



Operator

Good morning, ladies and gentlemen. At this time, we would like to welcome everyone to Ultrapar's 1Q11 results conference call. There is also a simultaneous webcast that may be accessed through Ultrapar's website at www.ultra.com.br/ri, where the presentation is available for download. Please, feel free to flip through the slides during the conference call.

Today with us we have Mr. André Covre, Chief Financial and Investor Relations Officer, together with other executives of Ultrapar. We would like to inform you that this event is being recorded, and all participants will be in listen-only mode during the Company's presentation. After Ultrapar's remarks are completed, there will be a question and answer session. At that time, further instructions will be given. Should any participant need assistance during this call, please press *0 to reach an operator.

We remind you that questions, which will be answered during the Q&A session, may be posted in advance in the webcast. A replay of this call will be available for one week.

Before proceeding, let me mention that forward-looking statements are being made under the Safe Harbor of the Securities Litigation Reform Act of 1996. Forward-looking statements are based on the beliefs and assumptions of Ultrapar management and on information currently available to the Company.

They involve risks, uncertainties, and assumptions because they relate to future events, and therefore, depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions, and other operating factors could also affect the future results of Ultrapar and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I will turn the conference over to Mr. Covre, who will present Ultrapar's results in the quarter and discuss about perspectives. Mr. Covre, you may now begin the conference.

André Covre:

Thank you very much. Good morning to everyone. Good afternoon to the people in Europe. It is a great pleasure to be here with you today to discuss our performance in the 1Q11, which was our 19th consecutive quarter of earnings growth.

First of all, I would like to draw your attention to some information included in slide three, which highlights the criteria adopted for the financial information included in this presentation. As established by the Brazilian securities regulator, CVM, the adoption of IFRS became mandatory in the financial statements for the year 2010, and therefore, the figures in this presentation already comply with the new accounting standards.

Before talking about performance, I would like to highlight the announcement we made in early April regarding the new corporate governance structure of Ultrapar. In slide four, we highlight the reasons, the motivations behind this movement, and all things considered. It is very simple, for Ultrapar corporate governance has always been an instrument to build a solid, growing, and profitable company.

From time to time, the Company takes the opportunity to review its corporate governance in light of the current context, both internal and external context. And with this philosophy, the main motivation, this new recent move in corporate governance, is to create the conditions for the good performance of the Company to be repeated in the next decades.



What performance are we talking about? There is a bit of that on slide number five. Since the initial public offering, our EBITDA has grown 21% a year, net earnings have grown 27% a year and return on equity has increased to 15%. Keep in mind, we are in the midst of making a lot of the investments that we made in the last several years to work, and therefore, the return on equity should continue to grow.

If you have bought shares of Ultra at the IPO and still have it, total shareholder return is 22% a year. For the Brazilian local index, Ibovespa, that is 17%, for our interest rates which are acknowledged to be very high, one of the highest in the world, 15%, and the average inflation was 7% a year.

This is a very long period, 12 years, in which we have had growing economy, stagnant economy; we have had extremely high interest rates, and we have had high interest rates, unfortunately no low interest rates in Brazil yet. We have had growing inflation, we have had very low inflation. We have had the exchange rate at R\$4 and we have had it at R\$1.50. We have had oil price at US\$20 to US\$30, as well as US\$150. We have had different Presidents, different international contexts. But with all of that, our performance has improved year after year at rates more than 20%.

A lot of that has to do with governance, which is a bit of our steps in corporate governance since the IPO, on slide number six. The way we organize ourselves, namely corporate governance, was fundamental to produce the type of performance that you see on the previous slide. And there are a couple things only that I think it is relevant pointing out, on this slide six.

You see a focus on the alignment of interests, both internal and external, that is present in the 2000 initiative of being the first Brazilian company to grant 100% tag along rights to all shareholders. It is behind the stock ownership program with a long-term view, it is behind the variable remuneration linked to EVA targets. All of that, on an internal standpoint, makes people behave as small owners of the business.

A second aspect that is present in this slide is having effective controls, and the decision to list ourselves in New York as well as in Brazil, in 1999, had that as a background. And there is a number of other initiatives that are in this slide that demonstrate that. That philosophy of corporate governance has a few consequences, things that some of you are familiar with. For example, we are a company that generates a lot of investment opportunities, basically because people are incentivized in their pockets to create good investments to make the Company worth more money.

Then we have a recognized discipline in allocating capital. We generate a lot of opportunities, we diligently spend very thoroughly and only do the very good value-creating opportunities. All of that is possible because of alignment of interest and effective controls. In other words, it highlights the intrinsic relation between corporate governance and performance for us.

So, what exactly are we doing? On slide seven, there are three new elements to the new governance. Its conversion of each preferred share in a common voting share, on a one-to-one ratio. Its migration to the Novo Mercado segment of BM&FBovespa, and additional elements that exceed the Novo Mercado requirements, creating a differentiated corporate governance standard, which is quickly becoming the new benchmark for corporate governance in Brazil.

Elements that exceed Novo Mercado include, for example, the mandatory tender offer in the event of an acquisition of a relevant stake, modeled after the European directive, and



the absence of poison pills, voting limitations or impact of unequal treatment provisions. In other words, Ultra holders with same rights, with the voice of majority prevailing to produce the best performance for the Company.

Well, where are we in the implementation of this? We have submitted our advice bylaws to BM&FBovespa, which needs to certify that it is compliant with the Novo Mercado. We are in the final steps of that process, and we should publish the call convening all this for the Shareholders' Meeting and the special preferred Shareholders' Meeting very soon with expectation that they will take place late June, early July.

Now, I want to highlight the extreme importance of preferred shareholders coming to this special preferred Shareholders' Meeting, because for the new governance and the conversion of shares to become effective, the majority of the preferred shareholders' vote is necessary. In other words, 50% of the preferred issued shares need to vote in favor, and therefore, your presence in that meeting is fundamental for us, the Company, to do this next step.

Moving on to slide eight, to talk about performance. In the 1Q11 we continued to present strong earnings growth. This quarter represented, as I mentioned, our 19th consecutive quarter of EBITDA growth, which was boosted by the good governance and the good performance of the Brazilian Company and by the larger operating scale of our businesses on the back of the investments that we have made.

Consolidated EBITDA reached R\$467 million, a growth of 23% over the 1Q10, similar to the average EBITDA growth that we have presented since the IPO. Net earnings for the quarter amounted to R\$194 million, a 58% increase over the same period of last year, as a result of EBITDA growth and lower financial expenses, which are derived from lower cost of debt. Our consistent cash flow generation has allowed a reduction in our financial leverage, with net debt/EBITDA decreasing from 1.7x to 1.4x at the end of the 1Q11.

Moving now to slide nine, to comment in more detail on the performance of our businesses, starting with Ipiranga. On the volumes, we saw continuity of the positive progression, with a 7% growth over the 1Q10, leveraged by the 11% growth in fuel volumes for light vehicles. Such growth derives from two factors. First, expansion in the light vehicle fleet estimated at 8% in the period. And second, investments made to expand the network in the North, Northeast, and Midwest regions of Brazil, investments that include the acquisition of BNP concluded in late 2010.

Diesel volume grew by 4% in this quarter, a progression similar to the estimated GDP for the 1Q. EBITDA amounted to R\$286 million, 10% above the 1Q10, excluding the non-recurring items. Besides the volume growth and a consequent operating leverage, a third element influenced the results, namely the increased share of gasoline in volumes sold.

In this 1Q, we experienced lower availability of ethanol in the market, something that was present through last year, but more present this quarter, as a result of a particularly lower availability of ethanol during this inter-harvest period. As a consequence, ethanol prices increased significantly, and therefore, gasoline became more attractive from an economical standpoint than ethanol for the consumer, resulting in a higher share of gasoline in our volumes sold.

As a result of all of that, Ipiranga's EBITDA margin in the 1Q was R\$58 per m³, higher than the R\$57 per m³ of last year. For the current quarter, we expect things to carry on as they have recently. Our estimate therefore is for a volume progression similar to the one



we saw between the 1Qs based on the same growth drivers that I mentioned. And we expect EBITDA margin per m³ in the same level of the 1Q11.

Moving on to our second distribution business, Ultragaz, 1Q volumes presented a 3% growth over the 1Q10, boosted by a 7% increase in the bulk sales volume, a growth higher than the estimated GDP for the period; something that was already expected as a result of the investment made to capture new clients.

Ultragaz EBITDA grew by 2%, mainly as a result of the higher volumes sold in the bulk segment. For the 2Q of Ultragaz, we expect volume and EBITDA progression similar to the one verified between 1Qs, with the investments that we have made or are making in the bulk segment, having stronger effects from the 2H of the year onwards.

Moving on to slide 11 with Oxiteno, volumes sold decreased by 5%, due to unplanned stoppages at the Camaçari petrochemical complex, as a result of a power outage in the Northeast region of Brazil in the beginning of the year. That was partially offset by the growth in the volumes sold to the cosmetics and detergents segment and volumes sold by our units in Mexico and in the Andean region.

Even with the lower volume, we had an excellent earnings performance in relation to the 1Q10, due mainly to two factors. Firstly, in the 1Q10 the Company was in process of realigning its prices to a new level of costs, which were a consequence of the increase in oil prices. And as a result, the 1Q10 was a quarter of relatively low profitability in its recession period in relation to the level of prices. Second, in some product lines in this 1Q11, we had a very positive market environment with strong demand. Oxiteno took advantage of this moment and focused production and sales on this line of products, which resulted also in improved sales mix for the 1Q11.

About the 2Q, our estimate is for a small reduction in volumes due to the very strong glycols volume in the 2Q10, when this product was particularly attractive in terms of prices and margins. Regarding EBITDA, the positive momentum we had in the 1Q for some product lines is still present although with declining intensity. And as a result, we expect EBITDA margins in USD lower than the 1Q but significantly higher than the ones we had for the entire 2010.

Moving to the logistics in slide 12, our volumes were basically stable in relation to last year. The ethanol shortage that I mentioned in the analysis of Ipiranga also affected our terminal in the Port of Santos, which has a part of its storage capacity dedicated to ethanol exports.

In addition, the unplanned stoppages in the Camaçari petrochemical complex that affected Oxiteno also had an impact in Ultracargo, as the Company has a terminal in the Port of Aratu that serves the petrochemical complex.

These effects were offset by increased effective storage in other segments; for example, an increase in the exports of vegetable oils on the back of a larger soybean harvest. On the results, Ultracargo's EBITDA was R\$28 million, 6% lower than the 1Q10, mainly as a result of the disposal of the in-house logistics, solid bulk storage and road transportation business.

Take notice, however, that we presented an EBITDA margin of 46% in this quarter, up from 37% on the 1Q10 and up from 42% presented in the 4Q10, when we already had solely the storage liquid bulk business.



For the current quarter, with the normalization in the handling of the Aratu terminal, we expect an increase in average storage similar to historical levels of 5% to 10%, with obviously more than proportional effect in EBITDA due to operating leverage.

Coming to the last slide, number 13, and now looking a bit to the medium term and a bit to the long term, I would like to recall the investments and value creation opportunities present in all four businesses.

In Ipiranga, the strategic initiatives can be divided into two streams. The first is the expansion to higher-growth regions, namely Midwest, Northeast, and North regions of Brazil, where Ipiranga's market share is lower than we have in the South and Southeast. These regions are currently the focus of our expansion investments through conversions of unbranded service stations and new service station openings and where we also look for acquisition opportunities, such as BNP.

The second work-stream is to reinforce the differentiated positioning that we have in the market through the expansion of products and services portfolio linked to fuel sales, such as bakery inside our convenience stores, private-label product line, Jet Oil for motorcycles, amongst other initiatives. In addition, we keep working together with the local trade association and the authorities aiming to reduce the grey market in the ethanol sector, the reduction that has benefited the whole chain in the last several years.

In Ultragaz, our strategy includes investments to expand the bulk segment, in which Ultragaz is a permanent leader and where volumes are strongly linked with the performance of the Company. Our strategy also includes investments in niche areas and in capturing new clients. In addition, Ultragaz is always monitoring changes in consumer habits, which from time to time create opportunities to capture benefits, such as the operational excellence programs that we implemented in the last several years.

At Oxiteno, in the next few months, we will conclude an important investment cycle with expansions in the specialty chemicals and ethylene oxide production capacity. These investments are directed to serve fast-growing segments such as cosmetics, detergents, agricultural chemicals, coatings, oil and gas. These segments have been growing above GDP, allowing not only for higher volumes but also improved sales mix over time.

Other important development area is the production of chemicals from renewable sources, which in addition to diversifying the sources of raw materials for Oxiteno, have a higher perceived value in the segments that we serve.

At Ultracargo, as we previously disclosed, we are working on the expansion of existing terminals in Santos, Aratu, and Suape to serve growing demand. In the last five years, the storage market for liquid bulk in Brazil grew an average of 8% a year, a growth higher than economic performance for the period. The expansion is underway with increased existing capacity by 15% and are expected to be all concluded by next year.

At last, looking now to the long term, as I tried to show you in the beginning of the presentation, Ultrapar's successful track record in these 11 years as a listed company, with an average annual earnings growth of more than 20% a year, had corporate governance as a central element.

The new corporate governance structure allows for increased alignment of interest in the Company and is a decisive step towards professional management, reinforcing and paving the way with attraction and retention of talented professionals and increased investment capacity. All of these things combined have the objective of creating the



conditions to repeat in the next decades the performance that we have had since the initial public offering.

Thank you very much for your time. Myself and the team here are available to any questions you might have.

Gustavo Gattass, BTG Pactual:

André, I have a simple question. When we look at your balance sheet, and this is a discussion that we probably have on somewhat of a recurring basis, there is still a very large cash position on hand. And I was just wondering if you could talk a little bit about the possibilities of either, I would say, acquisitions or expansion in some way that you could actually put that cash to work, or even perhaps the possibility that you guys see of being even more aggressive on dividends than you have been over the last years where we have already seen, let us say, quite a consistent rise on the dividend payment.

André Covre:

Thank you for the question. I think I can feel as a very privileged CFO, because I have the benefit of working on a company that has very low credit risk, and operates in businesses that allow for funding costs at very attractive rates. That allows for great financial flexibility with carrying cost of our debt very low or sometimes zero-carrying cost; in other words, we keep such position with flexibility that cost us very little or nothing.

That flexibility is used through whether difficult times and is used to react very quickly when important investment opportunities arise. The process of creating and distilling investment opportunities is constant in Ultra, as I mentioned in the presentation.

Everyone is incentivized through their variable remuneration to come up with attractive projects, and they get scrutinized and judged together with the senior management, which is equally incentivized, only to invest in very attractive projects. If we have very good projects, we do all of them because our financial flexibility allows.

And in the moments where we do not have major investments underway or major acquisitions underway, we have increased the dividends. We have done that a few times, the most famous one was in 2001 when we paid a very significant dividend, but we also did that I think it was in 2004 and in 2005, not to keep excess cash in relation to what we do not think we need.

So, that is a general framework – I know you are very familiar with it, Gattass, and there is no news therefore. But I thought it was useful to state that for the benefits of the other people on the call.

Gustavo Gattass:

Perfect. But is there something that you guys are looking at as far as acquisitions at the moment?

André Covre:

We are constantly looking at acquisitions. What we are looking at the moment, we are prospecting and negotiating acquisitions in the Northern part of Brazil for Ipiranga. We are, for Oxiten, looking into further acquisitions abroad, particularly in Mexico, where we are already market leader, and as a next step potentially the United States.



And for Ultracargo, there is a number of medium-sized players and a few larger-sized players in our area of work that we think it will change hands over the next two to three years. Those are the areas where we are closely monitoring and/or working for acquisitions at the moment.

Gustavo Gattass:

OK. Thank you.

Operator:

This concludes the question and answer session. At this time, I would like to turn the floor back to Mr. André Covre for any closing remarks.

André Covre:

Thank you very much for your attention and your presence. I look forward to having you on our conference call in August, when we publish the 2Q results. Thank you.

Operator:

Thank you. This concludes today's Ultrapar 1Q11 results conference call. You may disconnect your lines at any time.

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