ULTRAPAR HOLDINGS INC
Form 20-F
April 30, 2013
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As filed with the Securities and Exchange Commission on April 30, 2013

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

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2012

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 6695

(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, 2012.

Title of Class	Number of Shares Outstanding
Common Stock	**544,383,996**

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). ¨ Yes x No

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

Large Accelerated Filer x Accelerated Filer ¨ Non-accelerated Filer ¨

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 x other ¨

Indicate by check mark which financial statement item the registrant has elected to follow: Item 17 ¨ Item 18 x

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 x No

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INTRODUCTION

Ultrapar is a Brazilian company with 75 years of history, with leading positions in the markets in which it operates: fuel distribution through Ultragaz and Ipiranga, production of specialty chemicals through Oxiteno and liquid bulk storage services through Ultracargo. Ultragaz is the leader in liquid petroleum gas distribution in Brazil with a 24% market share in 2012 and one of the largest independent liquid petroleum gas distributors in the world in terms of volume sold. We deliver liquid petroleum gas to an estimated 11 million households using our own vehicle fleet and our network of approximately 4,700 independent retailers in the bottled segment and to approximately 44 thousand customers in the bulk segment. Ipiranga is the second largest fuel distributor in Brazil, with a network of 6,460 service stations and a 22% market share in 2012. 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. Oxiteno has eleven industrial units in Brazil, Mexico, the United States, Uruguay and Venezuela and commercial offices in Argentina, Belgium, China and Colombia. Ultracargo is the largest provider of storage for liquid bulk in Brazil, with eight terminals and a storage capacity of 765 thousand cubic meters as of December 31, 2012.

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:

ABTL are to *Associação Brasileira de Terminais de Líquidos*, the Brazilian Association of Liquid Bulk Terminal Operators;

ABIQUIM are to *Associação Brasileira da Indústria Química*, the Brazilian Association of Chemical Industries;

ADRs are to the American Depositary Receipts evidencing our ADSs;

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;

AGT are to AGT Armazéns Gerais e Transporte Ltda.;

am/pm are to Ipiranga s convenience stores franchise network that operate under the brand am/pm, managed by am/pm Comestíveis Ltda. and Conveniência Ipiranga Norte Ltda.;

American Chemical are to American Chemical I.C.S.A., a company that was acquired by Oxiteno in November 2012;

ANFAVEA are to *Associação Nacional dos Fabricantes de Veículos Automotores*, the Brazilian Association of Vehicle Producers;

ANP are to the *Agência Nacional de Petróleo, Gás Natural e Biocombustíveis*, the Brazilian oil, natural gas and biofuels regulatory agency;

Arch Andina are to Arch Química Andina, C.A., a company that was acquired by Oxiteno in September 2007;

Aqces are to Aqces Logística Internacional Ltda.;

BM&FBOVESPA are to the BM&FBOVESPA S.A. Bolsa de Valores, Mercadorias e Futuros, the São Paulo Stock Exchange;

Braskem are to Braskem S.A. and Quattor Participações S.A. (Quattor), currently Braskem Qpar S.A., acquired by Braskem in April, 2010;

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. 11,941/09 enacted in May 2009, and by Law No. 12,431 enacted in June 2011;

Brazilian government are to the federal government of the Federative Republic of Brazil;

Canamex are to the chemical business formerly owned by the Berci Group, a company that was acquired by Oxiteno in December 2003;

CBPI are to Companhia Brasileira de Petróleo Ipiranga, a company that was merged into IPP in November 2009;

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CBL are to Chevron Brasil Ltda. (currently IPP), a former subsidiary of Chevron that, together with Galena, held Texaco;

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;

ConectCar are to ConectCar Soluções de Mobilidade Eletrônica S.A., a company constituted with Odebrecht TransPort Participações in November 2012;

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 Brazilian securities authority;

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;

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.;

Galena are to Sociedade Anônima de Óleo Galena Signal, a former subsidiary of Chevron that, together with CBL, held Texaco;

IFRS are to International Financial Reporting Standards, as issued by the International Accounting Standards Board (IASB);

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;

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;

LPG are to liquefied petroleum gas;

LPG International are to LPG International Inc.;

Maxfácil are to Maxfácil Participações S.A.;

New Ultra S.A. 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 ;

NYSE are to the New York Stock Exchange;

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Northern Distribution Business are to former CBPI s fuel and lubricant distribution businesses located in the North, Northeast and Midwest regions of Brazil;

Novo Mercado are to *Novo Mercado* listing segment of BM&FBOVESPA;

Oleoquímica are to Oleoquímica Indústria e Comércio de Produtos Químicos Ltda.;

Oxiteno Andina are to the business of Oxiteno carried out in Venezuela;

Oxiteno Mexico are to the business of Oxiteno carried out in Mexico;

Oxiteno Nordeste are to Oxiteno Nordeste S.A. Indústria e Comércio;

Oxiteno Overseas are to Oxiteno Overseas Co.;

Oxiteno USA are to Oxiteno USA LLC, the business of Oxiteno carried out in the United States;

Oxiteno are to Oxiteno 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;

Petrobras are to Petrobras Petróleo Brasileiro S.A.;

Petrochemical Business are to IQ, IPQ and IPQ s stake in Copesul;

Petrolog are to Petrolog Serviços e Armazéns Gerais Ltda.;

PFIC are to Passive Foreign Investment Company;

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;

RPR are to Refinaria de Petróleo Riograndense S.A. (formerly Refinaria de Petróleo Ipiranga S.A.), a company engaged in oil refining;

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;

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;

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;

Sindigás are to the Brazilian Association of LPG Distributors;

Sindicom are to the Brazilian Association of Fuel Distributors;

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;

Temmar are to Terminal Marítimo do Maranhão S.A., a company that was acquired by Ultracargo in August 2012;

Tequimar are to Terminal Químico de Aratu S.A., Ultrapar 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 24% of its total capital stock. Prior to the Conversion, Ultra S.A. owned 66% of the voting capital of Ultrapar;

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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;

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 company in which União Terminais had 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 Material U.S. Federal Income Tax Considerations ; and

US$, dollars or U.S. dollars are to the United States dollar.

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 Sindicom and ANP, and (iv) the liquid bulk storage industry were obtained from ABTL.

PRESENTATION OF FINANCIAL INFORMATION

Our audited consolidated financial statements included in Item 18 were prepared in accordance with IFRS and include our consolidated balance sheets as of December 31, 2012 and 2011, and statements of income, comprehensive income, changes in shareholders equity and cash flows for the years ended December 31, 2012, 2011 and 2010, as well as notes thereto.

The company first adopted IFRS for the consolidated financial statements for the year ended December 31, 2010. The transition date chosen by the company for the application of IFRS was January 1, 2009, the date on which the company prepared its opening balance sheet in accordance with IFRS. As permitted by the applicable rules to first-time adopters of IFRS, we have not included in the selected financial data in this annual report our consolidated balance sheets and statements of income as of and for the year ended December 31, 2008. The financial information presented in this annual report should be read in conjunction with our consolidated financial statements.

In August 2008, Ultrapar executed a sale and purchase agreement for the acquisition of Texaco s fuel distribution business in Brazil, which was closed on March 31, 2009. The results of operations of the businesses acquired were consolidated into Ultrapar s financial statements as from April 1, 2009. Ultrapar s financial statements as of and for the periods prior to April 1, 2009 do not reflect any financial information of the acquired businesses. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of Texaco.

On April 19, 2013 the exchange rate for *Reais* into U.S. dollars was R$2.009 to US$1.00, based on the commercial selling rate as reported by the Central Bank. The commercial selling rate was R$2.044 to US$1.00 on December 31, 2012, and R$1.876 to US$1.00 on December 31, 2011. 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 Information 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, 2012 of R$2.044 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. 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.

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Certain figures included in this annual report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables 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 Sindigás and ANP, (ii) the fuel distribution business was obtained from Sindicom and ANP, and (iii) the liquid bulk storage industry was obtained from ABTL. 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 forw 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 and logistics 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;

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 20-F under Item 3.D. Key Information Risk Factors.

Forward-looking statements involve risks and uncertainties and are not a guaranty 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.

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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 consolidated financial statements and notes thereto included in this annual report. Our consolidated financial statements are prepared in *Reais* in accordance with IFRS. The consolidated balance sheet information as of December 31, 2012 and 2011, and the consolidated statements of income, statements of comprehensive income, cash flows and changes in shareholders equity for the years ended December 31, 2012, 2011 and 2010 are derived from our audited consolidated financial statements included in this annual report. The following table presents our selected financial information in accordance with IFRS at the dates and for each of the periods indicated.

		Year Ended December 31, IFRS			
	2012(1)	2012	2011	2010	2009
		(in millions, except per share data)			
Income Statements:	**US$**	**R$**	**R$**	**R$**	**R$**
Net revenue from sales and services	**26,385.8**	**53,919.4**	**48,661.3**	**42,481.7**	**36,097.1**
Cost of products and services sold	(24,368.6)	(49,797.2)	(45,139.6)	(39,322.9)	(33,443.6)
Gross profit	**2,017.2**	**4,122.2**	**3,521.7**	**3,158.8**	**2,653.5**
Operating income (expenses)					
Selling and marketing	(773.9)	(1,581.5)	(1,349.9)	(1,164.4)	(1,020.3)
General and administrative	(447.0)	(913.4)	(793.2)	(759.7)	(751.4)
Income from disposal of assets	1.8	3.7	21.4	79.0	18.9
Other operating income, net	38.1	77.9	52.0	10.8	19.3
Operating income before financial income (expenses) and share of profit of associates	**836.2**	**1,708.9**	**1,452.0**	**1,324.5**	**920.0**
Financial income	106.7	218.1	322.4	267.0	176.2
Financial expenses	(235.2)	(480.6)	(618.9)	(531.1)	(467.7)
Share of profit of associates	0.1	0.2	0.2	0.0	0.2
Income before income and social contribution taxes	**707.8**	**1,446.6**	**1,155.7**	**1,060.4**	**628.8**
Income and social contribution taxes					
Current	(178.6)	(365.0)	(243.2)	(191.2)	(182.2)
Deferred	(52.5)	(107.2)	(85.9)	(134.7)	(26.4)
Taxes incentives SUDENE	21.3	43.4	28.2	30.7	20.6
	(209.8)	**(428.8)**	**(300.9)**	**(295.2)**	**(188.0)**

Net income for the year	**498.0**	**1,017.9**	**854.8**	**765.2**	**440.7**
Net income for the year attributable to:					
Shareholders of the company	494.6	1,011.0	848.8	765.3	437.1
Non-controlling interests in subsidiaries	3.4	6.9	6.0	(0.1)	3.6
Earnings per share(2)					
Basic	0.93	1.89	1.59	1.43	0.82
Diluted	0.93	1.89	1.58	1.43	0.82
Dividends per common shares(3)	0.57	1.17	0.98	0.80	0.52
Other financial data					
Cash flows from operating activities(4)	1,198.9	2,449.9	1,710.1	1,508.2	1,742.1
Cash flows from investing activities(4)	(769.1)	(1,571.7)	(1,457.9)	(903.6)	(1,609.0)
Cash flows from financing activities(4)	(302.7)	(618.6)	(1,104.4)	153.6	484.5
Depreciation and amortization(5)	340.8	696.3	580.1	530.8	529.3
EBITDA(6)	**1,177.1**	**2,405.4**	**2,032.3**	**1,855.3**	**1,449.6**
Net cash (debt)(7)	(1,505.7)	(3,077.0)	(2,779.3)	(2,175.7)	(2,131.8)
Number of common shares (in thousands)(8)	544,384.0	544,384.0	544,384.0	197,719.6	197,719.6
Number of preferred shares (in thousands)(8)				346,664.4	346,664.4

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(1) The figures in *Reais* for December 31, 2012 have been converted into dollars using the exchange rate of US$1.00 = R$2.044, which is the commercial rate reported by the Central Bank on this 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) 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. Earnings per share have been retroactively adjusted for the 1:4 stock split approved in the extraordinary general shareholders meeting held on February 10, 2011 described under Item 4.A. Information on the Company History and Development of the Company.

(3) See Item 8.A. Financial Information Consolidated Statements and Other Financial Information Dividends and Distribution Policy for information regarding declaration and payment of dividends. Dividends per share were retroactively adjusted for the 1:4 stock split approved in the extraordinary general shareholders meeting held on February 10, 2011 described under Item 4.A. Information on the Company History and Development of the Company.

(4) Cash flows information has been derived from our consolidated financial statements prepared in accordance with IFRS. See our consolidated financial statements.

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

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(6) EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) presented in this document represents the net income before (i) income and social contribution taxes, (ii) net financial expense (income) and (iii) depreciation and amortization, presented in accordance with CVM Instruction 527/12. The purpose of including EBITDA information is to provide a measure used by the management for internal assessment of our operating results, and because a portion of our employee profit sharing plan is linked directly or indirectly to 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 in connection with covenants related to some of our financing, as described in Note 14 to our consolidated financial statements. We believe EBITDA allows 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 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 excludes net financial expense (income), income and social contribution taxes and depreciation and amortization, it provides 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 is not a measure of financial performance under accounting practices adopted in Brazil or IFRS, and it should not be considered in isolation, or as a substitute for net income, as a measure of operating performance, as a substitute for cash flows from operations or as a measure of liquidity. EBITDA has material limitations that impair its value as a measure of a company s overall profitability since it does not address certain ongoing costs of our business that could significantly affect profitability such as financial expense (income) and income and social contribution taxes, depreciation and amortization. The tables below provide a reconciliation of net income to EBITDA of Ultrapar and a reconciliation of operating income to EBITDA of Ultrapar, Ultragaz, Ipiranga, Oxiteno and Ultracargo for the years ended December 31, 2012, 2011, 2010 and 2009:

	Ultrapar Reconciliation of net income to EBITDA Year ended December 31			
	2012	2011	2010	2009
	(in millions of Reais)			
Net income for the year	1,017.9	854.8	765.2	440.7
Income and social contribution taxes	428.8	300.9	295.2	188.0
Net financial expense (income)	262.5	296.5	264.1	291.5
Depreciation and amortization	696.3	580.1	530.8	529.3
EBITDA	**2,405.4**	**2,032.3**	**1,855.3**	**1,449.6**

	Ultrapar Reconciliation of operating income to EBITDA Year ended December 31			
	2012	2011	2010	2009
	(in millions of Reais)			
Operating income	1,708.9	1,452.0	1,324.5	920.0
Depreciation and amortization	696.3	580.1	530.8	529.3
Share of profit of associates	0.2	0.2	0.0	0.2
EBITDA	**2,405.4**	**2,032.3**	**1,855.3**	**1,449.6**

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	Ultragaz Reconciliation of operating income to EBITDA Year ended December 31			
	2012	2011	2010	2009
	(in millions of Reais)			
Operating income	111.8	162.7	181.2	171.3
Depreciation and amortization	131.4	117.5	118.8	113.6
Share of profit of associates	0.0	0.0	(0.0)	0.0
EBITDA	**243.2**	**280.1**	**300.0**	**284.9**

	Oxiteno Reconciliation of operating income to EBITDA Year ended December 31			
	2012	2011	2010	2009
	(in millions of Reais)			
Operating income	226.6	154.8	114.1	68.5
Depreciation and amortization	123.1	106.3	104.1	102.6
Share of profit of associates	(0.1)	0.0	(0.0)	0.3
EBITDA	**349.6**	**261.1**	**218.3**	**171.4**

	Ultracargo Reconciliation of operating income to EBITDA Year ended December 31			
	2012	2011	2010	2009
	(in millions of Reais)			
Operating income	106.1	88.9	115.8	58.2
Depreciation and amortization	38.9	29.3	28.9	52.8
Share of profit of associates		(0.0)		(0.0)
EBITDA	**144.9**	**118.2**	**144.7**	**111.1**

	Ipiranga Reconciliation of operating income to EBITDA Year ended December 31			
	2012	2011	2010	2009
	(in millions of Reais)			
Operating income	1,249.0	1,037.1	879.5	586.6
Depreciation and amortization	390.7	316.2	269.1	251.4
Share of profit of associates	0.3	0.2	0.0	(0.0)
EBITDA	**1,640.1**	**1,353.5**	**1,148.6**	**837.9**

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The reconciliation of EBITDA to cash flows from operating activities for the years ending December 31, 2012, 2011, 2010 and 2009 is presented in the table below.

	2012	2011	2010	2009
		(in millions of *Reais*)		
Net income for the year	**1,017.9**	**854.8**	**765.2**	**440.7**
Adjustments to reconcile net income to EBITDA:				
Depreciation and amortization	696.3	580.1	530.8	529.3
Net financial expense (income)	262.5	296.5	264.1	291.5
Income and social contribution taxes	428.8	300.9	295.2	188.0
EBITDA	**2,405.4**	**2,032.3**	**1,855.3**	**1,449.6**
Adjustments to reconcile EBITDA to cash provided by operating activities:				
Financial result that affected the cash flow from operating activities	351.4	439.5	150.5	(180.8)
Current income and social contribution taxes	(365.0)	(243.2)	(191.2)	(182.2)
Tax incentives (income and social contribution taxes)	43.4	28.2	30.7	20.6
PIS and COFINS credits on depreciation	11.7	10.2	9.6	10.2
Assets retirement expense	(2.5)	(3.0)	(5.8)	(3.3)
Others	(1.5)	(19.0)	(78.1)	(17.6)
(Increase) decrease in current assets				
Trade receivables	(245.1)	(303.1)	(94.7)	92.0
Inventories	46.0	(164.3)	(131.3)	380.9
Recoverable taxes	(5.8)	(115.1)	(34.3)	52.0
Other receivables	1.3	(1.6)	16.9	69.7
Prepaid expenses	(10.5)	(5.0)	(8.3)	8.4
Increase (decrease) in current liabilities				
Trade payables	204.5	155.6	21.1	47.4
Salaries and related charges	(17.5)	38.6	54.4	(2.7)
Taxes payable	(2.8)	(48.3)	36.5	19.6
Income and social contribution taxes	205.8	93.3	94.8	42.6
Post-employment benefits	(1.7)	1.9	(0.6)	3.2
Provision for tax, civil and labor risks	8.7	1.7	16.6	(9.5)
Other payables	(10.8)	27.6	(19.9)	(7.3)
Deferred revenue	(1.7)	5.2	2.8	10.2
(Increase) decrease in non-current assets				
Trade receivables	(19.6)	(21.0)	(11.2)	(23.4)
Recoverable taxes	32.3	(26.4)	(1.0)	(8.5)
Escrow deposits	(64.6)	(88.6)	(72.3)	(44.2)
Other receivables	(9.6)	(0.6)	0.8	1.8
Prepaid expenses	1.6	(28.6)	6.7	(10.9)
Increase (decrease) in non-current liabilities				
Provision for tax, civil and labor risks	38.7	41.7	(107.3)	60.7
Post-employment benefits	23.9	3.6	3.1	(2.0)
Other payables	1.7	27.5	24.1	8.6
Deferred revenue	1.1	2.8	0.6	(1.6)
Income and social contribution taxes paid	(169.1)	(131.5)	(60.5)	(41.3)
Net cash provided by operating activities	2,449.9	1,710.1	1,508.2	1,742.1

(7) Net cash (debt) is included in this document in order to provide the reader with information relating to our overall indebtedness and financial

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position. Net cash (debt) is not a measure of financial performance or liquidity under IFRS. In managing our businesses we rely on net cash (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 cash (debt) is also used in connection with covenants related to some of our financings. The table below provides a reconciliation of our consolidated balance sheet data to the net cash (debt) positions shown in the table, as of December 31, 2012, 2011, 2010 and 2009:

	Ultrapar Reconciliation of consolidated balance sheet to net cash (debt) Year ended December 31 IFRS			
	2012	2011	2010	2009
	(in millions of *Reais*)			
Cash and cash equivalents	2,050.1	1,791.0	2,642.4	1,887.5
Current financial investments	962.1	916.9	558.2	440.3
Non-current financial investments	149.5	74.4	19.8	7.2
Current loans and finance leases	(1,575.4)	(1,302.5)	(817.8)	(1,142.8)
Current debentures	(65.7)	(1,002.5)	(2.7)	(1.4)
Non-current loans and finance leases	(3,194.0)	(3,237.5)	(3,382.1)	(2,136.0)
Non-current debentures	(1,403.6)	(19.1)	(1,193.4)	(1,186.5)
Net cash (debt) position	(3,077.0)	(2,779.3)	(2,175.7)	(2,131.8)

(8) The number of shares corresponds to the totality of shares issued by the company, including those held in treasury. The number of shares for all periods presented was retroactively adjusted for the 1:4 stock split approved in the extraordinary general shareholders meeting held on February 10, 2011 described under Item 4.A. Information on the Company History and Development of the Company.

		Year Ended December 31, IFRS			
	2012(1)	2012	2011	2010	2009
Consolidated Balance Sheet Data:	**US$**	**R$**	**R$**	**R$**	**R$**
Current assets					
Cash and cash equivalents	1,003.2	2,050.1	1,791.0	2,642.4	1,887.5
Financial investments	470.8	962.1	916.9	558.2	440.3
Trade receivables	1,128.8	2,306.8	2,026.4	1,715.7	1,618.3
Inventories	636.1	1,299.8	1,310.1	1,133.5	942.2
Recoverable taxes	236.5	483.2	470.5	354.3	320.2
Other receivables	10.1	20.5	20.3	18.1	35.3
Prepaid expenses	26.4	54.0	40.2	35.1	26.0
Total current assets	**3,511.9**	**7,176.6**	**6,575.5**	**6,457.4**	**5,269.7**
Non-current assets					
Financial investments	73.2	149.5	74.4	19.8	7.2
Trade receivables	67.2	137.4	117.7	96.7	86.4
Related parties	5.3	10.9	10.1	10.1	7.6
Deferred income and social contribution taxes	227.6	465.2	510.1	564.4	697.9
Recoverable taxes	24.0	49.1	81.4	54.8	53.2
Escrow deposits	261.3	534.0	469.4	380.7	308.5
Other receivables	5.4	10.9	1.3	0.7	1.5
Prepaid expenses	39.6	80.9	69.2	40.6	47.7
	703.6	1,437.8	1,333.7	1,167.8	1,210.0

Investments					
In associates	6.2	12.7	12.6	12.5	12.5
Other	1.4	2.8	2.8	2.8	2.3
Property, plants and equipment	2,300.7	4,701.4	4,278.9	4,003.7	3,784.5
Intangible assets	963.4	1,968.6	1,539.2	1,345.6	1,203.7
	3,271.7	6,685.5	5,833.5	5,364.6	5,002.9
Total non-current assets	**3,975.3**	**8,123.4**	**7,167.2**	**6,532.4**	**6,212.9**
TOTAL ASSETS	**7,487.2**	**15,299.9**	**13,742.7**	**12,989.8**	**11,482.6**

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	Year Ended December 31, IFRS				
	2012(1)	2012	2011	2010	2009
Consolidated Balance Sheet Data:	**US$**	**R$**	**R$**	**R$**	**R$**
Current liabilities					
Loans	770.0	1,573.5	1,300.3	813.5	1,132.1
Debentures	32.1	65.7	1,002.5	2.7	1.4
Finance leases	1.0	2.0	2.2	4.3	10.7
Trade payables	642.2	1,312.3	1,075.1	941.2	891.9
Salaries and related charges	124.6	254.6	268.3	228.2	176.5
Taxes payable	52.8	107.8	109.7	157.9	121.5
Dividends payable	108.8	222.4	163.8	192.5	113.9
Income and social contribution taxes payable	36.9	75.4	38.6	76.8	19.0
Post-employment benefits	5.7	11.6	13.3	11.3	12.0
Provision for assets retirement obligation	1.8	3.7	7.3	5.6	3.8
Provision for tax, civil and labor risks	24.5	50.1	41.3	39.6	23.0
Other payables	25.9	52.5	55.6	29.7	48.7
Deferred revenues	8.8	18.1	19.7	14.6	11.8
Total current liabilities	**1,835.1**	**3,749.5**	**4,097.8**	**2,517.9**	**2,566.2**
Non-current liabilities					
Loans	1,543.0	3,153.1	3,196.1	3,380.9	2,131.4
Debentures	686.8	1,403.6	19.1	1,193.4	1,186.5
Finance leases	20.0	40.9	41.4	1.3	4.6
Related companies	1.9	3.9	4.0	4.0	4.1
Deferred income and social contribution taxes	41.6	84.9	38.0	26.7	13.5
Provision for tax, civil and labor risks	269.9	551.6	512.8	470.5	540.2
Post-employment benefits	59.0	120.6	96.8	93.2	90.1
Provision for assets retirement obligation	32.6	66.7	60.3	58.3	60.8
Other payables	48.7	99.6	90.6	62.2	34.7
Deferred revenues	4.8	9.9	8.7	5.9	5.3
Total non-current liabilities	**2,708.3**	**5,534.7**	**4,067.7**	**5,296.3**	**4,071.2**
TOTAL LIABILITIES	**4,543.4**	**9,284.2**	**8,165.5**	**7,814.3**	**6,637.4**
Shareholder s equity					
Share capital	1,809.0	3,696.8	3,696.8	3,696.8	3,696.8
Capital reserve	9.9	20.2	9.8	7.7	4.5
Revaluation reserve	3.3	6.7	7.1	7.6	8.2
Profit reserves	1,087.1	2,221.6	1,837.7	1,513.9	1,177.0
Treasury shares	(56.2)	(114.9)	(118.2)	(120.0)	(123.7)
Additional dividends to the minimum mandatory dividends	72.0	147.2	122.2	68.3	56.9
Valuation adjustment	0.0	0.0	0.2	(2.4)	(4.1)
Cumulative translation adjustments	6.2	12.6	(4.4)	(18.6)	(5.3)
Shareholders equity attributable to:					
Shareholders of the Company	2,931.3	5,990.2	5,551.1	5,153.3	4,810.1
Non-controlling interest in subsidiaries	12.5	25.5	26.2	22.3	35.1
TOTAL SHAREHOLDER S EQUITY	**2,943.8**	**6,015.7**	**5,577.2**	**5,175.5**	**4,845.3**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**7,487.2**	**15,299.9**	**13,742.7**	**12,989.8**	**11,482.6**

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(1) The figures in *Reais* for December 31, 2012 have been converted into dollars using the exchange rate of US$1.00 = R$2.044, which is the commercial rate reported by the Central Bank on this 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.

Exchange Rates

Before March 14, 2005, there were two principal foreign exchange markets in Brazil, in which notes were freely negotiated but could be strongly influenced by Central Bank intervention:

- the commercial rate exchange market dedicated principally to trade and financial foreign exchange transactions such as the buying and selling of registered investments by foreign entities, the purchase or sale of shares, or the payment of dividends or interest with respect to shares; and

- the floating rate exchange market that was generally used for transactions not conducted through the commercial foreign exchange market.

On March 4, 2005, the National Monetary Council enacted Resolution No. 3,265, pursuant to which the commercial rate exchange market and the floating rate exchange market were unified in a sole exchange market, effective as of March 14, 2005. This resolution allowed, 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, however, the transaction is legal. Foreign currencies may only be purchased through financial institutions domiciled in Brazil authorized to operate in the exchange market. Resolution No. 3,265 was revoked by Resolution No. 3,568, effective as of July 1, 2008; however, the main directives provided by Resolution No. 3,265 were maintained.

From 2003 to 2007, the *Real* appreciated 39% against the U.S. dollar. In 2008, the worsening of the global financial crisis from mid-September onwards led to a sharp reduction in the flow of capital to Brazil that resulted in a 32% *Real* devaluation, reversing the *Real* appreciation trend in place since 2003. However, in 2009, the quick rebound of the Brazilian economy has driven the inflow of foreign investments in the country, thus contributing to a 25% appreciation of the *Real* against the U.S. dollar in 2009 the highest appreciation in the decade. In 2010, the effects of the strong economic growth in Brazil, together with the public offering of shares of Petrobras in the third quarter, resulted in a record of foreign investments inflow to Brazil, contributing to a 4% appreciation of the *Real* against the U.S. dollar. In 2011, the unstable international economic environment, especially in the second half of the year as a result of the effects of the European crisis, contributed to a 13% depreciation of the *Real* against the U.S. dollar for the year, reversing the appreciation trend in the first half of the year. In 2012, the Brazilian government adopted counter-cyclical measures to foster economic growth. Such measures included the reduction of the base interest rate (SELIC) and the reduction of federal taxes on the automotive sector. The effects of the lower economic growth, the lower interest rate and the unstable international environment contributed to a 9% depreciation of the *Real* against the U.S. dollar. From January 1, 2013 to April 19, 2013 the *Real* depreciated 1.7% against the U.S. dollar in the period.

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

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On April 19, 2013, the exchange rate for *Reais* into U.S. dollars was R$2.009 to US$1.00, based on the commercial selling rate as reported by the Central Bank. 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 Reais per US$1.00			
	High	Low	Average	Period-Ended
Year Ended				
December 31, 2008	2.500	1.559	1.833(1)	2.337
December 31, 2009	2.422	1.702	1.990(1)	1.741
December 31, 2010	1.881	1.655	1.759(1)	1.666
December 31, 2011	1.902	1.535	1.671(1)	1.876
December 31, 2012	2.112	1.702	1.959(1)	2.044
Month Ended				
November 30, 2012	2.107	2.031	2.069(2)	2.107
December 31, 2012	2.112	2.044	2.078(2)	2.044
January 31, 2013	2.047	1.988	2.018(2)	1.988
February 28, 2013	1.989	1.957	1.973(2)	1.975
March 31, 2013	2.019	1.953	1.986(2)	2.014
April 30, 2013 (through April 19)	2.024	1.974	1.999(2)	2.009

(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 of 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 distributors in Brazil, including Ipiranga, have formal contracts with Petrobras for the supply of oil-based fuels. Ultragaz has a formal contract with Petrobras for the supply of LPG. 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 sales and services represented 7% of our consolidated net sales and services for the year ended December 31, 2012. 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.

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With respect to fuel distribution, Petrobras also supplied nearly all of Ipiranga and other distributors oil-based fuel requirements in 2012. 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 sales and services represented 87% of our consolidated net sales and services for the year ended December 31, 2012.

The last significant interruption in the supply of oil derivatives by Petrobras to LPG and fuel distributors occurred during the 1995 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 on the international market. The average cost of LPG and oil based fuels imported from the international markets in 2012 was higher than the price we obtained through Petrobras. As a result, any such interruption could increase our purchase costs and, consequently, adversely affect our operating margins.

Intense competition in the LPG and in the Brazilian fuel distribution market 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 90s, after the market was deregulated, which further increased competition in such market.

Anticompetitive practices by our competitors 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 on the part of some fuel distributors has been prevalent, allowing them to lower the prices they charge. As the final prices for the products sold by these 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 affect 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.

These practices have enabled certain distributors to supply fuel products at prices lower than those offered by the major distributors, including Ipiranga.

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Although the Brazilian government has been taking measures to inhibit these practices, if such practices become more prevalent, Ipiranga could suffer from a reduction in sales volume and margins, which could have a material adverse effect on our results of operations.

LPG competes with alternative sources of energy. Competition with and the development of alternative sources of energy in the future may adversely affect the LPG 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 against which we compete. Natural gas is currently less expensive than LPG for industrial consumers who purchase large volumes, but more expensive for 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. See Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Ultragaz Competition.

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

All second generation petrochemical producers in Brazil that use ethylene as their key raw material, including Oxiteno, our subsidiary involved in the production and sale of chemical and petrochemical products, purchase ethylene from Brazilian suppliers. Approximately 3% of our net sales are derived from the sale of chemical products that require ethylene. Oxiteno 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 supplies all of our ethylene requirements at our plants located at Camaçari and at 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, Oxiteno is almost totally dependent on ethylene produced at Braskem for its supply. For the year ended December 31, 2012, Brazil s ethylene imports totaled 11 tons, representing less than 0.01% of Brazil s installed capacity.

Due to ethylene s chemical characteristics, Oxiteno does not store any quantity of ethylene, and reductions in supply from Braskem would have an immediate impact on our production and results of operations. In August 2011, we concluded the expansion of the ethylene oxide unit in Camaçari, adding 90 thousand tons per year to its production capacity. We have agreed with Braskem on an additional ethylene supply, which commenced after this expansion was completed. 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 Oxiteno.

The price of palm kernel oil, one of Oxiteno s main raw materials, is subject to fluctuations in international markets.

Palm kernel oil is one of Oxiteno s main raw materials, used to produce fatty alcohols and its by-products in the oleochemical unit. Oxiteno imports the palm kernel oil from the main producing countries, especially Malaysia and Indonesia. 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 palm kernel oil could increase our costs, which could have a material adverse effect on Oxiteno 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 Oxiteno 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 increasingly 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

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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 Oxiteno competes in the Brazilian market largely with imported products, lowering feedstock costs of international players could affect the competitiveness of Oxiteno, 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 price of ethylene is subject to fluctuations in international oil prices.

The price of ethylene, which is the principal component of Oxiteno 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 Oxiteno s 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 Oxiteno s products vis-à-vis imported petrochemical products. Additionally, Oxiteno s competitiveness may also be reduced in case of higher import tariffs imposed by countries to which the company exports its products.

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 Unites 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.

In 2007, a new legislation entitled REACH (Registration Evaluation Authorization of Chemicals) was established by the European Union, focusing on controlling the production, imports and utilization of chemical products in the region. According to REACH, all the chemical products sold in the European Economic Area (EEA) must be registered, through the submission of information regarding properties, uses and safety of each product that will be analyzed by the European Regulatory Agency. In 2012, 2% of the volume sold by Oxiteno was exported to this region. Oxiteno is in compliance with the current legislative requirements for the products it currently exports in the EEA. As REACH is now an established regulation and has been well accepted by multilateral trade organizations, such as the World Trade Organization, it is possible that other countries may adopt similar procedures in the future. We cannot guarantee the effect that amendments to this new legislation could have on any product we export to the EEA, or whether similar legislation will come into force in other regions.

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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 local temporarily and result in significant remediation costs and loss of revenues. 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.

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

The operation of any chemical manufacturing plant and the distribution of petrochemicals, as well as the operations of logistics of oil, chemical products, LPG and fuel distribution involve substantial risks of property contamination and personal injury and may result in material costs and liabilities. Although we believe that current insurance levels are adequate, 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.

We are entitled to federal tax benefits providing for income tax exemption or reduction for our activities in the northeast region of Brazil. These benefits have defined terms and may be cancelled or suspended at any time if we distribute to our shareholders the amount of income tax that was not paid as a consequence of tax benefits or if the relevant tax authorities decide to suspend or cancel our benefits. As a result, we may become liable for the payment of related taxes at the full tax rates. If we are not able to renew such benefits, or if we are only able to renew them under terms that are substantially less favorable than expected, our results of operations may be adversely affected. Income tax exemptions amounted to R$43.4 million and R$28.2 million, respectively, for the years ended December 31, 2012 and 2011. See Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Ultragaz Income tax exemption status, Item 4.B. Information on the Company Business Overview Petrochemicals and Chemicals Oxiteno Income tax exemption status and Item 4.B. Information on the Company Business Overview Storage services for liquid bulk Ultracargo Income tax exemption status.

Our founding family and part of our senior management, through their ownership interest in Ultra S.A., 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 24% of our outstanding common stock. These individuals are party to a shareholders agreement executed on April 1, 2011. 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., may exercise significant influence over all matters requiring shareholder approval, including the election of our directors. Although our Board of Directors is responsible for nominating the slate of directors to be

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elected by our shareholders at our annual shareholders meetings, the current members of our Board of Directors, who were elected at our April 10, 2013 meeting, are substantially the same as those who previously served as members of our Board of Directors elected by Ultra S.A. on April 27, 2011, which, at that time, held approximately 66% of our voting shares.

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 new 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 will expire in the annual general shareholders meeting to be held in 2015.

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, as well as other smaller acquisitions and possible future acquisitions, Ultrapar has assumed and may assume in the future certain liabilities related to the transactions and of the businesses acquired and all the risks related to those liabilities.

Ultrapar has assumed certain liabilities of the businesses acquired in the last years; therefore, certain existing financial obligations, legal liabilities or other known and unknown contingent liabilities or risks of the businesses acquired have become the responsibility of Ultrapar. 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.

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.

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, 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.

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Risks Relating to Brazil

The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. Brazilian political and economic conditions 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, 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;

price instability;

energy shortages;

liquidity of domestic capital and lending markets;

fiscal policy; and

other trade, political, diplomatic, social and economic 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. 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 us and our businesses.

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 last several years, 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 inflation of 7.8% in 2012, 5.1% in 2011, 11.3% in 2010 and deflation of 1.7% in 2009. From January 2013 to March 2013, IGP-M index was 0.8%. 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 5.8% in 2012, 6.5% in 2011, 5.9% in 2010 and 4.3% in 2009. From January 2013 to March 2013, inflation as measured by IPCA was 1.9%.

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

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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.

From 2003 to 2007, the *Real* appreciated 39% against the U.S. dollar. In 2008, the worsening of the global financial crisis from mid-September led to a sharp reduction in the flow of capital to Brazil that resulted in a 32% *Real* devaluation, reversing the *Real* appreciation trend in place since 2003. In 2009, the quick rebound of the Brazilian economy drove the inflow of foreign investments in the country, thus contributing to a 25% appreciation of the *Real* against the U.S. dollar in 2009 the highest appreciation in the decade. In 2010, the effects of the strong economic growth in Brazil, together with the public offering of shares of Petrobras in the third quarter, resulted in a record of foreign investments inflow to Brazil, contributing to a 4% appreciation of the *Real* against the US dollar. In 2011, the unstable international economic environment, as a consequence of the European crisis, contributed to a 13% depreciation of the *Real* against the U.S. dollar for the year. In 2012, the effects of the lower economic growth, the lower interest rate and the unstable international scenario resulted in a 9% depreciation of the *Real* against the U.S. dollar. From January 1, 2013 to April 19, 2013 the *Real* depreciated 1.7% against the U.S. dollar in the period. 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 could in the future experience monetary losses relating to these fluctuations. 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 (particularly ethylene and palm kernel oil, purchased by our subsidiary Oxiteno) are benchmarked to prices prevailing in the international markets. Hence, 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.

Developments and the perception of risk in other countries, especially emerging market countries, may adversely affect the results of our operations and the market price of the shares and ADSs.

The market value of securities of Brazilian companies is affected to varying degrees by economic and market conditions in other countries, including other Latin American and emerging market countries. Although economic conditions in such countries may differ significantly from economic conditions in Brazil, investors reactions to developments in these other countries may have an adverse effect on the market value of securities of Brazilian issuers. Crises such as the global financial crisis started in 2008 may diminish investor interest in securities of Brazilian issuers, including our shares and ADSs. This could also make it more difficult for us to access the capital markets and finance our operations in the future on acceptable terms or at all.

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 in 2011 and 2012, 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

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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.

Investors from the United States may not be able to obtain jurisdiction over or enforce judgments against us.

We are a company incorporated under the laws of the Federative Republic 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 obtain jurisdiction over these individuals or Ultrapar in the United States, or enforce judgments handed down by United States courts of law based on provisions for civil liability under federal law in relation to securities of the United States or otherwise.

Risks Relating to the Shares and the American Depositary Shares

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

Under Brazilian Corporate Law, only shareholders registered as such in our corporate books may attend shareholders meetings. All common shares underlying the ADRs are registered in the name of the depositary bank. A holder of ADRs, accordingly, is not entitled to attend shareholders meetings. A holder of ADRs is entitled to instruct the depositary bank as to how to vote the common shares underlying the ADRs, in accordance with procedures provided for in the Deposit Agreement, but a holder of ADRs will be able neither to vote directly at a shareholders meeting the common shares underlying the ADRs nor to appoint a proxy to do so. In addition, a holder of ADRs 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.

The shares and the ADSs do not entitle you to a fixed or minimum dividend.

Under our bylaws, unless otherwise proposed by the Board of Directors and approved by the voting shareholders in the Annual General Meeting, we must pay our shareholders a mandatory distribution equal to at least 50% of our adjusted net income. The net income may be capitalized, used to set off losses and/or retained in accordance with the Brazilian Corporate Law and may not be available for the payment of dividends. 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.

You might be unable to exercise preemptive rights with respect to the shares.

In the event of a rights offering or a capital increase that would maintain or increase the proportion of capital represented by shares, shareholders would have preemptive rights to subscribe to newly issued shares.

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 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 pursuant to the United States

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Securities Act or an exemption from the registration requirements applies. We are not obliged to file registration statements with respect to the preemptive rights and therefore do not assure holders that such a registration will be obtained. If the rights 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 you exchange the ADSs for shares, you risk losing 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 you exchange your ADSs for shares, you 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, you will not be able to remit abroad non-Brazilian currency unless you obtain your own certificate of foreign capital registration or you qualify under National Monetary Council Resolution 2,689, dated January 26, 2000, known as Resolution 2,689, which entitles certain investors to buy and sell shares on Brazilian stock exchanges without obtaining separate certificates of registration. If you do not qualify under Resolution 2,689, you 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 you may be affected by future legislative or regulatory changes, and additional Brazilian law restrictions applicable to your 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.

The relative volatility and illiquidity of the Brazilian securities markets may adversely affect you.

Investing in securities, such as the shares or ADSs, of issuers from emerging market countries, including Brazil, involves a higher degree of risk than investing in securities of issuers from more developed countries. For the reasons above, investments involving risks relating to Brazil, such as investments in ADSs, are generally considered speculative in nature and are subject to certain economic and political risks, including but not limited to:

- changes to the regulatory, tax, economic and political environment that may affect the ability of investors to receive payments, in whole or in part, in respect of their investments; and
- restrictions on foreign investment and on repatriation of capital invested.

The Brazilian securities market is substantially smaller, less liquid, more concentrated and more volatile than major securities markets in the United States. This may limit your ability to sell the shares underlying your ADSs at the price and time at which you wish to do so. The BM&FBOVESPA, the only Brazilian stock exchange, had a market capitalization of US$1.2 trillion as of December 31, 2012 and an average monthly trading volume of US$76 billion for 2012. In comparison, the NYSE had a market capitalization of US$14.1 trillion as of December 31, 2012 and an average monthly trading volume of US$0.7 trillion for 2012.

There is also a large concentration in the Brazilian securities market. The ten largest companies in terms of market capitalization represented 52% of the aggregate market capitalization of the BM&FBOVESPA as of December 31, 2012. The top ten stocks in terms of trading volume accounted for approximately 40% of all shares traded on the BM&FBOVESPA in 2012. Ultrapar s average daily trading volume on both stock exchanges in 2012, 2011 and 2010 was R$55.5 million, R$34.6 million and R$33.0 million, respectively.

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

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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., which own 24% of our shares, have the right to exchange their shares of Ultra S.A. 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. shareholders if we are or become a PFIC under the U.S. Internal Revenue Code.

If we were characterized as a PFIC, in any year during which a U.S. Holder holds 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, we do not believe that we were a PFIC in 2012 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 Material U.S. Federal Income Tax Considerations for a description of the PFIC rules and consult their own tax advisors regarding the likelihood and consequences if we were 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 Cia 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.

In 1966, the market demand for high-quality and safe transportation services led to the entrance in the transportation of chemicals, petrochemicals and LPG segments. In 1978, Tequimar, was founded for the specific purpose of operating the storage business.

We were also one of the pioneers in developing the Brazilian petrochemicals industry with the creation of Oxiteno in 1970, whose first plant was located in the Mauá petrochemical complex in São Paulo metropolitan area. In 1974, Oxiteno inaugurated its second industrial unit, in the Camaçari petrochemical complex in Bahia. In 1986, Oxiteno established its own research and development center in order to respond to specific customer needs.

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In 1997, through Ultragaz, we introduced UltraSystem a small bulk distribution system to residential, commercial and industrial segments, and we started the process of geographical expansion through the construction of new LPG filling and satellite plants. We also concluded the capacity expansion of Oxiteno s industrial unit in Camaçari Petrochemical Complex, in the state of Bahia.

On October 6, 1999, we concluded our initial public offering, listing our shares simultaneously on BM&FBOVESPA and NYSE.

In 2000, Ultragaz started the construction of four new filling plants, therefore covering a large portion of the Brazilian territory. Still in 2000, the first of the four new plants, located in Goiânia, in the state of Goiás, started operations. In 2001, Ultragaz started two new plants: in Fortaleza, in the state of Ceará, and in Duque de Caxias, in the state of Rio de Janeiro. In 2002, the company started operations at a filling plant in Betim, in the state of Minas Gerais.

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 stipulated that any transfer of control of Ultrapar, either direct or indirect, 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 April 2002, Oxiteno completed a tender offer for the acquisition of the shares of its subsidiary Oxiteno Nordeste, through the acquisition of 93,871 shares of Oxiteno Nordeste by Oxiteno, representing approximately 73.3% of the shares held by minority shareholders. Oxiteno increased its share ownership from 97% to 98.9% for R$4.4 million.

In December 2002, we completed a corporate restructuring process that we began in October 2002. The effects of the corporate restructuring were:

- 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 Ultrapar s ownership in Ultragaz from 77% to 100% of its total share capital. Ultrapar issued approximately 7.8 billion common shares in connection with this merger; and

- the exchange of shares issued by Oxiteno for shares issued by Ultrapar, increasing Ultrapar s ownership in Oxiteno from 48% to 100% of its total share capital. The holders of approximately 12 million of Oxiteno s shares elected to exchange their shares for shares in Ultrapar, which resulted in the issuance of approximately 5.4 billion common shares and 3.4 billion preferred shares by Ultrapar. We paid R$208.1 million to Oxiteno s minority shareholders who exercised their statutory withdrawal rights and owned approximately 13 million shares of Oxiteno. The table below shows the effects of the corporate restructuring in our share capital:

	Total capital (in millions of *Reais*)	Common shares	Preferred shares	Total shares
As of December 31, 2001	433.9	37,984,012,500	15,015,987,500	53,000,000,000
Shares issued for:				
Merger of Gipóia	38.5	7,850,603,880		7,850,603,880
Incorporation of Oxiteno s shares	191.6	5,430,005,398	3,410,659,550	8,840,664,948
As of December 31, 2002	664.0	51,264,621,778	18,426,647,050	69,691,268,828

In August 2003, Ultragaz acquired Shell Gás, Royal Dutch Shell plc s LPG operations in Brazil, for a total amount of R$170.6 million. With this acquisition, Ultragaz became the Brazilian market leader in LPG, with a 24% share of the Brazilian market on that date.

In December 2003, we concluded the acquisition of Canamex, a Mexican specialty chemicals company. Canamex had two plants in Mexico (Guadalajara and Coatzacoalcos). The acquisition amount was US$10.25 million, with no debt assumption. In June, 2004, we acquired the operational assets of Rhodia Especialidades S.A. de C.V. in Mexico for US$2.7 million. 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. Since July, 2007, Canamex has been renamed Oxiteno Mexico S.A. de C.V., or Oxiteno Mexico.

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In May 2004, at an extraordinary general shareholders meeting, the shareholders of Ultrapar approved the inclusion of tag along rights to the company s bylaws, for all shareholders, at 100% of the offer price, improving a right that was previously established through a shareholders agreement dated March 22, 2000. The bylaws set forth that the sale of the control of Ultrapar, either direct or indirect, triggers a mandatory public offer by the acquiring entity for all of the shares in the same proportion and at the same terms and conditions (including price) as those offered for the control block.

In September 2004, the shareholders of Ultra S.A. signed a new shareholders agreement replacing the previous agreement. This new agreement sought to maintain a stable controlling shareholder block in Ultrapar. See Item 7.A. Major Shareholders and Related Party Transactions Major Shareholders.

In December 2004, Igel Participações S.A. and Avaré Participações S.A., former controlling shareholders of Ultra S.A., were dissolved, and, as a result, their shares in Ultra S.A. were distributed to their respective shareholders on a *pro rata* basis. At a meeting held on February 2, 2005, our Board of Directors approved a stock dividend of 10,453,690,324 preferred shares of Ultrapar, or 15 shares for each 100 outstanding common or preferred shares as of February 16, 2005. As a result of the stock dividend, we issued 10,453,690,324 new preferred shares to our shareholders through a capitalization of reserves. At an extraordinary general shareholders meeting held on February 22, 2005, our shareholders approved the issuance of additional preferred shares of Ultrapar to permit certain shareholders, including Ultra S.A., to exchange common shares of Ultrapar held by them into preferred shares at a ratio of one common share for one preferred share. Common shares tendered for exchange into preferred shares were cancelled.

In April 2005, we concluded a primary and secondary offering of our preferred shares. The offering consisted of 7,869,671,318 preferred shares owned by Monteiro Aranha S.A. and certain shareholders of Ultra S.A., and 1,180,450,697 newly issued preferred shares resulting from the exercise of an overallotment option. The offering price was R$40.00 per thousand preferred shares and the offering totaled R$362 million. As a result of the offering, Ultrapar s total capital increased by R$47 million, to a total of approximately R$946 million. The total shares outstanding were 81,325,409,849 shares, with 49,429,897,261 common shares and 31,895,512,588 preferred shares.

In July 2005, at an extraordinary general shareholders meeting held, our shareholders approved a reverse stock split of all our issued common and preferred shares. As a result, each 1,000 shares of any class would be converted into one share of each such class. In connection with this reverse stock split, we authorized a change to the ADS ratio of our ADR program from one ADS representing 1,000 preferred shares to one ADS representing one preferred share. This reverse stock split and ratio change became effective on August 23, 2005. As a result of the reverse stock split, we have amended our bylaws. After the reverse stock split, we had 81,325,409 shares outstanding, with 49,429,897 common shares and 31,895,512 preferred shares.

In July 2005, Ultracargo started up a new terminal in Santos, its second port terminal that integrates road, rail and maritime transportation systems. The new terminal had a storage capacity of 33.5 thousand cubic meters for chemical products, 40 thousand cubic meters for ethanol and 38 thousand cubic meters for vegetable oil at the time.

In December 2005, Ultrapar, through its subsidiary LPG International, issued US$250 million in notes in the international market, with the aim of lengthening the company s debt profile, financing possible acquisitions and other corporate purposes. The notes mature in December 2015, have a coupon of 7.25% per annum and were priced at 98.75% of par value, resulting in a yield of 7.429% per annum.

In August 2006, Ultrapar announced the signing of an agreement between its subsidiary Oxiteno Nordeste and Braskem, for the supply of ethylene, with a 15-year term. Under this contract, the current annual minimum purchase commitment is 205 thousand tons of ethylene with a maximum of 220 thousand tons of ethylene per year. The agreed upon supply price is indexed to ethylene prices in the international market and to the volume effectively purchased by Oxiteno. In 2006, Ultrapar also announced its plans to expand its ethylene oxide and specialty chemicals production capacity at Oxiteno s plants located in Mauá, São Paulo and in Camaçari, Bahia.

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In August 2006, Oxiteno opened its first commercial office outside Brazil, in Buenos Aires, Argentina Oxiteno Argentina S.R.L.

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 the largest LPG distributor in Brazil, became the second largest fuel distributor in Brazil, with a 14% market share in 2007. Ultrapar believes that fuel distribution is a natural extension of LPG distribution as it has similar profitability drivers: logistics efficiency, management of a dealer network and leveraging a renowned brand. The rationale for the acquisition also included the attractive growth prospects of the fuel distribution business in light of increased fuel consumption in Brazil in the recent past, principally due to increased national income, greater availability of credit and reducing unfair competitive practices, which caused the grey market to decline in relation to the formal market. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of Ipiranga Group.

In April 2007, Ultrapar acquired the sulfate and sulfonate assets of Unión Química S.A. de C.V., in San Juan del Río, Mexico through its subsidiary Oxiteno Mexico. The investment for this acquisition totaled US$4.0 million and was financed entirely by Oxiteno Mexico in the local market.

In September 2007, Oxiteno 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 Oxiteno did not have operations. This acquisition was consistent with the company s growth and expansion strategy in Latin America. The amount of the acquisition was US$7.6 million. The company was renamed Oxiteno Andina. Also in September 2007, Oxiteno announced the opening of a sales office in the United States. The company intended to leverage its position in the American market, particularly with respect to specialty chemicals.

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. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of Ipiranga Group. 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 from 39% previously. Ultrapar s shares achieved a new level of trading liquidity in equity markets, with average trading volume higher than the historical average of Ultrapar, RPR, CBPI and DPPI combined. This significant increase in the size of the free float helped Ultrapar to become part of Ibovespa, the BM&FBOVESPA index, as well as the MSCI index, which is widely recognized in international financial markets. In addition, the Share Exchange resulted in greater alignment of interests of all the company s shareholders and the extension of Ultrapar s recognized corporate governance standards to all the former shareholders of RPR, DPPI and CBPI.

In June 2008, Ultrapar announced that its subsidiary Ultracargo signed the sale and purchase agreement for the acquisition of 100% of the shares of União Terminais held by Unipar. In October 2008, Ultrapar completed the acquisition in relation to the port terminals in Santos and Rio de Janeiro. In November 2008, it completed the acquisition of 50% of the total capital stock held by Unipar of 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. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of União Terminais.

In July 2008, Oxiteno inaugurated its first sales office in Europe and the third outside Brazil in Brussels, Belgium, as part of Oxiteno s internationalization strategy.

In August 2008, Ultrapar announced that its subsidiary SBP entered into a sale and purchase agreement with Chevron for the acquisition of 100% of the shares of CBL and Galena. In March 2009, Ultrapar completed the acquisition and paid R$1,106 million to Chevron, in addition to a US$38 million deposit that it had made to Chevron in August 2008. In August 2009, Ultrapar also paid R$162 million related to the expected working capital adjustment as set forth in the sale and purchase agreement. Texaco marketed fuel throughout Brazil, except for the state of Roraima, through a network of more than two thousand service stations and directly to large clients, supported by a logistics infrastructure with 48 distribution terminals. Texaco s acquisition was part of Ultrapar s strategy to increase its operational

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scale in the fuel distribution business and to expand its operations to the Midwest, Northeast and North regions of Brazil. The combination with Texaco created a nationwide fuel distribution business, with a 21% market share in 2009, strengthening its competitiveness through a larger operational scale. The addition of Texaco allowed, for example, improved efficiency and competitiveness in the distribution and sales processes, dilution of advertising, marketing and product development expenses and gains of scale in administrative functions. Additionally, Texaco s acquisition led to Ultrapar geographical expansion in the sector, allowing the company to operate in regions with consumption growth above the national average, and brought new commercial opportunities arising from the national coverage. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of Texaco.

In August 2008, Ultrapar announced the execution of a supply contract between Oxiteno and Quattor for the supply of ethylene to the Mauá unit, in the state of São Paulo, effective through 2023. The long-term contract establishes the ethylene supply conditions, referenced on the international market. The volume contracted allowed the increase of at least 30% in the ethylene oxide production compared to 2007. At the same time, Oxiteno sold the equity interest it owned in Quattor, equivalent to 2,803,365 shares, for approximately R$46 million.

In October 2008, certain production capacity expansions at Oxiteno were completed, including (i) the operational start-up of the oleochemicals plant with an annual production capacity of approximately 100 thousand tons of fatty alcohols and by-products; (ii) the expansion of the ethylene oxide unit at Mauá, adding 38 thousand tons to the annual production capacity of this product; and (iii) the expansion of the ethoxylate and ethanolamine production at Camaçari, adding 120 thousand tons to the annual capacity of these products. These expansions aimed at replacing imports and meeting the increased demand for specialty chemicals in the Brazilian market, mainly in the crop protection, cosmetics, detergents and coatings segments.

In November 2008 and December 2008, in order to simplify the corporate structure, Ultragaz Participações S.A. and DPPI were merged into CBPI, respectively, thus consolidating all companies that operate in the distribution business into one single company.

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 now retains an equity interest of 33% in RPR.

In June 2009, Ultrapar completed its third issuance of R$1.2 billion unsecured debentures in Brazil with a three-year term. The proceeds from this issuance were used to redeem the promissory notes issued by Ultrapar in December 2008. For further information see Item 5.B. Liquidity and Capital Resources Indebtedness.

In December 2009, shareholders of Ultra S.A. entered into a new shareholders agreement that replaced the shareholders agreement executed on September 2004, which was to expire on December 16, 2009. The terms and conditions of the new shareholders agreement were substantially the same as those of the previous agreement and had a two-year term. 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.

In December 2009, Ultrapar, through Ultracargo, paid R$44 million for the acquisition of Puma Storage do Brasil Ltda., or Puma, a storage terminal for liquid bulk with 83 thousand cubic meters capacity located at the port of Suape, in the state of Pernambuco. This acquisition strengthened Ultracargo s position in the region of the port of Suape, enhanced its operational scale and represented another step in Ultracargo s strategy of strengthening its position as an important provider of storage for liquid bulk in Brazil.

In March 2010, Ultrapar entered into a loan agreement with Banco do Brasil S.A. through IPP in the amount of R$500 million, with a three-year term, interest rate equivalent to 98.5% of CDI, and a single payment at the maturity date.

In March 2010, Ultrapar entered into a sale and purchase agreement to sell Ultracargo s in-house logistics, solid bulk storage and road transportation businesses to Aqces for R$82 million. In July 2010,

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the sale closed with the transfer of shares of AGT and Petrolog to Aqces in exchange for R$74 million, which was in addition to the R$8 million deposit received upon signing the sale and purchase agreement on March 31, 2010. In October 2010, Ultrapar disbursed R$2 million in connection with the expected working capital adjustment. This transaction allowed Ultracargo to focus exclusively on its liquid bulk storage business, a segment in which it has a leadership position.

In June 2010, Ultrapar entered into a series of three loan agreements with Banco do Brasil S.A. through IPP in the total amount of R$900 million, with a four-year duration and average cost equivalent to 99% of CDI. See Item 10.C. Additional Information Material Contracts.

In August 2010, Oxiteno concluded the expansion of the ethoxylate unit at Camaçari, which added 70 thousand tons per year to its production capacity. With this expansion, Oxiteno consolidated its position as the world s second largest ethoxylate producer.

In October 2010, Ultrapar, through Ipiranga, entered into a sale and purchase agreement for the acquisition of 100% of the shares of DNP. The total value of the acquisition is R$73 million, with an initial disbursement of R$47 million in November 2010 and additional disbursements of R$26 million in January 2011 and R$1 million in July 2011. 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, and was the fourth largest fuel distributor in this geographic area. In 2009, the combined volume of diesel, gasoline and ethanol sold by DNP totaled approximately 260 thousand cubic meters, with EBITDA of R$17 million. This transaction reinforced the strategy of expansion, initiated with the acquisition of Texaco, to the Midwest, Northeast and North regions of Brazil.

In February 2011, the extraordinary general shareholders meeting approved a stock split of the shares issued by Ultrapar, resulting in each share converting into four shares of the same class and type, with no modification in the shareholders financial position or interest in the company. The shares resulting from the stock split granted its holders including holders of ADSs, the same rights attributable to the shares previously held, including dividends, interest on capital and any payments on capital approved by the company. After the stock split, the 1:1 ratio between preferred shares and ADSs was maintained, and each ADS consequently continued to represent one share.

In April, 2011, our Board of Directors, at a meeting held, approved the submission to the shareholders of the company a proposal to (a) convert any and all shares of preferred stock issued by the company into shares of common stock, 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. The Conversion was approved by a majority vote at the extraordinary general shareholders meeting and special preferred shareholders meeting each held on June 28, 2011, whereby all preferred shares issued by the company were converted into common shares, at a ratio of one preferred share for one common share. The material amendments to the previous bylaws were the following: (a) the requirement of 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 holders of 20% of the company s shares, excluding treasury shares. The tender offer price must be the highest price per share paid by the buyer in the previous six months, adjusted by the SELIC rate; (b) the requirement of a minimum of 30% of independent members (as defined in the *Novo Mercado* segment rules) of the Board of Directors; and (c) the creation of audit and compensation committees, as ancillary bodies of the Board of Directors, each with three members. The audit committee must be composed of three independent members, of whom at least two are not directors; and the compensation committee must be composed of at least two independent directors.

In August 2011, Ultrapar s shares began trading on the *Novo Mercado* under ticker symbol UGPA3. Simultaneously, Ultrapar s ADRs, formerly represented by preferred shares, began representing Ultrapar s common shares and began trading on the NYSE under this new format. Additionally, on the same date, Ultrapar s new amended bylaws became effective. In April 2011, Ultra S.A. s shareholders executed a new shareholders agreement (the New Ultra S.A. Shareholders Agreement), which became effective upon the approval of the Conversion and replaced the shareholders agreement executed in December 2009. The terms and conditions of the New Ultra S.A. Shareholders Agreement are substantially the same as the previous shareholders agreement, except, primarily, for (a) the requirement for prior approval at a shareholders meeting for a third party to become an Ultra S.A. shareholder and (b) the purpose and form of the preliminary meetings to be held prior to certain shareholders meetings of the company. See Exhibit 2.11 New Ultra S.A. Shareholders Agreement, dated as of April 1, 2011.

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In August 2011, we completed the expansion of the ethylene oxide plant in Camaçari, increasing the production capacity by 90 thousand tons per year. This expansion concluded an important investment cycle in the expansion of Oxiteno.

In September 2011, Ultracargo s expanded terminal in Suape started operations, increasing its storage capacity by 26 thousand cubic meters. This project was part of Ultracargo s expansion plan started in 2010.

In October 2011, Ultrapar acquired, through Ultragaz, Repsol s LPG distribution business in Brazil for a total value of R$50 million, which included R$2 million related to the net cash of the acquired company. Repsol solely distributed bulk LPG and had a 1% share in the LPG bulk distribution market in Brazil at the time of the acquisition. The acquisition of Repsol s business strengthened Ultragaz s bulk LPG business, a segment in which Ultragaz pioneered, producing economies of scale in logistics and management, as well as an improved positioning for growth in the bulk segment, where increase in sales volume is correlated to Brazilian GDP growth.

In March 2012, the company completed its fourth issuance of R$800 million in debentures, which mature in June 2015 and bear interest at 108.25% of CDI, with principal due at maturity. The proceeds from this issuance were used to partially redeem the company s third issuance of debentures, which were due in December 2012 and bore interest at 108.5% of CDI. See Item 5.B. Liquidity and Capital Resources Indebtedness.

In April 2012, Oxiteno acquired a specialty chemicals plant in the United States for US$15 million, with no debt assumption. 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. During 2012, Oxiteno invested R$16 million in capital expenditures to retrofit the plant for its product line of specialty surfactants. The total production capacity is 32 thousand tons per year and operations started in late 2012. Oxiteno s investment plan for 2013 includes the expansion of its production capacity at the Pasadena site. See Item 4.A. Information on the Company History and Development of the Company Investments for more information.

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. Thilo Mannhardt has extensively participated in strategic and operational projects of Ultrapar s businesses for over 15 years as a senior partner at McKinsey & Company and as a member of the Board of Directors of the company in 2011 and 2012. Pedro Wongtschowski, in turn, replaced Thilo Mannhardt in the Board of Directors. The succession process was held in accordance with Ultrapar s philosophy; adequately planned and conducted with transparency. The nomination of Thilo Mannhardt for CEO and of Pedro Wongtschowski for the Board of Directors represented the continuity of Ultrapar s management and business philosophy.

In July 2012, Ultracargo acquired Temmar from Temmar Netherlands B.V. and Noble Netherlands B.V., subsidiaries of Noble Group Limited for R$68 million, in addition to the assumption of net debt in the amount of R$91 million. Temmar owns a terminal in the port of Itaqui, which added 55 thousand cubic meters to Ultracargo s capacity. In addition, Ultrapar will disburse a minimum additional amount of R$12 million, which may reach approximately R$30 million as a result of possible future expansions in the storage capacity of the terminal, provided that such expansions are implemented within the next seven years after the acquisition. The port of Itaqui has a strategic location and efficient logistics, which includes access to railways, and is responsible for supplying the fuel market in the states of Maranhão, Piauí and Tocantins, where fuel consumption has been growing above the national average. This acquisition marked the entry of Ultracargo in this important market and enhanced its operational scale, strengthening its position as a provider of storage for liquid bulk in Brazil and adding 8% to the company s storage capacity.

In September 2012, we concluded an expansion in the terminal of Santos, adding 30 thousand cubic meters to Ultracargo s storage capacity. This expansion, together with the expansion in the same terminal concluded in January 2012, which added 12 thousand cubic meters to its capacity, and with the expansion in the terminal of Aratu concluded in June 2012, which added approximately 4 thousand cubic meters to its capacity, represented combined additional storage capacity of 46 thousand cubic meters to Ultracargo. This project was part of Ultracargo s expansion plan started in 2010, increasing its total storage capacity by 15%.

In November 2012, Oxiteno acquired American Chemical, a Uruguayan specialty chemicals company, for R$107 million, in addition to the assumption of R$33 million in net debt. American

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Chemical s production capacity is 81 thousand tons per year, particularly sulfonate and sulfate surfactants for the home and personal care industries, as well as products for the leather industry. With the acquisition of American Chemical, Oxiteno continued the expansion of its international activities, initiated in 2003 and based on its deep knowledge of the technology for the production and application of surfactants and specialty chemicals and on a strong relationship with its customers.

In November 2012, Ipiranga constituted, with Odebrecht TransPort Participações, a new company to operate in the segment of electronic payment for tolls, parking and fuels ConectCar. The creation of ConectCar was driven by new rules to incentivize competition in this segment and combines the experience and complementarity of its partners, each with a 50% interest in the company. The partners will jointly invest up to R$150 million over the next years. 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. ConectCar started operations in April 2013 and will operate in markets that have strong growth perspectives.

In December 2012, the subsidiary IPP made its first issuance of R$600 million in public debentures, which mature in November 2017 and bear interest at 107.90% of CDI, with principal due at maturity. The proceeds from this issuance were used for general corporate purposes, in order to strengthen its cash position and lengthen its debt profile, providing greater financial flexibility. See Item 5.B. Liquidity and Capital Resources Indebtedness.

In December 2012, Ultrapar s Board of Directors approved the renewal of financings from Banco do Brasil S.A. for its subsidiary IPP, in the total principal amount of R$800 million. Of this total amount, the subsidiary renewed R$500 million in March 2013.

Description of the Acquisition of Ipiranga Group

On March 19, 2007, Ultrapar, Petrobras and Braskem announced their intent to acquire the Ipiranga Group and that on March 18, 2007, Ultrapar had entered into, and Petrobras and Braskem had acknowledged, Ipiranga Group SPA with the Key Shareholders of the principal companies constituting of the Ipiranga Group. In connection with the acquisition of Ipiranga Group, Ultrapar acted on its own behalf and on behalf of Petrobras and Braskem pursuant to the Ipiranga Group Transaction Agreements. Ultrapar acted as a commission agent, under Articles 693 through 709 of the Brazilian Civil Code, for Petrobras and Braskem in the acquisition of the Petrochemical Business, and for Petrobras for the acquisition of Northern Distribution Business.

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. Ultrapar believes that fuel distribution is a natural extension of LPG distribution as it has similar profitability drivers: logistics efficiency, management of a dealer network and leveraging a renowned brand. The rationale for the acquisition also included the attractive growth perspectives for the fuel distribution business in light of increased fuel consumption in Brazil in the recent past, principally due to increased national income, greater availability of credit and curbing unfair competitive practices, which cause the grey market to decline in relation to the formal market. After the completion of all steps 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.

Description of the Acquisition of União Terminais

In June 2008, Ultrapar announced that its subsidiary Ultracargo entered into a sale and purchase agreement for the acquisition of 100% of the shares of União Terminais held by Unipar. In October 2008, Ultrapar completed the acquisition in relation to the port terminals in Santos and Rio de Janeiro. In November 2008, it closed the acquisition of 50% of the total capital stock of União/Vopak held by Unipar, which owned a port terminal in Paranaguá. The total amount of the acquisition was R$519 million, which included the assumption of net debt of R$32 million on September 30, 2008.

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União Terminais had two port terminals for storage and handling of liquid bulk, with total capacity of 119 thousand cubic meters. The main facility, located in Santos (in the state of São Paulo), has storage capacity of 102 thousand cubic meters and concluded an expansion that added 20% (21 thousand cubic meters) to its capacity. The main products handled in this terminal are fuels, ethanol and chemicals. The terminal located in Rio de Janeiro has a storage capacity of 17 thousand cubic meters and the main products handled in this terminal are chemicals and lubricants. União Terminais also held 50% of the total capital of União/Vopak, which owns a port terminal in Paranaguá (in the state of Paraná) with storage capacity of 60 thousand cubic meters for the handling of vegetable oil and chemical products.

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 has 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 have operations.

Description of the Acquisition of Texaco

In August 2008, Ultrapar announced that its subsidiary SBP entered into a sale and purchase agreement with Chevron for the acquisition of 100% of the shares of CBL and Galena. Prior to the closing, Chevron s lubricant and oil exploration activities in Brazil were spun-off from CBL and Galena to other Chevron s legal entities.

On March 31, 2009, Ultrapar completed this acquisition and paid R$1,106 million to Chevron, in addition to the US$38 million deposit that it had made to Chevron in August 2008. In August 2009, Ultrapar also paid R$162 million related to the expected working capital adjustment, reflecting the increased working capital effectively received by Ultrapar on the closing date of the acquisition (as set forth in the sale and purchase agreement).

Texaco marketed fuel in the entire Brazilian territory, except for the state of Roraima, through a network of more than 2,000 service stations and directly to large clients, supported by a logistics infrastructure with 48 distribution terminals. Texaco s acquisition was part of Ultrapar s strategy to increase its operational scale in the fuel marketing business and expand its operations to the Midwest, Northeast and North regions of Brazil. The combination with Texaco created a nationwide fuel marketing business, with a 21% market share in 2009, strengthening its competitiveness through a larger operational scale. The addition of Texaco allowed, for example, improved efficiency and competitiveness in the distribution and sales processes, dilution of advertising, marketing and product development expenses and gains of scale in administrative functions. Additionally, Texaco s acquisition led to Ultrapar geographical expansion in the sector, allowing the company to reach regions with consumption growth above the national average, and brought new commercial opportunities arising from the national coverage.

After completion of this acquisition, Ultrapar started managing Texaco and implementing 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, Ultrapar had also converted all the conversion of the acquired Texaco branded stations into the Ipiranga brand. Under the terms of the Ipiranga Group Transaction Agreements, Petrobras had the exclusive right to use Ipiranga s brand in the operating regions of the Northern Distribution Business for five years from the date of the acquisition of Ipiranga Group, which expired in March 2012. Until then, Ipiranga operated under the Texaco brand in those regions.

Recent Developments

In March 2013, the subsidiary IPP renewed financings from Banco do Brasil S.A. in the total principal amount of R$500 million. In May 2013, financings from Banco do Brasil S.A. in the total principal amount of R$300 million are expected to be extended. See Item 5.B. Liquidity and Capital Resources Sources and uses of funds Indebtedness Banco do Brasil.

Investments

We have made substantial investments in our operations over the last three fiscal years to the date of this annual report. At Ultragaz, we have invested (i) in small bulk LPG distribution (UltraSystem); (ii)

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in the purchase and renewal of LPG bottles and tanks; and (iii) in the strengthening and restructuring of our distribution logistics. We have also invested in the consolidation of our national coverage over the past years. Investments at Ipiranga have been directed to (i) the expansion of the 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. Oxiteno has invested in (i) the expansion of production capacity, mainly for specialty chemicals in Brazil, and the commencement of operations in the United States, (ii) the modernization of its industrial plants and (iii) the development of new products. Ultracargo has invested in the expansion and maintenance of its storage facilities in response to strong demand for logistics infrastructure in Brazil, including investments in capacity expansions at the Aratu, Santos and Suape terminals. See Item 4.A. Information on the Company History and Development of the Company. We have invested in information technology at all our businesses for integrating processes, improving the quality of information, increasing the response time in decision-making and improving our services.

The following table shows our organic investments for the years ended December 31, 2012, 2011 and 2010 (does not include equity investments):

	Year ended December 31, (in millions of *Reais*)		
	2012	**2011**	**2010**
Ultragaz	157.1	181.6	157.1
Ipiranga(1)	941.6	590.9	382.6
Oxiteno	114.8	107.3	227.3
Ultracargo	83.8	108.2	61.8
Others(2)	25.5	25.0	18.7
Total organic investments, net of disposals	1,322.7	1,013.0	847.5

(1) Includes financing and bonuses to our resellers, net of repayments. Bonuses are lump sum payments made by distributors to resellers. Resellers typically use these payments to improve their facilities or to invest in working capital. Financing for clients is included under working capital in the cash flow statement and bonuses are included under intangible assets. In 2012, 2011 and 2010 financing to clients (net of repayments) amounted to R$27.6 million, R$42.8 million and R$6.8 million, respectively.

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

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.

In July 2010, Ultracargo sold its in-house logistics, solid bulk storage, and road transportation businesses. See Item 4.A. Information on the Company History and Development of the Company. In November 2010, Ipiranga acquired the totality of shares of DNP. See Item 4.A. Information on the Company History and Development of the Company. In the logistics segment, the sale of Ultracargo s in-house logistics, solid bulk storage, and road transportation businesses is part of our strategy to focus on storage services for special bulk cargo and become Brazil s leading provider in this segment. The acquisition of DNP was part of our growth strategy in the fuel distribution industry, representing the strengthening of the company s position in the Midwest, Northeast and North regions of Brazil and the increase in Ipiranga s operational scale in the region.

In October 2011, Ultragaz acquired Repsol s LPG distribution business in Brazil for a total value of R$50 million, which includes R$2 million related to the net cash of the acquired company. Repsol s LPG distribution business had a 1% share in the LPG bulk distribution market in Brazil at the time of the acquisition. The acquisition of Repsol s business strengthened Ultragaz s bulk LPG business, a segment which Ultragaz pioneered, producing economies of scale in logistics and management, as well as an improved positioning for growth in the bulk segment, where increases in sales volume is correlated to Brazilian GDP growth.

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In July 2012, Ultracargo acquired Temmar, and in November 2012, Oxiteno acquired American Chemical. See Item 4.A. Information on the Company History and Development of the Company. The acquisition of Temmar marked the entry of Ultracargo in the port of Itaqui, in the state of Maranhão, and enhanced its operational scale, strengthening its position as a provider of storage for liquid bulk in Brazil and adding 8% to the company s current capacity at the time. With the acquisition of American Chemical, Oxiteno continued the expansion of its international activities, initiated in 2003 and based on its knowledge of the technology for the production and application of surfactants and specialty chemicals and on a strong relationship with its customers.

Ultrapar s investment plan for 2013, excluding acquisitions, amounts to R$1,437 million and aims at growth through increased scale and productivity gains, as well as the modernization of existing operations. Ultrapar expects to invest R$160 million at Ultragaz, R$872 million at Ipiranga, R$278 million at Oxiteno, and R$103 million at Ultracargo. Ultragaz will focus its investments mainly on (i) UltraSystem (small bulk), due to the prospects of capturing new clients, (ii) the modernization of its filling plants, mainly in the Southeast region of Brazil, and expansion of facilities in the Northeast region of Brazil and (iii) the replacement and purchase of LPG bottles. Ipiranga will invest (i) R$360 million to continue the expansion of its distribution network (through the conversion of unbranded service stations, the opening of new gas stations and new customers) and Jet Oil and am/pm franchises, focused on the Midwest, Northeast and North regions of Brazil, (ii) R$182 million in the expansion of its logistics infrastructure to support the growing demand, through the construction and expansion of logistics facilities, and (iii) R$331 million in the maintenance of its operations, mainly in the renewal of contracts of its distribution network and the renovation of service stations. Out of Ipiranga s total investment budget, R$868 million refer to additions to property, plant, equipment and intangible assets, and R$4 million refer to financing to clients, net of repayments. Oxiteno will direct R$203 million for expansion investments, mainly to continue the expansion of its production capacity in Pasadena, in the United States, and in Coatzacoalcos, in Mexico. These two plants will add approximately 130 thousand tons per year of production capacity, 30 thousand tons of which will be operational by 2013 and 100 thousand tons will start-up in 2014. Additionally, Oxiteno will invest in the maintenance of its plants. Ultracargo will direct its investments mainly to expansions in its terminals, especially in Itaqui and Suape terminals, in addition to the maintenance of the infrastructure of the other terminals.

Equity Investments

The table below shows our equity investments for the years ended December 31, 2012, 2011 and 2010:

	Year ended December 31,		
	2012	**2011**	**2010**
Ultragaz		49.9[3]	
Ipiranga		26.6[4]	46.8[4]
Oxiteno	100.5[1]		0.8
Ultracargo	68.2[2]		(80.4)[5]
Total	168.7	76.5	(32.8)

(1) Investments made in connection with the acquisition of American Chemical, net of proceeds from the sale of Oxiteno s catalyst production unit. See Item 4.A. Information on the Company History and Development of the Company.
(2) Investments made in connection with the acquisition of Temmar. See Item 4.A. Information on the Company History and Development of the Company.
(3) Investments made in connection with the acquisition of Repsol. See Item 4.A. Information on the Company History and Development of the Company.
(4) Investments made in connection with the acquisition of DNP. See Item 4.A. Information on the Company History and Development of the Company.
(5) Sale of the in-house logistics, solid bulk storage and road transportation businesses of Ultracargo. See Item 4.A. Information on the Company History and Development of the Company.

We are a company incorporated under the laws of Brazil. Our principal executive office is located at Brigadeiro Luís Antônio Avenue, 1343, 9th Floor, 01317-910, São Paulo, SP, Brazil. Our telephone number is 55 11 3177 7014. Our Internet website address is http://www.ultra.com.br. 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.

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B. Business Overview

Ultrapar is a Brazilian company with 75 years of history, with leading positions in the markets in which it operates: fuel distribution through Ultragaz and Ipiranga, production of specialty chemicals through Oxiteno and liquid bulk storage services through Ultracargo. Ultragaz is the leader in LPG distribution in Brazil with a 24% market share in 2012 and one of the largest independent LPG distributors in the world in terms of volume sold. We deliver LPG to an estimated 11 million households using our own vehicle fleet and our network of approximately 4,700 independent retailers in the bottled segment and to approximately 44 thousand customers in the bulk segment. Ipiranga is the second largest fuel distributor in Brazil, with a network of 6,460 service stations and a 22% market share in 2012. 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. Oxiteno has eleven industrial units in Brazil, Mexico, the United States, Uruguay and Venezuela and commercial offices in Argentina, Belgium, China and Colombia. Ultracargo is the largest provider of storage for liquid bulk in Brazil, with eight terminals and a storage capacity of 765 thousand cubic meters as of December 31, 2012.

The following chart simplifies our organizational structure as of December 31, 2012, 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 businesses

Ultragaz is the largest LPG distributor in Brazil. In 2012, Ultragaz s national market share was 24%, serving approximately 11 million homes in the bottled segment and approximately 44 thousand customers in the bulk segment. For the year ended December 31, 2012, Ultragaz s total volume of LPG sold was 1.7 million tons.

Ipiranga is the second largest fuel distributor in Brazil with a 22% market share in 2012, and a network of 6,460 service stations as of December 31, 2012. In addition to the service stations, Ipiranga s network has approximately 2.5 thousand am/pm convenience stores and Jet Oil franchises. In 2012, Ipiranga focused on its strategy of expansion to the North, Northeast and Midwest regions of Brazil,

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where the consumption growth rate has been above the national average and the market share of Ipiranga is lower than that in the South and Southeast. The implementation of Ipiranga s business model 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 2012 was 23.4 million cubic meters.

Oxiteno is the largest producer of ethylene oxide and its principal derivatives in Latin America as well as a major producer of specialty chemicals. Our chemical operations supply a broad range of market segments, particularly crop protection chemicals, food, cosmetics, leather, detergents, packaging for beverages, thread and polyester filaments, brake fluids, petroleum and coatings. For the year ended December 31, 2012, Oxiteno sold 761 thousand tons of chemical products. In Brazil, Oxiteno competes principally against imports.

Ultracargo is the largest provider of storage for liquid bulk in Brazil, with eight terminals and storage capacity of approximately 765 thousand cubic meters as of December 31, 2012, with leading positions in the main ports in Brazil.

Robust business portfolio

Our operations encompass LPG and fuel distribution, 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.

Highly efficient LPG distribution network

In addition to making direct sales of bottled LPG, Ultragaz is the only LPG distributor in Brazil with an exclusive network of independent dealers. This network is constituted of approximately 4,700 dealers who sell Ultragaz LPG bottles. This has enabled Ultragaz to control the quality and productivity of its dealers leading to a strong brand name recognition that we believe is associated with quality, safety and efficiency, and also to have frequent contact with LPG customers. In addition, 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.

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.

Differentiated positioning in the fuel distribution sector

We believe that Ipiranga has a differentiated positioning in its sector, supported by a strong brand and ample coverage of products and services in its service stations to increase the convenience of the customer. These services and products include convenience stores, lubricant-changing service shops, 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 the largest producer of ethylene oxide and its principal derivatives in Latin America. In 2012, 96% of its ethylene oxide production was used internally in the production of ethylene oxide derivatives, which can be 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, such as those produced at its oleochemicals unit, 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. 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

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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.

Strong operational track record

Our company has exhibited a solid operational track record. Our EBITDA presented an average compound annual growth of 21% from 1998 to 2012, in spite of 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 25% from 1998 to 2012.

Experienced management team

We are led by a strong and experienced management team with a proven track record in the LPG and fuel distribution, petrochemical and specialized logistics industries. Our senior management team possesses an average of 24 years of experience in the company.

Alignment of interests

The members of Ultrapar s management are relevant shareholders of Ultrapar and have 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 right to all its shareholders, the separation of the roles of Executive Officer and Chairman of the Board of Directors and the constant and transparent interaction with the capital market, also being a founding member of the Latin American Corporate Governance Roundtable Companies Circle, a group dedicated to promote the corporate governance in Latin America.

In 2011, Ultrapar completed the implementation of its 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 the shareholders meeting, without (i) any limitation on voting rights, (ii) special treatment to current shareholders, (iii) required public tender offers for prices greater than the acquisition price of a controlling interest or (iv) any other poison pill provisions.

Our Strategy

Build on the strength of our LPG and fuel distribution brands

Our LPG and fuel distribution businesses have a high brand recognition associated with quality, safety and efficiency. 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 LPG and fuel distribution

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 programs to revise Ultragaz s distribution structure.

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Increase market share in fuel distribution

We intend to benefit from a generally favorable outlook in the fuel distribution market as a result of an increasing light vehicle fleet in Brazil. Our sales strategy is to increase Ipiranga s market share by converting unbranded stations to Ipiranga s brand and by opening new service stations, focusing on the Midwest, Northeast and North regions of Brazil, where we have lower market share and where consumption growth is higher than the national average, given the lower car penetration and faster-growing household income in these regions. Ipiranga s strategy also includes expanding its logistics infrastructure to support the growing demand for fuels in Brazil.

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

We intend to continue expanding Ipiranga s sources of non-fuel income by creating new products and expanding our services, such as convenience store sales, lubricant-changing services, car maintenance services, credit cards, the sale of car-related products in the fuel service stations and more than 40 thousand items available in our e-commerce website Ipirangashop.com.

In 2009, Ipiranga launched two initiatives aiming at strengthening Ipiranga s brand recognition: (i) Km de Vantagens, a pioneer customer loyalty program in the fuel industry that awards points in connection with purchase of products and services at Ipiranga s network and allows customers to exchange such points for discounts, products or services provided by Ipiranga and its partners, and (ii) Jet Oil Motos, a specialized lubricant-changing service for motorcycles in Brazil.

In 2010, as part of its differentiation strategy, Ipiranga opened bakeries within its am/pm stores and became Brazil s largest bakery franchise chain. Over the year, it developed a new image, further strengthening the perception of being a convenience center always close to its consumer. In addition, Ipiranga increased its strategic partnerships to broaden the scope of the Km de Vantagens loyalty program and, accordingly, the benefits for its clients and resellers, including partners in the areas of entertainment, tourism and magazines, among others. The Km de Vantagens program reached over 11.4 million clients by the end of 2012.

In 2011, Ipiranga was the first distributor to launch online sales of fuel. This initiative allows clients to purchase credits of fuel through its website. With these credits, clients are able to purchase fuel at any of the Ipiranga s accredited service stations. Participants of the Km de Vantagens program who purchase credits online can get a discount on the credit price, which represents another benefit for client loyalty.

In 2012, Ipiranga constituted, with Odebrecht TransPort Participações, a new company that operates in the segment of electronic payment for tolls, parking and fuels ConectCar. Once installed on a vehicle s windshield, ConectCar s chip automatically opens toll gates at lower costs through a prepaid system with free enrollment. In addition, the chip may be used to purchase fuel as well as accumulate and redeem points of the Km de Vantagens program, points which will be acquired by ConectCar from Ipiranga. Ipiranga s service station network is ConectCar s main distribution and contact channel with car owners.

Invest in niche segments for LPG distribution

Ultragaz is strengthening its presence in the North and Northeast regions of Brazil by focusing on expanding to states, such as Pará and Maranhão, where it did not use to have significant operations and where LPG consumption is growing faster than Brazil s national average rate. Ultragaz also expanded its portfolio by selling the propellant (Dymethyl-ether) DME, which was sold in Brazil exclusively through imports. Following its strategy of growing in niche markets, Ultragaz has expanded its participation in the use of LPG for localized heating, such as pre-heating of industrial furnaces, especially in steel and metallurgical plants, and in new applications in agribusiness, such as drying grains and plague control, with greater operational and economic efficiency.

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Expand capacity at Oxiteno

We intend to maintain Oxiteno s production capacity ahead of demand in Brazil. We also plan to continue our efforts to apply the best global practices to Oxiteno s plants and production processes with a view to remain technologically competitive.

Continue to enhance product mix at Oxiteno

We increased Oxiteno 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. Oxiteno s investments in research and development have resulted in the introduction of 52 new products during the last three years. Oxiteno will continue to invest in research and development focused on developing new products to meet clients needs. In addition, we intend to focus Oxiteno s sales in the Brazilian market, which allows us to have higher margins.

Maintain financial strength

We seek to maintain a sound financial position to allow us to pursue investment opportunities and enhance our shareholders return on their investment in our company. Our net debt position for the year ended December 31, 2012 was R$3,077 million, representing a 1.3 times net debt to EBITDA ratio. We have been consistently distributing dividends to our shareholders. During the five years ended December 31, 2012, we have declared yearly dividends representing an average of 61% of our net income.

Continue to grow our businesses

Our principal corporate goal is to enhance shareholder value and strengthen our market presence by growing our businesses. Historically, we have grown our businesses organically and through acquisitions, such as the acquisitions of Shell Gás, Ipiranga, União Terminais, Texaco, DNP, Repsol, Temmar and American Chemical, and we intend to continue this strategy.

We have also made several investments in the expansion of our existing operations. In Oxiteno, in the last five years, we invested in the expansion of our production capacity focusing on specialty chemicals and in starting production of specialty chemicals in the United States. In Ipiranga, organic investments were mainly directed to the expansion of our resellers network and logistics infrastructure. In Ultracargo, we started in 2010 an expansion plan to increase the capacity of our terminals in Suape, Santos and Aratu. We constantly analyze acquisition opportunities in the segments in which we operate and in complementary segments that could add value to our company.

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Key Financial Information

The table below sets forth certain financial information for us and our principal businesses:

	Year ended December 31, IFRS			
	2012	2011	2010	2009
	(in millions of *Reais*)			
Net revenue from sales and services (1)				
Ultrapar	53,919.4	48,661.3	42,481.7	36,097.1
Ultragaz	3,847.1	3,766.8	3,661.3	3,441.0
Ipiranga	46,832.8	42,223.9	36,483.5	30,485.8
Oxiteno	2,928.8	2,408.6	2,083.0	1,915.8
Ultracargo	300.9	266.9	293.3	336.6
EBITDA (2)				
Ultrapar	2,405.4	2,032.3	1,855.3	1,449.6
Ultragaz	243.2	280.1	300.0	284.9
Ipiranga	1,640.1	1,353.5	1,148.6	837.9
Oxiteno	349.6	261.1	218.3	171.4
Ultracargo	144.9	118.2	144.7	111.1
Net income attributable to Ultrapar s shareholders	1,011.0	848.8	765.3	437.1
Net cash (debt) (3)				
Ultrapar	(3,077.0)	(2,779.3)	(2,175.7)	(2,131.8)

(1) Segment information for Ultragaz, Ipiranga, Oxiteno and Ultracargo is presented on an unconsolidated basis. See Presentation of Financial Information for more information.

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

(3) See footnote 7 under Item 3.A. Key Information Selected Consolidated Financial Data for a more complete discussion of net cash (debt) and its reconciliation to information in our financial statements.

Distribution of Liquefied Petroleum Gas

Industry and Regulatory Overview

Liquefied petroleum gas (LPG) is a fuel derived from the oil and natural gas refining process. In Brazil, 80% of local demand in 2012 was produced in local refineries and the remaining 20% 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.

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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 monopoly over the production and import of petroleum and petroleum products until the end of 2001, 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 ANP. The LPG distribution industry includes purchasing nearly all its LPG requirements from Petrobras, filling LPG bottles and bulk delivery trucks at filling

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stations, selling LPG to dealers and end users, controlling product quality and providing technical assistance to LPG consumers. See Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Industry and Regulatory Overview The role of the ANP. LPG produced by Petrobras, which represented 80% of total LPG sold in Brazil in 2012, 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 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 2002, the Brazilian government abolished subsidies to refinery prices and in January 2002, 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 December 2007. In 2008, Petrobras increased the LPG refinery price for commercial and industrial usage by 15% in January, an additional 10% in April and 6% in July. In February 2009, Petrobras reduced the LPG refinery price for commercial and industrial usage by 5%. In January 2010, Petrobras increased the LPG refinery price for commercial and industrial usage by 6%. In 2012 and 2011, Petrobras average refinery price was US$508 and US$596 per ton, respectively, compared with the average international price of US$630 per ton per ton and US$779 per ton, respectively. LPG refinery prices for residential use have remained unchanged since 2003.

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 a constitutional amendment 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 to continue for a maximum period of three years. Law

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No. 9,478, also known as *Lei do Petróleo*, 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 Liquigás, one of the main players in the market.

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 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 Único 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 directly by the LPG distribution companies or by independent dealers. 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. 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 Auto-Regulamentação*. See Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Ultragaz Bottle swapping centers and Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Ultragaz Requalification of bottles. Before the Self-Regulatory Code came into effect, certain LPG distributors, not including Ultragaz, 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;

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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 Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Ultragaz Bottle swapping centers and Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Ultragaz Requalification of bottles);

the filling of third-party bottles to have ceased by October 1997;

by November 1, 2006, the requalification of 68.8 million bottles manufactured up to 1991; and

by November 1, 2011, the requalification of 12.8 million bottles manufactured between 1992 and 1996.

Ultragaz itself was required to requalify 13.8 million bottles before November 2006 and an additional 10.7 million bottles by November 2011. In 2012, Ultragaz requalified 2.3 million bottles and in 2013, Ultragaz expects to requalify approximately 2.5 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 National Council of the Environment, or *Conselho Nacional do Meio Ambiente* CONAMA, the Ministry of Labor, or *Ministério do Trabalho*, and the Ministry of Transport, or *Ministério dos Transportes*, are the primary regulators of LPG distribution at the federal level.

ANP and Brazilian federal and state environmental laws and regulations require LPG distributors to obtain operating permits from the state environmental agencies, from municipal authorities and from the fire department. In order to obtain such permits, distributors must satisfy regulatory authorities that the operation, maintenance and repair 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 liable for environmental damages.

The LPG industry and market are also subject to federal, state and local laws and regulations that prescribe occupational health and safety standards. In accordance with such laws and regulations, it is mandatory for distributors to prepare reports on their occupational health and safety records on an annual basis to the local office of the Ministry of Labor in each of the states in which they operate. In addition, they are also subject to all federal, state and local governmental regulation and supervision generally applicable to companies doing business in Brazil, including labor laws, social security laws and consumer protection laws.

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, 2012.

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 sells bottled LPG

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through its own retail stores and through independent dealers as well as its fleet of owned and leased trucks which operates on a door-to-door basis or on a scheduled/request delivery basis. Bulk LPG is serviced through Ultragaz s own and leased truck fleet.

In August 2003, Ultragaz acquired Shell Gás, Royal Dutch Shell plc 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, selling 287,400 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 s LPG distribution business in Brazil for a total value of R$50 million, which includes R$2 million related to the net cash of the acquired company. In 2011, Repsol sold approximately 22 thousand tons of LPG. See Item 4.A. Information on the Company History and Development of the Company .

Ultragaz has the following operating subsidiaries:

- Companhia Ultragaz S.A., or Cia Ultragaz, the company that pioneered our LPG operations;
- Bahiana Distribuidora de Gas Ltda., or Bahiana, which primarily operates in the Northeast region of Brazil;
- Distribuidora de Gás LP Azul S.A., or LP Azul, (formerly Repsol), acquired in October 2011; and
- Utingás Armazenadora S.A., or 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 controls 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 the last five years, Ultragaz strengthened its presence in the North and Northeast of Brazil, selling LPG in the states of Pará and Maranhão, where it did not have significant operations and where LPG consumption has been growing faster than Brazil s national average growth rate. Distribution of bottled LPG includes direct home delivery and retail stores, both carried out by Ultragaz or its dealership network mainly using 13 kg ANP approved bottles. In the case of Ultragaz, the bottles are painted blue, which we believe is an important element in recognizing the Ultragaz brand. Ultragaz s operating margins for bottled LPG vary from region to region and reflect market share and 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 investing in the brand, 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 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 its clients premises. Since 1997, Ultragaz operates small- and medium-sized bulk delivery facilities with bob-tail trucks, known together as UltraSystem, which deliver LPG in bulk to residential buildings, commercial and industrial clients. Ultragaz s clients in the commercial sector include shopping centers, hotels, residential buildings, restaurants, laundries and hospitals. Ultragaz s trucks supply clients stationary tanks using a system that is quick, safe and cost effective.

Ultragaz s bulk sales include large industrial clients, including companies in the food, metallurgical and steel sectors that have large fixed tanks at their plants and consume monthly volumes in excess of five tons of LPG. These clients represent a small portion of Ultragaz s sales volume since, in the case of large volume consumers, Ultragaz is competing with other highly competitive energy sources such as natural gas, diesel and fuel oil.

Ultragaz supplies its bulk delivery clients on the basis of supply contracts with terms ranging from two to five years. This type of contract limits fluctuations in sales given that the installation of the tanks is carried out by Ultragaz, and any change in supplier would imply the client s reimbursing Ultragaz s investments. The contract also requires that any tank supplied by Ultragaz may only be filled with LPG

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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 Ultragaz, it seeks to achieve a return on its investment within the term of the contract. The acquisition of Repsol strengthened its bulk LPG business, with economies of scale in logistics and management, as well as improved positioning for growth in the bulk segment.

Ultragaz s strategy for bulk LPG distribution is to continue its process of product and service innovation and to increase the profile of its trademark. Ultragaz also has a team to identify the needs of each bulk LPG client and to develop technical solutions for using LPG as an energy source.

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

Client category	Year ended December 31, 2012	2011	2010
	(in thousands of tons)		
Bottled LPG			
Residential delivery by Ultragaz / Ultragaz owned retail stores	63.9	58.1	61.7
Independent dealers(1)	1,069.5	1,076.0	1,053.3
Total bottled LPG	1,133.5	1,134.1	1,114.9
Total bulk LPG	547.7	518.1	493.3
Total tons delivered	1,681.2	1,652.2	1,608.3

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

Residential delivery has evolved during the last few years from primarily door-to-door to a primarily scheduled or phone-ordered delivery.

The LPG distribution is a very dynamic retail market where consumers habits change constantly, thus creating opportunities for the company. In order to follow market developments and differentiate itself from competitors, Ultragaz 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), created the prepaid voucher system (*Vale Ultragaz Eletrônico*, which can be acquired at certain establishments such as supermarkets) and is also developing new ordering systems, such as the ability to order online and by mobile phone messages. These initiatives provide customers with greater convenience, add further value and generate logistic optimization to Ultragaz. The same principles are extended to the bulk segment, in which Ultragaz is a pioneer and has a leading position, and where it has been developing new usages for its products, such as localized heating for the ignition of industrial furnaces, mainly in iron and steel industries, and new applications in agribusiness, such as drying grains and plague control, with greater operational and economic efficiency. Also aiming to follow the consumption trends in the bulk segment, Ultragaz intensified its unique account billing service in residential condominiums, through which it provides individual gas bills.

In order to differentiate itself from its competitors, Ultragaz has been implementing initiatives directed to the end consumer and brand promotion. As part of these initiatives, Ultragaz developed programs like *Ultragaz na sua rua* (Ultragaz in your street) and *Carreta Ultragaz*, both aimed to increase interaction and proximity to customers through distribution of souvenirs and brochures containing safety tips and relevant information on LPG, cultural contests, culinary courses, and handicraft work courses as an alternative source of income, among others. Through its new brand positioning, Ultragaz also created *Ultragaz especialista no que faz* (Ultragaz the specialist), reinforcing the features of quality and differentiation of its products and services offered in a nationwide marketing campaign through magazines and radio advertisements. Initiatives carried out in 2012 to increase the proximity to consumers and promote the cultural encouragement among the low-income population include the *Ultragaz Cultural* (Ultragaz cultural program), *Um piano pela estrada* (A piano on the road) and *Museu Itinerante Ultragaz* (Ultragaz Itinerant Museum). The *Ultragaz Cultural* is a wagon turned into a movie theatre that travels throughout Brazil exhibiting movies. This program, launched in 2008, traveled to 70 cities in 22 different states until 2012, reaching approximately 100 thousand adolescents and children. In 2012, Ultragaz also presented the *Um piano pela Estrada* project in partnership with Mr. Arthur Moreira Lima, a renowned Brazilian pianist. This project reached

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17 thousand people and traveled to 15 cities, in 11 Brazilian states providing contact with classical music for children assisted by philanthropic entities, public school students and the local communities. Another project performed in 2012 was *Museu Itinarante Ultragaz*, a free exhibition featuring 40 reproductions of famous paintings that visited 12 cities during the year, reaching around 11 thousand people.

Ultragaz signed the UN Global Compact in 2009, and has developed a structured program for advancing causes related to environmental sustainability, through a series of initiatives with internal and external audiences. Ultragaz s program, *Ultragaz Faz Sustentável. E quer fazer sempre mais* (Ultragaz acts sustainably and always wants to do more), aims to identify, create and educate the community on the sustainable initiatives it promotes.

In addition, Ultragaz leverages the widespread reach of its operations, which serves an average 11 million households per year, to disseminate educational campaigns for its communities. In partnership with the Federal Government, the Ministry of Health and the Childhood Brazil non-profit organization, it reached 16 million people over a period of 12 months of operations, by providing information about AIDS as well as curbing to prevent sexual exploitation.

Since 2009, Ultragaz has sponsored the implementation of educational programs of the Junior Achievement organization in Brazil. Junior Achievement is the world s largest and oldest organization dedicated to educating students on employment opportunities, entrepreneurship and financial literacy through experiential learning and hands-on programs. In 2012, over 270 thousand teenagers of Brazilian public schools benefited from Ultragaz s sponsorship.

Distribution infrastructure. Ultragaz s distribution strategy includes having its own distribution infrastructure, since it believes proximity to customers is a significant factor in successful distribution and sales strategies. The services associated with Ultragaz s home deliveries strongly influence the ranking of the Ultragaz brand name in the bottled market. Ultragaz seeks to expand its home delivery services, including faster delivery, quality and comfort for its customers, having delivery personnel that provide safety recommendations to household customers. For both bottled and bulk LPG, deliveries are made by employees wearing Ultragaz uniforms and driving vehicles with Ultragaz s logo.

Ultragaz delivers bottled LPG using a distribution network, which in 2012 included 58 points of sales, and approximately 4,700 independent dealers. In 2012, Ultragaz had a fleet of 247 vehicles for the delivery of gas bottles and 280 for bulk delivery. Ultragaz also maintains a call center which centralizes LPG bottle orders made through phone calls.

Bottled sales capacity derives from the number of bottles bearing Ultragaz s brands. Ultragaz estimates that, as of December 31, 2012, there were 22.2 million 13kg 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. Until the enactment of ANP Rule 297 on November 18, 2003, independent dealers needed only to be registered with ANP for the sale of LPG bottles. No licenses were required except for those required by the fire department and the municipal authorities. Rule 297 established 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, 2012, 94% 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 in the trademark and 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.

In order to strengthen the relationship with its network of independent dealers, Ultragaz has created Project SOMAR (Marketing Solutions Applied to Independent Dealers), as part of which it recommends changes to dealers operating procedures, helps to improve the efficiency of their operations and encourages their adoption of best practices.

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In order to improve the efficiency of its network of independent dealers, other reseller relationship programs were implemented aiming at establishing guidelines of market best practices for its network focusing on operational excellence. The main initiative carried out since 2009 is *Academia de Revendedores* (Resellers Academy), which includes the training programs *Formação em Gestão de Revendas* (Reseller Management Education) and *O especialista em atendimento* (The specialist in serving). 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 its resellers network.

In 2012, Ultragaz continued these training programs, including 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 2012, approximately 4 thousand resellers participated in the program a significant increase compared to 2008, when the program began with approximately 700 resellers evaluated. Out of the resellers that participated in the program in 2012, 70% (or 2.8 thousand) were qualified as bronze or above, above the 65% verified in 2011, attesting their increased compliance with most of Ultragaz s quality requirements. Ultragaz believes that improving the efficiency of independent resellers is a key factor for improving the profitability of the entire chain.

Distribution channels to bulk consumers. Large bulk distribution, classified by Ultragaz as consumption of more than five tons per month and 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, classified by Ultragaz as consumption under five tons per month and 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 fleet 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 20 days on average.

Bottle swapping centers. Pursuant to the Self-Regulatory Code, established in 1996 and approved by ANP, the LPG distributors have established nine 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$0.36 per exchanged LPG bottle. In areas where only one LPG distributor has a sizable market share, it is customary to use the facilities of that distributor as an unofficial swapping center.

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 provides that all bottles must be requalified after their first 15 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.

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Petrobras freely prices LPG in the domestic market, adopting the international price plus surcharges as its benchmark. However, the Petrobras refinery price of LPG is subject to the Brazilian government influence when the government deems appropriate. Refinery prices of LPG in *Reais* remained unchanged from May 2003 to December 2007. In 2008, Petrobras increased the LPG refinery price for commercial and industrial usage by 15% in January, an additional 10% in April and 6% in July. In February 2009, Petrobras reduced the LPG refinery price for commercial and industrial usage by 5%. In January 2010, Petrobras increased the LPG refinery price for commercial and industrial usage by 6%. In 2012 and 2011, Petrobras average refinery price was US$508 per ton and US$596 per ton, respectively, compared with the average international price of US$630 per ton and US$779 per ton, respectively. LPG refinery prices for residential use have remained unchanged since 2003. 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.

Storage of LPG. On December 31, 2012, Ultragaz s storage capacity was approximately 19 thousand tons, including Utingás storage capacity. Based on its 2012 average LPG sales, Ultragaz could store approximately three 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:

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;

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 40 years; and

Nacional Gás Butano, a Brazilian LPG distributor which has been present in the market for more than 45 years.

The following table sets forth the market share of Ultragaz and its competitors:

	Year ended December 31,		
LPG Distributor	**2012**	**2011**	**2010**
Ultragaz	23.5%	23.2%	23.2%
Liquigás	22.6%	22.8%	22.3%
Supergasbras	20.9%	21.2%	22.1%
Nacional Gás Butano	19.0%	18.9%	18.7%
Others	14.0%	13.9%	13.8%
Total	100.0%	100.0%	100.0%

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. LPG distributors in the bottled market compete primarily on brand awareness and reliability of delivery and the service provided to customers. Ultragaz believes that it is competitive in these aspects. 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

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distributors. Ultragaz s principal markets, including the cities of São Paulo, Salvador and Recife, contain heavy concentration of residential consumers 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. Natural gas is currently less expensive than LPG for industrial consumers who purchase large volumes, but more expensive for residential consumers. In addition, 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 2009, given the economic downturn, Brazilian LPG market decreased by 1% compared to 2008, mostly driven by the bulk segment, which decreased 4% compared to 2008, while the bottled segment remained flat, given its resilient nature as an essential good. In 2010, the Brazilian LPG market increased by 3.7% compared to 2009, mainly as a result of the growth in the bulk segment, driven by the stronger economy. In 2011, the Brazilian LPG market increased by 2.5% compared to 2010, mostly driven by the volume sold in the bulk segment, which increased 3.5% compared to 2010, mainly as a result of the stronger economy. In 2012, the LPG market increased only 0.5% compared to 2011, mostly driven by the effect of lower economic growth over the bulk segment, mainly during the second half of 2012.

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

Source: Sindigás (volume for 2009, 2010, 2011 and 2012 according to ANP)

Income tax exemption status. Pursuant to legislation which provides tax relief for businesses located in the northeast region of Brazil, Ultragaz benefits from a 75% income tax reduction at the Caucaia, Mataripe, Aracaju and Suape filling plants, having expired or expiring in 2012, 2013, 2017 and 2018, respectively. These tax reductions are approved by SUDENE (Superintendency for the Development of the Northeast). Income tax exemptions amounted to R$9.4 million and R$10.0 million for the years ended December 31, 2012 and 2011 respectively. We cannot guarantee that there will be no amendments to the current tax legislation. For further information see Note 9(c) to our consolidated financial statements. In the first semester of 2013, the subsidiary will request the extension of the recognition of the tax incentive for additional 10 years at the Caucaia filling plant, based on its increased production capacity investments.

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. In 2012, Ultragaz received several awards related to quality and management quality in different states in which it operates.

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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 2012, diesel represented 50% of the fuels distributed in Brazil, followed by gasoline, ethanol, fuel oils, NGV and kerosene, each of which represented 36%, 9%, 4%, 2% and 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 vehicle. 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 well-established credit market for consumer goods.

In December 2012, credit in Brazil reached 53% of GDP, compared to 49% in December 2011, 46% in December 2010, 45% in December 2009, 41% in December 2008 and 35% in December 2007 which, combined with an increase in disposable income and the decrease in relative prices of cars in Brazil, has had a positive effect on the sales of vehicles. According to ANFAVEA, the number of new light vehicles registered in Brazil increased by 6% to 3.6 million in 2012 compared to 2011, mainly as a result of the increased disposable income, availability of credit, and tax incentives to the automotive sector during the year. Consequently, the light vehicle fleet is estimated to have grown by 8% in 2012. Among the total light vehicles sold in 2012, 87% were flex-fuel vehicles, which have engines adapted to operate using either gasoline or ethanol, or by any combination of the two, 8% were gasoline-only fueled vehicles and the remaining 5% were diesel-only. Since the launching of flex-fuel vehicles in Brazil in 2003, 18.5 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 (77% of the market in 2012), which serve final retail consumers;

Large consumers (16% of the market in 2012), mainly industries and fleets; and

Retail - wholesale resellers TRR (7% of the market in 2012), specialized resellers that distribute diesel to medium and small volume end-users.

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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 to primary storage terminals via pipelines and coastal or river shipment. Transportation of oil-derivative products between primary and secondary storage terminals is provided by pipeline, railroad, trucks and coastal or river barges. Ethanol is transported from the many distilleries to primary and secondary storage bases by trucks. 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 25%. In October, 2011, the Brazil s Agriculture Ministry reduced the required percentage of anhydrous ethanol mixed with gasoline from 25% to 20%, which remains the current percentage as of the date of this annual report. According to the Brazilian government, the required percentage of anhydrous ethanol mixed with gasoline will return to 25% by May 1, 2013.

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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 2% 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. On July 1, 2008 and 2009, the biodiesel mix requirement was increased to 3% and to a further 4%, respectively. Since January 1, 2010, the biodiesel mix requirement is 5%.

As of December 31, 2012, there were 231 fuel distributors authorized by ANP to operate in Brazil.

Supply. Petrobras is currently the only relevant supplier of oil derivatives in Brazil. There are currently 16 oil refineries in Brazil, of which Petrobras owns 12. Brazil s total refining capacity in 2011, the last information available, was 348 thousand cubic meters per day, of which Petrobras accounted for 98%. Brazilian refineries are located predominantly in the South and Southeast regions of Brazil. The overall product yield for these refineries in 2012 was 39% diesel, 22% gasoline, 12% fuel oil, 7% LPG and 20% other products, including naphtha.

Ethanol is purchased from various producers. In 2012, there were more than 400 distilleries in Brazil, which produced approximately 23 million cubic meters of ethanol, 41% 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 on the sugarcane harvest. In 2012, 92% 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 can come from soy and tallow. As of December 31, 2012, there were 57 biodiesel producers, located predominantly in the Midwestern region. Brazil s biodiesel production in 2012 was less than half 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 Law No. 9,478 in 1997, 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%,

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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%.

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 Sindicom 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 the Law 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 Social Integration Program Taxes (*Programa de Integração Social - PIS*) and Contribution for the Financing of Social Security Taxes (*Contribuição para o Financiamento da Seguridade Social - Cofins*) at distilleries from 25% to 40%, which is currently in place and (ii) requiring distilleries to install flow meters (*medidores de vazão*) to control the output of ethanol, which is still awaiting the definition of certain technical aspects to be implemented. 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.

In accordance with the publication of the 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. Currently, distributors must add 5% of biodiesel in diesel, according to ANP Resolution No. 4/2010.

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 sole 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 34% in 2012, 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.

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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 order to operate in Brazil, a fuels distributor must be licensed with the ANP and must meet certain minimum operating requirements, including:

- minimum paid-in capital of R$1,000,000;
- 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 and the volume of oil derivative fuels ordered from Petrobras for the following four months.

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 supplier, 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).

Sindicom represents the interests of major Brazilian fuel distributors, which controlled 77% of the Brazilian fuel market in 2012. Sindicom 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. Sindicom 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-Sindicom distributors, to increase their market share by charging artificially lower prices also based on artificially lower costs. Sindicom 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

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facing the industry and directly participating in tax litigation involving distributors that are not Sindicom members, (ii) sponsorship of the development of a chemical coloring solvent that according to ANP Resolution No. 36 must be 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 No. 5 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 No. 7 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 resolution No. 33, 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/COFINS Social Integration Program Taxes and Contribution for the Financing of Social Security Taxes on distilleries and the installation of flow meters, which were included in Law 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. In 2012, 2011and 2010, the share of ethanol volume sold by Sindicom members over the total market remained practically stable, representing approximately 60%.

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 National Environment Council 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 Labor, 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 currently the largest private player in the Brazilian fuel distribution market, with 22% market share and 6,460 service stations in 2012.

In 2012, Ipiranga distributed diesel, gasoline, ethanol, NGV, fuel oil, kerosene, lubricants and greases nationwide. In addition to a traditional fuel distribution business, Ipiranga has implemented a differentiation strategy, by offering other products and services at Ipiranga-branded service stations. This strategy has led to a significant and growing convenience store business, branded am/pm, as well as lubricant servicing businesses, Jet Oil and Jet Oil Motos , and other related products and services.

Markets and marketing. Until March 2009, Ipiranga only operated in the South and Southeast regions of Brazil. After the acquisition of Texaco, Ipiranga became a nationwide distributor and started to operate in the Northeast, North and Midwest regions of Brazil, 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. Under the terms of the Ipiranga Group Transaction Agreements Petrobras had the exclusive right to use Ipiranga s brand in the operating regions of the Northern Distribution Business for five years from the date of the acquisition of Ipiranga Group, which expired in April 2012,. Until then, Ipiranga operated under the Texaco brand in those regions. In November 2010, Ultrapar closed the acquisition of DNP, which distributes 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 2010. See Item 4.A. Information on the Company History and Development of the Company. In 2012, Ipiranga continued its strategy to increase its scale of operations, adding 374 service

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stations through the conversion of unbranded service stations and the opening of new gas stations. Furthermore, Ipiranga ended 2012 with 231 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 is also focusing on the expansion of Jet Oil and am/pm franchises to enhance the service and convenience of consumers at the Ipiranga service stations.

Growth in the fuel distribution sector is directly influenced by GDP growth rates and by the size of the car fleet. The number of new vehicles registered in Brazil has grown consistently over the last four years. In 2009, despite the 0.6% decrease in GDP, a record level of car sales was registered in Brazil, as a result of the government reduction in taxes levied on car sales to encourage an increase in demand in the sector, as well as higher credit availability during the second half of the year. In 2010, 2011 and 2012, the automotive sector reached new sales records, mainly as a result of the increased disposable income and credit availability. See Item 5.D. Operating and Financial Review and Prospects Trend Information. See Item 4.B. Information on the Company Business Overview Fuel Distribution Industry and Regulatory Overview. Furthermore, legislative changes and inspection in the fuel distribution sector occurred in the last 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.

In 2012, approximately 3.6 million new light vehicles were registered according to ANFAVEA, an increase of 6% from 2011, with flex fuel cars representing 87% of the total light vehicles registered in 2012.

The total light vehicles fleet in Brazil as of December 31, 2011, according to ANFAVEA s last available data, was 32.2 million.

In 2012, the fuel volume sold by Ipiranga grew by 8% compared to 2011, with (i) the combined sales volume of gasoline, ethanol and NGV increasing by 10%, driven by the growth in light vehicle fleet and investments made to expand its service station network, and (ii) diesel sales volume increasing by 7% in the period, as a result of the investments made to capture new clients and, to a lesser extent, the growth of the Brazilian economy, particularly in the retail and agricultural sectors.

Ipiranga s sales volume from its service station network accounted for 71% of its total sales in 2012. As of December 31, 2012, there were 6,460 service stations operating under the Ipiranga brand, of which 737 had the land either owned by us or under a long term lease to us and 5,723 owned by third parties. In 2012, 89% of these service stations were located in urban, high population density areas, with the remaining 11% located in highways.

Distribution to large consumers represented 21% of Ipiranga s sales in 2012. Ipiranga directly sold to 4,483 customers in 2012, including state and municipal governments, industries and cargo and passenger transportation fleet owners.

Ipiranga also sells diesel, lubricants, fuel oil and kerosene to 270 independent TRRs that redistribute these products to small and medium-sized companies throughout Brazil. Ipiranga s TRR clients consist mostly of companies that have large fixed tanks at their facilities. These clients represented 8% of Ipiranga s sales volume in 2012.

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 pre-payment discounts. Supply to large consumers and TRRs is rarely made under contracts. When contracts are entered into with these clients, the terms range from 1 to 3 years.

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The table below shows Ipiranga s sales by product:

	Year ended December 31, (in thousand cubic meters)		
	2012	2011	2010
Client category			
Diesel			
Service station	6,523.7	6,000.4	5,524.9
Large consumers	4,606.1	4,514.0	4,178.7
Retail - wholesale resellers (TRR)	1,728.3	1,554.2	1,328.4
Total Diesel	**12,858.1**	**12,068.6**	**11,032.0**
Gasoline	**8,087.2**	**7,128.6**	**5,866.8**
Ethanol	**1,732.3**	**1,785.8**	**2,482.8**
Others	**686.7**	**717.9**	**768.6**
Total volume sold	**23,364.3**	**21,700.9**	**20,150.2**

Distribution infrastructure. Ipiranga operated through 85 storage terminals as of December 31, 2012 that were strategically located to facilitate fast and economic 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, by road.

Ipiranga has its own fleet of trucks through its transportation company, Tropical, which was responsible for transportation of 29% of the volume of fuels sold by Ipiranga in 2012, with the remaining portion of the transportation provided by third parties.

Resellers. Ipiranga generally enters into three types of arrangements with resellers in which: (i) it owns land, equipment and buildings for a service station that it leases to an operator, (ii) a third party owns land, and leases it to Ipiranga and it constructs a service station facility or make 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 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. For the year ended December 31, 2012, 71% of Ipiranga s volume sold was through resellers.

Ipiranga has created incentive programs over the years in order to strengthen brand loyalty and its relationship with its reseller network, as well as to differentiate itself from its competitors. These incentive programs include annual rewards to its resellers with 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.

Following the strategy of innovation in the retail segment through a differentiated customer service, in 2008 Ipiranga launched Ipirangashop.com, a service which is aimed to maximize potential business from the large flow of consumers at its fuel service stations and combines two sales channels: the sale of car-related products in its fuel service stations and on its e-commerce website, offering more than 40 thousand items. Ipirangashop.com was created in a partnership with Grupo Hermes, a large retailer in Brazil, which is in charge of the operational aspects of the service, including the purchase, inventory and delivery of the goods that are sold. Ipiranga, in turn, is responsible for marketing campaigns and for the implementation of Ipirangashop.com in its service station network and website.

In 2009, Ipiranga created Km de Vantagens, a pioneer customer loyalty program in the fuel industry that provides awards and benefits to customers and resellers. Ipiranga developed strategic partnerships to broaden the scope of the program and the benefits for its clients and resellers, including partnership in areas of entertainment, tourism, magazines and airline tickets, among others. By the end of 2012, Km de Vantagens had more than 11 million clients registered, becoming the largest loyalty program in Brazil.

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In 2010, through its am/pm convenience stores, the largest convenience store network in Brazil, Ipiranga launched some initiatives to increase product offer through the launch of private label products, including energy drinks and snacks, and the expansion of the am/pm bakeries, providing to the resellers the benefit of an additional source of income, as well as strengthening the am/pm brand. Ipiranga ended 2012 with 1,377 am/pm stores.

The Jet Oil units, Ipiranga s lubricant-changing and automotive service specialized network, ended 2012 with 1,091 franchises whereas Jet Oil Motos, the first specialized lubricant-changing and service network for motorcycles, reached 204 franchises.

In 2012, Ipiranga constituted, with Odebrecht TransPort Participações, a new company that operates in the segment of electronic payment for tolls, parking and fuels ConectCar. Once installed on a vehicle s windshield, ConectCar s chip automatically opens toll gates at lower costs through a prepaid system with free enrollment. In addition, the chip may be used to purchase fuel as well as accumulate and redeem points of the Km de Vantagens program, points which will be acquired by ConectCar from Ipiranga. Ipiranga s service station network is ConectCar s main distribution and contact channel with car owners.

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, the reseller earns higher revenues, and the service station obtains a differentiated positioning, thus contributing for an increase in the company s income.

In addition, we analyze our service stations and franchises results on a monthly basis and compare them to established marketing plans in order to recognize and implement improvements to our resellers network, as well as to identify resellers who surpassed their individual goals and, therefore, are eligible to be awarded under the incentive programs.

Supply of fuels. Currently, Ipiranga and its competitors purchase all or nearly all oil-derivative fuels from Petrobras under a formal supply contract that establishes the volume and the terms for supply. The contract is renewed annually and the volume contracted for 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.

The ethanol fuel market in Brazil consists of more than 400 distilleries, 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. 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.

In 2012, due to investments in crops and less adverse climate conditions, sugarcane harvests were higher than that in 2011. Sugar prices in the international markets were higher than ethanol throughout the harvest period, therefore leading sugar production to reach a historical record in Brazil. In addition, the production of anhydrous ethanol also reached record levels, boosted by the strong domestic demand.

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

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from distilleries by railroad and road transportation and secondary facilities are supplied by railroad and truck. See Item 4.D. Information on the Company Property, Plant and Equipment. In 2012, Ipiranga s storage capacity was 514,293 cubic meters. Based on its 2012 average sales, Ipiranga can store approximately eight days of fuel supply, in line with the average stock period of the fuel distribution industry. 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.

Competition. Ipiranga s main competitors in 2012 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.

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 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 February 2010, Cosan announced that it entered into a non-binding memorandum of understanding with Shell, which has operated in Brazil since 1913, for the creation of a joint venture combining certain of their respective assets, including their respective distribution businesses. In August 2010, Cosan announced the conclusion of the negotiations and the signing of the contracts establishing the joint venture. The formalization of Raízen S.A., Raízen Energia S.A. and Raízen (joint venture companies) was completed on June 1, 2011.

Alesat, a domestic Brazilian fuel distributor created in 2006 as a result of the merger of Ale and Satelite, is present in 21 states. In December 2008, Alesat acquired the fuel distribution business of Repsol YPF in Brazil, which had a 1% market share in 2008.

The following table sets forth the market share of Ipiranga and its competitors based on ANP data:

	Year ended December 31,		
Distributor (1)	**2012**	**2011**	**2010**
Petrobras	33.8	34.7	34.4
Ipiranga(2)	21.5	21.4	20.7
Raízen(3)	17.7	17.6	17.9
Alesat(4)	3.9	3.8	3.8
Others	23.1	22.5	23.2
Total cubic meters	**100.0**	**100.0**	**100.0**

(1) Volume sold of gasoline, ethanol and diesel.
(2) Includes DNP s volumes from November 2010 onwards.
(3) Includes the volume sold by Esso and Shell prior to the closing of the joint venture.
(4) Includes Repsol in all periods.

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.

In line with this strategy, in 2012, Ipiranga launched 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 2011, Ipiranga was the first distributor to launch online sales of fuel. This initiative allows clients to purchase credits of fuel through its website. With these credits, clients are able to purchase fuel at any of the Ipiranga s accredited service stations. Participants of the Km de

Vantagens program who purchase credits online can get a discount on the credit price, which represents another benefit for client loyalty. In 2009, Ipiranga launched an innovative client loyalty program for the customers of its service station network, Km de Vantagens, and the specialized oil-changing service for motorcycles in Brazil, Jet Oil Motos. In 2008, Ipiranga launched Ipirangashop.com, offering new products and services to the customers in its service stations and increasing the sources of revenues for itself and its resellers. In 2007,

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Ipiranga invested in the marketing campaign Gasolina Original (Original Gasoline) aiming at reinforcing the quality and reliability of Ipiranga s gasoline. In 2007, Ipiranga also launched Gasolina Original Aditivada, a premium gasoline, with a higher added value. Media campaigns were created for the launch of this product and the sales of this premium gasoline were included as targets of our incentive programs, such as Clube Vip and Clube do Milhão. To add value to the diesel sold, Ipiranga offers complementary programs to facilitate control of the product sold to large consumers allowing them to reduce their fuels costs, such as the Freight Monitor (Controle Teleprocessado de Frotas) and Digital Freight (Frete Digital).

The following graph shows sales volumes for the Brazilian market and Ipiranga for the periods indicated:

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

Quality. 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 have been reaffirmed on a yearly basis. Furthermore, 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 has also included, since 2010, audits 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 35 in 2012, including all owned storage terminals and joint-operated terminals operated by Ipiranga.

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.

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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 is passing 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, or PVC, each produced from ethylene;
- polypropylene, oxo-alcohols and acrylonitrile, each produced from propylene;
- styrene butadiene rubber, or SBR, and polybutadiene, each produced from butadiene;
- caprolactam, produced from benzene; and
- purified terephtalic acid, or PTA, produced from p-xylene.

In 2012, there were about 50 second generation companies operating in Brazil, including Oxiteno. 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. There are over 11,500 third generation companies operating in Brazil.

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. It consists of approximately 15 second generation companies, including Oxiteno, situated around Braskem. Braskem currently has an ethylene production capacity of 1.3 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, supplies first generation petrochemicals to 26 second generation companies including Oxiteno. Braskem has an ethylene production capacity of 700 thousand tons per annum.

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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, and includes six second generation companies. Braskem s plant in Triunfo has an ethylene production capacity of 1.5 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, or 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.

Since August 9, 2000, naphtha prices have been freely negotiated between Petrobras and its customers in Brazil.

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 Labor.

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. 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. 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 applicable law, Oxiteno is strictly 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 Labor 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.

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, 2012, Oxiteno sold 761 thousand tons of chemical and petrochemical products.

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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 barriers to entry. 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.

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

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Commodity products. The following are Oxiteno 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 2012, Oxiteno used 96% of its ethylene oxide production in the production of derivatives and sold the remaining 4% to other chemical companies.

Ethylene glycols. The principal ethylene glycol produced by Oxiteno is mono-ethylene glycol, known as MEG. Oxiteno 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.

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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.
Leather	Ethoxylated alkylphenols, polyethyleneglycols, naphthalenes, sulfonates	Applied from the beginning of the leather processing stage up to the finishing stage as an emulsifier, detergent, degreaser, dispersant, moistener, color penetrating agent and vulcanization additive (manufacture of soles).
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.

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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 Oxiteno sells the larger part of its commodities and specialty chemicals in Brazil, production capacity exceeds domestic market demand, with Oxiteno exporting surplus production to more than 40 countries in Asia, Latin America, Europe and North America. Oxiteno maintains production capacity above local demand for strategic reasons. For the years ended December 31, 2012, 2011 and 2010, 29%, 28% and 29% of Oxiteno s net sales, respectively, were from sales outside Brazil. For the years ended December 31, 2012, 2011 and 2010, 27%, 27% and 29% of Oxiteno s sales volume, respectively, were from sales outside Brazil. In the Brazilian market, mono-ethylene glycol, or MEG, produced by Oxiteno, is sold mainly to chemical companies that manufacture polyester fiber, which is used to produce a variety of fabrics, and is also sold to producers of polyethylene terephthalate, or PET, which is a polymer used to make packaging, such as soft drink bottles.

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

	Year Ended December 31,		
Market sector	**2012**	**2011**	**2010**
	(in thousand tons)		
Polyester	110.9	57.6	35.1
Cosmetics and detergents	108.9	103.3	105.1
Crop protection	104.1	94.5	101.7
Distributors	56.2	56.4	61.8
Coatings	48.9	48.1	48.2
EO / DOT (brake fluids)	34.0	30.4	31.8
Performance Products (1)	30.3	24.0	25.9
Glycols	27.9	27.5	33.9
Oil and Gas	26.0	30.9	34.1
Others(2)	5.8	6.2	5.2
Total Brazilian market	**553.1**	**478.7**	**482.8**

(1) Includes food, civil construction, textiles, leather and paper.
(2) Includes mineral oils and polymers.

Many of Oxiteno 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 Oxiteno has more flexibility in pricing for these products.

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

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

Breakdown of sales volume outside Brazil	Year Ended December 31, 2012		2011		2010	
	(in thousand metric tons and percentage of the total)					
From Oxiteno Brazil						
Mercosur (not including Brazil)	56.3	27%	49.1	27%	58.8	29%
Asia	21.0	10%	11.2	6%	15.0	7%
NAFTA	20.0	10%	16.4	9%	19.7	10%
Europe	11.3	5%	9.6	5%	19.4	10%
Other	13.6	7%	11.1	6%	13.5	7%
Sub-Total	**122.2**	**59%**	**97.3**	**54%**	**126.5**	**63%**
From Oxiteno Mexico						
Mexico	39.7	19%	39.6	22%	32.6	16%
USA	17.0	8%	18.5	10%	13.9	7%
Other	6.6	3%	6.5	4%	8.8	4%
Sub-Total	**62.2**	**30%**	**64.5**	**36%**	**55.3**	**27%**
From Oxiteno Andina						
Venezuela	15.8	8%	16.8	9%	16.6	8%
Other	1.0	0%	2.3	1%	3.0	1%
Sub-Total	**16.8**	**8%**	**19.1**	**11%**	**19.6**	**10%**
From Oxiteno Uruguay						
Uruguay	1.8	1%				
USA	0.2	0%				
Other	4.9	2%				
Sub-Total	**6.9**	**3%**				
From Oxiteno USA						
USA	0.3	0%				
Sub-Total	**0.3**	**0%**				
Total	**208.4**	**100%**	**180.9**	**100%**	**201.3**	**100%**

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

With the acquisition, in December 2003, of Oxiteno Mexico (formerly Canamex a Mexican specialty chemicals company), Oxiteno has been focusing on establishing a growing presence in the Mexican market for specialty chemicals and creating a distribution platform for its product sales to the United States. At that time, Canamex had two production units, manufacturing principally ethoxylates, which were operating at 25% production capacity on the acquisition date due to serious financial difficulties. Currently, most of Oxiteno Mexico s production is sold to the domestic Mexican market, largely for the food, agrochemical, oil and textile segments. The remaining sales volume is exported, mainly to the United States. In April 2007, Oxiteno acquired the operating assets of Unión Química SA de CV, in San Juan del Río, Mexico, adding 8,600 tons/year to Oxiteno Mexico s production capacity of sulfonates and sulfates. See Item 4.A. Information on the Company History and Development of the Company.

For the year ended December 31, 2012, Oxiteno Mexico s sales volume totaled 62,216 tons, representing a 4% decrease compared to the year ended December 31, 2011, and a 19% compound average growth rate over 2004, the first year that its plants operated under Oxiteno s management. We believe Oxiteno Mexico s success represents a positive step in our expansion outside Brazil, and also strengthens Oxiteno s brand.

In September 2007, Oxiteno acquired 100% of the shares of Arch Andina in Santa Rita, Venezuela (renamed Oxiteno Andina). For the year ended December 31, 2012, Oxiteno Andina s sales volume totaled 16,766 tons. See Item 4.A. Information on the Company History and Development of the Company.

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In April 2012, Oxiteno acquired a specialty chemicals plant in Pasadena, Texas. For the year ended December 31, 2012, sales volume from the plant totaled 320 tons. See Item 4.A. Information on the Company History and Development of the Company.

In November 2012, Oxiteno acquired of 100% of the shares of American Chemical, a Uruguayan specialty chemicals company. For the year ended December 31, 2012, American Chemical s sales volume totaled 6,934 tons (from November 2012, when it was consolidated under Oxiteno). 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, Oxiteno 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, Oxiteno 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, Oxiteno 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. Oxiteno 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. Oxiteno 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. Oxiteno believes that by distributing its products to a variety of markets it is able to protect itself, to a certain extent, from the effects of a decrease in economic activity in any particular market.

In 2012, Oxiteno s main customers in the domestic market included MEGlobal, which mainly purchases glycols, Monsanto, which mainly purchases ethanolamines, Syngenta and Indústrias Gessy Lever Ltda. (Unilever), which mainly purchase surfactants. In the international market, Oxiteno sells both to industrial customers, including Unilever Argentina, Procter&Gamble, and Syngenta, as well as trading companies and other third-party distributors. In 2012, Oxiteno s ten largest customers accounted for 32% of its net sales. No single customer accounted for more than 6% of Oxiteno s net sales in such year.

Competition. Oxiteno 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, Oxiteno 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. Oxiteno s strategy involves ensuring access to technology through its own research and development activity, licensing and joint ventures, if appropriate opportunities become available.

Oxiteno s principal competitors are Shell Chemical, Dow Chemical, LyondellBasell, Clariant, BASF S.A., Rhodia and Stepan.

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, 2012, 91 employees of Oxiteno were engaged in research and development and engineering activities. Oxiteno s research and development expenditures in 2012, 2011 and 2010 were R$24 million, R$22 million and R$19 million, respectively. In 2004, Oxiteno founded its

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own Science and Technology Council , with six of the world s major specialists in surfactants as members. These specialists, with experience in the surfactant 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.

Oxiteno s investments in research and development have resulted in the introduction of 52 new applications for its 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.

Raw materials. Oxiteno s principal raw material is ethylene. For the year ended December 31, 2012, ethylene was responsible for 36% of Oxiteno s variable costs of production and 31% of its total cost of sales and services. Among Oxiteno 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 the country since the current production capacity of ethylene by Brazilian crackers is committed to existing second generation companies, including Oxiteno, 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 Oxiteno, 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 Oxiteno 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.

Oxiteno has a supply agreement with Braskem which establishes a minimum quarterly consumption level of ethylene Oxiteno is required to purchase and the conditions for the supply of ethylene until 2021 at the Camaçari plant. The current minimum purchase commitment is 205 thousand tons of ethylene and a maximum of 220 thousand tons of ethylene per year. Should the minimum purchase commitment not be met, Oxiteno would be liable for a fine of 40% of the current ethylene price for the quantity not purchased.

In August 2008, Oxiteno signed an ethylene supply agreement with Quattor (which now is owned by Braskem) that expires in 2023 at the Mauá plant. The contract establishes and regulates the conditions for the supply of ethylene to Oxiteno based on the international market for this product. The minimum purchase is 22,050 tons of ethylene semiannually. The minimum purchase commitment is subject to proportional reduction in the case of scheduled shutdowns in the supplier s and/or Oxiteno s facilities.

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

First generation petrochemical companies undergo scheduled maintenance shutdowns. Oxiteno anticipates these shutdowns by building up inventory. Oxiteno 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 Oxiteno for the production of goods to be sold in Brazil is linked to ethylene contract prices on international markets as from August 2006 to our plant in Camaçari and as from August 2008 to our plant in Mauá.

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

	NWE (US$/ton)
2012	
First Quarter	1,593
Second Quarter	1,660
Third Quarter	1,471
Fourth Quarter	1,661
Maximum Price in Year	1,770
Minimum Price in Year	1,269
Year Average	1,596
2011	
First Quarter	1,569
Second Quarter	1,734
Third Quarter	1,565
Fourth Quarter	1,484
Maximum Price in Year	1,755
Minimum Price in Year	1,422
Year Average	1,588
2010	
First Quarter	1,263
Second Quarter	1,224
Third Quarter	1,225
Fourth Quarter	1,328
Maximum Price in Year	1,335
Minimum Price in Year	1,182
Year Average	1,260

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 Oxiteno s competitiveness in the petrochemical market. See Item 3.D. Key Information Risk Factors Risks Relating to Ultrapar and Its Industry.

Other raw materials. For the year ended December 31, 2012, 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 35% of Oxiteno s variable costs and 30% of its total costs of sales and services.

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

Utilities. Eletric power, steam and natural gas are the main utilities required for Oxiteno s production. Part of the electricity and steam used by Oxiteno is generated internally and part is purchased from electricity companies and third-party suppliers of steam in the regions where Oxiteno s plants are located. Natural gas is purchased from local companies.

Income tax exemption status. Pursuant to legislation that provides tax relief for businesses located in the northeast region of Brazil, Oxiteno benefits from a 75% income tax reduction approved by SUDENE (Superintendency for the Development of the Northeast) at both Camaçari plants, one for Oxiteno Nordeste and the other for Oleoquímica, expiring in 2016 and 2022, respectively. Income tax exemptions amounted to R$29.7 million and R$14.2 million for the years ended December 31, 2012 and 2011, respectively. We cannot guarantee that there will be no amendments to the current tax legislation. For further information see Note 9(c) to our consolidated financial statements.

Maintenance and quality control. Oxiteno 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

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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. Oxiteno uses its own employees for specialized maintenance and uses third-party contractors for routine maintenance. In addition, Oxiteno has a team of employees responsible for quality control that operates continuously.

Health, safety and environmental matters. Oxiteno continuously monitors its compliance with federal, state and municipal legislation applicable to its various places of operation. In accordance with applicable law, Oxiteno is strictly 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 Oxiteno 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 Oxiteno s industrial plants are discharged in accordance with legal requirements. Effluents are discharged and treated in Oxiteno s own treatment centers or by petrochemical complexes where it has activities. Oxiteno seeks to reprocess solid waste products in cement furnaces. Where reprocessing is not possible, these products are mainly incinerated.

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

In addition to the legal requirements, Oxiteno 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 21% in 2012, compared with 8% in 2007. 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 storage for liquid bulk in Brazil. Ultracargo s main differentiating characteristic is the strategic location of its facilities, located close to the main Brazilian ports and rail junctions 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 71% of its revenues in 2012, with its three largest clients, Braskem, Petrobras and Oxiteno accounting for 24%, 11% and 7%, 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. The latest available data shows that Ultracargo accounted for 68% 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 26% of the Brazilian foreign trade in 2012. 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

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December 2009, with the acquisition of Puma, Ultracargo added 83.4 thousand cubic meters to its current capacity. In May 2012, Ultracargo acquired a liquid bulk storage terminal in Itaqui port, in the State of Maranhão, that added 55 thousand cubic meters to Ultracargo s current capacity. See Item 4.A. Information on the Company History and Development of the Company.

As of December 31, 2012, Ultracargo operated storage facilities with a capacity of 765 thousand cubic meters. Ultracargo s history is one of pioneering logistics solutions in the Brazilian market. 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. This transaction allowed Ultracargo to focus exclusively on its liquid bulk storage business, a segment in which it has a leadership position. See Item 4.A. Information on the Company History and Development of the Company.

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. 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 Itaqui, in the State of Maranhão. In 2012, Ultracargo sold to Ipiranga a liquid bulk terminal for fuels in Montes Claros in the state of Minas Gerais.

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. Ultracargo s investment in this terminal was approximately R$80 million. The terminal occupies an area of approximately 64 thousand square meters that hosts 34 thousand cubic meters of tankage space for chemical products, 40 thousand cubic meters for ethanol and 38 thousand cubic meters for vegetable oils. The terminal was built in partnership with Crystalsev and Cargill/Coinbra. 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. This transaction allowed Ultracargo to focus exclusively on its liquid bulk storage business, a segment in which it has a market leadership position. 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 101 thousand cubic meters to its liquid bulk storage capacity through: (i) the acquisition of Temmar, which added 55 thousand cubic meters and (ii) the expansion of its terminals in Aratu and Santos that added 46 thousand cubic meters. In 2013, we expect that Ultracargo will add additional 26 thousand cubic meters to its liquid bulk storage capacity in the Aratu and Santos terminals, as part of the expansion plan announced in 2010. See Item 4.A. Information on the Company History and Development of the Company.

Income tax exemption status. Pursuant to legislation which provides tax relief for businesses located in the northeast region of Brazil, Ultracargo benefits from a 75% income tax reduction approved by SUDENE (Superintendency for the Development of the Northeast) in its Aratu terminal, valid through 2012, and in its Suape terminal, valid through 2020. Income tax exemption amounted to R$4.4 million and R$4.0 million for the years ended on December 31, 2012 and 2011, respectively. We cannot guarantee that there will be no amendments to the current legislation. For further information see Note 9(c) to our consolidated financial statements. In April 2013, Ultracargo requested the extension of the recognition of tax incentives for additional 10 years at the Aratu terminal, based on the investments made in the modernization and expansion of this terminal over the last years.

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Quality. In 2007, Ultracargo s terminal in Aratu obtained an ISO 14000 certification. In 2006, Ultracargo completed its ISO 9001:2000 recertification process. The evaluation process occurred under a unified Quality Management System for the entire country. Paulínia terminal obtained the ISO 14000 certification in 2004 and underwent re-certification process in 2009. The adequate treatment of the environment as a central element of Ultracargo s strategy is also present in the Santos terminal, designed and built to meet the highest safety and environmental standards, consequently obtaining the ISO 14001 certification in 2007 and OHSAS 18001 in 2009. In 2011, Suape terminal obtained an ISO 14000 certification. In 2012, Suape and Aratu terminals obtained OHSAS 18001 certification.

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, kerosene, maritime bunker, asphalt and special solvents. In 2012, the average production of the refinery was 16,058 barrels per day, which represented 94% of the refinery s 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 Description of the Acquisition of Ipiranga Group. RPR s results have been proportionally consolidated into Ultrapar s financial statements since the acquisition of Ipiranga Group. Results generated by the oil refining operations are not significant to Ultrapar. In 2012, EBITDA from RPR operations consolidated into Ultrapar s EBITDA amounted to R$13.4 million, corresponding to less than 1% of Ultrapar consolidated EBITDA for the year.

In 2009 and 2010, RPR s results benefited from relatively stable oil prices. In 2011 and 2012, RPR faced a more challenging operating scenario, due to costly raw materials and selling prices that have not followed these variations. No assurance can be given that market conditions will change throughout this year. See Item 4.A. Information on the Company History and Development of the Company.

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 indemnification amount per event, including business interruption, based on the maximum possible loss that could result from specific location, is US$1,202 million, as of December 2012.

We have general liability insurance that covers all our wholly owned subsidiaries with coverage of up to a maximum 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.

Since March 2013, we maintain liability insurance policies to indemnify our directors, executive officers of Ultrapar and its subsidiaries and members of the fiscal council in the total amount of US$50 million, which covers liabilities resulting from wrongful acts, including any act or omission committed or attempted by a person acting in his or her capacity as director, executive officer of Ultrapar and its subsidiaries and member of the fiscal council or any matter claimed against such directors, executive officers of Ultrapar and its subsidiaries and members of the fiscal council 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 of such directors, executive officers of Ultrapar and its subsidiaries and members of the fiscal council.

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

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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 for our principal subsidiaries as of December 31, 2012:

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

We conduct our LPG distribution business through Ultragaz, which subsidiaries are 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. Ipiranga covers the distribution and marketing of petroleum products, fuel ethanol and NGV throughout Brazil. IPP also owns am/pm brand in Brazil and Tropical, which provides transportation services for Ipiranga and other fuel distributors.

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We conduct petrochemical and chemical activities through our wholly-owned subsidiary, Oxiteno. Oxiteno operates in the petrochemical and chemical sector directly and through its subsidiaries, Oxiteno Nordeste, Oleoquímica, EMCA, Oxiteno Mexico and Oxiteno Andina. Oxiteno directly operates plants located in the state of São Paulo. Oxiteno 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. Oxiteno Mexico operates three plants in Mexico and one plant in the United States through Oxiteno USA. Oxiteno Andina operates one plant located in Venezuela. Oleoquímica is the subsidiary through which we built a fatty alcohol plant in Camaçari. American Chemical, 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 subsidiaries, Tequimar and Temmar. Tequimar maintains storage facilities at seven port terminals, of which two are located near the main petrochemical complexes in Brazil, Camaçari and São Paulo. Temmar maintains storage facilities at one terminal located in Itaqui, in the state of Maranhão.

Except for Oxiteno Mexico, Oxiteno Andina, Oxiteno USA and American Chemical, 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, Plants and Equipment

Ultragaz

Ultragaz LPG distribution network includes 17 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 2012 and the 2012 average filling utilization for each of Ultragaz s primary and secondary filling stations and satellite stations.

Base	Type	Total storage capacity (in tons)	Filling capacity (in tons per month)	2012 average filling utilization rate
Capuava	Primary	720	14,449	80%
Santos	Primary	2,400	3,608	76%
São José dos Campos	Primary	960	4,813	81%
Rio de Janeiro	Primary	500	5,850(1)	82%
Barueri	Secondary	1,500	5,850	83%
Araraquara	Satellite	60		
Mauá	Satellite	720		
Pouso Alegre	Satellite	60		
Paulínia	Primary	2,250	9,982	95%
Araucária	Primary	240	9,693	83%
Canoas	Secondary	600	4,750	79%
Betim	Secondary	480	6,402(1)	111%
Imbiruçu	Satellite	372		
Ribeirão Preto	Secondary	180	4,646	97%
Goiânia	Secondary	360	4,212	89%

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Base	Type	Total storage capacity (in tons)	Filling capacity (in tons per month)	2012 average filling utilization rate
São José do Rio Preto	Satellite	60		
Araçatuba	Satellite	180		
Bauru	Satellite	60		
Cascavel	Satellite	120		
Londrina	Satellite	60		
Blumenau	Satellite	60		
Chapecó	Satellite	60		
Florianópolis	Satellite	60		
Joinville	Satellite	60		
Caxias do Sul	Satellite	60		
Ponta Grossa	Satellite	60		
Sorocaba	Satellite	120		
Mataripe	Primary	900	20,124(1)	70%
Suape	Primary	500	5,962	95%
Caucaia	Secondary	420	7,371(1)	82%
Aracaju	Secondary	240	4,263	89%
Juazeiro	Satellite	60		
João Pessoa	Satellite	30		
Pirajá Salvador	Satellite	60		
Aracruz	Secondary	120	4,212	36%
Barra de São Francisco	Secondary	360	2,400	22%
Total		15,052	117,437	82%

(1) These facilities operated with more than one 8-hour shift per day.
(2) 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. Ultragaz also maintains 58 points of sales.

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 2012.

Base	Type	Ownership Structure of Storage Terminal	Storage Capacity (m^3)
Açailândia	Secondary	JO operated by others(2)	1,867
Araucária	Primary	TPA(1)	188
Araucária	Primary	JO operated by others(2)	64,542
Bagé	Secondary	Owned	5,199
Barcarena	Primary	Owned	8,680
Barra do Piraí	Secondary	MRS(3)	450

Barueri	Primary	TPA(1)	6,100
Bauru	Secondary	TPA(1)	1,205
Bauru	Secondary	Owned	4,741
Belém	Primary	Owned	9,895
Belém	Primary	TPA(1)	2,000
Belo Horizonte MRS	Secondary	MRS(3)	45

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Base	Type	Ownership Structure of Storage Terminal	Storage Capacity (m^3)
Betim	Primary	JO operated by Ipiranga(2)	9,254
Betim	Primary	JO operated by others(2)	7,431
Biguaçu	Primary	TPA(1)	2,270
Brasília	Primary	JO operated by others(2)	4,381
Cabedelo	Primary	TPA(1)	10,155
Campo Grande	Secondary	Owned	3,119
Campos	Secondary	JO operated by Ipiranga(2)	4,534
Canoas	Primary	Owned	27,246
Cascavel	Secondary	Owned	2,839
Caxias	Primary	Owned	33,257
Caxias	Primary	TPA(1)	180
Caxias	Primary	JO operated by others(2)	6,695
Cruz Alta	Secondary	Owned	4,372
Cubatão	Primary	TPA(1)	2,463
Cuiaba	Secondary	Owned	971
Fortaleza	Primary	TPA(1)	6,810
Goiânia	Primary	JO operated by others(2)	5,725
Goiânia	Primary	TPA(1)	130
Governador Valadares	Secondary	Owned	3,273
Guamaré	Primary	JO operated by others(2)	2,500
Guaramirim	Primary	TPA(1)	980
Guarapuava	Secondary	Owned	4,010
Guarulhos	Primary	TPA(1)	3,310
Imbiruçu	Primary	JO operated by Ipiranga(2)	3,394
Itabuna	Primary	TPA(1)	277
Itaguaí MRS	Secondary	MRS(3)	630
Itaituba	Secondary	Owned	1,351
Itajaí	Primary	JO operated by Ipiranga(2)	8,721
Jequié	Primary	JO operated by others(2)	2,441
Juazeiro	Secondary	JO operated by others(2)	1,793
Jundiaí MRS	Secondary	MRS(3)	90
Lages	Secondary	TPA(1)	300
Londrina	Secondary	JO operated by Ipiranga(2)	4,358
Macapá	Secondary	Owned	2,604
Maceió	Primary	JO operated by others(2)	6,579
Manaus	Primary	Owned	3,522
Manaus	Primary	TPA(1)	3,300
Marabá	Secondary	TPA(1)	213
Maringá	Secondary	TPA(1)	3,693
Montes Claros	Secondary	Owned	892
Munguba	Secondary	Owned	12,244
Ourinhos	Secondary	Owned	5,684
Ourinhos	Secondary	Owned	1,138
Passo Fundo	Primary	JO operated by Ipiranga(2)	9,528
Paulínia	Primary	Owned	7,712
Paulínia	Primary	Owned	3,461
Paulínia	Primary	TPA(1)	220
Paulínia	Primary	JO operated by Ipiranga(2)	28,518
Piaceguera MRS	Secondary	MRS(3)	30
Porto Velho	Secondary	TPA(1)	740
Porto Velho	Secondary	Owned	5,446
Pres. Prudente	Secondary	Owned	2,654
Ribeirão Preto	Primary	JO operated by others(2)	12,431
Rio Grande	Secondary	TPA(1)	3,356
Santa Maria	Secondary	Owned	6,207

Santarém	Secondary	Owned	880
São Brás Suaçui	Secondary	MRS(3)	2,737
São Caetano	Primary	Owned	21,468

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Base	Type	Ownership Structure of Storage Terminal	Storage Capacity (m^3)
São Francisco do Conde	Primary	TPA(1)	3,200
São José do Rio Preto	Secondary	Owned	5,081
São José do Rio Preto	Secondary	Owned	926
São José do Rio Preto (Simeira)	Secondary	JO operated by others(2)	2,200
São José dos Campos	Primary	JO operated by others(2)	5,599
São José dos Campos	Secondary	MRS(3)	232
São Luis	Primary	JO operated by Ipiranga(2)	12,931
São Luis	Primary	TPA(1)	17,564
Suape	Primary	JO operated by others(2)	13,644
Suape	Primary	TPA(1)	2,980
Teresina	Secondary	JO operated by others(2)	4,669
Uberaba	Primary	TPA(1)	1,810
Uberlândia	Primary	JO operated by others(2)	7,267
Vilhena	Secondary	Owned	416
Vitória	Primary	TPA(1)	16,346
		Total	**514,293**

(1) Third party agreements.
(2) Joint-operated with other distributors.
(3) Storage terminal dedicated to MRS, a Brazilian logistic company, and operated by Ipiranga.

Oxiteno

Oxiteno has five plants in Brazil: Camaçari, in the northeast complex, the Mauá plant in the São Paulo complex, the Triunfo plant in the southern complex and the 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.

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 4% of Oxiteno s sales volume in the year ended December 31, 2012 were ethylene oxide. Therefore, Oxiteno s total production output may not be determined by adding the capacities of ethylene oxide and its derivatives.

As Oxiteno s capacity for ethylene oxide derivatives exceeds its ethylene oxide production capacity, Oxiteno 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.

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Camaçari plant. The Camaçari plant, located in the Northeast Complex, was built by Oxiteno and commenced production in 1978. The Camaçari plant produces ethylene oxide and ethylene oxide derivatives, such as ethylene glycols, ethanolamines, glycol ethers and ethoxylated derivatives. In July 1997, a new plant was built with 105 thousand tons of ethylene oxide production capacity.

In October 2008, Oxiteno began operations of its oleochemicals unit in Camaçari, with a processing capacity of 100 thousand tons of vegetable oil per year (especially palm kernel oil), for the production of approximately 100 thousand tons of fatty alcohols and co-production of fatty acids and glycerin. In addition, Oxiteno also completed the capacity expansions of the ethoxylate and ethanolamine production at Camaçari, adding 120 thousand tons to the capacity of these products. In 2010, Oxiteno concluded the expansion of the ethoxylate production capacity at the Camaçari plant, which started operating in late 2010, increasing Oxiteno s ethoxylates capacity by 70 thousand tons per year. In August 2011, Oxiteno also concluded the expansion of the ethylene oxide unit in Camaçari, adding 90 thousand tons per year of production capacity. See Item 4.A. Information on the Company History and Development of the Company Investments.

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 2012, the Camaçari plant operated at 75% 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 Oxiteno 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 Oxiteno 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	14,000
Ethoxylated Derivatives	106,000
Alkylation	17,000
Esterification	4,000
Hydraulic fluids	30,000

In 2012, the Mauá plant operated at 73% 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.

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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 2012, the Tremembé plant operated at 77% of its production capacity.

Suzano plant. In 2007, Oxiteno began operating a sulfonation and sulfation plant in Suzano, with a production capacity of 13.5 thousand tons per year. In 2012, Oxiteno added 14 thousand tons per year to its capacity. As a result, production capacity at the Suzano plant increased to 27.5 thousand tons per year.

Units	Capacity (in tons per year)
Sulfonation/Sulfation	13,500
Esterification	12,000
Betaines	2,000

In 2012, the Suzano plant operated at 83% of its production capacity.

Triunfo plant. The Triunfo plant is located in the Southern Complex. The Triunfo plant was built by Oxiteno 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 2012, the Triunfo plant operated at 96% of its production capacity.

With the acquisition of Oxiteno Mexico (formerly Canamex) in December 2003 and Unión Química in 2007, Oxiteno acquired three specialty chemical plants in Mexico. As of December 31, 2012, the Coatzacoalcos plant had a production capacity of 56 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 2012, the Guadalajara, the Coatzacoalcos and San Juan del Río plants operated at an average rate of 71%, 72% and 82% of their production capacity, respectively.

With the acquisition of Oxiteno Andina in September 2007, Oxiteno acquired a specialty chemical plant in Venezuela. As of December 31, 2012, the Santa Rita plant had a production capacity of 70 thousand tons per year of ethoxylates and operated with 62% of its production capacity in 2012.

Oxiteno acquired a specialty chemical plant in Pasadena, Texas in April 2012. As of December 31, 2012, the Pasadena plant had a production capacity of 32 thousand tons per year of specialty and agricultural blends.

With the acquisition of American Chemical in November 2012, Oxiteno acquired a specialty chemical plant in Montevideo, Uruguay. As of December 31, 2012, the Montevideo plant had a production capacity of 81 thousand tons per year of specialty chemicals.

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

Units	Capacity (in metric tons per year)
Ethoxylated derivatives Coatzacoalcos plant	56,000
Alkylation Coatzacoalcos plant	8,000
Ethoxylated derivatives Guadalajara plant	19,000
Esterification Guadalajara plant	13,000
Sulfonation/Sulfation San Juan del Río	8,000
Alkoxylated derivatives Santa Rita	70,000
Specialties/Agricultural Blends Pasadena	32,000
Sulfonation/Sulfation Montevideo	45,000
Chrome sulfate Montevideo	18,000
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, 2012, and the average utilization of Ultracargo s facilities during 2012 and includes third parties capacity exclusively operated by Ultracargo.

Facility	Capacity (in cubic meters)	Average utilization %	Product Lines
Aratu (Bahia)	196,350	99%	Chemicals, vegetable oils, corrosives, and fuels
Suape (Pernambuco)	157,910	79%	Chemicals, ethanol, corrosives and fuels
Montes Claros (Minas Gerais)(1)	4,400	177%	Fuels and ethanol
Itaqui (Maranhão)	55,280	112%	Fuels
Santos (São Paulo)(2)	297,300	76%	Chemicals, lubricants, fuels, corrosives, ethanol and vegetable oils
Rio de Janeiro (Rio de Janeiro)	17,247	107%	Corrosives and lubricants
Paranaguá (Paraná)	28,262	84%	Corrosives, vegetable oils and chemicals
Paulínia (São Paulo)	8,600	103	