



**Local Conference Call
Ultrapar Participações S/A (UGPA3)
2Q21 Earnings Results
August 12th, 2021**

Operator: Good morning and thank you for waiting. Welcome to Ultrapar's earnings conference for the **second quarter of 2021**.

This meeting is also being simultaneously cast through Ultrapar's website ri.ultra.com.br, and the MZiQ platform. Please feel free to flip through the slides during the presentation.

With us today are Ultrapar's **CEO, Mr. Frederico Curado, Ultrapar CFO and IRO, Mr. Rodrigo Pizzinatto, and Ipiranga's CEO, Mr. Marcelo Araújo**, joined by the group's other executives.

Please be advised that this event is being recorded and all participants will be connected in listen-only mode during the company's presentation. After Ultrapar's remarks, the floor will be open for question, at which time, further instructions will be provided.

Should you need any assistance during this call, please press *0 to reach the operator. We would like to remind you that questions for the Q&A may be posted on the webcast page at any point during the call and that the recording of this conference will be available on replay for one week.

Before we proceed, let me mention that the company's forward-looking statements are being made under the Safe Harbor of the 1996 Securities Litigation Reform Act. The statements are based on the beliefs and assumptions of Ultrapar's management as well as information currently available to the company. They involve risks, uncertainties, and assumptions seen as they relate to future events and therefore depend on circumstances that may or may not materialize.

Investors should understand that general economic conditions, the state of the industry and other operating factors could also affect Ultrapar's future earnings and could lead to significantly different results than those expressed in such forward-looking statements.

Now, let me turn the conference over to Mr. Frederico Curado. Mr. Curado, you may now begin the conference.

Mr. Frederico Curado: Hello and good morning everyone, thank you for participating in our earnings call.

Let me kick off saying that we made good progress in this second quarter, particularly in our strategic agenda, but also in cash management and the gradual reduction of our indebtedness.



So, the three transactions I would like to talk about: in May we signed the contract to sell Extrafarma to Pague Menos, and this transaction now waits the approval of CADE to be finalized; we also announced the sale of our 50% stake in ConectCar, in this case for Porto Seguro. This operation has already obtained approval of CADE and the only pending condition is now the clearance from Brazil's Central Bank once, of course, ConectCar is a financial institution; and finally, we announced negotiations on exclusive basis with Indorama for the sale of Oxitenor. Our expectation is that we should finalize this rather soon.

Speaking now briefly about our businesses, which Rodrigo will cover in detail in a few minutes, we had another excellent quarter in Ultracargo and Oxitenor, in both cases the companies recorded new quarterly records, so great progress there.

I would also like to highlight the advancement, the anticipation of Ultracargo's expansion projects, both in Vila do Code and Itaquí, and this this early entry into service will provide an increase in revenues towards the end of this year.

Speaking about Extrafarma now, the company achieved another quarter of sequential improvement, it is facing competitive pressure in its main markets, but continues on its trajectory of recovery.

Ultragaz had another solid quarter despite the challenges in the main margins imposed by the continuous increases in the price of raw materials. Just to give you a perspective, in 2021 alone, raw material has risen something in the order of 40%.

And finally, Ipiranga we had good volumes in Ipiranga, but we experienced strong competitive pressure and ending with margins which are slightly below what we expected. This, of course, is our main point of attention and the company has been structuring itself for a gradual margin recovery and market share recovery.

So that extends, as we have announced previously, Ipiranga has changed its organization and has also implemented a transformation agenda which has four large sets of strategic initiatives. So, given the relevance of this matter, I actually invited Marcelo Araújo to join us at the end of our conference and the idea is that he would be able to share with you this agenda in further detail.

Now back to Ultrapar consolidated, our net profit if we disregard the impairment of Extrafarma was approximately R\$300 million and that supports the advance distribution of dividends in the order of R\$218 million which we announced.

And finally, let me just highlight the release of our second integrated report, the 2020 integrated report, and this year the report had the certification of GRI and for the first time some cross references with the SASB standard, which is our intention to provide information in both standards.



We continue to advance in the definition of our ESG goals for 2030, and obviously, those goals they will be integrated in our strategy and our idea is to disclose them by year end.

So, let me make it pause here, thank you again for your presence, I'll pass the word to Rodrigo, and I'll be back in the end for the Q&A. Thank you very much.

Rodrigo Pizzinatto: Thank you, Fred. And good morning everyone! It's a pleasure to be here once more to talk about Ultrapar's quarterly results.

So let's start with Ultrapar's consolidated results, on slide 4.

As you can see in the upper right graph, our recurring EBITDA totaled R\$ 898 million in this second quarter, a 50% increase over the second quarter of 2020, the quarter most affected by COVID, especially due to the significant drop in fuels consumption that affected Ipiranga. We also had in this second quarter the signing of the sale of Extrafarma, which generated asset impairment that negatively affected EBITDA by R\$ 395 million. I remind you that this impairment does not have any cash impact.

Our net income, excluding the impairment effect, was R\$ 290 million, a R\$ 240 million growth over the second quarter of 2020, as a result of an increased EBITDA and better financial results, especially on the back of R\$ 73 million of tax credits and positive temporary effects of mark-to-market currency hedges, which partially offset the negative effect we had in 1Q21, as you should recall.

We recorded R\$ 1 billion 150 million cash flow generated from operating activities in this second quarter, compared with 871 million in the second quarter of 2020. The improvement in cash generation was driven by the higher EBITDA, despite greater investments in working capital, on the back of higher prices of oil derivatives and raw materials, that in 2020 were in a downward trajectory.

Moving on to slide 5, let's talk about the progress in liability management. We ended the quarter with a net debt of R\$ 10.9 billion, which is R\$ 1.0 billion less than that of March 2021. This reduction is explained by the increased operating cash generation and by the exchange rate variation effect on the net debt portion of bonds designated for hedge accounting.

I highlight that, during this second quarter, we settled, with cash resources, the remaining portion of the emergency debt contracted during March and April of 2020, at the beginning of the pandemic. These debts had higher costs and shorter-term maturities. Therefore, such liquidation contributes to the reduction of the debt carrying cost, without losing flexibility and financial security.

The combined improvements in operating cash flow and the Last Twelve Month EBITDA excluding the impairment resulted in the reduction of our leverage from 3.3x in the first quarter of 2021 to 2.8x in the second quarter of 2021, as you can see in the



graph, which is the lowest level in the last two years. It reinforces our commitment to financial soundness and demonstrates the resilience of our portfolio.

It is worth pointing out that, since the first quarter of 2020, as a result of IFRS 16, we have been adding the leases payable line item to the net debt calculation. This inclusion contributed to the increased leverage, even though these leases are not financial debt.

Let's now move to slide 6 to talk about Ultragaz's quarter.

Volumes sold in the second quarter were 1% higher than those in the second quarter of 2020, with 17% growth in the bulk segment and 4% reduction in the bottled segment. The growth in the bulk segment is driven by increased sales to industry, commerce and services segments, which were the most affected by the restrictions imposed during the pandemic last year. The drop in the bottled segment is explained by the strong demand during the second quarter of 2020 on the back of social distancing measures.

Ultragaz's EBITDA was R\$ 137 million in the quarter, a 34% reduction over the same quarter of 2020. Despite the increased sales volume, the EBITDA reduction reflects the strong comparison basis and the subsequent increases in LPG costs. In addition, we had higher expenses with personnel and freight, due to higher sales volume and higher diesel prices.

For the third quarter, the perspective is seasonally stronger volumes as well as more stable LPG costs, allowing an important evolution of results in relation to the second quarter of 2021, although lower than that of the third quarter of 2020, which was also more benefited from the pandemic.

Now let's move on to Ultracargo, on slide 7.

The average installed capacity reached 859 thousand cubic meters in this second quarter, a 3% growth over the second quarter of 2020, a result of expansions in tank capacity we implemented in Itaqui over the last 12 months. Cubic meter sold increased 7% year over year, mainly due to the fuel handling increase at Itaqui, allowed by such expanded capacity.

Net revenues for Ultracargo totaled R\$ 176 million in the second quarter, 13% above that of the second quarter of 2020, mainly the result of the expansions and contractual readjustments.

Combined costs and expenses increased 10% in the quarter, mainly due to increase in product handling and increased expenses in rent readjustments and depreciation, resulting from the capacity expansions, as well as an increase in expenses with information technology and engineering services to support expansion projects, productivity gains and digital transformation.



Therefore, Ultracargo's EBITDA reached a new record level of R\$ 100 million in the quarter, 9% above the second quarter of 2020, the result of increased sales, partially offset by increased costs and expenses. Ultracargo continues to follow its path of expansion with profitability. EBITDA margin excluding non-recurring effects, as you can see in the graph, reached 57% in the second quarter of 2021, compared to 51% in the second quarter of 2020.

For the current quarter, we expect Ultracargo's operational performance to continue, with EBITDA reaching a similar level to that of the second quarter of 2021.

I'd like to call your attention to the new anticipation, as highlighted at the bottom of the graph, of the start of operations in the new terminals. We anticipated 5 months on average in Itaqui, that concluded this July. We will also anticipate about 3 months the Vila do Conde terminal, that should conclude in the fourth quarter of 2021. As already mentioned by Fred, both of these new terminals contributing to results still in 2021. It reflects the dedication and evolution of Ultracargo's team in managing these expansion projects, reducing the initially planned CAPEX and anticipating the startup of operations.

Moving on to the next slide, number 8, to talk about another excellent quarter for Oxiteno.

Volumes sold during the second quarter of 2021 were 15% stronger than that of the second quarter of 2020. Volumes of specialty chemicals were 15% higher, due to increased coatings sales, segment most affected at the beginning of the pandemic, and crop solutions, segment that has maintained its strong growth. We also registered sales volume 36% higher in the United States. The volume of commodities also grew 16%, due to the demand drop last year as a result of the pandemic.

The EBITDA of Oxiteno has also reached a record level of R\$ 274 million in the quarter, a 69% growth over the EBITDA in the second quarter of 2020. This performance results from the increased sales volume and better margins, which were negatively impacted in the 2Q 2020 by the Zero Cost Collar, which limited Oxiteno's upside from exchange rates depreciation. These effects were partially offset by higher costs and expenses, with 4 main effects: freight and storage, due to higher volumes and unit costs in Real, personnel expenses, in line with the progression in results, and maintenance, mainly related to Maua's scheduled shutdown this quarter.

For the third quarter this year, the outlook remains positive, with volume growth more normalized and a level of results similar to that of the second quarter of 2021, assuming the current level of exchange rate.

Now moving on to Extrafarma on slide 9.

We ended the quarter with 400 stores, a network 2% smaller than that in the second quarter of 2020, which reflects a greater selectivity in expansion and increased rigor



towards underperforming stores. It's also worth noting that 17% of the stores are still in the ramp up phase.

Gross revenues were R\$ 542 million, 5% above that of the second quarter of 2020. We registered same store sales growth of 10% excluding mobile sales, partially offset by the number of stores 2% lower and the strong comparison basis in mobile sales in the 2Q of 2020, due to the temporary closing of non-essential commerce due to the pandemic.

Recurring EBITDA for Extrafarma totaled R\$ 22 million in the quarter, a 58% growth over the second quarter of 2020, resulting from the closing of underperforming stores and the increased profitability of the existing network. These effects were partially offset by the inflationary impacts on personnel and services and by the contingency expenses carried out in the second quarter of 2020.

With the signing of the contract to sell Extrafarma to Pague Menos this quarter, as I already mentioned, we also recognized assets impairment in the amount of R\$ 395 million, representing the difference between the book value and the value announced in the transaction. I reinforce this impairment does not have a cash impact and is still subject to closing adjustments.

We expect results for this current quarter to be similar to the levels achieved in the second quarter of 2021.

Moving on to slide 10, let's talk about Ipiranga.

Volumes sold were 21% stronger than those in the second quarter of 2020, with a 25% growth in the Otto cycle and 17% in diesel. There has been an important volume recovery, as you can see in the upper graph. We also were able to recover most of the market share lost during the pandemic, getting closer to pre pandemic levels.

We ended the second quarter of 2021 with a network of 7,110 service stations, practically flat when compared to the first quarter of 2021, with 66 new service stations and 63 service stations closed during the quarter. The average volume contribution of new service stations is between 250 and 300 cubic meters per month, while the closed ones had volumes below 100 cubic meters per month.

SG&A increased 36% over the second quarter of 2020, with three main effects: (i) higher freight and lubricants expenses, due to higher sales volume, (ii) expenses contingency in the second quarter of 2020 and higher one off contingency expenses in the second quarter of 2021, and (iii) growth of AmPm company-operated stores.

The other operating results line showed a R\$ 52 million increase over the second quarter of 2020, mainly due to tax credits, net of write-offs, of R\$ 97 million in the 2Q of 2021, partially offset by the costs with new carbon tax relating to RenovaBio targets, of R\$ 32 million.



Therefore, Ipiranga's EBITDA was R\$ 422 million during the second quarter, 136% higher than that of the second quarter of 2020, on the back of the stronger sales volumes and improved other operating results, partially offset by pressured margins, especially ethanol and diesel, and higher expenses.

Looking at Ipiranga's third quarter, we anticipate higher sales volumes, returning to pre-pandemic levels of the third quarter of 2019, with recovering margin levels, but still pressured.

I'd also like to call your attention to AmPm on this slide. As mentioned in the recent event of the Series – Meet Ultrapar's leaders, we will begin to disclose the total GMV sales figures for AmPm, to improve visibility of the progress in plans and results. These sales correspond to the total sales of franchises and company-operated stores. We ended the second quarter of 2021 with 101 company-operated stores and already have over 120 company-operated stores in operation.

With this, I conclude my presentation and now will pass to Marcelo Araújo, who will update you on the main initiatives of Ipiranga's transformation journey.

Marcelo Araújo: Thank you, Rodrigo, and good morning everyone!

I made an effort to summarize in a single slide, which is slide 11 of this presentation, an update on the progress of the main initiatives to increase our competitiveness and profitability.

As I presented at UltraDay in May, we have defined 4 avenues for growth and profitability that summarize our strategic priorities. What I'll be detailing some of the initiatives linked to these avenues and give you an overview of the contribution to the results we expect for the entire program.

We selected the two most relevant initiatives to provide more details.

The first one is what we call the Regional Integrated Strategy. The 12 main logistics corridors in which we operate already have management committees integrating the commercial areas, for our retail network and B2B, with the pricing, trading, logistics and operations structures of each corridor. This has allowed a decentralized management, implementing strategies and decisions in a more agile way, reflecting the dynamics of the market in each region.

This is the biggest change in Ipiranga's operating model in many years and, while we advance in the redesign of the management and operating systems to support the greater granularity of the corridors, we already expect to capture some "quick wins" in the coming months. In particular, we have already identified opportunities in some logistical flows and the optimization of "take or pay" contracts for storage and transport, which should have an impact of R\$ 15 to 20 M still in the second half of 2021.



In August, we started our planning cycle for 2022, which will be built bottom-up by logistic corridor. Each corridor has already defined its competitive strategy, they will also have its own expansion and investment plan and its own P&L.

The second front, still in the competitiveness pillar, is the Trading competence that we are fully implementing at Ipiranga. While the focus until 2020 was to supply products in an efficient manner to serve our network and corporate customers, at a national level, today we are already carrying out some operations supported by the existing infrastructure (asset-backed trading) and we have started to operate as an intermediate of products to third parties. As a result, we are expanding our trading area, gaining knowledge and improving our processes along the way.

To perform so, we formed a complete trading and “Supply and demand” intelligence teams and are implementing a new model for governance and risk management. We have already started testing the dedicated system for managing Trading operations and calculating the V@R (value at risk) for each operation. Once we define the parameters and integrate the methodologies into this system, we will be able to ensure the daily monitoring of positions and increasing our visibility towards opportunities and risk control.

For 2022, with the system already in full operation, we will start to adopt new trading strategies for the commodities we operate and their financial instruments. Going forward, as the team, processes and controls mature, we will start doing proprietary trading by taking directional positions, seeking to maximize gains from this initiative.

Well, these were the two initiatives we choose to detail on today’s conference call, as they present the highest potential to contribute on results on the next years.

Another very relevant front is the strengthening of the relationship and the recovery of the financial soundness of our network, which are non-negotiable priorities as we have been notifying you al and the market.

In this case, I think it’s worth highlighting the roll-out and evolution of the new pricing system, which by September/21 will already be operational throughout the whole urban network. An important recent development was the Brazilian antitrust authority, CADE, that approved our consultation for a new process to suggest reference prices for our network. This for sure will make more effective the competitiveness of each service station in its area of influence.

Finally, the other initiatives are on schedule, in particular, the spin-off of AmPm, which we presented at a recent event.

Wrapping-up, in line with what we’ve presented at Ultraday, we have a firm commitment to defend our current market share, especially in the branded network and B2B main customers, while we advance in this transformational journey and these initiatives begin to bear fruits more consistently.



Our expectation is that the combination of these initiatives will contribute to increase our annual EBITDA by R\$ 200 million already in 2022. Looking at the next 3 to 4 years, the potential for an incremental gain in EBITDA is of at least R\$ 400 million, when we will have all these strategies matured. As we reap the benefits of greater cost efficiency and increased competitiveness, we will then be able to accelerate market share gains.

So, I now conclude my presentation and this first part of our meeting. Now let's move on to the Q&A session, where Fred, Rodrigo and I will be available to take your questions.

Question-and-Answer Session

Operator: Thank you. The floor will now be open for questions only for investors and analysts. If you have a question, please press star one on your phone. You feel like your question has been answered before your name is called, you may remove yourself from the list by pressing the pound key.

Questions will be taken in the order that they are received. We kindly ask that you pick up your handset when posing your question for optimum sound quality.

If you're following a conference via webcast, please click "ask the host" to send your question.

Our first question comes from André Hachem, from Itaú. You may proceed.

André Hachem: Thank you for taking my question. I'd like to start my question talking to Marcelo. I think that considering the record, your historical series this was maybe the lowest result that we've seen. Could you please talk a little bit about the effects that pressured your margins? And especially talk about what you're seeing especially this quarter at issue and what are the adjustments that you expect to see over the first half of the year? It seems like the low end of your gain seems a little bit to reach.

Marcelo Araújo: Good morning, André, this is Marcelo Araújo speaking, thank you for your question. I think that your question was very much on point and touched on the core of what our challenges are, so I will try to go over every aspect of our vision for everyone listening.

This was a very challenging quarter for our gross margins, and we saw a very distinct evolution from one quarter to the other. We had not foreseen such a contraction in our margins because of the pandemic lockdown, and this lasted a long time between March and April, and this really pressured our margins, especially in ethanol with a momentary drop in prices and also a decline in sales volumes. But right after that, the market returned to its steady levels. And also, we saw a number of restrictions with raw materials, an unexpected surge in oil prices, especially ethanol prices, and that made it very difficult for us to recover our regular margins. Consumer sales were very



much pressured and then in the second quarter they went up as did ethanol and diesel prices, which went up over 75%.

So, it was a massive impact on consumer sales, and even though our volumes went up again, the level of crisis made it more challenging for us to recover our margins, but we were able to sustain our strategy, which we had already shared with you, which was to stand up and defend our market share even though we had to sacrifice our margins to do that. That maybe prevented us from capturing the return in the PIS COFINS contributions, we made some headway in the diesel market, but ultimately our inventory levels were slightly below our average and we weren't able to enjoy that return of the PIS COFINS tax levels.

But the question is, margins were very pressured in the entire market, but we are looking forward now and it's very clear even recently in a live stream I've made it very clear what our vision was for the second half of the year, we are very optimistic and our forecasts show that the energy company in Brazil was projecting very high levels and very high volumes, which is what we are projecting as well. So, we will be able to broaden our margins and recover a little bit of what we lost in the first half of the year, and we may even see some impact for consumers, which may pressure the system for resale and distribution across the country.

So, it really is a major challenge what we saw in the second quarter, and we are now seeing a little bit of recovery that is likely to continue moving forward.

So, now with regard to what you mentioned about our guidance, we still can reach the targets that we established, we do not plan to review our figures at this point and the expectations that were included in that guidance haven't changed as much, and we expect some recovery. So, I hope I was able to cover all of the points that you had in your question.

André Hachem: Yes, your answer was very clear. Now if you could please, or if I could please ask my second question to Rodrigo, there was a factor of hard comp last year about bottled gas, but the costs seem to be following a trend that affected the margins for Ultragaz. If you could talk a little bit about that pressured margin or those pressured margins and your expectations for the second half of the year that would be great.

Rodrigo Pizzinatto: Of course. Well, what most affected Ultragaz results in the second quarter were LGP costs and the passing on of prices, and with those adjustments that we considered for the second quarter, we expect to see our margins return to normal or to what we had been seeing at Ultragaz until then.

André Hachem: Perfect, that was great. Thank you.

Operator: Our next question comes from Gabriel Barra, from Citibank.



Gabriel Barra: Fred, Rodrigo, Marcelo, thank you for taking my question. I have two questions, the first one for Marcelo, and this is actually sort of a follow-up on André's question. I'd like to talk a little bit about the regulatory aspect.

We saw something in regard to sales and service stations and also with regard to ethanol, and also how do you see these changes and also going a little bit broader, this is sort of a wider scope than what was approved by Congress yesterday. So, I'd like to hear a little bit how do you see this change and what impacts do you expect to see in the contractual relationships you have with your network? I think that would help us to understand that dynamics. If you could answer that first and then I have a second question. Thank you.

Marcelo Araújo: Good morning, Gabriel. What you mentioned is very important even because this is something we've been talking about since last night of this executive decree. Well, first of all, this executive order will not come into effect immediately, the one regarding direct sales of ethanol is expected to come into effect in a few months and the one with regard to loyalty and service stations, which is very controversial, has 90 days to be regulated.

But it's important that we make it clear, and the very executive order does it and it's one paragraph states that very clear that this new provision will have no prejudice to existing contract clauses on this date or for the future. So, what the government is doing is proposing another alternative to the existing models where you have maybe a commitment to a specific brand and that you can maybe operate independently charging what you want from customers and taking responsibility for the quality of the product that you're delivering.

So, these two models coexist in the Brazilian market sort of 50-50 and both with regard to the quality of services or with prices, this new alternative that the government is proposing we believe is neither relevant nor a priority for us right now. But I think it's valid to discuss it. We were a bit taken by surprise by it and I think that you must have heard what companies were seeing as they came out and stood out to talk about it, even with regard to the transparency in the analysis of regulation impacts as it should be in an industry that's so important for the economy as a whole, but we were very surprised by the executive order.

It doesn't seem to us the most appropriate way to move forward in a regulated sector such as ours. I think regulatory progress must follow a few aspects, they must be well-understood, and they must be well-planned and thought out so that every player can prepare for those impacts and understand them well. So, anything in that direction concern us to some degree, but the fact is we do not expect any material impact. Apparently, this will not change the business model in place seeing as the executive order says that every contract disposition remains as is and the market will react as it will react, as it does in any business.

Now with regard to direct sales of ethanol, this was something we have never been against. I think we are all in favor of more freedom among players. One thing that we think about is the very complex regulatory system in Brazil, which is probably the most



complex in the world, and when you have something that creates greater tax asymmetries or imbalances that tends to create more opportunity to evade taxes. There was even a segment in our market that was concentrating most of the tax evasion problems that we have today in the industry. We even saw one company evading R\$14 to R\$27 million.

And what concerns us now is, what we should be discussing is having a tax model for the industry that was simpler and easier to follow, and that's something the government is looking into with the Law 116, something that will bring a convergence of tax rates across every state.

Now, the executive order establishing free sales is very limited in scope in our opinion, so we don't expect it to have a substantial impact and we think that it will be more difficult for the government to oversee these negotiations. So, the government addressed in the executive order the PIS COFINS issue, but we still don't know how the ICMS issue will be settled, which is even more pressing.

But we don't expect to see significant impacts, Gabriel.

Gabriel Barra: yeah, that was very clear, thank you. Now I have a second question and perhaps Rodrigo could give us a little bit more detail. Looking at the production processes within the company, we saw the Extrafarma sale and then Oxitenio and perhaps the end point of this restructure would be the Refap situation. And my question is: with the postponements that we're seeing with the sales, what risks do you see to this sale process? Seeing as we are now approaching an election year where uncertainties they're greater, how do you see this scenario moving forward where the actual sale could not materialize? Would that be possible that Refap sale do not come through? And what are the risks you see to this entire process? Thank you.

Frederico Curado: Hello, Gabriel, this is Fred. How are you? Well, in trying to give you a more encompassing answer, we are in this process which we also informing two processes: one that's to inform; and the other to rationalize this investment process.

So, talking about Ipiranga, Ultragaz and Ultracargo, these are companies we have a lot of scale and a great market share. And in the second stage of development, we plan to look into the consumer side with regard to AmPm, and we also want to move forward in terms of integration, and that's where the opportunity for a new refinery comes.

This is an industry where we see the possibility of substantial returns on our investment and we want something that makes sense evidently, so the consultation that Petrobras we looked at gives this risk or return and risk balance, so what we have is an adequate deadline to finish negotiations which are ongoing.

Still about the development of our portfolio, we are looking into the energy transition aspect both in terms of energy per se and infrastructure. Our LNG operation is something that we're trying to reshape and trying to operate on that side of the industry



as well, we have processes in place to deal with state and local distributors which is something we have made headway in recent months and here we're talking about a much cleaner energy, and lastly, with Ultracargo, we are looking into expanding their operations, this is a company that has a potential to grow not only in what it already does, but we also have know-how and the expertise to operate in different sides of the market. So, as with everything, it's always a matter of risk and return opportunity, or risk return balance, and it will continue to be so moving forward.

Gabriel Barra: Great, thank you, Fred.

Operator: Our next question comes from Luiz Carvalho, from the UBS Bank.

Luiz Carvalho: Hello, Fred, Rodrigo, Marcelo, thank you for taking my question. I'd like to go back a little bit, I was reading your earnings released yesterday and I was really impressed by the fact that the negative margin of R\$52 per cubic meter at Ipiranga and for the last year, the last time we saw something like this was 2019, and since then your volume specifically has grown to 35 nearly 40% and we have had significant discussions, especially after the attempt to buy AleSat, which the antitrust authority ultimately blocked talking about obviously the position of the company in terms of challenges for the competition, and even looking at your last slide, I'm very struck by how late you were in a few steps, I think ever since Pedro Parente entered Petrobras in 2016 the import market is already moving forward is already thriving.

And I'd like to understand, perhaps this is a rhetorical question, but I'd like to understand with this R\$200 million to be gained next year, even R\$400 million in the next five years, obviously the market has these figures in mind and the ability for the company to deliver results of that level seems small, it's literally twice as much as what you've been able to deliver. So, what I'd like to understand is what is going on, I mean, I'd like to hear an analysis of precisely where the company is losing or getting out of step so to speak, and how you plan to recover from that. So, that's my first question.

My second question has to do I think with the previous question with regard to refining. If you could give us a little bit more detail about where that negotiation is standing right now, obviously CADE give you until October to finish and what are the topics in terms of contract negotiations that you may be stuck in, and do you believe this negotiation will be concluded by October? Thank you.

Marcelo Araújo: Hi Luiz, this is Marcelo speaking, thank you very much for your question. This is obviously a topic that must be addressed in greater detail, but just to remember, we reviewed very thoroughly our strategy last year and early this year prioritizing those four avenues for growth that we talked about: competitiveness in our network; our cost competitiveness; and the recovery of our market shares; and also, the preparation of a company for the future. So, these were like the four main avenues for growth, all of which are really priorities for us, so emancipating the AmPm, but I think the strategy, the path is very clear for us, we have no major question, this is a plan that's been approved and is being monitored by our administrative board very thoroughly and very regularly. So, we are already on track to reach those goals.



Now, you mentioned imports. We're not late in our import gain, our imports have been material and comparable to the levels of our competitors. In the second quarter of this year, we went back a little bit because of the regulatory issue, but we have already rebounded from that. The question is how much you're using that shorts in terms of supplies to be able to make better use of the volatility of this market and find opportunities to add more value to our brands. That's the trading initiative that I tried to speak in greater detail today. This even includes the new risk management policy that we have in place and the new system to implement those policies that have been detailed to our governing bodies.

So, we are already on track to all of that, to doing all of that, and as I highlighted very clearly in the previous part of our meeting, we are firmly determined not to butch in terms of market share because for a long time we were defending our profitability and losing market share because of that, now we have a clear plan and we have initiatives that will need time to mature obviously, but during that time, it makes no sense to butch on market share understanding that we will need those margins in the future.

As I said in my answer to André, this was not a typical quarter, we had non recurrent impacts that were significant, the ethanol crops and also the changes in diesel prices, but if volumes remained flat for the next few quarters and if we manage to sustain our market shares and recover volumes or sales volumes, we believe that we will be able to remain on track to gradually recover over the next few months. So, that is our view and we are absolutely confident that our plans are robust, and I'm sure that you've seen our presentation in Ultra Day that we've made a substantial adjustment in our organization, we streamlined our organization in June and July, which was precisely to become more confident that we will be able to deliver those values that we summarized in the material that you have in your hands.

I hope that that was enough to help you understand where we stand.

Luiz Carvalho: Yes, obviously. I know that Fred wants to answer about refining, but I'd like to pose a third question even picking up on what Marcelo just said. Considering the recent changes in the company's board, could you maybe please give us a little bit more color in terms of what the relationship looks like right now, especially considering the main challenges and the main points that have come up in terms of questions for you as executives? Thank you.

Frederico Curado: Hi, Luiz. Well, let me talk about refining first. Of course, the pace is not as fast as what we expected, but negotiations by definition involve two parties, and obviously, what we expected is not exactly what is going on and what they expected, so we understand – and this is a complex negotiation, there are several contracts being looked at and perhaps this is not going at the same pace as we wanted, but it's being conducted with a lot of respect and in a very clear way.

So, the risk return balance that we established in our original proposal is something that we're trying to respect and also pursue obviously. So, once again, the deadline that we established is absolutely adequate and sufficient for us to achieve that, but once again, these are two parties negotiating, so it's not just up to us.



Now with regard to your other question, we have our committees in place and the structure that was created about two or three years ago with these committees makes it a lot easier for everyone to do their jobs, so you have no relevant issue that is not really looked at in detail.

So, Marcelo mentioned a while ago that something that everyone is looking at more closely right now is Ipiranga's performance, so the board and the work that they're doing obviously reflects that as well, and their work will obviously depend on the ultimate earnings results. The relationship has been very positive, the adjustments that we made not only the last one, but all of the adjustments that we've had rely on very significant contributions from the board, and that's something that should be strengthened overtime.

Luiz Carvalho: Thank you guys, thank you for answering.

Operator: Our next question comes from Vicente Falanga, from Bradesco BBI.

Vicente Falanga: Good afternoon, guys. Well, I had two questions. First of all, do you have an estimate of the margins for Ipiranga going out of the quarter, or could you quantify how pressured the margins were for Ipiranga and how much of that was caused by the change in prices by Petrobras, how it affected your industry targets and how it affected the company as a whole?

And my second question, we've been reading recently that the Polimix Group is building a terminal to export oil and handle by products in the state of Espírito Santo as well, so I wanted to know whether that poses a business opportunity for you, especially with Ipiranga moving forward. Thank you.

Marcelo Araújo: Hi, Vicente, let me start with your first question with regard to our margins and the impact that this might have caused to prices. Well, it's important to have in mind that the industry where we operate, gasoline and ethanol, which there's no share in aviation fuel, for example, so it's just a share of the market as a whole, so our cycle during this quarter is one that started with the rise in ethanol prices with good recovery and very substantial challenges in general, especially with ethanol and diesel, but we have seen a recovery to start and we expect it to be even more substantial moving forward because of the volumes that we're seeing.

When the volumes grow, the demand is naturally greater, and we see the costs in the markets settling as well. So, considering how much they've gone up, 60-70% in the last few months, the challenge to pass that on to your consumers is very difficult without pressuring your entire value chain in the middle, so it's a great challenging even to be consistent to our other strategy, which is to strengthen not only our relationship with our network, but also to recover the financial robustness of that network which has been very much pressured because of the pandemic in the past year.

So, a very important indicator for us in this sense is the consistent decline in delinquency that we've seen since 2019, this in a very important indicator for us to



understand how the robustness, the financial robustness of our network is doing, so how competitive our partners will be moving forward.

So, these are important indicators that give us an idea of what things are looking like, perhaps we are still far from the ideal, so our network is not as robust as it's been in the past with the ability to invest and grow organically, but we're starting to see some recovery and the decline in delinquency rates is one of the main indicators that are showing us that.

So, we're seeing very positive things in that sense and if the rebound comes and we become more competitive and our network becomes more competitive as well, we are able to better defend our market share, and that's what we plan to do.

Now with regard to Polimix project, the Polimix project in the state of Espírito Santo, as you know, we won a bidding process in 2019 to build a new terminal in the city of Vitória, in that same state, and that's already underway, construction is already underway, this is a significant investment, we did not expect to have a deficient storage capacity, but now we are seeing a greenfield terminal being built as well, but we are monitoring opportunities with that project. That project will perhaps be more efficient for crude standard than by products, but it might be also good to receive large vessels and also operate this new market in Bahia as well.

So, these are the things that we're looking at.

Frederico Curado: Yeah, just adding to that, Vicente, we are not looking in particular to those operations in Espírito Santo, we're looking more to the north and northeast regions of the country where we see a clearer increase in demand.

Vicente Falanga: That was perfect, thank you, Fred and Marcelo.

Operator: Our next question comes from Bruno Montanari, from Morgan Stanley.

Bruno Montanari: Good afternoon, thank you for taking my question. I just have some quick follow-ups. In terms of Ipiranga's competition, when you talk about defending the company's market share is that more about the peers, your direct peers, or your white lines? Now with regard to total purchases, I'd like to understand whether it will be possible to pass on the entire cost to make up for the price increases and how that will affect especially the bottled segment?

And if you could talk a little bit about the refinery, is it more about prices or, in terms of contracts, is it more about operational aspects? I'd like to understand whether it has to do more with your assets or liabilities within your negotiations. Thank you.

Marcelo Araújo: Hi, Bruno this is Marcelo. I'll start by answering the first part of your question. When we talk about defending the market share of our company-operated stores, as you see in the document, it has to do with the volume that I sell with my Ipiranga brand and the volume I sell with what we called the white flag brand. So, these



are sort of spot markets that we operate in a few locations where we have greater competitive edge and where we sell a little bit more. On average, that's sort of 17% of our sales which go to these spot market. But that is all about competitiveness and it depends on where we are because some places in Brazil, we did not have a large market share, so we can't grow our market share in these places, but we can have a good relationship with these non-proprietary brands.

Now what we are most concerned with is the Ipiranga brand network, that's the network where we want to defend the market share from the entire market, we want the proprietary brand market to continue to grow, which comes from the number of service stations and their productivity, and right now, we are very much focused on increasing productivity and sales volumes in each of our service stations, and that will only occur if they're more competitive where they're located.

So, when I talk about defending our market share with the Ipiranga brand stations, I'm talking about the network of service stations and defending their market share from the rest of the market.

Rodrigo Pizzinatto: Good morning, Bruno. With regard to Ultragaz, you're right, the share of the increase makes it more difficult to pass on the costs, but what we expect for Q3 is to recover our margins with a more stable price level.

Frederico Curado: Yeah, the market is very nonelastic, but with regard to refining, Bruno, unfortunately I can't give you more granular details, and I don't want to be elusive, I'd rather say that we are still negotiating. I mean, if I go into greater details here, I will be crossing a line and I can't do that.

Bruno Montanari: No, that's fair enough, thank you, guys.

Operator: Our next question comes from Regis Cardoso, from Credit Suisse.

Regis Cardoso: Good afternoon, guys, thank you for taking my questions, Fred, Rodrigo and Marcelo. This was definitely a challenging quarter, so I have two questions and they're more focused on the future than the past.

So, considering this very challenging quarter, I'd like to know if you understand that the impacts were restricted to that second quarter or whether there will be some leftover challenges to the following quarters in terms of the trend of your margins considering the levels that we've seen?

And being a little more clear in what I mean, in terms of margin, would you need to reach something like 90-95% EBITDA margins over the course of the third quarter to reach the target that you've established in your guidance? And I'd like to know if you've had or if you expect to have full recovery starting in Q3.



And I'd like to hear from you whether that was a specific effect and restricted to that quarter or rather recovery will be slow and gradual and if we should expect to see something like what we saw in Q2 and Q3 as well.

Now my other question is with regard to the gains that you pointed out in your slides considering a challenge for the next year. And my question is what comparison basis should I adopt to understand those figures? Is it the current quarter normalized and whether I should make some sort of adjustment, for example, over the current basis there were maybe some non-recurrent effects considering asset sales and tax impacts?

I just wanted to understand what basis I should adopted to understand those figures and if you could give me a little more detail about where those gains are coming from, whether it should be increments in your gross margins, for example. Thank you.

Marcelo Araújo: Hi, Regis, this is Marcelo. Those were excellent points that you raised. Obviously, in terms of our margin trend, is something that we expect to continue trading positively, obviously we do not expect to see a great leap from one quarter to the other, but the level of prices should be high considering the recovery in our margins at a time when demand is still recovering, it's not yet a very booming recovery so to speak because our economy is still recovering from the pandemic. But we expect margins to trend very positively, and we continue to believe the targets we set in our guidance.

With regard to those 200 million in gains that we expect, that is good because perhaps it was not very clear. This is the expectation that we had for this year's results considering the regular results of 2019, even because the results in 2020 were very much off the curve, so the methodology we use to calculate that was our own plans and the plans that sort of originated our guidance.

So, the two strategies I talked about here are the two that would have the greatest impacts on those results. Here we're talking about operational costs and margin impacts, if you look at the regional operations, that's where we see more opportunities to make good use of our infrastructure and to grow our business, so growing our business and growing or marketing are the strategies that we would adopt for those regions and trading adds value do that and allows me to use all the volume from those transactions with Ipiranga to capture additional margins and enjoy the volatility in commodities using more sophisticated instruments to capture gains from that.

Obviously, there's still room for gains, but they should be marginal gains from now on moving forward. So, we've already captured R\$240 million with the company, it is in our SG&A, that's a very competitive level for today even compared to our volumes in the past. So, we are fastly moving in a trend of capturing value.

Regis Cardoso: Thank you, thank you for your answer, have a good day.

Operator: Our next question comes from Pedro Soares, from BTG Pactual.



Pedro Soares: Good afternoon everyone. My first question has to do with your Capex specifically with Ipiranga. So, currently, your Capex is 90% of what your guidance had, which is significantly lower than your historical average for this time of the year, and the results in service stations was also the lowest since 2019. So, if you could talk a little bit about how those factors are connected and whether you have any cautions associated with those variables or any specific challenge with regard to that that would be very interesting information.

And now going back a little to refinery and your price strategy moving forward, if you could give us a little bit of how you see these refineries fitting the development of those operations.

And a third quick question, we usually ask this in every call, we've asked this in previous calls, if you could talk about service stations that still have to receive a brand and you used to talk about 1,5% of them. I would like to know whether there are still at that level. Thank you.

Marcelo Araújo: Hi, Pedro, this is Marcelo again, thank you for your question. You touched on a very interesting point and I think it is important to make it clear that we have no reservation about being conservative in our Capex applications and investments, this has to do with the moment that we're living in, we've talked about it extensively here today, our Capex is low not because the lack of branding stores or anything like that, it was actually lower or actually higher than what we had forecasted for the first half of the year, which was over 100 stations, also our backlog is over 200 stations and our target is obviously to surpass 250 stations this year, and this is our actual plan.

We no longer expect – and this should be very clear – to have a large number of company-operated service stations, we are looking into stations of over 300 cubic meters, and we will be replacing those with the sort of long tail of our network, and when we look into the future, some of these smaller ones will have a greater challenge surviving in the long run.

So, we are absolutely on track with our budget and our plans in terms of operating those unbranded stations. Now this does not reflect especially on our Capex, but we have negotiations that are very advanced, we have contracts that have already been signed, and some are expected to be signed in the second half of the year.

So, there's no major challenge. Obviously, the market is very competitive, it's not a bright blue sky, but we are not seeing any challenge in our ability either to attract or to conclude our negotiations with those stations. Quite the contrary, we are seeing something that we haven't in a long time, which is a growing demand of entrepreneurs coming to us to join our network, which is very positive and shows how accurate and well-guided our strategy is.

Rodrigo Pizzinatto: Pedro, I think you mentioned something else about refining. Would you like to touch on that again and expand on your question?



Pedro Soares: Yes, sure, it was about how would be possible to purchase Refap and develop going from there.

Marcelo Araújo: Yes, perfectly, Pedro. Now every change in commodities, as is the case for us, will benefit on intelligence of the producer, so whether it's oil byproducts or anything else. Looking how right the market is doing, is very important for me to operate, so we have to look at how that commodity prices are trending in the market, so the intelligence of these two businesses really complement each other, both on the demand side and the supply side is something that will help us really make the most of this change in prices.

I hope I was able to answer all of your questions, Pedro.

Pedro Soares: Yes, thank you, that was perfect.

Operator: Thank you, with no further questions, I would now like to turn the floor back to Mr. Rodrigo for his closing remarks.

Rodrigo Pizzinatto: Great, thank you to everyone for your questions. If there's any question that was asked via webcast that we couldn't answer, our team will be answering those via e-mail. Thank you very much everyone.

Operator: Thank you. This concludes today's Ultrapar earnings conference call. You may now disconnect your line. Have a great afternoon.