

**Operator:**

Good afternoon, ladies and gentlemen. At this time, we would like to welcome everyone to Ultrapar's 3Q13 results conference call. There is also a simultaneous webcast that may be accessed through Ultrapar's website at www.ultra.com.br/ri. 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 from 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 call over to Mr. Covre, who will present Ultrapar's results in the quarter and discuss about perspectives. Sir, you may begin the conference.

André Covre:

Good afternoon to all of you. It is a real pleasure to be here with you today again to talk about our 3Q results. As usual, in this time of the year, we made our annual public meeting here in São Paulo and we prepared a presentation that highlights not only the results, but also our strategy, values, and recent results and outlook.

So for today's meeting, the agenda is on slide three. We will begin with strategy governance, growth, and value for Ultrapar as a whole. These items are together because we see them intrinsically linked and we plan them together when we are considering the development of Ultra.

Next, I will touch on the strategy of each one of the businesses and the performance for the quarter, which was another good quarter for Ultra, and also I will touch on the expectations for the 4Q and 2014. And I will end the presentation with some considerations about our priorities for the next two years, and then it is time for you guys to ask questions.



So, moving on to slide five, Ultrapar just completed 76 years, with a successful trajectory. We have leading and outstanding positions in all our segments of operation. Through Ipiranga, we are Brazil's second largest fuel distributor with 22% market share and a distribution network of over 6,600 service stations as of September this year. Through Ultragas, we are the Country's largest LPG operator with 23% of the Brazilian market and about 4,700 exclusive resellers. Oxiteno is Latin America's largest producer of surfactants and specialty chemicals. It is sole producer of ethylene oxide in Brazil and sole producer of oleochemicals in Latin America.

Finally, through Ultracargo, we are Brazil's largest provider of storage for liquid bulk, with nearly 1/3 of the market. We have had a robust earnings progression since the IPO in 1999. Average annual EBITDA and net income growth for both 20%, well above economic growth and inflation.

Significant growth over 14 years, and I highlight that that took place in many different combinations on macroeconomic and political scenarios. During these 14 years, we have had periods of strong growth, and economic crisis, at high interest rates, lower interest rates, very strong Real, very weak Real, different political and international scenarios and so forth. And consistently, we have improved our earnings by +20%.

It is not a coincidence that our shares have had a significant performance as well since the IPO. The operational performance influenced the market value. Our total shareholder return is 25% since the IPO through October 2013. And in the same period, the Ibovespa average appreciation was 12% a year, and local interest rates 14% a year.

Part of the success that I just mentioned in terms of operational growth and shareholder returns, has to do with certain common attributes that we have in our businesses. These attributes are present at some time of the life of our businesses. They are not necessarily all of them present at the same time in our businesses. But they indicate what kind of business structure and business philosophy we have for Ultrapar, our beliefs about what Ultrapar is today and should be in the future.

Talking about a few of them, we believe that our businesses have a unique combination of businesses that grow, leverage on the economic growth, but also have a significant resilience to the economic instability. We have influenced actively the formalization and consolidation processes of our markets. For example, in the 90's Ultragas led the creation of a self-regulation code for the industry, which evolved to the current regulation of LPG market.

At Ipiranga, you probably have followed reverse the process of a consolidation and formalization of the market in the last years, which was boosted in 2007 with our entering in the sector. We also have influenced the shape of the markets in which we operate, both in terms of scale and differentiation. In Ultracargo we are the only operator of port terminals present in more than three ports, in fact in six ports, and we are recognized by our customers, for our customer service.

At Oxiteno, we have a profound focus on specialty chemicals trying to help our customers to create products through innovation and technology. In all our businesses we have strong brands that have been widely recognized by our customers. Again, these attributes and our



way of acting with them have allowed us to have the consistent growth that I mentioned on the previous slides.

Ultra was built over many years to have those attributes. And if I had to use only one word to define the success of Ultra that would be governance, and that is why we have slide seven. We have for a long time believed that governance is a tool to build a better company. And we have a corporate governance structure that is based on alignment of interest and it is being on the making for more than 30 years. It started in the 80's with what was probably the first stock ownership program in the Country, when the owner of the business, Mr. Pery Igel, gave stock to his main executives in exchange for a 20-year contract. In other words he invited his executives to be his partners for life. And that was the beginning of the journey of Ultra on alignment of interests. The gentlemen that received stock at that time, together with other executives that joined that program have led Ultra since then, particularly under the leadership of Paulo Cunha, who was the CEO for about 25 years, and has been since 2007 the Chairman of the Board.

In the early 2000's, we implemented variable compensation based on EVA growth targets, which further strengthened the alignment of interest philosophy and sense of ownership, expanding the concept to the rank and file employees of Ultra.

A second important element of our corporate governance is high standards of controls and transparency. We think that allows for better decisions. We think that a culture of discussing and sharing paves the way for better decisions. We have a very streamlined management structure. We are a company of over R\$50 billion in revenues, and our Executive Board is made of only six individuals, soon to be seven with the CEO of the recently joined Extrafarma. This active Board of each business, in turn, is composed by three to five officers. In other words, the senior team of Ultra is composed by 25 people at most.

Solid financial position has been also a part of our culture. Our comfort zone on the long-term of indebtedness is 1x to 1.5x net debt/EBITDA and that, in combination with the characteristics of our business, particularly the growth and resilience, has allowed Ultrapar to have very good credit ratings by Moody's and S&P.

For these four elements: alignment of interest, high standards of controls and transparency, people management structures, and solid financial position, allow our teams to work with a high degree of delegation because they will live with the consequences of their decisions. Each person is encouraged to make the best decision for the Company and not for themselves. Ultra is our company. It is not the place we work. At every step of the way, we all ask, "Is this good for the Company?". These four elements of governance also allow for very agile decision-making processes, which we think is a differentiating element in management and in our actions in the market. All of this creates a very favorable environment to prospect, analyze, and execute good acquisitions and investments. In prospecting, we have a combination of readiness and patience. In analysis we always conduct the process of identifying, dimensioning, and, if possible, mitigating risks.

Finally on execution, we always conduct a very detailed execution plan. Amongst other things, we have teams with great experience in integrating acquisitions and making investments, experience built with the 17 transactions that we completed over the last few years. This is a continuous process that takes place in the different levels of the



Organization and project scope, from minor efficiency improvements to major strategic steps. In summary our corporate governance is structured to create a more solid, profitable, and enduring company.

Moving to slide eight, I spoke a moment ago about our ability to execute. Slide number eight brings some color to the strategic planning and execution capabilities. Specifically in specialized distribution and retail business, we have a large experience in implementing accelerated rollouts. The last two years we have opened or rebranded nearly an average of 450 Ipiranga stations a year. This means roughly two service stations per working day. We have opened an average of 186 convenient stores in the period, AM/PM convenient stores. In Ultragaz in the last than 12 months, we have opened 380 LPG reseller shops. We have, in our 17 acquisitions that we mentioned, done significant integration steps, our philosophy is that integration needs to happen very quickly after the transaction, and you have listed on this slide some of the success cases that we are proud to show.

Moving now to Extrafarma. When I spoke about governance and our management philosophy, these were the things that led us to identify and execute the association with Extrafarma.

So, on slide nine, we go through the logic of our entry into the retail pharmacy sector. That is really based on our history of prospecting, analyzing, and making acquisitions with a purpose of building an increasingly solid, profitable, and enduring company. This was the case for example for the acquisition of Ipiranga in 2007. The proven planning and execution capacity I just mentioned, provide us with the support for the development of this new value creation venue.

Amongst other characteristics, there are some that are very common to the other businesses. First, it is a very relevant market, as it is the market for LPG and as it is the market for fuels, chemicals. It is a market that grows with a combination of economy influence and resilience. Drug stores total revenues in Brazil were over R\$60 billion last year, with a rate of growth of more than 10% a year in real terms.

Per capita consumption is low in comparison to other countries, therefore demonstrating a significant room for continued growth. Amongst the factors that allow for this growth, one of them is the aging Brazilian population.

Individuals over 60 years old represent only about 10% of the Brazilian population, 20 million people, but account for more than half of the consumption of medicines. And according to the official statistics, by 2030 this group will reach about 40 million individuals, representing therefore an average rate of growth 4% a year.

Some of the growth in the market is related to the evolution of the economy. Increase in income and employment allows for greater access to health insurance. And health insurance leads to more doctor visits and more medicine sold. Income also boosts the sale of home and personal care products. Another factor that has been increasing our access to population is the sale of the generic drugs, which are cheaper than the branded equivalents. Sales of generics have grown more than 30% a year for the last eight years.



Moving on to slide 10. In addition to the positive volume growth scenario of the previous slides, other factors that increase the attractiveness of the sector are the current early stage of consolidation and the process of formalization.

As you can see on this slide, some important measures have been taken to formalize the market already, particularly to reduce tax evasion. We will have in 2014 another boost on increasing the formalization, as there will be a legal requirement for the so-called bioequivalence tests for the similar drugs. In addition to that, the drugstore chains have been making significant investments in new store openings and the drugstore chains tend to offer a more attractive assortment convenience services to customers, leading therefore to not only formalization of the market, but consolidation.

As I mentioned, consolidation is still in very early stages, the top five drugstore chains in Brazil account for about 30% of overall sales, which is less than half the United States and it compares favorably to Mexico and Chile, just to pick a few Latin American names.

Talking now about Extrafarma, once we were convinced that this is a market that was very attractive and also that fit with the attributes that define Ultra, our entry door was one that should have a fit with the governance and business philosophy of Ultra. And that is indeed the case of Extrafarma. Extrafarma is one of the top ten drugstore chains in the Country, it is a high quality company with a leadership position in its region, and it has conducted a process of revision of its governance and making management professional. As a result of this, they have implemented management tools and incentive plans that are very well designed for earnings growth and value creation. It is a company with an experience of renouncing in the pharmaceutical sector and they will stay with us to start a journey of faster growth with Ultra. The current CEO will continue to be the CEO of Extrafarma within Ultra. And you can see on this map, the geographical footprint with 186 stores.

On the next two slides, we have put some pictures of Extrafarma for you, to have a feel of the quality of the network and the stores. You can see on slide 12, a very standardized and attractive external image. It is an image that conducts the quality of the stores and invites customers to come in. It is also an image that repeats itself regardless of the type of neighborhood that the pharmacy is installed. So, we have in this slide 12 a case, the bigger picture is in the high-end neighborhood, the top right is in a shopping mall, the middle one, on the strip on the right side, is in a low-income neighborhood, and the one on the bottom is in an average middle-class type of neighborhood. Regardless of the type of neighborhood of area, standardized type of external image that invites customers in.

On the next slide, slide 13, we show some of the interior of the shops. And in here, the larger picture is of a very large store, just below, in the middle picture, we have a very small store in a shopping mall. So, there is a wide range of types of shops, all of them are well organized, invite customers to buy, and have assortments that are adapted to the local needs of each one of the customers.

Moving now to slide 14, having talked about the attractiveness of the market and our new partner, slide 14 highlights what we intend to do together. Obviously, Extrafarma brings us the initial scale, brings us a strong brand in where they operate, brings us a very good network, and brings us a very good management in pharmacy retail. What we add is investment capacity, our experience in accelerated expansions, our experience in acquisitions, and corporate governance.



We have 10,000 points of sale between Ipiranga service stations and Ultragas reseller points. And one of the most important bottlenecks for a very quick expansion of a pharmacy network is indeed attractive real estate, and we have 10,000 to choose from.

Finally, because we have Ipiranga and Ultragas, on the future, we will be able to have an integrated look to the customer with coordinated marketing initiatives, which I believe will be unique in the market. We will be one of the few companies that will be able to look the customer from different points and design services and products, ways of payment that will be more attractive to the customer than probably what we have in the market today.

Moving now to the results, business unit strategy and results, on slide 16. On a consolidated basis, we achieved our 29th consecutive quarter of EBITDA growth, and in order to reach that level, we invested R\$11 billion during this period, R\$6 billion organic investments and R\$5 billion in acquisitions.

EBITDA has grown 17% on the quarter, 21% on the year. Net income is up 13% on the quarter, 20% on the year. Due to the EBITDA growth and the stable level of investments, cash flow grew from R\$190 million on the 3Q12 to R\$468 million on the 3Q13. The growth in the operating results, in order of magnitude: 20% in EBITDA and net income for the first nine months of the year were reflected in the performance of our shares. Ultrapar shares appreciated 18%, while the Ibovespa has fallen by 14%.

We also consider an honor to receive market recognitions for our operating performance and for our Company's management, and that increases our confidence that we are on the right path. Some other ones that we received recently are highlighted on the bottom right of page 16.

Moving on now to slide 17, to talk about market growth and our strategy to grow volumes. The outlook for the market continues to be very positive, with good visibility for continued growth. The fleet of cars in the Country has grown between 7% and 8% for the last few years, and at the current level of car sales, the fleet will continue to grow at this level. It helps that, in spite of the growth of the last several years, penetration of cars in the Country is still relatively low, less than 20%, which is below the penetration of countries like Argentina and Mexico, which are between 25% and 30%.

The outlook is even more positive when we look to the region, which is the focus of our expansion, the North, Northeast, and Midwest. In that region, growth of consumption is growing at twice as much as the rest of the Country. Between 2009 and 2012, it grew 10%, while on the South and Southeast, it grew 5%. Our penetration is even lower, 9% in the target region versus 24% in the South and Southeast. And finally, our market share is significantly lower in this target region, 13%, while on the South and Southeast it is 26%.

In addition, we have seen and helped a process of reducing informality in the market. We try to track informality by measuring the percentage that the Company is associated to SINDICOM, which is the trade association of the large distributors, represent in relation to the total markets, as published by the National Energy Association, ANP. As you can see on the top right, that percentage increased from 61% on the 3Q last year to 67% on this 3Q, which remains still significantly lower than the percentage of gasoline, which is a fuel informality has been largely controlled.



This shows that, in spite of the improvement, we still have some work to do. In this environment of visibility for continued growth and reduction of informality, there is a great potential for expanding our network through opening new gas stations or doing the so-called flag switching, in which we convert a white flag to an Ipiranga branded gas station.

The possibilities here are quite significant. Again, now considering the percentage of the SINDICOM associates to the total market, not only in ethanol, but all fuels, 23% are in the hands of companies that are not associated to SINDICOM, 22% is basically the size of Ipiranga. So, there is an entire Ipiranga of potential market to be captured.

Over this background, we have made significant investments in the last several years, spending the network of gas stations and the backbone infrastructure logistics required to support it. This has allowed two things. First, it has allowed us to reach volume growth consistently above the market, as the graph on the bottom right shows. Second, it has allowed us to reach a better composition of volumes, a better mix with the growing percentage of sales through the gas stations, which is a more profitable channel.

As we move to slide 18, I would like to talk now about our market strategy, how we position ourselves towards our customers. The basic strategy is differentiation in convenience and service. The genesis of that strategy starts with the recognition that no one likes to go to a gas station. You go because you must, otherwise you run out of fuel. If we recognize that, we thought that we could make the lives of our customers better. And if the lives are simpler, they are more satisfied and they might be willing to give us some back in terms of pricing and margin.

So, the differentiation is based on constant innovation in services, trying to make the customer experience better in our gas stations. Second, we have an objective of increasing traffic and enhancing client loyalty. And third, to create additional revenue sources for our resellers.

Slide 18 lists some examples of the initiatives. I have had the opportunity of speaking with the investment community about a number of them, so I would like to highlight only two: AM/PM, which is our convenience store network. We are the largest convenience store chain in the Country. We have recently become also the largest bakery store network in the Country, with 224 units installed inside our AM/PM stores. The other one I would like to highlight is Kilometers of Advantage, that is a loyalty program launched in 2009 and it has already 14 million individuals registered. It is the largest loyalty program in Brazil.

There are a number of advertising films produced around the theme of convenience and services, the most famous one here in Brazil is one where whatever the information you need you can ask at an Ipiranga gas station. The current slogan in our advertising films is "Ipiranga, a complete place waiting for you". They both symbolize what our market strategy is.

Moving now to slide 19, to talk about the recent performance of the year. We have continued strong volume growth over the year, on slide 19. That comes from the growth of the Brazilian fleet and our continued investments in the market, in expanding our network and related infrastructure, which enabled us to have another quarter of above-market growth. We grew a little over 7%, the market grew 6%. EBITDA growth totaled 17% in the quarter, 24% in the 9M, as a consequence in addition to volume growth of increased share



of the reseller segment, which results from decreasing investments in the network, the strategy of constant innovation in products and services, and the progress in market formalization.

Looking ahead, the market trends and our operating strategy remain the same. And therefore, we expect more of the same. In other words, we expect that volume and EBITDA growth will be, for the 4Q13 and for the year of 2014, a similar base as we just had in the 3Q.

On Ultragas, this is another business with retail characteristics just like Ipiranga, where strong brand and operating scale are key factors of success. Ultragas is the strongest brand in the market, and we are market leaders with 23% and, therefore, the biggest scale in the market. The market is composed of two segments, Bottled and Bulk. The Bottled segment has very resilience demand. Bottled LPG in Brazil is used exclusively for cooking and is, therefore, an essential good.

As you can see on the top left graph, we have had times of significant cost increase, we had times of economic and financial crises, and in such periods the bottled has remained virtually stable, attesting the resilience of the demand of bottled LPG. Bulk LPG is used in large condominium buildings, service business, and small industries, and as a consequence it tends to follow the evolution of GDP growth, and that can be clearly seen on the bottom left graph.

The main elements of our Ultragas recent strategy include some commercial and cost reduction initiatives to increase profitability. First, we are investing in expansion in regions of higher growth. For example, we are building a new bottling facility in the Northern state of Maranhão. We entered this market a few years ago, have had a rapid increase in sales volume, and now have the critical mass to justify a local bottling facility.

Increasing the proximity to the customer to monitor changes in its habits and be able to serve them better, has been another important part of our strategy. With that mindset, we have launched a few years ago the ability to have individualized bills in residential buildings, and we are in process of accelerating the ramp-up of that solution. We have also changed in the recent past our approach to small- and medium-size businesses. Looking to them to provide energy solutions, as opposed to selling LPG.

In our Bottled business, our resellers are our sales channel and, therefore, a good reseller network will pave the way for a good evolution in volumes and prices. We have listed there two programs that we recently started: *Revenda Online* means “reseller online”, and *Gestão Azul*, “blue management” is an information system that supports the financial management of the resellers, sort of a small ERP system for our resellers developed with them.

We have done also a number of cost reduction initiatives on the freight management area on improving automation of our bottling facilities and also in some areas where we still operated with own stores, we converted them to resellers.

With this, we can move to slide 21. And the results shown here are a direct consequence of the cost reduction initiatives and commercial initiatives that I mentioned. Growth in volume comes mainly from the bulk segment, where we have the residential condominiums and the approach to small- and medium-size companies with energy solutions. In addition to the



volume growth, EBITDA growth has grown as a consequence of the cost reduction and other commercial initiatives.

If we consider the next quarter and 2014, the market outlook that we have had this year continues to be present and we continue to work on the same commercial and cost reduction initiatives. As a consequence to this moment, we expect that in the 4Q and in 2014, we will have sales volume and EBITDA growth similar to the ones we had on the 9M of the year.

I want to underline, however, that in the 4Q we will make a much bigger number of requalification of bottles and, therefore, we expect that the EBITDA to be reported after the requalification of bottles, will have some lower growth than the number I just mentioned.

Moving now to Oxiteno, on slide 22, Oxiteno is a very unique chemical company. It has the unique combination of being the sole producer of ethylene oxide in Brazil and oleochemicals in Latin America, at one side, and at the other side, having a focus on specialty chemicals. That combination makes it very unique. It allows a very ample coverage of markets and applications and this paves the way for flexibility and the mix of sales, following the trends of demand in each one of its operating segments.

The main consequences of that is that Oxiteno is a lot less exposed to the typical chemical cycle and is very little exposed to low growth of a specific segment. It has being part of our strategy for many years to have renewable sources of raw material. In 2006, 9% of our raw materials were from renewable sources; it is currently now 21%. That is important not only because of its obvious reasons, but because products of renewable raw materials have strong penetration in the industry of health and personal care, which is one of our main segments of operation.

Using renewable resources is one of the aspects of our market strategy, which is based in technology and innovation. Oxiteno inspires to be a partner of its clients in the development of new products. 7% of our employees are dedicated to innovation of products, processes, and new applications, and it is this strategy that has allowed a significant growth in the last few years in the agro business and health and personal care.

Talking about now geographies, in Brazil a little less than two years ago, we finished a very important cycle of expansion in capacities, with a focus on the specialty chemicals. Soon after that expansion, we had a very important growth in volumes, with an increase in the exports. With these expansions coming closer to their full utilization, the trend will then be for Oxiteno to gradually migrate its production more to the specialties in the domestic market, leading to a more favorable sales mix.

The pace of that migration will be leveraged on the economy, as typically the growth in specialty chemicals in Brazil rose between 2x and 3x GDP. That market strategy based on technology and innovation has also allowed us to expand our operations geographically using also our multi-national clients as an important anchor.

Geographical expansion, as name says, allows us to have access to a broader market. It also allows us access to competitive raw materials, balancing raw materials derived from naphtha, which is the case mainly in Brazil, and natural gas, as is the case in other countries



that we now operate. Further, the local presence allows faster growth for specialty chemicals, as specialty chemicals are somewhat of a service as well and therefore customer proximity is very important.

Moving now to slide 23, to talk about the results of the year. As we anticipated in our 2Q earnings call, we had a schedule stoppage in our Camaçari Petrochemical Complex in October. And as a consequence, we had anticipated that we would have a sales volume decline in the 3Q to allow us to build up specialty chemical inventories for the 4Q.

The way to build up the inventory is to reduce the sale of the commodities, the glycols, and therefore have a reduction in overall sales. Keep in mind that the sales of specialties, even during the 3Q, continue to grow.

We reached significant growth in the year and in the quarter in terms of EBITDA. In addition to the benefit of volumes for the 9M of the year, we had a weaker Real, both in the 3Q and on a year-to-date basis. We had a more favorable sales mix with higher shares of specialties, and these effects were partially offset by the expenses related to the startup of our operations in the United States and in Uruguay.

Looking to the future, in terms of volume, we expect the growth in the 4Q returns to normality. And that should be at the similar levels of the growth that we had in the 9M of the year. That expectation also applies for the full year of 2014. With a higher volume and the current foreign exchange scenario, we reached in 2013 an EBITDA margin of US\$250 to US\$260, and we expect that to repeat itself in 2014.

Having said that, I remind you that Oxiteno's results are subject to short-term effects, especially as a consequence of foreign exchange movements and changes in raw material prices. And in fact, on the 4Q, we expect EBITDA margin to be a little less than the level that I just mentioned, given the expenses that we have with the planned stoppage on the 4Q.

Coming now to Ultracargo, we have made significant investments over the last two years. In the early part of the year, the expanded terminals in Santos and Aratu came on stream. And in the 2H12, we acquired a terminal in the Northern part of Brazil, in the state of Maranhão, called Itaqui. With a combination of expansions, the acquisition paved the way for 13% growth in volumes in the 3Q and 15% on a year-to-date basis. The higher volumes have allowed us to increase our EBITDA for the year, 9M of the year EBITDA has grown 12%. 3Q, the growth was only 6% as a result of some extraordinary effects on expenses.

Looking ahead, we will keep working in 2014 to expand our terminals, in particular we will have the first expansion of the newly acquired terminal in Itaqui and that will be operational in 2015. Therefore, in 2014 we will not have any added capacity, but we will be reaping the benefits of what we already invested.

In terms of EBITDA, what that leads us is that, both for the 4Q and for the year of 2014, we expect growth in a higher level than we have had so far for the 9M of the year, given the extraordinary effects and expenses that I just spoke about.

Finally, before the last slide, I wanted to have a brief mention to Extrafarma and our immediate and general outlook. Closing of the transaction is scheduled for January 31st, 2014. Extrafarma's expected EBITDA for 2013 is R\$77 million and it expects to end the year



with approximately 200 stores. Through next year, we intend to work on integrating Extrafarma and on designing the faster expansion plan that underpinned the transaction. That more aggressive organic store-opening plan is expected to allow us to reach an EBITDA of about R\$300 million in a five-year term. And we obviously expect that to take place in an upward growth curve, which might be speeded up by acquisitions.

So, coming to the last slide, we list some of our priorities for the next few years. What they have in common is that we see scope for us to invest and increase volumes in all the businesses and increase our differentiation in each one of the businesses. And we will have, as of beginning of next year, Extrafarma as a new source of value creation, which will over the next few years help us to continue to build a more solid, a more profitable, and an enduring company.

Thank you very much. This is what we have prepared for today. We are here available for your questions.

Christian Audi, Santander:

Thank you, André, for the very detailed presentation. I was wondering if you could talk a little bit more specifically about the trends with Ipiranga, particularly from an EBITDA generation point of view, EBITDA margin point of view. Is the movement that we saw, for example, this quarter, André, with the margins per m³ down a little bit, is that something we should expect going forward? In other words, this level of volatility to continue, or was that a one-off? If you could add any color there, it would be very helpful. Thanks.

André Covre:

Christian, thanks for the questions. I thought I had made everyone sleep with my long presentation. I apologize for the long presentation, as we made it to the Brazilian public we feel that we have an obligation to make it in English as well.

But to your question, Christian, margins in Ipiranga have grown a few Reais in real terms for now from five years. And our view is that what drives the improvement in EBITDA and EBITDA margin is the combination of four factors: first the market growth and with it volumes and, therefore, operating leverage. Second, we are making significant investments to increase the network. That means that we grow volumes faster than the market and in the most attractive segment, which is the reseller segment. Third, our strategy of differentiation provides for more loyalty and satisfied customers, and four the formalization of the market continues to take place.

Our view is that, as long as these four factors are present, margins should continue to grow; and they have. They have grown because of those four things and they should continue to grow because of the four things. Specifically about the 3Q, I have said for a long time that quarter margins are to be understood with a lot of caution. Specifically, sequential evolution is to be looked at very carefully. If you are going to compare quarterly margins, I think at least it is better to compare with the same quarter last year, because that takes away any seasonality effects.

Just to pick this exact example, since 2010, the evolution from the 2Q to the 3Q, we have now four years, in 2010 from the 2Q to the 3Q EBITDA margin fell. In 2011, it stayed stable; in



2012, it grew from the 2Q to the 3Q. And now 2013, it fell again. So, you have all possibilities. It is not a clear trend and, therefore, I would not look too much into it as a trend for the future.

Christian Audi:

Thank you, André. And moving on to Oxiteno. Sorry, when you were giving the explanation I could not hear the numbers, but can you just repeat your expectations in terms of margins? You were mentioning that the level of margin USD/ton that you have reached this year will be the same or similar to next year. Could you just go over that again, please?

André Covre:

Sure. With the volume growth that we have had and the current scenario for foreign exchange, we reached this year a level of US\$250 to US\$260 per ton of EBITDA margin. And it is our current expectation that that will be maintained for next year and for the 4Q. On the 4Q, I made a caveat specifically to costs and expenses that we have with the stoppage of the plant. So, it will be a little less than that, but if we put away or take away these temporary costs, we are on the same trend line of US\$250 to US\$260 per ton of EBITDA margin.

Christian Audi:

Great. And the last question, moving to Extrafarma, when you look back at the several acquisitions you have made in the past, in terms of getting into new businesses, such as Ipiranga etc., do you feel, with Extrafarma, that you are now putting the actual execution or you are having to depend more on the know-how and execution of the existing management of Extrafarma than maybe in the past or no? In other words, the dynamic of this acquisition in terms of how much you are relying on the management of the company that was acquired you view it similar to previous acquisitions that you have made?

André Covre:

It depends on the acquisition. I think the one that was most similar to Extrafarma was Ipiranga, in 2007, where just like now in Ipiranga, management stayed and it was an important part of the business plan. So, I do not think it is different than Ipiranga. And the important thing is to look for a good management team, in combination with a good company. And if you have to rely on them, as long as you have alignments of interest, alignments of views, then things are supposed to work well, as they did in Ipiranga.

Christian Audi:

OK. Thank you, André.

Operator:

And at this time, we will conclude today's question and answer session. I would like to turn the conference go back over to Mr. André Covre for any closing remarks.



André Covre:

Again, thank you very much for your presence. We felt that we needed to treat the international investors in the same way as in Brazil. So, I apologize for the long presentation. We look forward to having you next year with us, when we will talk about the 4Q results. Everything indicates, from the outlook I gave you, that it will be our 30th consecutive quarter of earnings growth. So, big 30 to celebrate at the beginning of next year. Thanks a lot.

Operator:

Ladies and gentlemen, that concludes today's conference call. You may now disconnect your telephone lines.

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