract when the deterioration or improvement of the customers' credit quality, considering the customers' characteristics in each business segment. The amount of the allowance for estimated losses on doubtful accounts is deemed by management to be sufficient to cover any probable loss on realization of trade receivables. The credit policy establishes the analysis of the profile of each new customer individually regarding their financial condition. The review carried out by the subsidiaries of the Company includes the evaluation of external ratings, when available, financial statements, credit bureau information, industry information and, when necessary, bank references. Credit limits are established for each customer and reviewed periodically, more often when the risk is higher. In cases of sales that exceed these limits, the approval of the responsible area is required. In monitoring credit risk, customers are grouped according to their credit characteristics and depending on the business the grouping takes into account, for example, whether they are individuals or companies, whether they are wholesalers, resellers or final customers, considering also the geographic area. The estimates of credit losses are calculated based on the probability of default rates. Loss rates are calculated on the basis of the average probability of a receivable amount to advance through successive stages of default until full write-off. The probability of default calculation takes into account a credit risk score for each exposure, based on data considered to be capable of foreseeing the risk of loss (external classifications, audited financial statements, cash flow projections, customer information available in the press, for example), with addition of the credit assessment based on experience. Such credit risks are managed by each business unit through specific criteria for acceptance of customers and their credit rating and are additionally mitigated by the diversification of sales. For further information see Notes 5 and 33.d.3 to our consolidated financial statements.

Provisions for inventory losses. If net realizable values are below inventory costs, a provision corresponding to this difference is recognized. Provisions are also made for obsolescence of products, materials or supplies that (i) do not meet our subsidiaries' specifications, (ii) have exceeded their expiration date, or (iii) are considered slow-moving inventory. This classification is made by management with the support of its industrial and operations teams. A significant decrease in net realizable value below inventory costs on a higher level of obsolete, slow-moving or expired products could impact our cost of goods sold and our gross and operating margins. See Note 6 to our consolidated financial statements for additional information about our provisions for inventory losses.

Deferred income and social contribution taxes. We recognize deferred tax assets and liabilities, which do not expire, arising from tax loss carry forwards, temporary add-backs, revaluation of property, plant and equipment and other procedures. The deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which they can be utilized. We periodically review the deferred tax assets for recoverability considering historical taxable income, projected future taxable income, and the expected timing of the reversals of existing temporary differences. In the event we or one of our subsidiaries operate at a loss or are unable to generate sufficient future taxable income, or if there is a material change in the actual effective tax rates or time period within which the underlying temporary differences become taxable or deductible, we reduce all or a significant portion of our deferred tax assets, resulting in an increase in our effective tax rate, thereby decreasing net income. A high degree of management judgment is required in determining the recoverability of deferred tax assets. The principal uncertainty relates to the likelihood of future taxable income from the subsidiary that generated the deferred tax asset. A change in our projections of profitability could result in the need to reduce the deferred tax assets, resulting in a negative impact of future results. See Note 9 to our consolidated financial statements for additional information on taxes.

Investments in subsidiaries, associates and joint-ventures. A subsidiary is an investee in which the investor is entitled to variable returns on investment and has the ability to interfere in its financial and operational activities. Usually the equity interest in a subsidiary is more than 50%. See Note 3.b to our consolidated financial statements for additional information on our investments in subsidiaries. Investments in associates and joint-ventures are accounted for under the equity method of accounting in consolidated financial statements. An associate is an investment, in which an investor has significant influence, that is, has the power to participate in the financial and operating decisions of the investee but does not exercise control. A joint venture is an investment in which the shareholders have the right to net assets on behalf of a joint control. Joint control is the agreement which establish that decisions about the relevant activities of the investee require the consent from the parties that share control. See Note 12 to our consolidated financial statements for additional information on our investments in associates and joint-ventures.

Provisions for tax, civil and labor risks. We are currently involved in certain legal and administrative proceedings that arise from our normal course of business as described in "Item 8.A. Financial Information — Consolidated Statements and Other Financial Information — Legal Proceedings" and Note 21 to our consolidated financial statements. We believe that the provisions for such proceedings in our consolidated financial statements are adequate. It is our policy to record provisions in regard to lawsuits when the probability of an existing obligation is considered more-likely-than-not to occur in the opinion of our management, based on information available to us, including information obtained from our internal and external legal counsel. Future results of operations could be materially affected by changes in our assumptions, by the effectiveness of our strategies relating to these proceedings, by future developments in each matter being discussed or by changes in approach, such as a change in settlement strategy in dealing with these matters.

Property, plant and equipment. Property, plant and equipment is recognized at acquisition or construction cost, including financial charges incurred on property, plant and equipment under construction, as well as maintenance costs resulting from scheduled plant outages and estimated costs to remove, to decommission or to restore assets (see Note 20 to our consolidated financial statements). Depreciation is calculated using the straight-line method, for the periods mentioned in Note 13 to our consolidated financial statements, taking into account the useful lives of the assets, which are reviewed annually. Leasehold improvements are depreciated over the shorter of the lease contract term and useful life of the property. Changes to the useful lives of property, plant and equipment could impact our depreciation expenses and results.

Intangible assets. Intangible assets include assets acquired by us from third parties, according to the criteria below (see Note 14 to our consolidated financial statements):

- Goodwill is shown as intangible assets corresponding to the positive difference between the amount paid or payable to the seller and the fair value of the identified assets and liabilities assumed of the acquired entity. Goodwill is tested annually for impairment. Goodwill is allocated to the business segments, which represent the lowest level that goodwill is monitored for impairment testing purposes.
- Other intangible assets acquired from third parties, such as software, technology and commercial property rights, are measured at the total acquisition cost and amortized using straight-line method, for the periods mentioned in Note 14 to our consolidated financial statements, taking into account their useful lives, which is reviewed annually.

The Company and its subsidiaries have not recognized intangible assets that were generated internally. The Company and its subsidiaries have goodwill and brands acquired in business combinations, which are evaluated as intangible assets with indefinite useful life (see Note 14 items a and e to our consolidated financial statements).

Changes to the useful lives of the definite useful lives intangibles could impact our selling expenses and results.

Impairment of assets. The Company and its subsidiaries review, in every report period, the existence of any indication that an asset may be impaired and annually test intangible assets with undefined useful life. If there is an indication, the Company and its subsidiaries estimate the recoverable amount of the asset. Assets that cannot be evaluated individually are grouped in the smallest group of assets that generate cash inflow from continuous use and that are largely independent of cash flows of other assets (cash generating units “CGU”). The recoverable amount of assets or CGUs corresponds to the greater of their fair value net of applicable direct selling costs and their value in use.

The fair value less costs of disposal is determined by the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date, net of costs of removing the asset, and direct incremental costs to bring an asset into condition for its sale, legal costs, and taxes.

To assess the value in use, the projections of future cash flows, trends, and outlooks, as well as the effects of obsolescence, demand, competition, and other economic factors were considered. Such cash flows are discounted to their present values using the discount rate before tax that reflects market conditions for the period of impairment testing and the specific risks of the asset or CGU being evaluated. In cases where the expected discounted future cash flows are less than their carrying amount, an impairment loss is recognized for the amount by which the carrying value exceeds the fair value of these assets. Losses for impairment of assets are recognized in profit or loss. In case goodwill has been allocated to a CGU, the recognized losses are first allocated to reduce the corresponding goodwill. If the goodwill is not enough to absorb such losses, the surplus is allocated to the assets on a pro-rata basis. An impairment of goodwill cannot be reversed. For other assets, impairment losses may be reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if the impairment had not been recognized.

We tested annually the balances of goodwill shown in the table of Note 14 to our consolidated financial statements for impairment. The determination of value in use involves assumptions, judgments, and estimates of cash flows, such as growth rates of revenues, costs and expenses, estimates of investments and working capital, and discount rates. The assumptions about growth projections and future cash flows are based on our business plan of its operating segments, as well as comparable market data, and represent management’s best estimate of the economic conditions that will exist over the economic life of the various CGUs, to which goodwill is related.

The evaluation of the value in use is calculated for a period of five years (except the Extrafarma segment), after which we calculate the perpetuity, considering the possibility of carrying the business on indefinitely. For the Extrafarma segment, a period of ten years was used due to the fact that a four-year period to maturity of new stores was considered.

On December 31, 2018, the discount and real growth rates used to extrapolate the projections ranged from 8.4% to 13.9% and from 0% to 1% p.a., respectively, depending on the CGU analyzed.

The goodwill impairment tests and net assets of the Company and its subsidiaries resulted in the recognition of impairment in the amount of R\$5.6 million for subsidiary Oxiteno Andina for the year ended December 31, 2018. See Note 2.s.1.ii to our consolidated financial statements. For the year ended December 31, 2017, the Company’s tests did not result in the recognition of impairment. For the year ended December 31, 2016, the Company recognized an impairment loss in the amount of R\$ 2.1 million, which correspond to R\$ 1.7 million related to goodwill and R\$ 0.4 million related to other intangible assets, from the subsidiary Oxiteno Andina. The main reason for the impairment recognized is the worsening of the political and economic situation in Venezuela.

Changes to the significant assumptions and economic conditions could impact the value in use of the assets and could result in impairment losses and impact our results.

Contractual assets with customers—exclusive rights. Exclusive rights disbursements as provided in Ipiranga’s agreements with reseller service stations and major consumers are recognized as contractual assets when paid and amortized according to the conditions established in the agreements (amortization in weighted average term of five years), being reviewed as changes occur under the terms of the agreements. (see Note 2.a and 11 to our consolidated financial statements). Changes under the terms of the agreements could impact our revenues and results.

Provisions for assets retirement obligations—fuel tanks. We make provisions for assets retirement obligations that correspond to the legal obligation to remove Ipiranga’s underground fuel tanks located at Ipiranga-branded service stations after a certain period. The estimated cost of the obligation to remove these fuel tanks is recognized as a liability when the tanks are installed. The estimated cost is recognized in property, plant, and equipment and depreciated over the respective useful life of the tanks. The amounts recognized as a liability accrue interest using the IPCA until the respective tank is removed. An increase in the estimated cost of the obligation to remove the tanks could result in negative impact in future results. The estimated removal cost is reviewed and updated annually or when there are significant changes in its amount, and changes in the estimated costs are recognized in statements of profit or loss when they become known. For further detail on provisions for assets retirement obligations of Ipiranga, see Note 20 to our consolidated financial statements.

Exchange rate used in translation of Oxiteno Andina’s financial statements. According to the definition and general guidance of IAS 29, the characteristics of the economic environment of Venezuela indicate that this country is a hyperinflationary economy. As a result, the financial information of Oxiteno Andina was adjusted by the Venezuelan Consumer Price Index. On August 20, 2018, the Venezuelan Central Bank put into effect the currency conversion (elimination of five zeros of the currency) and the creation of the Bolivar Soberano (“VES”). This implies a change in the monetary scale to simplify commercial transactions and accounting records, being the Bolivar Soberano traded as of December 31, 2018 at the variable exchange rate of 636.58 VES/US\$ for sale and 638.18 VES/US\$ for purchase. Changes in the exchange rates, the currency market on Venezuela’s economic and political situation could impact our results. For further detail, see Note 2.s.1.ii to our consolidated financial statements.

Subscription warrants – indemnification fair value determination. Subscription warrants are valued at fair value according to Ultrapar’s share price (UGPA3) as of each closing date of financial statements, reduced by the dividend yield, once the subscription warrants’ exercise is only possible from 2020 onward, without dividends rights until then. The number of shares of the subscription warrants – indemnification is also adjusted according to the variation of the amounts of provisions and of tax, civil and labor risks contingent liabilities, in relation to the period before January 31, 2014. For further detail, see Notes 24 and 33 to our consolidated financial statements. Changes to the significant assumptions used to measure to the fair value, including Ultrapar’s share prices, could impact our results.

Financial assets. The Company and its subsidiaries evaluated the classification and measurement of financial assets based on its business model as follows:

- Amortized cost: financial assets held in order to collect contractual cash flows, solely principal and interest. The interest earned and the foreign currency exchange variation are recognized in profit or loss, and balances are stated at acquisition cost plus the interest earned, using the effective interest rate method. Financial investments in guarantee of loans are classified as amortized cost.
- Measured at fair value through other comprehensive income: financial assets that are acquired or originated for the purpose of collecting contractual cash flows or selling financial assets. The balances are stated at fair value, and the interest earned and the foreign currency exchange variation are recognized in profit or loss. Differences between fair value and initial amount of financial investments plus the interest earned are recognized in equity in other comprehensive income in the “Valuation adjustments”. Accumulated gains and losses recognized in equity are reclassified to profit or loss at the time of their settlement. Substantially the financial investments in Bank Certificates of Deposit (“CDB”) and repurchase agreements are classified as measured at fair value through other comprehensive income.
- Measured at fair value through profit or loss: financial assets that were not classified as amortized cost or measured at fair value through other comprehensive income. The balances are stated at fair value and both the interest earned and the exchange variations and changes in fair value are recognized in the income statement. Investment funds and derivatives are classified as measured at fair value through profit or loss.

We and our subsidiaries use derivative financial instruments for hedging purposes, applying the concepts described below:

- Hedge accounting—fair value hedge: financial instruments used to hedge exposure to changes in the fair value of an item, attributable to a particular risk, which can affect the entity’s profit or loss. In the initial designation of the fair value hedge, the relationship between the hedging instrument and the hedged item is documented, including the objectives of risk management, the strategy in conducting the transaction, and the methods to be used to evaluate its effectiveness. Once the fair value hedge has been qualified as effective, the hedge item is also measured at fair value. Gains and losses from hedge instruments and hedge items are recognized in profit or loss. The hedge accounting must be discontinued when the hedge becomes ineffective.

- Hedge accounting—cash flow hedge: financial instruments used to hedge the exposure to variability in cash flows that is attributable to a risk associated with an asset or liability or highly probable transaction or firm commitment that may affect the statements of profit or loss. The portion of the gain or loss on the hedging instrument that is determined to be effective relating to the effects of exchange rate effect, is recognized directly in equity in accumulated other comprehensive income as “Valuation adjustments” while the ineffective portion is recognized in profit or loss. Gains or losses on the hedging instrument relating to the effective portion of this hedge that had been recognized directly in accumulated other comprehensive income shall be recognized in profit or loss in the period in which the hedged item is recognized in profit or loss or as initial cost of non-financial assets, in the same line of the statement that the hedged item is recognized. The hedge accounting shall be discontinued when (i) the hedging relationship is canceled; (ii) the hedging instrument expires; and (iii) the hedging instrument no longer qualifies for hedge accounting. When hedge accounting is discontinued, gains and losses recognized in equity in other comprehensive income are reclassified to profit or loss in the period which the hedged item is recognized in profit or loss. If the transaction hedged is canceled or is not expected to occur, the cumulative gains and losses in equity in other comprehensive income shall be recognized immediately in profit or loss.
- Hedge accounting—hedge of net investments in foreign operation: financial instruments used to hedge exposure on net investments in foreign subsidiaries due to the fact that the local functional currency is different from the functional currency of the Company. The portion of the gain or loss on the hedging instrument that is determined to be effective, referring to the exchange rate effect, is recognized directly in equity in accumulated other comprehensive income as cumulative translation adjustments, while the ineffective portion and the operating costs are recognized in profit or loss. The gain or loss on the hedging instrument that has been recognized directly in accumulated other comprehensive income shall be recognized in income when the disposal of the foreign subsidiary occurs.

The fair value of financial instruments, including currency and interest hedging instruments, was determined as follows:

- The fair value of cash and bank deposit balances are identical to their carrying values.
- Financial investments in investment funds are valued at the value of the fund unit as of the date of the financial statements, which corresponds to their fair value.
- Financial investments in CDBs and similar investments offer daily liquidity through repurchase at the “yield curve” and the Company calculates their fair value through methodologies commonly used for mark-to-market.
- The fair value of trade receivables and trade payables are approximate to their carrying values.
- The subscription warrants—indemnification was measured based on the share price of Ultrapar (UGPA3) at the financial statements date and are adjusted to the Company’s dividend yield, since the exercise is only possible starting in 2020 onwards and they are not entitled to dividends until then. The number of shares of subscription warrants – indemnification is also adjusted according to the changes in the amounts of provision for tax, civil, and labor risks and contingent liabilities related to the period prior to January 31, 2014. (See Note 24 to our consolidated financial statements).
- The fair value calculation of notes in the foreign market (see Note 15.b to our consolidated financial statements) is based on the quoted price in an active market.

The fair value of other financial investments and financing was determined using calculation methodologies commonly used for mark-to-market reporting, which consist of calculating future cash flows associated with each instrument adopted and adjusting them to present value at the market rates at the date of the reporting period. For some cases where there is no active market for the financial instrument, the Company and its subsidiaries can use quotes provided by the transaction counterparties.

The interpretation of market information on the choice of calculation methodologies for the fair value requires considerable judgment and estimates to obtain a value deemed appropriate to each situation. Consequently, the estimates presented do not necessarily indicate the amounts that may be realizable in the current market. Changes in the significant assumptions used to measure the fair value of financial assets and liabilities could impact our results.

For further detail on financial instruments of the Company, see Note 33 to our consolidated financial statements.

Financial liabilities. Financial liabilities are classified as “financial liabilities at fair value through profit or loss” or “financial liabilities at amortized cost”. The financial liabilities at fair value through profit or loss refer to derivative financial instruments, subscription warrants—indemnification, and financial liabilities designated as hedged items in a fair value hedge relationship upon initial recognition (see Note 2.c—Fair Value Hedge to our consolidated financial statements). The financial liabilities at amortized cost are stated at the initial transaction amount plus related charges and net of amortization and transaction costs. The charges are recognized in profit or loss using the effective interest rate method.

Transaction costs incurred and directly attributable to the activities necessary for contracting loans or for issuing bonds, as well as premiums and discounts upon issuance of debentures and other debt, are allocated to the instrument and amortized to profit or loss over its term, using the effective interest rate method (see Note 15.j to our consolidated financial statements).

Changes in the significant assumptions used to measure the fair value of financial assets and liabilities could impact our results.

Post-employment benefits. Our subsidiaries recognized a provision for post-employment benefits mainly related to seniority bonus, payment of FGTS, and health, dental care, and life insurance plan for eligible retirees. The amounts related to such benefits were determined based on a valuation conducted by an independent actuary and reviewed by management as of December 31, 2018 and are recognized in the financial statements in accordance with IAS 19 (Revised 2011).

Significant actuarial assumptions adopted include:

Economic factors

	2018	2017
	% per year	% per year
Discount rate for the actuarial obligation at present value	9.00	9.51
Average projected salary growth rate	7.85	8.38
Inflation rate (long term).....	4.00	4.50
Growth rate of medical services	8.16	8.68

Demographic factors

- Mortality Table for the life insurance benefit—CSO-80
- Mortality Table for other benefits—AT 2000 Basic decreased by 10%
- Disabled Mortality Table—RRB 1983
- Disability Table—Weak light

For further information on our post-employment benefits, see Note 19.b to our consolidated financial statements.

Changes to the significant actuarial assumptions could impact our results.

Adoption of the Pronouncements Issued by IFRS as issued by the IASB. The Company and its subsidiaries disclosed the relevant information, known or reasonably estimated to the possible impacts on the adoption of IFRS 16 that were available in the preparation of these financial statements, and are subject to change until the first complete financial statements with the initial adoption in 2019. For further detail, see Note 2.x to our consolidated financial statements.

Standards and criteria adopted in preparing the information

The consolidated financial information presented below was prepared based on the consolidated Statements of Financial Position as of December 31, 2018 and 2017 and January 1, 2017, Statements of Profit or Loss and Statements of Cash Flows as of and for the years ended December 31, 2018, 2017 and 2016 that derived from our audited consolidated financial statements included in this annual report and prepared in accordance with IFRS. Ultrapar’s financial information is presented on a consolidated basis. Financial information relating to Ipiranga, Oxitenó, Ultragaz, Ultracargo and Extrafarma is presented on an individual basis and does not reflect elimination of intercompany transactions. See “Presentation of Financial Information.” Accordingly, the sum of individual financial information of Ultrapar’s subsidiaries may not correspond to the consolidated financial information of Ultrapar.

Results of operations

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

Year ended December 31, 2018 compared to the year ended December 31, 2017.

The following table shows a summary of our results of operations for the years ended December 31, 2018 and 2017:

	Year ended December 31, 2018	% of net revenue from sales and services	Year ended December 31, 2017 Restated	% of net revenue from sales and services	Percent change 2018— 2017
	(R\$ million)				
Net revenue from sales and services	90,698.0	100%	79,230.0	100%	14%
Cost of products and services sold	(84,537.4)	-93%	(72,431.5)	-91%	17%
Gross profit	6,160.6	7%	6,798.5	9%	-9%
Selling, marketing, general and administrative expenses	(4,296.7)	-5%	(4,062.9)	-5%	6%
Other operating income, net	57.5	0%	59.4	0%	-3%
Gain (loss) on disposal of property, plant and equipment and intangibles	(22.1)	0%	(2.2)	0%	885%
Operating income before financial income (expenses) and share of profit (loss) of joint-ventures and associates .	1,899.4	2%	2,792.7	4%	-32%
Net financial expenses	(113.5)	0%	(474.3)	-1%	-76%
Income and social contribution taxes	(638.7)	-1%	(813.3)	-1%	-21%
Share of profit (loss) of joint-ventures and associates	(14.8)	0%	20.7	0%	-171%
Net income	1,132.3	1%	1,525.9	2%	-26%
Net income attributable to:					
Shareholders of Ultrapar	1,150.4	1%	1,526.5	2%	-25%
Non-controlling shareholders of the subsidiaries	(18.1)	0%	(0.6)	0%	2729%

Net revenue from sales and services. Ultrapar's net revenue from sales and services increased 14%, from R\$79,230.0 million in 2017 to R\$90,698.0 million in 2018. Ultrapar's net revenue from sales and services generally includes revenues from fuel and gas sales by Ipiranga and Ultragaz, respectively, pharmaceutical products sales by Extrafarma, specialty chemicals sales by Oxitenio and liquid bulk storage services provided by Ultracargo, reduced by sales taxes such as ICMS, PIS and COFINS and by discounts and sales returns.

The following table shows the change in net revenue from sales and services for each of our segments:

	2018	2017 Restated	Percent change 2018—2017
	(R\$ million)		
Ipiranga	76,473.4	66,950.5	14%
Oxitenio	4,748.4	3,959.4	20%
Ultragaz	7,043.2	6,071.0	16%
Ultracargo	493.6	438.4	13%
Extrafarma	2,028.0	1,868.9	9%

Ipiranga's net revenue from sales increased by 14%, from R\$66,950.5 million in 2017 to R\$76,473.4 million in 2018, mainly due to (i) movements in the average costs of diesel and gasoline which recorded consecutive increases from January through September 2018, in line with international benchmark prices and the devaluation of the *Real* against the U.S. dollar (see "Item 4.B. Information on the Company—Business Overview—Fuel Distribution—Industry and Regulatory Overview—The role of the Brazilian government"); (ii) an increase in taxes levied on gasoline, diesel and ethanol (PIS and COFINS taxes) in July 2017 (see "Item 4.B. Information on the Company—Business Overview—Fuel Distribution—Industry and Regulatory Overview—The role of the Brazilian government"); and (iii) the strategy of constant innovation in fueling station services and convenience, to create greater customer satisfaction and loyalty. Ipiranga's sales volume rose 1% in 2018, from 23,458 thousand cubic meters in 2017 to 23,680 thousand cubic meters in 2018. In 2018, Ipiranga reported a decrease of 1% in sales volume of gasoline, ethanol and natural gas for light vehicles (Otto cycle) declining until July before resuming growth during the second half of the year. Large ethanol production in 2018 contributed to the reduction in its prices and, consequently, drove the 45% increase in sales, while gasoline sales volume recorded a decline of 14%. In line with gradual recovery in the economy, diesel volume increased by 2% year-over-year.

Oxiteno's net revenue from sales increased by 20%, from R\$3,959.4 million in 2017 to R\$4,748.4 million in 2018, largely due to (i) the increase of 14% in the average *Real*-U.S. dollar exchange rate (from R\$3.19 per US\$1.00 in 2017 to R\$3.65 per US\$1.00 in 2018), due to the fact that Oxiteno's sales are highly influenced by the foreign exchange rate, with the depreciation effectively increasing Oxiteno's net revenue in *Reais*; and (ii) the increase in the average price of our products in U.S. dollars of 8%, in line with the year-over-year increase in the cost of raw materials. These factors offset the effect of lower sales volumes. Sales volume at Oxiteno decreased 3% in 2018, from 790 thousand tons in 2017 to 769 thousand tons in 2018, primarily as a result of 5% decrease in the volume of specialty chemicals partially offset by an increase of 8% in the volume of commodities. Despite the increase in sales volume from the new alkoxylation unit at the plant in Texas, United States, following its startup in September 2018, export volumes fell 4% in 2018, due to lower demand from Mercosur countries, notably Argentina.

Ultragaz's net revenue from sales increased by 16%, from R\$6,071.0 million in 2017 to R\$7,043.2 million in 2018, mainly due to readjustments in bottled and bulk LPG costs in the refineries (see "Item 4.B. Information on the Company—Business Overview—Distribution of Liquefied Petroleum Gas—Industry and Regulatory Overview—The role of the Brazilian government") and Ultragaz's differentiation and innovation strategy supporting Ultragaz's existing market position. Ultragaz's sales volume decreased by 1%, from 1,746 thousand tons in 2017 to 1,725 thousand tons in 2018, in line with the decline in sales overall in the Brazilian market. While volume was flat year-over-year in the bottled LPG category, the bulk category posted a reduction of 3%, principally due to the programmed LPG reduction of an industrial client.

Ultracargo's net revenue from services increased by 13%, from R\$438.4 million in 2017 to R\$493.6 million in 2018, due to the (i) increase of average storage following the partial resumption of activities at the Santos terminal, (ii) improvement productivity at Ultracargo, and (iii) contractual readjustments for inflation. Average storage posted an increase of 5% in 2018, mainly due to increased handling activity in Santos, reflecting a partial resumption in terminal activities in June 2017 and increased ethanol handling in Brazilian ports, notwithstanding the reduction in fuel imports in 2018.

Extrafarma's net revenue from sales increased by 9%, from R\$1,868.9 million in 2017 to R\$2,028.0 million in 2018, mainly due to an increase in retail sales, an expanded store network and the higher average number of stores. This growth was partially offset by a decline of 21% in revenues from the wholesale category and an increase in competition in the sector. In June 2018, Extrafarma replaced its retail IT system, temporarily affecting both retail and wholesale operations during the implementation and stabilization period. Extrafarma opened 68 new stores and closed 29 stores in 2018, resulting in a 10% expansion of the network, with a net increase of 39 stores.

Cost of products and services sold. Ultrapar's cost of products and services sold increased by 17%, from R\$72,431.5 million in 2017 to R\$84,537.4 million in 2018. Ultrapar main costs of products and services sold are related to the purchase of goods for resale, including diesel, gasoline and ethanol for Ipiranga, LPG for Ultragaz and pharmaceutical products for Extrafarma, and raw material, substantially the ethylene for Oxiteno, and depreciation and amortization.

The following table shows the change in cost of products and services sold for each of our segments:

	2018	2017 Restated	Percent change 2018—2017
	(R\$ million)		
Ipiranga	73,053.2	62,697.2	17%
Oxitenó	3,757.7	3,200.3	17%
Ultrazaz	6,153.0	5,096.5	21%
Ultrazazaz	245.1	218.5	12%
Extrafarma	1,421.1	1,277.3	11%

Ipiranga's cost of goods sold increased by 17%, from R\$62,697.2 million in 2017 to R\$73,053.2 million in 2018, due mainly to changes in the costs of diesel and gasoline, which were adjusted by producers to reflect international benchmark prices and the increase in taxes levied on gasoline, diesel and ethanol (PIS and COFINS taxes) starting from June 2017.

Oxitenó's cost of goods sold increased 17%, from R\$3,200.3 million in 2017 to R\$3,757.7 million in 2018, due to (i) the increase in the cost of raw materials, principally ethylene; (ii) the 14% devaluation of the *Real* relative to the U.S. dollar; and (iii) costs relating to the startup of the new alkoxylation unit at the plant in Texas, United States.

Ultrazaz's cost of goods sold increased 21%, from R\$5,096.5 million in 2017 to R\$6,153.0 million in 2018, due mainly to the readjustments in LPG costs over the course of 2018.

Ultrazazaz's cost of services sold increased by 12%, from R\$218.5 million in 2017 to R\$245.1 million in 2018, principally due to higher expenditures with rentals, payroll, contracting of third party services in Santos terminal and tankage maintenance services at the terminals, in line with the increased storage volume for the entire year of 2018, in addition to the payment of higher property taxes in 2018.

Extrafarma's cost of goods sold increased by 11%, from R\$1,277.3 million in 2017 to R\$1,421.1 million in 2018, due mainly to greater sales volume and the annual adjustment in pharmaceutical prices as authorized by the Medicine Market Regulation Chamber (CMED) by 2.4%.

Gross profit. For the reasons described above, Ultrazaz's gross profit decreased by 9%, from R\$6,798.5 million in 2017 to R\$6,160.6 million in 2018, as a result of decreased gross profit in Ipiranga and Ultrazaz. Ipiranga's gross profit decreased by 20%, from R\$4,253.3 million in 2017 to R\$3,420.2 million in 2018. Ultrazaz's gross profit decreased by 9%, from R\$974.5 million in 2017 to R\$890.2 million in 2018. Oxitenó's gross profit increased by 30%, from R\$759.2 million in 2017 to R\$990.7 million in 2018. Ultrazazaz's gross profit increased by 13%, from R\$219.9 million in 2017 to R\$248.6 million in 2018. Extrafarma's gross profit increased by 3%, from R\$591.6 million in 2017 to R\$606.9 million in 2018.

Selling, marketing, general and administrative expenses. Ultrazaz's selling, marketing, general and administrative ("SG&A") expenses generally include personnel, freight, marketing and depreciation and amortization expenses. Ultrazaz's SG&A expenses increased by 6%, from R\$4,062.9 million in 2017 to R\$4,296.7 million in 2018.

The following table shows the changes in SG&A expenses for each of our segments:

	2018	2017 Restated	Percent change 2018—2017
	(R\$ million)		
Ipiranga	2,149.8	2,018.0	7%
Oxitenó	735.5	668.0	10%
Ultrazaz	575.7	644.5	-11%
Ultrazazaz	116.7	112.7	4%
Extrafarma	716.7	623.3	15%

Ipiranga's SG&A expenses increased by 7% in 2018, from R\$2,018.0 million in 2017 to R\$2,149.8 million in 2018, principally due to the consolidation of expenses relating to Iconic (additional expenses from Chevron's lubricants operation and non-recurring expenses relating to the startup of the joint operation itself), which initiated in December 2017, partially offset by initiatives adopted to reduce expenses in the light of the unfavorable trading environment in 2018.

Oxiteno's SG&A expenses increased by 10% in 2018, from R\$668.0 million in 2017 to R\$735.5 million in 2018, due to the effect of the devaluation of the *Real* relative to the U.S dollar on expenses with international operations as well as higher payroll expenses.

Ultragaz's SG&A expenses decreased by 11% in 2018, from R\$644.5 million in 2017 to R\$575.7 million in 2018, as a result of initiatives to reduce expenses and improve efficiencies, such as lower marketing and freight expenses, mainly due to the gradual shift from CIF (Cost, Insurance and Freight) to FOB (Free on Board) delivery method among its clients, as well as lower expenses with strategic consultancies and lower expenses from estimated losses from doubtful accounts.

Ultracargo's SG&A expenses increased by 4% in 2018, from R\$112.7 million in 2017 to R\$116.7 million in 2018, due to (i) higher payroll expenses due to annual salary adjustments and increased variable remuneration, in line with improved results; and (ii) higher outlays with strategic consultancies and operational safety, partially offset by reimbursement of a port management fee related to previous fiscal years that was incorrectly charged by the competent authorities.

Extrafarma's SG&A expenses increased by 15% in 2018, from R\$623.3 million in 2017 to R\$716.7 million in 2018, mainly due to the 19% increase in the average number of stores, partially offset by the Extrafarma's initiatives implemented for productivity gains and reducing expenses, notably in payroll and travel expenses as well as acquiring fees.

Other operating income, net. Other operating income, net decreased from R\$59.4 million in 2017 to R\$57.5 million in 2018, mainly due to the break-up fee due after CADE's rejection of the proposed acquisition of Liquigás, partially offset by the recognition of tax credits in favor of Oxiteno with respect to the exclusion of the ICMS sales tax from the calculation base for PIS and COFINS taxes.

Income (expense) from disposal of assets. Ultrapar's expense from disposal of assets increased from a net expense of R\$2.2 million in 2017 to a net expense of R\$22.1 million in 2018, due to the writing down of IT assets at all the businesses and a more rigorous selection of non-performing drugstores at Extrafarma for closure, partially offset by the sale of real estate by Ipiranga.

Operating income before financial income (expenses) and share of profit of joint-ventures and associates. For the reasons described above, Ultrapar's operating income before financial income (expenses) and share of profit of joint-ventures and associates decreased by 32%, from R\$2,792.7 million in 2017 to R\$1,899.4 million in 2018, as a result of the decreased operating income before financial income (expenses) and share of profit of joint-ventures and associates in Ipiranga and Ultragaz. Ipiranga's operating income before financial income (expenses) and share of profit of joint-ventures and associates decreased by 41%, from R\$2,357.1 million in 2017 to R\$1,396.6 million in 2018. Oxiteno's operating income before financial income (expenses) and share of profit of associates increased by 223%, from R\$141.4 million in 2017 to R\$457.1 million in 2018. Ultragaz's operating income before financial income (expenses) and share of profit of associates decreased by 86%, from R\$255.9 million in 2017 to R\$35.6 million in 2018. Ultracargo's operating income before financial income (expenses) and share of profit of joint-ventures and associates increased by 66%, from R\$75.0 million in 2017 to R\$124.7 million in 2018. Extrafarma's operating income before financial income (expenses) and share of profit of joint-ventures and associates decreased by 214%, from operating loss of R\$37.7 million in 2017 to operating loss of R\$118.3 million in 2018.

Net financial expenses. Net financial expenses include mainly income and expenses from interest on financial investments and financing and exchange rate variation. Ultrapar's net financial expenses decreased by 76%, from R\$474.3 million in 2017 to R\$113.5 million in 2018, due to (i) the lower average CDI rate during the period (6.4% in 2018 compared to 9.9% in 2017); (ii) the financial income from the constitution of tax credits at Oxiteno with the exclusion of the ICMS sales tax from the PIS and COFINS taxes calculation base; and (iii) lower expenses with the subscription warrants – indemnification issued in the association with Extrafarma due to the depreciation of Ultrapar's share in the period (see item “— Critical accounting policies and estimates”).

Income and social contribution taxes. Ultrapar's income and social contribution taxes, net of benefits from income tax exemptions, decreased by 21%, from R\$813.3 million in 2017 to R\$638.7 million in 2018.

Net income for the year. Ultrapar's net income for 2018 reached R\$1,132.3 million, 26% lower compared to R\$1,525.9 million in 2017, mainly due to the decline in operating income before financial income (expenses) and share of profit of joint-ventures and associates between the periods, partially offset by the lower net financial expenses.

Adjusted EBITDA. Ultrapar's Adjusted EBITDA decreased 23%, from R\$3,981.0 million in 2017 to R\$3,068.9 million in 2018, as a result of lower EBITDA in Ipiranga, Ultragaz and Extrafarma.

The reconciliation of the EBITDA and Adjusted EBITDA starting from the net income is presented below:

R\$ million	2018	2017 Restated
Net income for the year	1,132.3	1,525.9
(+) Income and social contribution taxes	638.7	813.3
(+) Net financial expenses	113.5	474.3
(+) Depreciation and amortization	812.5	704.5
EBITDA⁽¹⁾	2,697.1	3,518.0
Adjustments		
(+) Amortization of contractual assets with customers – exclusive rights (Ipiranga) ⁽²⁾	371.8	463.0
Adjusted EBITDA⁽¹⁾	3,068.9	3,981.0

⁽¹⁾ See footnote 5 under "Item 3.A. Key Information—Selected Consolidated Financial Data" for a more complete discussion of EBITDA, Adjusted EBITDA and its reconciliation to information in our financial statements.

⁽²⁾ See footnote 4 under "Item 3.A. Key Information—Selected Consolidated Financial Data."

The following table shows the changes in Adjusted EBITDA for Ipiranga and EBITDA for Oxitenó, Ultragaz, Ultracargo and Extrafarma:

	2018	2017 Restated	Percent change 2018—2017
	(R\$ million)		
Ipiranga ⁽¹⁾	2,052.4	3,066.8	-33%
Oxitenó	625.4	295.9	111%
Ultragaz	258.1	440.0	-41%
Ultracargo	178.5	124.3	44%
Extrafarma	(46.8)	23.1	-302%

⁽¹⁾ Adjusted EBITDA does not include losses related to ConectCar in the amount of R\$18.7 million and R\$21.0 million in 2018 and 2017, respectively.

Ipiranga reported Adjusted EBITDA of R\$2,052.4 million in 2018, a 33% decrease compared to 2017, due mainly to (i) the truck drivers' strike and its impact on sales volumes, variation in margins and higher costs and non-recurring expenses in the period; (ii) extraordinary expenses with the consolidation and startup of the Iconic operations; and (iii) changes in fuel costs during 2018.

Oxitenó reported EBITDA of R\$625.4 million, an increase of 111% compared to 2017, in spite of lower sales volumes. The increase is largely explained by the constitution of tax credits from previous fiscal years, reflecting the exclusion of the ICMS sales tax from the PIS and COFINS tax calculation base, and the 14% devaluation of the *Real* relative to the U.S. dollar in 2018.

Ultragaz's EBITDA totaled R\$258.1 million, 41% lower than 2017, as a result of the break-up fee of R\$286 million paid to Petrobras on March 13, 2018 as a result of CADE's decision to block the acquisition of Liquigás, partially offset by lower costs and expenses due to the cutting initiatives in 2018, while the fourth quarter of 2017 was affected by the Cease and Desist Agreement (*Termo de Compromisso de Cessação de Prática – TCC*) in the amount of R\$84 million.

Ultracargo's EBITDA totaled R\$178.5 million in 2018, an increase of 44% compared to 2017, due to (i) greater handling activity at the terminals; (ii) contractual readjustments; and (iii) residual effects of the fire in April 2015 at the Santos Port terminal with a negative impact of R\$39 million in 2017. See "Item 4.A. Information on the Company—History and Development of the Company—Ultracargo—Fire at storage facilities in Santos."

Extrafarma reported EBITDA of R\$46.8 million negative compared with R\$23.1 million in 2017, because of (i) the substitution of the retail system in June 2018, which temporarily affected operations during the implementation and stabilization phases; (ii) a more rigorous selection of stores, that were not performing as planned, for closure in the third quarter of 2018; (iii) the greater number of new and still maturing stores; and (iv) increased competition in the sector, mainly by the entrance of competitors in the Extrafarma's operating regions.

For a reconciliation of our Adjusted EBITDA, the Adjusted EBITDA of Ipiranga and the EBITDA of Oxitenio, Ultragaz, Ultracargo and Extrafarma to information in our financial statements, see footnote 5 under "Item 3.A. Key Information—Selected Consolidated Financial Data."

Year ended December 31, 2017 compared to the year ended December 31, 2016.

The following table shows a summary of our results of operations for the years ended December 31, 2017 and 2016:

	Year ended December 31, 2017 Restated	% of net revenue from sales and services	Year ended December 31, 2016 Restated	% of net revenue from sales and services	Percent change 2017—2016
			(R\$ million)		
Net revenue from sales and services	79,230.0	100%	76,740.0	100%	3%
Cost of products and services sold	(72,431.5)	-91%	(70,196.9)	-91%	3%
Gross profit	6,798.5	9%	6,543.1	9%	4%
Selling, marketing, general and administrative expenses	(4,062.9)	-5%	(3,666.1)	-5%	11%
Other operating income, net	59.4	0%	199.0	0%	-70%
Gain (loss) on disposal of property, plant and equipment and intangibles	(2.2)	0%	(6.1)	0%	-63%
Operating income before financial income (expenses) and share of profit (loss) of joint-ventures and associates	2,792.7	4%	3,069.9	4%	-9%
Net financial expenses	(474.3)	-1%	(842.6)	-1%	-44%
Income and social contribution taxes	(813.3)	-1%	(688.0)	-1%	18%
Share of profit (loss) of joint-ventures and associates	20.7	0%	7.5	0%	177%
Net income	1,525.9	2%	1,546.8	2%	-1%
Net income attributable to:					
Shareholders of Ultrapar	1,526.5	2%	1,537.8	2%	-1%
Non-controlling shareholders of the subsidiaries	(0.6)	0%	9.0	0%	-107%

Net revenue from sales and services. Ultrapar's net revenue from sales and services increased 3%, from R\$76,740.0 million in 2016 to R\$79,230.0 million in 2017. Ultrapar's net revenue from sales and services generally includes revenues from fuel and gas sales by Ipiranga and Ultragaz, respectively, pharmaceutical products sales by Extrafarma, specialty chemicals sales by Oxitenio and liquid bulk storage services provided by Ultracargo, reduced by sales taxes such as ICMS, PIS and COFINS and by discounts and sales returns.

The following table shows the change in net revenue from sales and services for each of our segments:

	2017 Restated	2016 Restated	Percent change 2017—2016
	(R\$ million)		
Ipiranga	66,950.5	65,793.7	2%
Oxitenó	3,959.4	3,701.4	7%
Ultragaz	6,071.0	5,365.1	13%
Ultracargo	438.4	355.4	23%
Extrafarma	1,868.9	1,578.6	18%

Ipiranga's net revenue from sales increased by 2%, from R\$65,793.7 million in 2016 to R\$66,950.5 million in 2017, mainly due to (i) an increase in diesel and gasoline prices, which were more frequently adjusted to reflect international benchmark prices in 2017 (See "Item 4.B. Information on the Company—Business Overview—Fuel Distribution—Industry and Regulatory Overview—The role of the Brazilian government"), (ii) the increase in taxes levied on gasoline, diesel and ethanol (PIS and COFINS taxes) from July 2017 (See "Item 4.B. Information on the Company—Business Overview—Fuel Distribution—Industry and Regulatory Overview—The role of the Brazilian government"), (iii) the greater share of gasoline in the 2017 sales breakdown from 36.1% in 2016 to 37.5% in 2017, and (iv) the strategy of constant innovation in services and convenience, generating improved customer satisfaction and loyalty. Ipiranga's sales volume in 2017 remained almost stable compared to total sales in 2016, from 23,507 thousand cubic meters in 2016 to 23,458 thousand cubic meters in 2017. In 2017, Ipiranga reported an increase of 1% in sales volume of gasoline, ethanol and natural gas for light vehicles (Otto cycle) influenced by the car fleet expansion (+1%). In line with the economy's performance, diesel volume decreased by 2% year on year, despite growth in the second half of 2017.

Oxitenó's net revenue from sales increased by 7%, from R\$3,701.4 million in 2016 to R\$3,959.4 million in 2017, largely due to the increased sales volume. On the other hand, the increase in Oxitenó's net revenue was partially offset by a 9% decrease in the average *Real*-U.S. dollar exchange rate (from R\$3.49 per US\$1.00 in 2016 to R\$3.19 per US\$ in 2017), due to the fact that Oxitenó's sales are highly influenced by the foreign exchange rate, with the appreciation effectively decreasing Oxitenó's net revenue in *Reais*. Sales volume at Oxitenó grew 7% in 2017, from 738 thousand tons in 2016 to 790 thousand tons in 2017, primarily as a result of 16% and 5% increases in the volumes of commodities and specialty chemicals, respectively, reflecting increased demand from United States due to pre-marketing sales in preparation for the start of the new plant in Pasadena, along with a growth of volume sold in Brazil as a result of the recovery of Brazil's economy.

Ultragaz's net revenue from sales increased by 13%, from R\$5,365.1 million in 2016 to R\$6,071.0 million in 2017, mainly due to (i) the increase in the cost of bottled and bulk LPG at refineries, which were more frequently adjusted to reflect international benchmark prices in 2017 (See "Item 4.B. Information on the Company—Business Overview—Distribution of Liquefied Petroleum Gas—Industry and Regulatory Overview—The role of the Brazilian government"), and (ii) Ultragaz's differentiation and innovation strategy. The lower share of bulk LPG in the sales mix partly offset the revenues growth. Ultragaz's sales volume decreased by 1%, from 1,760 thousand tons in 2016 to 1,746 thousand tons in 2017. Despite the stable sales volume in the bottled LPG category, due to investments to add new resellers, the bulk category posted a 3% reduction, explained primarily by the loss of some customers to natural gas and the planned reduction in the LPG demand by an industrial client.

Ultracargo's net revenue from services increased by 23%, from R\$355.4 million in 2016 to R\$438.4 million in 2017, due to increased volumes of fuel handled in Ultracargo's terminals leading to increased average storage volumes, improved productivity and the partial return to operations in June 2017 of 67.5 thousand cubic meters out of 151.5 thousand cubic meters in Santos that had been shut down since April 2015 incident. Average storage posted an increase of 8% in 2017, due mainly to an increase in the volume of fuels handling at the Santos, Suape and Itaquí terminals, explained primarily by the partial resumption of activities in its Santos terminal in 2017 and the higher demand for fuel handling at Brazilian ports.

Extrafarma's net revenue from sales increased by 18%, from R\$1,578.6 million in 2016 to R\$1,868.9 million in 2017, mainly due to an increase in retail sales resulting from an increase in the average number of stores coupled with 10% growth in same store sales (corresponding to sales in stores that have been operating for more than 12 months). This growth was partly offset by a 17% decrease in mobile phones revenues, and lower revenues from the wholesale business. Extrafarma opened 100 new stores and closed 21 stores in 2017, resulting in a 25% expansion of the network, with a net of 79 new stores.

Cost of products and services sold. Ultrapar's cost of products and services sold increased by 3%, from R\$70,196.9 million in 2016 to R\$72,431.5 million in 2017. Ultrapar main costs of products and services sold are related to the purchase of goods for resale, including diesel, gasoline and ethanol for Ipiranga, LPG for Ultragaz and pharmaceutical products for Extrafarma, and raw material, substantially the ethylene for Oxitenó, and depreciation and amortization.

The following table shows the change in cost of products and services sold for each of our segments:

	2017 Restated	2016 Restated	Percent change 2017—2016
	(R\$ million)		
Ipiranga	62,697.2	61,737.8	2%
Oxitenó	3,200.3	2,779.0	15%
Ultragaz	5,096.5	4,467.0	14%
Ultracargo	218.5	199.0	10%
Extrafarma	1,277.3	1,068.6	20%

Ipiranga's cost of products sold increased by 2%, from R\$61,737.8 million in 2016 to R\$62,697.2 million in 2017, due mainly to shifts in the costs of diesel and gasoline, which were more frequently adjusted by producers to reflect international benchmark prices in 2017 and to the increase in taxes levied on gasoline, diesel and ethanol (PIS and COFINS taxes) starting from June 2017.

Oxitenó's cost of products sold increased 15% compared to 2016, from R\$2,779.0 million in 2016 to R\$3,200.3 million in 2017, due mainly (i) to the higher sales volume, (ii) costs associated with the lengthy stoppage of the Oleoquímica plant due to technical problems in the restarting of the plant, and (iii) increased pre-operational costs (mainly personnel, maintenance and tax property) in preparation for the start of the new Pasadena plant, partially offset by a 9% appreciation of Brazilian *Real*.

Ultragaz's cost of products sold increased 14%, from R\$4,467.0 million in 2016 to R\$5,096.5 million in 2017, due mainly to the higher cost of LPG at refineries, which were more frequently adjusted to reflect international benchmark prices in 2017.

Ultracargo's cost of services sold increased by 10%, from R\$199.0 million in 2016 to R\$218.5 million in 2017, due mainly to higher payroll and materials costs, in line with the increased storage volumes.

The cost of products sold by Extrafarma increased by 20%, from R\$1,068.6 million in 2016 to R\$1,277.3 million in 2017, due mainly to the greater sales volume and the annual adjustment in medicine prices as authorized by the Medicine Market Regulation Chamber (CMED) by 3%.

Gross profit. For the reasons described above, Ultrapar's gross profit increased by 4%, from R\$6,543.1 million in 2016 to R\$6,798.5 million in 2017, as a result of the increased gross profit in Ipiranga, Ultragaz, Ultracargo and Extrafarma. Ipiranga's gross profit increased by 5%, from R\$4,055.9 million in 2016 to R\$4,253.3 million in 2017. Oxitenó's gross profit decreased by 18%, from R\$922.4 million in 2016 to R\$759.2 million in 2017. Ultragaz's gross profit increased by 9%, from R\$898.1 million in 2016 to R\$974.5 million in 2017. Ultracargo's gross profit increased by 41%, from R\$156.4 million in 2016 to R\$219.9 million in 2017. Extrafarma's gross profit increased by 16%, from R\$510.0 million in 2016 to R\$591.6 million in 2017.

Selling, marketing, general and administrative expenses. Ultrapar's selling, marketing, general and administrative ("SG&A") expenses generally include personnel, freight, marketing and depreciation and amortization expenses. Ultrapar's SG&A expenses increased by 11%, from R\$3,666.1 million in 2016 to R\$4,062.9 million in 2017.

The following table shows the changes in SG&A expenses for each of our segments:

	2017 Restated	2016 Restated	Percent change 2017—2016
	(R\$ million)		
Ipiranga	2,018.0	1,803.2	12%
Oxitenó	668.0	616.4	8%
Ultrazaz	644.5	636.5	1%
Ultrazazaz	112.7	99.8	13%
Extrafarma	623.3	513.0	21%

Ipiranga's SG&A expenses increased by 12% in 2017, from R\$1,803.2 million in 2016 to R\$2,018.0 million in 2017, due to (i) an increase in freight expenses, (ii) increased expenses with projects and strategic initiatives, particularly those relating to the lubricants joint venture with Chevron, and (iii) expenses incurred in connection with the expansion of the service stations and franchise networks.

Oxitenó's SG&A expenses increased by 8% in 2017, from R\$616.4 million in 2016 to R\$668.0 million in 2017, due to higher freight expenses resulting from the greater volumes sold and pre-operating expenses (mainly personnel, advertising and marketing and expenses with studies and projects) in preparation for the start of the new Pasadena plant.

Ultrazaz's SG&A expenses increased by 1% in 2017, from R\$636.5 million in 2016 to R\$644.5 million in 2017, as result of the effects of a 2.9% inflation rate (measured by the IPCA) on expenses, which was partially offset by new cost-cutting initiatives in recent years.

Ultrazazaz's SG&A expenses increased by 13% in 2017, from R\$99.8 million in 2016 to R\$112.7 million in 2017, due mainly to (i) increased payroll expenses resulting from additional personnel, annual salary adjustment and increased variable compensation in line with operating indicators growth, and (ii) increased costs incurred with consultancies and legal advice.

Extrafarma's SG&A expenses increased by 21% in 2017, from R\$513.0 million in 2016 to R\$623.3 million in 2017, mainly due to the 23% increase in the average number of stores and R\$6 million to expenses resulting from the transfer of its distribution center from Belém to Benevides, and indemnity expenses with dismissals incurred in the first quarter of 2017, partially offset by initiatives to increase efficiency.

Other operating income, net. Other operating income, net decreased from R\$199.0 million in 2016 to R\$59.4 million in 2017, mainly due to (i) Ultrazazaz with the effects of the April 2015 fire in Santos, with a positive impact of R\$68 million in 2016 resulting mainly from recovery from insurers, and a negative impact of R\$39 million in 2017 resulting from expenses relating to the accident; and (ii) Ultrazaz with the negative impact of the Cease and Desist Agreement entered into in November 2017 with CADE, which generated an expense of R\$84 million.

Income from disposal of assets. Ultrazaz's income from disposal of assets is mainly composed of the sale of real estate at Ipiranga in both years and increased from net expenses of R\$6.1 million in 2016 to a net expense of R\$2.2 million in 2017, or an increase of 63%.

Operating income before financial income (expenses) and share of profit of joint-ventures and associates. For the reasons described above, Ultrazaz's operating income before financial income (expenses) and share of profit of joint-ventures and associates decreased by 9%, from R\$3,069.9 million in 2016 to R\$2,792.7 million in 2017, as a result of the decreased operating income before financial income (expenses) and share of profit of joint-ventures and associates in Oxitenó, Ultrazaz, Ultrazazaz and Extrafarma. Ipiranga's operating income before financial income (expenses) and share of profit of joint-ventures and associates remained stable, from R\$2,364.0 million in 2016 to R\$2,357.1 million in 2017. Oxitenó's operating income before financial income (expenses) and share of profit of associates decreased by 53%, from R\$311.5 million in 2016 to R\$141.4 million in 2017. Ultrazaz's operating income before financial income (expenses) and share of profit of associates decreased by 4%, from R\$267.3 million in 2016 to R\$255.9 million in 2017. Ultrazazaz's operating income before financial income (expenses) and share of profit of joint-ventures and associates decreased by 41%, from R\$127.7 million in 2016 to R\$75.0 million in 2017. Extrafarma's operating income before financial income (expenses) and share of profit of joint-ventures and associates decreased by 880%, from operating loss of R\$3.8 million in 2016 to operating loss of R\$37.7 million in 2017.

Net financial expenses. Net financial expenses include mainly income and expenses from interest on financial investments and financing and exchange rate variation. Ultrapar's net financial expenses decreased by 44%, from R\$842.6 million in 2016 to R\$474.3 million in 2017, mainly due to (i) the lower average CDI rates during the period (9.9% in 2017 compared to 14.0% in 2016), and (ii) foreign exchange rate effects during the period, which were partially offset by an increase in net debt (from R\$5,715.3 million as of December 31, 2016 to R\$7,220.7 million as of December 31, 2017).

Income and social contribution taxes. Ultrapar's income and social contribution taxes, net of benefits from income tax exemptions, increased by 18%, from R\$688.0 million in 2016 to R\$813.3 million in 2017.

Net income for the year. Ultrapar's net income for 2017 reached R\$1,525.9 million, which was stable compared to R\$1,546.8 million for 2016, mainly due to the lower financial expenses incurred during the period, partially offset by the decrease in operating income before financial income (expenses) and share of profit of joint-ventures and associates between the periods, and higher amortization and depreciation, as a result of investments made during the period, all as described above.

Adjusted EBITDA. Ultrapar's Adjusted EBITDA decreased 4%, from R\$4,160.7 million in 2016 to R\$3,981.0 million in 2017, as a result of EBITDA decreases in Oxitenó, Ultracargo and Extrafarma. The reconciliation of the EBITDA and Adjusted EBITDA starting from the net income is presented below:

R\$ million	2017 Restated	2016 Restated
Net income for the year	1,525.9	1,546.8
(+) Income and social contribution taxes	813.3	688.0
(+) Net financial expenses	474.3	842.6
(+) Depreciation and amortization	704.5	628.2
EBITDA⁽¹⁾	3,518.0	3,705.5
Adjustments		
(+) Amortization of contractual assets with customers – exclusive rights (Ipiranga) ⁽²⁾	463.0	463.5
Adjusted EBITDA⁽¹⁾	3,981.0	4,169.0

⁽¹⁾ See footnote 5 under “Item 3.A. Key Information—Selected Consolidated Financial Data” for a more complete discussion of EBITDA, Adjusted EBITDA and its reconciliation to information in our financial statements.

⁽²⁾ See footnote 4 under “Item 3.A. Key Information—Selected Consolidated Financial Data.”

The following table shows the changes in Adjusted EBITDA for Ipiranga and EBITDA for Oxitenó, Ultracargo and Extrafarma:

	2017 Restated	2016 Restated	Percent change 2017—2016
	(R\$ million)		
Ipiranga ⁽¹⁾	3,066.8	3,049.0	1%
Oxitenó	295.9	462.2	-36%
Ultracargo	440.0	425.4	3%
Ultracargo	124.3	171.1	-27%
Extrafarma	23.1	38.8	-40%

⁽¹⁾ Adjusted EBITDA does not include losses related to ConectCar in the amount of R\$21.0 million and R\$24.4 million in 2017 and 2016, respectively.

Ipiranga reported Adjusted EBITDA of R\$3,066.8 million in 2017, an increase of 1% compared to 2016, in line with the revenues growth due mainly to (i) the strategy of constant services and convenience innovation at service stations, and (ii) improved sales mix with a bigger share of gasoline in the mix (from 36.1% in 2016 to 37.5% in 2017).

Oxitenó reported EBITDA of R\$295.9 million, a 36% decrease compared to 2016, despite the increase in total volumes. The reduction is due mainly (i) to the R\$0.30/US\$ appreciation of the average price of the Brazilian *Real* in 2017, (ii) higher volatility of certain raw materials prices, (iii) the lengthy stoppage of the Oleoquímica plant, and (iv) pre-operational costs at the new Pasadena plant.

Ultrazgaz's EBITDA totaled R\$440.0 million, 3% higher than 2016, as a result of (i) costs and expenses cutting initiatives, (ii) commercial strategies intended to capture new customers and resellers, and (iii) the differentiation and innovation strategy.

Ultracargo's EBITDA totaled R\$124.3 million in 2017, a 27% decrease compared to 2016, due to recoveries against insurance claims in 2016, without corresponding effects in 2017, partially offset by increased cargo handling volumes. See "Item 4.A. Information on the Company—History and Development of the Company—Ultracargo—Fire at storage facilities in Santos."

Extrafarma reported EBITDA of R\$23.1 million, a 40% decrease compared to 2016, because of the increased number of maturing stores, which went from 45% of the chain in 2016 to 55% in 2017, and R\$11 million expenses incurred in connection with the transfer of the distribution center from Belém to Benevides. This decrease was partially offset by strategic and commercial initiatives intended to reduce costs and increase efficiency.

For a reconciliation of our Adjusted EBITDA, Adjusted EBITDA of Ipiranga and the EBITDA of Oxitenó, Ultrazgaz, Ultracargo and Extrafarma to information in our financial statements, see footnote 5 under "Item 3.A. Key Information—Selected Consolidated Financial Data."

B. Liquidity and Capital Resources

Our principal sources of liquidity derive from (i) cash, cash equivalents and financial investments, (ii) cash generated from operations and (iii) financings. We believe that these sources are sufficient to satisfy our current funding requirements for a period of 12 months, which include, but are not limited to, working capital, capital expenditures, amortization of debt and payment of dividends.

Periodically, we assess the opportunities for acquisitions and investments. We consider different types of investments, either directly or through joint-ventures, or associated companies, and we finance such investments using cash generated from our operations, debt financing, through capital increases or through a combination of these methods.

Sources and uses of funds. Net cash provided by operating activities was R\$2,889.0 million, R\$1,739.0 million, and R\$1,988.9 million in 2018, 2017 and 2016, respectively. In 2018, net cash provided by operating activities was R\$1,149.9 million higher than that of 2017 (66% increase) despite the 26% reduction observed in net income. The increase observed in 2018 is mainly due to optimization in the businesses working capital as well as higher compensation of tax credits during the year. In 2017, net cash provided by operating activities was R\$249.8 million lower than 2016 (13% decrease), mainly due to the 1% reduction of the net income year-over-year and the increase in investment in working capital given the volatility observed in LPG and fuels' acquisition prices (See "Item 4.B. Information on the Company—Business Overview—Fuel Distribution—Industry and Regulatory Overview—The role of the Brazilian government" and "Item 4.B. Information on the Company—Business Overview—Distribution of Liquefied Petroleum Gas—Industry and Regulatory Overview—The role of the Brazilian government"). In 2016, net cash provided by operating activities was R\$1,212.8 million lower than that of 2015, despite the 4% net income growth and lower investment in working capital when compared to 2015. Due to the use of the indirect method of cash flow, interest on financial liabilities and variations on the exchange rate adjustment in the net cash provided by operating activities in 2016 were R\$818.8 million lower than in 2015 and the impact of the adoption of IFRS 15 in 2016 in the amount of R\$524.8 million. In 2018, 2017 and 2016, the Company invested R\$390.2 million, R\$529.7 million and R\$524.8 million, respectively, in contractual assets with customers—exclusive rights.

Net cash used in investing activities was R\$3,177.6 million in 2018, of which R\$1,669.9 million in financial investments net of redemptions and R\$1,377.3 million in additions to property, plant and equipment and intangible assets, net of disposals, and R\$99.1 million lower than 2017. Net cash used in investing activities was of R\$1,371.8 million in 2017 of which R\$60.9 million in net redemptions from financial investments, and R\$1,476.5 million in additions to property, plant and equipment and intangible assets, net of disposals. In 2016, cash flow of investing activities was R\$1,324.0 million of which R\$163.6 million in net redemptions from financial investments, and R\$1,113.1 million in additions to property, plant and equipment and intangible assets, net of disposals. In addition, capital investments in ConectCar amounted to R\$31.9 million, R\$16.0 million and R\$47.3 million in 2018, 2017 and 2016, respectively.

Net cash from financing activities totaled a cash usage of R\$801.0 million for 2018 and cash generation of R\$340.3 million and R\$928.4 million for 2017 and 2016, respectively. In 2018, cash flow from financing activities decreased R\$1,141.4 million compared to 2017, mainly due to higher amortization of debt. In 2017, cash flow generated by financing activities decrease in R\$588.0 million compared to 2016, mainly due to an increase in amortization of loans and debentures, partially offset by an R\$833.8 increase in proceeds from new financings, which strengthened the cash position. In 2016, cash flow used by financing activities increased in R\$3,449.1 million compared to 2015, mainly as a result of lower use of resources for amortization of debt and an increase of R\$1,292.3 million in new loans and financings, which strengthened the cash position and extended the Company's debt profile.

Accordingly, cash and cash equivalents totaled R\$3,939.0 million in 2018, R\$5,002.0 million in 2017 and R\$4,274.2 million in 2016.

We believe we have sufficient working capital to meet our current needs for a period of 12 months. We had R\$6,994.4 million in cash, cash equivalents and short-term investments as of December 31, 2018. The gross indebtedness due from January 1 to December 31, 2019 totaled R\$2,274.0 million, including estimated interest payments on loans, as of December 31, 2018. See “– Tabular Disclosure of Contractual Obligations.” Furthermore, we estimate investments of R\$1,762.1 million in 2019.

We anticipate that we will spend approximately R\$23.1 billion in the next five years to meet long-term contractual obligations described in the Tabular Disclosure of Contractual Obligations and for the 2019 budgeted capital expenditures. We expect to meet these cash requirements through a combination of cash generated from operating activities and cash generated by financing activities, including new debt financing and the refinancing of some of our indebtedness as it becomes due.

The Company uses exchange rate hedging instruments (especially between the *Real* and the U.S. dollar) available in the financial market to protect its assets, liabilities, receipts and disbursements in foreign currency and net investments in foreign operations. Hedging instruments are used to reduce the effects of variations in exchange rates on the Company's income and cash flows in *Reais* within the exposure limits under its Policy. For additional information regarding our funding and treasury policies, see “Item 11. Quantitative and Qualitative Disclosures About Market Risk.”

Indebtedness

As of December 31, 2018, our consolidated short and long-term debt was as follows:

Indebtedness	Currency	Interest rate ⁽¹⁾	Principal amount of outstanding and accrued interest through December 31,	
			2018	2017
			(in millions of Reais)	
Foreign currency – denominated loans:				
Notes in the foreign market	US\$	5.3%	2,889.6	2,454.1
Foreign loan	US\$	3.9%	985.3	259.0
Financial institutions	US\$	LIBOR ⁽²⁾ + 2.1%	620.6	330.8
Foreign loan	US\$	LIBOR ⁽²⁾ + 0.9%	582.1	788.8
Foreign loan	US\$	LIBOR ⁽²⁾ + 2.0%	234.4	298.9
Financial institutions	US\$	2.9%	127.3	106.7
Financial institutions	MX\$ ⁽³⁾	9.0%	27.8	27.0
Advances on foreign exchange contracts	US\$	3.2%	11.7	44.5
Financial institutions	MX\$ ⁽³⁾	TIIE ⁽³⁾ + 1.5%	4.0	3.4
BNDES	US\$	6.5%	2.6	4.5
Foreign currency advances delivered	US\$	2.9%	1.5	26.1
Financial institutions	Bs\$ ⁽⁸⁾		—	0.6
Reais – denominated loans:				
Banco do Brasil—floating rate	R\$	107.3% of CDI	2,614.7	2,794.3
Debentures—2nd, 4th and 6th public issuances IPP	R\$	105.0% of CDI	2,039.7	2,836.7
Debentures—CRA—5th, 7th and 8th issuances IPP	R\$	95.8% of CDI	2,029.5	1,380.9
Debentures—5th and 6th issuance	R\$	105.3% of CDI	1,757.0	817.7
Debentures—CRA—5th, 7th and 8th issuances IPP	R\$	IPCA ⁽⁷⁾ + 4.6%	833.2	554.4
BNDES	R\$	TJLP ⁽⁴⁾ + 2.4%	147.9	206.4
FINEP—Research and Projects Financing	R\$	TJLP ⁽⁴⁾ + 1.5%	53.2	32.7
BNDES	R\$	SELIC ⁽⁶⁾ + 2.3%	51.5	69.4
Bank Credit Bill	R\$	124.0% of CDI	50.1	—
Finance leases	R\$	IGP-M ⁽⁵⁾ + 5.6%	46.1	48.5
FINEP—Research and Projects Financing	R\$	4.0%	22.6	35.6
Banco do Nordeste do Brasil(9)	R\$	8.5%	15.8	28.1
BNDES	R\$	6.0%	14.1	26.3
FINAME—Financing for Machines and Equipment	R\$	TJLP ⁽⁴⁾ + 5.7%	0.0	0.1
Export Credit Note—floating rate	R\$		—	157.7
BNDES EXIM	R\$		—	62.8
BNDES EXIM	R\$		—	30.9
Total loans			15,162.2	13,426.8
Unrealized losses on swaps transactions			43.9	163.7
Total			15,206.1	13,590.6

⁽¹⁾ Interest rate as of December 31, 2018.

⁽²⁾ LIBOR = London Interbank Offered Rate.

⁽³⁾ MX\$ = Mexican peso and TIIE = the Mexican interbank balance interest rate.

⁽⁴⁾ TJLP (Long-Term Interest Rate) = set by the National Monetary Council, TJLP is the basic financing cost of BNDES for agreements entered into before 2018. On December 31, 2018, TJLP was fixed at 7.03% p.a.

⁽⁵⁾ IGP-M = General Index of Market Prices of Brazilian inflation, calculated by the Getulio Vargas Foundation.

⁽⁶⁾ SELIC = Brazilian base interest rate.

⁽⁷⁾ IPCA = Brazilian National Wide Consumer Price Index.

⁽⁸⁾ Bs\$ = Bolívar.

⁽⁹⁾ Contract linked to the FNE (Northeast Constitutional Financing Fund) rate, as managed by Banco do Nordeste do Brasil, the purpose of which is to promote the development of the industrial sector. On December 31, 2018, the FNE interest rate was 10% p.a. FNE grants a 15% interest rate discount for timely payments.

Our consolidated debt as of December 31, 2018 had the following maturity schedule:

Maturity	Amount
	(in millions of Reais)
January 1, 2019 to December 31, 2019.....	2,274.0
January 1, 2020 to December 31, 2020.....	962.9
January 1, 2021 to December 31, 2021.....	1,551.1
January 1, 2022 to December 31, 2022.....	3,219.5
January 1, 2023 to December 31, 2023.....	3,431.5
2024 thereafter	3,767.3
Total	15,206.1

As provided in IAS 39, the transaction costs and issuance premiums associated with our fundraising are included as part of our financial liabilities. See Note 15.j to our consolidated financial statements for more information.

Ultrapar contracted hedging instruments against foreign currency exchange and interest rate variations for a portion of its indebtedness. See “Item 11. Quantitative and Qualitative Disclosures about Market Risk” and Note 33 to our consolidated financial statements for more information.

The financings are secured by collateral in the amount of R\$69.8 million as of December 31, 2018 (R\$66.3 million as of December 31, 2017) and guaranteed by corporate guarantees and promissory notes in the amount of R\$10,667.2 million as of December 31, 2018 (R\$9,588.0 million as of December 31, 2017). As of December 31, 2018, the Company did not have guarantees related to raw materials imported by the subsidiary IPP (R\$81.0 million as of December 31, 2017). In addition, Ultrapar provides guarantees related to the supply of LPG by Petrobras up to the amount of R\$45 million.

Some subsidiaries issued collateral to financial institutions in connection with the amounts owed by some of their customers to such institutions (vendor financing). If a subsidiary is required to make any payment under this collateral, this subsidiary may recover the amount paid directly from its customers through commercial collection. The maximum amount of future payments related to this collateral is R\$2.8 million as of December 31, 2018 with maturities of less than 91 days. As of December 31, 2018, Ultrapar did not have losses in connection with this collateral. The fair value of collaterals recognized in current liabilities as other payables was R\$0.1 million as of December 31, 2018, which is recognized as profit or loss as customers settle their obligations with the financial institutions.

Notes in the foreign market

In October 2016, the subsidiary Ultrapar International issued notes in the international market in the amount of US\$750 million, with maturity in October 2026 and interest rate of 5.25% p.a., paid semiannually. The issue price was 98.097% of the face value of the notes. The notes were guaranteed by Ultrapar and IPP.

As a result of the issuance of these notes, the Company and its subsidiaries are required to undertake certain obligations, including:

- Restriction on sale of all or substantially all assets of the Company and subsidiaries Ultrapar International and IPP; and
- Restriction on encumbrance of assets exceeding US\$150 million or 15% of the value of the consolidated tangible assets.

The Company and its subsidiaries are in compliance with the levels of covenants required by the terms of these notes. The restrictions imposed on the Company and its subsidiaries are customary in transactions of this kind and have not limited their ability to conduct their business to date.

Foreign loans

- 1) The subsidiary IPP has foreign loans in the total amount of US\$395 million. IPP also contracted hedging instruments for floating interest rate in U.S. dollar and exchange rate variation, changing the foreign loans charge to an average cost of 104.4% of CDI (see Note 33 to our consolidated financial statements). IPP designated these hedging instruments as a fair value hedge; therefore, loans and hedging instruments are both measured at fair value from inception, with changes in fair value recognized through profit or loss. The foreign loans are guaranteed by Ultrapar.

The maturity of the principal amount of these loans are as follows:

Maturity	Amount	Cost
	in millions of dollars	% of CDI
Charges ⁽¹⁾	9.5	—
June, 2021	100.0	105.0
July, 2021	60.0	101.8
July, 2023.....	50.0	104.8
September, 2023	60.0	105.0
September, 2023	65.0	104.7
November, 2023	60.0	104.5
Total / average cost	404.5	104.4

⁽¹⁾ Includes interest, transaction costs, market-to-market and hedge initial recognition.

During these contracts, Ultrapar shall maintain the following financial ratios, calculated based on its audited consolidated financial statements:

- Maintenance of a financial ratio, determined by the ratio between consolidated net debt and consolidated EBITDA, at less than or equal to 3.5; and
- Maintenance of a financial ratio determined by the ratio between consolidated EBITDA and consolidated net financial expenses, higher than or equal to 1.5.

The Company is in compliance with the levels of covenants required by these loans. The restrictions imposed on Ultrapar and its subsidiaries are usual for this type of transactions and have not limited their ability to conduct their business to date.

- 2) The subsidiary LPG International had a foreign loan in the amount of US\$30 million, with maturity in December 2018 and interest rate of LIBOR + 1.85% per year, paid quarterly. The foreign loan was guaranteed by the Company and its subsidiary IPP. The foreign loan was fully settled on the maturity date.
- 3) The subsidiary Global Petroleum Products Trading Corporation obtained a foreign loan in the amount of US\$60 million with maturity on June 22, 2020 and interest of LIBOR + 2.0% p.a., paid quarterly. The Company, through the subsidiary Cia. Ultragas, contracted, interest rate hedging instruments subject to floating interest rates in U.S. dollar and exchange rate variation, which resulted in this loan having an effective fixed rate of 105.9% of CDI. This loan is guaranteed by the Company and its subsidiary Oxitenor Nordeste.

Debentures

In December 2018, the subsidiary IPP completed its eighth issuance of unsecured, simple, nonconvertible, nominative, book-entry debentures in the amount of R\$900 million, in two series of R\$660 million and R\$240 million. The debentures were subscribed by Vert Companhia Securitizadora with the purpose of backing the issuance of Certificates of Agribusiness Receivables (CRA). The proceeds from this issuance were used exclusively for the purchase of ethanol by subsidiary IPP.

The financial settlement occurred on December 21, 2018. The debentures have an additional guarantee from Ultrapar and the main characteristics of the debentures are as follows:

Principal Amount:.....	R\$660,000,000.00
Unit Par Value:	R\$1,000.00
Maturity date:.....	December 18, 2023
Repayment method:	Lump sum at final maturity
Interest:	97.5% of CDI
Payment of interest:	Semiannually

Principal Amount:.....	R\$240,000,000.00
Unit Par Value:	R\$1,000.00
Maturity date:.....	December 15, 2025
Repayment method:	Lump sum at final maturity
Interest:	IPCA + 4.61%
Payment of interest:	Annually

The subsidiary IPP contracted hedging instruments subjected to IPCA variation, changing the debentures charges linked to IPCA to 97.1% of CDI. IPP designated these hedging instruments as fair value hedges; therefore, debentures and hedging instruments are both measured at fair value from inception, with changes in fair value recognized through profit or loss.

In March 2018, Ultrapar completed its sixth issuance of unsecured simple, nonconvertible, nominative, book-entry debentures, in a single series of 1,725,000 simple, and their main characteristics are as follows:

Principal Amount:.....	R\$1,725,000,000.00
Unit Par Value:	R\$1,000.00
Maturity date:.....	March 5, 2023
Repayment method:	Lump sum at final maturity
Interest:	105.25% of CDI
Payment of interest:	Semiannually

In October 2017, the subsidiary IPP completed its seventh issuance of simple, nonconvertible, unsecured, book-entry debentures in the amount of R\$944.1 million, in two series of R\$730.4 million and R\$213.7 million. These debentures were subscribed by Vert Companhia Securitizadora with the purpose of backing the issuance of Certificates of Agribusiness Receivables (CRA). The proceeds from this issuance were used exclusively for the purchase of ethanol by subsidiary IPP.

The financial settlement occurred on November 1, 2017. The debentures have an additional guarantee from Ultrapar and the main characteristics of the debentures are as follows:

Principal Amount:.....	R\$730,384,000.00
Unit Par Value:	R\$1,000.00
Maturity date:.....	October 24, 2022
Repayment method:	Lump sum at final maturity
Interest:	95.0% of CDI
Payment of interest:	Semiannually

Principal Amount:.....	R\$213,693,000.00
Unit Par Value:	R\$1,000.00
Maturity date:.....	October 24, 2024
Repayment method:	Lump sum at final maturity
Interest:	IPCA + 4.34%
Payment of interest:	Annually

The subsidiary IPP contracted interest rate hedging instruments, with the effect of changing the interest rate applicable to the debentures from IPCA + 4.34% to 97.3% of CDI. IPP designated these hedging instruments as fair value hedges; therefore, debentures and hedging instruments are both measured at fair value from inception, with changes in fair value recognized through profit or loss.

In July 2017, the subsidiary IPP completed its sixth issuance of public debentures, in one single series of 1,500,000 simple, nonconvertible into shares and unsecured debentures, which main characteristics are as follows:

Principal Amount:.....	R\$1,500,000,000.00
Unit Par Value:	R\$1,000.00
Maturity date:.....	July 28, 2022
Repayment method:	Amortizing annually, beginning in July 2021
Interest:	105.0% of CDI
Payment of interest:	Annually

In April 2017, the subsidiary IPP carried out its fifth issuance of debentures, in two series of 660,139 and 352,361, simple, nonconvertible into shares, nominative, book-entry and unsecured debentures. The proceeds from this issuance were used exclusively for the purchase of ethanol by subsidiary IPP.

The debentures have an additional guarantee from Ultrapar and the main characteristics of the debentures are as follows:

Principal Amount:.....	R\$660,139,000.00
Unit Par Value:	R\$1,000.00
Maturity date:.....	April 18, 2022
Repayment method:	Lump sum at final maturity
Interest:	95.0% of CDI
Payment of interest:	Semiannually

Principal Amount:.....	R\$352,361,000.00
Unit Par Value:	R\$1,000.00
Maturity date:.....	April 15, 2024
Repayment method:	Lump sum at final maturity
Interest:	IPCA + 4.68%
Payment of interest:	Annually

The subsidiary IPP entered into interest rate hedging instruments, with the effect of changing the interest rate applicable to the debentures from IPCA + 4.68% to 93.9% of CDI. IPP designated these hedging instruments as fair value hedges; therefore, debentures and hedging instruments are both measured at fair value from inception, with changes in fair value recognized through profit or loss.

In May 2016, the subsidiary IPP completed its fourth issuance of public debentures, in a single series of 500 simple, nonconvertible into shares, nominative, book-entry and unsecured debentures, with an additional guarantee granted by Ultrapar, and its main characteristics are as follows:

Principal Amount:.....	R\$500,000,000.00
Unit Par Value:	R\$1,000,000.00
Maturity date:.....	May 25, 2021
Repayment method:	Amortizing annually, beginning in May 2019
Interest:	105.0% of CDI
Payment of interest:	Semiannually

The proceeds of this issuance were used exclusively in the purchase of ethanol by the subsidiary IPP. The subsidiary has the obligation to prove the allocation of the resources within 12 months from subscription.

In March 2015, Ultrapar completed its fifth issuance of debentures, in a single series of 80,000 simple, nonconvertible into shares, nominative, book-entry and unsecured debentures, and its main characteristics are as follows:

Principal Amount:.....	R\$800,000,000.00
Unit Par Value:	R\$10,000.00
Maturity date:.....	March 16, 2018
Repayment method:	Lump sum at final maturity
Interest:	108.25% of CDI
Payment of interest:	Semiannually

The debentures from the fifth issuance were fully settled by the Company on the maturity date.

In January 2014, the subsidiary IPP made its second public issuance of debentures in single series of 80,000 simple, nonconvertible into shares, nominative, book-entry and unsecured debentures with an additional guarantee granted by Ultrapar, and its main characteristics are as follows:

Principal Amount:.....	R\$800,000,000.00
Unit Par Value:	R\$10,000.00
Maturity date:.....	December 20, 2018
Repayment method:	Lump sum at final maturity
Interest:	107.9% of CDI
Payment of interest:	Semiannually

The proceeds of the issuance were used to manage liquidity of IPP, in order to strengthen its cash position and extend its debt profile, providing greater financial flexibility. The debentures were fully settled by the subsidiary IPP on the maturity date.

BNDES

The subsidiaries of Ultrapar have financings from BNDES (Brazilian National Development Bank) for some of their investments and projects and such financings are guaranteed by Ultrapar. As of December 31, 2018, such lines of credit with BNDES totaled R\$1.6 billion, of which R\$0.2 billion have been used in current transactions. See “Item 10.C. Additional Information—Material Contracts—BNDES.”

During the term of these agreements, Ultrapar must maintain the following capitalization and current liquidity levels, as determined in the annual audited consolidated statement of financial position:

- capitalization level: shareholders’ equity / total assets equal to or above 0.3; and
- current liquidity level: current assets / current liabilities equal to or above 1.3.

We are in compliance with the levels of covenants required by these loans. The restrictions imposed on Ultrapar and its subsidiaries are usual for this type of transactions and have not limited their ability to conduct their business to date.

Financial institutions

The subsidiaries Oxiteno Mexico, Oxiteno USA and Oxiteno Uruguay have loans to finance investments and working capital.

In February 2016, subsidiary Oxiteno USA entered into a loan agreement in the amount of US\$40 million, due in February 2021 and bearing interest of LIBOR + 3% per year, paid quarterly. The loan is guaranteed by Ultrapar and the subsidiary Oxiteno Nordeste and the proceeds of this loan were used to fund the construction of a new alkoxylation plant in the state of Texas.

In September 2016, the subsidiary Oxiteno USA renegotiated a loan in the notional amount of US\$20 million, changing its maturity from October 2017 to September 2020, bearing interest of LIBOR + 3% per year, paid quarterly. The loan is guaranteed by Ultrapar and the subsidiary Oxiteno S.A.

In October 2017, the subsidiary Oxiten USA entered into a loan agreement in the amount of US\$40 million, due in October 2022 and bearing interest of LIBOR + 1.73% p.a., paid quarterly. The proceeds of this loan were being used to fund the construction of a new alkoxylation plant at the unit in the state of Texas, which commenced operations in September 2018. The loan is guaranteed by the Company.

Banco do Brasil

As of December 31, 2018, the subsidiary IPP was party to seven floating interest rate loan agreements with Banco do Brasil S.A., with a total aggregate outstanding balance of R\$2,614.7 million, to finance the marketing, processing or manufacturing of agricultural goods, including the production of ethanol. Except for one of such loan agreements, each was renegotiated to allow for the segregation of their principal amounts into subcredits, with different amounts, interest rates and maturity dates.

In February 2016, IPP renegotiated loans with Banco do Brasil in the total aggregate principal amount R\$166.7 million and extended their respective maturity dates from February 2016 to February 2019, with a floating interest rate of 114.0% of CDI. In addition, in June 2016, IPP renegotiated additional loans with Banco do Brasil in the total aggregate principal amount of R\$100.0 million and R\$909.5 million with a floating interest rate of 110.9% of CDI, and furthermore (i) extended the respective maturity dates from May 2016 and January 2017 to May 2020, May 2021 and May 2022, respectively.

The chart below indicates the consolidated amounts due by IPP to Banco do Brasil on the maturity dates of the subcredits agreed in the loan agreements (include interest until December 31, 2018):

Maturity	Balance in 2018 (in millions of Reais)
February, 2019	168.4
May, 2019	1,432.8
May, 2020	337.8
May, 2021	337.8
May, 2022	337.8
	2,614.7

Export credit note.

In May 2018, the subsidiary Oxiten Nordeste settled the export credit notes in the amount of R\$156.8 million on the maturity date, with interest rate of 101.5% of CDI, and also settled its respective hedging instrument.

In March 2016, the subsidiary Oxiten Nordeste settled the export credit note in the amount of R\$17.5 million, on the maturity date, with interest rate of 8% per year, and also settled its respective hedging instrument.

In August 2016, the subsidiary Oxiten Nordeste settled the export credit note in the amount of R\$10.0 million, on the maturity date, with interest rate of 8% per year, and also settled its respective hedging instrument.

Investments

Equity investments

Equity investments consist of acquisition of subsidiaries and capital increases, net of capital reductions in subsidiaries, joint-ventures and associates. The table below shows our equity investments for the years ended December 31, 2018, 2017 and 2016:

	Year ended December 31,		
	2018	2017	2016
	(in millions of Reais)		
Ipiranga ⁽¹⁾	31.9	16.0	47.3
Oxiteno	—	—	—
Ultraz	—	—	—
Ultracargo ⁽²⁾	103.4	—	—
Extrafarma	—	—	—
Others	(1.2)	—	—
Total equity investments	134.0	16.0	47.3

⁽¹⁾ Capital invested in ConectCar.

⁽²⁾ Acquisition of 100% of quotas of TEAS.

Investments

The following table shows our total additions to property, plant, equipment, and intangible assets for the years ended December 31, 2018, 2017 and 2016:

	Year ended December 31,		
	2018	2017 Restated ⁽¹⁾	2016 Restated ⁽¹⁾
	(in millions of Reais)		
Ipiranga	387.6	519.5	367.5
Oxiteno	466.6	462.6	288.4
Ultraz	225.0	214.9	225.5
Ultracargo	161.8	86.4	78.9
Extrafarma	118.0	170.5	142.8
Others ⁽²⁾	18.3	22.6	9.9
Total – additions to property, plant, equipment and intangible assets	1,377.3	1,476.5	1,113.1

⁽¹⁾ See “Presentation of Financial Information.”

⁽²⁾ Includes mainly capital expenditures related to corporate information technology.

In 2018, Ultrapar’s investments net of divestments and repayments were R\$1,947 million.

- Ipiranga invested R\$957 million, practically 50% allocated to the expansion of the service stations network (through branding unbranded stations, opening new stations and capturing new customers), am/pm and Jet Oil franchises and logistics facilities. The remaining 50% was invested in network renovation, maintenance and logistics infrastructure. Out of the total investment, R\$388 million were related to property, plant and equipment and additions to intangible assets, R\$390 million to contractual assets with clients—exclusive rights (exclusive rights disbursement provided in Ipiranga’s agreements for resellers and major consumers which are recognized as contractual assets when paid and amortized according to the conditions established in the agreements) and R\$179 million to financing to clients and leasing advances, net of repayments.
- Oxiteno invested R\$467 million, principally allocated to the construction of the plant in the United States and in the expansion and maintenance of its industrial units as a whole.
- Ultraz invested R\$225 million, mainly in the bulk segment, replacement and acquisition of gas bottles and information technology.

- Ultracargo invested R\$162 million, mainly allocated to the expansion of the Itaqui and Santos terminals and adjustments and maintenance to existing infrastructure.
- Extrafarma invested R\$118 million, largely allocated to the opening of new stores and the new information systems platform.

Ultrapar's investment plan for 2019 totals R\$1,762 million and is indicative of the Company's commitment to the sustainable growth of its businesses and operating excellence.

- At Ipiranga, the approved limit for investments is R\$824 million, approximately 50% being allocated to expansion of the resellers network with the addition of fueling stations and am/pm and Jet Oil franchises and the expansion of logistics infrastructure with the construction of two bases and expansion of three others. The remaining 50% will be invested in maintenance and modernization of Ipiranga's activities, principally the renewal of reseller contracts and information to support the operations.
- The investment of R\$319 million approved for Oxiteno will be used mainly for technological modernization of its productive units, in addition to investments in safety, with a view to efficiency gains and increased productivity.
- At Ultragaz, investments of R\$279 million were approved for the: (i) capture of new clients in both the bottled and bulk segments; (ii) replacement and acquisition of gas bottles; (iii) expansion and maintenance of the filling plants; and (iv) investments in information technology to achieve efficiency gains and as part of the innovation strategy.
- Ultracargo is expected to invest R\$161 million in increased tankage at the Itaqui and Santos terminals, adding 16% to its total capacity over the course of the second half of 2019, and in the continuing improvement in safety and infrastructure at the terminals.
- Extrafarma plans to invest R\$158 million for expanding the store network with the rollout of new stores as well as expanding its logistical infrastructure and IT capability.

C. Research and Development, Trademarks and Patents

Research and Development

Oxiteno carries on a wide range of research and development activities, principally related to the application of specialty chemicals and improvements in production processes. As of December 31, 2018, 155 employees of Oxiteno were engaged in research and development and engineering activities. Oxiteno's research and development expenditures in 2018, 2017 and 2016 were R\$57 million, R\$53 million and R\$50 million, respectively. In 2004, Oxiteno founded its own "Science and Technology Council" with six of the world's major specialists in surfactants as members. These specialists, with experience in the surfactants industry or in the academic environment in the US, Europe and Latin America, follow the trends and opportunities in the sector. Since 2004, the council, currently composed of five specialists, has met once a year in São Paulo to analyze Oxiteno's research and development project portfolio, as well as the management methodology applied. Their recommendations enable Oxiteno to improve its research and development activities' efficiency, as well as to broaden the reach of its partnerships with international entities. In addition, Oxiteno has created specific scientific councils with specialists from its main segments.

Oxiteno's investments in research and development have resulted in the introduction of 72 new products during the last three years. Oxiteno will continue to invest in research and development focused on developing new product applications to meet clients' needs.

Trademarks and Patents

Ipiranga owns registrations for the trademarks used in its distribution business, such as Ipiranga, *Quilômetros de Vantagens Ipiranga* ("Km de Vantagens"), Jet Oil, *Clube VIP Ipiranga*, *Clube do Milhão Ipiranga*, Posto 24 horas, Atlantic, *Gasolina Original Ipiranga* (Original Ipiranga Gasoline), "am/pm Estação", among several others. Ipiranga has filed applications for other trademarks, such as "Abastece Al", which are under INPI analysis. The 10-year period of validity of the registrations for these trademarks will expire between 2019 and 2029. Ipiranga acquired the am/pm brand in Brazil in November 2012 through an agreement signed with Atlantic Richfield Company.

The other Company's subsidiaries also own registrations and applications for its main trademarks, such as (i) Ultragaz, Ultragaz Ultrasystem and Brasilgás trademarks for the activities of Ultragaz, (ii) Extrafarma and *Clube Extrafarma* trademarks for the activities of Extrafarma, (iii) Ultracargo and Ultradata for the activities of Ultracargo and (iv) Oxitenó. The 10-year period of validity of the registrations for these trademarks will expire between 2018 and 2028.

D. Trend Information

LPG business

Between 2003 and the end of 2007, LPG prices charged to LPG distributors in Brazil remained stable, despite increases in oil and LPG prices in the international markets, which were partially offset by the appreciation of the *Real* compared to the U.S. dollar. However, since 2008 Petrobras has increased LPG refinery prices for commercial and industrial usage sporadically. In 2017 and 2018, LPG refinery prices were adjusted more frequently, as shown below:

	<u>Jan-08</u>	<u>Apr-08</u>	<u>Jul-08</u>	<u>Jan-10</u>	<u>Dec-14</u>	<u>Sep-15</u>	<u>Dec-15</u>	<u>Dec-16</u>	<u>Apr-17</u>	<u>Jul-17</u>	<u>Aug-17</u>
Commercial and Industrial LPG (% adjustment)	15%	10%	6%	6%	15%	11%	4%	12%	-4.0%	-5.2% and 8.0%	7.2%

	<u>Sep-17</u>	<u>Nov-17</u>	<u>Dec-17</u>	<u>Jan-18</u>	<u>Feb-18</u>	<u>Mar-18</u>	<u>May-18</u>	<u>Jul-18</u>	<u>Sep-18</u>	<u>Nov-18</u>	<u>Dec-18</u>
Commercial and Industrial LPG (% adjustment)	2.3% and 7.9%	6.5%	5.3%	-6.3%	-4.6%	-4.2% and 4.7%	7.1% and 3.6%	4.4%	5.0%	-5.6% and -9.2%	-4.7%

The LPG refinery prices for residential use remained unchanged from May 2003 to September 2015, when Petrobras increased prices by 15%. In the last years, Petrobras' practice was not to immediately reflect volatility of international prices of oil and its derivatives in the Brazilian market. In June 2017, the price dynamic for LPG supplied by the distributors was modified to reflect international price volatility and exchange rate variation, as show below:

	<u>Mar-17</u>	<u>Jun-17</u>	<u>Jul-17</u>	<u>Aug-17</u>	<u>Sep-17</u>	<u>Oct-17</u>	<u>Nov-17</u>	<u>Dec-17</u>
Residential LPG (% adjustment) .	9.8%	6.7%	-4.5%	6.9%	10.7% and 6.9%	12.9%	4.5%	8.9%

For residential use, the price dynamic for LPG acquisition was adjusted at the refineries in January 2018 to soften the transfer of price volatility in the international market to the domestic price. The period for verification of international prices and currency rates which dictate the percentages of price adjustment will be the average of the preceding twelve months and no longer the monthly variation and price movement will now become quarterly and not monthly.

	<u>Jan-18</u>	<u>Apr-18</u>	<u>Jul-18</u>	<u>Nov-18</u>
Residential LPG (% adjustment)	-5.0%	-4.4%	4.4%	8.5%

Currently, there is no formal policy for LPG prices for commercial and industrial usage. We cannot guarantee that this trend will continue. Any sharp fluctuation in LPG prices charged to LPG distributors could have an impact on Ultragaz's results if it is unable to maintain its operational margins or sales volume.

LPG bulk sales are correlated to economic growth. Thus, an acceleration or deceleration in Brazilian GDP growth can affect our sales volume, since the segment represented approximately 30% of the volume sold by Ultragaz. Bottled LPG is an essential good and, therefore, it has a relatively low correlation with economic performance.

Chemical and petrochemical business

The specialty chemicals volume in the Brazilian market is correlated to economic performance. Therefore, an acceleration or deceleration in the Brazilian GDP can affect our sales volume, as Oxitenó's specialty chemicals sales in Brazil represented 53% of its total sales in 2018. In periods of the Brazilian market growth, Oxitenó aims at (i) increasing the volume sold in the domestic market once the logistics costs are usually lower than those of exports, and (ii) increasing sales volume of specialties, products of higher value added than commodities. In 2018, sales of specialty chemicals represented 80% of the total volume sold by Oxitenó, less than the percentage of 82% in 2017.

Almost all of Oxiteno's products prices and variable costs are linked to U.S. dollar. Therefore, a sharp appreciation or depreciation of the U.S. dollar could have an impact on Oxiteno's contribution margin in the future. In 2016, the *Real* appreciated 17% against the U.S. dollar. In 2017, the *Real* depreciated 2% against the U.S. dollar. The depreciation of the *Real* against the U.S. dollar was 17% in 2018. From December 31, 2018 to April 11, 2019, the *Real* appreciated 1% against the U.S. dollar. We cannot predict what will be the trend of the *Real* in the future.

Oxiteno's main raw material is ethylene, which is produced from naphtha in Brazil. Generally, naphtha prices in Brazil fluctuate with oil prices. In 2016, oil prices ended at US\$55/barrel, up 55% compared to 2015. In 2017, oil prices ended at US\$67/barrel, up 21% compared to 2016. In 2018, oil prices ended at US\$53/barrel, down 20% compared to 2017. From December 31, 2018 to March 31, 2019, oil prices increased by 27%. We cannot predict whether oil and ethylene prices maintain this trend. A sharp variation in ethylene prices would impact Oxiteno's results if it is not able to keep operating margins. The second most important raw material for Oxiteno is the palm kernel oil, the international prices for which increased from US\$1,747/ton in December 2016 to US\$1,367/ton in December 2017. In 2018, palm kernel oil prices ended at US\$694/ton, down 49% compared to 2017.

The demand for chemical and petrochemical products in Brazil has grown during the recent past, but reached a turning point in 2018, registering a drop of 1% in the National Apparent Consumption, according to ABIQUIM. As a consequence, the decrease in the chemical and petrochemical products consumption could have a negative effect on the future volumes sold by Oxiteno and on its results.

Fuel distribution business

In the recent past, the combined sales of gasoline, ethanol and natural gas (Otto cycle) in Brazil have been correlated mainly to the growth of the light vehicle fleet. According to ANFAVEA, in 2018, the light vehicle fleet continued to grow, with about 2.5 million new vehicles licensed in Brazil, and growth of 1.6% of the average fleet compared to 2017, reaching about more than 42 million light vehicles. Additionally, we believe the current ratio of inhabitants per vehicle in Brazil is still low when compared to the rate seen in countries with similar level of development. According to 2015 data released by ANFAVEA (the latest available data as of the date of this annual report), the penetration of light vehicles in Brazil is about 21% of total inhabitants, while in Argentina is 31% and in Mexico is 29%.

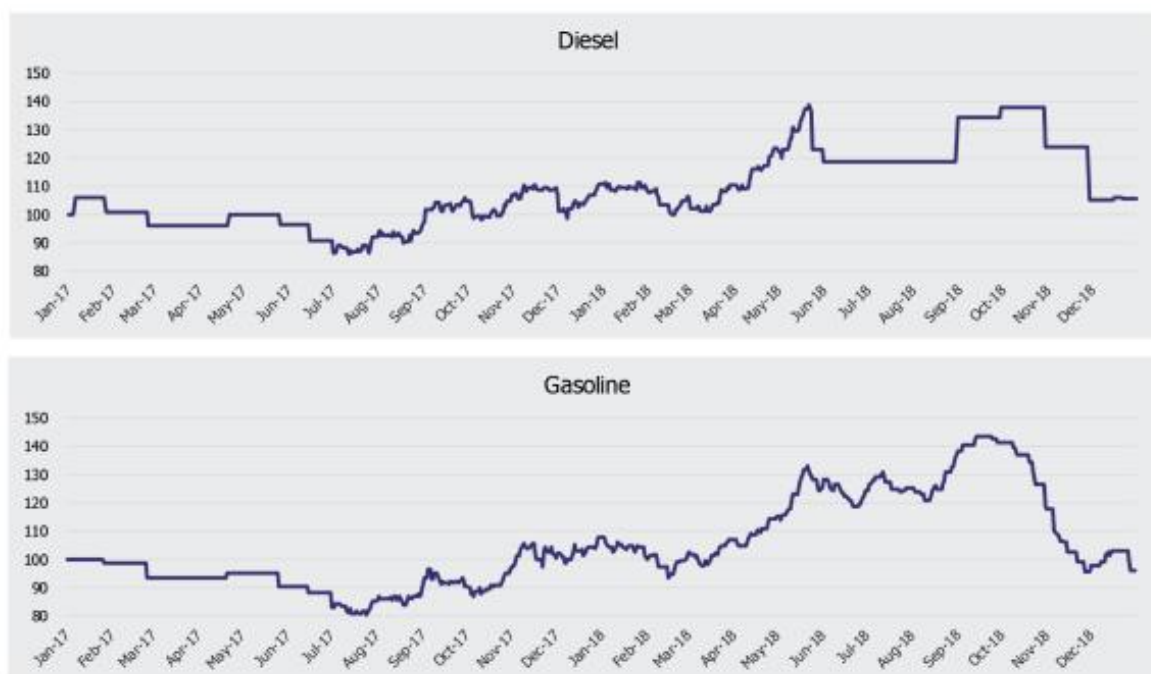
According to information provided by ANP, in 2018 national Otto cycle volume sold remained stable despite the increase in light vehicle fleet.

Diesel sales, which in 2018 accounted for 51% of the volume sold by Ipiranga, have historically been correlated with Brazilian economic performance, particularly the agricultural and consumer goods segments. In 2018, the Brazilian diesel market, according to ANP data, showed growth of 2% when compared to 2017, influenced by the overall economy's performance. The increase in the fuel consumption could have a positive effect on the future volume sold by the Company and on its results.

Until 2016, Petrobras' practice was not to immediately reflect the volatility of international prices of oil and its derivatives in the Brazilian market. Between January 2012 and September 2016, increases in prices occurred, on average, every eight months. In October 2016, Petrobras announced a new dynamic for gasoline and diesel with the objective of, amongst other aspects, fluctuating prices according to international references on a monthly basis. Therefore, gasoline and diesel prices became directly influenced by the international prices and the *Real*/U.S. dollar exchange rate. Prices began fluctuating on a daily basis on June 2017.

In 2018, fuel costs increased in Brazil as oil prices rose globally and the *Real* depreciated against the U.S. dollar. As a consequence, at the end of May 2018, truck drivers started a nationwide strike claiming for a decrease on diesel prices, exemption from tolls on passages without goods and legal reform, among others demands. The strike caused fuels and other consumer goods shortages all over the country. The Brazilian government reacted by establishing emergency measures, such as minimum freight price table, reduction of R\$460 per cubic meter (or R\$0.46 per liter) in diesel price, being R\$160 per cubic meter (or R\$0.16 per liter) in CIDE and PIS and COFINS tax exemptions and R\$300 per cubic meter (or R\$0.30 per liter) by the subvention program up to December 31, 2018. Initially, prices were maintained for 60 days, and after this period, they were monthly adjusted according to a parametric formula established by the ANP. The program ended on December 31, 2018 and Petrobras returned to the previous adjustment policy according to the international market.

The following graphs show the price volatility of fuels acquired by the distributors from the refineries:



Source: Petrobras

Retail pharmacy business

Retail pharmacy is a relevant market in Brazil and during the last years has presented significant growth. According to ABRAFARMA, the revenues of its member companies grew by 8% in 2018 compared to 2017. We believe the sector has potential for continued growth, mainly due to:

- (i) Brazilian aging population – the estimated Brazilian population over 60 years, which is responsible for the largest part of the consumption of medicines is estimated at 24 million people and is expected to reach 42 million people in 2030, an average growth of 4% per year, according to IBGE data;
- (ii) greater access to medicines, especially due to the growing prominence of generic drugs, which are cheaper than the reference branded medicine; and
- (iii) the growing sale of personal care and beauty products through the drugstore channel.

E. Off Balance Sheet Arrangements

We do not have any off balance sheet arrangements.

F. Tabular Disclosure of Contractual Obligations

The following table summarizes our contractual obligations, as of December 31, 2018:

Contractual obligations	Payment due by period				
	Total	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years
	(in millions of <i>Reais</i>)				
Loans, debentures and finance leases	15,162.2	2,253.1	2,514.0	6,650.9	3,744.2
Estimated interest payments on financing ⁽¹⁾⁽²⁾	4,161.7	615.9	1,575.8	1,169.4	800.6
Currency and interest rate hedging instruments ⁽³⁾	388.3	55.2	172.9	147.7	12.5
Estimated planned funding of pension plan—					
Ultraprev ⁽⁴⁾	609.6	23.5	49.9	54.0	482.2
Purchase obligations—raw materials ⁽⁵⁾	1,588.7	476.2	952.3	160.2	—
Purchase obligations—utilities ⁽⁶⁾	163.9	44.7	64.8	54.4	—
Minimum tariff obligations—Ultracargo ⁽⁷⁾	87.1	10.7	21.4	21.4	33.6
Operating leases ⁽⁸⁾	961.9	167.6	250.4	250.4	293.4
Total contractual obligations	23,123.4	3,646.9	5,601.5	8,508.4	5,366.6

⁽¹⁾ The estimated interest payment amount was calculated based on macro-economic assumptions including, on average for the period, principally (i) a 7.38% from 2019 to 2021, 8.52% from 2022 to 2023 and 9.49% from 2024 to 2033, (ii) *Reais* to U.S. dollar exchange rate of R\$3.92 in 2019, R\$4.06 in 2020, R\$4.27 in 2021 and R\$4.53 in 2022, R\$4.81 in 2023, R\$5.12 in 2024, R\$5.44 in 2025, R\$5.77 in 2026 and R\$6.13 in 2027, (iii) a 7.03% TJLP rate and (iv) Brazilian inflation (IGP-M – General Market Price Index) at a rate of 8.12% in 2018, 4.14% in 2019 and 3.90 % from 2020 to 2033, (v) IPCA of 4.01% (Source: B3, Boletim Focus and financial institutions). See “Item 5.B. Operating and Financial Review and Prospect—Liquidity and Capital Resources—Indebtedness” and Note 15 to our consolidated financial statements for more information about the maturity of our debt and applicable interest rates. See Notes 15 and 33 to our consolidated financial statements for more information on the maturity and the fair value of our swap agreements.

⁽²⁾ Includes estimated interest payments on our short-term and long-term debt. Does not include any information about our derivative instruments, for which the fair value is disclosed in Item 11. Quantitative and Qualitative Disclosures About Market Risk. See “Item 11. Quantitative and Qualitative Disclosures About Market Risk” for more information about our derivative instruments.

⁽³⁾ The currency and interest rate hedging instruments were estimated based on projected U.S. dollar futures contracts and the futures curve of DI x Pre and Pre x IPCA contracts quoted on B3 as of December 28, 2018 and on the futures curve of LIBOR (ICE—IntercontinentalExchange) on December 31, 2018. In the table above, only the hedging instruments that are expected to result in a disbursement at the time of settlement were considered.

⁽⁴⁾ The estimated payment amount was calculated based on (i) a 4.0% inflation assumption, (ii) the average age of the participants as of December 31, 2018 (38 years) and (iii) the Company’s contribution in December 2018.

⁽⁵⁾ Our subsidiary Oxitenor Nordeste has a supply agreement with Braskem which establishes a minimum annually consumption level of ethylene, and conditions for the supply of ethylene until 2021. The minimum purchase commitment clause provided for a minimum annual consumption of 205 thousand tons in 2018. Should the minimum purchase commitment not be met, the subsidiary would be liable for a fine based on the current ethylene price for the quantity not purchased. According to contractual conditions and tolerances, there are no material issues regarding the minimum purchase commitment. Our subsidiary Oxitenor has a supply agreement with Braskem, valid until 2023, which establishes and regulates the conditions for supply of ethylene to Oxitenor based on the international market for this product. The minimum purchase is 44,100 tons of ethylene annually. Should the minimum purchase commitment not be met, the subsidiary would be liable for a fine based on the current ethylene price for the quantity not purchased. According to contractual conditions and tolerances, there are no material issues regarding the minimum purchase commitment.

⁽⁶⁾ The purchase obligation relates to long-term contracts under which Oxitenor is required to purchase a minimum amount of energy annually.

⁽⁷⁾ Tequimar has agreements with CODEBA—*Companhia Docas do Estado da Bahia and Complexo Industrial Portuário Governador Eraldo Gueiros*, in connection with its ports facilities in Aratu and Suape, respectively. Such agreements establish a minimum cargo movement of products (i) in Aratu, of 397,000 tons per year until 2031, and of 900,000 tons per year until 2022, as well as (ii) in Suape, of 250,000 tons per year, until 2027, and of 400,000 tons per year in Suape until 2029. If the annual movement is less than the minimum contractual movement, the subsidiary is liable to pay the difference between the effective movement and the minimum contractual movement, based on the port tariff rates in effect on the date established for payment. As of December 2018, these rates were R\$6.99 per ton for Aratu and R\$2.54 per ton for Suape.

⁽⁸⁾ The subsidiaries Ipiranga, Extrafarma and Cia. Ultragaz have operating lease contracts. Ipiranga has contracts related to land and building of service stations, Extrafarma to drugstores and Ultragaz to stores and vehicles in their fleet, respectively. In addition, the subsidiaries Cia. Ultragaz, Ultracargo and Oxitenor have operating lease contracts for the use of IT equipment. See Note 34.c to our consolidated financial statements for more information about the operating leases.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table lists the members of our Board of Directors and senior management as of April 22, 2019:

Name	Position	Years with the Company	Age
Board of Directors			
Pedro Wongtschowski	Chairman	41	72
Lucio de Castro Andrade Filho	Vice-Chairman	42	74
Alexandre Gonçalves Silva	Director	4	74
Ana Paula Vitali Janes Vescovi ⁽¹⁾	Director	0	50
Flavia Buarque de Almeida ⁽¹⁾	Director	0	51
Joaquim Pedro Monteiro de Carvalho Collor de Mello ⁽¹⁾	Director	0	40
Jorge Marques de Toledo Camargo	Director	4	64
José Galló ⁽¹⁾	Director	0	67
José Maurício Pereira Coelho	Director	4	52
Nildemar Secches	Director	16	70
Executive Officers			
Frederico Pinheiro Fleury Curado ⁽²⁾	Chief Executive Officer	1	57
André Pires de Oliveira Dias	Chief Financial and Investor Relations Officer, Ultrapar	3	52
João Benjamin Parolin	Officer, Oxiteno	33	60
Marcelo Pereira Malta de Araújo ⁽³⁾	Officer, Ipiranga	0	57
Ricardo Isaac Catran	Officer, Ultracargo	39	64
Rodrigo de Almeida Pizzinatto ⁽³⁾	Officer, Extrafarma	19	42
Tabajara Bertelli Costa ⁽³⁾	Officer, Ultragaz	23	47

⁽¹⁾ Members of the Board of Directors appointed for their first term at the Annual General Shareholders' Meeting held in April 2019.

⁽²⁾ Mr. Curado assumed the position of Chief Executive Officer in October 2017. See "Item 4.A. Information on the Company—History and Development of the Company."

⁽³⁾ Mr. Araújo assumed the position in October 2018, Mr. Pizzinatto in June 2018 and Mr. Bertelli in January 2019. See "Item 4.A. Information on the Company—History and Development of the Company."

Summarized below is information regarding the business experience, areas of experience and principal outside business interest of the current members of our Board of Directors and our senior management.

Board of Directors

Pedro Wongtschowski. Dr. Wongtschowski became an officer of Ultrapar in 1985, and CEO in January 2007, a position he held until December 2012. Currently, he serves as Chairman of Ultrapar's Board of Directors. He is Chairman of the Board of the National Association for Research, Development and Engineering of Innovative Companies (*Associação Nacional de Pesquisa e Desenvolvimento das Empresas Inovadoras*) and Chairman of the board of EMPRAPII (*Empresa Brasileira de Pesquisa e Inovação Industrial*). Since 2015, he is the Chairman of IEDI (*Instituto de Estudos para o Desenvolvimento Industrial*). Dr. Wongtschowski is a member of the Board of Directors of Embraer S.A., Votorantim S.A., CTC (*Centro de Tecnologia Canavieira*) and other non-profit-organizations. He is author or co-author of books related to the chemical industry. Dr. Wongtschowski is a Chemical Engineer, with MSc and PhD from *Escola Politécnica* of the University of São Paulo.

Lucio de Castro Andrade Filho. Mr. Andrade Filho became a member of our Board of Directors in 1998. Currently, he serves as Vice-Chairman of Ultrapar's Board of Directors. He joined Ultrapar in 1977 and since then Mr. Andrade Filho has held a number of positions with Ultrapar's subsidiaries in the LPG, logistics, engineering and chemicals segments, as well as serving as Ultrapar's Vice-President from 1982 to 2006. Mr. Andrade Filho was also the Chief Executive Officer of GLP – *Qualidade Compartilhada*, an LPG industry association and a member of the Board of Directors of the Brazilian Petroleum Institute. He has also been a member of *Associação Arte Despertar*, from 2005 to 2009. Mr. Andrade Filho received degrees in civil engineering and in administration from Mackenzie University in São Paulo in 1968 and 1972, respectively.

Alexandre Gonçalves Silva. Mr. Silva joined us in April 2015 as a member of the Board of Directors. Mr. Silva has been a member of the Board of Directors of Embraer S.A. since 2011, and in 2012, he became the Chairman of the Board of Directors of Embraer S.A. He has also been a member of the Board of Directors of Companhia Nitro Química Brasileira since 2012, Votorantim Cimentos since 2016 and Rio Galeão since 2019. Mr. Silva was a member of the Board of Directors of Tectis – Tecnologia e Sistemas Avançados from 2013 to 2016 and Fibria Celulose S.A. from 2009 to 2019. He was also CEO of General Electric in Brazil from 2001 to 2007. He received a degree in industrial mechanical engineering and holds a masters' degree in electric engineering from Catholic University (PUC) in Rio de Janeiro in 1967.

Ana Paula Vitali Janes Vescovi. Ms. Vescovi joined us in July 2019 as a member of the Board of Directors. Ms. Vescovi has been a member of the Board of Directors of Caixa Econômica Federal, and was the Chairman of the Board of Directors of Caixa Econômica Federal from 2017 to 2019. Ms. Vescovi was also deputy minister and secretary of the National Treasury in the Ministry of Finance of the Federative Republic of Brazil from 2016 to 2018. She received a degree in economy from Federal University of Espírito Santo in 1990, a master's degree in economics from *Fundação Getúlio Vargas* (FGV) in 1992 and a master's degree in public policies from the University of Brasília in 2001.

Flávia Buarque de Almeida. Ms. Buarque de Almeida joined us in April 2019 as a member of the Board of Directors. She has been Managing Director and Partner of Península Capital S.A. since 2013 and executive officer of O3 Gestão de Recursos Ltda. Ms. Buarque de Almeida has been a member of the Board of Directors of BRF S.A. since 2017, Groupe Carrefour S.A. since 2013 and W2W E-Commerce de Vinhos S.A. since 2016. She served as a Director at GAEC Educação S.A. from 2014 to 2018. Ms. Buarque de Almeida also served as a member of the Board of Overseers at Harvard University from 2011 to 2017. She was a member of the Board of Directors of Lojas Renner S.A. from 2011 to 2016. She received a degree in business administration from *Fundação Getúlio Vargas* (FGV) in São Paulo in 1989 and she has a MBA from Harvard Business School in 1994, in addition to extension courses from Kellogg Graduate School of Management (Northwestern University), Insead and Harvard.

Joaquim Pedro Monteiro de Carvalho Collor de Mello. Mr. Monteiro de Carvalho joined us in April 2019 as a member of the Board of Directors. Mr. Monteiro de Carvalho has been the Investor Relations Officer and alternative member of the Board of Directors of Monteiro Aranha S.A. since 2015. He has also been a member of the Board of Directors of Klabin S.A. since 2018, and executive officer and member of the Board of Directors of Charles River Capital, an asset management company, since 2013. Before that Mr. Monteiro de Carvalho was executive officer of Astor Group, an M&A advisory company, and executive director of Organização Arnon de Mello, a media conglomerate. He received a bachelor's degree in Foreign Service with a major in International Economics from Georgetown University - *magna cum laude* and has a MBA from Harvard Business School.

Jorge Marques de Toledo Camargo. Mr. Camargo joined us as a member of the Board of Directors in April 2015. He has been a member of the Board of Directors of Prumo Logística S.A. since 2014. Mr. Camargo has also been a member of the Board of Directors of *Instituto Brasileiro de Petróleo, Gás e Biocombustíveis* since 2010, and in 2015, he became the President of *Instituto Brasileiro de Petróleo, Gás e Biocombustíveis*. He has also been a senior consultant at McKinsey & Comp., Inc. since 2012, and a member of the Board of Directors of Mills Estruturas e Serviços de Engenharia S.A. since 2011. He was a member of the Board of Directors of Deepflex do Brasil Ltda. from 2010 to 2013 and a senior consultant of Statoil Brazil from 2010 to 2014. He has more than 35 years of experience in the oil industry. He graduated in geology from the University of Brasília and obtained a master's degree in geophysics from the University of Texas.

José Galló. Mr. Galló joined us in April 2019 as a member of the Board of Directors. Mr. Galló has been a member of the Board of Directors of Lojas Renner S.A. since 1998. He was the Chief Executive Officer of Lojas Renner S.A. from 1999 to 2019. He has also been a member of the Board of Directors of Localiza Rent a Car since 2011, Itaú Unibanco Holding S.A. since 2016 and *Instituto do Desenvolvimento do Varejo*. Mr. Galló has been Vice-President of *Câmara de Dirigentes Lojistas de Porto Alegre* since 2005 and Ambassador in Rio Grande do Sul for Endeavour Brasil since 2002. Mr. Galló was also a member of the Board of Directors of SLC Agrícola S.A from 2007 to 2016. He received a degree in business administration from *Fundação Getulio Vargas* (FGV) in São Paulo in 1974.

José Maurício Pereira Coelho. Mr. Coelho joined Ultrapar in April 2015 as a member of the Board of Directors. He currently is the CEO of Previ – Caixa de Previdência dos Funcionários do Banco do Brasil. He was the CEO of BB Seguridade Participações S.A from 2017 to 2018 and the Vice-President of Financial Management and Investor Relations of Banco do Brasil S.A. from 2015 to 2017. Mr. Coelho was also a member of the Board of Directors of the BB Securities LLC, New York, BB Securities Limited, London and BB Securities Asia Pte. Ltda., Singapore, from 2009 to 2015. He has been a member of the Board of Directors of Cielo S.A since 2012. He obtained a degree in accounting from *Faculdade Unigranrio*, Rio de Janeiro, in 1990. He has an MBA in Finance and Capital Markets, with specialization in Corporate Governance from *Fundação Getulio Vargas* in Rio de Janeiro (FGV/RJ).

Nildemar Secches. Mr. Secches joined us in April 2002 as a member of our Board of Directors. Mr. Secches is a member of the Board of Directors of WEG S.A. and of Suzano Papel and Celulose. He was the Chairman of the Board of Directors of Brasil Foods S.A. (from 2007 to 2013), the CEO of Empresas Perdigão S.A. (from 1995 to 2008) and a member of the Board of Director of Itaú Unibanco Holding S.A. (from 2012 to 2017). From 1972 to 1990, Mr. Secches worked for National Bank for Economic and Social Development (*Banco Nacional de Desenvolvimento Econômico e Social* – BNDES), serving as an Executive Officer from 1987 to 1990. Mr. Secches also previously held positions of Chief Executive Officer of ABEF – Brazilian Association of Chicken Producers and Exporters and Vice-President of ABIPECS – Brazilian Association of Pork Producers and Exporters Industries. Mr. Secches received a degree in mechanical engineering from the University of São Paulo, a master's degree in finance from Catholic University (PUC) in Rio de Janeiro and a doctoral course in economics from the University of Campinas (in the state of São Paulo).

Executive Officers

Frederico Pinheiro Fleury Curado. Mr. Frederico Curado joined Ultrapar in October 2017 as Chief Executive Officer. Mr. Curado served as President and Chief Executive Officer of Embraer S.A. from 2007 to 2016, where he previously held the positions of Executive Vice-President, Airline Market from 1998 to 2007, and Executive Vice-President, Planning and Organizational Development, from 1995 to 1998. Mr. Curado is also a non-executive Director of Transocean Ltd (since 2013) and of ABB Ltd (since 2016). He previously served as non-executive Director of Iochpe-Maxion S.A. (from 2015 to 2017), Vice-Chairman of the ICC – International Chamber of Commerce (from 2013 to 2018), Chairman of the Brazilian Chapter of the Brazil-United States Business Council (from 2011 to 2016) and Director of the Smithsonian National Air and Space Museum (from 2014 to 2017). He received his Bachelor of Science degree in Mechanical-Aeronautical engineering from the *Instituto Tecnológico de Aeronáutica* in Brazil in 1983 and an Executive Master's in Business Administration from the University of São Paulo in 1997.

André Pires de Oliveira Dias. Mr. Pires joined Ultrapar in July 2015 as Chief Financial and Investor Relations Officer. With over 25 years of experience in the financial and capital markets, Mr. Pires began his career in 1988 and held several positions in Brazil and in the United States in Banco Geral de Comércio, Montgomery Asset Management, Banco BBA Creditanstalt and BNP Paribas. He joined Gerdau S.A. in 2004 where he worked as a fund manager in Gerdau's family office and as CFO in Gerdau Ameristeel in the United States. In 2013, Mr. Pires was appointed Executive Vice-President of the Executive Committee of Gerdau and CFO, positions he held until 2015. Mr. Pires holds a bachelor degree in business administration with an emphasis in finance from *Fundação Getulio Vargas* (FGV) and attended the Advanced Management Program at the University of Pennsylvania in the United States.

João Benjamin Parolin. Mr. Parolin joined the Company in 1986, working in Oxitenó's commercial department prior to assuming the position of Oxitenó's Chief Operating Officer in 2007. Mr. Parolin formerly served as marketing manager from 1989 to 1992 and sales manager from 1992 to 2000. From 2000 to 2006, he held the sales director position at Oxitenó. Prior to joining Oxitenó, Mr. Parolin worked in the commercial area at Dow Química S.A. Mr. Parolin received a bachelor degree in chemical engineering from *Escola Politécnica* of the University of São Paulo in 1980, a post-graduate degree in marketing administration at *Fundação Getúlio Vargas* (FGV) and a master's degree in business administration from *Fundação Instituto de Administração* – University of São Paulo in 2003. As a complement to his academic background he attended the STC – Skills, Tools and Competences from *Fundação Dom Cabral/J.L Kellogg* Graduate School of Management (Northwestern University) in 2000 and the Advanced Management Program at Wharton University in 2005.

Marcelo Pereira Malta de Araújo. Mr. Araújo joined Ultrapar in 2018. With more than 30 years of experience, he initiated his career at Shell do Brasil, where he worked for 10 years in the operations, retail, lubricants, marketing, planning and engineering departments. After that, Mr. Araújo held leadership positions in large Brazilian corporations, such as Natura, CSN, Camargo Correa and Grupo Libra. In the last years, he acted as Chief Executive Officer of Marisa Lojas S.A. Mr. Araújo also accumulated experience as board member of Usiminas, Laboratório Fleury and Alpargatas. He graduated in engineering at Engineering Military Institution (IME) and holds an MBA from *Sociedade de Desenvolvimento Empresarial* (current IBMEC), in addition to extension courses from Harvard and Insead.

Ricardo Isaac Catran. Mr. Catran has been an officer of Ultrapar since May 2010. He joined the Company in 1980 and since then has held a number of positions, including commercial officer of Transultra and Tequimar for the Northeast region. Mr. Catran became Ultracargo's Chief Operating Officer in 2008. He earned a degree in civil engineering from Federal University of Rio de Janeiro and post graduate degree in transport engineering from COPPE UFRJ (*Instituto Alberto Luiz Coimbra de Pós-Graduação e Pesquisa de Engenharia – Universidade Federal do Rio de Janeiro*).

Rodrigo de Almeida Pizzinatto. Mr. Pizzinatto joined Ultrapar in 1999 as an intern and, since then, has consolidated his experience by working in several areas of the Company: Treasury, M&A, Corporate Planning and Investor Relations. From 2012 to 2014, Mr. Pizzinatto was Ultrapar's officer of M&A, Corporate Planning and Investor Relations, participating in the entrance of Ultrapar in the pharmaceutical business through Extrafarma's acquisition. With the challenge of supporting Extrafarma's expansion plan, Mr. Pizzinatto became Extrafarma's officer, and from 2014 to 2018, he held different positions, such as officer of Expansion, Marketing, Business Development and Logistics. In June 2018, he was named Chief Executive Officer of Extrafarma. He is also member of the board of ABRAFARMA (*Associação Brasileira de Redes de Farmácias e Drogarias*), the drugstore retail industry main association. Mr. Pizzinatto holds an MBA from Stanford Graduate School of Business and a bachelor's degree in business administration from *Fundação Getúlio Vargas* (FGV).

Tabajara Bertelli Costa. Mr. Bertelli initiated his career at Ultrapar in 1995 in the finance department and moved to Ultragaz in 2000, where he established a solid career, predominantly in the commercial areas. In 2015, he was transferred to Ipiranga, as an officer, to the recent developed department dedicated to Large Consumers Market (B2B) and had the opportunity to develop and consolidate a differentiated strategy to its customers. In January 2019, Mr. Bertelli became Chief Executive Officer of Ultragaz. Mr. Bertelli graduated in industrial engineering and holds a master's degree in business management, both from the University of São Paulo (USP), and a post-graduation in Finance at *Fundação Getúlio Vargas* (FGV). Mr. Bertelli also attended the STC – Skills, Tools and Competences from Kellogg Business School in 2010.

B. Compensation

The purposes of our compensation policy and practices for our management are (i) to align executives' and shareholders' interests, based on the principle of sharing risks and returns, (ii) to converge individual goals to the Company's long-term strategy, and (iii) to recognize the contribution and retain professionals, based on market references.

Following these principles, we adopt a competitive compensation plan that includes the use of value creation metrics to establish variable compensation targets, benefits aligned with market practice and a stock ownership plan.

For the year ended December 31, 2018, the Company recognized an aggregate compensation for our directors and executive officers of R\$41.1 million in its financial statements, distributed as follows:

	Board of Directors	Executive Officers	Total
	(in thousands of <i>Reais</i> , except for the number of members)		
Number of members⁽¹⁾	8.33	7.00	
Annual fixed compensation	6,566.4	19,111.2	25,677.6
Salary	4,896.0	11,103.3	15,999.3
Direct and indirect benefits	1,670.4	8,007.8	9,678.2
Variable compensation	—	10,826.9	10,826.9
Short-term variable compensation	—	10,826.9	10,826.9
Post-employment benefit	—	2,277.9	2,277.9
Benefits due to the interruption in the exercise of the position	—	905.1	905.1
Stock-based compensation	—	1,406.6	1,406.6
Total compensation	6,566.4	34,527.6	41,094.0

⁽¹⁾ Average number of members in the period.

The table below shows the higher, lower and average individual compensation recognized in our financial statements for our directors and executive officers in 2018:

Body	Number of members	Highest individual compensation	Lowest individual compensation	Average individual compensation
	(in thousands of <i>Reais</i> , except for the number of members)			
Board of Directors	8.33	1,612.8	518.4	788.0
Executive Officers	7.00	9,824.1	3,190.7	4,781.8

The main components of our management compensation plan are:

- Fixed compensation (salary and direct and indirect benefits): a monthly amount paid with the purpose of compensating the responsibility and complexity inherent to each position, the individual contribution and experience of each professional, seeking to maintain levels compatible with those of comparable companies.
- Short-term variable compensation: an annual amount paid in order to align the interests of the executives with those of the Company. This amount is linked to (i) Company's economic performance, and (ii) the achievement of annual individual goals. All targets related to the Company's and the individual executive's performance are established in accordance with the strategic planning.
- Share ownership compensation plan: since 2003, Ultrapar has adopted stock-based compensation to reinforce the alignment between the long-term interests of executives and shareholders and to retain executives. According to the terms of the stock plan in force since 2017, there are two different programs that aim to ensure retention of key executives and professionals and make a relevant portion of their compensation contingent on shareholder value generation.

Since 2003, Ultrapar has adopted a stock-based compensation plan pursuant to which certain executives have the voting and economic rights of shares held in treasury for a period of five to seven years from the initial concession of the rights. Following this period, Ultrapar transfers the full ownership to those executives subject to uninterrupted employment of the participant during the period. The number of shares and the executives eligible to this stock plan are determined by the Board of Directors, and there is no mandatory annual grant. The total number of shares to be used in the plan is subject to the number of shares in treasury and to the limit established in the plan. The fair value of the awards is determined on the grant date based on the market value of the shares on the B3 and the amounts are amortized between five to seven years from the grant date. On December 31, 2018, the amount granted to the Company's executives, including tax charges, totaled R\$81.4 million. In 2018, an amortization in the amount of R\$3.9 million was recognized as a general and administrative expense.

The chart below sets forth a historical summary of the vested and unvested shares granted to the members of our board of Executive Officers as of December 31, 2018, by granting date:

Body	Statutory Officers									
Total number of members.....	7									
Number of compensated members.....	1	2	4	1	3	2	1	1	1	1
Granting Date ⁽¹⁾	14-Dec-05	09-Nov-06	08-Oct-08	16-Dec-09	10-Nov-10	07-Nov-12	03-Feb-14	05-Mar-14	10-Dec-14	13-Mar-17
Number of shares granted ⁽²⁾	20,000	133,600	496,000	40,000	140,000	70,000	150,000	38,400	100,000	100,000
Period for the share effective ownership to be transferred Granting Date ⁽¹⁾	Nov-15	Oct-16	1/3 in Sep-13 1/3 in Sep-14 1/3 in Sep-15	1/3 in Nov-14 1/3 in Nov-15 1/3 in Nov-16	1/3 in Oct-15 1/3 in Oct-16 1/3 in Oct-17	1/3 in Oct-17 1/3 in Oct-18 1/3 in Oct-19	1/3 in Jan-18 1/3 in Jan-19 1/3 in Jan-20	1/3 in Mar-19 1/3 in Mar-20 1/3 in Mar-21	1/3 in Dec-19 1/3 in Dec-20 1/3 in Dec-21	1/3 in Mar-22 1/3 in Mar-23 1/3 in Mar-24
Price assigned to the shares granted (R\$/share).....	8.21	11.62	9.99	20.75	26.78	42.90	50.64	52.15	50.64	67.99

⁽¹⁾ Includes shares granted from 2004 to 2008 to certain officers who were not statutory officers at the granting date.

⁽²⁾ The number and the price of shares granted were adjusted to reflect the stock split of the shares issued by the Company at a ratio of 1 existing share to 4 shares approved by extraordinary general meeting on February 10, 2011.

At the extraordinary and annual general shareholders' meeting held on April 19, 2017, Ultrapar's shareholders approved a new stock-based incentive plan ("Plan") which establishes the terms and general conditions for granting common shares issued by the Company held as treasury stock which may or may not involve awarding usufruct over any portion thereof for subsequent transfer of ownership for periods from three to six years to officers or employees of the Company or its subsidiaries.

As a result of the Plan, common shares representing up to 1% of the Company's share capital may be delivered to the participants, which corresponds, at the date of approval of this Plan, to 5,564,051 common shares. This limit was modified to reflect the split of shares approved at the extraordinary and annual general shareholders meeting held on April 10, 2019.

As of December 31, 2018, our Board of Directors approved our restricted stock program and the restricted stock and performance program, pursuant to which the participants appointed by the Board of Directors were granted unvested shares in the amount of R\$36.0 million. In 2018, we recognized a general and administrative expense of R\$6.0 million in connection with these programs.

The chart below sets forth a historical summary of the vested and unvested shares granted to the members of our board of Executive Officers as of December 31, 2018, by granting date:

Body	Statutory Officers			
Total number of members.....	7			
Number of compensated members.....	1	2	2	1
Granting Date.....	08-Nov-17	08-Nov-17	04-Apr-18	24-Sep-18
Number of shares granted.....	120,000	7,126 ⁽¹⁾ 1/3 in Nov-20	19,240 ⁽¹⁾ 1/3 in Apr-21	40,000
Period for the share effective ownership to be transferred Granting Date ⁽¹⁾	Oct-23	1/3 in Nov-21 1/3 in Nov-22	1/3 in Apr-22 1/3 in Apr-23	Sep-24
Price assigned to the shares granted (R\$/share).....	77.14	77.14	68.70	36.80

⁽¹⁾ Subjected to the performance goals throughout the vesting period, the same amount of shares can be transferred to the Executive Directors as performance shares. The performance shares are not submitted to the grant of usufruct.

The members of our Board of Directors are not eligible to the approved program.

For more information on our Deferred Stock Plan and Plan, please see Note 8.c to our financial statements.

C. Board Practices

We are managed by our Board of Directors (*Conselho de Administração*) and by our Executive Officers (*Diretoria*). As of December 31, 2018, our Board of Directors elected at the annual general shareholders' meeting held on April 19, 2017, consisted of eight members, all of them being non-executive members and six of whom were independent, according to the Brazilian *Novo Mercado* Listing Rules. On April 10, 2019, the extraordinary and annual general shareholders' meeting elected a new Board of Directors for a two-year term. The new composition of the Board of Directors is comprised of ten members, all non-executive members and eight independent members. One member of the Board was an executive officer until December 2006 and one member was our executive officer until December 2012. Our Board of Directors must meet every three months and extraordinarily whenever called by its chairman or by any two directors. During 2018, fifteen board meetings were held. Each meeting of the Board of Directors requires the majority of the directors to be present, including the chairman or the vice-chairman, before the meeting may commence. The vote of the majority of the members present is required for the approval of a resolution by the Board of Directors. In case of a tie, the chairman, or in the chairman's absence, the vice chairman, will provide the casting vote. In case of urgency, the chairman of our Board of Directors (or a third party that he or she may appoint) may call a special meeting of the Board of Directors with a shorter notice period than the usual; provided, however, that two-thirds of board members are present in order to convene such special meeting. Among other responsibilities, the Board of Directors is responsible for (i) our general guidelines, (ii) electing and removing our executive officers, supervising their management and fixing their compensation, (iii) deliberating on the issuance of new shares, within the limits of our authorized capital, (iv) authorizing the distributions of dividends and interest on shareholders' equity, (v) approving transactions with value exceeding five percent of our shareholders' equity, (vi) approving our dissolution or merger and (vii) the appointment of independent registered public accounting firm. Pursuant to Brazilian law, the Board of Directors must be elected by our shareholders at the general shareholders' meeting.

Members of the Board of Directors are elected for a period of two years and may be reelected.

Our bylaws require that at least thirty percent of the members of our Board of Directors be independent directors, which exceeds the 20% required by the *Novo Mercado* segment regulation. In addition, our bylaws set forth that the election of the members of the Board of Directors must be made through the nomination of a slate of candidates, unless cumulative voting is requested. Only the following slates of candidates will be eligible; (i) those nominated by the Board of Directors; or (ii) those nominated by any shareholder or group of shareholders. See "Item 4.A. Information on the Company—History and Development of the Company—New corporate governance structure" and "Exhibit 1.1—Bylaws of Ultrapar, dated as of April 10, 2019".

When electing members to the Board of Directors, shareholders will be entitled to request, as required by law and our bylaws, the adoption of a cumulative voting process, provided that they do so within, at least, forty-eight hours in advance of the shareholders' meeting. The minimum percentage of capital necessary for requesting the cumulative voting process is 5% of the shares. In the event the election has been conducted by cumulative voting, the removal of any member of the Board of Directors by the shareholders' meeting shall entail the removal of the other members, giving rise to a new election. See "Exhibit 1.1.—Bylaws of Ultrapar, dated as of April 10, 2019".

Executive Officers

As of December 31, 2018, our Board of Executive Officers was comprised of a minimum of four and a maximum of eight members, including our Chief Executive Officer. As approved by the shareholders at the extraordinary and annual general shareholders' meeting held on April 10, 2019, our bylaws were amended to reflect that the Board of Executive Officers shall be comprised of up to eight members.

Members of Board of Executive Officers are appointed for a two-year term and can be reelected. For the dates on which our executive officers began holding their respective position, see "Item 6.A. Directors, Senior Management and Employees—Directors and Senior Management."

Fiscal Council and Audit Committee Exemption

Brazilian Corporate Law requires us to establish a Fiscal Council (*Conselho Fiscal*), which is a separate corporate body independent of our management and our external independent registered public accounting firm and may operate on a permanent or non-permanent basis. According to the Brazilian Corporate Law, a Fiscal Council acting on a non-permanent basis is required to be formed when requested by 10% of voting shareholders in an annual general shareholders' meeting. However, pursuant to CVM Instruction 324/00, in the case of Ultrapar, holders of 2% of the voting capital are entitled to request the installation of the Fiscal Council. The elected members of the Fiscal Council will remain in place only until the following annual general shareholders' meeting, in which they may be reelected by our shareholders. The Fiscal Council must meet at least four times per year. Since its establishment, in July 2005, our Fiscal Council has been meeting on a regular basis, and in 2018, they held fourteen meetings.

As set forth in our bylaws approved on April 10, 2019, our Fiscal Council, composed of three effective members and an equal number of alternate members, acts on a non-permanent basis and its current members will remain in office until the annual general shareholders' meeting that will be held in 2020. At the extraordinary and annual general shareholders' meeting held on April 10, 2019, the Fiscal Council was installed and the following individuals were elected to serve as effective members of our Fiscal Council: Mr. Marcelo Amaral Moraes, Mr. Geraldo Toffanello and Mr. William Bezerra Cavalcanti Filho. These members will serve a term from April 2019 through April 2020. Under Brazilian Corporate Law, individuals who are members of our Board of Directors or our Board of Executive Officers or are employees or spouses or relatives of any member of our management are not eligible to serve on the Fiscal Council. To be eligible to serve on our Fiscal Council, a person must be a resident of Brazil and either a hold university degree or have been a Company officer or Fiscal Council member of another Brazilian company for at least three years prior to election to our Fiscal Council. Our Fiscal Council has the duties and obligations provided by the Brazilian Corporate Law, which includes, among others, to at least every three months examine the statements of financial position and other financial statements periodically prepared by the Company, examine the accounts and financial statements for the fiscal year and give an opinion on them. See "Exhibit 1.1—Bylaws of Ultrapar, dated as of April 20, 2019."

Until April 2019, our Fiscal Council acted as an audit committee pursuant to the requirements of the Sarbanes-Oxley Act.

However, in order to adapt to the new rules for the *Novo Mercado* segment, the extraordinary and annual general shareholders' meeting held on April 10, 2019 decided that our audit and risks committee must function on a permanent basis to advise the Board of Directors. This committee is responsible for: (a) recommending to the Board of Directors the retention and dismissal of independent audit services, as well as proposing to the Board of Directors the nomination of the independent auditor and their replacement; (b) reviewing the management report and the financial statements of the Company and of its controlled companies, and providing the recommendations it deems necessary to the Board of Directors; (c) reviewing the quarterly financial information and the periodic financial statements prepared by the Company; (d) monitoring the activities of the Company's internal audit and internal controls departments, including follow-up and assessment of the effectiveness and sufficiency of the internal control structure and of the internal and independent audit processes of the Company and of its controlled companies, including in relation to the provisions set forth in the Sarbanes-Oxley Act, submitting the recommendations it deems necessary for the improvement of policies, practices and procedures; (e) evaluating and monitoring the Company's risk exposure, as per the Risk Management Policy, as well as providing its opinion on any review of the contents thereof, in addition to advising the Board of Directors in connection with the setting of acceptable risk levels; (f) establishing procedures for the acceptance and handling of information submitted by any party relating to alleged noncompliance with applicable legal and regulatory requirements applicable to the Company, in addition to internal regulations, policies and codes, including procedures for confidential or anonymous submission, safeguarding information secrecy; (g) interacting with the other Company's governing bodies in connection with the receipt and review of information on noncompliance with legal and regulatory requirements applicable to the Company, as well as with internal regulations; and (h) providing its opinion on the matters submitted to it by the Board of Directors, as well as on those matters it determines to be relevant.

Also in accordance with the new rules for the *Novo Mercado* and with the provisions of our bylaws, said committee shall have (i) at least three members, of whom at least one must be an independent member of the Board of Directors and one must have recognized experience in business accounting pursuant to the rules issued by the CVM regarding the registration and practice of independent auditing activities in the securities market; (ii) operational autonomy and its own budget approved by the Board of Directors to cover its operating costs and expenses; and (iii) its own bylaws, approved by the Board of Directors, with a detailed description of its functions and operating procedures, and a chairperson whose activities must be defined in its bylaws.

The members of the audit and risks committee shall be elected by the Board of Directors for a term of office of two years, and the term shall coincide with the term of office of the Directors, with reelection being permitted for successive terms. The Board of Directors will appoint the members of the audit and risks committee in a meeting to be held on May 15, 2019.

Under Rule 10A-3(c)(3) of the Exchange Act, considering that (i) our audit and risks committee complies with the rules for the *Novo Mercado*; (ii) our bylaws expressly requires that the audit and risks committee consist of at least one member of the Board of Directors and one or more persons who are not Directors; and (iii) SEC's interpretative letter issued on November 8, 2018, we are exempt from the audit committee requirements of Section 303A of the NYSE Listed Company Manual.

On April 10, 2019, the annual general shareholders' meeting approved compensation for Fiscal Council members of R\$17,110 per month for each effective (non-alternate) member, except for the president of the Fiscal Council, whose compensation was set at R\$18,500 per month.

As of December 31, 2018, our Fiscal Council consisted of three members and their respective alternate members, set forth on the following table:

Name	First Year of Appointment
Flavio César Maia Luz.....	2005
Márcio Augustus Ribeiro (alternate)	2007
Geraldo Toffanello.....	2017
Pedro Ozires Predeus (alternate).....	2005
William Bezerra Cavalcanti Filho	2018
Paulo Cesar Pascotini (alternate)	2014

On April 10, 2019, at the annual general shareholders' meeting, Geraldo Toffanello, Marcelo Amaral Moraes and William Bezerra Cavalcanti Filho were elected, as well as Márcio Augustus Ribeiro, Pedro Ozires Predeus and Paulo Cesar Pascontini as alternates of Mr. Moraes, Mr. Toffanello and Mr. Cavalcanti Filho, respectively. Mr. Moraes was elected in replacement of Luz, and the other members were reelected. Summarized below is information regarding the business experience, areas of experience and principal outside business interests of the current members of our Fiscal Council.

Geraldo Toffanello. Mr. Toffanello has been a member of our Fiscal Council since April 19, 2017. Mr. Toffanello is a member of the Fiscal Council of Gerdau S.A. and Metalúrgica Gerdau S.A. From 1998 to 2012, he worked as an accounting director of Gerdau S.A. He was a member of Fiscal Council of Dimed S.A. Distribuidora de Medicamentos and a member of the Board of Director of Puras FO from 2013 to 2015. Mr. Toffanello served as a member of the audit and accounting standards committee of ABRASCA – *Associação Brasileira de Companhias Abertas* (Brazilian Publicly Traded Companies Association) from 1995 and 2012 and a member of the council board of IFRS. He also is the founder of Luzes do Mundo Ltda. Mr. Toffanello received a degree in accounting from *Faculdade Porto-Alegrense de Ciências Contábeis e Administrativas* and a postgraduate degree in accounting from *Universidade Federal do Rio Grande do Sul*.

Marcelo Amaral Moraes. Mr. Moraes joined the Company in April 2019 as a member of Fiscal Council. Mr. Moraes serves as the president of the Fiscal Council of Vale S.A. since 2004 and of Gol Linhas Aéreas Inteligentes S.A. since 2018. He is also a member of the Board of Directors of CPFL Energia S.A. since 2017 and a member of the Fiscal Council of Linx S.A., since 2018. Mr. Moraes served as president of the Fiscal Council of Aceco TI S.A. from 2016 to 2018 and as a member of the Board of Directors of Eternit S.A. from 2016 to 2018. He was managing director and head of Brazil at Capital Dynamics AG from 2012 to 2015. Mr. Moraes received a degree in economics from *Universidade Federal do Rio de Janeiro – UFRJ* and an MBA with emphasis in Finance from COPPEAD-UFRJ and a postgraduate degree in business law and arbitration from FGV-EAESP (*Fundação Getulio Vargas* in São Paulo).

William Bezerra Cavalcanti Filho. Mr. Cavalcanti Filho joined the Company in April 2018 as a member of Fiscal Council. He has also been a member of Board of Directors of Casa da Moeda do Brasil, an alternate member of Fiscal Council of Norte Energia S.A. and a member of the Audit Committee of Pré-sal Petróleo S.A. Mr. Cavalcanti Filho was a former member, among others, of the Board of Directors of Guaraniana S.A. (currently NeoEnergia) and Bolsa de Valores do Rio de Janeiro (alternate member) and a member of the Fiscal Council of Sadia S.A., ALL S.A., Login-Intermodal S.A. and CPFL S.A. He was also a former Financial Executive of Banco do Brasil S.A. and Investments General Manager of Brasilcap S.A. He holds a bachelor degree in Economics and in Philosophy from PUC – *Pontifícia Universidade Católica do Rio de Janeiro* and Instituto Metodista Bennett in 1982.

Corporate Governance

We are incorporated under the laws of Brazil and we are subject to Brazilian laws related to corporate governance. Under Brazilian Corporate Law, there are no legal requirements with respect to corporate governance regarding (i) the independence of our Board of Directors, (ii) meetings of non-management directors, (iii) the mandatory establishment and composition of certain board committees or (iv) the adoption and disclosure of corporate governance guidelines or codes of business conduct and ethics. As a non-U.S. issuer, we are exempt from adopting certain NYSE corporate governance requirements. However, we aim to ensure that best practices, recommendations and standards of corporate governance are employed in our functioning and operations. As of December 31, 2018, we had adopted corporate governance practices, such as the requirement that at least 30% of the members of the Board of Directors be independent, the implementation of a code of ethics for Ultra S.A., Parth, senior officers and all employees, and the implementation of the people and audit and risks committees. According to our bylaws, the Fiscal Council will act on a non-permanent basis and will be installed when requested by our shareholders as set forth in Brazilian Corporate Law.

In 2000, B3 introduced three special listing segments, known as Levels 1 and 2 of Differentiated Corporate Governance Practices and *Novo Mercado*, which seek to foster a secondary market for securities issued by Brazilian companies with securities listed on B3, by requiring such companies to follow good practices of corporate governance. The listing segments were designed for the trading of shares issued by companies voluntarily abiding by corporate governance practices and disclosure requirements in addition to those already imposed by Brazilian Corporate Law. These rules generally increase shareholders' rights and enhance the disclosure of information provided to shareholders.

In October 2005, we entered into an agreement with B3 and have complied with the requirements to become a Level 1 Company, which is the entrance level of the Differentiated Corporate Governance Practices of B3.

On June 28, 2011, the extraordinary general shareholders' meeting and the special preferred shareholders' meeting approved the conversion of each preferred share into one common voting share, the migration of Ultrapar to *Novo Mercado* segment of B3 and amendments to our bylaws. See "Exhibit 2.11—Rules of *Novo Mercado*."

In addition, we highlight that new Listing Rules for the *Novo Mercado* were approved by the CVM in September 2017 and became effective as of January 2, 2018.

Some of the modifications of the *Novo Mercado* Listing Rules may be adopted until the General Shareholders Meeting of 2021, which include the following requirements: (i) set up an audit committee (statutory or non-statutory); (ii) structure and disclose a process of assessment of the Board of Directors, its committees and the executive officers; (iii) establish and disclose of a Code of Conduct, as well as a Compensation Policy, a Nomination Policy for the Board of Directors, its Committees and Executive Officer, a Risk Management Policy, a Related Party Transaction Policy and a Securities Trading Policy, all of them with minimum requirements.

Our bylaws is already adapted to the listing requirements of *Novo Mercado*. In addition, we have provisions that exceed such requirements. For example, according to the rules of *Novo Mercado* the minimum percentage of independent members of the Board of Directors is set at 20%, while a minimum of 30% is required in our bylaws. Our bylaws also establish a mandatory tender offer for 100% of the Company's shareholders in the event a shareholder, or a group of shareholders acting in concert, acquire or become holder of 20% of the Company's shares, excluding treasury shares. Our bylaws do not establish any limitation on voting rights, special treatment to current shareholders, public tender offers for a price above that of the acquisition price of shares or any other poison pill provisions, thus assuring the effectiveness of a majority shareholders' approval on all matters to be deliberated. See "Item 4.A. History and Development of the Company—New corporate governance structure" and "Exhibit 1.1.—Bylaws of Ultrapar, dated as of April 10, 2019."

Description of the Audit and Risks Committee

Our bylaws establish the audit and risks committee as an ancillary body of the Board of Directors. The audit and risks committee shall be comprised of at least three members, and shall include at least one independent Director and at least one member with recognized experience in corporate accounting matters, as provided in the applicable regulations of the CVM. All members shall be elected by the Board of Directors for a term of office of two years, and the term shall coincide with the term of office of the Directors, with reelection being permitted for successive terms. A single member of the audit and risks committee may concentrate the two above mentioned requirements. The audit and risks committee shall (a) recommend to the Board of Directors the retention and dismissal of independent audit services, as well as propose to the Board of Directors the nomination of the independent auditor and their replacement; (b) review the management report and the financial statements of the Company and of its controlled companies, and provide the recommendations it deems necessary to the Board of Directors; (c) review the quarterly financial information and the periodic financial statements prepared by the Company; (d) monitor the activities of the Company's internal audit and internal controls departments, including follow-up and assessment of the effectiveness and sufficiency of the internal control structure and of the internal and independent audit processes of the Company and of its controlled companies, including in relation to the provisions set forth in the Sarbanes-Oxley Act, submitting the recommendations it deems necessary for the improvement of policies, practices and procedures; (e) evaluate and monitor the Company's risk exposure per the Risk Management Policy, as well as provide its opinion on any review of the contents thereof, in addition to advising the Board of Directors in connection with the setting of acceptable risk levels; (f) establish procedures for the acceptance and handling of information submitted by any party relating to alleged noncompliance with applicable legal and regulatory requirements applicable to the Company, in addition to internal regulations, policies and codes, including procedures for confidential or anonymous submission, safeguarding information secrecy; (g) interact with the other Company's governing bodies in connection with the receipt and review of information on noncompliance with legal and regulatory requirements applicable to the Company, as well as with internal regulations; and (h) provide its opinion on the matters submitted to it by the Board of Directors, as well as on those matters it determines to be relevant. The audit and risks committee will be installed by the Board of Directors at the meeting to be held on May 15, 2019, when the members will be appointed, for a two-year term that shall coincide with the term of office of the Directors. See "Exhibit 1.1.—Bylaws of Ultrapar, dated as of April 10, 2019."

Description of the People Committee

Our bylaws establish the people committee as an ancillary body of the Board of Directors. The people committee shall (a) pursuant to the proposal received from the Chief Executive Officer, propose to the Board of Directors and periodically revise the parameters and guidelines of a remuneration and benefits framework to directors, executive officers and senior employees of the Company and subsidiaries, and members of the committees and other governing bodies assisting the Board of Directors, (b) propose to the Board of Directors, pursuant to the proposal received from the Chief Executive Officer, the overall compensation of the directors and executive officers of the Company, which shall be submitted to the shareholders' meeting, and propose the individual compensation of the Board of Executive Officers; (c) ensure that the Company prepares itself adequately for the succession of its directors, executive officers and other key employees, particularly the Chief Executive Officer and the principal executive officers; and (d) carry out diligence and supervise the steps taken to ensure that the Company adopts a model of competence and leadership, attraction, retention and motivation in line with its strategic plans. As approved by the extraordinary and annual general shareholders' meeting held on April 10, 2019, the denomination of such committee was modified from the people and organization to the people committee. In addition, the composition of such committee was modified to determine that it shall be comprised of at least three members, of which at least two must be independent directors. See "Item 4.A. History and Development of the Company—New corporate governance structure" and "Exhibit 1.1.—Bylaws of Ultrapar, dated as of April 10, 2019."

The people committee was installed by the Board of Directors at the meeting held on November 9, 2011. As of December 31, 2018, Mr. Alexandre Gonçalves Silva, Mr. Nildemar Secches, Mr. Lucio de Castro Andrade Filho and Mr. Pedro Wongschowski were members of the people committee as appointed by the Board of Directors at the meeting held on May 10, 2017 for a term of office that will be extended until the end of the term of office of the Board of Directors elected in the meeting held on April 19, 2017. The Board of Directors will appoint the new members of the people committee in a meeting to be held on May 15, 2019, for a two-year term, that shall coincide with the term of office of the Directors. See "Exhibit 1.1.—Bylaws of Ultrapar, dated as of April 10, 2018."

Description of the Strategy Committee

Our bylaws establish the strategy committee as an ancillary body of the Board of Directors. The strategy committee shall be comprised entirely of Directors and its duties shall be as follows: (a) to advise the Board of Directors in overall business direction, as well as in the drafting and monitoring of the Company's strategic plans and budgets; (b) to provide its opinion on, and monitor, the Company's strategic partnerships and main investments, as provided in the Investment Policy; and (c) to provide its opinion on the capital allocation strategy and on the management of the Company's portfolio, including mergers and acquisitions.

The strategy committee will be installed by the Board of Directors at the meeting to be held on May 15, 2019, when the members will be appointed for a two-year term that shall coincide with the term of office of the Directors. See "Exhibit 1.1.—Bylaws of Ultrapar, dated as of April 10, 2019."

Termination Agreements

Not applicable.

D. Employees

As of December 31, 2018, we had 17,034 employees. The following table sets forth our number of employees per line of business at the dates indicated:

	As of December 31,		
	Number of employees		
	2018	2017	2016
Ipiranga	3,318	3,051	2,903
Oxiteno	1,943	1,901	1,903
Ultragaz	3,511	3,633	3,610
Ultracargo	710	715	645
Extrafarma	7,112	6,698	5,670
Others ⁽¹⁾	440	450	442
Ultrapar	17,034	16,448	15,173

⁽¹⁾ Includes corporate center personnel.

Ultrapar's employees are covered by collective agreements with the labor unions that represent different industry sectors: Ultragaz in the minerals trading and transportation sectors; Ipiranga in the fuel distribution sector; Oxiteno in the chemicals sector; Ultracargo in the storage sector; and Extrafarma in the retail pharmacy business. All agreements, signed between the companies and labor unions of each sector, addresses social, financial, labor union and labor relations issues.

In February 2001, our Board of Directors approved the adoption of a defined contribution pension plan to be sponsored by Ultrapar and each of its subsidiaries. Participating employees have been contributing to this plan, managed by Ultraprev—*Associação de Previdência Complementar*, since August 2001. Under the terms of the plan, every year each participating employee chooses his or her basic contribution to the plan. Each sponsoring company provides a matching contribution in an amount equivalent to each basic contribution, up to a limit of 11% of the employee's base salary, according to the rules of the plan. As participating employees retire, they may choose to receive either (i) a monthly sum ranging between 0.5% and 1.0% of their respective contribution (including accumulated funds) in Ultraprev or (ii) a fixed monthly amount which will exhaust their respective contribution (including accumulated funds) over a period of 5 to 25 years. The sponsoring company does not guarantee the amounts, or the duration of the benefits received by each employee that retires. The total number of participating employees as of December 31, 2018 was 8,582.

E. Share Ownership

In accordance with our bylaws, our common shares are our sole class of capital stock authorized and outstanding. They entitle their holders to voting rights on any matter. See “Item 6.B. Directors, Senior Management and Employees—Board Practices—Corporate Governance.”

As of December 31, 2016, following the Extrafarma Transaction and the shares issued to the former Extrafarma shareholders in connection therewith, Ultrapar’s capital stock was composed of 556,405,096 common voting shares.

On April 10, 2019, the extraordinary and annual general shareholders’ meeting approved a stock split of the shares issued by Ultrapar, so that each share would be represented by two shares of the same class and type. The stock split shall not imply any change in the capital stock, therefore being no alteration in the financial amount and shareholder participation in the Company’s capital stock. With effect from effective date of the stock split, which is scheduled to occur on April 24, 2019, our number of common shares will be increased to 1,112,810,192 common shares with no par value. The timetable in respect of the corresponding stock split of our American Depositary Shares has been notified to NYSE by the Bank of New York Mellon.

The table below sets forth the number of our common shares beneficially owned by each of our directors and executive officers as of December 31, 2018, including through their participation in Ultra S.A., and does not reflect changes to our capital stock subsequent to such date:

	Total	
	Common Shares	%
Board of Directors		
Lucio de Castro Andrade Filho ⁽¹⁾	5,568,164	1.0%
Pedro Wongtschowski ⁽¹⁾	2,368,987	0.4%
Alexandre Gonçalves Silva	—	0.0%
Carlos Tadeu da Costa Fraga	—	0.0%
Jorge Marques de Toledo Camargo	—	0.0%
José Maurício Pereira Coelho	—	0.0%
Nildemar Secches ⁽²⁾	168,068	0.0%
Olavo Egydio Monteiro de Carvalho	4	0.0%
Executive Officers		
Frederico Pinheiro Fleury Curado ⁽³⁾	138,485	0.0%
André Pires de Oliveira Dias ⁽³⁾	107,881	0.0%
João Benjamin Parolin ⁽³⁾	232,000	0.0%
Marcelo Pereira Malta de Araújo ⁽³⁾	44,200	0.0%
Ricardo Isaac Catran ⁽³⁾	149,650	0.0%
Rodrigo de Almeida Pizzinatto ⁽³⁾	90,000	0.0%
Tabajara Bertelli Costa ⁽³⁾	110,000	0.0%
Board of Directors and Executive Officers	8,867,439	1.6%
Total	556,405,096	

⁽¹⁾ Individuals who beneficially own shares primarily through their participation in the holding company Ultra S.A. See “Item 7.A. Major Shareholders and Related Party Transactions—Major Shareholders.”

⁽²⁾ Individual who owns shares through an exclusive fund.

⁽³⁾ Executives who were granted shares through the Deferred Stock Plan.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The table below shows the capital stock of Ultrapar as of the date of this annual report:

	Total	
	Common Shares ⁽¹⁾	%
Shareholders		
Ultra S.A. Participações.....	119,760,601	22%
Parth do Brasil Participações	42,833,956	8%
BlackRock, Inc.	27,906,793	5%
Others.....	365,903,746	66%
Total	556,405,096	100%

⁽¹⁾ The total number of common shares does not consider the approval of the stock split on April 10, 2019, which is scheduled to become effective on April 24, 2019.

Ownership and Capital Structure of Ultra S.A. Participações and Parth do Brasil Participações

As of December 31, 2018, Ultra S.A. and Parth owned 22% and 8%, respectively, of Ultrapar's voting shares. As of December 31, 2018, the capital stock of Ultra S.A. and Parth were beneficially owned as follows:

Ultra S.A.

	Total	
	Shares	%
Shareholders		
Ana Maria Levy Villela Igel.....	22,159,789	27%
Paulo Guilherme Aguiar de Cunha	10,654,109	13%
Fabio Igel.....	9,287,045	11%
Marcia Igel Joppert.....	7,533,096	9%
Joyce Igel de Castro Andrade	7,179,235	9%
Rogério Igel	3,444,706	4%
Christy Participações LTDA.....	9,039,643	11%
Others.....	6,504,767	8%
Total Shareholders.....	75,822,930	93%
Directors and officers		
Lucio de Castro Andrade Filho.....	3,775,470	5%
Pedro Wongtschowski	1,606,301	2%
Total directors and officers.....	5,381,771	7%
Total	81,204,161	100%

Parth

	Total	
	Shares	%
Shareholders		
Bettina Igel Hoffenberg	43,129,778	25%
Athena International Investments LTD	43,129,778	25%
Arplex Enterprises LTD.....	38,723,490	22%
Pedro Igel de Barros Salles	20,421,264	12%
Jennings Luis Igel Hoffenberg.....	18,658,363	11%
Venus Quartz LLC.....	8,732,911	5%
Total Shareholders.....	172,795,584	100%

Shareholders' Agreements

On May 2, 2018, Ultra S.A. and Parth executed a shareholders' agreement to set forth a set of rules to govern the relationship between these two shareholders, binding a total of shares representing 31.25% of the Company's capital stock. This shareholders' agreement replaced the Ultra S.A. shareholders' agreement executed in 2014 and shall be in force for a period of five years, automatically renewable for a further period of five years, except if a termination notice is sent by one party to the other up to six (6) months before the end of its term.

The 2018 shareholders agreement's main terms are substantially related to (i) how Ultra S.A., Parth and its shareholders shall vote at Ultrapar's shareholders meetings; (ii) procedures to exchange any party's shares in Ultra S.A. or in Parth for shares of Ultrapar; and (iii) procedures applicable to the exercise of right of first refusal, preemptive rights and drag along rights. Additionally, any third party purchasing Ultra S.A.'s shares bound by the shareholders' agreement must agree to be bound by the shareholders' agreement.

See "Exhibit 2.7—2018 Shareholders' Agreement, dated as of May 2, 2018."

B. Related Party Transactions

As of December 31, 2018, Ultrapar is responsible for guarantees and securities provided to subsidiaries in the amount of R\$10,667.2 million. This disclosure of related party transactions is provided for purposes of the rules governing Annual Reports on Form 20-F and is not meant to suggest that these matters would be considered related party transactions under IFRS.

Utingás' bylaws provide for each of its shareholders to use a proportion of Utingás' total storage capacity equal to such shareholder's proportionate ownership of Utingás. Accordingly, Ultragaz is entitled to use 4.2 thousand tons of LPG storage capacity at Utingás' facilities, reflecting Ultragaz's 57% ownership in Utingás. The amount of payments made by Ultragaz to Utingás in 2018 with respect to the use of storage capacity at Utingás' facilities totaled R\$11.9 million.

The related parties' transactions for financial statements purposes are transactions between the subsidiaries of the Ultrapar with joint-ventures and associates companies that are not eliminated in the consolidation of financial statements. The main related parties' transactions are related to RPR and ConectCar. See Note 8.a to our consolidated financial statements for a detailed breakdown of related party transactions as of December 31, 2018.

C. Interests of Expert and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

For our consolidated financial statements and notes thereto see "Item 18. Financial Statements."

Dividends and Distribution Policy

Dividend policy

The bylaws of a Brazilian company may establish a minimum percentage of the profit that must be paid to shareholders as mandatory dividends. The amounts due as dividends may be paid as interest on net equity. Our bylaws approved at the extraordinary and annual general shareholders' meeting held on April 10, 2019 provides for a mandatory distribution equal to 50% of the adjusted net profit, after the allocation of 5% of the net profit to the legal reserve.

Brazilian Corporate Law defines the "net profit" as the results of the relevant fiscal year, reduced by accumulated losses of prior fiscal years, provisions for income tax and social contribution on the net profit for such fiscal year, and amounts allocated to employees' and management's participation on the results in such fiscal year.

Under Brazilian Corporate Law, the net profit may be reduced or increased by the following:

- amounts allocated to the legal reserve;
- amounts allocated to the statutory reserve, if any;
- amounts allocated to the contingency reserve, if required;
- amounts allocated to the unrealized profit reserve;
- amounts allocated to the retained profit reserve;
- amounts allocated to the income tax exemption reserve;
- reversions of reserves registered in prior years, in accordance with Brazilian GAAP; and
- reversions of the amounts allocated to the unrealized profit reserve, when realized and not absorbed by losses.

Legal reserves. We are required to maintain a legal reserve to which we must allocate 5% of our net profit until the amount of our legal reserve equals 20% of paid-in capital. We are not required to make any allocations to the legal reserve for any fiscal year in which such reserve, when added to our capital reserves, exceeds 30% of our capital stock. Accumulated losses, if any, may be charged against the legal reserve. Other than that, the legal reserve can only be used to increase our capital.

Statutory reserves. Under Brazilian Corporate Law, any corporation may create statutory reserves, in which case it shall be provided in its respective bylaws. In this case, the bylaws must also indicate the reserve purpose, allocation criteria and maximum amount of reserve. As provided in our bylaws approved at the extraordinary and annual general shareholders' meeting held on April 10, 2019, we may allocate up to 50% of our adjusted net profit to an investment reserve, up to the limit of 100% of our capital stock.

Contingency reserves. Under Brazilian Corporate Law, our shareholders may decide, upon a proposal of our Board of Directors, to allocate a discretionary amount of our net profit to a contingency reserve for estimated future losses, which are deemed probable. The distributable amount may be further increased by the reversal of such reserve in the fiscal year when the reasons that justified the creation of such reserve cease to exist or in which the anticipated loss occurs. Accordingly, there is no specific percentage of net profit allocable to this type of reserve.

Unrealized profits reserves. Under Brazilian Corporate Law, when the mandatory dividend amount exceeds the realized net profits in a given fiscal year, our shareholders may elect, upon a proposal of our Board of Directors, to allocate some or all of the excess dividend amount to any unrealized profits reserve. Brazilian Corporate Law defines "realized" net profits as the amount by which the company's net profits exceed the sum of (1) its net positive results, if any, from the equity method of accounting for earnings and losses of the company's subsidiaries and certain of its affiliates and (2) the profits, gains or returns that will be received by the company after the end of the next fiscal year. The distributable amount is increased by the profits that were allocated to such reserve when they are realized.

Income tax exemption reserve. Under Brazilian Corporate Law, the portion of the net profit derived from donations or governmental incentives directed to investments, can be excluded of the Distributable Amount.

Retained profits reserve. Under Brazilian Corporate Law, our shareholders may decide to retain a discretionary amount of our net profits that is provided for in a budget approved in the general shareholders' meeting, upon the proposal of its Board of Directors, for the expansion of our installations and other investment projects. After the conclusion of the relevant investments, we may retain the reserve until the shareholders approve the transfer of the reserve, in full or in part, to its capital or to the accumulated profits reserve. In accordance with Brazilian Corporate Law, if a project to which part of the reserve has been allocated has a term exceeding one year, the budget for such project must be approved by the general shareholders' meeting each fiscal year through the conclusion of the project.

Brazilian Corporate Law provides that all statutory allocations of net profit, including the unrealized profits reserve and the reserve for investment projects, are subject to approval by the shareholders voting at a general shareholders' meeting and may be used for capital increases or for the payment of dividends in subsequent years. The legal reserve is also subject to approval by the general shareholders' meeting and may be transferred to capital or used to absorb losses, but is not available for the payment of dividends in subsequent years.

The balance for the profit reserve accounts, except for the contingency reserve and unrealized profits reserve, may not exceed the share capital. If this happens, our shareholders must determine whether the excess will be applied to pay in the subscribed and unpaid capital, to increase and pay in the subscribed stock capital or to distribute dividends.

The profits unallocated to the accounts mentioned above must be distributed as dividends.

A company is permitted to allocate to the unrealized profits reserves all income from equity gains in subsidiaries that are not distributed to the company in the form of cash dividends. When such gains are distributed to the company in the form of cash dividends, the company is required to reverse the reserve. See “Item 3.D. Key Information—Risk Factors—Risks Relating to the Shares and the American Depositary Shares.” In addition to the mandatory distribution, the Board of Directors may recommend to the shareholders the payment of interim distributions from other funds that are legally available for such purposes. Any payment of an interim dividend may be set off against the amount of the mandatory dividend distribution for that fiscal year.

As an alternative form of payment of dividends, Brazilian companies may distribute interest on capital, which payments may be treated by a company as a deductible expense for income and social contribution taxes purposes. Payments of interest on capital may be made at the discretion of our Board of Directors, subject to the approval of the holders of our common shares. Payments of interest attributed to shareholders’ equity, net of withholding tax, may be distributed as part of the minimum mandatory dividends, to the extent that it does not exceed the limits described below. This interest is calculated in accordance with the daily pro rata variation of the Brazilian government’s long-term interest rate, (TJLP), as determined by the Central Bank from time to time, and cannot exceed the greater of:

- 50% of net income (after the deduction of the social contribution on profits and before the provision for corporate income tax and the amounts attributable to shareholders as net interest on equity) related to the period in respect of which the payment is made; or
- 50% of the sum of retained profits and profit reserves in the beginning of the period with respect to which the payment is made.

Under Brazilian Corporate Law, a company may suspend the mandatory distribution either in the form of dividends or payments of interest on capital if the shareholders at the general shareholders’ meeting determine, based on the Board of Directors’ proposal, which is reviewed by the Fiscal Council, that payment of the mandatory distribution for the preceding fiscal year would be inadvisable in light of the company’s financial condition. Our managers must report to the CVM such suspension within five days of the relevant general shareholders’ meeting. Under Brazilian law, mandatory distributions that are suspended and not offset against losses in future years must be paid as soon as the financial condition of the company permits.

We declare and pay dividends and/or interest on capital, pursuant to Brazilian Corporate Law and our bylaws. Our Board of Directors may approve the distribution of dividends and/or interest on capital, calculated based on our annual or semiannual financial statements or on financial statements relating to shorter periods. The amount of any distributions will depend on a series of factors, such as our financial condition, prospects, macroeconomic conditions, tariff adjustments, regulatory changes, growth strategies and other issues our Board of Directors and our shareholders may consider relevant.

The amount of retention of profits and investments reserve are free of distribution restrictions and totaled R\$3.4 billion as of December 31, 2018.

For 2018 and 2017, we declared dividends to our shareholders of R\$685 million and R\$951 million, respectively, both corresponding to 60% of our reported net income for each year.

We usually pay dividends twice a year – interim dividends are paid after the reporting of the second quarter financial statements and the remaining is paid after the reporting of the annual financial statements.

The following table sets forth the dividends per share distributed by us with respect to our capital stock in the past five years.

Dividend history

Year's results	Common shares ⁽¹⁾	
	(in <i>Reais</i> per share)	(in US\$ per share) ⁽²⁾
2014	1.42	0.53
2015	1.60	0.44
2016	1.67	0.52
2017	1.75	0.55
2018	1.26	0.32

⁽¹⁾ Dividends per share does not consider the approval of the stock split on April 10, 2019, which is scheduled to become effective on April 24, 2019.

⁽²⁾ The amounts in *Reais* have been converted into dollars using the exchange rates at each respective payment date.

Holders of our shares are entitled to receive dividends declared by us solely from the date of the subscription and/or acquisition of such shares.

Payment of dividends. Within the four months following the end of each fiscal year, our shareholders are required to hold an annual shareholders' meeting to decide, among other things, on the allocation of our net profits with respect to the fiscal year ended immediately prior to the shareholders' meeting and the payment of an annual dividend. Additionally, interim dividends may be declared by our Board of Directors. Under Brazilian Corporate Law, dividends are generally required to be paid within 60 days following the date the dividend was declared, unless a shareholders' resolution sets forth another date of payment, which, in either case, must occur prior to the end of the fiscal year in which such dividend was declared. Unclaimed dividends revert to us three years after the date when we begin to pay such declared dividends.

Shareholders who are not residents of Brazil must register with the Central Bank to have dividends, sales proceeds or other amounts with respect to their shares eligible to be remitted in foreign currency outside of Brazil. The shares underlying the ADSs will be held in Brazil by the Custodian, *Itaú Corretora de Valores S.A.*, as agent for the Depositary. For purposes of the registration requirement, the Depositary is deemed to be the stockholder of the shares underlying the ADSs. The Depositary will register such common shares with the Central Bank.

Payments of cash dividends and distributions, if any, will be made in Brazilian currency to the Custodian on behalf of the Depositary. The Custodian will then convert such proceeds into U.S. dollars and will cause such U.S. dollars to be delivered to the Depositary for distribution to holders of ADSs. See "Description of American Depositary Receipts" in our Registration Statement filed on Form F-1, declared effective on April 12, 2005. In the event that the Custodian is unable to convert immediately the Brazilian currency received as dividends into U.S. dollars, the amount of U.S. dollars payable to holders of ADSs may be adversely affected by devaluations of the Brazilian currency that may occur before such dividends are converted and remitted. See "Item 3.A. Key Information—Selected Consolidated Financial Data—Exchange Rates" and "Item 3.D. Key Information—Risk factors—Risks Relating to Brazil." Dividends in respect of the shares paid to shareholders who are not Brazilian residents, including holders of ADSs, are exempt from Brazilian withholding tax except for dividends declared based on profits generated prior to December 31, 1995. Distributions of interest attributable to shareholders' equity are currently subject to withholding tax at a rate of 15%, or 25% in the case of a shareholder domiciled in a "tax haven". See "Item 10.E. Additional Information—Taxation—Brazilian Tax Consequences."

Legal proceedings

Provisions for tax, civil and labor risks. We and our subsidiaries are party to administrative proceedings and lawsuits in relation to tax, civil, environmental, regulatory, and labor matters that are incidental to the normal course of our business. Depending on the outcome of such administrative proceedings and lawsuits, penalties restricting rights may be applied against the Company or its subsidiaries. Proceedings are guaranteed by escrow accounts, and whenever applicable, we maintain escrow deposits. The provisions for the losses are estimated and updated by management based on the opinion of the Company's legal department and its external legal advisors.

The table below demonstrates the breakdown of provisions by nature and its movement (in millions of *Reais*):

Provisions	2017	Additions	Write-offs	Payments	Monetary restatement	2018
Income taxes and contribution on net profit	515.	—	—	—	16.	532.
	8				5	3
PIS and COFINS.....	34.	—	(9.	—	0.	26.
	9		5	)	9	3
ICMS	111.	1.	(8.	(4.	0.	100.
	8	5	4	) 5	5	8
Civil, Environmental and Regulatory claims	89.	8.	(3.	(3.	0.	90.
	3	9	5	) 8	0	9
Labor litigation	82.	32.	(0.	(15.	1.	101.
	4	4	1	) 5	9	2
Others.....	91.	0.	(1.	—	1.	91.
	5	8	8	)	0	5
Total	925.	43.	(23.	(23.	20.	943.
	8	6	4	) 8	8	1
Current	64.					77.
	6					8
Non-current.....	861.					865.
	2					3

Some of the provisions above consist, in whole or in part, of escrow deposits. The balance of these escrow deposits are as follows (in millions of *Reais*):

	Year ended December 31,	
	2018	2017
Tax matters	727.5	659.1
Labor litigation	70.0	71.1
Civil and others.....	84.0	92.5
Total — non-current asset	881.5	822.7

Social Security and tax provisions. On October 7, 2005, our subsidiaries Cia. Ultragaz and Bahiana filed for and obtained a preliminary injunction to recognize and offset PIS and COFINS credits on LPG purchases, against other taxes levied by the Brazilian Federal Revenue Service, notably IRPJ and CSLL. The decision was confirmed by a trial court on May 16, 2008. Under the preliminary injunction, the subsidiaries made escrow deposits for these debits which amounted to R\$500.3 million as of December 31, 2018 (R\$483.5 million as of December 31, 2017). On July 18, 2014, a second instance unfavorable decision was published, and the subsidiaries suspended the escrow deposits, and started to pay income taxes from that date. In seeking to appeal the court decision, the subsidiaries presented a writ of prevention which was dismissed on December 30, 2014, and the Company appealed this decision on February 3, 2015. Appeals were also presented to the respective higher courts (STJ and STF) whose trials are pending.

The subsidiaries Oxiteno S.A., Oxiteno Nordeste, Cia. Ultragaz, Tequimar, Tropical Transportes Ipiranga Ltda., EMCA, IPP and Extrafarma filed for a preliminary injunction seeking the deduction of ICMS from their PIS and COFINS tax bases. On March 15, 2017, the Federal Supreme Court (STF) decided that the ICMS should not be included in the calculation of PIS and COFINS tax bases. Therefore, based on the advice of its legal advisors, on March 31, 2017, Oxiteno Nordeste and IPP reversed the corresponding provision in the amount of R\$109.5 million.

We note, however, that it is possible for the STF to restrict the effects of the judgment or to decide that the effectiveness will be reached after its final decision or other time that may be fixed. Despite the favorable decision, until there is a final judgment, the proceedings may be reassessed, which could result in new provisions in the future, except for Oxiteno S.A., whose decision became final and unappealable, and the subsidiary recognized the corresponding tax to recover in the amount of R\$291.3 million as of December 31, 2018.

Civil, environmental and regulatory provisions. Ultrapar and certain subsidiaries are engaged in lawsuits and administrative proceedings, mainly derived from contracts entered into with customers and former suppliers, as well as proceedings related to environmental issues. The company and its subsidiaries maintained total provisions of R\$90.9 million as of December 31, 2018 (R\$89.3 million as of December 31, 2017) for such lawsuits and administrative proceedings.

Labor provisions. The Company and its subsidiaries maintain provisions of R\$101.2 million as of December 31, 2018 (R\$82.4 million as of December 31, 2017) for labor litigation filed by former employees and by employees of our service providers mainly contesting the non-payment of labor rights.

Contingent liabilities. The Company and its subsidiaries are party to various tax, civil, environmental, regulatory and labor proceedings for which the risk of loss has been classified as either “possible” or “remote” by our in-house legal department and external advisors. Based on this assessment, we have not recorded provisions for proceedings with either a possible or remote risk of loss, pursuant to applicable accounting standards. The total amount involved in proceedings for which the risk of loss was classified as possible was R\$2.84 billion as of December 31, 2018 (R\$2.58 billion as of December 31, 2017).

Tax and social security contingent liabilities. The Company and its subsidiaries have tax and social security contingent liabilities of R\$1.94 billion as of December 31, 2018 (R\$1.71 billion as of December 31, 2017), as further described below.

Our subsidiary IPP and its subsidiaries have assessments invalidating the offset of excise tax (“IPI”) credits in connection with the purchase of raw materials used in the manufacturing of products which sales are not subject to IPI under the protection of tax immunity. The amount of this contingency was R\$168.4 million as of December 31, 2018 (R\$166.0 million as of December 31, 2017).

Our subsidiary IPP and its subsidiaries have legal proceedings related to ICMS. The total amount involved as of December 31, 2018 in these proceedings, was R\$836.4 million (R\$618.8 million as of December 31, 2017). Such proceedings arose mostly due to (i) the disregard of ICMS credits amounting to R\$318.6 million (R\$307.3 million as of December 31, 2017), of which R\$126.6 million (R\$121.9 million as of December 31, 2017) refer to proportional reversal requirement of ICMS credits related to the acquisition of hydrated alcohol; (ii) the alleged nonpayment in the amount of R\$125.7 million (R\$114.0 million as of December 31, 2017); (iii) conditional use of tax incentive in the amount of R\$121.7 million (non existent in 2017); and (iv) inventory differences in the amount of R\$185.5 million (R\$149.2 million as of December 31, 2017) related to the leftovers or faults due to temperature changes or product handling.

We and our subsidiaries are parties to administrative and judicial suits involving income tax, social security contribution, PIS and COFINS, substantially about denials of offset claims and credits disallowance which total amount was R\$674.1 million as of December 31, 2018 (R\$645.9 million as of December 31, 2017).

In the first quarter of 2017, our subsidiary IPP received a tax assessment related to the IRPJ and CSLL resulting from the supposedly undue amortization of the goodwill paid in connection with its acquisition of a subsidiary, in the amount of R\$193.8 million as of December 31, 2018 (R\$187.0 million as of December 31, 2017), which includes income taxes, interest and penalties. Management assessed the likelihood of the tax assessment, supported by the opinion of our legal advisors, as “possible”, and therefore did not recognize a provision for this assessment.

Civil, environmental and regulatory contingent liabilities. The Company and its subsidiaries have civil, environmental and regulatory contingent liabilities in the total amount of R\$624.5 million as of December 31, 2018 (R\$593.4 million as of December 31, 2017), as further described below.

Our subsidiary Cia. Ultragaz is party to an administrative proceeding before CADE based on alleged anti-competitive practices in the State of Minas Gerais in 2001. CADE rendered a decision against Cia. Ultragaz and imposed a penalty of R\$32.9 million as of December 31, 2018 (R\$32.3 million as of December 31, 2017). This decision was suspended by a court order and its merit is being judicially reviewed.

In 2016, subsidiary Cia. Ultragaz also became a party to two administrative proceedings filed by CADE relating to allegations of anti-competitive practices.

The first proceeding relates to anti-competitive practices in the State of Paraíba and other Northeast States and also involves our subsidiary Bahiana. Both companies signed a Cease and Desist Agreement (“*Termo de Compromisso de Cessação de Prática*” – TCC), which was approved by CADE on November 22, 2017 pursuant to which they agreed to pay a penalty of R\$96.0 million, in eight equal installments starting on the date corresponding to 180 days from the publication of CADE’s approval. These installments will be adjusted on a semiannual basis by the SELIC. In addition, three employees and a former employee of Ultragaz also signed the TCC and agreed to pay R\$1.1 million in fines.

The second proceeding relates to anti-competitive practices in the Federal District and surrounding and involves only Cia. Ultragaz. Cia. Ultragaz signed a TCC with respect to this proceeding that was approved by CADE on September 6, 2017. Pursuant to the TCC, Cia. Ultragaz agreed to pay a penalty of R\$2.2 million, in a single installment on the date corresponding to 180 days from the date of publication of CADE’s approval. Two former employees of Ultragaz also signed TCC and agreed to pay R\$50 thousand each in fines.

As a result of the TCCs described above, the proceeding against Cia. Ultragaz, Bahiana and the employees will be suspended until final decision by CADE Tribunal.

Our subsidiary IPP became a party to two administrative proceedings filed by CADE, relating to allegations of anti-competitive practices in the city of Joinville, State of Santa Catarina and the cities of Belo Horizonte, Contagem and Betim, State of Minas Gerais. On April 10, 2019, CADE concluded the administrative proceeding related to the cities of Belo Horizonte, Contagem and Betim. Despite IPP assertion as to the good standing of its conducts demonstrated throughout the proceeding, CADE administrative award ruled against IPP for allegedly influencing uniform commercial conduct among fuel resellers, while the charges against IPP for participating in the formation of a cartel among fuel distributors were dismissed. The award requires IPP to pay a fine of R\$40.7 million. IPP will continue to exercise its full defense rights, appealing to all administrative and judicial courts, in order to challenge the interpretation upon which such ruling was based. Regarding to Joinville case, no decision has been rendered and no fine has been imposed to the subsidiary. The administrative proceeding was submitted to the decision of CADE’s Tribunal, and supported by the opinion of external legal counsel that classified the probability of loss as “remote”, management did not recognize a provision for such contingency as of December 31, 2018. If it is concluded that IPP has engaged in anticompetitive activities or behavior, penalties and/or criminal sanctions may be applied against certain executives or employees or the Company, such as losses of operation license, and we may suffer reputational harm. Also, according to Law 12,529/11 (“Competition Law”), the penalty for infraction of the economic order may vary from 0.1% to 20% of the value of gross sales of the company, group or conglomerate obtained in the last fiscal year prior to the commencement of the administrative proceeding, in the branch of business activity in which the infraction occurred, which will never be less than the advantage obtained, when its estimation will be possible.

Certain former shareholders of RPR, CBPI and DPPI filed two lawsuits in the States of São Paulo and Rio de Janeiro questioning the Share Exchange in connection with the acquisition of the Ipiranga Group in order to prevent the Company’s shareholders’ meeting that would deliberate on the Share Exchange from taking place. Decisions by administrative and judicial courts stated that there were no legal grounds for the request. Based on such administrative and court decisions, the Share Exchange was approved by the shareholders’ meeting of the companies on December 18, 2007. The lawsuit filed in the State of Rio de Janeiro terminated as a result of loss of interest to sue, due to the sale of the correspondent shareholding at Ultrapar. Regarding the lawsuit filed in the state of São Paulo, the former Ipiranga shareholders that filed the suit appealed the decision issued, and the court of appeals rejected this appeal and maintained the lower court’s decision. Nonetheless, such former shareholders filed a special appeal against such decision, which was also not admitted by the court of appeals. Against this specific decision on non-admittance, they filed an interlocutory appeal to forcibly refer the case records to the Brazilian High Court of Justice, where the merits of the special appeal were also denied. The former shareholders then filed a motion for clarification, which was also rejected by the High Court of Justice. Against both decisions, which respectively rejected the special appeal and the motion for clarification, they filed an extraordinary appeal, which was rejected by the Vice President of the High Court of Justice on March 3, 2018. Finally, on April 18, 2018, this decision became final and unappealable. In 2011, a new lawsuit in the State of Rio de Janeiro was filed by some of these former shareholders, questioning aspects of the Share Exchange. However, the High Court of Justice rendered a decision regarding a conflict of jurisdictions and ordered the remittance of this new lawsuit to the State of São Paulo, where it will be judged. The Company has not recorded any provision for these lawsuits in its financial statements.

On November 29, 2016, a technical opinion was issued by the Operational Support Center for Execution (*Centro de Apoio Operacional à Execução – CAEX*), a technical body linked to the São Paulo State Public Prosecutor (“MPE”), presenting a proposal setting forth an estimate of monetary damages for the alleged environmental impact caused by the fire on April 2, 2015 at the Santos Terminal of the subsidiary Tequimar. This technical opinion is non-binding, with no condemnatory or sanctioning nature, and will still be evaluated by the authorities and parties. The Company disagrees with the methodology and the assumptions adopted in the proposal and is negotiating an agreement with the MPE and the Brazilian Federal Public Prosecutor (“MPF”). Nevertheless, it is expected that the amounts eventually payable on the final MPE report may have a material impact on the Company’s financial statements, besides the amounts already recognized. In addition, Tequimar has been criminally indicted based on the recommendation of the MPF in relation to the same matters and filed a response to the complaint on June 19, 2018. On December 31, 2018, there were unrecognized contingent liabilities related to lawsuits and extrajudicial suits in the amount of R\$62.9 million and R\$3.4 million (R\$88.1 million and R\$25.9 million on December 31, 2017), respectively. For additional information, see Note 22 to our financial statements.

Labor contingent liabilities. The Company and its subsidiaries have labor contingent liabilities in the total amount of R\$273.0 million as of December 31, 2018 (R\$273.7 million as of December 31, 2017), as further described below.

In 1990, the Petrochemical Industry Labor Union (*Sindicúmica*), of which the employees of Oxitenor Nordeste and EMCA, companies located in the Camaçari Petrochemical Complex, are members, filed separate lawsuits against the subsidiaries demanding the compliance with the fourth section of the collective labor agreement, which provided for a salary adjustment in lieu of the salary policies practiced. In the same year, a collective labor dispute was also filed by the Union of Employers (*SINPEQ*) against *Sindicúmica*, requiring the recognition of the loss of effectiveness of such fourth section. The decisions rendered on the individual claims which were favorable to the subsidiaries Oxitenor Nordeste and EMCA are final and unappealable. The collective labor dispute remains pending trial by STF. In 2010, some companies in the Camaçari Petrochemical Complex signed an agreement with *Sindicúmica* and reported the fact in the collective labor dispute. In October 2015, *Sindicúmica* filed enforcement lawsuits against all Camaçari Petrochemical Complex companies that have not yet reached settlements, including Oxitenor Nordeste and EMCA. The decisions of the lower court were favorable to the companies and are awaiting judgment of the Regional Labor Court of the 5th Region. In addition to collective actions, individual actions containing the same object have been filed.

Lubricants operation between IPP and Chevron. In the process of establishing the joint venture between Chevron and subsidiary IPP, the companies agreed that each shareholder of the new company would be responsible for any claims arising out of any acts, facts or omissions prior to their formation. The liability provisions of the Chevron shareholder in the amount of R\$3.6 million as of December 31, 2018 (R\$3.5 million as of December 31, 2017) are reflected in the consolidated financial statements, as well as the contingent liabilities identified at the date of acquisition, whose provision amount of R\$198.9 million was recognized as a business combination on December 1, 2017, with the balance of R\$191.1 million as of December 31, 2018. The amount provisioned of Chevron’s liability recognized in the business combination will be reimbursed to subsidiary CBLSA in the event of losses and an indemnity asset was hereby constituted in the same amount, without the need to establish a provision for uncollectible amounts.

Antitrust matters

Acquisition of Alesat Combustíveis S.A. The acquisition of 100% of Ale and the assets integrating its operation by Ipiranga was duly submitted to the antitrust authorities on September 19, 2016. On February 1, 2017, the General Superintendence issued a non-binding opinion objecting to the transaction. On August 2, 2017, CADE rejected the transaction relating the acquisition of Ale and any of its assets comprising its operations. The contract was automatically terminated without any penalty from either party.

Joint-Venture between Ipiranga and Chevron in the Lubricants Business in Brazil. The joint-venture between Ipiranga and Chevron to create a company in the lubricants business in Brazil was duly submitted to the antitrust authorities on December 13, 2016. On February 9, 2017, the General Superintendence of CADE issued an opinion for the approval of the transaction without any restriction. On March 2, 2017, CADE issued a certificate attesting to the approval that was published on February 10, 2017.

Acquisition of Liquigás Distribuidora S.A. The acquisition of 100% of Liquigás by Cia. Ultragaz S.A. was submitted to the antitrust authorities on April 7, 2017. On August 28, 2017, the General Superintendence issued a non-binding opinion objecting to the transaction. On February 28, 2018, CADE rejected the transaction relating the acquisition of Liquigás. The contract was automatically terminated, pursuant to which Ultragaz paid a fine on March 13, 2018, in favor of Petrobras in the amount of R\$286 million as per the terms of original sale and purchase agreement.

Acquisition of Terminal Exportador de Alcool de Santos Ltda. (“TEAS”). The acquisition of 100% of TEAS, previously owned by Raízen Energia S.A. and Raízen Araraquara Açúcar e Alcool Ltda., by Terminal Químico de Aratu S.A. – TEQUIMAR, was duly submitted to the antitrust authorities on January 31, 2018. On February 9, 2018, the General Superintendence of CADE issued an opinion for the approval of the transaction without any restriction. On March 2, 2018, CADE issued a certificate attesting to the approval that was published on February 10, 2018. Closing of the acquisition took place on March 29, 2018.

B. Significant Changes

None.

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

Not required.

B. Plan of Distribution

Not applicable.

C. Markets

Our shares are listed on the São Paulo Stock Exchange under the ticker symbol “UGPA3” and the ADSs are listed on NYSE under the symbol “UGP”.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Bylaws

We are registered with the commercial registry of the state of São Paulo under the registration number 35,300,109,724. Pursuant to chapter I, article 3 of our bylaws, our main corporate purpose is the investment of our capital in the trade, industry and agriculture sectors and in companies providing services, through the subscription for or acquisition of shares or quotas in other companies.

General

Set forth below is a summary of selected significant provisions of our bylaws and the Brazilian Corporate Law, the rules and regulations of the CVM and the *Novo Mercado* listing segment of B3 regarding certain corporate matters applicable to us. This description does not purport to be complete and is qualified by reference to our bylaws, Brazilian Corporate Law, the rules and regulations of the CVM and the rules of the *Novo Mercado*.

In connection with the Conversion, at the extraordinary shareholders’ meeting and the special preferred shareholders’ meeting, both held on June 28, 2011, our shareholders approved (i) the conversion of all preferred shares into common shares at a ratio of one preferred share for one common share; (ii) changes to and consolidation of our bylaws; (iii) the Company’s adherence to the rules of the *Novo Mercado* of the B3; and (iv) the confirmation that the new provisions related to the rights of all Company’s shareholders in the event of a sale of control of the Company, pursuant to its new bylaws and the *Novo Mercado* regulations, are equivalent to the provisions of the Ultra S.A. shareholders’ agreement dated as of March 22, 2000. Such decisions became effective on the date the shares issued by the Company were admitted to trade at the *Novo Mercado* of the B3.

As a result of the Conversion, all preferred shares were converted into common shares. Therefore, certain rights granted to preferred shareholders by Brazilian law or our previous bylaws no longer apply, such as, for example, the priority in capital distribution in the event of our liquidation. Also, due to our new capital structure, other shareholders’ rights are currently not applicable, for instance, the right to separate elections for the Board of Directors and Fiscal Council. On the other hand, common shareholders are entitled to voting rights in any matter. See “Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds.”

Since our shares are listed on the *Novo Mercado*, we are required to comply with heightened requirements for corporate governance. In addition, we are not permitted to issue preferred shares or any shares with restricted voting rights while listed on the *Novo Mercado* pursuant to the rules of the *Novo Mercado* and our bylaws.

As of January 2, 2018, the new rules for *Novo Mercado* came into effect. Despite the fact that the companies listed in this segment must fully comply with the regulations until the general shareholders' meeting of 2021, our bylaws were already amended on April 10, 2019 to reflect these rules.

Description of Capital Stock

As of December 31, 2018, our subscribed and paid-in capital stock consisted of 556,405,096 common shares, all of which have equal voting and equity rights, with no par value, of which 13,390,149 common shares were held in treasury. At the extraordinary and annual general shareholders' meeting held on April 10, 2019, a stock split at the *ratio* of one common share to two shares of the same class and type was approved, without changing the total capital stock of the Company or modifying the financial amount and shareholder participation in the Company's capital. With effect from effective date of the stock split, which is scheduled to occur on April 24, 2019, our number of common shares will be increased to 1,112,810,192 common shares with no par value. The timetable in respect of the corresponding stock split of our American Depositary Shares has been notified to NYSE by the Bank of New York Mellon.

Subscription Warrants

As a result of the Extrafarma Transaction, the Company issued subscription warrants to the former Extrafarma shareholders that could lead to the issuance of up to 3,205,622 shares until 2020. See "Item 4.A. History and Development of the Company – Extrafarma."

Voting Rights

Each common share entitles its holder to one vote at the matters of the shareholders' meetings, in accordance with the Brazilian Corporate Law, our bylaws and the *Novo Mercado* regulations. For more detailed information with respect to the voting rights of our common shares see our Form 8-A filed with the SEC on August 15, 2011 in the section "Description of Capital Stock—Shareholders' Meetings."

Deregistration as Publicly-Held Company

We may only deregister as a publicly-held company if such deregistration is approved by a majority of the shareholders present at a shareholders' meeting, which shall be conditioned to: (i) the launching of a public tender offer for the acquisition of all of our outstanding shares in accordance with the provisions of Brazilian Corporate Law, the CVM rules and regulations, the *Novo Mercado* regulation and our bylaws by us, our controlling shareholders or a group of controlling shareholders and (ii) the acceptance of at least two thirds (2/3) of the shareholders representing the free float that show up at the tender offer auction (whether by selling its shares or expressly agreeing with the deregistration), in which case we would become a privately-held company. The price offered for such outstanding shares must at least correspond to the fair value of such shares as set forth in the respective appraisal report issued by a specialized institution with proven experience hired by the offeror for the purposes of the tender offer.

Shareholders holding at least ten percent of the free float of our shares may require our management to call a special shareholders' meeting to determine whether to perform another valuation using the same or a different valuation method. This request must be made within 15 days following the disclosure of the price to be paid for the shares in the public tender offer. If the new valuation price is equal to or lower than the original valuation price, the shareholders making such request as well as those who vote in its favor must reimburse the Company for any costs incurred in preparing the new appraisal report. If the new valuation price is higher than the original valuation price, the offeror shall then decide whether to proceed with the public tender offer observing the new price or withdraw the tender offer, in which case the Company will continue to be registered as a publicly-held company.

Withdrawal from the Novo Mercado

According to the new *Novo Mercado* Listing Rules – applicable as of January 2, 2018 – and to our bylaws approved at the extraordinary and annual general shareholders' meeting held on April 10, 2019, the withdrawal from the *Novo Mercado* may be: (i) voluntary; or (ii) mandatory, as a result of the violation of any the rules of the *Novo Mercado* or the deregistration as publicly-held company.

The withdrawal, however, shall only occur after the launching of a public tender offer for the Company's outstanding shares, which shall (i) follow, as applicable, the CVM regulation that rules that the mandatory tender offer for the deregistration as publicly-held company (including the abovementioned possibility to request a second valuation report); and (ii) be launched at a fair price, as appointed in the appraisal report issued by a specialized institution with proven experience for the purposes of the tender offer; and (ii) be approved by at least one third (1/3) of the shareholders representing the free float that participate in the tender offer auction (whether by selling its shares or expressly agreeing with the withdrawal from the *Novo Mercado*).

The obligation to launch such public tender offer, however, may be waived by the majority of the shareholders representing the Company's free float present at the shareholders' meeting convened to resolve on that matter. Such shareholders' meeting may be held on first call with the attendance of shareholders representing two thirds (2/3) of the free float or, on second call, with the attendance of any number of shareholders representing the free float.

The withdrawal from the *Novo Mercado* does not necessarily result in our deregistration as a publicly-held company on the B3.

If the Company participates in a corporate reorganization involving the transfer of its shareholders' base to a company that is not listed in the Novo Mercado, such resulting company or companies must apply for listing on *Novo Mercado* within one hundred and twenty (120) days from the date of the general shareholders meeting that approved the reorganization, unless the majority of the shareholders representing the Company's free float present at such shareholders' meeting agrees with the non-listing of the resulting company.

Pursuant to the new rules of the *Novo Mercado* and to our new bylaws, the voluntary withdrawal shall be preceded by a public tender offer at fair market value. For the withdrawal to move forward, shareholders representing more than 1/3 of the outstanding shares shall need to accept the tender offer or expressly agree to delist without selling the shares.

According to the rules of the *Novo Mercado*, in the event of a transfer of our shareholding control within twelve (12) months following our delisting from the *Novo Mercado*, the selling controlling shareholder(s) and the acquirer must offer to acquire the remaining shares for the same price and terms offered to the selling controlling shareholders, duly updated, or pay the difference, if any, between the tender offer price accepted by the former shareholders, duly updated, and the price obtained by the controlling shareholder in selling its shares.

Sale of Control

In the event of a direct or indirect sale of the Company's shareholding control, through a single or series of transactions, the acquirer must conduct a public tender offer for all shares held by the remaining shareholders in order to ensure equal treatment of all shareholders (tag-along right). Such right has been provided to Ultrapar's shareholders since March 22, 2000, in accordance with the terms of the Ultra S.A. shareholders' agreement signed on the same date, which has since then been rescinded and replaced by our bylaws. The tender offer is subject to applicable laws and regulations, our bylaws and the rules of the *Novo Mercado*.

A public tender offer is also required when there is an assignment for consideration of share subscription rights or rights of other securities convertible into our shares, which results in the transfer of control of the Company. In such case, the acquiring shareholder must (i) complete a public tender offer for our remaining shares on the same terms and conditions offered to the selling shareholder and (ii) according to our bylaws, reimburse the counterparties from whom it has acquired our shares on the stock exchange in the six-month period preceding the transaction which resulted in a change in control. The reimbursement amount corresponds to the positive difference between the price paid to the selling shareholder in the transaction that resulted in a change of control and the adjusted price paid in the transactions carried out on the B3 during this six-month period, as adjusted by the SELIC rate up until the payment date.

The buyer of a controlling interest shall, after the financial settlement of the foregoing tender offer, take the appropriate actions to, over the course of the subsequent eighteen (18) months, restore the minimum percentage of outstanding shares as per the rules of the *Novo Mercado*.

Acquisition of a Relevant Interest

Any person, regardless of whether he/she is a shareholder, which, on his/her own account or acting jointly with another person, acquires our shares, through a single transaction or a series of successive transactions, representing 20% or more of our capital stock, is required to make a tender offer for the acquisition of the shares held by the remaining shareholders at a price equal to the highest value per share paid by him/her in the preceding six months, adjusted pursuant to the SELIC rate. Such persons will not be required to carry out a public tender offer in the event they timely and cumulatively sell on a stock exchange the number of our shares that exceeds such thresholds, within 30 days from the date they provide notice to the Company of their intent to make such sales. In addition, the requirement to carry out a public tender offer will not apply in the event any shareholder or group of shareholders hold more than 50% of our capital stock at the time of acquisition of the relevant interest.

Public Tender Offers

A single public tender offer may be launched for more than one of the purposes provided for in our bylaws, the *Novo Mercado* Listing rules, the Brazilian Corporate Law or in the regulations issued by the CVM, provided that the procedures used when conducting the unified public tender offer are compatible with all requirements of each individual public tender offer, the public tender offers do not suffer any damages and the authorization of the CVM is obtained, when required by the applicable law.

C. Material Contracts

2018 Shareholders' Agreement

On May 2, 2018, Ultra S.A. and Parth executed a shareholders' agreement to set forth a set of rules to govern the relationship between these two shareholders, binding a total of shares representing 31.25% of the Company's capital stock. This shareholders' agreement replaced the Ultra S.A. shareholders' agreement executed in 2014 and shall be in force for a period of five years, automatically renewable for an equal period, except if a termination notice is sent by one party to the other up to six (6) months before the end of its term. The 2018 shareholders agreement's main terms are substantially related to (i) the decision process of how Ultra S.A., Parth and its shareholders shall vote at Ultrapar's shareholders meetings; (ii) procedures to exchange any party's shares in Ultra S.A. or in Parth for shares of Ultrapar; and (iii) procedures applicable to the exercise of right of first refusal, preemptive rights and drag along rights. Additionally, any third party purchasing Ultra S.A.'s shares bound by the shareholders' agreement must agree to be bound by the shareholders' agreement.

See "Exhibit 2.7 — 2018 Shareholders' Agreement, dated as of May 2, 2018."

Association and Other Covenants Agreement — Extrafarma

On September 30, 2013, Ultrapar, Extrafarma, Paulo Correa Lazera, Katia Correa Lazera, Pedro José Correa Lazera, Roberto Correa Lazera, Tania Lazera Lima Paes, Tereza Lazera Kemp and Sandra Correa Lazera, each individual being a former shareholder of Extrafarma entered into an Association and Other Covenants Agreement to effect the merger of shares (*incorporação de ações*) of Extrafarma with Ultrapar. See "Exhibit 4.17 – Summary of the Association and Other Covenants Agreement, dated September 30, 2013."

Notes in the foreign market

In October 2016, the subsidiary Ultrapar International S.A. issued notes in the international market in the principal amount of US\$750 million, with maturity in October 2026 and interest rate of 5.25% per annum, with interest payable semiannually. The issue price was 98.097% of its face value. The notes are jointly and unconditionally guaranteed by Ultrapar and by the subsidiary IPP.

BNDES

Ultrapar has financing from BNDES (Brazilian National Development Bank) for some of its investments. As of December 31, 2018, such line of credit with BNDES totaled R\$1.6 billion, of which R\$0.2 billion have been used in current transactions.

The loans under this credit agreement bear mainly an annual interest of TJLP plus an additional rate that varies according to each subsidiary. The credit line agreement contains certain financial ratio covenants and limits on permitted usages of the borrowed amounts (which are limited to certain fixed asset and working capital expenditures). In addition, the subsidiaries may redeem the debt prior to the maturity date, but will be subject to the payment of certain premiums.

Debentures

In March 2015, Ultrapar completed its fifth issuance of R\$800 million in public debentures, which mature in March 2018 and bear interest at 108.25% of CDI, with principal due at maturity. The proceeds of the issuance were used to redeem 800 debentures from the fourth issuance, at the final maturity date. The debentures were settled by the Company on the maturity date.

In March 2018, Ultrapar completed its sixth issuance of R\$1,725.0 million in public debentures, which mature in March 2023 and bear interest at 105.25% of CDI, with principal due at maturity. The proceeds of the issuance were used to redeem 800 debentures from the fifth issuance at the final maturity date and to lengthen its debt profile, providing greater financial flexibility.

For more information on our debentures, see “Item 5.B. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Indebtedness.”

Banco do Brasil

Our subsidiary IPP entered into several loan agreements with Banco do Brasil S.A. to finance the marketing, processing or manufacturing of agricultural goods (particularly ethanol). The loan agreements contain certain financial penalties for failure to make required payments, limits on permitted usages of the borrowed amounts (which are linked to certain agricultural products expenditures) and loan acceleration clauses. In addition, these agreements contain cross default clauses, requiring the principal and accrued interest to be paid in full for certain events.

For further detail on financial instruments of Ultrapar and its subsidiaries, see Note 33 to our consolidated financial statements and “Item 5.B. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Indebtedness.”

Other material contracts are described in other sections of this report

For information regarding our contract with Braskem relating to the supply of ethylene, see “Item 4.B. Information on the Company—Business Overview—Petrochemicals and Chemicals—Oxitenó—Raw materials” and “Item 5.F. Operating and Financial Review and Prospects—Tabular Disclosure of Contractual Obligations.”

D. Exchange Controls

There are no restrictions on ownership of our common shares by individual or legal entities domiciled outside Brazil. However, the right to convert dividend payments and proceeds from the sale of our shares into foreign currency and to remit such amounts abroad is subject to restrictions under foreign investment legislation, which generally require, among other things, that the relevant investment be registered with the Central Bank and/or the CVM, as the case may be.

Foreign investors may register their investment in our shares under Law 4,131, dated as of September 3, 1962, as amended, or Resolution 4,373, dated as of September 29, 2014 (which replaced Resolution 2,689, dated of January 26, 2000). Registration under Resolution 4,373 affords favorable tax treatment to non-Brazilian investors who are not residents in a “tax haven” jurisdiction (i.e. countries that do not impose income tax or where the maximum income tax rate is lower than 20%), as defined by Brazilian tax laws.

Resolution 4,373 provides that foreign investors may invest in financial and capital markets in Brazil, including by means of the issuance of depositary receipts in foreign markets in respect of shares of Brazilian issuers.

Under Annex I of Resolution 4,373, investments of non-Brazilian investors shall be made in Brazil in accordance with the same instruments and operational modalities available to the investors residing or domiciled in Brazil. The definition of non-Brazilian investor includes individuals, legal entities, funds and other collective investment entities, residing, domiciled or headquartered abroad.

Pursuant to Annex I of Resolution 4,373, among the requirements applicable to the investment of a non-Brazilian investor in the Brazilian financial and capital market, such investor must:

- appoint at least one representative in Brazil, which must be a financial institution or other institution authorized to operate by the Central Bank of Brazil. The local representative appointed by the foreign investor shall be responsible for performing and updating the registration of the investments made by the foreign investor with the Central Bank of Brazil, as well as the registration of the foreign investor with the CVM;
- obtain a registry as a foreign investor with the CVM, through the representative appointed pursuant to item (i) above; and
- establish or contract one or more custodians authorized by the CVM to perform custody activities.

Securities and other financial assets held by non-Brazilian investors pursuant to Annex I Resolution 4,373 must be registered or maintained in deposit accounts or under the custody of an entity duly licensed by the Central Bank or the CVM, as applicable, or be registered with clearing houses or other entities that provide services of registration, clearing and settlement duly licensed by the Brazilian Central Bank or the CVM, as applicable. In the case of Depositary Receipts (DRs), the record must be made by the Brazilian custodian entity on behalf of the foreign depositary institution.

Annex II of Resolution 4,373 of the National Monetary Council provides for the issuance of depositary receipts in foreign markets in respect of shares of Brazilian issuers. The ADS program must be approved by the CVM prior to the issuance of the ADSs.

For purposes of the mandatory registration with the Central Bank of Brazil of foreign investments in the Brazilian financial and capital markets, Resolution 4,373 expressly provides that simultaneous foreign exchange transactions (i.e. without effective transfer of funds to or from abroad) shall be required in specific situations, including (i) conversion of credits held by foreign investors in Brazil into foreign investment in Brazilian companies in the financial and capital markets; (ii) transfer of investments made in depositary receipts into foreign direct investments (or *investimento externo direto*) under Law No. 4,131 or investments in the Brazilian financial and capital markets under Annex I of Resolution. 4,373; and (iii) transfer of investments in the Brazilian financial and capital markets under Annex I of Resolution. 4,373 into foreign direct investments (or *investimento externo direto*) under Law No. 4,131.

In addition, Resolution 4,373 does not allow foreign investors to perform investments or sell the invested assets outside of organized markets, except as expressly authorized by the CVM through specific regulation or according to the exceptions provided in CVM Rule 560/15. Pursuant to CVM Rule 560/15, the exceptions for investments outside of organized markets include subscription, stock bonus, initial purchase offers and the exercise of put options due to initial purchase offers, among others.

Foreign investors must be registered with the Brazilian Internal Revenue Service (“*Receita Federal*”) pursuant to the Nominative Instruction 1,863, dated as of December 27, 2018 and Nominative Instruction 1,548, dated as of February 13, 2015. This registration process is undertaken by the investor’s legal representative in Brazil.

The right to convert dividend payments and proceeds from the sale of our shares into foreign currency and to remit such amounts outside Brazil is subject to restrictions under foreign investment legislation which generally requires, among other things, that the relevant investment be registered with the Central Bank and/or the CVM, as the case may be. A foreign investor holder of shares may experience delays in obtaining or updating a foreign investment registration, which may delay remittances outside Brazil and adversely affect the amount, in U.S. dollars, received by the foreign investor holder.

We have obtained a certificate of registration in the name of The Bank of New York Mellon, the depositary, with respect to our ADS program. Pursuant to this certificate, the custodian and the depositary are able to convert dividends and other distributions with respect to the shares represented by ADSs into foreign currency and to remit the proceeds outside Brazil. If a holder exchanges ADSs for shares, such holder must seek to register its investment directly with the Central Bank. Unless the holder has registered its investment with the Central Bank, such holder may not convert into foreign currency and remit outside Brazil the proceeds from the disposition of, or distributions with respect to, such shares. Such holder may be subject to less favorable Brazilian tax treatment on proceeds from the disposition of the investment than a holder of ADSs.

Since 2005, the National Monetary Council has enacted new regulations allowing, subject to certain procedures and specific regulatory provisions, the purchase and sale of foreign currency and the international transfer of *Reais* by a person or legal entity, without limitation of the amount involved, provided that the transaction is legal and has economic grounds (as evidenced by documents presented by the Brazilian person or legal entity to the financial institution executing the purchase and sale of foreign currency or the international transfer of *Reais*).

Under Brazilian law, whenever there is a serious imbalance in Brazil's balance of payments or reasons to foresee a serious imbalance, the Brazilian government may impose temporary restriction on the remittance of foreign currency abroad and on the conversion of Brazilian currency into foreign currencies. Such restrictions may hinder or prevent the custodian or holders who have exchanged ADSs for underlying shares from converting distributions or the proceeds from any sale of such shares, as the case may be, into U.S. dollars and remitting such U.S. dollars abroad.

E. Taxation

This description does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular investor, including tax considerations that arise from rules of general application to all taxpayers or to certain classes of investors or that are generally assumed to be known by investors.

This summary is based upon tax laws of Brazil and the United States as of the date of this annual report, which are subject to change, possibly with retroactive effect, and to differing interpretations. Investors who hold our shares and ADSs should consult their own tax advisors as to the Brazilian, U.S. or other tax considerations relating to the ownership and disposition of shares or ADSs, including, in particular, the effect of any non-U.S., state or local tax laws.

The tax considerations described below do not take into account the effects of a possible future bilateral income tax treaty between Brazil and the United States. We cannot assure you as to whether or when an income tax treaty will enter into force or how it will affect U.S. Holders of our shares or ADSs.

This summary does not address any tax issues that affect solely the Company, such as deductibility of expenses.

Brazilian Tax Consequences

General. The following discussion summarizes the main Brazilian tax considerations relating to the ownership and disposal of our shares or ADSs, as the case may be, by a holder that is not domiciled in Brazil for purposes of Brazilian taxation and, in the case of shares, has registered its investment in such securities with the Central Bank as a direct investment (in each case, a "Non-Brazilian Holder"). The following discussion does not address all of the Brazilian tax considerations applicable to any particular Non-Brazilian Holder. Therefore, each Non-Brazilian Holder should consult his or her own tax advisors concerning the Brazilian tax considerations relating to an investment in our shares or ADSs.

Law No. 12,973 enacted on May 13, 2014 established new rules regarding the withholding tax exemption available on the payment of dividends and interest on capital. The legislation had no material impact, as foreseen by the tax consultants in the 20-F form in the previous year.

Taxation of dividends. Dividends paid by us, including stock dividends and other dividends paid in property, to the depositary in respect of the shares, or to a Non-Brazilian Holder in respect of shares, are currently exempted from withholding tax in Brazil to the extent that the dividends are paid out of profits as of January 1, 1996. Dividends relating to profits generated prior to January 1, 1996 may be subject to Brazilian withholding income tax at varying rates, depending on the year the profits were generated.

Interpretation of the Discussion on the Definition of "Favorable Tax Jurisdiction". On June 4, 2010, Brazilian tax authorities enacted Normative Instruction 1,037 listing (i) the countries and jurisdictions considered as favorable tax jurisdiction or where local legislation does not allow access to information related to the shareholding composition of legal entities to their ownership or to the identity of the effective beneficiary of the income attributed to non-residents, or "tax haven" jurisdictions, and (ii) the privileged tax regimes, whose definition is provided by Law No. 11,727, dated as of June 23, 2008. Although we believe that the best interpretation of the current tax legislation could lead to the conclusion that the above mentioned "privileged tax regime" concept should apply solely for purposes of Brazilian transfer pricing, thin capitalization and controlled foreign company rules, we cannot assure you whether subsequent legislation or interpretations by the Brazilian tax authorities regarding the definition of a "privileged tax regime" provided by Law No. 11,727/08 will also apply to a Non-Brazilian Holder on payments potentially made by a Brazilian source.

Moreover, on November 28, 2014, due to the enactment of Ordinance No. 488, the definition of a favorable tax jurisdiction, for the purposes described above, was changed from jurisdictions where there is no income tax, or the income tax applicable rate is inferior to 20%, to jurisdictions where there is no income tax, or the income tax applicable rate is inferior to 17% (if the country is aligned with the international standards of fiscal transparency defined by Brazilian legislation).

We recommend prospective investors consult their own tax advisors from time to time to verify any possible tax consequences arising of Normative Ruling No. 1,037/10 and Law No. 11,727/08. If the Brazilian tax authorities determine that the concept of “privileged tax regime” provided by Law No. 11,727/08 will also apply to a Non-Resident Holder on payments potentially made by a Brazilian source, the withholding income tax applicable to such payments could be assessed at a rate up to 25%.

Payments of interest on capital. Law No. 9,249, dated as of December 26, 1995, permits Brazilian corporations to make distributions to shareholders of interest on capital, or interest attributed to shareholders’ equity.

These distributions may be paid in cash and such payments represent a deductible expense from the payer’s corporate income tax and social contribution tax basis. This interest is limited to the daily pro rata variation of the Federal Government’s long-term interest rate, as determined by the Central Bank from time to time, and cannot exceed the greater of:

- 50% of net income (after the social contribution on net profits and before the provision for corporate income tax, and the amounts attributable to shareholders as interest on net equity) for the fiscal year; or
- 50% of the sum of retained profits and profits reserves.

Any payment of interest on capital to shareholders (including holders of ADSs in respect of shares) is subject to a withholding income tax at a rate of 15%, or 25% if the Non-Brazilian Holder is domiciled in a “tax haven” jurisdiction (“Tax Haven Holder”). These payments may be included, net of withholding income taxes, as part of any mandatory dividend.

Under the Decree 8,426 of 2014 the payment of interest on capital are also subjected to PIS and COFINS at a rate of 9.25%.

To the extent that payments of interest on capital are included as part of a mandatory dividend, we are required to distribute an additional amount to ensure that the net amount received by shareholders, after payment of the applicable withholding income tax, is at least equal to the mandatory dividend.

Distributions of interest on net equity to foreign holders may be converted into U.S. dollars and remitted outside Brazil, subject to applicable exchange controls, to the extent that the investment is registered with the Central Bank.

We cannot assure you if our Board of Directors will determine that future distributions should be made by means of dividends or interest on capital.

Taxation of gains. According to Law No. 10,833, dated as of December 29, 2003, the gains recognized on a disposal of assets located in Brazil, such as our shares, by a Non-Brazilian Holder, are subject to withholding income tax in Brazil. This rule is applicable regardless of whether the disposal is conducted in Brazil or abroad and/or if the disposal is or is not made to an individual or entity resident or domiciled in Brazil.

As a general rule, capital gains realized as a result of a disposal transaction are the positive difference between the amount realized on the disposal of the shares and the respective acquisition cost.

Capital gains realized by Non-Brazilian Holders on the disposal of shares sold on the Brazilian stock exchange (which includes the transactions carried out on the organized over-the-counter market):

- are subject to the withholding income tax at a zero percent rate when realized by a Non-Brazilian Holder that (i) has registered its investment in Brazil before the Central Bank under the rules of the Brazilian Monetary Counsel (“Registered Holder”) and (ii) is not a Tax Haven Holder; and
- are subject to income tax at a rate of 15% with respect to gains realized by a Non-Brazilian Holder that is not a Registered Holder (including a Non-Brazilian Holder who qualifies under Law No. 4,131/62) and gains earned by Tax Haven Holders that are Registered Holders. In this case, a withholding income tax of 0.005% shall be applicable and can be offset against any income tax due on the capital gain.

Any other gains realized on the disposal of shares that are sold on the Brazilian stock exchange or on the organized over-the-counter market:

- are subject to income tax at a rate of 15% when realized by any Non-Brazilian Holder that is not a Tax Haven Holder, no matter if a Registered Holder or not; and
- are subject to income tax at a rate of 25% when realized by a Tax Haven Holder, no matter if a Registered Holder or not.

In the cases above, if the gains are related to transactions conducted on the Brazilian non-organized over-the-counter market with intermediation, the withholding income tax of 0.005% shall also be applicable on the gross proceeds and can be offset against any income tax due on the capital gain.

Any exercise of preemptive rights relating to shares will not be subject to Brazilian income tax. Gains realized by a Non-Brazilian Holder on the disposal of preemptive rights will be subject to Brazilian income tax according to the same rules applicable to disposal of shares.

There can be no assurance that the current favorable tax treatment of Registered Holders will continue in the future.

Furthermore, according to the general rules set forth in Law No. 13,259/2016, any other gains on the disposal of shares (out of the Brazilian stock exchange and qualified under Law No. 4131/62) are subject to income tax at a progressive rate from 15% to 22.5% or 25% if the resident is located in a low-tax jurisdiction or Tax Haven.

Sale of ADS and shares by non-Brazilian Holders to other non-residents in Brazil

Pursuant to Section 26 of Law No. 10,833, published on December 29, 2003, the sale of property located in Brazil involving non-resident investors is subject to Brazilian income tax as of February 1, 2004. Our understanding is that ADSs do not qualify as property located in Brazil and, thus, should not be subject to the Brazilian withholding tax. Insofar as the regulatory norm referred to in Section 26 is generic and since, at the present time, no definitive jurisprudence provided by Brazilian Superior Courts has been established with respect to this matter, we are unable to assure the final outcome of such discussion.

Gains on the exchange of ADS for shares

Although there is no clear regulatory guidance, the exchange of ADSs for shares should not be subject to Brazilian income tax. Non-Brazilian Holders may exchange their ADSs for the underlying shares, sell the shares on a Brazilian stock exchange and remit abroad the proceeds of the sale within five business days from the date of exchange (in reliance on the depositary's electronic registration). For further information, see "Item 10. Additional Information—Taxation—Brazilian Tax Consequences—Taxation of Bonds and Securities Transactions (IOF/Bonds)." Our understanding is that the exchange of ADSs for the underlying shares and sale of shares within the period mentioned above by a Non-Brazilian Holder that (i) is a Registered Holder and (ii) is not a Tax Haven Holder, should not be subject to the withholding income tax.

Upon receipt of the underlying shares in exchange for ADSs, Non-Brazilian Holders may also elect to register with the Central Bank the U.S. dollar value of such shares as a foreign portfolio investment under the rules of the Brazilian Monetary Counsel, which will entitle them to the tax treatment referred above in connection with Registered Holders.

Alternatively, the Non-Brazilian Holder is also entitled to register with the Central Bank the U.S. dollar value of such shares as a foreign direct investment under Law No. 4,131/62, in which case the respective sale would be subject to the tax treatment of Non-Brazilian Holders that are not Registered Holders.

Gains on the exchange of shares for ADS

The deposit of shares in exchange for the ADSs may be subject to Brazilian income tax on capital gains if the amount previously registered with the Central Bank as a foreign investment in shares (direct investment registered under Law No. 4,131/62) or, in the case of Registered Holders, the acquisition cost of the shares, as the case may be, is lower than:

- the average price per share on the Brazilian stock exchange on which the greatest number of such shares were sold on the day of the deposit; or
- if no shares were sold on that day, the average price on the Brazilian stock exchange on which the greatest number of shares were sold during the 15 preceding trading sessions.

The difference between the amount previously registered, or the acquisition cost, as the case may be, and the average price of the shares, calculated as set forth above, is considered a capital gain subject to income tax at a rate of 15%, or 25% for Tax Haven Holders.

Taxation of Foreign Exchange Transactions (IOF/Exchange). IOF/Exchange is imposed on the conversion of *Reais* into foreign currency and on the conversion of foreign currency into *Reais*. In the case of the settlement of foreign exchange transactions for the flow of capital into the country, made by foreign investors, for transactions in the financial and capital markets, the applicable rate is 0%. The Brazilian Federal Government is permitted to increase the rate at any time, up to 25%. However, any increase in rates only applies to future transactions.

Taxation of Bonds and Securities Transactions: (IOF/Bonds). Law No. 8,894, dated as of June 21, 1994, created the IOF/Bonds, which may be imposed on any transaction involving bonds and securities, even if the transaction includes Brazilian stock, futures or commodities exchange. The Federal Supreme Court of Brazil decided that the transfer of shares shall be taxed by IOF/Bonds. The current rate of IOF/Bonds with respect to transactions of shares is 0%. Regarding the ADSs, under the Decree No. 8,165, from December 23, 2013 which amended the Decree No. 6,306, from December 14, 2007, the IOF/Bonds rate applicable to the transfer of shares listed on the Brazilian stock exchange, with the specific purpose of guaranteeing the issuance of depositary receipts in the foreign market, is currently 0%. The Brazilian government may increase the rate up to 1.5% per day during the terms of the securities, but only with respect to future transactions relating to shares or ADSs.

Other Brazilian Taxes. Some Brazilian states impose gift and inheritance tax on gifts or bequests made by individuals or entities not domiciled or residing in Brazil to individuals or entities domiciled or residing within such states. There are no Brazilian stamp, issue, registration, or similar taxes or duties payable by holders of shares or ADSs.

U.S. Federal Income Tax Considerations

The following is a discussion of U.S. federal income tax considerations relating to the ownership and disposition of our shares or ADSs, but it does not purport to be a comprehensive description of all the tax considerations that may be relevant to U.S. Holders of our shares or ADSs. The discussion applies only to a U.S. Holder that holds our shares or ADSs as capital assets (generally, for investment purposes) for U.S. federal income tax purposes and does not address all the U.S. federal income tax considerations that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as dealers and traders in securities or currencies, financial institutions, insurance companies, tax-exempt entities, real estate investment trusts, regulated investment companies, persons that own, or have owned directly, indirectly or constructively, 10% or more of our shares (by vote or value) for U.S. federal income tax purposes, persons holding our shares or ADSs as part of a hedging transaction, wash sale, straddle, conversion transaction or other integrated transaction for U.S. federal income tax purposes, persons entering into a “constructive sale” with respect to our shares or ADSs for U.S. federal income tax purposes, persons that have a functional currency for U.S. federal income tax purposes other than the U.S. dollar, certain former citizens or long-term residents of the United States, persons who acquired our shares or ADSs pursuant to the exercise of any employee stock option or otherwise as compensation.

Moreover, this discussion does not address the U.S. federal estate and gift tax, Medicare contribution or alternative minimum tax considerations relating to the ownership or disposition of our shares or ADSs. U.S. Holders should consult their tax advisors with respect to the U.S. federal, state, local and non-U.S. tax considerations relating to the ownership and disposition of our shares or ADSs.

This discussion is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed U.S. Treasury regulations, in each case as in effect and available on the date hereof. All of the foregoing is subject to change (possibly on a retroactive basis), or differing interpretations, which could affect the U.S. federal income tax considerations described herein. There can be no assurance that the IRS or a court will not take a contrary position with respect to any U.S. federal income tax considerations described below. In addition, this discussion assumes that each obligation provided for in or otherwise contemplated by the Deposit Agreement and any other related document will be performed in accordance with its terms.

For purposes of this discussion, a “U.S. Holder” is a beneficial owner of our shares or ADSs that is for U.S. federal income tax purposes (i) a citizen or individual resident of the United States, (ii) a corporation, or other entity taxable as a corporation, created or organized under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust, (1) if such trust has validly elected to be treated as a U.S. person for U.S. federal income tax purposes, or (2) if a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of the substantial decisions of such trust.

If a partnership, or any other entity or arrangement treated as a partnership for U.S. federal tax income tax purposes, holds shares or ADSs, the U.S. federal income tax treatment of a partner in such partnership will generally depend on the status of the partner and on the activities of the partnership. Partnerships holding our shares or ADSs and partners in such partnerships should consult their tax advisors as to the particular U.S. federal income tax considerations of owning and disposing of our shares or ADSs.

Ownership of ADSs in general

In general, U.S. Holders of ADSs will be treated for U.S. federal income tax purposes as owners of the shares underlying the ADSs. Accordingly, no gain or loss will be recognized if a U.S. Holder exchanges ADSs for the underlying shares represented by those ADSs or exchanges the underlying shares represented by those ADSs for ADSs.

Taxation of distributions

Subject to the discussion below under “—Passive foreign investment company”, the gross amount of any distributions made to a U.S. Holder on our shares or ADSs, before reduction for any Brazilian taxes, including withholding taxes attributable to interest on equity, will be includable as ordinary dividend income on the day on which the dividends are actually or constructively received by a U.S. Holder to the extent paid out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. A distribution in excess of our current or accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder’s adjusted basis in our shares or ADSs and as a capital gain to the extent it exceeds the U.S. Holder’s basis. We do not maintain calculations of our earnings and profits under U.S. federal income tax principles. Therefore, U.S. Holders should expect that distributions by us will generally be treated as dividends to U.S. Holders for U.S. federal income tax purposes.

A non-corporate U.S. Holder will be subject to tax at the lower capital gain tax rate applicable to “qualified dividend income”, provided that certain conditions are satisfied, including that (1) our shares or ADSs, as applicable, are readily tradable on an established securities market in the United States, (2) we are neither a PFIC nor treated as such with respect to a U.S. Holder (as discussed below) for the taxable year in which the dividend was paid and the preceding taxable year, and (3) certain holding period requirements are met. Although no assurance may be given, we believe that our ADSs are readily tradable on the NYSE, which is an established securities market in the United States. There can be no assurance, however, that our ADSs will be considered readily tradable on an established securities market in the United States in later years. Because we do not expect that our shares will be listed on an established securities market in the United States, we do not expect that dividends we pay on our shares will meet the conditions required for the reduced tax rate.

Dividends paid to U.S. Holders in *Reais* will be includable in income in a U.S. dollar amount based on the exchange rate in effect on the date of actual or constructive receipt whether or not converted into U.S. dollars at that time. If dividends received in *Reais* are converted into U.S. dollars on the day they are actually or constructively received, the U.S. Holder will generally not be required to recognize foreign currency gain or loss in respect of the dividend income. Assuming the payment is not converted at that time, the U.S. Holder will have a tax basis in *Reais* equal to that U.S. dollar amount, which will be used to measure gain or loss from subsequent changes in exchange rates. Any gain or loss that a U.S. Holder recognizes on a subsequent conversion of *Reais* into U.S. dollars (or other disposition) will generally be U.S. source ordinary income or loss for U.S. foreign tax credit purposes.

Dividends on our shares or ADSs received by a U.S. Holder will generally be treated as foreign source income and will generally constitute passive category income for U.S. foreign tax credit purposes. Subject to certain conditions and limitations under U.S. federal income tax law concerning credits or deductions for non-U.S. taxes and certain exceptions for short-term and hedged positions, a Brazilian withholding tax imposed on dividends would be treated as a foreign income tax eligible for credit against a U.S. Holder’s U.S. federal income tax liability (or at a U.S. Holder’s election may be deducted in computing taxable income if the U.S. Holder has elected to deduct all foreign income taxes for the taxable year). The rules with respect to foreign tax credits are complex and U.S. Holders should consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Taxation of sale, exchange or other disposition of shares or ADSs

Subject to the discussion below under “—Passive foreign investment company”, a U.S. Holder will generally recognize gain or loss on the sale, exchange or other disposition of a share or ADS in an amount equal to the difference between the amount realized (including the gross amount of the proceeds before the reduction of any Brazilian tax) on such sale, exchange or other disposition and the U.S. Holder’s adjusted tax basis in such share or ADS. Subject to the discussion below under “—Passive foreign investment company”, gain or loss on the sale, exchange or other disposition of a share or ADS will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder held such share or ADS for more than one year. Gain or loss recognized by a U.S. Holder will generally be treated as U.S. source gain or loss for U.S. foreign tax credit purposes, as the case may be. An individual U.S. Holder may be entitled to preferential rates of taxation for net long-term capital gains; however, the deductibility of capital losses is subject to limitations under the Code.

A U.S. Holder's initial tax basis of our shares or ADSs will be the U.S. dollar value of the purchase price determined on the date of purchase. If our shares or ADSs are treated as traded on an "established securities market," a cash basis U.S. Holder (or, if it elects, an accrual basis U.S. Holder) will determine the U.S. dollar value of the cost of such shares or ADSs by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. The conversion of U.S. dollars to *Reais* and the immediate use of that currency to purchase shares or ADSs will generally not result in taxable gain or loss for a U.S. Holder.

A U.S. Holder that receives *Reais* upon a sale, exchange or other disposition of our shares or ADSs will realize an amount equal to the U.S. dollar value of the *Reais* on the date of sale, exchange, or other disposition. If our shares or ADSs are treated as traded on an "established securities market," a cash basis U.S. Holder (or, if it elects, an accrual basis U.S. Holder) will determine the U.S. dollar value of the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale, exchange or other disposition. A U.S. Holder will have a tax basis in the *Reais* received equal to that U.S. dollar amount. Any gain or loss realized by a U.S. Holder on a subsequent conversion of *Reais* into U.S. dollars (or other disposition) will generally be U.S. source ordinary income or loss for U.S. foreign tax credit purposes.

If any gain from the sale, exchange or other disposition of our shares or ADSs is subject to Brazilian tax, U.S. Holders may not be able to credit such taxes against their U.S. federal income tax liability under the U.S. foreign tax credit limitations of the Code since such gain will generally be U.S. source income, unless such tax can be credited (subject to applicable limitations) against tax due on other income treated as derived from foreign sources. Alternatively, the U.S. Holder may take a deduction for the Brazilian income tax if such holder does not take a credit for any foreign income tax during the taxable year. The rules with respect to foreign tax credits are complex and U.S. Holders should consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Passive foreign investment company

In general, certain adverse consequences could apply to a U.S. Holder if we are treated as a PFIC for any taxable year during which the U.S. Holder holds our shares or ADSs. A non-U.S. corporation will be classified as a PFIC for U.S. federal income tax purposes in any taxable year in which, after applying certain look-through rules, either (i) at least 75 percent of its gross income consists of "passive income", such as dividends, interest, rents, royalties and certain gains, including certain gains from commodities transactions, other than those that meet the Commodity Exception, or (ii) at least 50 percent of the average quarterly value of its gross assets is attributable to assets that produce or are held for the production of passive income.

We must make a separate determination each year as to whether we are a PFIC. Based on a review of our gross income and assets, the manner in which we currently operate our business, the current market price of our shares, and the current interpretation of the PFIC rules, including the Commodity Exception, we believe that we were not a PFIC for U.S. federal income tax purposes for the 2018 taxable year. However, the determination as to whether we are a PFIC for any taxable year is based on the application of complex U.S. federal income tax rules, which are subject to differing interpretations, depends upon the composition of a company's income and assets and the market value of its assets from time to time, and is not made until after the end of a taxable year. Consequently, there can be no assurance that we will not be considered a PFIC for the current taxable year or any subsequent taxable year.

If we are a PFIC for any taxable year during which a U.S. Holder holds our shares or ADSs, a U.S. Holder of our shares or ADSs may be subject to imputed interest charges and other generally adverse tax consequences with respect to any gain from the sale, exchange or other taxable disposition of, and certain "excess distributions" with respect to, our shares or ADSs. Distributions received in a taxable year that are greater than 125 percent of the average annual distributions received during the shorter of (i) the three preceding taxable years or (ii) a U.S. Holder's holding period for the shares or ADSs will be treated as "excess distributions". Under these special tax rules: (A) any excess distributions or gain will be allocated ratably to each day in the U.S. Holder's holding period for the shares or ADSs, (B) the amount allocated to the taxable year of disposition, and any taxable year prior to the first taxable year in which we are a PFIC, will be treated as ordinary income, and (C) the amount allocated to each other taxable year that we were a PFIC will be subject to tax at the highest tax rate applicable to ordinary income in effect for such taxpayer for each such earlier taxable year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

If we are a PFIC for any taxable year during which a U.S. Holder holds our shares or ADSs and any of our non-U.S. subsidiaries is also a PFIC, such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC and would be subject to the rules described above on certain distributions by such lower-tier PFIC and a disposition of shares of such lower-tier PFIC even though such U.S. Holder would generally not receive the proceeds of those distributions or dispositions. U.S. Holders should consult their tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

If a company that is a PFIC provides certain information to U.S. Holders, a U.S. Holder can then avoid certain adverse tax consequences described above by making a “qualified electing fund” election to be taxed currently on its proportionate share of the PFIC’s ordinary income and net capital gains. However, a qualified electing fund election will not be available to U.S. Holders because we do not intend to provide the necessary information to allow U.S. Holders to make such an election for any tax year in which we are a PFIC.

Alternatively, a U.S. Holder of “marketable stock” in a PFIC may make a mark-to-market election with respect to such stock. Marketable stock is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter (“regularly traded”) on a qualified exchange (such as the NYSE) or other market as defined in applicable U.S. Treasury regulations. We believe that our shares and ADSs qualify as being regularly traded on a qualified exchange, but no assurances may be given in this regard. If a U.S. Holder makes this election, such holder will generally (i) include as income for each taxable year the excess, if any, of the fair market value of our shares or ADSs held at the end of the taxable year over the adjusted tax basis of such shares or ADSs and (ii) deduct as a loss the excess, if any, of the adjusted tax basis of our shares or ADSs over the fair market value of such shares or ADSs held at the end of the taxable year, but only to the extent of the amount previously included in income as a result of the mark-to-market election. The U.S. Holder’s adjusted tax basis in our shares or ADSs would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a U.S. Holder makes a mark-to-market election in respect of a corporation classified as a PFIC and such corporation ceases to be classified as a PFIC, such holder will not be required to take into account the gain or loss described above during any period that such corporation is not classified as a PFIC.

Because a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a U.S. Holder may continue to be subject to the PFIC rules with respect to such holder’s indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes.

U.S. Holders should consult their tax advisors regarding the tax consequences that would arise if we were treated as a PFIC for U.S. federal income tax purposes, including the possibility of making a mark-to-market election.

Foreign tax credit for Brazilian taxes

Any Brazilian IOF/Exchange Tax imposed on a purchase of our shares or ADSs or IOF/Bonds Tax imposed on a transaction (as discussed above under “Brazilian Tax Consequences”) will not be treated as a creditable foreign tax for U.S. federal income tax purposes. U.S. Holders should consult their tax advisors regarding the tax consequences of these Brazilian taxes.

Certain reporting requirements

Certain U.S. Holders are required to report to the IRS information relating to an interest in our shares or ADSs, subject to exceptions (including an exception for shares or ADSs held in accounts maintained by certain financial institutions), by attaching a complete IRS Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they held an interest in our shares or ADSs. If a U.S. Holder holds our shares or ADSs in any year in which we are treated as a PFIC with respect to such U.S. Holder, the U.S. Holder will be required to file IRS Form 8621. U.S. Holders should consult their tax advisors regarding the application of the U.S. information reporting rules to their particular circumstances.

THE PRECEDING DISCUSSION OF U.S. FEDERAL INCOME TAX CONSIDERATIONS IS INTENDED FOR GENERAL INFORMATION ONLY AND DOES NOT CONSTITUTE TAX ADVICE. U.S. HOLDERS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES TO THEM OF AN INVESTMENT IN OUR SHARES OR ADSs.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

Statements contained in this annual report as to the contents of any contract or other document referred to are not necessarily complete, and each of these statements is qualified in all respects by reference to the full text of such contract or other document filed as an exhibit hereto. A copy of the complete annual report including the exhibits and schedules filed herewith is available on the website maintained by the SEC that contains information filed electronically with the SEC, which can be accessed over the internet at <http://www.sec.gov>.

We are subject to the information and periodic reporting requirements of the Securities Exchange Act of 1934 as amended, and, in accordance therewith, file periodic reports and other information with the SEC. However, as a foreign private issuer, we are exempt from the rules under the Exchange Act relating to the furnishing and content of proxy statements and relating to short-swing profits reporting and liability.

We furnish to The Bank of New York Mellon, as depositary, copies of all reports we are required to file with the SEC under the Exchange Act, including our annual reports in English, containing a brief description of our operations and our audited annual consolidated financial statements which are prepared in accordance with IFRS. In addition, we are required under the Deposit Agreement to furnish the depositary with copies of English translations to the extent required under the rules of the SEC of all notices of meetings of holders of common shares and other reports and communications that are generally made available to holders of common shares. Under certain circumstances, the depositary will arrange for the mailing, at our expense, of these notices, other reports and communications to all ADS holders.

We also file financial statements and other periodic reports with the CVM located at Sete de Setembro Street, 111, Rio de Janeiro, Brazil, 20050-901. In addition, the CVM maintains a website that contains information in Portuguese filed electronically with the CVM, which can be accessed over the internet at <http://www.cvm.gov.br>.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The main risks to which the company is exposed reflect strategic/operational and economic/financial aspects. Operational/strategic risks (including, but not limited to, demand behavior, competition, technological innovation, and material changes in the industry structure) are addressed by Ultrapar's management model. Economic/financial risks primarily reflect default of customers credit quality, behavior of macroeconomic variables, such as exchange and interest rates, as well as the characteristics of the financial instruments used by the company and by their counterparties. These risks are managed through control policies, specific strategies, and establishment of limits.

The Company has a conservative policy for the management of resources, financial instruments and risks approved by its Board of Directors (the "Policy"). In accordance with the Policy, the main objectives of financial management are to preserve the value and liquidity of financial assets and ensure financial resources for the development of business, including expansions. The main financial risks considered in the Policy are risks associated with currencies, interest rates, credit and selection of financial instruments. Governance of the management of financial risks and financial instruments follows the segregation of duties below:

- Implementation of the management of financial assets, instruments and risks is the responsibility of the financial area, through its treasury department, with the assistance of the tax and accounting departments;
- Supervision and monitoring of compliance with the principles, guidelines and standards of the Policy is the responsibility of the Risk and Investment Committee composed of members of the company's executive board ("Committee"). The Committee holds regular meetings and is in charge, among other responsibilities, of discussing and monitoring the financial strategies, existing exposures, and significant transactions involving investment, fundraising, or risk mitigation. The Committee monitors the risk standards established by the Policy through a monitoring map on a monthly basis;
- Changes in the Policy, or revisions of its standards are subject to the approval of Board of Directors of Ultrapar;
- Continuous enhancement of the Policy is the joint responsibility of the Board of Directors, the Committee, and the financial area; and
- The internal audit department audits the compliance with the requirements of the Policy.

Currency risk

Most business operations of Ultrapar are located in Brazil and, therefore, the reference currency for risk management is the *Real*. Currency risk management is guided by neutrality of currency exposures and considers the transactional, accounting, and operational risks of Ultrapar and its exposure to changes in exchange rates. The Company considers as its main currency exposures the assets and liabilities in foreign currency and the short-term flow of net sales in foreign currency of Oxitenó.

The Company uses exchange rate hedging instruments (especially between the *Real* and the U.S. dollar) available in the financial market to protect their assets, liabilities, receipts and disbursements in foreign currency and net investments in foreign operations. Therefore, hedge is used in order to reduce the effects of changes in exchange rates on the Company's income and cash flows in *Reais* within the exposure limits under its Policy. Such foreign exchange hedging instruments have amounts, periods, and rates substantially equivalent to those of assets, liabilities, receipts and disbursements in foreign currency to which they are related. Assets and liabilities in foreign currencies are stated below, translated into *Reais* as of December 31, 2018 and 2017:

Assets and liabilities in foreign currency

In millions of <i>Reais</i>	2018	2017
Assets in foreign currency		
Cash, cash equivalents and financial investments in foreign currency (except hedging instruments)	254.2	236.4
Foreign trade receivables, net of allowance for doubtful accounts and advances to foreign customers	235.1	214.9
Other net assets foreign (except cash, cash equivalents, financial investments, trade receivables, financing and payables)	1,384.9	930.0
	1,874.2	1,381.3
Liabilities in foreign currency		
Financing in foreign currency gross of transaction costs and negative goodwill	(5,515.6)	(4,416.2)
Payables arising from imports, net of advances to foreign suppliers	(567.7)	(173.1)
	(6,083.3)	(4,589.3)
Foreign currency hedging instruments	2,483.0	1,777.6
Net asset (liability) position – Total	(1,726.1)	(1,430.4)
Net asset (liability) position – Income statement effect	282.7	(26.1)
Net asset (liability) position – Shareholders' equity effect	(2,008.8)	(1,404.3)

Sensitivity analysis of assets and liabilities in foreign currency

The table below shows the effect of exchange rate changes on different scenarios, based on the net liability position of R\$1,726.1 million in foreign currency.

In millions of Brazilian <i>Reais</i>	Risk	Scenario I	Scenario II	Scenario III
		10%	25%	50%
(1) Income statement effect	<i>Real</i> devaluation	28.3	70.7	141.4
(2) Shareholders' equity effect		(200.9)	(502.2)	(1,004.4)
(1) + (2)	Net effect	(172.6)	(431.5)	(863.0)
(3) Income statement effect	<i>Real</i> appreciation	(28.3)	(70.7)	(141.4)
(4) Shareholders' equity effect		200.9	502.2	1,004.4
(3) + (4)	Net effect	172.6	431.5	863.0

The shareholders' equity effect refers to cumulative translation adjustments of changes in the exchange rate on equity of foreign subsidiaries (see Notes 2.s.1 and 25.g.2—Cumulative Translation Adjustments to our consolidated financial statements), net investments hedge in foreign entities, cash flow hedge of firm commitment and highly probable transaction (see Note 2.c and 33.h – Hedge Accounting to our consolidated financial statements).

Sensitivity analysis of currency derivative instruments

The Company uses derivative financial instruments only to hedge against identified risks and in amounts consistent with the risk (limited to 100% of the identified risk). Thus, for purposes of sensitivity analysis of market risks associated with financial instruments, the Company analyzes the hedging instrument and the hedged item together, as shown on the charts below.

For the sensitivity analysis of foreign exchange hedging instruments, management adopted as a likely scenario the *Real*/U.S. dollar exchange rates at maturity of each swap, projected by U.S. dollar futures contracts quoted on B3 as of December 28, 2018. As a reference, the exchange rate for the last maturity of foreign exchange hedging instruments is R\$5.86 in the likely scenario. Scenarios II and III were estimated with a 25% and 50% additional appreciation or depreciation of the *Real* against the likely scenario, according to the risk to which the hedged item is exposed.

Based on the balances of the hedging instruments and hedged items as of December 31, 2018, the exchange rates were replaced, and the changes between the new balance in *Reais* and the balance in *Reais* as of December 31, 2018 were calculated in each of the three scenarios. The table below shows the change in the values of the main derivative instruments and their hedged items, considering the changes in the exchange rate in the different scenarios:

	<u>Risk</u>	<u>Scenario I (Likely)</u>	<u>Scenario II</u>	<u>Scenario III</u>
		<u>(in millions of Reais)</u>		
Currency swaps receivable in U.S. dollars				
(1) U.S. dollar / <i>Real</i> swaps	Dollar appreciation	372.0	1,039.7	1,707.3
(2) Debts/firm commitments in U.S. dollars		(372.0)	(1,039.7)	(1,707.3)
)))
(1)+(2).....	Net Effect	0.0	0.0	0.0
Currency swaps payable in U.S. dollars				
(3) <i>Real</i> / U.S. dollar swaps		(0.1)		
	Dollar devaluation	)	8.5	17.2
(4) Gross margin of Oxiteno			(8.5)	(17.2)
		0.1))
(3)+(4).....	Net Effect	—	—	—
Options				
(5) Options <i>Real</i> / U.S. Dollar swaps	Dollar devaluation	—	97.9	244.5
			(139.0)	(285.6)
(6) Gross margin of Oxiteno		7.6))
			(41.1)	(41.1)
(5)+(6).....	Net Effect	7.6))

For sensitivity analysis of hedging instruments for interest rates in Brazilian *Reais*, the Company used the futures curve of the DI x Pre contract quoted on B3 as of December 28, 2018 for each of the swap and debt (hedged item) maturities, to determine the likely scenarios. Scenarios II and III were estimated based on a 25% and 50% deterioration, respectively, of the likely scenario pre-fixed interest rate.

Based on the three scenarios of interest rates in Brazilian *Reais*, we estimated the values of our debt and hedging instruments according to the risk which is being hedged (variations in the pre-fixed interest rates in Brazilian *Reais*), by projecting them to future value at the contracted rates and bringing them to present value at the interest rates of the estimated scenarios. The result is shown in the table below:

	<u>Risk</u>	<u>Scenario I (Likely)</u>	<u>Scenario II</u>	<u>Scenario III</u>
		<u>(in millions of Reais)</u>		
Interest rate swap (in Brazilian Reais) – Debentures – CRA				
(1) Fixed rate swap – CDI.....	Decrease in Pre-	(312.	(254.4	(188.0
	fixed rate	0))
(2) Fixed rate debt.....		312.		
		0	254.4	188.0
(1)+(2).....		—		
	Net Effect		—	—

Interest Rate Risk

Ultrapar adopts prudent policies for borrowing and investing financial resources and for capital cost minimization. The financial investments of Ultrapar are primarily held in transactions linked to the CDI. Our borrowings primarily relate to financings from Banco do Brasil S.A., BNDES and other development agencies, debentures, notes in the foreign credit markets and other borrowings in foreign currency. Ultrapar does not actively manage risks associated with changes in the level of interest rates and attempts to maintain its financial interest assets and liabilities at floating rates. See Notes 4, 15 and 33 to our consolidated financial statements.

The table below provides information as of December 31, 2018 about our debt obligations in foreign currency and in *Reais* that are subject to variable and fixed rates of interest. The table summarizes information on instruments and transactions that are sensitive to foreign currency exchange rates and interest rates:

	Weighted average interest rate	Fair value	Book value	Principal by year of maturity ⁽¹⁾						
Debt				2019	2020	2021	2022	2023	2024 and thereafter	
				(in millions of Reais)						
R\$ borrowings		52.	52	25.	15.	11.	0.	—	—	
	5.9%	1	.4	7	7	0	0			
Borrowings indexed to the CDI.....	103.7% of the CDI	8,435.	8,491	1,907.	491.	1,241.	2,468.	2,381.	—	
	DI	1	.0	9	2	5	7	7		
Borrowings indexed to the TJLP	2.2%	201.	201	98.	51.	27.	16.	7.	—	
		3	.2	0	9	0	6	7		
U.S. dollar borrowings	4.8%	3,969.	4,018	107.	(5.	227.	71.	732.	2,884.	
		8	.0	5	6)	6	1	8	6	
Borrowings indexed to the LIBOR.....	1.6%	1,437.	1,437	44.	386.	38.	660.	307.	—	
		1	.1	3	7	4	0	7		
Borrowings indexed to the IGP-M	5.6%	46.	46	2.	2.	3.	3.	3.	30.	
		1	.1	8	8	0	2	3	9	
Borrowings indexed to the SELIC	2.3%	51.	51	22.	22.	4.	1.	0.	—	
		3	.5	8	1	6	8	1		
Borrowings indexed to the MX\$	9.0%	27.	27	27.	—	—	—	—	—	
		8	.8	8						
Borrowings indexed to the MX\$+ TIE	1.5%	3.	3	3.	—	—	—	—	—	
		9	.9	9						
Borrowings indexed to the Bs	0.0%	—	—	—	—	—	—	—	—	
Borrowings indexed to the IPCA	4.6%	833.	833	12.	(1.	(1.	(1.	(1.	828.	
		2	.2	2	9)	9)	9)	9)	7	
Subtotal		15,057.	15,162	2,253.	962.	1,551.	3,219.	3,431.	3,744.	
		7	.2	1	9	1	5	5	2	
Unrealized losses on swaps transactions		43.	43	20.	—	—	—	—	23.	
		9	.9	9					1	
		15,101.	15,206	2,274.	962.	1,551.	3,219.	3,431.	3,767.	
Total		7	.1	0	9	1	5	5	3	

⁽¹⁾ Figures include interest accrued through December 31, 2018.

Credit risk

The financial instruments that would expose the Company to credit risks of the counterparty are basically represented by cash and cash equivalents, financial investments, hedging instruments and trade receivables.

Customer credit risk — The credit policy establishes the analysis of the profile of each new customer, individually, regarding their financial condition. The review carried out by the subsidiaries of the Company includes the evaluation of external ratings, when available, financial statements, credit bureau information, industry information and, when necessary, bank references. Credit limits are established for each customer and reviewed periodically, in a shorter period the greater the risk, depending on the approval of the responsible area in cases of sales that exceed these limits.

In monitoring credit risk, customers are grouped according to their credit characteristics and depending on the business the grouping takes into account, for example, whether they are natural or legal clients, whether they are wholesalers, resellers or final customers, considering also the geographic area.

The estimates of credit losses are calculated based on the probability of default rates. Loss rates are calculated on the basis of the average probability of a receivable amount to advance through successive stages of default until full write-off. The probability of default calculation takes into account a credit risk score for each exposure, based on data considered to be capable of foreseeing the risk of loss (external classifications, audited financial statements, cash flow projections, customer information available in the press, for example), with addition of the credit assessment based on experience.

Such risks are managed by each business unit through specific criteria for acceptance of customers and their credit rating and customers' credit risks are also mitigated by diversification of sales. As of December 31, 2018, the estimated credit losses on doubtful accounts on their trade receivables recorded for Ipiranga, Ultragaz, Extrafarma, Oxiten and Ultracargo were R\$442.5 million, R\$62.0 million, R\$5.9 million, R\$12.4 million and R\$2.1 million, respectively. In addition, as of December 31, 2018, no single customer or group accounts for more than 10% of total revenue.

Credit risk of financial institutions — Such risk results from the inability of financial institutions to comply with their financial obligations to the Company due to insolvency. The Company regularly conducts a credit review of the institutions with which they hold cash and cash equivalents, financial investments, and hedging instruments through various methodologies that assess liquidity, solvency, leverage, portfolio quality, etc. Cash and cash equivalents, financial investments, and hedging instruments are held only with institutions with a solid credit history, chosen for safety and soundness. The volumes of cash and cash equivalents, financial investments, and hedging instruments are subject to maximum limits by each institution and, therefore, require diversification of counterparties.

Government credit risk — The Company's Policy allows investments in government securities from countries classified as investment grade AAA or Aaa by specialized credit rating agencies (S&P, Moody's and Fitch) and in Brazilian government bonds. The volume of such financial investments is subject to maximum limits by each country and, therefore, requires diversification of counterparties.

The credit risk of cash, cash equivalents and financial investments is summarized below:

Counterparty credit rating	Fair value (in millions of Reais)	
	12/31/2018	12/31/2017
AAA	5,933.7	29.0
AA	707.4	6,076.5
A	262.6	192.6
BBB	90.8	71.8
Total	6,994.4	6,369.9

Liquidity risk

The Company main sources of liquidity derive from (i) cash, cash equivalents and financial investments, (ii) cash generated from operations and (iii) financing. The Company believes that these sources are sufficient to satisfy its current funding requirements, which include, but are not limited to, working capital, capital expenditures, amortization of debt and payment of dividends.

The Company periodically examines opportunities for acquisitions and investments. The Company considers different types of investments, either directly, through joint-ventures, or through associated companies, and finance such investments using cash generated from operations, debt financing, through capital increases or through a combination of these methods.

The Company believes it has sufficient working capital to satisfy its current needs. The gross indebtedness due over the next twelve months totals R\$2,869 million, including estimated interests on loans. Furthermore, the investment plan for 2019 totals R\$1,762.1 million. In 2018, the Company had R\$6,792.1 million in cash, cash equivalents and short-term financial investments (for quantitative information, see Notes 4 and 15 to our consolidated financial statements).

For further information on financial liabilities as of December 31, 2018, see Note 33 to our consolidated financial statements.

Capital management

The Company manages its capital structure based on indicators and benchmarks. The key performance indicators related to the capital structure management are the weighted average cost of capital, and the net debt/EBITDA, interest coverage and indebtedness/equity ratios. Net debt is composed of cash, cash equivalents and financial investments (see Note 4 to our consolidated financial statements) and loans, including debentures (see Note 15 to our consolidated financial statements). The Company can change its capital structure depending on economic and financial conditions, in order to optimize its financial leverage and capital management. The Company seeks to improve its return on invested capital by implementing efficient working capital management and a selective investment program.

Selection and use of financial instruments

In selecting financial investments and hedging instruments, an analysis is conducted to estimate rates of return, risks involved, liquidity, calculation methodology for the carrying value and fair value, and a review is conducted of any documentation applicable to the financial instruments. The financial instruments used to manage the financial resources of the Company are intended to preserve value and liquidity.

The Policy contemplates the use of derivative financial instruments only to cover identified risks and in amounts consistent with the risk (limited to 100% of the identified risk). The risks identified in the Policy are described in the above sections and are subject to risk management. In accordance with the Policy, the Company can use forward contracts, swaps, options, and futures contracts to manage identified risks. Leveraged derivative instruments are not permitted. Because the use of derivative financial instruments is limited to the coverage of identified risks, the Company uses the term “hedging instruments” to refer to derivative financial instruments.

As mentioned in the section “Risk Management and Financial Instruments—Governance”, the Committee monitors compliance with the risk standards established by the Policy through a risk map, including the use of hedging instruments, on a monthly basis. In addition, the internal audit department verifies the compliance with the requirements of the Policy.

The table below summarizes the position of hedging instruments entered by the Company:

Hedging instruments	Maturity	Notional amount ⁽¹⁾		Fair value		Amounts receivable	Amounts payable
		2018	2017	2018	2017	2018	
				(R\$ million)	(R\$ million)	(R\$ million)	(R\$ million)
Designated as hedge accounting							
a – Exchange rate swaps receivable in U.S. dollars							
Receivables in U.S. dollars (LIBOR).....	Jul 2021 to Nov 2023	US\$ 150.	US\$ 240.	577.	788.	577.	—
		0	0	5	6	5	
Receivables in U.S. dollars (Fixed)	Jul 2021 to Nov 2023	US\$ 245.	US\$ 203.	973.	665.	973.	—
		0	6	7	6	7	
Payables in CDI interest rate	Jul 2021 to Nov 2023	US\$ (395.)	US\$ (443.)	(1,515.)	(1,568.)	—	1,515.
		0	6	8	6	8	
Total result		—	—	4	(114.)	1,551.	1,515.
b – Interest rate swaps in Brazilian Reais							
Receivables in fixed interest rates + IPCA	Apr 2024 to Dec 2025	R\$ 806.	R\$ 566.	859.	583.	859.	—
		1	1	1	3	1	
Payables in CDI interest rates	Apr 2024 to Dec 2025	R\$ (806.)	R\$ (566.)	(823.)	(586.)	—	823.
		1	1	5	6	5	
Total result		—	—	6	(3.)	859.	823.
c – Options							
Zero Cost Collar (Reais x U.S. dollars)	Jan 2019 to Dec 2019	US\$ 149.	—	0.	—	0.	—
		4	—	3	—	3	—
Total result		US\$ 149.	—	0.	—	0.	—
		4	—	3	—	3	—
Not designated as hedge accounting							
d – Exchange rate swaps receivable in U.S. dollars							
Receivables in U.S. dollars (LIBOR).....	Jan 2019 to Oct 2026	US\$ 60.	US\$ 60.	234.	195.	234.	—
		0	0	1	7	1	
Receivables in U.S. dollars (Fixed)	Jan 2019 to Oct 2026	US\$ 856.	US\$ 753.	731.	157.	731.	—
		8	0	6	5	6	
Payables in CDI interest rate	Jan 2019 to Oct 2026	US\$ (916.)	US\$ (813.)	(689.)	(308.)	—	689.
		8	0	7	8	7	

Hedging instruments	Maturity	Notional amount ⁽¹⁾		Fair value		Amounts receivable	Amounts payable
		2018	2017	2018	2017	2018	
				(R\$ million)	(R\$ million)	(R\$ million)	(R\$ million)
				276.	44.	965.	689.
Total result		—	—	0	4	7	7
e – Exchange rate swaps payable in U.S. dollars + COUPON							
		US\$	US\$				
	Jan 2019 to	8.	9.	33.	29.	33.	
Receivables in CDI interest rates ...	Apr 2019	9	1	9	9	9	—
		US\$	US\$				
	Jan 2019 to	(8.	(9.	(33.	(29.		33.
Payables in U.S. dollars (Fixed)	Apr 2019	9	1	9	8	—	9
))))		
					0.	33.	33.
Total result		—	—	—	1	9	9
				347.	(73.	3,410.	3,062.
Total gross result.....				3	2	2	9
				(27.	(4.	(27.	
Income tax.....				9	7	9	—
				319.	(77.	3,382.	3,062.
Total net result				4	9	3	9
				363.	85.	2,296.	1,932.
Positive result (see Note 4).....				3	8	3	9
				(43.	(163.	1,086.	1,130.
Negative result (see Note 15).....				9	7	0	0

⁽¹⁾ In millions. Currency as indicated.

All transactions mentioned above were properly registered with the over-the-counter segment of B3.

Hedging instruments existing in 2018 are described below, according to their category, risk, and hedging strategy:

a and d – *Hedging against foreign exchange exposure of liabilities in foreign currency*—The purpose of these contracts is (i) to offset the effect of the change in exchange rates of debts or firm commitments in U.S. dollars by converting them into debts or firm commitments in *Reais* linked to CDI, (ii) change a financial investment linked to the CDI and (iii) change a financial investment linked to the CDI and given as a guarantee to a loan in the U.S. dollar into a financial investment linked to the U.S. dollar. The tables below present our position in this category of swaps as of December 31, 2018:

Swap	Maturity	
	2019	2020 and thereafter
Notional amount of swaps (in millions of Reais) ⁽¹⁾	402.4	3,867.1
Notional amount of swaps (in millions of dollars)	103.8	998.0
Average receiving rate	US\$	US\$ + 5.31%
Average payment rate	57.40% of the CDI	81.62% of the CDI

⁽¹⁾ Notional amount converted according to the commercial selling rate reported by the Central Bank (PTAX) as of December 31, 2018.

Swap	Maturity 2020 and thereafter
Notional amount of swaps (in millions of Reais) ⁽¹⁾	813.7
Notional amount of swaps (in millions of dollars)	210.0
Average receiving rate	US\$ + LIBOR + 1.29%
Average payment rate	105.2% of the CDI

⁽¹⁾ Notional amount converted according to the commercial selling rate reported by the Central Bank (PTAX) as of December 31, 2018.

b – *Hedging against fixed interest rate + IPCA in Brazilian Reais*—The purpose of this contract is to change fixed interest rate + IPCA of debentures issued in Brazilian *Reais* to floating interest. The table below presents our position in this category of swaps as of December 31, 2018.

Swap	Maturity 2020 and thereafter
Notional amount of swaps (in millions of Reais) ⁽¹⁾	806.1
Notional amount of swaps (in millions of dollars)	208.0
Average receiving rate	4.57% p.a. + IPCA
Average payment rate	95.75% of the CDI

⁽¹⁾ Notional amount converted according to the commercial selling rate reported by the Central Bank (PTAX) as of December 31, 2018.

c – *Hedging against foreign exchange exposure of revenues in foreign currency*—The purpose of this contract is to protect the highly probable future sales of the subsidiaries Oxiteno Nordeste, Oxiteno S.A, Oleoquímica and EMCA, denominated in U.S. dollars, regarding the impacts resulting exclusively from variations at the R\$/US\$ exchange rate, using derivative instruments (options) through a zero cost collar structure, which consists of the purchase of a “put” option and the sale of a “call” option, contracted with the same counterparty and with no premium paid. The table below presents our position in this category of swaps as of December 31, 2018:

Options	Maturity 2019
Notional amount of options (in millions of Reais) ⁽¹⁾	578.9
Notional amount of options (in millions of dollars)	149.4
Strike “put”	R\$/US\$3.6
Strike “call”	R\$/US\$4.6

⁽¹⁾ Notional amount converted according to the commercial selling rate reported by the Central Bank (PTAX) as of December 31, 2018.

e – *Hedging against foreign exchange exposure of operations*—The purpose of these contracts is to make the exchange rate of the revenues of subsidiaries Oleoquímica, Oxiten S.A. and Oxiten Nordeste equal to the exchange rate of the cost of their main raw materials during their operating cycles. The table below presents our position in this category of swaps as of December 31, 2018:

Swap	Maturity 2019
Notional amount of swaps (in millions of Reais) ⁽¹⁾	34.4
Notional amount of swaps (in millions of dollars)	8.9
Average receiving rate	32.86% of the CDI
Average payment rate	US\$ + 0.0% p.a.

⁽¹⁾ Notional amount converted according to the commercial selling rate reported by the Central Bank (PTAX) as of December 31, 2018.

Hedge accounting

The Company uses derivative and non-derivative financial instruments for hedging purposes and test, throughout the duration of the hedge, their effectiveness, as well as the changes in their fair value.

Fair value hedge

The Company and its subsidiaries designate as fair value hedges certain financial instruments used to offset the variations in interest and exchange rates, which are based on the market value of financing contracted in Brazilian Reais and U.S. dollars.

The foreign exchange hedging instruments designated as fair value hedge are:

In millions, except the CDI %	2018	2017
Notional amount – US\$	395.0	320.0
Result of hedging instruments – gain/(loss) – R\$	149.2	(143.4)
Fair value adjustment of debt – R\$	(28.5)	16.5
Financial expense in the statements of profit or loss – R\$	(215.9)	(4.1)
Average effective cost – CDI %	104.4	102.7

For more information, see Note 15.c.1 to our consolidated financial statements.

The interest rate hedging instruments designated as fair value hedge are:

In millions, except the CDI %	2018	2017
Notional amount – R\$	806.1	566.1
Result of hedging instruments – gain/(loss) – R\$	25.8	(3.3)
Fair value adjustment of debt – R\$	(13.3)	19.1
Financial expense in the statements of profit or loss – R\$	(50.2)	(18.5)
Average effective cost – CDI %	95.8	95.2

Cash flow hedge

The Company and its subsidiaries designate as cash flow hedge of firm commitment and highly probable transactions, derivative financial instruments to hedge “firm commitments” and non-derivative financial instruments to hedge “highly probable future transactions”, so as to hedge against fluctuations arising from changes in exchange rate.

In 2018, the Company had no open exchange rate hedging instruments of firm commitments designated as cash flow hedges (US\$115.0 million in 2017). For the exchange rate hedging instruments settled in 2018, a gain of R\$ 10.7 million was recognized in the income statement (loss of R\$45.4 million in 2017), transferring the unrealized gain of “Other comprehensive income” to the income statement in 2018 (gain of R\$5.3 million in 2017), net of deferred income and social contribution taxes.

In 2018, the notional amount of foreign exchange hedging instruments for highly probable future transactions designated as cash flow hedge, related to notes in the foreign market totaled US\$570.0 million (US\$570.0 million in 2017). In 2018, the unrealized loss of “Other comprehensive income” is R\$243.7 million (loss of R\$30.5 million in 2017), net of deferred income and social contribution taxes.

In 2018, the notional amount of foreign exchange hedging instruments for highly probable future transactions designated as cash flow hedge, related to future sales revenues of Oxitenio (zero cost collars) totaled US\$149.4 million. In 2018, the unrealized gain of “Other comprehensive income” is R\$0.2 million, net of deferred income and social contribution taxes.

Net investment hedge in foreign entities

The Company and its subsidiaries designate as net investment hedge in foreign entities notes in the foreign market, for hedging net investment hedge in foreign entities, to offset changes in exchange rates.

In 2018, the balance of foreign exchange hedging instruments designated as net investments hedge in foreign entities, related to part of the investments made in entities which functional currency is other than the Brazilian *Real*, totaled US\$96.0 million (US\$113.0 million in 2017). In 2018, the unrealized loss of “Other comprehensive income” is R\$45.9 million (loss of R\$6.2 million in 2017), net of deferred income and social contribution taxes. The effects of exchange rate changes on investments and hedging instruments were offset in equity.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

In the United States, our common shares are traded in the form of ADSs. Each of our ADSs represents one common share of Ultrapar, issued by The Bank of New York Mellon, as depositary, pursuant to a deposit agreement, dated July 22, 1999, as amended and restated on May 5, 2005, on January 26, 2011, on August 15, 2011, on January 19, 2016 and on March 2, 2018. The depositary’s principal executive office is located at One Wall Street, New York, NY 10286.

Fees and expenses

The following table summarizes the fees and expenses payable by holders of ADSs:

Persons depositing or withdrawing shares must pay:	For
\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	(i) Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property (ii) Cancellation of ADSs for the purpose of withdrawal, including if the Deposit Agreement terminates
\$0.05 (or less) per ADSs	Any cash distribution
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs	Distribution of securities to holders of deposited securities which are distributed by the depositary to ADS holders
Registration or transfer fees	Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares
Expenses of the depositary	(i) Cable, telex and facsimile transmissions (ii) Converting foreign currency to U.S. dollars
Taxes and other governmental charges the depositary or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes	As necessary
Any charges incurred by the depositary or its agents for servicing the deposited securities	As necessary

Payment of taxes

The depositary may deduct the amount of any taxes owed from any payments to investors who hold ADSs. It may also sell deposited securities, by public or private sale, to pay any taxes owed. Investors who hold ADSs will remain liable if the proceeds of the sale are not sufficient to pay the taxes. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to investors who hold ADSs any proceeds, or send to investors who hold ADSs any property, remaining after it has paid the taxes.

Reimbursement of fees

The Bank of New York Mellon, as depositary, has agreed to reimburse us for expenses we incur that are related to establishment and maintenance expenses of the ADS program. The depositary has agreed to reimburse us for our continuing annual stock exchange listing fees. The depositary has also agreed to pay the standard out-of-pocket maintenance costs for the ADRs, which consist of the expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of United States federal tax information, mailing required tax forms, stationery, postage, facsimile, and telephone calls.

Reimbursement of fees incurred in 2018

From January 1, 2018 until December 31, 2018, Ultrapar received from the depositary US\$490,927, net of withholding taxes, for continuing annual stock exchange listing fees, standard out-of-pocket maintenance costs for the ADSs (consisting of the expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of U.S. Federal tax information, mailing required tax forms, stationery, postage, facsimile, and telephone calls), any applicable performance indicators relating to the ADR facility, underwriting fees and legal fees.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

Under our management's supervision and with their participation, including our Chief Executive Officer and Chief Financial Officer, we performed an evaluation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, for the period covered by this Form 20-F. The Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is (a) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (b) accumulated and communicated to our management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2018, our disclosure controls and procedures were not effective due to deficiencies in the design and maintenance of our controls regarding change management and privileged access to our Information Technology ("IT") environment, as described below.

(b) Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of inherent limitations of internal control over financial reporting, including the possibility of improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

In this context, our management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2018, based on the criteria established in the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on such assessment and criteria, our management has identified control deficiencies that represent a material weakness in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Nevertheless, these deficiencies have not resulted in a misstatement or omission in our financial statements as of and for the year ended December 31, 2018 or this Form 20-F and, accordingly, no adjustments are required to be made thereto as a result of such material weakness.

The material weakness in internal control over financial reporting identified by our management relates to the access to our IT environment, as follows:

- a) Our change management process does not prevent our IT administrators from deploying changes to systems or databases without recording such changes, therefore bypassing the controls and procedures designed for the change management process; and
- b) We did not design, establish or maintain effective controls to monitor our IT administrators' privileged access to our IT environment.

As a result of the above, and in spite of the existing additional manual controls, designated to mitigate the possibility of a material misstatement, we could not rely on automated and IT-dependent controls, therefore some of the key controls designed to mitigate risks over our financial reporting process could not be tested for their effectiveness.

The Company's independent registered public accounting firm, KPMG Auditores Independientes, audited the effectiveness of our internal control over financial reporting as of December 31, 2018, as stated in their report below.

Remediation Plan for the Material Weakness

Our management is actively engaged in the planning for, and implementation of, the following remediation efforts to address the material weakness described above, which we plan to complete by the next assessment report by the management:

- a) Automate the process of deploying and changing systems and databases in order to ensure that controls and procedures designed for change management process cannot be bypassed by IT administrators; and
- b) Implement a solution that will establish effective control to monitor privileged access to our IT environment by designing new controls and procedures to address all the risks related to this process.

The designing and implementation processes will be periodically checked by our independent registered public accounting firm, which will evaluate any deviations during this process.

(c) Report of the Independent Registered Public Accounting Firm on Internal Control over Financial Reporting

The Report of independent registered public accounting firm, *KPMG Auditores Independentes* (“KPMG”), is presented below.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
Ultrapar Participações S.A.

Opinion on Internal Control Over Financial Reporting

We have audited Ultrapar Participações S.A. and subsidiaries (the Company) internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, because of the effect of the material weakness, described below, on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission”.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial position of the Company as of December 31, 2018 and 2017, the related consolidated statements of profit or loss, other comprehensive income, changes in equity, and cash flows for each of the years in the two-year period ended December 31, 2018, and the related notes (collectively, the consolidated financial statements) and our report dated April 22, 2019 expressed an unqualified opinion on those consolidated financial statements.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management’s assessment:

- There were ineffective general information technology controls (GITC) in the areas of user access and program change-management over the information technology (IT) system that support the Company’s financial reporting process. As a result, business process automated controls and manual controls with an automated component were also considered ineffective because they could have been adversely impacted.

The material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2018 consolidated financial statements and this report does not affect our report on those consolidated financial statements.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Controls over Financial Reporting appearing under Item 15 of the Company’s Annual Report on Form 20-F. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects,

Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/S/ KPMG Auditores Independentes
KPMG Auditores Independentes
We have served as the Company's auditor since 2017.
São Paulo – SP
April 22, 2019

(d) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting for the year ended December 31, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Until April 2019, our Fiscal Council acted as an audit committee pursuant to the requirements of the Sarbanes-Oxley Act. We did not appoint an audit committee financial expert, as Brazilian law does not require a Fiscal Council member to have the same attributes of such a financial expert. We believed that our Fiscal Council members had broad commercial experience and extensive business leadership, having held various roles in accountancy, financial management and supervision, treasury and corporate finance. We believed that there was a broad and suitable mix of business and financial experience on the Fiscal Council.

However, in order to adapt to the new rules for the *Novo Mercado* segment, the extraordinary and annual general shareholders' meeting held on April 10, 2019, decided that our audit and risks committee must function on a permanent basis to advise the Board of Directors and will be separate from the Fiscal Council.

Also in accordance with the new rules for the *Novo Mercado* and with the provisions of our bylaws, said committee shall have at least three members, of whom at least one must be an independent member of the Board of Directors and one member must have recognized experience in business accounting pursuant to the rules issued by the CVM regarding the registration and practice of independent auditing activities in the securities market.

The members of the audit and risks committee shall be elected by the Board of Directors for a term of office of two years, and the term shall coincide with the term of office of the Directors, with reelection being permitted for successive terms. The Board of Directors will appoint the members of audit and risks committee in a meeting to be held on May 15, 2019.

We believe that the election of a member with recognized experience in business accounting pursuant to the rules issued by the CVM complies with the requirements for the audit committee financial expert.

Notwithstanding the above, under Rule 10A-3(c)(3) of the Exchange Act, considering that (i) our audit and risks committee complies with the rules for the *Novo Mercado*; (ii) our bylaws expressly requires that the audit and risks committee consist of at least one members of the Board of Directors and one or more persons who are not directors; and (iii) SEC's interpretative letter issued on November 8, 2018, we are exempt from the audit committee requirements of Section 303A of the NYSE Listed Company Manual.

ITEM 16B. CODE OF ETHICS

In 2004, we established a code of ethics which covered (i) the Board of Directors; (ii) the whole Executive Board (including the Chief Executive Officer and the Chief Financial Officer); (iii) the Fiscal Council of Ultrapar; (iv) the Board of Directors and Executive Board of its subsidiaries; and (v) remaining bodies with technical or advisory functions that are directly subordinated to the Board of Directors, to the Executive Board or to the fiscal committee of Ultrapar. Our code of ethics was amended on June 17, 2009 to (i) improve certain existing items of the code by including examples of acceptable or unacceptable behavior and clarifying the language to avoid misunderstanding of such items and (ii) improve access to the channel for reporting non-compliance with the code. On July 31, 2013, we amended our Code of Ethics in order to increase the number of permanent members of the Conduct Committee from three to four members. On September 17, 2014, we reviewed our code of ethics. On December 13, 2017, our Board of Directors approved a new Code of Ethics, in force from March 1, 2018 onwards. For the complete amended Code of Ethics please see our 6-K furnished to the SEC on March 1, 2018. The objective of this code is (i) to reduce the subjectivity of personal interpretations of ethical principles; (ii) to be a formal and institutional benchmark for the professional conduct of the employees, including the ethical handling of actual or apparent conflicts of interests, becoming a standard for the internal and external relationship of Ultrapar with its stakeholders, namely: shareholders, clients, employees, partners, suppliers, service providers, labor unions, competitors, society, government and the communities in which it operates; and (iii) to ensure that the daily concerns with efficiency, competitiveness and profitability do not override ethical behavior.

Also, in 2014, we approved the anti-corruption and relationship with public officers' policy, applicable to shareholders, employees of the Company, third parties and business partners when representing or acting on behalf of the Company. On December 13, 2017, our Board of Directors approved a new Anti-Corruption and Relationship with Public Officers Policy, in force from March 1, 2018 onwards. This policy consolidates the guidelines for corruption prevention to be adopted in the relationship with public officers to protect the integrity and transparency of our businesses.

On September 21, 2016, our Board of Directors approved the Antitrust Policy applicable to employees of the Company, third parties and business partners. This policy establishes guidelines in addition to our Code of Ethics for anti-competitive practices.

On the same date, the Company approved the Conflict of Interests Policy applicable to employees of the Company, third parties and business partners when representing or acting on behalf of the Company. This policy provides for standard behaviors and professional conduct of the employees, including the ethical handling of actual or apparent conflicts of interests.

You can obtain a copy of our Code of Ethics and of our Anti-Corruption and Relationship with Public Officers Policy, free of charge, at our website (www.ultra.com.br), or by requesting a copy from the Investor Relations Department (e-mail: invest@ultra.com.br).

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The relationship with our independent registered public accounting firm in respect to the contracting of services unrelated to the external audit is based on principles that preserve the independence of the independent registered public accounting firm. Our Board of Directors approves our financial statements, the performance by our independent registered public accounting firm of audit and permissible non-audit services, and associated fees, supported by our Fiscal Council, which acts as an audit committee pursuant to the requirements of the Sarbanes-Oxley Act. See "Item 6.C. Directors, Senior Management and Employees—Board Practices—Fiscal Council and Audit Committee Exemption" for more information about the responsibilities of the Fiscal Council. Our consolidated financial statements for the year ended December 31, 2018 and 2017 were audited by the independent registered public accounting firm KPMG Auditores Independentes.

The following table describes the total amount billed to us by KPMG Auditores Independentes for services performed in 2018 and 2017:

	2018	2017
	(in thousands of Reais)	
Audit Fees.....	7,373.4	5,780.0
Audit Related Fees.....	310.0	120.0
Tax Fees.....	—	—
All Other Fees.....	—	—
Total Consolidated Audit Fees.....	7,683.4	5,900.0

“Audit Fees” are the aggregate fees billed by our independent registered public accounting firm for the audit of our consolidated and annual financial statements, reviews of interim financial information and attestation services that are provided in connection with statutory and regulatory filings or engagements.

“Audit Related Fees 2018” are fees related to agreed upon procedures in connection with the process of offering debentures of Ipiranga Produtos de Petróleo S.A.

“Audit Related Fees 2017” are fees related to report of Ipiranga Lubrificantes in connection with the association of Ipiranga and Chevron. See “Item 4.A. Information on the Company—History and Development of the Company.”

Pre-Approval Policies and Procedures

Pursuant to our Fiscal Council internal rules, services rendered by our independent auditors must be pre-approved by the Fiscal Council. All services exceeding R\$250 thousand threshold should be approved by our Fiscal Council, provided that these are permitted services as stated in the Fiscal Council internal rules. In addition, permitted services up to the R\$250 thousand threshold are pre-approved, and should be informed to the Fiscal Council in the subsequent meeting.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Until April 2019, our Fiscal Council met the requirements for exemption from audit committee independence pursuant to the requirements of the Sarbanes-Oxley Act. Under Rule 10A-3(c)(3) of the Exchange Act, non-U.S. issuers, such as Ultrapar, are exempt from the audit committee independence requirements of Section 303A of the NYSE Listed Company Manual if they establish, according to their local law or regulations, another body that meets certain requirements. See “Item 6.C. Directors, Senior Management and Employees—Board Practices—Fiscal Council and Audit Committee Exemption.”

The Fiscal Council in office until April 2019, met the following requirements of the general exemption contained in Rule 10A-3(c)(3):

- the Fiscal Council was established pursuant to Brazilian Corporate Law and our bylaws;
- under the requirements of Brazilian Corporate Law, our Fiscal Council was a separate body from our Board of Directors;
- the Fiscal Council was not elected by Ultrapar’s management and no executive officer of Ultrapar is a member of the Fiscal Council;
- all of the members of the Fiscal Council met the independence requirements from Ultrapar, the management and the independent registered public accounting firm, as set forth by Brazilian Corporate Law and/or listing provisions in Brazil;
- the Fiscal Council made recommendations to our Board of Directors regarding the appointment, retention and oversight of the work of the independent registered public accounting firm engaged for the purpose of preparing or issuing audit reports for Ultrapar;
- the Fiscal Council adopted a complaints procedure in accordance with Rule 10A-3(b)(3) of the Exchange Act;
- the Fiscal Council was authorized to engage independent counsel and other advisers, as it deemed appropriate; and
- Ultrapar has provided for appropriate funding, as determined by the Fiscal Council, for the payment of (i) compensation to Ultrapar’s independent registered public accounting firm engaged for the purpose of issuing audit reports, (ii) compensation to independent counsel and other advisers engaged by the Fiscal Council, and (iii) ordinary administrative expenses of the Fiscal Council in carrying out its duties.

As approved by our shareholders at the extraordinary and annual general shareholders’ meeting held on April 10, 2019, our audit and risks committee shall function on a permanent basis and will be separate from the Fiscal Council, fully in compliance with the rules of the *Novo Mercado*. Said committee shall assume the duties and obligations mentioned above.

Under Rule 10A-3(c)(3) of the Exchange Act, considering that (i) our audit and risks committee complies with the rules for the *Novo Mercado*; (ii) our bylaws expressly requires that the audit and risks committee consist of at least one members of the Board of Directors and one or more persons who are not directors; and (iii) SEC’s interpretative letter issued on November 8, 2018, we are exempt from the audit committee requirements of Section 303A of the NYSE Listed Company Manual.

Ultrapar’s reliance on Rule 10A-3(c)(3) does not, in its opinion, materially adversely affect the ability of our audit and risks committee to act independently and to satisfy the other requirements of Rule 10A-3.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

We did not purchase any share issued by the Company in 2018.

ITEM 16F. CHANGE IN REGISTRANT'S INDEPENDENT PUBLIC ACCOUNTING FIRM

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

Under the rules of the NYSE, foreign private issuers are subject to a more limited set of corporate governance requirements than are U.S. domestic issuers. As a foreign private issuer, we must comply with four principal NYSE corporate governance rules: (i) we must satisfy the requirements of Exchange Act Rule 10A-3 relating to audit committees; (ii) our Chief Executive Officer must promptly notify the NYSE after any executive officer becomes aware of any material noncompliance with the applicable NYSE rules; (iii) we must provide the NYSE with annual and interim written affirmations; and (iv) we must provide a brief description of any significant differences between our corporate governance practices and those followed by U.S. companies under NYSE listing standards.

The significant differences between our corporate governance practices and the NYSE corporate governance standards are as follows:

Independence of Directors

NYSE rules require that a majority of the Board of Directors must consist of independent directors as defined under NYSE rules. Under Brazilian Corporate Law, we are not required to have a majority of independent directors.

The Brazilian Corporate Law requires that our directors be elected by our shareholders at a general shareholders' meeting. According to the rules of *Novo Mercado*, at least 20% of the members of the Board of Directors, and as of the annual shareholders' meeting to be held in 2021, not fewer than two of its members must meet the independence requirements as established under these rules. Furthermore, according to our bylaws, at least 30% of the members of the Board of Directors must be independent.

The new rules for the *Novo Mercado* segment, in force as of January 2, 2018, established that the companies listed in this segment will have up to the annual shareholders' meeting to be held in 2021 to adopt new requirements to assure the independence of the members of the Board of Directors, based on their relationship with the company, its direct or indirect controlling shareholder (if applicable), its directors and its executive officers; and subsidiaries, affiliates and joint-ventures.

According to these requirements—to be adopted not later than April 2021—a board member will not be considered independent if he/she (i) is the direct or indirect controlling shareholder of the company; (ii) has his/her voting rights at the board meetings bound to a shareholders' agreement regarding matters related to the company; (iii) is a spouse, partner or direct or collateral first/second-degree relative of the controlling shareholder or of any executive officer of the company or the controlling shareholder; (iv) was an employee or executive officer of the company or its controlling shareholder in the past three years.

Furthermore, the new rules of the *Novo Mercado* establish that when deciding whether Board members are independent, some situations must be analyzed in order to verify whether they entail loss of independence due to the characteristics, magnitude and extent of the relationship, as follows: (i) "are they a first/second-degree relative of the controlling shareholder or of any executive officer of the company or the controlling shareholder?"; (ii) "have they been an employee or executive officer the company's subsidiaries, affiliates or joint-ventures in the past three years?"; (iii) "do they have a business relationship with the company, its controlling shareholder, or a subsidiary, affiliate or joint venture?"; (iv) "do they hold a position in a firm or entity that has a business relationship with the company or with its controlling shareholder, whereby they have decision-making power regarding the activities of the firm or entity?"; (v) "do they receive any compensation from the company, its controlling shareholder, or a subsidiary, affiliate or joint venture other than the compensation relating to their position as a member of the board of directors or committees of the company, its controlling shareholder, or its subsidiaries, affiliates and joint-ventures, excluding income from shares in the company and benefits from supplementary pension plans?"

Once such new requirements are adopted, the general shareholders' meeting shall then be entitled to decide whether a person nominated as member of the Board of Director is independent and may base its decision (i) on a declaration submitted to the Board of Directors in which the nominee attests and justify his/her compliance with the independence requirements or (ii) on the opinion of the Board of Director expressed in management's proposal to the general shareholders meeting that elects directors and officers regarding the candidate's compliance or non-compliance with the independence criteria.

Our bylaws approved on the extraordinary and annual general shareholders' meeting was amended to reflect the new independence requirements.

As of December 31, 2018, our Board of Directors consisted of eight members, six of whom were independent non-executive members and two were shareholders of Ultra S.A. On April 10, 2019, the extraordinary and annual general shareholders' meeting elected the Board of Directors for a two-year term. The new composition of the Board of Directors is comprised of ten members, all non-executive members and eight independent members, according to the criteria and process set forth in the bylaws approved by the shareholders meeting on April 19, 2017. One of these two non-independent board members was executive officer of Ultrapar until December 2006 and one of them was executive officer of Ultrapar until December 2012. See "Item 6.C. Directors, Senior Management and Employees—Board Practices" and "Exhibit 1.1—Bylaws of Ultrapar, dated as of April 10, 2019."

No member of the Board has any material relationship with the Company, either directly or as a partner or officer of an organization that has relationship with Ultrapar, except for their interest as shareholders of Ultrapar, when applicable, as mentioned above. The Brazilian Corporate Law, the *Novo Mercado* Listing rules and the CVM establish rules relating to the qualification of the members of our Board of Directors and our executive officers, including their compensation, duties and responsibilities. We believe these rules provide adequate assurances that our directors are independent according to the independence tests established by the NYSE.

Executive Sessions

NYSE rules require that the non-management directors must meet at regularly scheduled executive sessions without management present. Such provision does not apply to Ultrapar given that none of our directors is currently an executive officer of the Company.

Committees

NYSE rules require that U.S. domestic listed companies have a nominating/corporate governance committee and a compensation committee composed entirely of independent directors and governed by a written charter addressing the committee's purpose and responsibilities. Under the Brazilian Corporate Law, we are not required to have a nominating committee, a corporate governance committee or a compensation committee. Notwithstanding, our bylaws provides for a people committee (formerly named compensation committee), strategy committee and an audit and risks committee, as ancillary bodies of the Board of Directors. See "Item 4.A. History and Development of the Company—New corporate governance structure", "Item 6.C. Directors, Senior Management and Employees—Board Practices" and "Exhibit 1.1—Bylaws of Ultrapar, dated as of April 10, 2019."

Alexandre Gonçalves Silva, Lucio de Castro Andrade Filho, Nildemar Secches and Pedro Wongtschowski, who are also members of the Board of Directors elected on the annual and extraordinary general shareholders meeting held on April 2017 (being both Alexandre Gonçalves Silva and Nildemar Secches independent directors), were members of our people committee as of December 31, 2018. The new members of the people committee, as well as of the audit and risks committee and strategy committee, shall be elected by the Board of Directors for a term of office of two years, coincident with the term of office of the directors, in a meeting to be held on May 15, 2019.

Fiscal Council and Audit Committee

U.S. domestic listed companies must have an audit committee with a minimum of three independent directors who are financially literate and who satisfy the independence requirements of Rule 10A-3 of the Securities Exchange Act of 1934 (the "Exchange Act"), with a written charter addressing the committee's purpose and responsibilities.

However, as the Brazilian Corporate Law requires the establishment of a corporate body whose duties are similar to those established by the Exchange Act (the Fiscal Council), we may be exempt from the requirements of Rule 10A-3 if we satisfy the conditions of Rule 10A-3(c)(3) of the Exchange Act.

As of December 31, 2018, our Fiscal Council satisfied the requirements of Rule 10A-3(c)(3) of the Exchange Act. Our Fiscal Council consists of three members and their respective alternate members, and it is a separate corporate body independent from our management. The members of our Fiscal Council are elected by our shareholders at the annual general shareholders' meeting for one-year term and are eligible for reelection. Under the Brazilian Corporate Law, individuals who are members of the Board of Directors or are executive officers or employees or spouses or relatives of any member of the Company's management are not eligible to serve on the Fiscal Council.

Our Fiscal Council acts on a non-permanent basis.

Until April 2019, our Fiscal Council acted as an audit committee pursuant to the requirements of the Sarbanes-Oxley Act. However, in order to adapt to the new rules for the *Novo Mercado* segment, it was approved by the extraordinary and annual general shareholders' meeting held on April 10, 2019, that our audit and risks committee must function on a permanent basis to advise the Board of Directors and will be separate from the Fiscal Council.

This committee shall be responsible for (a) recommending to the Board of Directors the retention and dismissal of independent audit services, as well as proposing to the Board of Directors the nomination of the independent auditor and their replacement; (b) reviewing the management report and the financial statements of the Company and of its controlled companies, and providing the recommendations it deems necessary to the Board of Directors; (c) reviewing the quarterly financial information and the periodic financial statements prepared by the Company; (d) monitoring the activities of the Company's internal audit and internal controls departments, including follow-up and assessment of the effectiveness and sufficiency of the internal control structure and of the internal and independent audit processes of the Company and of its controlled companies, including in relation to the provisions set forth in the Sarbanes-Oxley Act, submitting the recommendations it deems necessary for the improvement of policies, practices and procedures; (e) evaluating and monitoring the Company's risk exposure, as per the Risk Management Policy, as well as providing its opinion on any review of the contents thereof, in addition to advising the Board of Directors in connection with the setting of acceptable risk levels; (f) establishing procedures for the acceptance and handling of information submitted by any party relating to alleged noncompliance with applicable legal and regulatory requirements applicable to the Company, in addition to internal regulations, policies and codes, including procedures for confidential or anonymous submission, safeguarding information secrecy; (g) interacting with the other Company's governing bodies in connection with the receipt and review of information on noncompliance with legal and regulatory requirements applicable to the Company, as well as with internal regulations; and (h) providing its opinion on the matters submitted to it by the Board of Directors, as well as on those matters it determines to be relevant.

Under Rule 10A-3(c)(3) of the Exchange Act, considering that (i) our audit and risks committee complies with the rules for the *Novo Mercado*; (ii) our bylaws expressly requires that the audit and risks committee consist of at least one members of the Board of Directors and one or more persons who are not directors; and (iii) SEC's interpretative letter issued on November 8, 2018, we are exempt from the audit committee requirements of Section 303A of the NYSE Listed Company Manual.

For more information, see "Item 6.C. Directors, Senior Management and Employees—Board Practices—Fiscal Council and Audit Committee Exemption" and "Exhibit 1.1—Bylaws of Ultrapar, dated as of April 10, 2019."

Shareholder Approval of Equity Compensation Plans

NYSE rules require that equity compensation plans for U.S. domestic listed companies be subject to shareholder approval, with limited exceptions. In November 2003, our shareholders approved the Deferred Stock Plan. In accordance with the Deferred Stock Plan, the Board of Directors determines the eligible participants and the number of shares to which each participant shall have rights. See "Item 6.B. Directors, Senior Management and Employees—Compensation." At the annual general shareholders' meeting held on April 19, 2017, our shareholders approved a new stock-based incentive plan for our employees and executives.

Corporate Governance Guidelines

NYSE rules require that U.S. domestic listed companies adopt and disclose corporate governance guidelines. We have adopted corporate governance guidelines set out by our Board of Directors or required by the Brazilian Corporate Law, the CVM and B3 and which we believe are consistent with best practices, such as the 100% tag along rights to all shareholders, the establishment and disclosure of a code of ethics, and the adoption of the Policy of Disclosure of Material Acts or Facts, which deals with the public disclosure of all relevant information and the trading of shares issued by Ultrapar as per CVM Instruction No. 358, and the adoption of Anti-Corruption and Relationship with Public Officers Policy.

Since June 28, 2011, we have been listed on the *Novo Mercado* segment of B3. According to the rules of *Novo Mercado* the minimum percentage of independent members of the Board of Directors is set at 20%, and as of the annual shareholders meeting to be held in 2021, also not less than two of its members, while a minimum of 30% is required in our bylaws.

Our bylaws also (i) establish a mandatory tender offer for 100% of the Company's shareholders in the event a shareholder, or a group of shareholders acting in concert, acquire or become holder of 20% of the Company's shares, excluding treasury shares, and (ii) create a strategy, an audit and risks and a people committees, as ancillary bodies of the Board of Directors. Our bylaws do not establish any limitation on voting rights, special treatment to current shareholders, public tender offers for a price above that of the acquisition price of shares or any other poison pill provisions, thus assuring the effectiveness of a majority shareholders' approval on all matters to be deliberated. See "Item 4.A. History and Development of the Company—New corporate governance structure" and "Exhibit 1.1—Bylaws of Ultrapar, dated as of April 10, 2019."

In addition, as mentioned above, on September 2017, new rules for *Novo Mercado* were approved by the CVM. Some of the modifications of the *Novo Mercado* Rules include the following requirements: (i) set up an audit committee (statutory or non statutory); (ii) structure and disclose a process of assessment of the Board of Directors, its committees and executive officers; (iii) establish and disclose a Code of Conduct, as well as a Compensation Policy, a Nomination Policy for the Board of Directors, its Committees and Executive Officer, a Risk Management Policy, a Related Party Transaction Policy and Securities Trading Policy, all of them with minimum requirements. Despite the fact that the companies listed in this segment must fully comply with the regulations until the general shareholders' meeting of 2021, our bylaws were amended to reflect, among other amendments, such requirements.

Code of Business Conduct and Ethics

NYSE rules require that U.S. domestic listed companies adopt and disclose a code of business conduct and ethics for directors, officers and employees. In 2004, we established a code of ethics, which was amended on September 17, 2014 and on December 17, 2017. For the complete amended code of ethics please see our Form 6-K furnished to the SEC on March 1, 2018. The main objectives of this code is (i) to reduce the subjectivity of personal interpretations of ethical principles; and (ii) to be a formal and institutional benchmark for the professional conduct of our employees, including the ethical handling of actual or apparent conflicts of interests, becoming a standard for the internal and external relationship of the Company with its stakeholders. See "Item 16.B. — Code of Ethics."

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

We have responded to Item 18 in lieu of responding to this Item.

ITEM 18. FINANCIAL STATEMENTS

We file the following consolidated financial statements together with the reports of independent registered public accountants' firms, as part of this annual report:

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ITEM 19. EXHIBITS

We are filing the following documents as part of this Annual Report Form 20-F:

- 1.1 [Bylaws of Ultrapar, dated as of April 10, 2019.](#)
- 2.1 [Shareholders' Agreement dated March 22, 2000 \(incorporated by reference to Exhibit 2.1 to Form 20-F of Ultrapar Participações S.A. filed on June 7, 2007\).](#)
- 2.2 [Amendment dated as of March 31, 2006 to the Indenture dated as of December 20, 2005 \(incorporated by reference to Exhibit 2.3 to Form 20-F of Ultrapar Participações S.A. filed on May 5, 2006\).](#)
- 2.3 [Ipiranga Group Shareholders' Agreement entered into by and among Ultrapar, Petrobras and Braskem, dated April 18, 2007 — English Translation \(incorporated by reference to Exhibit 2.7 to Form 20-F of Ultrapar Participações S.A. filed on June 7, 2007\).](#)
- 2.4 [RPR Shareholders Agreement entered into by and among Ultrapar, Petrobras and Braskem, dated April 18, 2007 — English Translation \(incorporated by reference to Exhibit 2.8 to Form 20-F of Ultrapar Participações S.A. filed on June 7, 2007\).](#)
- 2.5 [Rules of the *Novo Mercado*—English translation \(incorporated by reference to Exhibit 2.9 to Form 20-F of Ultrapar Participações S.A. filed on April 6, 2018\).](#)
- 2.6 [Ultrapar Participações S.A. 5th Public Offering Indenture of Simple, Non-Convertible into Shares, Single-Series, Unsecured Debentures, for Public Distribution with Restricted Placement Efforts between Ultrapar Participações S.A. and Pentágono S.A. DTVM, dated March 3, 2015 \(incorporated by reference to Form 6-K of Ultrapar Participações S.A. filed on March 13, 2015\).](#)
- 2.7 [Shareholders' Agreement dated May 2, 2018 \(incorporated by reference to the report on Form 6-K furnished by Ultrapar Participações S.A. filed on May 2, 2018\).](#)
- 2.8 [Ultrapar Participações S.A. 6th Public Offering Indenture of Simple, Non-Convertible into Shares, Single-Series, Unsecured Debentures, for Public Distribution with Restricted Placement Efforts between Ultrapar Participações S.A. and Pentágono S.A. DTVM, dated February 22, 2018 \(incorporated by reference to Form 6-K of Ultrapar Participações S.A. filed on February 22, 2018\).](#)
- 2.9 [Indenture, dated as of October 6, 2016 among Ultrapar International S.A., as Issuer, Ultrapar Participações S.A. and Ipiranga Produtos de Petróleo, as guarantors, The Bank of New York Mellon, as Trustee, Transfer Agent and Registrar, The Bank of New York Mellon, as Principal Paying Agent and The Bank of New York Mellon \(Luxembourg\) S.A., as Luxembourg Paying Agent and Luxembourg Transfer Agent.](#)
- 4.1 [Share Sale and Purchase Agreement related to the sale and purchase of the entire share capital of Shell Gás \(LPG\) Brasil S.A. \(incorporated by reference to Exhibit 10.2 to Form F-1 of Ultrapar Participações S.A. filed on February 2, 2005\).](#)
- 4.2 [Form of agreement between Ultragaz and independent dealers \(incorporated by reference to Exhibit 10.4 to Form F-1 of Ultrapar Participações S.A. filed on February 2, 2005, as amended\).](#)
- 4.3 [Take or pay agreement between Tequimar and CODEBA \(incorporated by reference to Exhibit 10.5 to Form F-1 of Ultrapar Participações S.A. filed on February 2, 2005, as amended\).](#)
- 4.4 [The Investment Agreement entered into by and among Ultrapar, Petrobras and Braskem dated March 18, 2007—English translation, as amended by the Amendment to Investment Agreement entered into by and among Ultrapar, Petrobras and Braskem dated April 18, 2007—English Summary \(incorporated by reference to Exhibit 4.4 to Form 20-F of Ultrapar Participações S.A. filed on June 7, 2007\).](#)
- 4.5 [Share Purchase Agreement entered into by and among Ultrapar, Petrobras, Braskem and the Key Shareholders of RPR, DPPI and CBPI, dated March 18, 2007—English Summary \(incorporated by reference to Exhibit 4.5 to Form 20-F of Ultrapar Participações S.A. filed on June 7, 2007\).](#)
- 4.6 [Braskem/Petrobras Asset Security Agreement entered into by and among Ultrapar, Petrobras and Braskem, dated April 18, 2007—English Summary \(incorporated by reference to Exhibit 4.6 to Form 20-F of Ultrapar Participações S.A. filed on June 7, 2007\).](#)
- 4.7 [Petrobras Asset Security Agreement entered into by and among Ultrapar, Petrobras and Braskem, dated April 18, 2007—English Summary \(incorporated by reference to Exhibit 4.7 to Form 20-F of Ultrapar Participações S.A. filed on June 7, 2007\).](#)
- 4.8 [Ethylene Supply Agreement between Braskem S.A. and Oxiteno Nordeste S.A. Indústria e Comércio, dated June 13, 2008—English Summary \(incorporated by reference to Exhibit 4.8 to Form 20-F of Ultrapar Participações S.A. filed on June 30, 2010\).](#)
- 4.9 [Fourth Amendment to the Ethylene Supply Agreement between Braskem S.A. and Oxiteno Nordeste S.A. Indústria e Comércio, dated January 1, 2013—English Summary \(incorporated by reference to Exhibit 4.9 to Form 20-F of Ultrapar Participações S.A. filed on April 30, 2013\).](#)
- 4.10 [Share Purchase Agreement between Ultrapar Participações S.A.'s subsidiary Terminal Químico de Aratu S.A. and Unipar, dated June 6, 2008, including Amendment dated September 22, 2008—English Summary \(incorporated by reference to Exhibit 4.8 to Form 20-F of Ultrapar Participações S.A. filed on June 29, 2009\).](#)
- 4.11 [Ethylene Supply Agreement between Petroquímica União S.A. and Oxiteno S.A. Indústria e Comércio, dated August 1, 2008—English Summary \(incorporated by reference to Exhibit 4.10 to Form 20-F of Ultrapar Participações S.A. filed on June 30, 2010\).](#)

- 4.12 [Securities Purchase Agreement entered into by and among Chevron, CBL, Galena and SBP, dated August 14, 2008 \(incorporated by reference to Exhibit 4.9 to Form 20-F of Ultrapar Participações S.A. filed on June 29, 2009\).](#)
- 4.13 [Revolving Line of Credit Agreement among Banco Nacional de Desenvolvimento Econômico e Social \(BNDES\), Companhia Brasileira de Petróleo Ipiranga, Companhia Ultragas S/A, Oleoquímica Indústria e Comércio de Produtos Químicos Ltda, Oxiteno Nordeste S/A Indústria e Comércio, Tequimar—Terminal Químico de Aratu S/A, Tropical Transportes Ipiranga Ltda. and Ultrapar Participações S.A., dated December 16, 2008—English Summary \(incorporated by reference to Exhibit 4.12 to Form 20-F of Ultrapar Participações S.A. filed on June 30, 2010\).](#)
- 4.14 [Amendment No. 1 to Securities Purchase Agreement entered into by and among Chevron, CBL, Galena and SBP, dated March 30, 2009 \(incorporated by reference to Exhibit 4.10 to Form 20-F of Ultrapar Participações S.A. filed on June 29, 2009\).](#)
- 4.15 [Line of Credit Agreements between Banco do Brasil S.A. and Ipiranga Produtos de Petróleo S.A., each dated June 16, 2010—English Summary \(incorporated by reference to Exhibit 4.14 to Form 20-F of Ultrapar Participações S.A. filed on June 30, 2010\).](#)
- 4.16 [Amendment to the line of Credit Agreements between Banco do Brasil S.A. and Ipiranga Produtos de Petróleo S.A., each dated February 7, 2013—English Summary \(incorporated by reference to Exhibit 4.16 to Form 20-F of Ultrapar Participações S.A. filed on April 30, 2013\).](#)
- 4.17 [Association and Other Covenants Agreement to effect the merger of shares \(incorporação de ações\) of Extrafarma with Ultrapar, dated September 30, 2013 — English Summary \(incorporated by reference to Exhibit 4.17 to Form 20-F of Ultrapar Participações S.A. filed on April 30, 2014\).](#)
- 4.18 [Protocol and Justification of Incorporação de Ações \(merger of shares\) issued by Imifarma Produtos Farmacêuticos e Cosméticos S.A. by Ultrapar Participações S.A., dated December 17, 2013 \(incorporated by reference to the report on Form 6-K furnished by Ultrapar Participações S.A. filed on December 27, 2013, as amended\).](#)
- 8.1 [List of subsidiaries of Ultrapar \(incorporated by reference to Note 3 to our consolidated financial statements included in this annual report\).](#)
- 11.1 [Code of Ethics, amended on March 1, 2018 \(incorporated by reference to the report on Form 6-K furnished by Ultrapar Participações S.A. on March 1, 2018\).](#)
- 12.1 [Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 12.2 [Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 13 [Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 15.1 [Documentation with respect to our corporate restructuring of 2002 \(incorporated by reference to the reports on Form 6-K, furnished on October 15, 2002, November 1, 2002 and December 6, 2002\).](#)

There are certain promissory notes and other instruments and agreements with respect to long-term debt of our Company omitted from the exhibits filed with or incorporated by reference into this annual report, none of which authorizes securities in a total amount that exceeds 10% of the total assets of our Company. See “Item 5.B. Operating and Financial Review and Prospect—Liquidity and Capital Resources—Indebtedness.” We hereby agree to furnish to the SEC copies of any such omitted promissory notes or other instruments or agreements as the Commission requests.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

ULTRAPAR PARTICIPAÇÕES S.A.

By: /s/ FREDERICO PINHEIRO FLEURY CURADO
Name: **Frederico Pinheiro Fleury Curado**
Title: Chief Executive Officer

Date: April 22, 2019

By: /s/ ANDRÉ PIRES DE OLIVEIRA DIAS
Name: **André Pires de Oliveira Dias**
Title: Chief Financial and Investor Relations Officer

Ultrapar Participações S.A.

*Consolidated
Financial Statements
for the Year Ended
December 31, 2018 and
Report of Independent Registered
Public Accounting Firm*

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors

Ultrapar Participações S.A.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Ultrapar Participações S.A. and subsidiaries (the Company) as of December 31, 2018 and 2017, the related consolidated statements of profit or loss, other comprehensive income, changes in equity, and cash flows for each of the years in the two-year period ended December 31, 2018, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2018, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated April 22, 2019 expressed an adverse opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the *consolidated* financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2017.

/S/ KPMG Auditores Independentes
KPMG Auditores Independentes

São Paulo – SP
April 22, 2019

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Ultrapar Participações S.A.
São Paulo - SP - Brazil

We have audited the accompanying consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows of Ultrapar Participações S.A. and subsidiaries (the “Company”) for the year ended December 31, 2016. These financial statements are the responsibility of the Company’s Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board - PCAOB (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the results of operations and cash flows of Ultrapar Participações S.A. and subsidiaries for the year ended December 31, 2016, in conformity with International Financial Reporting Standards - IFRS, issued by the International Accounting Standards Board - IASB.

As discussed in Note 2.x.1 to the consolidated financial statements, the accompanying 2016 financial statements have been retrospectively adjusted for the impacts of the adoption of IFRS 9 – Financial instruments and IFRS 15 – Revenue from contracts with customers, and other reclassifications.

/S/ DELOITTE TOUCHE TOHMATSU Auditores Independentes
DELOITTE TOUCHE TOHMATSU
Auditores Independentes
São Paulo, Brazil

April 28, 2017

(April 22, 2019 as to Note 2.x.1)

Ultrapar Participações S.A. and Subsidiaries
Statements of Financial Position
as of December 31, 2018 and 2017
(In thousands of Brazilian Reais)

Assets	Note	12/31/2018	12/31/2017	1/1/2017
			Restated	Restated (i)
Current assets				
Cash and cash equivalents	4.a	3,938,951	5,002,004	4,274,158
Financial investments and hedging instruments	4.b	2,853,106	1,283,498	1,412,587
Trade receivables	5.a	4,069,307	3,861,325	3,177,112
Reseller financing.....	5.b	367,262	286,569	211,055
Inventories.....	6	3,354,532	3,513,710	2,781,377
Recoverable taxes.....	7.a	639,699	664,954	382,361
Recoverable income and social contribution taxes.....	7.b	257,182	216,630	159,411
Dividends receivable		1,064	11,137	8,616
Other receivables.....		58,561	44,025	20,573
Receivables – insurer’s indemnification	22. b	—	—	366,678
Prepaid expenses	10	187,570	150,046	123,883
Contractual assets with customers – exclusive rights.....	11	484,473	456,213	448,316
Total current assets		16,211,707	15,490,111	13,366,127
Non-current assets				
Financial investments and hedging instruments	4.b	202,349	84,426	15,104
Trade receivables	5.a	81,569	46,301	49,601
Reseller financing.....	5.b	348,268	283,690	177,484
Related parties	8.a	490	490	490
Deferred income and social contribution taxes	9.a	514,187	614,061	459,618
Recoverable taxes.....	7.a	747,180	234,700	146,753
Recoverable income and social contribution taxes.....	7.b	105,602	78,542	35,864
Escrow deposits.....	21.a	881,507	822,660	778,770
Indemnification asset – business combination	21.c	194,719	202,352	—
Other receivables.....		1,411	7,918	2,678
Prepaid expenses	10	399,095	346,886	222,518
Contractual assets with customers – exclusive rights.....	11	1,034,004	1,046,147	989,768
Total long term assets		4,510,381	3,768,173	2,878,648
Investments				
In joint-ventures.....	12.a	101,954	122,061	116,142
In associates	12. b	24,338	25,341	22,731
Other		2,795	2,792	2,814
		129,087	150,194	141,687
Property, plant, and equipment, net.....	13	7,278,865	6,637,826	5,796,418
Intangible assets, net	14	2,369,355	2,238,042	1,891,636
Total non-current assets		14,287,688	12,794,235	10,708,389
Total assets		30,499,395	28,284,346	24,074,516

⁽ⁱ⁾ See Note 2.x.1

The accompanying notes are an integral part of the financial statements.

Ultrapar Participações S.A. and Subsidiaries
Statements of Financial Position
as of December 31, 2018 and 2017
(In thousands of Brazilian Reais)

Liabilities	Note	12/31/2018	12/31/2017	1/1/2017
			Restated	Restated (i)
Current liabilities				
Loans and hedging instruments	15	2,007,430	1,819,766	1,821,398
Debentures	15.g	263,718	1,681,199	651,591
Finance leases	15.i	2,849	2,710	2,615
Trade payables	16	2,551,607	2,155,498	1,709,563
Trade payables—agreement	16	180,070	—	—
Salaries and related charges	17	428,192	388,118	362,718
Taxes payable	18	268,005	221,529	168,386
Dividends payable	25.h	284,024	338,845	320,883
Income and social contribution taxes payable		55,477	86,836	139,981
Post-employment benefits	19.b	45,655	30,059	24,940
Provision for asset retirement obligation	20	4,382	4,799	4,563
Provision for tax, civil, and labor risks	21.a	77,822	64,550	52,694
Trade payables – customers and third parties’ indemnification	22.a	3,501	72,216	99,863
Other payables		137,494	125,150	102,714
Deferred revenue	23	26,572	18,413	22,300
Total current liabilities		6,336,798	7,009,688	5,484,299
Non-current liabilities				
Loans and hedging instruments	15	6,487,400	6,113,545	6,800,135
Debentures	15.g	6,401,535	3,927,569	2,095,290
Finance leases	15.i	43,217	45,805	46,101
Related parties	8.a	4,071	4,185	4,272
Deferred income and social contribution taxes	9.a	9,297	83,642	7,645
Post-employment benefits	19.b	204,160	207,464	119,811
Provision for asset retirement obligation	20	50,285	59,975	73,001
Provision for tax, civil, and labor risks	21.a; 21.c	865,249	861,246	727,088
Deferred revenue	23	11,850	12,896	12,510
Subscription warrants – indemnification	24	123,095	171,459	153,429
Other payables		162,409	162,834	74,884
Total non-current liabilities		14,362,568	11,650,620	10,114,166
Equity				
Share capital	25.a; 25.f	5,171,752	5,171,752	3,838,686
Equity instrument granted	25.b	4,309	536	—
Capital reserve	25.d	542,400	549,778	552,038
Treasury shares	25.c	(485,383)	(482,260)	(483,879)
Revaluation reserve on subsidiaries	25.e	4,712	4,930	5,339
Profit reserves	25.f	4,099,092	3,629,851	4,383,965
Valuation adjustments	25.g	(63,989)	154,824	(23,987)
Cumulative translation adjustments	25.g	65,857	53,061	7,519
Additional dividends to the minimum mandatory dividends	25.h	109,355	163,742	165,515
Equity attributable to:				
Shareholders of the Company		9,448,105	9,246,214	8,445,196
Non-controlling interests in subsidiaries		351,924	377,824	30,855
Total equity		9,800,029	9,624,038	8,476,051
Total liabilities and equity		30,499,395	28,284,346	24,074,516

⁽ⁱ⁾ See Note 2.x.1

The accompanying notes are an integral part of the financial statements.

Ultrapar Participações S.A. and Subsidiaries
Statements of Profit or Loss
For the years ended December 31, 2018, 2017 and 2016
(In thousands of Brazilian Reais, except earnings per share)

	Note	2018	2017	2016
			Restated	Restated
Net revenue from sales and services.....	26	90,697,983	79,230,014	76,740,033
Cost of products and services sold	27	(84,537,368)	(72,431,473)	(70,196,945)
Gross profit		6,160,615	6,798,541	6,543,088
Operating income (expenses)				
Selling and marketing.....	27	(2,670,867)	(2,486,389)	(2,220,193)
General and administrative.....	27	(1,625,839)	(1,576,528)	(1,445,859)
Loss on disposal of property, plant and equipment and intangibles	28	(22,088)	(2,242)	(6,134)
Other operating income, net	29	57,533	59,360	198,972
Operating income before financial income (expenses) and share of profit (loss) of joint ventures and associates		1,899,354	2,792,742	3,069,874
Share of profit (loss) of joint ventures and associates	12	(14,779)	20,673	7,476
Operating income before financial income (expenses) and income and social contribution taxes.....		1,884,575	2,813,415	3,077,350
Financial income	30	681,235	585,101	513,243
Financial expenses	30	(794,771)	(1,059,397)	(1,355,819)
Financial result, net.....		(113,536)	(474,296)	(842,576)
Income before income and social contribution taxes		1,771,039	2,339,119	2,234,774
Income and social contribution taxes				
Current	9.b; 9c	(476,302)	(922,458)	(800,497)
Deferred	9.b	(162,417)	109,204	112,539
		(638,719)	(813,254)	(687,958)
Net income for the year		1,132,320	1,525,865	1,546,816
Net income for the year attributable to:				
Shareholders of the Company		1,150,421	1,526,505	1,537,837
Non-controlling interests in subsidiaries		(18,101)	(640)	8,979
Earnings per share (based on weighted average number of shares outstanding) – R\$				
Basic.....	31	1.0611	1.4084	1.4203
Diluted.....	31	1.0541	1.3984	1.4095

The accompanying notes are an integral part of the financial statements.

Ultrapar Participações S.A. and Subsidiaries
Statements of Comprehensive Income
For the years ended December 31, 2018, 2017 and 2016
(In thousands of Brazilian Reais)

	Note	2018	2017	2016
			Restated	Restated
Net income for the year		<u>1,132,320</u>	<u>1,525,865</u>	<u>1,546,816</u>
Items that are subsequently reclassified to profit or loss:				
Fair value adjustments of financial instruments of subsidiaries, net	25.g	(213,937)	(4,016)	(33,653)
Fair value adjustments of financial instruments of joint ventures, net.....	25.g	(2,329)	3,535	(1,014)
Cumulative translation adjustments, net of hedge of net investments in foreign operations and income and social contribution taxes	25.g	12,796	45,542	(59,406)
Items that are not subsequently reclassified to profit or loss:				
Actuarial losses of post-employment benefits of subsidiaries, net	25.g	(5,282)	(23,856)	(8,647)
Actuarial gains of post-employment benefits of joint ventures, net.....	25.g	<u>(1,375)</u>	<u>544</u>	<u>374</u>
Total comprehensive income for the year		<u>922,193</u>	<u>1,547,614</u>	<u>1,444,470</u>
Total comprehensive income for the year attributable to shareholders of the Company		944,404	1,553,489	1,435,491
Total comprehensive income for the year attributable to non-controlling interest in subsidiaries		(22,211)	(5,875)	8,979

The accompanying notes are an integral part of the financial statements.

Ultrapar Participações S.A. and Subsidiaries
Statements of Changes in Equity
For the years ended December 31, 2018, 2017 and 2016
(In thousands of Brazilian Reais)

	Note	Profit reserve										Equity attributable to:			
		Share capital	Equity instrument granted	Capital reserve	Treasury shares	Revaluation reserve on subsidiaries	Legal reserve	Investments statutory reserve	Valuation adjustments	Cumulative translation adjustments	Retained earnings	Additional dividends to the minimum mandatory dividends	Shareholders of the Company	Non-controlling interests in subsidiaries	Consolidated equity
Balance as of December 31, 2017—Restated..	2.x	5,171,752	536	549,778	(482,260)	4,930	629,144	3,000,707	154,824	53,061	—	163,742	9,246,214	377,824	9,624,038
Net income for the year....		—	—	—	—	—	—	—	—	—	1,150,421	—	1,150,421	(18,101)	1,132,320
Other comprehensive income:															
Fair value adjustments of financial assets, net of income taxes...	25.g	—	—	—	—	—	—	—	(216,245)	—	—	—	(216,245)	(21)	(216,266)
Actuarial losses of post-employment benefits, net of income taxes...	25.g	—	—	—	—	—	—	—	(2,568)	—	—	—	(2,568)	(4,089)	(6,657)
Currency translation of foreign subsidiaries, including the effect of net investments hedge	25.g	—	—	—	—	—	—	—	—	12,796	—	—	12,796	—	12,796
Total comprehensive income for the year....		—	—	—	—	—	—	—	(218,813)	12,796	1,150,421	—	14,404	(22,211)	12,193
Equity instrument granted	25.b	—	3,773	—	—	—	—	—	—	—	—	—	3,773	—	3,773
Stock plan	8.c; 25.c	—	—	(7,378)	(3,123)	—	—	—	—	—	—	—	(10,501)	—	(10,501)
Realization of revaluation reserve of subsidiaries	25.e	—	—	—	—	(218)	—	—	—	—	218	—	—	—	—

	Note	Share capital	Equity instrument granted	Capital reserve	Treasury shares	Revaluation reserve on subsidiaries	Profit reserve			Cumulative translation adjustment	Retained earnings	Additional dividends to the minimum mandatory dividends	Equity attributable to:		
							Legal reserve	Investments statutory reserve	Valuation adjustments				Shareholders of the Company	Non-controlling interests in subsidiaries	Consolidated equity
Income and social contribution taxes on realization of revaluation reserve of subsidiaries.....	25.e	—	—	—	—	—	—	—	—	—	(3)	—	(3)	—	(3)
Expired dividends		—	—	—	—	—	—	—	—	—	3	—	3,170	—	3,170
Transfer to investments reserve		—	—	—	—	—	—	3,385	—	—	(3)	—	—	—	—
Additional dividends attributable to non-controlling interests....		—	—	—	—	—	—	—	—	—	—	—	—	(3,689)	(3,689)
Approval of additional dividends by the Shareholders' Meeting.....	25.h	—	—	—	—	—	—	—	—	—	—	63,742	(1)	(16)	(16)
Allocation of net income: Legal reserve	25.f;														
	25.h	—	—	—	—	—	57,521	—	—	—	(57)	—	—	—	—
Interim dividends (R\$ 0.56 per share of the Company).....	25.h	—	—	—	—	—	—	—	—	—	(304)	—	(30)	—	(30)
Proposed dividends (R\$ 0.70 per share of the Company).....	25.h	—	—	—	—	—	—	—	—	—	(380)	1	(27)	—	(27)
Statutory reserve	25.f;														
	25.h	—	—	—	—	—	—	408,335	—	—	(408)	—	—	—	—
Balance as of December 31, 2018 ...		5,171,752	4,309	542,400	(485,383)	4,712	686,665	3,412,427	(63,989)	65,857	—	109,355	9,448,105	351,924	9,800,029

The accompanying notes are an integral part of the financial statements.

Ultrapar Participações S.A. and Subsidiaries
Statements of Changes in Equity
For the years ended December 31, 2018, 2017 and 2016
(In thousands of Brazilian Reais)

	Note	Profit reserve								Valuation adjustments	Cumulative translation adjustments	Retained earnings	Equity attributable to:				Consolidated equity
		Share capital	Equity instrument granted	Capital reserve	Treasur y shares	Revaluati on reserve on subsidiari es	Legal reserve	Investme nts statutory reserve	Retention of profits				Additional dividends to the minimum mandatory dividends	Sharehold ers of the Company	Non- controlling interests in subsidiaries		
Balance as of January 1, 2017—Restated.....	2.x	3,838 ,686	—	552, 038	(483, 879)	5,339	550, 428	2,50 0,471	1,33 3,066	(2) 3,987	7,519	—	1 65,515	8,44 5,196	30,854	6,050	8,47
Net income for the year...		—	—	—	—	—	—	—	—	—	—	1,526 ,505	—	1,52 6,505	(640)	5,865	1,52
Other comprehensive income:																	
Fair value adjustments of financial assets, net of income taxes...	25.g	—	—	—	—	—	—	—	—	(481)	—	—	—	(481)	—	(481)	—
Actuarial losses of post- employment benefits, net of income taxes...	25.g	—	—	—	—	—	—	—	—	(1 8,077)	—	—	—	(1 8,077)	(5,235)	3,312	(2)
Currency translation of foreign subsidiaries, including the effect of net investments hedge	25.g	—	—	—	—	—	—	—	—	—	4 5,542	—	4 5,542	—	—	5,542	4
Total comprehensive income for the year....		—	—	—	—	—	—	—	—	(1 8,558)	4 5,542	1,526 ,505	—	1,55 3,489	(5,875)	7,614	1,54
Equity instrument granted	25.b	—	536	—	—	—	—	—	—	—	—	—	—	536	—	536	—
Capital increase with reserves	25.f	1,333 ,066	—	—	—	—	—	—	(1,33 3,066)	—	—	—	—	—	—	—	—
Stock plan	25.c	—	—	(2, 260)	1, 619	—	—	—	—	—	—	—	—	(641)	—	(641)	—
Realization of revaluation reserve of subsidiaries	25.e	—	—	—	—	(409)	—	—	—	—	—	409	—	—	—	—	—

	Note	Profit reserve							Valuation adjustme nts	Cumulati ve translati on adjustme nts	Equity attributable to:				
		Share capital	Equity instrume nt granted	Capital reserve	Treasur y shares	Revaluati on reserve on subsidiari es	Legal reserve	Investme nts statutory reserve	Retention of profits		Retained earnings	Additional dividends to the minimum mandatory dividends	Sharehold ers of the Company	Non- controlling interests in subsidiaries	Consolidat ed equity
Income and social contribution taxes on realization of revaluation reserve of subsidiaries.....	25.e	—	—	—	—	—	—	—	—	—	(96)	—	(96)	—	(96)
Expired dividends		—	—	—	—	—	—	—	—	—	3	—	3,029	—	3,029
Transfer to investments reserve		—	—	—	—	—	—	3,342	—	—	(3	—	—	—	—
Additional dividends attributable to non- controlling interests...		—	—	—	—	—	—	—	—	—	—	—	—	(8,730)	(
Approval of additional dividends by the Shareholders' Meeting	25.h	—	—	—	—	—	—	—	—	—	—	(1	(16	—	(16
Non-controlling interests added due to business combination.....	3.c	—	—	—	—	—	—	—	—	—	—	—	—	82,603	1
Non-controlling interests changes – CBLSA	3.c; 25.g	—	—	—	—	—	—	—	7,369	19	—	—	7,369	19	37
Allocation of net income: Legal reserve.....	25.f; 25.g	—	—	—	—	—	78, 716	—	—	—	—	(78 ,716)	—	—	—
Interim dividends (R\$ 0.85 per share of the Company).....	25.h	—	—	—	—	—	—	—	—	—	(461 ,868)	—	(46 1,868)	—	(46 1,868)
Proposed dividends (R\$ 0.90 per share of the Company).....	25.h	—	—	—	—	—	—	—	—	—	(489 ,027)	1	(32 5,285)	—	(32 5,285)
Statutory reserve	25.f; 25.h	—	—	—	—	—	—	49 6,894	—	—	(496 ,894)	—	—	—	—
Balance as of December 31, 2017—Restated.		5,171 ,752	536	549, 778	(482, 260)	4,930	629, 144	3,00 0,707	—	15 4,824	5 3,061	1 63,742	9,24 6,214	3 77,824	9,62 4,038

The accompanying notes are an integral part of the financial statements.

Ultrapar Participações S.A. and Subsidiaries
Statements of Changes in Equity
For the years ended December 31, 2018, 2017 and 2016
(In thousands of Brazilian Reais)

	Note	Share capital	Capital reserve	Treasury shares	Revaluation reserve on subsidiaries	Profit reserve			Valuation adjustments	Cumulative translation adjustments	Retained earnings	Additional dividends to the minimum mandatory dividends	Shareholders' equity attributable to:		
						Legal reserve	Investments statutory reserve	Retention of profits					Shareholders of the Company	Non-controlling interests in subsidiaries	Consolidated equity
Balance as of December 31, 2015.....		3,838,686	546,607	(490,881)	5,590	472,350	1,996,583	1,333,066	8,953	6,925	—	15,716	7,945,041	2,908	7,974,129
Effects of IFRS adoption	2.x	—	—	—	—	—	—	—	—	—	(58,679)	—	(5,867)	(26)	(5,870)
Transfer of effects of IFRS adoption		—	—	—	—	—	(5,679)	—	—	—	58,679	—	—	—	—
Balance as of January 1, 2016—Restated	2.x	3,838,686	546,607	(490,881)	5,590	472,350	1,937,904	1,333,066	8,953	6,925	—	15,716	7,886,362	2,906	7,915,424
Net income for the year..		—	—	—	—	—	—	—	—	—	1,537,837	—	1,537,837	8,979	1,546,816
Other comprehensive income:															
Fair value adjustments of available for sale, net of income taxes	2.c; 23.g	—	—	—	—	—	—	—	(3,466)	—	—	—	(3,466)	—	(3,466)
Actuarial losses of post-employment benefits, net of income taxes	2.o; 23.g	—	—	—	—	—	—	—	(8,273)	—	—	—	(8,273)	—	(8,273)
Currency translation of foreign subsidiaries, including the effect of net investments hedge	2.c; 2.r; 23.g	—	—	—	—	—	—	—	—	(5,940)	—	—	(5,940)	—	(5,940)
Total comprehensive income for the year...		—	—	—	—	—	—	—	(4,294)	(5,940)	1,537,837	—	1,435,491	8,979	1,444,470

						Profit reserve							Shareholders' equity attributable to:		
			Capita	Treasur	Revaluati		Investme	Retentio	Valuation	Cumulati	Retaine	Additional		Non-	
	Note	Share capital	l reserve	y shares	on reserve on subsidiari	Legal reserv	nts statutory reserve	n of profits	adjustme	ve translatio	d earning	dividends to the minim	Sharehold	controllin	Consolida
			e		es	e	reserve		nts	n adjustme	s	um mandator	ers of the	g interests in subsidiari	ted equity
Sale of treasury shares.....			5,	7									1		1
	8.c; 23.c	—	431	,002	—	—	—	—	—	—	—	—	2,433	—	2,433
Realization of revaluation reserve of subsidiaries	23.e	—	—	—	(251)	—	—	—	—	—	251	—	—	—	—
Income and social contribution taxes on realization of revaluation reserve of subsidiaries	23.e	—	—	—	—	—	—	—	—	—	(42)	—	(42)	—	(42)
Expired dividends		—	—	—	—	—	—	—	—	—	9,868	—	9,868	—	9,868
Transfer to investments reserve		—	—	—	—	—	1 0,077	—	—	—	(10 ,077)	—	—	—	—
Additional dividends attributable to non-controlling interests..		—	—	—	—	—	—	—	—	—	—	—	—	(7,186)	(7,186)
Approval of additional dividends by the Shareholders' Meeting	23.h	—	—	—	—	—	—	—	—	—	—	(15 7,162)	(15 7,162)	—	(15 7,162)
Allocation of net income:															
Legal reserve	23.f;23.h	—	—	—	—	78,078	—	—	—	—	(78 ,078)	—	—	—	—
Interim dividends (R\$ 0.80 per share of the Company).....	23.h	—	—	—	—	—	—	—	—	—	(434 ,619)	—	(43 4,619)	—	(43 4,619)
Proposed dividends (R\$ 0.87 per share of the Company).....	23.h	—	—	—	—	—	—	—	—	—	(472 ,650)	16 5,515	(30 7,135)	—	(30 7,135)
Retention of profits	23.f;23.h	—	—	—	—	—	55 2,490	—	—	—	(552 ,490)	—	—	—	—
Balance as of December 31, 2016—			3,838	552,	(483	550,	2,50	1,333	(2			16	8,44	3	8,47
Restated.....		,686	038	,879)	5,339	428	0,471	,066	3,987)	7,519	—	5,515	5,196	0,854	6,050

The accompanying notes are an integral part of the financial statements.

Ultrapar Participações S.A. and Subsidiaries
Statements of Cash Flows—Indirect Method
For the years ended December 31, 2018, 2017 and 2016
(In thousands of Brazilian Reais)

	Note	2018	2017 Restated	2016 Restated
Cash flows from operating activities				
Net income for the year.....		1,132,320	1,525,865	1,546,816
Adjustments to reconcile net income to cash provided by operating activities				
Share of loss (profit) of joint ventures and associates.....	12	14,779	(20,673)	(7,476)
Amortization of contractual assets with customers – exclusive rights	11	371,825	463,049	463,490
Depreciation and amortization	13;14	812,489	704,544	628,156
PIS and COFINS credits on depreciation	13;14	15,721	13,134	12,581
Interest and foreign exchange rate variations		1,026,515	854,671	763,793
Deferred income and social contribution taxes	9.b	162,417	(109,204)	(112,539)
(Gain) loss on disposal of property, plant and equipment and intangibles	28	22,088	2,242	6,134
Estimated losses on doubtful accounts		69,250	132,756	79,983
Provision for losses in inventories		(1,498)	(802)	555
Provision for post-employment benefits		4,854	13,968	7,631
Other provisions and adjustments		(135)	1,539	(903)
		3,630,625	3,581,089	3,388,221
(Increase) decrease in current assets				
Trade receivables and reseller financing.....	5	(355,854)	(725,240)	(372,881)
Inventories	6	168,704	(606,484)	(267,519)
Recoverable taxes	7	(11,467)	(334,217)	87,006
Dividends received from joint-ventures.....		42,436	29,411	7,925
Insurance and other receivables		(14,536)	358,682	(309,725)
Prepaid expenses.....	10	(37,525)	(23,016)	(39,980)
Increase (decrease) in current liabilities				
Trade payables	16	576,164	412,393	249,121
Salaries and related charges	17	40,074	7,149	(41,595)
Taxes payable	18	46,476	33,054	4,021
Income and social contribution taxes.....		166,527	783,663	567,286
Post-employment benefits	19.b	15,596	5,119	11,193
Provision for tax, civil, and labor risks	21.a	13,272	11,857	7,372
Insurance and other payables		(59,237)	(49,387)	54,026
Deferred revenue	23	8,159	(3,887)	(2,120)
(Increase) decrease in non-current assets				
Trade receivables and reseller financing.....	5	(99,622)	(102,905)	(74,846)
Recoverable taxes	7	(539,539)	(130,200)	(47,168)
Escrow deposits		(58,757)	(39,795)	(37,935)
Other receivables		6,350	(4,356)	13,829
Prepaid expenses.....	10	(58,735)	(116,735)	(65,847)
Increase (decrease) in non-current liabilities				
Post-employment benefits	19.b	(8,457)	(759)	(7,671)
Provision for tax, civil, and labor risks	21.a; 21.c	11,811	(68,193)	42,428
Other payables		(4,397)	87,950	(19,255)
Deferred revenue	23	(1,046)	385	1,474
Payments of contractual assets with customers – exclusive rights	11	(390,177)	(529,732)	(514,291)
Income and social contribution taxes paid		(197,886)	(836,808)	(644,188)

	Note	2018	2017	2016
			Restated	Restated
Net cash provided by operating activities		2,888,959	1,739,038	1,988,881

The accompanying notes are an integral part of the financial statements.

Ultrapar Participações S.A. and Subsidiaries
Statements of Cash Flows—Indirect Method
For the years ended December 31, 2018, 2017 and 2016
(In thousands of Brazilian Reais)

	Note	2018	2017 Restated	2016 Restated
Cash flows from investing activities				
Financial investments, net of redemptions		(1,669,937)	60,859	(163,625)
Cash of companies acquired	3.c; 3.d	3,662	59,863	—
Acquisition of property, plant, and equipment	13	(1,178,312)	(1,302,187)	(1,033,937)
Acquisition of intangible assets	14	(237,593)	(221,960)	(107,644)
Acquisition of companies	3.d	(103,373)	—	—
Capital increase in joint ventures	12.a	(31,908)	(16,000)	(47,281)
Capital reduction in associates	12.b	1,250	—	—
Proceeds from disposal of property, plant and equipment and intangibles	28	38,578	47,670	28,500
Net cash used in investing activities		(3,177,633)	(1,371,755)	(1,323,987)
Cash flows from financing activities				
Loans and debentures				
Proceeds	15	4,461,112	4,510,694	3,676,874
Repayments	15	(3,710,718)	(2,462,200)	(812,520)
Interest paid	15	(737,564)	(769,740)	(1,057,580)
Payments of financial lease	15.i	(5,120)	(5,191)	(5,016)
Dividends paid		(808,603)	(940,250)	(873,270)
Related parties	8.a	(114)	7,036	(100)
Net cash provided by (used in) financing activities		(801,007)	340,349	928,388
Effect of exchange rate changes on cash and cash equivalents in foreign currency		26,628	20,214	(22,017)
Increase (decrease) in cash and cash equivalents		(1,063,053)	727,846	1,571,265
Cash and cash equivalents at the beginning of the year	4	5,002,004	4,274,158	2,702,893
Cash and cash equivalents at the end of the year	4	3,938,951	5,002,004	4,274,158

The accompanying notes are an integral part of the financial statements.

1. Operations

Ultrapar Participações S.A. (“Ultrapar” or “Company”) is a publicly-traded company headquartered at the Brigadeiro Luis Antônio Avenue, 1343 in the city of São Paulo – SP, Brazil, listed on B3 S.A. – Brasil, Bolsa, Balcão (“B3”), in the Novo Mercado listing segment under the ticker “UGPA3” and on the New York Stock Exchange (“NYSE”) in the form of level III American Depositary Receipts (“ADRs”) under the ticker “UGP”.

The Company engages in the investment of its own capital in services, commercial, and industrial activities, through the subscription or acquisition of shares of other companies. Through its subsidiaries, it operates in the segments of liquefied petroleum gas—LPG distribution (“Ultragaz”), fuel distribution and related businesses (“Ipiranga”), production and marketing of chemicals (“Oxitenó”), and storage services for liquid bulk (“Ultracargo”) and retail distribution of pharmaceutical, hygiene, beauty, and skincare products (“Extrafarma”). For further information about segments, see Note 32.

2. Presentation of Financial Statements and Summary of Significant Accounting Policies

The Company’s consolidated financial statements (“financial statements”) were prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

The presentation currency of the Company’s financial statements is the Brazilian Real (“R\$”), which is the Company’s functional currency.

The Company and its subsidiaries applied the accounting policies described below in a consistent manner for all years presented in the financial statements.

a. Recognition of Revenue

Revenue of sales and services rendered is measured at the value of the consideration that the Company’s subsidiaries expect to be entitled to, net of sales returns, discounts, amortization of contractual assets with customers and other deductions, if applicable, being recognized as the entity fulfills its performance obligation. At Ipiranga, the revenue from sales of fuels and lubricants is recognized when the products are delivered to gas stations and to large consumers. At Ultragaz, revenue from sales of LPG is recognized when the products are delivered to customers at home, to independent dealers and to industrial and commercial customers. At Extrafarma, the revenue from sales of pharmaceuticals is recognized when the products are delivered to end user customers in own drugstores and when the products are delivered to independent resellers. At Oxitenó, the revenue from sales of chemical products is recognized when the products are delivered to industrial customers, depending of the freight mode of delivery. At Ultracargo, the revenue provided from storage services is recognized as services are performed. The breakdowns of revenues from sales and services are shown in Notes 26 and 32.

Amortization of contractual assets with customers for the exclusive rights in Ipiranga’s reseller service stations and the bonuses paid in performance obligation sales are recognized in the income statement as a deduction of the revenue from sale according to the conditions established in the agreements which is reviewed as per the changes occurred in the agreements (see Notes 2.f and 11).

The am/pm franchising upfront fee received by Ipiranga is deferred and recognized in profit or loss on the straight-line accrual basis throughout the terms of the agreements with the franchisees. For more information, see Note 23.a.

Deferred revenue from loyalty program is recognized in the income statement when the points are redeemed, on which occasion the costs incurred are also recognized in profit or loss. Deferred revenue of unredeemed points is also recognized in profit or loss when points expire. For more information, see Note 23.b.

Costs of products sold and services provided include goods (mainly fuels, lubricants, LPG, and pharmaceutical products), raw materials (chemicals and petrochemicals) and production, distribution, storage, and filling costs.

Research and development expenses are recognized in the statements of profit or loss and amounted to R\$ 63,085 in 2018 (R\$ 55,836 in 2017 and R\$ 50,129 in 2016).

b. Cash and Cash Equivalents

Includes cash, banks deposits, and short-term, highly-liquid investments that are readily convertible into a known amount of cash and are subject to an insignificant risk of change in value. See Note 4.a for further details on cash and cash equivalents of the Company and its subsidiaries.

c. Financial Assets

The Company and its subsidiaries evaluated the classification and measurement of financial assets based on its business model of financial assets as follows:

- Amortized cost: financial assets held in order to collect contractual cash flows, solely principal and interest. The interest earned and the foreign currency exchange variation are recognized in profit or loss, and balances are stated at acquisition cost plus the interest earned, using the effective interest rate method. Financial investments in guarantee of loans are classified as amortized cost.
- Measured at fair value through other comprehensive income: financial assets that are acquired or originated for the purpose of collecting contractual cash flows or selling financial assets. The balances are stated at fair value, and the interest earned and the foreign currency exchange variation are recognized in profit or loss. Differences between fair value and initial amount of financial investments plus the interest earned are recognized in equity in other comprehensive income in the “Valuation adjustments”. Accumulated gains and losses recognized in equity are reclassified to profit or loss at the time of their settlement. Substantially the financial investments in Bank Certificates of Deposit (“CDB”) and repurchase agreements are classified as measured at fair value through other comprehensive income.
- Measured at fair value through profit or loss: financial assets that were not classified as amortized cost or measured at fair value through other comprehensive income. The balances are stated at fair value and both the interest earned and the exchange variations and changes in fair value are recognized in the income statement. Investment funds and derivatives are classified as measured at fair value through profit or loss.

The Company and its subsidiaries use financial instruments for hedging purposes, applying the concepts described below:

- Hedge accounting—fair value hedge: financial instruments used to hedge exposure to changes in the fair value of an item, attributable to a particular risk, which can affect the entity’s profit or loss. In the initial designation of the fair value hedge, the relationship between the hedging instrument and the hedged item is documented, including the objectives of risk management, the strategy in conducting the transaction, and the methods to be used to evaluate its effectiveness. Once the fair value hedge has been qualified as effective, the hedge item is also measured at fair value. Gains and losses from hedge instruments and hedge items are recognized in profit or loss. The hedge accounting must be discontinued when the hedge becomes ineffective.
- Hedge accounting—cash flow hedge: financial instruments used to hedge the exposure to variability in cash flows that is attributable to a risk associated with an asset or liability or highly probable transaction or firm commitment that may affect the statements of profit or loss. The portion of the gain or loss on the hedging instrument that is determined to be effective relating to the effects of exchange rate effect, is recognized directly in equity in accumulated other comprehensive income as “Valuation adjustments” while the ineffective portion is recognized in profit or loss. Gains or losses on the hedging instrument relating to the effective portion of this hedge that had been recognized directly in accumulated other comprehensive income shall be recognized in the statements of profit or loss in the period in which the hedged item is recognized in profit or loss or as initial cost of non- financial assets, in the same line of the statement that the hedged item is recognized. The hedge accounting shall be discontinued when (i) the hedging relationship is canceled; (ii) the hedging instrument expires; and (iii) the hedging instrument no longer qualifies for hedge accounting. When hedge accounting is discontinued, gains and losses recognized in equity in other comprehensive income are reclassified to statements of profit or loss in the period which the hedged item is recognized in profit or loss. If the transaction hedged is canceled or is not expected to occur, the cumulative gains and losses in equity in other comprehensive income shall be recognized immediately in profit or loss.

- Hedge accounting—hedge of net investments in foreign operation: financial instruments used to hedge exposure on net investments in foreign subsidiaries due to the fact that the local functional currency is different from the functional currency of the Company. The portion of the gain or loss on the hedging instrument that is determined to be effective, referring to the exchange rate effect, is recognized directly in equity in accumulated other comprehensive income as cumulative translation adjustments, while the ineffective portion and the operating costs are recognized in the statements of profit or loss. The gain or loss on the hedging instrument that has been recognized directly in accumulated other comprehensive income shall be recognized in the statements of profit or loss when the disposal of the foreign subsidiary occurs.

For further detail on financial instruments of the Company and its subsidiaries, see Note 33.

d. Trade Receivables and Reseller Financing

Trade receivables are recognized at the amount invoiced of the counterparty that the Company subsidiaries are entitled. The estimated losses take into account, at the initial recognition of the contract, the expected losses for the next 12 months and for the lifetime of the contract when the deterioration or improvement of the customers' credit quality (see Notes 5 and 33.d.3), considering the customers' characteristics in each business segment. The amount of the expected credit losses is deemed by management to be sufficient to cover any probable loss on realization of trade receivables.

e. Inventories

Inventories are stated at the lower of acquisition cost or net realizable value (see Note 6). The cost value of inventory is measured using the weighted average cost and includes the costs of acquisition and processing directly and indirectly related to the units produced based on the normal capacity of production. Estimates of net realizable value are based on the average selling prices at the end of the reporting period, net of applicable direct selling expenses. Subsequent events related to the fluctuation of prices and costs are also considered, if relevant. If net realizable values are below inventory costs, a provision corresponding to this difference is recognized. Provisions are also made for obsolescence of products, materials, or supplies that (i) do not meet its subsidiaries' specifications, (ii) have exceeded their expiration date, or (iii) are considered slow-moving inventory. This classification is made by management with the support of its industrial and operations teams.

f. Contractual assets with customers – exclusive rights

Exclusive rights disbursements as provided in Ipiranga's agreements with reseller service stations and major consumers are recognized as contractual assets when paid and amortized according to the conditions established in the agreements (see Note 2.a and 11).

g. Investments

Investments in associates and joint ventures are accounted for under the equity method of accounting in the financial statements (see Note 12 items b and c). An associate is an investment, in which an investor has significant influence, that is, has the power to participate in the financial and operating decisions of the investee but does not exercise control. A joint venture is an investment in which the shareholders have the right to net assets on behalf of a joint control. Joint control is the agreement, which establish that decisions about the relevant activities of the investee require the consent from the parties that share control.

Other investments are stated at acquisition cost less provision for losses, unless the loss is considered temporary.

h. Property, Plant, and Equipment

Property, plant, and equipment is recognized at acquisition or construction cost, including financial charges incurred on property, plant, and equipment under construction, as well as qualifying maintenance costs resulting from scheduled plant outages and estimated costs to remove, to decommission, or to restore assets (see Notes 2.n and 20), less accumulated depreciation and, when applicable, less provision for losses (see Note 13).

Depreciation is calculated using the straight-line method, over the periods mentioned in Note 13, taking into account the estimated useful lives of the assets, which are reviewed annually.

Leasehold improvements are depreciated over the shorter of the lease contract term and useful life of the property.

i. Leases

• Finance Leases

Certain lease contracts transfer substantially all the risks and benefits associated with the ownership of an asset to the subsidiaries. These contracts are characterized as finance leases, and assets thereunder are capitalized at lease commencement at their fair value or, if lower, present value of the minimum lease payments under the contracts. The items recognized as assets are depreciated and amortized using the lower of the straight-line method over the useful lives applicable to each group of assets or the contract terms, as mentioned in Notes 13 and 14. Financial charges under the finance lease contracts are allocated to profit or loss over the lease contract term, based on the amortized cost and the effective interest rate method of the related lease obligation (see Notes 2.l and 15.i).

• Operating Leases

There are lease transactions where the risks and benefits associated with the ownership of the asset are not transferred and where there is no purchase option, or the purchase option at the end of the contract is equivalent to the market value of the leased asset. Payments made under an operating lease contract are recognized as cost or expense in the income statement on a straight-line basis over the term of the lease contract (see Note 34.c).

j. Intangible Assets

Intangible assets include assets acquired by the Company and its subsidiaries from third parties, according to the criteria below (see Note 14):

- Goodwill is shown as intangible assets corresponding to the positive difference between the amount paid or payable to the seller and the fair value of the identified assets and liabilities assumed of the acquired entity. Goodwill is tested annually for impairment. Goodwill is allocated to the business segments, which represent the lowest level that goodwill is monitored for impairment testing purposes (see Note 14.a).
- Other intangible assets acquired from third parties, such as software, technology, and commercial property rights, are measured at the total acquisition cost and amortized using straight-line method, over the periods mentioned in Note 14, taking into account their useful lives, which are reviewed annually.

The Company and its subsidiaries have not recognized intangible assets that were generated internally. The Company and its subsidiaries have goodwill and brands acquired in business combinations, which are evaluated as intangible assets with indefinite useful life (see Note 14 items a and e).

k. Other Assets

Other assets are stated at the lower of cost and realizable value, including, if applicable, interest earned, monetary changes and changes in exchange rates incurred or less a provision for loss and, if applicable, adjustment to present value.

l. Financial Liabilities

The Company and its subsidiaries' financial liabilities include trade payables and other payables, loans, debentures, finance leases and derivative financial instruments. Financial liabilities are classified as "financial liabilities at fair value through profit or loss" or "financial liabilities at amortized cost". The financial liabilities at fair value through profit or loss refer to derivative financial instruments, subscription warrants—indemnification, and financial liabilities designated as hedged items in a fair value hedge relationship upon initial recognition (see Note 2.c – Fair Value Hedge). The financial liabilities at amortized cost are stated at the initial transaction amount plus related charges and net of amortization and transaction costs. The charges are recognized in profit or loss using the effective interest rate method.

Transaction costs incurred and directly attributable to the activities necessary for contracting loans or for issuing bonds, as well as premiums and discounts upon issuance of debentures and other debt, are allocated to the instrument and amortized to profit or loss over its term, using the effective interest rate method (see Note 15.j).

m. Income and Social Contribution Taxes on Income

Current and deferred income tax ("IRPJ") and social contribution on net income tax ("CSLL") are calculated based on their current rates. For the calculation of current IRPJ and CSLL, the value of tax incentives is also considered. Taxes are recognized based on the rates of IRPJ and CSLL provided for by the laws enacted on the last day of the financial statements. The current rates in Brazil are 25% for IRPJ and 9% for CSLL. For further details about recognition and realization of IRPJ and CSLL, see Note 9.

For purposes of disclosure, deferred tax assets were offset against the deferred tax liability, IRPJ and CSLL, in the same taxable entity and the same tax authority.

n. Provision for Asset Retirement Obligation – Fuel Tanks

The subsidiary Ipiranga has the legal obligation to remove the underground fuel tanks located at Ipiranga-branded service stations after a certain period. The estimated cost of the obligation to remove these fuel tanks is recognized as a liability when the tanks are installed. The estimated cost is recognized in property, plant, and equipment and depreciated over the respective useful lives of the tanks. The amounts recognized as a liability accrue interest using the National Consumer Price Index ("IPCA") until the respective tank is removed (see Note 20). An increase in the estimated cost of the obligation to remove the tanks could result in negative impact in future results. The estimated removal cost is reviewed and updated annually or when there is significant change in its amount and change in the estimated costs are recognized in statements of profit or loss when they become known.

o. Provisions for Tax, Civil, and Labor Risks

A provision for tax, civil and labor risks is recognized for quantifiable risks, when the chance of loss is more-likely-than-not in the opinion of management and internal and external legal counsel, and the amounts are recognized based on the evaluation of the outcomes of the legal proceedings (see Note 21).

p. Post-Employment Benefits

Post-employment benefits granted and to be granted to employees, retirees, and pensioners are based on an actuarial calculation prepared by an independent actuary and reviewed by management, using the projected unit credit method (see Note 19.b). The actuarial gains and losses are recognized in equity in cumulative other comprehensive income.

q. Other Liabilities

Other liabilities are stated at known or measurable amounts plus, if applicable, related charges, and changes in exchange rates incurred. When applicable, other liabilities are recognized at present value, based on interest rates that reflect the term, currency, and risk of each transaction.

Ultrapar Participações S.A. and Subsidiaries
Notes to the Consolidated Financial Statements
(In thousands of Brazilian Reals, unless otherwise stated)

r. Foreign Currency Transactions

Foreign currency transactions carried out by the Company or its subsidiaries are remeasured into their functional currency at the exchange rate prevailing at the date of each transaction. Outstanding monetary assets and liabilities of the Company and its subsidiaries are translated using the exchange rate at the date of the financial statements. The effect of the difference between those exchange rates is recognized in the statements of profit or loss until the conclusion of each transaction.

s. Basis for Translation of Financial Statements of Foreign Subsidiaries

s.1. Subsidiaries with administrative autonomy

Assets and liabilities of the foreign subsidiaries, denominated in currencies other than that of the Company (functional currency: Brazilian Real), which have administrative autonomy, are translated using the exchange rate at the date of the financial statements. Revenues and expenses are translated using the average exchange rate of each year and equity is translated at the historical exchange rate of each transaction affecting equity. Gains and losses resulting from changes in these foreign investments are directly recognized in equity in cumulative other comprehensive income in the “cumulative translation adjustments” and will be recognized in profit or loss if these investments are disposed of. The balance in cumulative other comprehensive income on December 31, 2018 was a gain of R\$ 65,857 (gain of R\$ 53,061 on December 31, 2017)—see Note 25.g.2.

The foreign subsidiaries with functional currency different from the Company and which have administrative autonomy are listed below:

Subsidiary	Functional currency	Location
Oxiteno México S.A. de C.V.	Mexican Peso	Mexico
Oxiteno Servicios Corporativos S.A. de C.V.....	Mexican Peso	Mexico
Oxiteno Servicios Industriales S.A. de C.V.	Mexican Peso	Mexico
Oxiteno USA LLC	U.S. Dollar	United States
Oxiteno Uruguay S.A. (i).....	U.S. Dollar	Uruguay
Oxiteno Andina, C.A. (ii)	Bolivar Soberano	Venezuela

(i) The subsidiary Oxiteno Uruguay S.A. (“Oxiteno Uruguay”) determined its functional currency as the U.S. dollar (“US\$”), as its inventory sales, purchases of raw material inputs, and financing activities are performed substantially in this currency.

(ii) According the definition and general guidance of IAS 29, the characteristics of the economic environment of Venezuela indicate that this country is a hyperinflationary economy. As a result, the financial information of Oxiteno Andina, C.A. (“Oxiteno Andina”) was adjusted by the Venezuelan Consumer Price Index.

On August 20, 2018, the Venezuelan Central Bank put into effect the currency conversion (elimination of five zeros of the currency) and the Bolivar Soberano (“VES”). This implies a change in the monetary scale to simplify commercial transactions and accounting records, being the Bolivar Soberano traded as of December 31, 2018 at the variable exchange rate of 636.58 VES/US\$ for sale and 638.18 VES/US\$ for purchase.

Due to the economic and political situation in Venezuela and the uncertainty of its assets realization by Oxiteno S.A. Indústria e Comércio (“Oxiteno S.A.”), the Company’s management recognized an impairment loss for subsidiary Oxiteno Andina in the amount of R\$ 5,565, as shown below:

Current assets

Cash and cash equivalents	1,703
Trade receivables	290
Inventories	985
Other receivables	160
	<u>3,138</u>

Non-current assets

Property, plant, and equipment, net	2,427
Total of impairment loss	<u>5,565</u>

s.2. Subsidiaries without self-administrative autonomy

Assets and liabilities of the other foreign subsidiaries, which do not have administrative autonomy, are considered an extension of the activities of their parent company and are translated using the exchange rate at the date of the financial statements. Gains and losses resulting from changes in these foreign investments are directly recognized as financial result. The gain recognized in statements of profit or loss in 2018 amounted to R\$ 4,090 (R\$ 7,368 gain in 2017 and R\$ 3,425 gain in 2016).

t. Use of Estimates, Assumptions and Judgments

The preparation of the financial statements requires the use of estimates, assumptions, and judgments for the accounting and disclosure of certain assets, liabilities, and profit or loss. Therefore, the Company and subsidiaries' management use the best information available at the date of preparation of the financial statements, as well as the experience of past and current events, also considering assumptions regarding future events. The estimates and assumptions are reviewed periodically.

t.1 Judgments

Information on the judgments is included: in the determination of control in subsidiaries (Notes 2.g, 2.s.1 and 3), the determination of joint control in joint venture (Notes 2.g, 12.b and 12.c) and the determination of significant influence in associates (Notes 2.g and 12.b).

t.2 Uncertainties related to the assumptions and estimates

The information regarding uncertainties related to the assumptions and estimates are included: in determining the fair value of financial instruments (Notes 2.c, 2.l, 4, 15 and 33), the determination of the estimated losses on doubtful accounts (Notes 2.d, 5 and 33.d.3), the determination of provisions for losses of inventories (Notes 2.e and 6), the determination of deferred IRPJ and CSLL amounts (Notes 2.m and 9.a), , the determination of exchange rate used to translation of Oxiteno Andina' information (Note 2.s.1.ii), the useful lives of property, plant, and equipment (Notes 2.h and 13), the useful lives of intangible assets, and the determination of the recoverable amount of goodwill (Notes 2.j and 14.a), provisions for assets retirement obligations (Notes 2.n and 20), provisions for tax, civil, and labor risks (Notes 2.o and 21), estimates for the preparation of actuarial reports (Notes 2.p and 19.b) and the determination of fair value of subscription warrants – indemnification (Notes 24 and 33.j). The actual result of the transactions and information may differ from their estimates.

u. Impairment of Assets

The Company and its subsidiaries review, in every reporting period, the existence of any indication that an asset may be impaired and annually test intangible assets with undefined useful life. If there is an indication, the Company and its subsidiaries estimate the recoverable amount of the asset. Assets that cannot be evaluated individually are grouped in the smallest group of assets that generate cash inflow from continuous use and that are largely independent of cash flows of other assets (cash generating units "CGU"). The recoverable amount of assets or CGUs corresponds to the greater of their fair value net of applicable direct selling costs and their value in use.

The fair value less costs to sell is determined by the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date, net of costs of removing the asset, and direct incremental costs to bring an asset into condition for its sale, legal costs, and taxes.

To assess the value in use, the projections of future cash flows, trends, and outlooks, as well as the effects of obsolescence, demand, competition, and other economic factors were considered. Such cash flows are discounted to their present values using the discount rate before tax that reflects market conditions for the period of impairment testing and the specific risks of the asset or CGU being evaluated. In cases where the expected discounted future cash flows are less than their carrying amount, an impairment loss is recognized for the amount by which the carrying value exceeds the fair value of these assets. Losses for impairment of assets are recognized in profit or loss. In case goodwill has been allocated to a CGU, the recognized losses are first allocated to reduce the corresponding goodwill. If the goodwill is not enough to absorb such losses, the surplus is allocated to the assets on a pro-rata basis. An impairment of goodwill cannot be reversed. For other assets, impairment losses may be reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if the impairment had not been recognized.

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As of December 31, 2018 and 2017, the Company recognized an impairment loss for subsidiary Oxitenio Andina (see Note 2.s.1.ii). For the year ended December 31, 2016, the Company recognized an impairment loss in the amount of R\$ 2,114, which correspond to R\$ 1,695 related to goodwill and R\$ 419 related to other intangible assets, from subsidiary Oxitenio Andina.

v. Business Combination

A business combination is accounted applying the acquisition method. The cost of the acquisition is measured based on the consideration transferred and to be transferred, measured at fair value at the acquisition date. In a business combination, the assets acquired and liabilities assumed are measured in order to classify and allocate them accordingly to the contractual terms, economic circumstances and relevant conditions on the acquisition date. The non-controlling interest in the acquiree is measured based on its interest in identifiable net assets acquired. Goodwill is measured as the excess of the consideration transferred and to be transferred over the fair value of net assets acquired (identifiable assets and liabilities assumed, net). After the initial recognition, goodwill is measured at cost less any accumulated impairment losses. For impairment testing purposes, goodwill is allocated to the Company's operating segments. When the cost of the acquisition is lower than the fair value of net assets acquired, a gain is recognized directly in the statement of profit or loss in the year. Costs related to the acquisition are recorded in the statement of profit or loss when incurred.

w. Statements of Cash Flows Indirect Method

The Company and its subsidiaries present the interest paid on loans and debentures in financing activities. The Company and its subsidiaries present financial investments on a net basis of income and redemptions in the investing activities.

x. Adoption of the Pronouncements Issued by IASB

The following standards, amendments, and interpretations to IFRS were issued by the IASB, which are effective as of January 1, 2018:

- IFRS 9—Financial instrument classification and measurement: includes new requirements for the classification and measurement of financial assets and liabilities, derecognition requirements, new impairment methodology for financial instruments, and new hedge accounting guidance.
- IFRS 15—Revenue from contracts with customers: establish the principles of nature, amount, timing and uncertainty of revenue and cash flow arising from a contract with a customer.

The Company and its subsidiaries disclose below the information of the impacts of the adoption of IFRS 9 and 15 and reclassifications to the better presentation of the financial statements.

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(1) IFRS 9 adoption—Financial instruments

a) Classification and measurement of financial instruments

The Company and its subsidiaries evaluated the classification and measurement of financial instruments and, based on its business model, concluded that the objective is achieved, collecting contractual cash flows and selling financial assets (hold for collection and sell). Accordingly, primarily the financial assets are classified as measured at fair value through other comprehensive income. Funds that are classified as measured at fair value through profit or loss and financial investments given as collateral for loans that are stated at amortized cost (see Note 2.c).

	2017				
	Classification as previously reported according to IAS 39		New classification according to IFRS 9		
	Category	Carrying value	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income	Measured at amortized cost
Financial assets:					
Cash and cash equivalents					
Cash and bank deposits	Loans and receivables	147,926	—	—	147,926
Financial investments in local currency	Measured at fair value through profit or loss	4,821,605	—	4,821,605	—
Financial investments in foreign currency	Measured at fair value through profit or loss	32,473	32,473	—	—
Financial investments:					
Fixed-income securities and funds in local currency	Available for sale	68,742	—	2,720	66,022
Fixed-income securities and funds in local currency	Measured at fair value through profit or loss	1,076,849	1,076,849	—	—
Fixed-income securities and funds in local currency	Held to maturity	7,449	—	—	7,449
Fixed-income securities and funds in foreign currency	Available for sale	129,131	—	129,131	—
Currency and interest rate hedging instruments	Measured at fair value through profit or loss	85,753	85,753	—	—
Total.....		6,369,928	1,195,075	4,953,456	221,397

b) Estimated losses on doubtful accounts

The Company and its subsidiaries assessed the estimated credit losses on doubtful accounts on trade receivables, taking into account, at the initial recognition of the contract, the expected losses for the next 12 months and for the lifetime of the contract when the deterioration or improvement of customers' credit quality (see Note 2.d).

c) Derivative financial instruments

For derivative financial instruments, the Company and its subsidiaries keep applying IAS 39.

(2) IFRS 15 adoption—Revenue recognition from contracts with customers

The Company and its subsidiaries evaluated all the stages for the recognition of their revenues from contracts with customers.

In relation to the presentation in the income statement, the Company and its subsidiaries evaluated that certain expenses, allocated as selling and marketing until December 31, 2017, should be better presented as a reduction of revenue, substantially in relation to the amortization expenses of exclusive contracts to operate Ipiranga service station.

The Company and its subsidiaries adopted retrospectively the impacts of the IFRS 9 and 15 using the “full retrospective method”.

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(3) Reclassifications

The following reclassifications were made in the financial statements to keep consistency with the criteria adopted in 2018: i) in the statements of financial position the reclassification between property, plant, and equipment and intangible assets related to the participation of subsidiary Cia. Ultragaz in the acquisition of LPG tanks and bottles for its resellers; and ii) in the statements of profit or loss the segregation of sales and purchase taxes between the revenue from sales and services and the cost of products.

(4) Retrospective effect of the fair value related to CBLSA acquisition

As required by item 45 of IFRS 3, the Company is presenting the retrospective effects of the fair value of assets in the statements of financial position as of December 31, 2017, related to the conclusion of the purchase price allocation from the association with Chevron Brasil Lubrificantes S.A. ("CBLSA") -see Note 3.c.

The tables below summarize the effects of the IFRS 9 and 15 adoption and reclassifications on statements of financial position, statements of profit or loss and statements of cash flow:

2. x.1 Adoption of the Pronouncements as of January 1, 2017

Statements of Financial Position

Assets	As previously reported – 12/31/2016	IFRS 9 adoption (1)	IFRS 15 adoption (2)	Reclassifications (3)	After adoption IFRS 9 and 15 and reclassification – 1/1/2017
Current assets					
Trade receivables and reseller financing	3,502,322	(84,713)	(29,442)	—	3,388,167
Inventories	2,761,207	—	20,170	—	2,781,377
Contractual assets with customers – exclusive rights	—	—	448,316	—	448,316
Other current assets	6,748,267	—	—	—	6,748,267
Total current assets	13,011,796	(84,713)	439,044	—	13,366,127
Non-current assets					
Contractual assets with customers – exclusive rights	—	—	989,768	—	989,768
Deferred income and social contribution taxes	417,344	28,802	13,472	—	459,618
Other non-current assets	1,429,262	—	—	—	1,429,262
Total long term assets	1,846,606	28,802	1,003,240	—	2,878,648
Investments	141,687	—	—	—	141,687
Property, plant, and equipment.	5,787,982	—	—	8,436	5,796,418
Intangible assets	3,371,599	—	(1,471,527)	(8,436)	1,891,636
Total non-current assets ..	11,147,874	28,802	(468,287)	—	10,708,389
Total assets	24,159,670	(55,911)	(29,243)	—	24,074,516

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Liabilities	As previously reported – 12/31/2016	IFRS 9 adoption (1)	IFRS 15 adoption (2)	Reclassifications (3)	After adoption IFRS 9 and 15 and reclassification – 1/1/2017
Current liabilities					
Taxes payable.....	171,033	—	(2,647)	—	168,386
Other current liabilities	5,315,913	—	—	—	5,315,913
Total current liabilities.....	5,486,946	—	(2,647)	—	5,484,299
Non-current liabilities					
Total non- current liabilities.....	10,114,166	—	—	—	10,114,166
Equity					
Profit reserves.....	4,466,392	(55,831)	(26,596)	—	4,383,965
Other equity items	4,061,231	—	—	—	4,061,231
Equity attributable to:					
Shareholders of the Company	8,527,623	(55,831)	(26,596)	—	8,445,196
Non-controlling interests in subsidiaries	30,935	(80)	—	—	30,855
Total equity.....	8,558,558	(55,911)	(26,596)	—	8,476,051
Total liabilities and equity	24,159,670	(55,911)	(29,243)	—	24,074,516

Statements of Profit or Loss

	As previously reported – 2016	IFRS 9 adoption (1)	IFRS 15 adoption (2)	Reclassifications (3)	After adoption IFRS 9 and 15 and reclassification – 2016
Net revenue from sales and services	77,352,955	—	(471,115)	(141,80)	76,740,03
Cost of products and services sold	(70,342,723)	—	3,971	141,80	(70,196,94)
Gross profit	7,010,232	—	(467,144)	—	6,543,08
Operating income (expenses)					
Selling and marketing.....	(2,651,501)	(44,074)	475,382	—	(2,220,19)
Other operating income (expenses) items	(1,253,021)	—	—	—	(1,253,02)
Operating income before financial income (expenses) and share of profit of joint ventures and associates	3,105,710	(44,074)	8,238	—	3,069,87
Financial result, net	(842,576)	—	—	—	(842,57)

	As previously reported – 2016	IFRS 9 adoption (1)	IFRS 15 adoption (2)	Reclassifications (3)	After adoption IFRS 9 and 15 and reclassification – 2016
Share of profit of joint ventures and associates....	7,476	—	—	—	7,47
Income before income and social contribution taxes.....	2,270,610	(44,074)	8,238	—	2,234,77
Income and social contribution taxes					
Current	(800,497)	—	—	—	(800,49)
Deferred	100,505	14,835	(2,801)	—	112,53
	(699,992)	14,835	(2,801)	—	(687,95)
Net income for the year	1,570,618	(29,239)	5,437	—	1,546,81
Net income for the year attributable to:					
Shareholders of the Company	1,561,585	(29,189)	5,441	—	1,537,83
Non-controlling interests in subsidiaries	9,033	(50)	(4)	—	8,97
Earnings per share (based on weighted average number of shares outstanding) – R\$					
Basic.....	1.4422				1.420
Diluted.....	1.4313				1.409

Ultrapar Participações S.A. and Subsidiaries
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Statements of Cash Flows

	As previously reported – 2016	IFRS 9 adoption (1)	IFRS 15 adoption (2)	Reclassifications (3)	After adoption IFRS 9 and 15 and reclassification – 2016
Cash flows from operating activities					
Net income for the year	1,570,618	(29,239)	5,437	—	1,546,816
Adjustments to reconcile net income to cash provided by operating activities					
Share of loss (profit) of joint ventures and associates	(7,476)	—	—	—	(7,476)
Amortization of contractual assets with customers – exclusive rights	—	—	463,490	—	463,490
Depreciation and amortization	1,103,538	—	(475,382)	—	628,156
PIS and COFINS credits on depreciation	12,581	—	—	—	12,581
Asset retirement obligation	(2,785)	—	—	2,785	—
Interest, monetary, and foreign exchange rate variations	763,793	—	—	—	763,793
Deferred income and social contribution taxes	(100,505)	(14,835)	2,801	—	(112,539)
(Gain) loss on disposal of property, plant and equipment and intangibles	6,134	—	—	—	6,134
Estimated credit losses on doubtful accounts	—	—	—	79,983	79,983
Provision for losses in inventories	—	—	—	555	555
Provision for post-employment benefits	—	—	—	7,631	7,631
Other provisions and adjustments	(6,515)	—	5,612	—	(903)
	3,339,383	(44,074)	1,958	90,954	3,388,221
(Increase) decrease in current assets					
Trade receivables and reseller financing	(326,695)	44,074	(4,115)	(86,145)	(372,881)
Inventories	(262,993)	—	—	(4,526)	(267,519)
Other current asset items ...	(254,774)	—	—	—	(254,774)

	As previously reported – 2016	IFRS 9 adoption (1)	IFRS 15 adoption (2)	Reclassifications (3)	After adoption IFRS 9 and 15 and reclassification – 2016
Increase (decrease) in current liabilities					
Taxes payable	2,229	—	—	1,792	4,021
Insurance and other payables	56,811	—	—	(2,785)	54,026
Other current liabilities items	791,257	—	—	—	791,257
(Increase) decrease in non-current assets					
Other non-current asset items	(211,967)	—	—	—	(211,967)
Increase (decrease) in non-current liabilities					
Post-employment benefits .	(40)	—	—	(7,631)	(7,671)
Other non-current liabilities items	24,647	—	—	—	24,647
Payments of contractual assets with customers – exclusive rights	—	—	(514,291)	—	(514,291)
Income and social contribution taxes paid	(644,188)	—	—	—	(644,188)
Net cash provided by operating activities	2,513,670	—	(524,789)	—	1,988,881

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	As previously reported –2016	IFRS 9 adoption (1)	IFRS 15 adoption (2)	Reclassifications (3)	After adoption IFRS 9 and 15 and reclassification – 2016
Cash flows from investing activities					
Acquisition of property, plant, and equipment ...	(1,015,199)	—	—	(18,738)	(1,033,937)
Acquisition of intangible assets.....	(651,171)	—	524,789	18,738	(107,644)
Other investing activities items	(182,406)	—	—	—	(182,406)
Net cash used in investing activities	(1,848,776)	—	524,789	—	(1,323,987)
Net cash provided by financing activities	928,388	—	—	—	928,388
Effect of exchange rate changes on cash and cash equivalents in foreign currency	(22,017)	—	—	—	(22,017)
Increase in cash and cash equivalents	1,571,265	—	—	—	1,571,265
Cash and cash equivalents at the beginning of the year	2,702,893	—	—	—	2,702,893
Cash and cash equivalents at the end of the year	4,274,158	—	—	—	4,274,158

2. x.2 Adoption of the Pronouncements as of December 31, 2017

Statements of Financial Position

Assets	As previously reported – 12/31/2017	IFRS 9 adoption (1)	IFRS 15 adoption (2)	Reclassifications (3)	Fair value CBLSA (4)	After adoption IFRS 9 and 15 and reclassification – 12/31/2017
Current assets						
Trade receivables and reseller financing.....	8 4,337,11	8 (157,19)	6 (32,02)	—	—	4 4,147,89
Inventories.....	9 3,491,87	—	8 21,69	—	3 13	0 3,513,71
Contractual assets with customers – exclusive rights..	—	—	3 456,21	—	—	3 456,21
Other current assets	4 7,372,29	—	—	—	—	4 7,372,29
Total current assets	1 15,201,29	8 (157,19)	5 445,88	—	3 13	1 15,490,11
Non-current assets						

Assets	As previously reported – 12/31/2017	IFRS 9 adoption (1)	IFRS 15 adoption (2)	Reclassifications (3)	Fair value CBLSA (4)	After adoption IFRS 9 and 15 and reclassification – 12/31/2017
Contractual assets with customers – exclusive rights..	—	—	1,046,14	—	—	1,046,14
			7			7
Deferred income and social contribution taxes.....	1 545,61	7 53,44	3 15,00	—	—	1 614,06
Other non-current assets.....	5 2,107,96	—	—	—	—	5 2,107,96
Total long term asset s	6 2,653,57	7 53,44	0 1,061,15	—	—	3 3,768,17
Investments...	4 150,19	—	—	—	—	4 150,19
Property, plant, and equipment	8 6,607,78	—	—	26,74	3,29	6 6,637,82
Intangible assets	3 3,727,47	—	(1,538,09	(26,74	75,40	2 2,238,04
			5)	0)	4	2
Total non-current assets ...	1 13,139,03	7 53,44	5 (476,94	—	78,70	5 12,794,23
			)		2	
Total assets	2 28,340,32	1 (103,75	0 (31,06	—	78,83	6 28,284,34
)		5	

Ultrapar Participações S.A. and Subsidiaries
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Liabilities	As previously reported – 12/31/2017	IFRS 9 adoption (1)	IFRS 15 adoption (2)	Reclassifications (3)	Fair value CBLSA (4)	After adoption IFRS 9 and 15 and reclassification – 12/31/2017
Current liabilities						
Taxes payable....	225,829	—	(4,300)	—	—	9 221,52
Other current liabilities	6,788,159	—	—	—	—	9 6,788,15
Total current liabilities	7,013,988	—	(4,300)	—	—	8 7,009,68
Non-current liabilities						
Deferred income and social contribution taxes.....	38,524	—	—	—	45,118	2 83,64
Other non- current assets	11,566,978	—	—	—	—	8 11,566,97
Total non- current liabilities	11,605,502	—	—	—	45,118	0 11,650,62
Equity						
Profit reserves....	3,760,079	(103,468)	(26,760)	—	—	1 3,629,85
Valuation adjustments ...	159,643	—	—	—	(4,819)	4 154,82
Other equity items	5,461,539	—	—	—	—	9 5,461,53
Equity attributable to:						
Shareholders of the Company.	9,381,261	(103,468)	(26,760)	—	(4,819)	4 9,246,21
Non-controlling interests in subsidiaries ...	339,571	(283)	—	—	38,536	4 377,82
Total equity ..	9,720,832	(103,751)	(26,760)	—	33,717	8 9,624,03
Total liabilities and equity	28,340,322	(103,751)	(31,060)	—	78,835	6 28,284,34

Statements of Profit or Loss

	As previously reported – 2017	IFRS 9 adoption (1)	IFRS 15 adoption (2)	Reclassifications (3)	After adoption IFRS 9 and 15 and reclassification – 2017
Net revenue from sales and services	80,007,422	—	(474,628)	0	79,230,01
Cost of products and services sold	(72,735,781)	—	1,528	0	(72,431,47)
Gross profit	7,271,641	—	(473,100)	—	6,798,54
Operating income (expenses)					
Selling and marketing.....	(2,885,311)	(72,485)	471,407	—	(2,486,38)
Other operating income (expenses) items	(1,519,410)	—	—	—	(1,519,41)
Operating income before financial income (expenses) and share of profit of joint ventures and associates.....	2,866,920	(72,485)	(1,693)	—	2,792,74
Financial result, net.....	(474,296)	—	—	—	(474,29)
Share of profit of joint ventures and associates....	20,673	—	—	—	20,67
Income before income and social contribution taxes.....	2,413,297	(72,485)	(1,693)	—	2,339,11
Income and social contribution taxes					
Current	(922,458)	—	—	—	(922,45)
Deferred	83,029	25,599	576	—	109,20
	(839,429)	25,599	576	—	(813,25)
Net income for the year	1,573,868	(46,886)	(1,117)	—	1,525,86
Net income for the year attributable to:					
Shareholders of the Company	1,574,306	(46,825)	(976)	—	1,526,50
Non-controlling interests in subsidiaries	(438)	(61)	(141)	—	(64)
Earnings per share (based on weighted average number of shares outstanding) – R\$					
Basic.....	1.4528				1.408
Diluted.....	1.4423				1.398

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Statements of Cash Flows

	As previously reported –2017	IFRS 9 adoption (1)	IFRS 15 adoption (2)	Reclassifications (3)	After adoption IFRS 9 and 15 and reclassification –2017
Cash flows from operating activities					
Net income for the year..		(46,886)	(1,117)		
	1,573,868	)	)	—	1,525,865
Adjustments to reconcile net income to cash provided by operating activities					
Share of loss (profit) of joint ventures and associates	(20,673)	—	—	—	(20,673)
Amortization of contractual assets with customers – exclusive rights ..	—	—	463,049	—	463,049
Depreciation and amortization	1,175,951	—	(471,407)	—	704,544
PIS and COFINS credits on depreciation.....	13,134	—	—	—	13,134
Asset retirement obligation	(15,432)	—	—	15,432	—
Interest, monetary, and foreign exchange rate variations.....	854,671	—	—	—	854,671
Deferred income and social contribution taxes	(83,029)	(25,599)	(576)	—	(109,204)
(Gain) loss on disposal of property, plant and equipment and intangibles ...	2,242	—	—	—	2,242
Estimated credit losses on doubtful accounts	—	—	—	132,756	132,756
Provision for losses in inventories.....	—	—	—	(802)	(802)
Provision for post-employment benefits.....	—	—	—	13,968	13,968
Other provisions and adjustments..	(868)	—	2,407	—	1,539

	As previously reported –2017	IFRS 9 adoption (1)	IFRS 15 adoption (2)	Reclassifications (3)	After adoption IFRS 9 and 15 and reclassification –2017
	3,499,864	(72,485)	(7,644)	161,354	3,581,089
(Increase) decrease in current assets					
Trade receivables and reseller financing	(665,145)	72,485	(3,006)	(129,574)	(725,240)
Inventories	(605,757)	—	—	(727)	(606,484)
Other current asset items.....	30,860	—	—	—	30,860
Increase (decrease) in current liabilities					
Taxes payable	34,707	—	—	(1,653)	33,054
Insurance and other payables	(33,955)	—	—	(15,432)	(49,387)
Other current liabilities items ...	1,216,294	—	—	—	1,216,294
(Increase) decrease in non- current assets					
Other non-current asset items	(393,991)	—	—	—	(393,991)
Increase (decrease) in non- current liabilities					
Post-employment benefits	13,209	—	—	(13,968)	(759)
Other non-current liabilities items ...	20,142	—	—	—	20,142
Payments of contractual assets with customers – exclusive rights	—	—	(529,732)	—	(529,732)
Income and social contribution taxes paid	(836,808)	—	—	—	(836,808)
Net cash provided by operating activities	2,279,420	—	(540,382)	—	1,739,038
Cash flows from investing activities					
Acquisition of property, plant, and equipment....	(1,262,558)	—	—	(39,629)	(1,302,187)
Acquisition of intangible assets .	(801,971)	—	540,382	39,629	(221,960)
Other investing activities items ...	152,392	—	—	—	152,392
Net cash used in investing activities	(1,912,137)	—	540,382	—	(1,371,755)
Net cash provided by financing activities	340,349	—	—	—	340,349
Effect of exchange rate changes on cash and cash equivalents in foreign currency	20,214	—	—	—	20,214

	As previously reported –2017	IFRS 9 adoption (1)	IFRS 15 adoption (2)	Reclassifications (3)	After adoption IFRS 9 and 15 and reclassification –2017
Increase in cash and cash equivalents	727,846	—	—	—	727,846
Cash and cash equivalents at the beginning of the year	4,274,158	—	—	—	4,274,158
Cash and cash equivalents at the end of the year	5,002,004	—	—	—	5,002,004

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The following standards, amendments, and interpretations to IFRS were issued by the IASB are not effective as of December 31, 2018:

	Effective date
(i) IFRS 16—Lease: requires lessees’ record, in the financial statements, a liability reflecting future payments of a lease and the right to use an asset for the lease contracts, except for certain short-term leases and low asset value contracts. The criteria for recognition and measurement of leases in the financial statements of lessors are substantially maintained.	2019
(ii) Uncertainty over income tax treatments – IFRIC 23: clarifies how to apply the recognition and measurement requirements in IAS 12– when there is uncertainty over income tax treatments. In such circumstance, an entity shall recognize and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, applying this interpretation.	2019
<hr/>	
<p>⁽ⁱ⁾ With the adoption of IFRS 16, as of the fiscal year beginning January 1, 2019, the leases contracted by the Company’s subsidiaries will impact the financial statements as follows:</p> <ul style="list-style-type: none"> • recognition of right to use assets and lease liabilities in the balance sheet, initially measured at the present value of future lease payments; • recognition of amortization expenses of right to use assets and interest expenses on the lease liabilities in the financial result in the statements of profits or loss; and • split of the total amount of cash paid in these operations between principal and interest paid in operating activities in the statements of cash flows. 	

The requirements for the accounting of lessors will remain unchanged. However, in sublease cases, the intermediate lessor is required to classify its sublease operations as financial or operating leases by reference to the right of use asset arising from the principal lease rather than by reference to the underlying asset as previously required by IAS 17.

The Company selected as transition method the modified retrospective approach, with the cumulative effect of initial application of this new pronouncement recorded as an adjustment to the opening balance of equity and without restatement of comparative periods.

The new lease definitions have been applied to all identified contracts in effect on the transition date. IFRS 16 determines whether a contract contains a lease if a customer has the right to control the use of an identified asset for a period in return for consideration.

In the diagnosis of the adoption, the Company’s management, with the assistance of specialized consulting, carried out the inventory of the contracts, evaluating whether or not each agreement contains a lease in accordance with IFRS 16. This analysis identified impacts mainly related to the lease of properties from third parties, port areas and lower amounts arising from other operations where the existence of leased assets individually or combined in service contracts was identified.

As allowed in the standard, short-term leases with a term of 12 months or less, variable amounts, indefinite term and leases of low amount assets such as computers and office furniture, will maintain the recognition of their lease expenses on a straight-line basis in the statements of profit or loss.

In addition, the following practical matters will be used to transition to new lease accounting requirements:

- application of the IFRS 16 to all contracts initiated before January 1, 2019 that were identified as leases in accordance with IAS 7 and IFRIC 4;
- use of discount rate according to the lease term and similar characteristics;
- contracts with a term of 12 months from the date of the initial adoption of the standard or with indefinite term will not be recorded;
- exclusion of the initial direct costs of the measurement of the opening balance from right of use asset; and
- options for extension of the term or termination were considered, when applicable.

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The table below summarizes the range of estimated impacts on the adoption of the IFRS 16, as of January 1, 2019:

	From	To
Current assets		
Prepaid expenses	(38,939)	(38,939)
Non-current assets		
Prepaid expenses	(288,630)	(288,630)
Right of use assets	1,731,314	1,940,091
Intangible assets	(39,178)	(39,178)
Total assets	<u>1,364,567</u>	<u>1,573,344</u>
Current liabilities		
Lease contracts payable	184,136	219,399
Non-Current liabilities		
Lease contracts payable	1,180,431	1,353,945
Total liabilities	<u>1,364,567</u>	<u>1,573,344</u>

The analysis associated with the measurement and accounting of the lease agreements are substantially completed, with the definition of the following topics pending for its conclusion:

- discount rate;
- the cash flows payment from the lease agreements estimates for the gross or net of taxes.

Therefore, considering the existence of significant components of judgment in this standard, the management understands that there may be changes in the amounts presented above.

(ii) In the evaluation of management, no significant impacts are expected as a result of the adoption of IFRIC 23, since all the procedures adopted for the determination and collection of income taxes are supported by the legislation and precedents from Administrative and Judicial Courts.

z. Authorization for Issuance of the Financial Statements

These financial statements were authorized for issue by the Board of Directors on April 22, 2019.

3. Principles of Consolidation, Investments in Subsidiaries and Acquisition

a. Principles of Consolidation

In the preparation of the consolidated financial statements the investments of one company in another, balances of asset and liability accounts, revenues transactions, costs and expenses were eliminated, as well as the effects of transactions conducted between the companies. Non-controlling interests in subsidiaries are presented within consolidated equity and net income.

Consolidation of a subsidiary begins when the parent company obtains direct or indirect control over a company and ceases when the parent company loses control of a company. Income and expenses of a subsidiary acquired are included in the consolidated profit or loss statement and other comprehensive income from the date the parent company gains the control. Income and expenses of a subsidiary, in which the parent company loses control, are included in the consolidated profit or loss statement and other comprehensive income until the date the parent company loses control.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies.

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b. Investments in Subsidiaries

The consolidated financial statements include the following direct and indirect subsidiaries:

	Location	Segment	% interest in the share					
			12/31/2018		12/31/2017		12/31/2016	
			Control		Control		Control	
			Direct	Indirect	Direct	Indirect	Direct	Indirect
Ipiranga Produtos de Petróleo S.A.	Brazil	Ipiranga	100	—	100	—	100	—
am/pm Comestíveis Ltda.....	Brazil	Ipiranga	—	100	—	100	—	100
Centro de Conveniências Millennium Ltda.	Brazil	Ipiranga	—	100	—	100	—	100
Icorban—								
Correspondente Bancário Ltda.	Brazil	Ipiranga	—	100	—	100	—	100
Ipiranga Trading Limited	Virgin Islands	Ipiranga	—	100	—	100	—	100
Tropical Transportes Ipiranga Ltda.	Brazil	Ipiranga	—	100	—	100	—	100
Ipiranga Imobiliária Ltda.....	Brazil	Ipiranga	—	100	—	100	—	100
Ipiranga Logística Ltda.	Brazil	Ipiranga	—	100	—	100	—	100
Oil Trading Importadora e Exportadora Ltda. ..	Brazil	Ipiranga	—	100	—	100	—	100
Iconic Lubrificantes S.A. (see Note 3.c)....	Brazil	Ipiranga	—	56	—	56	—	—
Ipiranga Lubrificantes S.A. (see Note 3.c)	Brazil	Ipiranga	—	—	—	100	—	100
Integra Frotas Ltda.	Brazil	Ipiranga	—	100	—	100	—	100
Companhia Ultragaz S.A.....	Brazil	Ultragaz	—	99	—	99	—	99
Ultragaz Comercial Ltda.	Brazil	Ultragaz	—	100	—	100	—	100
Bahiana Distribuidora de Gás Ltda.	Brazil	Ultragaz	—	100	—	100	—	100
Utingás Armazenadora S.A.....	Brazil	Ultragaz	—	57	—	57	—	57
LPG International Inc....	Cayman Islands	Ultragaz	—	100	—	100	—	100
Imaven Imóveis Ltda.....	Brazil	Others	—	100	—	100	—	100
Imifarma Produtos Farmacêuticos e Cosméticos S.A.	Brazil	Extrafarm a	—	100	—	100	—	100
Oxiteno S.A. Indústria e Comércio.....	Brazil	Oxiteno	100	—	100	—	100	—
Oxiteno Nordeste S.A. Indústria e Comércio	Brazil	Oxiteno	—	99	—	99	—	99

	Location	Segment	% interest in the share					
			12/31/2018		12/31/2017		12/31/2016	
			Control		Control		Control	
			Direct	Indirect	Direct	Indirect	Direct	Indirect
Oxiteno Argentina Sociedad de Responsabilidad Ltda.	Argentina	Oxiteno	—	100	—	100	—	100
Oleoquímica Indústria e Comércio de Produtos Químicos Ltda.....	Brazil	Oxiteno	—	100	—	100	—	100
Oxiteno Uruguay S.A....	Uruguay	Oxiteno	—	100	—	100	—	100
Oxiteno México S.A. de C.V.	Mexico	Oxiteno	—	100	—	100	—	100
Oxiteno Servicios Corporativos S.A. de C.V.	Mexico	Oxiteno	—	100	—	100	—	100
Oxiteno Servicios Industriales S.A. de C.V.	Mexico	Oxiteno	—	100	—	100	—	100
Oxiteno USA LLC	United States	Oxiteno	—	100	—	100	—	100
Global Petroleum Products Trading Corp.....	Virgin Islands	Oxiteno	—	100	—	100	—	100
Oxiteno Andina, C.A.....	Venezuela	Oxiteno	—	100	—	100	—	100
Oxiteno Europe SPRL...	Belgium	Oxiteno	—	100	—	100	—	100
Oxiteno Colombia S.A.S	Colombia	Oxiteno	—	100	—	100	—	100
Oxiteno Shanghai LTD.	China	Oxiteno	—	100	—	100	—	100
Empresa Carioca de Produtos Químicos S.A.	Brazil	Oxiteno	—	100	—	100	—	100
Ultracargo—Operações Logísticas e Participações Ltda.	Brazil	Ultracargo	100	—	100	—	100	—
Terminal Químico de Aratu S.A. – Tequimar	Brazil	Ultracargo	—	99	—	99	—	99
TEAS – Terminal Exportador de Alcool de Santos Ltda. (see Note 3.d).....	Brazil	Ultracargo	—	100	—	—	—	—
Ultrapar International S.A.....	Luxembourg	Others	100	—	100	—	100	—
SERMA—Ass. dos usuários equip. proc. de dados	Brazil	Others	—	100	—	100	—	100

The percentages in the table above are rounded.

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c. Association with Chevron Brasil Lubrificantes S.A.

On August 4, 2016, the Company through its subsidiary Ipiranga Produtos de Petróleo S.A. (“IPP”) entered into an association agreement with Chevron Latin America Marketing LLC and Chevron Amazonas LLC (“Chevron”) to create a new company in the lubricants market. The association is formed by Ipiranga and Chevron’s lubricants operations in Brazil. On February 2017, this transaction was approved without restrictions through an opinion issued by the General Superintendence (“SG”) of the Brazilian Antitrust Authority (“CADE”) and published in the Brazilian Federal Official Gazette. On December 1, 2017, the association was concluded, through the contribution of the subsidiary Ipiranga Lubrificantes S.A. (“IpiLubs”) to CBLSA and consequently IPP obtained direct control of CBLSA. IPP and Chevron hold 56% and 44%, respectively, of the CBLSA.

The Company measured the open balance, fair value of assets and liabilities, and, consequently, the goodwill of their transaction. The Company, supported by a third party company specialized in valuations, estimated the amount for the purchase price allocation and calculated the goodwill in the amount of R\$ 69,807. The goodwill is based on the synergy between the lubricant operations of CBLSA and IpiLubs.

The amounts for the purchase price allocation were temporary on the date on which they were disclosed in the financial statements of December 31, 2017. In 2018, the Company calculated the definitive amounts and adjusted retrospectively to December 1, 2017 the purchase price allocation during the fourth quarter of 2018. The table below summarize the assets acquired and liabilities assumed as of the acquisition date (December 1, 2017):

Current assets	Temporary amount	Final amount	Adjustment	Current liabilities	Temporary amount	Final amount	Adjustment
Cash and cash equivalents ⁽¹⁾	16	73,31	—	Trade payables	53	33,45	—
Trade receivables	16	157,01	—	Salaries and related charges	51	18,25	—
Inventories	98	112,9	3	Taxes payable	89	20,08	—
Recoverable taxes	95	5,59	—	Other payables	43	28,74	—
Other receivables	97	15,49	—				
	22	364,45	13		36	100,53	—
Non-current assets				Non-current liabilities			
Related parties	77	7,07	—	Provision for tax, civil, and labor risks	52	202,35	—
Indemnity asset	52	202,35	—	Deferred income and social contribution taxes	00	48,41	45,11
Escrow deposits	95	4,09	—	Post-employment benefits	78	44,47	—
Other receivables	57	5,25	—		30	295,24	45,11

Current assets	Temporary amount	Final amount	Adjustment	Current liabilities	Temporary amount	Final amount	Adjustment
Property, plant, and equipment	26	172,5 3	175,82 8				3,29
Intangible assets	44	9,9 5	139,21 0				129,27
	51	401,2 9	533,81 8				132,56
Total assets acquired	73	765,6 4	898,37 1		350,6 66	395,78 4	45,11 8
Goodwill	73	123,6 7	69,80 6	(53,86)	182,6 03	221,13 9	38,53 6
Total assets acquired and goodwill	46	889,3 1	968,18 5	78,83	356,0 77	351,25 8	(4,81)
				Consideration transferred			

⁽¹⁾ Includes the cash contribution from IPP.

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During the process of identification of assets and liabilities, intangible assets, which were not recognized in the acquired entity's books were also taken into account, as shown below:

	R\$	Useful life	Amortization method
Commercial property rights	114,792	39 years	Straight line
Portfolio and customers' relationship	14,478	30 years	Straight line
Total.....	<u>129,270</u>		

The goodwill was calculated as below:

	Temporary amount	Final amount	Adjustment
Consideration transferred	356,077	351,258	4,819
Total assets acquired	(765,673)	(898,374)	(132,701)
Total liabilities assumed	350,666	395,784	45,118
Non-controlling interest	182,603	221,139	38,536
Goodwill (see Note 14.a)	<u>123,673</u>	<u>69,807</u>	<u>53,866</u>

For more information about the property, plant, and equipment and intangible assets acquired, see Notes 13 and 14, respectively and related to the provision for tax, civil and labor risks and indemnity assets, see Note 21.c.

The following summary presents the Company's pro forma information for 2017, as if the acquisition had been completed at the beginning of the year. The pro forma information is only presented for comparative purposes and does not purport to be indicative of what would have occurred had the acquisition actually been made at such date, nor is it necessarily indicative of future operating results:

	2017
Net revenue from sales and services	80,007,676
Operating income	2,760,458
Net income for the year	1,507,074
Earnings per share basic – whole R\$ (see Note 31)	1.3911
Earnings per share diluted – whole R\$ (see Note 31)	1.3812

Earnings per share were adjusted retrospectively as disclosure in Note 35.

In order to simplify the corporate structure and the joining of companies with similar activities, IpiLubs was merged by CBLSA on November 1, 2018. In that same moment, the subsidiary changed its corporate name to Iconic Lubrificantes S.A. ("Iconic").

d. TEAS – Terminal Exportador de Álcool de Santos Ltda. Acquisition

On January 30, 2018, the Company through its subsidiary Terminal Químico de Aratu S.A. – Tequimar ("Tequimar") entered into a sale and purchase agreement for the acquisition of 100% of the quotas of TEAS Terminal Exportador de Álcool de Santos Ltda. ("TEAS"), owned by Raizen Energia S.A. and Raizen Araraquara Açúcar e Álcool Ltda., which were operated by the subsidiary Tequimar in the Port of Santos. The purchase price of the acquisition was R\$103,373. On February 14, 2018, this transaction was approved without restrictions through an opinion issued by the SG of CADE. On March 2, 2018, CADE issued a certificate, attesting to the approval of the transaction. On March 29, 2018, the acquisition was concluded through the closing of the operation.

The Company measured the open balance, fair value of assets and liabilities, and, consequently, the goodwill of their transaction. During the process of identification of assets and liabilities, intangible assets to be recognized in the acquirer entity's books were not identified. The Company, supported by a third party company specialized in valuations, estimated the amount for the purchase price allocation and calculated the goodwill in the amount of R\$ 797.

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The table below summarizes the assets acquired and liabilities assumed as of the acquisition date:

Current assets		Current liabilities	
Cash and cash equivalents	3,662	Trade payables	14
Recoverable taxes	3,830	Contingent consideration	2,880
	<u>7,492</u>		<u>2,894</u>
Non-current assets		Non-current liabilities	
Deferred income and social contribution taxes	1,054	Provision for tax, civil, and labor risks	141
Escrow deposits	72		
Indemnity asset	141		
Property, plant, and equipment	<u>96,852</u>		
	<u>98,119</u>		<u>141</u>
Total assets acquired	<u>105,611</u>	Total liabilities assumed	<u>3,035</u>
Goodwill	797		
Total assets acquired and goodwill	106,408	Consideration transferred	103,373

The goodwill is was calculated as below:

Consideration transferred	103,373
Total assets acquired	(105,611)
Total liabilities assumed	<u>3,035</u>
Goodwill (see Note 14.a)	<u>797</u>

For further details of property, plant, and equipment assets acquired, see Note 13.

The following summary presents the Company's pro forma information for 2018, as if the acquisition had been completed at the beginning of the year. The pro forma information is only presented for comparative purposes and does not purport to be indicative of what would have occurred had the acquisition actually been made at such date, nor is it necessarily indicative of future operating results:

	2018
Net revenue from sales and services	90,697,983
Operating income	1,899,481
Net income for the year	1,132,468
Earnings per share basic – whole R\$ (see Note 31)	1.0613
Earnings per share diluted – whole R\$ (see Note 31)	1.0543

Earnings per share were adjusted retrospectively as disclosure in Note 35.

e. Unrealized Acquisition

On November 17, 2016, the subsidiary Companhia Ultragaz S.A. ("Cia Ultragaz"), entered into a sale and purchase agreement for the acquisition of 100% of the capital stock of Liquigás Distribuidora S.A. ("Liquigás") for the amount of R\$ 2,665 million, subject to update by the Interbank Certificate of Deposit ("CDI"). On February 28, 2018, the Court of Appeals of CADE voted the transaction and, despite all the efforts endeavored by the applicants, decided to reject the transaction. Due to the non-closing of the transaction, on March 9, 2018, Cia. Ultragaz paid a contractual fine of R\$ 286,160 in favor of Petróleo Brasileiro S.A. – Petrobras ("Petrobras"), see Note 29.

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4. Cash and Cash Equivalents and Financial Investments

Cash equivalents and financial investments, excluding cash and bank deposits, are substantially represented by investments: (i) in Brazil, in certificates of deposit of financial institutions linked to the CDI, in repurchase agreement and in short term investments funds, whose portfolio comprised of Brazilian Federal Government bonds and in certificates of deposit of financial institutions; (ii) outside Brazil, in certificates of deposit of financial institutions and in short term investments funds, whose portfolio comprised of Federal Government bonds; and (iii) in currency and interest rate hedging instruments.

The financial assets were classified in Note 33.j, based on business model of financial assets of the Company and its subsidiaries.

Cash, cash equivalents and financial investments amounted to R\$ 6,994,406 as of December 31, 2018 (R\$ 6,369,928 as of December 31, 2017) are as follows:

a. Cash and Cash Equivalents

Cash and cash equivalents of the Company and its subsidiaries are presented as follows:

	12/31/2018	12/31/2017
Cash and bank deposits		
In local currency	117,231	73,128
In foreign currency	88,251	74,798
Financial investments considered cash equivalents		
In local currency		
Fixed-income securities	3,722,308	4,821,605
In foreign currency		
Fixed-income securities	11,161	32,473
Total cash and cash equivalents	<u>3,938,951</u>	<u>5,002,004</u>

b. Financial Investments

The financial investments of the Company and its subsidiaries, which are not classified as cash and cash equivalents, are distributed as follows:

	12/31/2018	12/31/2017
Financial investments		
In local currency		
Fixed-income securities and funds	2,537,315	1,153,040
In foreign currency		
Fixed-income securities and funds	154,811	129,131
Currency and interest rate hedging instruments (a)	<u>363,329</u>	<u>85,753</u>
Total financial investments	<u>3,055,455</u>	<u>1,367,924</u>
Current	2,853,106	1,283,498
Non-current	202,349	84,426

(a) Accumulated gains, net of income tax (see Note 33.j).

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5. Trade Receivables and Reseller Financing

a. Trade Receivables

The composition of trade receivables is as follows:

	12/31/2018	12/31/2017
		Restated (i)
Domestic customers.....	4,290,996	4,024,919
Foreign customers.....	244,960	230,508
(-) Estimated losses on doubtful accounts.....	(385,080)	(347,801)
Total.....	4,150,876	3,907,626
Current.....	4,069,307	3,861,325
Non-current.....	81,569	46,301

The breakdown of trade receivables, gross of estimated losses on doubtful accounts, is as follows:

	Total	Current	Past due				
			less than 30 days	31-60 days	61-90 days	91-180 days	more than 180 days
12/31/2018	4,535,956	3,739,601	121,622	53,864	49,629	84,920	486,320
12/31/2017 – Restated (i)	4,255,427	3,553,976	189,071	39,314	44,314	74,037	354,715

The breakdown of estimated losses on doubtful accounts, is as follows:

	Total	Current	Past due				
			less than 30 days	31-60 days	61-90 days	91-180 days	more than 180 days
12/31/2018.....	385,080	39,226	4,094	3,754	5,533	46,783	285,690
12/31/2017 – Restated (i)	347,801	27,104	7,672	2,794	2,173	20,500	287,558

(i) See Note 2.x.

For further information about the allowance for estimated losses on doubtful accounts, see Note 33.d.3.

b. Reseller financing

The composition of reseller financing is as follows:

	12/31/2018	12/31/2017
		Restated (i)
Reseller financing – Ipiranga.....	855,229	675,236
(-) Estimated losses on doubtful accounts.....	(139,699)	(104,977)
Total.....	715,530	570,259
Current.....	367,262	286,569
Non-current.....	348,268	283,690

Reseller financing is provided for renovation and upgrading of service stations, purchase of products, and development of the automotive fuels and lubricants distribution market. The terms of reseller financing range substantially from 12 months to 60 months, with an average term of 40 months. The minimum and maximum interest rates are 0% per month and 1% per month, respectively.

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The breakdown of reseller financing, gross of estimated losses on doubtful accounts, is as follows:

	Total	Current	Past due				
			less than 30 days	31-60 days	61-90 days	91-180 days	more than 180 days
12/31/2018	855,229	633,183	11,262	14,869	9,377	20,783	165,755
12/31/2017 – Restated (i)	675,236	516,547	11,868	7,177	3,883	13,775	121,986

The breakdown of estimated losses on doubtful accounts, is as follows:

	Total	Current	Past due				
			less than 30 days	31-60 days	61-90 days	91-180 days	more than 180 days
12/31/2018	139,699	26,982	1,250	1,642	1,131	12,176	96,518
12/31/2017 – Restated (i)	104,977	635	189	86	63	1,951	102,053

(i) See Note 2.x.

For further information about the allowance for estimated losses on doubtful accounts, see Note 33.d.3.

6. Inventories

The composition of inventories is as follows:

	12/31/2018			12/31/2017 Restated (i)		
	Cost	Provision for losses	Net balance	Cost	Provision for losses	Net balance
Fuels, lubricants and greases	1,367,015	(1,804)	1,365,211	1,626,582	(3,074)	1,623,508
Finished goods	581,504	(20,923)	560,581	500,223	(18,495)	481,728
Work in process	1,412	—	1,412	1,637	—	1,637
Raw materials	383,161	(1,894)	381,267	492,029	(1,835)	490,194
Liquefied petroleum gas (LPG)	109,362	(5,761)	103,601	102,748	(5,761)	96,987
Consumable materials and other items for resale	150,188	(3,770)	146,418	160,024	(5,380)	154,644
Pharmaceutical, hygiene, and beauty products.....	583,060	(5,364)	577,696	417,726	(2,447)	415,279
Purchase for future delivery ⁽¹⁾	193,928	(2,964)	190,964	222,808	—	222,808
Properties for resale	27,489	(107)	27,382	27,032	(107)	26,925
	<u>3,397,119</u>	<u>(42,587)</u>	<u>3,354,532</u>	<u>3,550,809</u>	<u>(37,099)</u>	<u>3,513,710</u>

⁽¹⁾ Refers substantially to ethanol, biodiesel and advance of fuels.

(i) See Note 2.x.

Movements in the provision for losses are as follows:

Balance as of December 31, 2015.....	33,992
Additions to net realizable value adjustment	12,393
Additions of obsolescence and other losses	886
Balance as of December 31, 2016.....	47,271
Reversals to net realizable value adjustment	(6,713)
Reversals of obsolescence and other losses	(3,459)
Balance as of December 31, 2017.....	37,099
Additions to net realizable value adjustment	600
Additions of obsolescence and other losses	3,903
Oxitenó Andina (*)	985
Balance as of December 31, 2018.....	42,587

(*) Refers to the impairment for subsidiary Oxitenó Andina (see Note 2.s.1.ii).

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The breakdown of provisions for losses related to inventories is shown in the table below:

	12/31/2018	12/31/2017
Net realizable value adjustment	21,402	19,817
Obsolescence and other losses	21,185	17,282
Total.....	42,587	37,099

7. Taxes to Recover

a. Recoverable Taxes

Recoverable taxes are substantially represented by credits of Tax on Goods and Services (“ICMS”, the Brazilian VAT), Contribution for Social Security Financing (“COFINS”) and Social Integration Program (“PIS”).

	12/31/2018	12/31/2017
ICMS (a.1)	710,669	580,630
Provision for ICMS losses	(99,187)	(72,076)
PIS and COFINS (a.2)	720,731	348,333
Value-Added Tax (IVA) of foreign subsidiaries	31,678	27,180
Others.....	22,988	15,587
Total.....	1,386,879	899,654
Current	639,699	664,954
Non-current.....	747,180	234,700

The provision for ICMS losses relates to tax credits that the subsidiaries estimate will not utilize or offset in the future, and its movements are as follows:

Balance as of December 31, 2015.....	64,891
Additions, write-offs and reversals, net	3,792
Balance as of December 31, 2016.....	68,683
Additions, write-offs and reversals, net	3,393
Balance as of December 31, 2017.....	72,076
Additions, write-offs and reversals, net	27,111
Balance as of December 31, 2018.....	99,187

a.1 The ICMS is substantially related to the following subsidiaries and operations:

- (i) The subsidiary Oxitenor Nordeste S.A. Indústria e Comércio (“Oxitenor Nordeste”) predominantly carries out export operations, interstate outflow or deferred ICMS of products purchased within the State of Bahia;
- (ii) The subsidiary IPP has credits arising from interstate outflows of oil-related products, whose ICMS was prepaid by the supplier (Petrobras), and credits arising from the difference between transactions of inflows and outflows of products subject to ICMS taxation (mainly ethanol);
- (iii) The subsidiary Extrafarma has credits of ICMS and ICMS-ST (tax substitution) advances on the inflow and outflow of operations carried out by its distribution centers, mostly in the North and Northeast.

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Management estimates the realization of these credits within up to 10 years.

a.2 Refers, mainly, to the PIS and COFINS credits recorded under Laws 10,637/2002 and 10,833/2003 by the subsidiaries IPP and Cia. Ultragaz, whose consumption will occur through the offset of debts administered by the Brazilian Federal Revenue Service (“RFB”) in an estimated term of 2 years by management. As of December 31, 2018 the subsidiary Oxiten S.A. recognized credits resulted from a final favorable decision to the exclusion of ICMS from the calculation basis of PIS and COFINS (see Note 21.a.1.2), as well as from reimbursement the amounts unduly paid as PIS half-yearly. As of December 31, 2018, the subsidiaries Oxiten S.A., Oxiten Nordeste, Oleoquímica Indústria e Comércio de Produtos Químicos Ltda. (“Oleoquímica”) and Empresa Carioca de Produtos Químicos S.A. (“EMCA”) recognized credits resulted from a final favorable decision to the exclusion of ICMS from the calculation basis of PIS and COFINS-import. The credits of Oxiten S.A. will be realized through a corporate restructuring with Oxiten Nordeste. For these cases, management estimates the realization of these credits within up to 5 years.

b. Recoverable Income Tax and Social Contribution Taxes

Represented by recoverable IRPJ and CSLL.

	12/31/2018	12/31/2017
IRPJ and CSLL	362,784	295,172
Total	362,784	295,172
Current	257,182	216,630
Non-current	105,602	78,542

Relates to IRPJ and CSLL to be recovered by the Company and its subsidiaries arising from the tax advances of previous years, with management estimating the realization of these credits within up to 5 years for the subsidiaries Oxiten S.A. and Oxiten Nordeste and up to 2 years for the others.

8. Related Parties

a. Related Parties

Balances and transactions between the Company and its subsidiaries and between subsidiaries have been eliminated in consolidation and are not disclosed in this note. The balances and transactions between the Company and its subsidiaries with other related parties are disclosed below:

	Loans	
	Assets	Liabilities
Química da Bahia Indústria e Comércio S.A.	—	2,925
Others.....	490	1,146
Total as of December 31, 2018.....	490	4,071

	Loans	
	Assets	Liabilities
Química da Bahia Indústria e Comércio S.A.	—	2,946
Others.....	490	1,239
Total as of December 31, 2017.....	490	4,185

Loans agreements have indeterminate terms and do not contain interest clauses. These are carried out due temporary excess or necessity cash of the Company, its subsidiaries, and its associates.

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	Commercial transactions				
	Receivables ⁽¹⁾	Payables ⁽¹⁾	Sales and services	Purchases	Expenses
Oxicap Indústria de Gases Ltda.	—	567	6	9,032	—
Refinaria de Petróleo Riograndense S.A.	—	24,630	—	1,008,860	—
ConectCar Soluções de Mobilidade Eletrônica S.A.	1,042	136	3,844	186	—
LA'7 Participações e Empreend. Imob. Ltda. (a)	—	117	—	—	1,469
Total as of December 31, 2018	<u>1,042</u>	<u>25,450</u>	<u>3,850</u>	<u>1,018,078</u>	<u>1,469</u>

	Commercial transactions				
	Receivables ⁽¹⁾	Payables ⁽¹⁾	Sales and services	Purchases	Expenses
Oxicap Indústria de Gases Ltda.	—	1,489	6	18,108	—
Refinaria de Petróleo Riograndense S.A.	—	22,199	—	1,004,030	—
ConectCar Soluções de Mobilidade Eletrônica S.A.	1,067	31	7,239	859	—
LA'7 Participações e Empreend. Imob. Ltda. (a)	—	125	—	—	2,300
Total as of December 31, 2017	<u>1,067</u>	<u>23,844</u>	<u>7,245</u>	<u>1,022,997</u>	<u>2,300</u>

	Commercial transactions		
	Sales and services	Purchases	Expenses
Oxicap Indústria de Gases Ltda.	6	18,079	—
Refinaria de Petróleo Riograndense S.A.	—	958,007	—
ConectCar Soluções de Mobilidade Eletrônica S.A.	13,329	1,424	—
LA'7 Participações e Empreend. Imob. Ltda. (a)	—	—	2,478
Total as of December 31, 2016	<u>13,335</u>	<u>977,510</u>	<u>2,478</u>

(1) Included in “domestic trade receivables” and “domestic trade payables,” respectively.

(a) Refers to rental contracts of 15 drugstores owned by LA'7 (16 drugstores in 2017), a company of the former shareholders of Extrafarma that are current shareholders of Ultrapar.

Purchase and sale transactions relate substantially to the purchase of raw materials, feedstock, transportation, and storage services based on similar market prices and terms with customers and suppliers with comparable operational performance. The above operations related to ConectCar Soluções de Mobilidade Eletrônica S.A. (“ConectCar”) refer to services provided. In the opinion of the Company and its subsidiaries’ management, transactions with related parties are not subject to credit risk, which is why no estimated losses or collateral is provided. Collateral provided by the Company in loans of subsidiaries and affiliates are mentioned in Note 15.k.

b. Key executives

The Company's compensation strategy combines short and long-term elements, following the principles of alignment of interests and of maintaining a competitive compensation, and is aimed at retaining key officers and remunerating them adequately according to their attributed responsibilities and the value created to the Company and its shareholders.

Short-term compensation is comprised of: (a) fixed monthly compensation paid with the objective of rewarding the executive's experience, responsibility, and his/her position's complexity, and includes salary and benefits such as medical coverage, check-up, life insurance, and others; (b) variable compensation paid annually with the objective of aligning the executive's and the Company's objectives, which is linked to: (i) the business performance measured through its economic value creation and (ii) the fulfillment of individual annual goals that are based on the strategic plan and are focused on expansion and operational excellence projects, people development and market positioning, among others. Further details about the Deferred Stock Plan are contained in Note 8.c and about post-employment benefits in Note 19.b.

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The Company and its subsidiaries recognized expenses for compensation of its key executives (Company's directors and executive officers) as shown below:

	12/31/2018	12/31/2017	12/31/2016
Short-term compensation	36,504	45,477	40,306
Stock compensation (*)	1,407	1,399	5,427
Post-employment benefits.....	2,278	1,096	3,336
Long-term compensation (**)	—	(6,459)	2,473
Termination benefit	905	8,794	—
Total.....	41,094	50,307	51,542

(*) Includes the reversal of expenses for the forfeiture of granted shares due to termination of executive employment (see Note 8.c).

(**) The chief executive officer in office until October 2, 2017 was entitled to additional long-term variable compensation. This contract was terminated with the succession of the chief executive officer.

c. Deferred Stock Plan

Since 2003, Ultrapar has adopted a stock plan in which the executive has the usufruct of shares held in treasury until the transfer of the full ownership of the shares to those eligible members of management after five to seven years from the initial concession of the rights subject to uninterrupted employment of the participant during the period. The volume of shares and the executives eligible are determined by the Board of Directors, and there is no mandatory annual grant. The total number of shares to be used in the plan is subject to the number of shares in treasury. Ultrapar's Board of Directors does not have a stock plan. The fair value of the awards were determined on the grant date based on the market value of the shares on the B3, the Brazilian Securities, Commodities and Futures Exchange and the amounts are amortized between five to seven years from the grant date.

The table below summarizes shares granted to the Company and its subsidiaries' management:

Grant date	Balance of number of shares granted	Vesting period	Market price of shares on the grant date (in R\$ per share)	Total grant costs, including taxes	Accumulated recognized grant costs	Accumulated unrecognized grant costs
March 13, 2017.....	100,000	2022 to 2024	67.99	9,378	(2,920)	6,458
March 4, 2016.....	190,000	2021 to 2023	65.43	17,147	(8,252)	8,895
December 9, 2014.....	400,000	2019 to 2021	50.64	27,939	(19,376)	8,563
March 5, 2014.....	83,400	2019 to 2021	52.15	5,999	(4,925)	1,074
November 7, 2012	76,664	2017 to 2019	42.90	16,139	(15,599)	540
December 14, 2011	—	2016 to 2018	31.85	4,832	(4,832)	—
	850,064			81,434	(55,904)	25,530

In 2018, the amortization in the amount of R\$ 3,922 (R\$ 11,752 in 2017 and R\$ 18,372 in 2016) was recognized as a general and administrative expense.

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The table below summarizes the changes of number of shares granted:

Balance on December 31, 2016	1,500,072
Shares granted on March 4, 2017	100,000
Forfeiture of granted shares due to termination of executive employment	(143,333)
Shares vested and transferred	<u>(273,341)</u>
Balance on December 31, 2017	1,183,398
Forfeiture of granted shares due to termination of executive employment	(216,666)
Shares vested and transferred	<u>(116,668)</u>
Balance on December 31, 2018	<u><u>850,064</u></u>

In addition, on April 19, 2017, the Ordinary and Extraordinary General Shareholders' Meeting ("OEGM") of approved a new incentive plan based on shares ("Plan"), which establishes the general terms and conditions for the concession of common shares issued by the Company and held in treasury, that may or may not involve the granting of usufruct of part of these shares for later transfer of the ownership of the shares, in periods of three to six years, to directors or employees of the Company or its subsidiaries.

As a result of the Plan, common shares representing at most 1% of the Company's share capital may be delivered to the participants, which corresponds, at the date of approval of this Plan, to 5,564,051 common shares.

The table below summarizes the restricted and performance stock programs:

Program	Grant date	Balance of number of shares granted	Vesting period	Market price of shares on the grant date (in R\$ per share)	Total grant costs, including taxes	Accumulated recognized grant costs	Accumulated unrecognized grant costs
Restricted						(2,634	
	October 1, 2017	120,000	2023	76.38	12,642	)	10,008
Restricted and performance	November 8, 2017	37,938	2020 to 2022	76.38	4,988	(1,523	
Restricted and performance	April 9, 2018	92,038	2021 to 2023	68.70	12,028	)	3,465
Restricted	September 19, 2018	80,000	2024	39.16	4,321	(2,363	
						)	9,665
Restricted	September 24, 2018	40,000	2024	36.80	2,030	(180	
						)	4,141
Restricted						(85	
						)	1,945
		<u>369,976</u>			<u>36,009</u>	<u>(6,785</u>	
						)	<u>29,224</u>

In 2018, a general and administrative expense in the amount of R\$ 6,001 was recognized in relation to the Plan (R\$ 784 in 2017).

The table below summarizes the changes of the number of restricted and performance shares granted:

Balance on December 31, 2017	<u>166,270</u>
Shares granted on April 9, 2018.....	103,592
Shares granted on September 19, 2018	80,000
Shares granted on September 24, 2018	40,000
Forfeiture of granted shares due to termination of executive employment	<u>(19,886)</u>
Balance on December 31, 2018	<u>369,976</u>

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9. Income and Social Contribution Taxes

a. Deferred Income (IRPJ) and Social Contribution Taxes (CSLL)

The Company and its subsidiaries recognize deferred tax assets and liabilities, which are not subject to the statute of limitations, resulting from tax loss carryforwards, temporary differences, negative tax bases and revaluation of property, plant, and equipment, among others. Deferred tax assets are sustained by the continued profitability of their operations. Deferred IRPJ and CSLL are recognized under the following main categories:

	12/31/2018	12/31/2017 Restated (i)
Assets—Deferred income and social contribution taxes on:		
Provision for impairment of assets	116,191	103,092
Provisions for tax, civil, and labor risks.....	154,516	145,767
Provision for post-employment benefits	85,575	81,199
Provision for differences between cash and accrual basis	147,376	40,755
Goodwill	12,258	14,234
Business combination – fiscal basis vs. accounting basis of goodwill	75,838	74,972
Provision for asset retirement obligation	15,801	19,111
Other provisions.....	144,354	158,952
Tax losses and negative basis for social contribution carryforwards (d)	208,036	201,471
Total	959,945	839,553
Offset the liabilities balance	(445,758)	(225,492)
Net balance of assets	514,187	614,061
Liabilities—Deferred income and social contribution taxes on:		
Revaluation of property, plant, and equipment	1,981	2,109
Lease	2,858	3,361
Provision for differences between cash and accrual basis	138,332	44,440
Provision for goodwill	187,845	131,811
Business combination – fair value of assets.....	117,352	90,532
Temporary differences of foreign subsidiaries	—	955
Other provisions.....	6,687	35,926
Total	455,055	309,134
Offset the assets balance	(445,758)	(225,492)
Net balance of liabilities.....	9,297	83,642

Changes in the net balance of deferred IRPJ and CSLL are as follows:

	2018	2017	2016
		Restated (i)	Restated (i)
Initial balance.....	507,087	409,699	292,989
IFRS 9 and 15 adoption	68,450	42,274	30,240
IRPJ and CSLL related to CBLSA goodwill – retrospective effect (i)	(45,118)	—	—
Subtotal – Initial balance – restated (i)	530,419	451,973	323,229
Deferred IRPJ and CSLL recognized in income of the year	(162,417)	109,204	112,539
Deferred IRPJ and CSLL recognized in other comprehensive income	133,124	13,389	18,938
Deferred IRPJ and CSLL recognized in business combination (see Notes 3.c and 3.d)	1,054	(45,728)	—
Others.....	2,710	1,581	(2,733)
Final balance	504,890	530,419	451,973

(i) See Note 2.x.

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The estimated recovery of deferred tax assets relating to IRPJ and CSLL is stated as follows:

Up to 1 Year	181,343
From 1 to 2 Years	117,990
From 2 to 3 Years	172,439
From 3 to 5 Years	169,119
From 5 to 7 Years	224,291
From 7 to 10 Years	94,763
Total of deferred tax assets relating to IRPJ and CSLL	<u>959,945</u>

b. Reconciliation of Income and Social Contribution Taxes

IRPJ and CSLL are reconciled to the statutory tax rates as follows:

	2018	2017	2016
		Restated (vi)	Restated (vi)
Income (loss) before taxes and share of profit (loss) of joint ventures, and associates	1,785,818	2,318,446	2,227,298
Statutory tax rates - %	34	34	34
Income and social contribution taxes at the statutory tax rates	<u>(607,178)</u>	<u>(788,272)</u>	<u>(757,281)</u>
Adjustments to the statutory income and social contribution taxes:			
Nondeductible expenses (i)	(82,784)	(105,017)	(57,961)
Nontaxable revenues (ii)	32,523	19,084	7,561
Adjustment to estimated income (iii)	9,706	10,844	14,218
Interest on equity (iv)	(538)	(550)	(364)
Unrecorded deferred Income and Social Contribution Taxes			
Carryforwards deferred (v)	(95,480)	—	—
Other adjustments	<u>(2,634)</u>	<u>2,059</u>	<u>6,957</u>
Income and social contribution taxes before tax incentives	<u>(746,385)</u>	<u>(861,852)</u>	<u>(786,870)</u>
Tax incentives—SUDENE	<u>107,666</u>	<u>48,598</u>	<u>98,912</u>
Income and social contribution taxes in the income statement	<u>(638,719)</u>	<u>(813,254)</u>	<u>(687,958)</u>
Current	(476,302)	(922,458)	(800,497)
Deferred	(162,417)	109,204	112,539
Effective IRPJ and CSLL rates - %	35.8	35.1	30.9

- (i) Consist of certain expenses that cannot be deducted for tax purposes under applicable tax legislation, such as expenses with fines, donations, gifts, losses of assets, negative effects of foreign subsidiaries and certain provisions;
- (ii) Consist of certain gains and income that are not taxable under applicable tax legislation, such as the reimbursement of taxes and the reversal of certain provisions;
- (iii) Brazilian tax law allows for an alternative method of taxation for companies that generated gross revenues of up to R\$ 78 million in their previous fiscal year. Certain subsidiaries of the Company adopted this alternative form of taxation, whereby income and social contribution taxes are calculated on a basis equal to 32% of operating revenues, as opposed to being calculated based on the effective taxable income of these subsidiaries. The adjustment to estimated income represents the difference between the taxation under this alternative method and the income and social contribution taxes that would have been paid based on the effective statutory rate applied to the taxable income of these subsidiaries;
- (iv) Interest on equity is an option foreseen in Brazilian corporate law to distribute profits to shareholders, calculated based on the long-term interest rate ("TJLP"), which does not affect the income statement, but is deductible for purposes of IRPJ and CSLL, being taxable to the beneficiary and deductible to the entity that pays.
- (v) See Note 9.d;
- (vi) See Note 2.x.

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c. Tax Incentives—SUDENE

The following subsidiaries are entitled to federal tax benefits providing for IRPJ reduction under the program for development of northeastern Brazil operated by the Superintendence for the Development of the Northeast (“SUDENE”), as shown below:

Subsidiary	Units	Incentive - %	Expiration
Bahiana Distribuidora de Gás Ltda.	Aracaju base (1)	75	2028
	Suape base (2)	75	2018
	Mataripe base	75	2024
	Caucaia base	75	2025
	Juazeiro base (3)	75	2026
Terminal Químico de Aratu S.A. – Tequimar	Suape terminal	75	2020
	Aratu terminal	75	2022
	Itaqui terminal	75	2025
Oleoquímica Indústria e Comércio de Produtos Químicos Ltda.....	Camaçari plant	75	2021
Oxiteno Nordeste S.A. Indústria e Comércio	Camaçari plant	75	2026
Empresa Carioca de Produtos Químicos S.A.....	Camaçari plant	75	2026

- ⁽¹⁾ The subsidiary Bahiana Distribuidora de Gás Ltda. (“Bahiana”), obtained 75% income tax reduction incentive recognized by SUDENE, through an appraisal report on October 22, 2018, until 2028, due to the modernization for its Aracaju plant – Sergipe. On October 22, 2018, the constitutive benefit appraisal report was sent to the RFB for approval within a term of 120 days. As a result of the expiration of the statutes of limitation for the RFB to approve the constitutive benefit appraisal report setting the tacit approval of the application, the income tax reduction will be recognized by the subsidiary in the income statement in 2019.
- ⁽²⁾ The subsidiary Bahiana had the 75% income tax reduction incentive recognized by SUDENE, through an appraisal report on January 14, 2019, until 2028, due to the modernization for its Suape plant – Pernambuco. On January 23, 2019, the constitutive benefit appraisal report was sent to the RFB for approval within a term of 120 days.
- ⁽³⁾ The subsidiary Bahiana, obtained 75% income tax reduction incentive recognized by SUDENE, through an appraisal report on November 7, 2017, until 2026, due to productive unit implementation for its Juazeiro plant – Bahia. On November 27, 2017, the constitutive benefit appraisal report was sent to the RFB, for approval within a term of 120 days. As a result of the expiration of the statutes of limitation for the RFB to approve the constitutive benefit appraisal report setting the tacit approval of the application, the income tax reduction was recognized by the subsidiary in the income statement in 2018, in the total amount of R\$ 149 with retroactive effect in January 2017.

d. Income and Social Contribution Taxes Carryforwards

In 2018, the Company and certain subsidiaries had tax loss carryforwards related to income tax (IRPJ) of R\$ 873,718 (R\$ 576,948 in 2017) and negative basis of CSLL of R\$ 876,315 (R\$ 576,949 in 2017), whose compensations are limited to 30% of taxable income in a given tax year, which do not expire.

Deferred income and social contribution tax assets were recognized in the amount of R\$ 208,036 in 2018 (R\$ 201,471 in 2017), supported by the technical study of the projection of taxable profits for the realization of deferred tax assets, reviewed by the Fiscal Council and approved by the Company’s Board of Directors.

As a consequence of this study, in 2018, the subsidiary Extrafarma reversed the portion of deferred tax asset, whose realization exceeded the period of ten years, in the amount of R\$ 39,462. The amount of deferred taxes not recognized due to the uncertainty of realization is R\$ 220,832 in 2018 (R\$ 128,418 in 2017).

In addition, certain offshore subsidiaries had tax loss carryforwards of R\$ 620,906 (R\$ 388,178 in 2017) not recognized.

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10. Prepaid Expenses

	12/31/2018	12/31/2017
Rents(1)	413,799	329,421
Advertising and publicity	54,011	67,321
Deferred Stock Plan, net (see Note 8.c)	22,737	37,591
Insurance premiums	52,607	39,629
Software maintenance	21,667	8,237
Other prepaid expenses	21,844	14,733
	<u>586,665</u>	<u>496,932</u>
Current	187,570	150,046
Non-current	399,095	346,886

(1) Refers substantially to the rental advance of service stations of IPP, which are subsequently subleased and operated by the resellers.

11. Contractual Assets with Customers – Exclusive Rights

Refers to exclusive rights disbursements of Ipiranga's agreements with reseller service stations and major consumers that are recognized at the time of their occurrence and recognized as a reduction of the revenue from sales and services in the statement of profit or loss according to the conditions established in the agreement (amortization in weighted average term of five years), being reviewed as changes occur under the terms of the agreements.

Balance and changes are shown below:

	12/31/2018	12/31/2017	1/1/2017
		Restated (i)	Restated (i)
Initial balance	—	—	—
IFRS 15 adoption	1,502,360	1,438,084	1,392,895
Initial balance – restated (i)	1,502,360	1,438,084	1,392,895
Additions	390,177	529,732	514,291
Amortization	(371,825)	(463,049)	(463,490)
Transfer	(2,235)	(2,407)	(5,612)
Final balance	<u>1,518,477</u>	<u>1,502,360</u>	<u>1,438,084</u>
Current	484,473	456,213	448,316
Non-current	1,034,004	1,046,147	989,768

(i) See Note 2.x.

12. Investments

a. Joint Ventures

The Company holds an interest in Refinaria de Petróleo Riograndense (“RPR”), which is primarily engaged in oil refining.

The subsidiary Ultracargo – Operações Logísticas e Participações Ltda. (“Ultracargo Participações”) holds an interest in União Vopak – Armazéns Gerais Ltda. (“União Vopak”), which is primarily engaged in liquid bulk storage in the port of Paranaguá.

The subsidiary IPP holds an interest in ConectCar, which is primarily engaged in automatic payment of tolls and parking in the States of Alagoas, Bahia, Ceará, Espírito Santo, Goiás, Maranhão, Mato Grosso, Mato Grosso do Sul, Minas Gerais, Paraná, Pernambuco, Rio de Janeiro, Rio Grande do Sul, Santa Catarina, São Paulo and Distrito Federal.

These investments are accounted for under the equity method of accounting based on their financial statements as of December 31, 2018.

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Balances and changes in joint ventures are as follows:

	União Vopak	RPR	ConectCar	Total
Balance as of December 31, 2015.....	4,545	31,514	43,318	79,377
Capital increase.....	—	—	47,281	47,281
Valuation adjustments	—	(2,935)	—	(2,935)
Dividends and interest on equity (gross).....	—	(12,915)	—	(12,915)
Share of profit (loss) of joint ventures	(27)	29,745	(24,384)	5,334
Balance as of December 31, 2016.....	4,518	45,409	66,215	116,142
Capital increase.....	—	—	16,000	16,000
Valuation adjustments	—	4,079	—	4,079
Dividends and interest on equity (gross).....	—	(30,959)	—	(30,959)
Share of profit (loss) of joint ventures	1,578	36,210	(20,989)	16,799
Balance as of December 31, 2017.....	6,096	54,739	61,226	122,061
Capital increase.....	—	—	31,908	31,908
Valuation adjustments	—	(3,704)	—	(3,704)
Dividends and interest on equity (gross).....	—	(32,065)	—	(32,065)
Share of profit (loss) of joint ventures	1,350	1,148	(18,744)	(16,246)
Balance as of December 31, 2018.....	7,446	20,118	74,390	101,954

The table below presents the statements of financial position and statements of profit or loss of joint ventures:

	12/31/2018		
	União Vopak	RPR	ConectCar
Current assets.....	8,432	370,250	129,152
Non-current assets	8,552	147,054	150,054
Current liabilities	1,814	385,079	130,414
Non-current liabilities	280	71,635	14
Equity.....	14,890	60,590	148,778
Net revenue from sales and services	16,938	2,092,548	57,506
Costs, operating expenses and income.....	(13,154)	(2,083,592)	(114,336)
Net financial income and income and social contribution taxes.....	(1,084)	(261)	19,343
Net income (loss).....	2,700	8,695	(37,487)
Number of shares or units held	29,995	5,078,888	193,768,000
% of capital held	50	33	50

	12/31/2017		
	União Vopak	RPR	ConectCar
Current assets	7,110	389,022	90,242
Non-current assets	6,627	128,417	132,785
Current liabilities	1,210	297,762	100,564
Non-current liabilities	336	54,821	12
Equity.....	12,191	164,856	122,451
Net revenue from sales and services	15,260	1,579,286	33,935
Costs, operating expenses and income.....	(10,852)	(1,433,030)	(100,444)
Net financial income and income and social contribution taxes	(1,252)	(37,193)	24,530
Net income (loss)	3,156	109,063	(41,979)
Number of shares or units held	29,995	5,078,888	169,860,500
% of capital held	50	33	50

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	12/31/2016		
	União Vopak	RPR	ConectCar
Net revenue from sales and services	12,030	1,490,516	30,058
Costs, operating expenses and income.....	(12,430)	(1,361,551)	(105,800)
Net financial income and income and social contribution taxes	346	(39,379)	26,974
Net income (loss)	(54)	89,586	(48,768)
Number of shares or units held	29,995	5,078,888	145,860,500
% of capital held	50	33	50

The percentages in the table above are rounded.

b. Associates

Subsidiary IPP holds an interest in Transportadora Sulbrasileira de Gás S.A., which is primarily engaged in natural gas transportation services.

Subsidiary Oxiten S.A. holds an interest in Oxicap Indústria de Gases Ltda. (“Oxicap”), which is primarily engaged in the supply of nitrogen and oxygen for its shareholders in the Mauá petrochemical complex.

Subsidiary Oxiten Nordeste holds an interest in Química da Bahia Indústria e Comércio S.A., which is primarily engaged in manufacturing, marketing, and processing of chemicals. The operations of this associate are currently suspended.

Subsidiary Cia. Ultragaz holds an interest in Metalúrgica Plus S.A., which is primarily engaged in the manufacture and trading of LPG containers. The operations of this associate are currently suspended.

Subsidiary IPP holds an interest in Plenogás Distribuidora de Gás S.A., which is primarily engaged in the marketing of LPG. The operations of this associate are currently suspended.

The investment of subsidiary Oxiten S.A. in the associate Oxicap is accounted for under the equity method of accounting based on its financial information as of November 30, 2018, while the other associates are valued based on the financial statements as of December 31, 2018.

Balances and changes in associates are as follows:

	Transportadora Sulbrasileira de Gás S.A.	Oxicap Indústria de Gases Ltda.	Química da Bahia Indústria e Comércio S.A.	Metalúrgica Plus S.A.	Plenogás Distribuidora de Gás S.A.	Total
Balance as of December 31, 2015..	5,743	12,000	3,684	110	—	21,537
Dividends.....	(948)	—	—	—	—	(948)
Share of profit (loss) of associates .	1,206	981	(6)	(39)	—	2,142
Balance as of December 31, 2016..	6,001	12,981	3,678	71	—	22,731
Dividends.....	(865)	—	—	—	(399)	(1,264)
Share of profit (loss) of associates .	1,212	1,477	(60)	269	976	3,874
Balance as of December 31, 2017..	6,348	14,458	3,618	340	577	25,341
Capital reduction.....	(1,250)	—	—	—	—	(1,250)
Dividends.....	(984)	—	—	—	(236)	(1,220)
Share of profit (loss) of associates .	575	908	(28)	(112)	124	1,467
Balance as of December 31, 2018..	4,689	15,366	3,590	228	465	24,338

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The table below presents the statements of financial position and statements of profit or loss of associates:

	12/31/2018				
	Transportadora Sulbrasileira de Gás S.A.	Oxicap Indústria de Gases Ltda.	Química da Bahia Indústria e Comércio S.A.	Metalúrgica Plus S.A.	Plenogás Distribuidora de Gás S.A.
Current assets.....	7,803	38,714	51	19	64
Non-current assets	15,254	85,395	10,238	990	2,791
Current liabilities	3,963	9,777	—	21	123
Non-current liabilities	332	8,888	3,109	302	1,334
Equity.....	18,762	105,444	7,180	686	1,398
Net revenue from sales and services	10,595	53,288	—	—	—
Costs, operating expenses and income.....	(7,957)	(43,814)	(78)	(266)	—
	)	)	)	)	399
Net financial income and income and social contribution taxes.....	(211)	(3,453)	22	(69)	(27)
)))))
Net income (loss)			(56)	(335)	
	2,427	6,021	)	)	372
Number of shares or units held	20,124,996	1,987	1,493,120	3,000	1,384,308
% of capital held	25	15	50	33	33

	12/31/2017				
	Transportadora Sulbrasileira de Gás S.A.	Oxicap Indústria de Gases Ltda.	Química da Bahia Indústria e Comércio S.A.	Metalúrgica Plus S.A.	Plenogás Distribuidora de Gás S.A.
Current assets.....	11,218	45,061	67	175	505
Non-current assets	16,464	74,621	10,278	1,695	2,821
Current liabilities	1,960	12,338	—	422	93
Non-current liabilities	332	7,920	3,110	427	1,500
Equity.....	25,390	99,424	7,235	1,021	1,733
Net revenue from sales and services	10,522	52,709	—	—	—
Costs, operating expenses and income.....	(5,649)	(40,769)	(90)	—	—
	)	)	)	673	628
Net financial income and income and social contribution taxes.....	—	(2,144)	(31)	179	15
	—))))
Net income (loss)			(121)		
	4,873	9,796	)	852	643
Number of shares or units held	20,124,996	1,987	1,493,120	3,000	1,384,308
% of capital held	25	15	50	33	33

	12/31/2016				
	Transportadora Sulbrasileira de Gás S.A.	Oxicap Indústria de Gases Ltda.	Química da Bahia Indústria e Comércio S.A.	Metalúrgica Plus S.A.	Plenogás Distribuidora de Gás S.A.
Net revenue from sales and services	9,955	52,751	—	—	—
Costs, operating expenses and income...	(5,194)	(39,539)	(60)	(189)	574
Net financial income and income and social contribution taxes.....	63	(6,837)	49	(19)	68
Net income (loss).....	4,824	6,375	(11)	(208)	642
Number of shares or units held	20,124,996	1,987	1,493,120	3,000	1,384,308
% of capital held	25	15	50	33	33

The percentages in the table above are rounded.

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13. Property, Plant, and Equipment

Balances and changes in property, plant, and equipment are as follows:

	Weighted average useful life (years)	Balance on 12/31/2017	Reclassifications (i)	Fair value CBLSA Retrospective effect (ii)	Balance on 12/31/2017 – Restated (i)	Additions	Depreciation	Transfer (iv)	Write- offs and disposals	Effect of foreign currency exchange rate variation	Opening balance TEAS (iii)	Balance on 12/31/2018
Cost:												
Land	—	579,1	—	(2,5)	576,6	3,9	—	9,2	(8)	(1,2)	33,1	620,8
Buildings	32	1,639,8	—	(1,9)	1,637,8	7,0	—	151,9	(2,9)	(10,9)	18,0	1,801,0
Leasehold improvements	8	912,5	—	—	912,5	11,9	—	103,3	(12,2)	—	—	1,015,6
Machinery and equipment	13	4,721,9	—	—	4,721,9	115,1	—	588,6	(4,8)	(261,9)	60,3	5,219,2
Automotive fuel/lubr icant distribution equipment and facilities	13	2,721,0	—	8,4	2,729,5	98,4	—	98,5	(62,2)	—	—	2,864,3
LPG tanks and bottles	8	643,6	49,	—	692,8	78,9	—	2,5	(31,3)	—	—	743,0
Vehicles	6	287,2	—	—	287,2	29,1	—	18,0	(23,9)	(1,7)	—	308,7
Furniture and utensils	8	266,4	—	(5)	265,9	18,4	—	6,0	(8)	(10,5)	45	279,0
Construction in progress	—	929,0	—	—	929,0	796,9	—	(883,9)	(5)	81,4	—	922,7
Advances to suppliers	—	112,1	—	—	112,1	6,3	—	(100,2)	—	(4,1)	—	14,0
Imports in progress...	—	7	—	—	7	6	—	(1,4)	—	—	—	41
IT equipment	5	353,0	—	()	352,9	34,9	—	7,9	(1,9)	1,1	—	395,0
		13,167,0	49,	3,2	13,219,5	1,202,0	—	7	(142,0)	(207,9)	111,5	14,183,9
		63	159	98	20	14	—	98	09	04	41	60
Accumulated depreciation:												
Buildings	08	(724,4)	—	—	(724,4)	—	62	(53,4)	10,0	2,6	(4,4)	(743,1)
Leasehold improvements	51	(475,6)	—	—	(475,6)	—	08	(83,2)	(4,5)	5,3	—	(558,0)

	Weighted average useful life (years)	Balance on 12/31/2017	Reclassifications (i)	Fair value CBLSA Retrospective effect (ii)	Balance on 12/31/2017 – Restated (i)	Additions	Depreciation	Transfer (iv)	Write- offs and disposals	Effect of foreign currency exchange rate variation	Opening balance TEAS (iii)	Balance on 12/31/2018
Machinery and equipment.....	66	(2,980,1)	—	—	(2,980,1)	—	(271,8)	1,1 43	3,4 49	288,4 61	(10,2)	(2,969,2)
Automotive fuel/lubricant distribution equipment and facilities.....	06	(1,545,8)	—	—	(1,545,8)	—	(162,8)	(7,2)	58,2 45	—	—	(1,657,6)
LPG tanks and bottles.....	65	(305,9)	419	(22,)	(328,3)	—	(88,3)	(2,3)	17,9 83	—	—	(401,0)
Vehicles	00	(112,2)	—	—	(112,2)	—	(28,7)	4 98	15,0 02	1,8 42	—	(123,6)
Furniture and utensils	75	(148,5)	—	—	(148,5)	—	(18,4)	(2)	5 13	11,5 17	()	(155,3)
IT equipment	59	(260,8)	—	—	(260,8)	—	(30,6)	2,7 02	1,8 19	(1,0)	(6)	(288,0)
	30	(6,553,6)	419	(22,)	(6,576,0)	—	(737,5)	()	105,0 17	327,2 66	(14,6)	(6,896,1)

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	Balance on 12/31/2017	Reclassifications (i)	Fair value CBLSA Retrospective effect(ii)	Balance on 12/31/2017 – Restated (i)	Additions	Depreciation	Transfer (iv)	Write-offs and disposals	Effect of foreign currency exchange rate variation	Opening balance TEAS (iii)	Balance on 12/31/2018
Provision for losses:											
Advances to suppliers.....	(8	—	—	(8	—	—	—	—	—	—	(8
Buildings.....	3)	—	—	3)	(306	—	—	—	—	3)
Land	(10	—	—	(10	(723	—	—	—	—	—	(82
Leasehold improvements.....	4)	—	—	4)	(*)	—	—	—	(9	—)
Machinery and equipment.....	(56	—	—	(56	(733	—	—	2	0	—	(1,38
Automotive fuel/lubricant distribution equipment and facilities.....	4)	—	—	4)	(1,532	—	—	44	(30	5)
Construction in progress.....	(4,72	—	—	(4,72	(*)	—	—	4	5	—	(6,11
Furniture and utensils.....	9)	—	—	9)	—	—	—	—	—	7)
	(16	—	—	(16	(38	—	—	—	—	—	(16
	—	—	—	—	(*)	—	—	—	—	—	(3
	(	—	—	(	(69	—	—	—	—	—	8
	1)	—	—	1)	(*)	—	—	—	—	—	(7
	(5,64	—	—	(5,64	—	—	—	45	(39	—	(8,99
	5)	—	—	5)	(3,401	—	—	0	5	—	1
Net amount.....	6,607,78	26,7	3,29	6,637,82	1,198,613	(737,59	74	(36,54	118,96	96,85	7,278,86
	8	40	8	6	3)	2	2	7	2	5

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	Weighted average useful life (years)	Balance on 12/31/2016	Reclassifications (i)	Balance on 1/1/2017 – Restated (i)	Additions	Depreciation	Transfer (iv)	Write- offs and disposals	Effect of foreign currency exchange rate variation	Opening balance CBLSA (ii)	Balance on 12/31/2017 Restated (i)
Cost:											
Land	—	520,57		520,57	4,31	—	16,03	(96	4,57	32,10	576,64
	5			5	9		9	) 4		4	2
Buildings	3	1,440,20		1,440,20	10,67	—	95,63	(12,40	32,99	70,77	1,637,87
	0	4		4	7		0	) 8		1	1
Leasehold improvements	9	796,52		796,52	13,81	—	116,69	(14,49	1	—	912,55
	1			1	9		8	) 1			5
Machinery and equipment	2	4,225,05		4,225,05	130,15	—	105,06	(16,06	277,73	—	4,721,93
	6			6	4		0	) 0			1
Automotive fuel/lubricant distribution equipment and facilities	3	2,429,07		2,429,07	131,13	—	78,56	(29,93	—	120,67	2,729,52
	1			9	4		8	) 6			2
LPG tanks and bottles	1	619,51	12,4	631,97	96,29	—	(1,14	(34,26	—	—	692,85
	1		67	8	0		9	) 3			6
Vehicles	7	271,13		271,13	28,42	—	6,94	(21,05	1,84	—	287,29
	3			3	8		8	) 1			5
Furniture and utensils .	9	204,55		204,55	35,07	—	10,77	(83	10,75	5,58	265,90
	0			0	8		5	) 6		4	9
Construction in progress	—	523,28		523,28	766,77	—	(386,19	(	10,19	14,95	929,00
	5			5	5		8	) 4		0	0
Advances to suppliers.	—	96,42		96,42	61,53	—	(48,72	—	2,93	—	112,16
	3			3	6		2	) 0			7
Imports in progress	—	5		5	1,18	—	(45	—	(	—	78
	8			8	2		0	) 4			6
IT equipment	5	288,70		288,70	42,63	—	3,09	(1,08	17	19,49	352,98
	5			5	8		5	) 0		5	6
		11,415,10	12,4	11,427,56	1,322,03	—	(3,70	(131,11	341,19	263,54	13,219,52
	0		67	7	0		6	) 3		4	0
Accumulated depreciation:											
Buildings	8	(632,90		(632,90	—	(46,79	13	5,53	(28,36	(22,00	(724,40
		) —		)	5	) 0	5	5	) 5	) 8)
Leasehold improvements	9	(412,44		(412,44	—	(71,66	(16	8,62	—	—	(475,65
		) —		)	0	) 6	) 4			1)
Machinery and equipment	4	(2,474,50		(2,474,50	—	(258,06	(13	10,17	(257,62	—	(2,980,16
		) —		)	8	) 9	) 4	9	)	6)

	Weighted average useful life (years)	Balance on 12/31/2016	Reclassifications (i)	Balance on 1/1/2017 – Restated (i)	Additions	Depreciation	Transfer (iv)	Write- offs and disposals	Effect of foreign currency exchange rate variation	Opening balance CBLSA (ii)	Balance on 12/31/2017 Restated (i)
Automotive fuel/lubricant distribution equipment and facilities.....	9	(1,383,06)	—	(1,383,06)	—	(144,88)	(2)	26,90	—	(44,73)	(1,545,80)
LPG tanks and bottles	4	(276,41)	31	(280,44)	—	(64,22)	13	16,15	—	—	(328,38)
Vehicles	2	(101,08)	—	(101,08)	—	(21,74)	8	12,36	(1,82)	—	(112,20)
Furniture and utensils .	7	(120,74)	—	(120,74)	—	(15,12)	()	59	(9,27)	(4,01)	(148,57)
IT equipment	1	(220,42)	—	(220,42)	—	(24,48)	14	99	(12)	(16,97)	(260,85)
	4	(5,621,59)	31	(5,625,62)	—	(646,98)	14	81,34	(297,21)	(87,72)	(6,576,04)

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	Balance on 12/31/2016	Reclassifications (i)	Balance on 1/1/2017 – Restated (i)	Additions	Depreciation	Transfer (iv)	Write-offs and disposals	Effect of foreign currency exchange rate variation	Opening balance CBLSA (ii)	Balance on 12/31/2017 Restated (i)
Provision for losses:										
Advances to suppliers	3	(8)	(83)	—	—	—	—	—	—	(83)
Land	7	(19)	(97)	(10)	—	—	19	—	—	(10)
Leasehold improvements	0	(56)	(60)	(1)	—	—	1	(8)	—	(56)
Machinery and equipment....	7	(4,34)	(47)	(39)	—	—	4	(2)	—	(4,72)
Automotive fuel/lubricant distribution equipment and facilities....	6	(33)	(36)	—	—	—	16	—	—	(16)
Furniture and utensils	1	()	(1)	—	—	—	—	—	—	()
	4	(5,52)	(24)	(51)	—	—	42	(3)	—	(5,64)
Net amount.....	2	436	18	9	82	1	3	2	23	6

	Weighted average useful life (years)	Balance on 12/31/2015	Reclassification (i)	Balance on 1/1/2016 – Restated (i)	Additions	Depreciation	Transfer (iv)	Write-offs and disposals	Effect of foreign currency exchange rate variation	Balance on 12/31/2016 Restated (i)
Cost:										
Land	—	524,	—	524,	1	—	2	()	(3,7)	520,
Buildings	30	1,382,	—	1,382,	11,5	—	68,9	()	(22,7)	1,440,
Leasehold improvements	9	701,	—	701,	11,1	—	87,3	(3,)	(5)	796,
Machinery and equipment	13	3,991,	—	3,991,	117,1	—	164,8	(10,)	(38,6)	4,225,
Automotive fuel/lubricant distribution equipment and facilities	14	2,282,	—	2,282,	113,1	—	56,2	(22,)	—	2,429,
LPG tanks and bottles	11	541,	4,740	546,	115,3	—	1,4	(30,)	—	631,

				Balance o n					Effect of foreign currenc y exchang e rate variatio n	Balance on 12/31/201 6
	Weighted average usef ul life (years)	Balance on 12/31/201 5	Reclassification s (i)	Restated (i)	Addition s	Depreciati on	Transfe r (iv)	Write-offs and disposa ls		Restated (i)
Vehicles	7	258, 776	—	258, 776	25,8	—	5,5 59	(18,) 09	(5)	271, 133
Furniture and utensils	10	170, 695	—	170, 695	27,3 19	—	8,9 55	(1,) 315	(1,1) 04	204, 550
Construction in progress	—	437, 533	—	437, 533	487,6 51	—	(384,3) 35	() 535	(17,0) 29	523, 285
Advances to suppliers	—	12, 125	—	12, 125	102,4 65	—	(13,7) 81	—	(4,3) 86	96, 423
Imports in progress	—	1, 201	—	1, 201	8,0 07	—	(8,8) 95	—	(2) 55	58
IT equipme nt	5	260, 685	—	260, 685	27,5 74	—	3,4 48	(1,) 561	(1,4) 41	288, 705
		10,564, 612	4,740	10,569, 352	1,047,3 89	—	(9,9) 99	(89,) 371	(89,8) 04	11,427, 567

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	Balance on 12/31/2015	Reclassifications (i)	Balance on 1/1/2016 – Restated (i)	Additions	Depreciation	Transfer (iv)	Write-offs and disposals	Effect of foreign currency exchange rate variation	Balance on 12/31/2016 Restated (i)
Accumulated depreciation:									
Buildings	(591,831)	—	(591,831)	—	(43,778)	13	151	2,537	(632,908)
Leasehold improvements.....	(359,117)	—	(359,117)	—	(55,913)	339	2,235	7	(412,449)
Machinery and equipment	(2,241,244)	—	(2,241,244)	—	(242,419)	3,099	9,536	(3,476)	(2,474,504)
Automotive fuel/lubricant distribution equipment and facilities..	(1,270,797)		(1,270,797)	—	(130,613)	—	18,341	—	(1,383,069)
LPG tanks and bottles.....	(249,234)	(875)	(250,109)	—	(44,097)	—	13,761	—	(280,445)
Vehicles.....	(92,457)	—	(92,457)	—	(19,991)	—	11,234	132	(101,082)
Furniture and utensils	(110,259)	—	(110,259)	—	(11,146)	5	868	(215)	(120,747)
IT equipment	(203,793)	—	(203,793)	—	(19,225)	(3)	1,488	1,112	(220,421)
	<u>(5,118,732)</u>	<u>(875)</u>	<u>(5,119,607)</u>	<u>—</u>	<u>(567,182)</u>	<u>3,453</u>	<u>57,614</u>	<u>97</u>	<u>(5,625,625)</u>
Provision for losses:									
Advances to suppliers.....	(83)	—	(83)	—	—	—	—	—	(83)
Land	(197)	—	(197)	—	—	—	—	—	(197)
Leasehold improvements.....	(659)	—	(659)	(4)	—	—	—	103	(560)
Machinery and equipment	(4,739)	—	(4,739)	(281)	—	—	325	348	(4,347)
Automotive fuel/lubricant distribution equipment and facilities..	(1,306)	—	(1,306)	—	—	—	970	—	(336)
Furniture and utensils	(1)	—	(1)	—	—	—	—	—	(1)
	<u>(6,985)</u>	<u>—</u>	<u>(6,985)</u>	<u>(285)</u>	<u>—</u>	<u>—</u>	<u>1,295</u>	<u>451</u>	<u>(5,524)</u>
Net amount.....	<u>5,438,895</u>	<u>3,865</u>	<u>5,442,760</u>	<u>1,039,377</u>	<u>(567,182)</u>	<u>(6,546)</u>	<u>(30,462)</u>	<u>(89,256)</u>	<u>5,796,418</u>

(i) See Note 2.x.

(ii) See Note 3.c.

(iii) See Note 3.d.

(iv) Refers to amounts transferred to intangible assets and inventories.

(*) Refers to the impairment for subsidiary Oxitenio Andina (see Note 2.s.1.ii), including in land the amount of R\$ 680 and in machinery and equipment the amount of R\$ 1,334.

Construction in progress relates substantially to expansions, renovations, constructions and upgrade of industrial facilities, terminals, stores, service stations and distribution bases.

Advances to suppliers is related, basically, to manufacturing of assets for expansion of plants, terminals, stores and bases and acquisition of real estate.

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14. Intangible Assets

Balances and changes in intangible assets are as follows:

	Weighted average useful life (years)	Balance on 12/31/2017	IFRS 15 adoption and reclassifications (i)	Fair value CBLSA Retrospective effect (ii)	Balance on 12/31/2017 – Restated (i)	Additions	Amortization	Transfer (iv)	Write-offs and disposals	Effect of foreign currency exchange rate variation	Opening balance TEAS (iii)	Balance on 12/31/2018
Cost:												
Goodwill (a)	—	1,578,1		(53,8)	1,524,2						7	1,525,0
Software (b)	5	853,0			853,0	223,9		(1,25)	(15,4)	2,0	97	1,062,4
Technology (c)...	5	32,6			32,6							32,6
Commercial property rights (d)	10	55,0			55,0	11,1			(2,1)			64,0
Distribution rights	8	4,273,3	(4,145,1)	14,4	142,6	6		(35)		()		142,9
Brands (e)	—	113,5			113,5					7,0		120,5
Trademark rights (e)	39			114,7	114,7							114,7
Others (f)	10	40,5			40,5	1,8				9		43,2
		6,946,3	(4,145,1)	75,4	2,876,5	237,5		(1,60)	(17,5)	10,0	8	3,105,8
		58	88	04	74	93		8	55	06	46	56
Accumulated amortization:												
Software	99	(456,7)			(456,7)		(79,8)	5		(8)	()	(537,4)
Technology	41	(32,5)			(32,5)		()					(32,6)
Commercial property rights	92	(21,2)			(21,2)		(4,6)		2,0			(23,9)
Distribution rights	57	(2,677,0)	2,580,3		(96,7)		(10,0)	12				(106,5)
Trademark rights	—						(3,1)					(3,1)
Others...	96	(31,1)			(31,1)		(1,5)			(6)		(32,7)

	Weighted average useful life (years)	Balance on 12/31/2017	IFRS 15 adoption and reclassifications (i)	Fair value CBLSA Retrospective effect (ii)	Balance on 12/31/2017 – Restated (i)	Additions	Amortization	Transfer (iv)	Write-offs and disposals	Effect of foreign currency exchange rate variation	Opening balance TEAS (iii)	Balance on 12/31/2018
		(3,218,8 85)	2,580,3 53	—	(638,5 32)	—	(99,3 34)	18 4	2,0 68	(8 38)	(49)	(736,5 01)
Net amount		3,727,4 73	(1,564,8 35)	75,4 04	2,238,0 42	237,5 93	(99,3 34)	(1,42 4)	(15,4 87)	9,1 68	7 97	2,369,3 55

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	Weighted average useful life (years)	Balance on 12/31/2016	IFRS 15 adoption and reclassifications (i)	Balance on 1/1/2017 – Restated (i)	Additions	Amortization	Transfer (iv)	Write-offs and disposals	Effect of foreign currency exchange rate variation	Fair value CBLSA(ii)	Balance on 12/31/2017 Restated (i)
Cost:.....											
Goodwill (a)	—	1,454,48	—	1,454,48	—	—	—	—	—	69,80	1,524,29
Software (b).....	4	641,69	—	641,69	207,70	—	2,44	(1,19)	2,43	—	853,07
Technology (c)	5	32,61	—	32,61	—	—	7	3	1	—	32,61
Commercial property rights (d)	5	43,25	—	43,25	13,83	—	(6	(1,95	—	—	55,06
Distribution rights	0	3,651,31	(3,525,77	125,53	—	—	8	8	—	17,13	142,66
Brands (e).....	6	112,93	7	112,93	—	—	—	—	60	—	113,54
Trademark rights (e).....	6	—	—	—	—	—	—	—	7	114,79	114,79
Others (f).....	3	39,17	—	39,17	42	—	—	—	92	—	40,51
	0	2	—	2	0	—	—	—	2	—	4
		5,975,47	(3,525,77	2,449,69	221,96	—	2,37	(3,15	3,96	201,72	2,876,57
	4	7	—	7	0	—	9	1	0	9	4
Accumulated amortization:											
Software		(396,70	—	(396,70	—	(59,57	(	1,19	(1,70	—	(456,79
	2	)	—	)	9	)	5	)	4	)	9
Technology.....		(32,46	—	(32,46	—	(7	—	—	—	—	(32,54
	9	)	—	)	2	)	—	—	—	—	1
Commercial property rights.....		(19,56	—	(19,56	—	(3,68	—	1,95	—	—	(21,29
	8	)	—	)	9	)	8	7	—	—	2
Distribution rights		(2,131,82	2,045,81	(86,01	—	—	—	—	—	(10,69	(96,70
	6	)	4	)	2	—	—	—	2	)	4
Others.....		(23,31	—	(23,31	—	(7,88	—	—	(	—	(31,19
	0	)	—	)	3	)	—	—	3	)	6
		(2,603,87	2,045,81	(558,06	—	(71,22	—	3,14	(1,70	(10,69	(638,53
	5	)	4	)	3	)	3	8	7	)	2
Net amount.....		3,371,59	(1,479,96	1,891,63	221,96	(71,22	2,38	(2,25	191,03	2,238,04
	9	3	—	6	0	3	2	3	3	7	2

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	Weighted average useful life (years)	Balance on 12/31/2015	IFRS 15 adoption and reclassifications (i)	Balance on 1/1/2016 – Restated (i)	Additions	Amortization	Transfer (iv)	Write-offs and disposals	Effect of foreign currency exchange rate variation	Balance on 12/31/2016 Restated (i)
Cost:.....										
Goodwill (a)	—	1,456,17	—	1,456,17	—	—	—	(1,69	—	1,454,48
	9			9				5		4
Software (b).....		539,52	—	539,52	99,73		7,60	(	(5,15	641,69
	5	2		2	4		1	7	) 9	1
Technology (c)		32,61	—	32,61	—	—	—	—	—	32,61
	5	7		7						7
Commercial property rights (d)	1	36,58	—	36,58	7,30	—		(63	—	43,25
	0	8		8	3			3	)	8
Distribution rights		3,278,48	(2,993,26	285,22	11,01	—	(170,69	—	—	125,53
	5	7	3	4	3		8	)		9
Brands (e).....	—	120,94	—	120,94	—	—	—	—	(8,00	112,93
		4		4					)	6
Others (f).....		46,95	—	46,95	60	—	(5,96	(98	(1,44	39,17
	4	1		1	7		0	0	)	2
		5,511,28	(2,993,26	2,518,02	118,65	—	(169,05	(3,31	(14,61	2,449,69
	8		3	5	7		7	5	)	7
Accumulated amortization:										
Software		(350,76	—	(350,76	—	(49,38	(		3,43	(396,70
	0	)		0		0	) 2	7		2
Technology.....		(31,25	—	(31,25	—	(1,21	—	—	—	(32,46
	6	)		6		3	)			9
Commercial property rights.....		(16,97	—	(16,97	—	(3,14	—	55	—	(19,56
	9	)		9		8	)	9		8
Distribution rights		(1,802,98	1,561,66	(241,32	—	(9,20	164,51	—	—	(86,01
	9	) 6		3		0	) 1			2
Others.....		(15,36	—	(15,36	—	(7,83	(8	—	(2	(23,31
	9	)		9		5	) 3		3	0
		(2,217,35	1,561,66	(655,68	—	(70,77	164,42	56	3,41	(558,06
	3	)	6	7		6	) 6	6	0	1
		3,293,93	(1,431,59	1,862,33	118,65	(70,77	(4,63	(2,74	(11,20	1,891,63
	5		7	8	7	6	1	9	3	6

(i) See Note 2.x.

(ii) See Note 3.c.

(iii) See Note 3.d.

(iv) Refers to amounts transferred to property, plant, and equipment and trade receivables.

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The amortization expenses were recognized in the financial statements as shown below:

	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>
		Restated (i)	Restated (i)
Inventories and cost of products and services sold	15,044	2,165	11,437
Selling and marketing	8,920	11,689	13,352
General and administrative	75,370	57,369	47,358
	<u>99,334</u>	<u>71,223</u>	<u>72,147</u>

(i) See Note 2.x.

a. Goodwill

The balance of the goodwill is tested annually for impairment and presents the following acquisitions:

	<u>Segment</u>	<u>12/31/2018</u>	<u>12/31/2017</u>
			Restated (i)
Goodwill on the acquisition of:			
Extrafarma	Extrafarma	661,553	661,553
Ipiranga	Ipiranga	276,724	276,724
União Terminais	Ultracargo	211,089	211,089
Texaco	Ipiranga	177,759	177,759
CBLSA ⁽¹⁾	Ipiranga	69,807	69,807
Oxiteno Uruguay	Oxiteno	44,856	44,856
Temmar	Ultracargo	43,781	43,781
DNP	Ipiranga	24,736	24,736
Repsol	Ultragaz	13,403	13,403
TEAS ⁽²⁾	Ultracargo	797	—
Others	Oxiteno	583	583
		<u>1,525,088</u>	<u>1,524,291</u>

⁽¹⁾ See Note 3.c.

⁽²⁾ See Note 3.d.

On December 31, 2018, the Company tested the balances of goodwill shown in the table above for impairment. The determination of value in use involves assumptions, judgments, and estimates of cash flows, such as growth rates of revenues, costs and expenses, estimates of investments and working capital, and discount rates. The assumptions about growth projections and future cash flows are based on the Company's business plan of its operating segments, as well as comparable market data, and represent management's best estimate of the economic conditions that will exist over the economic life of the various CGUs, to which goodwill is related. The main key-assumptions used by the Company to calculate the value in use are described below:

Period of evaluation: the evaluation of the value in use is calculated for a period of five years (except the Extrafarma segment), after which the Company calculate the perpetuity, considering the possibility of carrying the business on indefinitely. For the Extrafarma segment, a period of ten years was used due to a four-year period of maturity of new stores.

Discount and real growth rates: on December 31, 2018, the discount and real growth rates used to extrapolate the projections ranged from 8.4% to 13.9% and from 0% to 1% p.a., respectively, depending on the CGU analyzed.

Revenue from sales and services, costs and expenses, and gross margin: considers the budget prepared for 2019 and the long-term strategic plan prepared by management and approved by the Board of Directors.

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The goodwill impairment tests and net assets of the Company and its subsidiaries result in the recognition of impairment in the amount of R\$ 5,565 for subsidiary Oxiteno Andina for the year ended December 31, 2018 (see Note 2.s.1.ii). The main reason for the impairment recognized is Venezuela's political and economic situation.

The Company assessed a sensitivity analysis of discount and growth rate of perpetuity, due to their significant impact on cash flows and value in use. An increase of 0.5 percentage points in the discount rate or a decrease of 0.5 percentage points in the growth rate of the perpetuity of the cash flow of each business segment would not result in the recognition of impairment.

b. Software

Includes user licenses and costs for the implementation of the various systems used by the Company and its subsidiaries, such as: integrated management and control, financial management, foreign trade, industrial automation, operational and storage management, accounting information, and other systems.

c. Technology

The subsidiaries Oxiteno S.A., Oxiteno Nordeste and Oleoquímica recognize as technology certain rights of use held by them. Such licenses include the production of ethylene oxide, ethylene glycols, ethanolamines, glycol ethers, ethoxylates, solvents, fatty acids from vegetable oils, fatty alcohols, and specialty chemicals, which are products that are supplied to various industries.

d. Commercial property rights

Include those described below:

- Subsidiary Tequimar has an agreement with CODEBA – Companhia das Docas do Estado da Bahia, which allows it to explore the area in which the Aratu Terminal is located for 20 years, renewable for a similar period. The price paid by Tequimar was R\$ 12,000, which is being amortized from August 2002 to July 2042.
- Subsidiary Tequimar has a lease contract for an area adjacent to the Port of Santos for 20 years from December 2002, renewable for a similar period, which allows the construction, operation, and use of a terminal for liquid bulk unloading, tank storage, handling, and distribution. The price paid by Tequimar was R\$ 4,334, which is being amortized from August 2005 to December 2022.
- Subsidiary Extrafarma pays key money to obtain certain commercial establishments to open drugstores which is stated at the cost of acquisition, amortized using the straight-line method, considering the lease contract terms. In the case of the closedown of stores, the residual amount is written off.

e. Brands and Trademark rights

Brands are represented by the acquisition cost of the 'am/pm' brand in Brazil and of the Extrafarma brand, acquired in the business combination, and Chevron and Texaco trademark rights.

f. Other intangibles

Refers mainly to the loyalty program "Clube Extrafarma".

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15. Loans, Debentures, and Finance Leases

a. Composition

Description	12/31/2018	12/31/2017	Index/Currency	Weighted average financial charges 12/31/2018 – % p.a.	Maturity
Foreign currency—denominated loans:					
Notes in the foreign market (b) (*)	2,889,631	2,454,142	US\$	+5.3	2026
Foreign loan (c.1) (*)	985,268	259,015	US\$	+3.9	2021 to 2023
Financial institutions (e)	620,605	330,755	US\$ + LIBOR (1)	+2.1	2019 to 2023
Foreign loan (c.1) (*)	582,106	788,794	US\$ + LIBOR (1)	+0.9	2022 to 2023
Foreign loan (c.2)	234,363	298,927	US\$ + LIBOR (1)	+2.0	2020
Financial institutions (e)	127,288	106,745	US\$	+2.9	2019 to 2022
Financial institutions (e)	27,845	27,048	MX\$ (2)	+9.0	2019
Advances on foreign exchange contracts ..	11,702	44,515	US\$	+3.2	< 12 days
Financial institutions (e)	3,950	3,382	MX\$ + TIIE (2)	+1.5	2019
BNDES (d)	2,596	4,460	US\$	+6.5	2019 to 2020
Foreign currency advances delivered	1,485	26,080	US\$	+2.9	< 33 days
Financial institutions (e)	—	593	Bs\$ (7)		
Total foreign currency	<u>5,486,839</u>	<u>4,344,456</u>			

Description	12/31/2018	12/31/2017	Index/Currency	Weighted average financial charges 12/31/2018 – % p.a.	Maturity
Brazilian Reais—denominated loans:					
Banco do Brasil—floating rate (f)	2,614,704	2,794,272	CDI	107.3	2019 to 2022
Debentures—Ipiranga (g.1, g.3, and g.5).....	2,039,743	2,836,741	CDI	105.0	2019 to 2022
Debentures—CRA (g.4, g.6 and g.8).....	2,029,545	1,380,852	CDI	95.8	2022 to 2023
Debentures—5 th and 6 th issuance (g.2 and g.7)	1,756,954	817,654	CDI	105.3	2023
Debentures—CRA (g.4, g.6 and g.8) (*)	833,213	554,402	IPCA	+4.6	2024 to 2025
BNDES (d)	147,922	206,423	TJLP (3)	+2.4	2019 to 2023
FINEP	53,245	32,682	TJLP (3)	+1.5	2019 to 2023
BNDES (d)	51,467	69,422	SELIC (6)	+2.3	2019 to 2023
Bank Credit Bill	50,075	—	CDI	124.0	2019
Finance leases (i)	46,066	48,515	IGP-M (5)	+5.6	2019 to 2031
FINEP	22,553	35,611	R\$	+4.0	2019 to 2021
Banco do Nordeste do Brasil	15,776	28,136	R\$ (4)	+8.5	2019 to 2021
BNDES (d)	14,071	26,270	R\$	+6.0	2019 to 2022
FINAME	32	56	TJLP (3)	+5.7	2019 to 2022
Export Credit Note—floating rate (h)	—	157,749	CDI		
BNDES EXIM	—	62,754	TJLP (3)		
BNDES EXIM	—	30,850	SELIC (6)		
Total Brazilian Reais	9,675,366	9,082,389			
Total foreign currency and Brazilian Reais ..	15,162,205	13,426,845			
Currency and interest rate hedging instruments (**)	43,944	163,749			
Total.....	15,206,149	13,590,594			
Current	2,273,997	3,503,675			
Non-current.....	12,932,152	10,086,919			

(*) These transactions were designated for hedge accounting (see Note 33.h).

(**) Accumulated losses (see Note 33.g).

(1) LIBOR = London Interbank Offered Rate.

(2) MX\$ = Mexican Peso; TIIE = the Mexican interbank balance interest rate.

(3) TJLP (Long-term Interest Rate) = set by the National Monetary Council, TJLP is the basic financing cost of Banco Nacional de Desenvolvimento Econômico e Social (“BNDES”), the Brazilian Development Bank. On December 31, 2018, TJLP was fixed at 7.03% p.a.

(4) Contract linked to the rate of FNE (Northeast Constitutional Financing Fund) fund whose purpose is to promote the development of the industrial sector, managed by Banco do Nordeste do Brasil. On December 31, 2018, the FNE interest rate was 10% p.a. FNE grants a discount of 15% on the interest rate for timely payments.

(5) IGP-M = General Market Price Index is a measure of Brazilian inflation, calculated by the Getúlio Vargas Foundation.

(6) SELIC = basic interest rate set by the Brazilian Central Bank.

(7) Bs\$ = Bolívar.

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The changes in loans, debentures and finance leases are shown below:

Balance on December 31, 2016	11,214,773
New loans and debentures with cash effect	4,510,694
Interest accrued	925,421
Principal payment and financial leases	(2,467,391)
Interest payment	(769,740)
Monetary and exchange rate variation	37,937
Change in fair value	(24,849)
Balance on December 31, 2017	13,426,845
New loans and debentures with cash effect	4,461,112
Interest accrued	873,202
Principal payment and financial leases	(3,715,838)
Interest payment	(737,564)
Monetary and exchange rate variation	804,273
Change in fair value	50,175
Balance on December 31, 2018	15,162,205

The long-term debt had the following principal maturity schedule:

	12/31/2018	12/31/2017
From 1 to 2 years	962,870	1,826,907
From 2 to 3 years	1,551,083	894,640
From 3 to 4 years	3,219,451	1,302,450
From 4 to 5 years	3,431,465	3,016,406
More than 5 years	3,767,283	3,046,516
	12,932,152	10,086,919

The transaction costs and issuance premiums associated with debt issuance by the Company and its subsidiaries were added to their financial liabilities, as shown in Note 15.j.

The Company's management entered into hedging instruments against foreign exchange and interest rate variations for a portion of its debt obligations (see Note 33.h).

b. Notes in the Foreign Market

On October 6, 2016, the subsidiary Ultrapar International S.A. (“Ultrapar International”) issued US\$ 750 million (equivalent to R\$ 2,906 million as of December 31, 2018) in notes in the foreign market, maturing in October 2026, with interest rate of 5.25% p. a., paid semiannually. The issue price was 98.097% of the face value of the note. The notes were guaranteed by the Company and its subsidiary IPP. The Company has designated hedge relationships for this transaction (see Note 33.h.3).

As a result of the issuance of the notes in the foreign market, the Company and its subsidiaries are required to perform certain obligations, including:

- Restriction on sale of all or substantially all assets of the Company and subsidiaries Ultrapar International and IPP.
- Restriction on encumbrance of assets exceeding US\$ 150 million (equivalent to R\$ 581 million as of December 31, 2018) or 15% of the amount of the consolidated tangible assets.

The Company and its subsidiaries are in compliance with the levels of covenants required by this debt. The restrictions imposed on the Company and its subsidiaries are customary in transactions of this nature and have not limited their ability to conduct their business to date.

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c. Foreign Loans

c.1 The subsidiary IPP has foreign loans in the amount of US\$ 395 million (equivalent to R\$ 1,531 million as of December 31, 2018). IPP also contracted hedging instruments with floating interest rate in U.S. dollar and exchange rate variation, changing the foreign loans charges, on average, to 104.4% of CDI. IPP designated these hedging instruments as a fair value hedge (see Note 33.h.1); therefore, loans and hedging instruments are both measured at fair value from inception, with changes in fair value recognized through profit or loss. The foreign loans are secured by the Company.

The foreign loans have the maturity distributed as follows:

Maturity	US\$ (million)	R\$ (million)	Cost in % of CDI
Charges (1)	9.5	36.8	—
Jun/2021	100.0	387.5	105.0
Jul/2021	60.0	232.5	101.8
Jul/2023	50.0	193.7	104.8
Sep/2023	60.0	232.5	105.0
Sep/2023	65.0	251.9	104.7
Nov/2023	60.0	232.5	104.5
Total / average cost	<u>404.5</u>	<u>1,567.4</u>	<u>104.4</u>

⁽¹⁾ Includes interest, transaction costs, mark to market and hedge initial recognition.

During these contracts, the Company shall maintain the following financial ratios, calculated based on its audited consolidated financial statements:

- Maintenance of a financial ratio, determined by the ratio between consolidated net debt and consolidated Earnings before Interest, Taxes, Depreciation, and Amortization (EBITDA), at less than or equal to 3.5.
- Maintenance of a financial ratio determined by the ratio between consolidated EBITDA and consolidated net financial expenses, higher than or equal to 1.5.

The Company complies with the levels of covenants required by these loans. The restrictions imposed on the Company and its subsidiaries are usual for this type of transaction and have not limited their ability to conduct their business to date.

c.2 The subsidiary Global Petroleum Products Trading Corporation has a foreign loan in the amount of US\$ 60 million (equivalent to R\$ 232 million as of December 31, 2018) with maturity on June 22, 2020 and interest of LIBOR + 2.0% p.a., paid quarterly. The Company, through the subsidiary Cia. Ultragaz, contracted hedging instruments subject to floating interest rates in dollar and exchange rate variation, changing the foreign loan charge to 105.9% of CDI. The foreign loan is guaranteed by the Company and its subsidiary Oxiteno Nordeste.

c.3 The subsidiary LPG International Inc. had a foreign loan in the amount of US\$ 30 million with maturity in December 2018 and interest rate of LIBOR + 1.85% p.a., paid quarterly. The foreign loan was guaranteed by the Company and its subsidiary IPP. The foreign loan was settled on the maturity date.

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d. BNDES

The subsidiaries have financing from BNDES for some of their investments and for working capital.

During the term of these agreements, the Company must maintain the following capitalization and current liquidity levels, as determined in the annual consolidated audited balance sheet:

- Capitalization level: equity / total assets equal to or above 0.3; and
- Current liquidity level: current assets / current liabilities equal to or above 1.3.

The Company complies with the levels of covenants required by these loans. The restrictions imposed on the Company and its subsidiaries are usual for this type of transaction and have not limited their ability to conduct their business to date.

e. Financial Institutions

The subsidiaries Oxiteno Mexico S.A. de C.V., Oxiteno USA LLC (“Oxiteno USA”) and Oxiteno Uruguay have loans for investments and working capital.

The subsidiary Oxiteno USA has loans with bearing interest of LIBOR + 2.1% and maturity as shown below:

Maturity	US\$ Millions	R\$ Millions
Charges (1)	0.2	0.9
Aug/2019	10.0	38.7
Feb/2020	10.0	38.7
Aug/2020	10.0	38.7
Sep/2020	20.0	77.5
Feb/2021	10.0	38.7
Mar/2022	30.0	116.2
Oct/2022	40.0	155.0
Mar/2023	30.0	116.2
Total.....	<u>160.2</u>	<u>620.6</u>

⁽¹⁾ Includes interest and transaction costs.

The proceeds of this loan are being used in the working capital and to fund the construction of a new alkoxylation plant in the state of Texas.

f. Banco do Brasil

The subsidiary IPP has floating interest rate loans with Banco do Brasil to marketing, processing, or manufacturing of agricultural goods (ethanol).

These loans mature, as follows (includes accrued interest through December 31, 2018):

Maturity	
Feb/2019	168,419
May/2019	1,432,750
May/2020	337,845
May/2021	337,845
May/2022	337,845
Total	<u>2,614,704</u>

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g. Debentures

g.1. In January 2014, the subsidiary IPP made its second issuance of public debentures, in a single series of 80,000 simple, nominative, registered debentures, nonconvertible into shares and unsecured, which main characteristics are as follows:

Face value unit:.....	R\$ 10,000.00
Final maturity:	December 20, 2018
Payment of the face value:.....	Lump sum at final maturity
Interest:	107.9% of CDI
Payment of interest:	Semiannually
Reprice:.....	Not applicable

The debentures were settled by the subsidiary IPP on the maturity date.

g.2. In March 2015, the Company made its fifth issuance of debentures, in a single series of 80,000 simple, nonconvertible into shares, unsecured debentures, which main characteristics are as follows:

Face value unit:.....	R\$ 10,000.00
Final maturity:	March 16, 2018
Payment of the face value:.....	Lump sum at final maturity
Interest:	108.25% of CDI
Payment of interest:	Semiannually
Reprice:.....	Not applicable

The debentures were settled by the Company on the maturity date.

g.3. In May 2016, the subsidiary IPP made its fourth issuance of public debentures, in one single series of 500 simple, nominative, registered debentures, nonconvertible into shares and unsecured, which main characteristics are as follows:

Face value unit:.....	R\$ 1,000,000.00
Final maturity:	May 25, 2021
Payment of the face value:.....	Annual as from May 2019
Interest:	105.0% of CDI
Payment of interest:	Semiannually
Reprice:.....	Not applicable

g.4. In April 2017, the subsidiary IPP carried out its fifth issuance of debentures, in two series, being one of 660,139 and another of 352,361, simple, nonconvertible into shares, nominative, book-entry and unsecured debentures. The debentures have been subscribed by Eco Consult – Consultoria de Operações Financeiras Agropecuárias Ltda. The proceeds from this issuance were used exclusively for the purchase of ethanol by subsidiary IPP.

The debentures were later assigned and transferred to Eco Securitizadora de Direitos Creditórios do Agronegócio S.A. that acquired these agribusiness credit rights with the purpose to bind the issuance of Certificates of Agribusiness Receivables (CRA). The debentures have an additional guarantee from Ultrapar and the main characteristics of the debentures are as follows:

Amount:	660,139
Face value unit:	R\$ 1,000.00
Final maturity:	April 18, 2022
Payment of the face value:	Lump sum at final maturity
Interest:	95% of CDI
Payment of interest:	Semiannually
Reprice:	Not applicable

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Amount:	352,361
Face value unit:	R\$ 1,000.00
Final maturity:	April 15, 2024
Payment of the face value:	Lump sum at final maturity
Interest:	IPCA + 4.68%
Payment of interest:	Annually
Reprice:	Not applicable

The subsidiary IPP contracted hedging instruments subjected to IPCA variation, changing the debentures charges linked to IPCA to 93.9% of CDI. IPP designated these hedging instruments as fair value hedges; therefore, debentures and hedging instruments are both measured at fair value from inception, with changes in fair value recognized through profit or loss.

g.5. In July 2017, the subsidiary IPP made its sixth issuance of public debentures, in one single series of 1,500,000 simple, nonconvertible into shares and unsecured debentures, which main characteristics are as follows:

Face value unit:	R\$ 1,000.00
Final maturity:	July 28, 2022
Payment of the face value:	Annual as from July 2021
Interest:	105.0% of CDI
Payment of interest:	Annually
Reprice:	Not applicable

g.6. In October 2017, the subsidiary IPP carried out its seventh issuance of debentures in the amount of R\$ 944,077, in two series, one of 730,384 and another of 213,693, simple, nonconvertible into shares, nominative, book-entry and unsecured debentures. The debentures have been subscribed by Vert Companhia Securitizadora. The proceeds from this issuance were used exclusively for the purchase of ethanol by subsidiary IPP.

The debentures were later assigned and transferred to Vert Créditos Ltda., that acquired these agribusiness credit rights with the purpose to bind the issuance of Certificates of Agribusiness Receivables (CRA). The financial settlement occurred on November 1, 2017. The debentures have an additional guarantee from Ultrapar and the main characteristics of the debentures are as follows:

Amount:	730,384
Face value unit:	R\$ 1,000.00
Final maturity:	October 24, 2022
Payment of the face value:	Lump sum at final maturity
Interest:	95% of CDI
Payment of interest:	Semiannually
Reprice:	Not applicable

Amount:	213,693
Face value unit:	R\$ 1,000.00
Final maturity:	October 24, 2024
Payment of the face value:	Lump sum at final maturity
Interest:	IPCA + 4.34%
Payment of interest:	Annually
Reprice:	Not applicable

The subsidiary IPP contracted hedging instruments subjected to IPCA variation, changing the debentures charges linked to IPCA to 97.3% of CDI. IPP designated these hedging instruments as fair value hedges; therefore, debentures and hedging instruments are both measured at fair value from inception, with changes in fair value recognized through profit or loss.

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g.7. In March 2018, the Company made its sixth issuance of public debentures, in a single series of 1,725,000 simple, nonconvertible into shares and unsecured debentures, which main characteristics are as follows:

Face value unit:	R\$ 1,000.00
Final maturity:	March 5, 2023
Payment of the face value:	Lump sum at final maturity
Interest:	105.25% of CDI
Payment of interest:	Semiannually
Reprice:	Not applicable

g.8. In December 2018, the subsidiary IPP carried out its eighth issuance of debentures in the amount of R\$ 900,000, in two series, one of 660,000 and another of 240,000, simple, nonconvertible into shares, nominative, book-entry and unsecured debentures. The debentures have been subscribed by Vert Companhia Securitizadora. The proceeds from this issuance were used exclusively for the purchase of ethanol by subsidiary IPP.

The financial settlement occurred on December 21, 2018. The debentures have an additional guarantee from Ultrapar and the main characteristics of the debentures are as follows:

Amount:	660,000
Face value unit:	R\$ 1,000.00
Final maturity:	December 18, 2023
Payment of the face value:	Lump sum at final maturity
Interest:	97.5% of CDI
Payment of interest:	Semiannually
Reprice:	Not applicable
Amount:	240,000
Face value unit:	R\$ 1,000.00
Final maturity:	December 15, 2025
Payment of the face value:	Lump sum at final maturity
Interest:	IPCA + 4.61%
Payment of interest:	Annually
Reprice:	Not applicable

The subsidiary IPP contracted hedging instruments subjected to IPCA variation, changing the debentures charges linked to IPCA to 97.1% of CDI. IPP designated these hedging instruments as fair value hedges; therefore, debentures and hedging instruments are both measured at fair value from inception, with changes in fair value recognized through profit or loss.

The debentures have maturity dates distributed as shown below (includes accrued interest through December 31, 2018).

Maturity	
May/2019	168,897
May/2020	165,786
May/2021	165,786
Apr/2022	657,538
Jul/2022	1,539,274
Oct/2022	727,229
Mar/2023	1,756,954
Dec/2023	644,778
Apr/2024	377,567
Oct/2024	217,861
Dec/2025	237,785
Total	<u>6,659,455</u>

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h. Export Credit Note

The export credit note contract of the subsidiary Oxiteno Nordeste, with maturity in May 2018, and floating rate of 101.5% of CDI, paid quarterly, was settled on the maturity date.

i. Finance Leases

The subsidiary Cia. Ultragaz has a finance lease contract related to LPG bottling facilities, maturing in April 2031.

The amounts of equipment and intangible assets, net of depreciation and amortization, and the amounts of the corresponding liabilities are shown below:

	<u>12/31/2018</u>	<u>12/31/2017</u>
Equipment and intangible assets, net of depreciation and amortization	13,783	15,732
Financing (present value).....	<u>46,066</u>	<u>48,515</u>
Current	2,849	2,710
Non-current.....	43,217	45,805

The future disbursements (installments) assumed under these contracts are presented below:

	<u>12/31/2018</u>	<u>12/31/2017</u>
Up to 1 year	5,124	5,113
From 1 to 2 years	5,124	5,113
From 2 to 3 years	5,124	5,113
From 3 to 4 years	5,124	5,113
From 4 to 5 years	5,124	5,113
More than 5 years	<u>37,574</u>	<u>42,611</u>
Total.....	<u>63,194</u>	<u>68,176</u>

The above amounts include Services Tax (“ISS”) payable on the monthly installments, except for disbursements for the LPG bottling facilities.

j. Transaction Costs

Transaction costs incurred in issuing debt were deducted from the value of the related financial instruments and are recognized as an expense according to the effective interest rate method, as follows:

		Effective rate of transaction costs (% p.a.)	Balance on 12/31/2017	Incurred cost	Amortization	Balance on 12/31/2018
Debentures (g)		0.			(9,641)	
	2		44,709	21,308		56,376
Notes in the foreign market (b).....		0.			(1,417)	
	0		15,298	—		13,881
Banco do Brasil (f).....		0.			(4,628)	
	2		8,065	—		3,437
Foreign loans (c)		0.			(882)	
	1		1,213	—		331
Other		0.			(735)	
	2		2,801	366		2,432
Total.....					(17,303)	
			<u>72,086</u>	<u>21,674</u>	<u>(17,303)</u>	<u>76,457</u>

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		Effective rate of transaction costs (% p.a.)	Balance on 1/1/2017	Incurred cost	Amortization	Balance on 12/31/2017
Debentures (g)		0.			(4,514	
	2		6,835	42,388	)	44,709
Notes in the foreign market (b).....		0.			(1,314	
	0		16,612	—	)	15,298
Banco do Brasil (f).....		0.			(4,117	
	2		12,182	—	)	8,065
Foreign loans (c)		0.			(1,561	
	2		2,211	563	)	1,213
Other		0.			(569	
	2		1,952	1,418	)	2,801
Total.....					(12,075	
			39,792	44,369	)	72,086

		Effective rate of transaction costs (% p.a.)	Balance on 12/31/2015	Incurred cost	Amortization	Balance on 12/31/2016
Debentures (g)		0.			(1,373	
	1		1,801	6,407	)	6,835
Notes in the foreign market (b).....		0.			(209	
	0		—	16,821	)	16,612
Banco do Brasil (f).....		0.			(3,230	
	2		11,883	3,529	)	12,182
Foreign Loans (c).....		0.			(2,438	
	2		4,649	—	)	2,211
Other		0.			(672	
	2		545	2,079	)	1,952
Total.....					(7,922	
			18,878	28,836	)	39,792

The amount to be appropriated to profit or loss in the future is as follows:

	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
Debentures (g)	13,17	13,29	13,21	10,11	5,25	1,32	56,37
Notes in the foreign market (b).....	1 8	7	5	5	0	6	
Banco do Brasil (f).....	1,43	1,54	1,63	1,72	1,81	5,72	13,88
	5	6	2	3	9	6	1
Foreign loans (c)	2,31	59	38	13	—	—	3,43
	7	9	5	6	—	—	7
Other	20	13	—	—	—	—	33
	1	0	—	—	—	—	1
	77	89	44	31	—	—	2,43
	3	4	5	8	2	—	2
Total.....	17,89	16,46	15,67	12,29	7,07	7,04	76,45
	7	7	9	2	6	6	7

k. Guarantees

The financings are guaranteed by collateral in the amount of R\$ 69,822 in 2018 (R\$ 66,337 in 2017) and by guarantees and promissory notes in the amount of R\$ 10,667,175 in 2018 (R\$ 9,587,971 in 2017).

The Company and its subsidiaries offer collateral in the form of letters of credit for commercial and legal proceedings in the amount of R\$ 271,162 in 2018 (R\$ 237,537 in 2017). In addition, the Company provides guarantees related to the supply of LPG by Petrobras up to the amount of R\$ 45 million. In 2018, the Company did not have guarantees related to raw materials imported by the subsidiary IPP (R\$ 81,046 in 2017).

Some subsidiaries of Oxiteno issue collateral to financial institutions in connection with the amounts owed by some of their customers to such institutions (vendor financing). If a subsidiary is required to make any payment under these collaterals, this subsidiary may recover the amount paid directly from its customers through commercial collection. The maximum amount of future payments related to these collaterals is R\$ 2,750 in 2018 (R\$ 8,224 in 2017), with maturities of up to 91 days. Until December 31, 2018, the subsidiaries did not have losses in connection with these collaterals. The fair value of collaterals recognized in current liabilities as “other payables” is R\$ 68 in 2018 (R\$ 205 in 2017), which is recognized in the statement of profit or loss as customers settle their obligations with the financial institutions.

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16. Trade Payables

	12/31/2018	12/31/2017
Domestic suppliers.....	2,079,010	1,973,668
Domestic suppliers—agreement (i)	73,169	—
Foreign suppliers	472,597	181,830
Foreign suppliers—agreement (i)	106,901	—
	<u>2,731,677</u>	<u>2,155,498</u>

- (i) Suppliers – agreement: some subsidiaries of the Company entered into an agreement with a financial institution, which consists of the anticipation of receipt of the trade payables by the supplier, in which the financial institution prepay a certain amount from the supplier, and receives on the maturity date the amount payable by the subsidiaries of the Company. The decision to join this transaction is solely and exclusively of the supplier. The agreement does not substantially change the main characteristics of the commercial conditions previously established between the subsidiaries of the Company and the suppliers. These transaction are presented in operating activities in the statements of cash flow.

Some Company's subsidiaries acquire oil based fuels and LPG from Petrobras and its subsidiaries and ethylene from Braskem S.A. These suppliers control almost all of the markets for these products in Brazil.

17. Salaries and Related Charges

	12/31/2018	12/31/2017
Provisions on salaries	186,200	179,120
Profit sharing, bonus and premium	147,170	125,006
Social charges	67,043	64,524
Others.....	27,779	19,468
	<u>428,192</u>	<u>388,118</u>

18. Taxes Payable

	12/31/2018	12/31/2017
ICMS	166,038	Restated (i) 128,571
PIS and COFINS.....	38,055	25,319
ISS	22,339	11,211
Value-Added Tax (IVA) of foreign subsidiaries	21,306	17,992
PERT (*).....	—	19,584
Others.....	20,267	18,852
	<u>268,005</u>	<u>221,529</u>

(*) Refers to federal tax debits of the subsidiary IPP that were included in the Special Program of Tax Regularization (PERT).

(i) See Note 2.x.

19. Employee Benefits and Private Pension Plan

a. ULTRAPREV- Associação de Previdência Complementar

In February 2001, the Company's Board of Directors approved the adoption of a defined contribution pension plan to be sponsored by the Company and each of its subsidiaries. Participating employees have been contributing to this plan, managed by Ultraprev—Associação de Previdência Complementar ("Ultraprev"), since August 2001. Under the terms of the plan, every year each participating employee chooses his or her basic contribution to the plan. Each sponsoring company provides a matching contribution in an amount equivalent to each basic contribution, up to a limit of 11% of the employee's reference salary, according to the rules of the plan. As participating employees retire, they may choose to receive either (i) a monthly sum ranging between 0.5% and 1.0% of their respective accumulated fund in Ultraprev or (ii) a fixed monthly amount, which will exhaust their respective accumulated fund over a period of 5 to 25 years. The sponsoring company does not take responsibility for guaranteeing amounts or the duration of the benefits received by the retired employee. In 2018, the subsidiaries contributed R\$ 24,323 (R\$ 24,819 in 2017 and R\$ 23,261 in 2016) to Ultraprev, which is recognized as expense in the income statement. The total number of participating employees in 2018 was 8,052 active participants and 279 retired participants. In addition, Ultraprev had 26 former employees receiving benefits under the rules of a previous plan whose reserves are fully constituted.

b. Post-employment Benefits

The subsidiaries recognized a provision for post-employment benefits mainly related to seniority bonus, payment of Government Severance Indemnity Fund ("FGTS"), and health, dental care, and life insurance plan for eligible retirees.

The amounts related to such benefits were determined based on a valuation conducted by an independent actuary and reviewed by management as of December 31, 2018.

	12/31/2018	12/31/2017
Health and dental care plan (1)	112,628	99,767
Indemnification of FGTS	83,781	81,831
Seniority bonus	37,397	40,254
Life insurance (1)	16,009	15,671
Total	249,815	237,523
Current	45,655	30,059
Non-current	204,160	207,464

(1) Only IPP and CBLSA.

Changes in the present value of the provision for post-employment benefits are as follows:

	12/31/2018	12/31/2017
Opening balance	237,523	144,751
Current service cost	6,092	7,664
Interest cost	21,466	15,754
Actuarial (gains) losses from changes in actuarial assumptions	7,934	36,120
Benefits paid directly by Company and its subsidiaries	(23,604)	(11,368)
Opening balance CBL S.A. (see Note 3.c)	—	44,478
Exchange rate from foreign subsidiaries	404	124
Ending balance	249,815	237,523

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The expense of the year is presented below:

	2018	2017	2016
Health and dental care plan.....	9,559	164	3,065
Indemnification of FGTS.....	11,159	14,828	9,068
Seniority bonus.....	5,460	6,883	4,455
Life insurance.....	1,380	1,543	1,586
Total.....	27,558	23,418	18,174

Significant actuarial assumptions adopted include:

	12/31/2018 % p.a.	12/31/2017 % p.a.
Economic factors		
Discount rate for the actuarial obligation at present value.....	9.00	9.51
Average projected salary growth rate.....	7.85	8.38
Inflation rate (long term).....	4.00	4.50
Growth rate of medical services.....	8.16	8.68

Demographic factors

- Mortality Table for the life insurance benefit – CSO-80
- Mortality Table for other benefits—AT 2000 Basic decreased by 10%
- Disabled Mortality Table—RRB 1983
- Disability Table – Weak light

Sensitivity analysis

The significant actuarial assumptions to determine the provision for post-employment benefits are: discount rate, wage and medical costs increases. The following sensitivity analyses were determined based on reasonably possible changes of assumptions occurring at the reporting date of the financial statements, keeping all other assumptions constant.

12/31/2018

Assumption	Change in assumptions	Decrease in liability	Change in assumptions	Increase in liability
Discount rate.....	increase by 1.0 p.p	17,500	decrease by 1.0 p.p	20,547
Wage growth rate.....	decrease by 1.0 p.p	2,127	increase by 1.0 p.p	2,344
Medical services growth rate.....	decrease by 1.0 p.p	12,002	increase by 1.0 p.p	14,201

12/31/2017

Assumption	Change in assumptions	Decrease in liability	Change in assumptions	Increase in liability
Discount rate.....	increase by 1.0 p.p	10,237	decrease by 1.0 p.p	11,690
Wage growth rate.....	decrease by 1.0 p.p	2,807	increase by 1.0 p.p	3,103
Medical services growth rate.....	decrease by 1.0 p.p	3,837	increase by 1.0 p.p	4,413

The sensitivity analyses presented may not represent the real change in the post-employment benefits obligation, since it is unlikely that changes occur in just one assumption alone, considering that some of these assumptions may be correlated.

Inherent risks related to post-employment benefits

Interest rate risk: a long-term interest rate is used to calculate the present value of post-employment liabilities. A reduction in this interest rate will increase the corresponding liability.

Wage growth risk: the present value of the liability is calculated using as reference the wages of the plan participants, projected with the average nominal wage growth rate. An increase in the real wages of plan participants will increase the corresponding liability.

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Medical costs growth risk: the present value of the liability is calculated using as reference the medical cost by age based on actual healthcare costs, projected based on the growth rate of medical services costs. An increase in the real medical costs will increase the corresponding liability.

20. Provision for Asset Retirement Obligation – Fuel Tanks

The provision corresponds to the legal obligation to remove the subsidiary IPP's underground fuel tanks located at Ipiranga-branded service stations after a certain use period (see Note 2.n).

Changes in the provision for asset retirement obligation are as follows:

Balance as of December 31, 2015.....	74,716
Additions (new tanks).....	483
Expense with tanks removed	(2,785)
Accretion expense.....	5,150
Balance as of December 31, 2016.....	77,564
Additions (new tanks).....	537
Expense with tanks removed	(15,432)
Accretion expense.....	2,105
Balance as of December 31, 2017.....	64,774
Additions (new tanks).....	264
Expense with tanks removed	(12,752)
Accretion expense.....	2,381
Balance as of December 31, 2018.....	54,667
Current	4,382
Non-current.....	50,285

21. Provisions and Contingencies

a. Provisions for tax, civil, and labor risks

The Company and its subsidiaries are parties in tax, civil, environmental, regulatory, and labor disputes at the administrative and judiciary levels, which, when applicable, are backed by escrow deposits. Provisions for losses are estimated and updated by management based on the opinion of the Company's legal department and its external legal advisors.

The table below demonstrates the breakdown of provisions by nature and its movement:

Provisions		Balance on 12/31/2017	Additions	Write-offs	Payments	Interest	Balance on 12/31/2018
IRPJ and CSLL (a.1.1).....	9	515,82	—	—	—	16,51	532,34
PIS and COFINS (a.1.2)	7	34,92	—	(9,536)	—	88	26,27
ICMS	4	111,78	1,47	(8,435)	(4,468)	47	100,82
Civil, environmental and regulatory claims (a.2.1)	6	89,29	8,86	(3,490)	(3,780)	3	90,93
Labor litigation (a.3.1)	5	82,42	32,43	(109)	(15,497)	1,92	101,17
Others.....	5	91,53	82	(1,806)	—	97	91,53
Total.....	6	925,79	43,59	(23,376)	(23,745)	20,80	943,07
Current	0	64,55					77,82
Non-current.....	6	861,24					865,24

Some of the provisions above involve, in whole or in part, escrow deposits.

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Balances of escrow deposits are as follows:

	12/31/2018	12/31/2017
Tax matters	727,493	659,062
Labor litigation	69,978	71,074
Civil and other	84,036	92,524
Total – non-current assets	881,507	822,660

a.1 Provisions for Tax Matters and Social Security

a.1.1 On October 7, 2005, the subsidiaries Cia. Ultragaz and Bahiana filed for and obtained a preliminary injunction to recognize and offset PIS and COFINS credits on LPG purchases, against other taxes levied by the RFB, notably IRPJ and CSLL. The decision was confirmed by a trial court on May 16, 2008. Under the preliminary injunction, the subsidiaries made escrow deposits for these debits which amounted to R\$ 500,260 in 2018 (R\$ 483,485 in 2017). On July 18, 2014, a second instance unfavorable decision was published and the subsidiaries suspended the escrow deposits, and started to pay income taxes from that date. To revert the court decision, the subsidiaries presented a writ of prevention which was dismissed on December 30, 2014, and the subsidiaries appealed this decision on February 3, 2015. Appeals were also presented to the respective higher courts Superior Court of Justice (“STJ”) and Federal Supreme Court (“STF”) whose final trial are pending.

a.1.2 The subsidiaries Oxitenos S.A., Oxitenos Nordeste, Cia. Ultragaz, Tequimar, Tropical Transportes Ipiranga Ltda., EMCA, IPP and Extrafarma filed for a preliminary injunction seeking the deduction of ICMS from their PIS and COFINS tax bases. On March 15, 2017, in a decision with general repercussion, the STF decided that the ICMS does not make up the calculation of PIS and COFINS tax bases. Therefore, supported by its legal advisors, on March 31, 2017, Oxitenos Nordeste and IPP reversed the provision in the amount of R\$ 109,463 (see Notes 29 and 30).

The Company emphasizes that it is possible for the STF to restrict the effects of the judgment or to decide that the effectiveness will be reached after its final decision or other time that may be fixed. Despite the favorable context, until there is effective final decision, the causes may be reassessed, which could result in the recognition of new provisions in the future, except for Oxitenos S.A., that obtained a favorable final decision in 2018 and recognized the amount of R\$ 291,278 in the statements of profit or loss on December 31, 2018 (see Notes 29 and 30).

a.2 Provisions for Civil, Environmental and Regulatory Claims

a.2.1 The Company and its subsidiaries maintained provisions for lawsuits and administrative proceedings, mainly derived from contracts entered into with customers and former services providers, as well as proceedings related to environmental and regulatory issues in the amount of R\$ 90,932 in 2018 (R\$ 89,296 in 2017).

a.3 Provisions for Labor Matters

a.3.1 The Company and its subsidiaries maintained provisions of R\$ 101,173 in 2018 (R\$ 82,425 in 2017) for labor litigation filed by former employees and by employees of our service providers, mainly, contesting the non-payment of labor rights.

b. Contingent Liabilities (Possible)

The Company and its subsidiaries are parties in tax, civil, environmental, regulatory, and labor claims whose loss prognosis is assessed as possible (proceedings whose chance of loss is more than 25% and less or equal than 50%). by the Company and its subsidiaries’ legal departments, based on the opinion of its external legal advisors and, based on this assessment, these claims were not recognized in the financial statements. The estimated amount of this contingency is R\$ 2,839,219 in 2018 (R\$ 2,576,583 in 2017).

b.1 Contingent Liabilities for Tax Matters and Social Security

The Company and its subsidiaries have contingent liabilities for tax matters and social security in the amount of R\$ 1,941,749 in 2018 (R\$ 1,709,435 in 2017), mainly represented by:

b.1.1 The subsidiary IPP and its subsidiaries have assessments invalidating the offset of excise tax (“IPI”) credits in connection with the purchase of raw materials used in the manufacturing of products which sales are not subject to IPI under the protection of tax immunity. The amount of this contingency is R\$ 168,391 in 2018 (R\$ 166,003 in 2017).

b.1.2 The subsidiary IPP and its subsidiaries have legal proceedings related to ICMS. The total amount involved in these proceedings, was R\$ 836,393 in 2018 (R\$ 618,774 in 2017). Such proceedings arise mostly of the disregard of ICMS credits amounting to R\$ 318,550 in 2018 (R\$ 307,255 in 2017), of which R\$ 126,639 (R\$ 121,891 in 2017) refer to proportional reversal requirement of ICMS credits related to the acquisition of hydrated alcohol; of alleged non-payment in the amount of R\$ 125,703 in 2018 (R\$ 113,999 in 2017); of conditioned fruition of fiscal incentive in the amount of R\$ 121,745 in 2018 (zero in 2017); and inventory differences in the amount of R\$ 185,512 in 2018 (R\$ 149,171 in 2017) related to the leftovers or faults due to temperature changes or product handling.

b.1.3 The Company and its subsidiaries are parties to administrative and judicial suits involving Income Tax, Social Security Contribution, PIS and COFINS, substantially about denials of offset claims and credits disallowance which total amount is R\$ 674,126 in 2018 (R\$ 645,868 in 2017), mainly represented by:

b.1.3.1 The subsidiary IPP received a tax assessment related to the IRPJ and CSLL resulting from the supposedly undue amortization of the goodwill paid on acquisition of a subsidiary, in the amount of R\$ 193,771 in 2018 (R\$ 187,027 in 2017), which includes the amount of the income taxes, interest and penalty. Management assessed the likelihood of the tax assessment, supported by the opinion of its legal advisors, as “possible”, and therefore did not recognize a provision for this contingent liability.

b.2 Contingent Liabilities for Civil, Environmental and Regulatory Claims

The Company and its subsidiaries have contingent liabilities for civil, environmental and regulatory claims in the amount of R\$ 624,457, totaling 3,520 lawsuits in 2018 (R\$ 593,437, totaling 2,783 lawsuits in 2017), mainly represented by:

b.2.1 The subsidiary Cia. Ultragaz is party to an administrative proceeding before CADE based on alleged anti-competitive practices in the State of Minas Gerais in 2001. The CADE entered a decision against Cia. Ultragaz and imposed a penalty of R\$ 32,983 in 2018 (R\$ 32,315 in 2017). The imposition of such administrative decision was suspended by a court order and its merit is being judicially reviewed.

b.2.2 In 2016, the subsidiary Cia. Ultragaz became party to two administrative proceedings filed by CADE, related to allegations of anti-competitive practices: i) one of the proceedings relate to practices in the State of Paraíba and other Northeast States, in which the subsidiary Bahiana is part along with Cia. Ultragaz. On this proceeding, Cia. Ultragaz and Bahiana signed a Cessation Commitment Agreement (“TCC”) with CADE, approved on November 22, 2017, in the amount of R\$ 95,987, to be paid in 8 (eight) equal installments updated semiannually by SELIC, with maturity of the first one in 180 (one hundred and eighty) days from the date of publication of the approval. Three employees and one former employee signed TCC in the total amount of R\$ 1,100. With the TCC, the administrative proceeding will be suspended in relation to the Cia. Ultragaz and Bahiana until final decision; ii) the second proceeding relate to practices in the Federal District and around, in which only Cia. Ultragaz is part. On this proceeding, Cia. Ultragaz signed a TCC with CADE, approved on September 6, 2017, in the amount of R\$ 2,154, paid in a single installment in March 8, 2018. Two former employees signed TCC in the amount of R\$ 50 each. With the TCC, the administrative proceeding will be suspended in relation to the Cia. Ultragaz until final decision.

b.2.3 The subsidiary IPP became party to two administrative proceedings filed by CADE, related to allegations of anti-competitive practices in the city of Joinville, State of Santa Catarina and around the city of Belo Horizonte, State of Minas Gerais. As of December 31, 2018, as a result of these administrative proceedings, no fine had been imposed to the subsidiary. Supported by the opinion of external legal counsel that classified the probability of loss as “remote”, Management did not recognize a provision for this contingency in 2018.

b.2.4 On November 29, 2016, a technical opinion was issued by the Operational Support Center for Execution (Centro de Apoio Operacional à Execução—CAEX), a technical body linked to the São Paulo State Public Prosecutor (“MPE”), presenting a proposal of compensation for the alleged environmental damages caused by the fire on April 2nd, 2015 at the Santos Terminal of the subsidiary Tequimar. This technical opinion is non-binding, with no condemnatory or sanctioning nature, and will still be evaluated by the authorities and parties. The subsidiary disagrees with the methodology and the assumptions adopted in the proposal and is negotiating an agreement with the MPE and the Brazilian Federal Public Prosecutor (“MPF”), and currently there is no civil lawsuit filed on the matter. The negotiations relate to *in natura* repair of the any damages. In case the negotiations with the MPE and MPF are concluded in an unfavorable manner for the parties involved, the payments related to the project costs may affect the future Company’s financial statements, in addition to the amounts already recognized. In the criminal sphere, the MPF denounced the subsidiary Tequimar, which was summoned and replied to the complaint on June 19, 2018. In addition, as of December 31, 2018, there are contingent liabilities not recognized related to lawsuits and extrajudicial lawsuits in the amount of R\$ 62,930 and R\$ 3,426 (R\$ 88,075 and R\$ 25,852 as of December 31, 2017), respectively. For more information, see Note 22.

b.3 Contingent Liabilities for Labor Matters

The Company and its subsidiaries have contingent liabilities for labor matters in the amount of R\$ 273,013, totaling 1,726 lawsuits as of December 31, 2018 (R\$ 273,711, totaling 1,899 lawsuits as of December 31, 2017), mainly represented by:

b.3.1 In 1990, the Petrochemical Industry Labor Union (Sindiquímica), of which the employees of Oxiteno Nordeste and EMCA, companies located in the Camaçari Petrochemical Complex, are members, filed separate lawsuits against the subsidiaries demanding the compliance with the fourth section of the collective labor agreement, which provided for a salary adjustment in lieu of the salary policies practiced. In the same year, a collective labor dispute was also filed by the Union of Employers (SINPEQ) against Sindiquímica, requiring the recognition of the loss of effectiveness of such fourth section. The decisions rendered on the individual claims which were favorable to the subsidiaries Oxiteno Nordeste and EMCA are final and unappealable. The collective labor dispute remains pending trial by STF. In 2010, some companies in the Camaçari Petrochemical Complex signed an agreement with Sindiquímica and reported the fact in the collective labor dispute. In October 2015, Sindiquímica filed enforcement lawsuits against all Camaçari Petrochemical Complex companies that have not yet made settlements, including Oxiteno Nordeste and EMCA. The decisions of 1st instance were favorable to the companies, which are waiting for judgment of the Regional Labor Court of the 5th Region. In addition to collective actions, individual claims containing the same object have been filed.

c. Lubricants operation between IPP and Chevron

In the process of transaction of the lubricants operation in Brazil between Chevron and subsidiary IPP (see Note 3.c), it was agreed that each shareholder is responsible for any claims arising out of acts, facts or omissions prior to the transaction. The liability provisions of the Chevron shareholder in the amount of R\$ 3,609 (R\$ 3,452 in 2017) are reflected in the consolidation of these financial statements. Additionally, in connection with the business combination, a provision in the amount of R\$ 198,900 was recognized on December 1, 2017 due contingent liabilities (R\$ 191,110 as of December 31, 2018). The amounts of provisions of Chevron’s liability recognized in the business combination will be reimbursed to subsidiary Iconic in the event of losses and an indemnity asset was hereby constituted in the same amount, without the need to establish a provision for uncollectible amounts.

22. Ultracargo – Fire Accident in Santos

a. Trade payables – customers’ indemnification

In April 2015, a fire occurred in six ethanol and gasoline tanks operated by Ultracargo in Santos, which represented 4% of the subsidiary’s overall capacity as of December 31, 2014. The Civil and Federal Police investigated the accident and its impacts, and concluded that it is not possible to determine the cause of the accident and neither to individualize active or passive conduct related to the cause, and there was no criminal charge against either individual or the subsidiary, by both authorities. Notwithstanding that, the MPF offered complaint the subsidiary Tequimar in the criminal sphere, which was summoned and replied to the complaint on June 19, 2018.

In June 2017, the licensing required for the return to operation of 67.5 thousand cubic meters from the total of 150 thousand cubic meters affected by the fire was obtained. The tanks remain idle and in the process of recovery for subsequent licensing and start of operation.

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The remaining balance of customers and third parties' indemnification is shown below:

Balance on December 31, 2016	99,863
Additions	13,096
Write-offs.....	(2,434)
Payments.....	(38,309)
Balance on December 31, 2017	72,216
Additions	21,757
Write-offs.....	(25,986)
Payments.....	(64,486)
Balance on December 31, 2018	<u>3,501</u>

b. Receivables – insurer's indemnification

As a result of the evolution of the regulation process with insurers, as of December 31, 2016, the insurance receivable in the amount of R\$ 366,678 and indemnities to customers and third parties in the amount of R\$ 99,863 were recorded. In the first quarter of 2017, Ultracargo received the total amount of insurance receivable. During 2016, Ultracargo received R\$ 78,878 related to rescue, containment expenses and loss of profit. As disclosed in Note 29, in 2016 the accident generated a revenue of R\$ 76,443.

23. Deferred Revenue

The Company's subsidiaries have recognized the following deferred revenue:

	<u>12/31/2018</u>	<u>12/31/2017</u>
'am/pm' and Jet Oil franchising upfront fee (a)	18,668	19,537
Loyalty program "Km de Vantagens" (b).....	18,465	9,134
Loyalty program "Clube Extrafarma"(b)	1,289	2,638
	<u>38,422</u>	<u>31,309</u>
Current	26,572	18,413
Non-current.....	11,850	12,896

a. Franchising Upfront Fee

am/pm is the convenience stores chain of the Ipiranga service stations. Ipiranga ended 2018 with 2,493 stores (2,414 in 2017). Jet Oil is Ipiranga's lubricant-changing and automotive service specialized network. Ipiranga ended 2018 with 1,772 stores (1,735 stores as of December 31, 2017).

b. Loyalty Programs

Subsidiary Ipiranga has a loyalty program called Km de Vantagens (www.kmdevantagens.com.br) under which registered customers are rewarded with points when they buy products at Ipiranga service stations or at its partners. The customers may exchange these points, during the period of one year, for discounts on products and services offered by Ipiranga and its partners. Points received by Ipiranga's customers that may be used with the partner Multiplus Fidelidade and for discounts of fuel in Ipiranga's website (www.postoipiranganaweb.com.br) and recognized as a reduction of revenue from sales and services.

Subsidiary Extrafarma has a loyalty program called Clube Extrafarma (www.clubeextrafarma.com.br) under which registered customers are rewarded with points when they buy products at its drugstore chain. The customers may exchange these points, during the period of six months, for discounts in products at its drugstore chain, recharge credit on a mobile phone, and prizes offered by partners Multiplus Fidelidade and Ipiranga, through Km de Vantagens. Points received by Extrafarma's customers are recognized as a reduction of revenue from sales and services.

Deferred revenue is estimated based on the fair value of the points granted, considering the value of the prizes and the expected redemption of these points.

24. Subscription warrants – indemnification

Because of the association of Extrafarma on January 31, 2014, 7 subscription warrants – indemnification were issued, corresponding to up to 3,205,622 shares of the Company. The subscription warrants – indemnification may be exercised beginning 2020 by the former shareholders of Extrafarma and are adjusted according to the changes in the amounts of provisions for tax, civil, and labor risks and contingent liabilities related to the period prior to January 31, 2014. The subscription warrants – indemnification's fair value is measured based on the share price of Ultrapar (UGPA3) and is reduced by the dividend yield until 2020, since the exercise is possible only from 2020, and they are not entitled to dividends until that date. As of December 31, 2018, the subscription warrants – indemnification were represented by 2,412,119 shares and amounted to R\$ 123,095 (as of December 31, 2017, they were represented by 2,415,848 that totaled R\$ 171,459). Due to the final adverse decision of some of these lawsuits, on December 31, 2018, the maximum number of shares that could be issued related to the subscription warrants – indemnification was up to 2,988,158 (3,035,499 shares as of December 31, 2017).

25. Equity

a. Share Capital

On December 31, 2018, the subscribed and paid-in capital stock consists of 556,405,096 common shares with no par value and the issuance of preferred shares and participation certificates is prohibited. Each common share entitles its holder to one vote at Shareholders' Meetings.

The price of the shares issued by the Company as of December 31, 2018, on B3 was R\$ 53.20.

As of December 31, 2018, the Company is authorized to increase capital up to the limit of 800,000,000 common shares, without amendment to the Bylaws, by resolution of the Board of Directors.

As of December 31, 2018, there were 27,862,987 common shares outstanding abroad in the form of ADRs (28,935,260 shares as of December 31, 2017 and 28,944,097 shares as of December 31, 2016).

b. Equity instrument granted

The Company has a share-based incentive plan, which establishes the general terms and conditions for the concession of common shares issued by the Company held in treasury (see Note 8.c).

c. Treasury Shares

The Company acquired its own shares at market prices, without capital reduction, to be held in treasury and to be subsequently disposed of or cancelled.

As of December 31, 2018, 13,390,149 common shares (13,041,356 shares as of December 31, 2017 and 13,131,356 as of December 31, 2016) were held in the Company's treasury, acquired at an average cost of R\$ 36.25 per share (R\$ 36.98 as of December 31, 2017 and R\$ 36.85 as of December 31, 2016).

d. Capital Reserve

The capital reserve reflects the gain on the transfer of shares at market price used in the Deferred Stock Plan granted to executives of the subsidiaries of the Company, as mentioned in Note 8.c.

Because of Extrafarma's association in 2014, the Company recognized an increase in the capital reserves in the amount of R\$ 498,812, due to the difference between the value attributable to share capital and the market value of the Ultrapar shares on the date of issue, deducted by R\$ 2,260 related to the incurred costs directly attributable to issuing new shares.

e. Revaluation Reserve

The revaluation reserve, recognized prior to the adoption of the international accounting standards (IFRS), reflects the revaluation of assets of subsidiaries and is based on depreciation, write-off, or disposal of the revalued assets of the subsidiaries, as well as the tax effects recognized by these subsidiaries.

f. Profit Reserves

f.1 Legal Reserve

Under Brazilian Corporate Law, the Company is required to allocate 5% of net annual earnings to a legal reserve, until the balance reaches 20% of capital stock. This reserve may be used to increase capital or to absorb losses, but may not be distributed as dividends.

f.2 Retention of Profits

Reserve recognized in previous fiscal years and used for investments contemplated in a capital budget, mainly for expansion, productivity, and quality, acquisitions and new investments, in accordance with Article 196 of Brazilian Corporate Law. The reserve was fully incorporated into the social capital by resolution of the OEGM of April 19, 2017.

f.3 Investments Reserve

In compliance with Article 55.c) of the Bylaws this reserve is aimed to protect the integrity of the Company's assets and to supplement its capital stock, in order to allow new investments to be made. As provided in its Bylaws, the Company may allocate up to 45% of the annual net income to the investments reserve, up to the limit of 100% of the share capital.

The investments reserve is free of distribution restrictions and totaled R\$ 3,412,427 as of December 31, 2018 (R\$ 3,000,707 as of December 31, 2017 — restated and R\$ 2,500,471 as of January 1, 2017 — restated).

g. Valuation Adjustments and Cumulative Translation Adjustments

g.1 Valuation Adjustments

- (i) Actuarial gains and losses relating to post-employment benefits, calculated based on a valuation conducted by an independent actuary, are recognized in equity under the title "valuation adjustments". Actuarial gains and losses recorded in equity are not reclassified to profit or loss in subsequent periods.
- (ii) Gains and losses on the hedging instruments of exchange rate related to firm commitment and highly probable transactions designated as cash flows hedges are recognized in equity as "valuation adjustments". Gains and losses are reclassified to initial cost of non-financial assets.
- (iii) The differences between the fair value of financial investments measured at fair value through other comprehensive income and the initial amount of financial investments plus the interest earned and the foreign currency exchange variation are recognized in equity as valuation adjustments. Gains and losses are reclassified to statements of profit or loss when the financial investment is settled.
- (iv) The Company also recognizes in this item the effect of changes in the non-controlling interest in subsidiaries that do not result in loss of control. This amount corresponds to the difference between the amount by which the non-controlling interest was adjusted and the fair value of the consideration received or paid and represents a transaction with shareholders.

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Balances and changes in valuation adjustments of the Company are as follows:

	Valuation adjustments				Total
	Fair value of cash flow hedging instruments	Fair value of financial instruments	Actuarial gains (losses) of post-employment benefits	Non-controlling shareholders interest change	
Balance on December 31, 2015	6,261	1,523	11,169	—	18,953
Changes in fair value of financial instruments.....	(46,470)	(1,523)	—	—	(47,993)
Income and social contribution taxes on fair value.....	13,326	—	—	—	13,326
Actuarial losses of post-employment benefits	—	—	(12,435)	—	(12,435)
Income and social contribution taxes on actuarial losses.....	—	—	4,162	—	4,162
Balance on December 31, 2016	(26,883)	—	2,896	—	(23,987)
Changes in fair value of financial instruments.....	(2,550)	—	—	—	(2,550)
IRPJ and CSLL on fair value	2,069	—	—	—	2,069
Difference between the fair value of the consideration received or paid and the variation in the non-controlling shareholders interest.....	—	—	—	197,369	197,369
Actuarial losses of post-employment benefits	—	—	(27,658)	—	(27,658)
IRPJ and CSLL on actuarial losses	—	—	9,581	—	9,581
Balance on December 31, 2017	(27,364)	—	(15,181)	197,369	154,824
Changes in fair value of financial instruments.....	(326,030)	(273)	—	—	(326,303)
IRPJ and CSLL on fair value	110,058	—	—	—	110,058
Actuarial losses of post-employment benefits	—	—	(2,810)	—	(2,810)
IRPJ and CSLL on actuarial losses	—	—	242	—	242
Balance on December 31, 2018	(243,336)	(273)	(17,749)	197,369	(63,989)

g.2 Cumulative Translation Adjustments

The change in exchange rates on assets, liabilities, and income of foreign subsidiaries that have functional currency other than the presentation currency of the Company and an independent administration (see Note 2.s.1) and the exchange rate variation on notes in the foreign market (see Note 33.h.3) is directly recognized in the equity. This accumulated effect is reflected in profit or loss as a gain or loss only in case of disposal or write-off of the investment.

Balance and changes in cumulative translation adjustments of the Company are as follows:

Balance on December 31, 2015	66,925
Translation of foreign subsidiaries, net of IRPJ and CSLL	(59,406)
Balance on December 31, 2016	7,519
Translation of foreign subsidiaries, net of IRPJ and CSLL	45,542
Balance on December 31, 2017	53,061
Translation of foreign subsidiaries, net of IRPJ and CSLL	12,796
Balance on December 31, 2018	65,857

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h. Dividends and Allocation of Net Income

The shareholders are entitled, under the Bylaws, to a minimum annual dividend of 50% of adjusted net income calculated in accordance with Brazilian Corporate Law. The dividends and interest on equity in excess of the obligation established in the Bylaws are recognized in equity until the Shareholders approve them. The proposed dividends as of December 31, 2017 in the amount of R\$ 489,027 (R\$ 0.90 – ninety cents of Brazilian Real per share), were approved by the Board of Directors on February 21, 2018, and paid beginning March 12, 2018. On August 1, 2018, the Board of Directors approved the anticipation of dividends of 2018, in the amount of R\$ 304,241 (R\$ 0.56 – fifty six cents of Brazilian Real per share), paid as from August 20, 2018. The proposed dividends payable as of December 31, 2018 in the amount of R\$ 380,324 (R\$ 0.70 – seventy cents of Brazilian Real per share), were approved by the Board of Directors on February 20, 2019, and will be paid beginning March 13, 2019.

	12/31/2018
Net income for the year attributable to shareholders of Ultrapar	1,150,421
Minimum mandatory dividends	575,210
Interim dividends paid (R\$ 0.56 per share)	(304,241)
Mandatory dividends payable – Current liabilities	270,969
Additional dividends to the minimum mandatory dividends – equity	109,355
Dividends payable (R\$ 0.70 per share)	380,324
Legal reserve (5% of the net income)	57,521
Statutory investments reserve	408,335

Balances and changes in consolidated dividends payable are as follows:

Balance as of January 1, 2017	320,883
Provisions	961,241
Payments	(940,250)
Expired dividends	(3,029)
Balance as of December 31, 2017	338,845
Provisions	756,952
Payments	(808,603)
Expired dividends	(3,170)
Balance as of December 31, 2018	284,024

26. Net Revenue from Sale and Services

	2018	2017	2016
		Restated (i)	Restated (i)
Gross revenue from sale	94,693,178	82,121,646	79,355,171
Gross revenue from services	750,791	728,590	621,823
Sales taxes.....	(3,027,597)	(2,237,203)	(2,072,887)
Discounts and sales returns.....	(1,342,799)	(927,557)	(703,305)
Amortization of contractual assets with customers (see Note 11)	(371,825)	(463,049)	(463,490)
Deferred revenue (see Note 23)	(3,765)	7,587	2,721
Net revenue from sales and services	<u>90,697,983</u>	<u>79,230,014</u>	<u>76,740,033</u>

(i) See Note 2.x.

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27. Expenses by Nature

The Company presents its expenses by function in the profit or loss statement and presents below its expenses by nature:

	2018	2017	2016
		Restated (i)	Restated (i)
Raw materials and materials for use and consumption	83,116,950	71,217,345	69,027,733
Personnel expenses	2,513,586	2,231,556	2,042,985
Freight and storage	1,178,990	1,117,467	1,077,552
Depreciation and amortization	812,489	704,544	628,156
Advertising and marketing	173,988	192,441	200,011
Services provided by third parties	328,361	351,227	318,746
Lease of real estate and equipment	253,695	196,970	164,740
Other expenses	456,015	482,840	403,074
Total	<u>88,834,074</u>	<u>76,494,390</u>	<u>73,862,997</u>
Classified as:			
Cost of products and services sold	84,537,368	72,431,473	70,196,945
Selling and marketing	2,670,867	2,486,389	2,220,193
General and administrative	1,625,839	1,576,528	1,445,859
Total	<u>88,834,074</u>	<u>76,494,390</u>	<u>73,862,997</u>

⁽ⁱ⁾ See Note 2.x.

28. Gain (loss) on Disposal of Property, Plant and Equipment and Intangibles

The gain or loss is determined as the difference between the selling price and residual book value of the investment, property, plant, and equipment, or intangible asset disposed of. In 2018, the loss was R\$ 22,088 (losses of R\$ 2,242 in 2017 and R\$ 6,134 in 2016), represented primarily from disposal of property, plant, and equipment.

29. Other Operating Income, Net

	2018	2017	2016
Commercial partnerships (1)	53,671	52,731	59,761
Merchandising (2)	52,092	53,870	38,851
Loyalty program (3)	25,682	26,419	19,411
Ultracargo – fire accident in Santos (4)	(4,951)	(39,080)	76,443
Extraordinary credits of PIS and COFINS – exclusion of ICMS from PIS and COFINS tax bases (see Note 21.a.1.2)	172,087	49,152	—
Extraordinary credits of PIS and COFINS – exclusion of ICMS from PIS and COFINS tax bases—import (see Note 7.a.2)	35,951	—	—
TCC – Cia. Ultragaz e Bahiana (5)	—	(85,819)	—
Fine for unrealized acquisition (6)	(286,160)	—	—
Others	9,161	2,087	4,506
Other operating income, net	<u>57,533</u>	<u>59,360</u>	<u>198,972</u>

⁽¹⁾ Refers to contracts with service providers and suppliers, which establish trade agreements for convenience stores and gas stations.

⁽²⁾ Refers to contracts with suppliers of convenience stores, which establish, among other agreements, promotional campaigns.

⁽³⁾ Refers to sales of “Km de Vantagens” to partners of the loyalty program. Revenue is recognized at the time that the partners transfer the points to their customers.

⁽⁴⁾ For more information about the fire accident in Ultracargo, see Notes 21.b.2.4 and 22.

⁽⁵⁾ For more information about the TCC of the subsidiaries Cia. Ultragaz and Bahiana, see Notes 21.b.2.2 and 30.

⁽⁶⁾ For more information about the fine see Note 3.e.

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30. Financial Income (Expense)

	2018	2017	2016
Financial income:			
Interest on financial investments	328,625	475,460	404,080
Interest from customers	135,514	105,773	103,976
Changes in subscription warranty—indemnification (see Note 24)	44,484	—	—
Selic interest on PIS and COFINS credits (see Notes 7.a.2 and 21.a.1.2) ...	168,564	—	—
Other financial income	4,048	3,868	5,187
	<u>681,235</u>	<u>585,101</u>	<u>513,243</u>
Financial expenses:			
Interest on loans	(440,641)	(672,102)	(777,424)
Interest on debentures	(441,394)	(385,009)	(374,125)
Interest on finance leases	(2,670)	(4,991)	(7,839)
Bank charges, financial transactions tax, and other charges	(92,558)	(91,614)	(74,761)
Exchange variation, net of gains and losses with derivative instruments	172,701	72,869	(69,854)
Reversal of provision – ICMS from PIS and COFINS tax bases (see Note 21.a.1.2)	—	43,411	—
Changes in subscription warranty—indemnification (see Note 24)	—	(20,360)	(42,615)
TCC interest – Bahiana (see Notes 21.b.2.2 and 29)	—	(13,509)	—
Interest of provisions, net, and other financial expenses	9,791	11,908	(9,201)
	<u>(794,771)</u>	<u>(1,059,397)</u>	<u>(1,355,819)</u>
Financial income (expense)	<u>(113,536)</u>	<u>(474,296)</u>	<u>(842,576)</u>

31. Earnings per Share

The table below presents a reconciliation of numerators and denominators used in computing earnings per share. The Company has a deferred stock plan and subscription warrants—indemnification, as mentioned in Notes 8.c and 24, respectively.

Basic Earnings per Share	2018	2017	2016
		Restated (i)	Restated (i)
Net income for the year of the Company	1,150,421	1,526,505	1,537,837
Weighted average shares outstanding (in thousands)	1,084,128	1,083,825	1,082,782
Basic earnings per share –R\$.....	1.0611	1.4084	1.4203
Diluted Earnings per Share			
Net income for the year of the Company	1,150,421	1,526,505	1,537,837
Weighted average shares outstanding (in thousands), including dilution effects ...	1,091,335	1,091,605	1,091,019
Diluted earnings per share –R\$.....	1.0541	1.3984	1.4095
Weighted Average Shares Outstanding (in thousands)			
Weighted average shares outstanding for basic per share calculation	1,084,128	1,083,825	1,082,782
Dilution effect			
Subscription warrants—indemnification	4,603	4,791	4,535
Deferred Stock Plan	2,602	3,064	3,702
Weighted average shares outstanding for diluted per share calculation	<u>1,091,335</u>	<u>1,091,605</u>	<u>1,091,019</u>

⁽ⁱ⁾ See Note 2.x.

Earnings per share were adjusted retrospectively as disclosure in Note 35.

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32. Segment Information

The Company operates five main business segments: gas distribution, fuel distribution, chemicals, storage and drugstores. The gas distribution segment (Ultragaz) distributes LPG to residential, commercial, and industrial consumers, especially in the South, Southeast, and Northeast regions of Brazil. The fuel distribution segment (Ipiranga) operates the distribution and marketing of gasoline, ethanol, diesel, fuel oil, kerosene, natural gas for vehicles, and lubricants and related activities throughout all the Brazilian territory. The chemicals segment (Oxiteno) produces ethylene oxide and its main derivatives and fatty alcohols, which are raw materials used in the home and personal care, agrochemical, paints, varnishes, and other industries. The storage segment (Ultracargo) operates liquid bulk terminals, especially in the Southeast and Northeast regions of Brazil. The drugstores segment (Extrafarma) trades pharmaceutical, hygiene, and beauty products through its own drugstore chain in the North, Northeast and Southeast regions of the country. The segments shown in the financial statements are strategic business units supplying different products and services. Intersegment sales are at prices similar to those that would be charged to third parties.

a. Financial information related to segments

The main financial information of each of the Company's segments are stated as follows:

	2018	2017	2016
		Restated (i)	Restated (i)
Net revenue from sales and services:			
Ultragaz	7,043,246	6,071,002	5,365,106
Ipiranga	76,473,421	66,950,501	65,793,696
Oxiteno	4,748,428	3,959,416	3,701,413
Ultracargo	493,649	438,360	355,412
Extrafarma	2,027,988	1,868,919	1,578,605
	90,786,732	79,288,198	76,794,232
Others (1)	51,156	50,752	45,504
Intersegment sales	(139,905)	(108,936)	(99,703)
Total	90,697,983	79,230,014	76,740,033
Intersegment sales:			
Ultragaz	2,879	2,178	2,942
Ipiranga	935	1,003	
Oxiteno	6,325	919	2,519
Ultracargo	82,573	54,174	48,941
Extrafarma	—	—	—
	92,712	58,274	54,402
Others (1)	47,193	50,662	45,301
Total	139,905	108,936	99,703
Net revenue from sales and services, excluding intersegment sales:			
Ultragaz	7,040,367	6,068,824	5,362,164
Ipiranga	76,472,486	66,949,498	65,793,696
Oxiteno	4,742,103	3,958,497	3,698,894
Ultracargo	411,076	384,186	306,471
Extrafarma	2,027,988	1,868,919	1,578,605
	90,694,020	79,229,924	76,739,830
Others (1)	3,963	90	203
Total	90,697,983	79,230,014	76,740,033

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	2018	2017	2016
		Restated (i)	Restated (i)
Operating income (expense):			
Ultragaz	35,567	255,935	267,272
Ipiranga	1,396,574	2,357,125	2,364,014
Oxiteno	457,128	141,350	311,525
Ultracargo	124,720	75,042	127,739
Extrafarma	(118,329)	(37,721)	(3,848)
	1,895,660	2,791,731	3,066,702
Others (1)	3,694	1,011	3,172
Total	1,899,354	2,792,742	3,069,874
Share of profit (loss) of joint-ventures and associates:			
Ultragaz	12	1,245	(39)
Ipiranga	(18,169)	(19,777)	(23,178)
Oxiteno	880	1,417	975
Ultracargo	1,350	1,578	(27)
	(15,927)	(15,537)	(22,269)
Others (1)	1,148	36,210	29,745
Total	(14,779)	20,673	7,476
Income before financial result, income and social contribution taxes	1,884,575	2,813,415	3,077,350
Financial result, net	(113,536)	(474,296)	(842,576)
Income before income and social contribution taxes	1,771,039	2,339,119	2,234,774
Additions to property, plant, and equipment and intangible assets (excluding intersegment account balances):			
Ultragaz	245,069	244,187	248,627
Ipiranga	417,519	536,936	387,138
Oxiteno	473,026	466,967	291,294
Ultracargo	167,034	105,028	81,166
Extrafarma	118,577	171,183	140,454
	1,421,225	1,524,301	1,148,679
Others (1)	18,382	22,626	17,365
Total additions to property, plant, and equipment and intangible assets (see Notes 13 and 14)	1,439,607	1,546,927	1,166,044
Asset retirement obligation – fuel tanks (see Note 20)	(264)	(537)	(483)
Capitalized borrowing costs	(23,438)	(22,243)	(23,980)
Total investments in property, plant, and equipment and intangible assets (cash flow)	1,415,905	1,524,147	1,141,581
Payments of contractual assets with customers – exclusive rights (see Note 11):			
Ipiranga	390,177	529,732	514,291

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	2018	2017	2016
		Restated (i)	Restated (i)
Depreciation and amortization charges:.....			
Ultragaz	222,527	182,833	158,193
Ipiranga	283,426	245,424	220,282
Oxitenó	167,357	153,110	149,716
Ultracargo.....	52,414	47,669	43,356
Extrafarma.....	71,552	60,856	42,666
	797,276	689,892	614,213
Others (1)	15,213	14,652	13,943
Total.....	812,489	704,544	628,156
Amortization of contractual assets with customers – exclusive rights (see Note 11):			
Ipiranga	371,825	463,049	463,490

	12/31/2018	12/31/2017
		Restated (i)
Total assets (excluding intersegment account balances):.....		
Ultragaz	2,719,425	2,408,600
Ipiranga.....	15,381,887	15,388,646
Oxitenó	7,452,331	6,557,456
Ultracargo	1,478,697	1,394,083
Extrafarma	2,107,901	1,948,808
	29,140,241	27,697,593
Others (1)	1,359,154	586,753
Total.....	30,499,395	28,284,346

- (i) Composed of the parent company Ultrapar (including goodwill of certain acquisitions) and subsidiaries Serma—Associação dos Usuários de Equipamentos de Processamento de Dados e Serviços Correlatos (“Serma”) and Imaven Imóveis Ltda.
(ii) See Note 2.x.

b. Geographic Area Information

The fixed and intangible assets of the Company and its subsidiaries are located in Brazil, except those related to Oxitenó’ plants abroad, as shown below:

	12/31/2018	12/31/2017
United States of America (*)	857,049	511,912
Mexico	124,037	109,034
Uruguay	72,345	65,876
Venezuela (**).....	2,427	22,480
	1,055,858	709,302

- (*) The increase refers to the construction of a new plant in Pasadena, Texas.
(**) The reduction refers to the effects of the adoption of the Bolívar Soberano (See Note 2.s.1.ii).

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The subsidiaries generate revenue from operations in Brazil, United States of America, Mexico, Uruguay and Venezuela, as well as from exports of products to foreign customers, as disclosed below:

	2018	2017	2016
		Restated (i)	Restated (i)
Net revenue:.....			
Brazil	89,183,342	77,986,363	75,670,139
Mexico	207,615	190,205	183,124
Uruguay	48,096	33,873	33,782
Venezuela	68,877	54,788	25,393
Other Latin American countries.....	425,973	427,875	448,814
United States of America and Canada	465,840	292,709	158,280
Far East.....	96,394	72,469	57,662
Europe.....	138,347	119,097	97,261
Others.....	63,499	52,635	65,578
Total.....	<u>90,697,983</u>	<u>79,230,014</u>	<u>76,740,033</u>

⁽ⁱ⁾ See Note 2.x.

Sales to the foreign market are made substantially by the Oxitenio segment.

33. Risks and Financial Instruments

a. Risk Management and Financial Instruments—Governance

The main risks to which the Company and its subsidiaries are exposed reflect strategic/operational and economic/financial aspects. Operational/strategic risks (including, but not limited to, demand behavior, competition, technological innovation, and material changes in the industry structure) are addressed by the Company's management model. Economic/financial risks primarily reflect default of customers, behavior of macroeconomic variables, such as exchange and interest rates, as well as the characteristics of the financial instruments used by the Company and its subsidiaries and their counterparties. These risks are managed through control policies, specific strategies, and the establishment of limits.

The Company has a policy for the management of resources, financial instruments, and risks approved by its Board of Directors ("Policy"). In accordance with the Policy, the main objectives of financial management are to preserve the value and liquidity of financial assets and ensure financial resources for the development of the business, including expansions. The main financial risks considered in the Policy are risks associated with currencies, interest rates, credit, and selection of financial instruments. Governance of the management of financial risks and financial instruments follows the segregation of duties below:

- Implementation of the management of financial assets, instruments, and risks is the responsibility of the financial area, through its treasury department, with the assistance of the tax and accounting departments.
- Supervision and monitoring of compliance with the principles, guidelines, and standards of the Policy is the responsibility of the Risk and Investment Committee, which is composed of members of the Company's Executive Board ("Committee"). The Committee holds regular meetings and is in charge, among other responsibilities, of discussing and monitoring the financial strategies, existing exposures, and significant transactions involving investment, fundraising, or risk mitigation. The Committee monitors the risk standards established by the Policy through a monitoring map on a monthly basis.
- Changes in the Policy or revisions of its standards are subject to the approval of the Board of Directors of Ultrapar.
- Continuous improvement of the Policy is the joint responsibility of the Board of Directors, the Committee, and the financial area.
- The internal audit department audits the compliance with the requirements of the Policy.

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b. Currency Risk

Most transactions of the Company, through its subsidiaries, are located in Brazil and, therefore, the reference currency for risk management is the Brazilian Real. Currency risk management is guided by neutrality of currency exposures and considers the transactional, accounting, and operational risks of the Company and its subsidiaries and their exposure to changes in exchange rates. The Company considers as its main currency exposures the assets and liabilities in foreign currency and the short-term flow of net sales in foreign currency of Oxiteno.

The Company and its subsidiaries use exchange rate hedging instruments (especially between the Brazilian Real and the U.S. dollar) available in the financial market to protect their assets, liabilities, receipts, and disbursements in foreign currency and net investments in foreign operations. Hedge is used in order to reduce the effects of changes in exchange rates on the Company's income and cash flows in Brazilian Reais within the exposure limits under its Policy. Such foreign exchange hedging instruments have amounts, periods, and rates substantially equivalent to those of assets, liabilities, receipts, and disbursements in foreign currencies to which they are related. Assets and liabilities in foreign currencies are stated below, translated into Brazilian Reais:

b.1 Assets and Liabilities in Foreign Currencies

In millions of Brazilian Reais	12/31/2018	12/31/2017
Assets in foreign currency		
Cash, cash equivalents and financial investments in foreign currency (except hedging instruments)	254.2	236.4
Foreign trade receivables, net of allowance for doubtful accounts and advances to foreign customers	235.1	214.9
Other net assets in foreign (except cash, cash equivalents, financial investments, trade receivables, financing, and payables)	1,384.9	930.0
	<u>1,874.2</u>	<u>1,381.3</u>
Liabilities in foreign currency		
Financing in foreign currency, gross of transaction costs and discount	(5,515.6)	(4,416.2)
Payables arising from imports, net of advances to foreign suppliers	(567.7)	(173.1)
	<u>(6,083.3)</u>	<u>(4,589.3)</u>
Foreign currency hedging instruments	<u>2,483.0</u>	<u>1,777.6</u>
Net liability position – Total	(1,726.1)	(1,430.4)
Net asset (liability) position – Income statement effect	282.7	(26.1)
Net liability position – Equity effect	(2,008.8)	(1,404.3)

b.2 Sensitivity Analysis of Assets and Liabilities in Foreign Currency

Scenarios I, II and III were based on 10%, 25% and 50% variations, respectively, applied on the net position of the Company exposed to the currency risk, simulating the effects of appreciation and devaluation of the Real in the income statement and the equity:

The table below shows, in the three scenarios, the effects of exchange rate changes on the net liability position of R\$ 1,726.1 million in foreign currency as of December 31, 2018:

In millions of Brazilian Reais	Risk	Scenario I Likely	Scenario II 25%	Scenario III 50%
(1) Income statement effect	Real devaluation	28.3	70.7	141.4
(2) Equity effect		(200.9)	(502.2)	(1,004.4)
(1) + (2)	Net effect	<u>(172.6)</u>	<u>(431.5)</u>	<u>(863.0)</u>
(3) Income statement effect	Real appreciation	(28.3)	(70.7)	(141.4)
(4) Equity effect		200.9	502.2	1,004.4
(3) + (4)	Net effect	<u>172.6</u>	<u>431.5</u>	<u>863.0</u>

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The table below shows, in the three scenarios, the effects of exchange rate changes on the net liability position of R\$ 1,430.4 million in foreign currency as of December 31, 2017:

In millions of Brazilian Reais	Risk	Scenario I	Scenario II	Scenario III
		Likely	25%	50%
(1) Income statement effect	Real devaluation	(2.6)	(6.5)	(13.0)
(2) Equity effect		(140.4)	(351.1)	(702.2)
(1) + (2).....	Net effect	(143.0)	(357.6)	(715.2)
(3) Income statement effect	Real appreciation	2.6	6.5	13.0
(4) Equity effect		140.4	351.1	702.2
(3) + (4).....	Net effect	143.0	357.6	715.2

The equity effect refers to cumulative translation adjustments of changes in the exchange rate on equity of foreign subsidiaries (see Notes 2.s.1 and 25.g.2), net investments hedge in foreign entities, cash flow hedge of firm commitment and highly probable transaction (see Note 2.c and “h. Hedge Accounting” below).

c. Interest Rate Risk

The Company and its subsidiaries adopt policies for borrowing and investing financial resources and for capital cost minimization. The financial investments of the Company and its subsidiaries are primarily held in transactions linked to the CDI, as set forth in Note 4. Borrowings primarily relate to financing from Banco do Brasil, as well as debentures and borrowings in foreign currency, as shown in Note 15.

The Company attempts to maintain its financial interest assets and liabilities at floating rates.

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c.1 Assets and liabilities exposed to floating interest rates

The financial assets and liabilities exposed to floating interest rates are demonstrated below:

In millions of Brazilian Reais	Note	12/31/2018	12/31/2017
CDI			
Cash equivalents	4.a	3,722.3	4,821.6
Financial investments	4.b	2,537.3	1,153.0
Asset position of foreign exchange hedging instruments—CDI.....	33.g	33.9	29.9
Loans and debentures	15.a	(8,440.9)	(7,987.3)
Liability position of foreign exchange hedging instruments—CDI.....	33.g	(2,205.5)	(1,877.4)
Liability position of fixed interest instruments + IPCA – CDI.....	33.g	(823.5)	(586.6)
Net liability position in CDI		<u>(5,176.4)</u>	<u>(4,446.8)</u>
TJLP			
Loans – TJLP	15.a	<u>(201.2)</u>	<u>(301.9)</u>
Net liability position in TJLP.....		<u>(201.2)</u>	<u>(301.9)</u>
LIBOR			
Asset position of foreign exchange hedging instruments—LIBOR.....	33.g	811.6	984.3
Loans—LIBOR.....	15.a	<u>(1,437.1)</u>	<u>(1,418.5)</u>
Net liability position in LIBOR		<u>(625.5)</u>	<u>(434.2)</u>
TIIE			
Loans—TIIE	15.a	<u>(4.0)</u>	<u>(3.4)</u>
Net liability position in TIIE.....		<u>(4.0)</u>	<u>(3.4)</u>
SELIC			
Loans – SELIC	15.a	<u>(51.5)</u>	<u>(100.3)</u>
Net liability position in SELIC		<u>(51.5)</u>	<u>(100.3)</u>
Total net liability position exposed to floating interest.....		<u>(6,058.6)</u>	<u>(5,286.6)</u>

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c.2 Sensitivity Analysis of Floating Interest Rate Risk

For sensitivity analysis of floating interest rate risk, the Company used the accumulated amount of the reference indexes (CDI, TJLP, LIBOR, TIE and SELIC) as a base scenario up to December 31, 2017 and 2018. Scenarios I, II and III were based on 10%, 25% and 50% variations, respectively, applied in the floating interest rate of the base scenario:

The tables below shows the incremental expenses and income that would be recognized in financial income, due to the effect of floating interest rate changes in different scenarios.

In millions of Brazilian Reais		12/31/2018		
	Risk	Scenario I	Scenario II	Scenario III
		Likely	25%	50%
Exposure of interest rate risk				
Interest effect on cash equivalents and financial investments..	Increase in CDI	32.7	81.7	163.3
Foreign exchange hedging instruments (assets in CDI) effect.	Increase in CDI	0.1	0.2	0.5
Interest effect on debt in CDI	Increase in CDI	(55.0)	(137.4)	(274.9)
Interest rate hedging instruments (liabilities in CDI) effect.....	Increase in CDI	(33.7)	(73.4)	(139.6)
Incremental expenses		(55.9)	(128.9)	(250.7)
Interest effect on debt in TJLP	Increase in TJLP	(1.7)	(4.2)	(8.3)
Incremental expenses		(1.7)	(4.2)	(8.3)
Foreign exchange hedging instruments (assets in LIBOR) effect	Increase in LIBOR	2.8	6.9	13.9
Interest effect on debt in LIBOR	Increase in LIBOR	(3.6)	(9.1)	(18.1)
Incremental expenses		(0.8)	(2.2)	(4.2)
Interest effect on debt in TIE	Increase in TIE	(0.1)	(0.3)	(0.5)
Incremental expenses		(0.1)	(0.3)	(0.5)
Interest effect on debt in SELIC	Increase in SELIC	(0.4)	(1.0)	(2.0)
Incremental expenses		(0.4)	(1.0)	(2.0)

In millions of Brazilian Reais

In millions of Brazilian Reais		12/31/2017		
	Risk	Scenario I	Scenario II	Scenario III
		Likely	25%	50%
Exposure of interest rate risk				
Interest effect on cash equivalents and financial investments..	Increase in CDI	47.3	118.1	236.3
Foreign exchange hedging instruments (assets in CDI) effect.	Increase in CDI	0.2	0.5	1.0
Interest effect on debt in CDI	Increase in CDI	(67.2)	(168.0)	(336.0)
Interest rate hedging instruments (liabilities in CDI) effect.....	Increase in CDI	(38.6)	(94.2)	(186.7)
Incremental expenses		(58.3)	(143.6)	(285.4)
Interest effect on debt in TJLP	Increase in TJLP	(2.3)	(5.6)	(11.3)
Incremental expenses		(2.3)	(5.6)	(11.3)
Foreign exchange hedging instruments (assets in LIBOR) effect	Increase in LIBOR	1.4	3.4	6.8
Interest effect on debt in LIBOR	Increase in LIBOR	(1.7)	(4.4)	(8.7)
Incremental expenses		(0.3)	(1.0)	(1.9)
Interest effect on debt in TIE.....	Increase in TIE	(0.0)	(0.1)	(0.2)
Incremental expenses		(0.0)	(0.1)	(0.2)
Interest effect on debt in SELIC	Increase in SELIC	(1.0)	(2.5)	(4.9)
Incremental expenses		(1.0)	(2.5)	(4.9)

d. Credit Risks

The financial instruments that would expose the Company and its subsidiaries to credit risks of the counterparty are basically represented by cash and bank deposits, financial investments, hedging instruments (see Note 4), and trade receivables (see Note 5).

d.1 Credit risk of financial institutions

Such risk results from the inability of financial institutions to comply with their financial obligations to the Company and its subsidiaries due to insolvency. The Company and its subsidiaries regularly conduct a credit review of the institutions with which they hold cash and cash equivalents, financial investments, and hedging instruments through various methodologies that assess liquidity, solvency, leverage, portfolio quality, etc. Cash and cash equivalents, financial investments, and hedging instruments are held only with institutions with a solid credit history, chosen for safety and soundness. The volume of cash and cash equivalents, financial investments, and hedging instruments are subject to maximum limits by each institution and, therefore, require diversification of counterparties.

d.2 Government credit risk

The Company's policy allows investments in government securities from countries classified as investment grade AAA or Aaa by specialized credit rating agencies (S&P, Moody's and Fitch) and in Brazilian government bonds. The volume of such financial investments is subject to maximum limits by each country and, therefore, requires diversification of counterparties.

The credit risk of cash, cash equivalents and financial investments is summarized below:

Counterparty credit rating	Fair value	
	12/31/2018	12/31/2017
AAA	5,933,671	29,003
AA	707,358	6,076,520
A	262,553	192,638
BBB	90,824	71,767
Total	6,994,406	6,369,928

d.3 Customer credit risk

The credit policy establishes the analysis of the profile of each new customer, individually, regarding their financial condition. The review carried out by the subsidiaries of the Company includes the evaluation of external ratings, when available, financial statements, credit bureau information, industry information and, when necessary, bank references. Credit limits are established for each customer and reviewed periodically, in a shorter period the greater the risk, depending on the approval of the responsible area in cases of sales that exceed these limits.

In monitoring credit risk, customers are grouped according to their credit characteristics and depending on the business the grouping takes into account, for example, whether they are natural or legal clients, whether they are wholesalers, resellers or final customers, considering also the geographic area.

The estimates of credit losses are calculated based on the probability of default rates. Loss rates are calculated on the basis of the average probability of an receivable amount to advance through successive stages of default until full write-off. The probability of default calculation takes into account a credit risk score for each exposure, based on data considered to be capable of foreseeing the risk of loss (external classifications, audited financial statements, cash flow projections, customer information available in the press, for example), with addition of the credit assessment based on experience.

Such credit risks are managed by each business unit through specific criteria for acceptance of customers and their credit rating and are additionally mitigated by the diversification of sales. No single customer or group accounts for more than 10% of total revenue.

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The subsidiaries of the Company maintained the following allowance for estimated losses on doubtful accounts balances on trade receivables:

	<u>12/31/2018</u>	<u>12/31/2017</u>
		Restated (i)
Ipiranga	442,486	350,594
Ultragas	61,975	83,627
Oxiteno	12,371	10,755
Extrafarma	5,858	5,623
Ultracargo	2,089	2,179
Total.....	<u>524,779</u>	<u>452,778</u>

(i) See Note 2.x.

For further information about the allowance for estimated losses on doubtful accounts, see Notes 5.a and 5.b.

e. Liquidity Risk

The Company and its subsidiaries' main sources of liquidity derive from (i) cash, cash equivalents, and financial investments, (ii) cash generated from operations and (iii) financing. The Company and its subsidiaries believe that these sources are sufficient to satisfy their current funding requirements, which include, but are not limited to, working capital, capital expenditures, amortization of debt, and payment of dividends.

The Company and its subsidiaries periodically examine opportunities for acquisitions and investments. They consider different types of investments, either directly, through joint ventures, or through associated companies, and finance such investments using cash generated from operations, debt financing, through capital increases, or through a combination of these methods.

The Company and its subsidiaries believe to have enough working capital and sources of financing to satisfy their current needs. The gross indebtedness due over the next twelve months totals R\$ 2,869 million, including estimated interests on loans (for quantitative information, see Note 15.a). Furthermore, the investment plan for 2019 totals R\$ 1,762 million. As of December 31, 2018, the Company and its subsidiaries had R\$ 6,792.1 million in cash, cash equivalents, and short-term financial investments (for quantitative information, see Note 4).

The table below presents a summary of financial liabilities in 2018 by the Company and its subsidiaries, listed by maturity. The amounts disclosed in this table are the contractual undiscounted cash outflows, and, therefore, these amounts may be different from the amounts disclosed on the balance sheet.

Financial liabilities	In millions of Brazilian Reais				
	Total	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years
Loans including future contractual interest (1) (2)	19,323.8	2,869.0	4,089.7	7,820.3	4,544.8
Currency and interest rate hedging instruments (3)	388.3	55.2	172.9	147.7	12.5
Trade payables	2,731.7	2,731.7	—	—	—

(1) To calculate the estimated interest on loans some macroeconomic assumptions were used, including averaging for the period the following: (i) CDI of 6.39% in 2018, 7.38% from 2019 to 2021, 8.52% from 2022 to 2023, 9.49% from 2024 to 2033, (ii) exchange rate of the Real against the U.S. dollar of R\$ 3.87 in 2018, R\$ 3.92 in 2019, R\$ 4.06 in 2020, R\$ 4.27 in 2021, R\$ 4.53 in 2022, R\$ 4.81 in 2023, R\$ 5.12 in 2024, R\$ 5.44 in 2025, R\$ 5.77 in 2026 and R\$ 6.13 in 2027 (iii) TJLP of 7.03%, (iv) IGP-M of 8.12% in 2018, 4.14% in 2019, 3.90% from 2020 to 2033 and (v) IPCA of 4.01% (source: B3, Bulletin Focus and financial institutions).

(2) Includes estimated interest payments on short-term and long-term loans until the payment date.

(3) The currency and interest rate hedging instruments were estimated based on projected U.S dollar futures contracts and the futures curves of DI x Pre and Pre x IPCA contracts quoted on B3 on December 28, 2018 and on the futures curve of LIBOR (ICE—Intercontinental Exchange) on December 31, 2018. In the table above, only the hedging instruments with negative results at the time of settlement were considered.

f. Capital Management

The Company manages its capital structure based on indicators and benchmarks. The key performance indicators related to the capital structure management are the weighted average cost of capital, net debt / EBITDA, interest coverage, and indebtedness / equity ratios. Net debt is composed of cash, cash equivalents, and financial investments (see Note 4) and loans, including debentures (see Note 15). The Company can change its capital structure depending on the economic and financial conditions, in order to optimize its financial leverage and capital management. The Company seeks to improve its return on invested capital by implementing efficient working capital management and a selective investment program.

g. Selection and Use of Financial Instruments

In selecting financial investments and hedging instruments, an analysis is conducted to estimate rates of return, risks involved, liquidity, calculation methodology for the carrying value and fair value, and a review is conducted of any documentation applicable to the financial instruments. The financial instruments used to manage the financial resources of the Company and its subsidiaries are intended to preserve value and liquidity.

The Policy contemplates the use of derivative financial instruments only to cover identified risks and in amounts consistent with the risk (limited to 100% of the identified risk). The risks identified in the Policy are described in the above sections, and are subject to risk management. In accordance with the Policy, the Company and its subsidiaries can use forward contracts, swaps, options, and futures contracts to manage identified risks. Leveraged derivative instruments are not permitted. Because the use of derivative financial instruments is limited to the coverage of identified risks, the Company and its subsidiaries use the term “hedging instruments” to refer to derivative financial instruments.

As mentioned in the section “a. Risk Management and Financial Instruments – Governance”, the Committee monitors compliance with the risk standards established by the Policy through a risk map, including the use of hedging instruments, on a monthly basis. In addition, the internal audit department verifies the compliance with the requirements of the Policy.

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The table below summarizes the position of hedging instruments entered into by the Company and its subsidiaries:

Hedging instruments	Maturity	Notional amount ¹		Fair value		Amounts receivable	Amounts payable
		12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2018
				R\$ million	R\$ million	R\$ million	R\$ million
Designated as hedge accounting							
a – Exchange rate swaps receivable in U.S. dollars							
Receivables in U.S. dollars (LIBOR)		US\$ 150.0	US\$ 240.0	577.5	788.6	577.5	—
Receivables in U.S. dollars (Fixed)	Jul 2021 to	US\$ 245.0	US\$ 203.6	973.7	665.6	973.7	—
Payables in CDI interest rate	Nov 2023	US\$ (395.0)	US\$ (443.6)	(1,515.8)	(1,568.6)	—	1,515.8
Total result		—	—	35.4	(114.4)	1,551.2	1,515.8
b – Interest rate swaps in Brazilian Reais							
Receivables in fixed interest rates + IPCA ...	Apr 2024 to	R\$ 806.1	R\$ 566.1	859.1	583.3	859.1	—
Payables in CDI interest rates	Dec 2025	R\$ (806.1)	R\$ (566.1)	(823.5)	(586.6)	—	823.5
Total result		—	—	35.6	(3.3)	859.1	823.5
c – Options							
Zero Cost Collar (Reais x U.S. dollars)	Jan 2019 to Dec 2019	US\$ 149.4	—	0.3	—	0.3	—
Total result		US\$ 149.4	—	0.3	—	0.3	—
Not designated as hedge accounting							
d – Exchange rate swaps receivable in U.S. dollars							
Receivables in U.S. dollars (LIBOR)		US\$ 60.0	US\$ 60.0	234.1	195.7	234.1	—
Receivables in U.S. dollars (Fixed)	Jan 2019 to Oct 2026	US\$ 856.8	US\$ 753.0	731.6	157.5	731.6	—
Payables in CDI interest rate		US\$ (916.8)	US\$ (813.0)	(689.7)	(308.8)	—	689.7
Total result		—	—	276.0	44.4	965.7	689.7
e – Exchange rate swaps payable in U.S. dollars + COUPON							
Receivables in CDI interest rates		US\$ 8.9	US\$ 9.1	33.9	29.9	33.9	—
Payables in U.S. dollars (Fixed)	Jan 2019 to Apr 2019	US\$ (8.9)	US\$ (9.1)	(33.9)	(29.8)	—	33.9
Total result		—	—	—	0.1	33.9	33.9

Hedging instruments	Maturity	Notional amount ¹		Fair value		Amounts receivable	Amounts payable
		12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2018
				R\$ million	R\$ million	R\$ million	R\$ million
Total gross result					(73.2		
Income tax				347.3	)	3,410.2	3,062.9
				(27.9	(4.7	(27.9	
)))	—
Total net result					(77.9		
				319.4	)	3,382.3	3,062.9
Positive result (see Note							
4)				363.3	85.8	2,296.3	1,932.9
Negative result (see Note				(43.9	(163.7		
15)))	1,086.0	1,130.0

⁽¹⁾ In million. Currency as indicated.

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All transactions mentioned above were properly registered with CETIP S.A.

Hedging instruments existing as of December 31, 2018 are described below, according to their category, risk, and hedging strategy:

a and d—Hedging against foreign exchange exposure of liabilities in foreign currency—The purpose of these contracts is (i) to offset the effect of the change in exchange rates of debts or firm commitments in U.S. dollars by converting them into debts or firm commitments in Brazilian Reais linked to CDI, (ii) to offset firm commitments in U.S. dollars, changing them into debts or firm commitments in Reais indexed to the CDI and (iii) change a financial investment linked to the CDI and given as a guarantee to a loan in the U.S. dollar into a financial investment linked to the U.S. dollar. As of December 31, 2018, the Company and its subsidiaries had outstanding swap contracts totaling US\$ 1,311.8 million in notional amount with a liability position, on average of 75.5% of CDI, of which US\$ 368.8 million, had an asset position at US\$ + 2.43% p.a., US\$ 210.0 million had an asset position at US\$ + LIBOR + 1.29% p.a. and US\$ 733.0 million in interest rate swap with an asset position at US\$ + 5.65% p.a. This amount includes US\$ 395.0 million related to the fair value of hedging instruments of Ipiranga's debt (see Notes 15.c and "*h. Hedge Accounting*" below).

b—Hedging against fixed interest rate + IPCA in Brazilian Reais – The purpose of this contract is to change fixed interest rate + IPCA of debentures issued in Brazilian Reais to floating interest. As of December 31, 2018 this swap contract totaled R\$ 806.1 million of notional amount, corresponding to the principal amount of the debt and had an asset position at 4.57% p.a. + IPCA and a liability position at 95.8% of CDI.

c – Hedging against foreign exchange exposure of revenues in foreign currency—The purpose of this contract is to protect the highly probable future sales of the subsidiaries Oxitenor Nordeste, Oxitenor S.A., Oleoquímica and EMCA, denominated in U.S. dollars, regarding the impacts resulting exclusively from variations at the R\$/US\$ exchange rate, using derivative instruments (options) through a zero cost collar structure, which consists of the purchase of a "put" option and the sale of a "call" option, contracted with the same counterparty and with no premium paid. As of December 31, 2018, the principal amount of zero cost collars was US\$ 149.4 million contracted in the range of R\$/US\$ 3.6 and R\$/US\$ 4.6.

e—Hedging against foreign exchange exposure of operations—The purpose of these contracts is to make the exchange rate of the revenues of subsidiaries Oleoquímica, Oxitenor S.A. and Oxitenor Nordeste equal to the exchange rate of the cost of their main raw materials during their operating cycles. As of December 31, 2018, these swap contracts totaled US\$ 8.9 million and, on average, had an asset position at 32.9% of CDI and a liability position at US\$ + 0.0% p.a.

h. Hedge Accounting

The Company and its subsidiaries use derivative and non-derivative financial instruments for hedging purposes and test, throughout the duration of the hedge, their effectiveness, as well as the changes in their fair value.

h.1 Fair value hedge

The Company and its subsidiaries designate as fair value hedges certain financial instruments used to offset the variations in interest and exchange rates, which are based on the market value of financing contracted in Brazilian Reais and U.S. dollars.

The foreign exchange hedging instruments designated as fair value hedge are:

In millions, except the CDI %	12/31/2018	12/31/2017
Notional amount – US\$	395.0	320.0
Result of hedging instruments – gain/(loss) – R\$	149.2	(143.4)
Fair value adjustment of debt – R\$	(28.5)	16.5
Financial expense in the statements of profit or loss – R\$	(215.9)	(4.1)
Average effective cost – CDI %	104.4	102.7

For more information, see Note 15.c.1.

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The interest rate hedging instruments designated as fair value hedge are:

In millions, except the CDI %	12/31/2018	12/31/2017
Notional amount – R\$	806.1	566.1
Result of hedging instruments – gain/(loss) – R\$	25.8	(3.3)
Fair value adjustment of debt – R\$	(13.3)	19.1
Financial expense in the statements of profit or loss – R\$	(50.2)	(18.5)
Average effective cost – CDI %	95.8	95.2

h.2 Cash flow hedge

The Company and its subsidiaries designate, as cash flow hedge of firm commitment and highly probable transactions, derivative financial instruments to hedge “firm commitments” and non-derivative financial instruments to hedge “highly probable future transactions”, to hedge against fluctuations arising from changes in exchange rate.

On December 31, 2018, the Company had no open exchange rate hedging instruments of firm commitments designated as cash flow hedges (US\$ 115.0 million on December 31, 2017). For the exchange rate hedging instruments settled in 2018, a gain of R\$ 10.7 million was recognized in the income statement (loss of R\$ 45.4 million on December 31, 2017), transferring the unrealized gain of “Other comprehensive income” to the income statement on December 31, 2018 (gain of R\$ 5.3 million on December 31, 2017), net of deferred IRPJ and CSLL.

On December 31, 2018, the notional amount of foreign exchange hedging instruments for highly probable future transactions designated as cash flow hedge, related to notes in the foreign market totaled US\$ 570.0 million (US\$ 570.0 million on December 31, 2017). On December 31, 2018, the unrealized loss of “Other comprehensive income” is R\$ 243.7 million (loss of R\$ 30.5 million on December 31, 2017), net of deferred IRPJ and CSLL.

On December 31, 2018, the notional amount of foreign exchange hedging instruments for highly probable future transactions designated as cash flow hedge, related to future sales revenues of Oxiteno (zero cost collars) totaled US\$ 149.4 million. On December 31, 2018, the unrealized gain of “Other comprehensive income” is R\$ 0.2 million, net of deferred IRPJ and CSLL.

h.3 Net investment hedge in foreign entities

The Company and its subsidiaries designate, as net investment hedge in foreign entities, notes in the foreign market, for hedging net investment in foreign entities, to offset changes in exchange rates.

On December 31, 2018, the balance of foreign exchange hedging instruments designated as net investments hedge in foreign entities, related to part of the investments made in entities which functional currency is other than the Brazilian Real, totaled US\$ 96.0 million (US\$ 113.0 million on December 31, 2017). On December 31, 2018, the unrealized loss of “Other comprehensive income” is R\$ 45.9 million (loss of R\$ 6.2 million on December 31, 2017), net of deferred income and social contribution taxes. The effects of exchange rate changes on investments and hedging instruments were offset in equity.

i. Gains (losses) on Hedging Instruments

The following tables summarize the value of gains (losses) recognized, which affected the equity of the Company and its subsidiaries:

	R\$ million	
	2018	
	Profit or loss	Equity
a – Exchange rate swaps receivable in U.S. dollars (i) (ii)	181.5	—
b – Exchange rate swaps payable in U.S. dollars (ii).....	(3.8)	0.2
c – Interest rate swaps in R\$ (iii)	12.5	—
d – Non-derivative financial instruments (iv)	(134.0)	(289.6)
Total	56.2	(289.4)

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	R\$ million	
	2017	
	Profit or loss	Equity
a – Exchange rate swaps receivable in U.S. dollars (i) (ii)	(72.1)	5.3
b – Exchange rate swaps payable in U.S. dollars (ii).....	3.2	—
c – Interest rate swaps in R\$ (iii)	15.9	—
d – Non-derivative financial instruments (iv)	(104.2)	(36.7)
Total	(157.2)	(31.4)

	R\$ million	
	2016	1/1/2017
	Profit or loss	Equity
a – Exchange rate swaps receivable in U.S. dollars (i) (ii)	(177.0)	(13.8)
b – Exchange rate swaps payable in U.S. dollars (ii).....	9.2	—
c – Interest rate swaps in R\$ (iii)	(0.5)	—
d – Non-derivative financial instruments (iv)	(28.5)	(14.9)
Total	(196.8)	(28.7)

- (i) Does not consider the effect of exchange rate variation of exchange swaps receivable in U.S. dollars when this effect is offset in the gain or loss of the hedged item (debt/firm commitments);
- (ii) Considers the designation effect of foreign exchange hedging;
- (iii) Considers the designation effect of interest rate hedging in Brazilian Reais; and
- (iv) Considers the results of notes in the foreign market (for further information see Note 15.b).

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j. Fair Value of Financial Instruments

The fair values and the carrying values of the financial instruments, including currency and interest rate hedging instruments, are stated below:

	Category	Note	12/31/2018		12/31/2017 Restated (i)	
			Carrying value	Fair value	Carrying value	Fair value
Financial assets:						
Cash and cash equivalents						
Cash and bank deposits	Measured at amortized cost	4.a	205,482	205,482	147,926	147,926
Financial investments in local currency	Measured at fair value through other comprehensive income	4.a	3,722,308	3,722,308	4,821,605	4,821,605
Financial investments in foreign currency	Measured at fair value through profit or loss	4.a	11,161	11,161	32,473	32,473
Financial investments:						
Fixed-income securities and funds in local currency	Measured at fair value through profit or loss	4.b	2,462,018	2,462,018	1,076,849	1,076,849
Fixed-income securities and funds in local currency	Measured at fair value through other comprehensive income	4.b	2,208	2,208	2,720	2,720
Fixed-income securities and funds in local currency	Measured at amortized cost	4.b	73,089	73,089	73,471	73,471
Fixed-income securities and funds in foreign currency	Measured at fair value through other comprehensive income	4.b	154,811	154,811	129,131	129,131
Currency and interest rate hedging	Measured at fair value through profit or loss	4.b	363,329	363,329	85,753	85,753
Total.....			<u>6,994,406</u>	<u>6,994,406</u>	<u>6,369,928</u>	<u>6,369,928</u>
Financial liabilities:						
Financing.....	Measured at fair value through profit or loss	15.a	1,567,374	1,567,374	1,047,809	1,047,809
Financing.....	Measured at amortized cost	15.a	6,889,310	6,840,079	6,740,872	6,761,907
Debentures	Measured at amortized cost	15.a	5,826,242	5,770,979	5,035,247	5,037,072
Debentures	Measured at fair value through profit or loss	15.a	833,213	833,213	554,402	554,402
Finance leases.....	Measured at amortized cost	15.a	46,066	46,066	48,515	48,515
Currency and interest rate hedging instruments.....	Measured at fair value through profit or loss	15.a	43,944	43,944	163,749	163,749

			12/31/2018		12/31/2017 Restated (i)	
	Category	Note	Carrying value	Fair value	Carrying value	Fair value
	Measured at fair value					
Subscription warrants – indemnification.....	through profit or loss	24	123,095	123,095	171,459	171,459
Total.....			15,329,244	15,224,750	13,762,053	13,784,913

(i) See Note 2.x.

The fair value of financial instruments, including currency and interest hedging instruments, was determined as follows:

- The fair value of cash and bank deposit balances are identical to their carrying values.
- Financial investments in investment funds are valued at the value of the fund unit as of the date of the financial statements, which corresponds to their fair value.
- Financial investments in CDBs (Bank Certificates of Deposit) and similar investments offer daily liquidity through repurchase at the “yield curve” and the Company calculates their fair value through methodologies commonly used for mark to the market.
- The fair value of trade receivables and trade payables are approximate to their carrying values.
- The subscription warrants – indemnification were measured based on the share price of Ultrapar (UGPA3) at the financial statements date and are adjusted to the Company’s dividend yield, since the exercise is only possible starting in 2020 onwards and they are not entitled to dividends until then. The number of shares of subscription warrants – indemnification is also adjusted according to the changes in the amounts of provision for tax, civil, and labor risks and contingent liabilities related to the period prior to January 31, 2014. (See Note 24).
- The fair value calculation of notes in the foreign market (see Note 15.b) is based on the quoted price in an active market.

The fair value of other financial investments and financing was determined using calculation methodologies commonly used for mark-to-market reporting, which consist of calculating future cash flows associated with each instrument adopted and adjusting them to present value at the market rates as of December 31, 2018 and 2017. For some cases where there is no active market for the financial instrument, the Company and its subsidiaries can use quotes provided by the transaction counterparties.

The interpretation of market information on the choice of calculation methodologies for the fair value requires considerable judgment and estimates to obtain a value deemed appropriate to each situation. Consequently, the estimates presented do not necessarily indicate the amounts that may be realizable in the current market.

Financial instruments were classified as financial assets or liabilities measured at amortized cost, except (i) all exchange rate and interest rate hedging instruments, which are measured at fair value through profit or loss, financial investments classified as measured at fair value through profit or loss and financial investments that are classified as measured at fair value through other comprehensive income (see Note 4.b), (ii) loans and financing measured at fair value through profit or loss (see Note 15.a), (iii) guarantees to customers that have vendor arrangements (see Note 15.k), which are measured at fair value through profit or loss, and (iv) subscription warrants – indemnification, which are measured at fair value through profit or loss (see Note 24). Cash, banks, and trade receivables are classified as measured at amortized cost. Trade payables and other payables are classified as financial liabilities measured at amortized cost.

j.1 Fair Value Hierarchy of Financial Instruments

The financial instruments are classified in the following categories:

- (a) Level 1—prices negotiated (without adjustment) in active markets for identical assets or liabilities;
- (b) Level 2—inputs other than prices negotiated in active markets included in Level 1 and observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- (c) Level 3—inputs for the asset or liability which are not based on observable market variables (unobservable inputs).

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The table below shows a summary of the financial assets and financial liabilities measured at fair value:

	Category	Note	12/31/2018	Level 1	Level 2	Level 3
Financial assets:						
Cash equivalents						
Cash and banks.....	Measured at amortized cost	4.a	205,482	205,482	—	—
Financial investments in local currency	Measured at fair					
	value through other comprehensive income	4.a	3,722,308	—	3,722,308	—
Financial investments in foreign currency	Measured at fair value through profit or loss	4.a	11,161	11,161	—	—
Financial investments:						
Fixed-income securities and funds in local currency ..	Measured at fair value through profit or loss	4.b	2,462,018	2,462,018	—	—
Fixed-income securities and funds in local currency ..	Measured at fair value through other					
	comprehensive income	4.b	2,208	—	2,208	—
Fixed-income securities and funds in local currency ..	Measured at amortized cost	4.b	73,089	—	73,089	—
Fixed-income securities and funds in foreign currency ..	Measured at fair value through other					
	comprehensive income	4.b	154,811	1,666	153,145	—
Currency and interest rate hedging instruments	Measured at fair value through profit or loss	4.b	363,329	—	363,329	—
Total			<u>6,994,406</u>	<u>2,680,327</u>	<u>4,314,079</u>	<u>—</u>
Financial liabilities:						
Financing.....	Measured at fair value through profit or loss	15.a	1,567,374	—	1,567,374	—
Financing.....	Measured at amortized cost	15.a	6,840,079	2,841,436	3,998,643	—
Debentures	Measured at amortized cost	15.a	5,770,979	—	5,770,979	—
Debentures	Measured at fair value through profit or loss	15.a	833,213	—	833,213	—
Finance leases.....	Measured at amortized cost	15.a	46,066	—	46,066	—
Currency and interest rate hedging instruments	Measured at fair value through profit or loss	15.a	43,944	—	43,944	—
Subscription warrants – indemnification (1)	Measured at fair value through profit or loss	24	123,095	—	123,095	—
Total			<u>15,224,750</u>	<u>2,841,436</u>	<u>12,383,314</u>	<u>—</u>

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	Category	Note	12/31/2017	Level 1	Level 2	Level 3
Financial assets:						
Cash equivalents						
Cash and banks.....	Measured at amortized cost	4.a	147,926	147,926	—	—
Financial investments in local currency	Measured at fair value through profit or loss	4.a	4,821,605	—	4,821,605	—
Financial investments in foreign currency	Measured at fair value through profit or loss	4.a	32,473	32,473	—	—
Financial investments:						
Fixed-income securities and funds in local currency	Measured at fair value through profit or loss	4.b	1,076,849	1,076,849	—	—
Fixed-income securities and funds in local currency	Measured at fair value through other comprehensive income	4.b	2,720	—	2,720	—
Fixed-income securities and funds in local currency	Measured at amortized cost	4.b	73,471	—	73,471	—
Fixed-income securities and funds in foreign currency	Measured at fair value through other comprehensive income	4.b	129,131	40,556	88,575	—
Currency and interest rate hedging instruments	Measured at fair value through profit or loss	4.b	85,753	—	85,753	—
Total			6,369,928	1,297,804	5,072,124	—
Financial liabilities:						
Financing.....	Measured at fair value through profit or loss	15.a	1,047,809	—	1,047,809	—
Financing.....	Measured at amortized cost	15.a	6,761,907	2,523,643	4,238,264	—
Debentures	Measured at amortized cost	15.a	5,037,072	—	5,037,072	—
Debentures	Measured at fair value through profit or loss	15.a	554,402	—	554,402	—
Finance leases.....	Measured at amortized cost	15.a	48,515	—	48,515	—
Currency and interest rate hedging instruments	Measured at fair value through profit or loss	15.a	163,749	—	163,749	—
Subscription warrants – indemnification (1)	Measured at fair value through profit or loss	24	171,459	—	171,459	—
Total			13,784,913	2,523,643	11,261,270	—

⁽¹⁾ Refers to subscription warrants issued by the Company in the Extrafarma acquisition.

The fair value of trade receivables and trade payables are classified as level 2.

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k. Sensitivity Analysis of Derivative Financial Instruments

The Company and its subsidiaries use derivative financial instruments only to hedge against identified risks and in amounts consistent with the risk (limited to 100% of the identified risk). Thus, for purposes of sensitivity analysis of market risks associated with financial instruments the Company analyzes the hedging instrument and the hedged item together, as shown on the charts below.

For the sensitivity analysis of foreign exchange hedging instruments as of December 2018 and 2017, management adopted as a likely scenario the Real/U.S. dollar exchange rates at maturity of each swap, projected by U.S dollar futures contracts quoted on B3 as of December 28, 2018. As a reference, the exchange rate for the last maturity of foreign exchange hedging instruments is R\$ 5.86 (R\$ 5.83 as of December 31, 2017) in the likely scenario. Scenarios II and III were estimated with a 25% and 50% additional appreciation or depreciation of the Brazilian Real against the likely scenario, according to the risk to which the hedged item is exposed.

Based on the balances of the hedging instruments and hedged items as of December 31, 2018 and 2017, the exchange rates were replaced, and the changes between the new balance in Brazilian Reais and the original balance in Brazilian Reais as of December 31, 2018 and 2017 were calculated in each of the three scenarios. The table below shows the change in the values of the main derivative instruments and their hedged items, considering the changes in the exchange rate in the different scenarios:

12/31/2018	Risk	Scenario I Likely	Scenario II	Scenario III
Currency swaps receivable in U.S. dollars				
(1) U.S. Dollar / Real swaps	Dollar	372,022	1,039,669	1,707,316
(2) Debts/firm commitments in dollars	appreciation	(372,019)	(1,039,661)	(1,707,303)
(1)+(2).....	Net effect	3	8	13
Currency swaps payable in U.S. dollars				
(3) Real / U.S. Dollar swaps	Dollar	(65)	8,545	17,154
(4) Gross margin of Oxitenio	devaluation	65	(8,545)	(17,154)
(3)+(4).....	Net effect	—	—	—
Options				
(5) Options Real / U.S. Dollar swaps	Dollar	—	97,938	244,572
(6) Gross margin of Oxitenio	Devaluation	7,641	(138,993)	(285,627)
(5)+(6).....	Net effect	7,641	(41,055)	(41,055)
<hr/>				
12/31/2017	Risk	Scenario I Likely	Scenario II	Scenario III
Currency swaps receivable in U.S. dollars				
(1) U.S. Dollar / Real swaps	Dollar	198,138	690,432	1,182,726
(2) Debts/firm commitments in dollars	appreciation	(198,130)	(690,415)	(1,182,700)
(1)+(2).....	Net effect	8	17	26
Currency swaps payable in U.S. dollars				
(3) Real / U.S. Dollar swaps	Dollar	(97)	7,486	15,069
(4) Gross margin of Oxitenio	devaluation	97	(7,486)	(15,069)
(3)+(4).....	Net effect	—	—	—

Ultrapar Participações S.A. and Subsidiaries
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For sensitivity analysis of hedging instruments for interest rates in Brazilian Reais as of December 31, 2018 and 2017, the Company used the futures curve of the DI x Pre contract quoted on B3 as of December 28, 2018 for each of the swap and debt (hedged item) maturities, to determine the likely scenarios. Scenarios II and III were estimated based on a 25% and 50% deterioration, respectively, of the likely scenario pre-fixed interest rate.

Based on the three scenarios of interest rates in Brazilian Reais, the Company estimated the values of its debt and hedging instruments according to the risk which is being hedged (variations in the pre-fixed interest rates in Brazilian Reais), by projecting them to future value at the contracted rates and bringing them to present value at the interest rates of the estimated scenarios. The result are shown in the table below:

12/31/2018	Risk	Scenario I Likely	Scenario II	Scenario III
Interest rate swap (in Brazilian Reais) – Debentures—CRA				
(1) Fixed rate swap—CDI	Decrease in	(311,993)	(254,409)	(188,047)
(2) Fixed rate debt	Pre-fixed rate	311,993	254,409	188,047
(1) + (2)	Net effect	—	—	—
12/31/2017	Risk	Scenario I Likely	Scenario II	Scenario III
Interest rate swap (in Brazilian Reais) – Debentures—CRA				
(1) Fixed rate swap—CDI	Decrease in	13,691	95,292	192,204
(2) Fixed rate debt	Pre-fixed rate	(13,691)	(95,292)	(192,204)
(1) + (2)	Net effect	—	—	—

34. Commitments

a. Contracts

a.1 Subsidiary Tequimar has agreements with CODEBA and Complexo Industrial Portuário Governador Eraldo Gueiros, in connection with its port facilities in Aratu and Suape, respectively. Such agreements establish a minimum cargo movement of products, as shown below:

Port	Minimum movement in tons per year	Maturity
Aratu	397,000	2031
Aratu	900,000	2022
Suape	250,000	2027
Suape	400,000	2029

If the annual movement is less than the minimum contractual movement, the subsidiary is liable to pay the difference between the effective movement and the minimum contractual movement, based on the port tariff rates in effect on the date established for payment. As of December 31, 2018, these rates were R\$ 6.99 per ton for Aratu and R\$ 2.54 per ton for Suape. The subsidiary has met the minimum cargo movement required since the beginning of the contractual agreements.

a.2 Subsidiary Oxiteno Nordeste has a supply agreement with Braskem S.A. which establishes a minimum annually consumption level of ethylene, and conditions for the supply of ethylene until 2021. The minimum purchase commitment clause provided for a minimum annual consumption of 205 thousand tons in 2018. Should the minimum purchase commitment not be met, the subsidiary would be liable for a fine based on the current ethylene price for the quantity not purchased. According to contractual conditions and tolerances, there are no material issues regarding the minimum purchase commitment.

a.3 Subsidiary Oxiteno S.A. has a supply agreement with Braskem S.A., valid until 2023, which establishes and regulates the conditions for supply of ethylene to Oxiteno based on the international market for this product. The minimum purchase is 44,100 tons of ethylene annually. Should the minimum purchase commitment not be met, the subsidiary would be liable for a fine based on the current ethylene price for the quantity not purchased. According to contractual conditions and tolerances, there are no material issues regarding the minimum purchase commitment.

Ultrapar Participações S.A. and Subsidiaries
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b. Insurance Coverage

The Company maintains insurance policies with the objective of covering several risks to which it is exposed, including loss of profits, losses and damage from fire, lightning, explosion of any kind, gale, aircraft crash, electric damage, and other risks, covering the industrial plants and distribution bases and branches of all subsidiaries. The maximum compensation values based on the risk analysis of certain locations are shown below:

	Maximum compensation value (*)	
Oxiteno	US\$	1,142
Ipiranga.....	R\$	1,032
Ultracargo	R\$	949
Ultragaz	R\$	266
Extrafarma	R\$	160

(*) In millions. In accordance with policy conditions.

The General Liability Insurance program covers the Company and its subsidiaries with a maximum aggregate coverage of US\$ 400 million (equivalent to R\$ 1,550 million as of December 31, 2018), against losses caused to third parties as a result of accidents related to commercial and industrial operations and/or distribution and sale of products and services.

The Company maintains liability insurance policies for directors and executive officers to indemnify the members of the Board of Directors, fiscal council, directors and executive officers of Ultrapar and its subsidiaries ("Insured") in the total amount of US\$ 80 million (equivalent to R\$ 310 million as of December 31, 2018), which cover any of the Insured liabilities resulting from wrongful acts, including any act or omission committed or attempted, except if the act, omission or the claim is consequence of gross negligence or willful misconduct.

In addition, group life and personal accident, health and national and international transportation and other insurance policies are also maintained.

The coverage and limit of the insurance policies are based on a careful study of risks and losses conducted by independent insurance advisors. The type of insurance is considered by management to be sufficient to cover potential losses based on the nature of the business conducted by the companies.

c. Operating Lease Contracts

Subsidiaries Cia. Ultragaz, Bahiana, Tequimar, Serma, and Oxiteno S.A. have operating lease contracts for the use of IT equipment. These contracts have terms from 36 to 48 months. The subsidiaries have the option to purchase the assets at a price equal to the fair market price on the date of option, and management does not intend to exercise such option.

Subsidiaries Cia. Ultragaz and Bahiana have operating lease contracts related to vehicles in their fleet. These contracts have terms of 24 to 60 months and there is no purchase option. The future disbursements (installments), assumed under these contracts, amount approximately to:

	<u>Up to 1 year</u>	<u>Between 1 and 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
12/31/2018	30,941	55,545	—	86,486

The subsidiaries IPP, Extrafarma, and Cia. Ultragaz have operating lease contracts related to land and building of service stations, drugstores, and stores, respectively. The future disbursements and receipts (installments), arising from these contracts, amount approximately to:

		<u>Up to 1 year</u>	<u>Between 1 and 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
12/31/2018	payable	220,988	686,108	547,412	1,454,508
	receivable	(84,332)	(240,756)	(253,997)	(579,085)

The expense recognized in 2018 for operating leases was R\$ 189,008 (R\$ 160,465 in 2017 and R\$ 101,330 in 2016), net of sublease income.

35. Subsequent events

Approval of stock split

On April 10, 2019, the Company's extraordinary and annual general meeting approved the stock split of common shares issued by Ultrapar, at a ratio of one currently existing share to two shares of the same class and type. The stock split approved herein shall not imply in any change in the Ultrapar's capital stock. The new shares and ADRs resulting from the stock split approved herein will be of the same class and will grant to its holders the same rights of the current shares and ADRs. The earnings per share in Note 31 were as adjusted retrospectively.

Port concessions

On March 22, 2019, Ultrapar, through its subsidiary IPP, won the port concessions of three areas located with minimum storage capacity of 64 thousand m³ at the port of Cabedelo, in the state of Paraíba, and one area with minimum storage capacity of 66 thousand m³ at the port of Vitória, in the state of Espírito Santo, which will be designated for handling, storage and distribution of fuels. These concessions were carried out by two consortiums of which IPP holds one third of the total participation. The total investments regarding IPP's stake sums up to R\$160 million for a concession term of 25 years.

On April 5, 2019, Ultrapar, through its subsidiary IPP and Ultracargo, also won other three concessions. IPP won two areas located at the port of Miramar, in Belém, state of Pará: (i) area BEL02A, through a consortium 50% owned by IPP, that shall have minimum storage capacity of 41 thousand m³, and (ii) area BEL04A, which is currently operated by IPP with minimum storage capacity of 23 thousand m³. Such areas will be operated for at least 15 years, according to the auction notice. Ultracargo won the concession of area VDC12 in the port of Vila do Conde, in Barcarena, state of Pará. The minimum storage capacity will be 59 thousand m³. The area will be operated by Ultracargo for at least 25 years, according to the auction notice. The estimated investments regarding the participation of IPP and Ultracargo sums up to R\$ 450 million, approximately.

CADE administrative decision

On April 10, 2019, CADE concluded an administrative process involving IPP, which questioned alleged non-competitive conducts in the fuel-distribution and resale market in the cities of Belo Horizonte, Contagem and Betim, in the state of Minas Gerais, between October 2006 and July 2008. Despite IPP's conviction regarding the good standing of its conducts demonstrated throughout the process, CADE administrative award ruled against IPP for allegedly influencing uniform commercial conduct among fuel resellers, while the charges against IPP for participating in the formation of a cartel among fuel distributors were dismissed. The award has condemned IPP to pay a fine of R\$ 40.7 million.

**ULTRAPAR PARTICIPAÇÕES S.A.
BYLAWS**

**CHAPTER I
Name, Headquarters, Purpose and Term**

Article 1. The Company is an authorized capital company (*sociedade de capital autorizado*). The name of the Company is ULTRAPAR PARTICIPAÇÕES S.A.

Sole Paragraph. The Company's listing on the New Market (*Novo Mercado*) special segment of B3 S.A. – Brasil, Bolsa, Balcão (“B3”) subjects the Company, its shareholders including controlling shareholders, if applicable, its management and members of the Fiscal Council, if installed, to the Regulations of the New Market of B3 (“New Market Regulation”).

Article 2. The Company's headquarters and jurisdiction are located in the city of São Paulo, State of São Paulo.

Article 3. The purpose of the Company is to invest its own capital in commerce, industry, agriculture and service provision, through the subscription or acquisition of shares or quotas of other companies.

Article 4. The Company is organized for an indefinite term.

**CHAPTER II
Capital Stock and Shares**

Article 5. The subscribed and paid-in capital stock is R\$ 5,171,751,608.08 (five billion, one hundred seventy-one million, seven hundred fifty-one thousand, six hundred and eight Reais and eight cents), represented by one billion, one hundred and twelve million, eight hundred and ten thousand, one hundred and ninety two (1,112,810,192) nominative common shares, with no par value, and with no issuance of preferred shares or founder's shares permitted.

§ 1 All of the Company shares are in book-entry form and held in a deposit account with a financial institution authorized by the Brazilian Securities and Exchange Commission—CVM, in the name of their holders, without certificates issued.

§ 2 The transfer and record cost, as well as the cost of the services relating to the book-entry shares, may be charged directly to the shareholder by the bookkeeping institution, as set forth in the stock bookkeeping agreement.

Article 6. The Company is authorized to increase its capital stock up to the limit of one billion and six hundred million (1,600,000,000) common shares, by resolution of the Board of Directors, notwithstanding any amendment to the Bylaws.

Article 7. The subscription and payment of shares issued by the Company shall follow the criteria provided for in this Article:

- a) up to the limit of the authorized capital, the issuance, amount, price and term for payment of the shares to be issued by the Company shall be provided for by the Board of Directors;
- b) the resolution to increase the capital stock for payment in assets, other than monetary credits, may only be made at a Shareholders' Meeting; and
- c) upon the issuance of new shares, debentures convertible into shares or subscription warrants offered on a stock exchange, public subscription or share exchange in a tender offer for the acquisition of corporate control, the Board of Directors may waive the preemptive rights of the former shareholders or reduce the period for the exercise thereof.

Article 8. The Company may grant stock options through stock option plans, approved by a Shareholders' Meeting, to the management and employees.

Article 9. Each common share entitles the holder thereof to one vote for resolutions made at the Shareholders' Meetings.

CHAPTER III **Shareholders' Meetings**

Article 10. The annual Shareholders' Meeting shall be called by the Board of Directors within the first four (4) months upon conclusion of the fiscal year and extraordinary meetings shall be held whenever the Company's interest shall so require.

§ 1 Documents pertaining to the matters to be deliberated upon at the Shareholders' Meetings shall be made available to the shareholders, at the Company's headquarters, at the date of publication of the first call notice, except if a longer period for making such documents available is otherwise required by law or applicable regulations.

§ 2 The Shareholders' Meeting shall be presided over by the Chairman of the Board of Directors or by whom he/she may designate. In the absence of the Chairman and of his/her designation, the Shareholders' Meeting shall be presided over by the Vice-Chairman of the Board of Directors, or by whom he/she may designate. The chairman of the Meeting shall choose one of the attendees to act as secretary of the meeting.

§ 3 The chairman of the Meeting shall have the exclusive power, in compliance with the rules provided for in these Bylaws, to conduct the election of the members of the Board of Directors, including any decision relating to the number of votes of each shareholder.

Article 11. Before the Shareholders' Meeting is commenced, the shareholders in attendance, as duly identified, shall sign the "Shareholders Attendance Register", which shall contain their names and the number of shares held by each of them.

§ 1 The list of the attending shareholders shall be closed by the chairman of the Meeting at the time the Shareholders' Meeting is commenced.

§ 2 The shareholders who appear at the Shareholders' Meeting after its commencement may take part in the meeting, however they shall not be entitled to vote on any resolution.

Article 12. At the Shareholders' Meeting, the Company and the presiding board shall comply with the following requirements for attendance, in addition to the procedures and requirements provided for by law:

a) Up to forty-eight (48) hours prior to the Shareholders' Meeting: (i) all shareholders shall furnish to the Company a share statement issued by the bookkeeping institution or by the custodian institution, indicating the number of shares held by them of record no more than three (3) days prior to the Shareholders' Meeting; and (ii) the shareholders represented by proxies shall send to the Company the respective power of attorney;

b) The shareholders organized as investment funds shall send the Company, within the same period mentioned in item (a) above: (i) evidence of the capacity of fund manager conferred upon the individual or legal entity representing the shareholder at the Shareholders' Meeting, or the proxy granting such powers; (ii) the corporate action of the manager, in case it is a legal entity, granting powers to the representative attending the Shareholders' Meeting or to whom the power of attorney has been granted; and (iii) in the event the representative or proxy is a legal entity, the same documents referred to in (ii) of this item, as related thereto;

c) The documents referred to in the preceding items may be presented as copies, however the original documents referred to in item (a), shall be shown to the Company prior to the commencement of the Shareholders' Meeting, the signatures of which shall not need to be notarized;

d) The Company shall adopt the principle of good faith in verifying the validity of the documents demonstrating the representative capacity of shareholder, and will presume the truthfulness of the credible statements made to it; however, the shareholders who fail to present the respective power of attorney granted to their representatives, or the custodian's statement, in the event the shares are recorded as held with a custodian institution, shall be prohibited from participating in the meeting; and

e) In the event the shareholders who were present at the Shareholders' Meeting (i) were not duly represented; or (ii) did not hold the stated number of shares, the Company shall notify them that, regardless of a new Shareholders' Meeting, the Company shall disregard the votes of such shareholders, and they shall be liable for losses and damages arising from their acts.

Article 13. Resolutions of the Shareholders' Meeting shall require a majority vote of the attendees, not taking into account blank votes, except as otherwise provided for by law or in these Bylaws.

Article 14. Minutes of the Shareholders' Meetings shall be kept and signed by the presiding board of the meeting and by the attending shareholders.

Article 15. The Shareholders' Meeting shall determine the overall compensation of the members of the Board of Directors and of the executive officers.

§ 1 The Board of Directors shall determine the compensation to be paid to the Chief Executive Officer and the other executive officers, considering the proposal of the People Committee, in accordance with the amount set forth at the Shareholders' Meeting, in the introductory paragraph of this Article and the competencies of the People Committee, as provided for in Article 41 herein.

§ 2 The members of the Board of Directors and the executive officers are entitled to profit sharing, as provided for by law.

CHAPTER IV

Management—General Rules

Article 16. The Company shall be managed by a Board of Directors and a Board of Executive Officers.

Sole Paragraph. The commencement of the term of the directors and executive officers, which shall not require the posting of a bond, shall be contingent upon their adhesion to the Disclosure and Trading Policy adopted by the Company and execution of the respective deed of investiture, which shall include consent to the contents of Article 52 hereof.

CHAPTER V

Board of Directors

Section I—Members

Article 17. The Board of Directors shall be comprised of at least five (5) and at maximum eleven (11) members, all of whom shall be elected and removable at the Shareholders' Meeting, for a unified term of two (2) years, with reelection being permitted.

§ 1 The positions of Chairman of the Board of Directors and Chief Executive Officer or principal executive of the Company may not be held by the same individual.

§ 2 The Board of Directors shall adopt Internal Bylaws that shall provide for, among other relevant matters, its own operation, and the rights and duties of its members, as well as their relationship with the Board of Executive Officers and other corporate bodies.

§ 3 Observed the requirements set forth in the Company's corporate policies, the only persons eligible for election to the Board of Directors, unless otherwise permitted by the Shareholders' Meeting, shall be those who, in addition to complying with legal and regulatory requirements and being of well-regarded reputation, do not hold any position in a company which may be considered a competitor of the Company or its controlled companies, and do not have, nor represent, a conflicting interest with the Company's interest or those of its controlled companies; it shall be presumed that a person has a conflicting interest with the Company if, cumulatively: (i) he/she has been elected by a shareholder who has also elected a director in a competing company; and (ii) he/she has a subordinate relationship with the shareholder who elected him/her.

§ 4 Subject to the introductory paragraph of this Article, the number of members who will comprise the Board of Directors for each term of office shall be determined at each Shareholders' Meeting electing the members of the Board of Directors, and which must be submitted to a vote by the chairman of the Meeting.

Article 18. The Board of Directors of the Company shall have, at least, thirty percent (30%) or 02 (two), whichever is higher, independent members, pursuant to the New Market Regulation, and the classification of the appointed members of the Board of Directors as independent Directors shall be voted on the Shareholders meeting that elect them.

§ 1 When, as a result of compliance with the percentage referred to in the introductory paragraph of this Article, the number of directors results in a fraction, such number will be rounded to the immediately higher whole number.

Article 19. If a member of the Board of Directors fails to meet the requirements set forth in Article 17 above due to a supervening or unknown fact at the time of his/her election, he/she shall be immediately replaced.

Sole Paragraph. The same actions provided for in the introductory paragraph of this Article shall be taken in the event any of the independent Directors fails to meet the independence criteria set forth in the New Market Regulation, resulting in noncompliance with the minimum share of thirty percent (30%) of independent Directors, as provided in Article 18 hereof.

Section II—Election

Article 20. Except for the provisions in Article 21, the election of the members of the Board of Directors shall be made through the nomination of a slate of candidates.

§ 1 Under the election provisions of this Article, only the following slates of candidates will be eligible for election: (a) those nominated by the Board of Directors; or (b) those nominated by any shareholder or group of shareholders, as provided for in Paragraph 3 hereof.

§ 2 At the date the Shareholders' Meeting for electing the members of the Board of Directors is called, the Board of Directors shall make available at the Company's headquarters a statement signed by each of the members of the slate of candidates nominated by it, containing: (a) their full identification; (b) a complete description of their professional experience, describing the professional activities previously performed, as well as their professional and academic qualifications; and (c) information about disciplinary and judicial proceedings for which a final judgment was rendered and in which any such members have been convicted, as well as inform, if the case may be, the existence of events of limitations or conflict of interest provided for in Article 147, Paragraph 3 of Law 6,404/76.

§ 3 The shareholders or group of shareholders desiring to propose another slate of candidates to be elected to the Board of Directors shall, at least five (5) days prior the date of the Shareholders' Meeting, send to the Board of Directors statements individually signed by the candidates nominated by them, containing the information mentioned in the preceding Paragraph; the Board of Directors shall immediately disclose such information, by notice posted on the Company's internet website and sent by electronic means of communication to the CVM and the B3 notifying them that the documents with respect to the other slate of candidates submitted to the Board of Directors are available to the shareholders at the Company's headquarters.

§ 4 The persons nominated by the Board of Directors or by shareholders shall be identified, as the case may be, as candidates to independent Directors, subject to the provisions of Article 18 above, as well as the contents of the new Market Regulation.

§ 5 The same person may stand for election in two or more slates of candidates, including those nominated by the Board of Directors.

§ 6 Each shareholder shall be entitled to vote for only one slate of candidates, and the slate of candidates receiving the largest number of votes at the Shareholders' Meeting will be elected.

Article 21. When electing members to the Board of Directors, shareholders will be entitled to request, as required by law, the adoption of a cumulative voting process, provided that they do so within, at least, forty-eight (48) hours in advance of the Shareholders' Meeting.

§ 1 The Company, immediately after receiving the request, shall notify the CVM and the B3 by electronic means and post on its internet website that the election will be conducted by cumulative voting.

§ 2 In the event members of the Board of Directors are elected by cumulative voting, the candidates will not be elected through a nomination on a slate of candidates; the candidates for the Board of Directors shall be those who are part of the slate of candidates as provided for in Article 20, as well as the candidates who are nominated by a shareholder attending the meeting, provided that the Shareholders' Meeting is provided with the statements signed by these candidates as set forth in Paragraph 2 of Article 20 of these Bylaws.

§ 3 Each shareholder shall be entitled to cast the entirety of the votes to which he/she is entitled on one sole candidate or to distribute them among several candidates; the candidates who received the largest number of votes shall be elected.

§ 4 Positions that are not filled due to a tie vote shall require a new election, following the same procedure, adjusting the number of votes to which each shareholder will be entitled to the number of positions to be filled.

§ 5 In the event the election has been conducted by cumulative voting, the removal of any member of the Board of Directors by the Shareholders' Meeting shall entail the removal of the other members, giving rise to a new election.

§ 6 In the event the Company may be controlled by one shareholder or group of shareholders, as defined in Article 116 of law no. 6,404/76, shareholders representing ten percent (10%) of the capital stock may require, in conformity with Paragraph 4 of Article 141 of Law 6,404/76, that the election of one of the members of the Board of Directors is carried out separately, notwithstanding the rules set forth in Article 20 above.

Article 22. In the event a director residing and domiciled outside Brazil is elected, the commencement of his/her term shall be conditioned on the appointment of an attorney-in-fact, residing and domiciled in Brazil, empowered to receive service of process for any corporate law-based lawsuit that may be brought against him/her. The term of such power of attorney shall be for, at least, three (3) years after the end of the term of office of the respective director.

Article 23. The Board of Directors shall elect a Chairman and Vice-Chairman among its members, to occur at the first meeting after the commencement of the directors' term or at the first meeting after there is a vacancy of these positions on the Board of Directors.

Section III—Meetings and Replacements

Article 24. The Board of Directors shall hold regular meetings once every three (3) months and special meetings whenever called by the Chairman or by any two (2) directors.

§ 1 The meetings of the Board of Directors shall be called in writing, by letter, telegram, fax, e-mail or any other form that allows proof of receipt of the call notice by the recipient, and shall contain, in addition to the place, date and time of the meeting, the agenda.

§ 2 The meetings of the Board of Directors shall be called at least three (3) days in advance. Regardless of the formalities observed in calling the meeting, a meeting shall be deemed to be duly called if attended by all the members of the Board of Directors.

§ 3 In case of urgency, the Chairman of the Board of Directors (or a third party he or she may appoint) may call a meeting of the Board of Directors with less than the period provided for in Paragraph 2 of this Article, provided that in this case the meeting shall not be held unless at least two-thirds (2/3) of the elected members attend the meeting.

§ 4 The directors may attend the meetings of the Board of Directors by telephone conference, videoconference or by any other means of communication allowing the identification of the director and simultaneous communication with all the other persons present at the meeting. In this case, directors will be considered to be present at the meeting and sign the corresponding minutes.

Article 25. Except for the provisions in Paragraph 3 of Article 24, the majority of the directors must attend a meeting of the Board of Directors for it to commence, including the Chairman or the Vice-Chairman, and the resolutions shall require a majority vote, with the Chairman or, in his/her absence, the Vice-Chairman, in addition to his/her own vote, providing the casting vote.

Sole Paragraph. In event of absence or temporary unavailability of the Chairman of the Board of Directors, his/her duties will be exercised, on a temporary basis, by the Vice-Chairman or by another member of the Board of Directors nominated by him/her.

Article 26. No member of the Board of Directors may have access to information, take part in resolutions and discussions of the Board of Directors or of any managing bodies, vote or, in any manner, intervene in the matter in which he/she is directly or indirectly in a conflict with the Company's interests, as provided for by law.

Article 27. Except for the provisions in Paragraph 5 of Article 21, a substitute for a vacancy on the Board of Directors shall be appointed by the remaining directors and shall hold the office until the subsequent Shareholders' Meeting, at which a new director shall be elected for remaining term of office of the replaced director. In the event of vacancy of the majority of the Board of Directors, a Shareholders' Meeting shall be called within fifteen (15) days from the date thereof, in order to elect substitutes, who shall complete the term of office of the replaced members.

Section IV—Powers

Article 28. The Board of Directors shall have the power to:

- a) set the general guidelines of the Company's and its subsidiaries' business;
- b) elect and remove the executive officers of the Company, appointing among them the Chief Executive Officer and the Investor Relations Officer, and define their duties;
- c) oversee the management of the executive officers; examine, at any time, the books and documents of the Company; request information about agreements previously entered into or in the process of being entered into by the Company or by its subsidiaries;
- d) express its opinion with respect to Management Report and the financial statements of the Company, submitting them to the Shareholders' Meeting for approval;
- e) fix the compensation of the members of the Board of Directors and the individual compensation of the Executive Officers of the Company, considering the proposal of the People's Committee, according to article 41, single paragraph, "b".
- f) define the overall criteria regarding the compensation and benefits policy of the directors and executive officers as well as of the senior employees of the Company and, whenever necessary, of its subsidiaries, taking into consideration the People Committee's proposal;
- g) grant stock options under the terms of Article 8 of these Bylaws;
- h) call the Shareholders' Meetings;
- i) submit a slate of candidates to the Shareholders' Meeting for election of directors, pursuant to Article 20 of these Bylaws;
- j) propose to the Shareholders' Meeting the allocation of the balance of the adjusted net profit for the year, as referred to in letter "c", paragraph one of Article 54 of these Bylaws;
- k) approve the preparation of financial statements at shorter intervals than the fiscal year, the distribution of dividends based on such financial statements or interim dividends, as well as the payment or crediting of interest on own capital, under the terms of the applicable laws;
- l) pass resolutions on the issuance of shares, debentures convertible into shares and subscription warrants, within the limits of the authorized capital of the Company;
- m) submit proposals to the Shareholders' Meeting concerning an amalgamation, spin-off, merger, merger of shares or dissolution of the Company, as well as amendments to these Bylaws;
- n) authorize the acquisition of shares of the Company to be held as treasury shares, cancelled or subsequently disposed of, subject to applicable laws;

- o) approve the public issuance of commercial promissory notes by the Company or by its controlled companies;
- p) approve the following transactions, either by the Company or by its controlled companies, when the value exceeds five percent (5%) of the Company's shareholders' equity: (i) acquisition, disposal or encumbrance of assets; (ii) granting of collateral; (iii) borrowings or waivers of any rights; (iv) investment or investment project; and (v) direct or indirect acquisition or disposal of an equity interest, including by means of a consortium or special partnership;
- q) approve the execution of shareholders' agreements by the Company or by its controlled companies;
- r) select and dismiss the independent auditors, after receiving the Audit Committee's opinion;
- s) express an opinion as to whether it is in favor or against any tender offer for the shares of the Company, through a prior opinion containing the reasons for such position disclosed within 15 (fifteen) days from the publication of the tender offer notice, opinion which should cover, at minimum: (i) the convenience and opportunity of the tender offer for the Company and its shareholders as a whole, including with respect to the price and potential impacts on share liquidity; (ii) any alternatives to accepting the tender offer for the shares on free float;
- t) approve corporate policies as per the proposals submitted by the relevant entities; and
- u) pass resolutions on other matters not regulated by these Bylaws, as well as otherwise resolving such matters.

Article 29. The Chairman of the Board of Directors shall:

- a) call the Shareholders' Meeting, whenever so decided by the Board of Directors or, exceptionally, on his/her own initiative, in which case he/she shall immediately inform the other directors of the meeting;
- b) call and preside the meetings of the Board of Directors;
- c) communicate the dates of the regular meetings and oversee the Board of Director's administrative activities; and
- d) convey resolutions made by the Board of Directors to the Board of Executive Officers and instruct the latter on the fulfillment thereof.

Article 30. The Vice-Chairman of the Board of Directors shall replace the Chairman, in his/her occasional absences and unavailability and, in case of vacancy in the office of Chairman, to hold such office until the date of the election of the new Chairman.

CHAPTER VI Board of Executive Officers

Article 31. The Board of Executive Officers shall be comprised of up to eight (8) executive officers, who may or may not be shareholders, shall be resident in Brazil and be elected by the Board of Directors, without specific designation except for the Chief Executive Officer and the Investor Relations Officer.

Sole paragraph. The term of the members of the Board of Executive Officers shall be 2 (two) years, with reelection permitted, and will continue until each successor is elected.

Article 32. The Board of Executive Officers shall hold meetings whenever the interest of the Company shall so require and their decisions shall be made by simple majority of votes, requiring one-half of the number of the elected members to form a quorum, with the Chief Executive Officer, in addition to his/her own vote, providing the casting vote.

Article 33. The Board of Executive Officers shall perform the acts necessary for the regular operation of the Company and for the management of its business, and shall be authorized to open and close branches, offices or other premises and facilities in any location in Brazil or abroad, subject to the guidelines provided by the Board of Directors.

§ 1 Actions which may affect third parties shall be signed by two executive officers, jointly, or by one executive officer and one attorney-in-fact, or by two attorneys-in-fact, with specific powers.

§ 2 The Company, acting by two of its executive officers, may appoint attorneys-in-fact, specifying in the power of attorney the purpose thereof, the powers granted and the term of the power of attorney, which shall not exceed one year, unless the power of attorney is granted with ad judicia powers, in which case it may be valid for an indefinite term.

§ 3 The Board of Executive Officers may, in exceptional cases, authorize the Company to be represented by one sole executive officer or one sole attorney-in-fact appointed for such purpose, and shall specify the purpose and limit of the powers granted in the minutes of the meeting.

Article 34. The Chief Executive Officer shall:

- a) direct, instruct and coordinate the activities of the Company;
- b) call and preside over the meetings of the Board of Executive Officers; and
- c) represent the Company in court, either as plaintiff or defendant.

Article 35. The executive officer exercising the duties of Investor Relations Officer shall provide information to investors, the CVM and the stock exchange or over-the-counter market on which the Company's securities are traded, as well as maintain the registration of the Company updated in conformity with the CVM's applicable regulations and to meet the other requirements contained in such regulations, in addition to exercising the duties assigned to him/her by the Board of Directors.

Article 36. The executive officers without a specific designation, in addition to their statutory duties, shall perform those duties which may be assigned to them by the Board of Directors.

Article 37. The executive officers shall substitute each other, subject to the following conditions:

- a) in case of the occasional absence and unavailability of the Chief Executive Officer for a period of up to sixty (60) days, the Chairman of the Board of Directors shall nominate a substitute for him/her from among the members of the Board of Executive Officers, and the substitute executive officer shall temporarily exercise the duties of Chief Executive Officer until the latter returns to his/her office or the next following meeting of the Board of Directors, whichever occurs first; and
- b) in case of vacancy in the office of an executive officer, he/she may be replaced, until the following meeting of the Board of Directors, by another executive officer appointed by the Chief Executive Officer.

CHAPTER VII

Committees

Article 38. The Company shall have the following support committees attached to the Board of Directors:

- (a) Audit and Risks Committee;
- (b) People Committee; and
- (c) Strategy Committee

§ 1 Each committee shall have its own internal bylaws, which shall require the approval of the Board of Directors, to govern matters associated with its working and define the role of its coordinator.

§ 2 The Board of Directors may establish additional committees for assisting it in the management of the Company, which may have specific purposes and may appoint their respective members.

§ 3 The same obligations and restrictions imposed by law, by these Bylaws and by the New Market Regulation on the directors and executive officers of the Company shall apply to the members of the Audit and Risks Committee, the People Committee, the Strategy Committee and other additional committees that may be established by the Board of Directors for assistance in the management of the Company.

Article 39. Subject to the criteria set forth below, the Committees shall be comprised of at least three (3) members, being at least one of them a Director, all elected by the Board of Directors for a term of office of two (2) years, and the term shall coincide with the term of office of the Directors, with reelection being permitted for successive terms.

§ 1 During their term of office, the members of each Committee may not be replaced except for the following reasons:

- (a) death or resignation;
- (b) unjustified absence from three (3) consecutive meetings or six (6) alternate meetings per year; or
- (c) a substantiated decision of the Board of Directors.

§ 2 In the event of a vacancy in any member of the Committees, the Board of Directors shall elect a person to complete the term of office of the replaced member.

Section I—Audit and Risks Committee

Article 40. The Audit and Risks Committee shall include at least one (01) independent Director and at least one (01) member with recognized experience in corporate accounting matters, as provided in the applicable regulations of the CVM.

§ 1 A single member of the Audit and Risks Committee may concentrate the two foregoing requirements.

§ 2 The Audit and Risks Committee shall:

- (a) recommend to the Board of Directors the retention and dismissal of independent audit services, as well as propose to the Board of Directors the nomination of the independent auditors and their replacement;
- (b) review the Management Report and the financial statements of the Company and of its controlled companies, and provide the recommendations it deems necessary to the Board of Directors;
- (c) review the quarterly financial information, interim statements, and financial statements prepared by the Company;
- (d) monitor the activities of the Company's internal audit and internal controls departments, including follow up and assessment of the effectiveness and sufficiency of the internal control structure and of the internal and independent audit processes of the Company and of its controlled companies, including in relation to the provisions set forth in the Sarbanes-Oxley Act, submitting the recommendations it deems necessary for the improvement of policies, practices and procedures;
- (e) evaluate and monitor the Company's risk exposure, as per the Risk Management Policy, as well as to provide its opinion on any review of the contents thereof, in addition to advising the Board of Directors in connection with the setting of acceptable risk levels;
- (f) review, monitor and recommend to management any corrections or improvements to be made to the Company's corporate policies;
- (g) establish procedures for the acceptance and handling of information submitted by any party relating to alleged noncompliance with applicable legal and regulatory requirements applicable to the Company, in addition to internal regulations, policies and codes, including procedures for confidential or anonymous submission, safeguarding information secrecy;
- (h) interact with the other Company's governing bodies in connection with the receipt and review of information on noncompliance with legal and regulatory requirements applicable to the Company, as well as with internal regulations, policies and code; and
- (i) provide its opinion on the matters submitted to it by the Board of Directors, as well as on those matters it determines to be relevant.

Section II—People Committee

Article 41. The People Committee shall be comprised of a minimum of two (2) independent Directors, and the other members may be Directors or not.

Sole Paragraph. The People Committee shall:

- (a) propose to the Board of Directors the compensation to be paid to the directors and executive officers and senior employees of the Company and its controlled companies, to the members of the committees and of other governing bodies assisting the Board of Directors, pursuant to the proposal received from the Chief Executive Officer, and periodically revise the parameters and guidelines and, as a result, the compensation policy and other benefits of the Company and its controlled companies;
- (b) propose to the Board of Directors, pursuant to the proposal received from the Chief Executive Officer, the overall compensation of the directors and executive officers of the Company, which shall be submitted to the Shareholders' Meeting, and propose the individual compensation of the Board of Executive Officers;
- (c) ensure that the Company prepares itself adequately for the succession of its directors, executive officers and other key employees, particularly the Chief Executive Officer and the principal executive officers; and
- (d) carry out diligence and supervise the steps taken to ensure that the Company adopts a model of competence and leadership, attraction, retention and motivation in line with its strategic plans.

Section III—Strategy Committee

Article 42. The Strategy Committee shall be comprised entirely of Directors and its duties shall be as follows:

- (a) to advise the Board of Directors in overall business direction, as well as in the drafting and monitoring of the Company's strategic plans and budgets;
- (b) to provide its opinion on, and monitor, the Company's strategic partnerships and main investments, as provided in the Investment Policy; and
- (c) to provide its opinion on the capital allocation strategy and on the management of the Company's portfolio, including mergers and acquisitions.

CHAPTER VIII

Fiscal Council (*Conselho Fiscal*)

Article 43. The Company's Fiscal Council shall be non-permanent and, when installed by the Shareholders' Meeting as provided in Law 6,404/76, shall be comprised of three (3) members and an equal number of alternate members, with such duties, powers and compensation as provided for by law. The Fiscal Council shall have a term of office of one (1) year, with reelection being permitted.

§ 1 Once the Fiscal Council has been installed, the commencement of the term of its full and alternate members shall be conditioned on the execution of the respective deed of investiture, which shall cover their consent to the contents of Article 52 hereof.

§ 2 The Fiscal Council shall hold regular meetings once every quarter, and extraordinary meetings whenever necessary, and shall keep minutes of such meetings in the Company's records.

§ 3 The same obligations and restrictions imposed by law, these Bylaws and the New Market Regulation on the directors and executive officers of the Company shall apply to the members of the Fiscal Council.

CHAPTER IX

Tender Offers

Section I—Sale of a Controlling Interest

Article 44. A direct or indirect sale of the controlling interest in the Company, either in a single transaction, or in a series of successive transactions, shall be conditioned upon the buyer making a tender offer for shares issued by the Company held by the remaining shareholders, subject to the conditions and terms set forth under the applicable laws and regulations and in the New Market Regulation, in order to provide shareholders equal treatment to that afforded to the seller.

Sole Paragraph. The buyer of a controlling interest shall, after the financial settlement of the foregoing tender offer, take the appropriate actions to, over the course of the subsequent eighteen (18) months, restore the minimum percentage of outstanding shares as per the New Market Regulation.

Section II—Acquisition of Relevant Interest

Article 45. Any person, regardless of whether he/she is a shareholder, which, on his/her own account or through Joint Action with another person (“Purchaser of a Relevant Interest”), acquires or becomes the holder of Company shares, through a single transaction or a series of successive transactions, representing twenty percent (20%) or more of its capital stock (“Relevant Interest”), shall be required to make a tender offer for the acquisition of the shares held by the remaining shareholders at a price equal to the highest value per share paid by him/her in the preceding six (6) months, adjusted pursuant to the SELIC Rate.

§1 The Purchaser of a Relevant Interest shall not be required to make the tender offer provided for in this Article, in case he/she shall timely and cumulatively: (a) notify the Company of his/her intent to exercise the right provided for in this Paragraph within forty-eight (48) hours from the time he/she becomes owner of the Relevant Interest; and (b) sell, on a stock exchange, the number of shares of capital stock of the Company that exceeds the Relevant Interest, within thirty (30) days from the date of the notice mentioned in item (a) of this Paragraph.

§2 For purposes of calculating the limit of twenty percent (20%) set forth in the introductory paragraph of this Article, treasury shares held by the Company shall be excluded.

§3 The offer referred to in this Article shall not be required in the event any shareholder, or shareholders joined by a voting agreement registered with the Company, or shareholders who have a controlling relationship or are under common control are holders of more than one-half of the capital stock at the time of the acquisition of the Relevant Interest, excluding, for effects of such calculation, treasury shares held by the Company.

§4 The obligation to carry out the offer provided for in the introductory paragraph of this Article shall not apply in the event the obligation to carry out the offer provided for in Article 44 applies.

Section III—Deregistration as Publicly-Held Company and Withdrawal from the New Market

Article 46. The Company’s deregistration as a publicly-held company, shall be preceded by a tender offer for shares at a fair price, such a tender offer to abide by the procedures and requirements set forth in Law 6,404/76 and the CVM regulations governing tender offers for the purposes of deregistration as a publicly held company.

Article 47. The Company’s withdrawal from the New Market, be it voluntary, mandatory or as a result of a corporate reorganization, shall abide by the rules set forth in the New Market Regulation.

Article 48. As provided in the New Market Regulation and except for the provisions of Article 49, next, the Company's voluntary withdrawal from the New Market, in order for its shares to be registered outside the New Market shall be preceded by a tender offer for shares in line with the procedures set forth in CVM Regulations governing tender offers for shares for the purposes of deregistration as a publicly listed company, and the following requirements:

(a) the price of the tender shall be fair and calculated pursuant to the parameters set forth in Article 4-A of Law 6,404/76 and the applicable CVM Regulations;

(b) holders of interests in excess of one-third (1/3) of shares outstanding shall accept the tender offer or explicitly agree with withdrawal from the segment without selling their shares.

Sole Paragraph — For the purposes of Article 48, item “b”, of the present Bylaws, outstanding shares shall be only those whose holders explicitly agree with withdrawal from the New Market or qualify for the tender offer auction as per the CVM regulations governing tender offers for the purposes of deregistration as a publicly listed company.

Article 49. Voluntary withdrawal from the New Market as provided in foregoing Article 48 may take place irrespective of a tender offer if such a waiver is approved by the Shareholders' Assembly, to convene:

(a) on first call with the attendance of shareholders representing, at least, two-thirds (2/3) of all shares outstanding; or

(b) on second call with any number of holders of outstanding shares in attendance.

Sole Paragraph—The decision regarding the foregoing waiver of a tender offer shall be made by a majority vote of the holders of outstanding shares in attendance at the Shareholders' Meeting;

Article 50. A single tender offer may be made for more than one of the purposes provided for in this Chapter, in the New Market Regulation, in Law 6,404/76 or in the regulations issued by the CVM, provided that the procedures used in the tender offer are compatible with all requirements of each different tender offer, the tender offer offerees do not suffer any damages and the authorization of the CVM is obtained, when required by applicable law.

Article 51. To the extent the rights provided for in these Bylaws to shareholders with respect to tender offers are affected, the rules set forth by the New Market Regulation will prevail over the provisions herein.

CHAPTER X

Arbitration Court

Article 52. The Company, its shareholders, directors and executive officers and the full and alternate members of the Fiscal Council, if any, are required to submit to arbitration at the Market Arbitration Tribunal, pursuant to the rules thereof, any and all controversies arising between them, either related to or resulting from their status as issuer, shareholders, managers and members of the Fiscal Council, in particular if arising from the provisions set forth in Law 6,385/76, Law 6,404/76, in the Bylaws, in the rules enacted by the National Monetary Council, the Central Bank of Brazil and the CVM, as well as other rules applicable to capital markets in general, in addition to those set forth in the New Market Regulation, other B3 regulations and the New Market Participation Agreement.

CHAPTER XI

Fiscal Year

Article 53. The fiscal year begins on January 1st and ends on December 31st of each year.

Article 54. After the balance sheet and the other financial statements are prepared, and after the deduction of accrued losses, the provision for income tax and, if applicable, the provision for directors' and executive officers' annual profit sharing, five percent (5%) of the net profit will be allocated to the legal reserve, up to the limit of twenty percent (20%) of the capital stock.

§1 The remaining profit will have the following destination:

a) fifty percent (50%) for payment of the mandatory dividend to the shareholders, deducted by semiannual or interim dividends that may have already been distributed; and

b) by proposal of the managing bodies, up to fifty percent (50%) for creating an investment reserve, aimed at protecting the integrity of the Company's assets and to supplement its capital stock, in order to allow new investments to be made, up to the limit of one hundred percent (100%) of the capital stock, provided that the balance of such reserve, when combined with other profit reserve balances, except for the unrealized profit reserve and the contingency reserves, shall not exceed one hundred percent (100%) of the capital stock and, once such limit is reached, the shareholders' meeting shall determine the allocation of the surplus through an increase of the capital stock or in the distribution of dividends; and

c) the balance will be allocated according to the resolution adopted at the Shareholders' Meeting, which will take into account the Board of Directors' proposal.

§ 2 The Company may, in addition to the annual balance sheet, prepare semiannual or interim balance sheets at any time, and the Board of Directors may, at referendum of the Shareholders' Meeting, declare interim dividends to the account of retained earnings or profit reserves recorded in its latest annual or semiannual balance sheets.

§ 3 Dividends not claimed within three (3) years from the date they were made available to the shareholders shall be forfeited to the Company.

CHAPTER XII

Miscellaneous

Article 55. The Company shall be liquidated as provided for by law, and the Shareholders' Meeting shall decide the method of liquidation, appoint the liquidator and elect the Fiscal Council to operate during the liquidation process.

Article 56. The minutes of the Shareholders' Meetings, as well as the minutes of meetings of the Board of Directors and of the Board of Executive Officers, shall be mechanically issued, in separate pages, and signed by the attendees, for subsequent bookbinding. In the event they contain resolutions affecting third parties, they shall be filed with the Commerce Registry Office and published.

ULTRAPAR INTERNATIONAL S.A.
as Issuer

ULTRAPAR PARTICIPAÇÕES S.A. AND IPIRANGA PRODUTOS DE PETRÓLEO S.A.

as Guarantors

THE BANK OF NEW YORK MELLON
as Trustee, Transfer Agent and Registrar

THE BANK OF NEW YORK MELLON
as Principal Paying Agent

and

THE BANK OF NEW YORK MELLON (LUXEMBOURG) S.A.
as Luxembourg Paying Agent and Luxembourg Transfer Agent

Indenture

Dated as of October 6, 2016

US\$750,000,000 5.250% Notes Due 2026
Unconditionally and Irrevocably Guaranteed by
Ultrapar Participações S.A. and Ipiranga Produtos de Petróleo S.A.

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INDENTURE, dated as of October 6, 2016, between ULTRAPAR INTERNATIONAL S.A., a public limited liability company (*société anonyme*) organized and established under the laws of the Grand Duchy of Luxembourg, having its registered office at 6 rue Eugène Ruppert, L-2458 Luxembourg and registered with the Luxembourg Trade and Companies Register (*Registre de commerce et des sociétés, Luxembourg*) under number B 208982, as the Issuer, ULTRAPAR PARTICIPAÇÕES S.A. and IPIRANGA PRODUTOS DE PETRÓLEO S.A. as the Guarantors, THE BANK OF NEW YORK MELLON as Trustee, Transfer Agent, Registrar and Paying Agent, THE BANK OF NEW YORK MELLON as Principal Paying Agent, and THE BANK OF NEW YORK MELLON (LUXEMBOURG) S.A. as Luxembourg Paying Agent and Luxembourg Transfer Agent.

RECITALS

The Issuer has duly authorized the execution and delivery of the Indenture to provide for the issuance of up to US\$750,000,000 aggregate principal amount of the Issuer's 5.250% Notes due 2026, and, if and when issued, any Additional Notes as provided herein (the "**Notes**"). All things necessary to make the Indenture a valid and binding agreement of the Issuer, in accordance with its terms, have been done, and the Issuer has done all things necessary to make the Notes (in the case of the Additional Notes, when duly authorized), when executed by the Issuer and authenticated and delivered by the Trustee and duly issued by the Issuer, the valid obligations of the Issuer as hereinafter provided. The Notes will be fully, irrevocably and unconditionally guaranteed by Ultrapar Participações S.A. ("**Ultrapar**"), as a Guarantor, and Ipiranga Produtos de Petróleo S.A. ("**Ipiranga**"), as a Guarantor, on a joint and several basis as hereinafter provided in Article 10 (the "**Guarantees**"). All things necessary to make the Indenture a valid and binding agreement of the Guarantors, in accordance with its terms, have been done, and each Guarantor has done all things necessary to make the Guarantees of the Guarantor when executed by the Guarantor, the valid, legal and binding obligation of each Guarantor.

WITNESSETH

For and in consideration of the premises and the purchase of the Notes by the Holders thereof, the parties hereto covenant and agree, for the equal and proportionate benefit of all Holders, as follows:

ARTICLE 1

DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.01. *Definitions.*

"**Additional Amounts**" has the meaning assigned to such term in Section 3.01.

"**Additional Notes**" means any Notes issued under the Indenture in addition to the Initial Notes, having the same terms in all respects as the Initial Notes except that interest will accrue on the Additional Notes from their date of issuance, *provided, however*, that such Additional Notes shall either be (1) fungible with the Initial Notes for U.S. federal income tax purposes or (2) issued under a separate CUSIP or other identifying number.

"**Affiliate**" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person. For purposes of this definition, "**control**" (including, with correlative meanings, the terms "**controlling**," "**controlled by**" and "**under common control with**") with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"**Agent**" means any Registrar, Paying Agent, Transfer Agent or Authenticating Agent, as duly appointed by the Issuer or by the Trustee in the case of the Authenticating Agent.

“Agent Member” means a member of, or a participant in, the Depositary.

“Applicable GAAP” means the accepted accounting principles in Brazil or/and the International Financial Reporting Standards (IFRS) as in effect from time to time.

“Authenticating Agent” refers to the Trustee’s designee for authentication of the Notes.

“Bail-in Legislation” means in relation to a member state of the European Economic Area which has implemented, or which at any time implements, the BRRD, the relevant implementing law, regulation, rule or requirement as described in the EU Bail-in Legislation Schedule from time to time.

“Bail-in Powers” means any Write-down and Conversion Powers as defined in relation to the relevant Bail-in Legislation.

“bankruptcy default” has the meaning assigned to such term in Article 6.

“BNDES” means Brazilian National Bank for Economic and Social Development.

“Board of Directors” means the board of directors or comparable governing body of the Issuer, or any committee thereof duly authorized to act on its behalf.

“Board Resolution” means a resolution duly adopted by the Board of Directors and remains in full force and effect as of the date of its certification.

“Brazil” means the Federative Republic of Brazil.

“BRRD” means Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms.

“BRRD Liability” has the same meaning as in such laws, regulations, rules or requirements implementing the BRRD under the applicable Bail-in Legislation.

“BRRD Party” means any entity subject to Bail-in Powers.

“Business Day” means any day except a Saturday, Sunday or other day on which commercial banks in New York City or in the City of São Paulo or in the city where the Corporate Trust Office of the Trustee is located are authorized by law to close.

“Capital Lease” means, with respect to any Person, any lease of any properties or assets which, in conformity with Applicable GAAP, is required to be capitalized on the balance sheet of such Person.

“Capital Stock” means, with respect to any Person, any and all shares of stock of a corporation, partnership interests or other equivalent interests (however designated, whether voting or non-voting) in such Person’s equity, entitling the Holder to receive a share of the profits and losses, and a distribution of assets, after liabilities, of such Person.

“Cash Equivalents” means:

(1) Brazilian reais, United States dollars, or money in other currencies received in the ordinary course of business that are convertible into United States dollars within three months;

(2) any evidence of Debt with a maturity of 180 days or less issued or directly and fully guaranteed or insured by the Federative Republic of Brazil or the United States of America or any agency or instrumentality thereof, *provided* that the full faith and credit of the Federative Republic of Brazil or the United States of America is pledged in support thereof;

(3) (i) demand deposits, (ii) time deposits and certificates of deposit with maturities of one year or less from the date of acquisition, (iii) bankers’ acceptances with maturities not exceeding one year from the date of acquisition, and (iv) overnight bank deposits, in each case with any bank or trust company organized or licensed under the laws of the Federative Republic of Brazil or any political subdivision thereof or the United States or any state thereof having capital, surplus and undivided profits in excess of U.S.\$500 million whose short-term debt is rated “A-2” or higher by S&P or “P-2” or higher by Moody’s;

(4) repurchase obligations with a term of not more than seven days for underlying securities of the type described in clauses (2) and (3) above entered into with any financial institution meeting the qualifications specified in clause (3) above;

(5) commercial paper rated at least P 1 by Moody’s or A 1 by S&P and maturing within six months after the date of acquisition; and

(6) money market funds at least 95% of the assets of which consist of investments of the type described in clauses (1) through (5) above.

“Central Bank” means the Central Bank of Brazil (Banco Central do Brasil).

“Certificated Note” means a Note in registered individual form without interest coupons.

“Change of Control” means: (1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of Ultrapar and its Subsidiaries, taken as a whole, to any “person” or “group” (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act) other than to one or more of the Permitted Holders; or (2) the consummation of any transaction (including without limitation, any merger or consolidation) the result of which is that any “person” or “group” (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act) but excluding any one or more of the Permitted Holders (x) becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the outstanding Voting Stock of Ultrapar, measured by voting power rather than number of shares or (y) becomes entitled to elect a majority of the board of directors of Ultrapar.

“Code” means the U.S. Internal Revenue Code of 1986, as amended.

“Comparable Treasury Issue” means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such Notes.

“Comparable Treasury Price” means, with respect to any redemption date (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotation or (2) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

“Consolidated Net Tangible Assets” means the total amount of assets of Ultrapar and its Subsidiaries (less applicable depreciation, amortization and other valuation reserves), except to the extent resulting from write ups of capital assets subsequent to the Issue Date, after deducting therefrom (i) all current liabilities of Ultrapar and its Subsidiaries (excluding intercompany items) and (ii) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangibles of Ultrapar and its Subsidiaries as set forth on the most recent financial statements delivered (or deemed to be delivered) by Ultrapar to the Trustee pursuant to Section 4.09 in each case in accordance with Applicable GAAP.

“Corporate Trust Office” means the office of the Trustee at which the corporate trust business of the Trustee is principally administered, which at the date of this Indenture is located at 101 Barclay Street, Floor 7E, New York, New York 10286, Attention: Global Corporate Trust.

“Debt” means, with respect to any Person, without duplication,

- (a) all indebtedness of such Person for borrowed money, including advances from customers;
- (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (c) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments, excluding obligations in respect of trade letters of credit, bankers’ acceptances or other similar instruments issued in respect of trade accounts payables to the extent not drawn upon or presented, or, if drawn upon or presented, to the extent the resulting obligation of the Person is paid within 10 Business Days;
- (d) all obligations of such Person as lessee under Capital Leases;
- (e) all Debt of other Persons Guaranteed by such Person to the extent so Guaranteed;
- (f) all Debt of other Persons secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person; and
- (g) all obligations of such Person under Hedging Agreements.

The amount of Debt of any Person will be deemed to be:

- (a) with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation;
- (b) with respect to Debt secured by a Lien on an asset of such Person but not otherwise the obligation, contingent or otherwise, of such Person, the lesser of (x) the fair market value of such asset on the date the Lien attached and (y) the amount of such Debt;
- (c) with respect to any Debt issued with original issue discount, the face amount of such Debt less the remaining unamortized portion of the original issue discount of such Debt;
- (d) with respect to any Hedging Agreement, the net amount of termination or liquidation payments that would be due to (or plus the net amount of termination or liquidation payments that would be payable by) in respect of any Hedging Agreements at such time if such payments were to become due at such time, except for those Hedging Agreements which are stated at cost plus accrued income (on a “*pro rata temporis*” basis); and
- (e) otherwise, the outstanding principal amount thereof.

The principal amount of any Debt or other obligation that is denominated in any currency other than United States dollars (after giving effect to any Hedging Agreement in respect thereof) shall be the amount thereof, as determined pursuant to the foregoing sentence, converted into United States dollars at the Spot Rate in effect on the date of determination.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Depository” means the depository of each Global Note, which will initially be DTC.

“Designated Affiliate” means, at any time, one or more Persons designated by Ultrapar to be the purchaser of notes under an Offer to Purchase.

“Dollars” means United States Dollars in immediately available funds.

“DTC” means The Depository Trust Company, a New York corporation, and its successors.

“DTC Legend” means the legend set forth in Exhibit C.

“EU Bail-in Legislation Schedule” means the document described as such, then in effect, and published by the Loan Market Association (or any successor person) from time to time at <http://www.lma.eu.com/>.

“Event of Default” has the meaning assigned to such term in Article 6.

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended.

“Global Note” means a Note in registered global form without interest coupons.

“Guarantee” means any obligation of a Person to pay the Debt of another Person, including without limitation:

- (1) an obligation to pay or purchase such Debt;
- (2) an obligation to lend money or to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Debt; or
- (3) any other agreement to be responsible for such Debt.

The term **“Guarantee”** used as a verb has a corresponding meaning.

“Guarantor” means, at any time, each Person guaranteeing the Issuer’s obligations under this Indenture.

“Hedging Agreement” means (i) any interest rate swap agreement, interest rate cap agreement or other agreement designed to protect against fluctuations in interest rates or (ii) any foreign exchange forward contract, currency swap agreement or other agreement designed to protect against fluctuations in foreign exchange rates or (iii) any commodity or raw material futures contract or any other agreement designed to protect against fluctuations in raw material prices.

“Holder” or **“Noteholder”** means the registered holder of any Note.

“Incur” means, with respect to any Debt or Capital Stock, to incur, create, issue, assume or guaranty such Debt or Capital Stock. If any Person becomes a Subsidiary on any date after the date of this Indenture, the Debt and Capital Stock of such Person outstanding on such date will be deemed to have been Incurred by such Person on such date. The accretion of original issue discount or payment of interest in kind will not be considered an Incurrence of Debt.

“Indenture” means this indenture, as amended or supplemented from time to time.

“Independent Investment Banker” means one of the Reference Treasury Dealers appointed by Ultrapar.

“Initial Notes” means the Notes issued on the date hereof.

“Initial Purchaser” or **“Initial Purchasers”** means any initial purchaser or initial purchasers party to a purchase agreement with the Issuer relating to the sale of the Notes or Additional Notes by the Issuer.

“Interest Payment Date” means each April 6 and October 6 of each year, commencing April 6, 2017.

“Investment Grade” means BBB- or higher by Standard & Poor’s, Baa3 or higher by Moody’s or BBB- or higher by Fitch, or the equivalent of such global ratings by Standard & Poor’s, Moody’s or Fitch.

“Issue Date” means the date on which the Notes are originally issued under this Indenture.

“Issuer” means the party named as such in the first paragraph of this Indenture or any successor obligor under this Indenture and the Notes pursuant to Section 5.01.

“Lien” means any mortgage, pledge, lien, hypothecation, security interest, sale- leaseback arrangement, preferential arrangement or other charge or encumbrance, or any similar arrangement, including any equivalent created or arising under the laws of Brazil, Luxembourg or the United States, as the case may be.

“Luxembourg Paying Agent” means The Bank of New York Mellon (Luxembourg) S.A., or such other Luxembourg paying agent as the Issuer shall appoint.

“Luxembourg Transfer Agent” means The Bank of New York Mellon (Luxembourg) S.A., or such other Luxembourg transfer agent as the Issuer shall appoint.

“Moody’s” means Moody’s Investors Services.

“Material Adverse Effect” means a material adverse effect on (a) the financial condition, business, properties or results of operation of the Issuer or the Guarantors and its Subsidiaries, taken as a whole or (b) the rights of the Trustee, acting on behalf of the Noteholders, or such Noteholders, under the Indenture and the Notes.

“Maturity Date” means October 6, 2026.

“Minimum Withholding Level” has the meaning assigned to such term in Section 3.03.

“Non U.S. Person” has the meaning assigned to such term in Regulation S.

“Notes” has the meaning assigned to such term in the Recitals.

“obligations” means, with respect to any Debt, all obligations (whether in existence on the Issue Date or arising afterwards, absolute or contingent, direct or indirect) for or in respect of principal (when due, upon acceleration, upon redemption, upon mandatory repayment or repurchase pursuant to a mandatory offer to purchase, or otherwise), premium, interest, penalties, fees, indemnification, reimbursement and other amounts payable and liabilities with respect to such Debt, including all interest accrued or accruing after the commencement of any bankruptcy, insolvency or reorganization or similar case or proceeding at the contract rate (including, without limitation, any contract rate applicable upon default) specified in the relevant documentation, whether or not the claim for such interest is allowed as a claim in such case or proceeding.

“Offering Memorandum” means the final offering memorandum dated September 29, 2016 prepared by the Issuer in connection with the Notes.

“Officer” means a director, the president or chief executive officer, any vice president, the chief financial officer, the treasurer or any assistant treasurer, or the secretary or any assistant secretary, of each of the Issuer and the Guarantors, as applicable, or any other Person duly appointed by the shareholders of each of the Issuer and the Guarantors, as applicable, or the Board of Directors to perform corporate duties.

“Officer’s Certificate” means a certificate of each of the Issuer and the Guarantors, as applicable, signed in the name of (i) the Issuer, as applicable, by any director, the president or chief executive officer, any vice president, the chief financial officer, the treasurer or any assistant treasurer or the secretary or any assistant secretary of the Issuer and (ii) each Guarantor, as applicable, by any two of a director, the president or chief executive officer, any vice president, the chief financial officer, the treasurer or any assistant treasurer or the secretary or any assistant secretary of each Guarantor.

“Offshore Global Note” means a Global Note representing Notes issued and sold pursuant to Regulation S.

“Opinion of Counsel” means a written opinion signed by legal counsel reasonably acceptable to the Trustee.

“Outstanding”, shall have the meaning given to it in Section 2.05.

“Paying Agent” refers to the Principal Paying Agent, the Luxembourg Paying Agent, The Bank of New York Mellon in its capacity as paying agent, and such other paying agents as the Issuer shall appoint.

“Payment Date” means an Interest Payment Date or any other date on which payments on the Notes in respect of principal, interest or other amounts, including as a result of any acceleration of the Notes, are required to be paid pursuant to this Indenture and the Notes.

“Permitted Holder” means Ultra S.A. Participações or any Affiliate thereof.

“Permitted Liens” means:

- (1) Liens existing on the Issue Date;
- (2) Liens securing the Notes or any Guarantees of the Notes;
- (3) Liens incurred in the ordinary course of business not securing Debt and not in the aggregate materially detracting from the value of the properties or their use in the operation of the business of Ultrapar and its Subsidiaries;
- (4) Liens (including the interest of a lessor under a Capital Lease) on properties or assets or the Capital Stock of any Person owning such properties or assets that secure Debt Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of such properties, assets or capital stock and which attach within 365 days after the date of the purchase of such properties or assets or the completion of construction or improvement;
- (5) Liens granted in favor of any Brazilian governmental financial institution (including but not limited to BNDES and the BNDES system) and any multilateral or foreign governmental financial institution or development agency;
- (6) Liens on properties, assets or capital stock of a Person at the time such Person becomes a Subsidiary of Ultrapar, including Liens incurred in contemplation of the transaction in which such Person became a Subsidiary of Ultrapar provided that such Liens do not extend to any other properties assets or capital stock of Ultrapar or any Subsidiary;
- (7) Liens on properties or assets at the time Ultrapar or any of its Subsidiaries acquires such properties or assets, including any acquisition by means of merger or consolidation with or into Ultrapar or a Subsidiary, and including Liens incurred in contemplation of any such acquisition of property or assets provided that such Liens do not extend to any other properties or assets of Ultrapar or any Subsidiary;
- (8) Liens securing Hedging Agreements so long as such Hedging Agreements are entered into in the ordinary course of business and not for speculative purposes;
- (9) Liens on the receivables of Ultrapar or any of its Subsidiaries securing obligations under any working capital facility entered into in the ordinary course of business; provided that the aggregate amount of receivables securing Debt shall not exceed 80% of Ultrapar’s and its Subsidiaries’ aggregate outstanding receivables from time to time;
- (10) Liens in favor of surety bonds or letters of credit issued pursuant to the request of, and for the account of, a Person in the ordinary course of its business;
- (11) extensions, renewals or replacements of any Liens referred to in clauses (1) to (9) in connection with the refinancing of the obligations secured thereby, provided that such Lien does not extend to any other properties or assets and the amount secured by such Lien is not increased;
- (12) any rights of set-off of any Person with respect to any deposit account of Ultrapar or any of its Subsidiaries arising in the ordinary course of business;
- (13) any Lien securing taxes, assessments and other governmental charges, the payment of which are not yet due or are being contested in good faith by appropriate proceedings and for which such reserves or other appropriate provisions, if any, have been established as required by Applicable GAAP;
- (14) minor defects, easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business and encumbrances consisting of zoning restrictions, licenses, restrictions on the use of property or assets or minor imperfections in title that do not materially impair the value or use of the property or assets affected thereby, and any leases and subleases of real property that do not interfere with the ordinary conduct of the business of Ultrapar or any of its Subsidiaries, and which are made on customary and usual terms applicable to similar properties; and
- (15) other Liens securing obligations in an aggregate amount not exceeding the greater of: (i) U.S.\$150 million (or the equivalent thereof at the time of determination) and (ii) 15% of the Consolidated Net Tangible Assets.

“Person” means any individual, company, corporation, firm, partnership, limited liability company, joint venture, association, organization, state or agency of a state or other entity, whether or not having separate legal personality.

“principal” of any Debt means the principal amount of such Debt, (or if such Debt was issued with original issue discount, the face amount of such Debt less the remaining unamortized portion of the original issue discount of such Debt), together with, unless the context otherwise indicates, any premium then payable on such Debt.

“Principal Paying Agent” means The Bank of New York Mellon, or such other principal paying agent as the Issuer shall appoint.

“Rating Agency” means each of (1) Standard & Poor’s, (2) Moody’s and (3) Fitch, or their respective successors; provided that if any of Standard & Poor’s, Moody’s or Fitch ceases to rate the notes or fails to make a rating on the notes publicly available, Ultrapar will appoint a replacement for such Rating Agency that is a “nationally recognized statistical rating organization” within the meaning of Section 3(a)(62) of the Exchange Act.

“Rating Decline” means that at any time within 90 days (which period shall be extended so long as the rating of the notes is under publicly announced consideration for possible downgrade by either Rating Agency) after the date of public notice of a Change of Control, or of the Issuer’s or Ultrapar’s intention, or that of any Person, to effect a Change of Control (i) in the event the notes are assigned an Investment Grade rating by at least two of the Rating Agencies prior to such public notice, the rating of the notes by at least two of the Rating Agencies shall be below an Investment Grade rating; or (ii) in the event the notes are rated below an Investment Grade rating by at least two of the Rating Agencies prior to such public notice, the rating of the notes by at least two of the Rating Agencies shall be decreased by one or more categories; provided that any such Rating Decline is in whole or in part in connection with a Change of Control.

“Reference Treasury Dealer” means Morgan Stanley & Co. Incorporated or its affiliates which are primary United States government securities dealers and three other leading primary United States government securities dealers in New York City reasonably designated by the Issuer; provided, however, that if any of the foregoing shall cease to be a primary United States government securities dealer in New York City (a **“Primary Treasury Dealer”**), Ultrapar will substitute therefor another Primary Treasury Dealer.

“Reference Treasury Dealer Quotation” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 3:30 p.m. New York time on the third Business Day preceding such redemption date.

“Register” has the meaning assigned to such term in Section 2.09.

“Registrar” means The Bank of New York Mellon.

“Regular Record Date” for the interest or principal payable on any Payment Date means March 22 or September 21 (whether or not a Business Day) immediately preceding such Payment Date.

“Regulation S” means Regulation S under the Securities Act.

“Regulation S Certificate” means a certificate substantially in the form of Exhibit D hereto.

“Relevant Date” means, with respect to any payment on a Note, whichever is the later of: (i) the date on which such payment first becomes due; and (ii) if the full amount payable has not been received by the Trustee on or prior to such due date, the date on which notice is given to the Holders that the full amount has been received by the Trustee.

“Relevant Resolution Authority” means the resolution authority with the ability to exercise any Bail-in Powers in relation to the relevant BRRD Party.

“Responsible Officer of the Trustee” means any officer within the corporate trust department of the Trustee, including any vice president, assistant vice president, secretary, assistant secretary, treasurer, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions similar to those performed by the Persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person’s knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of this Indenture.

“Restricted Legend” means the legend set forth in Exhibit B.

“Rule 144A” means Rule 144A under the Securities Act.

“Rule 144A Certificate” means (i) a certificate substantially in the form of Exhibit E hereto or (ii) a written certification addressed to the Issuer and the Trustee to the effect that the Person making such certification (x) is acquiring such Note (or beneficial interest) for its own account or one or more accounts with respect to which it exercises sole investment discretion and that it and each such account is a qualified institutional buyer within the meaning of Rule 144A, (y) is aware that the transfer to it or exchange, as applicable, is being made in reliance upon the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A, and (z) acknowledges that it has received such information regarding the Issuer as it has requested pursuant to Rule 144A(d)(4) or has determined not to request such information to the extent that the Issuer is not then subject to Section 13 or 15(d) of the Exchange Act, or is not exempt from reporting pursuant to Rule 12g3 2(b) under the Exchange Act.

“S&P” means Standard & Poor’s.

“SEC” or **“Commission”** means the U.S. Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, or, if at any time after execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties on such date.

“Securities Act” means the U.S. Securities Act of 1933, as amended.

“Significant Subsidiary” means any Subsidiary of Ultrapar which at the time of determination had assets which, as of the date of Ultrapar’s most recent quarterly consolidated balance sheet, constituted at least 10% of Ultrapar’s total assets, determined on the basis of the consolidated assets of Ultrapar and its Subsidiaries as of such date, after giving pro forma effect to any acquisition or disposition of companies, divisions, lines of business, operations or asserts by Ultrapar and its Subsidiaries subsequent to the date of such consolidated balance sheet.

“Spot Rate” means, for any currency, the spot rate at which that currency is offered for sale against United States dollars as published in The Wall Street Journal on the Business Day immediately preceding the date of determination or, if that rate is not available in that publication, as published in any publicly available source of similar market data, as determined by the Issuer.

“Stated Maturity” means (i) with respect to any Debt, the date specified as the fixed date on which the final installment of principal of such Debt is due and payable or (ii) with respect to any scheduled installment of principal of or interest on any Debt, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Debt.

“Subsidiary” means, in respect of any specified Person at any particular time, any other Person:

(1) whose affairs and policies such Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of such other Person or otherwise; or

(2) whose financial statements are, in accordance with applicable law and generally accepted accounting principles or standards, consolidated with those of such Person.

“Successor Corporation” has the meaning assigned to such term in Section 5.01.

“Transfer Agent” refers to The Bank of New York Mellon in its capacity as transfer agent, the Luxembourg Transfer Agent and such other transfer agents as the Issuer shall appoint.

“Treasury Rate” means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, as calculated by the Issuer.

“Trust Indenture Act” or **“TIA”** means the U.S. Trust Indenture Act of 1939, as amended and as in force at the date as of which this Indenture was executed.

“Trustee” means the party named as such in the first paragraph of this Indenture or any successor trustee under this Indenture pursuant to Article 7.

“U.S. Global Note” means a Global Note that bears the Restricted Legend representing Notes issued and sold pursuant to Rule 144A.

“U.S. Government Obligations” means obligations issued or directly and fully guaranteed or insured by the United States of America or by any agent or instrumentality thereof, provided that the full faith and credit of the United States of America is pledged in support thereof.

“Voting Stock” means, with respect to Ultrapar as of any date, the Capital Stock of Ultrapar that is at the time entitled to vote generally in the election of the Board of Directors of Ultrapar and in respect of other matters presented at shareholders’ meetings of Ultrapar.

“Wholly-owned Subsidiary” means a Subsidiary of which at least 95% of the Capital Stock (other than directors’ qualifying shares) is owned by Ultrapar, by one or more Wholly-owned Subsidiaries of Ultrapar or by Ultrapar and one or more Wholly-owned Subsidiaries of Ultrapar.

Section 1.02. *Rules of Construction.* Unless the context otherwise requires or except as otherwise expressly provided,

(i) an accounting term not otherwise defined has the meaning assigned to it in accordance with Applicable GAAP;

(ii) “herein,” “hereof” and other words of similar import refer to the Indenture as a whole and not to any particular Section, Article or other subdivision;

(iii) all references to “Dollars” US\$ and “\$” shall mean the lawful currency of the United States of America;

(iv) all references to Sections or Articles or Exhibits refer to Sections or Articles or Exhibits of or to the Indenture unless otherwise indicated;

(v) references to agreements or instruments, or to statutes or regulations, are to such agreements or instruments, or statutes or regulations, as amended from time to time (or to successor statutes and regulations);

(vi) in the event that a transaction meets the criteria of more than one category of permitted transactions or listed exceptions, the Issuer may classify such transaction as it, in its sole discretion, determines;

(vii) words in the singular include the plural, and in the plural include the singular; and

(viii) all other terms used herein which are defined in the TIA, either directly or by reference therein, have the meanings assigned to them therein, and the terms “cash transaction” and “self-liquidating paper,” as used in TIA Section 311, shall have the meanings assigned to them in the rules of the Commission adopted under the TIA.

ARTICLE 2
THE NOTES

Section 2.01. *Form, Dating and Denominations; Legends.*

(a) The Notes and the Trustee's certificate of authentication will be substantially in the form attached as Exhibit A. The terms and provisions contained in the form of the Notes annexed as Exhibit A constitute, and are hereby expressly made, a part of this Indenture. The Notes may have notations, legends or endorsements required by law, rules of or agreements with national securities exchanges to which the Issuer is subject, or usage. Each Note will be dated the date of its authentication. The Notes will be issuable in denominations of US\$200,000 in original principal amount and any multiple of US\$1,000 in excess thereof.

(b) (i) Except as otherwise provided in paragraph (c) below or Section 2.09(b)(iv), each Initial Note or Additional Note will bear the Restricted Legend.

(ii) Each Global Note, whether or not an Initial Note or Additional Note, will bear the DTC Legend.

(iii) Initial Notes and Additional Notes offered and sold in reliance on Regulation S will be issued as provided herein.

(iv) Initial Notes and Additional Notes offered and sold in reliance on any exception under the Securities Act other than Regulation S and Rule 144A will be issued, and upon the request of the Issuer to the Trustee, Initial Notes offered and sold in reliance on Rule 144A may be issued, in the form of Certificated Notes.

(c) If the Issuer determines (upon the advice of counsel and such other certifications and evidence as the Issuer may reasonably require) that a Note is eligible for resale pursuant to Rule 144(k) under the Securities Act (or a successor provision) and that the Restricted Legend is no longer necessary or appropriate in order to ensure that subsequent transfers of the Note (or a beneficial interest therein) are effected in compliance with the Securities Act, the Issuer may instruct the Trustee in writing to cancel the Note and issue to the Holder thereof (or to its transferee) a new Note of like tenor and amount, registered in the name of the Holder thereof (or its transferee), that does not bear the Restricted Legend, and the Trustee will comply with such instruction provided that the Trustee has received an Officer's Certificate and Opinion of Counsel and such other evidence as the Trustee may require to comply with such action.

(d) By its acceptance of any Note bearing the Restricted Legend (or any beneficial interest in such a Note), each Holder thereof and each owner of a beneficial interest therein acknowledges the restrictions on transfer of such Note (and any such beneficial interest) set forth in this Indenture and in the Restricted Legend and agrees that it will transfer such Note (and any such beneficial interest) only in accordance with this Indenture and such legend.

Section 2.02. *Execution and Authentication; Additional Notes.*

(a) An Officer shall execute the Notes for the Issuer by facsimile or manual signature in the name and on behalf of the Issuer. If an Officer whose signature is on a Note no longer holds that office at the time the Note is authenticated, the Note will still be valid. The original Notes will be delivered to the Trustee as custodian for the Depository promptly after execution.

(b) A Note will not be valid until the Trustee or the Authenticating Agent (manually or by facsimile) signs the certificate of authentication on the Note, with the signature constituting conclusive evidence that the Note has been authenticated under this Indenture.

(c) At any time and from time to time after the execution and delivery of this Indenture, the Issuer may deliver Notes executed by the Issuer to the Trustee or the Authenticating Agent for authentication. The Trustee or the Authenticating Agent will authenticate and deliver:

(i) Notes for original issue in the aggregate principal amount not to exceed US\$750,000,000; and

(ii) Additional Notes from time to time for original issue in aggregate principal amounts specified by the Issuer, which Additional Notes will be treated as a single class with the Initial Notes issued under this Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase; after receipt by the Trustee of an Officer's Certificate specifying:

(i) the amount of Notes to be authenticated and the date on which the Notes are to be authenticated;

(ii) whether the Notes are to be Initial Notes or Additional Notes;

- (iii) in the case of Additional Notes, that the issuance of such Notes does not contravene any provision of Article 4;
 - (iv) whether the Notes are to be issued as one or more Global Notes or Certificated Notes; and
 - (v) other information the Issuer may determine to include or the Trustee may reasonably request.
- (d) The Trustee shall be fully protected in relying upon documents (i) to (v) above.

Section 2.03. *Registrar, Paying Agent and Authenticating Agent; Paying Agent to Hold Money in Trust.* (a) The Issuer may appoint one or more Registrars and one or more Paying Agents, and the Trustee may appoint, with a copy of any such appointment to the Issuer, an Authenticating Agent, in which case each reference in this Indenture to the Trustee in respect of the obligations of the Trustee to be performed by that Agent will be deemed to be references to that Agent. The Issuer may act as Registrar or (except for purposes of Section 7.11) Paying Agent. In each case the Issuer and the Trustee will enter into an appropriate agreement with that Agent implementing the provisions of this Indenture relating to the obligations of the Trustee to be performed by the Agent and the related rights. The Issuer initially appoints the Trustee as Registrar and as a Paying Agent. The Registrar shall provide to the Issuer a current copy of such register from time to time upon written request of the Issuer. Upon written request from the Issuer or each time the register of Holders is amended, the Registrar shall provide the Issuer with a copy of the register of Holders to enable it to maintain a register of the Notes at its registered office in accordance with the Luxembourg law of August 10, 1915 on commercial companies, as amended. In the event of any discrepancies between the register of the Notes held by the Registrar and the register of the Notes held by the Issuer at its registered office, the register of the Notes held by the Issuer shall prevail for Luxembourg law purposes. The Issuer hereby appoints upon the terms and subject to the conditions herein set forth (i) The Bank of New York Mellon as Principal Paying Agent, where Notes may be presented for payment and (ii) The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg Paying Agent at any time that the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market, located in Luxembourg where Notes may be presented for payment.

(b) The Issuer will require each Paying Agent other than the Trustee to agree in writing that the Paying Agent will hold in trust for the benefit of the Holders or the Trustee all money held by the Paying Agent for the payment of principal of and interest on the Notes and will promptly notify the Trustee of any Default by the Issuer in making any such payment. The Issuer at any time may require a Paying Agent to pay all money held by it to the Trustee and account for any funds disbursed, and the Trustee may at any time during the continuance of any payment default, upon written request to a Paying Agent, require the Paying Agent to pay all money held by it to the Trustee and to account for any funds disbursed. Upon doing so, the Paying Agent will have no further liability for the money so paid over to the Trustee.

Section 2.04. *Replacement Notes.* If a mutilated Note is surrendered to the Trustee or if a Holder claims that its Note has been lost, destroyed or wrongfully taken, the Issuer will issue and the Trustee will authenticate, upon provision of evidence satisfactory to the Trustee that such Note was lost, destroyed or wrongfully taken, a replacement Note of like tenor and principal amount and bearing a number not contemporaneously Outstanding. Every replacement Note is an additional obligation of the Issuer and entitled to the benefits of this Indenture. If required by the Trustee or the Issuer, an indemnity must be furnished that is sufficient in the judgment of both the Trustee and the Issuer to protect the Issuer and the Trustee from any loss they may suffer if a Note is replaced. The Issuer may charge the Holder for the expenses of the Issuer and the Trustee in replacing a Note. In case the mutilated, lost, destroyed or wrongfully taken Note has become or is about to become due and payable, the Issuer in its discretion may pay the Note instead of issuing a replacement Note.

Section 2.05. *Outstanding Notes.* (a) Notes Outstanding at any time are all Notes that have been authenticated by the Trustee except for:

- (i) Notes cancelled by the Trustee or delivered to it for cancellation;
- (ii) any Note which has been replaced pursuant to Section 2.04 unless and until the Trustee and the Issuer receive proof satisfactory to them that the replaced Note is held by a bona fide purchaser; and
- (iii) on or after the Maturity Date or any redemption date, those Notes payable or to be redeemed on that date for which the Trustee (or Paying Agent, other than the Issuer or an Affiliate of the Issuer) holds money sufficient to pay all amounts then due thereunder.

(b) A Note does not cease to be Outstanding because the Issuer or one of its Affiliates holds the Note, provided that in determining whether the Holders of the requisite principal amount of the Outstanding Notes have given or taken any request, demand, authorization, direction, notice, consent, waiver or other action hereunder, Notes owned by the Issuer or any Affiliate of the Issuer will be disregarded and deemed not to be Outstanding (it being understood that in determining whether the Trustee is protected in relying upon any such request, demand, authorization, direction, notice, consent, waiver or other action, only Notes in respect of which a Responsible Officer of the Trustee has received written notice from the Issuer that such Notes are so owned will be so disregarded). Notes so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Notes and that the pledgee is not the Issuer or any Affiliate of the Issuer.

Section 2.06. *Temporary Notes.* Until definitive Notes are ready for delivery, the Issuer may prepare and the Trustee will authenticate temporary Notes. Temporary Notes will be substantially in the form of definitive Notes but may have insertions, substitutions, omissions and other variations determined to be appropriate by the Officer executing the temporary Notes, as evidenced by the execution of the temporary Notes. If temporary Notes are issued, the Issuer will cause definitive Notes to be prepared without unreasonable delay. After the preparation of definitive Notes, the temporary Notes will be exchangeable for definitive Notes upon surrender of the temporary Notes at the office or agency of the Issuer designated for such purpose pursuant to Section 4.02, without charge to the Holder. Upon surrender for cancellation of any temporary Notes the Issuer will execute and the Trustee will authenticate and deliver in exchange therefor a like principal amount of definitive Notes of authorized denominations. Until so exchanged, the temporary Notes will be entitled to the same benefits under this Indenture as definitive Notes.

Section 2.07. *Cancellation.* The Issuer at any time may, but shall not be obligated to, deliver to the Trustee for cancellation any Notes previously authenticated and delivered hereunder which the Issuer may have acquired in any manner whatsoever, and may deliver to the Trustee for cancellation any Notes previously authenticated hereunder which the Issuer has not issued and sold. Any Registrar or Paying Agent will forward to the Trustee any Notes surrendered to it for transfer, exchange or payment. The Trustee will cancel all Notes surrendered for transfer, exchange, payment or cancellation and dispose of them in accordance with its normal procedures or the written instructions of the Issuer; provided that the Trustee shall not be required to destroy cancelled Notes. The Issuer may not issue new Notes to replace Notes it has paid in full or delivered to the Trustee for cancellation.

Section 2.08. *CUSIP and ISIN Numbers.* The Issuer in issuing the Notes may use "CUSIP" and "ISIN" numbers, and the Trustee will use CUSIP numbers or ISIN numbers in notices of redemption or exchange or in Offers to Purchase as a convenience to Holders; the notice should state that no representation is made by the Issuer or the Trustee as to the correctness of such numbers either as printed on the Notes or as contained in any notice of redemption or exchange. The Issuer will promptly notify the Trustee of any change in the CUSIP or ISIN numbers.

Section 2.09. *Registration, Transfer and Exchange.*

(a) The Notes will be issued in registered form only, without coupons, and the Issuer shall cause the Trustee to maintain a register (the "Register") of the Notes, for registering the record ownership of the Notes by the Holders and transfers and exchanges of the Notes.

(b) (i) Each Global Note will be registered in the name of the Depositary or its nominee and, so long as DTC is serving as the Depositary thereof, will bear the DTC Legend.

(ii) Each Global Note will be delivered to the Trustee as custodian for the Depositary. Transfers of a Global Note (but not a beneficial interest therein) will be limited to transfers thereof in whole, but not in part, to the Depositary, its successors or their respective nominees, except (1) as set forth in Section 2.09(b)(iv) and (2) transfers of portions thereof in the form of Certificated Notes may be made upon request of an Agent Member (for itself or on behalf of a beneficial owner) by written notice given to the Trustee by or on behalf of the Depositary in accordance with customary procedures of the Depositary and in compliance with this Section and Section 2.10.

(iii) Agent Members will have no rights under this Indenture with respect to any Global Note held on their behalf by the Depositary, and the Depositary may be treated by the Issuer, the Trustee and any agent of the Issuer or the Trustee as the absolute owner and Holder of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, the Depositary or its nominee may grant proxies and otherwise authorize any Person (including any Agent Member and any Person that holds a beneficial interest in a Global Note through an Agent Member) to take any action which a Holder is entitled to take under this Indenture or the Notes, and nothing herein will impair, as between the Depositary and its Agent Members, the operation of customary practices governing the exercise of the rights of a holder of any security.

(iv) If (x) the Depositary (A) notifies the Issuer that it is unwilling or unable to continue as Depositary for a Global Note and the Depositary fails to appoint a successor depositary within 90 days of the notice or (B) has ceased to be a clearing agency registered under the Exchange Act; (y) subject to the procedures of the Depositary, the Issuer notifies the Trustee in writing that the Issuer elects to cause the issuance of certificated Notes or (z) there has occurred and is continuing a Default or Event of Default and the Trustee has received a request from the Depositary, the Trustee will promptly exchange each beneficial interest in the Global Note for one or more Certificated Notes in authorized denominations having an equal aggregate principal amount registered in the name of the owner of such beneficial interest, as identified to the Trustee by the Depositary, and thereupon the Global Note will be deemed canceled. If such Note does not bear the Restricted Legend, then the Certificated Notes issued in exchange therefor will not bear the Restricted Legend. If such Note bears the Restricted Legend, then the Certificated Notes issued in exchange therefor will bear the Restricted Legend.

(c) Each Certificated Note will be registered in the name of the Holder thereof or its nominee.

(d) A Holder may transfer a Note (or a beneficial interest therein) to another Person or exchange a Note (or a beneficial interest therein) for another Note or Notes of any authorized denomination by presenting to the Trustee a written request therefor stating the name of the proposed transferee or requesting such an exchange, accompanied by any certification, opinion or other document required by Section 2.10. The Trustee will promptly register any transfer or exchange that meets the requirements of this Section by noting the same in the register maintained by the Trustee for the purpose; *provided* that:

(i) no transfer or exchange will be effective until it is registered in such register, and

(ii) the Trustee will not be required (w) to issue, register the transfer of or exchange any Note for a period of 15 days before a selection of Notes to be redeemed, (x) to register the transfer of or exchange any Note so selected for redemption in whole or in part, except, in the case of a partial redemption, that portion of any Note not being redeemed, (y) to register any Note between a Regular Record Date and the corresponding Payment Date, or (z) if a redemption is to occur after a Regular Record Date but on or before the corresponding Payment Date, to register the transfer of or exchange any Note on or after the Regular Record Date and before the date of redemption. Prior to the registration of any transfer, the Issuer, the Trustee and their agents will treat the Person in whose name the Note is registered as the owner and Holder thereof for all purposes (whether or not the Note is overdue), and will not be affected by notice to the contrary.

From time to time the Issuer will execute and the Trustee will authenticate additional Notes as necessary in order to permit the registration of a transfer or exchange in accordance with this Section.

No service charge will be imposed in connection with any transfer or exchange of any Note, but the Issuer may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than a transfer tax or other similar governmental charge payable upon exchange pursuant to subsection (b)(iv)).

(e) (i) *Global Note to Global Note*. If a beneficial interest in a Global Note is transferred or exchanged for a beneficial interest in another Global Note, the Trustee will (x) record a decrease in the principal amount of the Global Note being transferred or exchanged equal to the principal amount of such transfer or exchange and (y) record a like increase in the principal amount of the other Global Note. Any beneficial interest in one Global Note that is transferred to a Person who takes delivery in the form of an interest in another Global Note, or exchanged for an interest in another Global Note, will, upon transfer or exchange, cease to be an interest in such Global Note and become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer and exchange restrictions, if any, and other procedures applicable to beneficial interests in such other Global Note for as long as it remains such an interest.

(ii) *Global Note to Certificated Note*. If a beneficial interest in a Global Note is transferred or exchanged for a Certificated Note, the Trustee will (x) record a decrease in the principal amount of such Global Note equal to the principal amount of such transfer or exchange and (y) deliver one or more new Certificated Notes in authorized denominations having an equal aggregate principal amount to the transferee (in the case of a transfer) or the owner of such beneficial interest (in the case of an exchange), registered in the name of such transferee or owner, as applicable.

(iii) *Certificated Note to Global Note.* If a Certificated Note is transferred or exchanged for a beneficial interest in a Global Note, the Trustee will (x) cancel such Certificated Note, (y) record an increase in the principal amount of such Global Note equal to the principal amount of such transfer or exchange and (z) in the event that such transfer or exchange involves less than the entire principal amount of the canceled Certificated Note, deliver to the Holder thereof one or more new Certificated Notes in authorized denominations having an aggregate principal amount equal to the untransferred or unexchanged portion of the canceled Certificated Note, registered in the name of the Holder thereof.

(iv) *Certificated Note to Certificated Note.* If a Certificated Note is transferred or exchanged for another Certificated Note, the Trustee will (x) cancel the Certificated Note being transferred or exchanged, (y) deliver one or more new Certificated Notes in authorized denominations having an aggregate principal amount equal to the principal amount of such transfer or exchange to the transferee (in the case of a transfer) or the Holder of the canceled Certificated Note (in the case of an exchange), registered in the name of such transferee or Holder, as applicable, and (z) if such transfer or exchange involves less than the entire principal amount of the canceled Certificated Note, deliver to the Holder thereof one or more Certificated Notes in authorized denominations having an aggregate principal amount equal to the untransferred or unexchanged portion of the canceled Certificated Note, registered in the name of the Holder thereof.

Section 2.10. *Restrictions on Transfer and Exchange.*

(a) The transfer or exchange of any Note (or a beneficial interest therein) may only be made in accordance with this Section and Section 2.09 and, in the case of a Global Note (or a beneficial interest therein), the applicable rules and procedures of the Depository. The Trustee shall refuse to register any requested transfer or exchange that does not comply with the preceding sentence.

(b) Subject to paragraph (c), the transfer or exchange of any Note (or a beneficial interest therein) of the type set forth in column A below for a Note (or a beneficial interest therein) of the type set forth opposite column B below may only be made in compliance with the certification requirements (if any) described in the clause of this paragraph set forth opposite column C below.

A	B	C
U.S. Global Note.....	U.S. Global Note	(1)
U.S. Global Note.....	Offshore Global Note	(2)
U.S. Global Note.....	Certificated Note	(3)
Offshore Global Note	U.S. Global Note	(4)
Offshore Global Note	Offshore Global Note	(1)
Offshore Global Note	Certificated Note	(3)
Certificated Note.....	U.S. Global Note	(4)
Certificated Note.....	Offshore Global Note	(2)
Certificated Note.....	Certificated Note	(3)

(1) No certification is required.

(2) The Person requesting the transfer or exchange must deliver or cause to be delivered to the Trustee a duly completed and executed Regulation S Certificate; provided that if the requested transfer or exchange is made by the Holder of a Certificated Note that does not bear the Restricted Legend, then no certification is required.

(3) The Person requesting the transfer or exchange must deliver or cause to be delivered to the Trustee (x) a duly completed and executed Rule 144A Certificate or (y) a duly completed and executed Regulation S Certificate, and/or an Opinion of Counsel and such other certifications and evidence as the Issuer may reasonably require in order to determine that the proposed transfer or exchange is being made in compliance with the Securities Act and any applicable securities laws of any state of the United States; provided that if the requested transfer or exchange is made by the Holder of a Certificated Note that does not bear the Restricted Legend, then no certification is required. In the event that (i) a duly completed and executed Regulation S Certificate is delivered to the Trustee or (ii) a Certificated Note that does not bear the Restricted Legend is surrendered for transfer or exchange, upon transfer or exchange the Trustee will deliver a Certificated Note that does not bear the Restricted Legend.

(4) The Person requesting the transfer or exchange must deliver or cause to be delivered to the Trustee a duly completed and executed Rule 144A Certificate.

(c) No certification is required in connection with any transfer or exchange of any Note (or a beneficial interest therein) after such Note is eligible for resale pursuant to Rule 144(k) under the Securities Act (or a successor provision); provided that the Issuer has provided the Trustee with an Officer's Certificate and an Opinion of Counsel to that effect, and the Issuer may require from any Person requesting a transfer or exchange in reliance upon this clause an Opinion of Counsel and any other reasonable certifications and evidence in order to support such certificate.

Any Certificated Note delivered in reliance upon this paragraph will not bear the Restricted Legend.

(d) The Trustee will retain copies of all certificates, opinions and other documents received in connection with the transfer or exchange of a Note (or a beneficial interest therein), and the Issuer will have the right to inspect and make copies thereof at any reasonable time upon written notice within a reasonable period of time to the Trustee.

(e) No transfer or exchange of any Note shall take place during the first 40 days after the execution of the Indenture.

Section 2.11. *Open Market Purchases.* The Issuer or its Affiliates may at any time purchase Notes in the open market or otherwise at any price; *provided* that Notes that the Issuer or its Affiliates purchase may, in their respective discretion, be held, resold or cancelled, but will only be held or resold in compliance with applicable requirements or exemptions under the relevant securities laws.

ARTICLE 3

ADDITIONAL AMOUNTS; REDEMPTION

Section 3.01. *Additional Amounts.*

(a) All payments by the Issuer in respect of the Notes or by Ultrapar or Ipiranga in respect of the Guarantees will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments, or other governmental charges of whatever nature imposed or levied by or on behalf of Luxembourg, Brazil or any other jurisdiction or political subdivision thereof from or through which a payment is made or in which the Issuer, Ultrapar or Ipiranga (or any successor to the Issuer, Ultrapar or Ipiranga) is organized or is a resident for tax purposes having power to tax (a "**Relevant Taxing Jurisdiction**"), unless the Issuer, Ultrapar or Ipiranga, as applicable, is compelled by law to deduct or withhold such taxes, duties, assessments, or governmental charges. In such event, the Issuer, Ultrapar or Ipiranga, as applicable, will make such deduction or withholding, make payment of the amount so withheld to the appropriate governmental authority and pay such additional amounts as may be necessary to ensure that the net amounts receivable by Holders of Notes after such withholding or deduction shall equal the respective amounts of principal and interest which would have been received in respect of the Notes in the absence of such withholding or deduction ("**Additional Amounts**"). No such Additional Amounts shall be payable:

(i) to, or to a third party on behalf of, a Holder who is liable for any present or future taxes, duties, assessments or governmental charges in respect of such Note by reason of the existence of any present or former connection between such Holder (or between a fiduciary, settlor, beneficiary, partner, member or shareholder of such Holder, if such Holder is an estate, a trust, a partnership, a limited liability company or a corporation) or beneficial owner and the Relevant Taxing Jurisdiction, including, without limitation, such Holder (or such fiduciary, settlor, beneficiary, partner, member or shareholder) or beneficial owner being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein, other than the mere holding of the Note or enforcement of rights and the receipt of payments with respect to the Note;

(ii) in respect of any present or future tax, assessment or other governmental charge that would not have been so imposed but for the presentation by the Holder of any Note, where presentation is required, for payment on a date more than 30 days after the date on which payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;

(iii) to, or to a third party on behalf of, a Holder who is liable for any present or future taxes, duties, assessments or other governmental charges in respect of such Note by reason of such Holder's failure to comply with any certification, identification or other reporting requirement concerning the nationality, residence, identity or connection with the Relevant Taxing Jurisdiction, if (1) compliance is required by the Relevant Taxing Jurisdiction as a precondition to relief or exemption from, or reduction in the rate of, the tax, assessment or other governmental charge and (2) the Issuer has given the Holders or such third party at least 30 days' notice that Holders will be required to provide such certification, identification or other requirement;

(iv) in respect of any estate, inheritance, gift, sales, transfer, capital gains, excise or personal property or similar tax, assessment or governmental charge;

(v) in respect of any tax, assessment or other governmental charge which is payable other than by deduction or withholding from payments of principal of or interest on the Note or by direct payment by the Issuer or Ultrapar or Ipiranga in respect of claims made against the Issuer or Ultrapar or Ipiranga;

(vi) in respect of any taxes required to be deducted or withheld pursuant to Section 1471(b) of the Code, or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof or any law implementing an intergovernmental approach thereto; or

(vii) in respect of any combination of the above.

(b) In addition, no Additional Amounts shall be paid with respect to any payment on a Note to a Holder who is a fiduciary, a partnership, a limited liability company or other than the sole beneficial owner of that payment to the extent that payment on such Note would be required by the laws of the Relevant Taxing Jurisdiction to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership, an interest holder in a limited liability company or a beneficial owner who would not have been entitled to the Additional Amounts had that beneficiary, settlor, member or beneficial owner been the Holder. The Notes are subject in all cases to any tax, fiscal or other law, regulation or administrative or judicial interpretation. Except as specifically provided above, neither the Issuer nor the Guarantors shall be required to make a payment with respect to any withholding tax assessment or governmental charge imposed by any government or political subdivision or taxing authority thereof or therein.

(c) In the event that Additional Amounts actually paid with respect to the Notes described above are based on rates of deduction or withholding of withholding taxes in excess of the appropriate rate applicable to the Holder of such Notes, and, as a result thereof such Holder is entitled to make claim for a refund or credit of such excess from the authority imposing such withholding tax, then such Holder shall, by accepting such Notes, be deemed to have assigned and transferred all right, title, and interest to any such claim for a refund or credit of such excess to the Issuer, Ultrapar or Ipiranga.

(d) Any reference in this Indenture or the Notes to principal, interest or any other amount payable in respect of the Notes by the Issuer or the Guarantees by Ultrapar or Ipiranga will be deemed also to refer to any Additional Amount, unless the context requires otherwise, that may be payable with respect to that amount under the obligations referred to in this Section.

(e) The obligation described above will survive termination or discharge of this Indenture, payment of the Notes and/or the resignation or removal of the Trustee or any agent hereunder.

Section 3.02. *Optional Redemption.*

(a) Except as described in Article 3, the Notes may not be redeemed prior to maturity.

(b) The Notes shall be redeemable at the option of the Issuer at any time or from time to time prior to their maturity, upon giving not less than 30 nor more than 60 days' notice to the Noteholders. The Issuer may redeem the Notes either as a whole or in part at a redemption price equal to the greater of (i) 100% of the principal amount of the Notes being redeemed and (ii) the sum of the present values of each remaining scheduled payment of principal and interest thereon (exclusive of any such interest accrued to the date of redemption) discounted (for purposes of determining present value) to the redemption date on a semi annual basis (assuming a 360 day year consisting of twelve 30 day months) at the Treasury Rate plus 50 basis points, plus accrued interest thereon to the date of redemption, provided that Notes in an aggregate principal amount equal to at least U.S.\$100 million remain Outstanding immediately after the occurrence of any partial redemption of Notes.

(c) Notes called for redemption will become due on the date fixed for redemption. Notices of redemption will be given at least 30 but not more than 60 days before the date fixed for redemption to each Noteholder at its registered address. The notice will state the amount to be redeemed. On and after the date fixed for redemption, interest will cease to accrue on any redeemed Notes. If less than all the Notes are redeemed at any time, the Trustee will select the Notes to be redeemed by such method as the Trustee deems fair and appropriate (or, in the case of Global Notes, in accordance with the Depositary's applicable procedures).

Section 3.03. *Redemption for Taxation Reasons.*

(a) If as a result of any change in or amendment to the laws (or any rules or regulations promulgated thereunder) of a Relevant Taxing Jurisdiction, or any amendment to or change in official position regarding the application, interpretation or administration of such laws, treaties, rules, or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective or, in the case of a change in official position, is announced on or after the issue date of the Notes or, with respect to a successor, after the date a successor assumes the obligations under the Notes, (i) the Issuer has or will become obligated to pay Additional Amounts as described above under Section 3.01 in excess of the Additional Amounts the Issuer would be obligated to pay if payments were subject to withholding or deduction at a rate of 0% or (ii) Ultrapar or Ipiranga has or will become obligated to pay Additional Amounts as described above under Section 3.01 in excess of the Additional Amounts Ultrapar or Ipiranga would be obligated to pay if such payments were subject to withholding or deduction at a rate of 15% or, in case the holder of the Notes is resident in a tax haven jurisdiction for Brazilian tax purposes (i.e., countries or locations which do not impose any income tax or which impose it at a maximum rate lower than 17% or where local legislation imposes restrictions on the disclosure of ownership composition or securities ownership or do not allow for the identification of the effective beneficiary of the income attributed to non-residents), at a rate of 25%, or, in either case, at a lower rate if there is an applicable tax treaty between Brazil and the country where the holder of the Notes is domiciled, as a result of the taxes, duties, assessments and other governmental charges described above (the rates in (i) and (ii), the “**Minimum Withholding Level**”), the Issuer may, at its option, redeem all, but not less than all, of the Notes, at a redemption price equal to 100% of their principal amount then Outstanding, together with interest accrued to the date fixed for redemption, upon delivery of irrevocable notice of redemption to the holders not less than 30 days nor more than 90 days prior to the date fixed for redemption. No notice of such redemption may be given earlier than 90 days prior to the earliest date on which the Issuer would, but for such redemption, be obligated to pay the Additional Amounts above the Minimum Withholding Level. The Trustee shall be provided notice by mail not less than 30 days prior to the date notice is given to the Noteholders. The Issuer shall not have the right to so redeem the Notes in the event it becomes obliged to pay Additional Amounts which are less than the Additional Amounts payable at the Minimum Withholding Level. Notwithstanding the foregoing, the Issuer shall not have the right to so redeem the Notes unless: (i) it has taken reasonable measures to avoid the obligation to pay Additional Amounts; and (ii) it has complied with all necessary Central Bank regulations to legally effect such redemption; provided, however, that for this purpose reasonable measures shall not include any change in the Issuer's, Ultrapar's, Ipiranga's or any successor's jurisdiction of incorporation or organization or location of its principal executive or registered office.

Section 3.04. *Method and Effect of Redemption.* In the event that the Issuer elects to so redeem the Notes, it will deliver to the Trustee: (i) a certificate, signed in the name of the Issuer by any two of its executive officers or by its attorney in fact in accordance with its bylaws, referencing this Section and providing that the Issuer is entitled to redeem the Notes pursuant to their terms and setting forth a statement of facts showing that the condition or conditions precedent to the right of the Issuer to so redeem have occurred or been satisfied; and (ii) an Opinion of Counsel to the effect that the Issuer has or will become obligated to pay Additional Amounts in excess of the Additional Amounts payable at the Minimum Withholding Level as a result of the change or amendment, that the Issuer determines, in its reasonable business judgment, that it cannot avoid payment of such excess Additional Amounts by taking reasonable measures available to it and that all governmental requirements necessary for the Issuer to effect the redemption have been complied with.

ARTICLE 4

COVENANTS

Section 4.01. *Payment of Notes.*

(a) The Issuer agrees to pay the principal of and interest (including, without limitation, any Additional Amounts, if any) on the Notes on the dates and in the manner provided in the Notes and this Indenture. Not later than 10:00 A.M. (New York City time) on the Business Day (solely in New York City) immediately prior to the due date of the payment of any principal of or interest on any Notes, or any redemption of the Notes, the Issuer will deposit with the Principal Paying Agent Dollars in immediately available funds sufficient to pay such amounts, provided that if the Issuer or any Affiliate of the Issuer is acting as a Paying Agent, it will, on or before each due date, segregate and hold in a separate trust fund for the benefit of the Holders a sum of Dollars sufficient to pay such amounts until paid to such Holders or otherwise disposed of as provided in this Indenture. In each case the Issuer will promptly notify the Trustee in writing of its compliance with this Section 4.01.

(b) Payments made on the Notes will be applied first to interest due and payable on the Notes and then to the reduction of the unpaid principal amount of the Notes. An installment of principal or interest will be considered paid on the date due if the Trustee (or Paying Agent, other than the Issuer or any Affiliate of the Issuer) holds on that date Dollars designated for and sufficient to pay the installment. If the Issuer or any Affiliate of the Issuer acts as a Paying Agent, an installment of principal or interest will be considered paid on the due date only if paid to the Holders.

(c) Each payment in full of principal, redemption amount, Additional Amounts and/or interest payable in respect of any Note made by or on behalf of the Issuer to or to the order of the Principal Paying Agent in the manner specified in the Notes and this Indenture on the date due shall be valid and effective to satisfy and discharge the obligation of the Issuer to make payment of principal, redemption amount, Additional Amounts and/or interest payable in respect of any Note on such date, provided, however, that the liability of the Principal Paying Agent hereunder shall not exceed any amounts paid to it by the Issuer, or held by it, on behalf of the Holders under this Indenture; and provided further that, in the event that there is a default by the Principal Paying Agent in any payment of principal, redemption amount, Additional Amounts and/or interest in respect of any Note in accordance with the Notes and this Indenture, the Issuer shall pay on demand such further amounts as will result in receipt by the Holder of such amounts as would have been received by it had no such default occurred.

(d) The Issuer agrees to pay interest on overdue principal, and to the extent lawful, overdue installments of interest at the rate per annum specified in the Notes (1% per annum in excess of the rate per annum borne by the Notes).

(e) Payments in respect of the Notes represented by the Global Notes are to be made by wire transfer of immediately available funds to the accounts specified by the Depository, as the Holder of the Global Notes. With respect to Certificated Notes all payments shall be payable at the office of the Principal Paying Agent.

(f) In the event a Paying Agent receives from the Issuer or a Guarantor funds in Dollars for the payment of principal, redemption amount, Additional Amounts and/or interest in respect of any Note and such Paying Agent defaults in its obligation to make any such payment, such funds in Dollars shall be returned to the Issuer or Guarantor, as the case may be, promptly upon the written request by the Issuer or Guarantor, as the case may be, and all liability of the Trustee and the Paying Agents with respect to such funds will cease.

Section 4.02. *Maintenance of Office or Agency.* The Issuer will maintain in the Borough of Manhattan, the City of New York, an office or agency where Notes may be surrendered for registration of transfer or exchange or for presentation for payment and where notices and demands to or upon the Issuer in respect of the Notes and this Indenture may be served. The Issuer hereby initially designates the Corporate Trust Office of the Trustee as such office of the Issuer. The Issuer will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Issuer fails to maintain any such required office or agency or fails to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands (other than any presentations, surrenders, notices and demands service in accordance with Section 11.07(b)) may be made or served to the Trustee. At any time that the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market, the Issuer will maintain an office or agent in Luxembourg to serve as Luxembourg Transfer Agent.

The Issuer may also from time to time designate one or more other offices or agencies where the Notes may be surrendered or presented for any of such purposes and may from time to time rescind such designations. The Issuer will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

Section 4.03. *Existence*. Ultrapar will do or cause to be done all things necessary to preserve and keep in full force and effect its existence and the existence of each Significant Subsidiary in accordance with their respective organizational documents, and the material rights, licenses and franchises of Ultrapar and each of its Significant Subsidiaries, provided that Ultrapar is not required to preserve any such right, license or franchise, or the existence of any Significant Subsidiary, if the maintenance or preservation thereof is no longer desirable in the conduct of the business of Ultrapar and its Subsidiaries taken as a whole in its judgment; and provided further that this Section does not prohibit any transaction otherwise permitted by Section 5.01.

Section 4.04. *Payment of Taxes*. Ultrapar will pay or discharge (including by payment in installments or through offsetting with tax credits or otherwise), and cause each of its Subsidiaries to pay or discharge before the same become delinquent all material taxes, assessments and governmental charges levied or imposed upon Ultrapar or any Subsidiary, other than any such tax, assessment, charge or claim the amount, applicability or validity of which is being contested in good faith by appropriate proceedings and for which adequate reserves have been established as required by Applicable GAAP.

Section 4.05. *Maintenance of Properties and Insurance*. (a) Ultrapar will cause all material properties used or useful in the conduct of its business or the business of any of its Significant Subsidiaries to be maintained and kept in good condition, repair and working order as in the judgment of Ultrapar may be necessary so that the business of Ultrapar and its Significant Subsidiaries may be properly and advantageously conducted at all times; *provided* that nothing in this Section prevents Ultrapar or any Significant Subsidiary from discontinuing the use, operation or maintenance of any of such properties or disposing of any of them, if such discontinuance or disposal is, in the judgment of the Ultrapar, desirable in the conduct of the business of Ultrapar and its Subsidiaries taken as a whole.

(b) Ultrapar will provide or cause to be provided, for itself and its Significant Subsidiaries, insurance (including appropriate self insurance) against loss or damage of the kinds customarily insured against by Brazilian corporations similarly situated and owning like properties with reputable insurers, in such amounts, with such deductibles and by such methods as are customary for Brazilian corporations similarly situated in the industry in which Ultrapar and its Significant Subsidiaries are then conducting business.

Section 4.06. *Limitations and Restrictions on the Issuer*. The Issuer is limited and restricted from taking the following actions or engaging in the following activities or transactions:

(a) engaging in any business or entering into, or being a party to, any transaction or agreement except for:

(i) the financing of the operations of Ultrapar and its Subsidiaries and activities that are reasonably ancillary thereto (including, without limitation, on- lending of funds, repurchases of Debt not prohibited by the indenture, the entering into Hedging Agreements not for speculative purposes relating to such Debt and investments not prohibited by this Indenture);

(ii) the sale, redemption, repurchase, defeasance, amendment or waiver of any term of the Notes;

(iii) entering into loans with Ultrapar or any of its Subsidiaries;

(iv) payment of dividends; and

(v) any other transaction required by law or in connection with any transaction not otherwise prohibited pursuant to the covenants described in this Section;

(b) acquiring or owning any Subsidiaries or other assets or properties, except (i) an interest in Hedging Agreements relating to its indebtedness and instruments evidencing interests in the foregoing, (ii) cash, Cash Equivalents, or other securities and (iii) the Notes;

(c) incurring any additional Debt, except for any additional Debt which ranks equally with, or is subordinated to, the Notes;

(d) creating, assuming, incurring or suffering to exist any Lien upon any properties or assets whatsoever, except for any Liens imposed by law, it being understood, for the avoidance of doubt, that the Issuer may not create, assume, incur or suffer to exist any Liens, including Liens which would otherwise constitute Permitted Liens in the case of Ultrapar or any Subsidiary; and

(e) entering into any consolidation, merger, amalgamation, joint venture, or other form of combination with any person, or selling, leasing, conveying or otherwise disposing of any of its assets or receivables, except as otherwise permitted by this Indenture and permitted under Section 5.01 below;

For the avoidance of doubt, any transaction permitted by the provisions described in any of paragraphs (a) to (e) above shall not be prohibited by any provision in any other paragraph within paragraphs (a) to (e) above.

Section 4.07. Repurchases at the Option of the Holders Upon Change of Control.

(a) If a Change of Control that results in a Rating Decline occurs, not later than 30 days following such an occurrence, Ultrapar, acting on behalf of the Issuer, shall make, directly or through a Designated Affiliate, an offer to purchase all of the Notes pursuant to the offer described below (the “**Offer to Purchase**”) at a price in cash (the “**Offer to Purchase Payment**”) equal to 101% of the principal amount thereof plus accrued and unpaid interest thereon and Additional Amounts, if any, to, but excluding, the Offer to Purchase Payment Date. Not later than 30 days after the occurrence of a Change of Control that results in a Rating Decline, Ultrapar or a Designated Affiliate shall send written notice of such Offer to Purchase, together with a letter of transmittal, by first class mail, with a copy to the Trustee, to each Holder at the address of such Holder appearing in the Register or otherwise in accordance with the procedures of the Depositary with the following information:

(i) a description of the transaction or transactions that constitute the Change of Control;

(ii) that an Offer to Purchase is being made pursuant to this Section

4.07 and that all Notes properly tendered pursuant to such Offer to Purchase will be accepted for payment

(iii) that a Holder may tender all or any portion of its Notes pursuant to such Offer to Purchase, subject to the requirement if a Holder tenders only a portion of its Notes, the remaining Notes must be no less than U.S.\$200,000 in principal amount and integral multiples of U.S.\$1,000 in excess thereof;

(iv) the purchase price, the expiration date (the “**Expiration Date**”) of the Offer to Purchase, which will be no less than 30 days nor more than 60 days after the date such notice is mailed, and an indicative settlement date for the purchase, which will be no more than five Business Days after the Expiration Date (the “**Offer to Purchase Payment Date**”);

(v) any Note not properly tendered will remain outstanding and continue to accrue interest;

(vi) unless the Ultrapar or its Designated Affiliate defaults in the payment of the Offer to Purchase Payment, all Notes accepted for payment pursuant to the Offer to Purchase will cease to accrue interest on the Offer to Purchase Payment Date;

(vii) Holders electing to have any Notes purchased pursuant to an Offer to Purchase will be required to surrender the Notes, together with a duly executed letter of transmittal properly completed in accordance with the instructions thereto, to the Paying Agent specified in such notice at the address specified in such notice prior to the close of business on the Expiration Date;

(viii) Holders shall be entitled to withdraw their tendered Notes and their election to require Ultrapar or a Designated Affiliate to purchase such Notes; *provided* that such Paying Agent receives, not later than the close of business on the Expiration Date, a facsimile transmission or letter setting forth the name of the Holder, the principal amount of Notes tendered for purchase, and a statement that such Holder is withdrawing its tendered Notes and its election to have such Notes purchased; and

(ix) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each such new Note will be in a principal amount of U.S.\$200,000 or an integral multiple of U.S.\$1,000 in excess thereof.

If (a) notice is mailed in a manner provided in this Section 4.07 and (b) any Holder fails to receive such notice or a Holder receives such notice but it is defective, such Holder’s failure to receive such notice or such defect shall not affect the validity of the Offer to Purchase as to all other Holders that properly received such notice without defect.

(b) On or before the Offer to Purchase Payment Date, Ultrapar or a Designated Affiliate shall, to the extent lawful:

(i) accept for payment for all Notes properly tendered and not withdrawn pursuant to the Offer to Purchase;

(ii) deposit with such Paying Agent an amount equal to the aggregate Offer to Purchase Payment in respect of all Notes or portions thereof so tendered; and;

(iii) deliver, or cause to be delivered, to the Trustee for cancellation the Notes so accepted together with an Officer’s Certificate stating that such Notes or portions thereof have been tendered to and purchased by Ultrapar or a Designated Affiliate.

(c) The Paying Agent shall promptly mail to each Holder the Offer to Purchase Payment for its Notes that have been accepted for payment in the Offer to Purchase, and the Trustee shall promptly authenticate and deliver (or cause to be transferred by book entry) to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a principal amount of U.S.\$200,000 or an integral multiple of U.S.\$1,000 in excess thereof.

(d) Notwithstanding Section 4.07(a), Ultrapar shall not be required to make an Offer to Purchase upon a Change of Control that results in a Rating Decline if (i) a third party makes an offer to purchase in the manner, at the times and otherwise in compliance with the requirements set forth in this Section 4.07 applicable to an Offer to Purchase made by Ultrapar (*provided* that the consideration in respect of such third party Offer to Purchase is at least equal to the consideration required by an Offer to Purchase made by Ultrapar) and such third party purchases all Notes properly tendered and not withdrawn under such offer, or (ii) a notice of redemption for all Outstanding Notes has been given pursuant to Section 3.02 or Section 3.03 or Paragraph 3 of the Notes, unless and until there is a default in payment of the applicable Redemption Price. Notwithstanding anything to the contrary contained herein or in the Notes, an Offer to Purchase may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control and the occurrence of such Rating Decline, if a definitive agreement is in place for the Change of Control at the time the Offer to Purchase is made.

(e) Ultrapar shall not purchase any of the Notes if there has occurred and is continuing on the Offer to Purchase Payment Date an Event of Default, other than an Event of Default resulting from the failure to make an Offer to Purchase Payment when due.

(f) Ultrapar and any Designated Affiliate will comply with Rule 14e-1 under the Exchange Act (to the extent applicable) and all other applicable laws in making any Offer to Purchase. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this Indenture, the provisions of this Indenture and Paragraph 3 of the Notes shall be deemed to be modified to the extent necessary to permit such compliance. If the provisions of such securities laws or regulations cannot be complied with as a result of such deemed modifications, Ultrapar shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under this Section 4.07 or Paragraph 3 of the Notes by virtue thereof.

(g) In the event that the Holders of not less than 90% of the aggregate principal amount of the outstanding Notes accept an Offer to Purchase and Ultrapar or a third party purchases all the Notes held by such Holders, the Issuer and Ultrapar will have the right, on not less than 30 nor more than 60 days' prior notice to each Holder (with a copy to the Trustee), given not more than 30 days following the Purchase Date, to redeem all of the Notes that remain outstanding following such purchase at the purchase price equal to that in the Offer to Purchase plus, to the extent not included in the Offer to Purchase payment, accrued and unpaid interest and Additional Amounts, if any, on the Notes that remain outstanding, to, but excluding, the date of redemption.

Section 4.08. *Limitation on Liens.* The Issuer and the Guarantors agree that, for so long as any Note remains Outstanding, except for Permitted Liens, Ultrapar will not, and will not permit any Subsidiary to, directly or indirectly, incur or permit to exist any Lien of any nature whatsoever securing the payment of Debt on any of its properties, assets or Capital Stock, whether owned at the Issue Date or thereafter acquired, other than Permitted Liens, without effectively providing that the Notes or the Guarantees, as applicable, are secured equally and ratably with (or, if the obligation to be secured by the Lien is subordinated in right of payment to the Notes or the Guarantees, prior to) the obligations so secured for so long as such obligations are so secured.

Section 4.09. *Financial Reports.* (a) Ultrapar shall furnish to the Trustee and to the Luxembourg Paying Agent:

(i) as soon as available and in any event by no later than 120 days after the end of each fiscal year of Ultrapar, annual audited consolidated financial statements in English of Ultrapar, prepared in accordance with Applicable GAAP and accompanied by an opinion of independent public accountants (together with a certified English translation of such opinion to the extent it is not in the English language) selected by Ultrapar, which opinion shall be based upon an examination made in accordance with generally accepted auditing standards in Brazil; and

(ii) as soon as available and in any event by no later than 60 days after the end of each of the first three fiscal quarters of each fiscal year of Ultrapar, quarterly unaudited consolidated financial statements in English of Ultrapar, prepared in accordance with the Applicable GAAP and accompanied by a limited review (*revisão limitada*) report of independent public accountants selected by Ultrapar (together with a certified English translation of such opinion to the extent it is not in the English language), which report shall be based upon an examination made in accordance with the specific applicable rules issued by the Instituto dos Auditores Independentes do Brasil – IBRACON (Brazilian Accountants Institute) and the Conselho Federal de Contabilidade (Federal Accounting Council).

Notwithstanding the forgoing, if Ultrapar makes available the information described above on its website or the website of a Subsidiary of Ultrapar, it will be deemed to have satisfied the reporting requirement set forth above. It is understood that the Trustee shall have no responsibility to determine whether any information has been posted on such website.

For so long as any Notes remain Outstanding, the Issuer will make available to any Noteholder or beneficial owner of an interest in the Notes, or to any prospective purchasers designated by such Noteholder or beneficial owner, upon request of such Noteholder or beneficial owner, information required to be delivered under paragraph (d)(4) of Rule 144A unless, at the time of such request, the Issuer is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, or is exempt from reporting pursuant to Rule 12g3 2(b) under the Exchange Act.

(b) Delivery of these reports and information to the Trustee is for informational purposes only and the Trustee's receipt of them will not constitute constructive notice of any information contained therein or determinable for information contained therein, including the Issuer's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officer's Certificates).

Section 4.10. *Reports to Trustee.*

(a) Ultrapar will deliver to the Trustee within 120 days after the end of the fiscal year an Officer's Certificate stating whether, to the best of his or her knowledge, a Default exists on the date of such Officer's Certificate and, if a Default exists, setting forth details thereof and the action which Ultrapar is taking with respect thereto;

(b) Ultrapar will deliver to the Trustee, as soon as possible, an Officer's Certificate setting forth the details of the Default, and the action which Ultrapar is taking with respect thereto.

(c) Each of the Issuer and the Guarantors will provide prior written notice to the Trustee when any Notes are listed on any Brazilian, U.S. or foreign national securities exchange and of any delisting.

Section 4.11. *Disclosure of Names and Addresses of Holders.* Every Holder, by receiving and holding a Note, agrees with the Issuer, the Guarantors and the Trustee that neither the Issuer, nor any Guarantor nor the Trustee nor any Authenticating Agent nor any Paying Agent nor any Registrar shall be held accountable by reason of the disclosure of any information as to the names and addresses of the Holders in accordance with TIA Section 312, regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under TIA Section 312(b).

Section 4.12. *Paying Agent and Transfer Agent.*

(a) The Issuer agrees, for the benefit of the Holders from time to time of the Notes, that, until all of the Notes are no longer Outstanding or until funds in Dollars for the payment of all of the principal of and interest on all Notes (and Additional Amounts, if any) shall have been made available at the Corporate Trust Office, and shall have been returned to the Issuer as provided herein, whichever occurs earlier, there shall at all times be a Principal Paying Agent and Transfer Agent hereunder. The Principal Paying Agent and the Transfer Agent shall have the powers and authority granted to and conferred upon it herein and in the Notes.

(b) The Issuer hereby initially appoints the Paying Agents and Transfer Agent defined in this Indenture as such. The Principal Paying Agent shall arrange with the other Paying Agents for the payment, from funds furnished by the Issuer to the Principal Paying Agent pursuant to this Indenture, of the principal of and interest on the Notes (and Additional Amounts, if any, with respect to the Notes) and of the compensation of such paying agency or agencies for their services as such.

(c) Each Paying Agent and Transfer Agent defined in this Indenture as such accepts its respective obligations set forth herein and in the Notes upon the terms and conditions hereof and thereof, including the following, to all of which the Issuer agrees and to all of which the rights of the Holders from time to time of the Notes shall be subject:

(i) The Paying Agents and Transfer Agents shall each be entitled to the compensation to be agreed upon with the Issuer for all services rendered by it, and the Issuer agrees promptly to pay such compensation and to reimburse each of the Paying Agents and Transfer Agents for their reasonable out of pocket expenses (including fees and expenses of counsel) incurred by it in connection with the services rendered by it hereunder. The Issuer also agrees to indemnify each of the Paying Agents and Transfer Agents and each of their respective affiliates, officers, directors, employees, counsel, agents, advisors and attorneys-in-fact for, and to hold each of them harmless against, any and all liabilities, obligations, losses, damages, penalties, claims, actions, judgments, suits, costs, charges, expenses or disbursements, including any and all tax liabilities, which, for the avoidance of doubt, shall include both Brazilian and Luxembourg taxes and associated penalties, costs, claims, actions, damages, expenses or demands, (including, without limitation, reasonable and duly documented fees and expenses of agents and attorneys), of any kind or nature (all the foregoing, collectively, the “**Indemnified Liabilities**”) whatsoever at any time incurred out of or in connection with their acting as Paying Agents or Transfer Agents of the Issuer hereunder, except to the extent such Indemnified Liabilities result from such Paying Agents’ or Transfer Agents’ own gross negligence or willful misconduct. The obligations of the Issuer under this subsection (i) shall survive the payment of the Notes and the resignation or removal of the Paying Agents and Transfer Agents as the case may be;

(ii) In acting under this Indenture and in connection with the Notes, the Paying Agents and Transfer Agents are each acting solely as agent of the Issuer and do not assume any obligation towards or relationship of agency or trust for or with any of the Holders except that all funds held by a Paying Agent for the payment of the principal of and interest on (and Additional Amounts, if any, with respect to) the Notes, shall be held in trust by it and applied as set forth herein and in the Notes, but need not be segregated from other funds held by it, except as required by law;

(iii) Each of the Paying Agents and Transfer Agents may consult with counsel and any advice or written opinion of counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted to be taken by it hereunder in good faith and in accordance with such advice or opinion;

(iv) Each of the Paying Agents and Transfer Agents shall be protected and shall incur no liability for or in respect of any action taken or omitted to be taken or thing suffered by it in reliance upon any Note, notice, direction, consent, certificate, affidavit, statement or other paper or document reasonably believed by it to be genuine and to have been presented or signed by the proper party or parties;

(v) Each of the Paying Agents and Transfer Agents may, in its individual capacity or any capacity, become the owner of, or acquire any interest in, any Notes or other obligations of the Issuer with the same rights that it would have if it were not one of the Paying Agents or Transfer Agents, and may engage or be interested in any financial or other transaction with the Issuer and may act on, or as depository, trustee or agent for, any committee or body of Holders of Notes or other obligations of the Issuer as freely as if it were not one of the Paying Agents or Transfer Agents;

(vi) Neither the Paying Agents nor the Transfer Agents shall be under any liability for interest on any moneys received by it pursuant to any of the provisions of this Indenture or the Notes;

(vii) The recitals contained herein and in the Notes shall be taken as the statements of the Issuer, and the Paying Agents and Transfer Agents assume no responsibility for the correctness of the same. Neither the Paying Agents nor the Transfer Agents make any representation as to the validity or sufficiency of this Indenture or the Notes. Neither the Paying Agents nor the Transfer Agents shall be accountable for the use or application by the Issuer of any of the Notes or the proceeds thereof;

(viii) The Paying Agents and Transfer Agents shall be obligated to perform such duties and only such duties as are herein and in the Notes specifically set forth, and no implied duties or obligations shall be read into this Indenture or the Notes against the Paying Agents or Transfer Agents. Neither the Paying Agents nor the Transfer Agents shall be under any obligation to take any action hereunder which may tend to involve it in any expense or liability, the payment of which within a reasonable time is not, in its reasonable opinion, assured to it; and

(ix) The Issuer acknowledges that the Principal Paying Agent makes no representations as to the interpretation or characterization of the transactions herein undertaken for tax or any other purpose, in any jurisdiction. The Issuer represents that it has fully satisfied itself as to any tax impact of this Indenture before agreeing to the terms herein, and is responsible for any and all federal, state, local, income, franchise, withholding, value added, sales, use, transfer, stamp or other taxes imposed by any jurisdiction in respect of the Indenture.

(x) The Issuer agrees to pay any and all stamp and other documentary taxes or duties which may be payable in connection with the execution, delivery, performance and enforcement of this Indenture by the Principal Paying Agent.

Anything in this Section to the contrary notwithstanding, the agreements to hold sums in trust as provided in this Section are subject to the provisions of Section 8.05.

(d) Any of the Paying Agents or Transfer Agents may at any time resign by giving written notice of its resignation mailed to the Issuer and the Trustee specifying the date on which its resignation shall become effective; provided that such date shall be at least 60 days after the date on which such notice is given unless the Issuer agrees to accept less notice. Upon receiving such notice of resignation, the Issuer shall promptly appoint a successor Paying Agent or Transfer Agent, qualified as aforesaid, by written instrument in triplicate signed on behalf of the Issuer, one copy of which shall be delivered to the resigning Paying Agent or Transfer Agent, and one copy to the successor Paying Agent or Transfer Agent and one copy to the Trustee. Such resignation shall become effective upon the earlier of (i) the effective date of such resignation or (ii) the acceptance of appointment by the successor Paying Agent or Transfer Agent as provided in Section 4.12(e). Any Paying Agent or Transfer Agent shall have the right to petition a court of competent jurisdiction in the event that a successor has not been appointed within the times specified. The Issuer may, at any time and for any reason, and shall, upon any event set forth in the next succeeding sentence, remove a Paying Agent or Transfer Agent and appoint a successor Paying Agent or Transfer Agent, qualified as aforesaid, by written instrument in triplicate signed on behalf of the Issuer, one copy of which shall be delivered to the Paying Agent or Transfer Agent being removed, and one copy to the successor Paying Agent or Transfer Agent and one copy to the Trustee. A Paying Agent or Transfer Agent shall be removed as aforesaid if it shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Paying Agent or Transfer Agent or of its property shall be appointed, or any public officer shall take charge or control of it or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. Any removal of a Paying Agent or Transfer Agent and any appointment of a successor Paying Agent or Transfer Agent shall become effective upon acceptance of appointment by the successor Paying Agent or Transfer Agent as provided in Section 4.12(e). Upon its resignation or removal, the Paying Agent or Transfer Agent shall be entitled to the payment by the Issuer of its compensation for the services rendered hereunder and to the reimbursement of all reasonable out-of-pocket expenses incurred in connection with the services rendered by it hereunder (including, to the extent that the Paying Agent or Transfer Agent is being removed, all reasonable out-of-pocket expenses incurred in connection with such removal, including fees and expenses of counsel).

(e) Any successor Paying Agent or Transfer Agent appointed as provided in Section 4.12(d) shall execute and deliver to its predecessor and to the Issuer and Trustee an instrument accepting such appointment hereunder, and thereupon such successor Paying Agent or Transfer Agent, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as Paying Agent or Transfer Agent hereunder, and such predecessor, upon payment of its compensation and out of pocket expenses then unpaid, shall pay over to such successor agent all moneys or other property at the time held by it hereunder, if any.

(f) Any corporation or bank into which any Paying Agent or Transfer Agent may be merged or converted, or with which any Paying Agent or Transfer Agent may be consolidated, or any corporation or bank resulting from any merger, conversion or consolidation to which any Paying Agent or Transfer Agent shall be a party, or any corporation or bank succeeding to the agency business of any Paying Agent or Transfer Agent shall be the successor to such Paying Agent or Transfer Agent hereunder (provided that such corporation or bank shall be qualified as aforesaid) without the execution or filing of any paper or any further act on the part of any of the parties hereto.

ARTICLE 5

CONSOLIDATION, MERGER OR SALE OF ASSETS

Section 5.01. *Consolidation, Merger or Sale of Assets.*

(a) Each of the Issuer, Ultrapar and Ipiranga shall not consolidate with or merge with or into any other Person or sell, convey, transfer or lease, in one transaction or a series of transactions, directly or indirectly, all or substantially all of its properties or assets (determined on the basis of the consolidated assets of Ultrapar and its Subsidiaries) (including stock owned in another Person) to any other Person, unless:

(i) the Person formed by such consolidation or with or into which the Issuer, Ultrapar or Ipiranga is merged or the Person which acquired by sale, conveyance, transfer or lease all or substantially all of the properties or assets of the Issuer, Ultrapar or Ipiranga (in each case if not the Issuer, Ultrapar or Ipiranga) (the “**Successor Corporation**”) shall expressly assume by amendment of this Indenture the due and punctual payment of the principal of and interest (and Additional Amounts) on all of the Notes or the Guarantees, as applicable, the performance or observance of every covenant of the Issuer, Ultrapar or Ipiranga, as applicable and all other obligations of the Issuer, Ultrapar or Ipiranga, as applicable under this Indenture and the Notes or the Guarantees, as applicable;

(ii) immediately after giving effect to such transaction, no Event of Default with respect to any Note shall have occurred and be continuing;

(iii) the Issuer, Ultrapar or Ipiranga, as applicable or the Successor Corporation, as the case may be, shall deliver to the Trustee an Opinion of Counsel to the effect that such consolidation, merger, sale, conveyance, transfer or lease and such amendment to this Indenture (if required) comply with these conditions, that such amendment (if required) has been duly authorized, executed and delivered and constitutes valid and binding obligations of the Successor Corporation and that all conditions precedent herein provided or relating to such transaction have been complied with; and

(iv) the Successor Corporation shall expressly agree (A) to indemnify the Trustee, Registrar, Paying Agents and each Holder of a Note against any tax, duty, assessment or governmental charge thereafter imposed on such Holder solely as a consequence of such consolidation, merger, sale, conveyance, transfer or lease with respect to the payment of principal of or interest (and Additional Amounts) on the Notes and any other amounts due and owing under this Indenture; and (B) to pay any Additional Amounts as may be necessary in order that the net amounts received by the Holders of the Notes after any withholding or deduction of any tax, duty, assessment or other governmental charge imposed by any authority having power to tax to which the Successor Corporation is subject shall equal the respective amounts of principal and interest which would have been receivable in respect of the Notes in the absence of such consolidation, merger, sale, conveyance, transfer or lease.

(b) Notwithstanding anything to the contrary in the foregoing, the following transactions shall not be subject to clauses (ii) and (iii) above:

(i) the Issuer, Ultrapar and Ipiranga may merge with or into or consolidate with Ultrapar or any of its Subsidiaries provided that, if the surviving entity is a Subsidiary other than the Issuer or Ipiranga, such Subsidiary shall become the Issuer or a Guarantor of the Notes, as the case may be; or

(ii) the Issuer, Ultrapar and Ipiranga may sell, convey, transfer or lease, in one transaction or in a series of transactions, directly or indirectly, all or substantially all of its properties or assets (determined on the basis of the consolidated assets of Ultrapar and its Subsidiaries) (including stock owned in another Person) to Ultrapar or any of its Subsidiaries, provided that, if the assets are transferred to a Subsidiary other than the Issuer or Ipiranga, such Subsidiary shall become the Issuer or a Guarantor of the Notes, as the case may be.

(c) Upon any consolidation, merger, sale, conveyance, transfer or lease in accordance with these conditions, the Successor Corporation shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer, Ultrapar or Ipiranga, as applicable under the Notes or the Guarantees, with the same effect as if the Successor Corporation had been named as the Issuer or the Guarantor of the Notes herein. No Successor Corporation shall have the right to redeem the Notes unless the Issuer would have been entitled to redeem the Notes in similar circumstances.

ARTICLE 6
DEFAULT AND REMEDIES

Section 6.01. *Events of Default.* The occurrence of one or more of the following events shall constitute an “Event of Default”:

(a) the Issuer fails to pay any principal of, or any interest or any Additional Amounts due on, any Note, and, in the case of interest or Additional Amounts, such Default continues for a period of 30 Business Days;

(b) the Issuer, Ultrapar or Ipiranga fails to perform or observe any other term, covenant or obligation in the Notes or in this Indenture and if such Default is capable of being remedied, such Default continues for a period of more than 60 consecutive days after written notice to the Issuer, Ultrapar and/or Ipiranga, as the case may be, by the Trustee, or to the Issuer, Ultrapar, Ipiranga and the Trustee by the holders of 25% or more in aggregate principal amount of the notes;

(c) the Issuer, Ultrapar or Ipiranga or any of their respective Subsidiaries defaults (A) in the payment when due (subject to any applicable grace period), whether by acceleration or otherwise, of any Debt in an aggregate amount of U.S.\$100,000,000 or more (or its equivalent in any other currency or currencies), whether such Debt now exists or shall hereafter be created; or (B) Default shall occur in the performance or observance of any other terms and conditions relating to any such Debt if the effect of such Default is to cause such Debt to become due prior to its Stated Maturity;

(d) the Issuer, Ultrapar or Ipiranga or any of their Significant Subsidiaries is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts and such situation is not reversed in 60 consecutive days; stops, suspends or threatens in writing to stop or suspend payment of all or a material part of its debts; makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any such debts or a moratorium is agreed or declared in respect of or affecting all or any part of the debts of the Issuer, Ultrapar, Ipiranga or any of their Significant Subsidiaries, except where such event does not or could not have a Material Adverse Effect with regard to the Issuer, Ultrapar or Ipiranga, respectively;

(e) (A) An effective resolution is passed for the winding up or dissolution of the Issuer, Ultrapar or Ipiranga or any of their Significant Subsidiaries and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 consecutive days; or (B) the Issuer, Ultrapar or Ipiranga or any of their Significant Subsidiaries commences, to the extent permitted by applicable law, a voluntary case in bankruptcy or any other action or proceeding for any other relief under any law affecting creditors’ rights that is similar to a bankruptcy law or consents to the commencement against it of an involuntary case in bankruptcy or any other such action or proceeding, except where such event does not or could not have a Material Adverse Effect with regard to the Issuer, Ultrapar or Ipiranga, respectively (an event of default specified in clause (d) or (e) of this Section 6.01, a **“bankruptcy default”**);

(f) any of this Indenture or the Notes or the Guarantees for any reason cease to be in full force and effect in accordance with its terms or the Issuer, Ultrapar or Ipiranga shall contest the binding effect or enforceability thereof or shall deny that it has any further liability or obligation thereunder or in respect thereof;

(g) a final judgment or final judgments for the payment of money shall have been entered by a court or courts of competent jurisdiction against the Issuer, Ultrapar or Ipiranga or any of their Subsidiaries and remain unpaid or undischarged for a period (during which execution shall not be effectively stayed) of 60 days; *provided* that the aggregate amount of all such judgments at any time Outstanding (to the extent not paid or to be paid by insurance) equals or exceeds U.S.\$100,000,000 (or its equivalent in another currency);

(h) all or substantially all of the undertaking, assets and revenues of the Issuer, Ultrapar or any of its Significant Subsidiaries is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government or the Issuer, Ultrapar or any of its Significant Subsidiaries is prevented by any such Person for a period of 60 consecutive days or longer from exercising normal control over all or substantially all of the undertaking, assets and revenues of Ultrapar; or

(i) it is or becomes unlawful for the Issuer, Ultrapar or Ipiranga to perform or comply with any one or more of its payment obligations under this Indenture or the Notes or the Guarantees.

Section 6.02. *Acceleration.*

(a) If an Event of Default, other than a bankruptcy default with respect to the Issuer, Ultrapar or Ipiranga, or the failure to pay principal when due under the Notes, occurs and is continuing under this Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then Outstanding, by written notice to the Issuer (and to the Trustee if the notice is given by the Holders), may, and the Trustee at the request of such Holders shall, declare the unpaid principal of and accrued interest on the Notes and any other amounts due and payable by the Issuer under this Indenture to be immediately due and payable. Upon a declaration of acceleration, such principal, interest and other amounts will become immediately due and payable. If a bankruptcy default occurs with respect to the Issuer, Ultrapar or Ipiranga, or any principal amount under the Notes is not paid when due, the unpaid principal of and accrued interest on the Notes then Outstanding and any other amounts due and payable by the Issuer under this Indenture will become immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

(b) The Holders of a majority in principal amount of the Outstanding Notes by written notice to the Issuer and to the Trustee may waive all past Defaults and rescind and annul a declaration of acceleration and its consequences if:

- (i) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by the declaration of acceleration, have been cured or waived; and
- (ii) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Section 6.03. *Other Remedies.* If an Event of Default occurs and is continuing, the Trustee may pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or this Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding.

Section 6.04. *Waiver of Past Defaults.* Except as otherwise provided in Section 6.02, 6.07 or 9.02, the Holders of a majority in principal amount of the Outstanding Notes may, by written notice to the Trustee, waive an existing Default and its consequences. Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

Section 6.05. *Control by Majority.* The Holders of a majority in aggregate principal amount of the Outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction, and the Trustee may take any other action it deems proper that is not inconsistent with any such direction received from Holders.

Section 6.06. *Limitation on Suits.* A Holder may not institute any proceeding, judicial or otherwise, with respect to this Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under this Indenture or the Notes, unless:

- (i) the Holder has previously given to the Trustee written notice of a continuing Event of Default;
- (ii) Holders of at least 25% in aggregate principal amount of Outstanding Notes have made written request to the Trustee to institute such proceedings in respect of the Event of Default in its own name as Trustee under this Indenture;
- (iii) Holders have offered to the Trustee indemnity reasonably satisfactory to the Trustee against any costs, liabilities or expenses (including, without limitation, fees and expenses of agents and attorneys) to be incurred in compliance with such request;
- (iv) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and
- (v) the Holders of a majority in aggregate principal amount of the Outstanding Notes have not given the Trustee a direction that is inconsistent with such written request.

Section 6.07. *Rights of Holders to Receive Payment.* Notwithstanding anything to the contrary, the contractual right of a Holder of a Note to receive payment of principal of or interest on its Note on or after the Stated Maturity thereof, or to bring suit for the enforcement of any such payment on or after such respective dates, in each case as expressly set forth in this Indenture, may not be amended without the consent of that Holder.

Section 6.08. *Collection Suit by Trustee.* If an Event of Default in payment of principal or interest specified in clause (a) or (b) of Article 6 occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust for the whole amount of principal and accrued interest remaining unpaid, together with interest on overdue principal and, to the extent lawful, overdue installments of interest, in each case at the rate specified in the Notes, and such further amount as is sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel and any other amounts due the Trustee hereunder.

Section 6.09. *Trustee May File Proofs of Claim.* The Trustee may file proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due to the Trustee hereunder) and the Holders allowed in any judicial proceedings relating to the Issuer, the Guarantors or their respective creditors or property, and is entitled and empowered to collect, receive and distribute any money, securities or other property payable or deliverable upon conversion or exchange of the Notes or upon any such claims. Any custodian, receiver, “síndico”, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, if the Trustee consents to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agent and counsel, and any other amounts due the Trustee hereunder. Nothing in this Indenture will be deemed to empower the Trustee to authorize or consent to, or accept or adopt on behalf of any Holder, any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 6.10. *Priorities.* If the Trustee collects any money pursuant to this Article, it shall pay out the money in the following order:

First: to the Trustee for all amounts due to it hereunder;

Second: to Holders for amounts then due and unpaid for principal of and interest on the Notes, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal and interest; and

Third: to the Issuer or as a court of competent jurisdiction may direct.

The Trustee, upon written notice to the Issuer, may fix a record date and payment date for any payment to Holders pursuant to this Section 6.10.

Section 6.11. *Restoration of Rights and Remedies.* If the Trustee or any Holder has instituted a proceeding to enforce any right or remedy under this Indenture and the proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to the Holder, then, subject to any determination in the proceeding, the Issuer, the Trustee and the Holders will be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Issuer, the Trustee and the Holders will continue as though no such proceeding had been instituted.

Section 6.12. *Undertaking for Costs.* In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court may require any party litigant in such suit (other than the Trustee) to file an undertaking to pay the costs of the suit, and the court may assess reasonable costs, including reasonable attorneys fees, against any party litigant (other than the Trustee) in the suit having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.12 does not apply to a suit by a Holder to enforce payment of principal of or interest on any Note on the respective due dates pursuant to Section 6.12, or a suit by Holders of more than 10% in principal amount of the Outstanding Notes except for any proceeding brought before a Brazilian court, which case the Holder may be required to post a bond to cover legal fees and court expenses.

Section 6.13. *Rights and Remedies Cumulative.* No right or remedy conferred or reserved to the Trustee or to the Holders under this Indenture is intended to be exclusive of any other right or remedy, and all such rights and remedies are, to the extent permitted by law, cumulative and in addition to every other right and remedy hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or exercise of any right or remedy hereunder, or otherwise, will not prevent the concurrent assertion or exercise of any other right or remedy.

Section 6.14. *Delay or Omission Not Waiver; Prescription of Claims.* No delay or omission of the Trustee or of any Holder to exercise any right or remedy accruing upon any Event of Default will impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein and every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be; provided, that claims against the Issuer or the Guarantors for payments under any of the Notes shall be prescribed unless made within a period of ten years from the Relevant Date.

Section 6.15. *Waiver of Stay, Extension or Usury Laws.* Each of the Issuer and the Guarantors covenants, to the extent that it may lawfully do so, that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any usury law or other law that would prohibit or forgive the Issuer or a Guarantor, as the case may be, from paying all or any portion of the principal of, or interest on the Notes as contemplated herein, wherever enacted, now or at any time hereafter in force, or that may affect the covenants or the performance of this Indenture. Each of the Issuer and the Guarantors hereby expressly waives, to the extent that it may lawfully do so, all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE 7

THE TRUSTEE

Section 7.01. *General.*

(a) The duties and responsibilities of the Trustee are as set forth herein. Whether or not expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee is subject to this Article.

(b) Except during the continuance of an Event of Default, the Trustee needs to perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations will be read into this Indenture against the Trustee. In case an Event of Default has occurred and is continuing, the Trustee shall exercise those rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own gross negligence or willful misconduct.

(d) The Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer of the Trustee, unless it shall be proved that the Trustee was grossly negligent in ascertaining the pertinent facts.

(e) Unless otherwise specifically provided herein or in the Notes, any order, certificate, notice, request, direction or other communication from the Issuer made or given under any provision of this Indenture shall be sufficient if signed by an Officer or any duly authorized attorney-in-fact.

Section 7.02. *Certain Rights of Trustee.*

(a) The Trustee may conclusively rely, and will be protected in acting or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine. The Trustee need not investigate any fact or matter stated in the document, but, in the case of any document which is specifically required to be furnished to the Trustee pursuant to any provision hereof, the Trustee shall examine the document to determine whether it conforms to the requirements of this Indenture (but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein). The Trustee, in its discretion, may make further inquiry or investigation into such facts or matters as it sees fit.

(b) Before the Trustee acts or refrains from acting, it may require an Officer's Certificate or an Opinion of Counsel conforming to Section 11.03 and the Trustee will not be liable for any action it takes or omits to take in good faith in reliance on such certificate or opinion.

(c) The Trustee may act and conclusively rely and shall be fully protected in acting and relying in good faith on the opinion or advice of, or information obtained from, any counsel, accountant, appraiser or other expert or adviser, whether retained or employed by the Issuer, the Guarantors or by the Trustee, in relation to any matter arising in the administration of the trusts hereof;

(d) The Trustee will be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders, unless such Holders have offered to the Trustee security, reasonably satisfactory to it, or indemnity against the costs, expenses and liabilities (including, without limitation, fees and expenses of agents and attorneys) that might be incurred by it in compliance with such request or direction.

(e) The Trustee will not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within its rights or powers or for any action it takes or omits to take in accordance with the direction of the Holders in accordance with Section 6.05 relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture.

(f) The Trustee may appoint counsel and other advisors of its choice from time to time to provide advice and services arising out of or in connection with the performance by the Trustee of its obligations under the Indenture. The Trustee may consult with counsel of its choice, and the advice of such counsel or any Opinion of Counsel will be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(g) The Trustee may act through its agents, attorneys, accountants, experts and such other professionals as the Trustee deems necessary, advisable or appropriate and shall not be responsible for the misconduct or negligence of any agent, attorney, accountant, expert or other such professional appointed with due care and in the absence of gross negligence.

(h) No provision of this Indenture will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, or in the exercise of its rights or powers, unless it receives indemnity satisfactory to it against any loss, liability or expense (including, without limitation, fees and expenses of agents and attorneys). In no event shall the Trustee be liable for special, indirect punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, lost profits), even if the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(i) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and each agent, custodian and other Person authorized or employed by the Trustee to act hereunder.

(j) The Trustee may request that each of the Issuer and the Guarantors deliver a certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture.

(k) The Trustee shall not be liable for any action taken, suffered, or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture.

Section 7.03. *Individual Rights of Trustee.* The Trustee, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with the Issuer, the Guarantors or its Affiliates with the same rights it would have if it were not the Trustee. Any Agent may do the same with like rights. However, the Trustee is subject to Trust Indenture Act Sections 310(b) and 311.

Section 7.04. *Trust Indenture Act.* Notwithstanding anything to the contrary elsewhere in this Indenture, the parties to this Indenture and the Holders of the Notes acknowledge and agree that this Indenture is not qualified under the Trust Indenture Act, Holders are not entitled to any protections thereunder and, except as expressly set forth in this Indenture, the provisions of the Trust Indenture Act are not incorporated by reference in this Indenture.

Section 7.05. *Trustee's Disclaimer.* The Trustee (i) makes no representation as to the validity or adequacy of this Indenture or the Notes; (ii) is not accountable for the Issuer's use or application of the proceeds from the Notes; and (iii) is not responsible for any statement in the Notes other than its certificate of authentication.

Section 7.06. *Notice of Default.* The Trustee is not to be charged with knowledge of any Default or Event of Default or knowledge of any cure of any Default or Event of Default with respect to the Notes unless a Responsible Officer of the Trustee shall have received written notice thereof at the Corporate Trust Office. If any Default or Event of Default occurs and is continuing and written notice thereof is delivered to a Responsible Officer of the Trustee, the Trustee will send notice of the Default or Event of Default to each Holder within 60 days after it occurs, unless the Default or Event of Default has been cured; provided that, except in the case of a Default in the payment of the principal of or interest on any Note, the Trustee may withhold the notice if and so long as the board of directors, the executive committee or a trust committee of directors of the Trustee in good faith determines that withholding the notice is in the interest of the Holders.

Section 7.07. *Compensation and Indemnity.*

(a) The Issuer will pay the Trustee compensation as agreed upon in writing between the Issuer and the Trustee for the Trustee's services. The compensation of the Trustee is not limited by any law on compensation of a Trustee of an express trust. The Issuer will reimburse the Trustee upon request for all reasonable out of pocket expenses, disbursements and advances incurred or made by the Trustee, including the compensation and expenses of the Trustee's agents and counsel.

(b) The Issuer and the Guarantors shall jointly and severally indemnify the Trustee and its agents, officers, directors and employees for, and hold them harmless against, any loss or liability, damage, claim or expense incurred by them arising out of or in connection with the acceptance or administration of this Indenture and its duties under this Indenture and the Notes, including the costs and expenses (including, without limitation, fees and expenses of agents and attorneys) of defending itself against any claim or liability and of complying with any process served upon it or any of its officers in connection with the exercise or performance of any of its powers or duties under this Indenture and the Notes, except to the extent any such loss, damage, claim, liability or expense shall have been determined by a court of competent jurisdiction in a final nonappealable judgment to have been caused by its own gross negligence or willful misconduct.

(c) To secure each of the Issuer's and the Guarantor's payment obligations in this Section, the Trustee will have a Lien prior to the Notes on all money or property held or collected by the Trustee, in its capacity as Trustee, except money or property held in trust to pay principal of, and interest on particular Notes.

(d) If the Trustee incurs expenses or renders services in connection with an Event of Default as specified herein, the expenses (including, but not limited to, charges and expenses of its counsel and agents) and the compensation for the services are intended to constitute expenses of administration under any applicable bankruptcy, reorganization, insolvency or similar law now or hereafter in effect.

(e) The provisions of this Section 7.07 shall survive termination of this Indenture and the resignation or removal of the Trustee.

Section 7.08. *Replacement of Trustee.* (a) (i) The Trustee may resign at any time by written notice to the Issuer.

(ii) The Holders of a majority in principal amount of the Outstanding Notes may remove the Trustee by written notice to the Trustee.

(iii) If the Trustee is no longer eligible under Section 7.13, any Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(iv) The Issuer may remove the Trustee if: (i) the Trustee is no longer eligible under Section 7.13; (ii) the Trustee is adjudged a bankrupt or an insolvent; (iii) a receiver or other public officer takes charge of the Trustee or its property; or (iv) the Trustee becomes incapable of acting.

A resignation or removal of the Trustee and appointment of a successor Trustee will become effective only upon the successor Trustee's acceptance of appointment as provided in this Section.

(b) If the Trustee has been removed by the Holders, Holders of a majority in principal amount of the Notes may appoint a successor Trustee with the consent of the Issuer. Otherwise, if the Trustee resigns or is removed, or if a vacancy exists in the office of Trustee for any reason, the Issuer will promptly appoint a successor Trustee. If the successor Trustee does not deliver its written acceptance within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Issuer or the Holders of a majority in principal amount of the Outstanding Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) Upon delivery by the successor Trustee of a written acceptance of its appointment to the retiring Trustee and to the Issuer, (i) the retiring Trustee will transfer all property held by it as Trustee to the successor Trustee, subject to the Lien provided for in Section 7.07, (ii) the resignation or removal of the retiring Trustee will become effective, and (iii) the successor Trustee will have all the rights, powers and duties of the Trustee under this Indenture. Upon request of any successor Trustee, the Issuer will execute any and all instruments for fully and vesting in and confirming to the successor Trustee all such rights, powers and trusts. The Issuer will give notice of any resignation and any removal of the Trustee and each appointment of a successor Trustee to all Holders, and include in the notice the name of the successor Trustee and the address of its Corporate Trust Office.

(d) Notwithstanding replacement of the Trustee pursuant to this Section, the Issuer's obligations under Section 7.07 will continue for the benefit of the retiring Trustee.

Section 7.09. *Successor Trustee by Merger.* If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation or national banking association, the resulting, surviving or transferee corporation or national banking association without any further act will be the successor Trustee with the same effect as if the successor Trustee had been named as the Trustee in this Indenture.

Section 7.10. *Money Held in Trust.* The Trustee will not be liable for interest on any money received by it except as it may agree with the Issuer. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law and except for money held in trust under Section 7.11.

Section 7.11. *Appointment of Co-Trustee.* (a) Notwithstanding any other provisions of this Indenture, at any time, for the purpose of meeting any legal requirement under this Indenture, the Trustee shall have the power and may execute and deliver all instruments necessary to appoint one or more Persons to act as a co-trustee or co-trustees, or separate trustee or separate trustees, and to vest in such Person or Persons, in such capacity and for the benefit of the Noteholders, such title hereunder, or any part hereof, and subject to the other provisions of this Section 7.11, such powers, duties, obligations, rights and trusts as the Trustee may consider necessary or desirable. No co-trustee or separate trustee hereunder shall be required to meet the terms of eligibility as a successor trustee under Section 7.13 and no notice to Noteholders of the appointment of any co-trustee or separate trustee shall be required under Section 7.13 hereof.

(b) Every separate trustee and co-trustee shall, to the extent permitted by law, be appointed and act subject to the following provisions and conditions:

(i) all rights, powers, duties and obligations conferred or imposed upon the Trustee shall be conferred or imposed upon and exercised or performed by the Trustee and such separate trustee or co-trustee jointly (it being understood that such separate trustee or co-trustee is not authorized to act separately without the Trustee joining in such act), except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed the Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations (including the holding of title to any property or any portion thereof in any such jurisdiction) shall be exercised and performed singly by such separate trustee or co-trustee, but solely at the direction of the Trustee;

(ii) no trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder; and

(iii) the Trustee may at any time accept the resignation of or remove any separate trustee or co-trustee.

(c) Any notice, request or other writing given to the Trustee shall be deemed to have been given to each of the then separate trustees and co-trustees, as effectively as if given to each of them. Every instrument appointing any separate trustee or co-trustee shall refer to this Indenture and the conditions of this Article 7. Each separate trustee and co-trustee, upon its acceptance of the trusts conferred, shall be vested with the estates or property specified in its instrument of appointment, either jointly with the Trustee or separately, as may be provided therein, subject to all the provisions of this Indenture, specifically including every provision of this Indenture relating to the conduct of, affecting the liability of, or affording protection or rights (including the rights to compensation, reimbursement and indemnification hereunder) to, the Trustee. Every such instrument shall be filed with the Trustee.

(d) Any separate trustee or co-trustee may at any time constitute the Trustee its agent or attorney in fact with full power and authority, to the extent not prohibited by law, to do any lawful act under or in respect of this Indenture on its behalf and in its name. If any separate trustee or co-trustee shall die, become incapable of acting, resign or be removed, all of its estates, properties, rights, remedies and trusts shall vest in and be exercised by the Trustee, to the extent permitted by law, without the appointment of a new or successor trustee.

Section 7.12. *Force Majeure*. In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

Section 7.13. *Corporate Trustee Required; Eligibility; Conflicting Interests*. There shall at all times be a Trustee hereunder which shall be eligible to act as Trustee under the Trust Indenture Act and shall have a combined capital and surplus of at least \$25,000,000 and its Corporate Trust Office in The City of New York, New York. If such corporation publishes reports of condition at least annually, pursuant to law or the requirements of Federal, state, territorial or District of Columbia supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article. Neither the Issuer nor any Person directly or indirectly controlling, controlled by, or under common control with the Issuer shall serve as Trustee.

Section 7.14. *Compliance Certificates and Opinions*. Upon any application or request by the Issuer to the Trustee to take any action under any provision of this Indenture, the Issuer shall furnish to the Trustee an Officer's Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(a) a statement that each individual signing such certificate or opinion has read such condition or covenant and the definitions herein relating thereto;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such condition or covenant has been complied with; and

(d) a statement as to whether or not, in the opinion of each such individual, such condition or covenant has been complied with.

Section 7.15. *Trustee and Others May Hold Notes.*

(a) The Trustee or any Paying Agent or Principal Paying Agent or Registrar or any other authorized agent of the Trustee, or any Affiliate thereof, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with the Issuer, or any other obligor on the Notes with the same rights it would have if it were not Trustee, Paying Agent, Principal Paying Agent, Registrar or such other authorized agent.

(b) The Trustee is subject to TIA Sections 310(b) and 311.

ARTICLE 8

DEFEASANCE AND DISCHARGE

Section 8.01. *Discharge of Issuer's Obligations.*

(a) Subject to paragraph (b), the Issuer's obligations under the Notes and this Indenture, and the Guarantors' obligations under the Guarantees, will terminate if:

(i) all Notes previously authenticated and delivered (other than (A) destroyed, lost or stolen Notes that have been replaced or (B) Notes that are paid pursuant to Section 3.01 or (C) Notes for whose payment funds in Dollars or U.S. Government Obligations in Dollars have been held in trust and then repaid to the Issuer pursuant to Section 7.06) have been delivered to the Trustee for cancellation and the Issuer has paid all sums payable by it hereunder; or

(ii) (A) the Issuer irrevocably deposits in trust with the Trustee, as trust funds solely for the benefit of the Holders, funds in Dollars or U.S. Government Obligations in Dollars or a combination thereof sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written opinion delivered to the Trustee, without consideration of any reinvestment, to pay principal of and interest on the Notes to maturity or redemption, as the case may be, and to pay all other sums payable by it hereunder;

(B) no Default has occurred and is continuing on the date of the deposit;

(C) the deposit will not result in a breach or violation of, or constitute a Default under, this Indenture or any other agreement or instrument to which the Issuer is a party or by which it is bound; and

(D) the Issuer delivers to the Trustee an Officer's Certificate and an Opinion of Counsel, in each case stating that all conditions precedent provided for herein relating to the satisfaction and discharge of this Indenture have been complied with.

(b) After satisfying the conditions in clause (a)(i), only the Issuer's obligations under Section 7.07 will survive. After satisfying the conditions in clause (a)(ii), only the Issuer's obligations in Article 2 and Section 3.01, 4.01, 4.02, 7.07, 8.05 and 8.06 will survive. In either case, the Trustee upon request will acknowledge in writing the discharge of the Issuer's obligations under the Notes and this Indenture other than the surviving obligations.

Section 8.02. *Legal Defeasance.* After the 123rd day following the deposit referred to in clause (i) below, the Issuer will be deemed to have paid and will be discharged from its obligations in respect of the Notes and this Indenture, other than its obligations in Article 2 and Section 3.01, 4.01, 4.02, 7.07, 8.05 and 8.06, provided the following conditions have been satisfied:

(i) The Issuer has irrevocably deposited in trust with the Trustee, as trust funds solely for the benefit of the Holders, funds in Dollars or U.S. Government Obligations in Dollars or a combination thereof sufficient, in the opinion of an internationally recognized firm of independent public accountants expressed in a written certificate thereof delivered to the Trustee, without consideration of any reinvestment, to pay principal of and interest on the Notes to maturity or redemption, as the case may be, provided that any redemption before maturity has been irrevocably provided for under arrangements satisfactory to the Trustee.

(ii) No Default has occurred and is continuing on the date of the deposit or occurs at any time during the 123 day period following the deposit.

(iii) The deposit will not result in a breach or violation of, or constitute a Default under, this Indenture or any other agreement or instrument to which the Issuer is a party or by which it is bound.

(iv) The Issuer has delivered to the Trustee:

(A) either (x) a ruling received from the Internal Revenue Service to the effect that the beneficial owners of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would otherwise have been the case or (y) an Opinion of Counsel, based on a change in law after the date of this Indenture, to the same effect as the ruling described in clause (x);

(B) an Opinion of Counsel to the effect that (i) the creation of the defeasance trust does not violate the Investment Company Act of 1940, as amended, (ii) the Holders have a valid first priority Note interest in the trust funds (subject to customary exceptions), and (iii) after the passage of 123 days following the deposit, the trust funds will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and

(C) an Opinion of Counsel from Luxembourg and any other jurisdiction in which the Issuer is conducting business in a manner which causes the Holders of the Notes to be liable for taxes on payments under the Notes for which they would not have been so liable but for such conduct of business in such other jurisdiction, to the effect that the Holders will not recognize income, gain or loss in the relevant jurisdiction as a result of such deposit and the defeasance and will be subject to taxes in the relevant jurisdiction (including withholding taxes) (as applicable) on the same amount and in the same manner and at the same times as would otherwise have been the case if such deposit and defeasance had not occurred.

(v) If the Notes are listed on a U.S. national securities exchange, the Issuer has delivered to the Trustee an Opinion of Counsel to the effect that the deposit and defeasance will not cause the Notes to be delisted.

(vi) The Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, in each case stating that all conditions precedent provided for herein relating to the defeasance have been complied with.

Prior to the end of the 123 day period, none of the Issuer's obligations under this Indenture will be discharged. Thereafter, the Trustee upon request will acknowledge in writing the discharge of the Issuer's obligations under the Notes and this Indenture except for the surviving obligations specified above.

Section 8.03. *Covenant Defeasance*. After the 123rd day following the deposit referred to in Section 8.01(a)(ii), the Issuer's obligations set forth in Section 4.06 through 4.09, inclusive, will terminate, and clauses (d) and (g) of Section 6.01 will no longer constitute an Event of Default, provided that the following conditions have been satisfied:

(i) The Issuer has complied with clauses (i), (ii), (iii), (iv)(B), (v) and (vi) of Section 8.02; and

(ii) the Issuer has delivered to the Trustee an Opinion of Counsel to the effect that the beneficial owners of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would otherwise have been the case.

Except as specifically stated above, none of the Issuer's obligations under this Indenture will be discharged.

Section 8.04. *Application of Trust Money*. Subject to Section 8.05, the Trustee will hold in trust the funds in Dollars or U.S. Government Obligations in Dollars deposited with it pursuant to Section 8.01, 8.02 or 8.03, and apply the deposited funds in Dollars and the proceeds from deposited U.S. Government Obligations in Dollars to the payment of principal of and interest on the Notes in accordance with the Notes and this Indenture. Such Dollar funds and U.S. Government Obligations need not be segregated from other funds except to the extent required by law.

Section 8.05. *Repayment to Issuer.* Subject to Section 7.07, 8.01, 8.02 and 8.03, the Trustee and the Paying Agents will promptly pay to the Issuer upon request any excess funds in Dollars held by the Trustee and the Paying Agents at any time and thereupon be relieved from all liability with respect to such funds. The Trustee or such Paying Agent will pay to the Issuer upon request any funds in Dollars held for payment with respect to the Notes that remains unclaimed for two years; provided that before making such payment the Trustee or such Paying Agent may at the expense of the Issuer publish once in a newspaper of general circulation in New York City, or send to each Holder entitled to such Dollar denominated funds, notice that the funds remains unclaimed and that after a date specified in the notice (at least 30 days after the date of the publication or notice) any remaining unclaimed balance of money will be repaid to the Issuer. After payment to the Issuer, Holders entitled to such funds must look solely to the Issuer for payment, unless applicable law designates another Person, and all liability of the Trustee and the Paying Agents with respect to such funds will cease.

Section 8.06. *Reinstatement.* If and for so long as the Trustee is unable to apply any funds in Dollars or U.S. Government Obligations in Dollars held in trust pursuant to Section 8.01, 8.02 or 8.03 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Issuer's obligations under this Indenture and the Notes will be reinstated as though no such deposit in trust had been made. If the Issuer makes any payment of principal of or interest on any Notes because of the reinstatement of its obligations, it will be subrogated to the rights of the Holders of such Notes to receive such payment from the funds in Dollars or U.S. Government Obligations in Dollars held in trust.

ARTICLE 9

AMENDMENTS, SUPPLEMENTS AND WAIVERS

Section 9.01. *Amendments Without Consent of Holders.* The Issuer, the Guarantors and the Trustee may amend or supplement this Indenture, the Notes or the Guarantees without notice to or the consent of any Noteholder:

- (i) to cure any ambiguity, omission, defect, inconsistency or to correct a manifest error in this Indenture, the Notes or the Guarantees;
- (ii) to comply with Section 5.01 and Section 9.03;
- (iii) to evidence and provide for the acceptance of an appointment hereunder by a successor Trustee;
- (iv) to provide for uncertificated Notes in addition to or in place of Certificated Notes provided that the uncertificated notes are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated notes are described in Section 163(f)(2)(B) of the Code;
- (v) to provide for any additional Guarantee of the Notes or to secure the Notes or confirm and evidence the release, termination or discharge of any Guarantee or Lien securing the notes when such release, termination or discharge is permitted by this Indenture;
- (vi) to provide for or confirm the issuance of Additional Notes;
- (vii) to add to the covenants of the Issuer, Ultrapar or Ipiranga for the benefit of the Holders of the Notes;
- (viii) to make any other change that does not materially and adversely affect the rights of any Holder, as provided in an Officer's Certificate and Opinion of Counsel delivered to the Trustee; or
- (ix) to conform this Indenture to the description of the Notes in the Offering Memorandum.

Section 9.02. *Amendments With Consent of Holders.*

(a) Except as otherwise provided in Section 6.02 through 6.07 or paragraph (b) of this Section 9.02, the Issuer, the Guarantors and the Trustee may amend this Indenture, the Notes and the Guarantees with the written consent of the Holders of a majority in aggregate principal amount of the Outstanding Notes, and the Holders of a majority in aggregate principal amount of the Outstanding Notes by written notice to the Trustee may waive future compliance by the Issuer with any provision of this Indenture, the Notes or the Guarantees.

(b) Notwithstanding the provisions of paragraph (a), without the consent of each Holder affected, an amendment or waiver may not:

- (i) reduce the principal amount of or change the Stated Maturity of any payment of principal or any installment of interest on any Note;
 - (ii) reduce the rate of interest or change the method of computing the amount of interest payable on any Note;
 - (iii) reduce the amount payable upon the redemption of any Note or change the time of any mandatory redemption or, in respect of an optional redemption, the times at which any Note may be redeemed or, once notice of redemption has been given, the time at which it must thereupon be redeemed provided, however, the minimum notice period for such redemption (but not the times of redemption) may be changed with the written consent of the holders of a majority in principal amount of the outstanding Notes;
 - (iv) make any Note payable in currency other than that stated in the Note;
 - (v) impair the contractual right of any Holder of Notes to receive any principal payment or interest payment on such Holder's Notes, on or after the Stated Maturity thereof, or to institute suit for the enforcement of any such payment;
 - (vi) make any change in the percentage of the principal amount of the Notes required for amendments or waivers;
- or
- (vii) modify or change any provision of this Indenture affecting the ranking of the Notes in a manner adverse to the Holders of the Notes (it being understood that changes in provisions affecting the ability to create Liens over the assets of the Issuer shall not affect the "ranking" of the Notes as that term is used in this subsection (vii)).

(c) It is not necessary for Noteholders to approve the particular form of any proposed amendment, supplement or waiver, but is sufficient if their consent approves the substance thereof.

(d) Subject to Section 9.05, an amendment, supplement or waiver under this Section will become effective on receipt by the Trustee of written consents from the Holders of the requisite percentage in principal amount of the Outstanding Notes. After an amendment, supplement or waiver under this Section becomes effective, the Issuer will send to the Holders affected thereby a notice briefly describing the amendment, supplement or their written waiver. The Issuer will send supplemental Indentures to Holders upon request. Any failure of the Issuer to send such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such supplemental Indenture or waiver.

Section 9.03. *Substitution of the Issuer.*

(a) Notwithstanding any other provision contained in this Indenture, without the consent of any Holder of Notes, the Issuer may be replaced and substituted, as principal debtor in respect of the Notes, by (x) Ultrapar or (y) any Wholly-owned Subsidiary of Ultrapar (in each case, in that capacity, the "**Substituted Issuer**"); provided that the following conditions are satisfied:

(i) such documents shall be executed by the Substituted Issuer, the Issuer, Ultrapar and the Trustee as may be necessary to give full effect to the substitution, including a supplemental indenture under which the Substituted Issuer assumes all of the obligations of the Issuer under this Indenture and Notes and, unless Ultrapar or another guarantor of the Notes is the Substituted Issuer or Ultrapar's or such other Guarantor's then-existing Guarantee remains in full force and effect, a substitute Guarantee issued by Ultrapar or such other Guarantor in respect of the Notes (collectively, the "**Substitution Documents**");

(ii) if the Substituted Issuer is organized in a jurisdiction other than Luxembourg, the Substitution Documents shall contain covenants (i) to ensure that each Holder of Notes has the benefit of a covenant in terms corresponding to the obligations of the Issuer, in respect of the payment of Additional Amounts (but replacing references to Luxembourg with references to the jurisdiction of organization of the Substituted Issuer) and (ii) to indemnify each Holder and beneficial owner of Notes against all taxes or duties that (a) arise by reason of a law or regulation in effect or contemplated on the effective date of the substitution that are incurred or levied against such Holder or beneficial owner of Notes as a result of the substitution and that would not have been so incurred or levied had the substitution not been made, and (b) are imposed on such Holder or beneficial owner of Notes by any political subdivision or taxing authority of any country in which such Holder or beneficial owner of the Notes resides or is subject to any such tax or duty and that would not have been so imposed had the substitution not been made;

(iii) the Issuer shall deliver, or cause the delivery, to the Trustee opinions from internationally recognized counsel in the jurisdiction of organization of the Substituted Issuer and the State of New York to the effect that the Substitution Documents constitute valid and binding obligations of the Substituted Issuer, as well as an Officer's Certificate as to compliance with the provisions described under this section;

(iv) the Substituted Issuer shall appoint a process agent in the Borough of Manhattan in The City of New York to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with Notes, this Indenture and the Substitution Documents;

(v) no Default or Event of Default has occurred or is continuing; and

(vi) the substitution shall comply with all applicable requirements under the laws of the jurisdiction of organization of the Substituted Issuer and Luxembourg.

(b) Upon the execution of the Substitution Documents, any substitute guarantee and compliance with the other conditions in this Indenture relating to the substitution, (i) the Substituted Issuer shall be deemed to be named in the Notes as the principal debtor in place of the Issuer and (ii) the Issuer (or any previous substitute) shall be released from all of its obligations under the Notes and this Indenture and any reference in this Indenture to the Issuer shall from then on be deemed to refer to the Substituted Issuer and any reference to the country in which the Issuer is domiciled or resident for taxation purposes shall from then on be deemed to refer to the country of domicile or residence for taxation purposes of the Substituted Issuer.

(c) Not later than 10 Business Days after the execution of the Substitution Documents, the Substituted Issuer shall give written notice thereof to the Holders of Notes.

Section 9.04. *Effect of Consent.*

(a) After an amendment, supplement or waiver becomes effective, it will bind every Holder unless it is of the type requiring the consent of each Holder affected. If the amendment, supplement or waiver is of the type requiring the consent of each Holder affected, the amendment, supplement or waiver will bind each Holder that has consented to it and every subsequent Holder of a Note that evidences the same debt as the Note of the consenting Holder.

(b) If an amendment, supplement or waiver changes the terms of a Note, the Trustee may require the Holder to deliver it to the Trustee so that the Trustee may place an appropriate notation of the changed terms on the Note and return it to the Holder, or exchange it for a new Note that reflects the changed terms. The Trustee may also place an appropriate notation on any Note thereafter authenticated. However, the effectiveness of the amendment, supplement or waiver is not affected by any failure to annotate or exchange Notes in this fashion.

Section 9.05. *Trustee's Rights and Obligations.* Other than Section 9.01 above (except for paragraph (vii) therein), the Trustee is entitled to receive, and will be fully protected in relying upon, an Officer's Certificate and an Opinion of Counsel stating that the execution of any amendment, supplement or waiver authorized pursuant to this Article is authorized or permitted by this Indenture. If the Trustee has received such an Officer's Certificate and Opinion of Counsel, it shall sign the amendment, supplement or waiver so long as the same does not adversely affect the rights of the Trustee. The Trustee may, but is not obligated to, execute any amendment, supplement or waiver that affects the Trustee's own rights, duties or immunities under this Indenture.

ARTICLE 10
GUARANTEES

Section 10.01. *Guarantees.*

(a) Each Guarantor hereby jointly and severally, irrevocably and unconditionally guarantees, as a primary obligor and not merely as a surety, to each Holder and to the Trustee and its successors and assigns (i) the full and punctual payment when due, whether by acceleration, by redemption or otherwise, of all obligations of the Issuer under this Indenture (including obligations to the Trustee) and the Notes, whether for payment of principal of, interest on or liquidated damages, if any, in respect of the Notes and all other monetary obligations of the Issuer under this Indenture and the Notes and (ii) the full and punctual performance within applicable grace periods of all other obligations of the Issuer whether for fees, expenses, indemnification or otherwise under this Indenture and the Notes (all the foregoing being hereinafter collectively called the “**Guaranteed Obligations**”). Each Guarantor further agrees that the Guaranteed Obligations may be extended or renewed, in whole or in part, without notice or further assent from each such Guarantor, and that each such Guarantor shall remain bound under this Article 10 notwithstanding any extension or renewal of any Guaranteed Obligation.

(b) Each Guarantor waives, to the fullest extent permitted by law, presentation to, demand of payment from and protest to the Issuer of any of the Guaranteed Obligations and also waives notice of protest for nonpayment. Each Guarantor waives notice of any default under the Notes or the Guaranteed Obligations. The obligations of each Guarantor hereunder shall not be affected by (i) the failure of any Holder or the Trustee to assert any claim or demand or to enforce any right or remedy against the Issuer or any other Person under this Indenture, the Notes or any other agreement or otherwise; (ii) any extension or renewal of any thereof; (iii) any rescission, waiver, amendment or modification of any of the terms or provisions of this Indenture, the Notes or any other agreement; (iv) the release of any security held by any Holder or the Trustee for the Guaranteed Obligations or any of them; (v) the failure of any Holder or Trustee to exercise any right or remedy against any other guarantor of the Guaranteed Obligations; or (vi) any change in the ownership of such Guarantor.

(c) Each Guarantor hereby waives, to the fullest extent permitted by law, any right to which it may be entitled to have its obligations hereunder divided among the Guarantors, such that such Guarantor’s obligations would be less than the full amount claimed. Each Guarantor hereby waives, to the fullest extent permitted by law, any right to which it may be entitled to have the assets of the Issuer first be used and depleted as payment of the Issuer’s or such Guarantor’s obligations hereunder prior to any amounts being claimed from or paid by such Guarantor hereunder. Each Guarantor hereby waives any right to which it may be entitled to require that the Issuer be sued prior to an action being initiated against such Guarantor. Each Guarantor hereby waives the benefits to which it is entitled under Articles 333, 827, 829, 830, 834, 835, 837, 838 and 839 of the Brazilian Civil Code, and Article 794 of the Brazilian Code of Civil Procedure.

(d) Each Guarantor further agrees that its guarantee herein constitutes a guarantee of payment, performance and compliance when due (and not a guarantee of collection) and waives any right to require that any resort be had by any Holder or the Trustee to any security held for payment of the Guaranteed Obligations.

(e) Except as expressly set forth in Section 10.02 below, the obligations of each Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason, including any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to any defense of setoff, counterclaim, recoupment or termination whatsoever or by reason of the invalidity, illegality or unenforceability of the Guaranteed Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of each Guarantor herein shall not be discharged or impaired or otherwise affected by the failure of any Holder or the Trustee to assert any claim or demand or to enforce any remedy under this Indenture, the Notes or any other agreement, by any waiver or modification of any thereof, by any default, failure or delay, willful or otherwise, in the performance of the obligations, or by any other act or thing or omission or delay to do any other act or thing which may or might in any manner or to any extent vary the risk of any Guarantor or would otherwise operate as a discharge of any Guarantor as a matter of law or equity.

(f) Each Guarantor agrees that its guarantee shall remain in full force and effect until payment in full of all the Guaranteed Obligations. Each Guarantor further agrees that its guarantee herein shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of principal of or interest or liquidated damages, if any, on any Guaranteed Obligation is rescinded or must otherwise be restored by any Holder or the Trustee upon the bankruptcy or reorganization of the Issuer or otherwise.

(g) In furtherance of the foregoing and not in limitation of any other right which any Holder or the Trustee has at law or in equity against any Guarantor by virtue hereof, upon the failure of the Issuer to pay the principal of or interest or liquidated damages, if any, on any Guaranteed Obligation when and as the same shall become due, whether by acceleration, by redemption or otherwise, or to perform or comply with any other Guaranteed Obligation, each Guarantor hereby promises to and shall, upon receipt of written demand by the Trustee, forthwith pay, or cause to be paid, in cash, to the Principal Paying Agent for the benefit of Holders or the Trustee an amount equal to the sum of (i) the unpaid principal amount of such Guaranteed Obligations, (ii) accrued and unpaid interest on such Guaranteed Obligations and (iii) all other monetary obligations of the Issuer to the Holders and the Trustee.

(h) Each Guarantor agrees that it shall not be entitled to any right of subrogation in relation to the Holders in respect of any Guaranteed Obligations guaranteed hereby until payment in full of all Guaranteed Obligations. Each Guarantor further agrees that, as between it, on the one hand, and the Holders and the Trustee, on the other hand, (i) the maturity of the Guaranteed Obligations guaranteed hereby may be accelerated as provided in Article 6 for the purposes of any guarantee herein, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the Guaranteed Obligations guaranteed hereby, and (ii) in the event of any declaration of acceleration of such Guaranteed Obligations as provided in Article 6, such Guaranteed Obligations (whether or not due and payable) shall forthwith become due and payable by such Guarantor for the purposes of this Section 10.01.

(i) Each Guarantor also agrees to pay any and all costs and expenses (including reasonable attorneys' fees and expenses) incurred by the Trustee or any Holder in enforcing any rights under this Section 10.01.

(j) Upon request of the Trustee, each Guarantor shall execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purpose of this Indenture.

Section 10.02. *Limitation on Liability.* Any term or provision of this Indenture to the contrary notwithstanding, the maximum aggregate amount of the Guaranteed Obligations guaranteed hereunder by any Guarantor shall not exceed the maximum amount that can be hereby guaranteed without rendering this Indenture, as it relates to such Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

Section 10.03. *Successors and Assigns.* This Article 10 shall be binding upon each Guarantor and its successors and assigns and shall inure to the benefit of the successors and assigns of the Trustee and the Holders and, in the event of any transfer or assignment of rights by any Holder or the Trustee, the rights and privileges conferred upon that party in this Indenture and in the Securities shall automatically extend to and be vested in such transferee or assignee, all subject to the terms and conditions of this Indenture.

Section 10.04. *No Waiver.* Neither a failure nor a delay on the part of either the Trustee or the Holders in exercising any right, power or privilege under this Article 10 shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise of any right, power or privilege. The rights, remedies and benefits of the Trustee and the Holders herein expressly specified are cumulative and not exclusive of any other rights, remedies or benefits which either may have under this Article 10 at law, in equity, by statute or otherwise.

Section 10.05. *Modification.* No modification, amendment or waiver of any provision of this Article 10, nor the consent to any departure by any Guarantor therefrom, shall in any event be effective unless the same shall be in writing and signed by the Trustee, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on any Guarantor in any case shall entitle such Guarantor to any other or further notice or demand in the same, similar or other circumstances.

Section 10.06. *Non-Impairment.* The failure to endorse a guarantee on any Note shall not affect or impair the validity thereof.

ARTICLE 11
MISCELLANEOUS

Section 11.01. *Noteholder Communications; Noteholder Actions.*

(a) The rights of Holders to communicate with other Holders with respect to this Indenture or the Notes are as provided by the Trust Indenture Act, and the Issuer and the Trustee shall comply with the requirements of TIA Sections 312(a) and 312(b). Neither the Issuer nor the Trustee will be held accountable by reason of any disclosure of information as to names and addresses of Holders made pursuant to the Trust Indenture Act.

(b) (i) Any request, demand, authorization, direction, notice, consent to amendment, supplement or waiver or other action provided by this Indenture to be given or taken by a Holder (an “act”) may be evidenced by an instrument signed by the Holder delivered to the Responsible Office of the Trustee. The fact and date of the execution of the instrument, or the authority of the person executing it, may be proved in any manner that the Trustee deems sufficient.

(ii) The Trustee may make reasonable rules for action by or at a meeting of Holders, which will be binding on all the Holders.

(c) Any act by the Holder of any Note binds that Holder and every subsequent Holder of a Note that evidences the same debt as the Note of the acting Holder, even if no notation thereof appears on the Note. Subject to paragraph (c), a Holder may revoke an act as to its Notes, but only if the Responsible Officer of the Trustee receives the written notice of revocation before the date the amendment or waiver or other consequence of the act becomes effective.

(d) The Issuer may, but is not obligated to, fix a record date for the purpose of determining the Holders entitled to act with respect to any amendment or waiver or in any other regard, except that during the continuance of an Event of Default, only the Trustee may set a record date as to notices of Default, any declaration or acceleration or any other remedies or other consequences of the Event of Default. If a record date is fixed, those Persons that were Holders at such record date and only those Persons will be entitled to act, or to revoke any previous act, whether or not those Persons continue to be Holders after the record date.

(e) If the Issuer shall solicit from the Holders any request, demand, authorization, direction, notice, consent, waiver or other act, the Issuer may, at its option, in or pursuant to a Board Resolution, fix in advance a record date for the determination of Holders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other act, but the Issuer shall have no obligation to do so. Such record date shall be the record date specified in or pursuant to such Board Resolution, which shall be a date not earlier than the date 30 days prior to the first solicitation of Holders generally in connection therewith and not later than the date such solicitation is completed. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of record at the close of business on such record date shall be deemed to be Holders for the purposes of determining whether Holders of the requisite proportion of Outstanding Notes have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the Outstanding Notes shall be computed as of such record date; provided that no such authorization, agreement or consent by the Holders on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than eleven months after the record date.

Section 11.02. *Notices.*

(a) Any notice or communication to the Issuer will be deemed given if in English and in writing (i) when delivered in person or (ii) an internationally recognized overnight courier service, or (iii) when sent by facsimile transmission, with transmission confirmed. Any notice to the Trustee will be effective only upon receipt by the Responsible Officer of the Trustee provided such notice is in writing and in English and (i) delivered in person or (ii) an internationally recognized overnight courier service, or (iii) when sent by facsimile transmission, with transmission confirmed. In each case the notice or communication should be addressed as follows:

if to the Issuer:

Ultrapar International S.A.
c/o Ultrapar Participações S.A.
Av. Brigadeiro Luiz Antônio, 1343, 9º Andar
São Paulo, SP, Brazil 01317-910
Attention: Marcello De Simone

With a copy to:

Skadden, Arps, Slate, Meagher & Flom LLP
Av. Brigadeiro Faria Lima, 3311, 7th Floor
São Paulo, São Paulo 04538-133
Attention: Filipe Areno
Facsimile: +55 11 3708 1845

if to the Trustee, the Transfer Agent, Registrar or Paying Agent:

The Bank of New York Mellon
101 Barclay Street, Floor 7E
New York, New York 10286
USA
Attention: Global Corporate Trust
Facsimile: +1 212-815-5390

if to the Principal Paying Agent:

The Bank of New York Mellon
101 Barclay Street, Floor 7E
New York, New York 10286
USA
Attention: Global Corporate Trust
Facsimile: +1 212-815-5390

if to the Luxembourg Paying Agent and Luxembourg Transfer Agent:

The Bank of New York Mellon (Luxembourg) S.A.
Vertigo Building – Polaris 2-4 Rue Eugene Ruppert L-2453
Luxembourg, Grand Duche de Luxembourg
Fax: +352 24 524 204
Attention: International Corporate Trust

The Issuer or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

(b) Except as otherwise expressly provided with respect to published notices, any notice or communication to a Holder will be deemed given when mailed to the Holder at its address as it appears on the Register by first class mail or, as to any Global Note registered in the name of DTC or its nominee, as agreed by the Issuer, the Trustee and DTC; *provided*, that, at any time when the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market and its rules so require, the Issuer will publish any such notice of communication sent to the Holders in a newspaper having a general circulation in Luxembourg, or alternatively, notice to Holders may be published on the website of the Luxembourg Stock Exchange at www.bourse.lu. Such notice will be deemed given on the date of its first publication. Copies of any notice or communication to a Holder, if given by the Issuer, will be mailed to the Trustee and the Transfer Agent and Paying Agents at the same time. Defect in mailing a notice or communication to any particular Holder will not affect its sufficiency with respect to other Holders.

(c) Where this Indenture provides for notice, the notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and the waiver will be the equivalent of the notice. Waivers of notice by Holders must be filed with the Trustee, but such filing is not a condition precedent to the validity of any action taken in reliance upon such waivers.

The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured e-mail, pdf, facsimile transmission or other similar unsecured electronic methods; *provided*, however, that the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Issuer elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Issuer agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

Section 11.03. *Certificate and Opinion as to Conditions Precedent.* Upon any request or application by the Issuer or the Guarantors to the Trustee to take any action under this Indenture, each of the Issuer and the Guarantors will furnish to the Trustee:

- (i) an Officer's Certificate stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and
- (ii) an Opinion of Counsel stating that all such conditions precedent have been complied with.

Section 11.04. *Statements Required in Certificate or Opinion.* Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture must include:

- (i) a statement that each person signing the certificate or opinion has read the covenant or condition and the related definitions;
- (ii) a brief statement as to the nature and scope of the examination or investigation upon which the statement or opinion contained in the certificate or opinion is based;
- (iii) a statement that, in the opinion of each such person, that person has made such examination or investigation as is necessary to enable the person to express an informed opinion as to whether or not such covenant or condition has been complied with; and
- (iv) a statement as to whether or not, in the opinion of each such person, such condition or covenant has been complied with, provided that an Opinion of Counsel may rely on an Officer's Certificate or certificates of public officials with respect to matters of fact.

Section 11.05. *Payment Date Other than a Business Day.* If any payment with respect to a payment of any principal of, premium, if any, or interest on any Note (including any payment to be made on any date fixed for redemption of any Note) is due on a day which is not a Business Day, then the payment need not be made on such date, but may be made on the next Business Day with the same force and effect as if made on such date, and no interest will accrue for the intervening period.

Section 11.06. *Governing Law.* This Indenture, the Notes and the Guarantees shall be governed by, and construed in accordance with, the laws of the State of New York, without reference to its choice of law principles. The application of the provisions set out in articles 86 to 94-8 of the Luxembourg law on commercial companies dated August 10, 1915, as amended, is excluded.

Section 11.07. *Submission to Jurisdiction; Agent for Service.* (a) Each of the Issuer and the Guarantors agrees that any suit, action or proceeding against it brought by any Noteholder or the Trustee arising out of or based upon this Indenture or the Notes may be instituted in any state or Federal court in the Borough of Manhattan in The City of New York, New York, and waives any objection which it may now or hereafter have to the laying of venue of any such proceeding, and irrevocably submit to the exclusive jurisdiction of such courts in any suit, action or proceeding.

(b) By the execution and delivery of this Indenture or any amendment or supplement hereto, each of the Issuer and the Guarantors (i) acknowledges that it hereby designates and appoints C T Corporation System, currently located at 111 Eighth Avenue, New York, New York 10011, as its authorized agent upon which process may be served in any suit, action or proceeding with respect to, arising out of, or relating to, the Notes or this Indenture, that may be instituted in any Federal or state court in the State of New York, The City of New York, the Borough of Manhattan, or brought under Federal or state securities laws or brought by the Trustee (whether in its individual capacity or in its capacity as Trustee hereunder), and acknowledges that C T Corporation System has accepted such designation, (ii) submits to the exclusive jurisdiction of any such court in any such suit, action or proceeding, and (iii) agrees that service of process upon C T Corporation System shall be deemed in every respect effective service of process upon the Issuer or such Guarantor in any such suit, action or proceeding. Each of the Issuer and the Guarantors further agrees to take any and all action, including the execution and filing of any and all such documents and instruments as may be necessary to continue such designation and appointment of C T Corporation System in full force and effect so long as this Indenture shall be in full force and effect; provided that the Issuer and such Guarantor may and shall (to the extent C T Corporation System ceases to be able to be served on the basis contemplated herein), by written notice to the Trustee, designate such additional or alternative agents for service of process under this Section 11.07 that (i) maintains an office located in the Borough of Manhattan, The City of New York in the State of New York, (ii) are either (x) counsel for the Issuer or any Guarantor or (y) a corporate service company which acts as agent for service of process for other Persons in the ordinary course of its business and (iii) agrees to act as agent for service of process in accordance with this Section 11.07. Such notice shall identify the name of such agent for process and the address of such agent for process in the Borough of Manhattan, The City of New York, State of New York. Upon the request of any Noteholder, the Trustee shall deliver such information to such Noteholder. Notwithstanding the foregoing, there shall, at all times, be at least one agent for service of process for the Issuer and each Guarantor appointed and acting in accordance with this Section 11.07.

Section 11.08. *Judgment Currency.*

(a) Dollars are the sole currency of account and payment for all sums due and payable by the Issuer and each Guarantor under this Indenture and the Notes. If, for the purpose of obtaining judgment in any court, it is necessary to convert a sum due hereunder in Dollars into another currency, the Issuer and each Guarantor will agree, to the fullest extent that it may legally and effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Trustee determines a Person could purchase Dollars with such other currency in New York, New York, on the Business Day immediately preceding the day on which final judgment is given.

(b) The obligation of the Issuer and each Guarantor in respect of any sum due to any Noteholder or the Trustee in Dollars shall, to the extent permitted by applicable law, notwithstanding any judgment in a currency other than Dollars, be discharged only to the extent that on the Business Day following receipt of any sum adjudged to be so due in the judgment currency such Noteholder or Trustee may in accordance with normal banking procedures purchase Dollars in the amount originally due to such Person with the judgment currency. If the amount of Dollars so purchased is less than the sum originally due to such Person, the Issuer and each Guarantor agrees as a separate obligation and notwithstanding any such judgment, to indemnify such Person against the resulting loss; and if the amount of Dollars so purchased is greater than the sum originally due to such Person, such Person will, by accepting a Note, be deemed to have agreed to repay such excess.

Section 11.09. *No Adverse Interpretation of Other Agreements.* This Indenture may not be used to interpret another indenture or loan or debt agreement of Ultrapar or any Subsidiary of Ultrapar, and no such indenture or loan or debt agreement may be used to interpret this Indenture.

Section 11.10. *Successors.* All agreements of the Issuer and each Guarantor in this Indenture and the Notes will bind its successors. All agreements of the Trustee in this Indenture will bind its successor.

Section 11.11. *Duplicate Originals.* The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

Section 11.12. *Separability.* In case any provision in this Indenture or in the Notes is invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired thereby.

Section 11.13. *Table of Contents and Headings.* The Table of Contents, Cross- Reference Table and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and in no way modify or restrict any of the terms and provisions of this Indenture.

Section 11.14. *No Liability of Directors, Officers, Employees, Incorporators, Members and Stockholders.* No director, officer, employee, incorporator, member or stockholder of the Issuer or any Guarantor or their respective Subsidiaries, as such, will have any liability for any obligations of the Issuer or such Guarantor under the Notes or this Indenture or for any claim based on, in respect of, or by reason of, such obligations. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are an integral part of the consideration for issuance of the Notes.

Section 11.15. *Waiver of Jury Trial.* EACH OF THE ISSUER, THE GUARANTORS AND THE TRUSTEE HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE, THE NOTES OR THE TRANSACTION CONTEMPLATED HEREBY.

Section 11.16. *Tax Matters.* Each of the Issuer and the Trustee agree (i) to cooperate and to provide the other with such reasonable information as each may have in its possession to enable the determination of whether any payments pursuant to the Indenture are subject to the withholding requirements described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code and any regulations, or agreements thereunder or official interpretations thereof (“**Applicable Law**”), and (ii) that the Trustee shall be entitled to make any withholding or deduction from payments under the Indenture to the extent necessary to comply with Applicable Law, for which the Trustee shall not have any liability.

Section 11.17. *Contractual Recognition of Bail-in Powers.* Notwithstanding any other term of this Indenture or any other agreements, arrangements, or understanding between the parties, each counterparty to a BRRD Party under this Indenture acknowledges, accepts, and agrees to be bound by:

(a) the effect of the exercise of Bail-in Powers by the Relevant Resolution Authority in relation to any BRRD Liability of any BRRD Party to it under this Indenture, that (without limitation) may include and result in any of the following, or some combination thereof:

(i) the reduction of all, or a portion, of the BRRD Liability or outstanding amounts due thereon;

(ii) the conversion of all, or a portion, of the BRRD Liability into shares, other securities or other obligations of the relevant BRRD Party or another person (and the issue to or conferral on it of such shares, securities or obligations);

(iii) the cancellation of the BRRD Liability;

(iv) the amendment or alteration of the amounts due in relation to the BRRD Liability, including any interest, if applicable, thereon, the maturity or the dates on which any payments are due, including by suspending payment for a temporary period; and

(b) the variation of the terms of this Indenture, as deemed necessary by the Relevant Resolution Authority, to give effect to the exercise of Bail-in Powers by the Relevant Resolution Authority.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the date first written above.

ULTRAPAR INTERNATIONAL S.A.
as Issuer

By: 

Name: Marcelo De Simone
Title: Class A Director

ULTRAPAR PARTICIPAÇÕES S.A.
as Guarantor

By: 

Name: André Pires de Oliveira Dias
Title: Executive Officer

By: 

Name: Leonardo de Almeida Antunes Filho
Title: Executive Officer

IPIRANGA PRODUTOS DE PETRÓLEO S.A.
as Guarantor

By: 

Name: Leonardo de Almeida Antunes Filho
Title: Executive Officer

By: 

Name: José Augusto Duzin Nogueira
Title: Executive Officer

[Signature Page to the Indenture]

THE BANK OF NEW YORK MELLON
as Trustee, Transfer Agent, Registrar and
Paying Agent

By: 
Name: James W. Briggs
Title: Vice President

THE BANK OF NEW YORK MELLON as
Principal Paying Agent

By: 
Name: James W. Briggs
Title: Vice President

THE BANK OF NEW YORK MELLON
(LUXEMBOURG) S.A. as Luxembourg
Paying Agent and Luxembourg Transfer
Agent

By: 
Name: James W. Briggs
Title: Attorney-in-Fact

[Signature Page to Indenture]

[FACE OF NOTE]

ULTRAPAR INTERNATIONAL S.A.

5.250% Note Due 2026

No.

[CUSIP]
 [ISIN] _____
 US\$ _____

ULTRAPAR INTERNATIONAL S.A., a public limited liability company (*société anonyme*) organized and established under the laws of the Grand Duchy of Luxembourg, having its registered office at 6 rue Eugène Ruppert, L-2458 Luxembourg and registered with the Luxembourg Trade and Companies Register (*Registre de commerce et des sociétés, Luxembourg*) under number B 208982 (the “**Issuer**”, which term includes any successor under the Indenture hereinafter referred to), for value received, promises to pay to _____, or its registered assigns, the principal sum of _____ DOLLARS (US\$ _____).

Interest Rate: 5.250% per annum.

Interest Payment Dates: April 6 and October 6 of each year, commencing April 6, 2017.

Regular Record Dates: March 22 and September 21 of each year.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which will for all purposes have the same effect as if set forth at this place.

IN WITNESS WHEREOF, the Issuer has caused this Note to be signed manually or by facsimile by its duly authorized signatory.

ULTRAPAR INTERNATIONAL S.A.
as Issuer

By:

Name:
Title:

Trustee's Certificate of Authentication

This is one of the 5.250% Notes Due 2026 described in the Indenture referred to in this Note.

The Bank of New York Mellon, as Trustee

By:

Authorized
Officer

Dated:

[REVERSE SIDE OF NOTE]

ULTRAPAR INTERNATIONAL S.A.

5.250% Note Due 2026

1. *Principal and Interest.*

The Issuer promises to pay the principal of this Note on the Maturity Date. The Issuer promises to pay interest on the principal amount of this Note on each Interest Payment Date, as set forth on the face of this Note at the rate of 5.250% per annum. Interest will be payable semiannually (to the holders of record of the Notes at the close of business on the March 22 or September 21 immediately preceding the Interest Payment Date) on each Interest Payment Date, commencing April 6, 2017.

Interest on this Note will accrue from the most recent date to which interest has been paid on this Note (or, if there is no existing Default in the payment of interest and if this Note is authenticated between a regular record date and the next Interest Payment Date, from such Interest Payment Date) or, if no interest has been paid, from the Issue Date. Interest will be computed in the basis of a 360 day year of twelve 30 day months.

The Issuer will pay interest on overdue principal, premium, if any, and, to the extent lawful, interest at a rate per annum that is 1% per annum in excess of the rate per annum borne by this Note. Interest not paid when due and any interest on principal, premium or interest not paid when due will be paid to the Persons that are Holders on a special record date, which will be the 15th day preceding the date fixed by the Issuer for the payment of such interest, whether or not such day is a Business Day. At least 15 days before a special record date, the Issuer will send to each Holder and to the Trustee a notice that sets forth the special record date, the payment date and the amount of interest to be paid.

Additional Amounts will be paid in respect of any payments of interest or principal so that the amount a Holder receives after applicable withholding tax will equal the amount that the Holder would have received if no withholding tax had been applicable, to the extent described in Section 3.01 of the Indenture.

2. *Indentures; Note.*

This is one of the Notes issued under an Indenture dated as of October 6, 2016 (as amended or supplemented from time to time, the “**Indenture**”), among the Issuer, Ultrapar Participações S.A. (“**Ultrapar**”) and Ipiranga Produtos de Petróleo S.A. (“**Ipiranga**”) as the Guarantors, The Bank of New York Mellon, as Trustee, Transfer Agent, Registrar and Paying Agent, The Bank of New York Mellon as Principal Paying Agent, and The Bank of New York Mellon (Luxembourg) S.A. as Luxembourg Paying Agent and Luxembourg Transfer Agent. Capitalized terms used herein are used as defined in the Indenture unless otherwise indicated. The terms of the Notes include those stated in the Indenture, as may be amended from time to time. The Notes are subject to all such terms, and Holders are referred to the Indenture for a statement of all such terms. To the extent permitted by applicable law, in the event of any inconsistency between the terms of this Note and the terms of the Indenture, the terms of the Indenture will control.

The Notes are general unsecured and unsubordinated obligations of the Issuer, being equal in right of payment with all existing and future unsecured unsubordinated obligations of the Issuer. The Indenture limits the original aggregate principal amount of the Notes to US\$750,000,000, but Additional Notes may be issued pursuant to the Indenture, and the originally issued Notes and all such Additional Notes shall vote together for all purposes as a single class.

The Guarantees are unsecured unsubordinated obligations of Ultrapar and Ipiranga, being equal in right of payment with all existing and future unsecured unsubordinated obligations of Ultrapar and Ipiranga.

3. *Redemption and Repurchase; Discharge Prior to Redemption or Maturity.*

The Note is subject to redemption for tax reasons as described in Section 3.03 of the Indenture and Optional Redemption as described in Section 3.02 of the Indenture.

The Note is subject to repurchase upon a Change of Control that results in a Rating Decline as described in Section 4.07 of the Indenture.

4. *Registered Form; Denominations; Transfer; Exchange.*

The Notes are in registered form without coupons in denominations of US\$200,000 of original principal amount and any multiple of US\$1,000 in excess thereof. A Holder may register the transfer or exchange of Notes in accordance with the Indenture. The Trustee may require a Holder to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. Pursuant to the Indenture, there are certain periods during which the Trustee will not be required to issue, register the transfer of or exchange any Note or certain portions of a Note.

5. *Defaults and Remedies.*

If an Event of Default, as defined in the Indenture, occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the Notes may declare all the Notes to be due and payable. If a bankruptcy default with respect to the Issuer occurs and is continuing, the Notes automatically become due and payable. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. The Trustee may require indemnity satisfactory to it before it enforces the Indenture or the Notes. Subject to certain limitations, Holders of a majority in principal amount of the Notes then Outstanding may direct the Trustee in its exercise of remedies.

6. *Amendment and Waiver.*

Subject to certain exceptions, the Indenture and the Notes may be amended, or Default may be waived, with the consent of the Holders of a majority in principal amount of the Outstanding Notes. Without notice to or the consent of any Holder, the Issuer, the Guarantors and the Trustee may amend or supplement the Indenture, the Notes or the Guarantees to, among other things, cure any ambiguity, omission, defect, inconsistency or to correct a manifest error if such amendment or supplement does not adversely affect the interests of the Holders in any material respect.

7. *Authentication.*

This Note is not valid until the Trustee (or Authenticating Agent) signs the certificate of authentication on the other side of this Note.

8. *Governing Law.*

This Note shall be governed by, and construed in accordance with, the laws of the State of New York, without reference to its choice of law principles. Reference is hereby made to the further provisions of submission to jurisdiction, agent for service, waiver of immunities and judgment currency set forth in the Indenture, which will for all purposes have the same effect as if set forth herein. The application of the provisions set out in articles 86 to 94-8 of the Luxembourg law on commercial companies dated August 10, 1915, as amended, is excluded.

9. *Abbreviations.*

Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian) and U/G/M/A/ (= Uniform Gifts to Minors Act).

The Issuer will furnish a copy of the Indenture to any Holder upon written request and without charge.

FORM OF NOTATION ON SECURITY RELATING TO GUARANTEE

For value received, each of the undersigned hereby unconditionally guarantees to the Holder of this Note, the cash payments in U.S. dollars of principal and interest on this Note (and including Additional Amounts payable thereon, if any) in the amounts and at the times when due, together with interest on the overdue principal and interest, if any, on this Note, if lawful, and the payment of all other obligations of the Issuer under the Indenture or the Notes, to the Holder of this Note and the Trustee, all in accordance with and subject to the terms and conditions of this Security and the Indenture. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Indenture, dated as of October 6, 2016 among Ultrapar International S.A., as the Issuer, Ultrapar Participações S.A. (“**Ultrapar**”) and Ipiranga Produtos de Petróleo S.A. (“**Ipiranga**”) as the Guarantors, The Bank of New York Mellon, as Trustee, Transfer Agent, Registrar and Paying Agent, The Bank of New York Mellon as Principal Paying Agent, and The Bank of New York Mellon (Luxembourg) S.A. as Luxembourg Paying Agent and Luxembourg Transfer Agent.

The obligations of the undersigned to the Holders and to the Trustee are expressly set forth in Article 10 of the Indenture. This Guarantee constitutes a direct, general and unconditional obligation of the undersigned which will at all times rank at least pari passu with all other present and future senior unsecured obligations of the undersigned, except for such obligations as may be preferred by mandatory provisions of law.

IN WITNESS WHEREOF, each of Ultrapar and Ipiranga has caused this endorsement with respect to the U.S.\$750,000,000 5.250% Notes due 2026 of Ultrapar International S.A. to be duly executed.

Dated: []

ULTRAPAR PARTICIPAÇÕES S.A.
as Garantidor

By:

Name:

Title:

By:

Name:

Title:

IPIRANGA PRODUTOS DE PETRÓLEO S.
as Garantidor

By:

Name:

Title:

By:

Name:

Title:

[FORM OF TRANSFER NOTICE]

FOR VALUE RECEIVED the undersigned registered Holder hereby sell(s), assign(s) and transfer(s) unto

Insert Taxpayer Identification No.

Please print or typewrite name and address including zip code of assignee

the within Note and all rights thereunder, hereby irrevocably constituting and appointing

attorney to transfer said Note on the books of the Issuer with full power of substitution in the premises.

[THE FOLLOWING PROVISION TO BE INCLUDED ON ALL CERTIFICATES BEARING A RESTRICTED LEGEND]

In connection with any transfer of this Note occurring prior to October 6, 2017, the undersigned confirms that such transfer is made without utilizing any general solicitation or general advertising and further as follows:

Check One

☐ (1) This Note is being transferred to a “qualified institutional buyer” in compliance with Rule 144A under the U.S. Securities Act of 1933, as amended, and certification in the form of Exhibit E to the Indenture is being furnished herewith.

☐ (2) This Note is being transferred to a Non-U.S. Person in compliance with the exemption from registration under the U.S. Securities Act of 1933, as amended, provided by Regulation S thereunder, and certification in the form of Exhibit D to the Indenture is being furnished herewith.

or

☐ (3) This Note is being transferred other than in accordance with (1) or (2) above and documents are being furnished which comply with the conditions of transfer set forth in this Note and the Indenture.

If none of the foregoing boxes is checked, the Trustee is not obligated to register this Note in the name of any Person other than the Holder hereof unless and until the conditions to any such transfer of registration set forth herein and in the Indenture have been satisfied.

Date:

Seller

By: _____

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within mentioned instrument in every particular, without alteration or any change whatsoever.

Signature Guarantee:¹

By: _____

To be executed by an executive officer

¹ Signatures must be guaranteed by an “**eligible guarantor institution**” meeting the requirements of the Registrar, which requirements include membership or participation in the Securities Transfer Association Medallion Program (“**STAMP**”) or such other “**signature guarantee program**” as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

SCHEDULE OF EXCHANGES OF NOTES¹

The following exchanges of a part of this Global Note for Physical Notes or a part of another Global Note have been made:

Date of Exchange	Amount of decrease in original principal amount of this Global Note	Amount of increase in original principal amount of this Global Note	Original principal amount of this Global Note following such decrease (or increase)	Signature of authorized officer of Trustee
=====	=====	=====	=====	=====

¹ For Global Notes.

RESTRICTED LEGEND

THIS NOTE (OR ITS PREDECESSOR) HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT AS SET FORTH IN THE NEXT SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER:

(1) REPRESENTS THAT IT IS NOT AN “AFFILIATE” (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF ANY OF THE ISSUER OR THE GUARANTORS AND (A) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (A “QIB”), OR (B) IT HAS ACQUIRED THIS NOTE IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT;

(2) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN EXCEPT (A) TO THE GUARANTORS, THE ISSUER, OR ANY OF THEIR SUBSIDIARIES, (B) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (C) IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 OF REGULATION S OF THE SECURITIES ACT, (D) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, (E) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL ACCEPTABLE TO THE ISSUER AND THE TRUSTEE) OR (F) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE, IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION; AND

(3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

AS USED HEREIN, THE TERMS “OFFSHORE TRANSACTIONS” AND “UNITED STATES” HAVE THE MEANINGS GIVEN TO THEM BY RULE 902 OF REGULATION S UNDER THE SECURITIES ACT. THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE IN VIOLATION OF THE FOREGOING.

REGULATION S LEGEND

THIS NOTE (OR ITS PREDECESSOR) HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT AS SET FORTH IN THE NEXT SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER:

(1) REPRESENTS THAT IT IS NOT AN “AFFILIATE” (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF ANY OF THE ISSUER OR THE GUARANTORS AND (A) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (A “QIB”), OR (B) IT HAS ACQUIRED THIS NOTE IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT;

(2) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN EXCEPT (A) TO THE GUARANTORS, THE ISSUER, OR ANY OF THEIR SUBSIDIARIES, (B) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (C) IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 OF REGULATION S OF THE SECURITIES ACT, (D) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, (E) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL ACCEPTABLE TO THE ISSUER AND THE TRUSTEE) OR (F) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE, IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION; AND

(3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

AS USED HEREIN, THE TERMS “OFFSHORE TRANSACTIONS” AND “UNITED STATES” HAVE THE MEANINGS GIVEN TO THEM BY RULE 902 OF REGULATION S UNDER THE SECURITIES ACT. THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE IN VIOLATION OF THE FOREGOING.

PRIOR TO THE EXPIRATION OF THE RESTRICTED PERIOD APPLICABLE HERETO, BENEFICIAL INTERESTS HEREIN MAY NOT BE HELD BY ANY PERSON OTHER THAN (1) A NON-U.S. PERSON OR (2) A U.S. PERSON THAT PURCHASED SUCH INTEREST IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”). BENEFICIAL INTERESTS HEREIN ARE NOT EXCHANGEABLE FOR CERTIFICATED NOTES OTHER THAN IN ACCORDANCE WITH THE TERMS OF THE INDENTURE.

THIS LEGEND WILL BE REMOVED AFTER 40 CONSECUTIVE DAYS BEGINNING ON AND INCLUDING THE DATE OF THE CLOSING OF THE ORIGINAL OFFERING. TERMS IN THIS LEGEND ARE USED AS USED IN REGULATION S UNDER THE SECURITIES ACT.

DTC LEGEND

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS A BENEFICIAL INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL NOTE ARE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF CEDE & CO. OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE ARE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE TRANSFER PROVISIONS OF THE INDENTURE.

Regulation S Certificate

The Bank of New York Mellon
 101 Barclay Street, Floor 7E
 New York, New York 10286
 USA
 Attn: Global Corporate Trust

Re: ULTRAPAR INTERNATIONAL S.A., as Issuer
 5.250% Notes due 2026 (the “Notes”)
 Issued under the Indenture (the “**Indenture**”) dated as of
October 6, 2016 relating to the Notes

Ladies and Gentlemen:

Terms are used in this Certificate as used in Regulation S (“Regulation S”) under the Securities Act of 1933, as amended (the “Securities Act”), except as otherwise stated herein.

[CHECK A OR B AS APPLICABLE.]

- ☐ A. This Certificate relates to our proposed transfer of US\$_____ principal amount of Notes issued under the Indenture. We hereby certify as follows:
1. The offer and sale of the Notes was not and will not be made to a person in the United States (unless such person is excluded from the definition of “U.S. person” pursuant to Rule 902(k)(2)(vi) or the account held by it for which it is acting is excluded from the definition of “U.S. person” pursuant to Rule 902(k)(2)(i) under the circumstances described in Rule 902(h)(3)) and such offer and sale was not and will not be specifically targeted at an identifiable group of U.S. citizens abroad.
 2. Unless the circumstances described in the parenthetical in paragraph 1 above are applicable, either (a) at the time the buy order was originated, the buyer was outside the United States or we and any person acting on our behalf reasonably believed that the buyer was outside the United States or (b) the transaction was executed in, on or through the facilities of a designated offshore securities market, and neither we nor any person acting on our behalf knows that the transaction was pre-arranged with a buyer in the United States;
 3. Neither we, any of our affiliates, nor any person acting on our or their behalf, has made any directed selling efforts in the United States with respect to the Notes;
 4. The proposed transfer of Notes is not part of a plan or scheme to evade the registration requirements of the Securities Act; and
 5. If we are a dealer or a person receiving a selling concession, fee or other remuneration in respect of the Securities, and the proposed transfer takes place during the first 40 days following the execution of the Indenture, or we are an officer or director of the Issuer or an Initial Purchaser (as defined in the Indenture), we certify that the proposed transfer is being made in accordance with the provisions of Rule 904(b) of Regulation S.

- ☐ B. This Certificate relates to our proposed exchange of US\$_____principal amount of Notes issued under the Indenture for an equal principal amount of Notes to be held by us. We hereby certify as follows:
1. At the time the offer and sale of the Notes was made to us, either (i) we were not in the United States or (ii) we were excluded from the definition of “U.S. person” pursuant to Rule 902(k)(2)(vi) or the account held by us for which we were acting was excluded from the definition of “U.S. person” pursuant to Rule 902(k)(2)(i) under the circumstances described in Rule 902(h)(3); and we were not a member of an identifiable group of U.S. citizens abroad;
 2. Unless the circumstances described in paragraph 1(ii) above are applicable, either (a) at the time our buy order was originated, we were outside the United States or (b) the transaction was executed in, on or through the facilities of a designated offshore securities market, and we did not pre-arrange the transaction in the United States.; and
 3. The proposed exchange of Notes is not part of a plan or scheme to evade the registration requirements of the Securities Act.

You and the Issuer are entitled to rely conclusively upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

[NAME OF SELLER (FOR TRANSFERS) OR
OWNER (FOR EXCHANGES)]

By:

Name:
Title:
Address

Date: _____

Signature Guarantee:¹

By: _____

To be executed by an executive officer

¹ Signatures must be guaranteed by an “**eligible guarantor institution**” meeting the requirements of the Registrar, which requirements include membership or participation in the Securities Transfer Association Medallion Program (“**STAMP**”) or such other “**signature guarantee program**” as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

Rule 144A Certificate

The Bank of New York Mellon
101 Barclay Street, Floor 7E
New York, New York 10286
USA
Attn: Global Corporate Trust

Re: ULTRAPAR INTERNATIONAL S.A., as Issuer
5.250% Notes due 2026 (the “Notes”)
Issued under the Indenture (the “Indenture”) dated as of
October 6, 2016 relating to the Notes

Ladies and Gentlemen:

This Certificate relates to:

[CHECK A OR B AS APPLICABLE.]

- ☐ A. Our proposed purchase of US\$_____ principal amount of Notes issued under the Indenture.
- ☐ B. Our proposed exchange of US\$_____ principal amount of Notes issued under the Indenture for an equal principal amount of Notes to be held by us.

We and, if applicable, each account for which we are acting in the aggregate owned and invested more than US\$[•] in securities of issuers that are not affiliated with us (or such accounts, if applicable), as of_____, 200__, which is a date on or since close of our most recent fiscal year. We and, if applicable, each account for which we are acting, are a qualified institutional buyer within the meaning of Rule 144A (“Rule 144A”) under the Securities Act of 1933, as amended (the “Securities Act”). If we are acting on behalf of an account, we exercise sole investment discretion with respect to such account. We are aware that the transfer of Notes to us, or such exchange, as applicable, is being made in reliance upon the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Prior to the date of this Certificate we have received such information regarding the Issuer as we have requested pursuant to Rule 144A(d)(4) to the extent that the Issuer is not then subject to Section 13 or 15(d) of the Exchange Act, or is not exempt from reporting pursuant to Rule 12g3 2(b) under the Exchange Act or have determined not to request such information.

You and the Issuer are entitled to conclusively rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

[NAME OF PURCHASER (FOR TRANSFERS)
OR OWNER (FOR EXCHANGES)]

By:

Name:
Title:
Address

Date: _____

Signature Guarantee:¹

By: _____

To be executed by an executive officer

¹ Signatures must be guaranteed by an “**eligible guarantor institution**” meeting the requirements of the Registrar, which requirements include membership or participation in the Securities Transfer Association Medallion Program (“**STAMP**”) or such other “**signature guarantee program**” as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

Ultrapar Participações S.A. and Subsidiaries

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Frederico Pinheiro Fleury Curado, certify that:

1. I have reviewed this annual report on Form 20-F of ULTRAPAR PARTICIPAÇÕES S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's independent registered public accounting firm and to the audit committee of the company's Board of Directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 22, 2019

ULTRAPAR PARTICIPAÇÕES S.A.

By: /s/ FREDERICO PINHEIRO FLEURY CURADO
 Name: **Frederico Pinheiro Fleury Curado**
 Title: **Chief Executive Officer**

Ultrapar Participações S.A. and Subsidiaries

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, André Pires de Oliveira Dias, certify that:

1. I have reviewed this annual report on Form 20-F of ULTRAPAR PARTICIPAÇÕES S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's independent registered public accounting firm and to the audit committee of the company's Board of Directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 22, 2019

ULTRAPAR PARTICIPAÇÕES S.A.

By: /s/ ANDRÉ PIRES DE OLIVEIRA DIAS
 Name: **André Pires de Oliveira Dias**
 Title: Chief Financial and Investor Relations Officer

Ultrapar Participações S.A. and Subsidiaries

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The certification set forth below is being submitted in connection with the Annual Report for the year ended December 31, 2018 (the “Report”) for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Frederico Pinheiro Fleury Curado, the Chief Executive Officer, and André Pires de Oliveira Dias, the Chief Financial Officer of Ultrapar Participações S.A., each certifies that, to the best of their respective knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Ultrapar Participações S.A.

São Paulo, April 22, 2019

By: /s/ FREDERICO PINHEIRO FLEURY CURADO

Name: **Frederico Pinheiro Fleury Curado**

Title: Chief Executive Officer

São Paulo, April 22, 2019

By: /s/ ANDRÉ PIRES DE OLIVEIRA DIAS

Name: **André Pires de Oliveira Dias**

Title: Chief Financial and Investor Relations Officer

ULTRAPAR PARTICIPAÇÕES S.A.