Operator:

Good morning, ladies and gentlemen. At this time, we would like to welcome everyone to Ultrapar's 4Q11 result conference call. There is also a simultaneous webcast that maybe 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 the 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's management and on the 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 begin the conference.

André Covre:

Thank you very much. Good morning to the analysts joining us from the United States, good afternoon to the ones joining us from Europe. It is a real pleasure to be here with you today to discuss our performance in the 4Q and the performance in 2011.

I have here with me, to help answer your questions, Directors from the businesses units: José Manuel, from Ipiranga, Julio Nogueira, from Ultragaz, Ana Paula Santoro, from Oxiteno, and João Marcos, from Ultracargo, as well as Rodrigo Pizzinato, Director of Corporate Planning, M&A, and Investor Relations, together with the rest of the Investor Relations team.

Starting with slide number four, I would like to put a bit of context and background to our results, particularly relating to the economic environment. As you can see on the graph on the top left, Brazilian GDP continued to grow in 2011 but at decreasing rates through the year, reaching a 2% level at the end of the year.

This slowdown in economic growth had a smaller effect on sectors more directly linked to consumption, as some of our businesses are. This reflects mainly the favorable conditions in the labor market, which has been presenting historically low unemployment rates, as well as the higher credit availability that reached the record level of 49% of GDP in the 4Q. These favorable conditions contributed for another good year for the automotive industry.

Light vehicle sales grew by 3% in 2011, with 3.4 million new vehicles added to the fleet. And with that we had another year of high single-digit growth in the Brazilian fleet of light vehicles, and therefore it's reflects on consumption of gasoline, ethanol, and natural gas for vehicles. Inflation rates remained at high levels, although declining a little bit at the end of the year, reaching 6.5% for the year as a whole.

The stable international environment mainly in the 2H11, as a consequence of the debt crisis in Europe, contributed to the depreciation of the Real against the USD, reversing the appreciation that we saw in the 1H11. All things considered through the year the Real was 5% stronger when compared to 2010 that obviously impacted negatively on the results of Oxiteno. Oil price, in turn, stayed at high levels through 2011, closing the year in an average of US$111 per barrel; that is 39% higher than the average of 2010.

Moving to slide number five, we believe that Ultrapar started a new decade with great momentum, with a year of achievements and good results. 2011 represented a very important milestone in the Company's history. We implemented in a pioneering matter a new corporate governance structure. In summary, we exchanged each preferred share into common voting share and joined the separate listing segment of Bovespa Novo Mercado.

We also amended our bylaws and included practices that go beyond the requirements of the Novo Mercado listing. And we believe that, by enhancing the alignment of interest and increasing the Company's investment capacity, the new structure strengthens Ultrapar and provides the conditions for enduring growth of the Company.

I would like also to highlight the investments we made in 2011, which amounted to a little more than R$1 billion. Ipiranga extended its resellers network by 424 service stations through the conversion of own branded service stations and the opening of new service stations. 2011 was an important year for the implementation of our expansion strategy in the Midwest, Northeast, and North regions of Brazil, where we increased our network by 27%.

We started our activities in these regions in 2009 with a 10% market share resulting from the acquisition of Texaco, and we have closed 2011 with a market share of 12%. As you might know, fuel consumption in the Northern part of Brazil grows at higher rates than the national average, and therefore it is the region with high potential that justifies our interest and our investments.

Also Ipiranga significantly increased its franchise network, opening 179 new convenience stores AM/PMs and 170 new Jet Oil units, our lubricants change business. That represented growth of respectively 17% for the convenience stores and 24% for the Jet Oil units.

As you might recall, in addition to the direct revenues that these franchises provide, the expansion of AM/PM and Jet Oil increases traffic at the service stations and strengthens our differentiated position in the market, which translates into benefits to all participants in the value chain and in improved profitability to Ipiranga.

At Ultragaz, in October we announced the acquisition Repsol's LPG business in Brazil, strengthening the positioning of Ultragaz bulk LPG business, a segment in the market where volume progression is strongly correlated with GDP performance.

At Oxiteno, we concluded the expansion of the ethylene oxide unit in Camaçari, increasing the total production capacity of this project by 26% and closing an important investment cycle for the Company, allowing with that the prospective strong volume growth for the next few years.

Finally, at Ultracargo we announced some expansions that, together, we will increase its storage capacity by 15%; the first expansion at the Suape terminal started operations this September, adding 26,000 m^3 to its capacity.

We believe, in summary, that it was another year of significant achievements and preparation for further growth and value creation of the Company.

So, talking about the results, I am now on slide number six. Starting with Ipiranga, this year, as we had anticipated, volumes continued to progressively grow positively with an 8% growth compared to 2010. The 6% higher volume sold in the Otto Cycle in 2011 was the result of a continued growth in the light vehicle fleet and investments, both that I mentioned a little earlier.

Our investments and the growth were focused mainly in the Midwest, Northeast, and North regions of the Country. That growth or those factors were partially offset by an increased share of gasoline in the sales mix due to the reduced availability and competitiveness of ethanol in 2011. The volumes sold for light vehicles on a gasoline-equivalent basis, that is equalizing the volumes of gasoline and ethanol by their respective energy values, was 10% higher compared with 2010. Diesel volume was up by 9% as a consequence of the growth of the Brazilian economy and the investments that we have made to capture new clients. We believe we have a better value proposition than most of our competitors due to our operational flexibility, agility, and better business solutions for large consumers.

In the 4Q, EBITDA, excluding non-recurring expenses, amounted to R$358 billion, an increase of 11% over the 4Q10. This represents an EBITDA margin of R$64 per m^3, which is R$3 per m^3 higher than the margin of the 4Q10. We highlight for your references the non-recurring effects in the graph on the right side of the slide. As you might recall, when we acquired Ipiranga, Petrobras acquired the right to use the Ipiranga brand in the Northern part of Brazil for a five-year period, which is due in mid-March. As a consequence, our service stations in the region still use the Texaco and DNP brands, the two acquisitions we made. During the 4Q, we had non-recurring expenses of R$16 million related to the preparation of the conversion of these service stations to the Ipiranga brand, which we expect to take place simultaneously in the entire region starting March 19th.

Now for the year as a whole, EBITDA amounted to R$1.286 billion, a 16% increase over the previous year, also excluding the non-recurring events for both periods. The significant EBITDA growth results mainly from increased sales volume and improved sales mix, when increased share of gasoline, which has better margins, even the ethanol margins are affected by a higher level of tax evasion and product adulteration.

Talking about the future, this 1Q12 we expect currently an evolution in volumes a little higher than the one we had for the year of 2011, with the investments made over the last 12 months starting to mature. This growth in volumes allows us to expect a slightly higher EBITDA margin in the 1Q12 than the one we had in the 1Q11. And I am always here talking about margin, excluding the non-recurring effects related to brand conversion. We expect the spending for brand conversion in the 1Q to be of similar amount to the one we had in the 4Q.

Moving on to our other distribution business, Ultragaz's sales volume had a positive progression in the 4Q and in the year as a whole, with a 3% growth compared to the previous periods. In the bulk segment, volumes grew by 7% in the 4Q, led by the economic growth, investments made to capture new clients, and the effect of about two months of the acquisition of Repsol in October. Ultragaz recorded EBITDA of R$51 million in the 4Q, down 10% from 4Q10. The variation observed in the 4Q occurred mainly due to the effects of inflation on costs and expenses and non-recurring events related to the integration of Repsol and contingencies on the 4Q11, totaling R$15 million.

These effects were partially offset by non-recurring expenses of R$12 million in the 4Q10, related to studies and expansion projects, as well as higher volumes sold. If we were to exclude all the non-recurring events, both from the 4Q10 and the 4Q11, Ultragaz's EBITDA would have been 4% lower, a smaller decrease than the 18% drop observed between the 3Qs. For the year, EBITDA totaled R$282 million, down 8% from 2010, as we work to align our pricing and expenses to increase the inflation we had in 2011.

We have been working in a series of internal and commercial initiatives to resume earnings growth. However, for the current quarter, considering that 1Q11 was last year's strongest quarter in terms of unit margins, we expect a progression in volumes and EBITDA similar to the one we had between 4Qs.

Moving on to Oxiteno, on slide eight. In this quarter, volumes sold increased by 5%, mainly as a result of higher sales of glycols in the domestic market, partially offset by the impact of global economic instability on our exports.

In the year, Oxiteno's sales volume reduced by 4%. The main factors affecting sales volumes were the unplanned stoppages in Camaçari in the 1H11 and the adjustments on our clients' inventories as a result of the lower level of economic growth mainly during the 2Q and 3Q.

EBITDA in the 4Q was R$80 million, a surge of 47% from 4Q of the previous year, mainly as a result of the recovery in margins during the year, the higher sales volume, and the 6% weaker Real. As we had anticipated in our last earnings announcement, Oxiteno's margin returned to normal levels after a 3Q with strong adjustment effects in our inventories.

With a weaker Real, EBITDA reached US$247 per ton, a level above that of the nine months of the year, which was US$231 per ton. For the year as a whole, Oxiteno's EBITDA amounted to R$261 million, 8% higher than 2010, mainly as a consequence of the recovery in margins during the year and the improved sales mix in the 1H.

Such effects were partially offset by a 5% stronger Real, as I mentioned in the beginning of the presentation, and the 4% decrease in sales volume, which was largely related with the unplanned stoppages in the 1H of the year and the weakness in the world economy.

For this 1Q, we expect a volume growth of around 10% with a significant growth in glycols. As you will probably recall, in the 1Q last year our volumes were adversely affected by the unplanned stoppages in Camaçari as a result of the power outage in the Northeastern regions, as I mentioned already.

Additionally, through the year we concluded expansions, and particularly the expansion of the ethylene oxide unit in Camaçari, which increased our capacity of that product by 26%. In terms of profitability, we expect an EBITDA margin of order of magnitude US$200 per ton, which we consider to be within the normal levels. However, that is lower than the same margins we had in the 1Q of last year and the margins that we had on the quarter that just finished, the 4Q.

The reduction in margins, which I stressed, coming back to levels that we consider normal, has to do with the very high margins that we had in the 1Q11, where we had a very positive market environment in some product lines, with very strong demand and lack of supply around the world. Oxiteno took advantage of the moment and focused its production and sales on these product lines, which contributed for the improved sales mix in the 1Q11. Comparing to the 4Q11, the variation is explained mainly by the appreciation of the Real during the quarter, given that our prices get updated by the exchange of the day of the invoicing and our costs are updated in Reais while the exchange rate of some months before often given that we have between 60 and 100 days of cycle of production.

Moving on to slide nine and Ultracargo, in the quarter our storage was 13% higher than previous year, as a result of the startup of the expanded terminal in Suape in September and the increase in ethanol imports in the Santos terminal, driven by the lower availability of the product in the Country. In 2011 for the entire year, Ultracargo's average storage was 5% higher than in 2010, given that our main expansion was only ready in September.

In terms of EBITDA, we had a 16% growth in the quarter mainly as a result of the volume growth, and for the year 6% higher, also following the evolution of volumes. Ultracargo's results could have been even stronger given that the benefits of higher volumes in terminals were partly offset by the effects of the sale of our previous in-house logistics, solid bulk storage, and road transportation business at the end of the 2Q10.

I highlight another important effect of that disposal, which is the positive and significant EBITDA margin progression that increased from 38% in 2010 to 44% in 2011. For the 1Q we expect a higher average storage in our terminals; in other words, another quarter of increase in volumes on the back of the expansion we made in Suape, resulting in an EBITDA growth of approximately 10%.

During 2012 we expect volumes and EBITDA to accelerate their pace of growth, given that the expansions in Santos and Aratu will start up in a couple of months, increasing the capacity of Ultracargo by another 10%.

Concluding with slide ten, I would like to make a few points about our overall performance. The good performance of our four businesses in the year allowed Ultrapar to reach record levels of EBITDA and net earnings in the year, with growth of 13% and 12% respectively.

Return on equity was 16%, up from 15% in the previous year. The strong earnings growth and value creation helped to influence the Company's share price, Ultrapar's share. Shares appreciated by 22% in the year, one of the highest increases in the year amongst the companies that are part of the Ibovespa index, which fell 18% in the same period.

In addition to the strong return on Ultrapar's shares, we increased our dividend by 22% in 2011, distributing more than R$500 million in the year, which represented a payout of 61% and a 3.5% dividend yield. The earnings progression over the past years, together with the leading position that we have in our business, allows a privileged position to benefit from the good investment opportunities we have. Our investment plans for 2012, excluding acquisitions, amount to R$1.088 billion and aims a growth to increase scale and productivity gains, as well as modernizing and maintaining our existing operations.

During 2012, we will continue to increase the operating scale of our business. I can highlight the continued expansion of Ipiranga's distribution network, which increased significantly in 2011 and we plan to accelerate even more in 2012. We acquired LPG business of Repsol in October and that is poised to produce benefits during this year, and positions Ultragaz to capture a bigger share of the growth in the bulk segment in the Country, which as I have highlighted, grows in line with GDP. And finally, we have had expansions in Oxiteno and Ultracargo, which have been finalized at the end of the year, which allows for increased volumes throughout 2012 and the years after. We believe we are well positioned in terms of the operating environment, given that, as most of you know, part of our business is resilient in nature, part is leveraged on the economic growth in Brazil.

Last but not least, as I have highlighted in the first slide, in fact the most important event of the year, we implemented a new corporate governance structure, which we believe is an instrument that will strengthen and endure the Company and its growth. In addition, should that be necessary, the initiatives allow for additional source of funds for good investments, which together with our track record of planning and executing we believe create conditions for Ultrapar to repeat in the coming decades the performance and value creation that it presented since the IPO in 1999. Since that year, for the last 12 years therefore, we have had earnings growth of more than 20% on average, and we have had total shareholder return of more than 20% a year on average.

Well, thank you very much for your presence. That is what we had prepared for today. Thanks for your presence, in particular the folks in the United States, as I know Monday is President's Day. And we are now available for any questions you might have.

Frank McGann, Bank of America/Merrill Lynch:

Good day. Just kind of a big picture question, really. The last year or so has seen a major change in the fuels market, with the reduction of attractiveness for consumers of ethanol, and a surge in gasoline demand. And I was just wondering if, as you look out over the next couple of years, obviously it depends on pricing. And I know that is difficult to predict, but how are you feeling about the market? Because many, looking back say two, three, or four years, felt that gasoline would continue to decline and that clearly has not happened because of the other pricing issues globally in terms of commodities. But I am just wondering if you believe that, as you look out two, three, four years, we will go into a period where gasoline demand will again fall, and what would be the effect for you of that, and any other thoughts you have on the overall market.

André Covre:

Frank, thank you very much. It is a real pleasure to have you with us today. Unfortunately, my crystal ball on this topic is no better than the crystal ball of our colleagues in the ethanol industry. So, I probably will repeat some things you probably have heard.

We have seen indeed on the last two years, a reduction in the availability of ethanol. That is due not only to the very high sugar prices, but also because as the Brazilian fleet of cars is growing, there was no growth or significant growth in the planted area of sugarcane.

The root of that problem is partially related to the 2008 economic crisis, which left a large number of the sugarcane producers relatively uncapitalized and highly leveraged. What they say, the industry says is that our investment is now underway. But obviously you need to plant, and sugarcane takes its time to grow. There seems to be no major change in the relative prices of ethanol and gasoline for the next couple of years.

Some people have spoken about two years; some people have spoken about three years. For us, if and when that happens obviously we might start seeing, due to more competitive ethanol, a shift from gasoline to ethanol, and margins of gasoline are higher than the margins of ethanol because of a much lower level of tax evasion and product adulteration. And therefore, a shift back to ethanol in two, three years will be negative for our mix of products.

However, we see this as a window to work with the authorities; we work with our industry partners to try to make a further step into reducing the informality of the sales of ethanol. So that by the time the mix shifts back, the industry is relatively indifferent between selling ethanol and gasoline. It is not only our interest for that to happen; it is the interest of the consumers that will have products that have lower risk of product adulteration. And it is the interest of the Government, which will have more tax revenues. So, it is something that will benefit everyone, except the people that practice some form of illegality, which obviously should not be benefiting from anything.

Frank McGann:

OK, great. Thank you. Very helpful.

Gustavo Gattass, BTG Pactual:

Hi. Just a quick follow-up question. Can you help us think a little bit about the speed of conversion of investments in the Ipiranga business? Let me put this into context; we saw a very large acceleration of investments in Ipiranga in the 4Q. There is a good deal of investments expected for next year. And I just want to have a sense from you guys, when you are putting more money into the conversion of new service stations or into new AM/PM units, usually when do you expect to see the impact hit? Is it, I would say, more of an automatic thing, or is it something that you guys see with a lag of one to two quarters? How should we think about that?

André Covre:

Gattass, thank you very much for joining us in the English call as well. It is a real pleasure to have you. Very roughly, the investment of last year benefits this year's volume. That is very broadly put. When we make a conversion of an unbranded gas station into Ipiranga that is a faster process, given that you have a gas station that is operating, it is selling product but it needs to be brought into the procedures and the look-and-feel of Ipiranga.

When we are talking about a new gas station, that takes a longer period, more than a year overall from the time you come to an agreement, then you invest, you get the licenses, and then you ramp up volumes. So, all things put together, very roughly we are talking on converting unbranded gas stations and putting new gas stations, about a year.

On the AM/PMs and Jet Oil, that tends to be a little faster. And on storage facilities, that tends to be longer than a year, unless you buy one. So, if you are doing a build out, the time to get the license to build and then the license to operate, and the period for building it takes more than a year, often a couple of years. That is why I said roughly the investment of this year benefits volumes of next year, except for the storage facilities, which is more two to three year horizon.

Gustavo Gattass:

OK. So, the acceleration in the pace of investments, should we think of it as more of a 2H12 impact or...?

André Covre:

Well, the result is a concentration of investments in the 4Q. It is the end of the year that is quite common. We are now seeing the benefits of the investments that we made in late 2010, early 2011, and we are growing faster in the market, as you saw in the results. As the heavy investments that we made in the 2H11 mature, that pace will accelerate in the 2H12. So you are absolutely right, and we should have a further push in 2013, given that the investments of 2012 are higher than 2011.

Gustavo Gattass:

OK, perfect. Thank you.

Michael Holme, CQS:

Good morning, André, and good morning to the whole team. I have got two questions: the first one is regarding the conversion of the stations. I would just like to get a better idea of what impact this has on your business. Is this something that would allow you, for example, to charge a higher premium in those stations? Does it allow you to possibly reduce your cost? How should we think about that?

And the second question I had is minimum wages are going up, I think it is 14% this year in Brazil. How does that impact your cost structure? How many people are getting paid salaries that are linked to the minimum wage? Thank you.

André Covre:

Thank you very much. It is great to have you with us. Starting from your last question, I think the increase in the minimum wage, probably all things considered, is positive in our business, because a very small percentage of our labor force has salaries that are indexed to the minimal wage. On the other hand, the minimum wage will put an increased disposable income in the lower levels of the population, which are heavy consumers of LPG for cooking, as you know.

On the conversion of the brand of the stations in the Northern Brazil, first of all that is something that intuitively, from simply a business perspective, we should do. It does not make sense to have different brands to deal with nationwide. They generate, the single brand generates some operational benefits. We do not have to run, for example, different advertizing campaigns, we can do promotions that are similar or the same; today we have to adapt promotions to the brands. So, from an operational standpoint and from a brand awareness standpoint, it is a lot better proposition.

In addition, during the last five years we made everything we could to make the Texaco and the DNP gas stations have the positioning of an Ipiranga gas station without the Ipiranga brand. Obviously we can do that to a certain extent, but we come short of certain things. So, having the brand in the gas stations now will be probably a first step into finalizing the market positioning of the Ipiranga gas stations in the North of Brazil in a way that they are similar to ones we have in the South.

I would say, a first step into finalizing the process, because also our strategy in the Northern part of Brazil is currently more focused on capturing scale through opening and converting gas stations. Once we have done a lot of that and increased our participation, behind that will come the push into increasing the penetration of AM/PM, Jet Oil, card acceptance and so on.

The change in the brand is not an isolated event; it is part of a bigger plan that will take place over the next few years, and it will increase the profitability in the margins in the regions. When we did Texaco in the South, we had significantly improvements in margins.

EBITDA margins obviously a lot of that was operational synergies; that is all gone. A part of that was also improvement in profitability and the gross margins. And we expect to see that in the Northern part of Brazil but not something that one should notice in one or two quarters. It will be a process that will take a couple of quarters.

Michael Holme:

OK. Very good. Thank you, André.

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:

Well, thank you very much. We look forward to seeing you on the 1Q conference call. We have conferences scheduled in the next couple of months, both in Europe and in the United States. And we look forward to seeing you in person for further discussing our views on the business for this quarter and for the next couple of years.

We remain very confident that we are doing the right steps to produce good returns for our shareholders, to increase the scale, and probably investing the resources of our shareholders and managing our expenses. Thank you very much. Have a good weekend.

Operator:

Thank you. This concludes Ultrapar's 4Q11 results conference call. You may disconnect your lines at this time.