ANNUAL REPORT 2012

CONTENT

ULTRAPAR 2

MESSAGE FROM THE MANAGEMENT 4

KEY INDICATORS AND HIGHLIGHTS 6

MANAGEMENT FUNDAMENTALS 12

CORPORATE GOVERNANCE 12

MANAGEMENT MODEL AND STRATEGY 18

RISK MANAGEMENT 24

INNOVATION 28

RELATIONSHIP WITH STAKEHOLDERS 32

SOCIAL AND ENVIRONMENTAL PHILOSOPHY AND SUSTAINABILITY 38

IPIRANGA 44

OXITENO 50

ULTRACARGO 56

ULTRAGAZ 60

RESULTS AND OUTLOOK 66

ANALYSIS OF FINANCIAL PERFORMANCE IN 2012 66

CAPITAL MARKETS 72

INVESTMENTS AND OUTLOOK 76

CORPORATE INFORMATION / CREDITS 80

ULTRAPAR

In 2012, Ultrapar completed 75 years of history marked by the conduction of good businesses, with outstanding products and services to its customers, by the consistent planning and execution of its strategy, by growth and development opportunities for its employees and consequent value creation. Ultrapar holds leading positions in its markets: fuel distribution through Ultragaz and Ipiranga, production of specialty chemicals through Oxiteno, and liquid bulk storage services through Ultracargo.

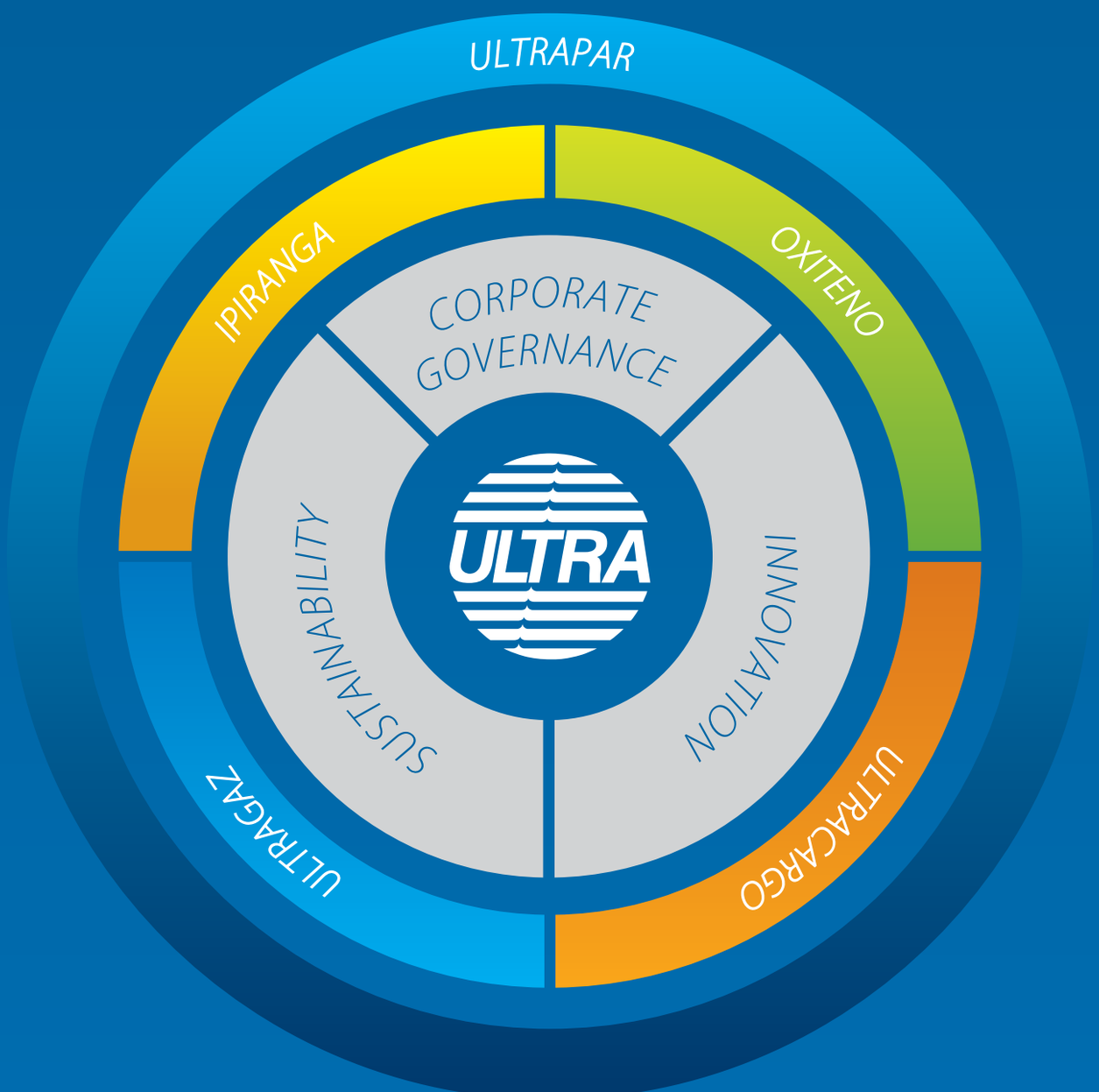
The company performs its activities throughout the entire Brazilian territory, with businesses that have a widespread reach and are present in the Brazilians' everyday life. Ultrapar also has a growing presence outside Brazil, through Oxiteno, with industrial plants in the United States, Mexico, Uruguay and Venezuela, as well as commercial offices in Argentina, Belgium, China and Colombia. By the end of 2012, Ultrapar had nine thousand employees in Brazil and in its foreign units.

In 2012, Ultrapar continued its strategy of value creation and investments to increase operating scale, maintaining the trajectory of robust and consistent earnings growth. As a result of this strategy, and supported by a corporate culture based on continuous innovation, sustainability of its businesses and a corporate governance designed to ensure the continuity of the company and its growth, Ultrapar completed this year 26 consecutive quarters of EBITDA growth, attesting the resilience and consistency of its growth.

Continuing this strategy and based on the characteristics of its businesses – partly resilient and partly leveraged on the economic growth – Ultrapar expects to continue its earnings and value growth trajectory.

Since 1999, Ultrapar's shares have been listed at the BM&FBOVESPA (São Paulo Securities, Commodities and Futures Exchange) and at the New York Stock Exchange (NYSE), with ADRs level III, and since 2011 in the Novo Mercado listing segment, complying with the highest standards of corporate governance in both markets. In 2012, the company's shares appreciated by 45%, being one of the companies with the highest appreciation among those that compose the Ibovespa.

In 2012, the company's shares appreciated by 45%, being one of the companies with the highest appreciation among those that compose the Ibovespa.



MESSAGE FROM THE MANAGEMENT

In 2012, we continued our business strategy, aimed at promoting sustained growth and value creation for Ultrapar and for its stakeholders, strengthening the company as an institution.

The new and innovative corporate governance model established in 2011 and consolidated in 2012, associated with earnings growth and Ultrapar's management practices, led to several recognitions by the market. Among other awards, Ultrapar was elected once more one of the most admired companies in the world in the energy sector by Fortune Magazine (World's Most Admired Companies 2013, 4th place), one of the most innovative companies in the world by Forbes Magazine, and the publicly listed company with the greatest evolution in corporate governance by *Instituto Brasileiro de Governança Corporativa* (Brazilian Institute of Corporate Governance – IBGC Corporate Governance Award).

In May 2012, we announced the succession process of Ultrapar's Chief Executive Officer. Thilo Mannhardt, then member of the Board of Directors, has assumed the company's CEO position from 2013 on, succeeding Pedro Wongtschowski, who held the position from 2006 to 2012 and became a member of the Board of Directors of Ultrapar in 2013. The company's solid and strengthened management system enabled a planned and organized transition process, a renewal with no disruption. This was another evidence of Ultrapar's institutionalization – the corporate governance and culture of the company allow that decisions are taken by professionals aligned towards a common goal to the benefit of the company's interests.

In 2012 Ultrapar also presented continued growth, both in size, enabled by investments, and in results and value creation.

At Ipiranga, we continued to invest significantly in the expansion of its service station network and of its logistics infrastructure, focused on higher-growth markets – the Midwest, Northeast and North regions of Brazil. The investments made over the past few years have resulted in increased market penetration, allowing strong growth in sales volume. We also continued the differentiation strategy by increasing the offer of products and services, keeping an attentive eye on the convenience of our customers.

At Oxiteno, we began to capture the benefits from investments in the expansion of production capacity completed in 2011, with significant growth in sales volumes and increased operating leverage. In addition, we deepened the process of international expansion, with the acquisition of specialty chemical plants in the United States and in Uruguay, and we maintained our strategy of developing products and applications, strongly supported by investments in innovation and in the growing use of renewable raw materials.

In Ultracargo, we took relevant steps to expand its scale, adding storage capacity through acquisitions and expansion of existing terminals. We acquired Terminal Marítimo do Maranhão – Temmar, installed at the port of Itaqui, in the state of Maranhão, in order to capture business opportunities generated by the economic growth of the country. The same motivation drove the expansion of the Santos and Aratu terminals, which represented an increase of storage capacity of about 10% for the company.

In Ultragaz, we captured the results from investments in strengthening its positioning and scale of operations in the bulk LPG segment, in which it was the first mover, reaping benefits from the acquisition of Repsol in 2011. Ultragaz has also begun initiatives for earnings recovery with the focus on reducing costs and expenses.

Thilo Mannhardt, Paulo G. A. Cunha and Pedro Wongtschowski

The strategies developed by Ultrapar provided, once again, robust results in 2012. Since its IPO, Ultrapar has implemented an ambitious investment plan for the expansion of its businesses, a plan that amounts to R$ 12 billion, of which R$ 1.5 billion was invested only in 2012. Investments in recent years have contributed to a growth of 18% and 19% in Ultrapar's EBITDA and net income compared to 2011.

The significant earnings growth, with increasing returns, was recognized by the capital markets with the corresponding appreciation of Ultrapar's shares. The company has an average total shareholder return of 24% per year since its IPO, much higher than that presented by the Ibovespa index and by the CDI, which had average appreciation of 14% and 15% per year, respectively, over the period. In 2012, a year in which our operating results had significant evolution, despite a modest economic growth, Ultrapar's shares appreciated by 45%, while the Ibovespa index rose by 7%.

The achievements and results of 2012 reiterate the success of a strategy that involves an innovative and carefully implemented corporate governance structure, which preserves and reinforces Ultrapar's commitment to continuously create value. As a result, the company is well positioned to benefit from the good opportunities that it pursues, prepared for new growth cycles.

Paulo G. A. Cunha
Chairman of the Board of Directors

Pedro Wongtschowski
Chief Executive Officer until December 2012

Thilo Mannhardt
Chief Executive Officer since January 2013

KEY INDICATORS AND HIGHLIGHTS

Ultrapar closed 2012 with a market value of R$ 25 billion, approximately three times higher than that of five years ago.

SHAREHOLDERS' RETURN AND CAPITAL MARKETS

- Ultrapar's shares presented a 45% and 30% appreciation during the year on the BM&FBOVESPA and the NYSE, respectively. In the same period, both market indexes appreciated by 7%.
- Ultrapar closed 2012 with a market value of R$ 25 billion, approximately three times higher than that of five years ago.
- Dividends declared totaled R$ 627 million, corresponding to a 62% payout over 2012 net income and a 3% dividend yield.
- Once more, Ultrapar has been selected to be part of the portfolio of the BM&FBOVESPA's Corporate Sustainability Index (ISE), comprised of companies with outstanding recognition regarding their commitment to social and environmental responsibility, corporate governance and corporate sustainability.

ACQUISITIONS AND INVESTMENTS

- Ipiranga expanded its reseller network by 374 service stations and 391 new am/pm and JetOil franchises. The company also invested in the construction and expansion of 12 storage facilities.
- Oxiteno concluded two acquisitions outside Brazil: a specialty chemicals plant in Pasadena, Texas (USA), and American Chemical, a specialty chemicals company in Uruguay.
- Ultracargo acquired Terminal Marítimo do Maranhão S.A. – Temmar, establishing a footprint in the port region of Itaqui, in Maranhão. Ultracargo also increased its storage capacity by approximately 10% through the expansion of its terminals in Santos and Aratu.
- Ultragaz directed its investments mainly to capturing new clients in the LPG bulk segment.

RESULTS

- Net sales of R$ 54 billion in 2012, a growth of 11% over the previous year.
- EBITDA of R$ 2.4 billion, 18% higher than that in 2011.
- Net earnings of R$ 1.0 billion, a 19% growth over the previous year.

RECOGNITIONS

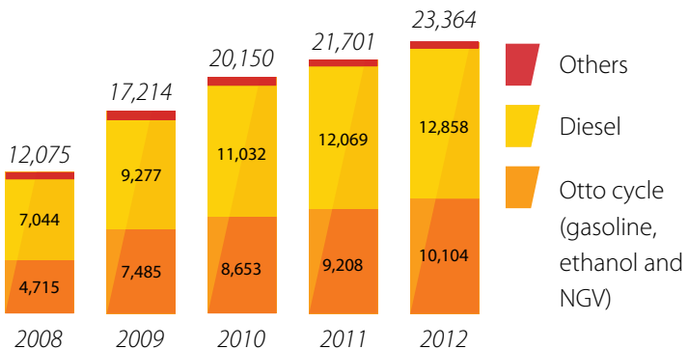
Winner of the 2012 corporate governance award in the category listed companies
Instituto Brasileiro de Governança Corporativa – IBGC (Brazilian Institute of Corporate Governance)

One of the world's 100 most innovative companies by The World's Most Innovative Companies award
Forbes

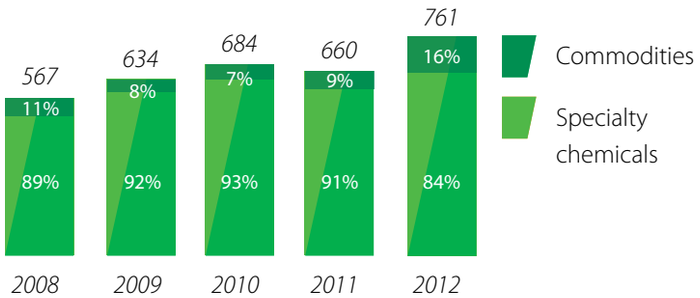
2nd place in the "Best Companies for the Shareholders" award in the category of companies with market value over R$ 15 billion
Capital Aberto Magazine

4th place in the World's Most Admired Companies 2013 ranking in the energy sector
Fortune Magazine

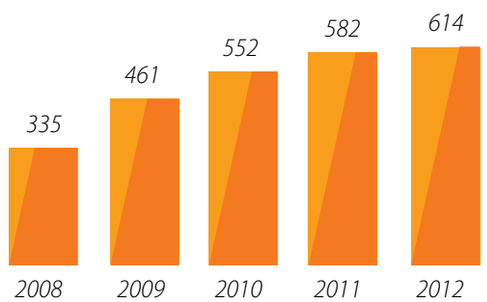
IPIRANGA – SALES VOLUME
('000 m³)



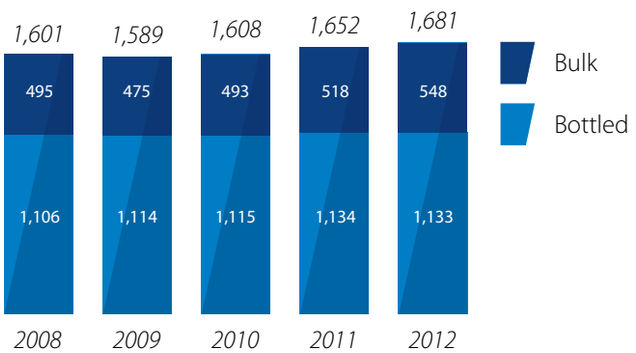
OXITENO – SALES VOLUME
('000 ton)



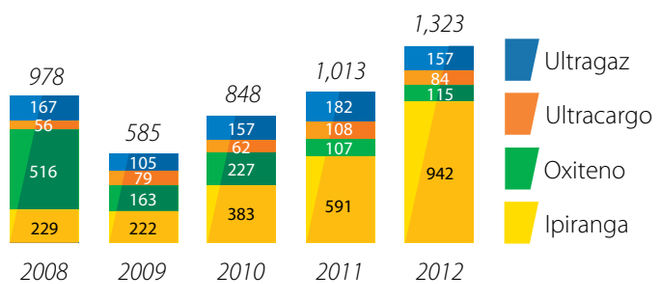
ULTRACARGO – EFFECTIVE STORAGE
('000 m³)



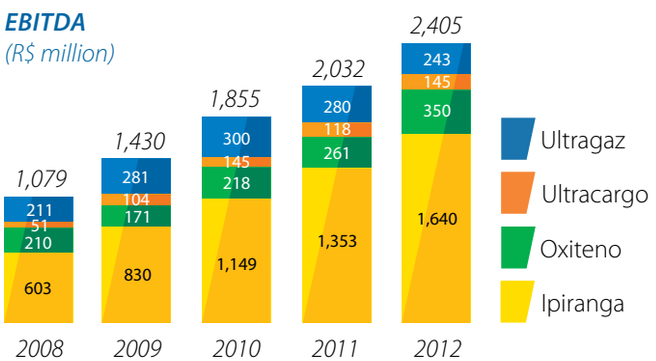
ULTRAGAZ – SALES VOLUME
('000 ton)



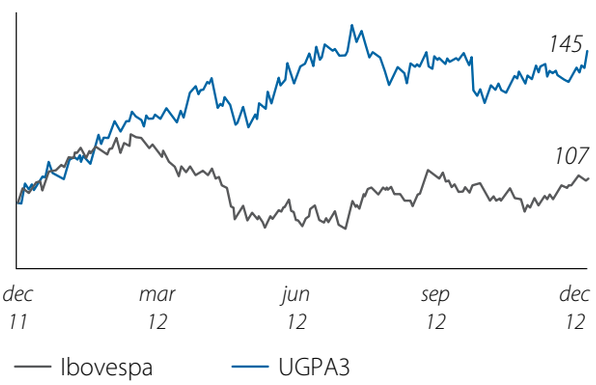
INVESTMENTS
Excluding acquisitions (R$ million)



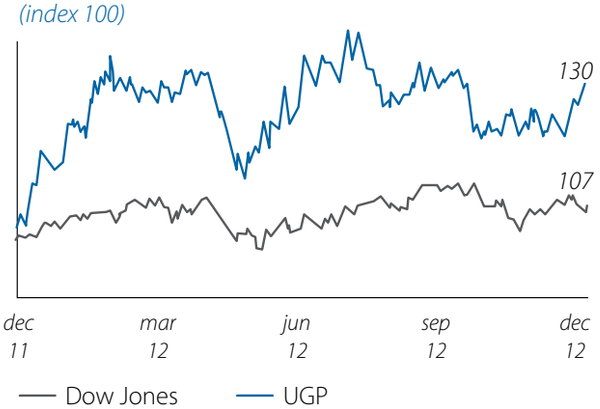
EBITDA
(R$ million)



PERFORMANCE UGPA3 X IBOVESPA
(index 100)



PERFORMANCE UGP X DOW JONES
(index 100)



KEY INDICATORS [1]					
		IFRS			
	2008	2009	2010	2011	2012
Ultrapar[2]					
Net revenue from sales and services	28,268	36,097	42,482	48,661	53,919
EBITDA [3]	1,079	1,430	1,855	2,032	2,405
Net earnings	390	441	765	855	1,018
Investments	1,516	1,941	815	1,090	1,491
Dividends declared	238	279	429	525	627
Earnings per share (R$) [4]	0.72	0.82	1.43	1.59	1.89
Dividends per share (R$) [4]	0.44	0.52	0.80	0.98	1.17
Number of employees (end of the year)	9,496	9,429	8,883	9,055	9,282
Ipiranga					
Sales volume ('000 m^3)	12,075	17,214	20,150	21,701	23,364
Net revenue from sales and services	22,676	30,486	36,483	42,224	46,833
EBITDA [3]	603	830	1,149	1,353	1,640
Investments	229	222	383	591	942
Productivity (EBITDA R$/$m^3$)	50	48	57	62	70
Oxiteno					
Sales volume ('000 ton)	567	634	684	660	761
Net revenue from sales and services	1,926	1,916	2,083	2,409	2,929
EBITDA [3]	210	171	218	261	350
Investments	516	163	227	107	115
Productivity (EBITDA US$/ton)	202	135	181	236	235
Ultracargo					
Effective storage ('000 m^3)	335	461	552	582	614
Net revenue from sales and services	283	337	293	267	301
EBITDA [3]	51	104	145	118	145
Investments	56	79	62	108	84
Ultragaz					
Sales volume ('000 ton)	1,601	1,589	1,608	1,652	1,681
Net revenue from sales and services	3,339	3,441	3,661	3,767	3,847
EBITDA [3]	211	281	300	280	243
Investments	167	105	157	182	157
Productivity (EBITDA R$/ton)	132	177	187	170	145
Capital markets					
Average daily trading volume (R$ 000) [5]	26,476	26,961	32,953	34,646	55,498
Price at BM&FBOVESPA (R$/share) [4]	12.71	20.03	26.28	32.01	46.29
Price at NYSE (US$/ADR) [4] [6]	5.62	11.73	16.16	17.20	22.28

[1] Except where otherwise indicated, figures in R$ millions. Information according to IFRS from 2009 onwards.
[2] Except where otherwise indicated, Ultrapar's figures in this report include the consolidation, from April 2009 onwards, of the assets acquires from Texaco.
[3] Except where otherwise indicated, EBITDA's figures in this report include sale of assets and earnings (losses) of affiliates (as set forth in CVM Instruction Nº 527).
[4] The number of shares was retroactively adjusted to reflect the 1:4 stock split of the shares issued by the company approved by Extraordinary General Meeting in February 10th, 2011.
[5] Considers the combined trading on the BM&FBOVESPA and the NYSE.
[6] 1 ADR = 1 common share.

CORPORATE GOVERNANCE

Throughout its history, Ultrapar was a pioneer in the development of corporate governance, anticipating market trends and contributing to the evolution of the topic in Brazil.

The corporate governance structure built by the company was a key element for the strategic decisions and implementations that defined the success of its businesses.

The culture of alignment of interests and value creation also allowed the company, by thinking of its own governance in light of its stage of development, to introduce concepts and create innovative devices that contributed to turn it into a solid and recognized institution.

Ultrapar's current corporate governance structure, renewed in 2011, is the result of a process started in the 1970s and that has been deepened since then. By that time, the company had experienced a fast-growing phase and, consequently, the complexity of its businesses increased. The then manager and main shareholder of Ultrapar, Pery Igel, opted to hire professional executives for the company's management in that date, with the objective of preserving and increasing the company's value.

In the 1980s, Pery Igel enhanced this process, implementing an unparalleled deferred stock plan for executives, linked to a 20-year vesting period. By doing that, he turned the executives into his partners, aligning interests to build a better and more solid company, under the belief that the "owner" mentality guides a manager in this direction. Over the following decade, with the leadership of Paulo Cunha, the company decided to divest its operations in various sectors, such as engineering and agriculture, and focus on the three businesses in which it had prominent positions: LPG distribution, chemicals production and logistics services for bulk liquids. This redesign process allowed the company to strengthen these three businesses and was followed in the late 1990s by the Ultrapar's simultaneous initial public offering (IPO) on the BM&FBOVESPA and the NYSE, the first Brazilian company to do so.

In the post-IPO period, Ultrapar contributed significantly to the development of the Brazilian capital markets. This contribution occurred both through the pioneering introduction of provisions such as the granting of 100% tag along rights, in 2000, as a tool of alignment of interests between all shareholders in the company, and also through the engagement in discussions related to the theme, such as the participation as a founding member and active participant in the Companies Circle of the Latin American Corporate Governance Roundtable.

Also during this period, the corporate governance based on the alignment of interests between shareholders and executives, leading the latter to a permanent focus on creating value for the company, was essential for the pursue and realization of acquisitions of high strategic impact, such as Ipiranga, Texaco and União Terminais, at the same time that Paulo Cunha led Ultrapar to separate in 2007 the roles of chief executive officer and chairman of the Board of Directors. Pedro Wongtschowski was nominated his successor in the executive activities, and Paulo Cunha began to devote himself exclusively to the role of chairman of the Board of Directors.

Ultrapar always considered the capital markets as an important enabling agent of growth and of the endurance of the company, not only as a source of funds for its investments but also as a source of development and reinforcement of a delegation and accountability culture, meritocratic management and alignment of interests. The implementation of the new corporate governance structure in 2011 provided Ultrapar an increased investment capacity, allowing the conception of even more audacious projects for the coming years. In addition, it is a definitive move towards the professional management of the company, which now has its future untied from specific issues of any particular shareholder.

The new corporate governance structure involved the conversion of all Ultrapar's preferred shares of into common shares at a 1-to-1 ratio. With this conversion, all shareholders began to enjoy exactly the same economic and political rights. As a consequence, the controlling shareholders gave up their legal control right for leadership through performance to endure the company and its growth. Additionally, Ultrapar adhered to the highest level of corporate governance in the Brazilian market, joining the Novo Mercado segment of BM&FBOVESPA, and incorporated, in its new bylaws, provisions inspired by international standards with no precedent in Brazil and that exceed the requirements of the Novo Mercado. With this evolution in its corporate governance, the company has prepared the foundations for Ultrapar to become an increasingly solid, profitable and long-lasting company.

CORPORATE GOVERNANCE – ULTRAPAR AS A PIONEER

- In the 1980's, the main executives started to participate in the controlling stake of the company through a deferred stock plan, deepening the management professionalization process.

- Ultrapar was the first Brazilian company to engage, in 1999, simultaneous initial public offering (IPO) on the stock exchanges of São Paulo (BM&FBOVESPA) and New York (New York Stock Exchange – NYSE).

- Ultrapar was the first Brazilian company to grant, in 2000, 100% tag along rights to all its shareholders, which surpassed the best practices of the Brazilian market at the time.

- Ultrapar separated, in 2006, the role of Chief Executive Officer and Chairman of the Board of Directors. Paulo Cunha started to be exclusively dedicated to the role of chairman of the Board and Pedro Wongtschowski assumed the CEO position.

- In 2011, with the implementation of its new corporate governance structure, Ultrapar provided a case with no precedent of a controlling shareholder that gave up legal control for leadership through performance, for the growth and endurance of the company.

MAIN ASPECTS OF THE NEW CORPORATE GOVERNANCE STRUCTURE

- Conversion of all preferred shares into common shares at a 1-to-1 ratio - the company ceased to have a controlling shareholder.

- Strengthening of corporate governance bodies:
  - Under the Bylaws, the Board of Directors must have at least 30% of independent members.
  - Establishment of the Compensation Committee and the Audit Committee in its Bylaws.

- Election of directors through a slate system, ensuring in its Bylaws that any alternative slate must be given the same publicity of that proposed by the management.

- Tender offer for the shares of the company in the event of an acquisition of relevant interest (20% of the capital), for the highest price paid in the last six months.

- No poison pills, voting limitation or special treatment for any shareholder.

In 2012, as part of the constant evolution of its corporate governance, Ultrapar conducted again the succession of its chief executive officer, after a six-year term of Pedro Wongtschowski. The Board of Directors approved, in May 2012, the nomination of Thilo Mannhardt as chief executive officer starting January 1st, 2013.

The succession process happened in accordance with Ultrapar's philosophy: adequately planned and conducted with transparency. The succession was performed as part of a process of continuity for the company's planning, growth and value creation.

The renewal of the leadership is a continuous and well-established process of the company, which seeks renewed energy to continue growing. In 2012, about 50% of the company's officers held their positions for less than five years. As the CEO succession, this renewal without disruption was enabled by the culture and institutional maturity of the company, which allows it to keep the company's interests aligned with individual interests, in a process that feeds back.

ULTRA
75
ANOS
ULTRA

MANAGEMENT MODEL AND STRATEGY

The high degree of institutional maturity reached by Ultrapar was built over the many decades of pioneering and constant search for development and growth.

The company currently has a management system that allows, in all its areas of operation, a continuous renewal, without jeopardizing the proper conduct of its business, encouraging innovation and sustainable growth.

For this reason, the company maintains in its corporate culture strong characteristics that contribute to the endurance of its growth and to its strengthening as an institution: careful planning and a proven execution capability. Ultrapar plans its expansion always seeking results through a strong discipline in resources allocation, aligning the interests of shareholders and managers in the pursuit of value creation.

The execution of Ultrapar's strategy and its management model are supported by and benefited from a centralized structure of financial and IT functions through a corporate center. This centralization provides benefits of scale, since it allows the processing and contracting of transactions from all businesses in an efficient manner. Additionally, it promotes increased specialization through areas dedicated to certain activities that would not be viable in separate structures. Moreover, the corporate center is key element to the high standards of controls of the company, setting a robust system of checks and balances.

These characteristics, along with a sound financial position, the growth in recent years and the combination of resilient businesses, led Standard & Poor's to raise in 2012, once more, Ultrapar's credit rating, which already had an investment-grade rating from this agency and from Moody's.

BUSINESS UNITS

Ipiranga, the largest private distributor of fuels in Brazil, develops a strategy based in innovation and differentiation, through the launch of new products and services with a focus on convenience for its clients and on the loyalty of its different audiences. Initiatives such as *"Km de Vantagens"* – the largest loyalty program in Brazil, *Posto Virtual* (Virtual Service Station) and ConectCar, a company that operates in the segment of electronic payment for tolls, parking lots and fuel, exemplify Ipiranga's drive towards the convenience of its customers, using the widespread reach of its retail network and the internet as relationship platforms. In addition, Ipiranga stands out among companies in the industry with regards to sustainable actions as a business strategy, with initiatives such as eco-efficient service stations, which in 2012 reached 231 units, almost four times the figure in the previous year, and proper management of waste at the point of sale.

Ipiranga is heavily supported by the expansion of its network of service stations as a way of increasing competitiveness and profitability. Brazil presents positive prospects for the growth in sales of fuel, due to the low car penetration compared to countries with a similar level of development, combined with higher average income, lower car prices in relation to income and greater credit availability. One of the focuses of Ipiranga's expansion is opening new service stations and converting unbranded service stations in the Midwest, Northeast and North regions of Brazil, regions with significant growth, above the national average. In addition to expanding its service station network, the formalization process of the sector, especially in the ethanol segment, allows for a level playing field, and Ipiranga's initiatives to aggregate products and services focused on customer convenience also represent opportunities for improved profitability.

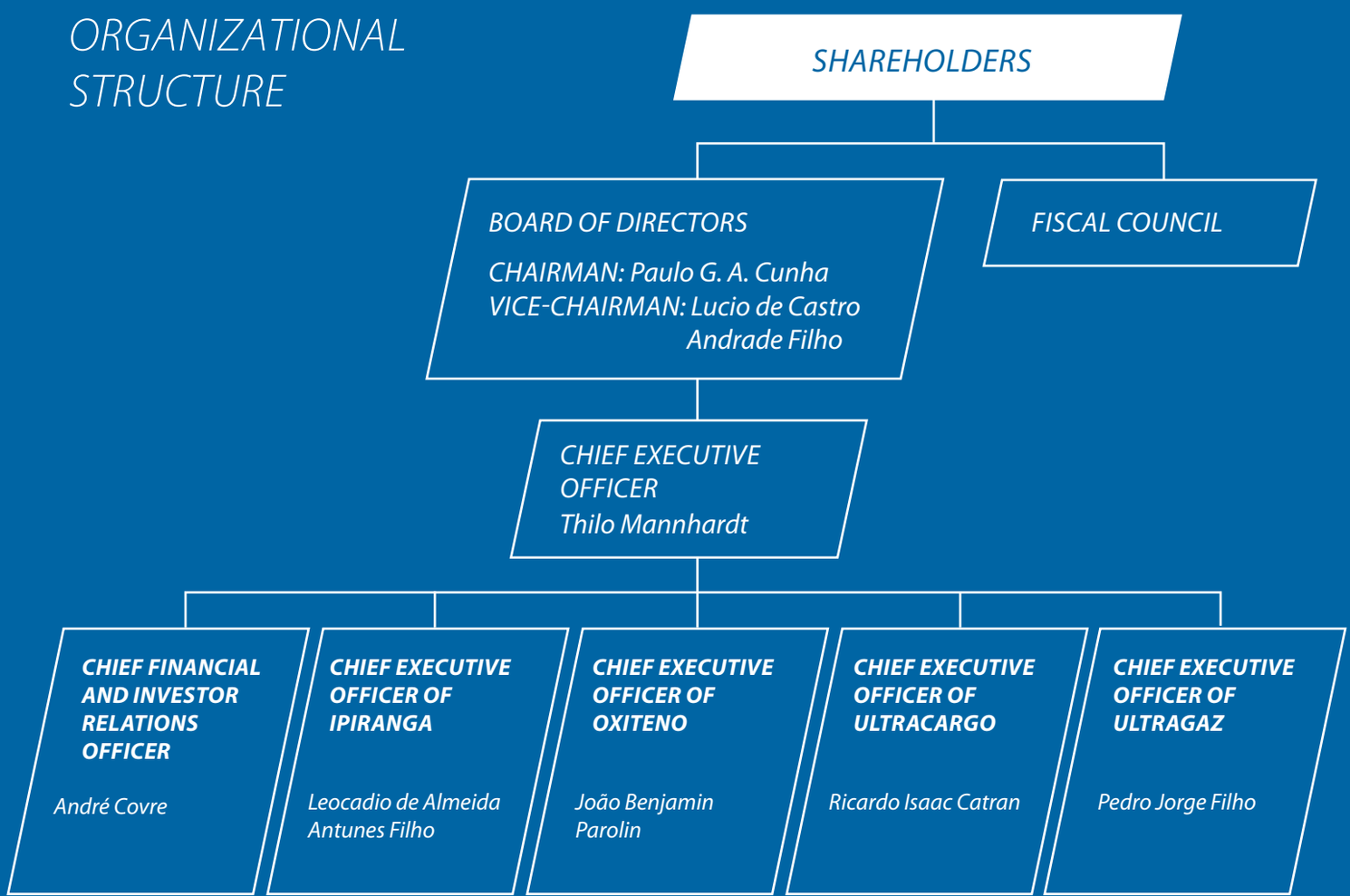
Oxiteno, the largest producer of specialty chemicals in Latin America, captured in 2012 the benefits from capacity expansions made in recent years to meet the growing demand for specialty chemicals in Brazil. Additionally, Oxiteno continued in 2012 its internationalization strategy through acquisitions in the United States and in Uruguay. The company seeks to expand abroad through the virtuous combination of access to a wider market, access to competitive raw materials and "cross-fertilization", that is, the transfer of technology and market knowledge among different countries, contributing to the differentiation and diversification of products.

Ultracargo, the leading company in the segment of liquid bulk storage, stands out for its flexibility, reliability and agility in serving its customers. Ultracargo also relies on a strategy of strengthening itself by expanding its scale. In 2012, this

strategy was reinforced by the acquisition of Temmar, at the port of Itaqui, and by continued investments in organic growth in the Santos and Aratu terminals. Ultracargo's presence at the main ports of the country places it in a privileged position to capture the opportunities generated by the growth of this market, which has surpassed the growth of the Gross Domestic Product.

Ultragaz maintains market leadership in LPG distribution through a strategic positioning based on the strength of its brand, on the continuous qualification of its resellers, on its outstanding position in the bulk segment and on its in-depth knowledge of the market and the needs of end consumers. The company also seeks to expand through investments and acquisitions, such as Repsol Gás Brasil in 2011, and through the development of niche markets and different applications for the use of LPG as energy solutions, meeting the needs of various segments.

ORGANIZATIONAL STRUCTURE



MANAGEMENT

BOARD OF DIRECTORS

Chairman
Paulo Guilherme Aguiar Cunha

Vice-Chairman
Lucio de Castro Andrade Filho

Board members
Ana Maria Levy Villela Igel
Ivan de Souza Monteiro[1]
Nildemar Secches
Olavo Egydio Monteiro de Carvalho
Paulo Vieira Belotti
Pedro Wongtschowski[1]
Renato Ochman

FISCAL COUNCIL

President
Flavio César Maia Luz

Members
José Reinaldo Magalhães[1]
Mario Probst

[1]*As from 2013*

ULTRAPAR – EXECUTIVE BOARD

Chief Executive Officer
Thilo Mannhardt[1]
Officers
André Covre
João Benjamin Parolin
Leocadio de Almeida Antunes Filho
Pedro Jorge Filho
Ricardo Isaac Catran

CORPORATE CENTER

Chief Financial and Investor Relations Officer
André Covre
Corporate Controller
Roberto Kutschat Neto
Director of M&A, Planning and Investor Relations
Rodrigo de Almeida Pizzinatto
Director of Treasury and Information Technology
Marcello De Simone

Pedro Jorge Filho, André Covre, Ricardo Isaac Catran, Thilo Mannhardt, Leocadio de Almeida Antunes Filho, João Benjamin Parolin

IPIRANGA – EXECUTIVE BOARD

Chief Executive Officer
Leocadio de Almeida Antunes Filho
Controller
José Manuel Alves Borges
Commercial Director
Flavio Coelho Dantas
Director of Lubricants
Miguel Lacerda de Almeida
Director of Operations
José Augusto Dutra Nogueira
Director of Retail and Marketing
Jerônimo José Merlo dos Santos

OXITENO – EXECUTIVE BOARD

Chief Executive Officer
João Benjamin Parolin
Controller
Ana Paula Santoro Coria
Commercial Director
Andréa Campos Soares
Development Director
André Luis Polo
Industrial Director
Flávio do Couto Bezerra Cavalcanti

ULTRACARGO – EXECUTIVE BOARD

Chief Executive Officer
Ricardo Isaac Catran
Controller
João Marcos Cazula
Business Director - North and Northeast
Helano Pereira Gomes
Business Director - South and Southeast
Fernando Sérgio Martins Fontes

ULTRAGAZ – EXECUTIVE BOARD

Chief Executive Officer
Pedro Jorge Filho
Controller
Julio Cesar Nogueira
Regional Sales Directors
André Luiz Pedro Bregion
Leandro Del Corona
Tabajara Bertelli Costa
Director of Operations
Plínio Laerte Bráz

RISK MANAGEMENT

The soundness of Ultrapar is associated with the development and consolidation of a robust system of controls and risk management, which provides the company with suitable conditions for its sustained growth and endurance.

More than a system, risk management is part of the attributions of each manager of Ultrapar in their respective areas. It fits a philosophy marked by discipline in allocating resources, corporate responsibility and financial soundness, and is reinforced by the mechanisms of alignment of interests – everyone shares with the company the benefits and burdens of their decisions, made with a high degree of information and efficiency.

CORPORATE RISKS

Ultrapar seeks to comply with international best practices of transparency and internal controls over the company's information. In this regard, Ultrapar initially based on the principles of the Sarbanes-Oxley Act to create its model of internal controls. Ultrapar developed and has been improving since 2009 an innovative risk matrix model to monitor its internal controls, effectively aligning the activities of internal and external audits to the needs of shareholders and the management. For this model, in 2009, Ultrapar received the IBGC Award for Corporate Governance in the Innovation category.

Ultrapar also has a Risk Management and Financial Investments Committee for more than 15 years, responsible for discussing guidelines for the financial management of the company, involving aspects such as exposure limits and risks inherent in the activities. The committee is formed by the chief financial officer, the corporate controller and the director of treasury, in addition to the executive officers of each business.

In 2011, Ultrapar leveraged its risks control structure by implementing an Investment Committee. This committee has the objective of evaluating investment projects that reach certain pre-established triggers of relevance for subsequent approval by the Executive Board or Board of Directors, ensuring that investment decisions of the company are aligned with Ultrapar's strategy of growth, value creation and business responsibility.

Another strong feature of the management of Ultrapar is the maintenance of indebtedness and cash levels that allow it to take advantage of investment opportunities without jeopardizing the financial stability. The company has a policy for the management of resources, financial instruments and risks, approved by the Board of Directors, with the objective of preserving the value and liquidity of financial assets and ensuring financial resources for the steady flow of the businesses, including its expansions. As part of this policy, Ultrapar seeks to reduce the company's exposure to exchange rate volatility, which includes assets and liabilities in foreign currencies and the short-term flow of sales in U.S. dollar made by Oxiteno.

The high standards of control, with robust checks-and-balances system, add up to a simple and lean management structure and autonomy in the conduction of Ultrapar's day-to-day business, resulting in an agile and efficient management system, as demanded by the competitive markets in which the company operates.

OPERATIONAL RISKS AND SAFETY

Ultrapar also draws on a diverse set of programs and initiatives applied in managing the risks involved in its operations, and considers aspects related to the safety of its assets and employees, the value chain, the communities that it interacts and the infrastructure of its companies.

The training and development of employees is one of the tools used by Ipiranga to reduce the risk of accidents and to provide safety to people and operations. Ipiranga has developed, since 2010, the Training and Development Program for Drivers, training own and outsourced staff to carry out their activities safely. The program provides training

on activities such as loading and unloading and defensive driving. All drivers who carry out loading and unloading operations at clients are trained based on a manual developed with the support of the SEST/SENAT System (*"Serviço Social do Transporte"* – Social Service for Transport, and *"Serviço Nacional de Aprendizagem no Transporte"* – National Transport Apprenticeship Service), ensuring quality and safety in all operations.

Oxiteno integrates and actively participates in technical committees of ABIQUIM's (Brazilian Association of the Chemical Industry) Responsible Care program on the subjects of process safety, occupational safety, safety of property and safety of products, and maintains a firm commitment to meeting the practices established by the global chemical industry. In 2011, Oxiteno – which is considered a benchmark in these issues – hosted events to disseminate the Responsible Care Program and the SIGO *("Sistema Integrado de Gestão Oxiteno"* – Oxiteno Integrated Management System) to stakeholders. Continuing process safety actions, in accordance with the model of the CCPS (Center for Chemical Process Safety), Oxiteno began a process of internal audits on protective barriers, devices or measures implemented to protect or minimize the consequences of undesirable events, identified and established from the risk analyses completed in 2011.

Ultracargo also offers training and development of employees in order to prevent accidents. Ultracargo developed the Operator's Manual, a handbook that gathers the necessary knowledge for professionals operating bulk storage terminals to perform their activities safely. Moreover, the company has qualified the operating staff to act as instructors in training new professionals. The trainings have a workload of 160 hours, covering subjects such as risk analysis and the environment.

Ultragaz applies its SST *("Segurança e Saúde no Trabalho"* – Occupational Safety and Health) Protocol, a tool for occupational health and safety that brings together best practices for minimizing risk and occupational diseases. Under the program, the company maintains constant vigilance in order to identify possible factors of accidents and act to prevent them. The protocol is implemented in all of Ultragaz's production facilities, which receive technical visits annually for monitoring the effectiveness of the actions. The company also carries out the Ergonomics project to map and reduce risks associated with the activities of all jobs in the units.

OPERATIONAL RISKS AND SAFETY – PROGRAMS AND INITIATIVES

- ***Sistema Ipiranga de Gestão Aplicada à Segurança* – Siga+ (Ipiranga's Management System Applied to Safety Health, the Environment, Quality and Social Responsibility) –** The program, implemented in 100% of owned facilities and pools managed by Ipiranga, aims to put into practice the commitments made in corporate policies, through a management system based on ISO standards covering aspects of Health, Safety, the Environment, Quality and Social Responsibility. In 2012, 36 units of Ipiranga were audited, of which 33% reached platinum level and 39% reached gold level – the highest performance levels of the program.
- **Model for mapping operational risk scenarios of Oxiteno's industrial facilities –** in line with the management standards for Risk-Based Process Safety of the CCPS (Center for Chemical Process Safety) and the best practices of the global chemical industry, Oxiteno monitors all operational risks scenarios of its manufacturing facilities in Brazil and abroad, which mitigates the risk of process accidents.
- **Revitalization of Ultracargo's Programs –** Ultracargo uses the EPA ("*Examine, Planeje e Aja*" – Review, Plan and Act), PARE ("*Perceba, Aja, Relate e Exija*" – Note, Act, Report and Demand) and AFA ("*Auditoria Focada em Atitude*" – Audit Focused on Attitude) programs as tools for the development and dissemination of a culture of accident prevention. Ultracargo applied training with these concepts to employees of the terminals.
- ***Programa Escalada da Segurança Ultragaz* (Ultragaz's Safety Climbing Program) –** Ultragaz has developed this program since 2009, a program designed with the goal of reducing accidents in its bottling and distribution processes, spreading concepts of accident prevention, taking into account issues such as organization, cleaning, use of personal protective equipment and working conditions. The program contributed in 2012 to a 17% reduction in the rate of absence compared to 2011.

INNOVATION

Ipiranga maintains a differentiation strategy based on the innovation of its sales channels and the designing of new products and services.

Innovation appears in different fronts of Ultrapar's activities and ensures its outstanding position in the markets in which it operates, and is one of the pillars of the company on its trajectory of sustained growth.

Investment in new markets and creative solutions for products and services are some of the points that characterize the innovative vision of Ultrapar.

At Ipiranga, innovation and sustainability are combined in the *"Posto Ecoeficiente"* project (Eco-Efficient service station), which provides a revolutionary approach to sustainable management of a service station, with a range of solutions offered in the construction and operation of stations in order to reduce the consumption of materials and natural resources and that includes the reduction of wastes generated during the construction. Other examples of innovative differentials are the systems to collect rainwater and reuse water from car washing, and architectural solutions that enable greater use of natural light, in addition to the use of more efficient lamps and reactors. The new sustainability concepts in this project fit Ultrapar's strategy to provide effective results. Ipiranga reached 231 *Postos Ecoeficientes* by the end of 2012 that provided, for example, approximately 35% savings in energy expenses.

Ipiranga maintains a differentiation strategy based on the innovation of its sales channels and the designing of new products and services. This strategy maximizes the use of its distribution network, increasing the added value and convenience to the customer. In 2011, Ipiranga launched *Posto Ipiranga na WEB* (Ipiranga Service Station on the Web), which innovates by enabling the sale of fuel credit vouchers over the internet, offering the companies and consumers a fuel spending control tool of their vehicles. This initiative generated in 2012 sales of 18 million liters of fuels.

In 2012, Ipiranga, in partnership with Odebrecht TransPort Participações, created ConectCar, a company engaged in the electronic payment for tolls, parking and fuels. ConectCar brings innovations in the provision of services to the consumers. The electronic vehicle identification chip allows the automatic opening of toll and parking gates with lower costs for road users through the prepaid system, with free tuition. It also allows its use in buying fuel. The customer can acquire a chip at Ipiranga service stations and can use points from the *Km de Vantagens* loyalty program.

Oxiteno has built a solid reputation in the chemical industry for its innovative initiatives, anchored in continued investments and a structure designed for research and development (R&D). At Oxiteno, 7% of its staff is involved in the innovation of products, processes and new applications. It has the support of a scientific council, composed of experts in the world, and of partnerships with leading institutions dedicated to research in the field of specialty chemicals.

As part of these initiatives, Oxiteno developed in 2011 a product that allows changing the ignition and lubricity properties of ethanol, allowing its use in large diesel-powered vehicles, with a 90% reduction in carbon (CO_2) emissions.

New researches have enabled Oxiteno to compete with important differentials in segments such as agribusiness. In 2012, Oxiteno continued launching products used in the composition of agricultural defensives with lower levels of toxicity, meeting the growing demand for products with less environmental impact and lower health risks to users.

The development of new products has accredited Oxiteno as an important supplier to clients in the cosmetics segment, with raw materials and components ideal for formulations of shampoos, conditioners, hair dyes, creams, lotions, deodorants and soaps, among other products. This strategy strengthens the position of Oxiteno in a niche market characterized by high growth, tied to the performance of the Brazilian economy and the process of inclusion of lower-income population in the consumer market.

Throughout 2012, Oxiteno remained focused on developing products within the *Greenformance* concept, which provides the replacement of synthetic or petrochemical raw materials by other of natural sources, which require less consumption of water and energy in manufacturing, and which have a lower impact in the use and handling by consumers and professionals. Conceived within this concept, a liquid thickener used in the manufacture of shampoos, liquid soaps and emulsions was launched in 2012, which features high effectiveness in different cold and hot formulations.

In 2012, 21% of the raw materials used in Oxiteno in Brasil were obtained from renewable sources, mainly palm kernel oil, ethanol, sugar and soy oil.

Ultracargo incentivizes innovation and progress in providing services to its customers through the program "*Rede de Ideias*" (Ideas Network), using suggestions received from its employees that result in efficiency gains in administrative, financial and manufacturing processes. The suggestions are collected through the intranet and kiosks distributed throughout the company's terminals. Since the program began in 2011, over a thousand ideas have been presented.

Recognized for its pioneering spirit, Ultragaz continues innovating on several fronts in the creation of new marketing channels, accompanying technological developments that have the internet and mobile telephones as their platforms, in addition to the identification and development of new products and applications for LPG that allow the creation and development of new market niches.

Ultragaz launched, in 2012, an application for mobile phones that offers features to provide comfort and convenience for the consumer, through online purchase of LPG bottles and access to cooking recipes and expert tips. The convenience of the customer has been considered in the development of facilities, such as cell phone recharging at Ultragaz's virtual points of sale and the possibility to make orders through the internet and SMS.

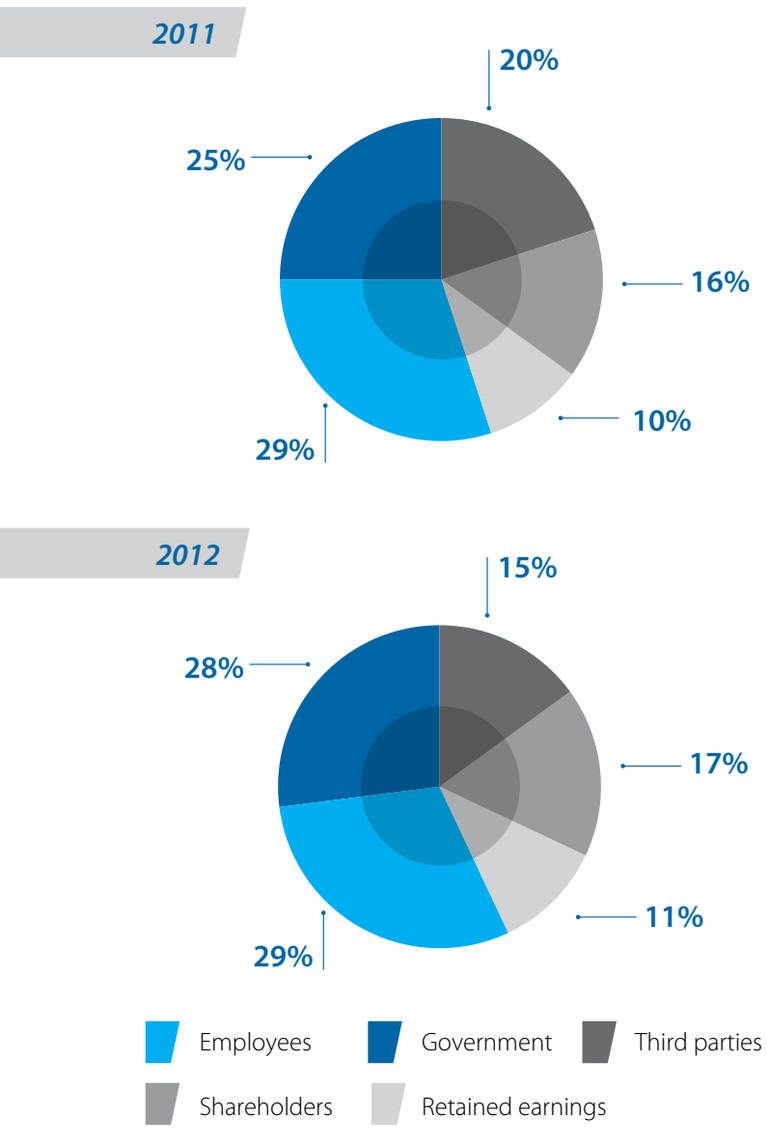
For the bulk segment, Ultragaz seeks to expand its sales by creating new niches for LPG consumption. Ultragaz, which was a pioneer in the launch, in 1995, of UltraSystem – the name given to the small and medium bulk LPG sales system – seeks to differentiate itself from the competition by offering the product as a differentiated energy solution for the various niches.

As a result of this strategy, LPG has been used in new applications in agribusiness, to dry out grains and in plague control, with operational and economic efficiency even higher.

RELATIONSHIP WITH STAKEHOLDERS

Ultrapar's successful trajectory has in its foundation the solid relationship with its various stakeholders, built upon the sharing of principles and values, goals and objectives, based on ethics, transparency and sustainable development.

Ultrapar generated value added of R$ 3.7 billion in 2012 and R$ 3.4 billion in 2011, distributed as follows



PEOPLE MANAGEMENT

Human capital is a central component in the long and increasing growth trajectory of Ultrapar, in its more than 75 years of existence, based on meritocracy and alignment of interests. In late 2012, Ultrapar had 9,282 employees.

People management at Ultrapar aims at the development of leaders through challenging goals, improvement and growth opportunities, and the meritocratic recognition of the evolution of its professionals. Behind this strategy there is a compensation system intrinsically linked to Ultrapar's corporate governance structure, which aligns individual goals to value creation in the short and long term. One of the main tools used is the variable compensation linked to economic value added growth targets measured through the EVA®, which constitutes a significant portion of total compensation.

It is also part of this people development strategy the job rotation of employees, contemplating different areas of Ultrapar and its business units. This practice allows for the exchange of professional experiences between areas and the dissemination of best practices among the business units of the company, as well as maintains a dynamic professional environment in which professionals are constantly challenged.

Through its internship and trainee programs, Ultrapar and its businesses offer opportunities and challenges to high-potential youngsters. Currently, these programs represent the main means to attract new talents at Ultrapar. Every year, Ultrapar's internship and trainee programs attract approximately 320 young professionals who become part of a development program that differentiates itself by providing a broad overview of the various business areas. This model eases the identification, by the young professionals, of the path to follow in their trajectory at Ultrapar. The effectiveness of the policy of development and retention of Ultrapar's professionals can be proven by the number of leaders who began their careers in internship and trainee programs. Currently, a third of the company's officers came from these programs.

PEOPLE MANAGEMENT – MAIN INITIATIVES IN 2012

- ***Programa Geral de Treinamento Ipiranga*** **(Ipiranga's General Training Program) –** The purpose of the program is the training and development in all the company's hierarchical levels. The program counts with the support of institutions such as Fundação Dom Cabral, Instituto Brasileiro de Mercado de Capitais (Brazilian Institute of Capital Markets) and Fundação Getulio Vargas in defining customized courses, aligned with Ipiranga's needs. In 2012, the program focused on sustainability. During the year, 71% of the staff went through the *Programa Geral de Treinamento*.

- ***Modelo de gestão integrada da Oxiteno*** **(Oxiteno's integrated management model) –** The model is intended to align the practices of people management and ensures a unique corporate identity in the various countries where it operates. In 2012, Oxiteno defined policies and procedures for the new operations in Colombia, China and the United States.

- ***Portal do Saber Ultracargo*** **(Ultracargo's Knowledge Portal) –** It is a tool for development with diversified means of disseminating knowledge, through channels such as podcast, online videos, seminars and text formats. The program, that relies on content produced by the universities of Chicago and Harvard, aims at developing leadership skills and update knowledge on business and people management, contemplating all areas and hierarchical levels of the organization. In 2012, the program was reformulated, expanding the audience and partnerships with content providers.

- ***Academia Ultragaz*** **(Ultragaz Academy) –** Provides the leadership development, through training and development programs that provide access to new tools for people management. The content used is developed by institutions such as Fundação Getúlio Vargas, Fundação Dom Cabral, Fundação Instituto de Administração (FIA), INSEAD and Kellogg School of Management. In 2012, Ultragaz Academy provided approximately 18,000 hours of training to more than 1,100 participants.

- ***Programa de Desenvolvimento de Liderança*** **– PDL (Ultrapar's Leadership Development Program) –** Structured in modules with theoretical, practical and a personalized coaching program, the PDL for the Corporate Center was implemented two years ago and has been contributing consistently to the improvement of leaders of the Corporate Center – more than 80% of coordinators and managers have gone through the PDL, which had more than 2,400 hours of training.

- ***Programa de Capacitação Oracle*** **(Ultrapar's Oracle Training Program) –** Aiming at developing and expanding the professionals' skills on the Oracle platform, especially the ERP Oracle Applications, the IT staff at Ultrapar developed the Oracle Training Program, which was implemented in 2012 and had more than 2,500 hours of specialized technical training, of operations assisted by experienced professionals and of a group coaching program, ensuring the technical and behavioral improvement in preparation for future projects of the company, and multiplication of knowledge.

CLIENTS

Passion for the client is a feeling that guides Ultrapar's and its businesses' relationship with their clients. The focus on client satisfaction regarding the products and services offered by the company is the main driver of a business philosophy based on ethics, sustainability, continuity and the constant search for new ideas and solutions, enabling Ultrapar to expand and perpetuate this relationship.

At Ipiranga, the focus on client is evidenced by the wide offer of specific products and services to each segment. In 2012, the main ones were the announcement of ConectCar and the strengthening of the *Posto Virtual* (Virtual Service Station), which innovates by allowing the sale of fuel credits vouchers over the internet, providing clients, such as owners of small vehicle fleets, a new payment method. Also with a focus on differentiation in convenience, Ipiranga expanded initiatives already established, such as the *Km de Vantagens* loyalty program, and expanded its JetOil and am/pm franchise network, including the expansion of the number of am/pm bakeries, an initiative that leverages the revenues of the convenience stores. These differentiation initiatives by Ipiranga result in a better value proposition for clients and resellers, creating benefits for the whole chain – the client has access to differentiated products, the reseller has its revenues increased, and the service stations has a differentiated positioning, contributing to the evolution of the company's results.

Oxiteno expanded, in 2012, the clients' communication channels as a strategy to increase the dissemination of alternatives and innovative aspects of its products and, at the same time, to adjust itself more efficiently to the demands of the market. To this end, Oxiteno launched a quarterly newsletter, *"Click Oxiteno"*, addressed to clients, composed of the company's news as well as news about its main markets (agrochemicals, cosmetics and detergents, and coatings). The company also conducts workshops with large customers to present its products and gather important feedback. In order to be aware of, for example, the needs of an important client, the coatings area held, in July, a seminar to introduce the *Greenformance* concept and new developments (products for decorative coatings).

The success of Ultracargo's businesses is a result of its flexibility in meeting the customers' demands, as well as the quality and safety of the services provided. As a result, Ultracargo maintains itself in a state of constant improvement to obtain an accurate perception of the market's needs and provide timely and efficient solutions. As an example of this philosophy, the recent expansions carried out at its terminals derive from projects in partnership with clients drawn from specific demands.

Ultragaz guides its relationship with clients on the excellence in the supply of its products and services, ensuring appropriate solutions to its needs. To monitor the degree of customer satisfaction, the company frequently conducts surveys with residential consumers (every six months), who acquire bottled gas, and with customers in the corporate segment (monthly), consumers of bulk LPG. In 2012, the surveys resulted in an 89% level of approval.

SUPPLIERS AND RESELLERS

Ultrapar developed strong partnerships with its suppliers and resellers by sharing the principles that govern its business and the benefits of its business model. These are partnerships founded in common ethics and management principles, in sustainable financial results, and in the vision that good partners provide benefits to the whole chain. To promote an increasingly closer alignment with this group, Ultrapar's companies make use of a broad set of initiatives.

As a business strategy, Ipiranga seeks to make its service stations increasingly attractive to its customers, offering a range of products, services and convenience, expanding the aggregated value for the entire Ipiranga chain. Ipiranga's resellers, the link between the company and the end consumer, benefit from this strategy, which provides an improved and more competitive business. To promote a closer relationship between the reseller and Ipiranga, the company has a Marketing Services Center for the Reseller, to obtain information about marketing and business opportunities, allowing a more efficient interaction with the resellers. The resellers also participate annually in incentive and relationship programs, such as the *"Clube do Milhão"*, which awards those who have excelled in meeting pre-established goals with international trips. In addition, the services stations' employees, internally called VIPs (Ipiranga pump attendants), who are the Ipiranga brand and service ambassadors, continue to be contemplated with specific training initiatives to enhance performance. Ipiranga maintains special mobile training units, which support the training of the VIPs in their own workplace all over Brazil. In 2012, about 25 thousand VIPs were trained, a growth of over 50% compared to 2011.

Oxiteno also has a management plan for its distribution channel, with the objective of alignment of marketing strategies through its distributors. The plan contributes to the distribution network to increasingly better understand market demands, together with Oxiteno, and offer the best solutions. Annually, the plan promotes recognition for distributors with the best performance in indicators such as sales volume, geographic coverage, inventory, product portfolio, among others.

Oxiteno and Ultracargo are signatories to the ABIQUIM Responsible Care program, by which they base their relationships with suppliers on social and environmental issues.

Ultragaz promotes the sharing of its training system with its reseller network. Since 2007, the *"Academia Ultragaz Revenda"* (Ultragaz Resellers Academy) promotes training programs for teams of resellers within the *"Academia Ultragaz – Especialista em Atendimento"* (Ultragaz Academy – Specialist in Customers Care), a program offered by the *"Academia Ultragaz Revenda"*. Ultragaz has the *"Programa de Qualificação de Revendas"* (Reseller Qualification Program) to standardize good management practices within its resellers, which includes brand standardization, quality management and knowledge of the industry legislation. Through an evaluation process, resellers are classified into five categories (blue diamond, diamond, gold, bronze and opportunity), enabling the participants to check their level of performance in relation to management excellence standard of Ultragaz and working as an incentive for constant improvement. In 2012, more than 4 thousand resellers participated in the program, a significant growth since the beginning of the program, in 2008, when approximately 700 resellers were evaluated.

SOCIAL AND ENVIRONMENTAL PHILOSOPHY AND SUSTAINABILITY

In 2012, Ultrapar continued to spread and enhance the Ultra Sustainability Model, created in 2010, which allows alignment of initiatives across its different businesses.

Sustainability is one of the pillars of Ultrapar's corporate philosophy, and serves as guidance for all the actions taken by the company. Ultrapar's longevity and value creation over the years are inseparable from its environmental philosophy, which is part of its business decisions and the conduction of its operations. In 2012, Ultrapar continued to spread and enhance the Ultra Sustainability Model, created in 2010, which allows alignment of initiatives across its different businesses.

To strengthen the dissemination of the company's sustainability culture, the second edition of the internal sustainability report was released, comprising the major initiatives undertaken by the company and considering the pillars of the Sustainability Model: Safety, Environment, People, Products and Services and Value Chain. In 2012, Ultrapar continued expanding the collection of information related to 28 indicators monitored by the company. To make data capturing and consolidating more efficient, a specific IT system for sustainability indicators was implemented in 2012.

SOCIAL PERFORMANCE

Ultrapar and its businesses consider fundamental the development of the communities with which they interact, acting as driver of social inclusion and dissemination of culture, education and professional development for the members of their respective communities.

Aiming to contribute to the entrance into the professional life of low-income young students from the Bela Vista, neighborhood of the corporate headquarters, Ultrapar develops the *"Projeto Formare"* (Formare Project). This is a vocational training and free course, allowing training for their insertion into the labor market. Once graduated, students are able to work as administrative assistant. In 2012, the year in which Ultra Formare graduated its 11th class, the project surpassed 200 young graduates since its beginning in 2002.

Ipiranga develops the *"Alfabetização Solidária"* (Solidarity in Literacy) program, which contributes to the social inclusion in cities in the North and Northeast regions of Brazil by offering

literacy classes to youths and adults. In 2012, *Alfabetização Solidária* was expanded to allow for the continuation of studies and integration into the labor market for newly literate students. During 2012, one thousand students became literate through the program.

Oxiteno develops the *"Programa Ver de Dentro"* (See from Inside Program), by which it opens the doors of its premises in Camaçari to the population, and promotes interactions with local communities. The program aims at disseminating information about Oxiteno to audiences such as students, teachers and neighborhood associations, thus contributing to the dialogue with the communities. Also through this program, Oxiteno shares data on its health, safety and environmental program.

Every year, Ultracargo holds the *"Comprometidos com a Solidariedade"* (Engaged with Solidarity), a campaign to collect food to help charity institutions in cities in the surroundings of its terminals and operation centers. The campaign encourages volunteerism among Ultracargo's employees, in addition to strengthen its ties with neighboring communities to its premises. Nineteen tons of food were donated in 2012 in a positive competition between the company's terminals. Ultracargo develops, moreover, together with a group of companies, the *"Polo Cidadania"* project, which launched initiatives such as emergency trainings in case of occasional accidents, and reaches approximately five thousand residents surrounding the Camaçari Complex.

In 2012, Ultragaz continued the *"Ultragaz Cultural"* initiative that aims to bring culture to disadvantaged communities across the country through music, theater, literature and movies. One of the actions of *"Ultragaz Cultural"*, the moving theater, launched in 2008, has already visited more than 70 cities in 22 states and reached approximately 100 thousand youngsters and children. Additionally, Ultragaz held in 2012, for the second consecutive year, the *"Museu Itinerante Ultragaz"* (Ultragaz Moving Museum) program, a free exhibition that consists of 40 reproductions of famous paintings that visited 12 cities during the year, reaching around 11 thousand people. Ultragaz provided, in partnership with Junior Achievement – the oldest nonprofit organization dedicated to business education in the world – additional training for public school students in 13 states or Brazil.

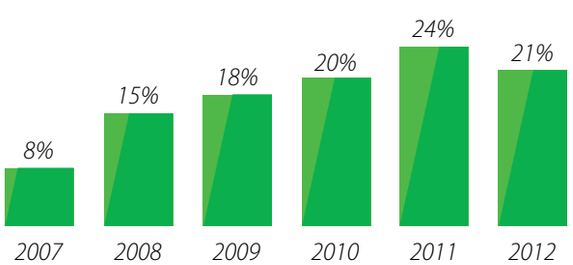
ULTRA SUSTAINABILITY MODEL GUIDELINES

- To value the culture of citizenship and ethics in business;
- To safeguard the integrity of the corporate governance model, particularly the treatment and transparency of relevant information and the continued management of risks and opportunities;
- To keep and improve financial capacity, flexibility, and operational excellence, so as to minimize the vulnerability to economic fluctuations, seeking growth opportunities in each of its business segments;
- To offer products and services that meet clients' and consumers' needs and expectations;
- To keep active representation in trade associations and a good relationship with public bodies in order to enhance and strengthen businesses;
- To keep a state of readiness, awareness and education for the permanent appreciation of economic, environmental, and social sustainability;
- To support, disseminate, and integrate the UN Global Compact principles related to Human Rights, Labor Rights, Environmental Protection, and Anti-Corruption Practices, in all their forms, into the organizational culture;
- To value employees by encouraging professional growth and quality of life, improving work environment and conditions;
- To act selectively as an agent of progress of neighboring communities and society, through culture dissemination, education, and social inclusion initiatives;
- To adopt policies to keep the excellence in health, safety, and environmental standards;
- To identify, control, and mitigate risks inherent in the business through risk management and crisis management policies and practices in the operational, regulatory, environmental, tax, legal, and social areas;
- To promote the management of greenhouse gases in order to mitigate their effect on climate changes;
- To prepare periodic reports on sustainability, considering its economic, environmental, and social dimensions.

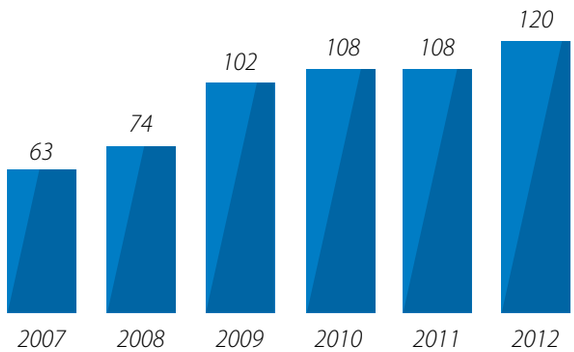
SOCIAL BALANCE SHEET 2012

1) CALCULATION BASE			AMOUNT (R$ '000)
Net sales and services (NSS)			53,919,424
Operating profit (OP)			1,708,926
Gross payroll (GP)			665,540
2) INTERNAL SOCIAL INDICATORS	**AMOUNT (R$ '000)**	**% OF GP**	**% OF NSS**
Food	64,308	9.7%	0.1%
Compulsory social charges	224,132	33.7%	0.4%
Private pension	20,310	3.1%	0.0%
Health	68,498	10.3%	0.1%
Safety and medicine in the workplace	6,547	1.0%	0.0%
Education	862	0.1%	0.0%
Training and professional development	10,403	1.6%	0.0%
Employee profit sharing	68,580	10.3%	0.1%
Others	55,305	8.3%	0.1%
Total - Internal social indicators	**518,945**	**78.0%**	**1.0%**
3) EXTERNAL SOCIAL INDICATORS	**AMOUNT (R$ '000)**	**% OF OP**	**% OF NSS**
Education	789	0.0%	0.0%
Culture	77	0.0%	0.0%
Other (Donations and compensation for damage)	25,370	1.5%	0.0%
Total - Contributions to society	**26,236**	**1.5%**	**0.0%**
Taxes (excluding social charges)	890,316	52.1%	1.7%
Total - External social indicators	**916,552**	**53.6%**	**1.7%**
4) ENVIRONMENTAL INDICATORS	**AMOUNT (R$ '000)**	**% OF OP**	**% OF NSS**
Related to the operation of the company	44,635	2.6%	0.1%
Total investment in the environment	**44,635**	**2.6%**	**0.1%**

OXITENO
SHARE OF RENEWABLE RAW MATERIALS IN TOTAL RAW MATERIALS USED



EXPENSES IN HEALTH, SAFETY AND THE ENVIRONMENT
(R$ million)



THE ENVIRONMENT

Ultrapar considers its social and environmental philosophy and innovation as tools to achieve operational excellence.

Ultrapar's philosophy of sustainable development is shown, from the environmental perspective, through programs aimed at reducing emissions of greenhouse gases (GHG), at reducing consumption of energy and water, as well as at the management and treatment of wastes and effluents produced by the company. The convergence of the adoption of these programs with the search for operational efficiency provides a high degree of assertiveness in Ultrapar's practices related to this issue.

At Ipiranga, the activity of monitoring the emissions of GHG is already consolidated within the company. In 2012, more than three million data in more than 78 distribution facilities were analyzed, regarding the emissions in 2011.

Ipiranga's Carbon Management program started in 2012 as a way of grouping the initiatives already undertaken by Ipirangato allow the management of the company's and its customers' greenhouse gas emissions. In 2013, the company will continue the program with the development of new initiatives. Ipiranga also continued existing initiatives, such as the Ipiranga Zero Carbon Card, which in 2011 started to neutralize double the carbon emissions from its customers' cars.

Oxiteno has developed, in partnership with the Pollution Prevention Group of University of São Paulo, the application of an assessment methodology called Life Cycle Analysis to products in its line of green solvents, in an application for printing inks. The result showed lower toxicity and improvements in GHG and effluent emission indicators compared to traditional formulations available in the market. Another assessment methodology developed and applied by Oxiteno is the Greenformance®, which combines the use of renewable resources (renewables raw materials in replacement of synthetic and petrochemical), care for the environment (concentrated and biodegradable formulations that require less consumption of energy, water and packaging in its manufacture), and health and well-being (high-performance, smooth and safe formulations). The result of this assessment not only guides product development routes, but also ensures better information to our customers and society in general.

Since 2011, Oxiteno is part of the Roundtable on Sustainable Palm Oil (RSPO), a recognized international institution that certifies the deployment of sustainable standards by palm kernel oil producers that supply the product as raw material to the company.

TOTAL EMISSIONS - SCOPES 1 AND 2 (IN THOUSAND METRIC TONS OF CO_2 EQUIVALENT)

	2010	2011	2012[1]
Ipiranga [2]	13	12	19
Oxiteno	548	561	595
Ultracargo	10	7	6
Ultragaz	19	19	21
Total	**590**	**600**	**641**

[1] Preliminary data
[2] Part of Ipiranga's emissions considered as scope 1 in 2010 and 2011 have been reclassified to scope 3, after consulting the World Resource Institute.

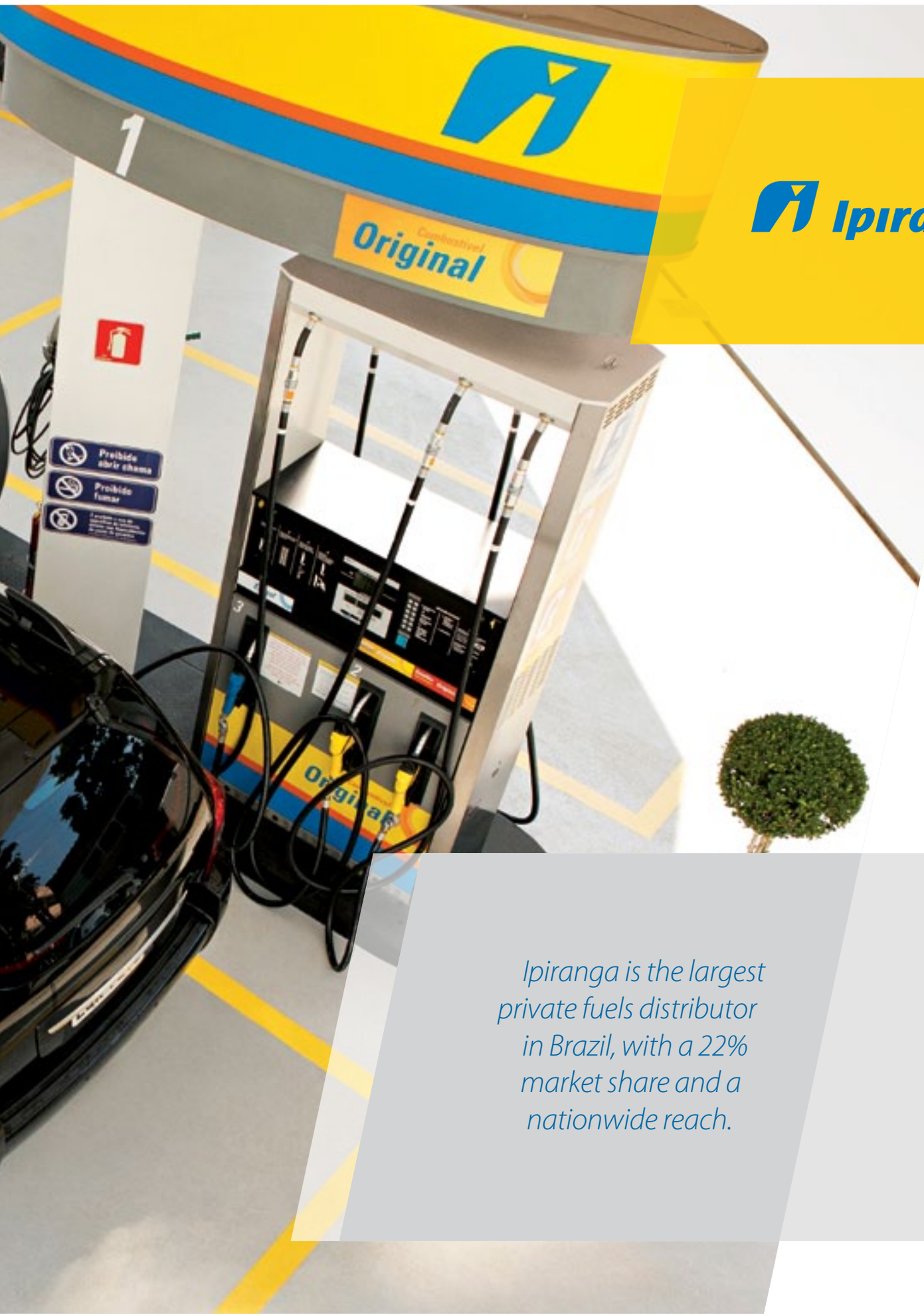
Ultracargo has been developing, since 2009, improvements in the drainage network at the terminal in Santos, which aims at reducing the waste generated. This project is scheduled to be concluded in 2015. With the same objective, the company conducts activities such as inspections and analysis of the compatibility of stored products, which avoid unnecessary cleaning. Initiatives to reduce effluents generation resulted, in 2012, in a 4% reduction in waste discharge compared with 2011.

At the same time, Ultracargo develops environmental campaigns. The lowest possible levels of waste generation and the consumption of natural resources and environmental impacts from its activities are the goals of the campaigns, which have a strong educational bias. The actions range from panels to raise awareness of the public to internal audits and inspections, resulting in large mobilization and employee commitment, providing effective results.

Ultragaz implemented, in 2011, a system directed to standardize the environmental management of the company, through an assessment of environmental needs based on a benchmark of companies recognized for their environmental management. It is possible, for example, to set goals with indicators for environmental management through the system. In 2012, a software started to be used in monitoring all production facilities.

Aiming at providing a more efficient use of energy in Ultragaz's production units, the company implements the *"Programa Redução do Consumo de Energia"* (Energy Consumption Reduction Program), using a software that allows online monitoring of the consumption and more assertive decisions with regard to waste.

IPIRANGA



Ipıranga

Ipiranga is the largest private fuels distributor in Brazil, with a 22% market share and a nationwide reach.

In 2012, Ipiranga continued its investments to ensure its continued growth, strengthening its scale and distribution structure. The strong investments carried out and the expansion of the fuel market led to an 8% increase in volume, and EBITDA grew by 21%.

Ipiranga is the largest private fuels distributor in Brazil, with a 22% market share and a nationwide reach. It also has the largest convenience stores network (am/pm), the largest lubricant service shop network (Jet Oil) and the largest loyalty program in Brazil in number of clients registered.

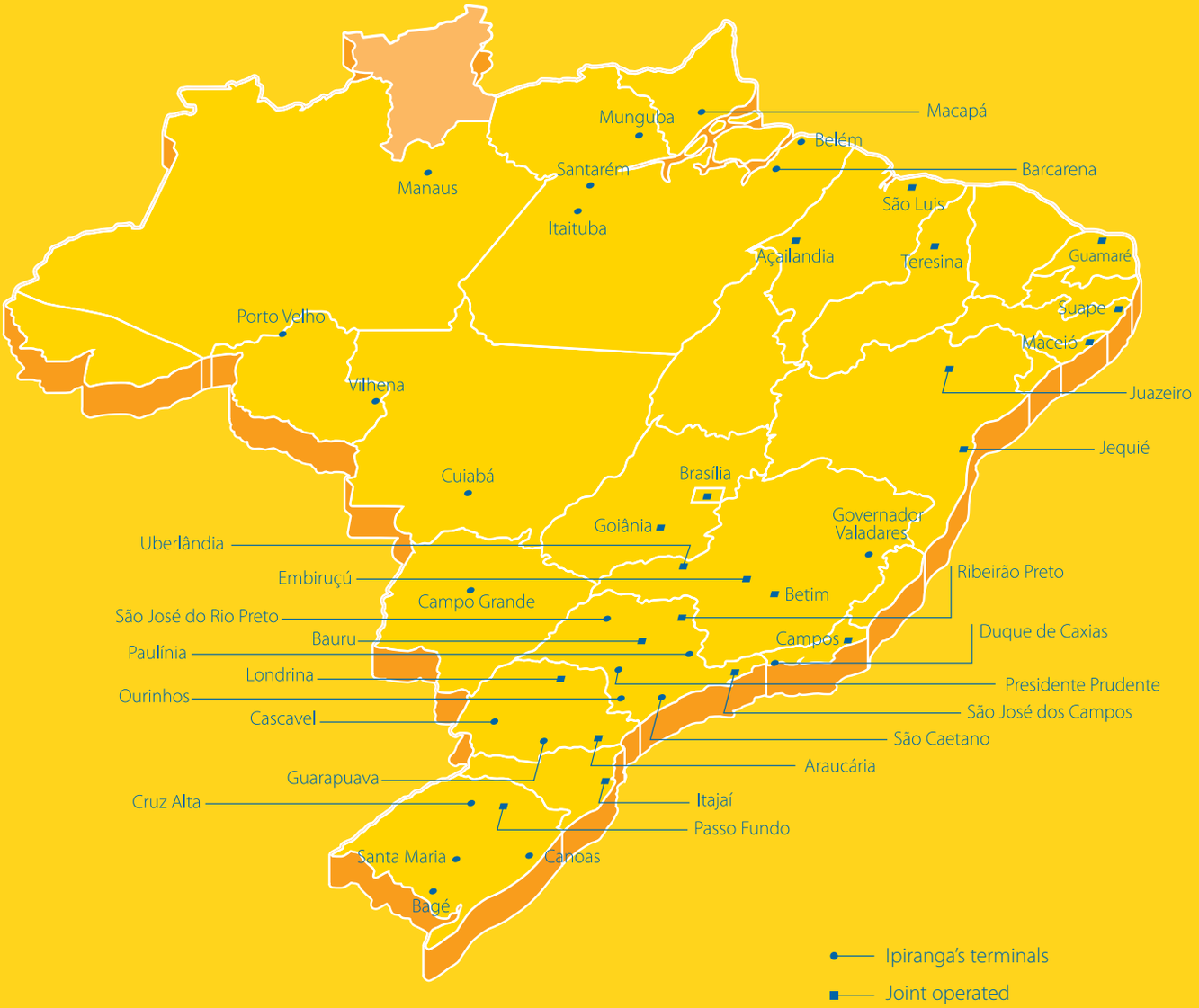
Brazil's vehicles fleet has shown robust growth in recent years, driven mainly by the increased credit availability, by the increase of the household income and the reduction of car prices in relation to income. The fleet expansion has driven the growth of volume in the fuel market.

In 2012, Ipiranga intensified the expansion of its reseller network. Investments were made in the conversion of unbranded service stations, in opening new service stations and in the expansion of its logistics infrastructure. During the year, Ipiranga added 374 service stations to its network, expanded to 6,460 units. Regarding the logistics infrastructure, the company has 12 facilities under construction or expansion. Both the expansion of the service station network and the expansion of the logistics infrastructure resulted in record investments by Ipiranga, totaling R$ 942 million.

In March 2012, the restriction on the use of the Ipiranga brand by Ultrapar expired in the Midwest, Northeast and North regions in Brazil, allowing the conversion of more than 1,200 Texaco service stations into the Ipiranga brand. In less than a week, to mark the return of its brand, Ipiranga converted practically all of the stations in the capitals of the states in these regions.

In 2012, in partnership with Odebrecht TransPort Participações, Ipiranga launched ConectCar, a new company in the segment of electronic payment for tolls, parking and fuel. The vehicle traffic on toll roads has been presenting robust growth of about 20% per year, driven by a very favorable conjuncture: the light vehicle fleet in Brazil has shown strong growth, the household income continues to show signs of expansion; and the extension of toll roads has been increasing. Ipiranga service stations will be ConectCar's main distribution channel of credits and tags.

LOGISTICS DISTRIBUTION INFRASTRUCTURE



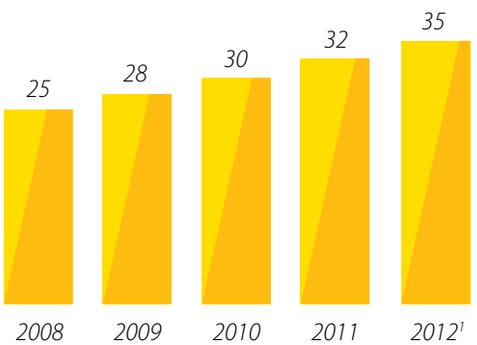
HIGHLIGHTS IN 2012

- Expansion of its reseller network by 374 services stations, 174 am/pm stores and 217 Jet Oil franchises.
- Launch of ConectCar, to offer more convenience and services at the service stations and to leverage the potential derived from the growth of the vehicle fleet and of the household income.
- Investments for the construction and expansion of facilities throughout Brazil, aiming at providing logistical support for continued growth.
- Acquisition of the am/pm brand, expanding the flexibility for growth in the convenience stores network.
- *Km de Vantagens* loyalty program reaches approximately 11 million participants.
- Marketing initiatives in 2012: *"Apaixonados por carro" ("Passionate for cars")* initiative, that had 19 million participants; advertising through the sponsorship of soccer championships; the consolidation of the awarded campaign *"Pergunta lá no Posto Ipiranga"("Ask in the Ipiranga service station")*; sponsorship of Stock Car with the pilot Thiago Camilo, Ipiranga Motoshow in Goiânia, Brazilian Cup of Freestyle Motocross in Rio de Janeiro, sponsorship of Honda IMS' satellite team in Motocross races, and partnership with test driver Leandro Mello.

The initiative is part of a differentiation strategy in convenience and services adopted by Ipiranga, which contains a high content of innovation. The am/pm network is one of the most successful initiatives: it has 1,377 stores, is ranked first in convenience stores in the distribution sector and is one of the largest retail companies in number of stores. The inclusion of bakeries in some of the am/pm franchises turned it into the largest chain of bakeries in Brazil, with 162 establishments. In 2012, 174 new am/pm stores were added to the network. Additionally, in 2012 Ipiranga acquired the am/pm brand in Brazil, and, with the transaction, the company increased its flexibility to grow its network and to diversify products offered. It is also worth highlighting Jet Oil, with 1,091 franchises that offer lubricant-changing services, a network that presented a robust growth of 25% in 2012.

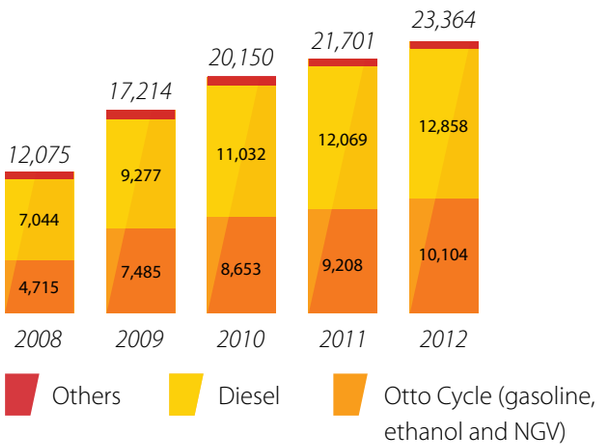
Ipiranga's *Km de Vantagens* loyalty program completed three years in 2012, reaching over 11 million members and turning it into the largest loyalty program in Brazil. Under the program, each purchase made at Ipiranga service stations, am/pm stores, Jet Oil and Jet Oil Motos franchises, and Ipirangashop.com and Shopvinhos.com websites is converted into points that can be redeemed for special benefits. In three years, more than 176 million transactions have been carried out, with 56 million items redeemed, especially airline tickets, concert and movie tickets, discounts on fuel, products in am/pm stores and Ipirangashop.com.

LIGHT VEHICLES FLEET
(million vehicles)

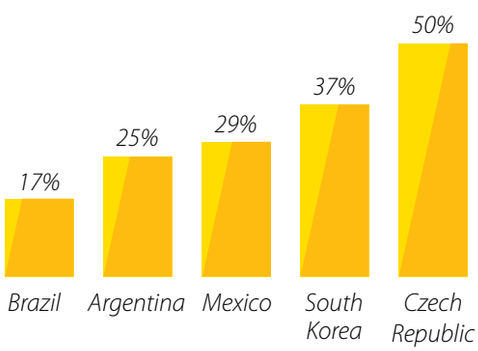


Source: ANFAVEA
[1]Fleet of 2012 estimated based on the number of vehicles licensed in the year

IPIRANGA – SALES VOLUME
('000 m³)

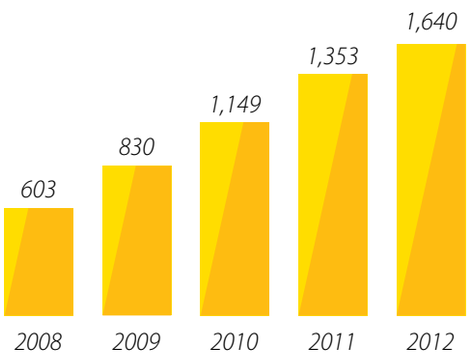


CAR PENETRATION
(% of population)



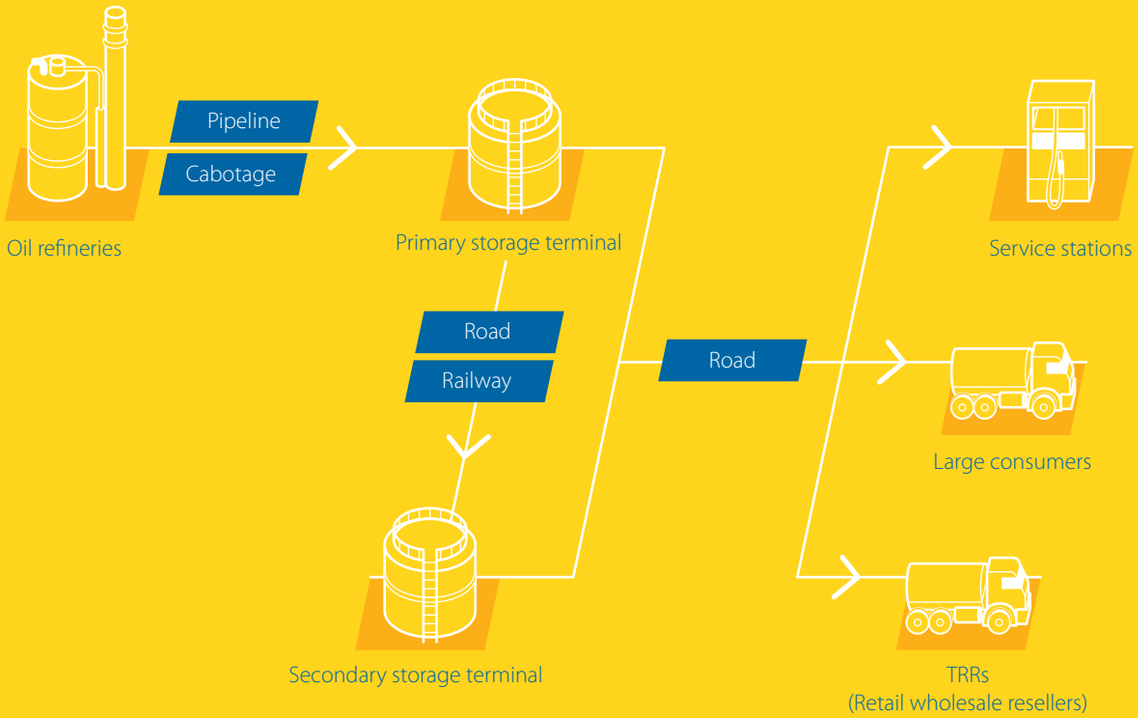
Source: ANFAVEA – 2010, except Brazil *(2011)*

IPIRANGA – EBITDA
(R$ million)

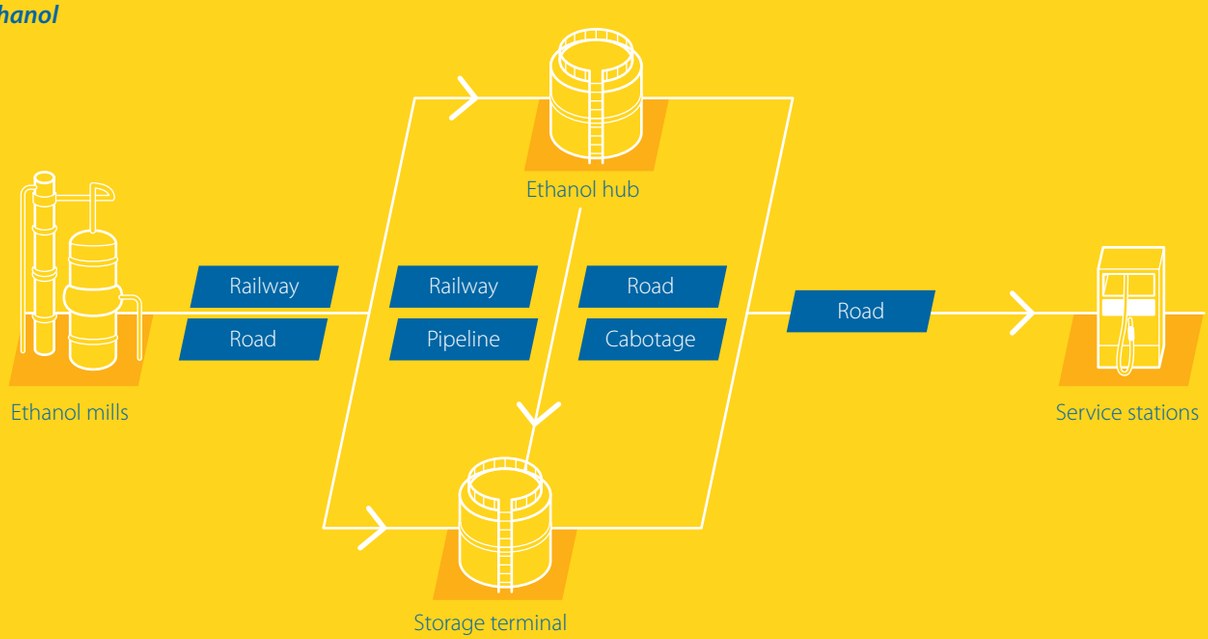


OPERATIONAL INFRASTRUCTURE

Oil derivatives



Ethanol



Primary base

It receives the product directly from the refinery, or imported via ship, without passing through another base.

Secondary base

It receives the product from another base (either primary or secondary base).

OXITENO

OXITENO

Oxiteno is the only producer of ethylene oxide in Brazil and also the only producer of fatty alcohols in Latin America.

Oxiteno captured the benefits from investments in capacity expansion, completed in 2011, with significant growth in its sales volume. Additionally, it continued a strategy of planned expansion of its markets, based both on the pursuit of opportunities beyond the borders of Brazil, with acquisitions in the United States and Uruguay, and on conquering new niches, with the support of investments in innovation and the offering of products based on renewable raw materials.

The investments carried out in the expansion of production capacity in Brazil, with a focus on specialty chemicals, resulted in a substantial increase in the results, with EBITDA featuring a robust growth of 34% in 2012.

Oxiteno is the only producer of ethylene oxide in Brazil and also the only producer of fatty alcohols in Latin America. The expertise in these technologies and in the production of derivatives has allowed the development of a wide variety of applications that are used in different sectors within the economy. The company has developed new chemical inputs from natural sources, such as surfactants and solvents, thus creating new fields for innovation and value creation.

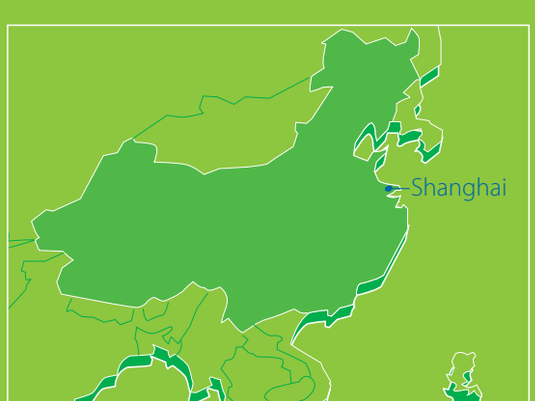
Oxiteno's products are used in a wide range of industries. Among Oxiteno's major consumer markets are those of cosmetics and detergents, agrochemicals, oil and coatings. One of the segments in which Oxiteno has grown is the agribusiness sector, by developing new products and expanding its market share. In this sector, the company has developed products for animal nutrition, seed treatment and organic products, offering as differentiation factors the low environmental impact, the protection to the farmer's health and the increased efficiency in the field.

Another important segment in which Oxiteno invests in innovation is cosmetics and detergents. The company anticipated the adoption of requirements that result in products that are less harmful to people and to the environment. In this sense, it launched multifunctional ingredients with attributes of thickening, smoothness and creaminess that can be used in the formulation of products for hair and skin. Additionally, the company launched a plasticizer with approximately 60% renewable carbon, allowing wax formulators and floor cleaners to obtain renewable products with similar features of sparkle and to spread to those manufactured from petrochemicals.

HIGHLIGHTS IN 2012

- Growth of 15% in the sales volume, due to the capacity expansions.
- Deepened internationalization process with the acquisition of plants in the United States and in Uruguay and the announcement of additional investments in Mexico and in the United States.
- Development of new applications based on innovation and the use of renewable raw materials, resulting in the diversification and expansion of its markets.

OXITENO'S UNITS LOCATION MAP



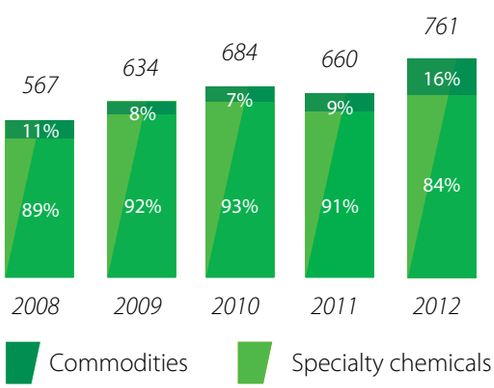
In the paints and adhesives market, the company distinguished itself in 2012 by developing solutions with less content of volatile organic compounds using oxygenated solvents instead of aromatic solvents. Also a highlight was the launch of a renewable additive for decorative paints, replacing petrochemical products.

The differentiation strategy adopted by Oxiteno resulted in many forms of recognition. The company was granted ABIQUIM's Kurt Politzer Innovation Award for the work developed in partnership with General Motors for a new automotive paint solvent with low formation of air pollutants. Oxiteno won as the "Best supplier of raw materials of the year" by the Qlicar Award, an annual action held by Natura to recognize the best practices of its partners regarding sustainability. Oxiteno was also awarded "Best supplier of sustainable raw materials" in the Green Industrial Coating Asia 2012 & Awarding Ceremony (GICA), held in late 2012 in Shanghai, China, where Ultrafilm® Eco was recognized as an innovation aligned with the principles of the green chemistry.

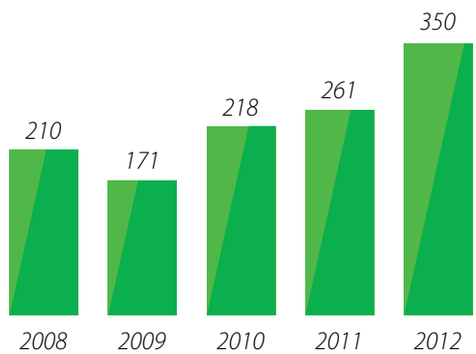
Also in 2012, Oxiteno took additional steps in its internationalization process, strengthening its position in Latin America and in the area of influence of NAFTA. In April, it acquired a specialty chemical plant in Pasadena, Texas, in the United States, the world's largest market for surfactants. The plant is located in one of the most important chemical production hubs in the world, benefiting from attractive feedstock conditions, including competitive natural-gas-based raw materials, and highly efficient logistics infrastructure. In 2012, investments were approved for the expansion of 100 thousand tons/year in the production capacity of Oxiteno in the United States and Mexico, strengthening Oxiteno's expansion plans in the region.

In November, Oxiteno completed the acquisition of American Chemical, a Uruguayan specialty chemicals company, continuing the expansion of its internalization process, based on its deep knowledge of surfactant and specialty chemical production and application technologies and on the strong relationship with its customers, in addition to logistic benefits.

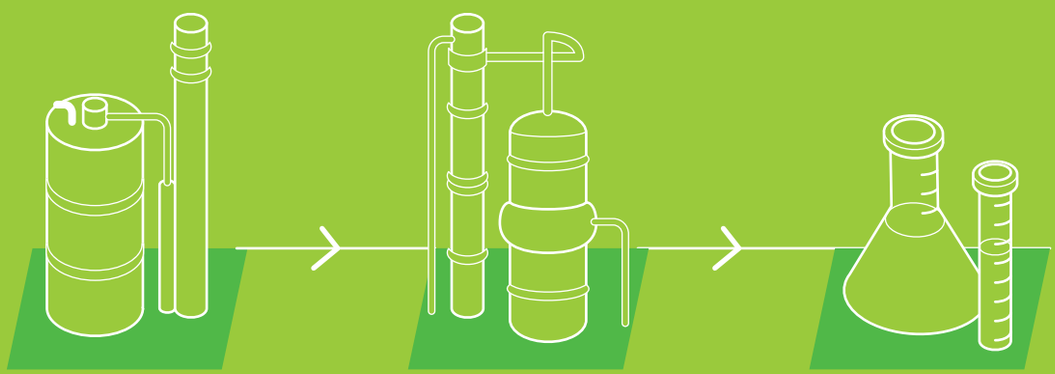
OXITENO – SALES VOLUME
('000 ton)



OXITENO – EBITDA
(R$ million)



OXITENO – POSITION IN THE PETROCHEMICAL CHAIN...



Refinery
Petrobras – naphtha

1st generation
Crackers – ethylene

2nd generation
Oxiteno – ethylene oxide and its derivatives

...BROAD COVERAGE OF MARKETS AND APPLICATIONS OF ETHYLENE OXIDE AND DERIVATIVES

Cosmetics

Detergents

Crop protection

Packaging

Food

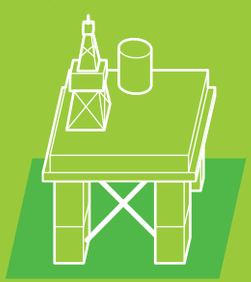
Leather

Hydraulic fluids

Resins

Textiles

Coatings



Oil

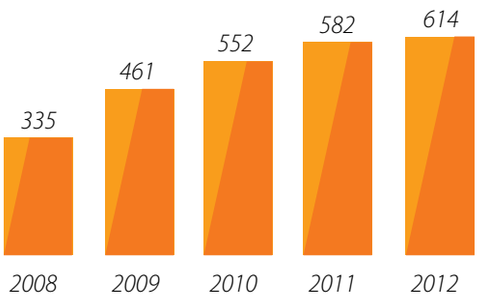
Paper

ULTRACARGO

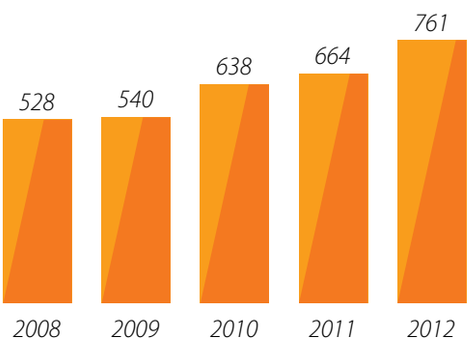
ULTRACARGO

The expansion of Ultracargo's storage capacity follows the strategy of improved positioning, including geographic, to capture the benefits from the growth of the economy.

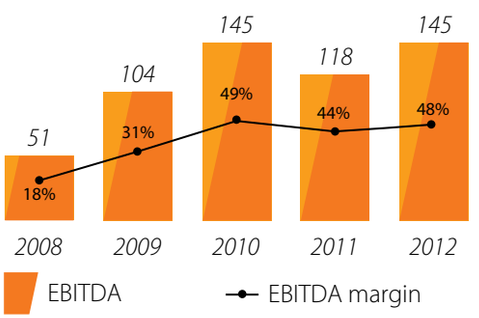
ULTRACARGO – EFFECTIVE STORAGE
('000 m³)



ULTRACARGO – STORAGE CAPACITY
('000 m³)



ULTRACARGO - EBITDA
(R$ million)



Ultracargo continued to expand its liquid bulk storage capacity in 2012, in addition to increase its presence in the Brazilian ports, strategically positioning itself to continue on a growth path in the coming years. It acquired the Terminal Marítimo do Maranhão (Temmar), located at the port area of Itaqui, and expanded its operations in the ports of Santos and Aratu.

As a result of investments to expand its operations made over the last years, Ultracargo's average storage grew by 5% in 2012 compared to 2011, leading to a 23% growth in EBITDA.

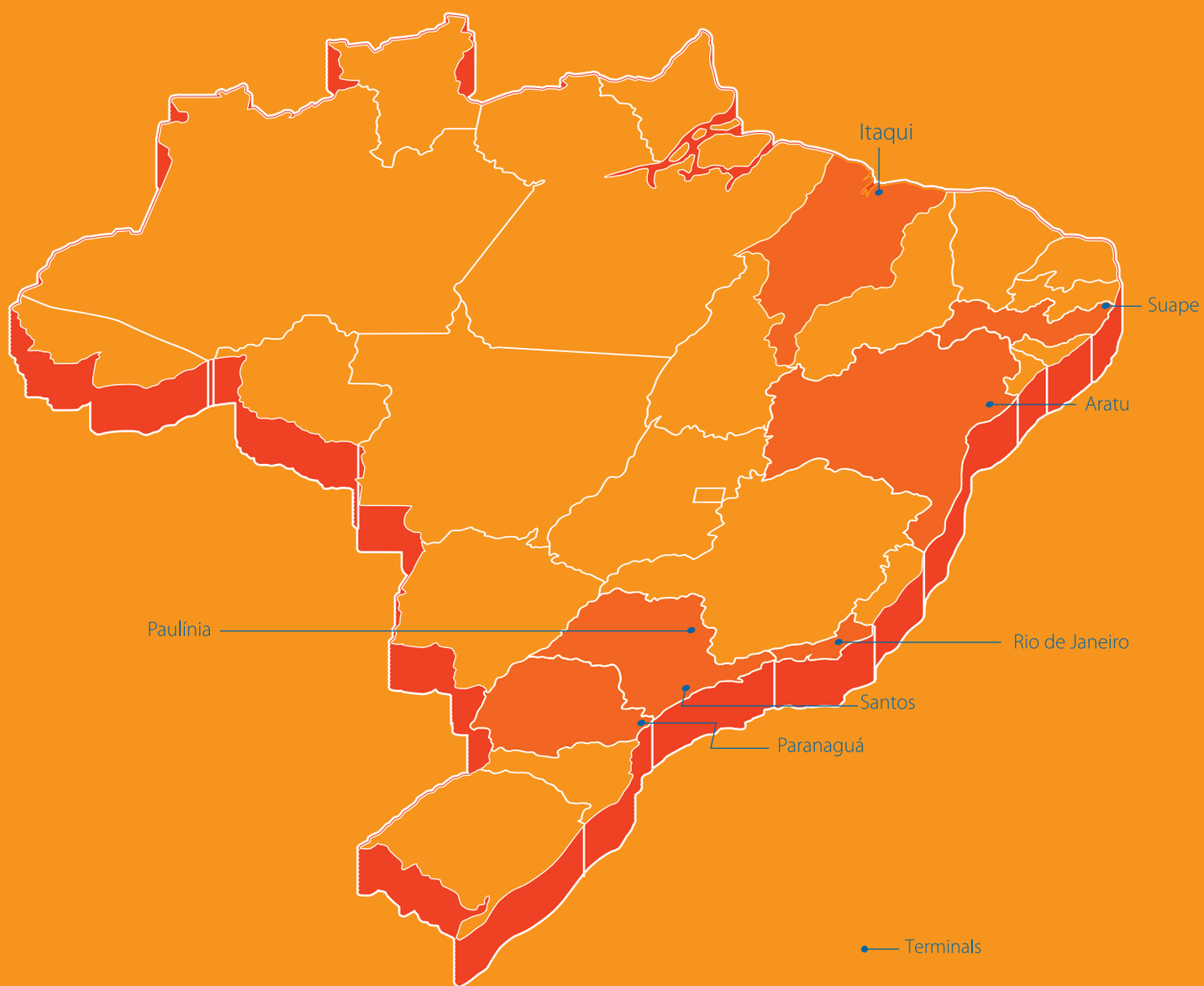
Ultracargo is the largest liquid bulk storage company in Brazil. The privileged location of its assets in the main ports of Brazil – Santos (São Paulo), Aratu (Bahia), Suape (Pernambuco), Itaqui (Maranhão), Rio de Janeiro (Rio de Janeiro) and Paranaguá (Paraná), together with differentiated safety, reliability and flexibility, represents competitive advantages that make Ultracargo the market leader in the storage of chemicals, petrochemicals, fuels and vegetable oils.

The expansion of Ultracargo's storage capacity follows the strategy of improved positioning, including geographic, to capture the benefits from the growth of the economy. The liquid bulk storage segment presents historical growth higher than the growth of the Brazilian economy. The expansions carried out by Ultracargo, associated with the strengthening of the company's operating differentiations – safety, reliability and flexibility, has provided an average EBITDA growth of approximately 30% per year in recent years.

With the acquisition of Temmar, Ultracargo took an important step in its expansion strategy. This acquisition marks the entry of Ultracargo in the port of Itaqui, with privileged location and efficient logistics, which includes access to railway, being responsible for supplying the fuel market in the states of Maranhão, Piauí and Tocantins, where fuel consumption has grown above the national average. The acquisition enhanced Ultracargo's operational scale, adding 8% to the company's capacity. The acquisition was completed in August and immediately integrated into Ultracargo; the terminal reached full capacity by the end of 2012.

Ultracargo continued, in 2012, a program of investments in expanding its terminals – Santos and Aratu, – generating an increase of approximately 10% to the storage capacity of the company.

STRATEGICALLY LOCATED ASSETS



MAIN INITIATIVES IN 2012

- Acquisition of Temmar, in the Port of Itaqui, improving its strategic positioning.
- Conclusion of expansion cycle of approximately 10% of its storage capacity by means of expansions carried out in the Santos and Aratu terminals.

ULTRAGAZ

ULTRAGAZ
especialista no que faz

Ultragaz, which in 2012 completed 75 years of history, was a pioneer in the LPG distribution market in Brazil; it has a distribution network with widespread reach and a leadership position in the industry.

Ultragaz consolidated, in 2012, the economies of scale resulted from the acquisition of Repsol's LPG distribution business in Brazil, held in November 2011. The transaction strengthened Ultragaz's position in the bulk LPG segment.

In addition, the capture of new customers contributed to the 6% growth in volume in the bulk segment in comparison with 2011, higher than the growth of the Brazilian economy.

Ultragaz, which in 2012 completed 75 years of history, was a pioneer in the LPG distribution market in Brazil; it has a distribution network with widespread reach and a leadership position in the industry with a 24% market share – serving nearly 11 million households and 42 thousand customers in the bulk segment. Among its main attributes is the deep knowledge of the market and the needs of its customers. This means that it can reinvent itself over time, adapting its operation to monitor market development and consumer habits.

In the bulk segment, in addition to the growth of the economy, the expansion of sales is influenced by the adoption of LPG as an energy solution. Ultragaz already supplies the product to customers who use it in specific applications, such as dry out grains in the agricultural sector. Another innovative application, in this same segment, is plague control. LPG is also being used, with competitive gains, in other areas, such as asphalt plants.

In the bottled segment, Ultragaz recorded, in 2012, sales volume of 1,133 thousand tons. This segment is characterized by resilience against crisis periods, due primarily to its use for cooking in homes. Ultragaz continues to place emphasis on the qualification of its reseller network, with the goal of maintaining its efficient sales structure to continue to growth. The company has the reach of a network of approximately 4,400 exclusive resellers, and its leadership is reinforced by strong brand recognition, based on the concept of "Expert at what it does."

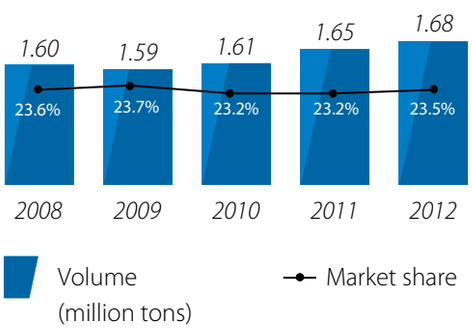
HIGHLIGHTS IN 2012

- Increased sales volumes in the bulk LPG segment, consolidating the economies of scale resulted from the acquisition of Repsol in 2011 and investments to capture new customers.
- Expansion of the use of bulk LPG as an energy solution, increasing the number of customer.
- Results recovery plan based on cost reduction and qualification of the reseller network.

ULTRAGAZ'S UNITS LOCATION MAP

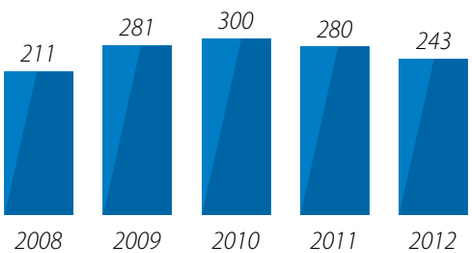
Ultragaz undertook, also in 2012, a results recovery plan – as results had been affected by the effects of inflation on costs and expenses and higher expenses with sales and marketing campaigns – to support volume growth. The effects of this plan can be evidenced in a gradual improvement of the EBITDA throughout the year. The results recovery plan involved commercial and cost and expense management initiatives, such as changes in the freight procurement regime and the implementation of a higher level of automation at the production facilities.

ULTRAGAZ – SALES VOLUME AND MARKET SHARE

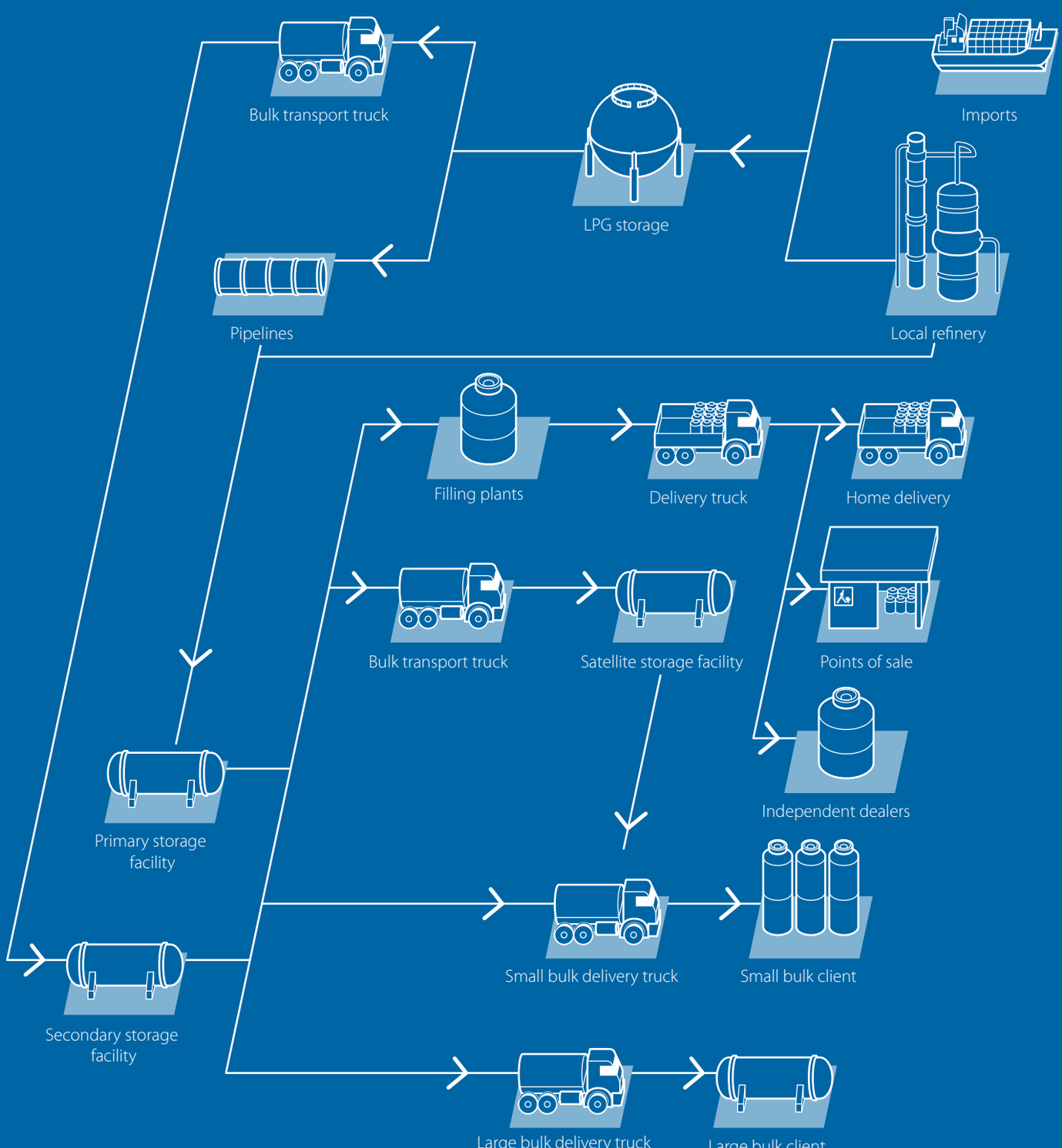


ULTRAGAZ – EBITDA

(R$ million)



LPG DISTRIBUTION IN BRAZIL



ANALYSIS OF FINANCIAL PERFORMANCE IN 2012

Ultrapar's net revenue from sales and services amounted to R$ 54 billion in 2012, an 11% growth over 2011.

ANALYSIS OF FINANCIAL PERFORMANCE IN 2012

CONSIDERATION ON THE FINANCIAL INFORMATION

Standards and criteria adopted in preparing the information

The financial information presented in this document has been prepared according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and in accordance with the accounting practices adopted in Brazil, as issued by the Accounting Pronouncements Committee (CPC) and approved by the Brazilian Securities and Exchange Commission ("CVM").

The financial information of Ultrapar corresponds to the company's consolidated information. The financial information of Ultragaz, Ipiranga, Oxiteno and Ultracargo is reported without elimination of intercompany transactions. Therefore, the sum of such information may not correspond to the consolidated financial information of Ultrapar. In addition, except when otherwise indicated, the amounts presented in this document are expressed in millions of Reais and, therefore, 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.

On October 4th, 2012, CVM issued the Instruction Nr 527 ("ICVM 527"), which governs the disclosure by listed companies of the EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization, and EBIT - Earnings Before Interest and Taxes, for the results disclosed from January 1st, 2013 onwards. The EBITDA according to ICVM 527 differs from the EBITDA previously reported by the company as it includes the income in the sale of assets and equity in earnings (losses) of affiliates, as shown below for the years ended on December 31st, 2011 and 2012:

R$ MILLION	*2012*	*2011*	*Δ (%) 2012v2011*
EBITDA prior to ICVM 527	**2,402**	**2,011**	**19%**
(+) Income from disposal of assets	4	21	
(+) Share of profit of subsidiaries and associates	0	0	
EBITDA according to ICVM 527	**2,405**	**2,032**	**18%**

The information on EBIT and EBITDA included in this document was prepared in accordance with ICVM 527 and, therefore, differs from the information previously disclosed by the company.

The EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) presented in this document represents the net income before (i) income and social contribution taxes, (ii) net financial expense (income) and (iii) depreciation and amortization. The purpose of including EBITDA information is to provide a measure used by the management for internal assessment of our operating results, in addition to linking EBITDA performance to a portion of our employee profit sharing plan. It is also a financial indicator widely used by investors and analysts to measure our ability to generate cash from operations and our operating performance. We also calculate EBITDA in connection with covenants related to some of our financing, as described in note 14 to the financial statements. We believe EBITDA allows a better understanding not only of our financial performance but also of our capacity of meeting the payment of interest and principal from our debt and of obtaining resources for our investments and working capital. Our definition of EBITDA may differ from, and, therefore, may not be comparable with similarly titled measures used by other companies, thereby limiting its usefulness as a comparative measure. Because EBITDA excludes net financial expense (income), income tax and social contribution, depreciation and amortization, it provides an indicator of general economic performance that is not affected by debt restructurings, fluctuations in interest rates or changes in income tax and social contribution, depreciation and amortization. EBITDA is not a measure of financial performance under accounting practices adopted in Brazil or IFRS. 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. 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 and associated charges. The calculation of the EBITDA from the net earnings is presented below:

R$ MILLION	*2012*	*2011*	*Δ (%) 2012v2011*
Net income for the year	**1,018**	**855**	**19%**
(+) Income and social contribution taxes	429	301	
(+) Net financial expense	262	297	
(+) Depreciation and amortization	696	580	
EBITDA according to ICVM 527	**2,405**	**2,032**	**18%**

COMPARATIVE PERFORMANCE 2012-2011

(R$ million)

	2012					2011				
	Ultrapar	*Ipiranga*	*Oxiteno*	*Ultracargo*	*Ultragaz*	*Ultrapar*	*Ipiranga*	*Oxiteno*	*Ultracargo*	*Ultragaz*
Net revenue from sales and services	**53,919**	46,833	2,929	301	3,847	**48,661**	42,224	2,409	267	3,767
Cost of products and services sold	**(49,797)**	(44,055)	(2,312)	(123)	(3,313)	**(45,140)**	(39,898)	(1,931)	(115)	(3,214)
Gross profit	**4,122**	2,778	616	178	534	**3,522**	2,326	478	152	553
Selling, marketing, general and administrative expenses	**(2,495)**	(1,622)	(389)	(76)	(412)	**(2,143)**	(1,365)	(320)	(67)	(388)
Other operating income, net	**78**	81	(1)	4	(0)	**52**	53	(3)	3	(1)
Income from disposal of assets	**4**	12	1	0	(10)	**21**	23	0	0	(2)
Operating income	**1,709**	1,249	227	106	112	**1,452**	1,037	155	89	163
Share of profit of subsidiaries and associates	**0**	0	(0)	-	0	**0**	0	0	-	0
EBITDA	**2,405**	**1,640**	**350**	**145**	**243**	**2,032**	**1,353**	**261**	**118**	**280**
Depreciation and amortization	**696**	391	123	39	131	**580**	316	106	29	117

ECONOMIC AND OPERATIONAL ENVIRONMENT

In 2012, the Brazilian economy presented a modest growth level. In order to foster the economic activity, the Brazilian government adopted counter-cyclical measures during the year, with an emphasis on the reduction of the base interest rate, which decreased from 11.0% at the end of 2011 to 7.25% at the end of 2012, and on the reduction of federal taxes on the automotive sector. In 2012, approximately 3.6 million light vehicles were licensed, a 6% growth over the previous year, representing approximately 11% of the light vehicle fleet by the end of 2011. Despite the government measures, GDP growth during the first nine months of 2012 was 1%, below the 3% growth recorded in the same period of the previous year. The effects of the lower economic growth, the lower interest rate and the unstable international scenario resulted in a 17% more depreciated Real in 2012 compared to 2011.

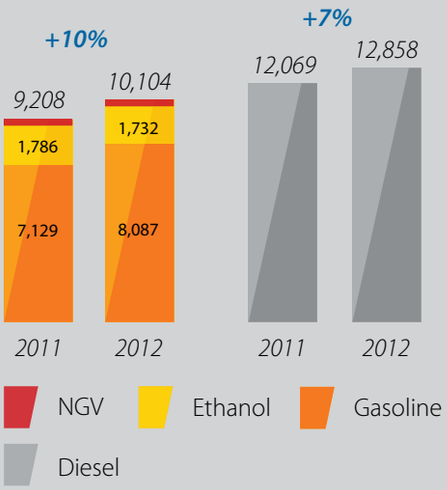
SALES VOLUME

Ipiranga's sales volume in 2012 grew by 8% over 2011, totaling 23,364 thousand cubic meters. Sales volume of gasoline, ethanol and natural gas for vehicles increased by 10%, as a result of an estimated 8% growth of the light vehicles fleet and investments made to expand Ipiranga network. Diesel volumes, in turn, grew by 7% as a result of investments made to capture new clients and, to a lesser extent, the growth of the Brazilian economy, particularly the agricultural sector. At Oxiteno, sales volume totaled 761 thousand tons in 2012, up 15% compared with 2011, mainly due to (i) investments to expand production capacity, completed in September 2011, (ii) the growth of segments served by Oxiteno in Brazil, in particular cosmetics and detergents, agrochemicals and coatings, and (iii) the increased volume of exports. Ultracargo's average storage grew by 5% compared with 2011, mainly due to the acquisition of Temmar, a terminal in the port of Itaqui, in August 2012 and by higher volumes of ethanol handled at the Santos terminal. Ultragaz's sales volume reached 1,681 thousand tons in 2012, up 2% over 2011, as a consequence of the 6% growth in the bulk segment, resulting from the acquisition of Repsol in October 2011, which exclusively operated in this segment, and the investments to capture new clients.

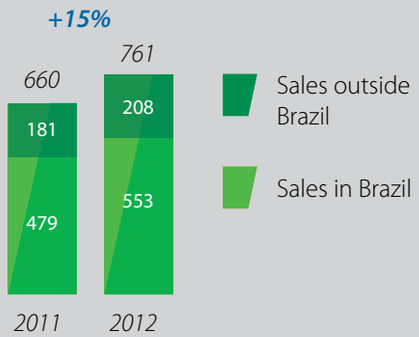
NET REVENUE FROM SALES AND SERVICES

Ultrapar's net revenue from sales and services amounted to R$ 53,919 million in 2012, an 11% growth over 2011. Ipiranga's net revenue from sales and services totaled R$ 46,833 million in 2012, up 11% over 2011, mainly due to (i) increased sales volume, (ii) the 6% increase in diesel costs by Petrobras in July 2012, and (iii) the increased share of gasoline in the sales mix. Oxiteno reported R$ 2,929 million in net revenue from sales and services, a 22% increase compared with 2011, mainly due to the 15% growth in sales volume and a 17% weaker Real, partially offset by the 10% lower average price in dollar, mainly as result of the increased share of glycol in the product mix, with lower prices. Ultracargo's net revenue from sales and services totaled R$ 301 million, up 13% over 2011, mainly due to the growth in average storage, tariff adjustments, and an improved mix of handled products

IPIRANGA – SALES VOLUME
('000 m³)



OXITENO – SALES VOLUME
('000 ton)



ULTRACARGO – EFFECTIVE STORAGE
('000 m³)

and contracts. Ultragaz's net revenue from sales and services amounted to R$ 3,847 million in 2012, up 2% over 2011, in line with the volume sold.

COST OF PRODUCTS AND SERVICES SOLD

Ultrapar's cost of products and services sold amounted to R$ 49,797 million in 2012, growth of 10% over 2011. Ipiranga's cost of products sold amounted to R$ 44,055 million, up 10% over 2011, mainly due to (i) the increased sales volume, (ii) the 6% increase in diesel costs by Petrobras in July 2012, and (iii) the increased share of gasoline in the sales mix. Oxiteno's cost of products sold totaled R$ 2,312 million, a 20% increase over 2011, mainly due to the 15% growth in sales volume and the 17% weaker Real, partially offset by a 10% reduction in unit variable costs in dollar. Ultracargo's cost of services provided totaled R$ 123 million, up 7% over 2011, mainly due to higher depreciation resulting from recent capacity expansions and the acquisition of Temmar. Ultragaz's cost of products sold amounted R$ 3,313 million, up 3% over 2011, due to the growth in sales volume and the effects of inflation on personnel and on freight costs, partially offset by cost reduction initiatives in bottling and storage facilities.

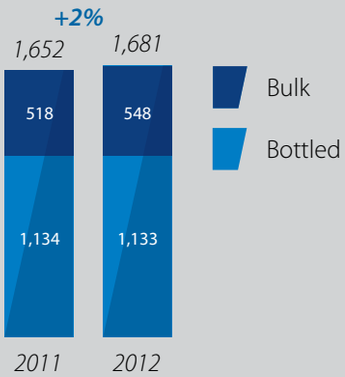
SELLING, MARKETING, GENERAL AND ADMINISTRATIVE EXPENSES

Ultrapar's selling, marketing, general and administrative expenses amounted to R$ 2,495 million in 2012, up 16% over 2011. Ipiranga's selling, marketing, general and administrative expenses totaled R$ 1,622 million, 19% higher than that in 2011, as a result of (i) higher sales volume, (ii) the effects of inflation on expenses, (iii) the expansion of the distribution network, and (iv) increased advertising and marketing expenses. Oxiteno's selling, marketing, general and administrative expenses amounted to R$ 389 million, up 22% over 2011, mainly due to (i) higher logistics expenses, resulting from increased sales volume and the effect of exchange rate on international freight expenses, (ii) the effects of inflation on expenses, and (iii) expenses with the expansion projects in the United States and Uruguay. Ultracargo's selling, marketing, general and administrative expenses amounted to R$ 76 million in 2012, 14% growth compared to 2011, mainly as a result of higher expenses related to expansion projects and the acquisition of Temmar. Ultragaz's selling, marketing, general and administrative expenses totaled R$ 412 million, up 6% over 2011, mainly due to (i) the effects of inflation on personnel expenses, (ii) higher expenses with marketing and sales campaigns, and (iii) the higher sales volume, partially offset by expense reduction initiatives.

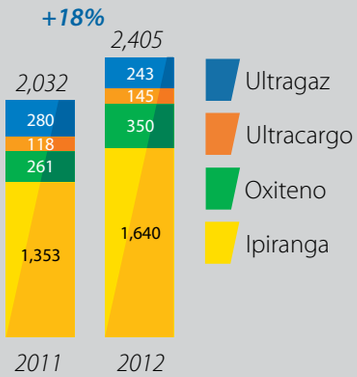
EBITDA (LAJIDA)

Ultrapar's consolidated EBITDA reached R$ 2,405 million in 2012, an 18% growth over 2011, as a result of EBITDA growth of Ipiranga, Oxiteno and Ultracargo. Ipiranga reported an EBITDA of R$ 1,640 million in 2012, up 21% from 2011, mainly due to (i) increased sales volume, (ii) improved sales mix, with a higher share of gasoline, and (iii) the strategy of constant innovation in services and convenience at the service station, creating

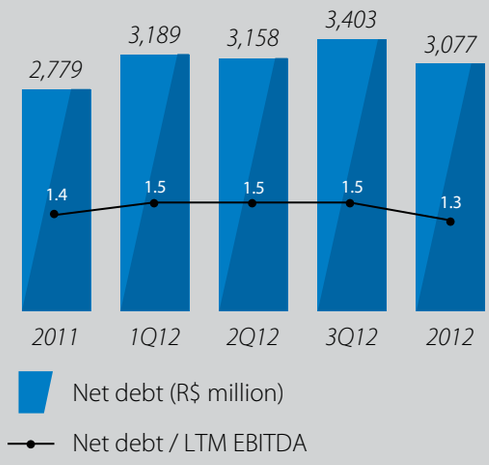
ULTRAGAZ – SALES VOLUME
('000 ton)



EBITDA
(R$ million)



NET DEBT
(R$ million)



increased customer satisfaction and loyalty. Ipiranga's unit EBITDA margin in 2012 was R$ 70/m^3, corresponding to an EBITDA margin of 3.5%, higher than the unit EBITDA margin of R$ 62/m^3 in 2011. Oxiteno's EBITDA totaled R$ 350 million, growth of 34% over 2011, as a result of (i) the 15% growth in sales volume, and (ii) the effect of the 17% weaker Real. Oxiteno's unit EBITDA reached US$ 235/ton in 2012, in line with that of 2011. Ultracargo reached an EBITDA of R$ 145 million in 2012, an increase of 23% over 2011, mainly due to the acquisition of Temmar, higher average storage, and the improved mix of handled products and contracts. In 2012, Ultracargo's EBITDA margin reached 48%, higher than the 44% margin of 2011. Ultragaz's EBITDA amounted to R$ 243 million, 13% below that of 2011, mainly due to the effects of inflation on costs and expenses and higher expenses with marketing and sales campaigns, partially offset by costs and expenses reduction initiatives.

DEPRECIATION AND AMORTIZATION

Total depreciation and amortization costs and expenses in 2012 amounted to R$ 696 million, up R$ 116 million (20%) over 2011, due to (i) increased investments in the expansion of Ipiranga's network of services stations and logistics infrastructure, (ii) the start-up of operations of Oxiteno's and Ultracargo's capacity expansions throughout 2011 and 2012, and (iii) acquisitions.

INCOME FROM DISPOSAL OF ASSETS

Ultrapar recorded in 2012 an income from disposal of assets in the total amount of R$ 4 million, R$ 18 million lower than that in 2011, mainly due to lower income from the sale of land by Ipiranga and of vehicles by Ultragaz.

FINANCIAL RESULT

Ultrapar reported net financial expenses of R$ 262 million in 2012, R$ 34 million below that of 2011, mainly due to the reduction of interest rates (CDI) in 2012.

NET INCOME

Ultrapar's consolidated net income in 2012 reached R$ 1,018 million, 19% higher than that of 2011, mainly as a result of the growth in the EBITDA between the periods.

INDEBTEDNESS

Ultrapar closed the fiscal year 2012 with a gross debt of R$ 6,239 million, resulting in a net debt of R$ 3,077 million, an increase of 11% over 2011, mainly due to investments in expansion and maintenance in all businesses, acquisitions and dividends distributed over the last 12 months.

CAPITAL MARKETS

Once more Ultrapar's shares appreciated far over the reference indexes, reflecting the recognition by the capital markets of Ultrapar's earnings growth.

The year 2012 was marked by the appreciation of the shares of the company and the increase in trading liquidity. Ultrapar ended the year 2012 with a market value of R$ 25 billion, accumulating an appreciation of 45% in relation to the end of 2011.

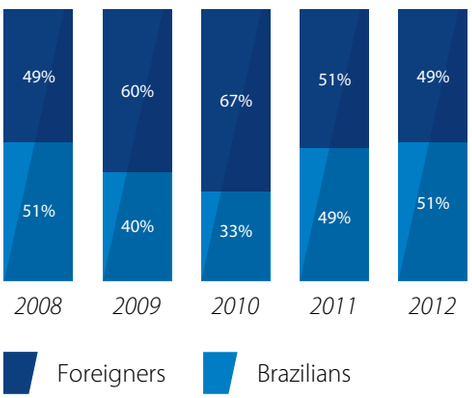
Ultrapar's shares recorded an average daily trading volume of R$ 56 million/day, 60% above the R$ 35 million/day average of 2011. This volume considers trading on both the BM&FBOVESPA and the NYSE. The number of tradings of Ultrapar's shares presented a significant increase of 29%, from a daily average of 2,561 transactions in 2011 to 3,310 transactions in 2012.

Once more Ultrapar's shares appreciated far over the reference indexes, reflecting the recognition by the capital markets of Ultrapar's earnings growth, as a result of its management practices based on planning and execution capability, and of the evolution in its corporate governance. At BM&FBOVESPA, Ultrapar's shares closed the year quoted at R$ 46.30, with an accumulated appreciation of 45% in 2012. During the same period, the Ibovespa index appreciated by 7%. At the NYSE, Ultrapar's shares appreciated by 30% in 2012, higher than the 7% appreciation of the Dow Jones index during the same period.

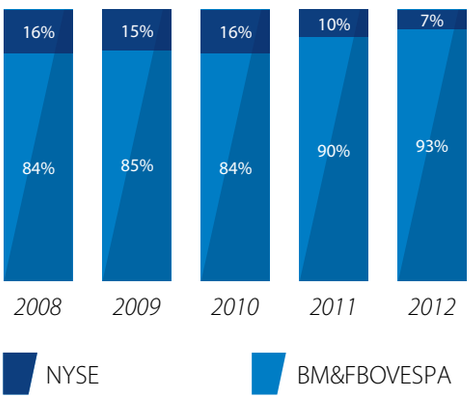
Therefore, the strong performance presented by Ultrapar's shares since its initial public offering, in October 1999, continued in 2012. Considering the period between its IPO and the end of 2012, Ultrapar's shares had an average appreciation of 24% per year, with dividends reinvested. In this period, this appreciation exceeded the appreciation of Ibovespa, which was 14% per year; of the CDI, which was 15% per year; and was well above inflation, which was 7% per year.

Ultrapar declared dividends in the amount of R$ 627 million for the fiscal year 2012, 19% higher than that in 2011, representing a 62% payout ratio over 2012 consolidated net earnings and a 3% dividend yield on the average share price in 2012. Due to its strong cash generation and solid financial position, Ultrapar consistently paid dividends to its shareholders since its IPO in 1999, throughout very different economic cycles.

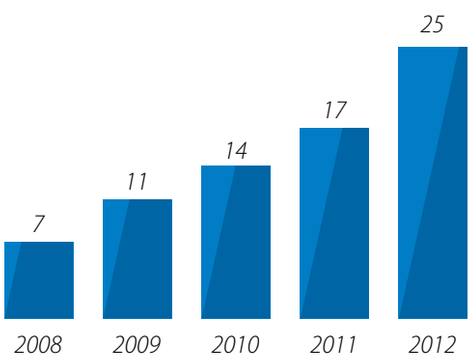
FREE FLOAT DISTRIBUTION



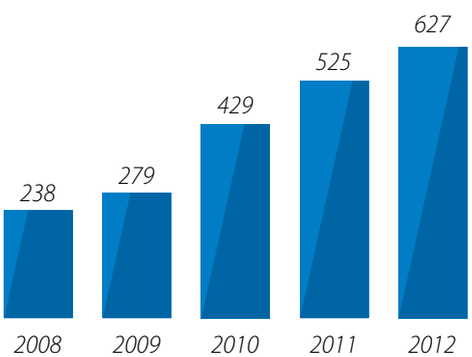
FREE FLOAT DISTRIBUTION



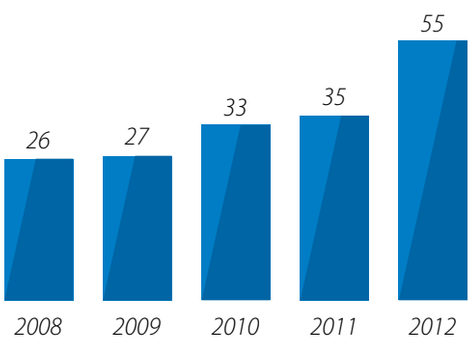
MARKET CAPITALIZATION
(R$ billion)



DIVIDENDS DECLARED
(R$ million)



AVERAGE DAILY TRADING VOLUME (BM&FBOVESPA + NYSE)
(R$ million)



INVESTMENTS AND OUTLOOK

In 2012, Ultrapar continued an investment strategy oriented to support the leadership position in its businesses and to grow volumes as an enabler of value creation.

Ultrapar's investments, net of disposals, totaled R$ 1,491 million, of which R$ 1,323 million were related to organic investments and R$ 169 million were related to acquisitions. Additionally, the company assumed R$ 124 million net debt in connection with the acquisitions made during the year.

At Ipiranga, R$ 942 million were invested, of which (i) R$ 514 million in the expansion of its distribution network (through the conversion of unbranded service stations, the opening of new gas stations and new customers) and Jet Oil and am/pm franchises, focused on the Midwest, Northeast and North regions of Brazil, (ii) R$ 63 million in expanding its logistics infrastructure to support the growing demand, through the construction and expansion of 12 logistics facilities, and (iii) R$ 365 million in the maintenance of its operations, mainly in the renewal of contracts of its distribution network and the renovation of service stations. Out of the total amount invested, R$ 914 million were related to property, plant, equipment and intangible assets and R$ 28 million were related to financing to clients, net of repayments.

At Oxiteno, the total investments in 2012 amounted to R$ 115 million, mainly directed to the specialty chemicals plant in the United States and the maintenance of its plants. Oxiteno also acquired American Chemical, a specialty chemicals plant in Uruguay, with the disbursement of R$ 107 million, in addition to the assumption of R$ 33 million in net debt.

Ultracargo's investments totaled R$ 84 million, mainly allocated to the expansion of 72,000 cubic meters in the Aratu and Santos terminals. Additionally, Ultracargo disbursed R$ 68 million for the acquisition of Temmar, at the port of Itaqui, and assumed R$ 91 million in net debt.

At Ultragaz, R$ 157 million were invested mainly in new clients in the bulk segment, replacement of bottles and maintenance of its bottling facilities.

PLANNED INVESTMENTS

Ultrapar's investment plan for 2013, excluding acquisitions, amounts to R$ 1,437 million and aims at growth through increased scale and productivity gains, as well as modernization of existing operations.

ORGANIC INVESTMENT PLAN FOR 2013[1]	*R$ MILLION*
Ipiranga	872
Oxiteno	278
Ultracargo	103
Ultragaz	160
Others[2]	*24*
Total	**1,437**

[1] Net of disposals
[2] Includes mainly Refinaria de Petróleo Riograndense and corporate IT services

Ipiranga will invest (i) R$ 360 million to continue the expansion of its distribution network (through the conversion of unbranded service stations, the opening of new gas stations and new customers) and Jet Oil and am/pm franchises, focused on the Midwest, Northeast and North regions of Brazil, (ii) R$ 182 million in the expansion of its logistic infrastructure to support the growing demand, through the construction and expansion of logistics facilities, and (iii) R$ 331 million in the maintenance of its operations, mainly in the renewal of contracts of its distribution network and the renovation of service stations. Out of Ipiranga's total investment budget, R$ 868 million refer to additions to property, plant, equipment and intangible assets, and R$ 4 million refer to financing to clients, net of repayments. Oxiteno will direct R$ 203 million for expansion investments, mainly to continue the expansion of its production capacity in Pasadena, in the United States, and in Coatzacoalcos, in Mexico. These two plants will add approximately 130,000 tons per year of production capacity, 30,000 tons of which will be operational by 2013 and 100,000 tons will start-up in 2014. Additionally, Oxiteno will invest in the maintenance of its plants. Ultracargo will direct its investments mainly to expansions in its terminals, especially in Itaqui and Suape terminals, in addition to the maintenance of the infrastructure of the other terminals. Ultragaz will focus its investments mainly on (i) UltraSystem (small bulk), due to the prospects of capturing new clients, (ii) the modernization of its filling plants, mainly in the Southeast region of Brazil, and expansion of facilities in the Northeast region of Brazil and (iii) the replacement and purchase of LPG bottles.

OUTLOOK

The nature of Ultrapar's businesses, which are at the same time resilient and leveraged on the Brazilian economic growth, combined with the investments and acquisitions made in recent years, allow the company to have visibility to keep the earnings growth trajectory.

Ipiranga will continue to invest in expanding its distribution network and logistics infrastructure, leveraging the benefits from the growth of the vehicle fleet in Brazil and the growth of the Brazilian economy. Additionally, Ipiranga will intensify its differentiation initiatives, based on increasing the offer of products, services and convenience to its consumers.

Oxiteno will continue capturing benefits from the completion and maturing process of investments in Brazil in a more favorable exchange rate environment, in addition to focusing on its international expansion plan, with investments underway in the United States and Mexico, and on the implementation of the business plan for the acquisition in Uruguay, made in 2012.

The completion by Ultracargo, in 2012, of a cycle of capacity expansions in its terminals, in order to meet the growing demand for liquid bulk storage in Brazil, and the acquisition of the terminal at the port of Itaqui, will strengthen its operating scale and produce significant benefits in 2013.

At Ultragaz, investments made and the economic growth will continue to contribute to the growth in sales volume in the bulk LPG segment, coupled with the focus on managing costs and expenses for earnings recovery.

The company will remain attentive to acquisition and investment opportunities, aiming at continued growth and value creation of Ultrapar. Ultrapar closes 2012 with the satisfaction for the results and recognitions achieved, confident that it has solid foundations to continue its success story.

CORPORATE INFORMATION

Ultrapar Participações S.A.
BM&FBOVESPA: UGPA3 / NYSE: UGP

Investor Relations Department
Av. Brigadeiro Luís Antônio, 1343, 8th floor
São Paulo, SP – 01317-910
Phone: 55 11 3177 7014 / Fax: 55 11 3177 6107
E-mail: invest@ultra.com.br
www.ultra.com.br

Share Custodian Bank
Itaú Corretora de Valores S.A.
Superintendência de Soluções para Corporações
Rua Ururaí, 111 - Prédio B - Térreo - Tatuapé
São Paulo – SP -03084 010
Phone: 55 11 3003-9285

ADR Depositary
The Bank of New York Mellon
Shareholders Relations
PO Box 358015
Pittsburgh, PA 15252-8015
Phone: 1-800-BNY-ADRS (1-800-231-5469)
Telephone for calls outside the US: 1-201-680-6825
E-mail: shrrelations@bnymellon.com
Internet Address: http://www.bnymellon.com/shareowner/equityaccess

Independent Auditors
Deloitte Touche Tohmatsu Auditores Independentes
R. Alexandre Dumas, 1981
São Paulo, SP – 04717-906
Phone: 55 11 5186-1000

CREDITS – 2012 ANNUAL REPORT

Project Coordination
Investor Relations Department

Consultancy and Copywriting
FSB Comunicações

Art Direction and Graphic Design
BrandBuilding / Dragon Rouge

Photographs
Pisco Del Gaiso
• Pages 56 e 57: Flávio R. Berger – Fotoimagem
• Pages 79: Gustavo Scatena Fairbanks Barbosa

Illustration
Dragon Rouge

Printing
Burti

Acknowledgments
Our deepest appreciation to all Ultrapar's employees who collaborated in the edition of this Annual Report, especially those who kindly contributed with their pictures.

Ultrapar Participações S. A.
Av Brigadeiro Luís Antônio 1343 8th floor
01317-910 São Paulo SP Brazil
Phone 55 11 3177 7014
Fax 55 11 3177 6107
invest@ultra.com.br
www.ultra.com.br

Ipiranga

OXITENO

ULTRACARGO

ULTRAGAZ
especialista no que faz