Operator:

Good afternoon, ladies and gentlemen. At this time, we would like to welcome everyone to Ultrapar's 3Q10 results conference call. There is also a simultaneous webcast that may be accessed through Ultrapar's web site at www.ultra.com.br/ir, where the site 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 a 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 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 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:

Good afternoon to everyone. It is a real pleasure to be here with you again to discuss another quarter of strong results of Ultrapar. Before we begin, here with me to help answer your questions, I have Jose Manuel from Ipiranga; Julio Nogueira from Ultragaz; Ana Paula Santoro from Oxiteno; and João Marcos Cazula from Ultracargo, all of them are executive officers of the respective subsidiaries. I have also with me the Investors Relations team that some of you know and we will try to answer the questions you might have at the end.

For today, we have prepared a presentation, but it is slightly longer than the quarterly presentations we do. We have made this presentation to a group of investors here in Brazil a few moments ago and we will make the same presentation to you. It covers first the positioning and underlying fundamentals of Ultrapar. Then I will talk about the performance of the four businesses and there are some closing remarks, which try to put all the perspectives together for the coming future.

So starting with the positioning and underlying fundamentals in slide number five, most of you are familiar with our businesses. You know that we have a leadership position in each one of the markets where we operate. We believe we have very solid fundamentals in our businesses. They are at the same time very resilient businesses, but on the other side leveraged on the economic growth. We have a history of successful strategic planning and execution of strategic initiatives and all of this has allowed us to have a proven track record through all economic cycles.

So talking a few moments about each one of these items, starting with the strong fundamentals, I think simply put, we believe we have very strong businesses, businesses that are insulated from prices and have positions in each market, which are very, very defendable.

On our two distribution businesses, Ultragaz and Ipiranga, in both of them we have very strong brands, which are associated with the relevant aspects in their addressable markets. In both of them we have very good scale. In Ultragaz, we have 24% of the market and we are market leaders. In Ipiranga, we have about 21% of the market and are second place.

Third, in both companies, we have a history and heritage in innovation. In Ultragaz, we were a pioneer and still a leader today in the bulk, small bulk delivery system, which we call UltraSystem. And at Ipiranga, we are recognized in Brazil by our excellence in implementing the retail business model in the downstream business.

At Oxiteno, we are sole producer of ethylene oxide in Brazil. We are sole producer of fatty alcohols in Latin America. We have particular good technology in specialty chemicals, and that gives us a very strong regional position, not only sole producers in Brazil, we are market leaders in Mexico, we are sole producers in the Andean region, and those are the only places in Latin America where there is ethylene oxide production.

Last but not least, in Ultracargo, we have the best footprint of the market in terms of presence in ports. We have very specialized services and the market recognizes the quality and safety of our services.

This was built over time on the basis of the three things that are in the bottom. We have a culture that is a really result oriented and that started many years ago with strong corporate governance practices and alignment of interests.

Ultra was the first Brazilian company to grant a 100% tag-along rights to all classes of shareholders. We are also probably the first deferred stock ownership program in the country since 1984 and have through that aligned interest of various generations of senior managers. We have professional management with variable remuneration directly linked to growth of value as measured by EVA and so on.

An important cornerstone of our fundamentals has also been a prudent financial management. Ultra has currently about one and a 1.5 times net debt to EBITDA and is investment grade by Moody's and S&P. This allows us to borrow money at very, very attractive rates, effectively allowing us to have low carry cost on the debt that we have.

Now, we believe we have very resilient businesses and on page seven we have a few examples of that. For example, the consumption of LPG, bottled LPG in Ultragaz is really a good at first necessity. It is used for cooking in Brazil and therefore the economy is going well, economy is not going well, basically people consume. We have seen a few tests to that view in the past. For example, in 2002, the LPG price, consumer price in Brazil increased by 50% and you can see that in 2003, there was a very, very, modest decline in consumption. Again, in 2008, that came to test with the global financial crisis and we see that nothing happened with the volumes in the market.

At Ipiranga, one of its most important segments is fuel for light vehicles, namely fuels for passenger cars, which are in Brazil basically gasoline and ethanol. The Brazilian fleet has been growing at about 8% a year and as a consequence of that the growth in fuels for light vehicles has been about 8% a year. That growth is driven by a very low penetration of cars in Brazil and growing credit availability, which does not have a direct link to GDP.

And you can see on the middle graph, on the middle of the page, Brazil has a 14% penetration of vehicles, Argentina or Mexico, which are close to us, have much higher percentages and for us to reach the current level of Argentina, it will take five years at the current rhythm of growing of the fleet. To reach the level of Mexico of 25%, it would take another 10 years growing 8% a year to get there, so ample space for further growth in volumes in the market with very little relation with the growth in GDP.

Last but not least is another example at our Ultracargo subsidiary where we do storage and handling of liquid bulk. The dynamics here are when the economy is strong, the handling of liquid bulk and products increase. In moments of unstable economy, what happens is that a lot of people have stuff to store and basically the storage revenues increase and therefore one thing tends to compensate the other, and what you have is a secular growth on the back of the need of infrastructure in Brazil.

Now, talking about growth leveraged in the economy on the next slide, that is exactly what is happening, for example, in Ultracargo at the bottom right. You see that between 2004 and 2009, the market grew about 8% and the Brazilian economy did not grow at 8% during that period, it grew at much smaller rates.

Ultracargo grew at 12%, if you do not consider the acquisitions that we have done and at 24% a year if you include the acquisitions. Now we have similar situations in Ultragaz in relation to bulk LPG and in Ipiranga in relation to diesel consumption and in Oxiteno in relation to the specialty chemicals in Brazil.

For bulk LPG and diesel, there is a very clear alignment of growth in consumption and growth in the economy. For specialty chemicals, the market progression is actually leveraged on the economy. And you are not able to see this on this graph, but if you look at the behavior of consumption of specialty chemicals in Brazil since 1999, the year we went public to now, basically the consumption of specialty chemicals grow at a ratio of two to three times GDP every year.

So we have at the same time aspects of our businesses, which are resilient to the economy, demand is resilient to downturns, on the other side we have aspects, which are significantly leveraged on the economy, which allow us to benefit in both moments.

Now, having the businesses is only part of it. You have to constantly make it better, and we think that we have a track record in successful strategic planning and execution as demonstrated in page nine. Over the last several years, we made many acquisitions and undertaken a number of organic expansions. All of them have yield significant returns.

That has been possible because of our execution capability, for example in acquisitions, we have developed particular expertise in analyzing, making due diligence and more importantly integrating acquired operations. Such things have paved the way for strengthening the competitive advantages that we have in each one of our businesses.

A few other recent examples, some of you may have followed the significant improvement in profitability of Ultragaz on the last several quarters, that has been directly linked to the operational efficiency programs that we have been developing, and I will speak a little more about it in a few minutes.

In Oxiteno, we have displaced imports over the last several quarters and gained market share in relation to them. And last but not least, again in Ultracargo we have finished reshaping the strategy of Ultracargo, having sold in the first of July the transportation business and storage for solid bulk, and we now have focused Ultracargo exclusively in the storage for liquid bulk, which is the area where we think we have differentiated position.

Moving to slide 10, the actions have shown in our results. On the top of the page 10, you see that since 2006, last five years EBITDA has been multiplied by more than three, and net profit has increased by 2.5 times. We are glad to know that the market recognizes the evolution in our business and profitability and as the graph on the bottom left shows, the Ultrapar stock has outperformed Ibovespa by more than 50% since 2005.

And we have done all of this without touching our dividends. In fact dividends have been increasing over time. We paid bigger dividends on the 1H09 in relation to 2008 we paid bigger dividends on the 2H09 and we paid bigger dividends again in the 1H10.

Now, even if you look at longer periods, for example since we became public, so 10 years since 1999, EBITDA grew on that period 15% a year compounded. Net profit grew 18% a year compounded. And again, we are talking great long periods, a complete decade. And more important, if you have acquired the stock of Ultra at the IPO and you still have it and you have re-invested the dividends, you have had a return of approximately 25% a year, again compounded.

Well moving to this quarter, on slide 11, it was another quarter of strong results. It was the 17th quarter of consecutive growth in EBITDA and that is a consequence of four elements that are listed on page 11, the Brazilian economic growth, acquisitions with strong returns, volume growth in all businesses, and the operational excellence programs.

Net profit jumped by 58% and equally important last 12 months return on equity has reached now 14%, and it continues to increase as the significant investments that we made over the last several years are now bearing fruits in full steam ahead.

So, talking about each one of the businesses and each performance on the quarter, starting on slide 13, we have here few elements that put context in the strong evolution of results of Ultragaz in the last several years. You can see on the right that volume has been stable as the market has been stable, but profitability has increased dramatically.
Now what is behind that? As certainly you know, Ultragaz is a business involving all of retail/consumer characteristics with a strong brand, low distribution costs, and client orientation are key drivers of differentiation and profitability. In the last several years, Ultracargo developed a number of initiatives in discreet areas of the business towards improving profitability through what we call operational excellence programs.

Some examples of those are on page 13. They all stem from the fact that the LPG market is a very vibrant market where consumer preferences change over time quite rapidly, and every time that happens we are given an opportunity to service better our customers and through that organize our company in a more efficient way and generate more profits.

Examples of that, the first one is what we call a resellers training program. We have had resellers training programs for a long time. The most recent version of it has two targets, the first to improve the reseller's standards of service quality and we have been doing that by standardizing client service.

Second, we started a process of helping our resellers to have better businesses, in other words, we are disseminating to them good management practices, helping them to have better profitability in their business, which helps everyone in the value chain to have better profitability. All of this is anchored in incentive programs where the best resellers work as a role model for the resellers that are in process of improving their quality of service.

I mentioned changing habits of the consumers, and that is another area of opportunity that we have tapped into. There is a number of new ways to buy LPG and pay for LPG that focuses on convenience, which we have deployed over the last few years. The first and more important one is called Disk gas, which is basically buying your LPG over the phone. I suppose that for the developed world that sounds very simple, but you have to recall that the privatization of the telephone system in Brazil has had a massive impact in the availability of telephones, and that has fostered a new habit in Brazil, which is buying LPG over the phone, and that has changed quite a lot in the market.

Now, in addition to servicing the client in the way he wants and therefore reaping the joint benefits of that, this type of sales also allow us to have more efficient logistics, because most of them have some characteristic of pre-sale which allows the truck that leaves the storage facility with a pre-scheduled plan, which allows reduction of cost and improvement in profitability.

Now, last but not least, the brand, the current positioning of Ultragaz is a specialist in what it does. And we have undertaken a marketing campaign over the last three years on the basis of acquisitioning and that has been done together with training of the resellers to improve the technical and behavioral knowledge, and improve therefore our client's satisfaction.

With that as a context, I think it is a lot easier to understand 3Q results and the results that we have had over the last several quarters. Volumes grew by 1% as it has been the rule in the market. All the volume growth has really taken place on the bulk delivery system, which is for industrial and commercial use and tends to grow in line with GDP.

We have had a 3% growth in EBITDA on the back of the slightly bigger volume and the benefits of the operational excellence programs. The growth has not been bigger in this quarter simply because 3Q09 was a very strong quarter. If you look back to the rest of the year, the pace of growth was significantly higher and it is our expectation that we will resume that growth in results on the 4Q again.

Talking about 2011 and general outlook, we expect the growth in the Brazilian economy to continue to benefit the bulk segment. In addition, you may have noticed that we have invested in a faster pace in 2010, which we intend to continue in 2011. Those higher investments were directly linked to capturing new clients and expanding in niche areas of the market that grow faster than overall market.

The benefits of those actions will start showing in 2011 particularly in volumes where we expect a growth in the bulk segment volumes in a bigger magnitude than we have seen in previous years and in an evolution that will be beyond the typical evolution of the GDP.

Now for EBITDA, our expectation for 2011 and also for the 4Q this year, it is of an evolution similar to the one we have had so far this year, which was about 14%. As a consequence of evolution of volumes and a continuation of the benefits of the operational excellence program that I mentioned.

Moving on to Ipiranga, on slide 15, the focus of our work in the recent past has been to foster the benefits of the growth in volume and make the Ipiranga business model even stronger with further differentiation. Now, about volume growth, I mentioned we have good reasons to be optimist in relation to the market growth. We also have good reasons to be optimist about the ongoing process of formalization of the market as there are a number of initiatives underway through the trade association and the Brazilian government, which should yield a reduction in the informality in the sector and therefore allowing the market in which we operate to grow faster than the overall market.

Now, Ipiranga has an outstanding position in the market with a strategy based on differentiation of services, convenience, and constant innovation. Some of the elements of that strategy are on the right part of the page 15 and they include am/pm, which is the largest convenient store chain in the country; Jet Oil, which is a lubricant changing business and in 2010 we grew that by 20% and started a new niche market called Jet Oil Motorcycles to serve the needs of motorcycles in Brazil, which have been growing at 10% a year.

Last but not the least again Kilometers of Advantages is the name of our loyalty program. Through that consumers of Ipiranga earn points, in fact kilometers that they can exchange in a variety of ways. It is built on the model of self-liquidating program and it has been implemented with excellence and as a consequence it is probably one of the most successful loyalty programs that there is in Brazil. We have 4 million people in it only after a year of having started.

In overall, this strategy of differentiation brings more traffic to our gas stations and also brings more profitability. That is the case because our consumer has products and services of more value. Our resellers have additional revenues and a more interesting strategic positioning for their gas stations and with all of that we maximize the profitability of the value chain, including the one of Ipiranga.

In addition to our differentiation strategy, we have underway an expansion strategy to the northern part of Brazil. This was started with the acquisition of Texaco in 2009. The logic here is very simple. It is a region that grows faster than the national average and the participation of the market share of Ipiranga is lower than in the rest of the country.

We will expand our volumes ahead of the market in those regions through two mechanisms; organic growth by investing in new gas stations in doing a process that is called market flex switching, and we will also do through acquisition of regional distributors, we had just finished the first one, although we are working to do a series of that.

We acquired a company called DNP, which is the fourth largest player in the North of Brazil; as you see in the map the region where they were operating. We paid R$ 85 million for it, they had an EBITDA in 2009 of R$ 17 million, therefore a price of five times EBITDA. This will increase the volume of Ipiranga in the region by 40%, solidifying and consolidating the position of Ipiranga as the second largest player in the market.

As we did in the case of Texaco, we will capture benefits of scale and we will implement the Ipiranga business model in the DNP network with the expectation that that will yield higher profitability in the coming quarters.

Talking about higher profitability, 3Q we saw volume growing 10% and EBITDA growing 19% on the back of the higher volume and also the integration process of Texaco. Looking forward, first of all, we will have DNP in our results from the 1st of November contributing to volumes and EBITDA.

In relation to the 4Q, we expect growth in volume to continue its trend. The combined volume of ethanol, gasoline and natural gas should continue to grow in line with growth of the light vehicle fleet. And at the other side the consumption of diesel, we expect will grow in line with GDP.

In relation to profitability, we expect a very good EBITDA for the 4Q. The 4Q has a more rich mix with bigger participation of gasoline, which we think it will pave the way for positive evolution in EBITDA margins in relation to the 3Q, and making it close to the 4Q EBITDA margin of 2009.

For the New Year, our expectation is of very strong volume growth in Ipiranga, certainly a two-digit growth in volume. The fundamentals of those expectations are three-fold. First, it is a very healthy market, as I had mentioned already. Second, is our expectation in the improvement of the formalization of the market, which I have touched briefly as well. And last and more important probably than the rest, we have invested a lot more into growing our network in 2010, and we expect to do so in 2011, in particular in growing the network in the Northern part of Brazil and all of that should start bearing benefits and fruits in 2011, and, therefore, allowing us to grow faster than the rest of the market as it is the case in Ultragaz, as I mentioned.

This additional volume, plus the operating leverage that comes with it, allows us to expect growth in EBITDA in 2011 similar to the one we will experience in 2010. And I have to emphasize how relevant that is, because in 2009 we had only three quarters of Texaco in our results. And, therefore, in 2010, we have four quarters, so obviously. Therefore, an evolution, a growth in 2011 similar to the one in 2010 in fact means that the growth rate of Ipiranga is actually accelerating.

Into Oxiteno, we are coming to the end of our cycle of expansions in capacity. We started that in 2007, with a view that some of the segments we service will have very fast growth rates in the next several years, which has proven to be correct, they are namely cosmetics and detergents, agricultural chemicals, coatings and varnishes and the oil and gas industry.

As a consequence of the market demand and our expansions, volume of specialties sold increased by 59% between 2006 and 2010. And our portfolio has been clearly tilted towards the specialty chemicals and away from the commodities, allowing us to have much better mix and profitability.

The last expansions of this cycle of investments are scheduled to begin operation in the beginning of 2011 with further effects in volumes and profitability. A potential further step for Oxiteno in addition to the Brazilian market growth relates to increasing its geographical scope. The underlying logic is we have very profound knowledge of such specialty chemicals particularly the ones derived from ethylene oxide and fatty alcohols, and that is something that can be deployed in other geographies.

We have had a very positive experience in Mexico where the transfer of technology and customer relationships took a very distinctive player to leadership in the market in about seven years since we entered there. And therefore we think that there is an opportunity for us to do that in other parts of the world.

Our results in the 3Q have been very strong. EBITDA soared by 72% on the back of growing volumes in Brazil, our core market and core profitability, and our recovering margins where we were helped by the current recent stability of raw materials.

For the next quarters and in particularly for the next quarter, we expect volumes to be in line with the 3Q, which is very positive given that the 4Q is seasonally weaker than the 3Q. And we expect profitability or EBITDA to pose a similar growth to the one we have had so far this year of 2010 that is 55% growth in EBITDA in spite of the current appreciation of the Real, which has taken place during this 4Q.

Looking into 2011 as a full year, I mentioned before the demand for specialty chemicals in Brazil has grown historically at two to three times GDP. Our expectation is that that will continue and in particular for the next year, but that will be closer to the three times GDP than the two times GDP.

We had on the 3Q the beginning of the operations of a 70 thousand ton plant of ethoxylates in our Camaçari facility and we expect in the beginning of the year the expansion of ethylene oxide in Camaçari to be operational. That strengthens our focus on specialty chemicals and that will be obviously initially geared towards the export market and as the Brazilian market grows we will ship that volume to Brazil where we have higher profitability.

In relation to our result for 2011, first I have to make a disclaimer with you as you probably know the evolution of oil price and the evolution of currency has a strong influence in the short-term results of Oxiteno. Having said that, our expectation for 2011 is for an EBITDA reflecting a margin in USD similar to the one of 2010 in spite of the growth of exports where we have lower profitability.

Moving to Ultracargo, or I should probably call it new Ultracargo given that it is now a different business. The third quarter was the first quarter when Ultracargo was solely focused on the storage for liquid bulk. It is a market where differentiation is recognized, allowing for services of greater value added and where Ultracargo has a leadership position, both in market share and recognition of the quality of services that it provides.

This is a sector in Brazil that has a great outlook ahead of itself given the lack of infrastructure in the country. We are currently working on expansions of about 100 thousand m³ in our facilities, which corresponds to about 15% of our installed approximately. We have area available in our existing terminals for another 200 thousand m³, but we are also currently looking at installing new terminals in response to the demands of the market.

On the 3Q, we had very significant growth in volumes, 21%, as a consequence of the expansions and acquisitions that we did and that together with selling the transport business allowed us to have an EBITDA margin of 40%, which we expect to increase in the next quarters as the company gains further scale. For the 4Q, we expect volume to be significantly higher than the 4Q09, likely it happened between 3Qs and consequently a strong growth in EBITDA in relation to the 4Q09.

Now for 2011, we have two things to consider, first, a number of expansions that are already under operation that will mature through the year and generate further profitability. Second, the expansions that we have announced, the ones that will increase capacity by another 15%, are expected to generate additional R$ 35 million in EBITDA when they are fully operational. A portion of those or the biggest portion of those is scheduled to begin operations in 2012; however, a portion of that also scheduled to begin operations in 2011, therefore, allowing for bigger volumes and EBITDA in 2011.

Well, to put all of this together, I hope I had shown you the reasons why we are very optimistic about our businesses, not only for the next quarter, for the next year, and for the next many years. We have the positive wind, the favorable winds of the Brazilian economy in our favor, which allows us to grow volumes of fuels, volumes of LPG, in the bulk segment, specialty chemicals, and storage facilities for Ultracargo.

And in each one of our businesses, Ipiranga, Ultragaz, Oxiteno and Ultracargo, we have excellent market positioning that allows us to capture that volume growth and consequential profitability growth. We are at the same time analyzing a number of investments, both organically and acquisitions, and we have as a backdrop our track record in value creation and I will simply close with data that we have again for the last 10 years, EBITDA growth of 15%, net profit growth of 18%, and a return to the shareholders of 25% a year. And we are working to produce that type of results for the next several years.

I hope I have not killed you with my presentation and you are still awake. I know it is sort of a holiday in the United States and it is getting late in Europe. So, I will take no offense if you have no questions, but I am opening the floor for questions.

André Covre:

Well, thank you, everyone. It was a pleasure again to be with you. I look forward to see you here in the next quarterly results, which I am very confident it will be the 18th straight quarter of EBITDA growth for Ultrapar. I believe I will not see you until the beginning of the year, so I wish you Merry Christmas, a happy and very profitable 2011. Thank you very much.

Operator:

Thank you. This concludes today's Ultrapar's 3Q10 results conference call. You may disconnect your lines at this time.