

ULTRAPAR HOLDINGS INC

Form 20-F

June 30, 2010

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As filed with the Securities and Exchange Commission on June 30, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark one)

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

OR

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

For the fiscal year ended December 31, 2009

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
Preferred 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 preferred share)	New York Stock Exchange

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

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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, 2009.

Title of Class	Number of Shares Outstanding
Common Stock	49,429,897
Preferred Stock	86,666,102

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically 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 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 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 other

Indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 Item 18

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

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INTRODUCTION

With a track record of over 70 years, Ultrapar is one of the largest business groups in Brazil, with leading positions in the markets in which it operates: fuel distribution through Ultragas and Ipiranga, chemicals through Oxiteno, and storage for liquid bulk through Ultracargo. Ultragas is the leader in LPG distribution in Brazil with a 24% market share as of December 31, 2009 and one of the largest independent LPG distributors in the world in terms of volume sold. We deliver LPG to an estimated 10 million households using our own vehicle fleet and our network of more than 4,000 independent retailers. Ipiranga is the second largest fuel distributor in Brazil, with a network of approximately 5.5 thousand service stations and a 21% market share as of December 31, 2009. 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 nine industrial units in Brazil, Mexico and Venezuela and commercial offices in the United States, Argentina, and Belgium. Ultracargo is the largest provider of storage for liquid bulk in Brazil, with seven terminals and storage capacity of approximately 625,000 cubic meters.

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 one share of our non-voting preferred stock;

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.;

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;

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.;

Brazilian Central Bank, BACEN, Central Bank of Brazil or Central Bank are to the *Banco Central do Brasil*, the Brazilian central bank;

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, and by Law No. 11,638 enacted in December 2007 and by Law No. 11,941/09 (former

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Provisional Measure 449/08) enacted in May 2009;

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

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

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

Chevron are to Chevron Latin America Marketing LLC and Chevron Amazonas LLC;

Commission or SEC are to the U.S. Securities and Exchange Commission;

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 July 12, 1999, and all subsequent amendments thereto;

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;

Ipiranga are to Ultrapar's subsidiaries that operate in the fuel distribution business and related activities;

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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 2.6, 2.7, 2.8, 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;

NYSE are to the New York Stock Exchange;

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

Oil Refining Operations are to the oil refining operations of RPR;

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 Petróleo Brasileiro S.A.;

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

Quattor are to Quattor Participações S.A, acquired by Braskem in May 2010;

Quattor Química are to Quattor Química S.A., formerly Petroquímica União S.A., a subsidiary of Quattor;

real , *reais* or R\$ are to Brazilian *reais*, the official currency of Brazil;

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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;

Securities Act are to the U.S. Securities Act of 1933, as amended;

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;

Sindicás 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;

Texaco are to the Texaco-branded fuels marketing business in Brazil, previously carried-out by CBL and Galena;

TRR are to Retail Wholesale Resellers, specialized resellers in the fuel distribution;

Ultra S.A. are to Ultra S.A. Participações, the controlling shareholder of Ultrapar;

Ultracargo are to Ultracargo Operações Logísticas e Participações Ltda., our wholly owned subsidiary and its subsidiaries that provide road transportation, storage, handling and logistics services for liquid bulk cargo;

Ultragas 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 Terminal Químico de Aratu S.A. 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.; and

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

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The Glossary of Petrochemical Industry Terms that begins on page 143 provides definitions of certain technical terms used in this annual report. 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.

Table of Contents**PRESENTATION OF FINANCIAL INFORMATION**

Our audited consolidated financial statements include our consolidated balance sheets as of December 31, 2009 and 2008 and our consolidated statements of income, cash flows, changes in shareholders' equity and value added for the years ended December 31, 2009, 2008 and 2007, as well as notes thereto. We have not included our consolidated balance sheets as of December 31, 2007, 2006 and 2005 and our consolidated statements of income, cash flows, changes in shareholders' equity and value added including the notes thereto for the years ended in December 31, 2006 and 2005 in this annual report. The financial information presented in this annual report should be read in conjunction with our consolidated financial statements.

In April 2007, Ultrapar acquired the Southern Distribution Business and EMCA and a one-third stake in RPR as a result of the acquisition of the Ipiranga Group. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of Ipiranga Group. Accordingly, the financial information of the Southern Distribution Business and EMCA have been fully consolidated into Ultrapar's financial statements and the financial information of RPR has been proportionally consolidated into Ultrapar's financial statements since April 1, 2007.

In addition, between April 1, 2007 and January 1, 2008, EMCA's financial information was consolidated into Ipiranga's financial statements. Since January 1, 2008, EMCA's financial information has been consolidated into Oxiteno, to reflect the effective management responsibility for the business. The financial information of Oxiteno and Ipiranga in this annual report prior to January 1, 2008 reflects the current consolidation retrospectively, which differs from those reported in the Annual Report Form 20-F for the year ended December 2007, filed with the SEC on June 7, 2007.

In June 2008, Ultrapar executed a sale and purchase agreement for the acquisition of 100% of the shares of União Terminais, a company engaged in the storage and handling of liquid bulk. In connection with this agreement, Ultrapar acquired port terminals in Santos and Rio de Janeiro in October 2008 and a 50% stake in União/Vopak, a company that owns a port terminal in Paranaguá (in the state of Paraná), in November 2008. The results of operations of the acquired businesses were consolidated into Ultrapar's financial statements after their respective closing dates. Ultrapar's financial statements as of and for the periods prior to such dates 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 União Terminais.

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 June 25, 2010 the exchange rate for *reais* into U.S. dollars was R\$1.778 to US\$1.00, based on the commercial selling rate as reported by the Central Bank. The commercial selling rate was R\$1.741 to US\$1.00 on December 31, 2009, and R\$2.337 to US\$1.00 on December 31, 2008. 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, 2009 of R\$1.741 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. In addition, unless the context requires otherwise, segment information with respect to Ipiranga includes financial and operating information of Ipiranga before its acquisition by us. See Item 7.B. Major Shareholders and Related Party Transactions Related Party Transactions for more information on intercompany transactions.

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

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Brazilian GAAP and U.S. GAAP

Our consolidated financial statements were prepared in accordance with accounting policies derived from the Brazilian Corporate Law and CVM (Brazilian GAAP), including, with respect to our financial statements as of and for the years ended December 31, 2009 and 2008, Laws 11,638/07 and 11,941/09 (former Provisional Measure 449/08), which amended the accounting policies adopted in Brazil and were enacted on December 28, 2007 and May 27, 2009, respectively. Our financial information under Brazilian GAAP as of and for any period prior to the year ended December 31, 2008 does not reflect any changes resulting from Laws 11,638/07 and 11,941/09, as allowed by CVM. See Note 2 to our consolidated financial statements.

Brazilian GAAP differs in certain material respects from the accounting principles generally accepted in the United States of America (U.S. GAAP). See Note 24 to our consolidated financial statements for a summary of the differences between Brazilian GAAP and U.S. GAAP, and a reconciliation of shareholders' equity as of December 31, 2009 and 2008 and net income for the years ended December 31, 2009, 2008 and 2007 from Brazilian GAAP to U.S. GAAP. During the year ended December 31, 2009, the Accounting Pronouncement Committee (*Comitê de Pronunciamentos Contábeis*), or CPC, issued and the CVM approved a series of accounting standards for the convergence of the Brazilian GAAP to the International Financial Reporting Standards (IFRS). These new standards apply as of and for the year ended December 31, 2010 and to the comparative financial information for the year ended December 31, 2009.

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 Getúlio 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 estimates and forward-looking statements subject to risks and uncertainties, including our 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 , anticipate , can , intend and similar words are intended to identify forward-looking statements. We have made forward-looking statements with respect to, among other things, our:

strategy for marketing and operational expansion;

capital expenditures forecasts; and

development of additional sources of revenue.

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

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

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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.

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 Brazilian GAAP, which differ in certain material respects from the U.S. GAAP. See Note 24 to our consolidated financial statements for a summary of the differences between Brazilian GAAP and U.S. GAAP.

The following table presents our selected financial information at the dates and for each of the periods indicated in Brazilian GAAP and, where indicated, in U.S. GAAP. The consolidated balance sheet information as of December 31, 2009 and 2008 and the consolidated statements of income, cash flows, changes in shareholders' equity and value added for the years ended December 31, 2009, 2008 and 2007 are derived from our audited consolidated financial statements included in this annual report. The consolidated balance sheet information as of December 31, 2007, 2006 and 2005 and the consolidated statements of income, cash flows, changes in financial position and changes in shareholders' equity for the years ended December 31, 2006 and 2005 are derived from our audited consolidated financial statements that are not included in this annual report.

Our consolidated financial statements were prepared in accordance with accounting policies derived from Brazilian GAAP, including, with respect to our financial statements as of and for the years ended December 31, 2009 and 2008, Laws 11,638/07 and 11,941/09 (former Provisional Measure 449/08), which amended the accounting policies adopted in Brazil and were enacted on December 28, 2007 and May 27, 2009, respectively. Our financial information under Brazilian GAAP as of and for any period prior to the year ended December 31, 2008 does not reflect any changes resulting from Laws 11,638/07 and 11,941/09, as allowed by CVM. See Note 2 to our consolidated financial statements.

	2009(1)	2009	Year Ended December 31		2006	2005
			2008	2007		
	US\$	R\$	R\$	R\$	R\$	R\$
Income Statements:						
Gross revenue from sales and services	21,738.7	37,851.4	29,536.4	20,841.1	5,229.9	5,158.0
Deductions	(996.7)	(1,735.5)	(1,268.4)	(919.8)	(435.8)	(464.2)
Net revenue from sales and services	20,742.0	36,115.9	28,268.0	19,921.3	4,794.1	4,693.8
Cost of products and services sold	(19,189.1)	(33,412.0)	(26,152.3)	(18,224.2)	(3,859.9)	(3,783.4)

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Gross income	1,552.9	2,703.9	2,115.7	1,697.1	934.2	910.4
Operating (expenses) revenues						
Selling, general and administrative expenses	(1,038.5)	(1,808.2)	(1,424.4)	(1,223.3)	(605.1)	(551.7)
Other net operating income	11.1	19.3	22.1	12.3	1.3	(0.4)
Total operating expenses	(1,027.4)	(1,788.9)	(1,402.3)	(1,211.0)	(603.8)	(552.1)
Operating income before financial income and other income	525.5	915.0	713.4	486.1	330.4	358.3

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	Year Ended December 31					
	2009(1)	2009	2008	2007	2006	2005
(in millions, except per share data)						
Net financial income (expense)	(159.8)	(278.2)	(168.8)	(119.4)	30.6	(27.3)
Other income	11.7	20.3	11.2	8.8	(18.5)	(1.8)
Income before income and social contribution taxes, equity in income of affiliates and employees statutory interest	377.4	657.1	555.8	375.5	342.5	329.2
Income tax and social contribution	(107.5)	(187.0)	(151.6)	(85.9)	(56.1)	(28.8)
Income before equity in income of affiliates and employees statutory interest	269.9	470.1	404.2	289.6	286.4	300.4
Equity in income of affiliates	0.1	0.2		0.6	1.0	1.6
Employees statutory interest			(9.4)	(7.3)		
Net income for the year	270.2	470.3	394.8	282.9	287.4	302.0
Net income attributable to Ultrapar	268.1	466.7	390.3	181.9	282.1	299.2
Net income attributable to non-controlling interests(2)	2.1	3.6	4.5	101.0	5.3	2.8
Earnings per share(3)	1.97	3.43	2.87	2.19	3.55	3.73
Dividends per common share(4)	1.19	2.08	1.78	1.78	1.78	1.94
Dividends per preferred share(4)	1.19	2.08	1.78	1.78	1.78	1.94
Other financial data						
Cash flows from operating activities(5)	792.9	1,380.6	373.5	468.2	384.3	410.0
Cash flows from investing activities(5)	(826.9)	(1,439.8)	(1,299.0)	(999.4)	(915.5)	(676.3)
Cash flows from financing activities(5)	(388.6)	676.7	1,330.4	1,061.7	(183.6)	762.0
Depreciation and amortization(6)	252.3	439.3	375.5	300.6	185.8	187.7
Adjusted EBITDA(7)	777.8	1,354.4	1,079.4	779.4	516.2	546.0
Net cash (debt)(8)	(1,182.9)	(2,059.6)	(1,538.2)	(1,434.1)	120.7	191.2
Number of common shares (in thousands)(9)	49,429.9	49,429.9	49,429.9	49,429.9	49,429.9	49,429.9
Number of preferred shares (in thousands)(9)	86,666.1	86,666.1	86,666.1	86,666.1	31,895.5	31,895.5
U.S. GAAP:						
Net income attributable to Ultrapar(11)	222.8	387.9	415.2	217.5	280.5	288.9
Basic and diluted earnings per common share(10)(11)	1.67	2.90	3.09	2.55	3.46	3.57
Basic and diluted earnings per preferred share(10)(11)	1.67	2.90	3.09	2.55	3.46	3.57
Depreciation and amortization	242.1	421.6	288.6	220.7	143.9	137.4

- (1) The figures in *reais* for December 31, 2009 have been converted into dollars using the exchange rate of US\$1.00 = R\$1.741, 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) Non-controlling interests of Ultrapar s results amounted to R\$101 million in 2007, reflecting the stake held by minority shareholders of RPR, DPPI and CBPI prior to the Share Exchange. As of September 30, 2007, Ultrapar held, directly and indirectly, 11.52% of CBPI s total shareholder capital, 32.45% of DPPI s total shareholder capital and 30.02% of RPR s total shareholder capital. After the Share Exchange in December 2007, the correspondent portion of the minority interest in these companies was reduced and, since October 2007, Ultrapar consolidates 100% of the results of the businesses acquired.
- (3) Net earnings per share are calculated based on the net income attributable to Ultrapar and the weighted average shares outstanding during each of the periods presented. Under Brazilian GAAP, net earnings per share are not retroactively adjusted for the stock dividend but are retroactively adjusted for the reverse stock split described under Item 4.A. Information on the Company – History and Development of the Company .

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- (4) See Item 8.A. Financial Information Consolidated Statements and Other Financial Information Dividend and Distribution Policy for information regarding declaration and payment of dividends. Dividends per share do not reflect any adjustments related to the stock dividend described under Item 4.A. Information on the Company History and Development of the Company .

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- (5) Cash flow information has been derived from our consolidated financial statements prepared in accordance with Brazilian GAAP. See our consolidated financial statements.
- (6) Represents depreciation and amortization expenses included in cost of products and services sold and in selling, general and administrative expenses.
- (7) The purpose of including adjusted EBITDA information is to provide a measure for assessing our ability to generate cash from our operations. Adjusted EBITDA is equal to net income before non-controlling interests, equity in income of affiliates, income tax and social contribution, other income, net financial income (expense) and depreciation and amortization. In managing our business we rely on adjusted EBITDA as a means for assessing our operating performance and a portion of our employee profit sharing plan is linked to adjusted EBITDA performance. Because adjusted EBITDA excludes equity in income of affiliates, income tax and social contribution, other income, net financial income (expense), depreciation and amortization, it provides an indicator of general economic performance that is not affected by debt restructurings, fluctuations in interest rates or effective tax rates, or levels of other income, depreciation and amortization. Accordingly, we believe that this type of measurement is useful for comparing general operating performance from period to period and making certain related management decisions. We also calculate adjusted EBITDA in connection with covenants related to some of our financing. We believe that adjusted EBITDA enhances the understanding of our financial performance and our ability to satisfy principal and interest obligations with respect to our indebtedness as well as to fund capital expenditures and working capital requirements. Adjusted EBITDA is not a measure of financial performance under U.S. GAAP or Brazilian GAAP. Adjusted EBITDA 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. Adjusted 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 expenses and income taxes, depreciation or capital expenditures and associated charges.

The tables below provide a reconciliation of our net income to our adjusted EBITDA, of our operating income before financial income and other income to our adjusted EBITDA and of the operating income before financial income and other income of Ultragas, Ipiranga, Oxiteno and Ultracargo and their respective Adjusted EBITDA for the years ended December 31, 2009, 2008, 2007, 2006 and 2005:

	Ultrapar				
	Reconciliation of net income to adjusted EBITDA				
	Year ended December 31,				
	2009	2008	2007	2006	2005
	(in millions of reais)				
Net income for the year	470.3	394.8	282.9	287.4	302.0
Equity in income of affiliates	(0.2)		(0.6)	(1.0)	(1.6)
Income tax and social contribution	187.0	151.6	85.9	56.1	28.8
Other income	(20.3)	(11.2)	(8.8)	18.5	1.8
Net financial income (expense)	278.2	168.8	119.4	(30.6)	27.3
Depreciation and amortization	439.3	375.5	300.6	185.8	187.7
Adjusted EBITDA	1,354.4	1,079.4	779.4	516.2	546.0

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	Ultrapar				
	Reconciliation of operating income before financial income and other income to adjusted EBITDA				
	Year ended December 31,				
	2009	2008	2007	2006	2005
	(in millions of reais)				
Operating income before financial income and other income	915.0	713.4	486.1	330.4	358.3
Depreciation and amortization	439.3	375.5	300.6	185.8	187.7
Employees statutory interests		(9.4)	(7.3)		
Adjusted EBITDA	1,354.4	1,079.4	779.4	516.2	546.0

	Ultragaz				
	Reconciliation of operating income before financial income and other income to adjusted EBITDA				
	Year ended December 31,				
	2009	2008	2007	2006	2005
	(in millions of reais)				
Operating income before financial income and other income	162.3	87.9	132.3	167.3	77.8
Depreciation and amortization	119.0	122.9	119.5	113.2	117.3
Adjusted EBITDA	281.4	210.8	251.8	280.5	195.1

	Ipiranga				
	Reconciliation of operating income before financial income and other income to adjusted EBITDA				
	Year ended December 31,				
	2009	2008	2007	2006	2005
	(in millions of reais)				
Operating income before financial income and other income	622.6	515.7	260.6	n.a.	n.a.
Depreciation and amortization	154.9	96.9	68.4	n.a.	n.a.
Employees statutory interests		(9.4)	(7.3)	n.a.	n.a.
Adjusted EBITDA	777.5	603.2	321.7	n.a.	n.a.

	Oxiteno				
	Reconciliation of operating income before financial income and other income to adjusted EBITDA				
	Year ended December 31,				
	2009	2008	2007	2006	2005
	(in millions of reais)				
Operating income before financial income and other income	40.7	154.2	108.1	146.3	257.9
Depreciation and amortization	104.1	55.8	49.3	45.3	42.3
Adjusted EBITDA	144.8	210.0	157.4	191.6	300.2

Ultracargo				
Reconciliation of operating income before financial income and other income to adjusted				

	EBITDA				
	Year ended December 31,				
	2009	2008	2007	2006	2005
	(in millions of reais)				
Operating income before financial income and other income	52.5	7.3	14.6	11.4	17.2
Depreciation and amortization	52.3	43.3	28.4	26.6	27.1
Adjusted EBITDA	104.8	50.6	43.0	38.0	44.3

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- (8) Net cash (debt) is included in this document in order to provide the reader with information relating to our overall indebtedness and financial position. Net cash (debt) is not a measure of financial performance or liquidity under U.S. GAAP or Brazilian GAAP. 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, for the years ended December 2009, 2008, 2007, 2006 and 2005.

	Ultrapar				
	Reconciliation of cash and cash equivalents to net cash (debt)				
	Year ended December 31,				
	2009	2008	2007	2006	2005
	(in millions of reais)				
Cash and cash equivalents	1,887.5	1,275.1	862.4	385.1	1,114.2
Short-term financial investments	427.5	851.4	845.3	737.3	184.8
Long-term financial investments	7.2	7.2	120.8	548.0	372.7
Short-term loans and financing and finance lease	(1,057.9)	(1,658.1)	(674.7)	(155.1)	(184.0)
Short-term debentures	(1.4)		(1,228.7)	(12.8)	(17.9)
Long-term loans and financing and finance lease	(2,136.0)	(2,013.8)	(1,009.2)	(1,081.8)	(978.6)
Long-term debentures	(1,186.5)		(350.0)	(300.0)	(300.0)
Net cash (debt) position	(2,059.6)	(1,538.2)	(1,434.1)	120.7	191.2

- (9) The number of shares is retroactively adjusted for the reverse stock split that occurred in 2005.
- (10) The calculation of earnings per share is retroactively adjusted for stock dividends and reverse stock split for all the periods presented.
- (11) The calculation of net income and earnings per share is retroactively adjusted for the effect of a change in an accounting policy for the period of 2005.

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	2009(1)	As of December 31,				
		2009	2008	2007	2006	2005
		(in millions of U.S. dollars or <i>reais</i> , where indicated)				
Consolidated Balance Sheet Data	US\$	R\$	R\$	R\$	R\$	R\$
Current assets						
Cash and cash equivalents	1,084.0	1,887.5	1,275.1	862.4	385.1	1,114.2
Financial investments	245.5	427.5	851.4	845.3	737.3	184.8
Trade accounts receivable	926.1	1,612.5	1,429.3	1,344.4	360.0	343.3
Inventories	541.1	942.2	1,033.7	631.1	217.2	191.7
Recoverable taxes	183.9	320.2	311.9	202.6	117.8	62.9
Other	130.3	226.9	234.4	1,894.7	42.0	39.4
	3,111.0	5,416.8	5,135.8	5,780.5	1,859.4	1,936.3
Non-current assets						
Trade accounts receivable	194.2	338.2	210.1	176.9	19.2	
Financial investments	4.1	7.2	7.2	120.8	548.0	372.7
Related companies	4.4	7.6	5.6	12.9	7.4	3.7
Deferred income and social contribution taxes	271.5	472.7	408.7	119.6	58.2	61.0
Recoverable taxes	30.6	53.2	43.0	68.7	65.3	46.8
Other	83.1	144.7	81.2	77.0	28.7	49.3
	587.9	1,023.6	755.8	575.9	726.8	533.5
Investments	13.4	23.3	33.9	47.0	30.8	32.3
Property, plant and equipment and intangible assets	2,673.9	4,655.8	3,726.1	2,335.8	1,172.8	1,072.7
Deferred charges	5.6	9.8	15.6	570.1	112.3	98.3
	2,692.9	4,688.9	3,775.6	2,952.9	1,315.9	1,203.3
TOTAL ASSETS	6,391.7	11,129.3	9,667.2	9,309.3	3,902.1	3,673.1
Current liabilities						
Loans, financing, debentures and finance lease	608.4	1,059.3	1,658.1	1,903.4	167.9	201.9
Trade payables	512.2	891.9	614.2	582.7	112.5	90.9
Salaries and related charges	101.4	176.5	164.6	123.2	81.2	66.1
Post-employment benefits	6.9	12.0	8.8	8.8		
Dividends payable	98.0	170.7	127.0	285.1	101.4	103.9
Provision for contingencies	13.2	23.0	32.5	14.9		
Other	111.2	193.6	142.5	175.7	20.8	25.5
	1,451.3	2,527.0	2,747.7	3,093.8	483.8	488.3
Non-current liabilities						
Financing, debentures and finance leases	1,908.2	3,322.5	2,013.8	1,359.2	1,381.8	1,278.6
Related companies	2.4	4.1	4.4	4.7	4.7	5.0
Provision for contingencies	156.0	271.7	103.5	112.0	36.5	54.7
Post-employment benefits	51.7	90.0	77.7	85.1		
Other	28.5	49.7	31.8	18.8	28.7	26.8
	2,146.8	3,738.0	2,231.2	1,579.8	1,451.7	1,365.1
TOTAL LIABILITIES	3,598.1	6,265.0	4,978.9	4,673.6	1,935.5	1,853.4

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Shareholders equity

Share capital	2,123.1	3,696.8	3,696.8	3,696.8	946.0	946.0
Capital reserve	0.7	1.3	0.9	0.9	0.6	0.3
Revaluation reserve	4.7	8.2	10.3	11.6	13.0	15.0
Profit reserves and treasury shares	650.4	1,132.4	940.0	891.6	973.9	828.8
Valuation adjustment	(2.4)	(4.1)	(6.2)			
Cumulative translation adjustments	(3.0)	(5.3)	8.3			
Non-controlling interests	20.1	35.0	38.2	34.8	33.1	29.6
TOTAL SHAREHOLDERS EQUITY	2,793.6	4,864.3	4,688.3	4,635.7	1,966.6	1,819.7

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	2009(1)	As of December 31,				
		2009	2008	2007	2006	2005
(in millions of U.S. dollars or <i>reais</i> , where indicated)						
Consolidated Balance Sheet Data	US\$	R\$	R\$	R\$	R\$	R\$
TOTAL LIABILITIES SHAREHOLDER S EQUITY	6,391.7	11,129.3	9,667.2	9,309.3	3,902.1	3,673.1
U.S. GAAP						
Total assets	6,384.4	11,115.2	9,726.5	9,354.9	3,843.5	3,610.0
Total shareholders equity(2)(3)	2,782.0	4,844.1	4,734.5	4,676.4	1,905.2	1,759.0

- (1) The figures in *reais* for December 31, 2009 have been converted into dollars using the exchange rate of US\$1.00 = R\$1.741, 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) Includes non-controlling interests for all periods presented as required by Accounting Standards Codification 810 (ASC 810). See Note 24(I)(w) to our consolidated financial statements.
- (3) Shareholders equity as of December 31, 2005 was retroactively adjusted to reflect changes in accounting policies as from January 2006.

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. The new resolution allows, 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.

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. From January 1, 2010 to June 25, 2010 the *real* resumed its depreciation, and, as a result, depreciated 2% 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 June 25, 2010, the exchange rate for *reais* into U.S. dollars was R\$1.778 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.

Year Ended	Exchange rates of nominal <i>reais</i> per US\$1.00			
	High	Low	Average	Period-Ended
December 31, 2005	2.762	2.163	2.412(1)	2.341
December 31, 2006	2.371	2.059	2.168(1)	2.138
December 31, 2007	2.156	1.733	1.930(1)	1.771
December 31, 2008	2.500	1.559	1.833(1)	2.337
December 31, 2009	2.422	1.702	1.990(1)	1.741
Month Ended				
January 31, 2010	1.875	1.723	1.799(2)	1.875
February 28, 2010	1.877	1.805	1.841(2)	1.811
March 31, 2010	1.823	1.764	1.793(2)	1.781
April 30, 2010	1.781	1.731	1.756(2)	1.731
May 31, 2010	1.881	1.732	1.806(2)	1.817
June 30, 2010 (through June 25)	1.866	1.766	1.816(2)	1.778

- (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 preferred 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 preferred 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 preferred 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 only supplier of LPG and the main supplier of oil-based fuels in Brazil. Fuel distributors in Brazil, including Ipiranga, have formal contracts with Petrobras for the supply of oil-based fuels. Ultragas 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 Ultragas 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 the Brazilian government terminated Petrobras' monopoly in November 1995, Petrobras effectively remains the sole provider of LPG and oil-based fuels in Brazil. Currently, Ultragas and all other LPG distributors in Brazil purchase all or nearly all LPG from Petrobras. Ultragas's net sales and services represented 10% of our consolidated net sales and services for the year ended December 31, 2009. The procedures for ordering and purchasing LPG from Petrobras are generally common to all LPG distributors including Ultragas. For more details, see Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Ultragas 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 2009. 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 84% of our consolidated net sales and services for the year ended December 31, 2009.

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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 Ultragas 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 in the international market has been historically higher than the price we obtained through Petrobras. As a result, any such interruption could increase our purchase costs and, as a result, 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 with greater resources than we possess 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 Ultragas Competition](#).

The Brazilian fuel distribution market is highly competitive in both the retail and wholesale segments. Petrobras, our supplier of oil-derivative products, and other major companies with greater resources than we possess 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 last few years, 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 the 25% 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, such anticompetitive practices as tax evasion may affect Ipiranga's sales volume and increase marketing expenses, which 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 large quantities of fuel products at prices lower than those offered by the major distributors, including Ipiranga, resulting in a considerable increase in the sales volumes of the distributors who have adopted these practices.

Although the Brazilian government has taken measures to inhibit these practices, if such practices become more prevalent, Ipiranga could suffer from a reduction in sales volume and an increase in marketing expenses, which could have a material adverse effect on our operating margins.

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. In addition, supply of natural gas requires significant investments in pipelines. 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 Ultragas Competition](#).

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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 crackers, which are the sole sources of ethylene in Brazil. Pursuant to long-term contracts, Braskem supplies all of our ethylene requirements at our plant located at Camaçari and Quattor Química supplies all of our ethylene requirements at our plant located at Mauá. For more detailed information about these contracts see Item 5.F. Operating and Financial Review and Prospects Tabular Disclosure of Contractual Obligations. In January 2010, Braskem announced the acquisition of Quattor, which was concluded in May 2010. 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 (including ethylene produced at Quattor Química) for its supply. For the year ended December 31, 2009, Brazilian ethylene imports totaled approximately 21 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 (including Quattor Química) would have an immediate impact on our production and results of operations. We are currently investing in the ethylene oxide production capacity expansion in Camaçari and we have agreed with Braskem on an additional ethylene supply after this expansion is 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 (including Quattor Química). 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 Brazilian petrochemical industry is influenced by the performance of the international petrochemical industry and its cyclical behavior.

The international petrochemical market is cyclical in 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 tariff rates on petrochemical products, the increase in demand for such products in Brazil, and the ongoing integration of regional and world markets for commodities, among other factors, 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 free trade agreements may result in reductions in Brazilian import duties 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.

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 and Venezuela. Companies like ours are required to obtain licenses for their manufacturing facilities from environmental authorities which may also regulate their operations by prescribing specific environmental standards in their operating licenses. Environmental regulations apply particularly to the discharge, handling and disposal of gaseous, liquid and solid products and by-products from manufacturing activities.

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 exported to the European Union must be registered by the exporting company through the submission of information regarding

properties, uses and safety of each product that will be analyzed by the European Regulatory Agency for authorization. In 2009, 3% of the volume sold by Oxiteno was exported to this region. Oxiteno is in compliance with the current requirements of this legislation. We cannot guarantee the effect that amendments to this new legislation could have on any product we export to the European Union, or whether similar legislation may 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, Item 4.B. Information on the Company Business Overview Petrochemicals and Chemicals Industry and Regulatory Overview Environmental, health and safety standards and Item 4.B. Information on the Company Business Overview Logistics Ultracargo Transportation Regulation .

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

The complex operations we perform at our plants involve a variety of safety 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 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 do not comply with our commitment, to distribute to our shareholders the amounts under the 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\$20.6 million, R\$40.3 million and R\$35.2 million, respectively, for the years ended December 31, 2009, 2008 and 2007. See Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Ultragas Income tax exemption status, Item 4.B. Information on the Company Business Overview Petrochemicals and Chemicals Oxiteno Income tax exemption status and Item 4.B. Information on the Company Business Overview Logistics Ultracargo Income tax exemption status .

We are currently controlled by members of our founding family and our senior management, which substantially limits the ability of other shareholders to control the direction of our business.

Our senior management and the members of our founding family indirectly control approximately 66% of our voting shares through their control of Ultra S.A. This level of control enables Ultra S.A. to elect the majority of our directors and to determine the outcome of substantially all actions requiring shareholder approval. See Item 7.A. Major Shareholders and Related Party Transactions Major Shareholders Shareholders Agreements . Accordingly, minority shareholders, including holders of preferred shares or ADSs, have limited ability to control the direction of our business.

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

As a holding company, we have no significant operating assets other than our ownership of shares of our subsidiaries. Substantially all of our operating income comes 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 acquisitions of Ipiranga, União Terminais and Texaco, Ultrapar has assumed certain liabilities of the businesses acquired and all the risks related to those liabilities.

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Ultrapar has assumed certain liabilities of the business acquired in the acquisitions of Ipiranga, União Terminais and Texaco; therefore, certain existing financial obligations, legal liabilities or other known and unknown contingent liabilities or risks of the

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businesses acquired have become the responsibility of Ultrapar. See Item 5.B. Operating and Financial Review and Prospects Liquidity and Capital Resources Indebtedness for more information regarding the financial obligations assumed by Ultrapar in connection with the acquisitions of Ipiranga and União Terminais. See Item 4.A. Information on the Company History and Development of the Company Recent Developments for more information in connection with the acquisition of Texaco.

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 preferred shares.

Our business may be vulnerable to disruptions and volatility in the global financial markets.

From mid-2007 to mid-2008, the global financial system has experienced difficult credit and liquidity conditions and disruptions leading to greater volatility. In September 2008, global financial markets deteriorated and a number of major foreign financial institutions experienced significant difficulties, including inadequate liquidity. However, the initiatives adopted by several governments to minimize the effects of the crisis through monetary and tax policies contributed to the economic recovery of certain countries, particularly in emerging markets, including Brazil.

Continued disruption in the global financial markets could have a material adverse effect on our ability to access capital and liquidity on acceptable financial terms. If financial market volatility causes capital outflow and/or significant exchange rate fluctuations, it may pressure inflation indexes and thereby adversely affect our cash operating expenses that are substantially in *reais*. See Item 3.D. Key Information Risk Factors Risks Relating to Brazil. Furthermore, an economic downturn could negatively affect the financial stability of our customers, which could result in a general reduction in business activity and a consequent loss of income for us.

Our reported financial condition and results could be adversely affected by changes in Brazilian accounting principles due to the convergence to IFRS.

Brazilian accounting principles have been undergoing rapid change pursuant to legislation adopted late in 2007, requiring, among other things, that Brazilian accounting standard-setters move toward convergence with IFRS, which will be mandatory by 2010. Accounting changes that took effect in 2008 have been given effect for the years 2007 and 2008 presented in our audited consolidated financial statements and are described in Presentation of Financial Information and Note 2 to the audit consolidated financial statements. Many new accounting standards have been adopted and are currently being implemented. Others are expected in the near future. Although we believe our results would not be materially affected by these new rules, we cannot predict if the changes will have a significant effect on our financial statements in the future. These effects could include reducing our reported revenues, operating income or net income, or adversely affecting our balance sheet.

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.

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 preferred 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 wage and price controls, currency devaluations, capital controls, and limits on imports, among other measures. Our business, 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;

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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 preferred shares.

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 preferred shares.

Brazil has in the past 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 1.7% deflation in 2009, and inflation of 9.8% in 2008, 7.8% in 2007 and 3.8% in 2006. From January 2010 to May 2010 IGP-M index was 4.8%. 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 4.3% in 2009, 5.9% in 2008, 4.5% in 2007 and 3.1% in 2006. From January 1, 2010 to May 31, 2010, inflation as measured by IPCA was 3.1%.

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 preferred 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 preferred shares.

The Brazilian currency has been devalued periodically during the last four decades. Throughout this period, the Brazilian government has implemented various economic plans and utilized a number of exchange rate policies, including sudden devaluations, periodic mini-devaluations during which the frequency of adjustments has ranged from daily to monthly, floating exchange rate systems, exchange controls and dual exchange rate markets. Although over long periods depreciation of the Brazilian currency generally has correlated with the rate of inflation in Brazil, devaluation over shorter periods has resulted in significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar and other currencies.

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. 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. From January 1, 2010 to June 25, 2010 the *real* resumed its depreciation, and, as a result, depreciated 2% against the U.S. dollar in the period. See Item 3.A. Key Information—Selected Consolidated Financial Data—Exchange Rates.

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There are no guarantees that the exchange rate between the *real* and the U.S. dollar will stabilize at current levels. Although we have managed our existing U.S. dollar debt obligations in order to protect against 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 preferred shares and, as a result, the ADSs. On the other hand, appreciation of

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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 *reals*, prices and certain costs (particularly ethylene and palm kernel oil, purchased by our subsidiary Oxiteno) in the chemical business 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 preferred 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 recent global financial crisis may diminish investor interest in securities of Brazilian issuers, including our preferred 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 have led to lack of consumer confidence, increased market volatility and widespread reduction of business activity. An economic downturn could materially adversely affect the liquidity, businesses and/or financial conditions of our customers, which could in turn result not only in decreased demand for our products, but also increased delinquencies in our accounts receivable. Furthermore, the 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.

United States investors 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. 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 Preferred Shares and the American Depositary Shares

The preferred shares and the ADSs generally do not give you voting rights.

Generally under Brazilian Corporate Law and in the case of our bylaws, holders of preferred shares do not have the right to vote at shareholders meetings except in limited circumstances. This means, among other things, that holders of our preferred shares and our ADSs, which represent preferred shares, are not entitled to vote on important corporate transactions including mergers or consolidations with other companies. See Item 10.B. Additional Information – Memorandum and Bylaws .

The preferred 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 preferred shares.

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

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preemptive rights to subscribe for preferred shares in proportion to their shareholdings and for common shares only to the extent necessary to prevent dilution of their interest in the company.

Our bylaws establish that the board of directors may exclude preemptive rights to the current shareholders, holding either common or preferred shares, 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 preferred shares or ADSs may be unable to exercise their preemptive rights in relation to the preferred shares represented by the ADSs, unless we file a registration statement pursuant to the United States Securities Act of 1933 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 preferred shares, you risk losing certain foreign currency remittance and Brazilian tax advantages.

The ADSs benefit from the depositary's certificate of foreign capital registration permits the depositary to convert dividends and other distributions with respect to the preferred shares into foreign currency and remit the proceeds abroad. If you exchange your ADSs for preferred shares, you will 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 preferred 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 preferred 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 preferred shares underlying your ADSs at the price and time at which you wish to do so. The São Paulo Stock Exchange, known as BM&FBovespa, the only Brazilian stock exchange, had a market capitalization of approximately US\$1.3 trillion as of December 31, 2009 and an average monthly trading volume of approximately US\$56 billion for 2009. In comparison, the New York Stock Exchange had a market capitalization of US\$18.9 trillion as of December 31, 2009 and an average monthly trading volume of approximately US\$1.0 trillion for 2009.

There is also a large concentration in the Brazilian securities market. The ten largest companies in terms of market capitalization represented approximately 55% of the aggregate market capitalization of BM&FBovespa as of December 31, 2009. The top ten stocks in terms of trading volume accounted for approximately 50% of all shares traded on BM&FBovespa in 2009. Ultrapar's average daily trading volume on both stock exchanges in 2009, 2008 and 2007 was R\$27.0 million, R\$26.5 million and R\$11.8 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 preferred shares, Ultrapar's capacity to make dividend payments to non-Brazilian investors and the market price of our preferred shares and ADSs.

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Brazilian law provides that, whenever there is a serious imbalance in the Brazilian balance of payments or reasons for believing that there will be a serious imbalance in the future, the Brazilian government can impose temporary restrictions on remittances of income on investments by non-Brazilian investors in Brazil. The probability that the Brazilian government might impose such restrictions is related to the level of the country's foreign currency reserves, the availability of currency in the foreign exchange markets on the maturity date of a payment, the amount of the Brazilian debt servicing requirement in relation to the economy as a whole, and the Brazilian policy towards the International Monetary Fund, among other factors. We are unable to give assurances that the Central Bank will not modify its policies or that the Brazilian government will not introduce restrictions or cause

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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 preferred shares, Ultrapar's capacity to make dividend payments to non-Brazilian investors and the market price of our preferred 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 preferred shares or our ADSs to decrease.

Shareholders of Ultra S.A. have the right to withdraw and convert common shares owned through Ultra S.A. into our preferred shares as more fully described under Item 7.A. Major Shareholders and Related Party Transactions Major Shareholders Shareholders Agreements . Two other shareholders, who may freely sell their respective shares, hold a substantial portion of our remaining common shares. A sale of a significant number of shares could negatively affect the market value of the preferred shares and ADSs. The market price of our preferred 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.

If we were treated as a passive foreign investment company, U.S. Holders of our preferred shares or our ADSs would be subject to disadvantageous rules under the U.S. tax laws.

If we were characterized as a passive foreign investment company, or PFIC, in any year, U.S. holders of our preferred shares or our ADSs could be subject to unfavorable U.S. federal income tax treatment. Although we do not believe that we, based on the manner in which we currently operate our business, on the projected composition of our income and valuation of our assets, and the current interpretation of the PFIC provisions of the Internal Revenue Code of 1986, as amended from time to time, were a PFIC in 2009 and we do not expect to be a PFIC in the foreseeable future, there can be no assurance that our business and activities will not lead to PFIC status for us in the future. PFIC classification is a factual determination made annually and thus is subject to change. See Item 10.E. Additional Information Taxation U.S. Federal Income Tax Considerations for a description of the PFIC rules.

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 Ultragas and brought LPG to be used 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, Transultra Armazenamento e Transporte Especializado Ltda., or Transultra, was formed to meet the demand for high-quality transportation services and focused on the transportation of chemicals, petrochemicals and LPG. In 1978, Terminal Químico de Aratu S.A. Tequimar, or Tequimar, was founded for the specific purpose of operating the storage business. Transultra and Tequimar are operating subsidiaries of Ultracargo.

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. 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 plants. We also concluded the expansion of capacity of Oxiteno's industrial unit in Camaçari Petrochemical Complex, in the state of Bahia.

On October 6, 1999, we concluded our Initial Public Offering of preferred shares, listing our shares on the São Paulo Stock Exchange (BM&FBovespa) and on the New York Stock Exchange (NYSE).

In 2000, Ultragaz started the construction of four new filling plants, therefore practically covering the entire Brazilian territory. In August 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 the new plant in Betim, in the state of Minas Gerais.

On March 22, 2000, the controlling shareholders of Ultrapar 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.

On May 23, 2001, we acquired a 35% voting interest in Transultra from Petrobras Distribuidora S.A., increasing Ultrapar's ownership in Transultra to 100% of its total share capital. We made this acquisition through our wholly owned subsidiary, Ultracargo, in an auction held at the BM&FBovespa.

In March 2002, Oxiteno made a tender offer for the acquisition of the shares of its subsidiary Oxiteno Nordeste S.A. Indústria e Comércio, known as Oxiteno Nordeste. The tender offer was completed on April 16, 2002, 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 approximately R\$4.4 million.

On December 20, 2002, we completed a corporate restructuring process that we began on October 15, 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

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

On December 4, 2003, we concluded the acquisition of the chemical business of the Berci Group, or CANAMEX, a Mexican specialty chemicals company. CANAMEX had two plants in Mexico (Guadalajara and Coatzacoalcos). The acquisition amount was US\$10.25 million, without assuming any debt. In June 30, 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 the United States. Since July 2, 2007, CANAMEX has operated under a new name, Oxiteno Mexico, S.A. de C.V., or Oxiteno Mexico.

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On May 18, 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 already established through a shareholders agreement dated March 22, 2000. The bylaws set forth that any transfer of 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.

On September 22, 2004, the shareholders of Ultra S.A. signed a new shareholders agreement replacing the previous agreement, which was executed by the same group of shareholders. 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 .

Igel Participações S.A. and Avaré Participações S.A., former controlling shareholders of Ultra S.A., were dissolved on December 16, 2004, and, as a result, their shares in Ultra S.A. were distributed to their respective shareholders on a *pro rata* basis.

At our board of directors meeting held on February 2, 2005, our 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 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.

On April 8, 2005, we completed our first offering of unsecured debentures in the aggregate principal amount of R\$300 million with a term of three years, at a rate of 102.5% of CDI. Standard & Poor's assigned the company and its debentures its br AA+ corporate credit rating.

On April 28, 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, and there were 81,325,409,849 total shares outstanding, with 49,429,897,261 common shares and 31,895,512,588 preferred shares.

At an Extraordinary General Shareholders Meeting held on July 20, 2005, 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. As of April 30, 2006, we had 81,325,409 shares outstanding, with 49,429,897 common shares and 31,895,512 preferred shares.

In July 2005, Ultracargo inaugurated a new terminal in Santos, its second port installation that integrates road, rail and maritime transportation systems. The new terminal has a storage capacity of 33,500 m³ for chemical products, 40,000 m³ for ethanol and 38,000 m³ for vegetable oil.

On December 20, 2005, Ultrapar, through its subsidiary LPG International Inc., 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. Standard & Poor's assigned its BB+ credit rating on a global scale for the company and the securities issued.

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. The 265 thousand tons/year volume of ethylene represents an addition of 68 thousand tons/year to the previous contractual amount and will be fully available after the conclusion of the expansion of ethylene oxide production capacity at the Camaçari plant. See Item 4.A. Information on the Company History and Development of the Company Investments . 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.

In August 2006, Oxiteno's first commercial office in Buenos Aires, Argentina Oxiteno Argentina S.R.L. was opened.

In April 2007, Ultrapar acquired the Southern Distribution Business, EMCA and a one-third stake in RPR in connection with the acquisition of the Ipiranga Group. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of Ipiranga Group .

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In April 2007, Ultrapar also acquired the operational sulfate and sulfonate assets of Unión Química S.A. de C.V., in San Juan del Río, Mexico through its subsidiary Oxiteno Mexico. These assets include a plant with a production capacity for sulfates/sulfonates of 8,600 tons/year that serves mainly the cosmetics and detergents industries. The investment for this acquisition totaled US\$4.0 million of enterprise value and was financed entirely by Oxiteno Mexico in the local market.

In September 2007, Oxiteno acquired Arch Química Andina, C.A., or Arch, a Venezuelan subsidiary of the U.S. company Arch Chemicals, Inc. Arch is 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 is consistent with the company's growth and global expansion strategy and was intended to help Oxiteno (i) to strengthen its presence in Latin America, (ii) to have access to sources of raw materials at competitive prices given Venezuela's position as one of the main oil and natural gas producers in the world and (iii) to expand ethoxylate production capacity by an additional 70,000 tons/year. 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 its first sales office in the United States. The company intends to leverage a local U.S. presence to grow in that 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%. Ultrapar's shares achieved a new level of trading liquidity in equity markets, with average trading volume higher than the historic 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 February 2008, Ultrapar's board of directors decided to join Level 2 of BM&FBovespa's Special Corporate Governance Levels as another step in our continuing efforts to improve our corporate governance practices. Joining Level 2 on BM&FBovespa reinforces our commitment to the capital markets, recognizing the material increase in our shareholder basis after receiving the new shareholders from Ipiranga. As was already the case for Level 1, Ultrapar's corporate governance standards will continue to exceed certain requirements of Level 2, the most prominent of which is the 100% tag along rights for all shareholder classes, while the requirement of Level 2 is 80% for all shareholder classes.

In May 2008, the credit rating agency Moody's Investors Service (Moody's) assigned its Baa3 rating on a global scale to Ultrapar, a rating equivalent to investment grade level. According to Moody's, the Baa3 rating reflects Ultrapar's track record of cost-focused management and the company's leading market position in all three of its business sectors, which are supported by continuous investments in its strong brands in the fuel distribution business and in research and development for specialty chemicals.

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. 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. Oxiteno Europe SPRL is located 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, former subsidiaries of Chevron that held Texaco. 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. 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 Química 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 will allow 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 Química, 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 fatty alcohols plant unit with an annual production capacity of approximately 100,000 tons of fatty alcohols and by-products; (ii) the expansion of the ethylene oxide unit at Mauá, adding 38,000 tons to the annual production capacity of this product; and (iii) the expansion of the ethoxylate and ethanolamine production at Camaçari, adding 120,000 tons to the annual capacity of these

products. These expansions aimed at replacing imports, mainly in the agrochemical, cosmetics & detergents and paint & varnishes segments.
See Item 4.A. Information on the Company History and Development of the Company Investments .

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In November 2008 and December 2008, in order to simplify the corporate structure, Ultragas Participações S.A. and DPPI were merged into CBPI, respectively, thus consolidating all companies that operate in the distribution business into one single company. For further information see Note 4(a) to our consolidated financial statements.

In February 2009, an Extraordinary Shareholders Meeting of RPR was held to approve a capital increase of R\$15 million 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, which retained an equity interest of 33%.

In March 2009, CBPI contracted a bank credit note with Caixa Econômica Federal CEF, in the total amount of R\$500 million, with a 24-month grace period and 36-month term, with interest rate equivalent to 120% of the CDI, focusing on extending the company's debt profile and maintaining strong cash position. We believe that the high interest rate applicable to this loan reflected the sharp tightening in credit markets in the period due to the worsening of the global financial crisis. In the first quarter of 2010, this bank credit note was redeemed. See Item 4.A. Information on the Company History and Development of the Company Recent Developments .

In June 2009, Ultrapar completed its third issuance of R\$1.2 billion unsecured debentures in Brazil with a three-year term and interest of 100% of the CDI plus 3.0% per annum. The proceeds from this issuance were used to redeem the promissory notes issued by Ultrapar in December 2008. In December 2009, Ultrapar renegotiated certain terms and conditions of these debentures and, as a result, was able to reduce interest rates applicable to the debentures to 108.5% of the CDI per annum and extend their terms to December 2012.

In August 2009 and in November 2009, SBP and CBPI were merged into IPP, respectively, in order to simplify the corporate structure, eliminate duplicated structures, enhance logistics efficiency and capture synergies, thus consolidating all light fuel and lubricant distribution and related activities into a single legal entity.

In September 2009, Oxiteno concluded the expansion of the acetates unit at Mauá, which added 40,000 tons to its production capacity.

In October 2009, the credit rating agency Standard & Poor's assigned Ultrapar its BBB- rating in global scale and brAAA in Brazil national scale, both of which are equivalent to investment grade. According to Standard & Poor's, the ratings assigned to Ultrapar reflect its resilient results supported by its strong brands and leading position in LPG distribution and specialty chemicals; strategic diversification into the fuel distribution business with relevant market share; relatively stable cash generation and intermediate financial profile.

In December 2009, shareholders of Ultra S.A. entered into a new shareholders agreement that replaced the previous agreement which was to expire on December 16, 2009. The terms and conditions of the new shareholders agreement are substantially the same as those of the previous agreement and have a two-year term. See Item 7.A. Major Shareholders and Related Party Transactions Major Shareholders .

In December 2009, Ultrapar, through Ultracargo, acquired from Puma Storage do Brasil Ltda., or Puma, a storage terminal for liquid bulk with a 83 thousand cubic meters capacity located at the port of Suape, in the state of Pernambuco. The acquired terminal is located in an area leased by Ultracargo and adjacent to its existing terminal in the port of Suape, which allowed the immediate integration of its operations. 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.

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 of Ipiranga Group, Ultrapar, already the largest LPG distributor in Brazil, became the second largest fuel distributor in Brazil. Ultrapar believes that fuel distribution is a natural extension of LPG distribution because it has similar profitability drivers: logistics efficiency, management of a dealer network and leveraging a renowned brand. In addition, Ultrapar believes that the fuel distribution business presents attractive growth prospects in light of increased fuel consumption in Brazil in the

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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 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 Mid-West 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. 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.

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 the port terminal in Paranaguá. The results of the businesses acquired were consolidated into Ultrapar's financial statements after their respective closing dates. Ultrapar's financial statements in periods prior to fourth quarter 2008 do not include the results of the businesses acquired.

The total amount Ultrapar paid for União Terminais was R\$519 million, which included the assumption of net debt of R\$32 million. The combination of its operations with those of União Terminais doubled the size of Ultracargo in terms of adjusted 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, former subsidiaries of Chevron that held Texaco. On March 31, 2009, Ultrapar closed the acquisition through SBP. 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). The results of Texaco were consolidated into Ultrapar's financial statements as from April 1, 2009. Accordingly, Ultrapar's financial statements for periods prior to such date do not reflect Texaco's results of operations.

Texaco markets 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 is part of Ultrapar's strategy to increase its operational scale in the fuel marketing business and expand its operations to the Mid-West, Northeast and North regions of Brazil. The combination with Texaco created a nationwide fuel marketing business, with a network of 5.5 thousand service stations and 21% market share as of December 31, 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 and administrative and financial functions of Texaco, and (ii) the implementation of Ipiranga's business

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model in the expanded network, with a wider range of products and services and a differentiated approach to its resellers. In August 2009, Texaco's information technology (IT) systems were integrated into Ipiranga's and, as a result,

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Ultrapar's fuel distribution business started operating with a single IT system. In November 2009, Ultrapar completed the corporate merger of Texaco and Ipiranga, which created additional gains from the simplified structure. Ultrapar has also been converting the acquired Texaco branded stations into Ipiranga brand since 2009. From April 1, 2009 to December 31, 2009, 1,020 service stations in the South and Southeast regions were converted, representing 75% of the acquired service stations in these regions. Under the terms of the Ipiranga Group Transaction Agreements, Petrobras has 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, expiring in April 2012. Until then, Ipiranga will operate under the Texaco brand in those regions.

Recent Developments

In March 2010, Ultrapar entered into a loan agreement with Banco do Brasil 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. This loan replaced the loan that Ultrapar had in the same principal amount entered into in 2009 at a cost of 120% of the CDI.

In March 2010, Ultrapar entered into a sale and purchase agreement to sell the in-house logistics, solid bulk storage and road transportation businesses to Aqces Logística Internacional Ltda. (Aqces). The transaction value is R\$82 million, subject to adjustments on the closing date and to certain conditions precedent, including the segregation of the in-house logistics, solid bulk storage and road transportation operations, with the transfer of the respective assets, contracts, licenses and employees from Ultracargo to its subsidiaries AGT Armazéns Gerais e Transporte Ltda. and Petrolog Serviços e Armazéns Gerais Ltda. The closing of this transaction is expected to occur by mid-2010, when the shares of AGT and Petrolog will be transferred to the acquirer. This transaction allows Ultracargo to focus exclusively on its liquid bulk storage business, segment in which it has a leadership position and which already represented approximately 85% of its adjusted EBITDA in 2009 after the recent acquisitions of União Terminais and Puma and investments in capacity expansions at the Aratu, Santos and Suape terminals.

In June 2010, Ultrapar entered into a series of three loan agreements with Banco do Brasil 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.

Investments

We have made substantial investments in our operations over the last three fiscal years to the date of this annual report. At Ultragas, we have invested in small bulk LPG distribution (UltraSystem), in the purchase and renewal of LPG bottles and tanks, and in the restructuring of our distribution logistics. We have also invested in the consolidation of our national coverage over the past years. Since March 2007, investments at Ipiranga included the expansion of the service station network, renewal of contracts and improvement in fuel service stations and distribution facilities, as well as investments related to information technology. Oxiteno has invested in increasing installed production capacity, mainly for specialty chemicals production, in the modernization of its industrial plants and in the development of new products. Oxiteno has also been investing in the development of products derived from renewable raw materials, including the building of a new fatty alcohols plant which started operations in October 2008 and required total investment of R\$460 million. Ultracargo has invested in the expansion and maintenance of storage facilities in response to strong demand for a better logistics infrastructure in Brazil, including investments in capacity expansions at the Aratu, Santos and Suape terminals and in the integration of storage terminal acquired from Puma. 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, 2009, 2008 and 2007:

	Year ended December 31,		
	2009	2008	2007
	(in millions of reais)		
Ultragas	105.4	166.6	128.9
Ipiranga(1)	222.4	228.8	143.6
Oxiteno	163.8	515.8	453.0
Ultracargo	78.9	55.9	44.2
Others(2)(3)	15.0	11.2	3.4
Total capital expenditures, net of disposals	585.5	978.4	773.2

- (1) Includes financing and bonuses to our resellers, net of repayments, and assets acquired through leasing operations. 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 and bonuses for clients are included under working capital in the cash flow statement. In 2009, 2008 and 2007 assets acquired through leasing, financing and bonuses to clients amounted to R\$105 million, R\$89 million and R\$79 million, respectively.

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- (2) Includes expenditures related to maintenance of our headquarters, which is performed by our wholly owned subsidiary Imaven Imóveis Ltda.
- (3) 2009 and 2008 figures include expenditures made by Serma (*Associação dos Usuários de Equipamentos de Processamento de Dados e Serviços Correlatos*, responsible for providing IT services to Ultrapar), in accordance with Law 11,638 and Law 11,941. See Note 2 to our consolidated financial statements for more information. In 2009 includes financial leasing in the amount of R\$1.3 million.

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 or in complementary markets. In March 2007, we led one of the largest acquisitions in the Brazilian history, with the acquisition of Ipiranga. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of Ipiranga Group . In April 2007, we acquired the sulfates and sulfonates operating assets of Unión Química S.A. de C.V., in San Juan del Río, Mexico. In September 2007, Oxiteno acquired the totality of shares of Arch Química Andina in Venezuela for US\$7.6 million. In November 2008, Ultracargo closed the acquisition of União Terminais. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of União Terminais . The operations of União Terminais have been integrated into our logistics business. In March 2009, Ultrapar concluded the acquisition of Texaco. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of Texaco .

The acquisitions in the petrochemical segment were motivated by our desire to establish a presence in the Mexican and Venezuelan petrochemical markets as a platform for production and distribution to supply the local markets, the U.S. and the countries located in the Pacific coast of South America and to geographically diversify Oxiteno's production facilities. The acquisitions in the logistics segment are part of our strategy to become Brazil's leading provider of storage services for special bulk cargo, reinforcing our operating scale. The acquisition of Ipiranga is part of Ultrapar's growth strategy for the fuel distribution sector, in which it already operated through Ultragaz, distributing LPG. The acquisition of Texaco is also part of our growth strategy in the fuel distribution industry, representing the company's expansion to the Mid-West, Northeast and North regions of Brazil and the significant increase in Ipiranga's operational scale.

Our investment plan for 2010 calls for a total budget of R\$920 million. We expect to invest R\$152 million at Ultragaz, R\$414 million at Ipiranga, R\$252 million at Oxiteno and R\$81 million at Ultracargo. At Ultragaz, investments will be allocated primarily to the expansion of UltraSystem, a segment with growth linked to the economic performance, to the strengthening of activities in the North and Northeast of Brazil and to the replacement of LPG bottles and tanks. At Ipiranga, investments will be directed to the expansion and renewal of its distribution network and to operational improvements, as well as expansion of operations to the Mid-West, Northeast and North regions, which started with the acquisition of Texaco. Of the total investments budgeted by Ipiranga, R\$217 million are related to additions to property, plant and equipment and R\$197 million are related to financing and bonuses to clients, net of repayments. At Oxiteno, investments include R\$185 million for the conclusion of the expansions of ethylene oxide and ethoxylates facilities in Camaçari, which will add, respectively, 90 thousand tons/year and 70 thousand tons/year to its production capacity. Ultracargo will allocate its investments primarily to a 50 thousand cubic meters expansion in its terminals in Suape, Santos and Aratu.

In March 2010, Ultrapar announced that it has entered into a sale and purchase agreement to sell the in-house logistics, solid bulk storage and road transportation businesses of Ultracargo so that it can focus exclusively on its liquid bulk storage business. The investment plan for 2010 discussed above does not include reflect such divestiture. See Item 4.A. Information on the Company History and Development of the Company Recent Developments .

In the three months ended on March 31, 2010, our capital expenditures were R\$205 million. At Ultragaz, R\$37 million was invested mainly in new clients in the bulk segment and renewal of assets. At Ipiranga, R\$60 million was invested in the conversion of unbranded service stations, new service stations, renewal and improvement of the distribution network. From the total amount invested at Ipiranga, R\$28 million was related to additions to property, plant and equipment, and R\$31 million was related to financing and bonuses to clients of Ipiranga, net of repayments. At Oxiteno, R\$98 million was invested, concentrated on projects to expand ethylene oxide and ethoxylates production capacity in Camaçari and to increase productivity. Ultracargo invested R\$6 million in expansions of the Suape and Santos terminals.

Other projects under study. We are considering the possibility to invest in an ethylene oxide and derivatives plant in a new complex under design and construction by Petrobras in the municipalities of Itaboraí and São Gonçalo, in Rio de Janeiro State. We have not made any commitments to invest in this project.

Equity Investments

The table below shows our equity investments for the years ended December 31, 2009, 2008 and 2007:

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	Year ended December 31,		
	2009 ⁽⁶⁾	2008	2007
	(in millions of reais)		
Ultragaz			0.1
Ipiranga		(0.1)	
Oxitenó		(45.7) ⁽¹⁾	22.7
Ultracargo		478.2 ⁽²⁾	8.1
Others ⁽⁴⁾	1,360.6 ⁽⁵⁾	105.0	1,883.1 ⁽³⁾
Total	1,360.6	537.4	1,914.0

- (1) Sale of the equity stake in Quattor Química held by Oxitenó.
- (2) Investments made in connection with the acquisition of União Terminais. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of União Terminais .
- (3) Includes investments made in connection with the acquisition of Ipiranga Group, which also included the assumption of the existing net debt of Ipiranga of approximately R\$0.5 billion at the time of the acquisition in 2007. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of Ipiranga Group .
- (4) Share repurchase program, included in our consolidated statement of cash flows under Cash flows from financing activities .
- (5) Investments made in connection with the acquisition of Texaco. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of Texaco .
- (6) Does not reflect the 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 Recent Developments .

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

B. Business Overview

With a track record of over 70 years, Ultrapar is one of the largest business groups in Brazil, with leading positions in the markets in which it operates: fuel distribution through Ultragaz and Ipiranga, chemicals through Oxitenó, and storage for liquid bulk through Ultracargo. Ultragaz is the leader in LPG distribution in Brazil with a 24% market share as of December 31, 2009 and one of the largest independent LPG distributors in the world in terms of volume sold. We deliver LPG to an estimated 10 million households using our own vehicle fleet and our network of more than 4,000 independent retailers. Ipiranga is the second largest fuel distributor in Brazil, with a network of approximately 5.5 thousand service stations and a 21% market share as of December 31, 2009. Oxitenó 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. Oxitenó has nine industrial units in Brazil, Mexico and Venezuela and commercial offices in the United States, Argentina, and Belgium. Ultracargo is the largest provider of storage for liquid bulk in Brazil, with seven terminals and storage capacity of approximately 625,000 cubic meters.

The following chart simplifies our organizational structure as of December 31, 2009, showing our principal business units. For more detailed information about our current organizational structure, see Item 4.C. Information on the Company Organizational Structure .

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Our Strengths

Leading market positions across businesses

Ultragaz is the largest LPG distributor in Brazil. As of December 31, 2009, Ultragaz's national market share was 24%, serving approximately 10 million homes in the bottled segment and approximately 34 thousand customers in the bulk segment. For the year ended December 31, 2009, Ultragaz's total volume of LPG sold was approximately 1.6 million tons.

Ipiranga is the second largest fuel distributor in Brazil with a 21% market share as of December 31, 2009. After the closing of the acquisition of Texaco in March 2009, Ipiranga consolidated its position as the second largest player in Brazil, with a network of 5.5 thousand service stations as of December 31, 2009. In addition to the service stations, Ipiranga's network has approximately 1.5 thousand convenience stores and Jet Oil stores. The acquisition of Texaco strengthened Ipiranga's competitiveness by increasing its operational scale. The implementation of Ipiranga's business model in the acquired network allows it to offer a broader range of products and services, which benefits consumers and resellers. The volume of fuel sold by Ipiranga in 2009 was 17,214 thousand cubic meters, including the fuels sales volume of Texaco as from April 1, 2009.

Oxiteno is the largest producer of ethylene oxide and its principal derivatives in Latin America and is also 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, 2009, Oxiteno sold 634 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 seven terminals and storage capacity of approximately 625,000 cubic meters. In 2009, Ultracargo accounted for approximately 75% of all tank capacity for liquids at the Aratu terminal in the State of Bahia, which serves South America's largest petrochemical complex.

Robust business portfolio

Our operations encompass LPG and fuel distribution, the production of ethylene oxide and its derivatives and storage services for liquid bulk. 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 more than 4,000 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.

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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 Ultragas can be complemented by Ipiranga's know-how in the same areas, thus maximizing efficiency and profitability at both companies.

Flexibility across the petrochemical cycle

Oxiteno is the largest producer of ethylene oxide and its principal derivatives in Latin America. Approximately 97% of its ethylene oxide production was used internally in the production of ethylene oxide derivatives in 2009, 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, by building a new fatty alcohols plant, 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. Ultragas 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 secondary storage terminals and its distribution system in a cost-efficient manner. After the consolidation of Texaco, the increased scale of Ipiranga and Texaco combined operations 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 business has exhibited a solid operational track record. Our adjusted EBITDA presented an average compound annual growth of 15% over the ten years ended December 31, 2009, in spite of the overall macroeconomic volatility in Brazil during this same period. Our adjusted EBITDA is used to provide a measure of assessing the company's ability to generate cash from its operations. See Item 3.A. Key Information Selected Consolidated Financial Data for more information about adjusted EBITDA. Our net income (excluding income attributable to minority shareholders) presented average compound annual growth of 18% over the ten years ended December 31, 2009.

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 more than 20 years of experience in the company and its subsidiaries; its members are shareholders of Ultrapar and have a performance-linked compensation based on an economic value-added metric (EVA®).

Alignment of shareholders' interests

Our bylaws provide important rights that align the interests of all our shareholders, including our controlling shareholders, management shareholders and minority shareholders. If our controlling shareholders sell their controlling stake in our company, our bylaws provide that holders of our preferred and common shares are entitled to sell their shares in a public tender offer at the same price terms and conditions as our controlling shareholders.

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

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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, further strengthen our relationship and 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.

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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 Ultragas' s distribution structure.

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 vehicle fleet in Brazil. Our sales strategy is to increase Ipiranga' s market share by converting unbranded stations to Ipiranga' s brand and to increase our scale in the Mid-West, Northeast and North regions of Brazil, where we have lower market share and the consumption growth is higher than the national average, given the lower car penetration and faster-growing household income in these regions.

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 the offering of some 18,000 items in a website through Ipirangashop.com. In 2009, Ipiranga launched two initiatives aiming at strengthening Ipiranga' s brand recognition: (i) Km de Vantagens, a customer incentive program that awards points in connection with purchases 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 oil-changing service for motorcycles in Brazil.

Invest in niche segments for LPG distribution

Ultragas is strengthening its presence in the North and Northeast regions of Brazil by focusing on expanding to states, 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. Ultragas also intends to expand its portfolio by selling the propellant (Dymethyl-oxide) DMO, which is currently sold in Brazil exclusively through imports.

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 58 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. In addition, we intend to focus Oxiteno' s sales in the local 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, 2009 was R\$2,060 million. The company is assigned credit risk ratings equivalent to the investment grade by both Moody' s and Standard & Poor' s. We have been consistently distributing dividends to our shareholders. During the five years ended December 31, 2009, we have declared yearly dividends representing an average of approximately 65% 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 business. Historically, we have grown our business organically and through acquisitions, such as the acquisitions of Ipiranga, União Terminais and Texaco, and we intend to continue this strategy.

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We have also made several investments in the expansion of our existing operations in Oxiteno during the last three years, focusing on specialty chemicals. We constantly analyze acquisition opportunities in the segments in which we operate and in complementary segments that could add value to our company.

Key Financial Information

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

	2009	Year ended December 31,				2005
		2008	2007	2006	2005	
(in millions of reais)						
Net sales and services(1)						
Ultrapar	36,115.9	28,268.0	19,921.3	4,794.1	4,693.8	
Ultragaz	3,441.2	3,339.4	3,112.9	3,067.0	2,902.4	
Ipiranga(2)	30,498.8	22,676.4	14,869.9			
Oxiteno(2)	1,921.1	1,926.1	1,764.8	1,549.6	1,610.1	
Ultracargo	337.0	283.4	229.1	226.1	234.2	
Adjusted EBITDA(3)						
Ultrapar	1,354.4	1,079.4	779.4	516.2	546.0	
Ultragaz	281.4	210.8	251.8	280.5	195.1	
Ipiranga(2)	777.5	603.2	321.7			
Oxiteno(2)	144.8	210.0	157.4	191.6	300.2	
Ultracargo	104.8	50.6	43.0	38.0	44.3	
Net Income attributable to Ultrapar						
Ultrapar	466.7	390.3	181.9	282.1	299.2	
Net cash (debt)(4)						
Ultrapar	(2,059.6)	(1,538.2)	(1,434.1)	120.7	191.2	

- (1) Segment information for Ultragaz, Ipiranga, Oxiteno and Ultracargo is presented on an unconsolidated basis. See Presentation of Financial Information for more information.
- (2) Since January 1, 2008, EMCA has been consolidated into Oxiteno, reflecting the effective management responsibility for the business. The financial information of Oxiteno and Ipiranga in this annual report prior to January 1, 2008 reflects the current consolidation retrospectively, which differs from those previously reported.
- (3) See footnote 7 under Item 3.A. Key Information Selected Consolidated Financial Data for a more complete discussion of adjusted EBITDA and its reconciliation to information in our financial statements.
- (4) See footnote 9 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, approximately 80% of local demand in 2009 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 significantly 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.

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Currently, the LPG distribution industry in Brazil consists of 16 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 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 approximately 80% of total LPG sold in Brazil in 2009, 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 government started a deregulation process with the purpose of establishing a largely unregulated 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 May 2001, distributors have been allowed to freely establish retail prices, which were previously set by the government. Until the end of 2001, the LPG refinery price, which is charged by Petrobras to all LPG distributors, was determined by the government and was the same for all LPG distributors in all regions of Brazil. Historically, refinery prices have been subsidized by the government. In January 2002, the government abolished subsidies to refinery prices and from 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 government influence when the government deems appropriate. 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. LPG refinery prices for residential use have remained unchanged since 2003. In 2009, Petrobras average refinery price was approximately US\$493 per ton compared with the average international price of US\$445 per ton.

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

In November 1995, Petrobras monopoly was removed from the federal constitution by 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 No. 9,478 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.

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On June 25, 2004, Petrobras entered the LPG distribution market in Brazil through the acquisition of Liquegás (then Agip do Brasil S.A.), one of the main players in the market.

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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 Ultragas Bottle swapping centers and Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Ultragas Requalification of bottles. Before the Self-Regulatory Code came into effect, certain LPG distributors, not including Ultragas, 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 Ultragas Bottle swapping centers and Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Ultragas 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.

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Ultragas itself was required to requalify 13.8 million bottles before November 2006 and an additional 10.7 million bottles by November 2011. In 2009, Ultragas requalified 2.6 million bottles. For 2010, Ultragas expects to requalify approximately 3.0 million bottles.

Environmental, health and safety standards. LPG distributors are 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 environmental regulators of Ultragas at the federal level.

Brazilian federal and state environmental laws and regulations require LPG distributors to obtain operating permits from the state environmental agencies 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. 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 environmental regulations. Under applicable law, distributors are strictly liable for environmental damages.

Distributors 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 public health and consumer protection laws.

Ultragas

We distribute LPG through Ultragas. 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. Ultragas was the leading company by sales volume in the Brazilian LPG market as of December 31, 2009.

Ultragas 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 through its own retail stores and through independent dealers as well as its own truck fleet, which operates on a door-to-door basis or on a scheduled delivery basis. Bulk LPG is serviced through Ultragas own truck fleet.

In August 2003, Ultragas acquired Shell Gás, Royal Dutch/Shell N.V.'s LPG operations in Brazil, for a total price of R\$170.6 million. Shell Gás had about a 4.5% market share in Brazilian LPG distribution, selling approximately 287,400 tons of LPG in 2002. With this acquisition, Ultragas has become the national market leader in LPG with a 24% share of the Brazilian market at the date of the acquisition and has also improved its economies of scale for distribution and logistics.

Ultragas has three operating subsidiaries:

Companhia Ultragas S.A., or Cia Ultragas, the company that pioneered our LPG operations;

Bahiana Distribuidora de Gas Ltda., or Bahiana, which primarily operates in the Northeast region of Brazil; 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 Ultragas and other LPG distributors joined to construct LPG storage facilities based in the states of São Paulo and Paraná. Ultragas currently controls 56% of the storage operations. See [Storage of LPG](#).

Markets and marketing. When Ultragas began its operations, it served only the Southeast region of Brazil. Currently, Ultragas is present in almost all of Brazil's significant population centers. In 2008 and 2009, Ultragas 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 Ultragas or its dealership network using 13 kg ANP approved bottles. In the case of Ultragas, the bottles are painted blue, which we believe is an important element in recognizing the Ultragas brand. Ultragas'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, Ultragas'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, Ultragas 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 Ultragas 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.

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Distribution of bulk LPG is largely carried out through 190 kg storage tanks installed on its clients' premises. Since 1994, Ultragas has been investing in small- and medium-sized bulk delivery facilities and in bob-tail trucks, known together as UltraSystem, which deliver LPG in bulk to commercial clients, small industries and government bodies. Ultragas's clients in the commercial sector include shopping centers, hotels, residential buildings, restaurants, laundries and hospitals. Ultragas's trucks supply clients' stationary tanks using a system that is quick, safe and cost effective.

Ultragas's bulk sales include large industrial clients, including companies in the food, metallurgical 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 Ultragas's sales volume since, in the case of large volume consumers, Ultragas is competing with other highly competitive energy sources such as natural gas, diesel and fuel oil.

Ultragas 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 Ultragas, and any change in supplier would imply the client's reimbursing Ultragas's investments. The contract also requires that any tank supplied by Ultragas may only be filled with LPG delivered by the company. When the bulk delivery contract expires, it can be renegotiated or the tank is removed. Since the installation of the tank represents a significant investment for Ultragas, it seeks to achieve a return on its investment within the term of the contract.

Ultragas's strategy for bulk LPG distribution is to continue its process of product and service innovation and to increase the profile of its trademark. Ultragas 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 Ultragas's sales of LPG to clients of bottled and bulk LPG:

Client category	Year ended December 31,		
	2009	2008(2)	2007
	(in thousands of tons)		
Bottled LPG			
Residential delivery by Ultragas	76.3	75.8	74.5
Ultragas owned retail stores	1.5	2.1	2.2
Independent dealers(1)	1,036.2	1,028.1	978.5
Total bottled LPG	1,114.0	1,106.0	1,055.1
Total bulk LPG	475.1	495.0	517.1
Total tons delivered	1,589.1	1,601.0	1,572.2

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

(2) Ultragas's sales volume between the bottled and bulk segments from the first quarter of 2008 on were reclassified to reflect the current structure and management responsibility between geographies and segments.

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

In 2008, Ultragas was granted the Marketing Best award for the technological and marketing innovation of its Management and Planning System. The system supports company decisions regarding its marketing positioning through market share and competitiveness analysis using geoprocessing techniques, collecting regional information on the markets in which Ultragas operates.

In line with its innovative profile, in 2008 Ultragas took another pioneering step in the LPG market in Brazil with the launching of multi-brand mobile credit card payment terminals, which enable customers to pay for the purchase of bottles using any brand of credit card at the time of residential delivery. The project also aims to develop new functions for the terminals, such as receiving and printing orders made by phone, validation of electronic gas vouchers, bank check consultations and other uses, including charge for the pre-paid mobile phone in order to add value in the service offered. Ultragas also started to offer a new product in 2009, the synthetic natural gas (SNG), which is a mixture of LPG and compressed air, features that make it an alternative or supplement for companies located in areas supplied with natural gas.

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In order to differentiate itself from its competitors, Ultragas has been implementing initiatives directed to the end consumer and brand promotion. As part of these initiatives Ultragas developed programs like *Ultragas na sua rua* (Ultragas in your street) and *Carreta Ultragas*, 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

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alternative source of income, among others. Through its new brand positioning *Ultragaz especialista no que faz* (Ultragaz the specialist), Ultragaz reinforced the features of quality and differentiation of its products and services offered in a nationwide marketing campaign through magazines and radio advertisements.

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 by having its delivery personnel provide safety recommendations to household customers, by serving telephone-made orders on a 24 hours a day, 7 days a week basis and by scheduling deliveries on the same weekday in each covered area. For both bottled and bulk LPG, deliveries are made by employees wearing Ultragaz uniforms and driving vehicles with Ultragaz's logo.

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Ultragaz delivers bottled LPG using a distribution network, which in 2009 included 66 company-owned retail stores, and more than 4,000 independent dealers. In 2009, Ultragaz had a fleet of 450 vehicles for the delivery of gas bottles and 255 for bulk delivery. Ultragaz also maintains a call center which centralizes all 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, 2009, there were approximately 20 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, 2009, approximately 90% 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. Ultragaz believes that improving the efficiency of independent dealers is a key factor in improving the profitability of the distribution chain of LPG.

In order to improve the efficiency of its network of independent dealers, other reseller relationship programs were implemented aiming at establishing guidelines of best practices for its network focusing on operational excellence. The main initiatives carried out in 2009 were *Academia de Revendedores* (Resellers Academy), the training program Ultragaz the specialist, both designed to promote the quality improvement of its resellers, to develop specific training of its resellers' employees, to improve technical and behavioral skills of resellers, and to improve the external auditing process for classifying resellers (*Qualificação da Revenda*) based on network quality.

Distribution channels to bulk consumers. Large bulk distribution, classified by Ultragaz as consumption of more than five tons per month and constituted almost exclusively 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 of between 0.5 and five tons per month and comprised of 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 on a cash basis. Ultragaz's sales to independent dealers and to industrial and commercial users have payment terms of 22 days on average.

Bottle swapping centers. Pursuant to the Self-Regulatory Code, 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\$0.25 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 two 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' 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, Ultragas and all other LPG distributors in Brazil purchase all or nearly all LPG from Petrobras. Ultragas 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 Ultragas, which basically consist of sending an estimate of our

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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 with the exception of an interruption in 1995 due to a 15-day strike by Petrobras employees.

Petrobras freely prices LPG in the domestic market. Prices of LPG in *reais* remained unchanged from May 2003 to December 2007. However, the Petrobras refinery price of LPG is subject to government influence when the government deems appropriate. 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. LPG refinery prices for residential use have remained unchanged since 2003. In 2009, Petrobras' average refinery price was approximately US\$493 per ton compared with the average international price of US\$445 per ton. 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, 2009, Ultragas' storage capacity was approximately 16,700 tons, including Utingás' storage capacity. Based on its 2009 average LPG sales, Ultragas could store approximately three days' supply of LPG. Petrobras maintains approximately two days' supply of LPG at its refineries and other facilities. Accordingly, any interruption in the production of LPG can result in shortages, such as the one that occurred during the Petrobras strike in 1995.

Ultragas 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. Ultragas' main competitors are:

SHV Gas, formed by the merger of Minasgás S.A. and Supergasbrás S.A. and controlled by SHV Energy, a major multinational LPG distributor, which operates through its two separate brands, Minasgás and Supergasbrás ;

Liquigás (formerly Agip do Brasil S.A.), 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, 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 Ultragas and its competitors:

LPG Distributor	Year ended December 31,		
	2009	2008	2007
Ultragas	23.7%	23.6%	23.7%
Liquigás	22.3%	22.2%	21.8%
SHV Gas	22.1%	22.9%	23.1%
Nacional Gás	18.6%	18.3%	18.4%
Others	13.3%	13.0%	13.0%
Total	100.0%	100.0%	100.0%

Prior to 1990, the 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.

The bottled market for LPG is a mature market with relatively low consumption growth and thus 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 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

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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 2006, the Brazilian LPG market grew by 1%, substantially as a result of the intensification by the Brazilian government of social programs, which contributed to an increase in Brazilians' average income. Additionally, the nationalization of the natural gas reserves in Bolivia generated uncertainties related to the natural gas supply from Bolivia to Brazil. The same factors that were present in the market in 2006, combined with a 5.4% growth in GDP, led to a 2.6% growth in the Brazilian LPG market in 2007. In 2008, the 5.1% GDP growth contributed to the 2.5% increase in the LPG market, mainly concentrated in the first nine months of the year, before the worsening of the global financial crisis. In 2009, given the economic downturn seen particularly in the first half of 2009, Brazilian LPG market decreased by 1% compared to 2008, mostly driven by the bulk segment, which decreased 4% compared to 2008. The volume of the bottled segment remained flat, given its resilient nature as an essential good.

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

Source: Sindigás (volume for 2009 according to ANP)

Income tax exemption status. Pursuant to legislation which provides tax relief for industries located in the northeast region of Brazil, Ultragas benefits from a 75% income tax reduction at the Caucaia, Mataripe, Aracaju and Suape filling plants, expiring in 2012, 2013, 2017 and 2018, respectively. Income tax exemptions amounted to R\$6.8 million, R\$7.6 million and R\$9.8 million for the years ended December 31, 2009, 2008 and 2007 respectively. We cannot guarantee that there will be no amendments to the current tax legislation. For further information see Note 10(d) to our consolidated financial statements.

Quality. We were the first Brazilian LPG distributor to receive ISO (International Standards Organization) certification for excellence in quality management. We were also the first LPG distributor in Brazil to be awarded with *Prêmio Paulista de Qualidade*, a well recognized quality award in Brazil.

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 2009, diesel represented 47.5% of the fuels distributed in Brazil, followed by gasoline, ethanol, fuel oils, NGV and kerosene, each of which represented 27.2%, 17.7%, 5.4%, 2.3% and 0.02%, 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. Credit in Brazil in December 2009 reached 45% of GDP, compared to 41% in December 2008, 35% in December 2007, 31% in December 2006 and 28% in December 2005, which, combined with an increase in disposable income in Brazil, has had a positive effect on the sales of vehicles. According to ANFAVEA (Brazilian Association of Vehicle Producers), the number of new vehicles registered in Brazil increased by 11% to 3.1 million in 2009 compared to 2008, partially as a result of the federal tax on manufactured products (IPI) break on vehicles implemented to stimulate the economy during the economic downturn, with the number of buses and trucks decreasing by 11% and the number of light vehicles increasing by 13%. Among the total vehicles sold in 2009, including trucks and buses, 84% were flex-fuel vehicles, which have engines adapted to function using either

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gasoline or ethanol, or by a combination of the two, 7% were gasoline-only fueled vehicles and the remaining 9% were powered by diesel. Since the launching of flex-fuel vehicles in Brazil in 2003, 9.7 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 is made mainly through three channels as follows:

Service stations (73% of the market in 2009), which serve final retail consumers;

Large consumers (20% of the market in 2009), mainly industries and fleets; and

Retail wholesale resellers – TRR (7% of the market in 2009), specialized resellers that distribute diesel to medium and small volume end-users.

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

The following chart shows the ethanol distribution process in Brazil:

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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 20% to 25% anhydrous ethanol. Currently, the Brazilian Minister of Agriculture sets this level at 25%. 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, 2009, there were 201 oil-derivative product distributors authorized by ANP to operate in Brazil.

Supply. Petrobras is currently the only relevant supplier of oil derivatives in Brazil. There are currently 14 oil refineries in Brazil, of which Petrobras owns 11. Brazil's total refining capacity in 2008 was 325 thousand cubic meters per day, of which Petrobras accounts for 98%. Brazilian refineries are located predominantly in the South and Southeast regions of Brazil. The overall product yield for these refineries in 2009 was 40% diesel, 19% gasoline, 13% fuel oil, 7% liquefied petroleum gas and 21% other products, including naphtha.

Ethanol is purchased from various producers. In 2009, there were more than 400 distilleries in Brazil, which produced more than 26 million cubic meters of ethanol, 26% 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 2009, 91% of such supply came from Central and Southern Brazil, between May and December, and the remainder of which comes from Northern Brazil, between September and March.

Biodiesel is purchased from the many producers of biofuels in Brazil, and can come from soy and tallow. 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. Until the adoption of the Oil Law (*Lei do Petróleo*) in 1997, the government maintained strict control over the prices that could be charged by (i) refineries to distributors, (ii) distributors to service stations and through other channels and (iii) service stations to end-users. After 1990, the Brazilian oil and gas sector was significantly deregulated and the Brazilian government changed its price regulation policies.

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, prices of oil-derivative fuels are still subject to indirect government influence, resulting in potential differences between international prices and internal 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. In May 2008, Petrobras increased diesel and gasoline prices by 15% and 10%, respectively, in order to adjust internal prices for the successive increases in international oil prices. In order to minimize the effects of the increase in oil-derivative fuels on the inflation rate, the Brazilian government simultaneously announced a reduction in CIDE tax from R\$0.28 per liter to R\$0.18 per liter for gasoline and from R\$0.07 per liter to R\$0.03 per liter for diesel. As a result of CIDE's reductions, the increase in the prices charged to the distributors was 9% for diesel and the price remained unchanged for gasoline, as CIDE's reduction compensated such increase. However, with the worsening of the global financial crisis and the consequent slowdown in the global economy, prices of commodities fell sharply, including oil prices. As a consequence, prices of gasoline and diesel in international markets as of December 31, 2009, were lower than those in Brazil. In June 2009, Petrobras reduced diesel and gasoline prices by 15% and 4.5%, respectively. The Brazilian government simultaneously announced an increase in CIDE tax from R\$0.18 per liter to R\$0.23 per liter for gasoline and from R\$0.03 per liter to R\$0.07 per liter for diesel. As a result of CIDE's increases, the decrease in the prices charged to the distributors was 10% for diesel and the price remained unchanged for gasoline, as CIDE's increase compensated such reduction. In late 2009, the increase in sugar prices in the international market coupled with the inter-harvest season in Brazil, resulted in a reduced availability of ethanol, pressuring ethanol prices up. In order to balance the

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availability of ethanol during this period, the Brazilian government reduced the proportion of anhydrous ethanol mixed to gasoline from 25% to 20% from February 1, 2010 to May 1, 2010, offsetting the effects of the reduced proportion of anhydrous ethanol in gasoline prices through the decrease in CIDE tax on gasoline from R\$0.23 per liter to R\$0.15 per liter during this period.

Ethanol prices are 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 retail wholesale resellers - 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 addition of methanol to ethanol is an example of product adulteration practiced by certain distributors or gas station owners, mainly in the State of São Paulo.

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-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 and imports.

Since 1971, Petrobras has acted in the Brazilian fuel distribution market through its subsidiary BR - Petrobras Distribuidora. BR is the leader in the fuel distribution market and in 2009 its market share reached 34%, according to ANP.

The role of the ANP. The ANP is responsible for the control, supervision and implementation of the government's policies related to oil, natural gas and biofuels. The ANP regulates all aspects of the industry, from the exploration and/or production 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 Portaria 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 by a registered distributor or retail wholesale resellers - TRR, the latter being allowed to trade only diesel, lubricants and grease. 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, and for the development and testing of new products and services. 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

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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, layout standards, tanks, training, quality control, technical and financial support, marketing and advertising support and franchises for complementary services, such as convenience stores (am/pm) and oil servicing franchises (Jet Oil).

Sindicom represents the interests of major Brazilian fuels distributors, which controlled 76% of the Brazilian fuels market as of December 31, 2009. 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 25% permitted by applicable law (anhydrous ethanol is not taxed and is 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 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 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 N° 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) supporting ANP resolution N° 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 n° 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 at 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 volumes of the formal market. In 2009, the share of ethanol volume sold by Sindicom members over the total market was 61%, compared to 60% in 2008 and 56% in 2007.

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. 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 by regulatory authority 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 approximately 21% market share and 5.5 thousand service stations as of December 31, 2009.

In 2009, Ipiranga distributed diesel, gasoline, ethanol, NGV, fuel oil, kerosene and lubricants nationwide. In addition to a traditional fuel distribution business, Ipiranga has a significant and growing convenience store business, branded am/pm, as well as a lubricant servicing business, branded Jet Oil, and other related products and services.

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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 Mid-West 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 has 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, expiring in April 2012. Until then, Ipiranga will operate with the Texaco brand in those regions.

Growth in the fuel distribution sector is directly influenced by GDP growth rates and by the size of car fleet. Vehicle sales in Brazil have been increasing at a fast pace due to higher disposable income and increased availability of credit in Brazil. The increases of Brazilian GDP of 5.1% in 2008 and 5.4% in 2007, coupled with greater availability of credit, resulted in record levels of vehicle sales. In 2009, despite the 0.2% decrease in GDP, a new record 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. 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, recent legislative changes and inspection in the fuel distribution sector have progressively curbed unfair competition, creating a level playing field in the Brazilian distribution market. These improvements should benefit the formal market by capturing the volume from the grey market.

In 2009, approximately 3.0 million new light vehicles were registered according to ANFAVEA, an increase of 13% from 2008, with flex fuel cars increasing by 14%. The total light vehicles fleet in Brazil as of December 31, 2008, according to the last available data, was 25.5 million, according to ANFAVEA. In 2009, the fuel volume sold by Ipiranga grew by 43% compared to 2008, with (i) the combined sales volume of gasoline, ethanol and NGV increasing by 59% (2,770 thousand cubic meters) driven by (a) the consolidation of Texaco's volume from the second quarter of 2009 onwards, (b) the general growth in vehicle fleet, and (c) changes to legislation implemented in the fuel distribution sector, which encouraged the expansion in the number of flex-fuel vehicles and resulted in a 80% increase in ethanol sales, and (ii) diesel sales volume increasing by 32% in the period (2,233 thousand cubic meters), as a result of the consolidation of Texaco from April 1, 2009, partially offset by a decrease in the Brazilian GDP.

Ipiranga's sales through its service stations accounted for 70% of its total sales in 2009. As of December 31, 2009, there were 5,499 service stations operating under the Ipiranga and Texaco brand, of which 636 had the land either owned by us or under a long term lease to us and 4,863 owned by third parties. In 2009, 86% of these service stations were located in urban, high population density areas, with the remaining 14% being highway service stations.

Distribution to large consumers represented 23% of Ipiranga's sales in 2009. Ipiranga had 3,328 customers in 2009, including state and municipal governments and transportation fleet owners.

Ipiranga also sells diesel, lubricants, fuel oil and kerosene to approximately 286 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 7% of Ipiranga's sales volume in 2009.

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 and is mostly provided on a spot basis. 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:

Client category	Year ended December 31, (in thousand cubic meters)		
	2009	2008	2007(1)
Diesel			
Service station	4,605.7	3,100.4	2,890.9
Large consumers	3,592.5	3,097.0	2,903.0
Retail wholesale resellers - TRR	1,078.5	846.4	796.1
Total Diesel	9,276.7	7,043.8	6,590.0
Gasoline	4,605.4	3,039.2	3,039.4
Ethanol	2,567.5	1,424.5	961.0
Others	764.3	567.2	578.1
Total volume sold	17,213.8	12,074.7	11,168.5

(1) Figures include Ipiranga's results of operations for the entire year and are being presented for comparison purposes only. Ultrapar has been consolidating Ipiranga's results of operations into its financial statements from the second quarter of 2007 onwards and, accordingly, sales of Ultrapar derived from Ipiranga's operations in 2007 are materially lower than figures shown in the table above.

Distribution infrastructure. Ipiranga had 68 storage terminals as of December 31, 2009, 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 56% of the volume of fuels sold by Ipiranga in 2009, with the remaining portion of the transportation provided by third parties.

Resellers. Ipiranga generally enters into three types of arrangements with resellers: (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. For all of these arrangements Ipiranga not only owns, but is also responsible for installing the storage tanks and service pumps at the service stations. 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, 2009, approximately 70% of Ipiranga's volume sold was through resellers.

In order to strengthen its relationship with its reseller network and differentiate itself from its competitors, Ipiranga has created incentive programs aiming at strengthening loyalty to Ipiranga's brand. As part of these incentive programs Ipiranga provides yearly rewards to its service station owners with free trips abroad through the relationship program *Clube do Milhão* (Million Club) upon the accomplishment of pre-established targets. Ipiranga also establishes relationship programs with service stations' employees, such as *Clube Vip* (VIP Club), in order 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) and premium gasoline. Training programs are given 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 and providing differentiated customer service, in 2008 Ipiranga launched Ipirangashop.com, a service which is intended 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 the offering of some 18,000 items in a website. Ipirangashop.com is a partnership with Grupo Hermes, a large retailer in Brazil, which is in charge of the operational aspects of this service, including the purchase, inventory and delivery of the goods 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 the *Km de Vantagens*, a customer incentive program that awards points in connection with purchases 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. Ipiranga developed strategic partnerships to broaden the scope of the program and the benefits for its clients and resellers, including

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partners in the areas of entertainment, tourism, magazines, among others. The *Km de Vantagens* program reached 2.4 million clients in the end of 2009. In 2009, Ipiranga am/pm convenience stores, the largest convenience store network in Brazil, launched some initiatives to increase product offer through the launch of private label products and the introduction of the am/pm bakeries. The Jet Oil units, Ipiranga's lubricant changing and automotive service specialized network, ended 2009 with 577 franchises. Based on the success of Jet Oil, Ipiranga launched in 2009 the Jet Oil Motos, which offers a pioneering specialized oil-changing service for motorcycles in Brazil.

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In addition, we monthly analyze our service stations and franchises' results and compare them to established marketing plans in order to recognize and implement improvements for our resellers' network, as well as to identify resellers who surpassed their individual targets and should 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 independent 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.

Prices of ethanol are determined by the market in Brazil with no governmental intervention. Producers and distributors mostly trade ethanol on a spot basis and rarely enter into long-term supply contracts (with set volume and price terms).

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.

Storage of fuels. Ipiranga stores its fuels in large tanks at each of its facilities located throughout the regions in which it operates. Primary facilities receive fuels directly from Petrobras by pipeline and from distilleries by railroad and road transportation and secondary facilities are supplied by railroad and truck. See Item 4.D. Information on the Company Property, Plant and Equipment. In 2009, Ipiranga's storage capacity was 470,694 cubic meters. Based on its 2009 average sales, Ipiranga can store for approximately ten 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 2009 were:

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.

Shell, a subsidiary of Royal Dutch Shell, which has a worldwide presence in more than 110 countries. In Brazil, Shell is the third largest fuel distributor and has been operating in the market since 1913.

Esso has been operating in Brazil since 1912 and was a subsidiary of Exxon Mobil Corporation group until 2008, when Cosan S.A. Indústria e Comércio (Cosan) acquired Esso's fuel distribution business in Brazil. Cosan is the largest producer of sugar and ethanol in Brazil, but until the acquisition it did not operate in the fuel distribution market. In January 2010, Cosan announced that they have entered into a non-binding memorandum of understanding with Shell International Petroleum Company Limited, a subsidiary of Royal Dutch Shell, for the creation of a joint venture combining certain of their respective assets. Both companies would contribute, among other assets, with their respective fuel distribution business.

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

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

Distributor(1)	Year ended December 31,		
	2009	2008	2007
Petrobras	34.0	34.4	34.6
Ipiranga(2)	20.9	13.8	14.2
Shell	12.1	11.7	11.4
Texaco		8.2	8.8
Cosan	5.5	5.3	5.7
Alesat(3)	4.2	3.7	4.1
Others	23.3	22.8	21.2
Total cubic meters	100.0	100.0	100.0

- (1) Volume sold of gasoline, ethanol and diesel.
(2) Includes Texaco's volume for the entire year of 2009.
(3) Includes Repsol.

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The retail market for gasoline, diesel and ethanol in Brazil is highly competitive. Prices to retailers tend to be similar among competing distributors, particularly due to low margins in the sector. 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 customer choice. In line with this strategy, in 2009 Ipiranga launched an innovative client incentive 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, 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 made 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*. In order 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, ethanol and natural gas for vehicles (Source: ANP, Brasil Energia and Sindicom).

Quality. In 1998, Ipiranga's terminal in Londrina, in the state of Paraná, 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). In 1999, Ipiranga's Betim Terminal obtained ISO 9001 and ISO 14001 certifications and OHSAS 18001 (Safety and Occupational Health Management System) in 2008. Currently, Ipiranga adopts an environmental policy through SIGA (Ipiranga Environmental Management System), which includes safety, occupational health, environment, social responsibility and quality aspects.

Petrochemicals and Chemicals

Industry and Regulatory Overview

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

First generation companies. Brazil's first generation companies, which are referred to as crackers, break down or crack naphtha (a by-product of the oil refining process), their principal feedstock, into basic petrochemicals. In Brazil, the crackers supply

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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, with three plants, located in Camaçari, in Triunfo and in Mauá (the recently acquired Quattor Química) Brazil's three naphtha crackers 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 terephthalic acid, or PTA, produced from p-xylene.

In 2009, there were 47 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 6,000 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. Its cracker, Quattor Química, recently acquired by Braskem, supplies first generation petrochemicals to 26 second generation companies including Oxiteno. Quattor Química has an ethylene production capacity of 720,000 tons per annum.

The southern complex, located in the municipality of Triunfo in the state of Rio Grande do Sul, is based around the raw materials cracker, Braskem, and includes six second generation companies. Braskem's plant in Triunfo has an ethylene production capacity of 1.2 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, RioPol, a subsidiary of Quattor 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 520,000 tons per year. All of RioPol's ethylene production is used in its own polyethylene production.

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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 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.

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

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. Oxiteno is the only Brazilian producer of ethylene oxide, ethylene glycols, ethanolamines, glycol ethers and methyl-ethyl-ketone. Oxiteno is also a major producer of specialty chemicals. 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, 2009, Oxiteno sold 634 thousand tons of chemical and petrochemical products.

Oxiteno's strategic focus is to provide a broad coverage of the ethylene oxide and derivatives, maintaining a leading position in these markets that strengthens 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, ethylene glycol and methyl-ethyl-ketone, or MEK. 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.

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 2009, Oxiteno used approximately 97% of its ethylene oxide production in the production of derivatives and sold the remaining 3% to other petrochemical 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.

Methyl-ethyl-ketone. Methyl-ethyl-ketone, or MEK, a clear, volatile, flammable liquid at room temperature and atmospheric pressure, is Oxiteno's principal commodity chemical not produced from ethylene oxide. MEK is used as a fast evaporation solvent for thinners, paints, lacquers and adhesives and also as an active solvent for several resins such as cellulose, acrylics, polyesters, polyurethanes, PVC, neoprene and maleic.

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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.
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.
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.
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 preventer, mutual solvent, surfactant, antifouling, glycols, ethanalamines 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.

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, 2009, 2008 and 2007, 31%, 29% and 29% of Oxiteno's net sales, respectively, were from sales outside Brazil. For the years ended December 31, 2009, 2008 and 2007, 32%, 30% 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.

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

Market sector	Year Ended December 31,		
	2009(1)	2008(1)	2007(1)
	(in thousand metric tons)		
Polyester (fabrics and PET)	27.6	18.5	75.3
Polymers	27.3	33.5	33.0
Coatings	36.9	37.1	36.9
Distributors	70.2	59.9	62.6
Home and personal care	92.7	83.3	84.1
Hydraulic Fluids	29.7	31.1	31.1
Crop protection chemical	88.9	80.3	71.6
Textiles, Leather and Paper	15.2	15.9	15.9
Oil and Gas	33.2	26.8	36.3
Others(2)	8.0	10.3	11.6
Total Brazilian market	429.8	396.8	458.3

(1) Figures in 2009, 2008 and 2007 were reclassified to reflect the current structure of market sector and management responsibility.

(2) Includes catalysts, civil construction, pharmaceutical and food.

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 *reals*. 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 region, NAFTA region, Far East and Europe. In Europe, Oxiteno exports mainly to the Netherlands, Belgium, Turkey and Italy. In the Far East, Oxiteno exports to China, Taiwan 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,					
	2009		2008		2007	
	(in thousand metric tons and percentage of the total)					
From Oxiteno Brazil						
Mercosur (not including Brazil)	48.3	24%	38.6	23%	53.2	28%
Europe	19.2	9%	27.4	16%	37.3	20%
Far East	24.7	12%	19.4	11%	25.5	13%
NAFTA	33.6	16%	11.0	6%	20.7	11%
Other	13.0	7%	9.0	5%	12.7	7%
Sub-Total	138.8	68%	105.4	62%	149.4	79%
From Oxiteno Mexico						
Mexico	32.1	16%	24.4	14%	20.2	11%
USA	10.4	5%	15.7	9%	8.7	5%
Other	6.0	3%	6.1	4%	5.9	3%
Sub-Total	48.5	24%	46.2	27%	34.8	19%
From Oxiteno Andina						
Venezuela	16.6	8%	17.0	10%	4.7	2%
Other	0.7	0%	1.9	1%	0.3	0%
Sub-Total	17.3	8%	18.9	11%	5.0	2%
Total	204.6	100%	170.5	100%	189.2	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 being faced by CANAMEX. Currently, most of Oxiteno Mexico's production is sold to the domestic Mexican market, largely for the food, agricultural, 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, 2009, Oxiteno Mexico's sales volume totaled 48,478 tons, representing a 5% growth compared to the year ended December 31, 2008, despite the volatile economic environment mainly faced in 2009 due to the world financial crisis, and a 25% 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 Química Andina in Santa Rita, Venezuela (renamed Oxiteno Andina). With this acquisition, Oxiteno increased its ethoxylates production capacity by 70,000 tons/year. For the year ended December 31, 2009, Oxiteno Andina's sales volume totaled 17,305 tons.

As part of our strategy to grow outside of Brazil, we opened commercial offices in Argentina in 2006, in the United States in 2007 and in Belgium in 2008.

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 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.

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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.

Oxiteno's principal customers in the domestic market include Monsanto, which mainly purchases ethanolamines, Clariant S.A., which mainly purchases ethylene oxide and ethoxylated products, and Indústrias Gessy Lever Ltda. (Unilever) and Procter & Gamble, which mainly purchase surfactants. In the international market, Oxiteno sells both to industrial customers, including Monsanto US, Unilever Argentina, Syngenta and Mafisa, as well as trading companies and other third-party distributors. In 2009, Oxiteno's ten largest customers accounted for 29% of its net sales. No single customer accounted for more than 7% of Oxiteno's net sales in such year.

Competition. Oxiteno competes in the domestic 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, Exxon Mobil, Dow Chemical, Lyondell Brasil, Cognis, Clariant S.A., BASF S.A. and Rhodia.

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, 2009, 103 employees of Oxiteno were engaged in research and development and engineering activities. Oxiteno's research and development expenditures in 2009, 2008 and 2007 were R\$20.5 million, R\$18.5 million and R\$19.4 million, respectively. In 2004, Oxiteno founded its own Science and Technology Council, with six of the world's major specialists in surfactants as members. These specialists, with experience in the surfactant industry or in the academic environment in the US, Europe and Latin America, follow the trends and opportunities in the sector. The council, currently composed of five specialists, meets once a year in September 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.

Raw materials. Oxiteno's principal raw material is ethylene. For the year ended December 31, 2009, ethylene was responsible for 35% of Oxiteno's variable costs of production and approximately 29% 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. Ethylene is difficult and expensive to transport and store 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, including Braskem and Quattor Química, are largely dependent for their sales upon the second generation petrochemical companies, such as Oxiteno, located in the respective petrochemical complexes. However, ethylene oxide derivatives are regularly imported by the major international petrochemical companies and by international and domestic trading companies.

Ethylene supply. Ethylene is used for the production of ethylene oxide at the Camaçari plant and the Mauá plant. Braskem and Quattor Química supply all of Oxiteno's ethylene requirements for the Camaçari plant and Mauá plant, respectively, 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.

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Oxiteno has a long term contract with Braskem governing the conditions for the supply of ethylene from Braskem to Oxiteno. Under the terms of the agreement, Oxiteno is currently required to purchase and Braskem is currently required to supply at least 190,000 tons of ethylene per year and for 2011 the parties will be required to purchase and supply at least 220,000 tons. After the conclusion of the ethylene oxide production capacity expansion at Oxiteno's Camaçari plant in 2011, Braskem will be required to supply Oxiteno with up to 265,000 tons of ethylene per year until 2021. The minimum purchase commitment is subject to proportional reduction in the case of scheduled shutdowns in the supplier's and/or Oxiteno's facilities. The supply price is indexed to ethylene prices on international markets and on the volume purchased by Oxiteno.

In August 2008, Oxiteno signed an ethylene supply agreement with Quattor Química that expires in 2023. 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 19,800 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 any 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 (including Quattor Química) 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 August 2008 to our plant in Mauá. Until July 2006, the price of ethylene supplied by Braskem was determined by a margin sharing mechanism established in March 1997. Prior to March 1997, the price of ethylene was negotiated between Braskem and its ethylene customers on a monthly basis.

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

	NWE (US\$/ton)
2009	
First Quarter	772.50
Second Quarter	939.23
Third Quarter	1,171.51
Fourth Quarter	1,246.27
Maximum Price in Year	1,274.02
Minimum Price in Year	680.36
Year Average	1,032.38
2008	
First Quarter	1,536.52
Second Quarter	1,622.84
Third Quarter	1,845.24
Fourth Quarter	1,462.44
Maximum Price in Year	1,937.83
Minimum Price in Year	1,418.62
Year Average	1,616.76
2007	
First Quarter	1,118.01
Second Quarter	1,199.86
Third Quarter	1,274.85
Fourth Quarter	1,368.33
Maximum Price in Year	1,384.82
Minimum Price in Year	1,106.69
Year Average	1,240.26

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, 2009, other raw materials, principally palm kernel oil, C4, butyl alcohol, acetic acid, nonene, phenol, primary fatty amine, fuel oil, ethanol, oxygen, base oils, ammonium and other accounted for approximately 31% of Oxiteno's variable costs and 26% 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. Steam, electric power 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 industries located in the northeast region of Brazil, Oxiteno benefited from an income tax exemption on operating profits from sales of its products at the Camaçari plant until December 2006. In December 2006, the Camaçari plant's income tax exemption expired and a request was filed with ADENE (Northeast Development Agency), the agency in charge of managing this incentive program, seeking a 75% income tax reduction until 2016. The income tax reduction was approved by ADENE in May 2007. Income tax exemptions amounted to R\$13.0 million, R\$31.1 million and R\$24.1 million for the years ended December 31, 2009, 2008 and 2007, respectively. We cannot guarantee that there will be no amendments to the current tax legislation. For further information see Note 10(d) to our consolidated financial statements.

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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 take place at the same time as the shutdowns for the change of the ethylene oxide catalyst. In the case of the ethylene oxide and ethylene glycol units at the Mauá and Camaçari plants, which have continuous production processes, maintenance is preferably scheduled for periods when the relevant cracker, which supplies ethylene to the plant, is scheduled to be shut down for maintenance. Each cracker is typically shut down for maintenance for a period of approximately 20 days every 36 to 48 months. The same happens to the Triunfo plant, which receives C4 from Braskem. In the case of the other production units at such plants and the Tremembé plants, maintenance is performed during scheduled breaks in production. 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, the Brazilian Chemical Industries Association, 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, in late 2008, the share of renewable raw materials in Oxiteno's costs reached 18% in 2009, compared with 8% in 2005.

Logistics

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 at port terminals and rail junctions in Brazil. Transportation services at Ultracargo include integrated multimodal transportation as well as the receiving and dispatching of customer's goods. Ultracargo also offers ship loading and unloading services, the operation of pipelines, logistics programming and installation engineering. Ultracargo's ten largest clients accounted for 55% of its revenues in 2009, with its three largest clients, Braskem, Petrobras and Oxiteno accounting for 21%, 6% and 5%, 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 approximately 75% of all tank capacity for liquids at the Aratu Terminal 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 approximately 26% of the Brazilian foreign trade in 2009 (US\$281 billion in 2009). The Santos Intermodal Terminal (TIS), inaugurated in mid-2005, has become the largest storage facility operated by Ultracargo after the integration of the terminals acquired from União Terminais in 2008.

As of December 31, 2009, Ultracargo operated a fleet of approximately 490 trucks and storage facilities with a capacity of 625,462 cubic meters, including 83,400 cubic meters derived from the asset acquisition of Puma, and an area of 30,200 square meters. See Item 4.A. Information on the Company History and Development of the Company . Ultracargo's history is one of pioneering logistics solutions in the Brazilian market. In March 2010, Ultrapar announced that it has entered into a sale and purchase agreement to sell the in-house logistics, solid bulk storage and road transportation businesses of Ultracargo so that it can focus exclusively on its liquid bulk storage business. The transaction is expected to close by mid-2010. See Item 4.A. Information on the Company History and Development of the Company Recent Developments .

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Transportation. Ultracargo's principal market for transportation is the chemical industry, for which transportation is provided by trucks between and among port terminals and first, second and third generation petrochemical companies operating at the various petrochemical complexes. Ultracargo has been establishing long-term relationships with key companies in the chemical industry, and provides its services on a negotiated basis with each individual customer.

Ultracargo, through a fleet of tanker trucks, offered in 2009 transportation services for chemical products, fuels and other special bulk cargo in several major industrial regions in Brazil. In 2009, Ultracargo operated a fleet of approximately 640 trucks and, in the years ended December 31, 2009, 2008 and 2007, transported approximately 1.5 million, 2.2 million and 2.1 million tons, respectively.

In the LPG distribution industry, Ultracargo provides bulk transportation from Petrobras facilities to filling stations of the distributors and between the distributors and their final industrial clients.

In 1997, Ultracargo began operating in the market for bulk transportation of solid chemical products, an important sector of the transport business in the domestic market in which products are transported utilizing special silos and semi-trailers. Ultracargo believes that it has a competitive advantage to offer to clients in certain segments that require outstanding quality and safety standards. For the year ended December 31, 2009, Ultracargo transported approximately 1.5 million tons of products, of which 715 thousand tons were solid chemical products and 186 thousand tons were LPG.

In March 2010, Ultrapar announced that it has entered into a sale and purchase agreement to sell the in-house logistics, solid bulk storage and road transportation businesses of Ultracargo so that it can focus exclusively on its liquid bulk storage business. The transaction is expected to close by mid-2010. See Item 4.A. Information on the Company History and Development of the Company Recent Developments .

Transportation regulation. Ultracargo's principal market for transportation is the chemical industry. Therefore, besides the general Brazilian transport regulation (National Code of Traffic Law 9,503/1997), Ultracargo is subject to specific legislation that rules the transportation of hazardous products, mainly Decree 96,044/88, Portaria 204 of the Ministry of Transportation and Resolution 420/04 of the National Agency of Road Transportation. According to these regulations, a vehicle transporting hazardous materials must have clear indication of what kind of products are being transported as well as carry symbols identifying whether the material is inflammable. The vehicle is also subject to INMETRO *Instituto Nacional de Metrologia, Normalização e Qualidade Industrial* inspection every three years in order to attest that it complies with the current legislation. The regulation also provides specific rules regarding parking, travel itinerary, documentation and emergency procedures. Violations of the legislation are subject to monetary fines and cancellation of the registry for product transportation.

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 five storage terminals in Aratu and Camaçari 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.

Ultracargo completed the construction of another intermodal terminal in Santos (TIS) 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 64,000 square meters that hosts 33,500 cubic meters of tankage space for chemical products, 40,000 cubic meters for ethanol and 38,000 cubic meters for vegetable oils. The terminal was built in partnership with Crystalsev and Cargill/Coinbra.

In 2007, Ultracargo added 9,300 square meters to its solid products storage area through: (i) Suape's Logistics Terminal (TLS), in Suape, Pernambuco, with a 3,300 square meter area; (ii) Mauá's Logistic Terminal (TLM) in Mauá, São Paulo, with a 4,800 square meter area; and (iii) the expansion of Camaçari Terminal adding 1,200 square meters. Ultracargo also expanded its liquid storage capacity with the addition of 10,000 cubic meters to Aratu.

In 2008, Ultracargo added 183,925 cubic meters to its liquid bulk storage capacity through: (i) the acquisition of União Terminais which added 169,775 cubic meters and (ii) the expansion of its terminal in Aratu, adding 14,150 cubic meters. Ultracargo also expanded its solid storage capacity with an additional 10,200 square meters in its Mauá Logistic Terminal.

In 2009, Ultracargo added 95,400 cubic meters to its liquid bulk storage capacity through (i) the acquisition of Puma's assets in Suape, adding 83,400 cubic meters and (ii) the expansion of its terminal in Aratu, adding 12,000 cubic meters.

Income tax exemption status. Pursuant to legislation which offers tax relief to industries located in the northeast region of Brazil, Ultracargo enjoys a 75% reduction in income tax on the total operating profits from its Aratu terminal, valid through 2012, and a 75% reduction in income tax on operating profits from acetic acids and butadiene product storage activities at the Suape Terminal, valid through 2015. For the years ended December 31, 2009, 2008 and 2007, tax breaks totaled R\$0.8 million, R\$1.6 million and R\$0.8 million, respectively.

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We cannot assure that there will be no amendments to the current legislation. For further information see Note 10(d) to our consolidated financial statements.

Quality. In 2007, Ultracargo's main terminal in Aratu obtained an ISO 14,000 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. Ultracargo was a pioneer in its segment to obtain ABIQUIM's System for the Evaluation of Safety, Health, Quality and the Environment (SASSMAQ) in 2001, having been re-certificated in 2009. The purpose of the system is to ensure that service providers in this industry comply with the technical standards required by the chemical industry, reducing, therefore, the risks in transportation and distribution. Paulínia Intermodal Terminal (TIP) 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 and ISO 18001:2007 in 2009.

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 and asphalt. During 2006, the Ipiranga Group faced difficulties in keeping its refinery operating at full capacity, due to an increase in international oil prices, to which the refinery's costs are linked, without a corresponding increase in oil derivatives prices in Brazil. This led the Ipiranga Group to suspend its operations for five months during that year. In 2009, the average production of the refinery was 13,858 barrels per day, which represented 82% 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 2009, the adjusted EBITDA from RPR operations consolidated into Ultrapar's adjusted EBITDA amounted to R\$32.8 million, corresponding to 2% of Ultrapar consolidated adjusted EBITDA for the year.

From the last quarter of 2007 to December 2008, RPR faced a challenging operating scenario, due to costly raw materials and market selling prices below international benchmarks. In 2009, RPR's results were benefited from lower oil prices. Although raw materials prices have remained stable in the first quarter of 2010, no assurance can be given that the company will continue to operate 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 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\$1,050 million, as of December 2009.

We have additional 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.

Finally, we also have group life insurance, personal accident insurance, health insurance, domestic and international transportation and other risks insurance.

We believe that our insurance covers, in all material respects, the risks to which we are exposed and is in line with industry standards in Brazil. 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.

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C. Organizational Structure

The following chart shows our organizational structure for our principal subsidiaries as of December 31, 2009:

- (1) Percentages represent approximate ownership of voting share capital and total capital (voting capital/total capital).
- (2) Minority participations in Utingás are mainly held by Liquigás Distribuidora S.A. and SHV Gas (31% and 8% of voting capital, respectively).
- (3) RPR was a wholly owned subsidiary of Ultrapar, jointly managed by Petrobras, Ultrapar and Braskem since it was acquired from the Ipiranga Group pursuant to the Ipiranga Group Transaction Agreements. Accordingly, since the acquisition of the Ipiranga Group, RPR's results have been proportionally consolidated into Ultrapar's financial statements. In February 2009, Braskem and Petrobras became direct shareholders of RPR by participating in its capital increase. See Item 4.B. Information on the Company Business Overview Oil Refining and See Item 4.A. Information on the Company History and Development of the Company .

We conduct LPG distribution through Ultragaz. Ultragaz operates through three primary subsidiaries, Cia Ultragaz, Bahiana, and Utingás. The first two companies operate in the filling and distribution of LPG bottles. Bahiana operates primarily in the Northeast regions of Brazil and Cia Ultragaz serves South, Southeast and Mid-West regions of Brazil. Utingás is an LPG storage company, with facilities in the states of São Paulo and Paraná.

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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. See Item 4.A. Information on the Company History and Development of the Company. Ipiranga covers the distribution and marketing of petroleum products, fuel ethanol and NGV throughout Brazil. IPP also controls am/pm, the master franchisor of the am/pm brand in Brazil and Tropical Transportes, which provides transportation services for Ipiranga and other fuel distributors.

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, including the acquired plant of Unión Química. Oxiteno Andina operates one plant located in Venezuela. Oleoquímica is the subsidiary through which we built a fatty alcohol plant in Camaçari.

We conduct special bulk cargo logistics through our wholly owned subsidiary, Ultracargo, which operates through two main subsidiaries, Tequimar and Transultra. Transultra provides transportation services throughout Brazil, and Tequimar maintains storage facilities at five port terminals located near two of the main petrochemical complexes in Brazil, Camaçari and São Paulo. In March 2010, Ultrapar announced that it has entered into a sale and purchase agreement to sell the in-house logistics, solid bulk storage and road transportation businesses of Ultracargo so that it can focus exclusively on its liquid bulk storage business. The transaction is expected to close by mid-2010. See Item 4.A. Information on the Company History and Development of the Company Recent Developments.

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

D. Property, Plants and Equipment

Ultragas

Ultragas LPG distribution network includes 15 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. Ultragas also operates LPG storage bases, known as satellite bases for supplying our bulk trucks. Ultragas 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. Part of the LPG transported by truck from Petrobras to Ultragas's secondary plants is transported by Ultracargo's fleet of tanker trucks on an arm's-length basis. 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.

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The following table sets forth the total storage capacity, total filling capacity (assuming one 8-hour shift per day) during 2009 and the 2009 average filling utilization for each of Ultragas's primary and secondary filling stations and satellite stations.

Base	Type	Total storage capacity (in tons)	Filling capacity (in tons per month)	2009 average filling utilization rate
Capuava	Primary	720	13,136	94%
Santos	Primary	960	3,727	76%
São José dos Campos	Primary	960	4,725	84%
Rio de Janeiro	Primary	500	8,029	77%
Barueri	Secondary	1,500	4,100(1)	122%
Araraquara	Satellite	60		
Mauá	Satellite	720		
Pouso Alegre	Satellite	60		
Paulínia	Primary	1,500	9,827	98%
Araucária	Primary	240	9,677	82%
Canoas	Secondary	600	4,694	87%
Betim	Secondary	882	7,658	90%
Ribeirão Preto	Secondary	180	4,679(1)	103%
Goiânia	Secondary	360	3,512	80%
São José do Rio Preto	Satellite	60		
Araçatuba	Satellite	180		
Bauru	Satellite	120		
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	57		
Sorocaba	Satellite	115		
Mataripe	Primary	900	13,512(1)	108%
Suape	Primary	500	3,620(1)	147%
Caucaia	Secondary	420	4,304(1)	113%
Aracaju	Secondary	240	4,246	90%
Juazeiro	Satellite	60		
João Pessoa	Satellite	30		
Pirajá Salvador	Satellite	60		
Total		12,464	99,446	97%

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

In addition, Ultragas maintains headquarters in the city of São Paulo and regional offices in the areas in which it operates. Ultragas also maintains 66 retail stores.

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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 retail wholesale resellers – TRRs. Distributors own their own 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 2009.

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Base	Type	Ownership structure of Storage Terminal	Storage Capacity(m³)
Açailândia	Secondary	JO operated by others(2)	2,360
Araucária	Primary	TPA(1)	188
Araucária	Primary	JO operated by others(2)	46,646
Bagé	Secondary	Owned	5,199
Barcarena	Primary	Owned	9,180
Barra do Pirai	Secondary	MRS(3)	450
Barueri	Primary	TPA(1)	8,285
Bauru	Secondary	TPA(1)	1,205
Bauru	Secondary	JO operated by others(2)	3,292
Belém	Primary	Owned	11,645
Betim	Primary	JO operated by Ipiranga(2)	13,255
Betim	Primary	TPA(1)	1,300
Betim	Primary	JO operated by others(2)	11,659
Biguaçu	Primary	TPA(1)	3,130
Brasília	Primary	JO operated by others(2)	2,561
Cabedelo	Primary	TPA(1)	4,741
Campo Grande	Secondary	Owned	2,252
Campos	Secondary	JO operated by Ipiranga(2)	4,213
Canoas	Primary	Owned	39,324
Canoas	Primary	TPA(1)	4,410
Cascavel	Secondary	Owned	2,839
Caxias	Primary	Owned	31,763
Caxias	Primary	TPA(1)	2,255
Caxias	Primary	JO operated by others(2)	7,349
Cruz Alta	Secondary	Owned	4,372
Cubatão	Primary	TPA(1)	3,340
Cuiaba	Secondary	TPA(1)	470
Embiruçu	Primary	JO operated by Ipiranga(2)	5,197
Fortaleza	Primary	TPA(1)	6,387
Goiânia	Primary	JO operated by others(2)	6,345
Governador Valadares	Secondary	Owned	2,603
Guaramirim	Primary	TPA(1)	980
Guarapuava	Secondary	Owned	3,100
Guarapuava	Secondary	TPA(1)	1,220
Guarulhos	Primary	TPA(1)	1,850
Itabuna	Primary	TPA(1)	277
Itaguaí MRS	Secondary	MRS(3)	630
Itajaí	Primary	JO operated by Ipiranga(2)	8,721
Jequié	Primary	JO operated by others(2)	1,831
Juazeiro	Secondary	JO operated by others(2)	1,093
Londrina	Secondary	JO operated by Ipiranga(2)	3,815
Macapá	Secondary	Owned	4,454
Maceió	Primary	JO operated by others(2)	5,620
Manaus	Primary	Owned	1,698
Manaus	Primary	TPA(1)	600
Marabá	Secondary	TPA(1)	213
Maringá	Secondary	TPA(1)	3,640
Montes Claros	Secondary	TPA(1)	892
Munguba	Secondary	Owned	12,139
Ourinhos	Secondary	Owned	6,982
Passo Fundo	Primary	JO operated by Ipiranga(2)	6,909
Paulínia	Primary	Owned	9,943
Paulínia	Primary	TPA(1)	2,170
Paulínia	Primary	JO operated by Ipiranga(2)	29,284

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Base	Type	Ownership structure of Storage Terminal	Storage Capacity(m ³)
Porto Velho	Secondary	TPA(1)	1,900
Pres. Prudente	Secondary	Owned	2,679
Ribeirão Preto	Primary	JO operated by others(2)	10,677
Rio Grande	Secondary	TPA(1)	1,070
Santa Maria	Secondary	Owned	5,840
São Brás Suaçui	Secondary	MRS(3)	2,737
São Caetano	Primary	Owned	20,707
São Francisco do Conde	Primary	TPA(1)	3,010
São José do Rio Preto	Secondary	Owned	5,877
São José dos Campos	Primary	JO operated by others(2)	5,099
São José dos Campos	Primary	TPA(1)	550
São José dos Campos	Secondary	MRS(3)	232
São Luis	Primary	JO operated by Ipiranga(2)	11,299
Suape	Primary	JO operated by others(2)	16,921
Teresina	Secondary	JO operated by others(2)	3,640
Uberaba	Primary	TPA(1)	1,810
Uberlândia	Primary	JO operated by others(2)	6,987
Vitória	Primary	TPA(1)	13,380
Total			470,694

(1) Third party agreements.

(2) Joint-operated with other distributors.

(3) Storage terminal owned by 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	260,000
Mauá	90,000
Tremembé	
Triunfo	
Suzano	
Total	350,000

Ethylene oxide is primarily an intermediate material used in the production of ethylene oxide derivatives. Only approximately 3% of Oxiteno's sales volume in the year ended December 31, 2009 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.

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.

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In October 2008, Oxiteno began operations of its oleochemicals unit in Camaçari, with a processing capacity of 100,000 tons of vegetable oil per year (especially palm kernel oil), for the production of approximately 100,000 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 120,000 tons to the capacity of these products. 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 metric tons per year)
Ethylene oxide	260,000
Ethylene glycols	285,000
Ethanolamines	110,000
Glycol ethers	25,000
Ethoxylated derivatives	200,000
White Mineral Oils	60,000
Fatty Alcohols	77,000
Fatty Acids	7,000
Glycerin	11,000

In 2009, the Camaçari plant operated at 68% of its production capacity.

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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 metric tons per year)
Ethylene Oxide	90,000
Ethylene Glycols	40,000
Glycol Ethers	40,000
Acetates	72,000
C4+C5 Alcohols	10,000
Ethoxylated Derivatives	106,000
Alkylation	17,000
Esterification	4,000
Emulsification	3,000
Hydraulic fluids	30,000

In 2009, the Mauá plant operated at 69% of its production capacity.

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

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

Units	Capacity (in metric tons per year)
Esterification	10,000
Specialties	15,000
Sulfonation/Sulfation	30,000
Betaines	10,000
Hydraulic fluids	3,200
Naphthalenes Sulfonates	9,000
Agricultural Blends	11,000

In 2009, the Tremembé plant operated at 79% of its production capacity.

Suzano plant. In 2007, Oxiteno began operating a sulfonation and sulfation plant in Suzano, with a production capacity of 13,300 tons per year. This plant is managed by the Tremembé plant staff. In 2009, the Suzano plant operated at 67% 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 metric tons per year)
Oxygenated solvents	42,000

In 2009, the Triunfo plant operated at 96% of its production capacity.

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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, 2009, the Coatzacoalcos plant had a production capacity of 56,000 tons per year of ethoxylates and 8,000 tons per year of alkyphenols; the Guadalajara plant had a production capacity of 32,000 tons per year of specialty chemicals and San Juan del Río had a production capacity of 11,000 tons per year of specialty chemicals. In 2009, the Guadalajara, the Coatzacoalcos and San Juan del Río plants operated at an average rate of 64%, 60% and 84% of their production capacity, respectively. With the acquisition of Oxiteno Andina in September 2007, Oxiteno acquired a specialty chemical plant in Venezuela.

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As of December 31, 2009, the Santa Rita plant had a production capacity of 70,000 tons per year of ethoxylates.

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	11,000
Ethoxylated derivatives - Guadalajara plant	19,000
Esterification - Guadalajara plant	13,000
Sulfonation/Sulfation - San Juan del Río	8,000
Alkoxyated derivatives - Santa Rita	70,000

Ultracargo

The following tables set forth the principal products stored at, and the storage capacity operated by, Ultracargo's facilities at December 31, 2009, and the average utilization of Ultracargo's facilities during 2009.

Facility	Capacity (in cubic meters)	Average utilization %	Product Lines
Aratu (Bahia)	192,600	99%	Glycols, aromatics, acrylates, acrylonitrile, EDC, TDI, normal paraffins, linear alkyl benzene (LAB), linear alkyl sulphonate (LAS), methanol, ethers, alcohols, caustic soda, vegetable oil, fuels, PKO and Estearin.
Montes Claros (Minas Gerais)	4,400	138%	Fuels
Suape (Pernambuco)(2)	132,010	99%	Fuels, VAM, acetic acid, styrene, butadiene, glycols
Santos (São Paulo)	239,096	132%	Chemicals, fuels, lubricants, ethanol and vegetable oils
Rio de Janeiro(1)	16,920	100%	Chemicals and lubricants
Paranaguá(1)	29,955	66%	Chemicals and vegetable oils
Paulínia Solid Bulk (São Paulo)	1,881	0%	PET
Paulínia Liquid (São Paulo)	8,600	77%	Phenol, LAB, LAS, Ethanol
Total	625,462	95%	

(1) Terminals acquired through the acquisition of União Terminais

(2) Includes capacity from the terminal acquired in Suape. See Item 4.A. Information on the Company - History and Development of the Company.

Facility(1)	Area (in square meters)	Average utilization %	Product Lines
Paulínia (São Paulo)	6,000	109%	Chemicals and special bulk cargo
Tatuí (São Paulo)	2,400	53%	Chemicals and special bulk cargo
Camaçari (Bahia)	4,000	54%	Chemicals and special bulk cargo
Mauá (São Paulo)	14,500	91%	Chemicals and special bulk cargo
Suape (Pernambuco)	3,300	41%	Chemicals and special bulk cargo
Total	30,200	70%	Chemicals and special bulk cargo

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- (1) In March 2010, Ultrapar announced that it has entered into a sale and purchase agreement to sell the in-house logistics, solid bulk storage and road transportation businesses of Ultracargo so that it can focus exclusively on its liquid bulk storage business. This transaction is expected to close by mid-2010. See Item 4.A. Information on the Company History and Development of the Company Recent Developments .

For more information about further investments to our property, plant and equipment, see Item 4.A. Information on the Company History and Development of the Company Investments .

Collateral

As of December 31, 2009, R\$38.7 million of our consolidated debt was secured by property, plant and equipment.

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ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. Operating Results

You should read this discussion together with our consolidated financial statements, including the notes thereto, and other financial information included elsewhere in this annual report and in conjunction with the financial information included under Item 3.A. Key Information Selected Consolidated Financial Information . Our consolidated financial statements are prepared in *reais* in accordance with Brazilian GAAP and the accompanying notes contain a description of the principal differences between such practices and U.S. GAAP, and a reconciliation to U.S. GAAP of net income for each of the three years ended December 31, 2009, 2008 and 2007 and shareholders' equity for the periods ended December 31, 2009 and 2008. Our consolidated financial statements as of and for the years ended December 31, 2009, 2008 and 2007 were audited by the independent registered public accounting firm, KPMG Auditores Independentes.

Our consolidated financial statements were prepared in accordance with accounting policies derived from the Brazilian GAAP, including, with respect to our financial statements as of and for the years ended December 31, 2009 and 2008, Laws 11,638/07 and 11,941/09 (former Provisional Measure 449/08), which amended the accounting policies adopted in Brazil and were enacted on December 28, 2007 and May 27, 2009, respectively. Our financial information under Brazilian GAAP as of and for any period prior to the year ended December 31, 2008 does not reflect any changes resulting from Laws 11,638/07 and 11,941/09, as allowed by CVM. See Note 2 to our consolidated financial statements.

Overview

Our four principal businesses are:

the LPG distribution business, conducted by Ultragaz;

the fuel distribution business, conducted by Ipiranga;

the chemical and petrochemical business, conducted by Oxiteno; and

storage for liquid bulk, conducted by Ultracargo.

Ultragaz sells LPG to residential, commercial and industrial market segments. Ipiranga distributes gasoline, ethanol, diesel, NGV, fuel oil, kerosene and lubricants through a network of approximately 5.5 thousand service stations and directly to large customers. Oxiteno produces ethylene oxide and its principal derivatives, and is also a significant producer of specialty chemicals, particularly surfactants. It manufactures approximately 700 products used in various industrial sectors such as cosmetics, detergents, crop protection chemicals, packaging, textiles and coatings. Ultracargo is the largest provider of storage for liquid bulk in Brazil, with seven terminals and storage capacity of approximately 625,000 cubic meters.

In April 2007, Ultrapar acquired the Southern Distribution Business, EMCA and a one-third stake in RPR as a result of the acquisition of the Ipiranga Group. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of Ipiranga Group . Accordingly, the financial information of the Southern Distribution Business and EMCA has been fully consolidated into Ultrapar's financial statements and the financial information of RPR has been proportionally consolidated into Ultrapar's financial statements since April 1, 2007.

In addition, between April 1, 2007 and January 1, 2008, EMCA's financial information was consolidated into Ipiranga's financial statements. Since January 1, 2008, EMCA's financial information has been consolidated into Oxiteno to reflect the effective management responsibility for the business. The financial information of Oxiteno and Ipiranga in this annual report prior to January 1, 2008 reflects the current consolidation

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retrospectively (i.e. the consolidation of EMCA's financial information into Oxiteno's financial information), which differs from those reported in the Annual Report Form 20-F for the year ended December 2007, filed with the SEC on June 7, 2007.

In June 2008, Ultrapar executed a sale and purchase agreement for the acquisition of 100% of the shares of União Terminais, a company engaged in the storage and handling of liquid bulk. In connection with this agreement, Ultrapar acquired the port terminals in Santos and Rio de Janeiro in October 2008 and a 50% stake that Unipar held in União/Vopak, a company that owns a port terminal in Paranaguá (in the state of Paraná), in November 2008. The results of operations of the acquired businesses were consolidated into Ultrapar's financial statements after their respective closing dates. Ultrapar's financial statements as of and for the periods prior to such dates 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 União Terminais .

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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 .

Brazilian economic background

Since most of our operating businesses are located in Brazil, we are significantly affected by Brazil's economic and social conditions, including, but not limited to, gross domestic product, or GDP, growth rates, the domestic rate of inflation and exchange rate fluctuations.

Gross domestic product. In 2005, the Central Bank increased interest rates in order to meet inflation targets, and GDP growth decreased to 2.9% in the year ended December 31, 2005, compared to 5.7% growth in the year ended in December 2004. During 2006 and 2007, Brazil benefited from a period of relatively stable economical conditions and GDP grew by 3.8% and 5.4%, respectively, in line with successive reductions of interest rate by the Central Bank. The economic and operational environment in 2008 was marked by two distinct moments. In the first three quarters of 2008, Brazil's GDP recorded a strong growth of 6.4% compared to the same period in 2007. However in the fourth quarter the deepening of the global financial crisis reversed this growth trend, and, as a result, GDP growth in 2008 was 5.1%. The year 2009 was marked by the effects of the global financial crisis, which was more intense during the first quarter of 2009, when the Brazilian GDP decreased by 2.1% compared with the same period of 2008. However, measures adopted by the Brazilian government to minimize the impacts of the crisis started to reflect on the economy in the following quarters, leading to a gradual recovery of the GDP. In 2009, Brazil's GDP recorded a slight contraction of 0.2%. Our operations are significantly impacted by Brazilian GDP growth, specifically, sales of LPG to the commercial and industrial customers, sales of diesel, Oxiteno's sales to the domestic market and Ultracargo's logistics operations. In addition, sales of LPG to residential customers and sales of gasoline and ethanol are indirectly affected by the level of household income, which often bears a relation to GDP performance.

Inflation and currency fluctuations. Our cash operating expenses are substantially in *reais* and tend to increase with inflation. However, a significant portion of our costs of sales and services rendered are linked to the U.S. dollar and are not substantially affected by the Brazilian inflation rate. In addition, some of our *real*-denominated debt is indexed to take into account the effects of inflation. In 2005 and 2006, the *real* continued its appreciation trend against the U.S. dollar, which, together with the increased average interest rates, resulted in an inflation rate of 1.2% and 3.9%, respectively, as measured by the IGP-M, the Brazilian general price inflation rate and 5.7% and 3.1%, respectively, as measured by *Índice Nacional de Preços ao Consumidor Amplo*, or IPCA, an inflation index to which Brazilian government's inflation targets are linked. In 2007, the IGP-M was 7.8%, and the IPCA was 4.5%, mainly due to an increase in food prices, despite the 17% appreciation of the *real* against the U.S. dollar in 2007. In 2008, the IGP-M was 9.8% and IPCA was 5.9% due to high inflationary pressures until September, mainly the economic growth and high commodity prices. In 2008 foreign direct investment in Brazil peaked the record level of US\$45 billion, significantly increasing capital inflow, contributing to the appreciation of the *real* until September and to the assignment of the investment-grade rating to Brazil in April of that year. However, the deepening of the global financial crisis led to a reversal of the appreciation trend in the *real* of the previous five years resulting in a 32% depreciation of the *real* against the U.S. dollar in 2008. 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* in relation to the U.S. dollar, the highest appreciation in the decade. Despite the gradual recovery of the Brazilian economy after the first quarter of 2009, Brazil presented a 1.7% deflation in the year as measured by the IGP-M. According to the IPCA, however, the inflation rate was 4.3% in 2009, which is more in line with the growth trend in the Brazilian *per capita* income. From January 1, 2010 to May 31, 2010, the IGP-M and the IPCA index rates were 4.8% and 3.1%, respectively. From January 1, 2010 to June 25, 2010, the *real* depreciated 2% against the U.S. dollar. The principal foreign exchange risk we face arises from certain U.S. dollar denominated costs and expenses. Although a substantial part of our debt is dollar-denominated, it is currently hedged against currency devaluation through the use of various derivative instruments or matching investments in the same currency. Additionally, a significant part of our raw materials is also denominated or indexed to the U.S. dollar. A large part of our sales is denominated in *reais*, although prices in the chemical business are benchmarked to prices prevailing in the international markets, which in turn are linked to U.S. dollars. Hence, we are exposed to foreign exchange rate risks which could negatively impact our businesses, financial situation and operating results as well as our capacity to service our debt.

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

Index	Year ended December 31,		
	2009	2008	2007
IGP-M	(1.7)%	9.8%	7.8%

IPCA	4.3%	5.9%	4.5%
Devaluation (appreciation) of the <i>real</i> against the U.S. dollar	(25.5)%	31.9%	(17.2)%

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We manage the foreign exchange risk associated with the scheduled payments under the terms of our U.S. dollar indebtedness by investing in U.S. dollar-denominated securities and foreign currency/interest swap contracts, under which we pay variable interest in *reais* based on the interbank certificate of deposit rate, or CDI, and receive fixed interest in U.S. currency. As of December 31, 2009 our total obligations denominated in foreign currency (excluding RPR) were R\$724.8 million (US\$416.3 million), including import payables. At the same date our total asset position in foreign currency (excluding RPR) was R\$602.8 million (US\$346.2 million), comprised of investments indexed to U.S. dollars and hedging instruments used to manage fluctuations of exchange rates and foreign currency receivables exposures. As of December 31, 2009, RPR's total asset position in foreign currency recorded in Ultrapar's financial statements was R\$87.0 million (US\$50.0 million), which includes contracted exchange rate swaps primarily to protect the future import of oil, net of financing and suppliers in foreign currency. As of December 31, 2009, Ultrapar had a net exposure in foreign currency short in US\$20.1 million. For the purposes of this paragraph, U.S. dollar values were calculated based on the December 31, 2009 *real /* dollar exchange rate. See Item 11. Quantitative and Qualitative Disclosures About Market Risk – Foreign Exchange Risk for information about our foreign exchange risk hedging policy and Notes 16 and 21 to our consolidated financial statements.

Critical accounting policies and estimates

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

The accounting estimate requires management to make assumptions about matters that were highly uncertain at the time the accounting estimate was made; and

Different estimates that management reasonably could have used for the accounting estimate in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, would have a material impact on our financial condition, results of operations or cash flows.

We have identified the following five of our accounting policies as critical.

Allowance for doubtful accounts. We maintain allowances for doubtful accounts for estimated losses resulting from the subsequent inability of our customers to make required payments. The allowance for doubtful accounts is recorded in an amount we consider sufficient to cover any probable losses on realization of our accounts receivable from our customers, as well as other receivables, and is included as selling expenses; no adjustment is made to net sales and services revenue. In order to establish the allowance for doubtful accounts, our management constantly evaluates the amount and characteristics of our accounts receivable. When significant delays occur and the likelihood of receiving these payments decreases, a provision is made. In case receivables in arrears are guaranteed or there are reasonable grounds to believe they will be paid, no provision is made. If the financial conditions of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances would be required in future periods. However, because we cannot predict with certainty the future financial stability of our customers, we cannot guarantee that our reserves will continue to be adequate. Actual credit losses may be greater than the allowance we have established, which could have a significant impact on our selling expenses. See Note 6 and 21 to our consolidated financial statements for additional information about our allowance for doubtful accounts.

Deferred Taxes. We recognize deferred tax assets and liabilities which do not expire, arising from tax loss carryforwards, temporary add-backs, revaluation of property, plants and equipment and other procedures. We periodically review the deferred tax assets for recoverability and establish a valuation allowance, as required, based on historical taxable income, projected future taxable income, and the expected timing of the reversals of existing temporary differences. In the event we or one of our subsidiaries operate at a loss or are unable to generate sufficient future taxable income, or if there is a material change in the actual effective tax rates or time period within which the underlying temporary differences become taxable or deductible, we evaluate the need to establish a valuation allowance against all or a significant portion of our deferred tax assets, resulting in an increase in our effective tax rate, thereby decreasing net income. A high degree of management judgment is required in determining any valuation allowance. The principal uncertainty relates to the likelihood of future taxable income from the subsidiary that generated the deferred tax asset. A change in our projections of profitability could result in the need to record a valuation allowance against deferred tax assets, resulting in a negative impact of future results. See Note 10 to our consolidated financial statements for additional information on taxes.

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Contingent liabilities. We are currently involved in certain legal and administrative proceedings that arise from our normal course of business as described in Item 8.A. Financial Information Consolidated Statements and Other Financial Information Legal Proceedings and Note 22 to our consolidated financial statements. We believe that the extent to which these contingencies are recognized in our consolidated financial statements is adequate. It is our policy to record accrued liabilities in regard to contingencies that can be reasonably estimated and could have a material adverse impact on the result of our operations or our financial condition, to the extent not covered by insurance, and that are likely to occur in the opinion of our management, based on information available to us including information obtained from our legal advisors. Future results of operations could be materially affected by changes in our assumptions, by the effectiveness of our strategies relating to these proceedings, by future developments in each matter being discussed or by changes in approach, such as a change in settlement strategy in dealing with these matters.

Fair value of financial instruments. Our financial instruments are classified as follows:

Measured at fair value through income: financial assets held for trading, that is, purchased or created primarily for the purpose of sale or repurchase in the short term, and derivatives. Changes in fair value are recorded as income, and the balances are stated at fair value.

Held to maturity: non-derivative financial assets with fixed payments or determinable payments with fixed maturities for which the entity has the positive intention and ability to hold to maturity. The interest earned is recorded as income, and balances are stated at acquisition cost plus the interest earned.

Available for sale: non-derivative financial assets that are designated as available for sale or were not classified into other categories. The interest earned is recorded as income, and the balances are stated at fair value. Differences between fair value and acquisition cost plus the interest earned are recorded in a specific account of the shareholders' equity. Gains and losses recorded in the shareholders' equity are included in income, in case of prepayment.

Loans and receivables: non-derivative financial instruments with fixed payments or determinable payments not quoted in active markets, except: (i) those which the entity intends to sell immediately or in the short term and which the entity classified as measured at fair value through income; (ii) those classified as available for sale; or (iii) those the holder of which cannot substantially recover its initial investment for reasons other than credit deterioration. The interest earned is recorded as income, and balances are stated at acquisition cost plus the interest earned.

Certain derivative financial instruments used to hedge against changes in interest rates were designated as cash flow hedges for purposes of measuring their fair value. In the case of derivatives designated to cash flow hedge of the variation in interest rates, the difference between the fair value of the financial instrument and its value plus interest earned is recognized as a valuation adjustment in shareholders' equity, not affecting the income statement. In case of foreign exchange derivatives designated by RPR for protection for future cash flows, the effect of foreign exchange rate variations in the derivative is recorded under the valuation adjustments account in shareholders' equity during the period when the hedged item does not affect the income statement. The difference between the fair value of the derivative and updated cost is recorded directly in the income statement. Gains and losses recorded in the shareholders' equity are included in income, in case of prepayment.

For further detail on financial instruments of Ultrapar and its subsidiaries, see Notes 3(c), 5 and 21 to our consolidated financial statements.

In order to estimate fair values, we consider several variables, such as interest rates, discount rates, foreign exchange rates and future cash flows. Our most important sources of information concerning these variables are the market projections of future exchange and interest rates provided by the BM&FBovespa. We believe BM&FBovespa to be the most adequate and reliable source of information available for our calculations. However, given the volatility inherent in financial markets, estimates concerning the variables used to calculate fair values are subject to constant change. As a consequence, our judgment related to, among other issues, the behavior of these variables, the selection of sources of information and the timing of calculation, directly affects the fair values of our financial instruments and the amount of gains or losses recorded in the income statement.

Post-employment benefits.

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Ipiranga and RPR recognized a provision for post-employment benefits mainly related to payment of Severance Pay Fund and health and life insurance plan for eligible retirees. The amounts related to such benefits were determined based on a valuation conducted by an independent actuary and are recorded in the financial statements in accordance with Resolution CVM 371/2000. The independent actuary adopted certain economic and demographic assumptions in its valuation that may differ materially from those effectively verified as of the date they occur, which may have an impact on our post-employment benefits payments. See Note 23(b) to our consolidated financial statements.

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

Year ended December 31, 2009 compared to the year ended December 31, 2008.

The following table shows a summary of our results of operations for the years ended December 31, 2009 and 2008:

	Year ended December 31, 2009	Percentage of net sales and services (in millions of reais, except percentages)	Year ended December 31, 2008	Percentage of net revenue from sales and services	Percent change
Gross revenue from sales and services	37,851.4		29,536.4		28%
Deductions	(1,735.5)		(1,268.4)		37%
Net revenue from sales and services	36,115.9	100%	28,268.0	100%	28%
Cost of products and services sold	(33,412.0)	93%	(26,152.3)	93%	28%
Gross income	2,703.9	7%	2,115.7	7%	28%
Selling, general and administrative expenses (SG&A)	(1,808.2)	5%	(1,424.4)	5%	27%
Other net operating income	19.3	0%	22.1	0%	(13)%
Operating income before financial income and other income	915.0	3%	713.4	3%	28%
Net financial income (expense)	(278.2)	1%	(168.8)	1%	65%
Other income (former non-operating income (expense), net)	20.3	0%	11.2	0%	81%
Income tax and social contribution	(187.0)	1%	(151.6)	1%	23%
Employees statutory interest/equity in income of affiliates	0.2	0%	(9.4)	0%	
Net income for the year	470.3	1%	394.8	1%	19%
Net income attributable to Ultrapar	466.7	1%	390.3	1%	20%
Net income attributable to non-controlling interest	3.6	0%	4.5	0%	(20)%
Adjusted EBITDA(1)	1,354.4	4%	1,079.4	4%	25%

(1) See footnote 7 under Item 3.A. Key Information - Selected Consolidated Financial Data for additional discussion of adjusted EBITDA and its reconciliation to other information in our financial statements.

Gross revenue from sales and services. Ultrapar's gross revenue from sales and services increased 28%, from R\$29,536.4 million in 2008 to R\$37,851.4 million in 2009, mainly as a consequence of the consolidation of Texaco's gross revenue from the second quarter of 2009 onwards. For additional information, see Net revenue from sales and services below.

Deductions. Ultrapar's deductions, which consist mainly of taxes on sales and services such as ICMS, PIS and COFINS, increased 37%, from R\$1,268.4 million in 2008 to R\$1,735.5 million in 2009, mainly as a consequence of increased gross revenue from sales and services in 2009.

Net revenue from sales and services. Ultrapar's net revenue from sales and services increased 28%, from R\$28,268.0 million in 2008 to R\$36,115.9 million in 2009, mainly as a consequence of a 34% increase in Ipiranga's net revenue from sales and services derived from the consolidation of Texaco's net revenue from sales and services from the second quarter of 2009 onwards and the increase in net revenue from sales and services of Ultragaz and Ultracargo.

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

	Year ended December 31,		Percent change
	2009	2008	
	(in millions of reais)		
Ultragaz	3,441.2	3,339.4	3%
Ipiranga	30,498.8	22,676.4	34%
Oxiteno	1,921.1	1,926.1	0%
Ultracargo	337.0	283.4	19%

Ultragaz's net revenue from sales and services increased 3% from R\$3,339.4 million in 2008 to R\$3,441.2 million in 2009, mainly as a result of a 4% increase in the average selling prices, due to commercial initiatives implemented in 2009, which was, partially offset by the 0.7% decrease in sales volume, resulting from lower economic activity in 2009.

Ipiranga's net revenue from sales and services totaled R\$30,498.8 million in 2009, a 34% growth compared with R\$22,676.4 million in 2008, as a consequence of the 43% increase in sales volume resulting from the consolidation of Texaco's sales volume from the second quarter of 2009 onwards and the estimated 8% expansion of the light vehicle fleet in Brazil. This increase was partially offset by the effects of a 10% reduction in diesel prices paid to Petrobras in June 2009.

Oxiteno's net revenue from sales and services remained relatively stable, amounting to R\$1,921.1 million in 2009 as compared to R\$1,926.1 million in 2008. In 2009, Oxiteno's sales volume increased 12% due to the imports replacement process and expansions in the production capacity, while the average exchange rate of the *real* against the U.S. dollar increased 9%, which further increased the amount in *reais* Oxiteno received in connection with its sales. However, such increase was fully offset by an 18% decrease in average dollar prices, particularly the 46% decrease in international glycol prices.

Ultracargo's net revenues from sales and services increased 19%, from R\$283.4 million in 2008 to R\$337.0 million in 2009. This increase mainly resulted from the consolidation of União Terminais' net revenue in the fourth quarter of 2008 and contractual tariff adjustments.

Cost of products and services sold. Ultrapar's cost of products and services sold, which mainly includes costs relating to the purchase of fuels, LPG and raw materials, increased 28% from R\$26,152.3 million in 2008 to R\$33,412.0 million in 2009, mainly as a consequence of the consolidation of Texaco's cost of products and services sold from the second quarter of 2009 onwards.

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

	Year ended December 31,		Percent change
	2009	2008	
	(in millions of reais)		
Ultragaz	2,895.7	2,898.4	0%
Ipiranga	28,828.0	21,492.2	34%
Oxiteno	1,611.2	1,526.8	6%
Ultracargo	197.0	187.4	5%

Ultragaz's cost of products and services sold remained relatively stable, amounting to R\$2,895.7 million in 2009 as compared to R\$2,898.4 million in 2008, slightly higher than the variation in sales volume as a result of the effects of inflation on personnel costs and a larger number of re-qualified LPG cylinders.

Ipiranga's cost of products and services sold increased 34% from R\$21,492.2 million in 2008 to R\$28,828.0 million in 2009, mainly as a consequence of a 43% increase in sales volume, resulting from the consolidation of Texaco's sales volume in April 2009. This increase was partially offset by a 10% decrease in the diesel prices paid to Petrobras in June 2009.

Cost of products and services sold at Oxiteno increased 6%, from R\$1,526.8 million in 2008 to R\$1,611.2 million in 2009, due to the 12% growth in sales volume, coupled with a 9% increase of the average exchange rate of the *real* against the U.S. dollar in 2009, as well as a higher depreciation resulting from the expanded operations in the fourth quarter of 2008, partially offset by a 17% reduction in the variable cost per ton in dollar. Nevertheless, the reduction in the variable cost per ton in dollar price was significantly lower than the reduction in the international

prices of raw materials, due to the usage of Oxiteno's inventories with higher historical costs than replacement costs, mainly in the first half of the year.

Ultracargo's cost of products and services sold increased 5% from R\$187.4 million in 2008 to R\$197.0 million in 2009, as a result of the consolidation of União Terminais' cost of services from the fourth quarter of 2008 onwards and an increase in the volume of products handled at the terminals. This increase was partially offset by the realization of operational synergies resulting from the consolidation of União Terminais and reduced operations in the packed cargo transportation segment.

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Gross income. As a result of the foregoing, Ultrapar's gross income increased 28%, from R\$2,115.7 million in 2008 to R\$2,703.9 million in 2009. Ultragaz's gross income increased 24%, from R\$440.9 million in 2008 to R\$545.5 million in 2009. Ipiranga's gross income increased 41%, from R\$1,184.2 million in 2008 to R\$1,670.7 million in 2009. Oxiteno's gross income decreased 22%, from R\$399.3 million in 2008 to R\$309.9 million in 2009. Ultracargo's gross income increased 46%, from R\$96.0 million in 2008 to R\$139.9 million in 2009.

Selling, general and administrative expenses. Ultrapar's selling, general and administrative expenses, or SG&A, increased 27%, from R\$1,424.4 million in 2008 to R\$1,808.2 million in 2009, mainly as a result of the consolidation of Texaco from the second quarter of 2009 onwards.

The following table shows the change in selling, general and administrative expenses for each of our businesses:

	Year ended December 31,		Percent change
	2009	2008	
	(in millions of reais)		
Ultragaz	381.4	348.3	9%
Ipiranga(1)	1,068.2	691.4	54%
Oxiteno	267.6	246.0	9%
Ultracargo	90.0	91.9	(2)%

(1) In 2008, includes employees statutory interest.

Ultragaz's SG&A increased 9%, from R\$348.3 million in 2008 to R\$381.4 million in 2009, as a consequence of an increase in expenses related to sales campaigns, the effect of inflation on expenses and an increase in variable compensation, partially offset by expense reduction initiatives implemented in 2009.

Ipiranga's SG&A (including employees statutory interest) increased 54%, from R\$691.4 million in 2008 to R\$1,068.2 million in 2009, mainly due to the consolidation of Texaco, including R\$68.8 million non-recurring expenses with (i) the conversion of service stations from the acquired network to the Ipiranga brand (R\$31.3 million) and (ii) the integration of operations (R\$37.5 million). Excluding these non-recurring expenses and depreciation expenses of R\$122.2 million, Ipiranga's SG&A from April 2009 to December 2009 (corresponding to the period after Texaco's acquisition) was R\$48/m³ of volume sold compared to R\$50/m³ of volume sold in 2008, which reflects increased efficiency resulting from operational and administrative synergies plan, particularly after the integration of Texaco's information technology systems with Ipiranga's and Ultrapar's completed in August 2009.

Oxiteno's SG&A increased 9%, from R\$246.0 million in 2008 to R\$267.6 million, primarily as a result of increased freight expenses resulting from a 12% increase in sales volume and the effect of a 9% increase of the average exchange rate of the *real* against the U.S. dollar in 2009 in its expenses, which increased our expenses with international freights. This increase was partially offset by expense reduction initiatives implemented, which resulted in a 2% increase of administrative expenses, which is lower than the inflation rate in the period.

Ultracargo's SG&A decreased 2%, from R\$91.9 million in 2008 to R\$90.0 million in 2009, mainly as a result of realization of operational synergies resulting from the integration of União Terminais and of lower expenses in the transportation segment. This decrease was partially offset by the consolidation of sales, general and administrative expenses from União Terminais into Ultracargo's SG&A for the entire year 2009, compared to only one quarter in 2008.

Operating income before financial income and other income. As a result of the foregoing, Ultrapar's operating income before financial income and other income increased 28%, from R\$713.4 million in 2008 to R\$915.0 million in 2009. Ultragaz's operating income before financial income and other income totaled R\$162.3 million, 85% higher than that in 2008. Ipiranga's operating income before financial income and other income totaled R\$622.6 million, 21% higher than that in 2008. Oxiteno's operating income before financial income and other income totaled R\$40.7 million, 74% lower than that in 2008. Ultracargo's operating income before financial income and other income totaled R\$52.5 million, 619% higher than that in 2008.

Net financial income (expense). Net financial income (expense) include mainly revenues and expenses from (i) interest on financial investments and financings and (ii) exchange rate variation. Ultrapar reported net financial expenses of R\$278.2 million in 2009, R\$109.4 million higher than that of 2008 in the amount of R\$168.8 million. The increase in net financial expense in 2009 reflects Ultrapar's higher net debt, which increased from R\$1,538.2 million as of December 31, 2008 to R\$2,059.6 million as of December 31, 2009, as a result of acquisitions carried out in 2009, particularly cash payments made in connection with the acquisition of Texaco completed on March 31, 2009, and investments in organic

expansions. The increase of net financial income (expense) was partially offset by a 25% *real* appreciation against the U.S dollar over our short net foreign currency exposure during 2009.

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As of December 31, 2009, Ultrapar's gross debt was R\$4,381.8 million, including unrealized losses on swaps transactions of R\$39.0 million, and Ultrapar's gross cash position was R\$2,322.2 million (including cash, cash equivalents and financial investments), resulting in a net debt of R\$2,059.6 million, 34% higher than the company's net debt position at the end of 2008. See footnote 9 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, as well as Notes 5, 16 and 21 to our consolidated financial statements included in this annual report.

Other income (former non-operating income (expense), net). We reported other income of R\$20.3 million for the year ended December 31, 2009, an 81% increase compared to other income of R\$11.2 million for the year ended December 31, 2008. Our other income in 2009 consisted mainly of proceeds from the sale of fixed assets, especially LPG bottles, land, vehicles and tank wagons. Our other income in 2008 is primarily attributable to the result from the sale of assets, notably the stake in Quattor Química held by Oxiteno and the income from the sale of Ipiranga's office building in São Paulo, partially offset by the write-off of deferred assets related to project studies.

Income tax and social contribution. Income tax and social contribution, net of benefits from income tax exemption, totaled R\$187.0 million for the year ended December 31, 2009, a 23% increase from R\$151.6 million for the year ended December 31, 2008, primarily due to an increase in pre-tax income, as a result of the consolidation of Texaco's pre-tax income in April 2009.

Net income. As a result of the foregoing, the net income for the year (including income attributable to non-controlling interests) increased 19%, from R\$394.8 million in 2008 to R\$470.3 million in 2009. The net income attributable to Ultrapar increased 20%, from R\$390.3 million in 2008 to R\$466.7 million in 2009.

Adjusted EBITDA. Ultrapar's adjusted EBITDA increased 25%, from R\$1,079.4 million in 2008 to R\$1,354.4 million in 2009, mainly as a consequence of the consolidation of Texaco's results of operation in April 2009 and the adjusted EBITDA growth at Ipiranga, Ultragaz and Ultracargo.

The following table shows the change in adjusted EBITDA for each of our businesses:

	Year ended December 31, Percent		
	2009	2008	change
	(in millions of reais)		
Ultragaz	281.4	210.8	34%
Ipiranga	777.5	603.2	29%
Oxiteno	144.8	210.0	(31)%
Ultracargo	104.8	50.6	107%

Ultragaz's adjusted EBITDA totaled R\$281.4 million, up 34% over the previous year, as a result of a recovery in margins, mainly deriving from commercial initiatives and operational efficiency programs implemented.

Ipiranga reported adjusted EBITDA of R\$777.5 million in 2009, an increase of 29% over 2008, mainly as a consequence of the consolidation of Texaco in April 2009. Excluding the R\$68.8 million expenses with the conversion of service stations and integration of operations, Ipiranga's adjusted EBITDA reached R\$846.3 million in 2009, equivalent to an adjusted EBITDA unit margin of R\$49/m³, already close to the adjusted EBITDA unit margin of R\$50/m³ in 2008.

Oxiteno reported adjusted EBITDA of R\$144.8 million, a 31% decrease over 2008, mainly as a consequence of historical costs of goods sold higher than replacement costs until the third quarter of 2009, which had a negative effect on operating margins.

Ultracargo's adjusted EBITDA amounted to R\$104.8 million, a 107% growth over 2008, as a consequence of (i) the consolidation of União Terminais from the fourth quarter of 2008 onwards and the resulting operational synergies, (ii) the expansions of the Aratu terminal and (iii) an increase in the volume of products handled at the Suape terminal. In 2009, Ultracargo's adjusted EBITDA margin reached 31%, higher than the 18% margin reported in 2008.

For a reconciliation of our adjusted EBITDA and the adjusted EBITDA of Ultragaz, Ipiranga, Oxiteno and Ultracargo to information in our financial statements, see Item 3.A. Key Information Selected Consolidated Financial Data.

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Year ended December 31, 2008 compared to the year ended December 31, 2007.

The following table shows a summary of our results of operations for the years ended December 31, 2008 and 2007:

	Year ended December 31, 2008	Percentage of net sales and services (in millions of reais, except percentages)	Year ended December 31, 2007	Percentage of net revenue from sales and services	Percent change
Gross revenue from sales and services	29,536.4		20,841.1		42%
Deductions	(1,268.4)		(919.8)		38%
Net revenue from sales and services	28,268.0	100%	19,921.3	100%	42%
Cost of products and services sold	(26,152.3)	93%	(18,224.2)	91%	44%
Gross income	2,115.7	7%	1,697.1	9%	25%
Selling, general and administrative expenses (SG&A)	(1,424.4)	5%	(1,223.3)	6%	16%
Other net operating income	22.1	0%	12.3	0%	80%
Operating income before financial income and other income	713.4	3%	486.1	2%	47%
Net financial income (expense)	(168.8)	1%	(119.4)	1%	41%
Other income (former non-operating income (expense), net)	11.2	0%	8.8	0%	27%
Income tax and social contribution	(151.6)	1%	(85.9)	0%	76%
Employees statutory interest/equity in income of affiliates	(9.4)	0%	(6.7)	0%	40%
Net income for the year	394.8	1%	282.9	1%	40%
Net income attributable to Ultrapar	390.3	1%	181.9	1%	115%
Net income attributable to non-controlling interests	4.5	0%	101.0	1%	(96)%
Adjusted EBITDA(1)	1,079.4	4%	779.4	4%	39%

(1) See footnote 7 under Item 3.A. Key Information Selected Consolidated Financial Data for additional discussion of adjusted EBITDA and its reconciliation to other information in our financial statements.

Gross revenue from sales and services. Gross revenue from sales and services increased 42% over 2007, from R\$20,841.1 million in 2007 to R\$29,536.4 million in 2008, essentially as a consequence of the consolidation of Ipiranga's net revenue from sales and services from the second quarter of 2007, and the growth in all the company's business units.

Deductions. Ultrapar's deductions increased 38% over 2007, from R\$919.8 million in 2007 to R\$1,268.4 million in 2008, mainly as a consequence of the increase in gross revenue from sales and services.

Net revenue from sales and services. Net revenue from sales and services for the year ended December 31, 2008 increased by 42% to R\$28,268.0 million from R\$19,921.3 million for the year ended December 31, 2007, essentially as a consequence of the consolidation of Ipiranga's net revenue from sales and services from the second quarter of 2007, and the growth in all the company's business units.

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

Year ended December 31, Percent
2008 2007 change
(in millions of reais)

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Ultragaz	3,339.4	3,112.9	7%
Ipiranga(1)(2)	22,676.4	19,393.9	17%
Oxiteno(2)	1,926.1	1,764.8	9%
Ultracargo	283.4	229.1	24%

- (1) The financial statements of Ultrapar consolidate the Southern Distribution Business from the second quarter of 2007 onwards. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of Ipiranga Group . Except where otherwise mentioned, Ultrapar s financial statements for periods prior to the second quarter of 2007 do not include Ipiranga, EMCA and RPR. In order to provide a comparison basis for the analysis of the evolution in the performance of Ipiranga, unaudited financial statements for this business have been prepared for periods prior to the second quarter of 2007 as presented in this table and in the discussion below.

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- (2) Since January 1, 2008, EMCA has been consolidated into Oxiteno, reflecting the effective management responsibility for the business. The financial information of Oxiteno and Ipiranga in this annual report prior to January 1, 2008 reflects the current consolidation retrospectively, which differ from those previously reported.

Ultragaz's net revenue from sales and services increased by 7% to R\$3,339.4 million for the year ended December 31, 2008 compared to R\$3,112.9 million for the year ended December 31, 2007. The increase was driven by a 2% increase in sales volume and the 34% rise in the cost of LPG used in the bulk segment in 2008, partially offset by weaker prices related to increased competition in the Brazilian LPG market.

Ipiranga's net revenue from sales and services increased by 17% to R\$22,676.4 million for the year ended December 31, 2008 compared to R\$19,393.9 million for the year ended December 31, 2007. The increase was driven by an 8% growth in sales volume and a 9% rise in diesel costs in 2008.

Oxiteno's net revenue from sales and services increased 9% to R\$1,926.1 million for the year ended December 31, 2008 compared to R\$1,764.8 million for the year ended December 31, 2007. The increase in Oxiteno's net revenue from sales and services was mainly due to a 34% recovery in average dollar prices, due to the improved sales mix and commercial initiatives introduced by the company over the last 12 months. This improvement in average dollar price was partially offset by a 6% appreciation in the *real* and a 14% drop in sales volume, due to scheduled maintenance and expansion shutdowns.

Ultracargo's net revenue from sales and services increased 24% to R\$283.4 million for the year ended December 31, 2008, compared to R\$229.1 million for the year ended December 31, 2007. The increase in Ultracargo's net sales and services was mainly due to the 20% increased storage volumes, specially derived from the consolidation of União Terminais from fourth quarter of 2008, and new integrated transport and in-house logistics operations.

Cost of products and services sold. Cost of products and services sold increased by 44% to R\$26,152.3 million for the year ended December 31, 2008 compared to R\$18,224.2 million for the year ended December 31, 2007, primarily as a consequence of the consolidation of Ipiranga's cost of sales and services from second quarter 2007, the 9% rise in the cost of diesel and the 34% rise in the cost of LPG used in the bulk segment.

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

	Year ended December 31, Percent		change
	2008	2007	
	(in millions of reais)		
Ultragaz	2,898.4	2,643.7	10%
Ipiranga(1)(2)	21,492.2	18,348.6	17%
Oxiteno(2)	1,526.8	1,421.9	7%
Ultracargo	187.4	144.8	29%

- (1) The financial statements of Ultrapar consolidate the Southern Distribution Business from the second quarter of 2007 onwards. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of Ipiranga Group. Except where otherwise mentioned, Ultrapar's financial statements for periods prior to the second quarter of 2007 do not include Ipiranga, EMCA and RPR. In order to provide a comparison basis for the analysis of the evolution in the performance of Ipiranga, unaudited financial statements for this business have been prepared for periods prior to the second quarter of 2007 as presented in this table and in the discussion below.

- (2) Since January 1, 2008, EMCA has been consolidated into Oxiteno, reflecting the effective management responsibility for the business. The financial information of Oxiteno and Ipiranga in this annual report prior to January 1, 2008 reflects the current consolidation retrospectively, which differ from those previously reported.

Ultragaz's cost of products and services sold increased by 10% to R\$2,898.4 million for the year ended December 31, 2008 compared to R\$2,643.7 million for the year ended December 31, 2007, essentially as a consequence of higher sales volume and successive increases, in the price of LPG charged by Petrobras for use in the bulk segment, totaling 34% in 2008.

Ipiranga's cost of products and services sold increased by 17% to R\$21,492.2 million for the year ended December 31, 2008 compared to R\$18,348.6 million for the year ended December 31, 2007, as a consequence of an 8% increase in sales volume, the increase in the diesel cost, derived from the 9% increase in the diesel price charged by Petrobras in May 2008 and the mandatory increase in the percentage of biodiesel mix from 2% to 3%. Biodiesel purchase price in 2008 was higher than that of diesel.

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Oxiteno's cost of products and services sold increased by 7% to R\$1,526.8 million for the year ended December 31, 2008 compared to R\$1,421.9 million for the year ended December 31, 2007. This increase was due to higher raw materials unit costs in dollar, as a consequence of higher average oil prices, and the cost of R\$18 million related to scheduled maintenance shutdowns at the production units during 2008.

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Ultracargo's 2008 cost of products and services sold increased from R\$144.8 million in 2007 to R\$187.4 million in 2008, as a result of a 20% rise in storage volume, specially due to the consolidation of União Terminais from fourth quarter of 2008, new integrated in-house transport and logistics operations, and the increase in diesel prices.

Gross income. Gross income increased by 25% to R\$2,115.7 million for the year ended December 31, 2008, compared to R\$1,697.1 million for the year ended December 31, 2007, as a consequence of the increase in gross income at Ipiranga, Oxiteno and Ultracargo and the consolidation of Ipiranga from the second quarter 2007 onwards. Ultragaz's gross income was R\$440.9 million for the year ended December 31, 2008, a 6% decrease compared to R\$469.2 million for the year ended December 31, 2007. Ipiranga's gross income was R\$1,184.2 for the year ended December 31, 2008, a 13% increase compared to R\$1,045.3 million for the year ended December 31, 2007. Oxiteno's gross income was R\$399.3 million for the year ended December 31, 2008, a 16% increase compared to R\$342.9 million for the year ended December 31, 2007. Ultracargo's gross income was R\$96.0 million for the year ended December 31, 2008, a 14% increase compared with R\$84.3 million for the year ended December 31, 2007.

Selling, general and administrative expenses (SG&A). Our SG&A increased by 16% to R\$1,424.4 million for the year ended December 31, 2008 from R\$1,223.3 million for the year ended December 31, 2007. The increase was a result of (i) the impact of inflation on expenses, (ii) the consolidation of sales, general and administrative expenses of Ipiranga from second quarter 2007 onwards, (iii) the increase in the cost of diesel, which had an impact on freight expenses and (iv) an 8% increase in sales volume at Ipiranga.

The following table shows the change in selling, general and administrative expenses for each of our business units:

	Year ended December 31, Percent		
	2008	2007	change
	(in millions of reais)		
Ultragaz	348.3	337.6	3%
Ipiranga(1)(2)(3)	691.4	729.9	(5)%
Oxiteno(2)	246.0	237.7	3%
Ultracargo	91.9	70.3	31%

- (1) The financial statements of Ultrapar consolidate the Southern Distribution Business from the second quarter of 2007 onwards. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of Ipiranga Group. Except where otherwise mentioned, Ultrapar's financial statements for periods prior to the second quarter of 2007 do not include Ipiranga, EMCA and RPR. In order to provide a comparison basis for the analysis of the evolution in the performance of Ipiranga, unaudited financial statements for this business have been prepared for periods prior to the second quarter of 2007 as presented in this table and in the discussion below.
- (2) Since January 1, 2008, EMCA has been consolidated into Oxiteno, reflecting the effective management responsibility for the business. The financial information of Oxiteno and Ipiranga in this annual report prior to January 1, 2008 reflects the current consolidation retrospectively, which differ from those previously reported.
- (3) Includes employees statutory interest.

Ultragaz's SG&A increased by 3% to R\$348.3 million for the year ended December 31, 2008 compared to R\$337.6 million for the year ended December 31, 2007, despite the 2% increase in sales volume and the effects of inflation on personnel costs, as a consequence of expenses reduction initiatives implemented during 2008 and the higher advertising and marketing expenses related to the company's 70th anniversary campaign in 2007.

Ipiranga's SG&A (including employees statutory interest) decreased by 5% to R\$691.4 million for the year ended December 31, 2008 compared to R\$729.9 million for the year ended December 31, 2007, as a result of organizational optimization implemented since the acquisition and the end of CPMF tax, partially offset by (i) an 8% increase in sales volume, (ii) an increase in diesel costs, with an impact on freight expenses, (iii) higher expenses with advertising and marketing, including those related to the campaign of the Texaco acquisition and the launch of Ipirangashop.com and incentive programs such as *Clube VIP* and *Clube do Milhão* and (iv) higher personnel expenses as a result of annual collective wage agreements and the increase in variable compensation in line with the improvement in earnings.

Oxiteno's SG&A increased by 3% to R\$246.0 million for the year ended December 31, 2008 compared to R\$237.7 million for the year ended December 31, 2007, as a result of higher freight expenses due to the increase in diesel prices and the rise in personnel expenses, as a result of annual collective wage agreement and higher variable compensation, in line with the progression in the company's results.

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Ultracargo's SG&A increased to R\$91.9 million for the year ended December 31, 2008 from R\$70.3 million for the year ended December 31, 2007, as a result of the impact of inflation on expenses, the goodwill amortization related to the acquisition of União Terminais of R\$8 million, and the addition of sales, general and administrative expenses from União Terminais from fourth quarter 2008.

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Operating income before financial income and other income. Operating income before financial income and other income increased by 47% to R\$713.4 million for the year ended December 31, 2008 compared to R\$486.1 million for the year ended December 31, 2007, as a consequence of the increase in operating income before financial income at Ipiranga and Oxiteno and the consolidation of Ipiranga from the second quarter 2007 onwards. Ultragas' s operating income before financial income and other income for the year ended December 31, 2008 was R\$87.9 million, a 33% decrease compared to R\$132.1 million for the year ended December 31, 2007. Ipiranga' s operating income before financial income and other income was R\$515.7 million for the year ended December 31, 2008, a 54% increase compared to R\$334.2 million for the year ended December 31, 2007. Oxiteno' s operating income before financial income and other income was R\$154.2 million for the year ended December 31, 2008, a 43% increase compared to R\$108.1 million for the year ended December 31, 2007. Ultracargo' s operating income before financial income and other income was R\$7.3 million for the year ended December 31, 2008, a 51% decrease compared to the R\$14.8 million for the year ended December 31, 2007.

Net financial income (expense). We reported net financial expense of R\$168.8 million for the year ended December 31, 2008, compared to a net financial expense of R\$119.4 million for the year ended December 31, 2007. The increase in net financial expenses in 2008 mainly reflects the increase of Ultrapar' s average net debt as a result of investments made during 2008, including the acquisition of União Terminais and the expansions in Oxiteno' s production capacity, higher interest rates and the effect of the 32% *real* depreciation over our short net foreign currency exposure during 2008, compared to an appreciation of 17% during 2007.

As of December 31, 2008, we had a net debt position of R\$1,538.2 million and a short net foreign currency exposure of R\$111.4 million. As of December 31, 2008, our total liabilities denominated in foreign currency was R\$1,171.4 million. At the same date our total asset position in foreign currency was R\$1,060.0 million, consisting of investments indexed to the U.S. dollar and hedging instruments used to manage exchange rate fluctuations and exposure to foreign currency receivables. See footnote 9 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, as well as Notes 5, 16 and 21 to our consolidated financial statements included in this annual report.

Other income (former non-operating income (expense), net). We reported other income of R\$11.2 million for the year ended December 31, 2008 compared to other income of R\$8.8 million for the year ended December 31, 2007. Other income in 2008 is primarily attributable to the result from the sale of assets, notably the stake in Quattor Química held by Oxiteno, which generated a R\$19 million gain in the period and the income from the sale of Ipiranga' s office building in São Paulo, which generated a R\$5 million gain in the period, partially offset by the write-off of deferred assets related to project studies. In 2007 the other income derived from the sale of property, plant and equipment, particularly Ipiranga' s railroad cars in the amount of R\$11.1 million, which was partially offset by expenses related to expansion projects.

Income tax and social contribution. Income tax and social contribution, net of benefits from tax holidays, totaled R\$151.6 million for the year ended December 31, 2008, a 76% increase from R\$85.9 million for the year ended December 31, 2007, primarily due to an increase in pre-tax income, as a result of the growth in Ipiranga, Oxiteno and Ultracargo.

Net income. As a result of the foregoing, the net income for the year (including income attributable to non-controlling interests) increased 40%, from R\$282.9 million in 2007 to R\$394.8 million in 2008. The net income attributable to Ultrapar increased 115%, from R\$181.9 million in 2007 to R\$390.3 million in 2008, as a consequence, among other factors, of the transitory effects of noncontrolling interests related to the acquisition of Ipiranga in 2007 and the consolidation of Ipiranga from the second quarter 2007 onwards. Non-controlling interests was R\$4.5 million for the year ended December 31, 2008, compared to R\$101.0 million for the year ended December 31, 2007. This reduction reflects the transitory effects of non-controlling interests related to the acquisition of Ipiranga Group in 2007. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of Ipiranga Group .

Adjusted EBITDA. Adjusted EBITDA increased by 39% to R\$1,079.4 million for the year ended December 31, 2008 from R\$779.4 million for the year ended December 31, 2007, as a consequence of adjusted EBITDA growth at Ipiranga and Oxiteno, as well as the consolidation of the results of Ipiranga and União Terminais, respectively, from the second quarter 2007 and fourth quarter 2008 on.

The following table shows the change adjusted EBITDA for each of our business units:

	Year ended December 31, Percent		
	2008	2007	change
	(in millions of reais)		
Ultragas	210.8	251.8	(16)%
Ipiranga	603.2	417.0	45%

Oxiteno	210.0	157.4	33%
Ultracargo	50.6	43.0	18%

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Ultragaz reported adjusted EBITDA of R\$210.8 million for the year ended December 31, 2008, a 16% decrease compared to 2007, basically due to the increased competition in the bottled gas segment in the first half of 2008.

Ipiranga's adjusted EBITDA totaled R\$603.2 million for the year ended December 31, 2008, a 45% increase compared to 2007, as a result of the 8% increase in sales volume, with a consequent increase in operational leverage due to the dilution of fixed costs and expenses, and a 6% reduction in sales, general and administrative expenses.

Oxiteno's adjusted EBITDA totaled R\$210.0 million for the year ended December 31, 2008, a 33% increase compared to 2007, as a result of a recovery in average dollar prices driven by an improved sales mix and commercial initiatives developed by the company over the last 12 months, as well as the depreciation in the *real* in the last quarter of the year.

Ultracargo reported adjusted EBITDA of R\$50.6 million for the year ended December 31, 2008, basically as a consequence of the acquisition of União Terminais' operations in the fourth quarter of 2008, the expansion to the Aratu terminal and an increase in the volumes of products handled at the Santos terminal.

For a reconciliation of our adjusted EBITDA and the adjusted EBITDA of Ultragaz, Ipiranga, Oxiteno and Ultracargo to information in our financial statements, see Item 3.A. Key Information - Selected Consolidated Financial Data .

B. Liquidity and Capital Resources

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

From time to time, we examine the opportunities for acquisitions and investments. We consider different types of investments, either direct or through subsidiaries, joint ventures, or affiliated companies. We finance such investments using cash generated from our operations, through funding raised in the capital markets, through capital increases or through a combination of these methods.

Sources and uses of funds

Net cash flow from operations was R\$1,380.6 million, R\$373.5 million and R\$468.2 million in the years ended December 31, 2009, 2008 and 2007, respectively. Our cash flow from operations increased by R\$1,007.1 million in 2009 compared to 2008, mainly reflecting (i) a decrease in working capital due to the inventory realization process at Oxiteno and the decrease in the diesel cost at Ipiranga from June 2009 on, (ii) a higher depreciation resulting from the investments made and (iii) an increase in net earnings, as a result of the 25% increase in adjusted EBITDA. Our cash flow from operations decreased by R\$94.7 million in 2008 compared to 2007, mainly reflecting an increase in working capital requirements due to the growth of our businesses.

Net cash flow from financing activities totaled R\$676.7 million, R\$1,330.4 million and R\$1,061.7 million in the years ended December 31, 2009, 2008 and 2007, respectively. Our cash flow from financing activities decreased R\$653.7 million in 2009 due to the receipt of R\$1.7 billion in 2008 in connection with the acquisition of the Ipiranga Group, which was partially offset by an increase in Ultrapar's indebtedness used to finance the investments in organic growth and acquisitions. In 2008, net cash flow from financing activities increased by R\$268.7 million due to the receipt of R\$1.7 billion in connection with the acquisition of the Ipiranga Group, partially offset by the lower level of new loans and financings as compared to 2007. Ultrapar acted as a commission agent, pursuant to Articles 693 through 709 of the Brazilian Civil Code, for Braskem and Petrobras for the acquisition of the Petrochemical Business and the Northern Distribution Business under the Ipiranga Group acquisition. See Item 4.A. Information on the Company - History and Development of the Company - Acquisition of Ipiranga Group , Item 4.A. Information on the Company - History and Development of the Company - Acquisition of União Terminais and Item 4.A. Information on the Company - History and Development of the Company - Acquisition of Texaco .

Net cash flow used in investing activities totaled R\$1,439.8 million, R\$1,299.0 million and R\$999.4 million in the years ended December 31, 2009, 2008 and 2007, respectively. Our cash flow used in investing activities increased R\$140.8 million mainly due to acquisitions of property, plants and equipment and additions to intangible assets and deferred charges, which amounted to R\$523.2 million, R\$934.5 million and R\$728.4 million in 2009, 2008 and 2007 respectively. For the year ended December 31, 2009, investing activities in the organic growth of the operations were mainly composed of expansion of production capacity for specialty chemicals, investments made in Ipiranga's operations related primarily to the addition of property, plants and equipment, expansion and renewal of our service stations network and the assets acquired from Puma.

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In addition to investing in the organic growth of its operations, in 2009 Ultrapar invested R\$1,360.6 million in acquisitions, net of disposals, for the acquisition of Texaco. For more information on our investments and capital expenditures, see Item 5.B. Operating and Financial Review and Prospects Liquidity and Capital Resources Investments .

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We believe we have sufficient working capital for our present requirements. We have R\$1,059.3 million in debt maturing from January 2010 through December 2010. Additionally, we have a R\$920 million capital expenditures budget for 2010. As of December 31, 2009, we had R\$2,322.2 million in cash, cash equivalents, short-and long-term investments. We expect to meet these cash requirements through a combination of cash generated from operating activities and cash generated by financing activities, including new debt financing and the refinancing of some of our indebtedness as it becomes due.

In March 2010, IPP contracted a loan with Banco do Brasil, which was used to refinance and retire our then current outstanding indebtedness to Caixa Econômica Federal, in the total 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 June 2010, Ultrapar entered into loan agreements with Banco do Brasil through IPP in the amount of R\$900 million, with a four-year duration and average cost equivalent to 99% of CDI. See Item 4.A. Information on the Company History and Development of the Company Recent Developments .

We anticipate that we will spend approximately R\$7.3 billion in the next five years to meet long-term contractual obligations described in the Tabular Disclosure of Contractual Obligations and to the 2010 budgeted capital expenditures. We expect to meet these cash requirements through a combination of cash generated from operating activities and cash generated by financing activities, including new debt financing and the refinancing of some of our indebtedness as it becomes due.

The subsidiaries of Ultrapar use exchange rate hedging instruments (especially between the *real* and the U.S. dollar) available in the financial market to protect their assets, liabilities, receipts and disbursements in foreign currency, in order to reduce the effects of changes in exchange rates on their results and cash flows in *reais*. For additional information regarding our funding and treasury policies see Item 11. Quantitative and Qualitative Disclosures About Market Risk .

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As of December 31, 2009, our consolidated short-and long-term debt was as follows:

Indebtedness	Currency	Interest Rate(1)	Principal amount of outstanding and accrued interest through December 31, 2009 2008 2007 (in millions of reais)		
			2009	2008	2007
Foreign currency-denominated loans:					
Notes due in 2015	US\$	7.2%	431.0	577.4	443.7
Advances on Foreign Exchange Contracts/ Export prepayment	US\$	2.4%	118.6	184.2	135.2
Syndicated loan	US\$	US\$ + LIBOR(2) + 1.2%	104.1	140.0	106.4
BNDES	US\$	6.1%	46.9	46.5	16.0
FINIMP(5) RPR	US\$	3.5%	16.6		13.2
Financial institutions	MX\$(3)	MX\$(3) + TIE(3) + 1.9%	12.2	19.8	23.1
Financial institutions	US\$	US\$ + LIBOR(2) + 1.8%	9.6	48.9	31.3
Financial institutions	Bs(4)	20.4%	1.0	6.0	
FINIMP Tequimar	US\$	7.0%	0.8	4.8	
BNDES	UMBNDDES(5)	8.2%	0.5	3.5	6.0
Notes due in 2020	US\$	9.0%		140.3	106.6
Notes due in 2008	US\$	9.9%			106.8
Reais-denominated loans:					
Debentures	R\$	108.5% of CDI	1,187.9		1,578.8
BNDES	R\$	TJLP(6) + 3.7%	1,027.4	401.8	256.0
Banco do Brasil	R\$	91.8% of CDI	532.2	516.7	21.6
Caixa Econômica Federal	R\$	120% of CDI	495.3		
Banco do Nordeste do Brasil	R\$	8.5%(7)	112.6	103.5	103.5
Loan MaxFácil	R\$	100% of CDI	110.8	108.4	102.2
FINEP Research and Projects Financing	R\$	TJLP(6) + 0.9%	68.1	60.4	61.5
Working capital loan União Terminais/RPR	R\$	125.5% of CDI	18.5	37.2	
FINAME Financing for Machines and Equipment	R\$	TJLP(6) + 3.3%	16.7	39.1	63.1
Post-fixed finance lease	R\$	CDI + 0.5%	13.2	24.5	
BNDES	R\$	5.1%	12.3		2.5
Financial institutions	R\$	10.1%	2.2		
Pre-fixed finance lease	R\$	13.6%	2.1	1.0	
Others	R\$	CDI + 0.4%	2.2	4.1	0.3
Promissory notes	R\$	CDI + 3.6%		1,203.8	
Total loans			4,342.8	3,671.9	3,177.8
Unrealized losses on swaps transactions	R\$		39.0		84.8
Total			4,381.8	3,671.9	3,262.6

(1) Interest rate only as of 2009.

(2) LIBOR = London Interbank Offered Rate.

(3) MX\$ = Mexican peso and TIE = the Mexican interbank balance interest rate.

(4) Bs = Venezuelan Bolívar Forte.

(5) UMBNDES = monetary unit of BNDES (Banco Nacional de Desenvolvimento Econômico e Social) is a basket of currencies representing the composition of foreign currency debt obligations of BNDES. As of December 2009, 95% of this composition reflected the U.S. dollar.

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- (6) TJLP (Long-Term Interest Rate) = set by the National Monetary Council, TJLP is the basic financing cost of BNDES. On December 31, 2009, TJLP was fixed at 6% p.a.
- (7) Contract linked to the rate of FNE (Northeast Constitutional Financing Fund) fund whose purpose is to foster the development of the industrial sector, administered by Banco do Nordeste. On December 31, 2009, the FNE interest was 10% p.a. Over the interest, there is a compliance bonus of 15%.

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Our consolidated debt as of December 31, 2009 had the following maturity schedule:

Maturity	Amount (in millions of reais)
January 1, 2010 to December 31, 2010	1,059.3
January 1, 2011 to December 31, 2011	919.2
January 1, 2012 to December 31, 2012	1,702.0
January 1, 2013 to December 31, 2013	111.2
January 1, 2014 to December 31, 2014	66.6
Thereafter	523.5
Total	4,381.8

As provided in Resolution CVM 556/08, the transaction costs and issuance premiums associated with our fund raising were added to our financial liabilities. See Note 16(f) to our consolidated financial statements for more information.

As of December 31, 2009, R\$38.7 million of our consolidated debt was secured by fixed assets. Ultrapar is responsible for guarantees and securities provided to subsidiaries in the amount of R\$2,617.9 million as of December 31, 2009. In addition, some of our financing agreements contain cross-default clauses whereby we are required to pay in case of default of other debts equal to or greater than R\$10.0 million. As of December 31, 2009, there was no event of default on such debts.

Syndicated loan and notes due in 2020. In June 1997, Ultragaz issued US\$60 million in notes (the Original Notes) maturing in 2005. In June 2005, maturity was extended to June 2020, with put/call options in June 2008 that were neither exercised by the subsidiary nor by the financial institutions.

In June 2005, Oxiteno's subsidiary Oxiteno Overseas Corp., or Oxiteno Overseas, acquired the full amount of Original Notes issued by Cia Ultragaz, with funds from a syndicated loan in the amount of US\$60 million with maturity in June 2008 and interest rate of 5.05% per year. In June 2008, the syndicated loan was renewed under the same conditions, at an interest rate of LIBOR plus 1.25% per annum, which mature in June 2011. The syndicated loan was guaranteed by Ultrapar and the subsidiary Oxiteno. As a result of the issuance of the syndicated loan, some obligations other than those in LPG International Inc. notes must be maintained by Ultrapar:

Maintain a ratio between consolidated net debt to consolidated adjusted EBITDA of no more than 3.5; and

Maintain a ratio between consolidated adjusted EBITDA to consolidated net financial expenses of at least 1.5.

We believe the restrictions imposed on Ultrapar and its subsidiaries are customary for transactions of this nature and have not limited their abilities to conduct their businesses to date.

In April 2006, Oxiteno Overseas sold the Original Notes issued by Ultragaz to a financial institution. Simultaneously, the subsidiary acquired from that financial institution notes linked to the Original Notes (Linked Notes), thus obtaining an additional return on this investment. On December 23, 2009 the subsidiary Oxiteno Overseas sold the Linked Notes to the financial institution and repurchased the Original Notes.

Notes due in 2015. In December 2005, Ultragaz's subsidiary, LPG International Inc., issued notes in the amount of US\$250 million, maturing in December 2015, with annual interest rate of 7.25% paid semiannually, with the first payment made in June 2006. The issuance price was 98.75% of the notes' face value, which represented a total yield for investors of 7.429% per year upon issuance. The notes were secured by Ultrapar and Oxiteno S.A.

As a result of the issuance of these notes, Ultrapar is required to undertake certain obligations, including:

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limitations on transactions with shareholders that hold 5% or more of any class of capital stock of the company, except upon fair and reasonable terms no less favorable to the company than could be obtained in a comparable arm's-length transaction with a third-party;

required board approval for transactions with related parties totaling more than US\$15 million (except transactions with or between subsidiaries);

restrictions on the sale of all or substantially all assets of the company and its subsidiaries; and

restrictions on encumbrances on assets in excess of US\$150 million or 15% of the value of consolidated tangible assets;

We believe these restrictions imposed on Ultrapar are customary for transactions of this nature and have not limited their abilities to conduct their businesses to date. See Item 11. Quantitative and Qualitative Disclosures About Market Risks Material Contracts US\$250 Million 7.25% LPG Notes due 2015 .

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Notes due in 2008. On August 1, 2003, CBPI issued US\$135 million in notes in the international market. Part of these notes were redeemed in 2005 and 2006, in the amounts of US\$1.3 million (R\$3.1 million) and US\$79.6 million (R\$164.9 million), respectively. In July 2008, these notes matured and were consequently settled.

Debentures and promissory note denominated in reais.

In March 2008, Ultrapar issued R\$1.2 billion promissory notes maturing on February 28, 2009 at a rate of 103.15% of CDI. In December 2008, Ultrapar prepaid the first issuance of R\$1.2 billion promissory notes and issued a new promissory note of R\$1.2 billion at a rate of 100% of CDI + 3.6% maturing on December 2009.

In June 2009, Ultrapar made its third issuance of debentures, in a single series of 1,200 simple, non-convertible into shares and unsecured with the following characteristics:

Face value unit:	R\$1,000,000.00
Final maturity:	May 19, 2012
Payment of the face value:	Lump sum at final maturity
Interest:	100% CDI + 3.0% p.a.
Payment of interest:	Annually
Reprice:	Not applicable

The funds obtained with this issuance were used for pre-payment, in June 2009, of 120 promissory notes in the total amount of R\$1.2 billion issued by the company in December 2008.

In December 2009, we concluded the review of certain terms and conditions of our third issuance of debentures. Thus, the interest of the debentures was reduced to 108.5% of CDI and its maturity date was extended to December 4, 2012. The debentures have annual interest payments and amortization in one single tranche at the maturity date, with the following characteristics:

Face value unit:	R\$1,000,000.00
Final maturity:	December 4, 2012
Payment of the face value:	Lump sum at final maturity
Interest:	108.5% of CDI
Payment of interest:	Annually
Reprice:	Not applicable

Prior to our third issuance of debentures, Ultrapar had carried out the first and second issuances of debentures in 2005 and 2007, both of which are due in 2008, as described under Item 4.A. Information on the Company History and Development of the Company. Additionally, in connection with the acquisition of the Ipiranga Group, Ultrapar assumed R\$300 million debentures issued by CBPI in 2006.

R\$1.2 billion line of credit agreement with BNDES.

In August 2006, our subsidiaries signed a revolving line of credit agreement with BNDES (Brazilian National Development Bank) in the total amount of R\$728 million. In December 2008, an additional R\$1.2 billion agreement of the same nature was signed. As of December 31, 2009, the amount being used by our subsidiaries was R\$537 million. See Item 10.C. Additional Information Material Contracts.

CEF Loan Agreement.

In March 2009, CBPI entered into a loan agreement with Caixa Econômica Federal CEF for R\$500 million. This loan was redeemed and replaced with a loan from Banco do Brasil in March 2010. See Item 4.A. Information on the Company History and Development of the

Company Recent Developments .

R\$500 million loan with Banco do Brasil.

In March 2010, IPP entered into a loan agreement with Banco do Brasil in the amount of R\$500 million, with a three-year term. The loan bears an 11.5% per year fixed interest rate, equivalent to 98.5% of CDI, with the entire principal due on the maturity date. See Item 4.A. Information on the Company History and Development of the Company Recent Developments .

R\$900 million loan with Banco do Brasil.

In June 2010, IPP entered into a series of three loan agreements with Banco do Brasil totaling R\$900 million, maturing in May 2013, 2014 and 2015. The loans bear an average 12% per year fixed interest rate, equivalent to 99% of CDI, with the entire principal due at the maturity dates. See Item 4.A. Information on the Company History and Developments of the Company Recent Developments and Item 10.C. Additional Information Material Contracts .

Investments

Equity investments

The table below shows our equity investments for the years ended December 31, 2009, 2008 and 2007. For more details on these acquisitions see Item 4.A. Information on the Company History and Development of the Company Investments .

	Year ended December 31,		
	2009 ⁽⁶⁾	2008	2007
	(in millions of reais)		
Ultragaz			0.1
Ipiranga		(0.1)	
Oxiteno		(45.7) ⁽¹⁾	22.7
Ultracargo		478.2 ⁽²⁾	8.1
Others	1,360.6 ⁽⁵⁾	105.0 ⁽⁴⁾	1,883.1 ⁽³⁾
Total	1,360.6	537.4	1,914.0

(1) Sale of the equity stake in Quattor Química held by Oxiteno

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- (2) Investments made in connection with the acquisition of União Terminais. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of União Terminais .
- (3) Includes investments made in connection with the acquisition of Ipiranga Group, which also included the assumption of the existing net debt of Ipiranga of approximately R\$0.5 billion at the time of the acquisition in 2007. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of Ipiranga Group .
- (4) Share repurchase program included in our consolidated statement of cash flows under Cash flows from financing activities
- (5) Investment made in connection with the acquisition of Texaco. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of Texaco .
- (6) Does not include equity divestiture made in connection with the sale and purchase agreement 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 Recent Developments .

Organic Investments

The following table shows our organic investments for the years ended December 31, 2009, 2008 and 2007:

	Year ended December 31,		
	2009	2008	2007
	(in millions of reais)		
Ultragaz	105.4	166.6	128.9
Ipiranga(1)	222.4	228.8	143.6
Oxiteno	163.8	515.8	453.0
Ultracargo	78.9	55.9	44.2
Others(2)(3)	15.0	11.2	3.4
Total capital expenditures, net of disposals	585.5	978.4	773.2

- (1) Includes financing and bonuses to our resellers, net of repayments, and assets acquired through leasing operations. 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 and bonuses for clients are included under working capital in the cash flow statement. In 2009, 2008 and 2007 assets acquired through leasing, financing and bonuses to clients amounted to R\$105 million, R\$89 million and R\$79 million, respectively.
- (2) Includes expenditures related to maintenance of our headquarters, which is performed by our wholly owned subsidiary Imaven Imóveis Ltda.
- (3) In 2009 and 2008 includes expenditures performed by Serma (*Associação dos Usuários de Equipamentos de Processamento de Dados e Serviços Correlatos*), responsible for providing IT services to Ultrapar), in accordance with Law 11,638 and Law 11,941. See Note 2 to our consolidated financial statements for more information. In 2009 includes financial lease in the amount of R\$1.3 million.

At Ultragaz, our investment strategy has been to expand the small bulk delivery distribution, to consolidate our geographic coverage and to invest in the modernization of our assets. During the years ended December 31, 2009, 2008 and 2007 investments focused on expanding the small bulk market segment (UltraSystem) and on the purchase of bottles.

At Ipiranga, investments were allocated to the expansion, renewal and operational improvement of service stations and distribution facilities.

At Oxiteno, during the years ended December 31, 2009, 2008 and 2007, capital expenditures were largely focused on increasing installed production capacity of specialty chemicals, in particular the construction of fatty alcohols plant in Camaçari, the expansion of production capacity of ethoxylates and ethanalamines in Camaçari and of ethylene oxide at Mauá, all of which came on stream in the fourth quarter of 2008, the modernization of industrial plants, and the development of new products.

At Ultracargo, during previous years we invested in expanding and maintaining our storage facilities. For the years ended December 31, 2009, 2008 and 2007, Ultracargo's capital expenditure was primarily spent on the storage terminal acquired from Puma, on the expansion of the Santos, Aratu and Suape terminals and maintenance.

The investment plan for 2010 calls for a total budget of R\$920 million, R\$152 million to be invested at Ultragaz, R\$414 million at Ipiranga, R\$252 million at Oxiteno and R\$81 million at Ultracargo. At Ultragaz, investments will be allocated primarily to the expansion of UltraSystem

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(small bulk delivery), a segment with growth linked to the economic performance, to the strengthening of activities in the North and Northeast of Brazil and to the replacement of LPG bottles and tanks. At Ipiranga, investments will be directed to the expansion and renewal of its distribution network and to operational improvements, as well as expansion of operations to the Mid-West, Northeast and North regions, which started with the acquisition of Texaco. Of the total investments budgeted by Ipiranga, R\$217 million are related to additions to property, plant and equipment and R\$197 million are related to financing and bonuses to clients, net of repayments. At Oxiteno, investments include R\$185 million for the conclusion of the expansions of ethylene oxide and ethoxylates facilities in Camaçari, which will add, respectively, 90 thousand tons/year and 70 thousand tons/year to its production capacity. Ultracargo will allocate its investments primarily to a 50 thousand cubic meters expansion in its terminals in Suape, Santos and Aratu.

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U.S. GAAP reconciliation

Our net income under Brazilian GAAP was R\$470.3 million, R\$394.8 million and R\$282.9 million for the years ended December 31, 2009, 2008 and 2007 respectively. Under U.S. GAAP, we had net income of R\$391.6 million, R\$419.8 million and R\$335.2 million, respectively, for the years ended December 31, 2009, 2008 and 2007.

Our shareholders' equity under Brazilian GAAP as of December 31, 2009 and 2008 was R\$4,864.3 and R\$4,688.3 million, respectively. Under U.S. GAAP, we had shareholders' equity of R\$4,844.1 million and R\$4,734.5 million, respectively, as of December 31, 2009 and 2008.

The principal differences between Brazilian GAAP and U.S. GAAP that affect our net income and shareholders' equity relate to the treatment of the following items:

purchase value adjustments relating to business combinations;

assets retirement obligation;

post-employment benefits;

accounting for rebates;

fixed assets revaluation reversal;

reversal of deferred charges;

restatement of property, plants and equipment to adjust for the effects of inflation between January 1, 1996 and December 31, 1997, and its respective depreciation, not required by Brazilian GAAP;

business combination;

reversal of dividends proposed;

deferred tax effects on the foregoing adjustments, if applicable; and

customer incentive program.

See Note 24 to our consolidated financial statements for a description of the differences above as they relate to us and a reconciliation to U.S. GAAP of net income and total shareholders' equity.

C. Research and Development, Patents and Licenses, etc.

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, 2009, 103 employees of Oxiteno were engaged in research and development and engineering activities. Oxiteno's research and development expenditures in 2009, 2008 and 2007 were R\$20.5 million, R\$18.5 million and R\$19.4 million, respectively. In 2004, Oxiteno founded its own Science and Technology Council with six of the world's major specialists in surfactants as members. These specialists, with experience in the surfactant industry or in the academic environment in the US, Europe and Latin America, follow the trends and opportunities in the sector. The council, currently composed of five specialists, meets once a year in September in São Paulo to analyze Oxiteno's research and development project portfolio, as well as the management methodology applied. Their recommendations enable Oxiteno to improve its research and development activities' efficiency, as well as to broaden the reach of its partnerships with international entities. In December 2005, Oxiteno signed a contract with PMD - Project Management and Development Co., or PMD, a private Saudi-Arabian company with their head-office in the industrial city of Al Jubail, to license technologies for the production of ethanolamines and ethoxylates. The technologies licensed by Oxiteno will be used in the petrochemical complex located in Al Jubail, currently being built by PMD. The plants that will use the Oxiteno technologies will have a production capacity of 100,000 tons/year of ethanolamines and 40,000 tons/year of ethoxylates.

Oxiteno's investments in research and development have resulted in the introduction of 58 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.

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Trademarks and Patents

Ipiranga owns the trademark for the brands used in its distribution business, including Ipiranga, *Rodo Rede*, Jet Oil, *Corrida Premiada*, *Posto 24 Horas*, Atlantic, F1 Master, F1 Super, Ipiranga 4x4, *Lub Fácil*, Sintex, Moldax, *Rede Nota Dez*, Ipitrust, GP Super DPPISA, Ipicil, Ipiflex, Ipilube, Ipitur, Isa and Marina 2T Plus, among several others. We submitted a trademark registration for *Gasolina Original Ipiranga* (Original Ipiranga Gasoline) to the Brazilian government. The trademarks for these brands expire between 2010 and 2020. IPP also owns a supplying pump fuel and other patents. One of Ipiranga's subsidiaries, *am/pm Comestíveis Ltda.*, is the franchisor of the am/pm brand in Brazil.

Licenses

As part of the acquisition of the Ipiranga Group, we licensed the use of the Ipiranga brand in the Northeast, North and Mid-West regions of Brazil to Petrobras until April 2012. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of Ipiranga Group .

Under the terms of the acquisition of Texaco, we have the right to use the Texaco brand until March 2012 in the South and Southeast regions of Brazil and until March 2014 in the North, Northeast and Mid-West regions of Brazil. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of Texaco .

D. Trend Information

LPG business

Between 2003 and the end of 2007, LPG prices charged to LPG distributors in Brazil have been stable, despite increases in oil and LPG prices in the international markets, which were partially offset by the appreciation of the *real* compared to the U.S. dollar, reducing the difference between LPG prices in Brazil and in the international markets. However, in 2008 Petrobras increased LPG refinery price for commercial and industrial usage by 15% in January, an additional 10% in April and 6% in July. The LPG refinery price for residential use remained unchanged since May 2003. In the last few years, Petrobras' practice was not to immediately reflect volatility of international prices of oil and its derivatives in the Brazilian market. We cannot guarantee that this trend will continue. Any sharp increase in LPG prices charged to LPG distributors could have an impact on Ultragas's results if it is unable to maintain its operational margins or sales volume.

LPG bulk sales are correlated to economic growth, thus an acceleration or deceleration in Brazilian GDP growth can affect our sales volume. As of December 31, 2009, this segment represented approximately 30% of the volume sold by Ultragas. Bottled LPG is an essential good and, therefore, it has a lower correlation with economic performance.

Chemical and petrochemical business

The specialty chemicals volume in the Brazilian market is correlated to economic growth and therefore an acceleration or deceleration in Brazilian GDP growth can affect our sales volume, as Oxiteno's specialty chemicals sales in Brazil represented more than 60% of its total sales in 2009. By the end of 2008, Oxiteno completed certain capacity expansions leading to an increase in exports sales and hence in the portion of its volume sold outside Brazil. As the Brazilian market grows, Oxiteno aims to increase the volume sold in the domestic market. Given its competitive advantages in Brazil, Oxiteno may also grow its volume through displacement of imports. Additionally, Oxiteno is currently investing in capacity expansions in the ethylene oxide and the ethoxylates units at Camaçari, Bahia that will add 90 and 70 thousand tons/year, respectively, to the current capacity, which will likely increase the volume sold.

A large portion of Oxiteno's products prices are linked to U.S. dollar. Therefore, a sharp appreciation or depreciation in the value of the *real* could have an impact on Oxiteno's revenues in the future. Since September 2008, the worsening of the global financial crisis led to a sharp reduction in the flow of capital to Brazil, reversing the *real* appreciation trend in place since 2003. However, during the following quarters, measures adopted by the Brazilian government to minimize the impact of the crisis started to positively reflect on the Brazilian economy, driving an increase in the inflow of foreign investments in the country, thus contributing to a 25% appreciation of the Brazilian currency against the U.S. dollar in 2009 (the highest appreciation rate for the decade), closing the year at a rate of R\$1.74/US\$. From December 31, 2009 to June 25, 2010, the Brazilian *real* depreciated 2% against the U.S. dollar. We cannot predict whether the *real* will maintain this trend.

Oxiteno's main raw material is ethylene, which is produced from naphtha in Brazil. Naphtha prices in Brazil fluctuate with oil prices, which sharply decreased in the international markets in late 2008. However, in 2009, several governmental initiatives

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adopted to minimize the effects of the crisis also contributed to the beginning of the economic recovery of certain countries, particularly in emerging markets, with a recovery of the demand for commodities and a consequent upward trend in their prices, notably oil, which closed 2009 quoted at US\$75 per barrel, an 80% increase compared with its 2008 closing price. We cannot predict whether oil and ethylene prices will keep this trend. A sharp variation in ethylene prices could have an impact on Oxiteno's results of operations if it is unable to maintain its operational margins.

The increase in demand for chemical and petrochemical products in Brazil during the last years and the ongoing integration of regional and world markets 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 effect on our business and results of operations. The chemical industry performance worldwide was strongly affected by the world financial crisis in 2009, which caused the demand for chemical products to decrease in several countries. Due to the faster recovery of the Brazilian economy, Oxiteno faced tougher competition from certain foreign producers in 2009.

Fuel distribution business

In the recent past, the combined sales of gasoline, ethanol and natural gas in Brazil have been correlated to the growth of the light vehicle fleet. In 2009, as part of the Brazilian government plan to mitigate the effects of the global financial crisis, some measures were implemented to incentivize economic activity, such as federal tax on manufactured products (IPI) break. Such measures, associated with a gradual increase in credit availability, resulted in a positive response from certain sectors of the economy. This was particularly notable with respect to the automotive industry, which in 2009 reported another sales record with more than 3 million new vehicles licensed, leading to an estimated fleet increase of 8% during the year. The tax breaks to the automotive industry expired on March 31, 2010, which may cause an increase in vehicles sales prices during 2010 and, consequently, a reduction in demand. On the other hand, we believe that Brazilian credit data available until April 2010 indicates a positive trend when compared to last year, which positively influences the vehicles demand. Additionally, we believe the current ratio of inhabitants per vehicle in Brazil is still low when compared to the rate seen in countries with similar level of development. According to 2007 data released by ANFAVEA (the last available data), the penetration of light vehicles in Brazil is about 14% of total inhabitants, while in Argentina it is 21% and in Mexico it is 24%. Diesel sales, which in 2009 accounted for more than 50% of the volume sold by Ipiranga, have historically been correlated with Brazilian economic performance. In 2009, the Brazilian diesel market, according to ANP data, decreased over the first three quarters compared to same periods in 2008, following the variation in GDP. In the fourth quarter of 2009, the volume of diesel sold in Brazil was 7% higher than that in the same period of the previous year, following the trend of economic growth recovery. The increase in fuels consumption could have a positive effect on the future volume sold by the company and on its results, but we cannot guarantee that this trend will continue.

In the last few years, Petrobras' practice was not to immediately reflect the volatility of international prices of oil and its derivatives in the Brazilian market. We cannot guarantee that this trend will continue. From September 2005 to May 2008, gasoline and diesel refinery prices remained unchanged. In May 2008, Petrobras increased diesel and gasoline prices by 15% and 10%, respectively, in order to adjust internal prices for the successive increases in international oil prices. The Brazilian government simultaneously announced a reduction in CIDE tax on these products, fully offsetting the gasoline price increase and partially offsetting the diesel price increase. However, with the worsening of the global financial crisis and the consequent slowdown in the global economy, prices of commodities fell sharply, and the gasoline and diesel prices in the foreign markets, during the first half of 2009, remained lower than those charged in Brazil. In June 2009, Petrobras reduced diesel and gasoline prices by 15% and 4.5%, respectively, and the Brazilian government simultaneously announced an increase in CIDE tax over these products. As a result of CIDE's decreases, the increase in the prices charged to distributors was partially offset to diesel and fully offset to gasoline. We cannot guarantee that this trend will continue.

Recent investments or acquisitions

During 2009, Ultrapar concluded important investments, particularly the acquisitions of Texaco and of a liquid bulk terminal from Puma in Suape. See Item 4.A. Information on the Company History and Development of the Company and Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of Texaco.

The acquisition of Texaco closed on March 31, 2009, and the results from the acquired business have been consolidated in Ultrapar's results from the second quarter of 2009 onwards.

The storage terminal acquired from Puma in December 2009 was immediately integrated and increased Ultracargo's storage capacity by approximately 15%.

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Additionally, in March 2010, Ultrapar entered into a sale and purchase agreement to sell the in-house logistics, solid bulk storage and road transportation businesses to Aqces, which is expected to be concluded by mid-2010. After the completion of this transaction, Ultrapar will no longer consolidate the results from such businesses. See Item 4.A. Information on the Company History and Development of the Company Recent Developments .

Table of Contents**E. Off Balance Sheet Arrangements**

Our subsidiaries have provided guarantees to financial institutions related to amounts owed to those institutions by certain of the subsidiaries customers (vendor financing). The guarantees have a term of up to 211 days and are equal to the terms of the related financing arrangements. No recourse provision exists that would enable us or our subsidiaries to recover any amount paid to the financial institutions under these guarantees. In the event that the financial institutions exercise these guarantees, we are entitled to recover the amount paid directly from our customers under the vendor contracts. At December 31, 2009, the maximum potential payment under these guarantees totaled R\$20.2 million, which represented a R\$1.4 million increase over December 31, 2008. At December 31, 2009, in accordance with Brazilian GAAP, we did not record any losses or liability on our consolidated financial statements related to these guarantees.

F. Tabular Disclosure of Contractual Obligations

The following table summarizes our contractual obligations, as of December 31, 2009:

Contractual obligations	Total	Payment due by period			More than 5 years
		Up to 1 year	Between 1 and 3 years (in millions of reais)	Between 3 and 5 years	
Financing	4,381.8	1,059.3	2,621.2	177.8	523.5
Estimated interest payments on financing(1)(2)	1,216.8	420.7	634.0	108.9	53.2
Estimated planned funding of pension and other postretirement benefit obligations(3)	308.6	12.0	25.5	27.6	243.4
Purchase obligations raw materials(4)	3,207.2	223.4	511.8	526.8	1,945.2
Purchase obligations utilities(5)	58.5	5.3	13.7	15.4	24.1
Operating leases(6)	89.0	6.7	13.4	13.4	55.5
Royalties(7)	3.4	0.6	1.2	1.2	0.3
Total contractual obligations	9,265.2	1,728.0	3,820.8	871.1	2,845.2

- (1) The estimated interest payment amount was calculated based on macro-economic assumptions including, on average for the period, principally (i) an 11% CDI interest rate, (ii) a 3.7% variation in the *reais* to U.S. dollar exchange rate and (iii) a 6.4% TJLP rate. See Item 5.B. Operating and Financial Review and Prospect Liquidity and Capital Resources Indebtedness and Note 16 to our consolidated financial statements for more information about the maturity of our debt and applicable interest rates. See Notes 16 and 21 to our consolidated financial statements for more information on the maturity and the fair value of our swap agreements. See Note 23 to our consolidated financial statements for more information relating to our estimated planned funding of pensions and other post-retirement benefit obligations.
- (2) Includes estimated interest payments on our short- and long-term debt.
- (3) The estimated payment amount was calculated based on a 4% inflation assumption.
- (4) Oxiteno Nordeste has a supply contract with Braskem, which establishes a minimum quarterly purchase and supply amount of ethylene and establishes conditions for the supply of ethylene until 2021. Under the terms of this agreement, Oxiteno is currently required to purchase and Braskem is currently required to supply at least 190 thousand tons in 2010 and from 2011 Oxiteno and Braskem will have to purchase and supply at least 220 thousand tons, respectively. After the conclusion of the ethylene oxide production capacity expansion at Oxiteno's Camaçari plant in 2010, Braskem will be required to supply Oxiteno with at least 235 thousand tons of ethylene per year until 2021. The minimum purchase commitment is subject to proportional reduction in the case of scheduled shutdowns in the supplier's and/or Oxiteno's facilities. The supply price is linked to ethylene prices on international markets and on the volume purchased by Oxiteno. This contract does not establish a predetermined fixed price of ethylene and for this reason the amount in *reais* is based on the purchase price as of December 31, 2009. Should the minimum purchase commitment not be met, Oxiteno Nordeste would be liable to pay 40% of the current ethylene price for the quantity not purchased. The minimum purchase commitment clause is in renegotiation with Braskem, including the minimum purchase commitment for 2009. On August 1, 2008, Oxiteno S.A. signed an ethylene supply agreement with Quattor Química, valid until 2023, which establishes and regulates the conditions for supply of ethylene to Oxiteno based on the international market for this product. The minimum purchase is 19.8 thousand 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. In case of breach of the minimum purchase commitment, the subsidiary agrees to pay a penalty of 30% of the current ethylene price, to the extent of the shortfall.

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- (5) The purchase obligation relates to long-term contracts under which Oxiteno is required to purchase a minimum amount of energy annually.
- (6) Tequimar has contracts with CODEBA *Companhia Docas do Estado da Bahia*, and *Complexo Industrial Portuário Governador Eraldo Gueiros*, in connection with its port facilities in Aratu and Suape, respectively. Such contracts establish a minimum cargo movement of products of 1 million tons per year in Aratu, effective through 2022 and 250 thousand tons per year in Suape, effective through 2027. With the acquisition of the assets of Puma, Tequimar assumed another contract with the *Complexo Industrial Portuário Governador Eraldo Gueiros*, which establishes an additional minimum cargo movement of products of 400 thousand tons per year in Suape, until 2029. If the annual movement is less than the minimum contractual movement, the subsidiary is liable to pay the difference between the effective movement and the minimum contractual movement based on the port tariff rates on the date established for payment. As of December 31, 2009, these rates were R\$5.79 per ton for Aratu and R\$1.38 per ton for Suape. The company has been in compliance with the minimum movement of products since the inception of the contracts.
- (7) Corresponds to a franchise contract with am/pm International under which Ipiranga is required to pay minimum royalty fees until 2015.

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The following information describes material developments regarding our contractual obligations since December 31, 2009:

In March 2010, Ultrapar entered into a loan agreement with Banco do Brasil through IPP in the amount of R\$500 million. See Item 4.A. Information on the Company History and Development of the Company Recent Developments .

In March 2010, Ultrapar entered into a sale and purchase agreement to sell the in-house logistics, solid bulk storage and road transportation businesses to Aqces. The transaction value is R\$82 million, subject to adjustments on the closing date and to certain conditions precedent. See Item 4.A. Information on the Company History and Development of the Company Recent Developments .

In June 2010, Ultrapar entered into a series of three loan agreements with Banco do Brasil through IPP in the amount of R\$900 million. See Item 4.A. Information on the Company History and Development of the Company Recent Developments and Item 10.C. Additional Information Material Contracts .

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**A. Directors and Senior Management**

The following table lists the current members of our board of directors and senior management.

Name	Position	Years with the company	Age
Board of Directors			
Paulo Guilherme Aguiar Cunha	Chairman	43	70
Lucio de Castro Andrade Filho	Vice Chairman	33	65
Ana Maria Levy Villela Igel	Director	12	67
Renato Ochman	Director	9	50
Nildemar Secches	Director	8	61
Paulo Vieira Belotti	Director	12	78
Olavo Egydio Monteiro de Carvalho	Director	7	68
Luiz Carlos Teixeira	Director	2	63
Executive Officers			
Pedro Wongtschowski	Chief Executive Officer	32	64
André Covre	Chief Financial and Investor Relations Officer, Ultrapar	6	39
João Benjamin Parolin	Officer, Oxiteno	24	51
Pedro Jorge Filho	Officer, Ultragaz	32	56
Leocadio de Almeida Antunes Filho	Officer, Ipiranga	3	59
Ricardo Isaac Catran(1)	Officer, Ultracargo	30	55

(1) Elected in May 2010.

Summarized below is information regarding the business experience, areas of experience and principal outside business interest of the current members of our board of directors and our senior management.

Board of Directors

Paulo Guilherme Aguiar Cunha. Mr. Cunha has been the chairman of our board of directors since 1998 and was our Chief Executive Officer until January 2007. Mr. Cunha has been a member of the board of directors of Monteiro Aranha since 1997. Mr. Cunha joined Ultrapar in 1967 and was appointed vice president in 1973 and Chief Executive Officer in 1981. Mr. Cunha has also been a member of the CMN National Monetary Council, a member of the board of BNDESPAR, a subsidiary of BNDES, president of the Brazilian Association of Technical Standards ABNT, a member of the consulting board of ABIQUIM and president of IBP, the Brazilian Petroleum Institute (*Instituto Brasileiro de Petróleo*). Mr. Cunha is a board member of the Superior Council of Economy and of the Consultative Council for Industry of FIESP, the state

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of São Paulo Industry Association and ex-president of IEDI – Research Institution for the Industrial Development, where he currently is a member of the board of directors. Mr. Cunha is also a member of the board of Insper – IBMEC Business School and of the board of IPT Technological Research Institution. Since 2008, Mr. Cunha has also been a board member of the Superior Strategic Council of FIESP. Mr. Cunha received a

degree in industrial mechanical engineering from PUC – Catholic University in Rio de Janeiro in 1962. Mr. Cunha also was a Professor of Engineering at the Catholic University and at the Federal University of Rio de Janeiro from 1963 to 1966.

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Lucio de Castro Andrade Filho. Mr. Andrade Filho has been the vice chairman of our board of directors since 1998. He joined Ultrapar in 1977 and since then Mr. Andrade Filho has held a number of positions with Ultrapar's subsidiaries in the LPG, logistics, engineering and chemicals segments, as well as serving as Ultrapar's vice president from 1982 to 2006. Mr. Andrade Filho is also the Chief Executive Officer of GLP *Qualidade Compartilhada*, an LPG industry association and a member of the board of directors of the Brazilian Petroleum Institute. He has also been a member of the Consultative Council of Green Capital, a private equity fund, since 2009. Mr. Andrade Filho received degrees in civil engineering and in administration from *Mackenzie University* in São Paulo in 1968 and 1972, respectively.

Ana Maria Levy Villela Igel. Ms. Villela Igel joined us as a member of the board of directors in October 1998. She has also been a member of the board of directors of Ultra S.A. since 1988. She has served as a secretary in the finance department at the United Nations, as a counselor for the Center of Integration Company-School (CIEE *Centro de Integração Empresa-Escola*), an organization which assists students in transitioning to the professional environment, and as a counselor and member of the executive committee of Alumni Association *Bi-National Cultural Center*. She is also involved in several organizations that promote social welfare activities for children and the elderly throughout Brazil.

Renato Ochman. Mr. Ochman joined us in April 2001 as a member of the board of directors. Mr. Ochman is a partner in the law firm Ochman, Real, Amadeo *Advogados Associados S/C*. Mr. Ochman is a member of the board of Grendene, Graded School (*Escola Graduada de São Paulo*) and the Brazilian Lawyers Association (*Ordem dos Advogados do Brasil*) in the states of São Paulo and Rio Grande do Sul. In addition, Mr. Ochman is currently a visiting professor at *Fundação Getúlio Vargas*, where he previously taught commercial law. Previously, Mr. Ochman acted as legal counsel for the Brazilian Association of Supermarkets. Mr. Ochman obtained a law degree from the Catholic University of Rio Grande do Sul and a commercial law masters degree and post-graduate degree from the Catholic University of São Paulo.

Nildemar Secches. Mr. Secches joined us in April 2002 as a member of our board of directors. Mr. Secches is the chairman of the board of directors and former CEO of *Empresas Perdigão* (now *Brasil Foods S.A.*), as well as the chairman of the board of directors of *WEG S.A.* From 1972 to 1990, Mr. Secches worked for National Bank for Economic and Social Development (*Banco Nacional de Desenvolvimento Econômico e Social* - BNDES), serving as an executive officer from 1987 to 1990. From 1990 to 1994, Mr. Secches served as Chief Executive Officer of *Grupo Iochpe-Maxion*, where he is currently a member of the board of directors. Mr. Secches also previously held positions of Chief Executive Officer of *ABEF* - Brazilian Association of Chicken Producers and Exporters and vice-president of *ABIPECS* - Brazilian Association of Pork Producers and Exporters Industries. Mr. Secches received a degree in mechanical engineering from the University of São Paulo, a master's degree in finance from Catholic University in Rio de Janeiro and a doctoral course in economics from the University of Campinas (in the state of São Paulo).

Paulo Vieira Belotti. Mr. Belotti joined us in October 1998 as a member of our board of directors. Mr. Belotti has also served as Chief Executive Officer of several companies including *Petrobras Distribuidora S.A.*, *Petrobras Mineração S.A.*, *Petrobras Química S.A.*, *Petrobras Comércio Internacional S.A.*, *Petrobras Fertilizantes S.A.* and *Norcell S.A.* In addition, he has served as a member of the board of directors of *Nordon Indústria Metalúrgica S.A.* and of *Oxiten*. Mr. Belotti received a degree in civil engineering from the National School of Engineering at the University of Brazil, a bachelor's degree in Mathematics from the University of Guanabara and a degree in nuclear engineering from Oak Ridge School of Technology in Tennessee.

Olavo Egdio Monteiro de Carvalho. Mr. Monteiro de Carvalho joined our company in December 2002 as a member of the board of directors. He is chairman of the board of directors of *Monteiro Aranha S.A.* and a member on the board of directors of *Klabn S.A.* He is also a member of the Rio 2016 Business Advisory (*Conselho Empresarial Rio 2016*) and Municipal Development Advisory (*Conselho Municipal do Desenvolvimento* - COMUDES), chairman of the board of directors of *Geociclo Biotecnologia S.A.* and was president of *Associação Comercial do Rio de Janeiro* until 2009. He holds a mechanical engineering degree from *Technische Hochschule* in Munich.

Luiz Carlos Teixeira. Mr. Teixeira joined our company in April 2008 as a member of the board of directors. He is an officer of Workers General Union (*União Geral de Trabalhadores*) in the bank sector, an alternate member of the board of directors of *Previ* (the pension fund of Banco do Brasil's employees) and the Federation of Latin-American Bank Employees (*Federação Latinoamericana dos Trabalhadores Bancários*). He is also member of the fiscal council of the Social Promotion Institute (*Instituto de Promoção Social* - IPROS). In addition, from 2004 to 2006 Mr. Teixeira was a member of the fiscal council of *Bunge S.A.* He holds a marketing degree from *Escola Superior de Propaganda e Marketing* and a master's degree in Political and Social Science from *Universidade Moura Lacerda*.

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Executive Officers

Pedro Wongschowski. Mr. Wongschowski has served as an officer of Ultrapar since 1985, becoming he Chief Executive Officer in January 2007. Mr. Wongschowski was a member of the board of directors of Ultraprev from 1989 to 2006, and an officer of Oxiteno and Oxiteno Nordeste from 1992 to 2006. Mr. Wongschowski was employed at our chemical fertilizer company from 1970 until 1972 and rejoined Ultrapar in 1977. Mr. Wongschowski is a member of the board of the Brazilian Association for Chemical Engineering, vice-president of the board of directors of the Brazilian Chemical Industries Association ABIQUIM, and vice-president of Latin American Petrochemical and Chemical Associations APLA. Mr. Wongschowski received a degree in chemical engineering, master's degree in chemical engineering and a doctoral degree in chemical engineering from the *Escola Politécnica da Universidade de São Paulo*. Mr. Wongschowski is the author of the book *Chemical Industry Risks and Opportunities (Indústria Química Riscos e Oportunidades)*, which was published in 2002 (2nd edition).

André Covre. Mr. Covre joined Ultrapar in 2003 as Corporate Planning and Investor Relations Director. Mr. Covre has been the company's Chief Financial and Investor Relations Officer since March 2007. Mr. Covre has almost 20 years of experience in strategic development, growth, turn around venture, corporate finance, mergers & acquisitions and capital markets. In 2008, André Covre was elected the Chairman of the Latin American Corporate Governance Roundtable's Companies Circle, a study group sponsored by the Organization for Economic Co-operation and Development OECD, with cooperation from the IFC (International Finance Corporation) and BM&FBovespa, aiming at developing corporate governance in Latin America. Mr. Covre began his career with Unisys Corp. in the United States, was formerly a treasury manager at Pepsi Cola Engarrafadora (Brazil) and a director of ABN AMRO Capital in Amsterdam, a private equity and venture capital fund. Mr. Covre holds an MBA from INSEAD, in France, and a bachelor degree in government studies from *Fundação Getúlio Vargas* in São Paulo.

João Benjamin Parolin. Mr. Parolin joined the company in 1986, working in Oxiteno's commercial area prior to assuming the position of Oxiteno's Chief Operating Officer in 2007. Mr. Parolin formerly served as marketing manager from 1989 to 1992 and sales manager from 1992 to 2000. From 2000 to 2006, he held the sales director position at Oxiteno. Prior to joining Oxiteno, Mr. Parolin worked in the commercial area at Dow Química S.A. Mr. Parolin received a bachelor degree in chemical engineering from *Escola Politécnica da Universidade de São Paulo* in 1980, a post-graduate degree in Marketing Administration at *Fundação Getúlio Vargas* and a master's degree in business administration from *Fundação Instituto de Administração - Universidade de São Paulo* in 2003. As a complement to his academic background he attended the STC Skills, Tools and Competences from *Fundação Dom Cabral/J.L Kellogg Graduate School of Management (Northwestern University)* in 2000 and the Advanced Management Program at Wharton University in 2005.

Pedro Jorge Filho. Mr. Jorge has been an officer of Ultrapar since April 2005. He has been with the company since 1977 and has held a number of positions with the company, including serving as an officer of Utingás and Director of Engineering and Marketing at Ultragas. Mr. Jorge was also responsible for the Southeastern and Mid-West regions. Mr. Jorge became Ultragas's Chief Operating Officer in 2002. He is an officer at Sindigás and at AIGLP (*Asociación Iberoamericana de Gás Licuado de Petróleo*) and vice-president at World LP Gas Association Paris. He earned a degree in Industrial and Chemical Engineering from *Universidade Mackenzie*. He also earned a certificate from the Advanced Management Program at INSEAD, in Fontainebleau, France in 1998, and from the program HR's Contribution to Continuous Improvement at Instituto IESE of Universidade de Navarra, in Barcelona, Spain in 1999.

Leocadio de Almeida Antunes Filho. Mr. Antunes has been an officer of Ultrapar since May 2008. He has held a number of positions at Ipiranga since 1987 when he joined as commercial officer at Fertilis S.A. and Officer at Ipiranga Serrana Fertilizantes S.A. In 1993, he served as an executive officer at CBPI. Currently Mr. Antunes is Ipiranga's Chief Operating Officer and is also Vice-president of Sindicom. He earned a degree in Economics from *Universidade Federal do Rio Grande do Sul* and post graduate and a master's degree in Agricultural Economics at University of Reading (UK) and University of London, respectively. Furthermore, he has completed the Advanced Executive Program, from J.L. Kellogg Graduate School of Management at Northwestern University.

Ricardo Isaac Catran. Mr. Catran has been an officer of Ultrapar since May 2010. He joined the company in 1980 and since then has held a number of positions, including commercial officer of Transultra and Tequimar for the Northeast region. Mr. Catran became Ultracargo's Chief Operating Officer in 2008. He earned a degree in civil engineering from *Universidade Federal do Rio de Janeiro* and post graduate degree in transport engineering from COPPE UFRJ (*Instituto Alberto Luiz Coimbra de Pós-Graduação e Pesquisa de Engenharia - Universidade Federal do Rio de Janeiro*).

B. Compensation

For the year ended December 31, 2009, the aggregate compensation of our directors and executive officers was approximately R\$18.2 million. A portion of such amount is represented by the amortization of the shares granted to the executive officers under the Deferred Stock Plan (defined below) and variable compensation, dependent on business performance as measured by metrics such as Economic Value Added (EVA), targets established for a three to four-year period and annually verified. This compensation also considers individual performance based on the adherence to annual targets established in accordance with the strategic planning. See Item 6.D. Directors, Senior Management and Employees

Employees .

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The table below shows the compensation for our directors and executive officers in 2009:

	Board of Directors <i>(in thousand of reais, except for the number of members)</i>	Executive Officers	Total
Number of members	8	5	
Annual fixed compensation	2,188.0	6,154.2	8,342.2
Salary	2,188.0	5,199.1	7,387.1
Direct and indirect benefits		955.1	955.1
Participation in committees			
Others			
Variable compensation		7,137.9	7,137.9
Bonus			
Profit sharing		7,137.9	7,137.9
Participation in meetings			
Commission			
Others including long-term variable compensation			
Post-employment benefit		662.9	662.9
Benefits due to the interruption in the exercise of the position			
Stock-based compensation		2,086.1	2,086.1
Total compensation	2,188.0	16,041.2	18,229.2

The table below shows the higher, lower and average individual compensation for our directors and executive officers in 2009:

Body	Number of members	Higher individual compensation <i>(in thousand of reais, except for the number of members)</i>	Lower individual compensation	Average individual compensation
Board of Directors	8	796.0	176.0	273.5
Executive Officers	5	4,327.9	2,061.3	3,208.2

On April 27, 2001, the General Shareholders Meeting approved a plan for granting stock options to members of management and employees in executive positions in the company and its subsidiaries. On November 26, 2003, the Extraordinary General Shareholders Meeting approved certain amendments to the original plan of 2001 (the Deferred Stock Plan). In the Deferred Stock Plan, certain members of management have the voting and economic rights of preferred shares held as treasury stock and the ownership of these shares is retained by Ultrapar. The Deferred Stock Plan provides for the transfer of the ownership of the shares to those eligible members of management after five to ten years from the initial concession of the rights subject to uninterrupted employment of the Deferred Stock Plan participant by the company during the period. The board of directors determines the number of shares to which each eligible participant shall have rights. The total number of shares to be used for the Deferred Stock Plan is subject to the availability in treasury of such shares. It is incumbent on Ultrapar's executive officers to select the members of management eligible for the plan and propose the number of shares in each case for approval by the board of directors. As of December 31, 2009, the amount granted to the company's executives, including tax charges, totaled R\$29.6 million. This amount is

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amortized over the period of the Deferred Stock Plan. The amortization for 2009 amounted to R\$3.4 million, of which R\$2.1 million corresponded to shares granted to Ultrapar's executive officers and is recorded as an operational expense for 2009. The chart below summarizes shares provided to our executive officers, as of December 31, 2009:

Body	Statutory Officers						
Number of members	5.00						
Granting date(1)	17-Dec-03	4-Oct-04	14-Dec-05	9-Nov-06	12-Dec-07	7-Oct-08	15-Dec-09
Number of shares granted	59,800	23,575	5,000	33,400	25,000	140,000	10,000
Period for the share effective ownership to be transferred					1/3 in Nov-2012	1/3 in Sep-2013	1/3 in Nov-2014
	Nov-2013	Sep-2014	Nov-2015	Oct-2016	1/3 in Nov-2013	1/3 in Sep-2014	1/3 in Nov-2015
					1/3 in Nov-2014	1/3 in Sep-2015	1/3 in Nov-2015
Price assigned to the shares granted (R\$)	30.32	40.78	32.83	46.50	64.70	39.97	83.00

(1) Includes shares granted from 2004 to 2006 to certain officers who were not statutory officers at the granting date. Some of our executive officers are entitled to receive variable compensation dependent on the performance of our company stock over the course of 5 years, from 2006 to the end of 2011, if at the end of such period the share price is higher than a pre-established minimum level, reflecting the objective of more than doubling the value of the company in five years.

For more information on our Deferred Stock Plan, please see Note 9 to our financial statements.

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C. Board Practices

We are managed by our board of directors (*Conselho de Administração*) and by our executive officers (*Diretoria*). Our board of directors consists of eight members, five of whom are independent, according to the Brazilian rules, non-executive members (including one appointed by minority preferred shareholders at the General Shareholders Meeting on April 28, 2010), and two members were executive officers until December 2006. Our board of directors generally meets every 45 days or whenever called by its chairman or by any two directors. During 2009, twelve board meetings were held. Each meeting of the board of directors requires a quorum of a minimum of three members, including the chairman or the vice-chairman. The board of directors is responsible for our general policies, for electing our executive officers and supervising their management, and for deliberating on capital increases up to the authorized capital, distributions of dividends and interest on shareholders equity, investments in other companies, our dissolution or incorporation and the appointment of independent auditors. Pursuant to Brazilian law, each member of the board of directors must hold at least one of our common or preferred shares and be elected by the holders of our common or preferred shares at the General Shareholders Meeting.

Members of the board of directors are elected by the common or preferred shareholders for a period of one year and may be reelected. According to Law 10,303/2001, minority shareholders that together hold common shares representing at least 15% of the voting capital are entitled to appoint one Board member. Holders of preferred shares representing 10% or more of our total capital stocks have the right to elect one member of our board of directors in separate voting. If minority holders of our voting shares and preferred shares do not reach the minimum percentage required for the right to elect a member of the board of directors in the manners described above, they may jointly elect a single member to the Board. In this case, such shareholders should jointly represent a minimum of 10% of the corporate capital. Until the general shareholders meeting of 2005, preferred shareholders had the right to elect a Board member from a short list of three names nominated by the controlling shareholder. Since the general shareholders meeting of 2006, the election of this member has no longer been limited to persons nominated by the controlling shareholder. In 2002, we granted our minority shareholders the right to elect a member of our board of directors, a corporate governance change that Brazilian companies were not required to make until 2006.

Minority holders of voting shares and preferred shareholders must prove uninterrupted title to our shares for a period of at least three months immediately prior to the date of the general shareholders meeting in order to exercise their rights related to the election of directors.

Law 10,303/2001 granted members of the board of directors elected by minority holders of voting shares and/or preferred shares, veto powers over the appointment and dismissal of our independent auditors, provided such veto is reasonably justified.

Executive Officers

Our executive officers include our Chief Executive Officer and a minimum of three and a maximum of five other members. Each of our current executive officers has been appointed by the board of directors for a one-year term, which began on May 5, 2010, and they remain in office until the board of directors meeting that will appoint the executive officers in 2011. Current executive officers can be reelected for additional one-year terms. For the dates on which our executive officers began holding their respective position, see Item 6.A. Directors, Senior Management and Employees Directors and Senior Management .

Fiscal Council and Audit Committee Exemption

Brazilian Corporate Law requires us to establish a fiscal council (*Conselho Fiscal*), which may operate on a permanent or non-permanent basis. A fiscal council acting on a non-permanent basis is required to be formed when requested by 10% of our voting shareholders or 5% of our non-voting shareholders in a general shareholders meeting, and will remain in place only until the following general shareholders meeting. At such general shareholders meeting, the term of this fiscal council may be extended by our shareholders. In July 2005, our bylaws were revised to provide for the creation of a fiscal council with permanent operations. Our fiscal council acts as an audit committee pursuant to the requirements of the Sarbanes-Oxley Act. Under Rule 10A-3(c)(3) of the Exchange Act, non-U.S. issuers, such as Ultrapar, are exempt from the audit committee requirements of Section 303A of the New York Stock Exchange Listed Company Manual if they establish, according to their local law or regulations, another body that acts as an audit committee.

Our fiscal council consists of five members and their respective alternate members. The fiscal council is a separate corporate body independent of our management and our external independent registered public accounting firm. According to the Brazilian Corporate Law, the fiscal council must meet at least four times per year. Since its establishment, in July 2005, our fiscal council has been meeting on a regular basis, and in 2009, they held ten meetings. Our fiscal council is responsible for reviewing the accuracy and integrity of quarterly and annual financial statements in accordance with applicable accounting, internal control and auditing requirements and in compliance with the provisions of Brazilian Corporate Law; the forms of the CVM and requirements for listing on BM&FBovespa; the rules of the SEC and the requirements for listing on the New York Stock Exchange. Our fiscal council also (1) makes recommendations to our board of directors regarding the appointment, retention and

oversight of our independent auditors,

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(2) discusses matters related to interim and annual financial statements with the management of the company and the independent auditors, (3) reviews and evaluates the performance of internal auditing and (4) discusses matters related to effectiveness of the internal controls of the company with management and independent auditors. Our fiscal council is supporting the implementation by the company of improved procedures for receiving, retaining and addressing complaints regarding accounting, internal control and auditing matters, including the submission of confidential, anonymous complaints from employees regarding questionable accounting or auditing matters. Our fiscal council may hire outside advisors to assist it with matters related to the course of their duties, and such expenses are covered by the company. The members of our fiscal council are elected by our shareholders at the annual general shareholders meeting for one-year terms and are eligible for reelection. The terms of the members of our fiscal council expire at the next annual general shareholders meeting. Under Brazilian Corporate Law, individuals who are members of our board of directors or our board of executive officers or are employees or spouses or relatives of any member of our management are not eligible to serve on the fiscal council. To be eligible to serve on our fiscal council, a person must be a resident of Brazil and either a university graduate or has been a company officer or fiscal council member of another Brazilian company for at least three years prior to election to our fiscal council.

On April 28, 2010, the General Shareholders Meeting approved compensation for the members of the fiscal council of R\$9,950 per month for each effective (non-alternate) member, except for the president and the secretary of the fiscal council, whose compensation was set at R\$10,700 per month.

The following table lists the members of our fiscal council and their alternates who served on the fiscal council during 2009:

Name	First Year of Appointment
Wolfgang Eberhard Rohrbach	2005
Tania Maria Camilo (alternate)	2006
Edson Pena Júnior	2008
Waldenor Moreira Borges Filho (alternate)	2008
Flavio César Maia Luz	2005
Márcio Augustus Ribeiro (alternate)	2007
Mário Probst	2005
Katuyoshi Utiyama (alternate)	2005
Raul Murgel Braga	2005
Pedro Ozires Predeus (alternate)	2005

An election of the fiscal council was held on April 28, 2010, at which all members were reelected except for Edson Pena Júnior and the respective alternate Waldenor Moreira Borges Filho, who were replaced by Antonio Carlos Ramos Pereira and by Sérgio Paulo Silva as alternate. Summarized below is information regarding the business experience, areas of experience and principal outside business interests of the current members of our fiscal council.

Flavio César Maia Luz. Mr. Luz has been our fiscal council member since 2005. Mr. Luz has been corporate and finance vice-president of Cofra Latin America Ltda. C&A Group since 2001 and was Chief Executive Officer of Banco Ibi in 2009. From 1999 to 2001, Mr. Luz served as executive director and vice-president of the board of directors at Eletropaulo. From 1976 to 1998, Mr. Luz worked at Duratex, where he occupied the executive vice-president position from 1993 to 1998. Mr. Luz received a degree in civil engineering from *Escola Politécnica da Universidade de São Paulo* and a post-graduate degree in business administration from *Escola de Administração de Empresas de São Paulo da Fundação Getúlio Vargas*. He also holds certificates of continuing education programs in Finance, Marketing and Mergers & Acquisitions, from Harvard Business School, Stanford University and Wharton Business School, respectively.

Mario Probst. Mr. Probst served as partner at KPMG Auditores Independentes from 1991 to 2004, and is currently retired. Mr. Probst is a member of the board of directors at *Hospital Alemão Oswaldo Cruz*, a member of the fiscal council at Odontoprev S.A., a member of the fiscal council at Companhia Brasileira de Distribuição and Globex Utilidades S.A. Mr. Probst received a degree in business administration from *Escola de Administração de Empresas de São Paulo da Fundação Getúlio Vargas* and accountancy from *Faculdade de Ciências Políticas e Econômicas do Rio de Janeiro*.

Raul Murgel Braga. Mr. Braga served as legal consultant at Ultrapar until 1992 and at Getec Group until 1997. He also served as president of Ultraprev. Mr. Braga also served as president of the fiscal council at Copene-Petroquímica do Nordeste S.A. and Globex Utilidades S.A., until March 2002 and April 2005, respectively, and as a member of the fiscal council at Oxiten S.A. until December 2002. Mr. Braga received a law degree from *Faculdade Nacional de Direito da Universidade do Brasil*, in Rio de Janeiro.

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Wolfgang Eberhard Rohrbach. Mr. Rohrbach is the investment controller at Monteiro Aranha Group, and a member of the fiscal council of its affiliates, including Klabin S.A. Mr. Rohrbach also served as member of the fiscal council at Ericsson, Volkswagen do Brasil, Matel Tecnologia de Teleinformática S.A. MATEC and Oxiteno S.A. Indústria e Comércio. As member

of the fiscal council of Ericsson do Brasil he introduced the audit committee in the company. Mr. Rohrbach received a degree in economics from *Universidade de São Paulo*.

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Antonio Carlos Ramos Pereira. Mr. Pereira was an alderman of the city of Belo Horizonte from 2003 to 2008. From 2005 to 2007, Mr. Pereira was a member of the board of directors of the PBH/Compur (Council of the City of Belo Horizonte for Urban Policy), where he was an alternate member of the Board of Director in 2008. He was also a Minas Gerais state representative in the Lower House of Congress. Mr. Pereira received a degree in mathematics from *Faculdade de Filosofia, Ciências e Letras de Belo Horizonte* and a master's degree in administration from Catholic University, *Fundação Dom Cabral*, in Minas Gerais.

Corporate Governance

We are incorporated under the laws of Brazil and we are subject to Brazilian laws related to corporate governance. Under Brazilian law, there are no regulatory requirements with respect to corporate governance such as (i) the independence of our board of directors, (ii) meetings of non-management directors, (iii) the establishment and composition of certain board committees or (iv) the adoption and disclosure of corporate governance guidelines or codes of business conduct and ethics. As a non-U.S. issuer, we are exempt from adopting certain New York Stock Exchange corporate governance requirements. However, we aim to ensure that best practices, recommendations and standards of corporate governance are employed in our functioning and operations. We have adopted corporate governance guidelines, such as the requirement that a majority of the members of the board of directors be independent, the implementation of a code of ethics for the controlling shareholder, senior officers and all employees, and the implementation of the fiscal council that acts as an audit committee, which we believe are in compliance with applicable U.S. corporate governance requirements.

In 2000, the São Paulo Stock Exchange, or BM&FBovespa, introduced three special listing segments, known as Levels 1 and 2 of Differentiated Corporate Governance Practices and New Market (*Novo Mercado*), which seek to foster a secondary market for securities issued by Brazilian companies with securities listed on BM&FBovespa, by requiring such companies to follow good practices of corporate governance. The listing segments were designed for the trading of shares issued by companies voluntarily abiding by corporate governance practices and disclosure requirements in addition to those already imposed by Brazilian law. These rules generally increase shareholders' rights and enhance the disclosure of information provided to shareholders.

In October 2005, we entered into an agreement with BM&FBovespa and have complied with the requirements to become a Level 1 company. In becoming a Level 1 company, we have:

ensured that shares representing at least 25% of our total share capital are available for trading;

adopted offering procedures that favor widespread ownership of our shares whenever making a public offering;

complied with minimum quarterly disclosure standards;

followed stricter disclosure policies with respect to transactions involving our securities made by our controlling shareholder and our directors and executive officers;

disclosed any existing shareholders agreements and stock option plans; and

made a schedule of corporate events available to our shareholders.

On February 20, 2008, Ultrapar's board of directors decided to join to Level 2 of BM&FBovespa's Special Corporate Governance Levels. In becoming a Level 2 company, we are required to comply with the following, in addition to the requirements of Level 1: (i) giving voting rights to preferred shareholders for such matters as changes in corporate type, mergers, spin-offs and consolidations, (ii) making a tender offer for the purchase of all outstanding shares, at their economic value, if the company goes private or in the event the company ceases to be a Level 2 company and (iii) adhering to the rules of an arbitration panel responsible for resolving any conflict and consisting of specialists in the relevant dispute areas. We are currently working on the procedures to comply with the rules of Level 2. As it was already the case for Level 1, Ultrapar's corporate governance standards will continue to exceed certain current requirements of Level 2, the most prominent of which is the 100% tag along rights for all shareholder classes while the requirement of Level 2 is 80% for all shareholder classes.

Termination Agreements

Not applicable.

D. Employees

As of December 31, 2009, we had 9,429 employees. The following table sets forth our number of employees per line of business at the dates indicated.

	Number of employees		
	2009	2008	2007
Ultragaz	4,075	4,109	4,467
Ipiranga	2,326	2,083	2,317
Oxiteno	1,481	1,565	1,441
Ultracargo	1,232	1,459	1,193
Others(1)	315	280	235
Ultrapar	9,429	9,496	9,653

(1) Includes headquarters personnel from the maintenance, IT, finance and accounting departments.

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Ultragaz's employees are covered by collective agreements with the labor unions representing employees in the LPG industry. Ipiranga's employees are covered by collective agreements with the labor unions representing employees in fuel distribution. As required under Brazilian legislation, Oxiteno's employees are represented by labor unions, and are currently covered by collective agreements, which are renewed annually.

All of Ultracargo's employees are covered by a collective agreement, which addresses social, financial, labor union and labor relations issues.

In February 2001, our board of directors approved the adoption of a defined contribution pension plan to be sponsored by Ultrapar and each of its subsidiaries. Participating employees have been contributing to this plan, managed by Ultraprev *Associação de Previdência Complementar*, since August 2001. Under the terms of the plan, every year each participating employee chooses his or her basic contribution to the plan. Each sponsoring company provides a matching contribution in an amount equivalent to each basic contribution, up to a limit of 11% of the employee's reference salary, according to the rules of the plan. As participating employees retire, they may choose to receive either (i) a monthly sum ranging between 0.5% and 1.0% of their respective contribution in Ultraprev or (ii) a fixed monthly amount which will exhaust their respective contribution over a period of 5 to 25 years. The sponsoring company does not guarantee the amounts or the duration of the benefits received by each employee that retires. The total number of participating employees as of December 31, 2009 was 7,197.

E. Share Ownership

In accordance with our bylaws, there are two classes of capital stock authorized and outstanding, common shares and the preferred shares, of which only the common shares have voting rights in any matter (except for certain limited rights). See Item 6.B. Directors, Senior Management and Employees Board Practices Corporate Governance .

In connection with the Share Exchange in 2007, Ultrapar issued 54,770,590 new preferred shares. Each RPR, DPPI and CBPI preferred or common share outstanding was exchanged for an Ultrapar preferred share at the rate of 0.79850, 0.64048 and 0.41846 Ultrapar shares per share, respectively. After the Share Exchange, our numbers of preferred shares and total shares increased to 86,666,102 and 136,095,999, respectively.

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The table below sets forth the number of our total shares (common and preferred shares) beneficially owned by each of our directors and executive officers as of May 31, 2010, including through their participation in our controlling parent company Ultra S.A. Participações.

	Common Shares	%	Preferred Shares	%	Total Shares	%
Board of directors						
Paulo Guilherme Aguiar Cunha(1)	3,928,206	8%	4,447	0%	3,932,653	3%
Lucio de Castro Andrade Filho(1)	1,392,038	3%	3	0%	1,392,041	1%
Ana Maria Levy Villela Igel(1)	9,039,644	18%	3	0%	9,039,647	7%
Olavo Egydio Monteiro de Carvalho	352,375	1%	68,404	0%	420,779	0%
Renato Ochman	15	0%	2	0%	17	0%
Nildemar Secches(2)	15	0%	42,002	0%	42,017	0%
Paulo Vieira Belotti	15	0%	2	0%	17	0%
Luiz Carlos Teixeira		0%	1	0%	1	0%
Executive officers						
Pedro Wongtschowski(1)	592,246	1%		0%	592,246	0%
André Covre(3)		0%	50,400	0%	50,400	0%
Leocadio de Almeida Antunes Filho(3)		0%	75,000	0%	75,000	0%
João Benjamin Parolin(3)		0%	50,400	0%	50,400	0%
Pedro Jorge Filho(3)		0%	84,975	0%	84,975	0%
Ricardo Isaac Catran(3)		0%	20,000	1%	20,000	0%
Board of directors and executive officers	15,304,554	31%	395,639	1%	15,700,193	12%
Total	49,429,897		86,666,102		136,095,999	

- (1) Individuals who beneficially own shares primarily through their participation in the holding company Ultra S.A. Participações. See Item 7.A. Major Shareholders and Related Party Transactions – Major Shareholders .
- (2) Individual who owns shares through an exclusive fund.
- (3) Executives who were granted shares through the Deferred Stock Plan.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**A. Major Shareholders**

The table below shows the capital stock of Ultrapar as of May 31, 2010:

	Common Shares	%	Preferred Shares	%	Total Shares	%
Shareholders						
Ultra S.A. Participações	32,646,694	66%	12	0%	32,646,706	24%
Aberdeen Asset Management PLC(1)		0%	11,942,785	14%	11,942,785	9%
Parth Investments Company(2)	9,311,730	19%	1,396,759	2%	10,708,489	8%
Caixa de Previdência dos Funcionários do Banco do Brasil		0%	8,630,824	10%	8,630,824	6%
Monteiro Aranha S.A.	5,212,637	11%	1,011,888	1%	6,224,525	5%
Dodge & Cox, Inc.		0%	6,067,632	7%	6,067,632	4%
Genesis Asset Managers LLP(1)		0%	4,341,794	5%	4,341,794	3%
Ultra-DI Participações S.A.(2)	490,095	1%	73,514	0%	563,609	0%
Others	1,768,741	4%	53,200,894	61%	54,969,635	40%

Total	49,429,897	100%	86,666,102	100%	136,095,999	100%
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- (1) Fund managers headquartered in England (according to relevant shareholder position notice disclosed by the respective funds).
- (2) Parth Investments Company and Ultra-DI Participações S.A., which together hold 19.8% of our common shares, are controlled by Daisy Igel.

Table of Contents**Ownership and Capital Structure of Ultra S.A. Participações**

As of May 31, 2010, Ultra S.A., owned approximately 66% of Ultrapar's voting shares. As of May 31, 2010, the capital stock of Ultra S.A. was beneficially owned as follows:

	Common		Preferred		Total	
	Shares	%	Shares	%	Shares	%
Shareholders						
Fabio Igel	7,518,770	12%	1,768,275	7%	9,287,045	10%
Rogério Igel	4,634,187	7%	1,130,519	4%	5,764,706	7%
Joyce Igel de Castro Andrade	5,516,246	9%	2,062,989	8%	7,579,235	9%
Marcia Igel Joppert	6,201,602	10%	2,062,988	8%	8,264,590	9%
Christy Participações Ltda.	6,425,199	10%	4,990,444	20%	11,415,643	13%
Others	7,105,475	11%	932,571	4%	8,038,046	9%
Total Shareholders	37,401,479	59%	12,947,786	51%	50,349,265	57%

	Common		Preferred		Total	
	Shares	%	Shares	%	Shares	%
Directors and officers						
Paulo Guilherme Aguiar de Cunha	10,654,109	17%			10,654,109	12%
Ana Maria Levy Villela Igel	9,764,689	15%	12,395,100	49%	22,159,789	25%
Lucio de Castro Andrade Filho	3,775,470	6%			3,775,470	4%
Pedro Wongtschowski	1,606,301	3%			1,606,301	2%
Total Directors and Officers	25,800,569	41%	12,395,100	49%	38,195,669	43%
Total	63,202,048	100%	25,342,886	100%	88,544,934	100%

All of the securities of Ultra S.A. are held in Brazil and there are 21 record holders of these securities in Brazil.

Shareholders' Agreements

On March 22, 2000, our controlling shareholders entered into a shareholders' agreement designed to ensure the equal treatment of all shareholders in the event of any change in control. On May 18, 2004, the Extraordinary General Shareholders Meeting and the Special Meeting of Preferred Shareholders approved an amendment of our bylaws to register tag along rights for all Ultrapar shareholders, at 100% of the offer price. The registration of the tag along rights in our bylaws intended to improve on the rights already conceded in the shareholders' agreement.

On September 22, 2004, the shareholders of Ultra S.A. entered into a new shareholders' agreement replacing a prior shareholders' agreement entered into on May 22, 1997, to ensure the continuation of the controlling shareholder block upon the contemplated dissolution and distribution of Ultra S.A. shares held by its shareholders, Igel Participações S.A. and Avaré Participações S.A.

On December 3, 2009 shareholders of Ultra S.A. entered into a new shareholders' agreement (2009 Shareholders' Agreement) that replaced the 2004 Shareholders' Agreement, the term of which would have expired on December 16, 2009. The terms and conditions of the shareholders' agreement are substantially the same as those of the previous agreement. The 2009 Shareholders' Agreement may be renewed upon unanimous consent or be terminated upon deliberation by shareholders representing at least 80% of the common shares issued by Ultra S.A.

The 2009 Shareholders' Agreement provides for a two-year term from December 3, 2009 and provides principally that:

all shares of Ultrapar that are held by Ultra S.A. will be voted as a block;

Ultra S.A. shares will be voted in accordance with the instructions of the absolute majority of its common shares except for certain significant matters (including changes to the bylaws of either company, changes to our capital structure, mergers, material acquisitions or sales of assets, and election of Board members) which require the vote of 66% of the common shares;

Chairman of Ultra S.A.'s board of directors must convene a meeting of, and provide all requested information and available documents to, all parties to the 2009 Shareholders' Agreement before or after any meeting of our board of directors considering key issues such as our strategic plan and general policies, our organizational structure, the election of executive officers, our dividend policy, and any other material decisions as determined by the board of directors;

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any party purchasing shares of Ultra S.A. must agree to be bound by the terms of the 2009 Shareholders Agreement; and

any party to the 2009 Shareholders Agreement may exchange his or her shares in Ultra S.A. into our preferred shares at an exchange ratio necessary to obtain the same percentage of our capital stock as was held in Ultra S.A., unless the exchange would result in (i) Ultra S.A. no longer having more than the majority of our voting shares or (ii) a violation of the number of preferred shares as a percentage of total capital stock legally permitted to be issued by us or by Ultra S.A.

B. Related Party Transactions

As of December 31, 2009, Ultrapar is responsible for guarantees and securities provided to subsidiaries in the amount of R\$2,617.9 million. This disclosure of related party transactions is provided for purposes of the rules governing Annual Reports on Form 20-F and is not meant to suggest that these matters would be considered related party transactions under Brazilian GAAP or U.S. GAAP.

None of the members of our board of directors or executives or their family members has any direct participation in any material transaction involving the company or that is relevant to our businesses.

Utingás bylaws provide for each of its shareholders to use a proportion of Utingás total storage capacity equal to such shareholder's proportionate ownership of Utingás. Accordingly, Ultragas is entitled to use 4.2 thousand tons of LPG storage capacity at Utingás facilities, reflecting Ultragas's 56% ownership in Utingás. The amount of payments made by Ultragas to Utingás in 2009 with respect to the use of storage capacity at Utingás facilities totaled R\$4.9 million.

See Note 9 to our consolidated financial statements for a detailed breakdown of related party transactions as of December 31, 2009.

C. Interests of Expert and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

For our consolidated financial statements and notes thereto see Item 18. Financial Statements .

Dividend and Distribution Policy

Dividend policy

The bylaws of a Brazilian company may establish a minimum percentage of the profit that must be paid to shareholders as mandatory dividends. The amounts due as dividends may be paid as interest on net equity. Our bylaws provide for a mandatory distribution equal to 50% of the Distributable Amount (as defined below). In addition, until May 18, 2004, under our bylaws, the amount we distributed in respect of each preferred share was equal to 110% of the amount we distributed in respect of each of our common shares. On May 18, 2004, we held an Extraordinary General Meeting which approved amendments of our bylaws. The amendments were (i) the inclusion in our bylaws of tag along rights for all of the company's shareholders, at 100% of the offer price, which was a provision that was previously provided for in our 2000 shareholders agreement; and (ii) to make the dividend right of preferred shareholders equal to those of common shareholders by abolishing the right of preferred shareholders to receive dividends at least 10% higher than those received by common shareholders.

Brazilian Corporate Law defines the net profit as the results of the relevant fiscal year, reduced by accumulated losses of prior fiscal years, provisions for income tax and social contribution on the net profit for such fiscal year, and amounts allocated to employees and management's participation on the results in such fiscal year. The amount available for distribution of dividends, referred to as the Distributable Amount, is the net profit, as reduced or increased by the following:

amounts allocated to the legal reserve;

amounts allocated to the statutory reserve, if any;

amounts allocated to the contingency reserve, if required;

amounts allocated to the unrealized profit reserve;

amounts allocated to the retained profit reserve;

amounts allocated to the income tax exemption reserve;

reversions of reserves registered in prior years, in accordance with Brazilian GAAP; and

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reversions of the amounts allocated to the unrealized profit reserve, when realized and not absorbed by losses.

Legal reserves. We are required to maintain a legal reserve to which we must allocate 5% of our net profit until the amount of our legal reserve equals 20% of paid-in capital. We are not required to make any allocations to the legal reserve for any fiscal year in which such reserve, when added to our capital reserves, exceeds 30% of our capital stock. Accumulated losses, if any, may be charged against the legal reserve. Other than that, the legal reserve can only be used to increase our capital.

Statutory reserves. Under Brazilian Corporate Law, any corporation may create statutory reserves, in which case it shall be provided in its respective bylaws. In this case, the bylaws must also indicate the reserve purpose, allocation criteria and maximum amount of reserve. Our bylaws do not provide for, and thus we do not maintain, a statutory reserve.

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Contingency reserves. Under Brazilian Corporate Law, our shareholders may decide, upon a proposal of our board of directors, to allocate a discretionary amount of our net profit to a contingency reserve for estimated future losses, which are deemed probable. The distributable amount may be further increased by the reversal of such reserve in the fiscal year when the reasons that justified the creation of such reserve cease to exist or in which the anticipated loss occurs. Accordingly, there is no specific percentage of net profit allocable to this type of reserve.

Unrealized profits reserves. Under Brazilian Corporate Law, when the mandatory dividend amount exceeds the realized net profits in a given fiscal year, our shareholders may elect, upon a proposal of our board of directors, to allocate some or all of the excess dividend amount to any unrealized profits reserve. Brazilian Corporate Law defines realized net profits as the amount by which the company's net profits exceed the sum of (1) its net positive results, if any, from the equity method of accounting for earnings and losses of the company's subsidiaries and certain of its affiliates and (2) the profits, gains or returns that will be received by the company after the end of the next fiscal year. The distributable amount is increased by the profits that were allocated to such reserve when they are realized.

Income tax exemption reserve. Under Brazilian Corporate Law, the portion of the net profit derived from donations or governmental incentives directed to investments, can be excluded of the Distributable Amount.

Retained profits reserve. Under Brazilian Corporate Law, our shareholders may decide to retain a discretionary amount of our net profits that is provided for in a budget approved in the general shareholders' meeting, upon the proposal of its board of directors, for the expansion of our installations and other investment projects. After the conclusion of the relevant investments, we may retain the reserve until the shareholders approve the transfer of the reserve, in full or in part, to its capital or to the accumulated profits reserve. In accordance with Brazilian Corporate Law, if a project to which part of the reserve has been allocated has a term exceeding one year, the budget for such project must be approved by the general shareholders' meeting each fiscal year through the conclusion of the project.

Brazilian Corporate Law provides that all statutory allocations of net profit, including the unrealized profits reserve and the reserve for investment projects, are subject to approval by the shareholders voting at a general shareholders' meeting and may be used for capital increases or for the payment of dividends in subsequent years. The legal reserve is also subject to approval by the general shareholders' meeting and may be transferred to capital or used to absorb losses, but is not available for the payment of dividends in subsequent years.

The balance for the profit reserve accounts, except for the contingency reserve and unrealized profits reserve, may not exceed the share capital. If this happens, our shareholders must determine whether the excess will be applied to pay in the subscribed and unpaid capital, to increase and pay in the subscribed stock capital or to distribute dividends.

The profits unallocated to the accounts mentioned above must be distributed as dividends.

A company is permitted to allocate to the unrealized profits reserves all income from equity gains in subsidiaries that are not distributed to the company in the form of cash dividends. When such gains are distributed to the company in the form of cash dividends, the company is required to reverse the reserve. See Item 3.D. Key Information Risk Factors Risks Relating to the Preferred Shares and the American Depositary Shares. In addition to the mandatory distribution, the board of directors may recommend to the shareholders the payment of interim distributions from other funds that are legally available for such purposes. Any payment of an interim dividend may be set off against the amount of the mandatory dividend distribution for that fiscal year.

As an alternative form of payment of dividends, Brazilian companies may distribute interest attributed to shareholders' equity, which payments may be treated by a company as a deductible expense for income tax and social contribution purposes. Payments of interest attributed to shareholders' equity may be made at the discretion of our board of directors, subject to the approval of the holders of our common shares. Payments of interest attributed to shareholders' equity, net of withholding tax, may be used to satisfy a company's mandatory distribution obligation. This interest is calculated in accordance with the daily pro rata variation of the Brazilian government's long-term interest rate, (TJLP), as determined by the Central Bank from time to time, and cannot exceed the greater of:

50% of net income (after the deduction of the social contribution on profits and before the provision for corporate income tax and the amounts attributable to shareholders as net interest on equity) related to the period in respect of which the payment is made; or

50% of the sum of retained profits and profit reserves in the beginning of the period with respect to which the payment is made.

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Under Brazilian Corporate Law, a company may suspend the mandatory distribution either in the form of dividends or payments of interest on shareholders' equity if the shareholders at the general shareholders' meeting determine, based on the board of directors' proposal, which is reviewed by the fiscal council, that payment of the mandatory distribution for the preceding fiscal year would be inadvisable in light of the company's financial condition. Our managers must report to the CVM such suspension within five days of the relevant general shareholders' meeting. Under Brazilian law, mandatory distributions that are suspended and not offset against losses in future years must be paid as soon as the financial condition of the company permits.

We declare and pay dividends and/or interest attributed to shareholders' equity, pursuant to Brazilian Corporate Law and our bylaws. Our board of directors may approve the distribution of dividends and/or interest attributed to shareholders' equity, calculated based on our annual or semi-annual financial statements or on financial statements relating to shorter periods. The amount of any distributions will depend on a series of factors, such as our financial condition, prospects, macroeconomic conditions, tariff adjustments, regulatory changes, growth strategies and other issues our board of directors and our shareholders may consider relevant.

For 2009 and 2008, we declared dividends to our shareholders in the amounts of R\$279 million and R\$238 million, corresponding to 60% and 61% of our net income for each period, respectively.

The following table sets forth the dividends per share distributed by us with respect to our capital stock in the past five years.

Dividend history

Year declared	Common shares (in reais per share)	Preferred shares (in reais per share)	Common shares (in US\$ per share)(1)	Preferred shares (in US\$ per share)(1)
2005	1.94	1.94	0.83	0.83
2006	1.78	1.78	0.83	0.83
2007	1.78	1.78	1.06	1.06
2008	1.78	1.78	0.95	0.95
2009	2.08	2.08	1.15	1.15

(1) The amounts in *reais* have been converted into dollars using the exchange rates at each respective payment date.

Holders of our preferred shares are entitled to receive dividends declared by us solely from the date of the subscription and/or acquisition of such shares.

Payment of dividends. Within the four months following the end of each fiscal year, our shareholders are required to hold an annual shareholders' meeting to decide, among other things, on the allocation of our net profits with respect to the fiscal year ended immediately prior to the shareholders' meeting and the payment of an annual dividend. Additionally, interim dividends may be declared by our board of directors. Under Brazilian Corporate Law, dividends are generally required to be paid within 60 days following the date the dividend was declared, unless a shareholders' resolution sets forth another date of payment, which, in either case, must occur prior to the end of the fiscal year in which such dividend was declared. Unclaimed dividends revert to us three years after the date when we begin to pay such declared dividends.

Shareholders who are not residents of Brazil must register with the Central Bank to have dividends, sales proceeds or other amounts with respect to their shares eligible to be remitted in foreign currency outside of Brazil. The preferred shares underlying the ADSs will be held in Brazil by the Custodian, *Itaú Corretora de Valores S.A.*, as agent for the Depository. For purposes of the registration requirement, the Depository is deemed to be the stockholder of the preferred shares underlying the ADSs. The Depository will register such preferred shares with the Central Bank.

Payments of cash dividends and distributions, if any, will be made in Brazilian currency to the Custodian on behalf of the Depository. The Custodian will then convert such proceeds into U.S. dollars and will cause such U.S. dollars to be delivered to the Depository for distribution to holders of ADSs. See "Description of American Depositary Receipts" in our Registration Statement filed on Form F-1, declared effective on April 12, 2005. In the event that the Custodian is unable to convert immediately the Brazilian currency received as dividends into U.S. dollars, the amount of U.S. dollars payable to holders of ADSs may be adversely affected by devaluations of the Brazilian currency that may occur before such dividends are converted and remitted. See "Item 3.A. Key Information - Selected Consolidated Financial Data - Exchange Rates" and "Item 3.D. Key Information - Risk factors - Risks Relating to Brazil". Dividends in respect of the preferred shares paid to shareholders who are not

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Brazilian residents, including holders of ADSs, are exempt from Brazilian withholding tax except for dividends declared based on profits generated prior to December 31, 1995. Distributions of interest attributable to shareholders' equity are currently subject to withholding tax at a rate of 15%, or 25% in the case of a shareholder domiciled in a tax haven. See Item 10.E. Additional Information - Taxation - Brazilian Tax Consequences.

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Legal proceedings

We are party to administrative proceedings and lawsuits that are incidental to the normal course of our business. We believe that our provisions for legal proceedings are sufficient to meet probable and reasonably estimable losses in the event of unfavorable court decisions and that the ultimate outcome of these matters will not have a material effect on our financial condition or results of operations. The majority of our legal proceedings are pending in the courts of the states of São Paulo, Minas Gerais, Rio de Janeiro, Rio Grande do Sul and Bahia. For additional information on our legal proceedings, see Note 22 to our consolidated financial statements.

Labor matters

On December 31, 2009 some of our subsidiaries were defendants in labor lawsuits, filed by former employees of the subsidiaries and by employees of service providers. As of the same date, the subsidiaries maintained a provision of R\$4.3 million, net of amount in escrow deposits.

Such labor lawsuits mainly contest: payment of labor rights (dismissal cost, overtime, hazardous activities additional remuneration and additional payment for insalubrity), indemnification and secondary liabilities.

The Petrochemical Industry Labor Union, of which the employees of our indirect subsidiary Oxiteno Nordeste are members, filed a lawsuit against Oxiteno Nordeste and EMCA, demanding that Oxiteno Nordeste comply with salary adjustments set forth in applicable collective labor agreements, in lieu of the salary policies Oxiteno Nordeste effectively followed. The union also proposed a new collective bargaining agreement, which included an interpretation and clarification of the fourth clause of the previous collective bargaining agreement, which described the relevant salary policies that Oxiteno Nordeste was to follow. Based on the opinion of our legal counsel, who analyzed the last decision of the Federal Supreme Court (STF) on the collective bargaining agreement as well as the status of the individual lawsuit of our subsidiary regarding such agreement, our management believes that an accrual for a potential loss was not necessary as of December 31, 2009. See Note 22(a) to our consolidated financial statements.

Civil claims

The civil claims against us relate mainly to accidents originated from fires or explosions of LPG bottles and traffic accidents with Ultragaz and Ultracargo trucks.

Certain subsidiaries are defendants in civil-related legal and administrative proceedings, mainly regarding contracts with customers and former service providers, as well as environment issues, proceedings to which the company's subsidiaries maintained a provision of R\$29.3 million, net of amount in escrow deposits, as of December 31, 2009.

There are also approximately 200 claims filed by former employees of Ultragaz, regarding bodily harm suits in which the plaintiffs are claiming damages for the loss of economic benefit and for pain and suffering arising from labor accidents. According to Ultragaz's estimate, our exposure in any individual suit ranges from R\$50,000 to R\$150,000. Such amounts are generally covered by Ultragaz's third-party insurance policies, subject to the terms of such policies. For those suits involving death or permanent disabilities, the value of the claim is established by the courts and is based on the average salary and age of the victim.

Ultragaz is a defendant in lawsuits relating to damages caused by an explosion in 1996 in a shopping mall in the city of Osasco, State of São Paulo. These lawsuits involve: (i) individual suits filed by victims of the explosion claiming damages from Ultragaz for the loss of economic benefit and for pain and suffering, (ii) indemnifications of management of the shopping mall and its insurance company, and (iii) a class action lawsuit seeking indemnification for material damages and pain and suffering for all the victims injured and deceased. We believe that we have presented evidence that defective gas pipes in the shopping mall caused the accident and that Ultragaz's on-site LPG storage facilities did not contribute to the explosion. Of the 64 lawsuits adjudicated through December 2009, 63 judgments were rendered in our favor, of which 29 have already been dismissed. The one unfavorable decision, which we may appeal, was for damages in the amount of R\$17 thousand. There is one action yet to be decided. Ultragaz has insurance coverage for these lawsuits, and the uninsured contingent amount is R\$19.6 million. The company did not record any provision for this amount, since it believes the probability of loss is remote.

Additionally, certain former minority shareholders of RPR, CBPI and DPPI (the Ipiranga Minority Shareholders) filed two lawsuits in the States of São Paulo and Rio de Janeiro questioning the Share Exchange in connection with the acquisition of Ipiranga. By the time the company's shareholders' general meeting was convened to approve the Share Exchange, the Ipiranga minority shareholders made use of certain legal instruments to impede the company's shareholders' meeting taking place. Decisions by administrative and judicial courts stated that there were no legal grounds for the Ipiranga Minority Shareholders' request. Based on such court decisions, the Share Exchange was approved by the shareholders' meeting of the companies on December 18, 2007. The lawsuit filed in the State of Rio de Janeiro terminated as a result of loss of

interest to sue, due to the sale of the correspondent shareholding at Ultrapar. Regarding the lawsuit filed in the state of São Paulo, the former Ipiranga Minority Shareholders appealed against the decision issued and to date there has been no final outcome of such appeal. This lawsuit is not accounted for in the financial statements of the company.

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Tax matters

We filed suits challenging the constitutionality of several taxes applicable to us. Among the main tax matters are individual lawsuits filed by Ultragaz, Ipiranga, Oxiteno and some of our subsidiaries against the Brazilian tax authorities contesting the increase in certain taxes introduced by Law 9,718 of November 28, 1998. We obtained injunctions to pay contributions to PIS and COFINS without the changes introduced by Law 9,718 of November 28, 1998 in its original version. The ongoing questioning refers to the levy of these taxes on sources of income other than revenues. In 2005, the STF decided the question in favor of the taxpayer. Although it has set a precedent, the effect of this decision does not automatically apply to all companies, since they must await judgment of their own legal lawsuits. The company has other subsidiaries whose lawsuits have not yet been adjudicated in the amount of R\$34.2 million, net of attorney's fees. On October 7, 2005, Ultragaz's subsidiaries, Cia Ultragaz and Bahiana filed for and obtained an injunction to support the offset of PIS and COFINS credits against other federal taxes administered by the Federal Revenue Service (SRF), notably corporate income tax and social contribution taxes. According to the injunction, the subsidiaries had made escrow deposits for these debits in the amount of R\$135.8 million as of December 31, 2009 and recognized a corresponding liability for this purpose.

Our subsidiaries Cia Ultragaz, Utingás, Tequimar, Transultra and Ultracargo filed a request for injunction for the full and immediate use of supplementary monetary adjustment based on the Consumer Price Index (IPC)/National Treasury Bonds (BTN) for 1990 (Law No. 8.200/91). Reserves for potential losses on these proceedings have been recorded in the amount of R\$15.4 million as of December 31, 2009.

The Company and its subsidiaries maintain reserves for PIS and COFINS, calculated on the basis of interest on capital. The total amount accrued as of December 31, 2009 was R\$21.7 million.

The subsidiaries Oxiteno, Oxiteno Nordeste, Cia Ultragaz, Transultra, RPR, Tropical, EMCA and IPP filed for an injunction seeking the deduction of ICMS from their PIS and COFINS tax bases. Oxiteno Nordeste and IPP received an injunction and are paying the amounts into judicial deposits, as well as recording the respective provision in the amount of R\$43.6 million as of December 31, 2009. The other subsidiaries did not obtain an injunction and are awaiting the judgment of these lawsuits.

The company and some of its subsidiaries filed a request for an injunction seeking not to be subject to the legislation that restricted the offset of corporate income tax (IRPJ) and social contribution (CSLL) tax loss carryforwards computed through December 31, 1994 to 30% of income for the year. As a result of the Supreme Court's ruling and based on the opinion of our legal counsel, a provision was recorded in the amount of R\$7.0 million as of December 31, 2009. IPP has a declaratory action questioning the constitutionality of Law No. 9,316/96, which denied the deduction of the CSLL from the IRPJ calculation basis. This action had its application denied at lower court levels, and IPP is awaiting the judgment of the appeal made to the STF. As a result of the decisions issued, the subsidiary has made judicial deposits and recorded a provision for this contingency amounting to R\$12.5 million as of December 31, 2009.

Based on the favorable jurisprudence and the opinion of its legal counsel, the subsidiaries Oxiteno Nordeste and Oxiteno S.A. filed lawsuits to obtain exclusion of export revenues from the tax base for CSLL. The injunction was granted to Oxiteno Nordeste and the subsidiary is making judicial deposits of the amounts in discussion, as well as provisioning the corresponding contingency in the amount of R\$902 thousand; the subsidiary Oxiteno S.A. awaits judgment of appeal against the sentence which denied the requested injunction, and is still normally paying the CSLL.

Regarding IPP/RPR, the main provisions for contingencies are related to: (a) ownership of the credit for the difference between the value that was the basis for the retention tax and the amount in sales to final consumers, resulting in excessive retention of ICMS by the refinery (R\$50.3 million), (b) delinquency notice for interstate sales of fuel to industrial customers without collection of ICMS, due to the interpretation of Article 2 of the LC 87/96 (R\$40.6 million), (c) requirement of the reversal of ICMS credits in the State of Minas Gerais, in the interstate sales, made under Article 33 of the ICMS Convention 66/88, which allowed the maintenance of the credits and was suspended by an injunction granted by the STF (R\$39.2 million), (d) requirement of ICMS-ST on interstate sales from the distributors to final consumers due to the exemption under the duration of the Conventions ICMS 105/92 and 112/93 (R\$17.7 million) (e) assessments for deduction of unconditional discounts of the tax basis for ICMS due to tax substitution, in the state of Minas Gerais (R\$16.8 million), (f) delinquency notice resulting from not collecting ICMS in the States due to errors or lack of interstate operations reports, contemplated by Convention ICMS 54/02, that allows the transfer of ICMS to the state where the fuel was consumed (R\$3.8 million), and (g) requirement for the reversal of ICMS credits on transportation services, as a result of the freight be reimbursed by the DNC (currently ANP) (R\$8.9 million).

The main tax claims of IPP considered as a possible risk of loss, and based on this opinion, have not been recorded in the financial statements, refer to ICMS and are related to: (a) lack of retention of ICMS-ST in the sale of petroleum products to customers who held decisions against the tax substitution (R\$101.8 million), (b) the required proportional reversal of ICMS credits recorded on the purchase of hydrous ethanol in amounts higher than its sales prices, as a result of the transfer the subsidy to ethanol producers made by distributors, further reimbursed by the NDC (R\$69.7 million), (c) the required reversal of a credit on the difference between the amount in which the tax retention was based and the

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amounts actually charged on sales to final consumers (R\$39.2 million), (d) assessments for alleged non-payment of taxes (R\$47.0 million), (e) requirement by SEFAZ RJ for the reversal of ICMS credits on

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purchases of basic oils, due to the subsequent tax-free sales of finished lubricant (R\$34.7 million), (f) delinquency notice on interstate sales of fuel for industrial customer without ICMS, following the interpretation of Article 2 of LC 87/96 (R\$14.6 million), (g) records of notices in Ourinhos/SP for the return of ethanol loan made with deferred tax (R\$18.4 million), (h) assessments in the State of Rio de Janeiro demanding the reversal of ICMS credits on interstate sales made under Article 33 of the ICMS Convention 66/88, which allowed the use of the credit and was suspended by an injunction granted by STF (R\$14.2 million), (i) ICMS credits taken in the invoices of bills considered inadequate, though the understanding of the STJ is that it is possible to take credit for the buyer even if there is defect in the document of the seller (R\$15.0 million), (j) records of notices issued on improper calculation of the base of ICMS, since it was not included in the basis to calculate the value of the tax itself in interstate operations with petroleum products for final consumers (R\$12.8 million), (k) reversal of ICMS credits on the freight contracted to transport fuels, as this operation is not taxed (R\$12.4 million) and (l) assessments arising from surplus or shortage of inventory, due to differences in temperature or handling the product in which it is believed to have its input or output without the corresponding issue (R\$10.1 million).

In addition, the subsidiary IPP has infraction of the non-approval of set-off of IPI credits appropriate under purchase of raw materials taxed whose sales were under the protection of immunity. The non-recorded amount of contingency, updated as of December 31, 2009, is R\$53.3 million. IPP also has legal lawsuits to guarantee the compensation of overpaid PIS values before the declaration of unconstitutionality of Decrees 2,445/88 and 2,449/88, being the non-recorded amount updated R\$98.6 million as of December 31, 2009.

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The table below summarizes our provisions related to legal proceedings as of December 31, 2009, 2008 and 2007:

	2009	2008	2007
	(in millions of reais)		
Income and social contribution taxes	182.1	143.6	105.6
PIS and COFINS on other gains	68.0	48.8	33.6
ICMS	192.6	62.7	61.1
Other	56.3	29.0	22.7
(-) Escrow deposits	(204.3)	(148.1)	(96.1)
Total	294.7	136.0	126.9

Ultrapar and its subsidiaries have other pending administrative and legal proceedings which were estimated by their legal counsel as possible and/or remote risk, and the related potential losses were not provided for by Ultrapar and its subsidiaries based on these opinions. Ultrapar and its subsidiaries also have litigations for recovery of taxes and contributions, which were not recorded in the financial statements due to their contingent nature.

Antitrust matters

Ultragaz in Minas Gerais. The subsidiary Cia Ultragaz is party to an administrative proceeding at the CADE (*Conselho Administrativo de Defesa Econômica*), the Brazilian antitrust authority, in which it has been accused of engaging in anti-competitive practices in the State of Minas Gerais in 2001. Recently, the CADE entered a decision against Cia Ultragaz imposing a penalty of R\$23.1 million. The imposition of the administrative decision was suspended by court order and the merits are being reviewed in court. Based on the above elements and on the opinion of its legal counsel, the subsidiary did not record a provision to this contingency.

Acquisition of Ipiranga Group. In July 2008, CADE approved the acquisition of the Southern Distribution Business by Ultrapar and on December 17, 2008 approved the acquisition of the Northern Distribution Business by Petrobras.

Acquisition of União Terminais. On September 21, 2009, the Secretariat of Economic Monitoring of the Ministry of Finance (SEAE/MF) issued a favorable opinion with respect to our acquisition of União Terminais, suggesting the possible unrestricted approval of the operation. This was followed by an opinion from both the Brazilian Secretary for Economic Rights and the attorney of CADE, issued on November 4, 2009, that also recommended the unrestricted approval of the operation. On June 23, 2010, CADE approved the acquisition of União Terminais.

Acquisition of Texaco. On March 3, 2010, SEAE/MF issued a favorable opinion on the acquisition of Texaco suggesting the approval of the transaction, recommending however the transfer of only one reseller fuel supply contract in each of 9 municipalities in the South and Southeast regions of Brazil, where Ipiranga became the sole distributor in such municipalities after the acquisition. Such notice was followed by an opinion from the Secretariat of Economic Law of the Ministry of Justice and from the Attorney-General of CADE, issued on March 8, 2010, and April 27, 2010, respectively, that also followed SEAE/MF's recommendations. The consideration of the case by CADE has not yet taken place.

Acquisition of the assets of Puma. On May 12, 2010, SEAE/MF issued a favorable opinion on the acquisition of the storage terminal for liquid bulk from Puma, suggesting the unrestricted approval of the transaction, followed by an opinion from the Brazilian Secretary for Economic Rights, issued on May 25, 2010, that also recommended the unrestricted approval of the transaction. The notices were preceded to the consideration of the CADE plenary, whose decision is expected to occur soon.

Sale of in-house logistics, solid bulk storage and road transportation businesses. The sale of the in-house logistics, solid bulk storage and road transportation businesses from Tequimar and Transultra to Aqces Logística Internacional Ltda. was duly submitted to the relevant antitrust authorities on April 22, 2010. On May 4, 2010, on a summary proceeding basis, SEAE/MF issued a favorable opinion on the sale of such businesses suggesting the unrestricted approval of the transaction. On June 9, 2010, CADE approved the transaction.

B. Significant Changes

None.

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The table below sets forth, for the indicated periods, the high and low closing prices of the ADSs on The New York Stock Exchange, in U.S. dollars, and the preferred shares on the São Paulo Stock Exchange, in *reais*:

	New York Stock Exchange			São Paulo Stock Exchange		
	High	Low	Volume(1)	High	Low	Volume(1)
	(in US\$ per ADS)			(in reais per preferred share)		
Year ended						
December 31, 2005	19.01	13.53	57,368	48.60	31.70	79,784
December 31, 2006	23.27	13.93	57,658	49.66	31.77	64,070
December 31, 2007	41.72	22.95	73,433	75.40	49.29	119,318
December 31, 2008	40.50	14.92	117,105	67.20	32.79	360,195
December 31, 2009	50.50	21.39	91,972	84.77	50.85	321,048
	New York Stock Exchange			São Paulo Stock Exchange		
	High	Low	Volume(1)	High	Low	Volume(1)
	(in US\$ per ADS)			(in reais per preferred share)		
Year ended December 31, 2008						
First quarter	38.95	31.28	114,010	65.40	54.41	409,033
Second quarter	40.50	33.57	95,167	67.20	57.33	305,240
Third quarter	38.43	24.42	105,599	60.50	47.50	340,591
Fourth quarter	26.58	14.92	153,501	52.83	32.79	388,440
Year ended December 31, 2009						
First quarter	25.67	21.39	124,180	59.85	50.85	309,980
Second quarter	34.96	24.30	75,148	66.00	55.39	343,928
Third quarter	40.99	30.30	71,827	74.15	61.00	334,773
Fourth quarter	50.50	39.05	97,979	84.77	70.13	294,400
Quarter ended March 31, 2010						
First quarter	49.75	42.52	85,701	87.45	79.47	301,060
Month ended						
December 31, 2009	50.50	46.21	81,245	83.99	80.11	296,980
January 31, 2010	49.75	43.93	79,462	84.40	81.50	311,611
February 28, 2010	45.46	42.52	102,864	83.70	79.47	342,450
March 31, 2010	49.60	45.03	76,676	87.45	80.80	259,952
April 30, 2010	48.97	46.07	65,708	86.55	81.00	361,635
May 31, 2010	47.73	41.88	111,587	83.85	78.00	453,419
June 30, 2010 (through June 25)	49.13	43.67	70,329	87.58	81.55	280,972

(1) Average daily trading volume.

The prices and volumes are retroactively adjusted for the reverse stock split described under Item 4.A. Information on the Company History and Development of the Company .

B. Plan of Distribution

Not applicable.

C. Markets

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Our preferred shares are listed on the São Paulo Stock Exchange under the ticker symbol UGPA4 and the ADSs are listed on the New York Stock Exchange under the symbol UGP .

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D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Bylaws

We are registered with the commercial registry of the state of São Paulo under the registration number 35,300,109,724. Pursuant to chapter I, article 3 of our bylaws, our main corporate purpose is the investment of our capital in the trade, industry and agriculture sectors and in companies providing services, upon the subscription for or acquisition of shares or quotas in companies.

More detailed information with respect to our shares, shareholder rights, and limitations on share ownership is incorporated herein by reference to our Registration Statement on Form F-1, Registration Number 333-122496, declared effective by the Securities and Exchange Commission on April 12, 2005.

C. Material Contracts

US\$60 million 9% Ultragaz Notes

In June 1997, Ultragaz issued US\$60 million in notes (the Original Notes) maturing in 2005. In June 2005, maturity was extended to June 2020, with put/call options in June 2008 that were not exercised by Ultragaz or note holders.

In June 2005, Oxiteno's subsidiary Oxiteno Overseas Corp., or Oxiteno Overseas, acquired the full amount of Original Notes issued by Ultragaz, with funds from a syndicated loan in the amount of US\$60 million with maturity in June 2008 and interest rate of 5.05% per year. The syndicated loan was guaranteed by Ultrapar and the subsidiary Oxiteno.

In April 2006, Oxiteno Overseas sold the Original Notes issued by Ultragaz to a financial institution. Simultaneously, the subsidiary acquired from that financial institution notes linked to the Original Notes (Linked Notes), thus obtaining an additional return on this investment.

In June 2008, the syndicated loan was renewed under the same conditions, at an interest rate of LIBOR plus 1.25% per annum. See Item 5.B. Operating and Financial Review and Prospects Liquidity and Capital Resources Indebtedness .

On December 23, 2009 the subsidiary Oxiteno Overseas sold the Linked Notes to the financial institution and repurchased the Original Notes.

March 22, 2000 shareholders agreement

On March 22, 2000, our controlling shareholders entered into a shareholders agreement designed to ensure the equal treatment of all shareholders in the event of any change in control. On May 18, 2004, the Extraordinary Shareholders Meeting and the Special Meeting of Preferred Shareholders approved an amendment of our bylaws to register tag along rights for all Ultrapar shareholders, at 100% of the offer price. The registration of the tag along rights in our bylaws is intended to improve on the rights already conceded through the shareholders

agreement.

Ultra S.A. shareholders agreement

On December 3, 2009, the shareholders of Ultra S.A. entered into the 2009 Shareholders Agreement replacing the shareholders agreement entered into on September 22, 2004. The terms and conditions of the 2009 Shareholders Agreement are substantially the same as those of the previous agreement, which sought to ensure the continuation of the controlling shareholder block upon the contemplated dissolution and distribution of Ultra S.A. shares held by its shareholders, Igel Participações S.A. and Avaré Participações S.A. The 2009 Shareholders Agreement has a two-year term, starting on December 3, 2009. For information

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regarding the shareholders' agreements, see Item 7.A. Major Shareholders and Related Party Transactions - Major Shareholders - Shareholders' Agreements .

US\$250 million 7.25% LPG Notes due 2015

On December 20, 2005, Ultragas's subsidiary LPG International Inc. 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 paid semiannually and were priced at 98.75% of par value, resulting in a yield to maturity of 7.429% per annum upon issuance. Standard & Poor's assigned its BB+ credit rating on a global scale for the company and the securities issued. The notes:

are unsecured unsubordinated obligations of LPG International Inc., ranking equally in right of payment with all existing and future unsecured unsubordinated obligations of LPG International Inc.;

are issued in an original aggregate principal amount of US\$250,000,000 in minimum denominations of US\$100,000 of original principal amount and integral multiples of US\$1,000 above such amount;

bear interest commencing the date of issue at 7.25% per annum on the outstanding principal amount, payable semiannually on each June 20 and December 20 of each year, commencing June 20, 2006 to holders of record on June 5 or December 5 immediately preceding the respective interest payment date; and

bear interest on overdue principal, and pay interest on overdue interest, at 1% per annum higher than the per annum rate set forth on the cover of the offering memorandum for the notes.

The notes will be redeemable at the option of LPG International Inc. at any time or from time to time prior to their maturity, upon no more than 60 and not less than 30 days' notice to the note holders by mail. LPG International Inc. may redeem the notes either as a whole or in part at a redemption price equal to the greater of (i) 100% of the principal amount of the notes being redeemed and (ii) the sum of the present values of each remaining scheduled payment of principal and interest thereon (exclusive of any such interest accrued to the date of redemption) discounted (for purposes of determining present value) to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the treasury rate plus 50 basis points, plus accrued interest thereon to the date of redemption.

The guarantees for the notes are unsecured unsubordinated obligations of Ultrapar and Oxiteno, ranking equally in right of payment with all existing and future unsecured unsubordinated obligations of Ultrapar and Oxiteno. For information about the covenants the company is subject to due to the LPG notes, see Item 5.B. Operating and Financial Review and Prospects - Liquidity and Capital Resources - Indebtedness .

The holders of the notes and the guarantees had the benefit of registration rights pursuant to a Registration Rights Agreement dated as of December 20, 2005, under which the notes and the guarantees would be required to be exchanged for notes and guarantees identical in terms to the original notes and guarantees except for restrictions on transfer, in a transaction registered with the Securities and Exchange Commission, prior to September 30, 2006.

The registration statement for the notes was filed on May 15, 2006 and was declared effective by the U.S. Securities and Exchange Commission on May 23, 2006. Ultrapar carried out an exchange offer for its outstanding US\$250,000,000 7.25% Notes due 2015, issued on December 20, 2005, which expired at 5:00 p.m. New York City time on June 22, 2006. At the close of the exchange offer, LPG International, Ultrapar and Oxiteno were advised by the exchange agent that an aggregate amount of US\$246,000,000 of the old notes had been tendered in exchange for an equivalent amount of new notes. All old notes tendered in exchange for new notes have been accepted and new notes have been issued to the tendering holders of such old notes under identical terms and conditions of the old notes. The remaining outstanding aggregate amount of old notes is US\$4,000,000.

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Sale and Purchase Agreement Related to the Acquisition of União Terminais

On June 6, 2008, Ultrapar, through its subsidiary Tequimar, entered into a sale and purchase agreement which sets forth the conditions for the acquisition of 100% of the shares of União Terminais formerly held by Unipar (SPA União Terminais). See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of União Terminais . See Exhibit 4.8 Share Purchase Agreement between Ultrapar Participações S.A.'s subsidiary Terminal Químico de Aratu S.A. and Unipar, dated June 6, 2008, including Amendment dated September 22, 2008 , incorporated by reference to Exhibit 4.8 to Form 20-F filed on June 29, 2009.

Sale and Purchase Agreement Related to the Acquisition of Texaco

On August 8, 2008, Ultrapar, through its subsidiary SBP, entered into a sale and purchase agreement which sets forth the conditions for the acquisition of 100% of the shares of CBL and Galena formerly held by Chevron. In March 2009, Ultrapar closed the acquisition. See Item 4.A. Information on the Company History and Development of the Company Description of the Acquisition of Texaco and the Securities Purchase Agreement entered into by and among Chevron, CBL, Galena and SBP, dated August 14, 2008, including the Amendment nº 1 to the Securities Purchase Agreement entered into by and among Chevron, CBL, Galena and SBP, dated March 30, 2009 , incorporated by reference to Exhibits 4.9 and 4.10 to Form 20-F filed on June 29, 2009.

BNDES

In August 2006, our subsidiaries signed a revolving line of credit agreement with BNDES (Brazilian National Development Bank) in the total amount of R\$728 million to finance investments over the next 5 years, starting in 2006. In December 2008, an additional R\$1.2 billion credit limit was agreed to BNDES, including new beneficiaries (IPP and its subsidiaries). On December 31, 2009, the amount being used by the subsidiaries was R\$537 million.

The loans under this credit agreement bear an annual interest of TJLP plus an additional rate that varies according to each subsidiary. The credit line agreement contains certain financial ratio covenants and limits on permitted usages of the borrowed amounts (which are limited to certain fixed asset and working capital expenditures). In addition, Ultrapar may retire the debt prior to the maturity date, but will be subject to the payment of certain premiums.

Debentures

In June 2009, Ultrapar completed its third issuance of unsecured debentures in Brazil, for a total amount of R\$1.2 billion for a three-year term at a cost of 100% of the CDI +3.0% per annum. The proceeds from this issuance were used to redeem the promissory notes issued by Ultrapar in December 2008.

The debentures are single tranche, unsecured, unsubordinated, non-convertible obligations of Ultrapar, ranking equally in right of payment with all existing and future unsecured, unsubordinated obligations of Ultrapar. The debentures are redeemable at the option of Ultrapar at any time or from time to time prior to their maturity, upon 48 hours notice to its holders and contain acceleration clauses for change of control of Ultrapar and for failure to make required interest and principal payments, among others. As of December 31, 2009, the outstanding amount of the debentures was R\$1,188 million.

In December 2009, Ultrapar amended certain terms and conditions of its third issuance of unsecured debentures, in the amount of R\$1.2 billion, with the approval of the holder of 100% of the debentures. The remuneration of the debentures was reduced to 108.5% of the CDI and its maturity date was extended to December 2012. For more information on our debentures, see Item 5.B. Operating and Financial Review and Prospects Liquidity and Capital Resources Indebtedness .

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R\$900 million loan with Banco do Brasil

In June 2010, Ultrapar entered into a series of the three loan agreements with Banco do Brasil through IPP in the total amount of R\$900 million, maturing in May 2013, 2014 and 2015. The loans bear an average 12% per year fixed interest rate with the entire principal due at the maturity dates. The loan agreements contain certain financial penalties for failure to make required payments, limits on permitted usages of the borrowed amounts (which are linked to certain agricultural products expenditures) and loan acceleration clauses. In addition, these agreements contain cross default clauses, requiring the principal and accrued interest to be paid in full for certain events. See Item 4.A. Information on the Company History and Development of the Company Recent Developments .

Other material contracts are described in other sections of this report

For information regarding the acquisition of Shell Gás, see Item 4.A. Information on the Company History and Development of the Company . For information regarding our contract with Braskem and Quattor Química relating to the supply of ethylene, see Item 4.B. Information on the Company Business Overview Petrochemicals and Chemicals Oxiteno Raw materials and Item 5.F. Operating and Financial Review and Prospects Tabular Disclosure of Contractual Obligations .

D. Exchange Controls

There are no restrictions on ownership of our preferred shares by individual or legal entities domiciled outside Brazil. However, the right to convert dividend payments and proceeds from the sale of our shares into foreign currency and to remit such amounts abroad is subject to restrictions under foreign investment legislation which generally require, among other things, that the relevant investment be registered with the Central Bank and the CVM.

Foreign investors may register their investment in our shares under Law 4,131 of September 3, 1962 or Resolution 2,689 of January 26, 2000, both as amended. Registration under Resolution 2,689 affords favorable tax treatment to non-Brazilian investors who are not residents in a tax haven jurisdiction (i.e. countries that do not impose income tax or where the maximum income tax rate is lower than 20%), as defined by Brazilian tax laws.

Under Resolution 2,689, non-Brazilian investors may invest in almost all financial assets and engage in almost all transactions available in the Brazilian financial and capital markets, provided that certain requirements are fulfilled. In accordance with Resolution 2,689, the definition of non-Brazilian investor includes individuals, legal entities, mutual funds and other collective investment entities, domiciled or headquartered abroad.

Under Resolution 2,689, a non-Brazilian investor must:

appoint at least one representative in Brazil, with powers to perform actions relating to its investment;

appoint an authorized custodian in Brazil for its investment;

register as a non-Brazilian investor with the CVM; and

register its foreign investment with the Central Bank.

Securities and other financial assets held by non-Brazilian investors pursuant to Resolution 2,689 must be registered or maintained in deposit accounts or under the custody of an entity duly licensed by the Central Bank or the CVM. In addition, securities trading is restricted to transactions carried out in the stock exchanges or through organized over-the-counter markets licensed by the CVM, except for transfers resulting from a corporate reorganization, or occurring upon the death of an investor by operation of law or will. See Item 10.E. Additional Information Taxation Brazilian Tax Consequences .

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Foreign investors must be registered with the Brazilian internal revenue service (*Receita Federal*) pursuant to the Nominative Instruction 1,005, dated as of February 2, 2010. This registration process is undertaken by the investor's legal representative in Brazil.

Resolution 1,927 of the National Monetary Council provides for the issuance of depositary receipts in foreign markets in respect of shares of Brazilian issuers. Accordingly, the proceeds from the sale of ADSs by holders of American Depositary Receipts outside Brazil are free of Brazilian foreign investment controls and holders of ADSs who are not resident in a tax haven jurisdiction will be entitled to favorable tax treatment.

The right to convert dividend payments and proceeds from the sale of our shares into foreign currency and to remit such amounts outside Brazil is subject to restrictions under foreign investment legislation which generally requires, among other things, that the relevant investment be registered with the Central Bank. Restrictions on the remittance of foreign capital abroad could hinder

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or prevent the custodian for the preferred shares represented by ADSs, or holders who have exchanged ADSs for preferred shares, from converting dividends, distributions or the proceeds from any sale of preferred shares, as the case may be, into U.S. dollars and remitting such U.S. dollars abroad. Delays in, or refusal to, granting the required government approval for conversions of Brazilian currency payments and remittances abroad could adversely affect holders of ADSs.

We have obtained a certificate of registration in the name of The Bank of New York, the depositary. Pursuant to this certificate, the custodian and the depositary are able to convert dividends and other distributions with respect to the preferred shares represented by ADSs into foreign currency and to remit the proceeds outside Brazil. If a holder exchanges ADSs for preferred shares, such holder may continue to rely on the depositary's certificate of capital registration for only five business days after such exchange. After that, such holder must seek to register its investment directly with the Central Bank. Thereafter, unless the holder has registered its investment with the Central Bank, such holder may not convert into foreign currency and remit outside Brazil the proceeds from the disposition of, or distributions with respect to, such preferred shares. Such holder generally will be subject to less favorable Brazilian tax treatment than a holder of ADSs.

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. 3265, 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. The new regulation allows, subject to certain procedures and specific regulatory provisions, the purchase and sale of foreign currency and the international transfer of *reais* by a person or legal entity, without limitation of the amount involved, provided that the transaction is legal.

Under Brazilian law, whenever there is a serious imbalance in Brazil's balance of payments or reasons to foresee a serious imbalance, the Brazilian government may impose temporary restriction on the remittance of foreign currency abroad and on the conversion of Brazilian currency into foreign currencies. Such restrictions may hinder or prevent the custodian or holders who have exchanged ADSs for underlying preferred shares from converting distributions or the proceeds from any sale of such shares, as the case may be, into U.S. dollars and remitting such U.S. dollars abroad.

E. Taxation

This description does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular investor, including tax considerations that arise from rules of general application to all taxpayers or to certain classes of investors or that are generally assumed to be known by investors.

This summary is based upon tax laws of Brazil and the United States as of the date of this annual report, which are subject to change, possibly with retroactive effect, and to differing interpretations. Investors who hold our shares and ADSs should consult their own tax advisors as to the Brazilian, United States or other tax considerations relating to the ownership and disposition of preferred shares or ADSs, including, in particular, the effect of any non U.S., state or local tax laws.

The tax considerations described below do not take into account the effects of a possible future income tax treaty between Brazil and the United States. We cannot assure you as to whether or when an income tax treaty will enter into force or how it will affect U.S. Holders (as defined below) of our preferred shares or ADSs.

This summary does not address any tax issues that affect solely the company, such as deductibility of expenses.

Brazilian Tax Consequences

General. The following discussion summarizes the main Brazilian tax considerations relating to the ownership and disposal of our preferred shares or ADSs, as the case may be, by a holder that is not domiciled in Brazil for purposes of Brazilian taxation and, in the case of preferred shares, has registered its investment in such securities with the Central Bank as a direct investment (in each case, a Non-Brazilian Holder). The following discussion does not address all of the Brazilian tax considerations applicable to any particular Non-Brazilian Holder. Therefore, each Non-Brazilian Holder should consult his or her own tax advisors concerning the Brazilian tax considerations relating to an investment in our preferred shares or ADSs.

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Taxation of dividends. Dividends paid by us, including stock dividends and other dividends paid in property, to the depositary in respect of the preferred shares, or to a Non-Brazilian Holder in respect of preferred shares, are currently exempted from withholding tax in Brazil to the extent that the dividends are paid out of profits as of January 1, 1996. Dividends relating to profits generated prior to January 1, 1996 may be subject to Brazilian withholding income tax at varying rates, depending on the year the profits were generated.

Payments of interest on capital. Law No. 9,249, dated as of December 26, 1995, as amended, permits Brazilian corporations to make distributions to shareholders of interest on net equity, or interest attributed to shareholders' equity. These distributions may be paid in cash. Such payments represent a deductible expense from the payor's corporate income tax and social contribution tax basis. This interest is limited to the daily pro rata variation of the Federal Government's long-term interest rate, as determined by the Central Bank from time to time, and cannot exceed the greater of:

50% of net income (after the social contribution on net profits and before the provision for corporate income tax, and the amounts attributable to shareholders as interest on net equity) for the fiscal year; or

50% of the sum of retained profits and profits reserves.

Any payment of interest on capital to shareholders (including holders of ADSs in respect of preferred shares) is subject to a withholding income tax at a rate of 15%, or 25% if the Non-Brazilian Holder is domiciled in a jurisdiction that does not impose income tax or where the maximum income tax rate is lower than 20% or where the local legislation imposes restrictions on disclosing the shareholding composition or the ownership of the investment ("Tax Haven Holder"). These payments may be included, at their net value, as part of any mandatory dividend.

On June 24, 2008, Law 11,727 was enacted, which provides that, as of January 1, 2009, a "tax haven" will also include:

- (1) jurisdictions or countries whose local legislation imposes restrictions on the access of information relating to the ownership of shares of a Brazilian entity or a given investment; and
- (2) any "privileged tax regime" . Under this new law, a "privileged tax regime" is a tax regime that meets any one of the following requirements:
 - (i) does not tax income or taxes income at a maximum rate of less than 20%; (ii) grants tax advantages to a non-resident entity or individual (a) without requiring substantial economic activity in the jurisdiction of such non-resident entity or individual or (b) to the extent such non-resident entity or individual does not conduct substantial economic activity in the jurisdiction of such non-resident entity or individual; (iii) does not tax income generated abroad, or imposes tax on income generated abroad at a maximum rate of less than 20%, or (iv) restricts the ownership disclosure of assets and ownership rights or restricts disclosure about economic transactions carried out.

Since Law 11,727 has only recently been enacted, regulations by the Brazilian Revenue Service are likely to be issued, and such regulations might affect the analysis of what constitutes a "tax haven" for purposes of the Brazilian regulations.

Specifically with respect to the part of the new Law 11,727 described in clause (2) above, our Brazilian counsel has advised that although this part of the new law should apply only to determining what constitutes a "tax haven" for purposes of Brazilian transfer pricing rules, because several Brazilian regulations utilize the "privileged tax regime" concept when referencing "tax haven" jurisdictions, there is a possibility that the "privileged tax regime" concept may impact the definition of what constitutes a "tax haven" for purposes of the Brazilian regulations.

To the extent that payments of interest on capital are included as part of a mandatory dividend, we are required to distribute an additional amount to ensure that the net amount received by shareholders, after payment of the applicable withholding income tax, is at least equal to the mandatory dividend.

Distributions of interest on net equity to foreign holders may be converted into U.S. dollars and remitted outside Brazil, subject to applicable exchange controls, to the extent that the investment is registered with the Central Bank.

We cannot assure you if our board of directors will determine that future distributions should be made by means of dividends or interest on capital.

Taxation of gains. According to Law no. 10,833/03, the gains recognized on a disposal of assets located in Brazil, such as our preferred shares, by a Non-Brazilian Holder, are subject to withholding income tax in Brazil. This rule is applicable regardless of whether the disposal is

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conducted in Brazil or abroad and/or if the disposal is or is not made to an individual or entity resident or domiciled in Brazil.

As a general rule, capital gains realized as a result of a disposal transaction are the positive difference between the amount realized on the disposal of the preferred shares and the respective acquisition cost.

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Capital gains realized by Non-Brazilian Holders on the disposal of preferred shares sold on the Brazilian stock exchange (which includes the transactions carried out on the organized over-the-counter market):

are subject to the withholding income tax at a zero percent rate when realized by a Non-Brazilian Holder that (i) has registered its investment in Brazil before the Central Bank under the rules of the Brazilian Monetary Counsel (Registered Holder) and (ii) is not a Tax Haven Holder; and

are subject to income tax at a rate of 15% with respect to gains realized by a Non-Brazilian Holder that is not a Registered Holder (including a Non-Brazilian Holder who qualifies under Law No. 4,131/62) and gains earned by Tax Haven Holders that are Registered Holders. In this case, a withholding income tax of 0.005% shall be applicable and can be offset against any income tax due on the capital gain.

Any other gains realized on the disposal of preferred shares that are sold on the Brazilian stock exchange or on the organized over-the-counter market:

are subject to income tax at a rate of 15% when realized by any Non-Brazilian Holder that is not a Tax Haven Holder, no matter if a Registered Holder or not; and

are subject to income tax at a rate of 25% when realized by a Tax Haven Holder, no matter if a Registered Holder or not.

In the cases above, if the gains are related to transactions conducted on the Brazilian non-organized over-the-counter market with intermediation, the withholding income tax of 0.005% shall also be applicable and can be offset against any income tax due on the capital gain.

Any exercise of preemptive rights relating to preferred shares will not be subject to Brazilian income tax. Gains realized by a Non-Brazilian Holder on the disposal of preemptive rights will be subject to Brazilian income tax according to the same rules applicable to disposal of preferred shares.

There can be no assurance that the current favorable tax treatment of Registered Holders will continue in the future.

Sale of ADS and preferred shares by U.S. Holders to other non-residents in Brazil

Pursuant to Section 26 of Law No. 10,833, published on December 29, 2003, the sale of property located in Brazil involving non-resident investors is subject to Brazilian income tax as of February 1, 2004. Our understanding is that ADSs do not qualify as property located in Brazil and, thus, should not be subject to the Brazilian withholding tax. Insofar as the regulatory norm referred to in Section 26 is recent and generic and has not been tested through the administrative or judicial courts, we are unable to assure the final outcome of such discussion.

Gains on the exchange of ADS for preferred shares

Although there is no clear regulatory guidance, the exchange of ADSs for preferred shares should not be subject to Brazilian tax. Non-Brazilian Holders may exchange their ADSs for the underlying preferred shares, sell the preferred shares on a Brazilian stock exchange and remit abroad the proceeds of the sale within five business days from the date of exchange (in reliance on the depository's electronic registration). For further information, see Item 10. Additional Information Taxation Brazilian Tax Consequences - Taxation of Bonds and Securities Transactions (IOF/Bonds) . Our understanding is that the exchange of ADSs for the underlying preferred shares and sale of preferred shares within the period mentioned above by a Non-Brazilian Holder that (i) is a Registered Holder and (ii) is not a Tax Haven Holder should not be subject to the withholding income tax.

Upon receipt of the underlying preferred shares in exchange for ADSs, Non-Brazilian Holders may also elect to register with the Central Bank the U.S. dollar value of such preferred shares as a foreign portfolio investment under the rules of the Brazilian Monetary Counsel, which will entitle them to the tax treatment referred above in connection with Registered Holders.

Alternatively, the Non-Brazilian Holder is also entitled to register with the Central Bank the U.S. dollar value of such preferred shares as a foreign direct investment under Law 4,131/62, in which case the respective sale would be subject to the tax treatment of Non-Brazilian Holders that are not Registered Holders.

Table of Contents*Gains on the exchange of preferred shares for ADS*

The deposit of preferred shares in exchange for the ADSs may be subject to Brazilian income tax on capital gains if the amount previously registered with the Central Bank as a foreign investment in preferred shares (direct investment registered under Law 4,131) or, in the case of Registered Holders, the acquisition cost of the preferred shares, as the case may be, is lower than:

the average price per preferred share on the Brazilian stock exchange on which the greatest number of such preferred shares were sold on the day of the deposit; or

if no preferred shares were sold on that day, the average price on the Brazilian stock exchange on which the greatest number of preferred shares were sold during the 15 preceding trading sessions.

The difference between the amount previously registered, or the acquisition cost, as the case may be, and the average price of the preferred shares, calculated as set forth above, is considered a capital gain subject to income tax at a rate of 15%, or 25% for Tax Haven Holders.

Taxation of Foreign Exchange Transactions (IOF/Exchange). IOF/Exchange is imposed on the conversion of *reais* into foreign currency and on the conversion of foreign currency into *reais*. Currently, the IOF/Exchange rate for almost all foreign currency exchange transactions is 0.38%. In the case of the settlement of foreign exchange transactions for the flow of capital into the country, made by foreign investors, for transactions in the financial and capital markets, the applicable rate is 2%. The Brazilian Federal Government is permitted to increase the rate at any time, up to 25%. However, any increase in rates only applies to future transactions.

Taxation of Bonds and Securities Transactions: (IOF/Bonds). Law No. 8,894, dated as of June 21, 1994, created the IOF/Bonds, which may be imposed on any transaction involving bonds and securities, even if the transaction includes Brazilian stock, futures or commodities exchange. The rate of IOF/Bonds with respect to transactions of preferred shares is currently zero. Regarding the ADSs, under the Decree n° 7,011, from November 18, 2009 which amended the Decree n° 6,306, from December 14, 2007, the transfer of shares listed on the Brazilian stock exchange, with the specific purpose of guaranteeing the issuance of depository receipts in the foreign market, is subject to a 1.5% IOF/bonds rate. The executive branch may increase the rate up to 1.5% per day during the terms of the securities, but only with respect to future transactions relating to preferred shares or ADSs.

Other Brazilian Taxes. Some Brazilian states impose gift and inheritance tax on gifts or bequests made by individuals or entities not domiciled or residing in Brazil to individuals or entities domiciled or residing within such states. There are no Brazilian stamp, issue, registration, or similar taxes or duties payable by holders of preferred shares or ADSs.

U.S. Federal Income Tax Considerations

The following is a discussion of certain material U.S. federal income tax considerations relating to the ownership and disposition of our preferred shares or ADSs, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to U.S. Holders (as defined below) of our preferred shares or ADSs. The discussion applies only to a U.S. Holder (as defined below) that holds our preferred shares or Ads as capital assets for U.S. federal income tax purposes and does not address all the U.S. federal income tax considerations that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as dealers and traders in securities or currencies, certain financial institutions, insurance companies, tax-exempt entities, real estate investment trusts, regulated investment companies, persons owning, directly, indirectly or constructively, 10% or more of our voting shares for U.S. federal income tax purposes, persons holding our preferred shares or ADSs as part of a hedging transaction, wash sale, straddle, conversion transaction or other integrated transaction for U.S. federal income tax purposes, persons entering into a constructive sale with respect to our preferred shares or ADSs for U.S. federal income tax purposes, persons that have a functional currency for U.S. federal income tax purposes other than the U.S. dollar, persons liable for the alternative minimum tax, certain former citizens or long-term residents of the United States, persons who acquired our preferred shares or ADSs pursuant to the exercise of any employee stock option or otherwise as compensation, or persons holding our preferred shares or ADSs in connection with a trade or business conducted outside the United States.

Moreover, this description does not address the U.S. federal estate and gift tax or alternative minimum tax considerations relating to the ownership or disposition of our preferred shares or ADSs. U.S. Holders should consult their tax advisor with respect to the U.S. federal, state, local and non-U.S. tax considerations relating to the acquisition, ownership and disposition of our preferred shares or ADSs.

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This discussion is based on the Internal Revenue Code of 1986, as amended (the Code), administrative pronouncements, judicial decisions and final, temporary and proposed U.S. Treasury regulations, in each case as in effect and available on the date hereof. All of the foregoing are subject to change, or differing interpretations, which could affect the U.S. federal income tax

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considerations described herein. In addition, this discussion assumes that each obligation provided for in or otherwise contemplated by the Deposit Agreement and any other related document will be performed in accordance with its terms.

For purposes of this discussion, a **U.S. Holder** is a beneficial owner of our preferred shares or ADSs that is for U.S. federal income tax purposes (i) an individual who is a citizen or resident of the United States, (ii) a corporation, or other entity taxable as a corporation, created or organized under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust, if such trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes, or if (1) a court within the United States is able to exercise primary supervision over its administration and (2) one or more U.S. persons have the authority to control all of the substantial decisions of such trust. For purposes of this discussion, a **Non-U.S. Holder** is a beneficial owner of our preferred shares or ADSs who is not a U.S. Holder, but who is, for U.S. federal income tax purposes, a nonresident alien, a corporation, estate, or trust.

If a partnership, or any other entity or arrangement treated as a partnership for U.S. federal tax income tax purposes, holds preferred shares or ADSs, the U.S. federal income tax treatment of a partner in such partnership will generally depend on the status of the partner and on the activities of the partnership. Partnerships holding preferred shares or ADSs and partners in such partnerships should consult their tax advisors as to the particular U.S. federal income tax consequences of owning and disposing of the preferred shares or ADSs.

U.S. Holders should consult their tax advisors with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax considerations arising under the law concerning the overall tax consequences to you, including the consequences arising under the laws of any non-U.S., state and local tax jurisdiction.

Ownership of ADSs in general

In general, U.S. Holders of ADSs will be treated for U.S. federal income tax purposes as owners of the preferred shares underlying the ADSs. Accordingly, no gain or loss will be recognized if a U.S. Holder exchanges ADSs for the underlying shares represented by those ADSs or exchanges the underlying shares represented by those ADSs for ADSs.

The U.S. Treasury has expressed concerns that parties to whom ADSs are released prior to delivery of shares to the depository (a **pre-release**) may be taking actions that are inconsistent with the claiming of foreign tax credits by U.S. Holders of ADSs. Accordingly, the creditability of Brazilian taxes, as described below, could be affected by actions that may be taken by the parties to whom ADSs are pre-released.

Taxation of distributions.

Subject to the discussion below under **Passive foreign investment company**, the gross amount of any distributions made to a U.S. Holder on preferred shares or ADSs, before reduction for any Brazilian taxes, including withholding taxes attributable to interest on equity, will be includable as ordinary dividend income on the day on which the dividends are actually or constructively received by a U.S. Holder to the extent paid out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. A distribution in excess of our current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's adjusted basis in the preferred shares or ADSs and as a capital gain to the extent it exceeds the U.S. Holder's basis. We do not maintain calculations of our earnings and profits under U.S. federal income tax principles. Therefore, U.S. Holders should expect that distributions by us will generally be treated as dividends to U.S. Holders for U.S. federal income tax purposes.

Subject to applicable limitations, under current law, dividends paid to non-corporate U.S. Holders may be eligible for the preferential tax rate currently applicable to certain **qualified dividend income** received by individuals, and dividends paid to corporate U.S. Holders will not be eligible for the dividends-received-deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations.

Dividends paid to U.S. Holders in reais will be includable in income in a U.S. dollar amount based on the exchange rate in effect on the date of actual or constructive receipt whether or not converted into U.S. dollars at that time. If dividends received in reais are converted into U.S. dollars on the day they are actually or constructively received, the U.S. Holder generally will not be required to recognize foreign currency gain or loss in respect of the dividend income. Assuming the payment is not converted at that time, the U.S. Holder will have a tax basis in reais equal to that U.S. dollar amount, which will be used to measure gain or loss from subsequent changes in exchange rates. Any gain or loss that a U.S. Holder recognizes on a subsequent conversion of reais into U.S. dollars (or other disposition) generally will be U.S. source ordinary income or loss.

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Dividends on our preferred shares or ADSs received by a U.S. Holder will generally be treated as foreign source income for U.S. foreign tax credit purposes. Subject to certain conditions and limitations under U.S. federal income tax law concerning credits or deductions for non-U.S. taxes and certain exceptions for short-term and hedged positions, a Brazilian withholding tax imposed on dividends would be treated as a foreign income tax eligible for credit against a U.S. Holder's U.S. federal income tax liability (or at a U.S. Holder's election may be deducted in computing taxable income if the U.S. Holder has elected to deduct all foreign income taxes for the taxable year). The limitation on non-U.S. taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific baskets of income. The rules with respect to foreign tax credits are complex and U.S. Holders are urged to consult their own tax advisors regarding the availability of the foreign tax credit under their particular circumstances. Instead of claiming a credit, a U.S. Holder may, at its election, deduct such otherwise creditable Brazilian taxes in computing its taxable income, subject to generally applicable limitations under the Code and the Treasury regulations promulgated thereunder.

Subject to the discussion below under Information reporting and backup withholding requirements, a Non-U.S. Holder of our preferred shares or ADSs will not be subject to U.S. federal income or withholding tax on dividends received on our preferred shares or ADSs, unless such income is effectively connected with the conduct by such Non-U.S. holder of a trade or business in the United States.

Taxation of sale, exchange or disposition of preferred shares or ADSs.

Subject to the discussion below under Passive foreign investment company, a U.S. Holder will generally recognize gain or loss on the sale, exchange or other disposition of a preferred share or ADS equal to the difference between the amount realized (including the gross amount of the proceeds before the reduction of any Brazilian tax) on such sale, exchange or other disposition and the U.S. Holder's adjusted tax basis in the preferred share or ADS. The initial tax basis of preferred shares or ADSs to a U.S. Holder will be the purchase price determined on the date of purchase. Subject to the discussion below under Passive foreign investment company, such gain or loss will be capital gain or loss. In the case of a non-corporate U.S. Holder, the maximum marginal U.S. federal income tax rate applicable to such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. Holder's holding period for the preferred shares or ADSs exceeds one year at the time of the disposition. Gain or loss, if any, recognized by a U.S. Holder generally will be treated as U.S. source gain or loss, as the case may be. The deductibility of capital losses is subject to limitations under the Code.

A U.S. Holder that receives reais upon a sale, exchange or other disposition of our preferred shares or ADSs will realize an amount equal to the U.S. dollar value of the reais on the date of sale, exchange, or other disposition (or in the case of a cash basis taxpayer or, if an election is made, an accrual basis taxpayer, on the settlement date). A U.S. Holder will have a tax basis in the reais received equal to that U.S. dollar amount. Any gain or loss realized by a U.S. Holder on a subsequent conversion of reais into U.S. dollars (or other disposition) generally will be U.S. source ordinary income or loss.

If any gain from the sale or exchange of our preferred shares or ADSs is subject to Brazilian tax, U.S. Holders may not be able to credit such taxes against their U.S. federal income tax liability under the U.S. foreign tax credit limitations of the Code since such gain generally would be U.S. source income, unless such tax can be credited (subject to applicable limitations) against tax due on other income treated as derived from foreign sources. Alternatively, the U.S. Holder may take a deduction for the Brazilian income tax if such holder does not take a credit for any foreign income tax during the taxable year. The rules with respect to foreign tax credits are complex and U.S. Holders are urged to consult their own tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Subject to the discussion below under Information reporting and backup withholding requirements, a Non-U.S. Holder of our preferred shares or ADSs will not be subject to U.S. federal income or withholding tax on any gain realized on the sale, exchange or other taxable disposition of such preferred shares or ADSs unless:

such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States; or

in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale or exchange and certain other conditions are met.

Passive foreign investment company.

In general, the PFIC rules are designed to eliminate the benefit of deferral of U.S. federal income tax that a U.S. Holder could derive from investing in certain corporations that are organized outside the United States that do not distribute all their earnings on a current basis. A non-U.S. corporation will be classified as a PFIC for U.S. federal income tax purposes in any taxable year in which, after applying certain look-through rules, either (i) at least 75 percent of its gross income consists of passive income, such as

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dividends, interest, rents and royalties, or (ii) at least 50 percent of the average value of its gross assets, by value, is attributable to assets that produce passive income or are held for the production of passive income.

Based on a review of our gross income and assets, the manner in which we currently operates our business, the current market price of our shares, and the current interpretation of the PFIC provisions in the Code, we believe that we were not a PFIC for U.S. federal income tax purposes for our 2009 taxable year. However, since PFIC status depends upon the composition of a company's income and assets and the market value of its assets from time to time, there can be no assurance that we will not be considered a PFIC for the current taxable year or any subsequent taxable year.

If we were a PFIC for any taxable year during which a U.S. Holder held preferred shares or ADSs, a U.S. Holder of preferred shares or ADSs may be subject to imputed interest charges and other disadvantageous tax treatment with respect to any gain from the sale, exchange or other taxable disposition of, and certain excess distributions with respect to, the preferred shares or ADSs. Distributions received in a taxable year that are greater than 125 percent of the average annual distributions received during the shorter of (i) the three preceding taxable years or (ii) a U.S. Holder's holding period for the preferred shares or ADSs will be treated as excess distributions. Under these special tax rules: (i) the excess distribution or gain will be allocated ratably to each day in the U.S. Holder's holding period for the preferred shares or ADSs, (ii) the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we are a PFIC, will be treated as ordinary income of the current taxable year, and (iii) the amount allocated to each other taxable year that we were a PFIC will be subject to tax at the highest tax rate applicable to ordinary income for each such earlier taxable year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

U.S. Holders should consult their tax advisors regarding the tax consequences that would arise if we were treated as a PFIC for U.S. federal income tax purposes, and the possibility of making a mark-to-market election in order to alleviate certain of these tax consequences.

Foreign tax credit for Brazilian taxes

Except for Brazilian tax covered in the section "Taxation of distributions", all other transfer and other taxes covered in the "Brazilian Tax Consequences" section (above) will not be creditable against U.S. federal income taxes, although a U.S. Holder may be entitled to deduct such taxes, subject to applicable limitations under the Code. U.S. Holders should consult their own tax advisors regarding the tax consequences of these Brazilian taxes.

Information reporting and backup withholding requirement.

Payment of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting and to backup withholding unless (1) the holder is a corporation or other tax exempt recipient or (2) in the case of backup withholding, the holder provides a correct taxpayer identification number and certifies that such holder is not subject to backup withholding.

Backup withholding is not an additional tax. A holder will be entitled to credit any amounts withheld under the backup withholding rules against its U.S. federal income tax liability, provided the required information is timely furnished to the IRS in a timely manner. A holder may generally obtain a refund of any amounts withheld under the backup withholding rules that exceed a holder's U.S. federal income tax liability by filing a refund claim with the Internal Revenue Service.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

Statements contained in this annual report as to the contents of any contract or other document referred to are not necessarily complete, and each of these statements is qualified in all respects by reference to the full text of such contract or other document filed as an exhibit hereto. A copy of the complete annual report including the exhibits and schedules filed herewith may be inspected without charge at the public reference facilities

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maintained by the SEC at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the SEC's regional offices located at 233 Broadway, New York, N.Y. 10279 and North Western Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of such materials may be obtained by mail from the Public Reference Section of the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Such reports and other

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information may also be inspected at the offices of the New York Stock Exchange, 11 Wall Street, New York, New York 10005, on which ADSs are listed. In addition, the SEC maintains a website that contains information filed electronically with the SEC, which can be accessed over the Internet at <http://www.sec.gov>.

We are subject to the information and periodic reporting requirements of the Securities Exchange Act of 1934 as amended, and, in accordance therewith, file periodic reports and other information with the SEC. However, as a foreign private issuer, we are exempt from the rules under the Exchange Act relating to the furnishing and content of proxy statements and relating to short-swing profits reporting and liability.

We furnish to The Bank of New York, as depository, copies of all reports we are required to file with the SEC under the Exchange Act, including our annual reports in English, containing a brief description of our operations and our audited annual consolidated financial statements which are prepared in accordance with accounting practices adopted in Brazil and include a reconciliation to U.S. GAAP. In addition, we are required under the Deposit Agreement to furnish the depository with copies of English translations to the extent required under the rules of the SEC of all notices of meetings of holders of preferred shares and other reports and communications that are generally made available to holders of preferred shares. Under certain circumstances, the depository will arrange for the mailing, at our expense, of these notices, other reports and communications to all ADS holders.

We also file financial statements and other periodic reports with the CVM located as Rua Sete de Setembro, 111, Rio de Janeiro, Brazil, 20159-900. In addition the CVM maintains a website that contains information in Portuguese filed electronically with the CVM, which can be accessed over the internet at <http://www.cvm.gov.br>.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The main risks to which Ultrapar is exposed reflect strategic/operational and economic/financial aspects. Operational/strategic risks (including, but not limited to, demand behavior, competition, technological innovation, and material changes in the industry structure) are addressed by Ultrapar's management model. Economic/financial risks primarily reflect default of customers, behavior of macroeconomic variables, such as exchange and interest rates, as well as the characteristics of the financial instruments used by Ultrapar and by their counterparties. These risks are managed through control policies, specific strategies, and establishment of limits.

Ultrapar has a conservative policy for the management of financial resources, instruments and risks approved by its board of directors (the Financial Policy). In accordance with the Policy, the main objectives of financial management are to preserve the value and liquidity of financial assets and ensure financial resources for the proper conduct of business, including expansions. The main financial risks considered in the Policy are risks associated with currencies, interest rates, credit and selection of financial instruments. Governance of the management of financial risks and financial instruments follows the segregation of duties below:

Management of financial assets, instruments and financial risks is the responsibility of the financial area, through its treasury, with the assistance of the tax and accounting areas;

Supervision and monitoring of compliance with the principles, guidelines and standards of the Policy is the responsibility of the Risk and Investment Committee, set up more than 10 years ago and composed of members of the executive board of Ultrapar (Committee). The Committee holds regular meetings and is in charge, among other responsibilities, of discussing and monitoring the financial strategies, existing exposures, and significant transactions involving investment, fund raising, or risk mitigation. The Committee monitors the risk standards established by the Policy through a monitoring map on a monthly basis;

Changes in the Policy or revisions of its standards are subject to the approval of board of directors of Ultrapar;

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Continuous enhancement of the Policy is the joint responsibility of the board of directors, the Committee, and the financial department.

Currency risk

Most operations of Ultrapar are located in Brazil and, therefore, the reference currency for currency risk management is the *real*. Currency risk management is guided by neutrality of currency exposures and considers the transactional, accounting, and operational risks of Ultrapar and its subsidiaries to changes in exchange rates. Ultrapar considers as its main currency exposures the assets and liabilities in foreign currency and the short-term net sales in foreign currency of Oxiteno.

The subsidiaries of Ultrapar use exchange rate hedging instruments (especially between the *real* and the U.S. dollar) available in the financial markets to protect their assets, liabilities, receipts and disbursements in foreign currency, in order to reduce the

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effects of changes in exchange rates on their results and cash flows in *reais* within the exposure limits set by its financial resources, tools and risks management policy.

Such foreign exchange hedging instruments have amounts, periods, and rates substantially equivalent to those assets, liabilities, receipts and disbursements in foreign currency to which they are related. Assets and liabilities in foreign currency are stated below, translated into *reais* as of December 31, 2009 and December 31, 2008:

Assets and liabilities in foreign currency

	2009	2008
	(Amounts in millions of <i>reais</i>)	
Assets in foreign currency		
Financial assets in foreign currency (except for hedging instruments)	231.6	575.0
Foreign trade receivables, net of advances on export contract and provision for potential loss	40.1	52.0
Advances to foreign suppliers, net of accounts payable from imports	43.4	79.1
Investments in foreign subsidiaries	59.8	111.9
	374.9	818.0
Liabilities in foreign currency		
Financing in foreign currency	724.8	1,171.4
	724.8	1,171.4
Currency hedging instruments		
Net long (short) position	227.9	242.0
Net long (short) position	(122.0)	(111.4)
Net long (short) position RPR	87.0	
Net long (short) position Total	(35.0)	

(1) The net long position of RPR reflects the amount of R\$126 million of contracted exchange rate swaps primarily to protect future import of oil, net of (i) R\$17 million of financing in foreign currency and (ii) R\$22 million of suppliers in foreign currency.

Based on the net short position of R\$122.0 million in foreign currency shown above, we estimate that a 10% devaluation of the *real* would produce a financial expense of R\$12.2 million, being R\$17.7 million in financial expenses (revenue) and R\$5.5 million gains recorded in shareholders equity.

Sensitivity analysis

Ultrapar and its subsidiaries use derivative financial instruments only to hedge against identified risks and in amounts consistent with the risk (limited to 100% of the identified risk). Thus, for purposes of sensitivity analysis of market risks associated with financial instruments, Ultrapar analyzes the hedging instrument and the hedged item together, as shown on the charts below. For the sensitivity analysis of foreign exchange hedging instruments, management adopted as a likely scenario the *real*/U.S. dollar exchange rates at maturity of each swap, projected by U.S. dollar futures contracts quoted on BM&FBovespa as of December 31, 2009. As a reference, the exchange rate for the last maturity of foreign exchange hedging instruments is R\$2.73 in the likely scenario. Scenarios II and III were estimated with a 25% and 50% additional devaluation, respectively, of *real* in the likely scenario. Based on the balances of the hedging instruments and hedged items as of December 31, 2009, the exchange rates were replaced, and the changes between the new balance in Reais and the balance in Reais as of December 31, 2009 were calculated in each of the three scenarios. The table below shows the change in the values of the main derivative instruments and their hedged items, considering the changes in the exchange rate in the different scenarios:

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	Risk	Scenario I (Likely) (Amounts in millions of reais)	Scenario II	Scenario III
Currency swaps receivable in U.S. dollars				
(1) U.S. dollar / R\$ swaps	U.S. dollar appreciation	93.2	194.2	295.3
(2) Debts in dollars		(93.1)	(194.2)	(295.2)
(1)+(2)	Net Effect	0.1	0.1	0.1
Currency swaps payable in U.S. dollars				
(3) U.S. dollar / R\$ swaps	U.S. dollar devaluation	(3.4)	(34.4)	(65.3)
(4) Gross margin of Oxiteno		3.4	34.4	65.3
(3)+(4)	Net Effect			
NDF exchange (RPR)				
(5) NDF Receivables in U.S. dollars	U.S. dollar appreciation	5.7	39.1	72.4
(6) Petroleum imports / FINIMP		(5.7)	(39.1)	(72.4)
(5)+(6)	Net Effect			

See Notes 5, 21 and 24(I)(i) to our consolidated financial statements for a discussion of the accounting policies for derivative instruments and information with respect to financial instruments.

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Interest Rate Risk

Ultrapar adopts conservative policies for fund raising and use of financial resources and capital cost minimization. The financial investments of Ultrapar are primarily held in transactions linked to the CDI. Fund raising primarily results from financing from BNDES and other development agencies, debentures and funds raised in foreign currency. Ultrapar does not actively manage risks associated with changes in the level of interest rates and attempts to maintain its financial assets and liabilities at floating rates. See Note 5 and 16 to our consolidated financial statements.

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The table below provides information as of December 31, 2009 about our debt obligations in foreign currency and in reais that are subject to variable and fixed rates of interest. The table summarizes information on instruments and transactions that are sensitive to foreign currency exchange rates and interest rates:

Debt	Weighted average interest rate	Fair value	Book value	Principal by year of maturity*					
				2010	2011	2012	2013	2014	2015 and thereafter
				(in millions of reais)					
U.S. dollar borrowings	5.4%	763.0	727.7	147.0	120.3	10.2	8.0	5.0	437.2
Borrowings indexed to the UMBNDES	8.2%	0.5	0.5	0.5	0.0	0.0	0.0	0.0	0.0
Borrowings indexed to the MX\$ + TIE	1.9%	12.1	12.2	7.1	2.6	1.0	1.0	0.5	0.0
Borrowings indexed to the TJLP	3.5%	1,111.7	1,112.2	178.9	408.6	354.5	86.3	45.4	38.6
Borrowings indexed to the Bs	20.4%	1.0	1.0	0.9	0.1	0.1	0.0	0.0	0.0
Borrowings indexed to the CDI	106.9%								
	of the								
	CDI	2,358.8	2,360.0	668.5	371.4	1,320.1	0.0	0.0	0.0
Others	8.3%	129.3	129.2	17.4	16.2	16.2	16.0	15.7	47.7
Subtotal		4,376.4	4,342.8	1,020.3	919.2	1,702.0	111.2	66.6	523.5
Unrealized losses (gains) on swaps transactions		39.0	39.0	39.0					
Total		4,415.4	4,381.8	1,059.3	919.2	1,702.0	111.2	66.6	523.5

* Figures in 2010 include interest accrued until December 31, 2009.

Sensitivity analysis

For the sensitivity analysis of the interest rate hedging instrument, Ultrapar used the future LIBOR curve (BBA – British Bankers Association) as of December 31, 2009 at maturity of the swap and of the syndicated loan (hedged item), which occurs in 2011, in order to define the likely scenario. Scenarios II and III were estimated with a 25% and 50% deterioration, respectively, in the estimate of the likely LIBOR. Based on the three interest rate scenarios, management estimated the values of its loan and of the hedging instrument by calculating the future cash flows associated with each instrument adopted according to the projected scenarios and adjusting them to present value by the rate in effect on December 31, 2009. The result is stated on the table below:

	Risk	Scenario I (Likely) (Amounts in millions of reais)	Scenario II	Scenario III
Interest rate swap in U.S. dollars				
(1) LIBOR / fixed rate swap	Increase in	1.5	2.0	2.6
(2) LIBOR Debt	LIBOR	(1.5)	(2.0)	(2.6)
(1)+(2)	Net Effect	0.0	0.0	0.0

Credit risk

The financial instruments that would expose Ultrapar and its subsidiaries to credit risks of the counterparty are basically represented by cash and cash equivalents, financial investments and accounts receivable.

Customer credit risk Such risks are managed by each business unit through specific criteria for acceptance of customers and credit rating and are additionally mitigated by diversification of sales. As of December 31, 2009, the provision for potential loss on their accounts and assets receivables recorded for Ipiranga, Ultragas, Oxiteno and Ultracargo were R\$98.3 million, R\$12.7 million, R\$2.1 million and R\$1.3 million, respectively.

Credit risk of financial institutions Such risk results from the inability of financial institutions to comply with their financial obligations to Ultrapar and its subsidiaries due to insolvency. Ultrapar and its subsidiaries regularly conducts a credit review of the

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institutions with which they hold cash and cash equivalents, financial investments, and hedging instruments through various methodologies that assess liquidity, solvency, leverage, portfolio quality, etc. Cash and cash equivalents, financial investments, and hedging instruments are held only with institutions with a solid credit history, chosen based on safety and soundness, in order to minimize credit risk of financial institutions. The volumes of cash and cash equivalents, financial investments, and hedging instruments are subject to maximum limits by institution and, therefore, require diversification of counterparty.

Government credit risk Ultrapar and its subsidiaries have financial investments in federal government bonds of Brazil and countries rated AAA or Aaa by specialized credit rating agencies. The volume of financial investments is subject to maximum limits imposed for each country and, therefore, require diversification of counterparty.

Selection and use of financial instruments

In selecting financial investments and hedging instruments, an analysis is conducted to estimate rates of return, risks involved, liquidity, calculation methodology of the book value and fair value, and documentation applicable to the financial instruments. The financial instruments used to manage the financial resources of Ultrapar and its subsidiaries are intended to preserve value and liquidity. The Policy contemplates the use of derivative financial instruments only to cover identified risks and in amounts consistent with the risk (limited to 100% of the identified risk). The risks identified in the Policy are briefly described above and are the subject of risk management. In accordance with the Policy, Ultrapar and its subsidiaries can use forward contracts, swaps, options, and futures contracts to manage identified risks. Leveraged derivative instruments or instruments with a margin call are not permitted. Because the use of derivative financial instruments is limited to the coverage of identified risks, Ultrapar and its subsidiaries use the term *hedging instruments* to refer to derivative financial instruments.

The Committee monitors compliance with the risk standards established by the Policy through a risk monitoring map, including the use of hedging instruments, on a monthly basis.

The table below summarizes the position of hedging instruments adopted by the company and its subsidiaries:

Swap contracts	Counterparty	Maturity	Initial notional amounts		Fair value		Amounts payable or receivable for the period (Dec 31, 2009)	
			2009	2008	2009	2008	Amount receivable R\$	Amount payable R\$
			US\$ million	US\$ million	R\$ million	R\$ million	million	million
a Exchange rate swaps receivable in U.S. dollars	Bradesco, Citibank,							
Receivables in U.S. dollars	Goldman Sachs,	Jan 2010 to	202.8	123.5	350.8	291.6	350.8	
Payables in CDI interest rate	HSBC, Itaú, Santander	Dec 2015	202.8	123.5	385.5	236.4		385.5
Total result					(34.7)	55.2		
b Exchange rate swaps payable in U.S. dollars	Bradesco, Citibank,							
Receivables in CDI interest rate	Deutsche Itaú,	Jan 2010 to	69.2	18.3	122.1	44.1	122.1	
Payables in U.S. dollars	Santander	Apr 2010	69.2	18.3	118.9	42.9		118.9
Total result					3.2	1.2		
c Interest rate swaps								
Receivables in LIBOR interest rate in U.S. dollars	Itaú	Jun 2011	60.0	60.0	100.7	133.8	100.7	
Payables in fixed interest rate in U.S. dollars			60.0	60.0	104.7	140.5		104.7

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Total result (4.0) (6.7)

d NDFs (non-deliverable forwards)

RPR	Banco do Brasil, HSBC	Jan 2010 to Nov 2010	73.3	125.9	125.9	
Receivables in U.S. dollars			73.3	127.8		127.8
Payables in fixed interest rate in R\$						

Total result (1.9)

Total gross result (37.4) 49.7

Income tax (1.6) (11.8)

Total net result (39.0) 37.9

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The purposes and the receiving or payable rates of each category of hedging instruments included in the table above are described as follows:

a *Exchange rate swaps receivable in U.S. dollars* the purpose of these contracts is to offset the effect of variations in exchange rates over our liabilities in U.S. dollars by converting it into a liability in *reais* linked to CDI. The table below presents our position in this category of swaps as of December 31, 2009:

Swap	Maturity	
	2010	2011 and thereafter
Notional amount of swaps (in millions of <i>reais</i>)(1)	118.1	235.0
Notional amount of swaps (in millions of dollars)	67.8	135.0
Average receiving rate	US\$ + 1.58%	US\$ + 6.64%
Average payment rate(2)	94.50% of the CDI	123.67% of the CDI

(1) Notional amount converted according to the commercial selling rate reported by the Central Bank (PTAX) as of December 31, 2009.

(2) CDI Interbank Certificate of Deposit Rate.

b *Exchange rate swaps payable in U.S. dollars* the purpose of these contracts is to protect Oxiteno against variations between the exchange rate used to convert the dollar denominated costs of certain products to *reais* and the exchange rate used to convert the dollar denominated price of such products. The table below presents our position in this category of swaps as of December 31, 2009:

Swap	Maturity
	2010
Notional amount of swaps (in millions of <i>reais</i>)(1)	120.5
Notional amount of swaps (in millions of dollars)	69.2
Average receiving rate(2)	77.56% of the CDI
Average payment rate	US\$

(1) Notional amount converted according to the commercial selling rate reported by the Central Bank (PTAX) as of December 31, 2009.

(2) CDI Interbank Certificate of Deposit Rate

c *Interest rate swap* the purpose of this contract is to convert the interest rate on a syndicated loan in the principal amount of US\$60 million from floating into fixed rate. The table below presents our position on this category of swaps as of December 31, 2009:

Swap	Maturity
	2011
Notional amount of swaps (in millions of <i>reais</i>)(1)	104.5
Notional amount of swaps (in millions of dollars)	60.0
Average receiving rate(2)	Libor + 1.25%
Average payment rate	US\$ + 4.93%

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- (1) Notional amount converted according to the commercial selling rate reported by the Central Bank (PTAX) as of December 31, 2009.
 (2) CDI Interbank Certificate of Deposit Rate
 d *NDFs (Non-deliverable forwards)* RPR the purpose of this contract is to offset the effects of exchange rate on imports of oil denominated in dollar (US\$63.5 million) and on financing denominated in dollar (US\$9.8 million) in the subsidiary RPR. The table below presents our position on this category of swaps as of December 31, 2009:

Swap	Maturity 2010
Notional amount of NDFs (in millions of <i>reais</i>)(1)	127.6
Notional amount of NDFs (in millions of dollars)	73.3
Average future U.S. dollar hired(2)	1.8096

- (1) Notional amount converted according to the commercial selling rate reported by the Central Bank (PTAX) as of December 31, 2009.
 (2) Exchange rate in *reais* per U.S. dollars
 All of Ultrapar's hedging instruments were properly registered with CETIP S.A. (the Brazilian over-the-counter clearing house), except for the interest rate swap, which is an over-the-counter contract governed by ISDA (International Swap Dealers Association, Inc.) executed with the counterparty Banco Itaú BBA S.A. Nassau Branch.

Ultrapar and its subsidiaries designate as cash flow hedges some hedging instruments for future cash flows. These hedging instruments aim at protecting the cash flows from (i) the risk of fluctuations of the Libor in loans hired and (ii) the risk of exchange rate changes of subsidiary RPR on future imports of oil denominated in U.S. dollars. On December 31, 2009 these hedging instruments amounted to US\$123.5 million.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**A. Debt securities**

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

In the United States, our preferred shares are traded in the form of ADSs. Each of our ADSs represents one preferred share of Ultrapar, issued by The Bank of New York Mellon, as depositary, pursuant to a deposit agreement, dated July 22, 1999, as amended and restated on May 5, 2005, effective as of October 6, 2005. The depositary's principal executive office is located at One Wall Street, New York, NY 10286.

Fees and expenses

The following table summarizes the fees and expenses payable by holders of ADRs:

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Persons depositing or withdrawing shares must pay:	For
\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	(i) Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property (ii) Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
A fee equivalent amount that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs	Distribution of securities to holders of deposited securities which are distributed by the depository to ADS registered holders
Registration or transfer fees	Transfer and registration of shares on our share register to or from the name of the depository or its agent when you deposit or withdraw shares
Expenses of the depository	(i) Cable and facsimile transmissions (ii) Converting foreign currency to U.S. dollars
Taxes and other governmental charges the depository or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes	As necessary
Any charges incurred by the depository or its agents for servicing the deposited securities	As necessary

Payment of taxes

The depository may deduct the amount of any taxes owed from any payments to investors who hold ADSs. It may also sell deposited securities, by public or private sale, to pay any taxes owed. Investors who hold ADSs will remain liable if the proceeds of the sale are not sufficient to pay the taxes. If the depository sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to you any proceeds, or send to you any property, remaining after it has paid the taxes.

Reimbursement of fees

The Bank of New York Mellon, as depository, has agreed to reimburse us for expenses we incur that are related to establishment and maintenance expenses of the ADS program. The depository has agreed to reimburse us for our continuing annual stock exchange listing fees. The depository has also agreed to pay the standard out-of-pocket maintenance costs for the ADRs, which consist of the expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of United States federal tax information, mailing required tax forms, stationery, postage, facsimile, and telephone calls.

Reimbursement of fees incurred in 2009

From January 1, 2009 until December 31, 2009, Ultrapar received from the depository US\$54,237, net of withholding taxes, for continuing annual stock exchange listing fees, standard out-of-pocket maintenance costs for the ADRs (consisting of the expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of U.S. Federal tax information, mailing required tax forms, stationery, postage, facsimile, and telephone calls), any applicable performance indicators relating to the ADR facility, underwriting fees and legal fees.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

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ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

At the Special Meeting of the Preferred Shareholders of Ultrapar held on May 18, 2004, our preferred shareholders approved a change in dividend rights to make the dividend right of preferred shareholders equal to those of common shareholders by abolishing the right of preferred shareholders to receive dividends that are at least 10% higher than those received by common shareholders.

On May 18, 2004, we held an Extraordinary Shareholders Meeting which approved amendments of our bylaws. The amendments were (i) the registration in our bylaws of tag along rights for all company shareholders, at 100% of the offer price, a provision that was previously provided for in our 2000 shareholders agreement; and (ii) to make the dividend right of preferred shareholders equal to those of common shareholders as described above.

On September 22, 2004, the shareholders of Ultra S.A., a holding company that controls Ultrapar, signed a shareholders agreement that was primarily aimed at maintaining the controlling shareholder block in Ultrapar. On December the Ultra S.A. shareholders entered into a new shareholder agreement that replaced the previous shareholders agreement. The terms and conditions of the 2009 Shareholders Agreement are substantially the same as those of the previous agreement. See Item 7.A. Major Shareholders and Related Party Transactions Major Shareholders and Item 7.A. Major Shareholders and Related Party Transactions Major Shareholders Shareholders Agreement .

ITEM 15. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

As of December 31, 2009, under management's supervision and with its participation, including our Chief Executive Officer and Chief Financial Officer, we performed an evaluation of our disclosure controls and procedures for the period relating to the information contained in this 20F report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective as of December 31, 2009 at the reasonable assurance level for the purpose of collecting, analyzing and disclosing the information that we are required to disclose in the reports we file under the Securities Exchange Act of 1934, within the time periods specified in the SEC's rules and forms. Our management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures.

(b) Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act). Ultrapar's internal control system was designed to provide reasonable assurance as to the integrity and reliability of the published financial statements. All internal control systems, no matter how well designed, have inherent limitations and can provide only reasonable assurance that the objectives of the control system are met.

Management evaluated the internal control over financial reporting under the supervision of our Chief Executive Officer, or CEO and Chief Financial Officer, or CFO as of December 31, 2009. Management evaluated the effectiveness of our internal control over financial reporting based on the criteria set out in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Ultrapar's management concluded that, as of December 31, 2009, our internal control over financial reporting were adequate and effective, based on those criteria.

Our independent registered public accounting firm, *KPMG Auditores Independientes*, has issued an attestation report on management's assessment of our internal controls over financial reporting as of December 31, 2009. The report on the audit of our internal control over financial reporting is included below.

(c) Report of the Registered Public Accounting Firm on Internal Control over Financial Reporting

The Report of independent registered public accounting firm on internal control over financial reporting issued by our independent registered public accounting firm, *KPMG Auditores Independientes*, is presented below.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Ultrapar Participações S.A.

We have audited Ultrapar Participações S.A. and its subsidiaries (the Company) internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Form 20-F. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Ultrapar Participações S.A. and its subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Ultrapar Participações S.A. and its subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income, shareholders' equity, cash flows and value added for the years ended on December 31, 2009, 2008, 2007, and our report dated on June 29, 2010 expressed an unqualified opinion on those consolidated financial statements.

São Paulo, SP - Brazil

June 29, 2010.

/s/ KPMG Auditores Independentes

(d) Changes in Internal Control over Financial Reporting

We have made no change to our internal control over financial reporting for the year ended December 31, 2009 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

In July 2005, our bylaws were revised to provide for the establishment of a permanent fiscal council, which is to be constituted of no less than three and no more than five members and their respective alternate members. The fiscal council is a separate corporate body independent of our management and our external independent registered public accounting firm.

Our fiscal council acts as an audit committee pursuant to the requirements of the Sarbanes-Oxley Act. Under Rule 10A-3(c)(3) of the Exchange Act, non-U.S. issuers, such as Ultrapar, are exempt from the audit committee requirements of Section 303A of the New York Stock Exchange Listed Company Manual if they establish, according to their local law or regulations, another body that acts as an audit committee.

Ultrapar has determined that it will not appoint an audit committee financial expert. We believe that more than one of our fiscal council members has the skills, experience and that would qualify them to be an audit committee financial expert, as defined by current SEC rules.

ITEM 16B. CODE OF ETHICS

In 2004, we established a code of ethics which covered (i) the board of directors; (ii) the whole executive board (including the Chief Executive Officer and the Chief Financial Officer); (iii) the fiscal council of Ultrapar; (iv) the board of directors and executive board of its subsidiaries; and (v) remaining bodies with technical or advisory functions that are directly subordinated to the board of directors, to the executive board or to the fiscal committee of Ultrapar. Our code of ethics was amended on June 17, 2009 to (i) improve certain existing items of the code by including examples of acceptable or unacceptable behavior and clarifying the language to avoid misunderstanding of such items and (ii) improve access to the channel for reporting non-compliance with the code. For the complete amended Code of Ethics please see our 6-K filed on June 19, 2009. The objective of this code is (i) to reduce the subjectivity of personal interpretations of ethical principles; (ii) to be a formal and institutional benchmark for the professional conduct of the employees, including the ethical handling of actual or apparent conflicts of interests, becoming a standard for the internal and external relationship of Ultrapar with its stakeholders, namely: shareholders, clients, employees, partners, suppliers, service providers, labor unions, competitors, society, government and the communities in which it operates; and (iii) to ensure that the daily concerns with efficiency, competitiveness and profitability do not override ethical behavior.

You can obtain a copy of our code of ethics, free of charge, at our website (www.ultra.com.br), or by requesting a copy from the Investor Relations Department (e-mail: invest@ultra.com.br).

Table of Contents**ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The relationship with our independent auditors in respect to the contracting of services unrelated to the external audit is based on principles that preserve the independence of the auditor. Our board of directors approves our financial statements, the performance by our auditors of audit and permissible non-audit services, and associated fees, supported by our fiscal council, which acts as an audit committee pursuant to the requirements of the Sarbanes-Oxley Act. See Item 6.C. Directors, Senior Management and Employees Board Practices Fiscal Council and Audit Committee Exemption for more information about the responsibilities of the fiscal council. Our consolidated financial statements for the years ended December 31, 2009, 2008 and 2007 were audited by the independent registered public accounting firm, *KPMG Auditores Independentes*, and our consolidated statements for the years ended 2006, 2005 and 2004 were audited by the independent registered public accounting firm, Deloitte Touche Tohmatsu Auditores Independentes.

The following table describes the total amount billed to us by KPMG for services performed in 2009 and 2008 and the respective compensation for these services.

	2009	2008
	(in thousands of reais)	
Audit Fees	3,288.4	2,997.0
Audit Related Fees	572.0	165.0
Tax Fees		
All Other Fees		
Total Consolidated Audit Fees	3,860.4	3,162.0

Audit Fees are the aggregate fees billed by independent registered public accounting firms for the audit of our consolidated and annual financial statements, reviews of interim financial statements and attestation services that are provided in connection with statutory and regulatory filings or engagements. Audit-Related Fees are fees charged by KPMG for assurance and related services. For the year ended December 31, 2009, Ultrapar and its subsidiaries did not contract for any service from their independent auditors that was not directly linked to the auditing of financial statements.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

In July 2005, our bylaws were revised in order to include the establishment of a fiscal council with permanent operations. Our fiscal council also meets the requirements for exemption from audit committee independence pursuant to the requirements of the Sarbanes-Oxley Act. Under Rule 10A-3(c)(3) of the Exchange Act, non-U.S. issuers, such as Ultrapar, are exempt from the audit committee independence requirements of Section 303A of the New York Stock Exchange Listed Company Manual if they establish, according to their local law or regulations, another body that meets certain requirements. See Item 6.C. Directors, Senior Management and Employees Board Practices Fiscal Council and Audit Committee Exemption .

The fiscal council meets the following requirements of the general exemption contained in Rule 10A-3(c)(3):

the fiscal council is established pursuant to Brazilian Corporate Law and our bylaws;

under the requirements of Brazilian Corporate Law, our fiscal council is a separate body from our board of directors;

the fiscal council is not elected by Ultrapar's management and no executive officer of Ultrapar is a member of the fiscal council;

all of the members of the fiscal council meet the independence requirements from Ultrapar, the management and the auditors, as set forth by Brazilian Corporate Law and/or listing provisions in Brazil;

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the fiscal council makes recommendations to our board of directors regarding the appointment, retention and oversight of the work of the independent auditors engaged for the purpose of preparing or issuing audit reports for Ultrapar;

the fiscal council adopted a complaints procedure in accordance with Rule 10A-3(b)(3) of the Exchange Act;

the fiscal council is authorized to engage independent counsel and other advisers, as it deems appropriate; and

Ultrapar has provided for appropriate funding, as determined by the fiscal council, for the payment of (i) compensation to Ultrapar's auditors engaged for the purpose of issuing audit reports, (ii) compensation to independent counsel and other advisers engaged by the fiscal council, and (iii) ordinary administrative expenses of the fiscal council in carrying out its duties.

Ultrapar's reliance on Rule 10A-3(c)(3) does not, in its opinion, materially adversely affect the ability of its fiscal council to act independently and to satisfy the other requirements of Rule 10A-3.

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ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

We did not purchase any preferred share issued by the company in 2009.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

During the two-year period ending December 31, 2009, and for the six-month period ending June 30, 2009, no independent accountant engaged as our principal accountant (including all of our significant subsidiaries) has resigned (or has indicated it has declined to continue on as our independent accountant after completion of the current year) or was dismissed.

ITEM 16G. CORPORATE GOVERNANCE

Under the rules of the New York Stock Exchange (NYSE), foreign private issuers are subject to a more limited set of corporate governance requirements than are U.S. domestic issuers. As a foreign private issuer, we must comply with four principal NYSE corporate governance rules: (i) we must satisfy the requirements of Exchange Act Rule 10A-3 relating to audit committees; (ii) our Chief Executive Officer must promptly notify the NYSE after any executive officer becomes aware of any material noncompliance with the applicable NYSE rules; (iii) we must provide the NYSE with annual and interim written affirmations; and (iv) we must provide a brief description of any significant differences between our corporate governance practices and those followed by U.S. companies under NYSE listing standards.

The significant differences between our corporate governance practices and the NYSE corporate governance standards are as follows:

Independence of Directors

NYSE rules require that a majority of the board of directors must consist of independent directors as defined under NYSE rules. Under Brazilian Corporate Law, we are not required to have a majority of independent directors. The Brazilian Corporate Law requires that our directors be elected by our shareholders at a general shareholders meeting. Our current board of directors consists of eight members, of whom five are independent non-executive members and three are shareholders of Ultra S.A., our controlling shareholder. Two of these three non-independent board members were executive officers of Ultrapar until December 2006.

No member of the Board has any material relationship with the company, either directly or as a partner or officer of an organization that has relationship with Ultrapar. The Brazilian Corporate Law and CVM establish rules relating to the qualification of the members of our board of directors and our executive officers, including their compensation, duties and responsibilities. We believe these rules provide adequate assurances that our directors are independent according to the independence tests established by the NYSE.

Executive Sessions

NYSE rules require that the non-management directors must meet at regularly scheduled executive sessions without management present. Such provision does not apply to Ultrapar given that none of our directors is currently an executive officer of the company.

Committees

NYSE rules require that U.S. domestic listed companies have a nominating/corporate governance committee and a compensation committee composed entirely of independent directors and governed by a written charter addressing the committee's purpose and responsibilities. Under the Brazilian Corporate Law, we are not required to have, and accordingly we do not have, a nominating committee, a corporate governance committee or a compensation committee.

Fiscal Council and Audit Committee

U.S. domestic listed companies must have an audit committee with a minimum of three independent directors who are financially literate and who satisfy the independence requirements of Rule 10A-3 of the Securities Exchange Act of 1934 (the Exchange Act), with a written charter addressing the committee's purpose and responsibilities. However, as the Brazilian Corporate Law requires the establishment of a corporate body whose duties are similar to those established by the Exchange Act (the fiscal council), we may be exempt from the requirements of Rule 10A-3 if we satisfy the conditions of Rule 10A-3(c)(3) of the Exchange Act.

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Our fiscal council satisfies the requirements of Rule 10A-3(c)(3) of the Exchange Act. Our fiscal council consists of five members and their respective alternate members, and it is a separate corporate body independent from our management. The members of our fiscal council are elected by our shareholders at the annual general shareholders' meeting for one-year terms and are

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eligible for reelection. Under the Brazilian Corporate Law, individuals who are members of the board of directors or are executive officers or employees or spouses or relatives of any member of the company's management are not eligible to serve on the fiscal council.

For more information see Item 6.C. Directors, Senior Management and Employees Board Practices Fiscal Council and Audit Committee Exemption .

Shareholder Approval of Equity Compensation Plans

NYSE rules require that equity compensation plans for U.S. domestic listed companies be subject to shareholder approval, with limited exceptions. In November 2003, our shareholders approved the Deferred Stock Plan. In accordance with the Deferred Stock Plan, the board of directors determines the eligible participants and the number of shares to which each participant shall have rights. See Item 6.B. Directors, Senior Management and Employees Compensation .

Corporate Governance Guidelines

NYSE rules require that U.S. domestic listed companies adopt and disclose corporate governance guidelines. We have adopted corporate governance guidelines set out by our board of directors or required by the Brazilian Corporate Law and which we believe are consistent with best practices, such as the 100% tag along rights to all shareholders, the implementation of a code of ethics, a fiscal council with responsibilities equivalent to those of an audit committee, and the adoption of the Policy of Disclosure of Material Acts or Facts, which deals with the public disclosure of all relevant information and the trading of shares issued by Ultrapar as per CVM Instruction No. 358.

Code of Business Conduct and Ethics

NYSE rules require that U.S. domestic listed companies adopt and disclose a code of business conduct and ethics for directors, officers and employees. In 2004 we established a code of ethics which was amended on June 17, 2009. For the complete amended code of ethics please see our 6K filed on June 19, 2009. The main objectives of this code is (i) to reduce the subjectivity of personal interpretations of ethical principles and (ii) to be a formal and institutional benchmark for the professional conduct of our employees, including the ethical handling of actual or apparent conflicts of interests, becoming a standard for the internal and external relationship of the company with its stakeholders. See Item 16.B. Code of Ethics .

Table of Contents**PART III****ITEM 17. FINANCIAL STATEMENTS**

We have responded to Item 18 in lieu of responding to this Item.

ITEM 18. FINANCIAL STATEMENTS

We file the following consolidated financial statements together with the reports of independent registered public accountants firms, as part of this annual report:

<u>Report of Independent Registered Public Accounting Firm</u>	F-2
<u>Consolidated balance sheets as of December 31, 2009 and 2008</u>	F-3
<u>Consolidated statements of income for the years ended December 31, 2009, 2008 and 2007</u>	F-5
<u>Consolidated statements of changes in shareholders' equity for the years ended December 31, 2009, 2008 and 2007</u>	F-6
<u>Consolidated statements of cash flow for the years ended December 31, 2009, 2008 and 2007</u>	F-9
<u>Consolidated statements of value added for the years ended December 31, 2009, 2008 and 2007</u>	F-11
<u>Notes to the consolidated financial statements for the years ended December 31, 2009, 2008 and 2007</u>	F-12

ITEM 19. EXHIBITS

We are filing the following documents as part of this Annual Report Form 20F:

- 1.1 Bylaws of Ultrapar, dated as of April 28, 2008.
- 2.1 Shareholders' Agreement dated March 22, 2000 (incorporated by reference to Exhibit 2.1 to Form 20-F of Ultrapar Participações S.A. filed on June 7, 2007).
- 2.2 Indenture in respect of the 1st issue of simple, non-convertible debentures, unsecured and without special privileges, in a single series, for public distribution, dated of February 16, 2005 (incorporated by reference to Item 1 of Form 6-K filed on March 1, 2005).
- 2.3 Indenture, dated as of December 20, 2005, among LPG International Inc., as Issuer, Ultrapar Participações S.A. and Oxiteno S.A. Indústria e Comércio, as Guarantors, JPMorgan Chase Bank, N.A., as Trustee, Transfer Agent and Registrar, J.P. Morgan Trust Bank LTD., as Principal Payment Agent and J.P. Morgan Bank Luxembourg S.A., as Luxembourg Paying Agent, Luxembourg Transfer Agent and Luxembourg Listing Agent (incorporated by reference to Exhibit 2.2 to Form 20-F of Ultrapar Participações S.A. filed on May 5, 2006).
- 2.4 Amendment dated as of March 31, 2006 to the Indenture dated as of December 20, 2005 (incorporated by reference to Exhibit 2.3 to Form 20-F of Ultrapar Participações S.A. filed on May 5, 2006).
- 2.5 Indenture regarding first tranche of the issuance of debentures in Brazil totaling R\$675 million in connection with the acquisition of Ipiranga - English Translation (incorporated by reference to Exhibit 2.6 to Form 20-F of Ultrapar Participações S.A. filed on June 7, 2007).
- 2.6 Ipiranga Group Shareholders' Agreement entered into by and among Ultrapar, Petrobras and Braskem, dated April 18, 2007 - English Translation (incorporated by reference to Exhibit 2.7 to Form 20-F of Ultrapar Participações S.A. filed on June 7, 2007).
- 2.7 RPR Shareholders Agreement entered into by and among Ultrapar, Petrobras and Braskem, dated April 18, 2007 - English Translation (incorporated by reference to Exhibit 2.8 to Form 20-F of Ultrapar Participações S.A. filed on June 7, 2007).

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- 2.8 Ultrapar Participações S.A. 3rd Public Offering Indenture of Simple Debentures, Non-Convertible, Unsecured and Non-Preferred in a Single Series between Ultrapar Participações S.A. and Pentágono S/A DTVM, dated May 20, 2009 English Summary.
- 2.9 First Amendment to Ultrapar Participações S.A. 3rd Public Offering Indenture of Simple Debentures, Non-Convertible, Unsecured and Non-Preferred in a Single Series between Ultrapar Participações S.A. and Pentágono S/A DTVM, dated June 3, 2009 English Summary.
- 2.10 Shareholders Agreement dated December 3, 2009 (incorporated by reference to Item 2 of Form 6-K of Ultrapar Participações S.A., filed on December 3, 2009).
- 2.11 Second Amendment to Ultrapar Participações S.A. 3rd Public Offering Indenture of Simple Debentures, Non-Convertible, Unsecured and Non-Preferred in a Single Series between Ultrapar Participações, S.A. and Pentágono S/A DTVM, dated December 4, 2009 English Summary.
- 4.1 Share Sale and Purchase Agreement related to the sale and purchase of the entire share capital of Shell Gás (LPG) Brasil S.A. (incorporated by reference to Exhibit 10.2 to Form F-1 of Ultrapar Participações S.A. filed on February 2, 2005).

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- 4.2 Form of agreement between Ultragas and independent dealers (incorporated by reference to Exhibit 10.4 to Form F-1 of Ultrapar Participações S.A. filed on February 2, 2005, as amended).
- 4.3 Take or pay agreement between Tequimar and CODEBA (incorporated by reference to Exhibit 10.5 to Form F-1 of Ultrapar Participações S.A. filed on February 2, 2005, as amended).
- 4.4 The Investment Agreement entered into by and among Ultrapar, Petrobras and Braskem dated March 18, 2007 English translation, as amended by the Amendment to Investment Agreement entered into by and among Ultrapar, Petrobras and Braskem dated April 18, 2007 English Summary (incorporated by reference to Exhibit 4.4 to Form 20-F of Ultrapar Participações S.A. filed on June 7, 2007).
- 4.5 Share Purchase Agreement entered into by and among Ultrapar, Petrobras, Braskem and the Key Shareholders of RPR, DPPI and CBPI, dated March 18, 2007 English Summary (incorporated by reference to Exhibit 4.5 to Form 20-F of Ultrapar Participações S.A. filed on June 7, 2007).
- 4.6 Braskem/Petrobras Asset Security Agreement entered into by and among Ultrapar, Petrobras and Braskem, dated April 18, 2007 English Summary (incorporated by reference to Exhibit 4.6 to Form 20-F of Ultrapar Participações S.A. filed on June 7, 2007).
- 4.7 Petrobras Asset Security Agreement entered into by and among Ultrapar, Petrobras and Braskem, dated April 18, 2007 English Summary (incorporated by reference to Exhibit 4.7 to Form 20-F of Ultrapar Participações S.A. filed on June 7, 2007).
- 4.8 Ethylene Supply Agreement between Braskem S.A. and Oxiteno Nordeste S.A. Indústria e Comércio, dated June 13, 2008 English Summary.
- 4.9 Share Purchase Agreement between Ultrapar Participações S.A.'s subsidiary Terminal Químico de Aratu S.A. and Unipar, dated June 6, 2008, including Amendment dated September 22, 2008 English Summary (incorporated by reference to Exhibit 4.8 to Form 20-F of Ultrapar Participações S.A. filed on June 29, 2009).
- 4.10 Ethylene Supply Agreement between Petroquímica União S.A. and Oxiteno S.A. Indústria e Comércio, dated August 1, 2008 English Summary.
- 4.11 Securities Purchase Agreement entered into by and among Chevron, CBL, Galena and SBP, dated August 14, 2008 (incorporated by reference to Exhibit 4.9 to Form 20-F of Ultrapar Participações S.A. filed on June 29, 2009).
- 4.12 Revolving Line of Credit Agreement among Banco Nacional de Desenvolvimento Econômico e Social (BNDES), Companhia Brasileira de Petróleo Ipiranga, Companhia Ultragas S/A, Oleoquímica Indústria e Comércio de Productos Químicos Ltda, Oxiteno Nordeste S/A Indústria e Comércio, Tequimar Terminal Químico de Aratu S/A, Tropical Transportes Ipiranga Ltda. and Ultrapar Participações S.A., dated December 16, 2008 English Summary.
- 4.13 Amendment No. 1 to Securities Purchase Agreement entered into by and among Chevron, CBL, Galena and SBP, dated March 30, 2009 (incorporated by reference to Exhibit 4.10 to Form 20-F of Ultrapar Participações S.A. filed on June 29, 2009).
- 4.14 Line of Credit Agreements between Banco do Brasil S.A. and Ipiranga Produtos de Petróleo S.A., each dated June 16, 2010 English Summary.
- 6.1 Statement regarding computation of per share earnings (incorporated by reference to Note 24(V)(a) to our consolidated financial statements included in this annual report).
- 8.1 List of subsidiaries of Ultrapar (incorporated by reference to Note 4 to our consolidated financial statements included in this annual report).
- 11.1 Code of Ethics, amended on June 17, 2009 (incorporated by reference to Form 6-K of Ultrapar Participações S.A. filed on June 19, 2009).
- 12.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 12.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 13 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 15.1 Documentation with respect to our corporate restructuring of 2002 (incorporated by reference in Forms 6-K, filed with the SEC on October 15, 2002, November 1, 2002 and December 6, 2002).

There are omitted from the exhibits filed with or incorporated by reference into this annual report certain promissory notes and other instruments and agreements with respect to long-term debt of our company, none of which authorizes securities in a total amount that exceeds 10% of the total assets of our company. We hereby agree to furnish to the Securities and Exchange Commission copies of any such omitted promissory notes or other instruments or agreements as the Commission requests.

Table of Contents**GLOSSARY OF PETROCHEMICAL INDUSTRY TERMS**

Acetates	Chemical substances derived from acetic acid, which are used as solvents in the production of paints and coatings.
Acetic Acid	One of the largest produced organic acids and is used in the production of acetates.
Acrylates	Derivatives from acrylic acid that are used in the plastic industry.
Acrylonitrile	Derivative compounds from propylene having a nitrile group.
Alcohol	Flammable liquid obtained by fermentation of sugary substances, or by synthetics operations.
Alcohol Sulfates	Fatty alcohol-derived sulfates, with surfactant characteristics, mainly used in the production of detergents.
Alkanolamides	Substances produced by reaction of fatty acids with alkanolamines, mainly used as emulsifiers in cosmetic preparation.
Alkyl Benzene	Substance with an aromatic ring and an aliphatic chain.
Aromatics	A major group of organic chemical compounds with a ring shaped carbon chain. Aromatics are derived chiefly from petroleum and coal tar, and used to make a broad range of downstream chemical products.
Butadiene	By-product of the cracking process; used primarily as a feedstock for synthetic rubber, elastomers and fibers.
Butyl Alcohol	An alcohol used primarily in the production of solvents and plasticizers.
Commodity Chemicals	A term applied to chemical substances, which are sold on a generic basis and, unlike specialty chemicals, are not generally manufactured to meet specific end-use performance characteristics.
Condensed Naphthalene	Polymer mainly used as a super-fluidizer and curing agent for cement preparation.
Crackers	First generation companies that thermally breakdown or crack ethane, naphtha and gas oil into basic petrochemicals, such as ethylene and propylene.
Dispersants	Class of chemicals whose main property is to maintain the stability of a mixture by preventing particles from settling out of the mixture.
EDC	Ethylene Dichloride, raw material of VCM.
Elastomer	Broad category of rubber polymers which may be natural or synthetic, such as natural rubber, nitrile rubber and styrene-butadiene rubbers.
Emulsifiers	A class of chemical generally used to promote the dispersion of materials throughout a solution or mixture.
Ethanol	Flammable liquid obtained by fermentation of sugary substances, largely used as fuel for vehicles.
Ethanolamines	Ethanolamines, comprising mono-, di-, and tri-ethanolamines, are clear, non-flammable, liquids at atmospheric pressure and room temperature conditions, and are produced from ethylene oxide and ammonium.
Ethers	Organic compound with one oxygen atom interpolated between two carbon atoms.
Ethoxylated Alcohol	Produced by reaction of ethylene oxide with alcohols. Ethoxylated alcohols are used mainly as surfactants.
Ethoxylated Alkylphenols	Ethoxylated alkylphenols range from clear liquids to colored solids and is produced by the reaction of ethylene oxide with alkylphenol.
Ethoxylated Fatty Alcohols	Substances produced by reaction of ethylene oxide with fatty alcohols and are used mainly as a raw material for detergent production.
Ethoxylated Fatty Amines	Substances produced by reaction of ethylene oxide with fatty amines and are used mainly as emulsifiers for crop protection chemicals.
Ethoxylated Fatty Esters	Substances produced by reaction of ethylene oxide with hydroxylated fatty esters and are used mainly as emulsifiers in the cosmetic industry.

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Ethoxylated Sorbitan Esters	Substances produced by reaction of ethylene oxide with sorbitan esters and are mainly used as food emulsifiers, especially for bakery products.
Ethyl Alcohol	A flammable liquid known as ethanol. It is used as automotive fuel, alone or in mixture with gasoline, and as a solvent in personal care products, such as aftershave lotion and mouthwashes.
Ethylene	A chemical substance, mainly derived from thermal cracking of ethane, gas oil and naphtha, and used to make polyethylene and many organic chemical intermediates, such as ethylene oxide, vinyl chloride, styrene and acetaldehyde.
Ethylene Glycols	Includes mono-, di-, tri- and other ethylene glycols. Mono-ethylene glycol or MEG is a clear, non-flammable, non-volatile liquid at room temperature and atmospheric pressure. Ethylene glycols are produced from ethylene oxide.
Ethylene Oxide	Ethylene oxide is a colorless and highly flammable gas at room temperature and atmospheric pressure and is produced by catalytic partial oxidation of ethylene by oxygen, at high temperature and pressure.
Fatty Alcohols	Fatty alcohols are alcohols derived from fat or vegetable oil (natural fatty alcohol) or petrochemical sources (synthetic fatty alcohol), largely used in the cosmetics and detergents production.
First Generation Company	A petrochemical cracker.
Fuels	Any substance that produces energy in a chemical reaction.
Glycol Ether Acetate	Flammable liquids at room temperature and atmospheric pressure produced by reaction with acetic acid and glycol ether.
Glycols	Alcohols containing two hydroxyl groups.
Glycol Ethers	Substances produced by reaction of ethylene oxide and an alcohol, or methyl, ethyl and butyl alcohol.
Hydraulic Fluids	Mixture of high molecular weight glycols and glycol ethers used as cooling medium and mechanical action transmitters in automotive braking systems.
Lauryl Alcohol	Substance of twelve-carbon fatty alcohol raw material for ethoxylated fatty alcohol, alcohol sulfate and ethoxylated alcohol sulfate production, which are intermediates for detergent production.
Linear Alkyl Benzene (LAB)	Straight chain alkyl benzene used as surfactant intermediate.
Linear Alkyl Sulphonate (LAS)	Straight chain alkyl benzene sulfate used as surfactant intermediate.
Lubricants	Broad class of chemicals which are generally used to provide a film between the moving parts of machines and engines.
Methyl Ethyl Ketone (MEK)	A clear, volatile, flammables liquid at room temperature and atmospheric pressure and is mainly used as a solvent.
Metric Ton	Equal to 1,000 kilograms (2,204.62 pounds).
Naphtha	A by-product of crude oil refining which is used by crackers as feedstock.
Nitrile	Organic compound containing CN group.
Normal Paraffins	Class of aliphatic hydrocarbons with a single carbon chain.
Olefin	Hydrocarbons with double bonds with the general chemical formula C_nH_{2n} . Olefins, along with aromatics, are produced mainly in crackers and are regarded as the building blocks of the petrochemical industry.
Paraxylene	Organic compound with two methyl radicals in p-position.
PET	Polyethylene terephthalate, a polymer produced by polycondensation of ethylene glycol with either Dimethyl Terephthalate, or terephthalic acid. Used to produce fibers, resins and packaging such as carbonated soft drink bottles (PET bottle grade).

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Phosphate Esters	Phosphoric acid derived esters, used primarily as detergent builders in powder detergent production.
Polyethylene	Intermediate petrochemical produced by second generation companies from ethylene; used in many plastic applications.
Polyethylene Glycols	Ethylene oxide derived polymers used in many applications, including as fillers, lubricants and viscosity builders.
Polystyrene	Intermediate petrochemical produced by second generation companies from styrene.
Polyvinyl Chloride	Intermediate petrochemical produced by companies from basic petrochemicals.
Propylene	A chemical substance, mainly derived as a co-product with ethylene through the cracking process of gas oil or naphtha, often used to make polypropylene, which is a common plastic.
Raffinate II	A by-product of naphtha cracking mainly composed of butane and used in the production of MEK.
Sec-Butanol	A secondary four-carbon atom alcohol obtained by the hydration of butanes, contained in raffinate II. Sec-butanol is the raw material for methyl-ethyl-ketone production.
Second Generation Company	A producer of intermediate chemical products based largely on raw materials purchased from upstream, first generation companies, also known as crackers.
Softeners	A class of surfactant products mainly used as co-agents in the textile industry and domestic laundries.
Solvents	Chemical compounds, usually in liquid form, capable of dissolving another substance; often used as a medium in which other chemical reactions may take place.
Sorbitan Esters	Substances produced by the reaction of sorbitan with fatty acids used as a raw material for ethoxylated sorbitan esters.
Soybean Oil	Oil from soy beans.
Styrene	Aromatic compound with ethylene group. Monomer of polystyrene.
Specialty Chemicals	Chemicals which are usually produced in smaller quantities than commodity chemicals and which performances are more relevant than the specification.
Stabilizers	Chemicals which are used to prevent chemical degradation of a product or chemical compound.
Sulfonates/Sulfates	Class of sulfur trioxide modified surfactants, used as a raw material for detergent production.
Surfactants	Generally defines a group of chemicals which, when dissolved in a solvent, modify the liquid properties at a liquid/liquid or liquid/solid interface, including increased solubilization, foaming, frothing, emulsification, dispersing or wetting; a major end-use market for surfactants is the detergent market.
TDI	Toluene diisocyanate used as raw material of polyurethane.
Third Generation Company	A producer that transforms intermediate products into end products such as films, piping and containers.
Tons	Metric tons.
VAM	Vinyl acetate monomer. Monomer of PVA polyvinyl acetate.
VCM	Vinyl chloride monomer.

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SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

ULTRAPAR PARTICIPAÇÕES S.A.

By: /s/ Pedro Wongtschowski
Name: Pedro Wongtschowski
Title: Chief Executive Officer

By: /s/ André Covre
Name: André Covre
Title: Chief Financial and Investor Relations Officer

Date: June 30, 2010

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Ultrapar Participações S.A.

We have audited the accompanying consolidated balance sheets of Ultrapar Participações S.A. and its subsidiaries (the Company) as of December 31, 2009 and 2008, and the related consolidated statements of income, shareholders' equity, cash flows and value added for the years ended on December 31, 2009, 2008 and 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ultrapar Participações S.A. and its subsidiaries as of December 31, 2009 and 2008, and the results of their operations, changes in shareholders' equity, cash flows and value added for the years ended on December 31, 2009, 2008 and 2007, in conformity with generally accepted accounting principles in Brazil.

As discussed in Note 2 to the consolidated financial statements, in 2008, the Company adopted provisions of Law 11,638/07 of December 28, 2007 and Provisional Measure 449/08 of December 3, 2008, promulgated as Law 11,941/09 on May 27, 2009, pursuant to which the Company changed the method of accounting for goodwill beginning in 2009.

Accounting principles generally accepted in Brazil vary in certain significant respects from accounting principles generally accepted in the United States. Information relating to the nature and effect of such differences is presented in Note 24 to the consolidated financial statements.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Ultrapar Participações S.A. and its subsidiaries' internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated on June 29, 2010 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG Auditores Independentes

São Paulo, SP - Brazil

June 29, 2010

Table of Contents**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2009 AND 2008

(In million of Reais)

	Note	2009	2008
Assets			
Current assets			
Cash and cash equivalents	5	1,887.5	1,275.1
Financial investments	5	427.5	851.4
Trade accounts receivable	6	1,612.5	1,429.3
Inventories	7	942.2	1,033.7
Recoverable taxes	8	320.2	311.9
Deferred income and social contribution taxes	10.a)	168.8	111.8
Other receivables		35.3	103.6
Prepaid expenses	11	22.8	19.0
Total current assets		5,416.8	5,135.8
Non-current assets			
Long-term assets			
Financial investments	5	7.2	7.2
Trade accounts receivable	6	338.2	210.1
Related companies	9.a)	7.6	5.6
Deferred income and social contribution taxes	10.a)	472.7	408.7
Recoverable taxes	8	53.2	43.0
Escrow deposits		104.3	56.1
Other receivables		1.5	0.5
Prepaid expenses	11	38.9	24.6
		1,023.6	755.8
Investments			
Affiliates	12	12.4	12.9
Others		10.9	21.0
Property, plant and equipment	13 and 16.e)	3,791.3	3,131.5
Intangible assets	14	864.5	594.6
Deferred charges	15	9.8	15.6
		4,688.9	3,775.6
Total non-current assets		5,712.5	4,531.4
Total assets		11,129.3	9,667.2

The accompanying notes are an integral part of these financial statements.

Table of Contents**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2009 AND 2008

(In million of Reais)

	Note	2009	2008
Liabilities			
Current liabilities			
Loans and financing	16	1,047.2	1,645.5
Debentures	16.d)	1.4	
Finance leases	16.e)	10.7	12.6
Trade payables		891.9	614.2
Salaries and related charges		176.5	164.6
Taxes payable		125.5	89.0
Dividends payable	17.f)	170.7	127.0
Income tax and social contribution payable		19.0	17.4
Deferred income and social contribution taxes	10.a)	0.9	14.7
Post-employment benefits	23.b)	12.0	8.8
Provision for contingencies	22.a)	23.0	32.5
Other payables		48.2	21.4
Total current liabilities		2,527.0	2,747.7
Non-current liabilities			
Long-term liabilities			
Financing	16	2,131.4	2,000.9
Debentures	16.d)	1,186.5	
Finance leases	16.e)	4.6	12.9
Related companies	9.a)	4.1	4.4
Deferred income and social contribution taxes	10.a)	12.6	18.2
Provision for contingencies	22.a)	271.7	103.5
Post-employment benefits	23.b)	90.0	77.7
Other payables		37.1	13.6
Total non-current liabilities		3,738.0	2,231.2
Shareholders' equity			
Share capital	17.a)	3,696.8	3,696.8
Capital reserve	17.c)	1.3	0.9
Revaluation reserve	17.d)	8.2	10.3
Profit reserves	17.e)	1,268.8	1,078.9
Treasury shares	17.b)	(136.4)	(138.9)
Valuation adjustment	3.c) and 17.g)	(4.1)	(6.2)
Cumulative translation adjustments	3.n) and 17.h)	(5.3)	8.3
Non-controlling interests		35.0	38.2
		4,864.3	4,688.3
Total liabilities and shareholders' equity		11,129.3	9,667.2

The accompanying notes are an integral part of these financial statements.

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Table of Contents**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES****CONSOLIDATED INCOME STATEMENTS YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007**

(In million of Reais, except net earnings per share)

	Note	2009	2008	2007
GROSS REVENUE FROM SALES AND SERVICES	3.a)	37,851.4	29,536.4	20,841.1
Deductions		(1,735.5)	(1,268.4)	(919.8)
NET REVENUE FROM SALES AND SERVICES		36,115.9	28,268.0	19,921.3
Cost of products and services sold	3.a)	(33,412.0)	(26,152.3)	(18,224.2)
GROSS INCOME		2,703.9	2,115.7	1,697.1
OPERATING INCOME				
Selling		(819.6)	(584.2)	(472.6)
General and administrative		(706.8)	(553.0)	(522.2)
Depreciation and amortization		(281.8)	(287.2)	(228.5)
Other net operating income		19.3	22.1	12.3
		(1,788.9)	(1,402.3)	(1,211.0)
OPERATING INCOME BEFORE FINANCIAL INCOME AND OTHER INCOME		915.0	713.4	486.1
Net financial income	20	(278.2)	(168.8)	(119.4)
Other income	18	20.3	11.2	8.8
		(257.9)	(157.6)	(110.6)
INCOME BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES, EQUITY IN INCOME OF AFFILIATES AND EMPLOYEES STATUTORY INTEREST		657.1	555.8	375.5
INCOME AND SOCIAL CONTRIBUTION TAXES				
Current	10.b)	(182.2)	(204.6)	(207.8)
Deferred charges	10.b)	(25.4)	12.7	86.7
Tax incentives	10.b) and 10.d)	20.6	40.3	35.2
		(187.0)	(151.6)	(85.9)
INCOME BEFORE EQUITY IN INCOME OF AFFILIATES AND EMPLOYEES STATUTORY INTEREST		470.1	404.2	289.6
Equity in income of affiliates	12	0.2		0.6
Employees statutory interest			(9.4)	(7.3)
NET INCOME FOR THE YEAR		470.3	394.8	282.9
Income attributable to:				
Owners of the parent	17.f)	466.7	390.3	181.9
Non-controlling interests		3.6	4.5	101.0

EARNINGS PER SHARE (BASED ON ANNUAL WEIGHTED AVERAGE OF SHARES OUTSTANDING) - R\$	3.43	2.87	2.19
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The accompanying notes are an integral part of these financial statements.

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Table of Contents**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(In million of Reais, except dividends per share)

	Share capital	Capital reserve	Revaluation reserve in subsidiaries	Legal reserve	Profit reserves			Treasury shares	Non-controlling interests	Total
					Retention of profits	Unrealized profits	Retained earnings			
Balance at December 31, 2006	946.0	0.6	13.0	91.0	796.1	96.1		(9.3)	33.1	1,966.6
Initial shares of non-controlling interest from Ipiranga									1,034.5	1,034.5
Capital increase	2,750.8									2,750.8
Purchase of shares for treasury								(25.2)		(25.2)
Sale of treasury shares		0.3						0.6		0.9
Realization of revaluation reserve			(1.4)				1.4			
Income tax and social contribution on realization of revaluation reserve of subsidiaries								(0.2)		(0.2)
Transfer to retained earnings					1.2		(1.2)			
Acquisition of non-controlling interest									(59.2)	(59.2)
Merger of shares of non-controlling interest from Ipiranga									(1,073.0)	(1,073.0)
Net income for the year							181.9		101.0	282.9
Appropriation of net income:										
Legal reserve				9.1			(9.1)			
Proposed dividends payable (R\$ 1.78 per share)						(96.1)	(144.7)			(240.8)
Dividends paid									(1.6)	(1.6)
Reserve for retention of profits					28.1		(28.1)			
Balance at December 31, 2007	3,696.8	0.9	11.6	100.1	825.4			(33.9)	34.8	4,635.7

The accompanying notes are an integral part of these financial statements.

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Table of Contents**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(In million of Reais, except dividends per share)

	Share capital	Capital reserve	Revaluation reserve in subsidiaries	Profit reserves Legal reserve	Retention of profits	Valuation adjustment	Cumulative translation adjustments	Retained earnings	Treasury shares	Non-controlling interests	Total
Balance at December 31, 2007	3,696.8	0.9	11.6	100.1	825.4				(33.9)	34.8	4,635.7
Initial implementation of Law 11,638/07								(0.3)			(0.3)
Purchase of shares for treasury									(105.0)		(105.0)
Realization of revaluation reserve			(1.3)					1.3			
Income tax and social contribution on realization of revaluation reserve of subsidiaries								(0.1)			(0.1)
Transfer to retained earnings					0.9			(0.9)			
Valuation adjustments for financial instruments						(6.2)					(6.2)
Currency translation of foreign subsidiaries							8.3				8.3
Net income for the year								390.3		4.5	394.8
Appropriation of net income:											
Legal reserve				19.5				(19.5)			
Interim dividends (R\$ 0.89 per share)								(119.0)			(119.0)
Proposed dividends								(118.8)			(118.8)

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payable (R\$ 0.89 per share)										
Dividends paid									(1.1)	(1.1)
Retained earnings				133.0				(133.0)		

Balance at December 31, 2008	3,696.8	0.9	10.3	119.6	959.3	(6.2)	8.3	(138.9)	38.2	4,688.3
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The accompanying notes are an integral part of these financial statements.

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Table of Contents**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(In million of Reais, except dividends per share)

				Profit reserve									
	Note	Share capital	Capital reserve	Revaluation reserve in subsidiaries	Legal reserve	Retention of profits	Valuation adjustment	Cumulative translation adjustments	Retained earnings	Treasury shares	Non-controlling interests	Total	
Balance at December 31, 2008		3,696.8	0.9	10.3	119.6	959.3	(6.2)	8.3		(138.9)	38.2	4,688.3	
Sale of treasury shares	17.b)		0.4							2.5		2.9	
Realization of revaluation reserve	17.d)			(2.1)					2.1				
Income tax and social contribution on realization of revaluation reserve of subsidiaries	17.d)								(0.3)			(0.3)	
Transfer to retained earnings						1.8			(1.8)				
Valuation adjustments for financial instruments	17.g)						2.1					2.1	
Currency translation of foreign subsidiaries	17.h)							(13.6)				(13.6)	
Net income for the year									466.7		3.6	470.3	
Appropriation of net income:													
Legal reserve					23.3				(23.3)				
Interim dividends (R\$ 0.89 per share)	17.f)								(119.2)			(119.2)	
Proposed dividends payable (R\$	17.f)								(159.4)			(159.4)	

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1.19 per share)										
Dividends paid									(6.8)	(6.8)
Retained earnings	17.e)			164.8				(164.8)		
Balance at December 31, 2009		3,696.8	1.3	8.2	142.9	1,125.9	(4.1)	(5.3)	(136.4)	35.0 4,864.3

The accompanying notes are an integral part of these financial statements.

Table of Contents**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS - INDIRECT METHOD**

YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(In million of Reais)

	Note	2009	2008	2007
Cash flows from operating activities				
Net income for the year		470.3	394.8	282.9
Adjustments to reconcile net income to cash provided by operating activities				
Equity in income of affiliates	12	(0.2)		(0.6)
Depreciation and amortization		439.3	375.5	300.6
PIS and COFINS credits on depreciation		10.2	5.1	3.0
Interest, monetary and exchange rate changes		(149.0)	318.8	(75.0)
Deferred income tax and social contribution	10.b)	25.4	(12.7)	(92.2)
Income on sale of property, plant and equipment		(17.5)	(20.8)	(7.6)
Provision (release of provision) for loss on property, plant and equipment		0.5	(1.9)	(2.8)
Others		0.7	1.6	0.9
(Increase) decrease in operating assets				
Trade accounts receivable	6	40.0	(120.2)	(102.4)
Inventories	7	377.8	(387.1)	(64.3)
Recoverable taxes	8	43.4	(80.0)	(24.5)
Other receivables		71.6	(74.5)	(7.4)
Prepaid expenses	11	(3.2)	(4.3)	0.7
Increase (decrease) in operating liabilities				
Trade payables		47.4	26.9	130.6
Accrued interest		3.1	(24.4)	17.3
Wages and employee benefits		(2.7)	38.2	9.3
Taxes payable		24.2	26.5	73.2
Income and social contribution taxes		1.4	(16.3)	8.6
Other payables		(2.1)	(71.7)	17.9
Net cash provided by operating activities		1,380.6	373.5	468.2
Cash flows from investing activities				
Financial investments, net of redemptions		358.4	34.0	423.2
Acquisition of investments, net	4	(1,360.6)	(432.4)	(889.6)
Cash of acquired subsidiaries		29.4	11.4	166.7
Purchase of companies, net of cash acquired		(1,331.2)	(421.0)	(722.9)
Additions to escrow		11.9	(22.5)	(5.0)
Increase in deferred charges	15		(4.9)	(63.4)
Acquisition of minority interests				(0.1)
Acquisition of property, plant and equipment	13	(484.5)	(891.7)	(658.8)
Acquisition of intangible assets	14	(38.7)	(37.9)	(6.2)
Proceed on sale of property, plant and equipment		44.3	45.0	33.8
Net proceeds used in investing activities		(1,439.8)	(1,299.0)	(999.4)

The accompanying notes are an integral part of these financial statements.

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Table of Contents**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS - INDIRECT METHOD**

YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(In million of Reais)

	Note	2009	2008	2007
Cash flows from financing activities				
Short-term debt, net	16	(1,551.9)	(705.4)	865.4
Long-term debt, net	16	2,487.7	824.6	260.8
Payment of financial lease	16	(13.9)	(10.5)	
Dividends paid		(242.9)	(398.9)	(65.7)
Purchase of shares for treasury	17.b)		(105.0)	(25.2)
Payment from Petrobras and Braskem for delivery of Petrochemical and				
Distribution Assets			1,731.3	
Related entities	9.a)	(2.3)	(5.7)	26.4
Net cash provided by financing activities		676.7	1,330.4	1,061.7
Effect of changes in exchange rates on cash and				
cash equivalents in foreign currency		(5.1)	7.8	(53.2)
Increase (decrease) in cash and cash equivalents		612.4	412.7	477.3
Cash and cash equivalents at the beginning of the year	5	1,275.1	862.4	385.1
Cash and cash equivalents at the end of the year	5	1,887.5	1,275.1	862.4
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid during the year for:				
Interest paid on financing		243.9	180.3	160.5
Income tax and social contribution paid for the year		41.3	126.6	70.6
Items not affecting cash for the period:				
Capital increase in subsidiaries with receivable dividends				2,750.8
Accounts receivable from merger of share concerning Petrobras and Braskem assets (see				
Note 4)				(1,751.7)
Capital increase due to merger of share				999.1
Debt of acquired subsidiaries			43.5	677.0
Finance lease	16.g)	1.4	15.5	
The accompanying notes are an integral part of these financial statements.				

Table of Contents**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF VALUE ADDED

YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(In million of Reais, except percentages)

	Note	2009	%	2008	%	2007	%
Revenues							
Gross revenue from sales and services, except rents and royalties	3.a)	37,812.5		29,504.1		20,818.4	
Rebates, discounts and returns		(245.5)		(145.9)		(114.5)	
Allowance for doubtful accounts - Release (creation)		(0.5)		7.2		4.1	
Other income		20.3		11.2		8.8	
		37,586.8		29,376.6		20,716.8	
Materials purchased from third parties							
Raw materials used	3.a)	(1,944.3)		(1,805.7)		(1,546.4)	
Cost of goods, products and services sold		(31,985.4)		(24,276.3)		(16,552.2)	
Third-party materials, energy, services and others		(909.1)		(932.1)		(869.1)	
Recovery (loss) of asset value		14.2		3.0		(0.7)	
		(34,824.6)		(27,011.1)		(18,968.4)	
Gross value added Deductions							
		2,762.2		2,365.5		1,748.4	
Depreciation and amortization		(449.5)		(380.6)		(303.6)	
Net value added by the company							
		2,312.7		1,984.9		1,444.8	
Value added received in transfer							
Equity in income of affiliates	12	0.2				0.6	
Dividends and interest on equity at cost		0.1		2.8		1.8	
Rents and royalties		38.8		32.3		22.8	
Financial revenues	20	169.0		257.3		163.2	
		208.1		292.4		188.4	
Total value added available for distribution							
		2,520.8	100	2,277.3	100	1,633.2	100
Distribution of value added							
Labor and benefits		826.5	33	699.9	31	645.2	40
Taxes, fees and contributions		746.8	30	694.5	30	416.8	25
Financial expenses and rents		477.2	19	488.1	21	288.4	18
Dividends and interest on equity		283.7	11	239.3	11	146.3	9
Retained earnings		186.6	7	155.5	7	136.5	8
Value added distributed							
		2,520.8	100	2,277.3	100	1,633.2	100

The accompanying notes are an integral part of these financial statements.

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ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Amounts in millions of Reais - R\$, unless otherwise stated)

1. OPERATIONS

Ultrapar Participações S.A. (Company), with headquarters in the City of São Paulo, engages in the investment of its own capital in commercial and industrial activities and related businesses, including the subscription or acquisition of shares of other companies.

Through its subsidiaries, it operates in the segments of liquefied petroleum gas (LPG) distribution (Ultragaz), light fuel & lubricant distribution, and related business (Ipiranga), production and marketing of chemicals (Oxiteno), and provision of logistics services for liquid bulk cargo (Ultracargo). The Company also operates a petroleum refining business through its investment in Refinaria de Petróleo Riograndense S.A. (RPR).

2. PRESENTATION OF FINANCIAL STATEMENTS

The consolidated financial statements were prepared according to the accounting practices adopted in Brazil, which include the Brazilian Corporate Law, the standards, guidelines and interpretations issued by the Brazilian Accounting Standards Committee (CPC) and the rules issued by the Brazilian Securities Commission (CVM), applicable to the end of the fiscal year, which differ in certain respects from generally accepted accounting principles in the United States of America (U.S. GAAP). See Note 24 for further discussions of these differences and a reconciliation of shareholders' equity and net income under both sets of principles.

These financial statements have been translated into English from the original financial statements issued in Portuguese. In addition, certain terminology changes have been made and the notes to the financial statements have been adjusted to conform more closely to reporting practices prevailing in the United States of America.

When preparing the consolidated financial statements related to 2008, the Company's management adopted for the first time changes in the corporate law introduced by Law 11,638/07 of December 28, 2007 and Provisional Measure 449/08 of December 3, 2008 (promulgated as Law 11,941/09 on May 27, 2009), both amending and repealing existing provisions and adding new provisions to Law 6,404/76 (Brazilian Corporate Law) to adapt the accounting practices adopted in Brazil to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The new rules effects on consolidated net income and shareholders' equity as of December 31, 2008 are shown in the following chart:

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(Amounts in millions of Reais - R\$, unless otherwise stated)

	CVM Resolution	2008 Net income	Shareholders equity
Values before the implementation of Law 11,638/07 and Law 11,941/09		392.5	4,684.3
Effects of the implementation of Law 11,638/07 and Law 11,941/09:			
Finance leases	554	2.4	2.4
Cost of funding	556	0.9	0.9
Marking-to-market of currency and interest rate hedging instruments	566	7.3	0.7
Marking-to-market of short-term investments available for sale	566		0.3
Equity in income of Metalplus	565		(0.3)
Cumulative translation adjustments	534	(8.3)	
Total		2.3	4.0
Values in financial statements as of December 31, 2008		394.8	4,688.3

3. SUMMARY OF MAIN ACCOUNTING PRACTICES

The following is a summary of significant accounting practices followed in the preparation of the financial statements:

a) Revenues, costs of products sold, services provided and expenses

Income is recognized on the accrual basis. Revenues from sales and costs are recognized as income when all risks and benefits associated with the products are transferred to the purchaser. Revenues from services provided and their costs are recognized as income when the services are performed. Costs of products sold and services provided include raw materials (mainly fuels/lubricants, LPG and chemicals) and production, distribution, storage and filling costs. Advertising expenses, which are expensed as incurred, amounted to R\$ 92.6, R\$ 63.3 and R\$ 42.0 for the years ended December 31, 2009, 2008 and 2007, respectively. Shipping and handling costs, classified as selling expenses and expensed as incurred, amounted to R\$ 297.7, R\$ 221.8 and R\$ 177.8 for the years ended December 31, 2009, 2008 and 2007, respectively.

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b) Cash equivalents

Include short-term highly-liquid investments that are readily convertible into a known amount of cash and are subject to an insignificant risk of change in value. See Note 5 for further detail on cash equivalents of the Company and its subsidiaries.

c) Financial instruments

In accordance with Resolution CVM 566/08, the financial instruments of the Company and its subsidiaries were classified into the following categories:

Measured at fair value through income: financial assets held for trading, that is, purchased or created primarily for the purpose of sale or repurchase in the short term, and derivatives. Changes in fair value are recorded as income, and the balances are stated at fair value.

Held to maturity: non-derivative financial assets with fixed payments or determinable payments, with fixed maturities for which the entity has the positive intent and ability to hold to maturity. The interest earned is recorded as income, and balances are stated at acquisition cost plus the interest earned.

Available for sale: non-derivative financial assets that are designated as available for sale or that were not classified into other categories. The interest earned is recorded as income, and the balances are stated at fair value. Differences between fair value and acquisition cost plus the interest earned are recorded in a specific account of the shareholders' equity. Gains and losses recorded in the shareholders' equity are included in income, in case of prepayment.

Loans and receivables: non-derivative financial instruments with fixed or determinable payments or receipts, not quoted in active markets, except: (i) those which the entity intends to sell immediately or in the short term and which the entity classified as measured at fair value through income; (ii) those classified as available for sale; or (iii) those the holder of which cannot substantially recover its initial investment for reasons other than credit deterioration. The interest earned is recorded as income, and balances are stated at acquisition cost plus the interest earned.

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The Company and its subsidiaries designate certain derivative financial instruments used to hedge against changes in interest rates and variations in the exchange rate as cash flow hedge. In the case of derivatives designed to hedge cash flows against changes caused by the variation in interest rates, the difference between the fair value of the financial instrument and its updated cost is recognized as a valuation adjustment in the shareholders' equity, not affecting the income statement of the Company and its subsidiaries. In the case of foreign exchange derivatives designated by subsidiary RPR for hedge of future cash flows, the effect of variation in the derivative is posted to the valuation adjustment in shareholders' equity until the time when the hedged item affects the income statement. The difference between the fair value of the derivative and its updated cost is recognized directly in the income of the subsidiary. Gains and losses recorded in the shareholders' equity are included in income, in case of financial instruments prepayment.

For further detail on financial instruments of the Company and its subsidiaries, see Notes 5, 16, and 21.

d) Current and non-current assets

The trade accounts receivable are recorded at the amount billed, adjusted to the present value if applicable, including all direct taxes of the Company and its subsidiaries.

Allowance for doubtful accounts is calculated based on estimated losses and is set at an amount deemed by management to be sufficient to cover any loss on realization of accounts receivable.

Inventories are stated at the lower of average acquisition or production cost, and replacement cost or market value.

The other assets are stated at the lower of cost and realizable value, including, if applicable, the interest earned, monetary changes and changes in exchange rates incurred or less a provision for loss and, if applicable, adjustment to present value (see Note 3.q).

e) Investments

Investments in companies in which management has a significant influence or in which it holds 20% or more of the voting stock, or that are part of a group under common control are accounted for by the equity method of accounting (see Note 12).

The other investments are stated at acquisition cost less provision for loss, unless the loss is considered temporary, and also include advances to acquisition of investments.

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f) Property, plant and equipment

Recorded at acquisition or construction cost, including financial charges incurred on property, plant and equipment under construction, as well as significant maintenance costs resulting from scheduled plant outages.

Depreciation is calculated by the straight-line method, at the annual rates stated in Note 13, over the useful/economic life of the property.

Leasehold improvements in service stations are depreciated over the shorter of the contract term and useful/economic life of the property.

g) Financial leases

Finance leases

Certain financial lease contracts transfer substantially all the risks and benefits associated with the ownership of an asset to the Company and its subsidiaries. These contracts are characterized as finance leases, and assets thereunder are stated at fair value or, if lower, present value of the minimum payments under the relevant contracts. The items recognized as assets are depreciated at the depreciation rates applicable to each group of assets in accordance with Note 13. Financial charges under the finance lease contracts are allocated to income over the contract term, based on the amortized cost and actual interest rate method (see Note 16.e).

Operating leases

Are lease transactions where the risks and benefits associated with the ownership of the asset are not transferred and where the purchase option at the end of the contract is equivalent to the market value of the leased asset. Payments made under an operating lease contract are recognized as expenses in the income statement on a straight-line basis over the term of the lease contract, in accordance with Note 22.d).

h) Intangible assets

Intangible assets include assets acquired by the Company and its subsidiaries from third parties, according to the following criteria (see Note 14):

Goodwill is carried at the original value net of income and social contribution taxes less accumulated amortization as of December 31, 2008, when it ceased to be amortized.

Other intangible assets acquired from third parties, such as software and commercial property rights, are measured at the total acquisition cost less accumulated amortization expenses.

The Company and its subsidiaries do not have intangible assets that were created internally or that have an indefinite useful life.

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i) Deferred charges

Deferred charges include restructuring costs incurred up to December 31, 2008, that will produce benefits in future years (see Note 15). The Company and its subsidiaries decided to maintain the balances existing as of December 31, 2008 until they are fully amortized.

j) Current and non-current liabilities

Current and noncurrent liabilities are stated at known or calculable amounts plus, if applicable, related charges, monetary changes and changes in exchange rates incurred until the date of the financial statements. When applicable the current and noncurrent liabilities are recorded in present value based on interest rates that reflect the term, currency and risk of each transaction. Transaction costs incurred and directly attributable to the activities necessary only to accomplish the transactions in order to raise funds through contracting debt or loans or by issuing debt bonds, as well as premiums in the issuance of debentures and other debt or equity instruments, are appropriated to their instrument and amortized to income over its term.

k) Income and social contribution taxes on profit

Current and deferred income tax (IRPJ) and social contribution (CSLL) are calculated based on the current rates of income tax and social contribution on profit, including the value of tax incentives, as stated in Note 10.b).

l) Provision for contingencies

The provision for contingencies is created for contingent risks with a probable chance of loss in the opinion of managers and internal and external legal counsel, and the values are recorded based on evaluation of the outcomes of the legal proceedings (see Note 22.a).

m) Actuarial obligation for post-employment benefits

Reserves for actuarial liabilities for post-employment benefits granted and to be granted to employees, retirees, and pensioners are based on an actuarial calculation prepared by an independent actuary, using the projected unit credit method, as described in Note 23.b).

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n) Basis for translating financial statements of foreign-based subsidiaries

Assets and liabilities of the subsidiaries Oxiteno México S.A. de C.V. and its subsidiaries, located in Mexico (functional currency: Mexican Peso), and Oxiteno Andina, C.A., located in Venezuela (functional currency: Bolivares Fortes), denominated in currencies other than that of the Company (functional currency: Real), are translated at the exchange rate in effect on the date of the financial statements. Gains and losses resulting from changes in these foreign investments are directly recognized in the shareholders' equity as cumulative translation adjustments and will be recognized as income if these investments are disposed of. The recorded balance in the shareholders' equity as cumulative translation adjustments in the fiscal year 2009 was R\$ 5.3 of exchange rate loss (gain of R\$ 8.3 in 2008).

Assets and liabilities of the other foreign subsidiaries, which do not have autonomy, are considered activities of their investor and are translated at the exchange rate in effect by the end of the respective fiscal year. Gains and losses resulting from changes in these foreign investments are directly recognized as financial income. The loss recognized as income on December 31, 2009 amounted to R\$ 10.8 (gain of R\$ 30.4 in 2008).

o) Use of estimates

The preparation of financial statements requires the Company's management to make estimates and assumptions that affect the values of assets and liabilities presented as of the date of the financial statements, as well as the values of revenues, costs and expenses for the fiscal years presented. Although these estimates are based on the best information available to management about present and future events, the actual results may differ from these estimates.

p) Impairment of assets

The Company reviews, at least annually, the carrying value of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use or disposal. In cases where future expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of these assets. The factors considered by the Company in performing this assessment include current operating results, trends, and prospects, as well as the effects of obsolescence, demand, competition, and other economic factors. No impairment was recorded in the above mentioned fiscal years.

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q) Adjustment to present value

The subsidiaries booked the adjustment to present value of ICMS credit balances on property, plant and equipment (CIAP - see Note 8). The Company and its subsidiaries reviewed all items classified as long-term and, where relevant, short-term assets and liabilities and did not identify the need to adjust other balances to present value.

r) Compensated absences

The liability for future compensation for employee vacations is fully accrued as earned.

s) Earnings per share

Earnings per share are calculated based on the annual weighted average of shares outstanding during each of the years presented, giving retroactive effect to stock splits. Stock dividends are not included in such retroactive earnings per share calculation.

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4. PRINCIPLES OF CONSOLIDATION AND INVESTMENTS IN AFFILIATES

The consolidated financial statements were prepared following the basic principles of consolidation established by the Brazilian Corporate Law and CVM rules, including the following direct and indirect subsidiaries.

	Location	% interest in the share capital December 31, 2009		% interest in the share capital December 31, 2008	
		Direct control	Indirect control	Direct control	Indirect control
Ultracargo - Operações Logísticas e Participações Ltda.	Brazil	100		100	
Transultra - Armazenamento e Transporte Especializado Ltda.	Brazil		100		100
Petrolog Serviços e Armazéns Gerais Ltda.	Brazil		100		100
AGT Armazéns Gerais e Transportes Ltda.	Brazil		100		
Terminal Químico de Aratu S.A. Tequimar	Brazil		99		99
União Vopak Armazéns Gerais Ltda. (*)	Brazil		50		50
Ultracargo Argentina S.A.	Argentina		100		
Melamina Ultra S.A. Indústria Química	Brazil		99		99
Oxiten S.A. Indústria e Comércio	Brazil	100		100	
Oxiten Nordeste S.A. Indústria e Comércio	Brazil		99		99
Oxiten Argentina Sociedad de Responsabilidad Ltda.	Argentina		100		99
Oleoquímica Indústria e Comércio de Produtos Químicos Ltda.	Brazil		100		100
Barrington S.L.	Spain		100		100
Oxiten México S.A. de C.V.	Mexico		100		100
Oxiten Servicios Corporativos S.A. de C.V.	Mexico		100		100
Oxiten Servicios Industriales S.A. de C.V.	Mexico		100		100
Oxiten USA LLC	United States		100		100
Global Petroleum Products Trading Corp. (**)	British Virgin Islands		100		100
Oxiten Overseas Corp.	British Virgin Islands		100		100
Oxiten Andina, C.A.	Venezuela		100		100
Oxiten Europe SPRL	Belgium		100		100
U.A.T.S.P.E. Empreendimentos e Participações Ltda.	Brazil		100		100
Empresa Carioca de Produtos Químicos S.A.	Brazil		100		100
Companhia Brasileira de Petróleo Ipiranga	Brazil			100	
Ipiranga Produtos de Petróleo S.A.	Brazil	100			
am/pm Comestíveis Ltda.	Brazil		100		100
Centro de Conveniências Millennium Ltda.	Brazil		100		100
Conveniência Ipiranga Norte Ltda.	Brazil		100		100
Ipiranga Trading Limited	British Virgin Islands		100		100
Tropical Transportes Ipiranga Ltda.	Brazil		100		100
Ipiranga Imobiliária Ltda.	Brazil		100		100
Ipiranga Logística Ltda.	Brazil		100		100
Maxfácil Participações S.A. (*)	Brazil		50		50

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Isa-Sul Administração e Participações Ltda.	Brazil	100	100
Comercial Farroupilha Ltda.	Brazil	100	100
Companhia Ultragas S.A.	Brazil	99	99
Bahiana Distribuidora de Gás Ltda.	Brazil	100	100
Utingás Armazenadora S.A.	Brazil	56	56
LPG International Inc.	Cayman Islands	100	100
Imaven Imóveis Ltda.	Brazil	100	100
Sociedade Anônima de Óleo Galena Signal	Brazil	100	
Oil Trading Importadora e Exportadora Ltda.	Brazil	100	
SERMA Ass. dos usuários equip. proc. de dados	Brazil	100	100
Refinaria de Petróleo Riograndense S.A. (*)	Brazil	33	100
Sociedade Brasileira de Participações Ltda.	Brazil		100

(*) Proportionate consolidation, as specified in Article 32 of Instruction CVM 247/96.

(**) New corporate name of Oxiteno International Corp., according to changes in December 2009.

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On April 18, 2007, the Company, together with Petróleo Brasileiro S.A. (Petrobras) and Braskem S.A. (Braskem) acquired the control of the Ipiranga Group, according to the Material Event disclosed on that date. Under the Investment Agreement signed by the three acquirers, the Company acted as a commission agent for the interests acquired by Braskem and Petrobras and acquired for itself the fuel and lubricant distribution business and related activities located in the South and Southeast of Brazil and Empresa Carioca de Produtos Químicos S.A., maintaining the Ipiranga brand. Petrobras held control of the fuel and lubricant distribution business located in the North, Northeast, and Mid-West regions (North Distribution Assets), and Braskem holds control of the petrochemical assets represented by Ipiranga Química S.A., Ipiranga Petroquímica S.A. and by its interest in Copesul Companhia Petroquímica do Sul (Petrochemical Assets).

The transaction was composed of 4 steps, namely:

- (i) acquisition of shares from the families holding the controlling block of the Ipiranga Group (effected on April 18, 2007);
- (ii) tender offer, for the acquisition of common shares held by minority shareholders in Companhia Brasileira de Petróleo Ipiranga (CBPI), in Refinaria de Petróleo Riograndense S.A. (RPR) and in Distribuidora de Produtos de Petróleo Ipiranga S.A. (DPPI) (effected on October 22, 2007 for DPPI and RPR and on November 8, 2007 for CBPI);
- (iii) exchange of the remaining shares of CBPI, RPR, and DPPI for Ultrapar shares (effected on December 18, 2007), which resulted in accounts receivable from Braskem and Petrobras; and
- (iv) separation of the assets acquired among the Company, Petrobras, and Braskem (split and removal of the Petrochemical Assets of RPR, DPPI, and CBPI on February 2008, and split of CBPI and separation of the North Distribution Assets on April 2008), with the receipt of the accounts receivable generated in step (iii).

The assets, liabilities, and income of Ipiranga/RPR have been reflected in the Company's accounting information since April 2007.

Since January 2008, Empresa Carioca de Produtos Químicos S.A. (EMCA) is no longer a subsidiary of CBPI and is now held by U.A.T.S.P.E. Empreendimentos e Participações Ltda., controlled by Oxiten S.A. Indústria e Comércio, for allocation in the Company's chemical business.

In May 2008, the subsidiary Oxiten S.A. Indústria e Comércio, through Barrington S.L., constituted Oxiten Europe SPRL, based in Brussels, as part of the subsidiary's internationalization process.

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In June 2008, the Company, through its subsidiary Terminal Químico de Aratu S.A. (Tequimar), entered into a Sale and Purchase Agreement for 100% of the capital of União Terminais e Armazéns Gerais Ltda. (União Terminais), a company that had port terminals for storage and handling of bulk liquids in Santos, Rio de Janeiro, and Paranaguá (the last through its 50% interest in União Vopak Armazéns Gerais Ltda.). The Company disclosed a Material Event on June 6, 2008 containing information on the transaction. In October 2008, the Company announced the closing of the purchase of the terminals in Santos and Rio de Janeiro. In November 2008, the Company announced the completion of the acquisition of Paranaguá terminal. The total amount disbursed was R\$ 487.0, and Tequimar assumed the net debt of União Terminais in the amount of R\$ 32.0. The goodwill breaks down into R\$ 326.6 based on expected future profitability and R\$ 75.4 based on the difference between the market value and the carrying value of the assets. In December 2008, for corporate simplification and capture of operational synergies, União Terminais was merged into Tequimar.

In August 2008, the Company, through the subsidiary Sociedade Brasileira de Participações Ltda. (SBP), entered into a purchase agreement with Chevron Latin America Marketing LLC and Chevron Amazonas LLC (collectively, Chevron) for the purchase of 100% of the shares issued by Chevron Brasil Ltda. (CBL) and by Sociedade Anônima de Óleo Galena Signal (Galena), both subsidiaries of Chevron that held Texaco fuel distribution business in Brazil (Texaco). On March 31, 2009, the acquisition was closed and SBP disbursed the amount of R\$ 1,106.0, in addition to the US\$ 38.0 advanced payment made to Chevron in August 2008. The terms of acquisition do not include the assumption of Texaco's net debt. As from April 1, 2009, the operations of Texaco were consolidated in the Company's financial statements. On May 16, 2009, the subsidiary CBL had its name changed to Ipiranga Produtos de Petróleo S.A. (IPP). Under the purchase and sale contract, the existing working capital on March 31, 2009 was calculated, resulting in the payment of R\$ 162.0 to Chevron on August 16, 2009, which reflects the higher net asset received at the closing. Goodwill breaks down into R\$ 399.0 based on future profitability and R\$ 344.4 based on the difference between the market value and the carrying value of the assets. During the fiscal year 2009, in order to simplify the corporate structure, eliminate duplicated structures, enhance logistics efficiency and capture synergies, SBP and CBPI were merged into IPP consolidating all light fuel and lubricant distribution and related activities in a single legal entity.

In October 2008, the companies Isa-Sul Administração e Participações Ltda. and am/pm Comestíveis Ltda. were split, and the split portion, represented by real estate, was transferred to the company Imaven Imóveis Ltda. Consolidating the same business into a single company aimed to obtain administrative and economic gains.

In November 2008, the name of Ipiranga Comércio Importadora e Exportadora Ltda. was changed to Conveniência Ipiranga Norte Ltda.

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In November 2008, in order to simplify the corporate structure, eliminate duplicated structures, enhance logistics efficiency, and capture synergies, CBPI merged Ultragas Participações S.A. (formerly known as Ultragas Participações Ltda.) and DPPI, thus consolidating all fuel and LPG distribution business.

In October 2009, AGT - Armazéns Gerais e Transportes Ltda. was organized and constituted by the parent Transultra - Armazenamento e Transporte Especializado Ltda. (Transultra), in order to operate freight, logistics and storage.

In November 2009, Oil Trading Importadora e Exportadora Ltda. was organized and constituted by the parent IPP in order to operate with imports and exports, in wholesale, goods and merchandise.

Investments of one company in the other, balances of asset and liability accounts and revenues and expenses were eliminated, as well as the effects of significant transactions conducted between the companies. The non-controlling interests in the subsidiaries is indicated in the financial statements.

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5. FINANCIAL ASSETS

Financial assets, excluding cash and banks, are substantially represented by money invested: (i) in Brazil, in debentures, certificates of deposit of first-rate financial institutions linked to the Interbank Certificate of Deposit (CDI) and in Federal government bonds; (ii) abroad, in certificates of deposits of first-rate financial institutions and in short-term investment funds with a portfolio composed of bonds issued by the U.S. Government; and (iii) currency and interest rate hedging instruments.

Cash and cash equivalents

Cash and cash equivalents are considered: (i) the balances of cash and banks, and (ii) short-term investments, highly liquids, readily convertible to a known amount of cash and which are subject to an insignificant risk of value change.

	2009	2008
Cash and banks		
In local currency	102.9	154.7
In foreign currency	25.4	9.7
Short-term investments		
In local currency		
Fixed-income securities and funds	1,759.2	1,052.8
In foreign currency		
Fixed-income securities and funds		57.9
Total cash and cash equivalents	1,887.5	1,275.1

Financial investments

Financial assets that are not considered cash and cash equivalents are considered as financial investments.

	2009	2008
Financial investments		
In local currency		
Fixed-income securities and funds	228.5	313.2
In foreign currency		
Linked notes (a)		140.7
Fixed-income securities and funds	206.2	366.8
Income from currency and interest hedging instruments (b)		37.9

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Total of financial investments	434.7	858.6
Current	427.5	851.4
Non-current	7.2	7.2

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(a) Represents US\$ 60.0 in linked notes (Linked Notes) to notes issued by the subsidiary Companhia Ultragaz S.A. (Cia Ultragaz) in the foreign market in 1997 (Original Notes). In April 2006, the subsidiary Oxiteno Overseas Corp. (Oxiteno Overseas), the then owner of the Original Notes, sold such notes to a foreign financial institution. Simultaneously, the subsidiary purchased the Linked Notes from that financial institution. Such transaction enabled a financial gain to the subsidiary corresponding to the difference between the interest rate paid on Linked Notes and Original Notes, as remarked in Note 16.c). This financial instrument was classified as loans and receivables for measurement purposes (see Note 3.c). On December 23, 2009 subsidiary Oxiteno Overseas sold the Linked Notes to the financial institution and repurchased the Original Notes, closing this application.

(b) Accumulated gains (losses), net of income tax (see Note 21).

The financial assets of the Company and its subsidiaries, except cash and banks, were classified, according to their characteristics and the Company's intention, into: (i) measured at fair value through income; (ii) held to maturity; (iii) available for sale; and (iv) loans and receivables, as shown on the table below:

	2009	2008
Measured at fair value through income	1,759.2	1,148.6
Held to maturity	7.2	7.2
Available for sale	427.5	672.8
Loans and receivables		140.7
Financial assets, except cash and banks	2,193.9	1,969.3

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6. TRADE ACCOUNTS RECEIVABLE

	2009	2008
Domestic customers	1,511.9	1,294.9
Customers financing Ipiranga	512.6	351.3
Foreign customers	112.8	106.1
(-) Advances on negotiable instruments issued	(72.1)	(53.2)
(-) Allowance for doubtful accounts	(114.5)	(59.7)
	1,950.7	1,639.4
Current	1,612.5	1,429.3
Non-current	338.2	210.1

Customer financing is provided for renovation and upgrading of service stations, purchase of products, and development of the fuel and lubricant distribution market.

The elevation of the trade account receivables balance is mainly due to the inclusion of the balance of Texaco.

Movements in the allowance for doubtful accounts are as follows:

Balance for 2007	62.1
Addition	16.7
Write-off	(19.1)
Balance for 2008	59.7
Opening balance of Texaco acquisition	43.1
Addition	26.0
Write-off	(14.3)
Balance for 2009	114.5

Allowance for doubtful accounts in the amount of R\$ 105.7 and R\$ 53.6 is recorded in current trade accounts receivable as of December 31, 2009 and 2008, and R\$ 8.8 and R\$ 6.1 is recorded in long-term trade accounts receivable as of December 31, 2009 and 2008, respectively.

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7. INVENTORIES

	2009			2008		
	Cost	Provision for loss	Net balance	Cost	Provision for loss	Net balance
Finished goods	205.2	(19.6)	185.6	333.1	(16.7)	316.4
Work in process	1.9		1.9	1.3		1.3
Raw materials	124.2	(0.1)	124.1	248.1		248.1
Liquefied petroleum gas (LPG)	24.8		24.8	29.5		29.5
Fuel, lubricants and grease	477.0	(1.3)	475.7	333.7	(0.9)	332.8
Consumable materials and bottles for resale	39.1	(1.0)	38.1	36.5	(1.4)	35.1
Advances to suppliers	77.9		77.9	55.7		55.7
Properties for resale	14.1		14.1	14.8		14.8
	964.2	(22.0)	942.2	1,052.7	(19.0)	1,033.7

Movements in the provision for loss are as follows:

Balance for 2007	7.3
Additions	11.7
Balance for 2008	19.0
Additions	3.0
Balance for 2009	22.0

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8. RECOVERABLE TAXES

Are substantially represented by credit balances of Tax on Goods and Services (ICMS), Taxes for Social Security Financing (COFINS), Employee's Profit Participation Program (PIS), and Income and Social Contribution Taxes (IRPJ and CSLL).

	2009	2008
IRPJ and CSLL	108.8	112.8
ICMS	241.4	174.1
Provision for losses - ICMS (*)	(71.0)	(42.3)
Adjustment to present value of ICMS on fixed assets - CIAP (see Notes 3.q)	(3.8)	(5.5)
PIS and COFINS	78.7	76.6
Value-Added Tax (IVA) on subsidiaries Oxiteno México S.A. de C.V. and Oxiteno Andina, C.A.	9.8	13.3
IPI	3.7	22.2
Others	5.8	3.7
Total	373.4	354.9
Current	320.2	311.9
Non-current	53.2	43.0

(*) The provision for ICMS losses relates to credit balances that the subsidiaries estimate to be unable to offset in the future. The elevation of ICMS credit balance is mainly due to the inclusion of the balances of Texaco.

Movements in the provision for ICMS losses are as follows:

Balance for 2007	46.9
Reversals	(3.5)
Write-offs	(1.1)
Balance for 2008	42.3
Opening balance of Texaco acquisition	36.3
Reversals	(6.6)
Write-offs	(1.0)
Balance for 2009	71.0

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9. RELATED PARTIES**a) Related companies**

	Assets	Loans Liabilities	Commercial transaction Receivable	Payable
Braskem S.A.				4.5
Copagaz Distribuidora de Gás S.A.			0.2	
Oxicap Indústria de Gases Ltda.	7.3			1.8
Petróleo Brasileiro S.A. - Petrobras				262.2
Quattor Química S.A.				1.5
Refinaria de Petróleo Riograndense S.A. (*)				14.8
Liquigás Distribuidora S.A.			0.2	
Química da Bahia Indústria e Comércio S.A.		3.3		
Other	0.3	0.8	0.1	
Total as of December 31, 2009	7.6	4.1	0.5	284.8
Total as of December 31, 2008	5.6	4.4	0.8	206.2

	Sales	Transactions Purchases	Financial expenses
Copagaz Distribuidora de Gás Ltda.	2.8		
Petróleo Brasileiro S.A. - Petrobras	84.9	22,053.6	
Braskem S.A.	14.4	541.1	
Oxicap Indústria de Gases Ltda.		11.5	
Servgás Distribuidora de Gas S.A.	0.9		
Liquigás Distribuidora S.A.	4.3		
SHV Gás Brasil Ltda.	1.2		
Refinaria de Petróleo Riograndense S.A. (*)		692.0	
Quattor Química S.A.	0.9	99.0	
Total as of December 31, 2009	109.4	23,397.2	
Total as of December 31, 2008	43.3	19,865.8	
Total as of December 31, 2007	35.3	14,444.7	1.5

(*) Relates to the non-eliminated portion of the transactions between RPR and IPP, since RPR is proportionally consolidated and IPP is fully consolidated.

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Purchase and sale transactions relate substantially to the purchase of raw materials, inputs, transportation and storage services based on arm's length market prices and terms with customers and suppliers with comparable operational performance. Borrowing agreements are for an indeterminate period and do not contain interest clauses. In the opinion of the Company's management, transactions with related parties are not subject to settlement risk, which is why no allowance for doubtful accounts or collaterals are provided. Collaterals provided by the Company in borrowings and financing of subsidiaries and affiliates are mentioned in Note 16.g.). The transactions of the Company and its subsidiaries related to post-employment benefits are described in Note 23.

b) Key management personnel - Compensation

In 2009, the Company and its subsidiaries recorded expenses for compensation of its key personnel (Company's directors and designated officers) in the amount of R\$ 23.5 (R\$ 21.8 in 2008). Out of this total, R\$ 20.6 relates to short-term compensation (R\$ 18.3 in 2008), R\$ 2.3 to compensation in stock (R\$ 1.4 in 2008), and R\$ 0.6 (R\$ 2.1 in 2008) to post-employment benefits.

c) Stock plan

At a Special General Meeting held on November 26, 2003 a benefit plan was approved for managers of the Company and its subsidiaries, which provides: (i) initial award of beneficial ownership of shares issued by the Company held in treasury by the subsidiaries at which the beneficiary managers are employed, and (ii) transfer of title to the shares within five to ten years after the initial award, subject to continuation of employment of the beneficiary manager with the Company and its subsidiaries. The total amount awarded to executives as of December 31, 2009, including tax charges, was R\$ 29.5 (R\$ 22.4 in 2008). Such amount is being amortized over a period of five to ten years after the award, and amortization for the period ended December 31, 2009 in the amount of R\$ 3.4 (R\$ 1.7 and R\$ 1.3 in 2008 and 2007, respectively), was recorded as operating expense for the year. The values of the awards were determined on the date of award based on the market value of these shares on the BM&FBovespa.

The chart below summarizes the information on the shares awarded to executives of the Company:

Date of award	Restricted shares awarded	Market value of shares in R\$)	Total compensation costs, including taxes	Accumulated compensation costs recorded	Accumulated compensation costs not recorded
December 15, 2009	62,500	83.00	7.1	(0.1)	7.0
October 7, 2008	174,000	39.97	9.6	(2.0)	7.6
December 12, 2007	40,000	64.70	3.6	(1.3)	2.3
November 9, 2006	51,800	46.50	3.3	(1.0)	2.3
December 14, 2005	23,400	32.83	1.0	(0.4)	0.6
October 4, 2004	41,975	40.78	2.4	(1.3)	1.1
December 17, 2003	59,800	30.32	2.5	(1.5)	1.0
	453,475		29.5	(7.6)	21.9

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10. INCOME AND SOCIAL CONTRIBUTION TAXES**a) Deferred income and social contribution taxes**

The Company and its subsidiaries recognize tax credits and debits, which are not subject to limitation periods, resulting from tax losses, temporary additions, negative tax bases and revaluation of property, plant and equipment, among others. Credits are sustained by the continued profitability of their operations. Deferred income tax and social contribution, substantially related to domestic operations, are recorded under the following categories:

	2009	2008
Assets - Deferred income and social contribution taxes on:		
Provision for loss of assets	26.4	25.8
Provision for contingencies	68.7	59.0
Provision for post-employment benefit (see Note 23.b)	23.5	23.7
Provision for differences between cash and accrual basis	15.0	0.2
Provision for goodwill paid on investments (see Note 14)	390.3	320.4
Other provisions	35.4	26.5
Tax losses and negative basis for social contribution to offset	82.2	64.9
Total	641.5	520.5
Current	168.8	111.8
Non-current	472.7	408.7
Liabilities - Deferred income and social contribution taxes on:		
Revaluation of property, plant and equipment	0.4	0.5
Accelerated depreciation	0.1	0.1
Provision for adjustments between cash and accrual basis	4.8	29.0
Temporary differences of foreign subsidiaries	1.6	1.3
Transition Tax Regime (RTT) effect	6.6	2.0
Total	13.5	32.9
Current	0.9	14.7
Non-current	12.6	18.2

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The estimated recovery of deferred tax assets relating to income and social contribution taxes is stated as follows:

Up to 1 year	168.8
From 1 to 2 years	125.0
From 2 to 3 years	105.4
From 3 to 5 years	177.4
From 5 to 7 years	56.8
From 7 to 10 years	8.1
	641.5

b) Reconciliation of income and social contribution taxes on income

Income and social contribution taxes, substantially related to domestic operations, are reconciled to the official tax rates as follows:

	2009	2008	2007
Income before taxes and equity in income of affiliates, after employee statutory interest	657.1	546.4	368.2
Official tax rates - %	34	34	34
Income tax and social contribution at the official tax rates	(223.4)	(185.8)	(125.2)
Adjustments to the effective tax rate:			
Operating provisions and nondeductible expenses/nontaxable revenues	(0.5)	(11.6)	(5.5)
Adjustments to estimated income	12.9	9.8	9.6
Workers Meal Program (PAT)	0.7	0.4	1.7
Other adjustments	2.7	(4.7)	(1.7)
Income tax and social contribution before tax incentives	(207.6)	(191.9)	(121.1)
Tax incentives - ADENE	20.6	40.3	35.2
Income tax and social contribution in the income statement	(187.0)	(151.6)	(85.9)
Current	(182.2)	(204.6)	(207.8)
Deferred	(25.4)	12.7	86.7
Tax incentives - ADENE	20.6	40.3	35.2

c) Tax loss carryforwards

The total amount of R\$ 241.8 related to tax loss carryforwards may be used to offset up to 30% of future taxable income and does not expire.

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d) Tax exemption

The following subsidiaries are entitled to partial or total exemption from IRPJ under the government's program for development of Northeastern Brazil:

Subsidiary	Units	Incentive - %	Expiration
Oxitemo Nordeste S.A. Indústria e Comércio	Camaçari plant	75	2016
Bahiana Distribuidora de Gás Ltda.	Mataripe base	75	2013
	Suape base	75	2018
	Aracaju base	75	2017
	Caucaia base	75	2012
	Terminal Químico de Aratu S.A. - Tequimar	Aratu terminal	75
	Suape terminal	75	2015

11. PREPAID EXPENSES

	2009	2008
Rents	34.3	23.3
Advertising and publicity	2.6	3.1
Insurance premiums	3.2	5.7
Purchases of meal and transportation tickets	3.4	3.9
Taxes and other prepaid expenses	18.2	7.6
	61.7	43.6
Current	22.8	19.0
Non-current	38.9	24.6

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12. INVESTMENTS IN AFFILIATED COMPANIES

A summary of financial information for the Company's equity investments is as follows:

	Transportadora Sulbrasileira de Gás S.A.	Oxicap Indústria de Gases Ltda. (i)	2009 Química da Bahia Indústria e Comércio S.A. (i)	Metalúrgica Plus S.A. (i)	Plenogás Distribuidora de Gás S/A. (i)
Number of shares or units held	20,125,000	156	1,493,120	3,000	1,384,308
Shareholders' equity - R\$	26.5	8.4	7.5	(0.3)	(1.6)
Net income (loss) for the year - R\$	(0.1)	0.6	0.2	(0.2)	0.3
Interest in the capital - %	25	25	50	33	33

	Transportadora Sulbrasileira de Gás S.A.	2009 Oxicap Indústria de Gases Ltda. (i)	2009 Química da Bahia Indústria e Comércio S.A. (i)	Total
Movements in investments:				
Balance at the beginning of the year		7.4	1.9	12.9
Capital reduction		(0.7)		(0.7)
Equity in income of affiliates		(0.1)	0.2	0.2
Balance at the end of the year		6.6	2.1	12.4

	Transportadora Sulbrasileira de Gás S.A.	Oxicap Indústria de Gases Ltda. (i)	2008 Química da Bahia Indústria e Comércio S.A. (i)	Metalúrgica Plus S.A. (i)	Plenogás Distribuidora de Gás S/A. (i)
Number of shares or units held	20,125,000	156	1,493,120	3,000	1,384,308
Shareholders' equity - R\$	29.6	7.8	7.3	(0.1)	(1.9)
Net income (loss) for the year - R\$	0.1	0.6	(0.3)	(0.2)	0.2
Interest in the capital - %	25	25	50	33	33

	Transportadora Sulbrasileira de Gás S.A.	2008 Oxicap Indústria de Gases Ltda. (i)	2008 Química da Bahia Indústria e Comércio S.A. (i)	Total
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Movements in investments:				
Balance at the beginning of the year	7.3	1.8	3.8	12.9
Equity in income of affiliates	0.1	0.1	(0.2)	
Balance at the end of the year	7.4	1.9	3.6	12.9

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	2007		
	Transportadora Sulbrasileira de Gás S.A.	Oxicap Indústria de Gases Ltda. (i)	Química da Bahia Indústria e Comércio S.A. (i)
Number of shares or units held	20,125,000	156	1,493,120
Shareholders equity - R\$	29.5	7.2	7.6
Net income (loss) for the year - R\$	(0.5)	0.5	0.6
Interest in the capital - %	25	25	50

	2007			
	Transportadora Sulbrasileira de Gás S.A.	Oxicap Indústria de Gases Ltda. (i)	Química da Bahia Indústria e Comércio S.A. (i)	Total
Movements in investments:				
Balance at the beginning of the year		1.8	3.5	5.3
Opening balance of Ipiranga acquisition	9.5			9.5
Goodwill write-off	(2.4)			(2.4)
Refund advance for future capital increase		(0.1)		(0.1)
Equity in income of affiliates	0.2	0.1	0.3	0.6
Balance at the end of the year	7.3	1.8	3.8	12.9

(i) Financial statements audited by other independent auditors.

In the consolidated financial statements, the investment of the subsidiary Oxiteno S.A. Indústria e Comércio (Oxiteno S.A.) in the affiliate Oxicap Indústria de Gases Ltda. is valued by the equity method of accounting based on its financial statements as of November 30, 2009 while the other affiliates are valued based on the financial statements as of December 31, 2009.

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13. PROPERTY, PLANT AND EQUIPMENT

	Average annual depreciation rate - %	Cost	2009 Accumulated depreciation/ provision for loss	Net	2008 Net
Lands		390.4	(0.2)	390.2	192.3
Buildings	4	1,054.6	(421.6)	633.0	463.4
Leasehold improvements (*)	7	362.8	(168.8)	194.0	133.6
Machinery and equipment (*)	10	2,447.6	(985.5)	1,462.1	1,429.1
Light fuel/lubricant distribution equipment and facilities	10	1,330.2	(772.8)	557.4	388.5
LPG tanks and bottles	10	326.7	(191.0)	135.7	126.9
Vehicles	21	238.0	(182.2)	55.8	65.6
Furniture and utensils	10	94.0	(53.3)	40.7	30.6
Construction in progress		201.4		201.4	184.0
Advances to suppliers		79.6		79.6	76.1
Imports in progress		4.7		4.7	3.4
IT equipment	20	175.7	(139.0)	36.7	38.0
Total		6,705.7	(2,914.4)	3,791.3	3,131.5

(*) According to a market announcement of December 22, 2009, subsidiary Terminal Químico de Aratu S.A. - Tequimar (Tequimar) acquired from Puma Storage do Brasil Ltda. (Puma) a terminal for liquid bulk storage with capacity of 83 thousand cubic meters located in the port of Suape, Pernambuco. That was the date of effective transfer of assets ownership and purchase price payment of R\$ 44.0, of which R\$ 31.0 was recorded as machinery and equipment and R\$ 13.0 as improvements in leasehold properties.

Property, plant and equipment include net capitalized interest cost of R\$ 27.4 and R\$ 30.1 as of December 31, 2009 and 2008, respectively.

Construction in progress relates substantially to: (i) expansions and renovations in industrial facilities and (ii) construction and upgrade of service stations and fuel distribution bases.

Advances to suppliers of property, plant and equipment relate basically to toll manufacturing of equipment for expansion of plants.

As permitted by Law 11,638/07 and Resolution CVM 565/08, the Company decided to maintain the revaluation balances until their realization, through depreciation or write-off, and they became part of the cost value of goods. As of December 31, 2009, the revaluation balance of property, plant and equipment was R\$ 20.5 (R\$ 22.8 in 2008).

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14. INTANGIBLE ASSETS

	Average annual amortization rate - %	Cost	2009 Accumulated amortization/ provision for losses	Net	2008 Net
Goodwill, net of tax effects		864.1	(103.1)	761.0	496.7
Software	20	228.6	(158.9)	69.7	65.7
Technology	20	23.7	(7.3)	16.4	14.5
Commercial property rights	3	16.3	(3.3)	13.0	13.6
Market rights	20	17.6	(14.9)	2.7	3.6
Others	10	4.0	(2.3)	1.7	0.5
		1,154.3	(289.8)	864.5	594.6

Movements in intangible assets in 2008 and 2009 are as follows:

	Goodwill, net of tax effects	Software	Technology	Commercial property rights	Market rights	Others	Total
Balance at December 31, 2007		33.1	15.0	14.1	4.2	0.5	66.9
Reclassification of initial implementation of Law 11,638/07 (see Note 2)	462.8	14.0	0.3				477.1
Balance at December 31, 2007 reclassified under Law 11,638/07	462.8	47.1	15.3	14.1	4.2	0.5	544.0
Consolidation of SERMA		10.7					10.7
Additions	342.4	29.1			1.3		372.8
Write-offs		(0.1)					(0.1)
Amortization	(62.1)	(21.1)	(0.8)	(0.5)	(1.9)		(86.4)
Deferred IRPJ/CSLL	(246.4)						(246.4)
Balance at December 31, 2008	496.7	65.7	14.5	13.6	3.6	0.5	594.6
Additions	399.0	32.5	5.5		0.9	2.2	440.1
Write-offs						(0.4)	(0.4)
Amortization		(28.5)	(3.6)	(0.6)	(1.8)	(0.6)	(35.1)
Deferred IRPJ/CSLL	(134.7)						(134.7)

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Balance at December 31, 2009	761.0	69.7	16.4	13.0	2.7	1.7	864.5
Average annual amortization rate - %		20	20	3	20	10	

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In the income for the year, the amount of R\$ 35.1 (R\$ 86.4 as of December 31, 2008 and R\$ 16.3 as of December 31, 2007) was recorded as amortization of intangible assets, of which R\$ 26.8 (R\$ 82.0 as of December 31, 2008) was classified as expenses and the rest was allocated to production and service cost.

The estimated aggregate amortization expense for the next five years is as follows:

Until 1 year	29.3
From 1 to 2 years	25.4
From 2 to 3 years	20.2
From 3 to 4 years	13.0
From 4 to 5 years	3.4
Thereafter	12.2
Total	103.5

Goodwill from acquisition of companies was amortized as of December 31, 2008, when its amortization has been ceased, and the net remaining balance is tested for impairment annually.

The Company has the following balances of goodwill as of December 31, 2009 and 2008, net of tax effects (see Note 10.a):

	2009	2008
Goodwill on the acquisition of:		
Ipiranga	276.7	276.7
União Terminais	211.1	211.1
Texaco	264.3	
Others	8.9	8.9
	761.0	496.7

Software includes user licenses and costs for the implementation of the various systems used by the Company and its subsidiaries, such as: integrated management and control, financial management, foreign trade, industrial automation, operational transportation and storage management, accounting information and other systems.

The Company records as technology certain rights held by the subsidiaries Oxiteno S.A., Oxiteno Nordeste S.A. Indústria e Comércio (Oxiteno Nordeste), and Oleoquímica Indústria e Comércio de Produtos Químicos Ltda. (Oleoquímica). Such licenses cover the production of ethylene oxide, ethylene glycols, ethanalamines, glycol ethers, ethoxylates, solvents, fatty acids from vegetable oils, fatty alcohols, and specialty chemicals, which products are supplied to various industries.

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Commercial property rights, include those described below:

On July 11, 2002, the subsidiary Tequimar executed an agreement with CODEBA - Companhia das Docas do Estado da Bahia, which allows exporting from the area in which the Aratu Terminal is located for 20 years, renewable for a like period. The price paid by Tequimar was R\$ 12.0, which is being amortized over the period from August 2002 to July 2042.

In addition, the subsidiary Tequimar has a lease contract for an area adjacent to the Port of Santos for 20 years from December 2002 renewable for a like period, which allows the construction, operation, and use of a terminal for liquid bulk unloading, tank storage, handling, and distribution. The price paid by Tequimar was R\$ 4.3, which is being amortized over the period from August 2005 to December 2022.

Research & development expenses amounted to R\$ 22.2, R\$ 19.1 and R\$ 23.5 in the income for the year ended December 31, 2009, 2008 and 2007, respectively.

15. DEFERRED CHARGES

	Average annual amortization rate - %	Cost	2009 Accumulated amortization	2008 Net	2007 Net
Restructuring costs	26	25.9	(16.1)	9.8	15.6

Restructuring costs relate to the LPG distribution business, namely: (i) costs for expansion projects involving new regions of activity and (ii) costs for restructuring the home distribution network to increase the contribution margin and expand the bottled gas business through new dealers. Costs will be maintained in this group until they are fully amortized, which will occur in December 2013.

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16. FINANCING, DEBENTURES AND FINANCE LEASE**a) Composition**

Description	2009	2008	Index/Currency	Weighted average financial charges Dec. 31, 2009 - %	Maturity
Foreign currency:					
Notes in the foreign market (b)	431.0	577.4	US\$	+7.2	2015
ACC	118.6	184.2	US\$	+2.4	<266 days
Syndicated loan (c)	104.1	140.0	US\$+ LIBOR (i)	+1.2	2011
BNDES	46.9	46.5	US\$	+6.1	2010 to 2016
FINIMP- RPR	16.6		US\$	+3.5	2010
Financial institutions	12.2	19.8	MX\$+ THIE (ii)	+1.9	2010 to 2014
Financial institutions	9.6	48.9	US\$+ LIBOR (i)	+1.8	2010 to 2011
Financial institutions	1.0	6.0	Bs (iii)	+20.4	2010 to 2013
FINIMP Tequimar	0.8	4.8	US\$	+7.0	2012
BNDES	0.5	3.5	UMBNDDES (iv)	+8.2	2010 to 2011
Notes in the foreign market (c)		140.3	US\$	+9.0	2020
Subtotal	741.3	1,171.4			
Unrealized losses on swap transactions	39.0				
Subtotal	780.3	1,171.4			
Local currency:					
Debêntures (d)	1,187.9		CDI	108.5	2012
BNDES	1,027.4	401.8	TJLP (iv)	+3.7	2010 to 2019
Banco do Brasil	532.2	516.7	CDI	91.8	2010
Caixa Econômica Federal	495.3		CDI	120.0	2012
Banco do Nordeste do Brasil	112.6	103.5	R\$	8.5 (vi)	2018
Loan MaxFácil	110.8	108.4	CDI	100.0	2010
FINEP	68.1	60.4	TJLP (v)	+0.9	2010 to 2014
Working capital loan União Vopak/RPR	18.5	37.2	CDI	125.5	2010 to 2012
FINAME	16.7	39.1	TJLP (v)	+3.3	2010 to 2013
Postfixed finance lease (e)	13.2	24.5	CDI	+0.5	2010 to 2011
BNDES	12.3		R\$	+5.1	2015
Financial institutions	2.2		R\$	+10.1	2010
Prefixed finance lease (e)	2.1	1.0	R\$	+13.6	2010 to 2014
Others	2.2	4.1	CDI	+0.4	2010 to 2011
Promissory notes (d)		1,203.8	CDI	+3.6	2009

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Subtotal	3,601.5	2,500.5
Total of financing, debentures and finance lease	4,381.8	3,671.9
Current	1,059.3	1,658.1
Non-current	3,322.5	2,013.8

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- (i) LIBOR = London Interbank Offered Rate.
- (ii) MX\$ = Mexican peso; TIE = Mexican interbank balance interest rate.
- (iii) Bs = Venezuelan Bolivares Fortes.
- (iv) UMBNDES = monetary unit of BNDES (Banco Nacional de Desenvolvimento Econômico e Social) is a basket of currencies representing the composition of foreign currency debt obligations of BNDES. As of December 2009, 95% of this composition reflected the U.S. dollar.
- (v) TJLP = set by the National Monetary Council, TJLP is the basic financing cost of BNDES. On December 31, 2009, TJLP was fixed at 6% p.a.
- (vi) Contract linked to the rate of FNE (Northeast Constitutional Financing Fund) fund whose purpose is to foster the development of the industrial sector, administered by Banco do Nordeste. On December 31, 2009, the FNE interest rate was 10% p.a. Over the interest, there is a compliance bonus of 15%.

The long-term amounts break down as follows by year of maturity:

	2009	2008
From 1 to 2 years	919.2	751.3
From 2 to 3 years	1,702.0	263.3
From 3 to 4 years	111.2	105.7
From 4 to 5 years	66.6	78.7
More than 5 years	523.5	814.8
	3,322.5	2,013.8

As provided in Resolution CVM 556/08, the transaction costs and issue premiums associated with fund raising by the Company and its subsidiaries were added to their financial liabilities, as shown in Note 16.f).

b) Notes in the foreign market

In December 2005, the subsidiary LPG International Inc. issued US\$ 250.0 in notes in the foreign market, with maturity in December 2015 and financial charge of 7.25% p.a., paid semiannually, with the first payment due June 2006. The issue price was 98.75% of the face value of the note, which represented a total return of 7.429% p.a. for the investor at the time of issuance. The notes were secured by the Company and Oxiten S.A.

As a result of the issuance of notes in the foreign market, the Company and its subsidiaries, as mentioned above, are subject to certain commitments, including:

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Limitation of transactions with shareholders owning more than 5% of any class of stock of the Company that are not as favorable to the Company as available in the market .

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Required resolution of the Board of Directors for transactions with related parties in an amount exceeding US\$ 15.0 (except transactions of the Company with subsidiaries and between subsidiaries).

Restriction on transfer of all or substantially all assets of the Company and its subsidiaries.

Restriction of encumbrances of assets exceeding US\$ 150.0 or 15% of the value of the consolidated tangible assets. The restrictions imposed on the Company and its subsidiaries are usual in transactions of this kind and have not limited their ability to conduct their business to date.

The Company is in compliance with all covenants at December 31, 2009.

c) Notes in the foreign market and syndicated loan

In June 1997, the subsidiary Cia Ultragaz issued US\$ 60.0 in notes in the foreign market (Original Notes) with maturity in 2005, and in June 2005 obtained the extension of the maturity of these notes for June 2020, with a put/call option in June 2008, which was not exercised by the subsidiary and investor financial institutions.

In June 2005, the subsidiary Oxiteno Overseas acquired all the Original Notes issued by Cia. Ultragaz with funds from a syndicated loan in the amount of US\$ 60.0 with maturity in June 2008 and financial charge of 5.05% p.a. In June 2008, the syndicated loan was renewed under the same conditions, but the financial charges have been changed to LIBOR + 1.25% p.a. The syndicated loan is secured by the Company and subsidiary Oxiteno S.A.

As a result of the issuance of the syndicated loan, some obligations other than those in Note 16.b) must be maintained by the Company:

Maintenance of a financial index, determined by the ratio between net debt and consolidated Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA), at less than or equal to 3.5.

Maintenance of a financial index determined by the ratio between consolidated EBITDA and consolidated net financial expenses, higher than or equal to 1.5.

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The restrictions imposed on the Company and its subsidiaries are usual in transactions of this kind and have not limited their ability to conduct their business to date.

In April 2006, the subsidiary Oxiteno Overseas sold the Original Notes issued by Cia. Ultragas to a financial institution. Simultaneously, the subsidiary acquired from that financial institution notes linked to the Original Notes (the Linked Note), as described in Note 5, thus obtaining an additional return on this investment. On December 23, 2009 the subsidiary Oxiteno Overseas sold the Linked Notes to the financial institution and repurchased the Original Notes.

The Company is in compliance with all covenants at December 31, 2009.

d) Debentures

In June 2009, the Company made its third issuance of debentures, in single series of 1,200 simple, nonconvertible into shares, unsecured debentures with the following characteristics:

Face value of each:	R\$1,000,000.00
Final maturity:	May 19, 2012
Payment of the face value:	Lump sum at final maturity
Interest:	100% CDI + 3.0% p.a.
Payment of interest:	Annually
Reprice:	Not applicable

The funds obtained with this issuance were used for prepaid payment, in June 2009, of 120 Promissory Notes in the total amount of R\$ 1,200,000 issued by the Company in December 2008.

In December 2009, the Company concluded the review of certain terms and conditions of its third issuance of debentures. Thus, the interest of the debentures was reduced to 108.5% CDI and its maturity date was extended to December 4, 2012. The debentures have annual interest payments and amortization in one single tranche at the maturity date, as according to the following characteristics:

Face value of each:	R\$ 1,000,000.00
Final maturity:	December 4, 2012
Payment of the face value:	Lump sum at final maturity
Interest:	108,5% CDI
Payment of interest:	Annually
Reprice:	Not applicable

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e) Finance leases

The subsidiaries IPP, Tequimar and Serma have finance lease contracts primarily related to fuel distribution equipment, such as tanks, pumps, VNG compressors, computer equipment and vehicles. These contracts have terms between 36 and 60 months.

The subsidiaries have the option to purchase the assets at a price substantially lower than the fair market price on the date of option, and management intends to exercise such option. No restrictions are imposed on these agreements.

The amounts of the equipments, net of depreciation, and of the liabilities corresponding to such equipment, recorded as of December 31, 2009 and 2008, are shown below:

	2009		2008	
	Fuel distribution equipment	IT equipment and vehicles	Fuel distribution equipment	IT equipment and vehicles
Equipments net of depreciation	22.5	3.7	25.4	3.7
Financing	13.1	2.2	23.3	2.1
Current	10.1	0.6	11.3	1.2
Non-current	3.1	1.5	12.0	0.9

The future disbursements (installments), assumed under these contracts, total approximately:

	2009		2008	
	Fuel distribution equipment	IT equipment and vehicles	Fuel distribution equipment	IT equipment and vehicles
Up to 1 year	10.3	0.9	11.7	1.4
More than 1 year	3.1	1.8	12.2	1.1
	13.4	2.7	23.9	2.5

The above installments include the amounts of ISS payable on the monthly installments.

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f) Transaction costs

Transaction costs incurred in obtaining financial resources were deducted from the value of the financial instrument and recorded as expense according to the effective rate, as follows:

	Effective rate of transaction costs (% p.a.)	Balance as of Dec. 31, 2008	Incurred cost	Amortization	Balance as of Dec. 31, 2009
Debentures (d)	0.6%		22.5	(2.7)	19.8
Caixa Econômica Federal	0.8%		11.2	(3.1)	8.1
Notes in the foreign market (b)	0.2%	8.1		(3.0)	5.1
Banco do Brasil	0.2%	0.7		(0.6)	0.1
Promissory notes (d)	1.1%		12.7	(12.7)	
Others	0.7%	0.8	0.8	(0.6)	1.0
Total		9.6	47.2	(22.7)	34.1

The amount to be appropriated to income in the future is as follows:

	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
Debentures (d)	6.3	6.7	6.8				19.8
Caixa Econômica Federal	3.7	3.8	0.6				8.1
Notes in the foreign market (b)	0.9	0.9	0.9	0.8	0.8	0.8	5.1
Banco do Brasil	0.1						0.1
Others	0.4	0.3		0.1	0.1	0.1	1.0
Total	11.4	11.7	8.3	0.9	0.9	0.9	34.1

g) Collateral

Financing is secured by liens on property, plant and equipment amounting to R\$ 38.7 as of December 31, 2009 (R\$ 66.7 in 2008), by guarantees in the amount of R\$ 2,617.9 as of December 31, 2009 (R\$ 1,440.5 in 2008) and promissory notes.

Some subsidiaries issued collateral to financial institutions in connection with the amounts owed by some of their customers to such institutions (vendor financing). If a subsidiary is required to make any payment under these collaterals, this subsidiary may recover the amount paid directly from its customers through commercial collection. The maximum amount of future payments related to these collaterals is R\$ 20.2 as of December 31, 2009 (R\$ 18.8 in 2008), with maturities of no more than 211 days. As of December 31, 2009, the Company and its subsidiaries

did not have losses or recorded any liabilities in connection with these collaterals.

Some financing agreements of the Company and its subsidiaries have cross default clauses that require them to pay the debt assumed in case of default of other debts equal to or greater than US\$ 10.0. As of December 31, 2009, there was no event of default of the debts of the Company and its subsidiaries.

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7. SHAREHOLDERS EQUITY

a) Share capital

The Company is a publicly traded company listed on the São Paulo (BM&FBovespa) and New York Stock Exchanges (NYSE) with a subscribed and paid-in capital represented by 136,095,999 shares without par value, including 49,429,897 common and 86,666,102 preferred shares.

As of December 31, 2009, 13,024,251 preferred shares were outstanding abroad in the form of American Depositary Receipts (ADRs).

Preferred shares are nonconvertible into common shares, nonvoting, and give their holders priority in capital redemption, without premium, upon liquidation of the Company.

At the beginning of 2000, the Company granted tag-along rights under a shareholders agreement, which gives non-controlling shareholders the right to the same conditions as negotiated by the controlling shareholders in case of transfer of the control of the Company. In 2004, these rights were incorporated into the Bylaws of the Company.

The Company is authorized to increase the capital without amendment to the Bylaws, by resolution of the Board of Directors, up to the limit of R\$ 4,500,000 through the issuance of common or preferred shares, regardless of the current number of shares, subject to the limit of 2/3 of preferred shares in the total shares issued.

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b) Treasury shares

The Company acquired shares issued by itself at market prices without capital reduction, to be held in treasury and to be subsequently disposed of or cancelled, in accordance with Instructions CVM 10 of February 14, 1980 and 268 of November 13, 1997. In 2009, there were no stock repurchases.

As of December 31, 2009, the Company and its subsidiaries held 2,592,247 preferred shares (2,138,772 preferred shares, net of shares provided to certain executives of these subsidiaries as described in Note 9.c) and 6,617 common shares in treasury, which had been acquired at the average cost of R\$ 54.22 and R\$ 19.30 per share, respectively. The average acquisition cost was adjusted to reflect the stock dividends and reverse stock split.

The price of preferred shares issued by the Company as of December 31, 2009 on BM&FBovespa was R\$ 80.11.

c) Capital reserve

The capital reserve reflects the gain of the transfer of shares at market price to be held in treasury in the Company's subsidiaries, at an average price of R\$ 47.26 per share. Such shares were used to award beneficial ownership to executives of these subsidiaries, as mentioned in Note 9.c).

d) Revaluation reserve

This revaluation reserve reflects the revaluation of assets of subsidiaries and is based on depreciation, write-off or disposal of the revalued assets of the subsidiaries, and also based on the tax effects of the provisions created by these subsidiaries.

In some cases, tax charges on the equity-method revaluation reserve of certain subsidiaries are recognized as the reserve is realized, as they preceded the issuance of Resolution CVM 183/95.

e) Profit reserve

Legal reserve

Under the Brazilian corporate law, the Company is required to appropriate 5% of annual earnings to a legal reserve, until the balance reaches 20% of capital stock. This reserve may be used to increase capital or absorb losses, but may not be distributed as dividends.

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Reserve for retention of profits

This reserve is supported by the investment program in a capital budget, mainly for expansion, productivity, and quality, acquisitions and new investments, in conformity with article 196 of the Brazilian corporate law, and includes both a portion of net income and the realization of the revaluation reserve, and in 2008, the portion of initial adjustments to Law 11,638/07 and 11,941/09.

Unrealized profit reserve

This reserve is established in conformity with Article 197 of the Brazilian corporate law, based on the equity pick-up in subsidiaries and affiliated companies. The realization of this reserve usually occurs on receipt of dividends, sale and write-off of investments.

f) Dividends and allocation of net income for the year in the parent company

The shareholders are entitled under the Bylaws to a minimum annual dividend of 50% of adjusted net income calculated in accordance with the Brazilian Corporate Law.

The proposed dividends reflected in the financial statements of the Company, subject to approval of shareholders at a General Meeting, are as follows:

	2009
Net income attributable to owners of the parent for the year	466.7
Legal reserve	(23.3)
Retained earnings	(164.8)
Dividends payable	278.6
Interim dividends (R\$ 0.89 per share)	(119.2)
Proposed dividends payable (R\$ 1.19 per share)	(159.4)

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g) Valuation adjustment

In valuation adjustment (i) the differences between the fair value and adjusted cost of financial investments classified as available for sale and financial instruments designated as a cash flow hedge of the change in interest rates and (ii) the effect of exchange rate changes on derivatives designated as hedging by RPR, used to protect the future cash flow are recognized directly in shareholders' equity. In all cases, the gains and losses recorded in the shareholders' equity are included in income, in the case of financial instruments prepayment.

h) Cumulative translation adjustments of foreign currency

The change in exchange rates on foreign subsidiaries denominated in a currency other than the currency of the Company is directly recognized in the shareholders' equity. This accumulated effect is reflected in income for the year as a gain or loss only in case of disposal or write-off of the investment.

18. OTHER INCOME

Other income is composed of R\$ 20.3 (revenue) (R\$ 11.2 (revenue) in 2008 and R\$ 8.8 (revenue) in 2007) mainly of gains from the sale of property, plant and equipment, especially LPG bottles, land, vehicles, and tank wagons. In 2008 they include the gain on the disposal of all interest held by the subsidiary Oxiteno S.A. in Petroquímica União S.A.

19. SEGMENT INFORMATION

The Company operates four main business segments: gas distribution, fuel distribution, chemicals, and logistics. The gas distribution segment distributes LPG to residential, commercial, and industrial consumers, especially in the South, Southeast, and Northeast Regions of Brazil (segment Ultragaz). The fuel distribution segment operates the distribution of fuels and lubricants and related activities throughout all the Brazilian territory, since the acquisition of Texaco on April 1, 2009 (segment Ipiranga). The chemicals segment produces ethylene oxide and its derivatives, which are the raw materials for the cosmetics & detergent, agrochemical, paint & varnish, and other industries (segment Oxiteno). The logistics segment provides transportation and storage services, especially in the Southeast, and Northeast Regions of Brazil (segment Ultracargo). The segments shown in the financial statements are strategic business units supplying different products and services. Inter-segment sales are at prices similar to those that would be charged to third parties.

The main financial information on each segment of the Company can be stated as follows (excluding inter-segment transactions):

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	2009					2008	2007
	Ultragaz	Oxiteno	Ultracargo	Ipiranga	Other	Consolidated	Consolidated
Net revenue	3,438.7	1,921.1	272.9	30,458.0	25.2	36,115.9	28,268.0
Operating earnings before financial revenues (expenses), other income and equity in income of affiliates	162.3	40.7	52.5	622.6	36.9	915.0	713.4
Total assets	1,316.2	2,682.5	886.9	5,729.8	513.9	11,129.3	9,667.2

On the table above, the column "others" is composed primarily of the parent company Ultrapar Participações S.A. and the investment in RPR.

Disclosures of segments in accordance with U.S. GAAP are made in Note 24.V.g).

20. NET FINANCIAL INCOME

	2009	2008	2007
Financial revenues:			
Interest on financial investments	129.9	232.1	145.1
Interest from customers	34.0	22.5	19.2
Other revenues	5.1	2.6	(0.9)
	169.0	257.2	163.4
Financial expenses:			
Interest on financing	(315.5)	(304.1)	(97.3)
Interest on debentures	(81.1)	(22.1)	(123.9)
Interest on finance leases	(2.4)	(2.9)	
Bank charges, IOF and other charges (*)	(39.1)	(24.5)	(57.4)
Monetary changes and changes in exchange rates, net of income from hedging instruments	12.4	(46.3)	10.6
Provisions updating and other expenses	(21.5)	(26.1)	(14.8)
	(447.2)	(426.0)	(282.8)
Financial income	(278.2)	(168.8)	(119.4)

(*) In 2009, includes R\$11.0 of guarantee commission related to Texaco and R\$ 4.5 related to IOF (tax on financial operations) on foreign exchange contract for the acquisition of Texaco and in 2007 includes R\$ 29.3 of CPMF (tax on financial transactions).

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21. RISKS AND FINANCIAL INSTRUMENTS

Risk management and financial instruments Governance

The main risk factors to which the Company and its subsidiaries are exposed reflect strategic/operational and economic/financial aspects. Operational/strategic risks (including, but not limited to, demand behavior, competition, technological innovation, and material changes in the industry structure) are addressed by the Company's management model. Economic/financial risks primarily reflect default of customers, behavior of macroeconomic variables, such as exchange and interest rates, as well as the characteristics of the financial instruments used by the Company and its subsidiaries and by their counterparties. These risks are managed through control policies, specific strategies, and establishment of limits.

The Company has a conservative policy for the management of assets, financial instruments and financial risks approved by its Board of Directors (Policy). In accordance with the Policy, the main objectives of financial management are to preserve the value and liquidity of financial assets and ensure financial resources for the proper conduct of business, including expansions. The main financial risks considered in the Policy are risks associated with currencies, interest rates, credit and selection of financial instruments. Governance of the management of financial risks and financial instruments follows the segregation of duties below:

Implementation of the management of financial assets, instruments and risks is the responsibility of the Financial Area, through its treasury, with the assistance of the tax and accounting areas.

Supervision and monitoring of compliance with the principles, guidelines and standards of the Policy is the responsibility of the Risk and Investment Committee, set up more than 10 years ago and composed of members of the Company's Executive Board (Committee). The Committee holds regular meetings and is in charge, among other responsibilities, of discussing and monitoring the financial strategies, existing exposures, and significant transactions involving investment, fund raising, or risk mitigation. The Committee monitors the risk standards established by the Policy through a monitoring map on a monthly basis.

Changes in the Policy or revisions of its standards are subject to the approval of the Company's Board of Directors.

Continuous enhancement of the Policy is the joint responsibility of the Board of Directors, the Committee, and the Financial Area.

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Currency risk

Most operations of the Company and its subsidiaries are located in Brazil and, therefore, the reference currency for currency risk management is the Real. Currency risk management is guided by neutrality of currency exposures and considers the transactional, accounting, and operational risks of the Company and its subsidiaries and their exposure to changes in exchange rates. The Company considers as its main currency exposures the assets and liabilities in foreign currency and the short-term net sales in foreign currency of Oxiteno.

The subsidiaries of the Company use exchange rate hedging instruments (especially between the Real and the U.S. dollar) available in the financial market to protect their assets, liabilities, receipts and disbursements in foreign currency, in order to reduce the effects of changes in exchange rates on its results and cash flows in Reais within the exposure limits under its Policy. Such foreign exchange hedging instruments have amounts, periods, and rates substantially equivalent to those of assets, liabilities, receipts and disbursements in foreign currency to which they are related. Assets and liabilities in foreign currency are stated below, translated into Reais as of December 31, 2009 and December 31, 2008:

Assets and liabilities in foreign currency

	2009	2008
Assets in foreign currency		
Financial assets in foreign currency (except instrument of protection)	231.6	575.0
Foreign trade receivables, net of advances on export contract		
and provision for loss	40.1	52.0
Advances to foreign suppliers, net of accounts payable		
arising from imports	43.4	79.1
Investments in foreign subsidiaries	59.8	111.9
	374.9	818.0
Liabilities in foreign currency		
Financing in foreign currency	(724.8)	(1,171.4)
Currency hedging instruments	227.9	242.0
Net asset (liability) position	(122.0)	(111.4)
Net asset (liability) position RPR	87.0	
Net asset (liability) position total	(35.0)	

- (1) Amount disclosed on December 31, 2009 due to its magnitude and to RPR having independent financial management. The net asset position of RPR reflects the amount of R\$ 126.0 of contracted exchange rate swaps primarily to protect the future import of oil, net of

(i) R\$ 17.0 of financing in foreign currency and (ii) R\$ 22.0 of suppliers in foreign currency.

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Based on the net liability position of R\$ 122.0 in foreign currency shown above, the Company estimates that a 10% devaluation (valuation) of the Real would produce a total effect of R\$ 12.2, of which R\$ 17.7 of financial expense (revenue) and R\$ 5.5 of gain (loss) directly recognized in the shareholders' equity in cumulative translation adjustments (see Note 3.n).

Interest rate risk

The Company and its subsidiaries adopt conservative policies for fund raising and use of financial resources and capital cost minimization. The financial investments of the Company and its subsidiaries are primarily held in transactions linked to the interest rate for Interbank Certificate of Deposit (CDI), as set forth in Note 5. Fund raising primarily results from financing from BNDES and other development agencies, debentures and funds raised in foreign currency, as shown in Note 16.

The Company does not actively manage risks associated with changes in the level of interest rates and attempts to maintain its financial interest assets and liabilities at floating rates. As of December 31, 2009, the Company and its subsidiaries did not have derivative financial instruments for interest rate risk management linked to domestic loans.

Credit risks

The financial instruments that would expose the Company and its subsidiaries to credit risks of the counterparty are basically represented by cash and cash equivalents, financial investments, and accounts receivable.

Credit risk of financial institutions - Such risk results from the inability of financial institutions to comply with their financial obligations to the Company and its subsidiaries due to insolvency. The Company and its subsidiaries regularly conduct a credit review of the institutions with which they hold cash and cash equivalents, financial investments, and hedging instruments through various methodologies that assess liquidity, solvency, leverage, portfolio quality, etc. Cash and cash equivalents, financial investments, and hedging instruments are held only with institutions with a solid credit history, chosen for safety and soundness. The volumes of cash and cash equivalents, financial investments, and hedging instruments are subject to maximum limits by institution and, therefore, require diversification of counterparty.

Government credit risk - The Company and its subsidiaries have financial investments in federal government bonds of Brazil and countries rated AAA or Aaa by specialized credit rating agencies. The volumes of financial investments are subject to maximum limits by country and, therefore, require diversification of counterparty.

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Customer credit risk - Such risks are managed by each business unit through specific criteria for acceptance of customers and credit rating and are additionally mitigated by diversification of sales. As of December 31, 2009, Ipiranga maintained R\$ 98.3 (R\$ 47.0 in 2008), Ultragas maintained R\$ 12.7 (R\$ 9.0 in 2008), Oxiteno maintained R\$ 2.1 (R\$ 2.3 in 2008) and the subsidiaries of Ultracargo Operações Logísticas e Participações Ltda. maintained, R\$ 1.3 (R\$ 1.5 in 2008) as a provision for potential loss on their accounts and assets receivables.

Selection and use of financial instruments

In selecting financial investments and hedging instruments, an analysis is conducted to estimate rates of return, risks involved, liquidity, calculation methodology for the carrying value and fair value, and documentation applicable to the financial instruments. The financial instruments used to manage the financial resources of the Company and its subsidiaries are intended to preserve value and liquidity.

The Policy contemplates the use of derivative financial instruments only to cover identified risks and in amounts consistent with the risk (limited to 100% of the identified risk). The risks identified in the Policy are described in the above sections of this Note, therefore, are subject to risk management. In accordance with the Policy, the Company and its subsidiaries can use forward contracts, swaps, options, and futures contracts to manage identified risks. Leveraged derivative instruments or instruments with a margin call are not permitted. Because the use of derivative financial instruments is limited to the coverage of identified risks, the Company and its subsidiaries use the term "hedging instruments" to refer to derivative financial instruments.

As mentioned in the section Risk management and financial instruments - Governance of this Note, the Committee monitors compliance with the risk standards established by the Policy through a risk monitoring map, including the use of hedging instruments, on a monthly basis.

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The table below summarizes the position of hedging instruments adopted by the Company and its subsidiaries:

	Counterparty	Maturity	Initial notional amount		Fair value		Amounts payable or receivable for the period (Dec. 31, 2009)	
			2009	2008	2009	2008	Amount receivable	Amount payable
			US\$	US\$	R\$	R\$	R\$	R\$
Swap contracts								
a - Exchange rate swaps receivable in U.S. dollars	Bradesco, Citibank, Goldman Sachs, HSBC, Itaú, Santander	Jan 2010 to Dec 2015						
Receivables in U.S. dollars			202.8	123.5	350.8	291.6	350.8	
Payables in CDI interest rate			(202.8)	(123.5)	(385.5)	(236.4)		385.5
Total result					(34.7)	55.2	350.8	385.5
b - Exchange rate swaps payable in U.S. dollars	Bradesco, Citibank, Deutsche, Itaú, Santander	Jan 2010 to Apr 2010						
Receivables in CDI interest rates			69.2	18.3	122.1	44.1	122.1	
Payables in U.S. dollars			(69.2)	(18.3)	(118.9)	(42.9)		118.9
Total result					3.2	1.2	122.1	118.9
c - Interest rate swaps	Itaú	Jun 2011						
Receivables in LIBOR interest rate in U.S. dollars			60.0	60.0	100.7	133.8	100.7	

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Payables in fixed interest rate in U.S. dollars		(60.0)	(60.0)	(104.7)	(140.5)		104.7
Total result				(4.0)	(6.7)	100.7	104.7
d - NDFs (non-deliverable forwards) RPR	Banco do Brasil, HSBC			Jan 2010 to Nov 2010			
Receivables in U.S. dollars		73.3		125.9		125.9	
Payables in predetermined interest rate in R\$		(73.3)		(127.8)			127.8
Total result				(1.9)		125.9	127.8
Total gross result				(37.4)	49.7	699.5	736.9
Income tax				(1.6)	(11.8)	(1.6)	
Total net result				(39.0)	37.9	697.9	736.9

All transactions mentioned above were properly registered with CETIP S.A., except for the interest rate swap, which is an over-the-counter contract governed by ISDA (International Swap Dealers Association, Inc.) executed with the counterparty Banco Itaú BBA S.A. Nassau Branch.

Hedging instruments existing as of December 31, 2009 are described below, according to their category, risk, and protection strategy:

Hedging against foreign exchange exposure of liabilities in foreign currency - The purpose of these contracts is to offset the effect of the change in exchange rates of a debt in U.S. dollars by converting it into a debt in Reais linked to CDI. As of December 31, 2009, the Company and its subsidiaries had outstanding swap contracts totaling US\$ 202.8 in notional amount and, on average, they had asset position at US\$ + 4.94 p.a. and liability position at 116.70 % of CDI.

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Hedging against foreign exchange exposure of operations - The purpose of these contracts is to make the exchange rate of the turnover of the subsidiaries of Oleoquímica, Oxiteno S.A. and Oxiteno Nordeste equal to the exchange rate of the cost of their main raw materials. As of December 31, 2009, these swap contracts totaled US\$ 69.2 and, on average, had an asset position at 77.56% of CDI and liability position at US\$ + 0.0% p.a.

Hedging against floating interest rate in foreign currency - The purpose of this contract is to convert the interest rate on the syndicated loan in the principal of US\$ 60.0 from floating into fixed. As of December 31, 2009, the subsidiary Oxiteno Overseas had a swap contract with a notional amount of US\$ 60.0, with an asset position at US\$ + LIBOR + 1.25% p.a. and a liability position of US\$ + 4.93% p.a.

Hedging against foreign exchange exposure of a firm commitment in foreign currency (RPR) - The purposes of these contracts is to offset the effect of the change in exchange rates on imports of oil denominated in U.S. dollars (US\$ 63.5) and the financing denominated in foreign currency (US\$ 9.8). On December 31, 2009 the subsidiary RPR held NDF (non-deliverable forwards) contracts with contracted average future U.S. dollar of R\$ 1.8096/US\$ and principal, proportional to the Company's interest of US\$ 73.3.

The Company and its subsidiaries designate as cash flow hedges some instruments of protection for future cash flows. These instruments of protection whose purpose is to protect the cash flows (i) from the risk of fluctuations in Libor on loans contracted and (ii) the risk of exchange rate changes of subsidiary RPR on future imports of oil denominated in U.S. dollars. On December 31, 2009 these instruments of protection amounted US\$ 123.5.

Gains (losses) on instruments of protection

The following table summarizes the values of gains (losses) recorded in the fiscal year 2009 which affected the income statement and shareholders' equity of the Company and its subsidiaries:

	Income	Shareholders equity
a - Exchange rate swaps receivable in U.S. dollars	(24.1)	
b - Exchange rate swaps payable in U.S. dollars	30.5	
c - Interest rate swaps	(2.2)	2.7
d - NDFs (non-deliverable forwards) RPR	(5.4)	(0.2)
Total	(1.2)	2.5

The table above does not consider the effect of exchange rate variation of exchange swaps receivable in U.S. dollars, when this effect is offset in the income of the hedged subject (debt).

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Fair value of financial instruments

The fair values and the carrying values of the financial instruments, including currency and interest rate hedging instruments, as of December 31, 2009 and December 31, 2008 are stated below:

	2009		2008	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Cash and banks	128.3	128.3	164.4	164.4
Currency and interest hedging instruments			37.9	37.9
Financial investments	2,193.9	2,193.9	1,931.4	1,931.4
	2,322.2	2,322.2	2,133.7	2,133.7
Financial liabilities:				
Currency and interest hedging instruments	39.0	39.0		
Financing	3,139.6	3,173.1	3,646.4	3,601.1
Debentures	1,187.9	1,187.9		
Finance lease	15.3	15.3	25.5	25.5
	4,381.8	4,415.3	3,671.9	3,626.6

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

The fair values of cash on current account are identical to the carrying values.

Financial investments in investment funds are valued at the value of the fund unit as of the date of the financial statements, which correspond to their fair value.

Financial investments in CDBs and similar investments offer daily liquidity through repurchase in the yield curve and, therefore, the Company believes their fair value corresponds to their carrying value.

The fair value of other financial investments and financing was determined using calculation methodologies commonly used for marking-to-market, which consist of calculating future cash flows associated with each instrument adopted and adjusting them to present value at the market rates as of December 31, 2009 and December 31, 2008. For some cases where there is no active market for the financial instrument, the Company and its subsidiaries used quotes provided by the transaction counterparties.

The interpretation of market information on the choice of calculation methodologies for the fair value requires considerable judgment and estimates to obtain a value deemed appropriate to each situation. Consequently, the estimates presented do not necessarily indicate the amounts that may be realized in the current market.

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Sensitivity analysis

The Company and its subsidiaries use derivative financial instruments only to hedge against identified risks and in amounts consistent with the risk (limited to 100% of the identified risk). Thus, for purposes of sensitivity analysis of market risks associated with financial instruments, the Company analyzes the hedging instrument and the hedged item together, as shown on the charts below.

For the sensitivity analysis of foreign exchange hedging instruments, management adopted as a likely scenario the Real/U.S. dollar exchange rates at maturity of each swap, projected by U.S. dollar futures contracts quoted on BM&FBovespa as of December 31, 2009. As a reference, the exchange rate for the last maturity of foreign exchange hedging instruments is R\$ 2.73 in the likely scenario. Scenarios II and III were estimated with a 25% and 50% additional devaluation, respectively, of Real in the likely scenario.

Based on the balances of the hedging instruments and hedged items as of December 31, 2009, the exchange rates were replaced, and the changes between the new balance in Reais and the balance in Reais as of December 31, 2009 were calculated in each of the three scenarios. The table below shows the change in the values of the main derivative instruments and their hedged items, considering the changes in the exchange rate in the different scenarios:

	Risk	Scenario I (likely)	Scenario II	Scenario III
Currency swaps receivable in U.S. dollars				
(1) U.S. Dollar / Real swaps	Dollar	93.2	194.2	295.3
(2) Debts in dollars	appreciation	(93.1)	(194.1)	(295.2)
(1)+(2)	Net Effect	0.1	0.1	0.1
Currency swaps payable in U.S. dollars				
(3) Real / U.S. Dollar swaps	Dollar	(3.4)	(34.4)	(65.3)
(4) Gross margin of Oxitenó	devaluation	3.4	34.4	65.3
(3)+(4)	Net Effect			
NDF exchange (RPR)				
(5) NDF Receivables in U.S. Dollars	Dollar	5.7	39.1	72.4
(6) Petroleum imports / FINIMP	appreciation	(5.7)	(39.1)	(72.4)
(5)+(6)	Net Effect			

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For the sensitivity analysis of the interest rate hedging instrument, the Company used the future LIBOR curve (BBA - British Bankers Association) as of December 31, 2009 at maturity of the swap and of the syndicated loan (hedged item), which occurs in 2011, in order to define the likely scenario. Scenarios II and III were estimated with a 25% and 50% deterioration, respectively, in the estimate of the likely LIBOR.

Based on the three interest rate scenarios, management estimated the values of its loan and of the hedging instrument by calculating the future cash flows associated with each instrument adopted according to the projected scenarios and adjusting them to present value by the rate in effect on December 31, 2009. The result is stated on the table below:

	Risk	Scenario I (likely)	Scenario II	Scenario III
Interest rate swap (in dollars)				
(1) LIBOR / fixed rate swap	Increase in	1.5	2.0	2.6
(2) LIBOR Debt	LIBOR	(1.5)	(2.0)	(2.6)
(1)+(2)	Net Effect			

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22. CONTINGENCIES AND COMMITMENTS

a) Civil, tax and labor proceedings

On October 7, 2005, the subsidiaries Cia Ultragraz and Bahiana Distribuidora de Gás Ltda. (Bahiana) filed for and obtained a preliminary injunction to offset PIS and COFINS credits against other taxes administered by the Federal Revenue Service, notably IRPJ and CSLL. The decision was confirmed by a trial court judgment on May 16, 2008. Under the preliminary injunction obtained, the subsidiaries have been making judicial deposits for these debits in the accumulated amount of R\$ 135.8 as of December 31, 2009 (R\$ 117.7 as of 2008) and have recorded a corresponding liability.

Subsidiaries Cia. Ultragaz, Utingás Armazenadora S.A. (Utingás), Tequimar, Transultra and Ultracargo - Operações Logísticas e Participações Ltda. (Ultracargo Participações) have filed actions with a motion for preliminary injunction seeking full and immediate utilization of the supplementary monetary adjustment based on the Consumer Price Index (IPC)/National Treasury Bonds (BTN) for 1990 (Law 8200/91) and maintain a provision of R\$ 15.4 as of December 31, 2009 (R\$ 14.6 as of 2008) to cover any contingencies if they lose such actions.

The Company and some of its subsidiaries have filed actions with a motion for preliminary injunction against the application of the law restricting offset of tax losses (IRPJ) and negative tax bases (CSLL) determined as of December 31, 1994 to 30% of the income for the year. As a result of the position of the Federal Supreme Court (STF) and based on the opinion of its legal counsel, a provision was recorded for this contingency in the amount of R\$ 7.0 as of December 31, 2009 (R\$ 6.8 as of 2008).

The subsidiary IPP has proposed a Declaratory Action questioning the constitutionality of Law No. 9,316/96, which denied the CSLL from the IRPJ calculation basis. This action had its application denied at lower court levels, and the subsidiary is awaiting the judgment of the appeal made to the STF. As a result of the decisions issued, the subsidiary has constituted judicial deposits and recorded a provision for contingencies amounting to R\$ 12.5 as of December 31, 2009.

Based on the favorable jurisprudence and the opinion of its legal counsel, the subsidiaries Oxiteno Nordeste and Oxiteno S.A. filed, lawsuits to obtain exclusion of export revenues from the tax base for CSLL. The preliminary injunction was granted to Oxiteno Nordeste and the subsidiary is making judicial deposits of the amounts in discussion, as well as provisioning the corresponding contingency in the amount of R\$ 0.9; the subsidiary Oxiteno S.A. awaits judgment of appeal against the sentence which denied the requested preliminary injunction, and is still normally paying the CSLL.

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The subsidiaries Oxiteno S.A., Oxiteno Nordeste, Cia. Ultragaz, Transultra, RPR, Tropical Transportes Ipiranga Ltda. (Tropical), Empresa Carioca de Produtos Químicos S.A. (EMCA) e IPP, filed for a preliminary injunction seeking the deduction of ICMS from the PIS and COFINS tax basis. Oxiteno Nordeste and IPP obtained a preliminary injunction and are paying the disputed amounts into judicial deposits, as well as recording the respective provision in the amount of R\$ 43.6 as of December 31, 2009 (R\$ 24.3 as of 2008); the others subsidiaries did not obtain a preliminary injunction and are awaiting the judgment of these lawsuits.

The Company and its subsidiaries obtained preliminary injunctions to pay PIS and COFINS contributions without the changes introduced by Law 9,718/98 in its original version. The ongoing questioning refers to the levy of these taxes on sources other than revenues. In 2005, the STF decided the question in favor of the taxpayer. Although it has set a precedent, the effect of this decision does not automatically apply to all companies, since they must await judgment of their own legal lawsuits. In the first half of 2007, the Company and its subsidiaries reversed previously recorded accruals in the amount of R\$ 12.8, net of attorney's fees. The Company has subsidiaries whose lawsuits have not yet been decided. If all ongoing lawsuits are finally decided in favor of the subsidiaries, the Company estimates that the total positive effect on income before income tax and social contribution will reach R\$ 34.2, net of attorney's fees.

The Company and its subsidiaries are recording provision for PIS and COFINS calculated on the basis of the interest on capital. The total amount accrued at December 31, 2009 is R\$ 21.7 (R\$ 21.9 as of 2008).

The subsidiary IPP has provisions for contingencies related to ICMS related mainly to: (a) ownership of the credit for the difference between the value that was the basis for the retention tax and the amount actually practiced in sales to final consumers, resulting in excessive retention of ICMS by the Refinery, R\$ 50.3, (b) delinquency notice for interstate sales of fuel to industrial customers without taxation of ICMS, because the interpretation of Article 2 of the LC 87/96, R\$ 40.6, (c) requirement of the reversal of ICMS credits in the State of Minas Gerais, in the interstates, made under Article 33 of the ICMS Convention 66/88, which allowed the maintenance of the credits and was suspended by a preliminary injunction granted by the STF, R\$ 39.2, (d) requirement of ICMS-ST on interstate sales from the distributors to final consumers, because there is no retention under the duration of the Conventions ICMS 105/92 and 112/93 R\$ 17.7 (e) assessments for deducting of unconditional discounts from the tax basis for ICMS due to tax substitution, in the state of Minas Gerais, R\$ 16.8, (f) delinquency notice resulting from lack of ICMS collection in the States due to errors or lack of delivery of reports in interstate operations, contemplated by Convention ICMS 54/02, that enabled the transfer of ICMS to the state of fuel consumption, R\$ 3.8, and (g) requirement for the reversal of ICMS credits on transportation services taken during the freight reimbursement system established by the DNC (currently ANP - National Petroleum, Natural Gas and Biofuel Agency), R\$ 8.9.

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The main tax claims of the subsidiary IPP that were considered to pose a possible risk (but not probable) of loss, and based on this position, have not been provided for in the financial statements, relate to ICMS and related mainly to: (a) assessments for lack of retention of ICMS-ST in the sale of petroleum products to customers who held decisions designed to separate the tax substitution, R\$ 101.8, (b) requirement of proportionate reversal of ICMS credits in view of the acquisitions of hydrous ethanol to give higher values than the its sales, because of the transfer of a portion of financial support for agriculturists (FUPA) made by the distributors upon the acquisitions subsequently reimbursed by the DNC, R\$ 69.7, (c) requirement of the reversal credit on the difference between the values that formed the basis for withholding tax and the amounts actually charged on sales to final consumers, R\$ 39.2, (d) assessments for alleged non-payment of taxes, R\$ 47.0, (e) requirement by SEFAZ RJ-reversal of ICMS credits on purchases of basic oils, due to the subsequent output of finished lubricant without taxation, R\$ 34.7, (f) delinquency notice on interstate sales of fuel for industrial customer without ICMS, following the interpretation of Article 2 of LC 87/96, R\$ 14.6, (g) records of notices issued in Ourinhos / SP for the operations to return the loan of ethanol made with tax deferral, R\$ 18.4, (h) assessments in the State of Rio de Janeiro demanding the reversal of ICMS credits generated in interstate shipments made under Article 33 of the ICMS Convention 66/88, which allowed the maintenance of credit and was suspended by a preliminary injunction granted by STF, R\$ 14.2, (i) disallowance of ICMS credits taken in the bookkeeping of bills considered inapt, though the understanding of the STJ is in the sense that it is possible to take credit for the buyer even if there is defect in the document of the seller, provided that the remains confirmed that the transaction actually took place, R\$ 15.0, (j) records of notices issued on the grounds of alleged improper calculation of the base of ICMS, since it was not included in the database to calculate the value of the tax itself in interstate operations with petroleum products for final consumers, R\$ 12.8, (k) requiring the reversal of ICMS credits on the freight contract to transport fuel, due to the fact that the operation is not taxed as constitutional non-impact, for R\$ 12.4 and (l) assessments arising from surplus or shortage of stock, occurred due to differences in temperature or handling the product in which the review believes that there is input or output without a corresponding issue of invoice, R\$ 10.1.

In addition, the subsidiary IPP has infraction of the non-approval of set-off of IPI credits appropriate under inputs taxed whose outputs were under the protection of immunity. The non-provisioned amount of contingency, updated as of December 31, 2009, is R\$ 53.3 (R\$ 40.4 as of 2008). The subsidiary also has legal lawsuits to guarantee the compensation of overpaid PIS values before the declaration of unconstitutionality of Decrees 2,445/88 and 2,449/88, which non-provisioned amount updated as of December 31, 2009 is R\$ 98.6.

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In 1990, the Union of Workers in Petrochemical Plants, of which the employees of the subsidiaries Oxiteno Nordeste and EMCA are members, filed an action against the subsidiaries to enforce adjustments established under a collective labor agreement, in lieu of the salary policies actually implemented. At the same time, the Employers' Association proposed a collective bargaining for interpretation and clarification of Clause Four of the agreement. Based on the opinion of its legal counsel, who reviewed the latest decision of STF in the collective bargaining and the position of the individual action of the subsidiary Oxiteno Nordeste, management of the subsidiaries did not deem it necessary to record a provision as of December 31, 2009.

Subsidiary Cia. Ultragaz is facing an administrative case pending before the CADE, for alleged anticompetitive practice in cities in the Triângulo Mineiro region in 2001. Recently, the CADE entered a decision against Cia. Ultragaz imposing a penalty of R\$ 23.1. This administrative decision had its execution suspended under court order and the merits are being discussed in court. Based on the above elements and on the opinion of its legal counsel, the subsidiary's management did not record a provision to this contingency.

Subsidiary Cia. Ultragaz is the defendant in legal proceedings for damages arising from an explosion in 1996 in a shopping mall located in the City of Osasco, State of São Paulo. Such proceedings involve: (i) individual proceedings brought by victims of the explosion seeking compensation for loss of income and pain and suffering (ii) request for compensation for expenses of the shopping mall administrator and its insurer; and (iii) class action seeking economic and non-economic damages for all victims injured and dead. The subsidiary believes that it produced evidence that the defective gas pipelines in the shopping mall caused the accident, and Ultragaz's local LPG storage facilities did not contribute to the explosion. Out of the 64 actions decided to date, 63 were favorable, of which 29 are already shelved; only 1 was adverse in the second instance, which can still be appealed, and if such decision is upheld, the value is R\$ 17. There is only 1 action yet to be decided. The subsidiary has insurance coverage for these legal proceedings, and the value not insured is R\$ 19.6. The Company did not record any provision for this value because it considers the chances of realization of this contingency as essentially remote.

Subsidiary IPP has provisions for settlement of terms of contracts with customers and ex-service providers, as well as environmental issues, in the amount of R\$ 31.7 as of December 31, 2009 (R\$ 3.7 in 2008).

The Company and its subsidiaries have other pending administrative and legal proceedings, which were estimated by their legal counsel as possible and/or remote risk, and the related potential losses were not provided for by the Company and its subsidiaries based on these opinions. The Company and its subsidiaries also have litigations for recovery of taxes and contributions, which were not recorded in the financial statements due to their contingent nature.

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Movements in provisions, net of amounts in escrow, are as follows:

Provisions	Balance in 2008	Opening balance of Texaco acquisition	Additions	Write-offs	Adjustments	Balance in 2009
IRPJ and CSLL	143.6	12.6	14.6		11.3	182.1
PIS and COFINS	48.8	8.0	8.8	(1.7)	4.1	68.0
ICMS	62.7	132.1	1.2	(7.9)	4.5	192.6
INSS	8.1			(0.3)	0.7	8.5
Civil litigation	3.9	28.5		(0.5)		31.9
Labor litigation	11.4	12.0		(14.6)*	0.2	9.0
Other	5.6		0.8	(0.2)	0.7	6.9
(-) Amounts in escrow	(148.1)	(23.8)	(20.8)	1.1	(12.7)	(204.3)
Total	136.0	169.4	4.6	(24.1)	8.8	294.7

* In August 2009, the amount of R\$ 11.2, related to the education salary of IPP was reclassified to Other Payables, given the authorization to pay the amount in installments to the National Fund for Development of Education (FNDE).

In November 2009, the Company and its subsidiaries registered adhesion to a debt amnesty established by Law 11,941/09, allowing benefits of reduced penalties, interest, and legal fees, and are analyzing which debts before the Federal Revenue Services, Attorney General of the National Treasury and Social Security will be included in it. The deadline for this decision, in accordance with Law 11,941/09, expires at the end of February 2010 (see Note 25.b).

b) Contracts

Subsidiary Tequimar has agreements with CODEBA and Complexo Industrial Portuário Governador Eraldo Gueiros, in connection with its port facilities in Aratu and Suape, respectively. Such agreements set a minimum value for cargo movement of 1,000,000 tons per year in Aratu by 2022, and 250,000 tons per year in Suape, effective through 2027. With the acquisition of Puma's assets (see Note 13), the subsidiary Tequimar entered into another agreement with Complexo Industrial Portuário Governador Eraldo Gueiros that sets a additional minimum value for cargo movement of 400,000 tons of cargo per year in Suape, by 2029. If the annual movement is less than the minimum required, then the subsidiary will have to pay the difference between the actual movement and the minimum required by the agreements, using the port rates in effect at the date established for payment. As of December 31, 2009, such charges were R\$ 5.79 and R\$ 1.38 per ton for Aratu and Suape, respectively. The subsidiary has met the minimum cargo movement requirements since the beginning of the agreements.

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At December 31, 2009, future minimum lease payments under these operating leases are: R\$ 6.7 in 2010, R\$ 6.7 in 2011, R\$ 6.7 in 2012, R\$ 6.7 in 2013, R\$ 6.7 in 2014 and thereafter R\$ 55.5. A substantial part of these leases are paid directly to the port authorities by Tequimar's customers. The part of such lease expenses paid by Tequimar amounted to R\$ 4.0 in 2009, R\$ 2.6 in 2008 and R\$ 2.3 in 2007.

Subsidiary Oxitemo Nordeste has a supply agreement with Braskem S.A., setting a minimum value for quarterly consumption of ethylene and establishing conditions for the supply of ethylene until 2021. The minimum purchase commitment and the actual demand accumulated to December 31, 2009 and 2008, expressed in tons of ethylene, are shown below. In case of breach of the minimum purchase commitment, the subsidiary agrees to pay a penalty of 40% of the current ethylene price, to the extent of the shortfall. The provision of minimum purchase commitment is under renegotiation with Braskem, including the minimum purchase commitment related to 2009.

	Minimum purchase commitment		Accumulated demand (actual)	
	2009	2008	2009	2008
In tons of ethylene	189,694	173,005(*)	168,938	173,049

(*) Adjusted for the maintenance stoppages carried out by Braskem in the period.

At December 31, 2009, future minimum purchase commitment fines under this contract, based on the price prevailing at that date, are: R\$ 190.2 in 2010, R\$ 220.2 in 2011, R\$ 225.2 in 2012, R\$ 230.2 in 2013, R\$ 230.2 in 2014 and R\$ 1,646.4 between 2015 and 2021. Total purchases made under this contract were R\$ 541.1 in 2009, R\$ 697.9 in 2008 and R\$ 700.6 in 2007.

On August 1, 2008, the subsidiary Oxitemo S.A. signed an Ethylene Supply Agreement with Quattor Química S.A., valid until 2023, which establishes and regulates the conditions for supply of ethylene to Oxitemo based on the international market for this product. The minimum purchase is 19,800 tons of ethylene semiannually. In case of breach, the subsidiary agrees to pay a penalty of 30% of the current ethylene price, to the extent of the shortfall. At December 31, 2009, future minimum purchase commitments under this contract, based on the price prevailing at that date, are: R\$ 33.2 in 2010, R\$ 33.2 in 2011, R\$ 33.2 in 2012, R\$ 33.2 in 2013, R\$ 33.2 in 2014 and R\$ 298.8 between 2015 and 2023.

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c) Insurance coverage in subsidiaries

The Company maintains insurance policies to cover several risks to which it is exposed, including asset insurance against losses caused by fire, lightning, explosion of any kind, gale, aircraft crash and electrical damage, and other risks, covering the bases and other branches of all subsidiaries, except RPR, which maintains its own insurance. The maximum compensation value, including Loss of Profits, based on the risk analysis of maximum loss possible at a certain site is US\$ 1,050.0.

The General Responsibility Insurance program covers the Company and its subsidiaries, with a maximum aggregate coverage of US\$ 400.0 against losses caused to third parties as a result of accidents related to commercial and industrial operations and/or distribution and sale of products and services.

Group Life and Personal Accident, Health, National and International Transportation and all risks insurance policies are also maintained.

The coverages and limits of the insurance policies maintained are based on a careful study of risks and losses, conducted by local insurance advisors, and the type of insurance is considered by management to be sufficient to cover potential losses based on the nature of the business conducted by the companies.

d) Operating lease contracts

The subsidiaries IPP and Serma have operating lease contracts for the use of computer equipment. Until September 2009, the subsidiary Tropical had operating lease contract related to the use of transportation equipment (trucks).

These contracts have terms of 36 months. The subsidiaries have the option to purchase the assets at a price equal to the fair price on the date of option, and management does not intend to exercise such option.

The future disbursements (installments), assumed under these contracts, total approximately:

	2009	2008
Up to 1 year	0.5	0.7
More than 1 year	0.7	0.8
	1.2	1.5

The total payments of operating lease recognized as expense for the period was R\$ 0.9 in 2009 (R\$ 2.2 in 2008).

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23. EMPLOYEE BENEFITS AND PRIVATE PENSION PLAN

a) ULTRAPREV Associação de Previdência Complementar

The Company and its subsidiaries offer a defined-contribution pension plan to its employees, which is managed by Ultraprev - Associação de Previdência Complementar. Under the plan, the basic contribution of each participating employee is calculated by multiplying a percentage ranging from 0% to 11%, which is annually defined by the participant based on his/her salary. The sponsor companies match the amount of the basic contribution paid by the participant. As the participants retire, they choose to receive monthly either: (i) a percentage, ranging from 0.5% to 1.0% of the fund accumulated for the participant with Ultraprev, or (ii) a fixed monthly amount that will exhaust the fund accumulated for the participant within a period ranging from 5 to 25 years. Thus, the Company and its subsidiaries do not assume responsibility for guaranteeing amounts and periods of pension benefits. In 2009, the Company and its subsidiaries contributed R\$ 10.6 (R\$ 5.4 in 2008 and R\$ 3.5 in 2007) to Ultraprev, which amount is recorded as expense in the income statement for the year. The total number of employees participating in the plan as of December 31, 2009 was 7,197 active participants and 34 retired participants. In addition, Ultraprev had 30 former employees receiving benefits under the previous plan whose reserves are fully constituted.

b) Post-employment benefits

Ipiranga and RPR recognized a provision for post-employment benefits mainly related to seniority bonus, payment of Severance Pay Fund, and health and life insurance plan for eligible retirees.

The net liabilities for such benefits recorded as of December 31, 2009 are R\$ 102.0 (R\$ 86.5 in 2008), of which R\$ 12.0 (R\$ 8.8 in 2008) are recorded as current liabilities and R\$ 90.0 (R\$ 77.7 in 2008) as long-term liabilities.

The amounts related to such benefits were determined based on a valuation conducted by an independent actuary and are recorded in the financial statements in accordance with Resolution CVM 371/2000.

Significant actuarial assumptions adopted include:

Economic Factors

Discount rate for the actuarial obligation at present value - 10.86% per annum

Expected long-term rate of return on assets - 10.86% per annum

Average projected salary growth rate - 6.08% per annum

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Inflation rate (long term) - 4.0% per annum

Growth rate of medical services - 8.16% per annum

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Demographic factors

Mortality Table - AT 2000 Basic decreased by 10% (*)

Disabled Mortality Table - RRB 1983

Disability Table - RRB 1944 modified

Inflation rate (long term) - 4.0% per annum

Growth rate of medical services - 8.16% per annum

(*) CSO-80 mortality table was used for the life insurance benefit.

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24. SUMMARY AND RECONCILIATION OF THE DIFFERENCES BETWEEN ACCOUNTING PRACTICES ADOPTED IN BRAZIL AND ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA (U.S. GAAP)

I - Description of GAAP differences

The consolidated financial statements of the Company are prepared in accordance with accounting practices adopted in Brazil, which comply with those prescribed by the Brazilian corporate law and specific standards established by the Brazilian Securities Commission (CVM). Note 3 to the consolidated financial statements summarize the accounting practices adopted by the Company.

In 2008, significant modifications were made to accounting practices adopted in Brazil as part of the convergence project with IFRS. Due to these changes, some practices adopted in Brazil and U.S. GAAP were converged as from January 1, 2008, as mentioned in Notes 2, 3 and 24. Accounting practices, which differ significantly from U.S. GAAP, are summarized below.

a) Inflation accounting

The Company accounted for the effects of inflation in its consolidated financial statements through December 31, 1995. Under U.S. GAAP, Brazil was considered to be a highly inflationary economy until July 1, 1997, and the effect of inflation was recognized until December 31, 1997.

In determining amounts under U.S. GAAP, the effects of inflation for the years ended December 31, 1996 and 1997 were determined using the Índice Geral de Preços - Disponibilidade Interna - IGP-DI index, which is widely-accepted and respected index published monthly by the Fundação Getúlio Vargas.

Through December 31, 1995, the Company used indexes established by the government to restate balances and transactions for purposes of its corporate law financial statements. Such indexes do not necessarily represent changes in general price levels, as would be required under U.S. GAAP.

Because the Company's management believes that the Índice Geral de Preços - Disponibilidade Interna - IGP-DI is an appropriate and consistent measurement of the general price inflation in Brazil and because of its availability, for U.S. GAAP purposes the Company adopted the IGP-DI for restatement of its financial statements through December 31, 1995, replacing the government-mandated index. This procedure is consistent with the recommendation by the Brazilian Task Force (organized under the AICPA International Practices Task Force to review the issue of the appropriate index to be used for preparing price-level adjusted financial statements of Brazilian companies filing with the SEC) of using the IGP-M or IGP-DI for such purposes. Thus, all non-monetary assets and liabilities were restated using the IGP-DI since the inception of the Company, through December 31, 1997.

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b) Reversal of property, plant and equipment revaluations and related deferred tax liabilities

For U.S. GAAP reconciliation purposes, the revaluation of property, plant and equipment and the related deferred income tax effects recorded in the financial statements prepared in accordance with accounting practices adopted in Brazil have been eliminated in order to present property, plant and equipment at historical cost less accumulated depreciation. Accordingly, depreciation on such revaluation charged to income has also been eliminated for U.S. GAAP reconciliation purposes.

c) Deferred charges

Until 2007, accounting practices adopted in Brazil permitted the deferral of research and development costs and pre-operating expenses incurred in the construction or expansion of a new facility until the facility begins commercial operations.

In order to comply with the changes promoted by Law 11,638/07 and 11,941/09, the Company adopted the new Brazilian accounting practices in 2008 (prospectively), as mentioned in Notes 2 and 3.i).

After 2008, the balance of deferred charges only includes restructuring costs that will produce benefits in future years (see Note 15). The Company and its subsidiaries decided to maintain the balances until they are fully amortized.

For U.S. GAAP reconciliation purposes, such amounts do not meet the conditions established for deferral and, accordingly, have been charged to income, and the related amortization under accounting practices adopted in Brazil has been reversed.

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d) Investments in affiliated companies

As from 1996 to 2007, the Brazilian corporate law allowed certain less than 20% owned affiliated companies in which an investor owns more than 10% of voting stock to be accounted for under the equity method. In addition, certain more than 20% and less than 50% owned affiliated companies deemed not significant in relation to their parent company were accounted for at cost.

In order to comply with the changes promoted by Law 11,638/07 and 11,941/09, the Company adopted the new Brazilian accounting practices in 2008 (prospectively), as mentioned in Notes 2 and 3.e), that resulted in the convergence of the accounting practices adopted in Brazil with U.S. GAAP.

For U.S. GAAP reconciliation purposes, less than 20% owned affiliated companies have been accounted for on the basis of cost, and more than 20% and less than 50% owned affiliated companies have been accounted for on the equity method for all years presented.

The Brazilian corporate law allows certain jointly controlled corporate entities to be consolidated on a pro rata basis. U.S. GAAP requires these entities to be reported under the equity method. The Company's investment in RPR is consolidated using the pro rata method under accounting practices adopted in Brazil.

e) Capitalization of interest in relation to construction in progress

Under accounting practices adopted in Brazil, prior to January 1, 1996 the Company was not required to capitalize the interest cost of borrowed funds as part of the cost of the related asset. Under U.S. GAAP, capitalization of borrowed funds during construction of major facilities is recognized as part of the cost of the related assets.

Under U.S. GAAP, interest on construction-period financing denominated in foreign currencies is capitalized using contractual interest rates, exclusive of foreign exchange or monetary correction gains or losses. Interest on construction-period financing denominated in Reais is capitalized.

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f) Acquisitions and business combinations

Under accounting practices adopted in Brazil, assets and liabilities of acquired entities are reflected at book values. Goodwill is represented by the excess of purchase price paid over the value of net assets and until 2008 was amortized on a straight-line basis over the periods estimated to be benefited. After 2008, goodwill ceased to be amortized and continue to be tested for impairment.

Under U.S. GAAP, business combinations are accounted for by the acquisition method utilizing fair values. Goodwill is not amortized and should be tested for impairment. An impairment test of goodwill is performed annually or more frequently if events or changes in circumstances indicate that the goodwill might be impaired. Such impairment test is performed utilizing a two-step method. The first step compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, the second step is performed to measure the amount of impairment loss, if any. The second step compares the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. If the implied fair value of reporting unit goodwill is lower than the carrying amount of such goodwill, an impairment loss is recognized. Company applied prospectively the ASC 805 Business Combination (previous Statement of Financial Accounting Standards (SFAS) 141Revised), to business combinations occurring on or after the January 1, 2009.

Under accounting practices adopted in Brazil, purchases by subsidiaries of their own stock from minority shareholders are initially recorded at cost. Upon cancellation of these shares, the difference between cost and the related book value of the subsidiary s shareholders equity is recorded by the parent company and in the consolidated financial statements as a capital gain or loss. Direct purchases by the parent company of the subsidiaries stock from minority shareholders are recorded at cost, with the difference between cost and the related book value of the subsidiaries shareholders equity recorded as positive or negative goodwill by the parent company and in the consolidated financial statements.

Under U.S. GAAP, purchases of treasury stock by subsidiaries from non-controlling interests and direct purchases by the parent company of the subsidiaries stock from non-controlling interests are recorded as step acquisitions under the acquisition method, with assignment of the purchase price to the underlying assets and liabilities based on their fair values and recording of goodwill to the extent that the purchase price exceeds the proportionate amount of the net fair value of the assets and liabilities. No gain or loss is recognized upon either purchase or cancellation of the shares.

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Acquisition of Texaco

As mentioned in Note 4, the Company acquired, through its subsidiary Sociedade Brasileira de Participações Ltda. (SBP), the company Chevron Brasil Ltda. (CBL) and Sociedade Anônima de Óleo Galena Signal (Galena) for the amount of R\$ 1,355.5. This acquisition allowed the Company's expansion in the fuel and lubricant distribution business to the Central West, Northeast and North regions of Brazil and an increase in its operational scale, resulting in benefits to the Company, resellers, clients, consumers and the communities in which it operates.

Under accounting practices adopted in Brazil, the goodwill breaks down into R\$ 399.0 based on expected future profitability and R\$ 344.4 based on the difference between the fair value and the carrying value of the assets.

Under U.S. GAAP, the Company recorded the acquisition based on the fair value of the assets acquired and liabilities assumed and determined goodwill in accordance with the acquisition method of accounting prescribed by ASC 805. This allocation is completed and resulted in the identification of goodwill as shown below.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the conclusion of the acquisition:

	R\$
Current assets	625.0
Non-current assets	260.1
Property, plant and equipment	618.7
Intangible assets	253.7
Goodwill	177.8
 Total assets acquired and goodwill	 1,935.3
Current liabilities	311.9
Non-current liabilities	267.9
 Net assets	 1,355.5

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Goodwill recorded under accounting practices adopted in Brazil	399.0
Deferred taxes effects on goodwill	(134.7)
Goodwill recorded under accounting practices adopted in Brazil, net of deferred taxes effects	264.3
Goodwill difference between U.S. GAAP and accounting practices adopted in Brazil	86.5
Goodwill recorded under U.S. GAAP	177.8
Intangible assets fair value adjustments:	
Trademark acquired - Texaco	25.5
Relationship with customers	96.0
	121.5
Difference between the fair value and the carrying value of the assets (treated similarly between accounting practices adopted in Brazil and U.S. GAAP)	344.4

Of the R\$ 121.5 of intangible assets acquired, R\$ 25.5 was assigned to a registered trademark that is being amortized in 5 years. The remaining R\$ 96.0 of acquired intangible assets is being amortized in approximately 4 years.

The goodwill generated under accounting practices adopted in Brazil is normally deductible for tax purposes, upon merger of the acquired entities.

The following summary presents the Company's unaudited pro forma information for the period ended December 31, 2009, in accordance with accounting practices adopted in Brazil, as if the acquisition had been completed at the beginning of this year. The pro forma information is only presented for comparative purposes and does not purport to be indicative of what would have occurred had the acquisition actually been made at such dates, nor is it necessarily indicative of future operating results:

Amounts under accounting practices adopted in Brazil	2009
Net sales and services	39,104.9
Operating income before financial items	886.9
Net income	449.6
Net earnings per share - whole R\$	3.30

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Acquisition of União Terminais

As mentioned in Note 4, the Company acquired, through its subsidiary Terminal Químico de Aratu S.A. Tequimar, the company União Terminais e Armazéns Gerais Ltda. for the amount of R\$ 487.0.

Under accounting practices adopted in Brazil, the goodwill breaks down into R\$ 326.6 based on expected future profitability and R\$ 75.4 based on the difference between the fair value and the carrying value of the assets.

Under U.S. GAAP, the Company recorded the acquisition based on the fair value of the assets acquired and liabilities assumed and determined goodwill in accordance with the acquisition method of accounting prescribed by SFAS 141. This allocation is completed and resulted in the identification of goodwill as shown below.

Goodwill recorded under accounting practices adopted in Brazil based on expected future profitability	326.6
Goodwill difference between U.S. GAAP and accounting practices adopted in Brazil	
Intangible assets (*)	(31.6)
Deferred taxes effects on intangible assets	10.8
Intangible assets, net	(20.8)
Deferred taxes effects on difference between fair value and carrying value of assets	25.6
Goodwill recorded under U.S. GAAP	331.4
Difference between the fair value and the carrying value of the assets (treated similarly between accounting practices adopted in Brazil and U.S. GAAP)	75.4

(*) The goodwill difference between U.S. GAAP and accounting practices adopted in Brazil in the amount of R\$ 31.6 are intangible assets referring to customers agreements. Under U.S. GAAP, this amount is being amortized in accordance with the period of customer agreements. In 2009 and 2008, the amortization amount in the income statement was R\$ 10.6 and R\$ 4.0, respectively.

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The estimated amortization expense for the next period is as follows:

Until 1 year	7.2
From 1 to 2 years	2.8
From 2 to 3 years	2.0
From 3 to 4 years	1.4
From 4 to 5 years	0.3
Thereafter	3.3
Total	17.0

The goodwill generated under accounting practices adopted in Brazil is normally deductible for tax purposes, upon incorporation of the acquired entities.

The following summary presents the Company's unaudited pro forma consolidated results of operations for the periods ended December 31, 2008 and 2007, in accordance with accounting practices adopted in Brazil, as if the acquisition had been completed at the beginning of each period. The pro forma information is only presented for comparative purposes and does not purport to be indicative of what would have occurred had the acquisition actually been made at such dates, nor is it necessarily indicative of future operating results:

Amounts under accounting practices adopted in Brazil	2008	2007
Net sales and services	28,326.3	24,809.2
Operating income before financial items	732.6	607.7
Net income	408.1	225.9
Net earnings per share - whole R\$	3.00	1.67

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Acquisition of Ipiranga

As mentioned in Note 4, on April 18, 2007, the Company acquired the controlling interest of Ipiranga and of RPR, management of the later which is equally shared among Petrobras, Ultrapar, and Braskem. The results of Ipiranga and RPR have been included in the consolidated financial statements since April 2007. Following the transaction, Ultrapar, already the largest LPG distributor in Brazil, became the second largest group in the fuel distribution business in Brazil, with approximately 15% market share. Ultrapar believes that fuel distribution is a natural extension of LPG distribution because it has similar profitability drivers: logistics efficiency, management of a dealer network, and leveraging of a renowned brand.

The cost of acquisition was R\$ 1,857.9.

Under U.S. GAAP, the Company recorded the acquisition based on the fair value of the assets acquired and liabilities assumed and determined goodwill in accordance with the acquisition method of accounting prescribed by SFAS 141. This allocation is completed and resulted in the identification of goodwill as shown below.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the conclusion of the acquisition:

	R\$
Current assets	1,649.6
Non-current assets	431.5
Property, plant and equipment	456.3
Intangible assets	95.3
Goodwill	413.7
 Total assets acquired and goodwill	 3,046.4
Current liabilities	814.7
Non-current liabilities	373.8
 Net assets	 1,857.9

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Goodwill recorded under accounting practices adopted in Brazil	484.0
Goodwill difference between U.S. GAAP and accounting practices adopted in Brazil	(70.3)
Goodwill recorded under U.S. GAAP	413.7
Intangible assets:	
Trademark acquired - Ipiranga	83.4
Franchise agreement am/pm	11.9
	95.3

Of the R\$ 95.3 of acquired intangible assets, R\$ 83.4 was assigned to a registered trademark that is not subject to amortization. The remaining R\$ 11.9 of acquired intangible assets has a useful life of approximately 8 years.

The goodwill was assigned to the fuel/lubricant distribution segment.

The goodwill generated under accounting practices adopted in Brazil is normally deductible for tax purposes, upon incorporation of the acquired entities.

The carrying amount of goodwill by Company for the years ended December 31, 2009 and December 31, 2008 are as follows:

Balance as of December 31, 2007	413.7
Write-off of accounting for uncertainty in income taxes	(1.1)
Tax benefit applied to reduce goodwill	(1.8)
Balance as of December 31, 2008	410.8
Write-off of accounting for uncertainty in income taxes	(1.2)
Tax benefit applied to reduce goodwill	(22.2)
Balance as of December 31, 2009	387.4

The following summary presents the Company's unaudited pro forma consolidated results of operations for the period ended December 31, 2007, in accordance with accounting practices adopted in Brazil, as if the fuel/lubricant distribution acquisition had been completed at the beginning of that year. The pro forma information is only presented for comparative purposes and does not purport to be indicative of what would have occurred had the acquisition actually been made on such dates, nor is it necessarily indicative of future operating results:

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Amounts under accounting practices adopted in Brazil	2007
Net sales and services	24,743.8
Operating income before financial items	586.7
Net income	210.2
Net earnings per share - whole R\$	1.55

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Acquisition of Petrolog

On April 30, 2007 the Company acquired, through its subsidiary Transultra - Armazenamento e Transporte Especializado Ltda., the company Petrolog Serviços e Armazéns Gerais Ltda. for the amount of R\$ 8.1, recording goodwill in the amount of R\$ 6.5, amortized over 10 years, based on its expected future profitability. Under accounting practices adopted in Brazil, the goodwill was amortized until December 31, 2008, when its amortization ceased. The Company has not identified any other significant differences between accounting practices adopted in Brazil and U.S. GAAP in relation to this acquisition. The goodwill is not amortized for U.S.GAAP purposes.

Acquisition of Oxiteno Andina, C.A.

On September 13, 2007 the Company acquired, through its subsidiary Barrington S.L., the company Oxiteno Andina, C.A. for the amount of R\$ 15.0, recording goodwill in the amount of R\$ 0.2, amortized over 10 years, based on its expected future profitability. Under accounting practices adopted in Brazil, the goodwill was amortized until December 31, 2008, when its amortization ceased. The Company has not identified any other significant differences between accounting practices adopted in Brazil and U.S. GAAP in relation to this acquisition. The goodwill is not amortized for U.S.GAAP purposes.

g) Earnings per share

Under accounting practices adopted in Brazil, the Company is permitted to determine earnings per share based upon the weighted average number of shares outstanding during each year that earnings are reported. Subsequent changes in the Company's share capital, such as stock dividends, are not retroactively reflected in the disclosure of the number of shares outstanding and in the calculation of earnings per share under accounting practices adopted in Brazil, except for the reverse stock split.

Under U.S. GAAP, earnings per share are determined based upon the weighted average number of shares outstanding during the period, giving retroactive effect to stock dividends and stock splits. Non-vested shares granted to certain executives of the Company as disclosed in Note 24.I.k) are not included in the computation of basic earnings per share even though the shares are legally issued, since such shares are contingently returnable. These non-vested shares are included in diluted earnings per share applying the treasury stock method. The calculation of earnings per share under U.S. GAAP is shown in Note 24.V.a).

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h) Available-for-sale securities

Equity securities

Until 2007, under accounting practices adopted in Brazil, available-for-sale equity securities were generally carried at cost, less provision charged to the statement of income if a loss in value was considered to be other than temporary.

For U.S. GAAP reconciliation purposes, the available-for-sale equity securities had been recorded at estimated fair value, and the resulting accumulated adjustment, net of deferred tax effect, had been recognized as a separate component of shareholders' equity. In 2008, the equity securities classified as available-for-sale were disposed of, resulting in a loss of R\$ 11.2 recognized in net income.

Debt securities

Until 2007, under accounting practices adopted in Brazil, available-for-sale debt securities were generally carried at cost, plus interest income earned less provisions, when applicable, charged to the statement of income to reduce its carrying value to market value. As from 2008, in order to comply with the changes promoted by Law 11,638/07 and 11,941/09, the Company adopted the new Brazilian accounting practices, as mentioned in Notes 2 and 3.c). Thus after 2008, debt securities are treated similarly under accounting practices adopted in Brazil and U.S. GAAP (see Note 5).

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i) Accounting for derivative financial instruments

Until 2007, the Company's financial statements were prepared in accordance with accounting practices adopted in Brazil where derivative financial instruments were recorded at net settlement price as determined on each balance sheet date. As from 2008, in order to comply with the changes promoted by Law 11,638/07 and 11,941/09, the Company adopted the new Brazilian accounting practices, as mentioned in Notes 2 and 3.c). Thus after 2008, under accounting practices adopted in Brazil and for U.S. GAAP derivative financial instruments are treated similarly (see Note 21).

The Company has a hedging derivative instrument accounted for using hedge accounting recognized in the shareholders' equity (see Note 17.g).

The following table provides a detail of our derivative financial instruments outstanding at the end of each period for which income statement is being presented.

Description	Notional amount		2009		Receiving side Interest rate	Paying side Interest rate	Book value Gain (loss)	Fair value - U.S. GAAP Gain (loss)	Adjustment Gain (loss)*
	Receive currency	Pay currency							
Swap	US\$ 60.0	R\$ 97.7			4.9% fixed	99.5% of CDI - floating	9.6	9.6	
Swap	US\$ 60.0	US\$ 60.0			Libor + 1.25% - floating	4.9% - fixed	(4.0)	(4.0)	
Swap	US\$ 24.8	R\$ 43.6				85.8% to 96.0% of CDI - floating	(1.0)	(1.0)	
Swap	R\$ 76.6	US\$ 44.0			66.4% to 85.4% of CDI - floating		1.5	1.5	
Swap	R\$ 44.4	US\$ 25.2			70.8% to 82.4% of CDI - floating		1.3	1.3	
Swap	US\$ 43.0	R\$ 76.8			2.0% to 3.2% - fixed	82.9% to 115.3% of CDI - floating	(3.6)	(3.6)	
Swap	US\$ 75.0	R\$ 165.1			8.0% - fixed	143.0% of CDI - floating	(41.0)	(41.0)	
NDF	US\$ 73.0	R\$ 127.7			above R\$/USD 1.8096	below R\$/USD 1.8096	(1.8)	(1.8)	
Total							(39.0)	(39.0)	

(*) As informed above, from 2008 on, in accordance with accounting practices adopted in Brazil, hedges are measured at fair value.

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		2008				Book	Fair value -	Adjustment
		Notional amount		Receiving side	Paying side	value	U.S. GAAP	Gain (loss)
Description	Receive	Pay	Interest rate		Interest rate	Gain	Gain (loss)	Gain (loss)*
	currency	currency				(loss)		
Swap	US\$ 60.0	R\$ 97.7	4.9% fixed		99.5% of CDI - variable	33.1	33.1	
Swap	US\$ 60.0	US\$ 60.0	Libor + 1.25% - floating		4.9% - fixed	(6.7)	(6.7)	
Swap	US\$ 3.1	R\$ 7.4			75.9% to 86.8% of CDI - variable	(0.2)	(0.2)	
Swap	R\$ 44.0	US\$ 18.3	44.7% to 68.0% of CDI variable			0.9	0.9	
Swap	US\$ 0.8	R\$ 2.4	7.0% fixed		105.9% of CDI - variable	(1.9)	(1.9)	
Swap	US\$ 59.5	R\$ 122.4	4.1% to 7.5% fixed		76.5% to 105,0% of CDI - variable	12.7	12.7	
Total						37.9	37.9	

(*) As informed above, from 2008 on, in accordance with accounting practices adopted in Brazil, hedges are measured at fair value.

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2007

Description	Notional amount				Receiving side Interest rate	Paying side Interest rate	Book value Gain (loss)	Fair value - U.S. GAAP Gain (loss)	Adjustment Gain (loss)
	Receive currency	Pay currency							
Swap	US\$ 53.3	R\$ 128.9			5.1% fixed	101.7% to 102.0% of CDI - variable	(76.7)	(77.1)	(0.4)
Swap	US\$ 14.0	MXN 153.6				3.6% - fixed	(0.3)	(0.3)	
Swap	US\$ 1.9	R\$ 3.4				15.5% of CDI - variable	(0.0)	(0.0)	
Swap	R\$ 57.3	US\$ 31.8			8.9 to 49.5% of CDI - variable		0.9	0.9	
Swap	R\$ 17.0	US\$ 9.5			38.0 to 48.0% of CDI - variable		0.2	0.2	
Swap	US\$ 69.3	R\$ 126.6			5.0 to 7.0% of CDI - fixed	81.4% to 99.9% of CDI - variable	(4.5)	(4.4)	0.1
Swap	US\$ 1.4	R\$ 4.1			6.2% fixed	90.7% of CDI - variable	(4.4)	(4.4)	
Total							(84.8)	(85.1)	(0.3)

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j) Income tax and social contribution - accounting for uncertainty in income taxes

The Company adopted ASC 740 Income Taxes (previous Financial Accounting Board Interpretation No. 48 (FIN 48) Accounting for Uncertainty in Income Taxes), for U.S. GAAP purposes. This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of tax positions taken, or expected to be taken, in a tax return. This interpretation also provides a guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transaction. A reconciliation of the beginning and ending amounts of the unrecognized tax benefits is as follows:

Balance at January 1, 2007	0.9
Increase related to current year tax positions	19.4
Increase from business combination of Ipiranga/Refinery	5.9
Balance at December 31, 2007	26.2
Decrease related to current year tax positions	(0.8)
Balance at December 31, 2008	25.4
Decrease related to current year tax positions	(1.2)
Balance at December 31, 2009	24.2

If recognized, the total amount of R\$ 20.6 of unrecognized tax benefits would have a positive impact on the Company's effective rate.

It is possible that the amount of unrecognized tax benefits will change in the next twelve months, however, an estimate of the range of the possible change cannot be made at this time due to the long time usually required to reach a settlement agreement with the tax authorities.

The Company's policy is to record penalties and interest related to tax contingencies and obligations as financial expenses in the consolidated statements of income. Total interest and penalties expenses related to uncertain tax benefits amounted to R\$ 1.5 (R\$ 1.4 in 2008 and R\$ 1.3 in 2007). Total accrued interest and penalties as of December 31, 2009, December 31, 2008 and December 31, 2007 were R\$ 6.7, R\$ 5.2 and R\$ 3.8, respectively, and were not included in the table above.

The Company files its tax returns for income tax and social contribution as prescribed by the applicable tax laws. The Company is subject to examination by fiscal authorities from 2004 to 2009.

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k) Accounting for share compensation plan

As mentioned in Note 9.c), the Company approved a share compensation plan on November 26, 2003.

Those shares were granted at no cost to the Company's executives. The grant-date fair values were determined based on the market value of these shares on the BM&FBovespa. These executives have the right to receive dividends on these shares provided that the professional relationship between them and the Company and its subsidiaries is not interrupted. These shares will cliff vest in five to ten years of the initial award. As of December 31, 2009, the total compensation cost related to non-vested awards not yet recognized amounts to R\$ 21.9, and 5.6 years is the weighted-average period over which this compensation cost is expected to be recognized.

Under accounting practices adopted in Brazil, the Company records compensation costs from its share compensation plan similarly to the requirements of ASC 718 "Stock Compensation", using the fair value of the award. Compensation cost is charged to earnings on a straight-line basis. The fair value of the award equals its intrinsic value at the grant date.

No adjustments are included in the U.S. GAAP reconciliation related to the Company's stock compensation plan since the Company applies ASC 718 "Stock Compensation" (previous SFAS 123 (R) "Share-Based Payment") to account for the plan for U.S. GAAP purposes.

For U.S. GAAP purposes, dividends declared under these non-vested restricted shares are accounted for initially as a charge to retained earnings. If the restricted shares do not vest, all previously declared dividends associated with the restricted shares are reversed from retained earnings and charged to compensation expense. As of December 31, 2009, accumulated dividends declared under all non-vested restricted shares outstanding amounted to R\$ 2.8 (R\$ 1.7 as of December 31, 2008).

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i) Fair value of guarantees

Under accounting practices adopted in Brazil, the Company is not required to record any liability related to guarantees given to third parties unless contingent obligations to make future payments under the guarantees are probable.

Under accounting practices adopted in Brazil, as of December 31, 2009, the Company has not recorded any liability related to these guarantees, as disclosed in Note 16.g).

Under U.S. GAAP, the Company recognizes, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing guarantees in accordance with ASC 460 Guarantees (previous FIN 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others). In the event that, at inception of the guarantee, the Company is required to recognize a liability under ASC 450 Contingencies (previous SFAS 5, Accounting for Contingencies), the liability initially recognized would be the greater of: (a) the amount of fair value of the value of the obligation undertaken in issuing guarantee, or (b) the contingent liability amount required to be recognized at inception of the guarantee by applying ASC 450.

Under U.S. GAAP, as of December 31, 2009 and 2008 the Company recorded a liability in the amount of R\$ 0.5 and R\$ 0.5, respectively, related to these guarantees based on their fair value. The respective offsetting entry of this liability was recorded as an expense. The net effect of this matter in the income statement as per U.S. GAAP is zero, R\$ 1.3 (income) and R\$ 0.5 (income), per the year ended on December 31, 2009, 2008 and 2007, respectively, at the time those guarantees were issued. The Company reduces the liability (by a credit to earnings) as it is released from risk under the guarantees.

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m) Translation adjustments

Until 2007, under accounting practices adopted in Brazil, assets and liabilities of foreign subsidiaries were translated into Reais at the exchange rate in effect at the end of the reporting period, and revenues, expenses, gains and losses were translated into Reais at the exchange rates prevailing at the end of each month. The net translation gain or loss is reported, net of tax, in the statement of income as Other operating income (loss) .

In order to comply with the changes promoted by Law 11,638/07 and 11,941/09, the Company adopted the new Brazilian accounting practices effective January 1, 2008 (prospectively), as mentioned in Notes 2 and 3.n). Thus, since 2008, under accounting practices adopted in Brazil and under U.S. GAAP, translation adjustments are treated similarly.

Under U.S. GAAP, the functional currency of Oxiteno México S.A. de C.V., is the Mexican Peso, and of Oxiteno Andina, C.A., is the Bolivares Fortes. As a consequence, the financial statements of Oxiteno México are translated into Reais in accordance with the criteria set forth in ASC 830 Foreign Currency Matters (previous SFAS 52 Foreign Currency Translation). Under these criteria, assets and liabilities are translated into Reais at the exchange rate in effect at the end of the reporting period, and revenues, expenses, gains and losses are translated into Reais at the average rates prevailing during the respective months. The net translation gain or loss resulting from this translation process is excluded from income and is presented as cumulative translation adjustments (CTA) in Other comprehensive income (loss) as a separate component of shareholders equity.

As a result of this difference, the net translation gain or loss, net of tax, reported in the statement of income under accounting practices adopted in Brazil in the amount of R\$ 2.3 (loss) as of December 31, 2007, was reclassified to Accumulated other comprehensive income (loss) in shareholders equity under U.S. GAAP. Such difference has no total shareholders equity effect.

n) Classification of advances on foreign exchange contracts

Certain subsidiaries of the Company have discounted certain advances on foreign exchange contracts under recourse financing arrangements with financial institutions operating in Brazil. If the original debtors fail to pay their obligations when due, these subsidiaries would be required to repay the financed amounts. Under accounting practices adopted in Brazil, such transactions are classified as a reduction of accounts receivable as mentioned in Note 6. Under U.S. GAAP, these transactions are recorded gross as accounts receivable and bank loans. As a consequence, current assets and liabilities under U.S. GAAP would be increased by R\$ 72.1 and R\$ 53.2 at December 31, 2009 and 2008, respectively. This U.S. GAAP difference has no net income or equity effect.

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o) Escrow deposits

Under accounting practices adopted in Brazil, the balances of escrow deposits are offset against their respective provisions under the heading Provision for contingencies in non-current liabilities (as shown on the table of Note 22.a).

Under U.S. GAAP, these balances are recorded gross as escrow deposits and provision for contingencies. As a consequence, non-current assets and liabilities under U.S. GAAP would be increased by R\$ 204.3 and R\$ 148.1 at December 31, 2009 and 2008, respectively. This U.S. GAAP difference has no net income or equity effect.

p) Asset retirement obligation

Under accounting practices adopted in Brazil, the Company expenses the amounts to be spent when certain assets are retired, as incurred.

Under U.S. GAAP, the Company adopts ASC 410 Asset Retirement and Environmental Obligations (previous SFAS 143 Accounting for Asset Retirement Obligations). Asset retirement obligations correspond to the legally required obligation to remove fuel tanks upon retirement. Under this standard, the fair value of asset retirement obligations are recorded as liabilities on a discounted basis when they are incurred, which is typically at the time the related assets are installed. Amounts recorded for the related assets will be increased by the amount of these obligations and depreciated over the related useful lives of such assets. Over time, the amounts recognized as liabilities will be accreted for the change in their present value until the related assets are retired or sold.

The following table indicates the changes to the asset retirement obligations in 2009:

Balance at December 31, 2008	83.2
Increase from business combination Texaco	20.0
Liabilities incurred	0.7
Liabilities settled	(3.3)
Revision in estimated cost	(38.1)
Accretion expense	2.1
Balance at December 31, 2009	64.6

q) Financial statement note disclosures

Under accounting practices adopted in Brazil, certain information is required to be disclosed in the notes to financial statements. The additional disclosures required by U.S. GAAP, which are relevant to the accompanying financial statements, are included herein.

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r) Lease agreements for fuel distribution and IT equipment

The subsidiaries IPP, Serma, and Tequimar have finance lease contracts primarily related to fuel distribution equipment, such as tanks, pumps, VNG compressors, computer equipment and vehicles. These contracts have terms between 36 and 60 months.

The subsidiaries have the option to purchase the assets at a price substantially lower than the fair value on the date of option, and management intends to exercise such option. No restrictions are imposed on these agreements.

Until 2007, under accounting practices adopted in Brazil, the lease for fuel distribution and IT equipment were treated as operating leases.

In order to comply with the changes promoted by Law 11,638/07 and 11,941/09, the Company adopted the new Brazilian accounting practices in 2008 (prospectively), as mentioned in Notes 2 and 3.g), that resulted in the convergence of accounting practices adopted in Brazil with U.S. GAAP. Thus since 2008, under accounting practices adopted in Brazil and under U.S. GAAP lease agreements are treated similarly.

s) Post-employment benefits

As explained in Note 23.b), under accounting practices adopted in Brazil, the Company accounts for post-retirement benefits following Resolution CVM 371/2000. Post-retirement benefits are unfunded and are the sole responsibility of each Ipiranga company. Under accounting practices adopted in Brazil actuarial gains and losses are deferred and recognized in income over the estimated remaining service period of the employees to the extent that those actuarial gains and losses exceed 10% of the higher of the plan assets or the projected benefit obligation.

Under U.S. GAAP such benefits are accounted for following ASC 715 Compensation - Retirement Benefits (previous SFAS 106 Employers Accounting for Post-retirement Benefits Other Than Pensions and, as from December 31, 2006, SFAS 158 Employers Accounting for Defined Benefit Pension and Other Post-retirement Plans - an amendment of SFAS No. 87, 88, 106 and 132 (R)). Under ASC 715, the funded status of the other post-retirement benefits must be recognized as a liability with an offsetting amount in accumulated other comprehensive income.

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t) Accounting for rebates

The subsidiary IPP offers to certain of its customers rebates in cash if they meet a specified cumulative volume of sales over a specified period of time. Under accounting practices adopted in Brazil, the rebate is recognized as an expense when the cumulative volume of sales has been met. Such rebates are offered to a reduced group of customers.

Under U.S. GAAP, following ASC 605 Revenue Recognition (previous EITF 01-9, Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)), a company should recognize a liability based on a systematic and rational allocation of the cost of honoring the commitment in each of the underlying transactions that result in progress toward earning the rebate.

u) Dividends and interest on shareholders' equity

Under accounting practices adopted in Brazil, at each year-end, management is required to propose a dividend distribution from earnings and accrue it in the financial statements. Under accounting practices adopted in Brazil, companies are permitted to distribute or capitalize an amount of interest, subject to certain limitations, calculated based on a government interest rate, on shareholders' equity. Such amounts are tax-deductible and are presented as a deduction from shareholders' equity.

Under U.S. GAAP, since proposed dividends may be ratified or modified at the annual Shareholders' Meeting, such dividends should not be considered as declared at the balance sheet date and therefore should not be accrued. However, interim dividends paid or interest credited to shareholders as interest attributable to shareholders' equity under Brazilian legislation should be considered as declared for U.S. GAAP purposes.

At December 31, 2009, the difference between accounting practices adopted in Brazil and U.S. GAAP for dividends and interest on shareholders' equity amounted to R\$ 56.9 (R\$ 52.4 at December 31, 2008).

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v) Fair value measurements

The Company adopts the ASC 820 Fair Value Measurements and Disclosures (previous SFAS 157), which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This statement does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information.

Under ASC 820, the inputs used to measure fair value must be classified into one of three level as follows:

Level 1 - Quoted prices in an active market for identical assets or liabilities;

Level 2 - Observable inputs other than Level 1, quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, and model-derived prices whose inputs are observable or whose significant value drivers are observable; and

Level 3 - Assets and liabilities whose significant value drivers are unobservable.

The valuation of financial assets and swaps measured at fair value in the Company's balance sheet at December 31, 2009 and 2008 is summarized below:

	Fair value as of December 31, 2009	Level 1	Level 2	Level 3
Financial assets:				
Cash and cash equivalents	1,887.5	1,887.5		
Short-term investments	427.5	274.0	153.5	
Long-term investments	7.2	7.2		
Swaps	(39.0)		(39.0)	
	2,283.2	2,168.7	114.5	

	Fair value as of December 31, 2008	Level 1	Level 2	Level 3
Financial assets:				
Cash and cash equivalents	1,275.1	1,275.1		
Short-term investments (excluding assets swaps)	813.5	115.2	698.3	
Long-term investments	7.2	7.2		
Swaps	37.9		37.9	
	2,133.7	1,397.5	736.2	

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Fair Value Measurements - The Company adopts the provisions of ASC 820, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements. The effective date of this statement was fiscal years beginning after November 15, 2008 for all nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The Company has considered the guidance provided by ASC 820 in its determination of estimated fair values.

Fair Value Option - The Company adopted the provisions of ASC 825 Financial Instruments (previous SFAS 159, The Fair Value Option for Financial Assets and Financial Liabilities). ASC 825 gives the Company the irrevocable option to report most financial assets and financial liabilities at fair value on an instrument-by-instrument basis, with changes in fair value reported in earnings. Fair value option has not been elected for any of the Company's financial assets and liabilities.

w) Non-controlling interests in consolidated financial statements

The Company adopted on its consolidated financial statements, the ASC 810 Consolidation (previous SFAS 160 Non-controlling Interests in Consolidated Financial Statements) which clarifies that a non-controlling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. This matter was effective for fiscal years beginning on or after December 15, 2008. The Company adopted this statement on its consolidated financial statements and the presentation and disclosure required is being applied retrospectively for all periods presented.

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x) Loyalty program

Since March 2009, subsidiary IPP sponsors a loyalty program that rewards the customers who accumulate points (called *km de vantagens*) when purchasing products at the Ipiranga gas station. The customer can exchange the points for discounts in products and services offered by partners.

Under U.S.GAAP, IPP defers revenue from these points issued based on their fair value. When applicable, revenue is deferred considering the points that are expected to be redeemed, and is recognized in the income statements when the points are redeemed or expire.

y) New pronouncements

In May 2009, the FASB issued SFAS 165 *Subsequent events* which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. In particular, this statement sets forth: (1) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; (2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and (3) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The standard is effective for interim or annual periods ending after June 15, 2009. The Company already adopts this statement and disclosed the information required in Note 25.

In June 2009, the FASB issued SFAS 166 *Accounting for Transfers of Financial Assets* an amendment of SFAS 140 *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. Subsequently, in December 2009, the Accounting Standards Update (ASU) 2009-16 *Transfer and servicing (ASC 860), Accounting for Transfers of Financial Assets* was issued. This Statement aims to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement in transferred financial assets. This Statement must be applied as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. Earlier application is prohibited. The Company is currently assessing the impact of this statement on its consolidated financial statements.

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In June 2009, the FASB issued SFAS 167, an amendment of FIN 46(R) Consolidation of Variable Interest Entities on the accounting and disclosure requirements for the consolidation of variable interest entities. Subsequently, in December 2009, the ASU 2009-17 Consolidations (ASC 810) was issued. The amendments replace the quantitative-based risks and rewards calculation for determining which reporting entity has a controlling financial interest in a variable interest entities, with a qualitative analysis when determining whether or not it must consolidate variable interest entities. The newly required approach is focused on identifying which reporting entity has the power to direct the activities of a variable interest entity that most significantly impacts the entity's economic performance and (1) the obligation to absorb losses of the entity or (2) the right to receive benefits from the entity. The amendments also require an enterprise to continuously reassess whether it must consolidate a variable interest entity. Additionally, the amendments eliminated the scope exception on qualifying special-purpose entities and require enhanced disclosures about: involvement with variable interest entities, significant changes in risk exposures, impacts on the financial statements, and, significant judgments and assumptions used to determine whether or not to consolidate a variable interest entity. This Statement shall be effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. The Company is currently assessing the impact of this statement on its consolidated financial statements.

In June 2009, the ASU 2009-02 Omnibus update was issued with amendments to various topics for technical corrections. There is no impact on the Company's financial statements related to the adoption of this ASU.

In August 2009, the ASU 2009-03 SEC Update was issued with amendments to various topics containing SEC Staff Accounting Bulletins. There is no impact on the Company's financial statements related to the adoption of this ASU.

In August 2009, the ASU 2009-05 Fair Value Measurements and Disclosures (ASC 820), Measuring Liabilities at Fair Value was issued. This ASU provides additional guidance for circumstances in which the fair value liability is not available and gives valuation techniques. In the periods presented, the Company did not have a liability at fair value.

In October 2009, the ASU 2009-13 Revenue Recognition (ASC 605), Multiple-Deliverable Revenue Arrangements was issued. The issue is the accounting for products and services deliverable separately rather than as a combined unit. This issue shall be applied prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with earlier application permitted. The Company is currently assessing the impact of this statement on its consolidated financial statements.

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II - Reconciliation of the differences between U.S. GAAP and accounting practices adopted in Brazil in net income

	Note 24.I.	2009	2008	2007
Net income as reported under accounting practices adopted in Brazil		466.7	390.3	181.9
Non-controlling interests (ASC 810)		3.6	4.5	101.0
Net income as reported under accounting practices adopted in Brazil, including non-controlling interests		470.3	394.8	282.9
Reversal of revaluation adjustments:	b)			
Depreciation of property, plant and equipment		2.4	1.7	2.3
Deferred tax effects		(0.1)	(0.1)	(0.3)
		2.3	1.6	2.0
Inflation accounting:	a)			
Property, plant and equipment - incremental depreciation		(2.9)	(2.8)	(2.2)
Other non-monetary assets			(2.6)	
		(2.9)	(5.4)	(2.2)
Deferred tax effects		1.0	2.0	0.8
		(1.9)	(3.4)	(1.4)
Different criteria for:				
Cancellation of subsidiaries treasury stock	f)	0.3	0.9	0.9
Deferred charges expensed:	c)			
Cost		(54.4)	(25.4)	(59.7)
Amortization		53.4	19.4	49.5
Depreciation of interest costs capitalized during construction	e)			(0.7)
Fair value adjustments relating to accounting for derivative instruments and hedging activities	i)		0.3	0.9
Asset retirement obligation depreciation of assets	p)	(0.2)	(0.4)	(0.1)
Asset retirement obligation in liabilities	p)	36.5	(2.1)	9.4
Post-employment benefits	s)	(11.3)	(8.6)	21.3
Translation adjustments - Oxiteno México and Oxiteno Andina (see Note 3.n)	m)			3.5
Accounting for rebates	t)	6.4	(2.4)	1.1
Loyalty program	x)	(9.9)		
Other individually insignificant adjustments	f, l)	(0.1)	1.2	1.1
		20.7	(17.1)	27.2

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Deferred tax effects		(9.3)	5.1	(8.3)
		11.4	(12.0)	18.9
Fair value adjustments relating to the acquisition of non-controlling interest in Oxiteno S.A. - Indústria e Comércio	f)	4.2	4.5	4.5
Deferred tax effects		(0.8)	(0.9)	(0.9)
		3.4	3.6	3.6
Fair value adjustments relating to the acquisition of SPGás Distribuidora de Gás Ltda.	f)	1.5	1.4	1.5
Reversal of goodwill amortization			3.2	4.9
Deferred tax effects		(0.5)	(1.5)	(2.2)
		1.0	3.1	4.2
Fair value adjustments relating to the acquisition of Oxiteno México S.A. de C.V.	f)	0.2	0.2	0.2
Deferred tax effects		(0.1)		(0.1)
		0.1	0.2	0.1

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	Note 24.I.	2009	2008	2007
Fair value adjustments relating to the acquisition of non-controlling interest in Companhia Ultragaz S.A.	f)	(0.6)	(0.5)	(0.6)
Reversal of goodwill amortization			0.4	0.3
Deferred tax effects		0.2		0.1
		(0.4)	(0.1)	(0.2)
Fair value adjustments relating to the acquisition of Ipiranga and RPR	f)	(5.7)	(5.4)	(15.3)
Deferred tax effects		1.5	1.5	5.2
Reversal of goodwill amortization			44.6	34.8
Tax benefit applied to reduce goodwill		(42.8)	(3.6)	
		(46.8)	37.1	24.7
Fair value adjustments relating to the acquisition of Texaco	f)	(24.5)		
Deferred tax effects		8.3		
Tax benefit applied to reduce goodwill		(10.7)		
		(26.9)		
Fair value adjustments relating to the acquisition of União Terminais	f)	(10.6)	(4.0)	
Reversal of goodwill amortization			6.8	
Deferred tax effects		3.6	1.3	
Tax benefit applied to reduce goodwill		(13.9)	(1.4)	
		(20.9)	2.7	
Accounting for uncertainty in income taxes	j)		(0.3)	(0.2)
Write-off of available-for-sale equity securities	h)		(11.2)	
Deferred tax effects			3.7	
			(7.5)	
Fair value adjustments relating to Ultraquímica Nova	f)			(1.5)
Deferred tax effects				0.5
				(1.0)
Lease contracts (see Note 16.e)	r)			2.5
Deferred tax effects				(0.9)

Net income under U.S. GAAP	391.6	419.8	335.2
Income attributable to: (ASC 810)			
Owners of the parent	387.9	415.2	217.5
Non-controlling interests	3.7	4.6	117.7
Basic and diluted earnings per share attributable to owners of the parent under U.S. GAAP (in accordance with ASC 260) - R\$: g)			
Basic and diluted earnings per common share (*)	2.90	3.09	2.55
Basic and diluted earnings per preferred share (*)	2.90	3.09	2.55

(*) The calculation of basic and diluted earnings per share is summarized in Note 24.V.a).

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III - Reconciliation of the differences between U.S. GAAP and accounting practices adopted in Brazil in shareholders' equity

	Note 24.I.	2009	2008
Shareholders' equity as reported under accounting practices adopted in Brazil		4,829.3	4,650.1
Non-controlling interests (ASC 810)		35.0	38.2
Shareholders' equity as reported under accounting practices adopted in Brazil, including non-controlling interests		4,864.3	4,688.3
Reversal of revaluation adjustments:	b)		
Property, plant and equipment		(20.9)	(23.3)
Deferred tax effects		0.4	0.5
		(20.5)	(22.8)
Inflation accounting:	a)		
Property, plant and equipment		14.6	17.5
Other non-monetary assets		0.2	0.2
		14.8	17.7
Deferred tax effects		(5.0)	(6.0)
		9.8	11.7
Different criteria for:			
Cancellation of subsidiaries' treasury stock	f)		(0.3)
Deferred charges:	c)		
Cost		(329.6)	(290.1)
Accumulated amortization		228.4	177.0
Reversal of goodwill amortization of SPGás acquisition under BR GAAP	f)	24.4	24.4
Reversal of net goodwill generated in the acquisition of Companhia Ultragaz S.A. shares from minority shareholders under BR GAAP	f)	(0.4)	(0.4)
Asset retirement obligation - Assets	p)	2.4	4.7
Asset retirement obligation - Liabilities	p)	(44.6)	(83.2)
Post-employment benefits	s)	5.8	6.4
Accounting for rebates	t)	(0.7)	(7.1)
Loyalty program	x)	(9.9)	
Other individually insignificant adjustments	f), l)	1.8	1.5
		(122.4)	(167.1)

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Deferred tax effects	39.2	55.9
	(83.2)	(111.2)

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	Note 24.I.	2009	2008
Fair value adjustments relating to the acquisition of non-controlling interest in Oxiteno S.A.			
Indústria e Comércio	f)	(9.5)	(13.7)
Deferred tax effects		2.0	2.8
		(7.5)	(10.9)
Adjustments relating to the acquisition of Ipiranga and RPR :	f)		
Fair value adjustments		152.9	158.6
Deferred tax effects		(49.1)	(50.6)
Goodwill difference between U.S. GAAP and accounting practices adopted in Brazil		9.4	10.7
Tax benefit applied to reduce goodwill		(46.4)	(3.6)
		66.8	115.1
Adjustments relating to the acquisition of SPGás Distribuidora de Gás Ltda.:	f)		
Fair value adjustments		(1.1)	(2.6)
Deferred tax effects		0.4	0.9
Goodwill difference between U.S. GAAP and accounting practices adopted in Brazil		14.4	14.4
		13.7	12.7
Adjustments relating to the acquisition of Oxiteno México S.A. de C.V.:	f)		
Fair value adjustments		(1.2)	(1.4)
Deferred tax effects		0.4	0.5
Goodwill difference between U.S. GAAP and accounting practices adopted in Brazil		0.7	0.7
		(0.1)	(0.2)
Fair value adjustments relating to the acquisition of non-controlling interest in Companhia Ultragaz S.A.	f)	2.1	2.7
Deferred tax effects		(0.7)	(0.9)
		1.4	1.8
Adjustments relating to the acquisition of União Terminais:			
Reversal of goodwill amortization	f)	6.8	6.8
Fair value adjustments		(14.6)	(4.0)
Deferred tax effects		4.9	1.3
Tax benefit applied to reduce goodwill		(15.3)	(1.4)
		(18.2)	2.7

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Adjustments relating to the acquisition of Texaco :	f)		
Fair value adjustments		23.8	
Deferred tax effects		16.6	
Goodwill difference between U.S. GAAP and accounting practices adopted in Brazil		(86.5)	
Tax benefit applied to reduce goodwill		10.7	
		(35.4)	
Accounting for uncertainty in income taxes	j)	(3.9)	(5.1)
Reversal of dividends	u)	56.9	52.4
Shareholders' equity under U.S. GAAP		4,844.1	4,734.5
Shareholders attributable to: (ASC 810)			
Owners of the parent		4,809.5	4,696.8
Non-controlling interests		34.6	37.7

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IV - Statement of changes in shareholders equity in accordance with U.S. GAAP

	2009	2008	2007
Shareholders equity under U.S. GAAP as of beginning of the year	4,734.5	4,676.4	1,872.9
Initial balance of non-controlling interests (ASC 810) - Note 24.I.w)			32.3
Changes in the year of non-controlling interests (ASC 810) - Note 24.I.w)	(3.1)	3.7	1.7
Additional paid-in capital	2.9	0.3	0.9
Net income of owners of the parent	387.9	415.2	217.5
Dividends and interest on own capital - Note 17.f) and 24.I.u)	(274.1)	(243.7)	(182.5)
Acquisition of treasury shares - Note 17.b)		(105.0)	(25.2)
Unrealized gains (losses) on available-for-sale equity securities, net of tax - Note 24.I.h)			6.5
Write-off of available-for-sale debt securities, net of tax previously recognized under U.S. GAAP - Note 24.I.h)		(12.8)	
Unrealized gains (losses) on available-for-sale debt securities, net of tax - Note 24.I.h) and 24.I.i)	2.1	(6.2)	3.8
Translation adjustment - Oxiteno México and Oxiteno Andina, net of tax - Note 3.n) and 24.I.m)	(13.6)	8.3	(2.3)
Retained earnings - Note 2		(0.3)	
Post-employment benefits - Note 24.I.s)	7.5	(1.4)	
Capital increase - Note 17.a)			2,750.8
Shareholders equity under U.S. GAAP as of the end of the year	4,844.1	4,734.5	4,676.4
Comprehensive income (ASC 220) (net of deferred taxes amounting to R\$ (3.3) in 2009, R\$ (1.0) in 2008 and R\$ 4.1 in 2007):			
Net income	391.6	419.8	335.2
Post-employment benefits - Note 24.I.s)	7.5	(1.4)	
Unrealized gains (losses) on available-for-sale equity securities, net of tax - Note 24.I.h)			6.5
Unrealized gains (losses) on available-for-sale debt securities, net of tax - Note 24.I.h) and 24.I.i)	2.1	(6.2)	3.8
Translation adjustment - Oxiteno México and Oxiteno Andina - net of tax - Note 3.n) and 24.I.m)	(13.6)	8.3	(2.3)
Total comprehensive income	387.7	420.5	343.2
Accumulated other comprehensive income as of the end of the year	(3.3)	0.7	21.1
Of which:			
Available for sale equity securities, net of tax - Note 24.I.h)			10.6
Unrealized gains (losses) on available for sale debt securities, net of tax - Note 24.I.h) and 24.I.i)	(4.1)	(6.2)	12.8

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Post-employment benefits - Note 24.I.s)	6.1	(1.4)	
Cumulative translation adjustment - Oxiteno México and Oxiteno Andina, net of tax - Note 3.n) and 24.I.m)	(5.3)	8.3	(2.3)
	(3.3)	0.7	21.1

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V - Additional disclosures required by U.S. GAAP**a) Earnings per share**

The following table provides a reconciliation of the numerators and denominators used in computing earnings per share as required by ASC 260 Earnings Per Share (previous SFAS 128). The calculation of earnings per share as summarized below is retroactively adjusted for the stock dividends and stock splits as mentioned in Note 24.I.g). As discussed in Notes 9.c) and 24.I.k), the Company has a share compensation plan. For all periods presented, the impact of this share compensation plan on diluted earnings per share was minimal and, consequently, the Company has not presented a separate calculation of the diluted earnings per share amount.

	2009	2008	2007
Distributed income	274.1	243.7	182.5
Undistributed income	113.8	171.5	35.0
Net income of owners of the parent under U.S. GAAP	387.9	415.2	217.5
Weighted average shares outstanding (in thousands)	133,893.3	134,173.4	85,449.8
Basic and diluted earnings per share - whole R\$	2.90	3.09	2.55

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b) Concentrations of credit risk

Financial instruments that potentially subject the Company to credit risk are cash and cash equivalents, financial investments and trade receivables. Based on the factors described below, the Company considers the risk of counterparty default to be minimal.

The Company manages its credit risk with respect to cash equivalents and financial investments by investing only in liquid instruments with highly-rated financial institutions. In addition, investments are diversified in several institutions, and credit limits are established for each individual institution.

Credit risk from accounts receivable is managed following specific criteria for each of the segments in which the Company operates, as follows:

Chemical segment (Oxiteno)

Oxiteno's customers of commodity chemicals are principally chemical companies, surface coating producers and polyester resin producers, while customers of specialty chemicals comprise a variety of industrial and commercial enterprises. No single customer or group accounts for more than 10% of total revenue. Management 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 negative trends in any particular market. Oxiteno acts as a member of a Credit Committee of the Brazilian chemical manufacturers, which meets monthly to review the financial position of clients showing past-due accounts.

Historically, the Company has not experienced significant losses on trade receivables.

Gas segment (Ultragaz)

Ultragaz sells its products to the residential, commercial and industrial markets.

Sales to the residential market are carried out directly by Ultragaz using cash terms, from which no significant credit risk exists, or through outside distributors. Credit risk in sales to outside distributors is reduced due to the large customer base, the ongoing control procedures that monitor the creditworthiness of distributors, and by short payment terms (19 days on average) that permit continuous monitoring of distributors compliance.

Sales to the commercial and industrial markets are usually made to customers that have signed a credit agreement with the Company and have provided guarantees or collateral. Periodic monitoring of these accounts is performed by specific staff with the support of financial information systems.

No single customer or group accounts for more than 10% of total revenue.

Historically, the Company has not experienced significant losses on trade receivables.

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Logistic segment (Ultracargo)

The main customers of Ultracargo are chemical companies. The average-term payment is 20 days.

Historically, the Company has not experienced significant losses on trade receivables.

Distribution segment (Ipiranga)

Ipiranga is engaged in the distribution of fuels/lubricants and related products.

Credit risk in sales is reduced due to the large customer base and by short payment terms (10 days on average). Periodic monitoring of these accounts is performed by specific staff with the support of financial information systems.

No single customer or group accounts for more than 10% of total revenue.

Historically, the Company has not experienced significant losses on trade receivables.

Company is dependent on few major suppliers

The Company is dependent on third-party manufacturers for all of its supply of ethylene, fuels/lubricants and LPG. In 2009, 2008 and 2007, products purchased from the Company's three largest suppliers accounted for approximately 68%, 75% and 77% of cost of sales and services, respectively. The Company is dependent on the ability of its suppliers to provide products on a timely basis and on favorable pricing terms. The loss of certain principal suppliers or a significant reduction in product availability from principal suppliers could have a material adverse effect on the Company. The Company believes that its relationship with its suppliers is satisfactory.

c) Impairment of long-lived assets

The Company reviews the carrying value of property, plant, and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition, at least on an annual basis. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends, and prospects, as well as the effects of obsolescence, demand, competition, and other economic factors.

No impairment has been recorded in the consolidated financial statements as of December 31, 2009.

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(Amounts in millions of Reais - R\$, unless otherwise stated)

d) Impairment of goodwill

Goodwill under U.S. GAAP consists of the excess of the cost paid for the acquisitions of SPGás, Oxiteno México, Oxiteno Andina, Petrolog, Ipiranga, União Terminais and Texaco over the net fair value assigned to assets acquired and liabilities assumed of these companies.

The Company has recorded the following amounts of goodwill under the U.S. GAAP financial statements:

Description	2009	2008
Gas segment (Ultragaz):		
Goodwill on the acquisition of SPGás (merged into Ipiranga Produtos de Petróleo S.A., see Note 4)	39.9	39.9
Chemical segment (Oxiteno):		
Goodwill on the acquisition of Oxiteno México S.A. de C.V.	2.6	2.6
Goodwill on the acquisition of Oxiteno Andina, C.A.	0.2	0.2
Cargo segment (Ultracargo):		
Goodwill on the acquisition of Petrolog	6.5	6.5
Goodwill on the acquisition of União Terminais	331.4	331.4
Distribution segment (Ultrapar):		
Goodwill on the acquisition of Ipiranga (*)	387.4	410.8
Goodwill on the acquisition of Texaco	177.8	

(*) In 2008 and 2009, the goodwill was adjusted due to write-off of accounting for uncertainty in income taxes previously recorded at the acquisition date, as disclosure in Note 24.I.f).

As mentioned in Note 24.I.f), goodwill is not amortized and is annually tested for impairment. No impairment has been recorded in the consolidated financial statements as of December 31, 2009.

e) Fair value of financial instruments

The fair values of accounts receivables and trade suppliers approximate their book values. The fair value of financial assets and financial liabilities, including cash and cash equivalents, short and long-term investments, financing, debentures and swap instruments are disclosed in Note 21.

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f) Environmental issues

The Company and its subsidiaries are subject to federal, state and local laws and regulations relating to the environment. These laws generally provide for control of air and effluent emissions and require responsible parties to undertake remediation of hazardous waste disposal sites. Civil penalties may be imposed for noncompliance. The Company provides for remediation costs and penalties when a loss is probable and the amount is reasonably determinable. It is not presently possible to estimate the amount of all remediation costs that might be incurred or penalties that may be imposed; however, management does not presently expect that such costs and penalties will have a material effect on the Company's consolidated financial position or results of operations. Recurring costs associated with managing hazardous substances and pollution in on-going operations, mainly composed of costs for treatment of effluents and for incinerations, amounted to R\$ 52.0, R\$ 23.2 and R\$ 16.9 for the years ended December 31, 2009, 2008 and 2007, respectively. Capital expenditures to limit or monitor hazardous substances and pollutants amounted to R\$ 7.9, R\$ 11.8 and R\$ 8.9, for the years ended December 31, 2009, 2008 and 2007, respectively.

The Company's subsidiary Ultracargo Operações Logísticas e Participações Ltda. has controlled environmental liabilities in two of its terminals, situated in Santos and Paulínia, which are in monitoring and remediation phases, respectively.

The Company has no historical mandated expenditures to remedy previously contaminated sites, and other infrequent or non-recurring clean-up expenditures that can be anticipated but which are not required in the present circumstances.

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(Amounts in millions of Reais - R\$, unless otherwise stated)

g) Segment information

Financial information about each of the Company's reportable segments based on records in accordance with accounting practices adopted in Brazil is as follows:

	2009	2008	2007
Net revenue from sales to unassociated companies:			
Gas	3,438.7	3,336.8	3,111.2
Distribution of fuels/lubricants	30,458.0	22,676.4	14,915.6
Chemical (1)	1,921.1	1,926.1	1,685.7
Logistics	272.9	237.4	186.0
Other (2)	25.2	91.3	22.8
	36,115.9	28,268.0	19,921.3
Intersegment:			
Gas	2.5	2.6	1.7
Distribution of fuels/lubricants	40.6		11.4
Chemical			
Logistics	64.1	46.0	43.1
Other (2)	231.4	107.6	65.5
Elimination	338.6	156.2	121.7
Net revenues:			
Gas	3,441.2	3,339.4	3,112.9
Distribution of fuels/lubricants	30,498.6	22,676.4	14,927.0
Chemical	1,921.1	1,926.1	1,685.7
Logistics	337.0	283.4	229.1
Other (2)	256.6	198.9	88.3
Elimination	(338.6)	(156.2)	(121.7)
	36,115.9	28,268.0	19,921.3
Operating profit before financial items:			
Gas	162.3	87.9	132.3
Distribution of fuels/lubricants	622.6	515.7	261.0
Chemical	40.7	154.2	106.7
Logistics	52.5	7.3	14.6
Other (2)	36.9	(51.7)	(28.5)
	915.0	713.4	486.1

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Net financial income	(278.2)	(168.8)	(119.4)
Other income	20.3	11.2	8.8
Income before income tax and social contribution and equity in income of affiliates	657.1	555.8	375.5
Equity in income of affiliates	0.2		0.6
Employees statutory interest		(9.4)	(7.3)
Income before taxes	657.3	546.4	368.8

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- (1) An important portion of our products could be classified as a commodity and a specialty chemical, depending on the use of such products by our customers. As a consequence, the Company considers that an exact split of sales between commodity and specialty chemicals would be impractical.
- (2) On the table above, other is composed mainly by parent company Ultrapar Participações S.A., by Imaven Imóveis Ltda, by the participation in the oil refining business and, after 2008, by Serma. Serma is an association of users of data processing equipment and related services, responsible for IT services for Ultrapar.

	2009	2008	2007
Additions to property, plant and equipment and intangible assets according to:			
Accounting practices adopted in Brazil:			
Gas	125.7	177.2	87.5
Distribution of fuels/lubricants	125.4	158.1	84.5
Chemical	164.6	518.3	443.9
Logistics	87.6	62.5	45.5
Other (1)	19.9	13.5	3.6
	523.2	929.6	665.0
U.S. GAAP:			
Gas	125.7	177.2	87.5
Distribution of fuels/lubricants	125.4	158.1	84.5
Chemical	164.6	518.3	443.9
Logistics	87.6	62.5	45.5
Other (1)	19.9	13.5	3.6
	523.2	929.6	665.0
Depreciation and amortization charges according to:			
Accounting practices adopted in Brazil:			
Gas	119.0	122.9	119.5
Distribution of fuels/lubricants	154.9	96.9	69.3
Chemical	104.1	55.8	48.1
Logistics	52.3	43.3	28.4
Other (1)	9.0	56.6	35.3
	439.3	375.5	300.6
U.S. GAAP:			
Gas	67.4	77.4	66.7
Distribution of fuels/lubricants	177.9	102.0	75.9

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Chemical	111.4	59.7	47.2
Logistics	55.6	33.3	30.2
Other (1)	9.3	16.2	0.7
	421.6	288.6	220.7

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	2009	2008	2007
Identifiable assets - accounting practices adopted in Brazil:			
Gas	1,316.2	1,081.8	841.9
Distribution of fuels/lubricants	5,729.8	3,256.6	2,874.8
Chemical	2,682.5	3,308.8	2,814.0
Logistics	886.9	862.5	375.1
Other (1)	513.9	1,157.5	2,403.5
	11,129.3	9,667.2	9,309.3
Identifiable assets - U.S. GAAP:			
Gas	1,281.4	1,040.3	800.1
Distribution of fuels/lubricants	5,785.6	3,374.3	2,961.9
Chemical	2,673.7	3,300.0	2,827.4
Logistics	868.2	866.0	375.0
Other (1)	506.3	1,145.9	2,390.5
	11,115.2	9,726.5	9,354.9

- (1) On the table above, other is composed by parent company Ultrapar Participações S.A., by Imaven Imóveis Ltda, by the participation in the oil refining business and, after 2008, by Serma.

Additional information about business segments can be found in Note 19.

	2009	2008
Investments in equity investees - accounting practices adopted in Brazil:		
Ipiranga	6.6	7.4
Chemical	5.8	5.5

See Note 12 for details of investment in equity investees.

h) Financial information for subsidiary guarantors and non-guarantor subsidiaries

Ultrapar Participações S.A. (Company) and Oxiteno S.A. (a wholly-owned subsidiary of Ultrapar Participações) are guarantors of LPG International Inc.'s obligations in connection with the issuance of registered notes. The guarantees are full and unconditional and are joint and several. The Company is presenting, pursuant to Rule 3 - 10 of Regulation S-X, condensed consolidating financial statements, according to accounting practices adopted in Brazil, of the guarantors and other Ultrapar subsidiaries, as follow:

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Consolidated Balance Sheets

as of December 31, 2009

	LPG Issuer	Ultrapar - Parent Company Guarantor	Oxiten - Wholly Owned Guarantor Subsidiary	Total Guarantors	Non - Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents	3.5	58.9	49.0	107.9	1,776.1		1,887.5
Financial investments					427.5		427.5
Trade accounts receivable			85.8	85.8	1,602.6	(75.9)	1,612.5
Inventories			89.9	89.9	852.3		942.2
Recoverable taxes		38.2	24.3	62.5	264.6	(6.9)	320.2
Deferred income tax and social contribution		0.1	21.5	21.6	147.2		168.8
Dividends receivable		119.0	3.1	122.1		(122.1)	
Other receivable			1.0	1.0	43.4	(9.1)	35.3
Prepaid expenses			1.8	1.8	24.2	(3.2)	22.8
Total current assets	3.5	216.2	276.4	492.6	5,137.9	(217.2)	5,416.8
NON-CURRENT ASSETS							
Long term assets							
Financial investments					7.2		7.2
Trade accounts receivable					338.2		338.2
Related companies	435.9	774.1	367.5	1,141.6	87.3	(1,657.2)	7.6
Deferred income tax and social contribution		0.1	17.3	17.4	455.3		472.7
Recoverable taxes		17.2	15.0	32.2	21.0		53.2
Escrow deposits		0.2	2.7	2.9	101.4		104.3
Other receivable					1.5		1.5
Prepaid expenses			4.2	4.2	47.4	(12.7)	38.9
	435.9	791.6	406.7	1,198.3	1,059.3	(1,669.9)	1,023.6
Investments							
Subsidiary and affiliates		4,955.8	1,281.3	6,246.3	10.3	(6,244.2)	12.4
Others			8.1	8.1	2.8		10.9
Fixed assets			393.1	393.1	3,398.4	(0.2)	3,791.3
Intangible assets		246.2	15.3	261.5	603.0		864.5
Deferred charges					9.8		9.8

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		5,202.0	1,697.8	6,909.0	4,024.3	(6,244.4)	4,688.9
Total non-current assets	435.9	5,993.6	2,104.5	8,107.3	5,083.6	(7,914.3)	5,712.5
TOTAL ASSETS UNDER ACCOUNTING PRACTICES ADOPTED IN BRAZIL	439.4	6,209.8	2,380.9	8,599.9	10,221.5	(8,131.5)	11,129.3

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Consolidated Balance Sheets

as of December 31, 2009

	LPG Issuer	Ultrapar - Parent Company Guarantor	Oxiteno - Wholly Owned Guarantor Subsidiary	Total Guarantors	Non - Guarantor Subsidiaries	Eliminations	Consolidated
RECONCILIATION TO U.S.GAAP							
Reversal of revaluation adjustments			(0.8)	(0.8)	(20.1)		(20.9)
Inflation accounting			3.9	3.9	10.9		14.8
Different criteria for:							
Deferred charges			(18.3)	(18.3)	(82.9)		(101.2)
Reversal of goodwill amortization of SPGás acquisition under BR GAAP					24.4		24.4
Reversal of goodwill amortization of Companhia Ultragas S.A. shares from non controlling interest					(0.4)		(0.4)
Reversal of goodwill amortization of Ipiranga/RPR					(37.0)		(37.0)
Reversal of goodwill amortization of Texaco					(75.8)		(75.8)
Reversal of goodwill amortization of União Terminais					(8.5)		(8.5)
Other individually insignificant adjustments					2.3		2.3
Fair value adjustments relating to the acquisition of União Terminais					(14.6)		(14.6)
Fair value adjustments relating to acquisition of non controlling interest in Oxiteno S.A. - Indústria e Comércio		(9.5)		(9.5)			(9.5)
Fair value adjustments relating to the acquisition of SPGás Distribuidora de Gás Ltda.					13.3		13.3
Fair value adjustments relating to the acquisition of Oxiteno México S.A. de C.V.					(0.5)		(0.5)
Fair value adjustments relating to acquisition of non controlling interest in Companhia Ultragas S.A					2.1		2.1
Fair value adjustments relating to the acquisition of Texaco					100.2		100.2
Fair value adjustments relating to the acquisition of Ipiranga/RPR					152.9		152.9
Assets retirement obligation - assets					2.4		2.4

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Deferred tax effects	2.0	5.2	7.2	(65.3)	(58.1)
Equity on U.S.GAAP adjustment	(61.7)	0.3	(61.4)	61.4	
TOTAL ASSETS UNDER U.S.GAAP	439.4	6,140.6	2,371.2	8,521.0	10,224.9
				(8,070.1)	11,115.2

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as of December 31, 2009

LIABILITIES	LPG Issuer	Ultrapar - Parent Company Guarantor	Oxiteno - Wholly Owned Guarantor Subsidiary	Total Guarantors	Non - Guarantor Subsidiaries	Eliminations	Consolidated
CURRENT LIABILITIES							
Loans, financing and debentures		1.4	127.1	128.5	953.6	(33.5)	1,048.6
Finance lease					10.7		10.7
Suppliers		10.0	61.5	71.5	886.1	(65.7)	891.9
Salaries and related charges		0.1	18.4	18.5	158.0		176.5
Taxes payable		1.4	1.1	2.5	123.0		125.5
Dividends payable		160.9	12.7	173.6	119.2	(122.1)	170.7
Income tax and social contribution payable					19.0		19.0
Deferred income tax and social contribution			0.1	0.1	0.8		0.9
Post-employment benefits					12.0		12.0
Provision for contingencies					23.0		23.0
Other payable		0.8	0.4	1.2	61.4	(14.4)	48.2
Total current liabilities		174.6	221.3	395.9	2,366.8	(235.7)	2,527.0
NON-CURRENT							
Long-term liabilities							
Financing and debentures		1,186.5	288.9	1,475.4	1,842.5		3,317.9
Finance lease					4.6		4.6
Related companies	431.0		267.6	267.6	936.6	(1,631.1)	4.1
Deferred income tax and social contribution			0.2	0.2	12.4		12.6
Provision for contingencies		3.5	28.9	32.4	239.3		271.7
Post-employment benefits					90.0		90.0
Other payable			1.0	1.0	36.1		37.1
	431.0	1,190.0	586.6	1,776.6	3,161.5	(1,631.1)	3,738.0
SHAREHOLDERS EQUITY							
Share capital		3,696.8	873.6	4,570.4	4,377.9	(5,251.5)	3,696.8
Capital reserve		4.5		4.5	44.2	(47.4)	1.3
Revaluation reserve		8.2	0.8	9.0	12.0	(12.8)	8.2
Profit reserves		1,268.8	707.8	1,976.6	22.2	(730.0)	1,268.8
Treasury shares		(123.7)		(123.7)		(12.7)	(136.4)

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Valuation adjustment	(4.1)	(3.9)	(4.1)				(4.1)
Cumulative translation adjustments	(5.3)	(5.3)	(5.3)				(5.3)
Non-controlling interests				31.7	3.3		35.0
Retained earnings	8.4			205.2	(213.6)		
TOTAL SHAREHOLDERS EQUITY UNDER ACCOUNTING PRACTICES ADOPTED IN BRAZIL	8.4	4,845.2	1,573.0	6,427.4	4,693.2	(6,264.7)	4,864.3
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY UNDER ACCOUNTING PRACTICES ADOPTED IN BRAZIL	439.4	6,209.8	2,380.9	8,599.9	10,221.5	(8,131.5)	11,129.3

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(Amounts in millions of Reais - R\$, unless otherwise stated)

Consolidated Balance Sheets**as of December 31, 2009**

SHAREHOLDERS EQUITY RECONCILIATION TO U.S.GAAP	LPG Issuer	Ultrapar - Parent Company Guarantor	Oxiteno - Wholly Owned Guarantor Subsidiary	Total Guarantors	Non - Guarantor Subsidiaries	Eliminations	Consolidated
Reversal of revaluation adjustments			(0.8)	(0.8)	(20.1)		(20.9)
Inflation accounting			3.9	3.9	10.9		14.8
Different criteria for:							
Deferred charges			(18.3)	(18.3)	(82.9)		(101.2)
Reversal of goodwill amortization of SPGás acquisition under BR GAAP					24.4		24.4
Reversal of goodwill amortization of Companhia Ultragaz S.A. shares from non-controlling interest					(0.4)		(0.4)
Reversal of goodwill amortization of Texaco					(86.5)		(86.5)
Reversal of goodwill amortization of Ipiranga and RPR					9.4		9.4
Reversal of goodwill amortization of União Terminais					6.8		6.8
Other individually insignificant adjustments			(0.1)	(0.1)	1.9		1.8
Fair value adjustments relating to the acquisition of União Terminais					(14.6)		(14.6)
Fair value adjustments relating to the acquisition of non-controlling interest in Oxiteno S.A. - Indústria e Comércio			(9.5)	(9.5)			(9.5)
Fair value adjustments relating to the acquisition of SPGás Distribuidora de Gás Ltda.					13.3		13.3
Fair value adjustments relating to the acquisition of Oxiteno México S.A. de C.V.					(0.5)		(0.5)
Fair value adjustments relating to the acquisition of non-controlling interest in Companhia Ultragaz S.A					2.1		2.1
Fair value adjustments relating to the acquisition of Texaco					23.8		23.8
Fair value adjustments relating to the acquisition of Ipiranga/RPR					152.9		152.9
Assets retirement obligation - assets					2.4		2.4
Assets retirement obligation - liabilities					(44.6)		(44.6)
Post-employment benefits					5.8		5.8
Loyalty program					(9.9)		(9.9)

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Accounting for uncertainty in income taxes	(0.2)		(0.2)	(3.7)		(3.9)
Accounting for rebates				(0.7)		(0.7)
Tax benefit applied to reduce goodwill				(51.0)		(51.0)
Deferred tax effects	1.9	5.2	7.1	2.0		9.1
Reversal of dividends	56.9		56.9			56.9
Equity on U.S.GAAP adjustment	(61.7)	0.3	(61.4)		61.4	
TOTAL SHAREHOLDERS EQUITY UNDER U.S.GAAP	8.4	4,832.6	1,563.2	6,405.0	4,634.0	(6,203.3)
						4,844.1

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Consolidated Statements of Income
for the year ended December 31, 2009

	LPG Issuer	Ultrapar - Parent Company Guarantor	Oxiteno - Wholly Owned Guarantor Subsidiary	Total Guarantors	Non - Guarantor Subsidiaries	Eliminations	Consolidated
GROSS REVENUE FROM SALES AND SERVICES			911.6	911.6	37,564.0	(624.2)	37,851.4
Deductions			(239.4)	(239.4)	(1,566.2)	70.1	(1,735.5)
NET REVENUE FROM SALES AND SERVICES			672.2	672.2	35,997.8	(554.1)	36,115.9
Cost of products and services sold			(598.1)	(598.1)	(33,332.0)	518.1	(33,412.0)
GROSS INCOME			74.1	74.1	2,665.8	(36.0)	2,703.9
OPERATING (EXPENSES) REVENUES		(0.7)	(131.5)	(132.2)	(1,704.5)	47.8	(1,788.9)
Selling and marketing			(33.2)	(33.2)	(790.2)	3.8	(819.6)
General and administrative		(0.7)	(92.6)	(93.3)	(653.1)	39.6	(706.8)
Depreciation and amortization			(6.0)	(6.0)	(275.8)		(281.8)
Other net operating income			0.3	0.3	14.6	4.4	19.3
OPERATING INCOME BEFORE FINANCIAL INCOME AND OTHER INCOME		(0.7)	(57.4)	(58.1)	961.3	11.8	915.0
Net financial income	0.9	(68.7)	25.0	(43.7)	(227.8)	(7.6)	(278.2)
Other income			(0.3)	(0.3)	20.6		20.3
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION, EQUITY IN INCOME OF AFFILIATES AND EMPLOYEES STATUTORY INTEREST	0.9	(69.4)	(32.7)	(102.1)	754.1	4.2	657.1
INCOME TAX AND SOCIAL CONTRIBUTION		(1.8)	10.0	8.2	(195.2)		(187.0)

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Current		(1.8)	(7.0)	(8.8)	(160.4)	(13.0)	(182.2)
Deferred charges			17.0	17.0	(42.4)		(25.4)
Tax incentives					7.6	13.0	20.6

**INCOME BEFORE EQUITY IN
INCOME OF AFFILIATES AND**

EMPLOYEES STATUTORY INTEREST	0.9	(71.2)	(22.7)	(93.9)	558.9	4.2	470.1
Equity in income of affiliates		537.9	75.6	613.5	23.0	(636.3)	0.2
Employees statutory interest							

**NET INCOME (LOSS) UNDER
ACCOUNTING PRACTICES ADOPTED
IN BRAZIL**

Income attributable to:	0.9	466.7	52.9	519.6	581.9	(632.1)	470.3
Owners of the parent	0.9	466.7	52.9	519.6	579.4	(633.2)	466.7
Non-controlling interests					2.5	1.1	3.6

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Table of Contents**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Amounts in millions of Reais - R\$, unless otherwise stated)

Consolidated Statements of Income
for the year ended December 31, 2009

	LPG Issuer	Ultrapar - Parent Company Guarantor	Oxiteno - Wholly Owned Guarantor Subsidiary	Total Guarantors	Non - Guarantor Subsidiaries	Eliminations	Consolidated
RECONCILIATION TO U.S.GAAP							
Reversal of revaluation adjustments			0.1	0.1	2.3		2.4
Inflation accounting			(0.4)	(0.4)	(2.5)		(2.9)
Different criteria for:							
Cancellation of subsidiaries treasury stock					0.3		0.3
Deferred charges					(1.1)		(1.1)
Fair value adjustments relating to the acquisition of União Terminais					(10.6)		(10.6)
Other individually insignificant adjustments			0.1	0.1	(0.2)		(0.1)
Assets retirement obligation - assets					(0.2)		(0.2)
Assets retirement obligation - liabilities					36.6		36.6
Fair value adjustments relating to acquisition of minority interest in Oxiteno S.A. - Indústria e Comércio		4.2		4.2			4.2
Fair value adjustments relating to the acquisition of SPGás Distribuidora de Gás Ltda.					1.5		1.5
Fair value adjustments relating to the acquisition of Oxiteno México S.A. de C.V.					0.2		0.2
Fair value adjustments relating to acquisition of minority interest in Companhia Ultragas S.A					(0.6)		(0.6)
Fair value adjustments relating to acquisition of Texaco					(24.5)		(24.5)
Fair value adjustments relating to acquisition of Ipiranga/RPR					(5.6)		(5.6)
Accounting for rebates					6.4		6.4
Loyalty program					(9.9)		(9.9)
Post-employment benefits					(11.3)		(11.3)
Tax benefit applied to reduce goodwill					(67.4)		(67.4)
Deferred tax effects		(0.8)	0.1	(0.7)	4.6		3.9
Equity on U.S.GAAP adjustment		(81.3)	(0.3)	(81.7)		81.7	
	0.9	388.8	52.5	441.2	499.9	(550.4)	391.6

**NET INCOME (LOSS) UNDER
USGAAP**

Income attributable to:							
Owners of the parent	0.9	388.8	52.5	441.2	496.2	(550.4)	387.9
Non-controlling interests					3.7		3.7

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Table of Contents**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Amounts in millions of Reais - R\$, unless otherwise stated)

Consolidated Statements of Cash Flows

for the year ended December 31, 2009

	LPG Issuer	Ultrapar - Parent Company Guarantor	Oxiteno - Wholly Owned Guarantor Subsidiary	Total Guarantors	Non - Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES							
Net income for the year	0.9	466.7	52.9	519.6	581.9	(632.1)	470.3
Adjustments to reconcile net income to cash provided by operating activities:							
Depreciation and amortization			43.8	43.8	395.5		439.3
PIS and COFINS credits on depreciation			2.0	2.0	8.2		10.2
Proceeds from sale of fixed assets			(0.3)	(0.3)	(17.2)		(17.5)
Interest, monetary and exchangerate changes	5.0	93.0	(78.7)	14.3	(175.9)	7.6	(149.0)
Provision (release of provision) for loss on fixed assets			0.1	0.1	0.4		0.5
Equity in income of subsidiaries and affiliates		(537.9)	(75.6)	(613.5)	(23.0)	636.3	(0.2)
Deferred income tax and social contribution			(17.0)	(17.0)	42.4		25.4
Others					3.7	(3.0)	0.7
Decrease (increase) in operating assets:							
Trade receivables			17.5	17.5	43.5	(21.0)	40.0
Recoverable taxes		(26.7)	17.4	(9.3)	52.7		43.4
Inventories			53.7	53.7	306.4	17.7	377.8
Prepaid expenses			(2.7)	(2.7)	(5.7)	5.2	(3.2)
Dividends received from subsidiaries		257.3	102.1	359.4	0.6	(360.0)	
Other receivables		1.0	2.7	3.7	67.9		71.6
Increase (decrease) in operating liabilities:							
Trade payables		9.6	(21.1)	(11.5)	64.9	(6.0)	47.4
Accrued interest					3.1		3.1
Wages and employee benefits			(8.4)	(8.4)	5.7		(2.7)
Taxes payable		1.3	(0.7)	0.6	23.6		24.2
Provision for contingencies		(1.4)	8.7	7.3	(5.9)		1.4
Other payables		(0.5)	0.5		(2.1)		(2.1)
	5.9	262.4	96.9	359.3	1,370.7	(355.3)	1,380.6

Net cash (used in) provided by operating activities

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YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Amounts in millions of Reais - R\$, unless otherwise stated)

Consolidated Statements of Cash Flows**for the year ended December 31, 2009**

	LPG Issuer	Ultrapar - Parent Company Guarantor	Oxiten - Wholly Owned Guarantor Subsidiary	Total Guarantors	Non - Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM INVESTMENT ACTIVITIES							
Financial investments, net of redemptions			46.7	46.7	311.7		358.4
Disposal (acquisition) of investments, net		57.9	(210.0)	(152.1)	(1,360.9)	152.4	(1,360.6)
Cash of acquired subsidiaries					29.4		29.4
Amounts in escrow			(0.1)	(0.1)	12.0		11.9
Acquisition of fixed assets			(36.9)	(36.9)	(447.6)		(484.5)
Increase to intangible assets			(7.1)	(7.1)	(31.6)		(38.7)
Gain on sale of fixed assets			0.6	0.6	43.7		44.3
Net cash (used in) provided by investment activities		57.9	(206.8)	(148.9)	(1,443.3)	152.4	(1,439.8)
CASH FLOWS FROM FINANCING ACTIVITIES							
Short-term debt, net	(34.3)	(1,354.3)	(49.0)	(1,403.3)	(114.3)		(1,551.9)
Long-term debt, net		1,184.4	226.7	1,411.1	1,076.6		2,487.7
Payment of financial lease					(13.9)		(13.9)
Related entities	29.6	(638.0)	(55.4)	(693.4)	813.4	(151.9)	(2.3)
Dividends paid		(237.6)	(19.8)	(257.4)	(345.5)	360.0	(242.9)
Sale of treasury shares to subsidiaries		5.2		5.2		(5.2)	
Net cash provided by (used in) financing activities	(4.7)	(1,040.3)	102.5	(937.8)	1,416.3	202.9	676.7
Effect of changes exchange in rates on cash and cash equivalents in foreign currency							
Increase (decrease) in cash and cash equivalents	1.2	(720.0)	(7.4)	(727.4)	1,338.6	(5.1)	(5.1)
Cash and cash equivalents at the beginning of the year	2.3	778.9	56.4	835.3	437.5		1,275.1

Cash and cash equivalents at the end of the year	3.5	58.9	49.0	107.9	1,776.1	1,887.5
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Table of Contents**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Amounts in millions of Reais - R\$, unless otherwise stated)

Consolidated Balance Sheets

as of December 31, 2008

ASSETS	LPG Issuer	Ultrapar - Parent Company Guarantor	Oxitenó - Wholly Owned Guarantor Subsidiary	Total Guarantors	Non - Guarantor Subsidiaries	Eliminations	Consolidated
CURRENT ASSETS							
Cash and cash equivalents	2.3	778.9	113.1	892.0	380.8		1,275.1
Financial investments			696.2	696.2	155.2		851.4
Trade accounts receivable			103.6	103.6	1,431.4	(105.7)	1,429.3
Inventories			154.1	154.1	886.8	(7.2)	1,033.7
Recoverable taxes		28.8	40.1	68.9	243.0		311.9
Deferred income tax and social contribution		0.1	10.4	10.5	101.3		111.8
Dividends receivable		98.3		98.3	2.1	(100.4)	
Other receivable		0.9	5.6	6.5	106.5	(9.4)	103.6
Prepaid expenses			0.6	0.6	20.4	(2.0)	19.0
Total current assets	2.3	907.0	1,123.7	2,030.7	3,327.5	(224.7)	5,135.8
NON-CURRENT ASSETS							
Long term assets							
Financial investments					7.2		7.2
Trade accounts receivable					210.1		210.1
Related companies	585.1	77.0	28.3	105.3	342.6	(1,027.4)	5.6
Deferred income tax and social contribution		0.1	13.1	13.2	395.5		408.7
Recoverable taxes		0.2	15.9	16.1	26.9		43.0
Escrow deposits			2.6	2.6	53.5		56.1
Other receivable					0.5		0.5
Prepaid expenses			2.9	2.9	33.2	(11.5)	24.6
	585.1	77.3	62.8	140.1	1,069.5	(1,038.9)	755.8
Investments							
Subsidiary and affiliates		4,765.5	1,114.5	5,877.9	12.9	(5,877.9)	12.9
Others		0.1	7.8	7.9	13.1		21.0
Fixed assets			389.8	389.8	2,742.1	(0.4)	3,131.5
Intangible assets		246.2	12.1	258.3	351.7	(15.4)	594.6
Deferred charges					15.6		15.6

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		5,011.8	1,524.2	6,533.9	3,135.4	(5,893.7)	3,775.6
Total non-current assets	585.1	5,089.1	1,587.0	6,674.0	4,204.9	(6,932.6)	4,531.4
TOTAL ASSETS UNDER ACCOUNTING PRACTICES ADOPTED IN BRAZIL	587.4	5,996.1	2,710.7	8,704.7	7,532.4	(7,157.3)	9,667.2

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Table of Contents**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Amounts in millions of Reais - R\$, unless otherwise stated)

Consolidated Balance Sheets**as of December 31, 2008**

	LPG Issuer	Ultrapar - Parent Company Guarantor	Oxiteno - Wholly Owned Guarantor Subsidiary	Total Guarantors	Non - Guarantor Subsidiaries	Eliminations	Consolidated
RECONCILIATION TO U.S.GAAP							
Reversal of revaluation adjustments			(1.0)	(1.0)	(22.3)		(23.3)
Inflation accounting			4.2	4.2	13.5		17.7
Different criteria for:							
Deferred charges			(18.3)	(18.3)	(94.8)		(113.1)
Reversal of goodwill amortization of SPGás acquisition under BR GAAP					24.4		24.4
Reversal of goodwill amortization of Companhia Ultragaz S.A. shares from minority shareholders					(0.4)		(0.4)
Reversal of goodwill amortization of Ipiranga/RPR					10.7		10.7
Reversal of goodwill amortization of União Terminais					6.8		6.8
Other individually insignificant adjustments					2.0		2.0
Fair value adjustments relating to the acquisition of União Terminais					(4.0)		(4.0)
Fair value adjustments relating to acquisition of minority interest in Oxiteno S.A. - Indústria e Comércio		(13.7)		(13.7)			(13.7)
Fair value adjustments relating to the acquisition of SPGás Distribuidora de Gás Ltda.					11.8		11.8
Fair value adjustments relating to the acquisition of Oxiteno México S.A. de C.V.					(0.7)		(0.7)
Fair value adjustments relating to acquisition of minority interest in Companhia Ultragaz S.A					2.7		2.7
Fair value adjustments relating to the acquisition of Ipiranga/RPR					158.6		158.6
Assets retirement obligation - assets					4.7		4.7
Deferred tax effects		2.7	5.2	7.9	(32.8)		(24.9)
Equity on U.S.GAAP adjustment		27.9	1.3	29.2		(29.2)	

TOTAL ASSETS UNDER U.S.GAAP	587.4	6,013.0	2,702.1	8,715.1	7,612.6	(7,186.5)	9,726.5
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Table of Contents**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Amounts in millions of Reais - R\$, unless otherwise stated)

Consolidated Balance Sheets

as of December 31, 2008

	LPG Issuer	Ultrapar - Parent Company Guarantor	Oxiteno - Wholly Owned Guarantor Subsidiary	Total Guarantors	Non - Guarantor Subsidiaries	Eliminations	Consolidated
LIABILITIES							
CURRENT LIABILITIES							
Loans and financing		1,203.8	117.4	1,321.2	324.3		1,645.5
Finance lease					12.6		12.6
Suppliers		0.4	82.6	83.0	627.0	(95.8)	614.2
Salaries and related charges		0.1	26.9	27.0	137.6		164.6
Taxes payable		0.1	1.8	1.9	87.1		89.0
Dividends payable		119.9	19.9	139.8	87.6	(100.4)	127.0
Income tax and social contribution payable					17.4		17.4
Post-employment benefits					14.7		14.7
Provision for contingencies					8.8		8.8
Deferred income tax and social contribution			1.6	1.6	30.9		32.5
Other payable		1.4	0.2	1.6	21.8	(2.0)	21.4
Total current liabilities		1,325.7	250.4	1,576.1	1,369.8	(198.2)	2,747.7
NON-CURRENT							
Long-term liabilities							
Loans and financing	577.3		247.6	247.6	1,176.0		2,000.9
Finance lease					12.9		12.9
Related companies		1.8	647.2	649.0	390.6	(1,035.2)	4.4
Deferred income tax and social contribution			0.6	0.6	17.6		18.2
Provision for contingencies		4.9	20.2	25.1	78.4		103.5
Post-employment benefits					77.7		77.7
Other payable			0.8	0.8	12.8		13.6
	577.3	6.7	916.4	923.1	1,766.0	(1,035.2)	2,231.2
SHAREHOLDERS EQUITY							
Share capital		3,696.8	665.1	4,361.9	4,137.4	(4,802.5)	3,696.8
Capital reserve		2.9		2.9	55.4	(57.4)	0.9
Revaluation reserve		10.3	1.0	11.3	19.5	(20.5)	10.3
Profit reserves		1,078.9	875.7	1,954.6	137.2	(1,012.9)	1,078.9
Treasury shares		(127.3)		(127.3)		(11.6)	(138.9)

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Valuation adjustment		(6.2)	(6.2)	(6.2)			(6.2)
Cumulative translation adjustments		8.3	8.3	8.3			8.3
Retained earnings	10.1				12.2	(22.3)	
Noncontrolling interest					34.9	3.3	38.2
TOTAL SHAREHOLDERS EQUITY UNDER ACCOUNTING PRACTICES ADOPTED IN BRAZIL	10.1	4,663.7	1,543.9	6,205.5	4,396.6	(5,923.9)	4,688.3
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY UNDER ACCOUNTING PRACTICES ADOPTED IN BRAZIL	587.4	5,996.1	2,710.7	8,704.7	7,532.4	(7,157.3)	9,667.2

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YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Amounts in millions of Reais - R\$, unless otherwise stated)

Consolidated Balance Sheets**as of December 31, 2008**

SHAREHOLDERS EQUITY RECONCILIATION TO U.S.GAAP	LPG Issuer	Ultrapar - Parent Company Guarantor	Oxiteno - Wholly Owned Guarantor Subsidiary	Total Guarantors	Non - Guarantor Subsidiaries	Eliminations	Consolidated
Reversal of revaluation adjustments			(1.0)	(1.0)	(22.3)		(23.3)
Inflation accounting			4.2	4.2	13.5		17.7
Different criteria for:							
Cancellation of subsidiaries treasury stock					(0.3)		(0.3)
Deferred charges			(18.3)	(18.3)	(94.8)		(113.1)
Reversal of goodwill amortization of SPGás acquisition under BR GAAP					24.4		24.4
Reversal of goodwill amortization of Companhia Ultragas S.A. shares from minority shareholders					(0.4)		(0.4)
Reversal of goodwill amortization of Ipiranga and RPR					10.7		10.7
Reversal of goodwill amortization of União Terminais under BRGAAP					6.8		6.8
Other individually insignificant adjustments			(0.2)	(0.2)	1.7		1.5
Fair value adjustments relating to the acquisition of União Terminais					(4.0)		(4.0)
Fair value adjustments relating to acquisition of minority interest in Oxiteno S.A. - Indústria e Comércio		(13.7)		(13.7)			(13.7)
Fair value adjustments relating to the acquisition of SPGás Distribuidora de Gás Ltda.					11.8		11.8
Fair value adjustments relating to the acquisition of Oxiteno México S.A. de C.V.					(0.7)		(0.7)
Fair value adjustments relating to acquisition of minority interest in Companhia Ultragas S.A					2.7		2.7
Fair value adjustments relating to the acquisition of Ipiranga/RPR					158.6		158.6
Assets retirement obligation - assets					4.7		4.7
Assets retirement obligation - liabilities					(83.2)		(83.2)
Post-employment benefits					6.4		6.4
Accounting for uncertainty in income taxes		(0.2)		(0.2)	(4.9)		(5.1)
Accounting for rebates					(7.1)		(7.1)
Tax benefit applied to reduce goodwill					(5.0)		(5.0)

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Deferred tax effects	2.8	5.3	8.1	(3.7)	4.4
Reversal of dividends	52.4		52.4		52.4
Equity on U.S.GAAP adjustment	27.9	1.3	29.2	(29.2)	
TOTAL SHAREHOLDERS EQUITY UNDER U.S.GAAP	10.1	4,732.9	1,535.2	6,266.0	4,411.5
				(5,953.1)	4,734.5

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Table of Contents**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Amounts in millions of Reais - R\$, unless otherwise stated)

Consolidated Statements of Income
for the year ended December 31, 2008

	LPG Issuer	Ultrapar - Parent Company Guarantor	Oxiteno - Wholly Owned Guarantor Subsidiary	Total Guarantors	Non - Guarantor Subsidiaries	Eliminations	Consolidated
GROSS REVENUE FROM SALES AND SERVICES			912.1	912.1	29,207.8	(583.5)	29,536.4
Deductions			(222.1)	(222.1)	(1,142.9)	96.6	(1,268.4)
NET REVENUE FROM SALES AND SERVICES			690.0	690.0	28,064.9	(486.9)	28,268.0
Cost of products and services sold			(595.8)	(595.8)	(25,993.1)	436.6	(26,152.3)
GROSS INCOME			94.2	94.2	2,071.8	(50.3)	2,115.7
OPERATING (EXPENSES) REVENUES		(42.6)	(125.3)	(167.9)	(1,277.4)	43.0	(1,402.3)
Selling and marketing			(28.5)	(28.5)	(557.0)	1.3	(584.2)
General and administrative		(0.3)	(92.7)	(93.0)	(491.3)	31.3	(553.0)
Depreciation and amortization		(42.9)	(7.0)	(49.9)	(241.1)	3.8	(287.2)
Other net operating income		0.6	2.9	3.5	12.0	6.6	22.1
OPERATING INCOME BEFORE FINANCIAL INCOME AND OTHER INCOME		(42.6)	(31.1)	(73.7)	794.4	(7.3)	713.4
Net financial income	(0.4)	(79.6)	(77.9)	(157.5)	16.9	(27.8)	(168.8)
Other income		210.4	4.3	214.7	7.0	(210.5)	11.2
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION, EQUITY IN INCOME OF AFFILIATES AND EMPLOYEES STATUTORY INTEREST	(0.4)	88.2	(104.7)	(16.5)	818.3	(245.6)	555.8
INCOME TAX AND SOCIAL CONTRIBUTION		(30.6)	7.9	(22.7)	(199.1)	70.2	(151.6)

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Current	(17.5)			(17.5)	(156.0)	(31.1)	(204.6)
Deferred charges	(13.1)	7.9		(5.2)	(52.3)	70.2	12.7
Tax incentives					9.2	31.1	40.3
INCOME BEFORE EQUITY IN							
INCOME OF AFFILIATES AND							
EMPLOYEES STATUTORY							
INTEREST	(0.4)	57.6	(96.8)	(39.2)	619.2	(175.4)	404.2
Equity in income of affiliates		332.7	180.3	513.0	(122.4)	(390.6)	
Employees statutory interest					(9.4)		(9.4)
NET INCOME (LOSS) UNDER							
ACCOUNTING PRACTICES							
ADOPTED IN BRAZIL							
	(0.4)	390.3	83.5	473.8	487.4	(566.0)	394.8
Income attributable to:							
Owners of the parent	(0.4)	390.3	83.5	473.8	482.4	(565.5)	390.3
Non-controlling interests					5.0	(0.5)	4.5

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Table of Contents**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Amounts in millions of Reais - R\$, unless otherwise stated)

Consolidated Statements of Income
for the year ended December 31, 2008

RECONCILIATION TO U.S.GAAP	LPG Issuer	Ultrapar - Parent Company Guarantor	Oxiteno - Wholly Owned Guarantor Subsidiary	Total Guarantors	Non - Guarantor Subsidiaries	Eliminations	Consolidated
Reversal of revaluation adjustments			0.1	0.1	1.7		1.8
Inflation accounting			(2.5)	(2.5)	(2.9)		(5.4)
Different criteria for:							
Cancellation of subsidiaries treasury stock					0.9		0.9
Deferred charges		(0.8)	(0.6)	(1.4)	(4.5)		(5.9)
Reversal of goodwill amortization					55.1		55.1
Fair value adjustments relating to accounting for derivative instruments and hedging activities					0.3		0.3
Amortization of intangible assets (customers contract)					(4.0)		(4.0)
Other individually insignificant adjustments		(0.3)	0.2	(0.1)	1.4		1.3
Assets retirement obligation - assets					(0.4)		(0.4)
Assets retirement obligation - liabilities					(2.1)		(2.1)
Fair value adjustments relating to acquisition of minority interest in Oxiteno S.A. - Indústria e Comércio		4.5		4.5			4.5
Fair value adjustments relating to the acquisition of SPGás Distribuidora de Gás Ltda.					1.5		1.5
Fair value adjustments relating to the acquisition of Oxiteno México S.A. de C.V.					0.2		0.2
Fair value adjustments relating to acquisition of minority interest in Companhia Ultragaz S.A					(0.6)		(0.6)
Fair value adjustments relating to acquisition of Ipiranga/RPR					(5.5)		(5.5)
Accounting for uncertainty in income taxes		0.1		0.1	(0.4)		(0.3)
Accounting for rebates					(2.4)		(2.4)
Write-off of available-for-sale equity securities			(11.2)	(11.2)			(11.2)

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Post-employment benefits					(8.6)		(8.6)
Tax benefit applied to reduce goodwill					(5.0)		(5.0)
Deferred tax effects	(0.6)	4.9	4.3		6.5		10.8
Minority interest					(0.1)		(0.1)
Equity on U.S.GAAP adjustment	33.9	(0.5)	33.4			(33.4)	
NET INCOME (LOSS) UNDER USGAAP	(0.4)	427.1	73.9	501.0	518.6	(599.4)	419.8
Income attributable to:							
Owners of the parent	(0.4)	427.1	73.9	501.0	513.5	(598.9)	415.2
Non-controlling interests					5.1	(0.5)	4.6

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YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Amounts in millions of Reais - R\$, unless otherwise stated)

Consolidated Statements of Cash Flows**for the year ended December 31, 2008**

	LPG Issuer	Ultrapar - Parent Company Guarantor	Oxiteno - Wholly Owned Guarantor Subsidiary	Total Guarantors	Non - Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES							
Net income for the year	(0.4)	390.3	83.5	473.8	487.4	(566.0)	394.8
Adjustments to reconcile net income to cash provided by operating activities:							
Depreciation and amortization		42.9	25.6	68.5	310.8	(3.8)	375.5
PIS and COFINS credits on depreciation			1.1	1.1	4.0		5.1
Proceeds from sale of fixed assets		(210.5)	(13.9)	(224.4)	(6.9)	210.5	(20.8)
Interest, monetary and exchangerate changes	38.7	152.3	22.2	174.5	77.8	27.8	318.8
Provision (release of provision) for loss on fixed assets					(1.9)		(1.9)
Equity in income of subsidiaries and affiliates		(332.7)	(118.7)	(451.4)	60.8	390.6	
Deferred income tax and social contribution		13.1	(7.8)	5.3	52.2	(70.2)	(12.7)
Others					0.6	1.0	1.6
Decrease (increase) in operating assets:							
Trade receivables			(27.4)	(27.4)	(152.9)	60.1	(120.2)
Recoverable taxes		5.2	(4.5)	0.7	(80.7)		(80.0)
Inventories			(71.2)	(71.2)	(288.9)	(27.0)	(387.1)
Prepaid expenses	(1.1)		0.7	0.7	(9.1)	5.2	(4.3)
Dividends received from subsidiaries		172.5	529.6	702.1		(702.1)	
Other receivables		0.1	(1.6)	(1.5)	(73.0)		(74.5)
Increase (decrease) in operating liabilities:							
Trade payables		(1.7)	27.6	25.9	31.2	(30.2)	26.9
Accrued interest					(24.4)		(24.4)
Wages and employee benefits			10.9	10.9	27.3		38.2

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Taxes payable	(12.2)	(1.0)	(13.2)	39.7	26.5
Provision for contingencies	0.2		0.2	(16.5)	(16.3)
Other payables	(1.5)	1.1	(0.4)	(71.3)	(71.7)
Net cash (used in) provided by operating activities	37.2	218.0	456.2	674.2	(704.1)

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Table of Contents**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Amounts in millions of Reais - R\$, unless otherwise stated)

Consolidated Statements of Cash Flows**for the year ended December 31, 2008**

	LPG Issuer	Ultrapar - Parent Company Guarantor	Oxiteno - Wholly Owned Guarantor Subsidiary	Total Guarantors	Non - Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM INVESTMENT ACTIVITIES							
Financial investments, net of redemptions			(6.7)	(6.7)	40.7		34.0
Disposal (acquisition) of investments, net		61.6	(80.8)	(19.2)	(432.4)	19.2	(432.4)
Cash of acquired subsidiaries					11.4		11.4
Capital contributions to subsidiaries		(1,101.8)		(1,101.8)		1,101.8	
Capital reduction of subsidiaries		470.0		470.0		(470.0)	
Amounts in escrow			(0.1)	(0.1)	(22.4)		(22.5)
Acquisition of fixed assets			(121.3)	(121.3)	(770.4)		(891.7)
Increase to intangible assets			(1.8)	(1.8)	(36.1)		(37.9)
Additions to deferred charges					(4.9)		(4.9)
Gain on sale of fixed assets			46.4	46.4	(1.4)		45.0
Net cash (used in) provided by investment activities		(570.2)	(164.3)	(734.5)	(1,215.5)	651.0	(1,299.0)
CASH FLOWS FROM FINANCING ACTIVITIES							
Short-term debt, net	(36.1)	(167.1)	(40.4)	(207.5)	(461.8)		(705.4)
Long-term debt, net			72.4	72.4	752.2		824.6
Payment of financial lease					(10.5)		(10.5)
Related entities		(34.3)	(196.0)	(230.3)	237.0	(12.4)	(5.7)
Dividends paid		(396.0)	(30.3)	(426.3)	(674.7)	702.1	(398.9)
Payment from Petrobras and Braskem for delivery of Petrochemical and Distribution Assets		1,731.3		1,731.3			1,731.3
Sale of treasury shares to subsidiaries		4.4		4.4		(4.4)	
Capital decrease			408.4	408.4	693.4	(1,101.8)	
Capital increase			(470.0)	(470.0)		470.0	
Acquisition of treasury shares		(105.0)		(105.0)			(105.0)
Net cash provided by (used in) financing activities	(36.1)	1,033.3	(255.9)	777.4	535.6	53.5	1,330.4

Effect of changes exchange in rates on cash and cash equivalents in foreign currency					7.8		7.8
Increase (decrease) in cash and cash equivalents	1.1	681.1	36.0	717.1	(305.9)	0.4	412.7
Cash and cash equivalents at the beginning of the year	1.2	97.8	20.4	118.2	743.4	(0.4)	862.4
Cash and cash equivalents at the end of the year	2.3	778.9	56.4	835.3	437.5	0.0	1,275.1

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Table of Contents**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(Amounts in millions of Reais - R\$, unless otherwise stated)

Consolidated Statements of Income
for the year ended December 31, 2007

	LPG Issuer	Ultrapar - Parent Company Guarantor	Oxiteno - Wholly Owned Guarantor Subsidiary	Total Guarantors	Non - Guarantor Subsidiaries	Eliminations	Consolidated
GROSS REVENUE FROM SALES AND SERVICES			808.7	808.7	20,438.8	(406.4)	20,841.1
Deductions			(190.3)	(190.3)	(792.7)	63.2	(919.8)
NET REVENUE FROM SALES AND SERVICES			618.4	618.4	19,646.1	(343.2)	19,921.3
Cost of products and services sold			(553.8)	(553.8)	(18,002.4)	332.0	(18,224.2)
GROSS INCOME			64.6	64.6	1,643.7	(11.2)	1,697.1
OPERATING (EXPENSES) REVENUES		(33.6)	(113.5)	(147.1)	(1,073.3)	9.4	(1,211.0)
Selling and marketing			(27.2)	(27.2)	(445.4)		(472.6)
General and administrative		(2.1)	(80.9)	(83.0)	(445.5)	6.3	(522.2)
Depreciation and amortization		(34.0)	(7.6)	(41.6)	(186.9)		(228.5)
Other net operating income		2.5	2.2	4.7	4.5	3.1	12.3
OPERATING INCOME BEFORE FINANCIAL INCOME AND OTHER INCOME		(33.6)	(48.9)	(82.5)	570.4	(1.8)	486.1
Net financial income	(0.2)	(92.3)	(5.9)	(98.2)	(104.0)	83.0	(119.4)
Other income					8.8		8.8
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION, EQUITY IN INCOME OF AFFILIATES AND EMPLOYEES STATUTORY INTEREST	(0.2)	(125.9)	(54.8)	(180.7)	475.2	81.2	375.5
INCOME TAX AND SOCIAL CONTRIBUTION		(7.2)	17.1	9.9	(120.3)	24.5	(85.9)

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Current	(19.5)			(19.5)	(188.3)		(207.8)
Deferred charges	12.3	17.1		29.4	57.3		86.7
Tax incentives					10.7	24.5	35.2
INCOME BEFORE EQUITY IN							
INCOME OF AFFILIATES AND							
EMPLOYEES STATUTORY							
INTEREST	(0.2)	(133.1)	(37.7)	(170.8)	354.9	105.7	289.6
Equity in income of affiliates	315.0	165.4	480.4	40.7	(520.5)		0.6
Employees statutory interest					(7.3)		(7.3)
NET INCOME (LOSS) UNDER							
ACCOUNTING PRACTICES							
ADOPTED IN BRAZIL							
Income attributable to:	(0.2)	181.9	127.7	309.6	388.3	(414.8)	282.9
Owners of the parent	(0.2)	181.9	127.7	309.6	291.4	(418.9)	181.9
Non-controlling interests					96.9	4.1	101.0

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(Amounts in millions of Reais - R\$, unless otherwise stated)

Consolidated Statements of Income
for the year ended December 31, 2007

	LPG Issuer	Ultrapar - Parent Company Guarantor	Oxiteno - Wholly Owned Guarantor Subsidiary	Total Guarantors	Non - Guarantor Subsidiaries	Eliminations	Consolidated
RECONCILIATION TO U.S.GAAP							
Reversal of revaluation adjustments			0.6	0.6	1.7		2.3
Inflation accounting			(0.3)	(0.3)	(1.9)		(2.2)
Different criteria for:							
Cancellation of subsidiaries treasury stock					0.9		0.9
Deferred charges		0.8	(6.6)	(5.8)	(4.4)		(10.2)
Depreciation of interest costs capitalized during construction					(0.7)		(0.7)
Reversal of goodwill amortization		3.1		3.1	36.9		40.0
Fair value adjustments relating to accounting for derivative instruments and hedging activities			(0.8)	(0.8)	1.7		0.9
Translation adjustments					3.5		3.5
Other individually insignificant adjustments		0.2	(0.2)		1.1		1.1
Assets retirement obligation - assets					(0.1)		(0.1)
Assets retirement obligation - liabilities					9.4		9.4
Fair value adjustments relating to business combinations		1.0	(2.6)	(1.6)	0.1		(1.5)
Fair value adjustments relating to acquisition of minority interest in Oxiteno S.A. - Indústria e Comércio		4.5		4.5			4.5
Fair value adjustments relating to the acquisition of SPGás Distribuidora de Gás Ltda.					1.5		1.5
Fair value adjustments relating to the acquisition of Oxiteno México S.A. de C.V.					0.2		0.2
Fair value adjustments relating to acquisition of minority interest in Companhia Ultragas S.A					(0.6)		(0.6)
Fair value adjustments relating to acquisition of Ipiranga/RPR					(15.3)		(15.3)
Accounting for uncertainty in income taxes		(0.3)		(0.3)	0.1		(0.2)

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Accounting for rebates					1.1		1.1
Lease contracts					2.5		2.5
Post-employment benefits					21.3		21.3
Deferred tax effects	(1.6)	3.3	1.7	(7.8)			(6.1)
Equity on U.S.GAAP adjustment	27.5	2.9	30.3			(30.3)	
NET INCOME (LOSS) UNDER USGAAP	(0.2)	217.1	124.0	341.0	439.5	(445.1)	335.2
Income attributable to:							
Owners of the parent	(0.2)	217.1	124.0	341.0	325.9	(449.2)	217.5
Non-controlling interests					113.6	4.1	117.7

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YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Amounts in millions of Reais - R\$, unless otherwise stated)

Consolidated Statements of Cash Flows

for the year ended December 31, 2007

	LPG Issuer	Ultrapar - Parent Company Guarantor	Oxiteno - Wholly Owned Guarantor Subsidiary	Total Guarantors	Non - Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES							
Net income for the year	(0.2)	181.9	127.7	309.6	388.3	(414.8)	282.9
Adjustments to reconcile net income to cash provided by operating activities:							
Depreciation and amortization		34.0	22.6	56.6	244.0		300.6
PIS and COFINS credit on depreciation			0.6	0.6	2.4		3.0
Proceeds from sale of fixed assets			(0.3)	(0.3)	(7.3)		(7.6)
Interest, monetary and exchange variation (gains)	32.0	98.7	3.9	102.6	(142.2)	(67.4)	(75.0)
Allowance (reversal of provision) for losses on fixed assets					(2.8)		(2.8)
Equity in income (losses) of affiliated companies		(315.0)	(165.4)	(480.4)	(40.7)	520.5	(0.6)
Benefit of tax holidays					24.5	(24.5)	
Deferred income tax and social contribution		(12.3)	(27.3)	(39.6)	(52.6)		(92.2)
Other		2.9		2.9	0.2	(2.2)	0.9
Decrease (increase) in operating assets:							
Trade receivables			1.1	1.1	(84.5)	(19.0)	(102.4)
Recoverable taxes		12.3	(11.2)	1.1	(25.6)		(24.5)
Inventories			(13.7)	(13.7)	(55.2)	4.6	(64.3)
Prepaid expenses	0.2	0.1	(1.1)	(1.0)	(0.7)	2.2	0.7
Dividends received from subsidiaries		10.6	190.1	200.7	43.2	(243.9)	
Other receivables		(0.6)	(0.3)	(0.9)	(6.5)		(7.4)
Increase (decrease) in operating liabilities:							
Trade payables		1.7	(1.6)	0.1	114.9	15.6	130.6
Accrued interest					17.3		17.3
Wages and employee benefits			(2.9)	(2.9)	12.2		9.3

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Taxes payable		12.3	2.1	14.4	58.8		73.2
Provision for contingencies		(4.6)	9.9	5.3	3.3		8.6
Other payables	2.1	2.8	0.3	3.1	12.7	(0.0)	17.9
Net cash (used in) provided by operating activities	34.1	24.8	134.5	159.3	503.7	(228.9)	468.2

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Amounts in millions of Reais - R\$, unless otherwise stated)

Consolidated Statements of Cash Flows

for the year ended December 31, 2007

	LPG Issuer	Ultrapar - Parent Company Guarantor	Oxiteno - Wholly Owned Guarantor Subsidiary	Total Guarantors	Non - Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM INVESTMENT ACTIVITIES							
Financial investments, net of redemptions					423.2		423.2
Disposal (acquisition) of investments, net		(858.8)	(173.9)	(1,032.7)	(39.9)	183.0	(889.6)
Cash of acquired subsidiaries					166.7		166.7
Amounts in escrow			(2.0)	(2.0)	(3.0)		(5.0)
Acquisition of fixed assets			(85.4)	(85.4)	(573.4)		(658.8)
Increase to intangible assets			(0.7)	(0.7)	(5.5)		(6.2)
Additions to deferred charges			(7.1)	(7.1)	(56.3)		(63.4)
Acquisition of minority interests					(0.1)		(0.1)
Gain on sale of fixed assets			24.1	24.1	9.7		33.8
Net cash (used in) provided by investment activities		(858.8)	(245.0)	(1,103.8)	(78.6)	183.0	(999.4)
CASH FLOWS FROM FINANCING ACTIVITIES							
Short-term debt, net	(33.7)	811.1	30.9	842.0	57.1		865.4
Long-term debt, net			32.0	32.0	228.8		260.8
Related entities		(70.9)	65.4	(5.5)	31.9		26.4
Dividends paid		(62.6)	(43.1)	(105.7)	(203.9)	243.9	(65.7)
Capital increase			43.2	43.2	151.2	(194.4)	
Acquisition of treasury shares		(25.2)		(25.2)			(25.2)
Net cash provided by (used in) financing activities	(33.7)	652.4	128.4	780.8	265.1	49.5	1,061.7
Effect of changes exchange in rates on cash and cash equivalents in foreign currency							
					(53.2)		(53.2)
Increase (decrease) in cash and cash equivalents	0.4	(181.6)	17.9	(163.7)	637.0	3.6	477.3
	0.8	279.4	2.5	281.9	106.4	(4.0)	385.1

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Cash and cash equivalents at the beginning
of the year

Cash and cash equivalents at the end of the year	1.2	97.8	20.4	118.2	743.4	(0.4)	862.4
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YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Amounts in millions of Reais - R\$, unless otherwise stated)

i) Geographical area information

All long-lived assets are located in Brazil, except for long-lived assets located in Mexico, in the amount of R\$ 25.0, as of December 31, 2009 (R\$ 30.6 as of December 31, 2008), and in Venezuela in the amount of R\$ 5.7, as of December 31, 2009 (R\$ 7.2 as of December 31, 2008).

The Company generates revenues from operations in Brazil and, as from December 2003, from Mexico and as from September 2007, from Venezuela, as well as from exports of products to clients located in foreign countries as shown below:

	2009	2008	2007
Gross sales:			
Brazil	37,197.2	28,962.3	20,327.1
Latin America, other than Brazil	305.0	251.4	219.9
Far East	56.3	50.4	93.6
Europe	56.9	63.1	113.1
North America	220.2	196.4	63.3
Other	15.8	12.8	24.1
Total	37,851.4	29,536.4	20,841.1

j) Employee severance fund and termination payments

The Company is required to contribute 8% of each employee's gross pay to an account maintained in the employee's name in the Government Severance Indemnity Fund (FGTS). No other contributions to the FGTS are required. Additionally, effective September 2001, the Company is required to pay an additional tax equal to 0.5% of gross pay. Contributions are expensed as incurred.

Under Brazilian law, the Company is also required to pay termination benefits to employees who have been dismissed. The amount of the benefit is calculated as 40% of the accumulated contributions made by the Company to the FGTS during the employee's period of service. Additionally, effective September 2001, the Company is required to pay a social tax of 10% of these accumulated contributions.

The Company does not accrue these termination costs before a decision to terminate has been made, since the benefits are neither probable nor reasonably estimable. Actual termination costs paid on dismissal totaled R\$ 21.8, R\$ 11.9 and R\$ 15.4 for the years ended December 31, 2009, 2008 and 2007, respectively.

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(Amounts in millions of Reais - R\$, unless otherwise stated)

k) Changes in the number of shares

The following table presents changes in the number of shares issued, held in treasury and outstanding for each of the three-year periods ended December 31, 2009:

In thousands

	Shares issued			Treasury shares			Outstanding shares		
	Common	Preferred	Total	Common	Preferred	Total	Common	Preferred	Total
Shares at December 31, 2006	49,430	31,895	81,325	6	162	168	49,424	31,733	81,157
Issuance of preferred shares		54,771	54,771					54,771	54,771
Acquisition of treasury shares					425	425		(425)	(425)
Shares granted to executives					(45)	(45)		45	45
Shares at December 31, 2007	49,430	86,666	136,096	6	542	548	49,424	86,124	135,548
Acquisition of treasury shares					1,759	1,759		(1,759)	(1,759)
Shares granted to executives					(99)	(99)		99	99
Shares at December 31, 2008	49,430	86,666	136,096	6	2,202	2,208	49,424	84,464	133,888
Shares granted to executives					(63)	(63)		63	63
Shares at December 31, 2009	49,430	86,666	136,096	6	2,139	2,145	49,424	84,527	133,951

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ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(Amounts in millions of Reais - R\$, unless otherwise stated)

25. SUBSEQUENT EVENTS

- a) In March 31, 2010, the Company announced that it had signed a sale and purchase agreement (SPA) to sell the in-house logistics, solid bulk storage and road transportation businesses of Ultracargo Participações to Aqces Logística Internacional Ltda. (Aqces). The transaction value is R\$ 82.0, subject to adjustments on the closing date. Under the terms of the SPA, closing of the transaction is subject to certain conditions precedent, notably the segregation of the in-house logistics, solid bulk storage and road transportation operations, with the transfer of the respective assets, contracts, licenses and employees from Ultracargo Participações to its subsidiaries AGT Armazéns Gerais e Transporte Ltda. (AGT) and Petrolog Serviços e Armazéns Gerais Ltda. (Petrolog). On the closing date, which is expected to occur in mid-2010, shares of AGT and Petrolog will be transferred to Aqces. This transaction allows Ultracargo Participações to focus exclusively on its liquid bulk storage business, segment in which it has a leadership position and which already represented approximately 85% of its results after the recent acquisitions of União Terminais and Puma and investments in capacity expansions at the Aratu, Santos and Suape terminals.
- b) The Company and its subsidiaries decided to include within the amnesty introduced by Law 11,941/09 some of their debts before the Federal Revenue Service, General Attorney of the National Treasury and Social Security with the benefits of reduction of fines, interest and legal charges set in this Law, and recorded in its interim financial information for March 31, 2010 an expense of R\$ 15.3, net of taxes for this purpose.
- c) In June 2010, Ultrapar s board of directors approved the hiring of a loan with Banco do Brasil through the subsidiary IPP in the amount of R\$ 900.0, with a four-year duration and average cost equivalent to 99% of CDI.

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