Local Conference Call
Ultrapar Participações S/A
Results from the Fourth Quarter of 2020
February 25, 2021

Operator: Good morning and thank you for waiting. Welcome to Ultrapar's conference call and meeting to discuss the results for the fourth quarter of 2020.

The event is also being broadcast simultaneously over the Internet, via Webcast, and can be accessed on the website **ri.ultra.com.br** and through the MZiQ platform.

This conference call will be conducted by Mr. Frederico Curado, Chief Executive Officer of Ultrapar, and by Mr. Rodrigo Pizzinato, Chief Financial and Investor Relations Officer of the Company, together with their executives.

We inform that this event is being recorded and that all participants will only be listening to the conference call during the presentation of the Company. After the presentation, we will start the question and answer session, when additional instructions will be provided.

Should any of you need assistance during the conference, please enter *0 to reach an operator. We remind you that webcast participants will be able to register questions in advance on the website to be answered during the question and answer session. The replay of this event will be available shortly after its closure for a period of one week.

Before continuing, we would like to clarify that any statements that may be made during this conference call, relating to Ultrapar's business prospects, forecasts and operational and financial goals, constitute beliefs and assumptions of the Company's management, as well as information currently available. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions, as they refer to future events and, therefore, depend on circumstances that may or may not occur.

Investors should understand that general economic conditions, industry conditions and other operating factors may affect Ultrapar's future performance and may lead to results that differ materially from those expressed in such forward-looking statements.

Now, we would like to give the floor to Mr. Frederico Curado, who will start the conference call.

Please, Mr. Frederico, you can proceed.

Frederico Curado: Good morning, welcome to our conference. Thanks for your participation.

And I would like to start by mentioning that our fourth quarter was in line with what we had planned and, as a result, it consolidated a very good year for Ultrapar, despite the effects of the pandemic on our business.

And I also would like, first of all, to register the dedication and expertise of our teams in managing operations during the crisis, both from the point of view of keeping our people safe and also ensuring the continuity of operations, which had no interruption and, thus, maintaining a high level of service to our clients and consumers.

Commenting a little on the effects of the pandemic, the lockdown and restrictions on mobility had a particular impact on Ipiranga's revenues and Extrafarma's revenues, but despite that, Ultrapar managed to surpass R$ 2.1 billion in operational cash generation after investments, and this is a very important historic record for the company, especially in the context of what we experienced in 2020.

Three of our businesses (Ultragaz, Ultracargo and Oxiteno) also, individually, recorded record results, while Extrafarma also obtained its best result on the last years, even reaching cash balance for the first time since we acquired the company, in 2014.

All of that said, Ultrapar's EBITDA margin, measuring the margin as a percentage of revenue, went up 20 basis points from 2019 to 2020, as did our net profit, which was close to R$ 930 million, this is a 17% increase compared to 2019 and this comparison is already on a comparable basis, that is, I am disregarding the impairment that was carried out in 19 – some of you may remember – , if not, the level would obviously be much higher, but, in comparable bases, 17% increase in net income.

I also think that financial management is worth mentioning. We had an extension of the average term of our debt, a small reduction in the average cost, we were able to negotiate successfully and without penalties the elimination of covenants, we had approximately 17% of the debt with covenants, today we do not have any covenants in our debt, and all these cash management efforts have enabled, even after an investment of 1.5 billion in the year and also a good distribution of dividends, to maintaining our level of dividend distribution, our debt, the leverage of our debt did not grow in 2020.

Well, commenting a little on the strategic agenda, it was also a very relevant year, 2020 was also a very relevant year, we consolidated a vision of prioritizing capital allocation in the oil and gas downstream sector, and why? Because Ultra Group has an important presence in this sector and, therefore, has a greater potential for adding value. One step that I think was important in this regard was the advance in the process of acquiring Refap, in Rio Grande do Sul.

Of course, we still have a long process of contractual negotiation ahead, we also have to make sure that the conditions necessary to guarantee a competitive free market also remain valid, but the conviction remains, we remain convinced of the benefits that the reopening of the sector of refining will bring to the dynamics and competitiveness of the sector and also for the benefit of consumers. We have this conviction and this vision, and we will pursue it.

Looking ahead, 2021 will be an important year for Ultra Group. On the one hand, we envisage a continuous resumption of economic activity despite the challenges that we know well of vaccination and pandemic control. We anticipate that Ultrapar will have an important growth in its results and this will be due to the improvement in the various businesses, but, in particular, improvement in Ipiranga's results precisely because it was the company most affected by the pandemic.

Also on the strategic side, we plan to advance in consolidating this vision of a business portfolio more focused on what we have more expertise, and, consequently, on what Ultrapar, as the controller of this business, can, in fact, contribute more effectively for creating long-term value.

Another priority that I would like to highlight, which is already a topic that we have matured in recent years, is the ESG Agenda. This agenda will gain an important reinforcement now in March, we are creating a new board linked to me, it will be led by Valéria Militelli, who is a person of great expertise, extensive experience in these matters, and Valéria will join us now in March and, over the course of 2021, we will consolidate an ESG agenda for the next decade there in a very objective and transparent way, and this will include the definition and external disclosure, including of specific goals, so that there is continuous monitoring of our performance on these topics.

But now, we are closing and before I pass the word to Rodrigo, just in summary, saying that 20 was a solid year for us, particularly in light of the challenges and the pandemic and we have a lot of optimism for 2021, I think it will be an important year of evolution for our results as well as the advance o of our strategic agenda.

Well, I would like to thank everyone there once again for the attention and at the end I will be available for the question and answer session. Thanks.

Rodrigo Pizzinato: Thank you Fred, good morning everyone. It is very good to be here again with you once again to talk about Ultrapar's results. And, before I start, I would like to highlight a point about the earnings report: in 2020 and 2019, we had some non-recurring impacts that affected our results, which throughout the year we explain in our disclosures. You will notice in the explanations that we highlighted some of these non-recurring, positive and negative effects, so that we could analyze the recurring operating performance of our businesses and those of Ultrapar

Very well, beginning with Ultrapar's consolidated results in slide number 4. Our EBITDA was R$ 949 million in the fourth quarter of 20, a growth of 163% over the same period of 2019. Here I should point out that, in the fourth quarter of 19, we had the impairment of R$ 593 million of goodwill at Extrafarma and a write-off of R$ 14 million of Oxiteno Andina assets, while in the fourth quarter of 20 there was R$ 85 million in non-recurring tax credits for Oxiteno. Excluding these non-recurring effects, there was a reduction of 11% of our EBITDA, due to the lower EBITDAs at Ipiranga and Ultragaz, despite the results growth in Oxiteno, Ultracargo and Extrafarma. Fourth quarter results for Ultrapar were in line with what we had indicated in the last conference call of our third quarter results, some businesses a little above and others a little below.

Looking now at the results for the whole year, our EBITDA in 2020 came in at R$ 3,479 million, a growth of 24% compared with the previous year. Excluding the non-recurring effects mentioned in the footnotes for both years, we had a 5% lower EBITDA, due to the decline in results at Ipiranga, that was severely affected by the pandemic, but for the most part compensated by strong results in Oxiteno, Ultragaz, Ultracargo and Extrafarma, what reinforces the resilience of our business portfolio.

Moving now to the net income chart, we reported a profit of R$ 432 million in the fourth quarter of 20, an increase of R$ 699 million compared to the fourth quarter of 19. This was due to the improved financial result and the negative impact of the impairment at Extrafarma in the fourth quarter of 19.

Net income for year of 2020 reached R$ 928 million, a growth of 130% compared with the preceding year and for the same reasons I have just mentioned and the higher reported results. As we have already announced, our Board of Directors has approved the payment of R$ 480 million in dividends for the year of 2020, equivalent to R$ 0.44 per share, which represents 52% of the net income for 2020 and a dividend yield of 2.4%.

Even with the adverse scenario during 2020, we reported record operational cash generation after investments, reaching R$ 2.1 billion, 29% higher than the preceding year. This was achieved thanks to the enhancement of our working capital management and to lower investments, without affecting our potential for expansion. Our cash generation is an indicative of our commitment to financial discipline and soundness and of the resilience of our business.

Moving on to slide 5, to talk about developments in our liability management.

Our strong cash generation allowed us to end the year of 2020 with a leverage ratio of 3x as measured by net debt to EBITDA, one more sequential reduction in leverage, as you can see in the chart.

It is also worth pointing out that from the first quarter of 20 we have been including leases payable in the net debt calculation, following the implementation of IFRS 16. This inclusion contributed to the increase in leverage, even though these leases are not financial debts.

In the fourth quarter of 20, we anticipated the payment of some of our debt, whose effects you can see in the graph in the bottom right, leading to lower levels of cash and gross debt. This anticipation is part of our active management approach for reducing debt carrying costs.

Now moving on to slide number 6 to talk about Ultragaz.

Fourth quarter sales volume was 1% lower year-on-year, despite the growth of 4% in the bulk segment, due to a reduction of 4% in the bottled segment, as a consequence of lower sales in the Southeast region.

In the bulk segment, we reported growth in sales volume to the industry segment, offset by lower demand from the commercial and services segments, both still much affected by the pandemic. In 2020, sales volume was 2% higher than in 2019, due to growth in the bottled segment in the first half of 2020, benefited by the greater social isolation in the period.

SG&A expenses at Ultragaz increased 4% in relation to the same quarter in 2019, due to increased expenses with variable compensation, in line with the company's earnings progression for the year, as well as higher freight expenditure. On the other hand, we were able to implement reductions for several lines through initiatives for controlling and optimizing expenses, resulting in a decrease of 3% in SG&A when compared with 2019.

EBITDA at Ultragaz was R$ 154 million in the quarter, an 8% reduction compared with the same quarter of 2019, due to lower sales volume, higher maintenance costs, due to a concentration of tankage requalification in the 4Q of 20, and higher SG&A.

In 2020, Ultragaz's EBITDA reached a record level of R$ 729 million, a strong year-on-year growth of 24%. This result was driven by higher sales volume, mainly a function of greater social isolation in the second quarter of 2020, as well as greater operational efficiency and reduction in expenses.

Let's now move to Ultracargo, in slide 7.

As you can see in the left-hand chart, average capacity in the year reached 832 thousand cubic meters, a growth of 12% compared to 2019, on the back of the capacity expansion in the Itaqui and Santos terminals since 2019. When we compare the fourth quarters of each year, there was a growth of 3%.

In 2020, the cubic meter sold was 14% higher in relation to the preceding year, mainly the result of capacity expansions at Santos and Itaqui in the second half of 19 and the first half of 20, as well as the greater efficiency in the utilization of existing tankage capacity.

Net revenue at Ultracargo amounted to R$ 166 million in the fourth quarter, 9% higher than that of 4Q in 2019, due to the capacity expansion, greater number of spot operations and improved efficiency in the use of existing tankage, as well as new contracts and contractual readjustments. For the full year, net revenue at Ultracargo reached R$ 644 million, 19% higher than 2019, for the same reasons that influenced the result for fourth quarter 20.

Combined costs and expenses fell 7% in the quarter, mainly due to one-off expenses arising from the start of work on the expansion at Santos and Itaqui terminals and from payroll indemnities, both occurring in the fourth quarter of 2019. It's worth mentioning that, as seen in the last few quarters, costs and expenses per cubic meter sold posted a reduction of 11% year-on-year, a notable gain in terminal productivity.

With this, Ultracargo's EBITDA was R$ 77 million in the quarter, 43% higher than that in the fourth quarter in 2019, due to higher sales revenue and productivity gains. Ultracargo reached a record EBITDA result of R$ 337 million in 2020, 41% higher than that in 2019, excluding the extraordinary effects mentioned in the slide. The company's EBITDA margin in 2020 was 52%. This growth illustrates the benefits of leverage on results from capacity expansions and efficiency gains at the terminals.

Talking about of 2021, for this first quarter, we expect a result close to that of the first quarter of 2020.

Now moving to the next slide, number 8, to talk about one more great quarter at Oxiteno.

Specialty chemicals sales volume in the fourth quarter were seasonally very strong, with year-on-year growth of 21%, thanks to higher sales across the board in all segments in Brazil, most notably in home & personal care, crop solutions, and coatings. Sales were also higher in the United States operations, with an 18% increase over 2019, result of the continuing ramp-up, although still partially impacted by the pandemic. Commodity volume sales were flat year-on-year. For the year 2020 as a whole, sales volume was 3% higher than that in 2019.

SG&A expenses rose by 16% in the quarter, due to currency variation at our international units, higher logistics expenses due to increased sales volume, and higher expenses with variable compensation, in line with the results growth.

Oxiteno's 2020 fourth quarter EBITDA amounted to R$ 262 million, on the back of extraordinary PIS/Cofins tax credits worth R$ 85 million. We should also remember that in the fourth quarter of 2019 we had the sale of Oxiteno operations in Venezuela, with a R$ 14 million asset write-off.

If we exclude non-recurring effects, Oxiteno's EBITDA was R$ 177 million, a growth of 150% in recurring EBITDA compared with the fourth quarter of 2019, on the back of higher sales volume, the continuing ramp-up of operations in the United States and the devaluation of the Real.

In 2020, Oxiteno was our third business to report record results, with a reporting EBITDA of R$ 785 million, 254% better than that of 2019. Excluding non-recurring effects, EBITDA was R$ 629 million, 167% higher than the previous year.

We forecast continued growth and good results at Oxiteno for the first quarter 2021, with recurring EBITDA levels above that of the fourth quarter of 2020, despite lower sales volume outlook.

Now onto slide 9, to talk a little about Ipiranga.

Sales volume in the fourth quarter fell 5% year-on-year, a direct result of the pandemic, that significantly impacted fuel consumption in Brazil. As you can see from the chart, the Otto cycle segment was the most affected, with a 9% decline due to the restrictions imposed and reduced car use. Diesel sales were less impacted, with a reduction of 2%. The chart on the right-hand side shows the trend in fuel consumption since the start of the year. You can see a gradual recovery in volumes, consequence of improving vehicle traffic. For the year 2020, consolidated volume reported a decrease of 9%, with a 14% drop in Otto cycle and 3% decrease for diesel.

We ended the year with a network of 7,107 service stations, 17 more than at the end of the previous year. An unfavorable fuel import parity and lower cost increases in oil derivatives in the fourth quarter of 2020 makes a comparison with the third quarter difficult.

SG&A expenses continued to contribute to minimizing the effects of lower volumes and margins, with a reduction of 10% compared with fourth quarter 2019, mainly on the back of initiatives implemented for optimizing and controlling expenses as well as lower expenses with doubtful accounts and freight, in line with lower sales volume. In the year, SG&A fell 15% in relation to 2019.

The “other operating results” line for the fourth quarter 2020 was down R$ 54 million compared with the same period of the previous year. This difference is mainly due to the provisioning of decarbonization taxes (the CBIO) worth R$ 58 million in the fourth quarter of 2020 in order to meet the target for the year. On the other hand, Ipiranga sold real estate worth a total of R$ 47 million in the fourth quarter of 20, part of the efforts to improve the company’s capital efficiency through eventual sales of assets where the return to capital employed is inadequate.

As a result, Ipiranga’s fourth quarter EBITDA amounted to R$ 487 million, 30% down year- on-year, the result of lower sales volume, lower margins and a reduced result from other operating results, partially offset by a decrease in SG&A and higher result from the sales of assets.

For the year of 2020, EBITDA was R$ 1,712 million, 31% down on 2019, in spite of a 15% reduction in SG&A, mainly due to 3 factors: lower sales volume, narrower margins, especially in the case of ethanol, the net negative effect in the year of fuel price volatility and the provisioning decarbonization taxes.

Looking ahead, to the first quarter of 2021, we expect a continuing recovery in volumes, with results similar to that of the first quarter of 2020.

Moving now to Extrafarma in slide 10.

We ended 2020 with 405 stores, 3% lower than in 2019, reflecting a more rigorous approach to non-performing stores and greater selectivity in expansion. It is also worth noting that 25% of the stores are still at the ramp-up phase.

Gross revenues were R$ 548 million, 4% above that of the fourth quarter of 2019, despite the network 3% smaller, due to 6% growth in same-store-sales, one of the highlights of the quarter at Extrafarma. This growth was driven by improved results from promotional initiatives, particularly the implementation of the personalized promotional coupon for the entire network, and higher Black Friday sales, as well as the effect of the annual readjustment in medicine prices and stronger sales through the digital channels. For 2020 full year, gross revenue at Extrafarma was R$ 2,106 million, 3% lower than the preceding year.

SG&A expenses fell 11% year-on-year in the fourth quarter, reflecting the smaller network, productivity gains and logistics optimization and expenses contingencies. In the full year, SG&A expenses also fell 11% compared with the full year of 2019, for the same reasons I just explained.

Other operating results improved R$ 7 million in the fourth quarter, as a result of tax credits write offs in the fourth quarter of 2019.

I remind you that in the fourth quarter of 2019, there was a goodwill impairment in the amount of R$ 593 million from the acquisition of Extrafarma, with no cash effect.

And, to conclude, Extrafarma posted an EBITDA of R$ 34 million in the quarter, a quarterly record. This is R$ 44 million better than that in the fourth quarter of 2019, excluding the effect of the impairment in the that year.

In 2020, Extrafarma reached an EBITDA of R$ 84 million, 3 times more than that of the preceding year, again excluding the impact of the impairment. This growth is the result of network ramp up, improved profitability and the process of closing under-performing stores as well as initiatives for improving productivity and reducing expenses.

For the current first quarter, we expect to see continued growth in results year-on-year, but at a lower level than that observed recently.

Now on slide 11, to talk about our guidance for the year.

Last night, we announced our EBITDA forecasts for 2021, for Ultrapar and each of our businesses.

The macro-economic outlook continues volatile and uncertain. The macro-economic assumptions we used are shown in the chart on the right. You should note that we are not contemplating an additional impact from the pandemic.

Given this scenario, we are forecasting a consolidated EBITDA for Ultrapar between R$ 3,800 million and 4,650 million, an important growth in results over 2020, on the back of recovery in results in Ipiranga - the business most affected by the pandemic - and projected growth in Oxiteno, Ultracargo and Extrafarma.

Now talking quickly about the forecasts for each business.

At Ipiranga, we expect to gradually recover volumes and profitability throughout the year.

At Oxiteno, we expect another year of strong growth and record results, serving segments with good growth prospects despite the pandemic, such as home and personal care and crop solutions, also helped by favorable exchange rates. Here I would point out that we do not intend to contract the zero cost collar in 2021, following the review of our hedging policy by our Board of Directors at the end of last year.

At Ultragaz, we believe it is unlikely there will be results growth over 2020, considering the positive effects we had, mainly in the second quarter of 2020, with a spike in LGP consumption during the period when social isolation measures were being observed most diligently, although we expect significantly better results than that of 2019.

For Ultracargo, with the expansion in tankage capacity and gains in efficiency and productivity, we expect growth and to reach a new level of results. I would also point out the significant expansion underway at the new Vila do Conde terminal and the expansion at Itaqui, which will add 156 thousand cubic meters to capacity between the end of 2021 and the beginning of 2022. This will result in about 20% growth in tankage, with productivity and scale gains as the new capacity becomes operational.

At Extrafarma, we also project a higher level of results and strong year-on-growth, on the back of the initiatives already implemented for improving network management, as well as of greater logistical and operational efficiency. Please note that these projects do not include eventual acquisitions or divestments.

Before closing my presentation, to slide number 12, I would also like to draw your attention to our IR agenda for 2021. This year, we will start a series of specific events for the analyst and investor community. Each event will take about one hour with the objective to increase exposure to our strategy, results, and perspectives, as well as to our executives. We are starting this series with Ultracargo on March 25. We are also planning specific events on AmPm, abastece aí, ESG, among others, for the year. We shall be sending out invitations as the events are confirmed.

We are also planning more international events during the course of 2021, for similar reasons. Our traditional Ultra Day, more or less based on the same model we did in 2020, will be held in May this year. The dates of our annual general shareholders meeting now in April, whose management proposal will be available in mid-March, and the quarterly releases are also shown in the slide.

I hope that the greater interaction and exposure of the company will allow both our executives as well as our strategy and perspectives to become better known and understood. I appreciate your interest and attention today. And now we can now begin the Q&A session. Thank you.

Question and Answer Session

Operator: We will now start the question and answer session, only for investors and analysts. If there are any questions, please enter*1. If your question is answered, you can exit the queue by entering *2.

Questions will be answered in the order they are received. We kindly ask you to lift the handset when asking the question, so that a great sound quality will be offered.

Please wait while we collect the questions. If you are participating via the webcast, please click on “ask the speaker” to send your question to company executives.

Our first question comes from Luiz Carvalho, from UBS. Please, Luiz, you can proceed with your question.

Luiz Carvalho: Hi guys, Fred, Rodrigo, thank you. I have 2 questions. The first refers to Ipiranga, looking at the company’s results and also looking at the players, let’s say, Ipiranga’s main competitors, we still see a very erratic result, let’s say, from the point of view of volume and margin. Ipiranga obviously had a difficulty a few years ago from the point of view of strategy, let’s say, I think that the perception we already have is that it has already been corrected, but I would like to understand from you what is your analysis as per this result below that of other business of the company and also below the main peers?

The second question, which is almost frequent on my side, is related to the capital allocation, I would like to perhaps address it here from 2 different angles. If you can comment a little on the refining process now that it is public that you are participating in the Refap process, how much of this latest news affect the process, the attractiveness of the asset, your view.

And I would like you to comment also on your strategy to try to unlock some kind of value via AmPm and Km de Vantagem. Thanks.

Frederico Curado: Well, Rodrigo... good morning, Luiz, thanks for the questions. Let me first start with the second, but I think it is important to comment, yes, this whole scenario and the question is absolutely legitimate and correct in this current situation.

Our view on the oil and gas sector, in particular the downstream one, it is a structural view, a long term view, so there are some pillars that remain strictly valid, one of them is that Brazil is a market with a structural deficit of derivatives. Brazil, the installed refining capacity, even if it has been optimized, is not enough to absorb all the demand. So, this is an important guarantee of, let's say, commercial risk from the point of view of the volume of the refineries.

The second important thing is also that the tendency of the oil companies, of the big ones, to concentrate on the upstream part, of production, is a global trend and Petrobras comes with a lot of clarity vocalizing this, and this is not a question of the current Petrobras board, this is a global trend and is a necessity for the company. So, the company really comes on the right path, that the others Esso, Shell, BP, Chevron, all around the world, have already tried to focus on what they usually ... not that usually, but that most certainly they manage to generate more value.

So, in this structural view ... well, then, of course, there is also this uncertainty, the doubt, an anxiety, "hey, but if there is a subsidy there, what happened in the previous years, there for 2015", the people also see this structurally as a very unlikely thing. It may have some fluctuation in the short term, it may be some political influence, but, structurally, once again, thinking about the long term, on the one hand, we have some important regulatory frameworks there, Petrobras' own bylaws, the law of state-owned companies itself does not allow state-owned companies to be used as public policy instruments.

On the other hand, also, someone can say "wow, but if it is possible to change the bylaws?", of course, it is possible, but the country's tax space does not allow this type of practice. So, basically, long story short, I think that the premises first led us to seek this investment attempt in the sector, they remain valid, obviously we are in a negotiation process, we did not have any sign from Petrobras to change the course of the negotiations, absolutely no negative sign in this regard, we are proceeding with the negotiations, which are not simple, it is a complex asset and will take some time yet.

So, we are still convinced that this partial privatization of the refining sector will improve the dynamics of the sector, it will improve competitiveness and we want to be a player in this new scenario.

And then quickly commenting on AmPm and *Abastece Aí* (Portuguese for Fill Up Here), that you asked, Luiz, yes, we are working on both fronts. AmPm has been under a new management for 2 years, did an important job close of underperforming stores in 2020, you may have followed, we have opened some different strategies in our experience, our testing phase with our stores' own operation at our resellers, always evidently in partnership with the resellers, it proved to be very relevant and very productive, we have been accelerating this, we already have around 60 stores already operated by AmPm itself, and this is even a win-win with the reseller itself, who can specialize on the track, whereas we are able to specialize a little in retail, even in the store.

In the case of *Abastece Aí* (Portuguese for Fill Up Here), the spin-off we did last year preparing this structure, we already have it today ... I have in my mind the data from the end of last year, we have already passed 2.3 million digital accounts, as if it were a startup, in fact it is a startup, yet another startup that already comes with a very, very relevant operational base because it is linked to Km de Vantagem.

So, last year we had around R$ 3.5 billion in TPV, right, transactions in our application, around 35 million transactions made with all the operational challenges of scaling the IT part itself and its structure for that and a very interesting recurrence, we have around 3 million people with recurrence in the use of Km de Vantagem and *Abastece Aí* (Portuguese for Fill Up Here).

So, anyway, we are on the 2 fronts walking to justify, demonstrate these values.

Well, Rodrigo, do you answer about Ipiranga?

Rodrigo Pizzinato: Good morning, Luiz, and your question about Ipiranga, I will start by answering about the comparison with the third quarter, and we have an important effect in this comparison, which were the inventory gains and losses with imports in the comparison between quarters, and this delta that we had in the fourth quarter of 20 compared to the third quarter of 20 is of R$ 100 million, which represents an order of magnitude and R$ 17 per cubic meter, so this helps explaining this difference between quarters.

From the strategic point of view and looking forward, we have focused on Ipiranga in the branded network, as we have already talked to you in the last quarters, and in the fourth quarter we even gained 0.3 points percentage of participation in the branded network.

We have been working in the Retail and independent service station segment in an opportunistic way, at that moment the margins are very tight, so we have not had any volume gains in this market, you are looking, you are attentive, but when we look forward, I suggest, and even to look back at the comparisons, specific situations of companies can bring variations, but as a tendency to look at a longer term than the quarterly, and we just released our guidance for 2021 that gives the perspective of what we are looking forward to and profitability trends for Ipiranga, and obviously this may have quarterly fluctuations due to these variations in fuel costs, mainly in stock and imports, but as a trend this is what we are expecting for Ipiranga.

Luiz Carvalho: Okay, it is noteworthy, Rodrigo, if I can just make one last comment, it is what draws a lot of attention to volatility, let’s say, between margin and volume in the last quarters. I mean, sometimes you gain market share and lose a little margin, sometimes it is the other way around. It is difficult for people outside here to identify the line of the company’s strategy, do you understand? That’s it, but OK, thank you.

Rodrigo Pizzinato: But this point, Luiz, you are right, this point is very focused on those segments that I commented on Retail and independent service stations, this is where the biggest fluctuation is. In the branded segment, as I mentioned, we not only maintained but gained a share in the fourth in relation to the third quarter.

Luiz Carvalho: That's right, thank you

Operator: Reminding you that to ask questions, just enter *1. If you want to remove your question from the queue, enter *2

Our next question comes from Thiago Duarte, from BTG Pactual. Please Thiago, go ahead.

Thiago Duarte: Hello, good morning. Good morning Frederico, good morning Rodrigo. I would like to ask 3 questions. The first is if you can, as far as possible, obviously, talk a little about the premises that led to this guidance range, especially when we look at Ipiranga and Oxiteno, that the range is a little more open, it is suggesting a better and worse scenario far away from each other.

It is clear I think the macro assumptions, it is clear I think the option for this wider range due to the volatility and an important degree of uncertainty, but if you can only talk a little about what is implied, as far as possible, at the top and on the floor for these 2 divisions, I think it would help us to navigate a little bit about your expectations. That is the first question.

The second question, focusing specifically on Ipiranga, I am going to bring up a topic that we usually bring up in calls and somewhat associated with the previous question. You ended the quarter with 7.107 service stations, if you can, once again, open to us how it happened in terms of addition and gross loss of service stations for us to try to understand if there is any change in the speed of branding or in competitive dynamics for branding. This is important information.

And finally, [incomprehensible – sound failure] ... what does it imply and what are the changes in this new model that you are putting in place, mainly [incomprehensible – sound failure] ... and the value proposition for clients and consumers, and lastly what do you imagine that this penetration of the store base should perform forward, right? You had increased a lot the penetration of the service stations with AmPm

Rodrigo Pizzinato: Thiago, Thiago...

Thiago Duarte: Hi!

Rodrigo Pizzinato: Thiago, sorry to interrupt you, but your call cut on the third question now. If you can start again, a lot at the beginning was cut...

Thiago Duarte: Oh, sorry! So let's go, please let me know if there is another problem. My question is about the AmPm stores, if you can give us a little more details of what this new model is, this new value proposition, both from the point of view of the owner of the service station and from the point of view of consumers, and how you see the penetration of this convenience store, which you had a penetration of over 30%, now it fell a little after last year's closings, and then how you understand that this should evolve forward.

Rodrigo Pizzinato: Thiago, good morning, thanks for the questions. Starting here with the first one on the assumptions for the guidance range, mainly at Ipiranga and Oxiteno, at Ipiranga, the 2 main factors for this range are the fluctuations in fuel costs and fuel margins, mainly of ethanol, which are very tight in relation to what we had before the pandemic, and what helps to explain this range are these 2 factors: expectation of fluctuation in relation to cost; and fuel margin, mainly in the ethanol margins.

At Oxiteno, it is more related to volume and dollar margins, also due to possible fluctuations and reference prices. So, these are the 2 main factors that led us to define this little longer range for Ipiranga and Oxiteno.

Talking here about the second point, which is about the service stations, addition and closing now in the fourth quarter, in this quarter we had 100 service stations closed, so we opened 100 and closed 100, and what we have been noticing and have been working on to this is for the throughput of the new stations to be higher than what we have been having on average and what we are having at closing, and that is what we have been noticing. We are closing the worst stations and opening stations with higher throughput, of about 15-20% above.

So, this is a bit of a change in the network of service stations we had in the fourth quarter.

And now on the third point, about AmPm, the change in store model that we have started implementing it has a lot to do with you creating a more welcoming environment within the convenience store, increasing exposure and highlighting products that go beyond than it is obvious that you go to a convenience store and may not be in the attention of all customers, that you sometimes go to make a quick purchase of a drink or chewing gum, a cigarette and go straight to the cashier, so we have been creating an environment to encourage the sale of products that even have good margins and better margins for us, which are fresh products, Ipiranga's own bakery and all these aspects of incremental sales that help make the store more profitable, in addition to creating that more welcoming environment.

So, we have been ... at the beginning there are still few points of analysis, but we have been experiencing significant growth in stores with this new model in relation to the previous model, which are resulting in an increase in the result of this store in about 10 percentage points. But I would just like to highlight that this growth that we are experiencing is with very few evaluation points.

Along with this, we are also implementing the own store management model because it gives Ipiranga a benefit of knowing AmPm's operation better and thereby helping franchisees better, it simplifies for many service station owners, there are a service station owner who doesn't want to, he wants to have the convenience store, but he doesn't want to manage it, and it's a point that can be very good for a convenience store. So, this also allows us to increase the penetration of AmPm stores in the chain and we maintain the volume benefit of the station that an AmPm convenience store brings, in addition, of course, to earn rental revenue from the service station.

So, when we combine all of this, we have a 25% penetration of AmPm stores at our service stations, we imagine that this has the potential to reach something between 40 and 45% in the coming years.

Thiago Duarte: It's very clear, Rodrigo. And just regarding the model, does something change in that more macro perspective that you intended when thinking about Ipiranga service station and the store I think was one of the main drivers of this as being one, you know, "there is everything in Ipiranga service station". I mean, the store, when you talk about changing the mix, it is a very marginal adjustment or does it change the concept of what the convenience store should be and the station should be?

Rodrigo Pizzinato: No, the vision does not change. In fact, with the store's own management, the benefit now seen is even greater than what we had before, than we saw before due to these incremental results that we are starting to experience in the stores with our own management and new operation model.

So, in fact, we have an even more optimistic view regarding the outlook for results that AmPm will bring to the network.

Thiago Duarte: It's okay, thanks.

Frederico Curado: In addition, Thiago, this last question, this last comment, what we see in the world is an even more relevant contribution – not here in Brazil, but – the direction is of an increasing contribution of the store's relevance in the station, it's a worldwide trend. So, the strategy is the same, but to move in that direction there to proportionally increase the relevance for the station.

Thiago Duarte: It is very clear, Frederico, Thank you. Thank you both.

Operator: Our next question comes from André Hachem, from Itaú. Please, André, go ahead.

André Hachem: Hi Frederico and Rodrigo, how are you? Are you listening to me well?

Rodrigo Pizzinato: Well.

André Hachem: Perfect! Thanks for the questions. I have a question that I would like to explore a little more with you, even coming back to a question from Luiz about the refinery. With all the recent events, and I imagine that, again, your vision is much longer term, it created a lot of volatility in the market. You have along with this a second point that the refineries are now launching at different rates, Repar went back a step backwards and Refap continues to move forward.

I would like to understand how, in your view, it would be a scenario in which only Refap would be sold – if you bought Refap – and Repar would not be sold, if you could eventually give up on the purchase, if there is any clause in this regard. I imagine that the robustness, if all the assets do not advance in the same step, the robustness of having only one refinery being sold, would change the thesis a little bit, a little bit your perception of risk.

So, I would like to understand a little better how you are evaluating the perception of the refinery if only your assets exit, if you would remain engaged in this purchase or you could exit.

And if in any way, given that there may be more volatility over the next few days, how could you exit or continue this operation. What are your options to continue the refinery acquisition process? Thanks.

Frederico Curado: André, this is Fred, thanks for the question. First, I think that our base case ... I will answer the question, but it is important to stress that our base case is not this, certainly you saw a statement (I think until the day after all this confusion) that CADE issued a public note stressing the issue of Petrobras' obligation to divest half of the refining park in volumes, so our base case is this.

But, being the purpose of your question, Rlam, as far as we know, it is also public information, the contract has already been signed, that is, it is already a deal, in our closed understanding. Refap advances, of course, it is a complex negotiation process, as I said, but I think, therefore, that the most extreme case would not be just Refap, the most extreme case would be Rlam and Refap.

So, if that happens, in our view, first it is unlikely and second it would be for a limited time too, the long-term trend is certainly the further opening of the market. I even think that ultimately it will end ... Petrobras could even exit from the refining market as a whole, like most international companies, but if you take Refap and Rlam together, that should result in around 15 to 20% of the national complex. It is a relevant critical mass already in private hands, I think it is already strong enough for the new dynamics of the sector.

So, of course, all of this I am talking about is circumstances, but this is the most logical framework for us, for the process to continue, Repar itself will be resumed, but we have a contractual negotiation over the next few months and let's see, if any new variables arise, of course, we will consider if and when they do. But, at the moment, we continue.

André Hachem: Perfect, Fred. I will ask just one question here, hypothetically logical, it's not our base case scenario either, if you wanted to… if you don't want to go ahead with this purchase, is there a penalty? How long could you cancel the purchase effort?

Frederico Curado: André, the negotiation process is a contract negotiation process, several contracts, you know. So, in fact, it is not even cancel the purchase, in fact, the purchase has not been concluded yet. We were selected as the best price offer and there is a very complex negotiation, and what can happen is that we may not reach a good agreement with one or more of these contracts, so, in fact, it is not about canceling something that already happened; it is about not materializing something that both companies are looking for.

So, I think that's the context.

André Hachem: Perfect, crystal clear. Thanks for the answers.

Operator: Our next question comes from Régis Cardoso, Credit Suisse. Please Regis, go ahead.

Régis Cardoso: Hi, good morning, thanks for the questions, Rodrigo, Fred. There are some focuses that I would like to discuss, perhaps first in the results of the fourth quarter in particular and at Ipiranga if this lower gross margin was the result of any specific dynamics, perhaps imports, or if you felt in some way also a competitive dynamic that has pressed margins down. If you can even extend this comment to what you have seen so far in the first quarter of 21.

And then, in this line too, I would like to understand whether cyber-attack or now this possible disruption, I don't know if you have felt, but a possible disruption of diesel supply in March by Petrobras, if any of these effects, in your view, could hinder Ipiranga's performance in the first quarter.

Perhaps still in line with the effects of the recent statements, if you believe it is feasible to break the pump price at the level of detail to say not only taxes, but also the composition of costs, which of course has all these stock fluctuations and everything. If I'm not mistaken, in the president's speech he wanted to show even the margins of the reseller and the distributor. I would like to understand if you can imagine if this is a feasible thing.

And then, perhaps lastly, in this discussion that encompasses everything that happened in the last statements, whether this monophase taxation of PIS and COFINS and the change in (ICMS) ad rem. This is clearly something that would be very favorable for the sector, but I would like to understand, in your view, if it is important that the rate is uniform among the states, what kind of arbitration could this cause because it seems to me the most controversial point in the approval. Thanks.

Rodrigo Pizzinato: Good morning, Regis, thanks for the question. I start here by answering the comparison between the fourth quarter gross margin quarters. As I said, when comparing the fourth with the third quarter, we had a delta between stock gain and loss on imports due to the closing of the scenario, a delta of R$ 100 million of magnitude, which affects in this comparison the gross margin around R$ 17 per cubic meter. So, this is the main effect between quarters that affected margins.

Your second question about taxes, I think Fred will help me with the answer here.

Frederico Curado: I think that until the third or fourth question about cyber, if I understood the question correctly, in terms of material impact, and I also had, if I understood correctly, a question about Petrobras' supply issue, an answer that is not seeing this. I don't know if I understood the questions correctly, but then you add, Rodrigo, but let me talk a little here about the issue of monophasic taxation.

We already have a monophase taxation in the case of gasoline and diesel in federal taxes, so it would be very important in every way. This is the type of game that would be a win-win because, on the one hand, it would simplify a variety, the tax area, which really is a great complexity. In addition to the monophase taxation, the issue of ICMS becomes "*ad rem*", you know, that is, be in terms of volume and not in terms of prices, price expectations. I mean, these are simplifications that would be very positive for the sector as a whole, and we firmly believe that this would not even represent a reduction in revenue.

Of course, equalization between states would also be positive, because then you take away distortions, tax evasion, fraud, but monophase taxation and the calculation of ad rem tax would be really, really important.

Another benefit of this tax change, if it happened, would be the issue of tax evasion. Our sector is a sector subject to tax evasion, the tax margin is substantially higher in the price composition than the distribution margin itself, so it is impossible to compete with tax evaders. Unfortunately, this is a reality that still disturbs our chain and has even grown a little recently. So, we are frankly in favor of this tax simplification.

Rodrigo Pizzinato: Regis, if you can repeat your question about opening the margin because I don't know if I understood it correctly.

Régis Cardoso: Of course, Rodrigo. The question was in the context ... my purpose was to understand if this margin dynamics in the fourth quarter, if the effects were occasional, I understood that there was the dynamics of import stocks, and then thinking about the first question, what new occasional effects could have.

Then I think that one of the topics, about the cyber-attack was clear, other topic that appears is a newspaper article that came out recently, in fact, I would like to know if you have noticed, in fact, this risk of Petrobras not being able to supply completely the deliveries scheduled for March, if this presents a risk to the result in any way. Thanks.

Rodrigo Pizzinato: Got it, Regis. I think the first part I answered, let me deal with the second, then.

I think there is this possibility of a lack of fuel, the supply issue may exist, but we are mitigating this risk by complementing our imported volume, so we think this risk is low for our operation.

Régis Cardoso: Got it. On the other hand, I mean, if the price continues to be discounted, could this import have an effect similar to what happened in the fourth quarter now? Sorry, last follow-up. Thanks.

Rodrigo Pizzinato: Prices have been changing in the last few weeks, if there is a negative scenario; this is reflected in the loss of export results, if the scenario is positive, this is a gain with imports. So, it depends on this revolution throughout the quarter.

Régis Cardoso: Great, thank you very much.

Operator: We then finished the question and answer session. Now I would like to give the floor to Mr. Rodrigo Pizzinatto for his final remarks.

Please, Mr. Rodrigo, you can proceed.

Rodrigo Pizzinato: Ok, thank you all very much for your attention and I'll meet you [...]

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