

ULTRAPAR HOLDINGS INC  
Form 6-K  
February 25, 2010

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Form 6-K  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Report Of Foreign Private Issuer  
Pursuant To Rule 13a-16 Or 15d-16 Of  
The Securities Exchange Act Of 1934

For the month of February, 2010

Commission File Number: 001-14950

ULTRAPAR HOLDINGS INC.  
(Translation of Registrant's Name into English)

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Avenida Brigadeiro Luis Antonio, 1343, 9º Andar  
São Paulo, SP, Brazil 01317-910  
(Address of Principal Executive Offices)

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form X	Form
20-F	40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes	No	X
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Yes	No	X
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Indicate by check mark whether by furnishing the information contained in this Form, the Registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes	No	X
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If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A



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Item 1

MANAGEMENT REPORT 2009

Dear Shareholders,

The Management of ULTRAPAR PARTICIPAÇÕES S.A. (Ultrapar) hereby presents the Management Report and Financial Statements for the fiscal year 2009. This information has been prepared according to the Brazilian Corporate Law and is accompanied by an independent auditor's report with an unqualified opinion (clean opinion), which was discussed and reviewed by the Management.

COMPANY PROFILE

Ultrapar is one of the largest business groups in Brazil, with leading position in the markets in which it operates, position achieved over its 72 years of history. The company operates in the fuel distribution business through Ipiranga and Ultragaz, in the chemical industry through Oxiteno and in the logistics for liquid bulk segment through Ultracargo.

With 9.4 thousand employees, Ultrapar has activities in the entire Brazilian territory and has industrial units in Mexico and in Venezuela and business offices in Argentina, Belgium and the United States through Oxiteno.

In 2009, Ultrapar celebrated its 10th anniversary of simultaneous listing at BM&FBovespa (São Paulo Securities, Commodities and Futures Exchange) and at the NYSE (New York Stock Exchange). During these 10 years, Ultrapar's expansion and value creation strategy, based on the increase of operational scale, technological differentiation and excellence in managing its businesses, allowed significant growth in its results, with EBITDA and net earnings annual average growth of 15% and 18%, respectively, and enabled the company to obtain credit risk ratings equivalent to the investment grade by Moody's (Baa3) and Standard & Poor's (BBB-).

ECONOMIC AND OPERATIONAL ENVIRONMENT

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 gross domestic product decreased by 2.1% compared with the same period of 2008. During the following quarters, measures adopted by the Brazilian government to minimize the impacts of the crisis started to reflect on the economy, leading to a gradual recovery of the GDP and strengthening the prospects for a recovery in growth in 2010. In 2009, measures to stimulate the economy were implemented both through monetary policies, which resulted in a 5% decrease in the basic interest rate in 2009, and through tax policies, such as the federal Excise Tax on Manufactured Products (IPI) tax break on durable goods. Such measures, associated with a gradual recovery of credit availability, resulted in a positive response from certain sectors of economy, notably the automotive industry, which in 2009 reported another sales record with more than 3 million vehicles licensed, a 13% increase compared with the 2008 already expanded basis. 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 Brazilian currency against the U.S. dollar in 2009 - the highest appreciation in the decade, closing the year at a rate of R\$ 1.74/US\$. In the international environment, the initiatives adopted by several governments to minimize the effects of the crisis also contributed to the beginning of the economic recovery of certain countries, specially the emerging markets, with a recovery of the demand for commodities and a consequent upward trend in their prices, notably oil, which closed the year quoted at US\$ 75 per barrel, an 80% increase compared with its 2008 closing price.



## ULTRAPAR IN 2009

### Highlights of the year

In 2009, Ultrapar intensified the capture of results and benefits associated with its planned process of sustained expansion. The strategy and consistent execution of its profitability growth plan through expansions of its production capacity, acquisitions for gains of scale and operational efficiency programs carried out in the last few years place Ultrapar in a privileged position to further advance on the path of value generation. The year 2009 was also a period when Ultrapar's resilience was validated. Even in the instable economic environment seen particularly in the first half of 2009, the company reported growth in its results in each quarter, while keeping a sound and prudent management of its cash generation and indebtedness levels.

Ipiranga had Texaco's integration as its main goal, a process which was meticulously planned so that all the benefits could be captured as quickly as possible. Thanks to this planning, the company carried out (i) the assumption of the business in April, (ii) the integration of the IT systems in August, and (iii) the corporate merger of the companies in November, without any operational disruption, thus completing the main initiatives necessary to capture gains from the acquisition. Simultaneously, the conversion of the Texaco stations to the Ipiranga brand was executed at a fast pace, enabling the resellers to enjoy all the differentiated benefits Ipiranga provides. During 2009, 1,020 service stations were converted, representing 75% of the service stations in the South and Southeast regions of Brazil.

Ultracargo reached a new level of scale and results, consolidating its position as the largest liquid bulk storage company in Brazil with the integration of União Terminais, acquired in late 2008. Through the completion of the operational and administrative synergies, the company more than doubled its EBITDA, surpassing the expected gains from the acquisition in the first year. In parallel to the conclusion of the integration of operations, Ultracargo continued to pursue growth opportunities. The main results were new storage contracts, with the consequent expansion of existing terminals, and the acquisition of Puma's port terminal in Suape, in the state of Pernambuco.

Ultragaz continued with its operational excellence program, which contributed to the significant gains in results in 2009. Through these programs, Ultragaz enhanced its operations and expanded its sales channels, maintaining its leading position in the segment of liquefied petroleum gas distribution in Brazil and its strategy of growing in niche markets.

Oxiteno faced significant challenges derived from the adverse economic environment in 2009, which delayed the growth of demand and caused a strong volatility in exchange rates and prices of raw materials. Even in this environment, Oxiteno increased its sales volume by 12% due to the expansions of production capacity completed in late 2008 and commercial initiatives to displace imports.

As a result, in 2009 Ultrapar's EBITDA reached R\$ 1,354 million, a 25% growth over 2008, and net earnings reached R\$ 467 million, a 20% increase from 2008. The company's net debt to last twelve months EBITDA, which reached 2.3 times after the payment for the acquisition of Texaco in March 2009, was reduced to 1.5 times in December through the achievement of cash generation established goals. As a consequence of its strong performance in results and cash generation, Ultrapar, which had already been assigned the investment grade rating by Moody's, was also assigned investment grade by Standard & Poor's in October 2009.



## Ultrapar – 2009 Highlights

### Acquisitions

- ü Closing of Texaco's acquisition in March, beginning of the integration of operations and realization of synergies and benefits. The acquisition consolidates Ipiranga as the second largest liquid fuel distributor in Brazil and the largest private distributor.
- ü In December, Ultracargo acquired Puma Storage do Brasil's liquid bulk storage assets in the port of Suape, Pernambuco. The terminal acquired, with an 83,000 m<sup>3</sup> capacity, is located in an area leased by Ultracargo, allowing immediate integration of the operations.

### Results

- ü Net sales and services reach R\$ 36 billion, surpassing the R\$ 30 billion mark for the first time, a 28% growth over 2008.
  - ü Ultrapar's EBITDA grows by 25% in 2009, to R\$ 1.4 billion.
  - ü Ultrapar's net earnings reach R\$ 467 million, a 20% increase over 2008.

### Capital market

- ü In October 2009, Ultrapar completes its 10th listing anniversary, having recorded an annual average growth of 15% in its EBITDA and of 18% in its net earnings during the period.
  - ü Ultrapar's market capitalization closes 2009 at R\$ 11 billion, a 58% growth over 2008.
  - ü Ultrapar's average daily trading volume in 2009 reaches R\$ 27 million, higher than that in 2008.
- ü Declared dividends of R\$ 279 million, a 60% payout ratio over 2009 net earnings and 17% higher than the dividend per share of 2008.

### Financial strength

- ü Ultrapar's strong cash generation allows a reduction of its ratio of net debt to last twelve months EBITDA, from 2.3x after the acquisition of Texaco in March to 1.5x in December 2009.
- ü Standard & Poor's assigns Ultrapar the investment grade rating, upgrading Ultrapar's rating to BBB- in the global scale and to brAAA in the Brazil national scale.
  - ü Moody's ratifies the investment grade rating to Ultrapar, maintaining its Baa3 credit risk rating.

### Investments

The year 2009 was marked by the consolidation and capture of benefits and synergies resulting from the strong cycle of acquisitions and expansions of production capacity carried out in previous years. The continuous expansion, the



sustained strengthening of its leading positions and the maximization of operational scale in all its segments have been the basis for Ultrapar's consistent value creation for its shareholders. Each investment is subject to a rigorous analysis, which considers economic, financial, strategic, market, social and environmental aspects, with a highlight on the use of the value-creation metric EVA® (Economic Value Added), through which long-term goals are established to set the variable compensation for executives.

Following its strategy of expanding scale and increasing the competitiveness of its businesses, Ultrapar invested R\$ 1,946 million in 2009, of which R\$ 585 million refer to organic investments and R\$ 1,361 million refer to acquisitions.

Regarding organic investments, R\$ 105 million were invested in Ultragas, focusing on renewal and replacement of LPG bottles and on new LPG clients. Investments in Ipiranga reached R\$ 222 million, primarily to the conversion of unbranded gas stations, new service stations, renewal of contracts and improvement in service stations and distribution network. Of the total amount invested, R\$ 117 million were related to additions to property, plant and equipment and R\$ 105 million were related to financing and bonuses to clients, net of repayments. Investments in Oxiteno reached R\$ 164 million, focused on projects to expand the production capacity, particularly the capacity expansion of ethylene oxide and ethoxylates at Camaçari and investments aiming at productivity gains. Investments in Ultracargo reached R\$ 79 million, allocated primarily to the acquisition of the assets of Puma Storage, which owned a terminal in the port of Suape, and to

the 12 thousand m<sup>3</sup> expansion of the Aratu terminal, completed in 3Q09, and to the 21 thousand m<sup>3</sup> expansion of the Santos terminal, expected to start up in 1Q10.

In addition to investments in the organic growth of its operations, Ultrapar closed in March the acquisition of Texaco's fuel distribution business in Brazil, in the amount of R\$ 1,361 million. The acquisition was part of Ultrapar's strategy to benefit from gains of scale and synergies in the fuel distribution business.

The 2010 investment plan, excluding acquisitions, totals R\$ 820 million and is aimed at the growth through scale, technological differentiation and productivity gains, as well as the modernization of the existing operations. The increase in investments compared with 2009 reflects the more dynamic economic environment experienced during the last months of the year, with consequent more attractive opportunities for all our businesses.

Organic investments <sup>1</sup> (R\$ million)	2010
Ultragaz	152
Ipiranga	314
Oxiteno	252
Ultracargo	81
Others <sup>2</sup>	20
Total	820

1 Net of disposals

2 Includes primarily RPR and corporate IT

At Ultragaz, investments will be allocated primarily to the expansion of UltraSystem (small bulk delivery), a segment whose growth is linked to the performance of the economy, to the strengthening of activities in the North and Northeast of Brazil and to the acquisition of LPG bottles and tanks. At Ipiranga, investments will be directed to the expansion and renewal of its distribution network and to operational improvements, including expansion to the Mid-West, Northeast and North regions, which started with the acquisition of Texaco. Of the total investments budgeted by Ipiranga, R\$ 182 million are related to additions to property, plant and equipment and R\$ 133 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 the ethylene oxide and ethoxylation units at Camaçari, which will add 90 thousand tons/year and 70 thousand tons/year, respectively, to the production capacity. Ultracargo will allocate its investments primarily to a 50 thousand m<sup>3</sup> expansion in its Suape, Santos and Aratu terminals.

#### Capital markets

Ultrapar ended 2009 with a market capitalization of R\$ 11 billion, a 58% increase over the end of 2008 and a 27% increase over the end of 2007. Due to its consistency in value creation, Ultrapar received from Abrasca (Brazilian Listed- Companies Association) the 2008 Value Creation Award, granted to the company that reports the highest rate of value generation during a fiscal year, taking into account the sustainability of results, risk control, transparency and social and environmental engagement.

In 2009, the volatility experienced at the beginning of the year and the increased risk aversion during that period caused the average daily trading volume at BM&FBovespa to decrease by 4%, amounting to R\$ 5.3 billion. On the

other hand, Ultrapar's securities continued to experience positive progression in liquidity. The average daily trading volume only at the BM&FBovespa reached R\$ 21 million, 4% higher than that in 2008. Ultrapar's combined average daily trading volume on the BM&FBovespa and the NYSE reached R\$ 27 million, a 2% growth over 2008, surpassing the combined historical average of the shares of Ultrapar and the listed companies in the Ipiranga Group (RPI, DPPI and CBPI), whose shares were exchanged for Ultrapar's.

Ultrapar's shares appreciated by 58% at the BM&FBovespa in 2009, while the Ibovespa index had an 83% appreciation, driven primarily by industries whose shares had strongly depreciated in late 2008, such as civil construction and

commodities. On the other hand, in 2008, while the Ibovespa index had a 41% depreciation in the year, Ultrapar's shares depreciated by 19%. At NYSE, Ultrapar's shares had a 109% appreciation in 2009, exceeding the 19% appreciation of Dow Jones in the same period.

Dividends of R\$ 279 million were declared for the fiscal year 2009, 17% higher than that in 2008, representing a 60% payout ratio over 2009 consolidated net earnings and a 3% dividend yield on the average share price in 2009. Ultrapar constantly evaluates its capital needs for investments in assets and acquisitions and, having ensured the maintenance of its sound financial position, distributes the resources to its shareholders in the form of dividends.

In October 2009, the rating agency Standard & Poor's assigned Ultrapar its investment grade rating, upgrading its rating to BBB- in global scale and to brAAA in Brazil's national scale. According to Standard & Poor's, the ratings assigned to Ultrapar reflect the resilient results supported by strong brands and leading positions 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. Ultrapar maintained its investment grade rating from Moody's assigned in 2008.

In December 2009, Ultrapar concluded the review of certain terms and conditions of its third issuance of debentures, in the amount of R\$ 1.2 billion. The remuneration of the debentures was reduced to 108.5% of the CDI and its maturity date was extended to December 4th, 2012, thus reducing its cost of debt, providing higher financial flexibility and increase in soundness and liquidity.

The intense and constant interaction with investors with the objective of assuring transparency and completeness in the disclosure of relevant information has been one of Ultrapar's main features in these 10 years of listed company. In 2009, the company held approximately 400 meetings with professionals from the capital markets, besides its APIMEC meeting, which was awarded the APIMEC Quality Prize, granted to the best ten meetings held during the year in the opinion of capital markets analysts. In addition, Ultrapar maintains the information of interest to this public available in its Investor Relations website.

#### Corporate governance

These 10 years since its initial public offering represent another period of innovation and continuous progress in the adoption of corporate governance best practices, an essential value of the company. The origin of the effort to align the interests of shareholders and executives can be traced back to the 1980s, when Pery Igel, then Ultrapar's controlling shareholder, turned its main executives into shareholders, aiming at the company's sustainability and longevity. In 2000, already as a listed company, Ultrapar pioneered in the granting of tag along rights to all its shareholders, at 100% of the offered value. Only in 2001 the Brazilian Corporate Law established the mandatory adoption of tag along rights, although limited to voting shareholders and to 80% of the offered value.

Consistent with the principles of commitment and alignment of interests with its shareholders, Ultrapar's philosophy is to turn its executives into shareholders through a stock ownership plan. Supported by the same principles, Ultrapar implemented the concept of economic value added (EVA®), linking the variable compensation to EVA® growth targets, strengthening the alignment of interest between the management and shareholders.

In 2002, Ultrapar also became one of the first Brazilian companies to grant preferred shareholders the right to be represented in the Board of Directors. Also in 2002, before the Brazilian Securities Commission (CVM) made it mandatory, Ultrapar voluntarily introduced rotation of independent auditors.



Since 2004, Ultrapar formally adopts a Code of Ethics which governs the professional conduct of its employees with Ultrapar's stakeholders, setting a reference of internal and external relationship and reducing the degree of subjectivity in the interpretations of ethical principles. This code was enhanced in 2009 to (i) include examples of acceptable and unacceptable behavior, with explanations in order to prevent misinterpretation of such items, and (ii) provide an additional channel for reporting behaviors in violation of the code.

Ultrapar has level III ADRs listed on the New York Stock Exchange (NYSE) and complies with the highest corporate governance standards of foreign companies listed in the United States. The company is compliant with the requirements of the Sarbanes-Oxley Act (SOX), which regulates mechanisms that guarantee the transparency of companies listed in the United States. Since 2007, Ultrapar has the SOX certification under section 404, attesting to the efficiency of its internal controls over the company's financial information.

Ultrapar developed and implemented in 2009 a distinguished risk matrix to monitor its internal controls, thus effectively aligning internal and external audit activities to the needs of managers and shareholders. Such system was awarded by the Brazilian Institute of Corporate Governance (IBGC) in the Innovation category of the 2009 IBGC Corporate Governance Award.

Ultrapar also actively contributes to the development of the capital markets in Brazil. One of its initiatives is its participation as a founding member of the Latin American Corporate Governance Roundtable Companies Circle, a group dedicated to promote corporate governance in Latin America, sponsored by the Organization for Economic Co-operation and Development (OECD) and by the International Finance Corporation (IFC). André Covre, Chief Financial and Investor Relations Officer of Ultrapar, is the chairman of the group since 2008.

Its consistency in value creation and continuous improvement in corporate governance practices allowed Ultrapar to receive important acknowledgements from the capital market in 2009. In addition to the IBGC award, Ultrapar received from Abrasca the 2008 Value Creation Award, which is granted to the company reporting the highest rate of value creation during a fiscal year, taking into account the sustainability of results, risk control, transparency and social and environmental engagement. Abrasca also granted to Ultrapar the second place in the 2008 Abrasca Annual Report Award, with an honorable mention in the "Economic and financial performance analysis" category.

#### Operational excellence – technology, quality, safety and environment

Operational excellence is in the essence of Ultrapar's conduct of business, a factor considered critical for the sustainability of the company and maintenance of its focus on quality and innovation. Each business unit relies on a specific set of operational excellence programs adjusted to its products and services and to the market in which it operates.

Ultragas establishes operational excellence guidelines for all its units through the Fator Azul (Blue Factor) program, which sets the standards of quality, operational safety, health and environmental responsibility. Also in 2009, Ultragas continued with its operational excellence program, which contributed to significant gains in results and was focused on the improvement of operations and expansion of the company's sales channels. In order to maintain the excellence of its services, Ultragas expanded initiatives to meet new consumer habits, such as the disk gás (sale of LPG bottles by telephone), through which the client makes a request to a call center and receives the LPG bottle at home, thus increasing the convenience for the client and optimizing the logistics planning. In addition, Ultragas implemented "Paga Fácil", which allows the payment for LPG cylinders through mobile multi-brand credit card payment terminals upon delivery at the client's home, and also allows online orders and electronic transactions through cell phones. Regarding innovation, Ultragas 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.

Ipiranga was the first fuel distributor to obtain the ISO 14001 certification in 1998 and currently adopts an environmental policy called Ipiranga Environmental Management System in all its bases, focused on the adoption of preventive measures, on recycling and on improving efficiency in the use of natural resources, raw materials and residues. Additionally, the company is a member of the Brazilian Corporate Council for Sustainable Development. In line with its sustainable development philosophy, Ipiranga completed in 2009 two years since the launch of the Ipiranga Zero Carbon Card, which combines environmental benefits with a client loyalty strategy. By the end of 2009, more than 110 thousand cards had been issued, confirming the success of the initiative, with more than 15 thousand tons of carbon emissions neutralized. In 2008, Ipiranga created in Porto Alegre its first eco-efficient service station, built using the state-of-the-art technology available for environmental conservation, including the reuse of water and the use of renewable energy sources. After this initiative, Ipiranga started to integrate in other stations some of the items used in the eco-efficient station for environmental preservation, such as the increased use of sunlight and reuse of rainwater and carwash water.

Oxiteno has been adopting initiatives to increase the use of renewable raw materials, such as the start-up of the oleochemical unit in 2008, which uses palm kernel oil, extracted from the palm seed, to manufacture fatty alcohols. After the start-up of the oleochemical unit, the share of renewable raw materials in Oxiteno reached 18% in 2009, compared with 8% in 2005. In addition, Oxiteno also acquired high-selectivity catalysts in 2009, which allowed productivity gains in the conversion of ethylene into ethylene oxide and reduction in its CO<sub>2</sub> emission. Regarding innovation, over the last three years Oxiteno developed more than 60 new products and allocated a significant amount to research and development of

products and processes, allowing it to offer new products and customized solutions to its clients. In parallel, in 2009 Oxiteno also focused on optimizing its inventories through the Sales and Operations Planning methodology, which allowed a more integrated planning of sales, operations and supply activities and a revision of the organizational structure of plants to identify improvement points in organizational, information technology and internal process areas. All Oxiteno's units in Brazil have the ISO 14001 certification. With a focus on aligning its practices in the units located outside Brazil, in 2009 Oxiteno implemented in Mexico and Venezuela regional councils of Oxiteno's Integrated Management System, whose mission is to share good management practices with its international units, to align production models and to discuss and propose continued improvements in quality, health, safety and the environment.

For Ultracargo, safety and the environment are fundamental in its differentiated positioning in the market, with an acknowledged capacity to manage liquid bulk that requires special handling. 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 Paulínia terminal was the first to obtain ISO 14001 certification in 2004 and underwent re-certification process in 2009. In 2007, the Aratu unit received the ISO 14001:2004 certification and was re-certificated 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. Consistent with its strategy of excellence in providing services and constant innovation, Ultracargo uses processes, tools and systems designed to ensure an efficient planning of its activities, such as the adoption of the Integrated Management System, which allows the sharing of information for planning, decision-making and monitoring initiatives and projects, thus integrating various areas in the company.

#### Relationship with stakeholders - people, clients and the community

Ultrapar's 72 years of sound growth and leadership are backed on the commitment and specialization of its employees, who maintain a relationship with the company based on mutual development and improvement, on the basis of transparency and ethics. The ability of Ultrapar's workforce is the result of the efforts of its staff and a human resources policy based on valuing its employees, encouraging professional growth and seeking to align all employees in terms of the company's values and strategies. Many of the executives and managers started their careers in internship or traineeship programs at Ultrapar and its business units, evidencing the success of such policy. At the end of 2009, Ultrapar had 9.4 thousand employees, of who close to 400 are headquartered outside Brazil.

In order to develop and retain its talents, Ultrapar's business units develop training programs and adopt initiatives which enable their employees to specialize and broaden their horizons. Ultragas, through partnerships with Fundação Getúlio Vargas and Universidade de São Paulo, maintains the Ultragas Academy, which congregates training programs in the areas of management, strategic planning, customer service, controllership and marketing. In 2009, Ultragas launched the Career Visibility Program, in order to provide a broader view of the different professional development and growth routes in the company. Ipiranga annually promotes programs to develop its employees and also its direct clients aligned to the company's strategy, focused on the market and on the main skills required by the business. For its employees, Ipiranga offers the General Training Program, which reaches approximately 60% of the company's staff and seeks to develop fundamental skills for professional growth, such as leadership and communication. In 2009, Ipiranga adopted, with the support of Mercer Human Consulting, a new variable compensation program aligned to the market best practices and to the other companies of Ultrapar. Basing its activities on innovation, Oxiteno has since 2007 the Program for Strategic Management and Technological Innovation, implemented together with Fundação Dom Cabral. The company also implemented the DNA Project, a skill management program, and the Individual Development Plan, to encourage collaborators to reflect on their professional careers. At Ultracargo, the Leadership Training Program prepares in-house talents to leadership positions



in areas such as strategy, people management and health and environmental processes. The program is supported by well-known training institutions, such as IMAN.

The passion for the client permeates all Ultrapar's business units, through the pursuit of excellence in relationship and in the offer of products and services. In line with such philosophy, each business unit develops initiatives compatible with the market in which it operates. Oxiteno, through its technological advantage in the ethylene oxide chain, offers products and applications in accordance with specific needs of each client by developing new products or improving the performance of existing ones. A recent example of innovation was the development of a new product, the sec-butyl acetate, a solvent with technical features that qualify it as a solvent for resins, paints, varnishes and thinners. Through the strategic location of its terminals and distinguished quality standards, Ultracargo offers customized solutions in logistics and storage. Ipiranga and Ultragaz, which operate in distribution and retail, implement initiatives involving both their resellers and the end consumers of their products, as demonstrated in the following chart:

## RETAIL INITIATIVES AND DIFFERENTIATING FACTORS

### Ipiranga

Initiatives directed to end consumers, aiming at differentiation, client loyalty and brand promotion

- ü Km de Vantagens - Created in 2009, the Km de Vantagens loyalty program consists in accumulating points through the purchase of products and services in Ipiranga's network. Ipiranga also developed strategic partnerships to broaden the scope of the program and the benefits for its clients and resellers, including partners in the areas of entertainment, tourism, magazines, among others. One of the most important partnerships developed is the agreement with Multiplus Fidelidade, allowing the transfer of points from the Km de Vantagens program to the TAM Fidelidade program. The Km de Vantagens program reached 2.4 million clients in the end of 2009.
- ü Ipirangashop.com – Launched in 2008, Ipirangashop.com explores the business potential from the large flow of consumers in its fuel service stations and combines two sales channels: the sale of car-related products in its service stations, and the offering of some 18 thousand items in a website.
- ü One Honda Fit and one iPhone per day – Draw of cars and mobile phones to clients of Ipiranga service stations
  - ü 1 Million Liters Free – Draw of free fuel supply in its service stations for clients of Ipiranga's network.
- ü Stock car – In 2009, Ipiranga sponsored the Stock Car Ipiranga Racing team, comprised of the pilots Thiago Camilo and Giuliano Losacco, as a way to strengthen the association of its brand to the passion for cars. Pilot Thiago Camilo was the runner-up in the 2009 season.
- ü Ipiranga credit cards - Accepted in the entire network, credit cards are part of Ipiranga's differentiation and client loyalty strategy through the alignment of incentives among resellers, VIPs (pump attendants) and cardholders. Currently, there are more than 5 million cards issued all over Brazil, with different models to fit each client's profile.
- ü am/pm – The largest convenience store network in Brazil, am/pm ended 2009 with 963 franchises that offer a wide variety of products, including its own fast food brand, centrally produced. In 2009, am/pm surpassed 30 million items sold, a 50% increase over 2008, focused on sales of sandwiches, snacks, pizzas, desserts and breads.
- ü Jet Oil – Lubricant changing and automotive services specialized network, Jet Oil ended 2009 with 577 franchises. It offers free check-up services for 15 items of the car, and relies on an IT system with more than 17 thousand vehicles registered. Based on the success of Jet Oil, Ipiranga launched in 2009 Jet Oil Motos, which offers a pioneering specialized oil-changing service for motorcycles in Brazil.

### Reseller relationship programs

- ü Clube do Milhão (Million Club) - An incentive program carried out for more than 20 years, Clube do Milhão yearly rewards with international trips the most accomplished resellers in terms of the year's pre-established targets.
- ü Clube VIP (VIP Club) - A program directed to service stations' employees, including pump attendants and am/pm and Jet Oil employees, aimed at training the staff for service quality improvement and increasing the sales of specific products, aligned to Ipiranga's strategy, such as Gasolina Original Aditivada (Premium Gasoline), Ipiranga Credit Cards, F1 Master Lubricants Family and fast food at am/pm units.

- ü Rally de Vendas (Sales Rally) – In the lubricant segment, Ipiranga rewards the best performing authorized distributors with a participation in the Clube do Milhão international trip.

## Ultragas

### Initiatives directed to the end consumers and brand promotion

- ü Ultragas na sua rua (Ultragas in your street) – A program with professionals dedicated to interact with customers through distribution of souvenirs and brochures containing safety tips and relevant information on LPG and cultural contests.
- ü New brand positioning – Development of the new positioning “Ultragas – specialist” (“Ultragas – especialista no que faz”), reinforcing the features of quality and differentiation of products and services offered by Ultragas in a nationwide marketing campaign through magazines and radio advertisements.
- ü Carreta Ultragas – Trailer truck that travels throughout the many regions of the country promoting initiatives with consumers, such as culinary courses, handicraft work courses as an alternative source of income, among others.

### Reseller relationship programs

- ü Marketing solutions applied to resellers – Ultragas offers a program to promote the quality improvement and development of its resellers. Academia de Revendedores (Resellers Academy), a branch of Academia Ultragas (Ultragas Academy), was created to develop specific training for these partners.
- ü Resellers training program – As part of its operational excellence program, Ultragas promoted in 2009 a diagnosis of its resellers and implemented initiatives to improve the level of efficiency and training of its resellers’ employees, and also to share best practices among resellers. The program also aims at supporting the management of their businesses, thus optimizing profitability and return on investment.
- ü Ultragas – especialista no que faz (Ultragas – specialist) - In line with its quality and differentiation positioning, Ultragas developed in 2009 “O Especialista em Atendimento” (the specialist in serving), a training program to improve the technical and behavioral skills of resellers as well as service to clients.
- ü Rota Azul Ultragas (Ultragas Blue Route) – An initiative adopted in 2009 to offer information on traffic to São Paulo inhabitants, through a partnership with Rádio Sul América Trânsito (a radio station specialized in traffic information). In this program, the radio host obtains information on traffic from truck drivers who distribute Ultragas LPG in the city of São Paulo.

The social responsibility initiatives developed by Ultrapar are based on labor, education and culture, transforming elements that can promote social inclusion and development, as well as improve the reality of the communities with which Ultrapar interacts. Among the several educational projects that the company sponsors, one of the most important is Ultra Formare, a free school that offers professional training to low-income young students to begin their working life. Classes are taught by voluntary employees of the company. During the course, the students have access to several benefits that allow them to be fully dedicated to the school. Upon graduation, youngsters receive a certificate that is recognized by the Ministry of Education, enabling them to begin their working life as administrative assistants. Ultrapar also supports the NGO Instituto Superior de Educação Pró-Saber, which focus its initiatives in the educational area with low-income communities in Rio de Janeiro.

In addition to initiatives by Ultrapar, each of its business units has its own range of social projects. In March 2009, Ultragas launched the 8th edition of Ultragas Cultural, promoting the access of low-income population to the cinema.

The project works as an itinerant movie theater on a wagon adapted to film projection. During 2009, the Ultragas Cultural cinema wagon traveled through cities of 12 states and of the federal district. Ipiranga promotes education by supporting environmental awareness in schools in the neighborhood of its distribution terminals. Directed to students between 10 and 15 years old, the initiative allows an assessment of the level of knowledge of the teachers and school principals on environmental issues and contributes with learning materials, books and games. Ipiranga also sponsors Junior Achievement, a program aimed at encouraging the entrepreneurial spirit in youngsters, stimulating personal development, providing contact with the business world and facilitating the access to the job market. Oxiteno has developed one of its main social initiatives through APOLO (Association of the Mauá Petrochemical Complex Industries), offering free services to the population surrounding the petrochemical companies, including medical and dental consultations, environmental education and visits to its facilities. Through its Tremembé unit, Oxiteno also participates in the Career Orientation program carried out in association with the city hall through lectures given by the unit's employees on career choice to children and youngsters from the municipal schools in the area, sharing their professional history and experience. Ultracargo regularly participates in the Pólo Cidadania (Citizenship Polo), which comprises companies of the Camaçari complex, providing services, health care-related programs, educative activities related to leisure, culture and sports and programs aiming at the conscious use of natural resources to underprivileged people from the region. In the state of Paraná, Ultracargo sponsored the itinerant exhibition "Paisagem" (Landscape), developed by the technical staff from the Oscar Niemeyer museum, providing free visitations for students from public schools.

#### Relationship with Independent Auditors

Ultrapar and its subsidiaries' policies on contracting services from its independent auditors aims at ensuring that there is no conflict of interest, loss of independence or objectivity, being based on principles that preserve the auditor's independence. To avoid any subjectivity in the definition of the principles of independence in services provided by external auditors, procedures for the approval of hiring such services have been established, expressly defining the services that are (i) previously authorized, (ii) subject to prior approval by the Fiscal Council/Audit Committee, and (iii) prohibited.

For the year ending December 31st, 2009 Ultrapar and its subsidiaries did not contract any service from their independent auditors that was not directly linked to the auditing of financial statements.

KPMG Auditores Independentes provides external audit services to Ultrapar since 2007.

## ANALYSIS OF FINANCIAL PERFORMANCE IN 2009

### Considerations on the financial and operational information

#### Standards and criteria adopted in preparing the information

Ultrapar's financial statements for the fiscal years ending December 31st, 2009 and 2008 were prepared in accordance with the accounting practices adopted in Brazil, which consider the Brazilian Corporate Law, instructions and guidelines issued by the Brazilian Accounting Committee and the rules established by the Brazilian Securities Commission (CVM).

Separately, in 1Q09 Ultragas reclassified the volumes sold between the bottle and bulk segments to reflect the current structure and management responsibility between geographies and segments. This reclassification between segments corresponds to approximately 1% of Ultragas's total volume and net sales in 2008. In order to provide comparability, Ultragas's information on volume and net sales for the bottled and bulk segments presented in this document and in the company's website were reclassified retroactively to 1Q08 based on the new criteria adopted.

Except when otherwise indicated, the amounts presented in this document are expressed in millions of R\$ and are subject to rounding off. Consequently, the total amounts presented in the tables may differ from the direct sum of the amounts that precede them.

#### Effect of the acquisition of União Terminais

In June 2008, Ultrapar signed the sale and purchase agreement for the acquisition of União Terminais e Armazéns Gerais Ltda., a company involved in the storage and handling of bulk liquids previously held by Unipar – União das Indústrias Petroquímicas S.A., with operations in the ports located in Santos (in the state of São Paulo), Rio de Janeiro and Paranaguá (in the state of Paraná - through a 50% stake in União/Vopak Armazéns Gerais Ltda.). In October 2008, Ultrapar announced to the market that it had closed the purchase of the port terminals in Santos and Rio de Janeiro and, in November 2008, the closing of the acquisition of the port terminal in Paranaguá. The results of the businesses acquired were consolidated in Ultrapar's financial statements after their respective closing dates. Ultrapar's financial statements in periods prior to 4Q08 do not include the results of the businesses acquired. The total acquisition amounted to R\$ 519 million, including in this figure the assumption of R\$ 32 million in net debt.

#### Effect of the acquisition of Texaco

In August 2008, Ultrapar announced the signing of the sale and purchase agreement for the acquisition of Texaco's fuel distribution business in Brazil. On March 31st, 2009, Ultrapar closed the acquisition of Texaco through the disbursement of R\$ 1,106 million, in addition to the US\$ 38 million deposit made to Chevron in August 2008. In August 2009, Ultrapar 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. The results of Texaco started to be consolidated in Ultrapar's financial statements from April 1st, 2009 onwards. Ultrapar's financial statements in periods prior to 2Q09 do not include Texaco's results.

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Comparative performance 2009-2008  
(R\$ million)

	2009				2008					
	Ultrapar	Ultragaz	Ipiranga	Oxiteno	Ultracargo	Ultrapar	Ultragaz	Ipiranga	Oxiteno	Ultracargo
Net sales	36,116	3,441	30,499	1,921	337	28,268	3,339	22,676	1,926	283
Cost of products and services	(33,412)	(2,896)	(28,828)	(1,611)	(197)	(26,152)	(2,898)	(21,492)	(1,527)	(187)
Gross profit	2,704	545	1,671	310	140	2,116	441	1,184	399	96
Sales, general and administrative expenses	(1,808)	(381)	(1,068)	(268)	(90)	(1,424)	(348)	(682)	(246)	(92)
Other operational results	19	(2)	20	(2)	3	22	(5)	14	1	3
EBIT	915	162	623	41	53	713	88	516	154	7
EBITDA	1,354	281	778	145	105	1,079	211	603	210	51
Depreciation and amortization	439	119	155	104	52	376	123	97	56	43
Statutory interest	-	-	-	-	-	9	-	9	-	-

The financial information of Ultragaz, Ipiranga, Oxiteno and Ultracargo is presented without elimination of transactions carried out between the companies.

#### Sales Volume

In 2009, the Brazilian LPG market decreased by 1.2% from 2008. In the same period, Ultragaz's sales volume reached 1,589 thousand tons, a 0.7% decrease, with a 0.7% increase in the bottled segment and a 4.0% decrease in the bulk segment. Excluding the effect of a temporary consumption of 15 thousand tons in 2008 by a large client in the bulk segment, the total volume would have remained stable, and sales volume in the bulk segment would have decreased by 1% compared with 2008. The growth in the bottled segment is a result of the resilient demand in this segment, given its essential good nature, and of commercial initiatives implemented by the company, including new markets. At Ipiranga, sales volume grew by 43%, mainly as a consequence of the consolidation of Texaco's volume from 2Q09 on and the expansion of the light vehicle fleet, which boosted the combined volume of gasoline, ethanol and NGV. The diesel volume increased by 32% as a result of the aggregation of Texaco's volume from 2Q09 onwards, partly offset by a reduction in consumption associated with the economic performance. At Oxiteno, sales volume reached 634 thousand tons in 2009, up 12% over 2008, mainly due to completed expansions in the production capacity, highlighting the 8% growth in the domestic market, primarily on the back of imports replacement. At Ultracargo, effective storage showed an increase of 37%, as result of the consolidation of União Terminais from 4Q08 onwards, the expansions of the Aratu terminal and a higher volume of operations at the Suape terminal.





### Net Sales and Services

Ultrapar's net sales and services amounted to R\$ 36,116 million in 2009, a 28% increase over 2008, mainly as a consequence of the consolidation of Texaco from 2Q09 onwards. Ultragaz's net sales and services amounted to R\$ 3,441 million, 3% higher than that of 2008, despite the 0.7% decrease in sales volume, due to commercial initiatives and operational efficiency programs implemented. Ipiranga's net sales and services totaled R\$ 30,499 million in 2009, a 34% growth over 2008, as a consequence of the 43% increase in sales volume, partly offset by the reduction in the diesel ex-refinery cost in June 2009. Oxiteno reported net sales and services of R\$ 1,921 million, practically stable compared with 2008, despite the 12% increase in sales volume and the 9% weaker Real, as a result of an 18% decrease in average dollar prices, particularly the 46% decrease in international glycol prices. Ultracargo's net sales and services amounted to R\$ 337 million, 19% higher than that in 2008, mainly on the back of the consolidation of União Terminais from 4Q08 onwards, increased average storage, and contractual tariff adjustments.

### Cost of Products and Services

Ultrapar's cost of products and services amounted to R\$ 33,412 million in 2009, a 28% increase over 2008, mainly as a consequence of the consolidation of Texaco from 2Q09 onwards. Ultragaz's cost of products sold amounted to R\$ 2,896 million, practically stable compared with 2008 and in line with the variation in sales volume. Ipiranga's cost of products sold totaled R\$ 28,828 million, mainly as a consequence of a 43% increase in sales volume, partly offset by the decrease in the diesel ex-refinery cost in June 2009. The cost of products sold at Oxiteno totaled R\$ 1,611 million, an increase of 6% over 2008, due to the growth in sales volume, a 9% weaker Real and a higher depreciation resulting from the expanded operations in 4Q08, partly 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 reported in the 2009 financial statements was significantly lower than the reduction in raw materials international prices, due to the process of realization of Oxiteno's inventories with historical costs higher than replacement costs, mainly in the first half of the year. Ultracargo's cost of services provided amounted to R\$ 197 million, up 5% from 2008, as a result of the consolidation of União Terminais' cost of services from 4Q08 onwards and an increase in the volume of products handled at the terminals, partly offset by the realization of operational synergies resulting from the consolidation of União Terminais and a reduced presence in the packed cargo transportation segment.

### Sales, General and Administrative Expenses

Ultrapar's sales, general and administrative expenses totaled R\$ 1,808 million in 2009, a 27% increase over 2008, mainly as a result of the consolidation of Texaco from 2Q09 onwards. Ultragaz's sales, general and administrative expenses amounted to R\$ 381 million, 9% higher than that in 2008, 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. Sales, general and administrative expenses at Ipiranga (including employees statutory interest) totaled R\$ 1,068 million, a 54% increase over 2008, mainly due to the consolidation of Texaco, including R\$ 69 million non-recurring expenses with (i) the conversion of service stations from the acquired network to the Ipiranga brand (R\$ 31 million) and (ii) the integration of operations (R\$ 38 million). Excluding these non-recurring expenses and the depreciation, Ipiranga's sales, general and administrative expenses amounted to R\$ 48/m<sup>3</sup> of product sold in the post-acquisition period (from 2Q09 onwards), lower than the R\$ 50/m<sup>3</sup> level in 2008, reflecting the implementation of the 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 sales, general and administrative expenses amounted to R\$ 268 million, a 9% increase over 2008, primarily as a result of increased freight expenses resulting from higher sales volume and the effect of a weaker Real on international freights. This increase was partly offset by expense reduction initiatives implemented, resulting in a 2% increase of administrative expenses, which is lower than the inflation rate in the period. Ultracargo's sales, general and administrative expenses amounted to R\$ 90 million in 2009, a 2% decrease from 2008, despite the 37% increase in effective storage, on the back of the realization of operational synergies resulting from the integration of União

Terminais and of lower expenses in the transportation segment.

#### Earnings before interest, taxes, depreciation and amortization (EBITDA)

Ultrapar's consolidated EBITDA amounted to R\$ 1,354 million in 2009, a 25% growth over 2008, mainly as a consequence of the consolidation of Texaco from 2Q09 onwards and the EBITDA growth at Ipiranga, Ultragas and Ultracargo. Ultragas's EBITDA totaled R\$ 281 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 EBITDA of R\$ 778 million in 2009, an increase of 29% over 2008, mainly as a consequence of the consolidation of Texaco from 2Q09 onwards. Excluding the R\$ 69 million expenses with the conversion of service stations and integration of operations, Ipiranga's EBITDA reached R\$ 846 million in 2009, equivalent to an EBITDA unit margin of R\$ 49/m<sup>3</sup>, already close to the EBITDA unit margin of R\$ 50/m<sup>3</sup> in 2008. Oxiteno reported EBITDA of R\$ 145 million, a 31% decrease over 2008, mainly as a consequence of historical costs of goods sold higher than replacement costs until 3Q09. Oxiteno estimates that the effect of the difference between historical and replacement costs was R\$ 78 million in 2009. Ultracargo's EBITDA amounted to R\$ 105 million, a 107% growth over 2008, as a consequence of (i) the consolidation of União Terminais from 4Q08 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 EBITDA margin reached 31%, higher than the 18% margin reported in 2008.

The EBITDA is a commonly used measure, similar to the operational result. Including EBITDA information aims to present a measure of our capacity to generate cash from operations. Among other uses, EBITDA is used as an indicator in Ultrapar's commitments related to financings, according to note number 16 to the company's financial statements. The EBITDA should not be considered separately, or as an alternative to net income, as a measure of operational performance, or as an alternative to the operational net cash flow, or even as a liquidity measure.

#### Depreciation and Amortization

Total depreciation and amortization costs and expenses in 2009 amounted to R\$ 439 million, a R\$ 64 million increase over 2008, due to the addition of the depreciation resulting from (i) the acquisitions of União Terminais and Texaco, (ii) Oxiteno's expanded operations from 4Q08 onwards, and (iii) investments in new and in the conversion of unbranded service stations at Ipiranga.

#### Financial Result

Ultrapar reported net financial expenses of R\$ 278 million in 2009, R\$ 109 million higher than that of 2008. The increase in net financial expense in 2009 reflects an increase of Ultrapar's net debt, which increased from R\$ 1,538 million at the end of 2008 to R\$ 2,060 million at the end of 2009, as a result of acquisitions carried out, particularly the disbursement related to the acquisition of Texaco in March, and investments in organic expansion.

#### Net Earnings

Consolidated net earnings amounted to R\$ 467 million in 2009, 20% higher than that reported in 2008, as a consequence of the 25% increase in EBITDA at Ultrapar, partly offset by the increase in net debt and depreciation.

## Indebtedness

Ultrapar ended the fiscal year 2009 with a gross debt of R\$ 4,343 million, resulting in a net debt of R\$ 2,060 million, 34% higher than the company's net debt position at the end of 2008, but 20% lower than the net debt on March 31st, 2009, the date of the payment for the acquisition of Texaco.

## Net debt

\* Disbursement related to the acquisition of Texaco on March 31st, 2009

\*\* LTM – last twelve months

## Outlook

Ultrapar's leading position in the markets in which it operates combined with the investments made in the last few years place each of Ultrapar's business units in a privileged position to benefit from the significant growth potential of the Brazilian market. For Ipiranga, the vehicle fleet continued growth and the increase in the demand for diesel, resulting from the economic growth recovery, allow Ipiranga to foresee increasing sales volume. In addition to maximize the benefits from this organic growth, Ipiranga will continue to capture gains from the acquisition of Texaco and to explore the existing potential to expand its network through the conversion of unbranded service stations and through the acquisition of local companies, mainly in the North, Northeast and Mid-West regions of Brazil. At Oxiteno, expansions of specialty chemicals production capacity completed and the strong presence in segments with significant growth outlook, such as cosmetics, detergents, agrochemicals, paints and varnishes, and oil and gas, should allow the company to benefit through an increase in sales volume and consequent operational leverage. Ultragas, that reported significant growth in results in 2009, is uniquely positioned to benefit from the growth recovery in sales volume in the bulk segment, whose performance is directly linked to the economic activity and in which Ultragas has a leading position. Ultragas will also carry on its strategy of expanding in niche markets, such as the current expansion to the states of Pará and Maranhão. Finally, Ultracargo, which in 2009 assumed a leading role in the consolidation of the liquid bulk storage segment through integration of the acquisition of União Terminais and the acquisition of Puma in Suape, is expected to benefit from the increased globalization of the Brazilian economy, a process that will pass through the ports where Ultracargo operates and will benefit the segments served by Ultracargo.

Finally, we would like to thank all those who contributed to another year of important achievements for Ultrapar.

Ultrapar Participações S.A. and  
Subsidiaries

Financial statements  
as of December 31, 2009 and 2008  
(Convenience Translation into English from the Original Previously Issued in Portuguese)

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Ultrapar Participações S.A. and Subsidiaries

Financial statements

as of December 31, 2009 and 2008

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Independent auditors' report

To  
The Board of Directors and Shareholders  
Ultrapar Participações S.A.  
São Paulo – SP

1. We have examined the accompanying balance sheets of Ultrapar Participações S.A. and the consolidated balance sheets of the Company and its subsidiaries as of December 31, 2009 and 2008 and the related statements of income, changes in shareholders' equity, cash flows and value added for the years then ended, which are the responsibility of its management. Our responsibility is to express an opinion on these financial statements.
2. Our examinations were conducted in accordance with auditing standards generally accepted in Brazil and included: (a) planning of the audit work, considering the materiality of the balances, the volume of transactions and the accounting systems and internal accounting controls of the Company and its subsidiaries; (b) verification, on a test basis, of the evidence and records which support the amounts and accounting information disclosed; and (c) evaluation of the most significant accounting policies and estimates adopted by Company management and its subsidiaries, as well as the presentation of the financial statements taken as a whole.



3. In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Ultrapar Participações S.A. and the consolidated financial position of the Company and its subsidiaries as of December 31, 2009 and 2008, and the results of its operations, changes in its shareholders' equity, cash flows and value added for the years then ended, in conformity with accounting practices adopted in Brazil.

São Paulo, February 22, 2010

KPMG Auditores Independentes  
CRC 2SP014428/O-6

Anselmo Neves Macedo  
Accountant CRC 1SP160482/O-6

Alexandre Heineremann  
Accountant CRC 1SP228175/O-0

## Ultrapar Participações S.A. and Subsidiaries

## Balance sheets

as of December 31, 2009 and 2008

(In thousands of Reais)

Assets		Parent		Consolidated	
	Note	2009	2008	2009	2008
<b>Current assets</b>					
Cash and cash equivalents	5	58,926	778,991	1,887,499	1,275,053
Financial investments	5	-	-	388,505	851,374
Trade account receivables	6	-	-	1,612,501	1,429,311
Inventories	7	-	-	942,181	1,033,756
Recoverable taxes	8	38,245	28,780	320,161	311,869
<b>Deferred income tax and social</b>					
Contribution	10.a)	84	128	168,774	111,842
Dividends receivable		119,020	98,279	-	-
Other receivables		9	869	35,336	103,605
Prepaid expenses	11	-	-	22,832	19,000
<b>Total current assets</b>		<b>216,284</b>	<b>907,047</b>	<b>5,377,789</b>	<b>5,135,810</b>
<b>Non-current assets</b>					
<b>Long-term assets</b>					
Financial investments	5	-	-	7,193	7,193
Trade account receivables	6	-	-	338,200	210,057
Related companies	9.a)	774,082	77,034	7,606	5,640
Deferred income tax and social contribution	10.a)	147	115	472,741	408,708
Recoverable taxes	8	17,161	-	53,176	42,959
Escrow deposits		217	193	104,255	56,053
Other receivables		-	-	1,503	491
Prepaid expenses	11	-	-	38,922	24,581
		<b>791,607</b>	<b>77,342</b>	<b>1,023,596</b>	<b>755,682</b>
<b>Investments</b>					
Subsidiaries	12.a)	4,955,753	4,765,558	-	-
Affiliates	12.b)	-	-	12,461	12,981
Others		-	-	10,794	21,000
	13 and 16.e)	-	-	3,791,274	3,131,496
Fixed assets		-	-	3,791,274	3,131,496
Intangible assets	14	246,163	246,163	864,548	594,595
Deferred charges	15	-	-	9,819	15,604
		<b>5,201,916</b>	<b>5,011,721</b>	<b>4,688,896</b>	<b>3,775,676</b>
<b>Total non-current assets</b>		<b>5,993,523</b>	<b>5,089,063</b>	<b>5,712,492</b>	<b>4,531,358</b>
<b>Total assets</b>		<b>6,209,807</b>	<b>5,996,110</b>	<b>11,090,281</b>	<b>9,667,168</b>

The accompanying notes are an integral part of these financial statements.

## Ultrapar Participações S.A. and Subsidiaries

## Balance sheets

as of December 31, 2009 and 2008

(In thousands of Reais)

Liabilities	Note	Parent		Consolidated	
		2009	2008	2009	2008
<b>Current liabilities</b>					
Loans and financing	16	-	1,203,823	1,008,209	1,645,534
Debentures	16	1,381	-	1,381	-
Finance lease	16.e)	-	-	10,728	12,581
Suppliers		10,026	426	891,869	614,201
Salaries and related charges		100	90	176,490	164,620
Taxes payable		1,422	113	125,474	88,972
Dividends payable	17.f)	160,875	119,941	170,724	127,021
Income tax and social contribution payable		-	-	18,975	17,418
Deferred income tax and social Contribution	10.a)	-	-	916	14,706
Post-employment benefits	23.b)	-	-	11,960	8,768
Provision for contingencies	22.a)	-	-	23,024	32,521
Other payables		847	1,372	48,236	21,378
<b>Total current liabilities</b>		<b>174,651</b>	<b>1,325,765</b>	<b>2,487,986</b>	<b>2,747,720</b>
<b>Non-current liabilities</b>					
<b>Long-term liabilities</b>					
Financing	16	-	-	2,131,388	2,000,941
Debentures	16	1,186,485	-	1,186,485	-
Finance lease	16.e)	-	-	4,637	12,866
Related companies	9.a)	-	1,825	4,071	4,422
Deferred income tax and social Contribution	10.a)	-	-	12,580	18,233
Provision for contingencies	22.a)	3,507	4,918	271,711	103,530
Post-employment benefits	23.b_	-	-	90,080	77,722
Other payables		-	-	37,052	13,471
<b>Total non-current liabilities</b>		<b>1,189,992</b>	<b>6,743</b>	<b>3,738,004</b>	<b>2,231,185</b>
Minority interest		-	-	35,017	38,187
<b>Shareholders' equity</b>					
Share capital	17.a)	3,696,773	3,696,773	3,696,773	3,696,773
Capital reserve	17.c)	4,482	2,906	1,275	855
Revaluation reserve	17.d)	8,156	10,280	8,156	10,280
Profit reserves	17.e)	1,268,850	1,078,914	1,268,850	1,078,914
Treasury shares	17.b)	(123,720)	(127,332)	(136,403)	(138,807)
Valuation adjustment	2, 3.c) and 17.h)	(4,075)	(6,248)	(4,075)	(6,248)
Cumulative translation adjustments		(5,302)	8,309	(5,302)	8,309

	2, 3.n) and 17.i)				
	2 and 17.g)	4,845,164	4,663,602	4,829,274	4,650,076
Total liabilities and shareholders' equity		6,209,807	5,996,110	11,090,281	9,667,168

The accompanying notes are an integral part of these financial statements.

## Ultrapar Participações S.A. and Subsidiaries

## Income statements

Years ended December 31, 2009 and 2008

(In thousands of Reais, except net earnings per share)

		Parent		Consolidated	
	Note	2009	2008	2009	2008
Gross revenue from sales and services	3.a)	-	-	37,851,350	29,536,420
Taxes on sales and services		-	-	(1,490,016)	(1,122,544)
Rebates, discounts and returns		-	-	(245,456)	(145,893)
Net revenue from sales and services		-	-	36,115,878	28,267,983
Cost of products and services sold	3.a)	-	-	(33,411,973)	(26,152,327)
Gross income		-	-	2,703,905	2,115,656
Income from investments in subsidiaries and affiliates					
Equity in income of subsidiaries and affiliates	12.a) and 12.b)	537,919	332,720	230	11
Operating revenues (expenses)					
Selling and marketing		-	-	(819,582)	(584,163)
General and administrative		(671)	(271)	(706,778)	(552,953)
Depreciation and amortization		-	(42,876)	(281,802)	(287,245)
Other net operating income		11	458	19,328	22,114
Operating income before financial income and other revenues		537,259	290,031	915,301	713,420
Net financial income	20	(68,693)	(79,619)	(278,165)	(168,834)
Other income	18	-	210,454	20,312	11,212
Operating income before social contribution and income tax		468,566	420,866	657,448	555,798
Social contribution and income tax					
Current	10.b)	(1,806)	(17,452)	(182,222)	(204,581)
Deferred charges	10.b)	(12)	(13,145)	(25,447)	12,689
Tax incentives	10.b) and 10.c)	-	-	20,575	40,309
		(1,818)	(30,597)	(187,094)	(151,583)
Income before minority interest and employee statutory interest		466,748	390,269	470,354	404,215
Employee statutory interest		-	-	-	(9,451)

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Minority interest		-	-	(3,606)	(4,495)
Net income for the year	17.f)	466,748	390,269	466,748	390,269
Net income per equity share (annual weighted average) - R\$		3.43	2.87		

The accompanying notes are an integral part of these financial statements.

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## Ultrapar Participações S.A. and Subsidiaries

## Statements of changes in shareholders' equity in the parent company

Years ended December 31, 2009 and 2008

(In thousands of Reais, except dividends per share)

	Note	Share capital	Capital reserve	Revaluation reserve in subsidiaries	Legal reserve	Profit reserves Retention of profits	Valuation adjustment	Cumulative translation adjustments	Retained earnings	Treasuries
Balance at December 31, 2007		3,696,773	3,664	11,641	100,062	825,361	-	-	-	(27,000)
Initial implementation of Law 11638/07	2	-	-	-	-	-	-	-	(313)	-
Purchase of shares for treasury		-	-	-	-	-	-	-	-	(105,000)
Sale of treasury shares	17.b)	-	(758)	-	-	-	-	-	-	5,000
Realization of revaluation reserve	17.d)	-	-	(1,361)	-	-	-	-	1,361	-
Income tax and social contribution on realization of revaluation reserve of subsidiaries	17.d)	-	-	-	-	-	-	-	(57)	-
Transfer to retained earnings		-	-	-	-	991	-	-	(991)	-
Valuation adjustments for financial instruments	3.c)	-	-	-	-	-	(6,248)	-	-	-
Currency translation of foreign subsidiaries	3.n)	-	-	-	-	-	-	8,309	-	-
Net income for the year		-	-	-	-	-	-	-	390,269	-
Appropriation of net income:										
Legal reserve		-	-	-	19,513	-	-	-	(19,513)	-
Interim dividends (R\$ 0.89 per share)		-	-	-	-	-	-	-	(119,006)	-
Proposed dividends payable (R\$ 0.887031 per share)		-	-	-	-	-	-	-	(118,763)	-

share)

Retained earnings	-	-	-	-	132,987	-	-	(132,987)
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Balance at

December 31, 2008	3,696,773	2,906	10,280	119,575	959,339	(6,248)	8,309	-	(127,
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The accompanying notes are an integral part of these financial statements.

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Ultrapar Participações S.A. and Subsidiaries

Statements of changes in shareholders' equity in the parent company

Years ended December 31, 2009 and 2008

(In thousands of Reais, except dividends per share)

	Note	Share capital	Capital reserve	Revaluation reserve in subsidiaries	Profit reserves Legal reserve	Retention of profits	Valuation adjustment	Cumulative translation adjustments	Retained earnings	Treasury shares
Balance at December 31, 2008		3,696,773	2,906	10,280	119,575	959,339	(6,248)	8,309	-	(127,300)
Sale of treasury shares	17.b)	-	1,576	-	-	-	-	-	-	3,600
Realization of revaluation reserve	17.d)	-	-	(2,124)	-	-	-	-	2,124	-
Income tax and social contribution on realization of revaluation reserve of subsidiaries	17.d)	-	-	-	-	-	-	-	(374)	-
Transfer to retained earnings		-	-	-	-	1,750	-	-	(1,750)	-
Valuation adjustments for financial instruments	3.c)	-	-	-	-	-	2,173	-	-	-
Currency translation of foreign subsidiaries	3.n)	-	-	-	-	-	-	(13,611)	-	-
Net income for the year		-	-	-	-	-	-	-	466,748	-
Appropriation of net income:										
Legal reserve		-	-	-	23,337	-	-	-	(23,337)	-
Interim dividends (R\$ 0.89 per share)	17.f)	-	-	-	-	-	-	-	(119,161)	-

share)									
Proposed dividends payable (R\$1.19 per share)	17.f)	-	-	-	-	-	-	-	(159,401)
Retained earnings	17.f)	-	-	-	-	164,849	-	-	(164,849)
Balance at December 31, 2009		3,696,773	4,482	8,156	142,912	1,125,938	(4,075)	(5,302)	- (123,7

The accompanying notes are an integral part of these financial statements.

## Ultrapar Participações S.A. and Subsidiaries

## Statements of cash flows - Indirect method

Years ended December 31, 2009 and 2008

(In thousands of Reais)

	Note	Parent 2009	Parent 2008	Consolidated 2009	Consolidated 2008
Cash flows from operating activities					
Net income for the year		466,748	390,269	466,748	390,269
Adjustments to reconcile net income to cash provided by operating activities					
Equity in income of subsidiaries and affiliates	12	(537,919)	(332,720)	(230)	(11)
Depreciation and amortization		-	42,876	439,328	375,476
PIS and COFINS credits on depreciation		-	-	10,226	5,084
Interest, monetary and exchange rate changes		93,036	152,274	107,882	566,876
Deferred income tax and social contribution	10.b)	12	13,145	25,447	(12,689)
Minority interest in income		-	-	3,606	4,495
Proceeds from sale of fixed assets		-	(210,454)	(17,463)	(20,790)
Provision (release of provision) for loss on fixed assets		-	-	540	(1,900)
Others		-	-	699	1,586
Dividends received from subsidiaries		257,289	172,549	-	-
(Increase) decrease in current assets					
Trade receivables	6	-	-	177,053	(80,022)
Inventories	7	-	-	377,814	(387,061)
Recoverable taxes	8	(9,465)	5,239	51,956	(100,309)
Other receivables		860	119	69,741	(82,337)
Prepaid expenses	11	-	-	8,441	(6,222)
Increase (decrease) in current liabilities					
Trade payables		9,600	(1,677)	47,408	26,887
Wages and employee benefits		10	2	(2,688)	38,184
Taxes payable		1,309	(12,197)	20,335	(5,952)
Income tax and social contribution		-	-	1,351	(16,340)
Other payables		(525)	(1,574)	(13,634)	(17,255)
(Increase) decrease in long-term assets					
Accounts receivable	6	-	-	(137,041)	(40,222)
Tax credits	8	(17,161)	-	(8,535)	20,332
Amounts in escrow		(24)	-	11,920	(22,491)
Other receivables		-	20	1,762	7,824
Prepaid expenses	11	-	-	(11,657)	1,882
Increase (decrease) in long-term liabilities					

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Provision for contingencies		(1,411)	159	3,843	32,507
Other payables		-	-	11,549	(54,375)
Net cash provided by operating activities		262,359	218,030	1,646,401	623,426
Cash flows from investment activities					
Financial investments, net of redemptions		-	-	358,396	33,992
Disposal (acquisition) of investments, net	12	(4,980)	6,614	(1,360,598)	(432,370)
Capital contributions to subsidiaries	12	-	(1,101,828)	-	-
Capital reduction of subsidiaries	12	-	470,000	-	-
Cash of acquired subsidiaries		-	-	29,442	11,364
Merger and corporate reorganization		62,862	54,943	-	-
Acquisition of fixed assets	13	-	-	(484,548)	(891,693)
Increase in intangible assets	14	-	-	(38,735)	(37,853)
Increase in deferred charges	15	-	-	-	(4,933)
Gain on sale of fixed assets		-	-	44,315	45,046
Net cash provided by (used in) investment activities		57,882	(570,271)	(1,451,728)	(1,276,447)

The accompanying notes are an integral part of these financial statements.

## Ultrapar Participações S.A. and Subsidiaries

## Statements of cash flows - Indirect method

Years ended December 31, 2009 and 2008

(In thousands of Reais)

	Note	Parent 2009	Parent 2008	Consolidated 2009	Consolidated 2008
Cash flows from financing activities					
Financing and debentures					
Fund raising	16	1,174,458	2,400,000	2,889,821	3,607,728
Amortization	16	(1,344,360)	(2,567,139)	(2,207,854)	(3,761,011)
Payment of financial lease	16	-	-	(13,853)	(10,476)
Dividends paid		(237,628)	(395,955)	(242,886)	(398,927)
Acquisition of minority interest		-	-	-	(18)
Purchase of shares for treasury	17.b)	-	(105,014)	-	(105,014)
Sale of treasury shares to subsidiaries		5,188	4,443	-	-
Payment from Petrobras and Braskem for delivery of					
Petrochemical and Distribution Assets		-	1,731,313	-	1,731,313
Related entities	9.a)	(637,964)	(34,242)	(2,317)	(5,711)
Net cash provided by (used in) financing activities		(1,040,306)	1,033,406	422,911	1,057,884
Effect of changes in exchange rates on cash and cash equivalents in foreign currency		-	-	(5,138)	7,798
Increase (decrease) in cash, banks and short-term investments		(720,065)	681,165	612,446	412,661
Cash and cash equivalents at the beginning of the year	5	778,991	97,826	1,275,053	862,392
Cash, banks and short-term investments at the end of the year	5	58,926	778,991	1,887,499	1,275,053
Additional information					
Interest paid on financing		150,107	52,419	243,906	180,273
Income tax and social contribution paid for the year		-	6,401	41,301	126,558
Items not affecting cash for the period					
Debt of acquired subsidiaries		-	-	-	43,472
Finance lease	16.g)	-	-	1,424	15,475

The accompanying notes are an integral part of these financial statements.

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## Ultrapar Participações S.A. and Subsidiaries

## Statements of value added

Years ended December 31, 2009 and 2008

(In thousands of Reais, except percentages)

	Note	2009	Parent %	2008	%	2009	Consolidated %	2008	%
<b>Revenues</b>									
Gross revenue from sales and services, except rents and royalties	3.a)	-		-		37,812,525		29,504,108	
Rebates, discounts and returns		-		-		(245,456)		(145,893)	
Allowance for doubtful accounts - Release (creation)		-		-		(549)		7,203	
Other income		-		210,454		20,312		11,212	
		-		210,454		37,586,832		29,376,630	
<b>Materials purchased from third parties</b>									
Raw materials used		-		-		(1,944,328)		(1,805,726)	
Cost of goods, products and services sold	3.a)	-		-		(31,985,399)		(24,276,334)	
Third-party materials, energy, services and others		(5,537)		(4,952)		(909,126)		(932,075)	
Recovery (loss) of asset value		8,735		8,574		14,277		2,988	
		3,198		3,622		(34,824,576)		(27,011,147)	
Gross value added		3,198		214,076		2,762,256		2,365,483	
<b>Deductions</b>									
Depreciation and amortization		-		(42,876)		(449,554)		(380,560)	
Net value added by the company		3,198		171,200		2,312,702		1,984,923	
Value added received in transfer		537,919		332,720		230		11	

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Equity in income of subsidiaries and affiliates	12.a) and 12.b)							
Dividends and interest on equity at cost		30		30		74		2,796
Rents and royalties		-		-		38,825		32,312
Financial revenues	20	108,341		82,648		168,949		257,243
		646,290		415,398		208,078		292,362
Total value added available for distribution								
		649,488	100	586,598	100	2,520,780	100	2,277,285
Distribution of value added								
Labor and benefits		3,198	-	2,899	1	826,479	33	699,918
Taxes, fees and contributions		9,902	2	31,749	5	746,763	30	694,471
Financial expenses and rents		169,640	26	161,681	28	477,184	19	488,132
Dividends and interest on equity		278,562	43					