

ULTRAPAR HOLDINGS INC

Form 20-F

April 23, 2019

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As filed with the Securities and Exchange Commission on April 22, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark one)

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES
EXCHANGE ACT OF 1934**

OR

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

For the fiscal year ended December 31, 2018

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

OR

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number: 001-14950

ULTRAPAR PARTICIPAÇÕES S.A.

(Exact name of Registrant as specified in its charter)

ULTRAPAR HOLDINGS INC.

(Translation of Registrant's name into English)

The Federative Republic of Brazil

(Jurisdiction of incorporation or organization)

Av. Brigadeiro Luis Antônio, 1343, 9º Andar

São Paulo, SP, Brazil 01317-910

Telephone: 55 11 3177 3820

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|--|--|
| Common Shares, without par value (represented by, and traded only in the form of, American Depositary Shares (evidenced by American Depositary Receipts), with each American Depositary Share representing one common share) | New York Stock Exchange |

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

The number of outstanding shares of each class as of December 31, 2018.

| Title of Class | Number of Shares Outstanding |
|-----------------------|-------------------------------------|
| Common Stock | 543,014,947 |

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Note: Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

| | |
|-------------------------|-------------------------|
| Large Accelerated Filer | Accelerated Filer |
| Non-accelerated Filer | Emerging growth company |

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

International Financial Reporting Standards as issued

U.S. GAAP

by the International Accounting Standards Board

other

If ☐ Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow: ☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☐ No

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INTRODUCTION

Ultrapar is a Brazilian company with more than 80 years of history, with leading positions in the markets in which it operates: specialized distribution and retail through Ultragaz, Ipiranga and Extrafarma, production of specialty chemicals through Oxiteno and liquid bulk storage services through Ultracargo.

Ultragaz is the leader in LPG (as defined below) distribution in Brazil, which is one of the largest markets worldwide. Ultragaz had a 23.6% market share as of December 31, 2018 according to ANP and was one of the largest independent LPG distributors in the world in terms of volume sold. Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Ultragaz Competition. As of December 31, 2018, we delivered LPG to an estimated 11 million households through a network of approximately 5.4 thousand independent retailers in the bottled segment and to approximately 54 thousand customers in the bulk segment.

Ipiranga is one of the largest fuel distributors in Brazil, with a network of 7,218 service stations and 20.2% market share as of December 31, 2018 according to ANP. See Item 4.B. Information on the Company Business Overview Fuel Distribution Ipiranga Competition.

Oxiteno is one of the largest producers of ethylene oxide and its main derivatives in Latin America, a major producer of specialty chemicals and the sole producer of fatty-alcohols and related by-products in Latin America, according to IHS Chemical. Oxiteno has twelve industrial units: six in Brazil, three in Mexico, one in the United States, one in Uruguay and one in Venezuela and commercial offices in Argentina, Belgium, China and Colombia.

Ultracargo has a leading position in its sector, being the largest provider of liquid bulk storage in Brazil in terms of number of terminals and storage capacity according to ABTL, with six terminals and a storage capacity of 700 thousand cubic meters as of December 31, 2018.

Extrafarma is the fifth largest drugstore chain in Brazil, according to ABRAFARMA, with 433 drugstores and 2 distribution centers as of December 31, 2018.

References in this annual report to Ultrapar, we, our, us and the Company are to Ultrapar Participações S.A. and consolidated subsidiaries (unless the context otherwise requires). In addition, all references in this annual report to:

ABIQUIM are to *Associação Brasileira da Indústria Química*, the Brazilian association of chemical industries;

ABRAFARMA are to *Associação Brasileira de Redes de Farmácias e Drogarias*, the Brazilian association of pharmacy and drugstore chains;

ABTL are to *Associação Brasileira de Terminais de Líquidos*, the Brazilian association of liquid bulk terminal operators;

ADSs are to our American Depositary Shares, each representing (i) one common share, with respect to any period on or after August 17, 2011; or (ii) one non-voting preferred share, with respect to any period prior to August 17, 2011;

Alesat are to Alesat Combustíveis S.A.;

am/pm are to Ipiranga's convenience stores franchise network that operate under the brand am/pm, managed by am/pm Comestíveis Ltda.;

American Chemical are to American Chemical I.C.S.A., a company that was acquired by Oxiteno in November 2012, currently Oxiteno Uruguay;

ANFAVEA are to *Associação Nacional dos Fabricantes de Veículos Automotores*, the Brazilian association of vehicle producers;

ANP are to the *Agência Nacional do Petróleo, Gás Natural e Biocombustíveis*, the Brazilian oil, natural gas and biofuels regulatory agency;

ANVISA are to the *Agência Nacional de Vigilância Sanitária*, the Brazilian health surveillance agency;

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Aqces are to Aqces Logística Internacional Ltda.;

Arch Andina are to Arch Química Andina, C.A., a company that was acquired by Oxiteno in September 2007, currently Oxiteno Andina;

ARLA are to Automotive Liquid Reducing Agent;

B3 are to the B3 S.A. Brasil, Bolsa, Balcão, the São Paulo Stock Exchange;

Braskem are to Braskem S.A.;

Brazil are to the Federative Republic of Brazil;

Brazilian Corporate Law are to Law No. 6,404 enacted in December 1976, as amended by Law No. 9,457 enacted in May 1997, by Law No. 10,303 enacted in October 2001, by Law No. 11,638 enacted in December 2007, by Law No. 11,941 enacted in May 2009, by Law No. 12,431 enacted in June 2011, by Law No. 12,810 enacted in May 2013, and by Law No. 13,129 enacted in May 2015;

Brazilian GAAP are accounting practices adopted in Brazil that comprise the Brazilian Corporate Law and the Pronouncements, Guidelines and Interpretations issued by the Accounting Pronouncements Committee (CPC) and approved by the Federal Accounting Council (CFC) and the Brazilian Securities and Exchange Commission (CVM);

Brazilian government are to the federal government of the Federative Republic of Brazil;

CADE are to *Conselho Administrativo de Defesa Econômica*, the Brazilian Antitrust Authority;

Canamex are to the chemical business formerly owned by the Berci Group, a company that was acquired by Oxiteno in December 2003, currently Oxiteno Mexico;

CBL are to Chevron Brasil Ltda. (currently IPP), a former subsidiary of Chevron that, together with Galena, held Texaco;

CBLSA are to Chevron Brasil Lubrificantes S.A., now called Iconic;

CBPI are to Companhia Brasileira de Petróleo Ipiranga, a company that was merged into IPP in November 2009;

CDI are to the Brazilian money market interest rate (*Certificados de Depósito Interbancário*);

Central Bank are to the *Banco Central do Brasil*, the Brazilian central bank;

Chevron are to Chevron Latin America Marketing LLC and Chevron Amazonas LLC;

Cia. Ultragaz are to Companhia Ultragaz S.A.;

Code are to the U.S. Internal Revenue Code of 1986, as amended;

Commodity Exception are to gains derived from qualified active sales of commodities and qualified hedging transactions involving commodities, within the meaning of the applicable U.S. Treasury regulations;

Conab are to the National Supply Company (*Companhia Nacional de Abastecimento*), a public company responsible for managing agricultural and supply policies;

CONAMA are to *Conselho Nacional do Meio Ambiente* the National Council of the Environment;

ConectCar are to ConectCar Soluções de Mobilidade Eletrônica S.A., a joint-venture initially formed by Ipiranga and OTP (Odebrecht Transport S.A.), which started its operations in November 2012. In January 2016, Redecard S.A. acquired OTP's interest in ConectCar;

Conversion are to the conversion of all preferred shares issued by the company into common shares, at a ratio of 1 (one) preferred share for 1 (one) common share, as approved at the extraordinary general shareholders meeting and the special preferred shareholders meeting, both held on June 28, 2011;

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CVM are to *Comissão de Valores Mobiliários*, the Securities and Exchange Commission of Brazil;

ICVM 527/12 are to CVM Instruction No. 527/12, issued by the CVM on October 4, 2012, which governs the voluntary disclosure by listed companies in Brazil of EBITDA Earnings Before Interest, Taxes, Depreciation and Amortization, and EBIT Earnings Before Interest and Taxes, for the results disclosed from January 1, 2013 onwards;

Deposit Agreement are to the Deposit Agreement between Ultrapar Participações S.A. and the Bank of New York Mellon, dated September 16, 1999, and all subsequent amendments thereto;

DNP are to Distribuidora Nacional de Petróleo Ltda., a company that was acquired by Ipiranga in October 2010 and was merged into IPP in February 2011;

DPPI are to Distribuidora de Produtos de Petróleo Ipiranga S.A., a company that was merged into CBPI in December 2008;

EMCA are to Empresa Carioca de Produtos Químicos S.A.;

Extrafarma are to Imifarma Produtos Farmacêuticos e Cosméticos S.A.;

Extrafarma Transaction are to the exchange of shares of Extrafarma for Ultrapar's shares on January 31, 2014, as described in Item 4.A. Information on the Company History and Development of the Company Extrafarma ;

FGTS are to *Fundo de Garantia do Tempo de Serviço*, the Brazilian government severance indemnity fund;

Galena are to Sociedade Anônima de Óleo Galena Signal, a former subsidiary of Chevron that, together with CBL, held Texaco;

IAS are to International Accounting Standard;

IASB are to International Accounting Standards Board;

Iconic are to Iconic Lubrificantes S.A., formerly CBLSA, an association formed by Ipiranga and Chevron, which started its operations in December 2017;

IFRS are to International Financial Reporting Standards, as issued by IASB;

IGP-M are to General Index of Market Prices of Brazilian inflation (*Índice Geral de Preços – Mercado*), calculated by the Getulio Vargas Foundation;

IpiLubs are to Ipiranga Lubrificantes S.A., a company that was merged into CBLSA in November 2018;

Ipiranga are to Ultrapar's subsidiaries that operate in the fuel distribution business and related activities;

Ipiranga Group are to RPR, DPPI, CBPI, Ipiranga Química S.A. (IQ), Ipiranga Petroquímica S.A. (IPQ), Companhia Petroquímica do Sul S.A. (Copesul) and their respective subsidiaries prior to their sale to Ultrapar, Petrobras and Braskem;

Ipiranga Group SPA are to the Share Purchase Agreement entered into and among Ultrapar, with the consent of Petrobras and Braskem, and the Key Shareholders on March 18, 2007;

Ipiranga Group Transaction Agreements are to agreements related to the acquisition of Ipiranga Group by Ultrapar, Petrobras and Braskem. Each Ipiranga Group Transaction Agreement is incorporated by reference to Exhibits 2.5, 2.6, 2.7, 4.4, 4.5, 4.6 and 4.7 to Form 20-F of Ultrapar Participações S.A. filed on June 7, 2007;

IPP are to Ipiranga Produtos de Petróleo S.A., formerly CBL;

IQVIA , are to the merger of Quintiles and IMS Health, Inc.;

IRS are to U.S. Internal Revenue Service;

Key Shareholders are to Ipiranga Group's former controlling shareholders prior to the closing of the Ipiranga Group SPA;

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Latin America are to countries in America other than the United States and Canada;

Liquigás are to Liquigás Distribuidora S.A.;

LPG are to liquefied petroleum gas;

LPG International are to LPG International Inc.;

Northern Distribution Business are to former CBPI's fuel and lubricant distribution businesses located in the North, Northeast and Midwest regions of Brazil;

NAFTA are to North American Free Trade Agreement, formed by the United States, Canada and Mexico. A revised version of NAFTA has been agreed to by all three countries for approval under a new name, the United States Mexico Canada Agreement, or USMCA, and is awaiting legislative approval before it comes into force;

Novo Mercado are to *Novo Mercado* listing segment of B3;

NYSE are to the New York Stock Exchange;

Oleoquímica are to Oleoquímica Indústria e Comércio de Produtos Químicos Ltda.;

Oxiteno are to Oxiteno S.A. Indústria e Comércio, our wholly-owned subsidiary and its subsidiaries that produce ethylene oxide and its principal derivatives, fatty alcohols and other specialty chemicals;

Oxiteno Andina are to the business of Oxiteno carried out in Venezuela;

Oxiteno Mexico are to the business of Oxiteno carried out in Mexico;

Oxiteno Nordeste are to Oxiteno Nordeste S.A. Indústria e Comércio;

Oxiteno Uruguay are to the business of Oxiteno carried out in Uruguay;

Oxiteno USA are to the business of Oxiteno carried out in the United States;

Parth are to Parth do Brasil Participações Ltda., an investment company controlled by Mrs. Daisy Igel's family and owner of 8% of Ultrapar's capital stock;

Petrobras are to Petrobras - Petróleo Brasileiro S.A.;

Petrochemical Business are to IQ, IPQ and IPQ's stake in Copesul;

PFIC are to passive foreign investment company;

PIS and COFINS taxes are to *Programa de Integração Social* (Integration Program Taxes) and *Contribuição para o Financiamento da Seguridade Social* (Contribution for the Financing of Social Security Taxes), respectively;

Plural, formerly Sindicom, are to the Brazilian association of fuel distributors;

Real, Reais or R\$ are to Brazilian Reais, the official currency of Brazil;

Repsol are to Repsol Gás Brasil S.A., a company that was acquired by Ultragas in October 2011 and was merged into Cia. Ultragas in December 2012;

RPR are to Refinaria de Petróleo Riograndense S.A. (formerly Refinaria de Petróleo Ipiranga S.A.), a joint-venture owned by Petrobras, Braskem and Ultrapar;

SBP are to Sociedade Brasileira de Participações Ltda., a company that was merged into IPP in August 2009;

SEC are to the U.S. Securities and Exchange Commission;

Securities Act are to the U.S. Securities Act of 1933, as amended;

Selic are to the Brazilian base interest rate;

Serma are to *Associação dos Usuários de Equipamentos de Processamento de Dados e Serviços Correlatos*, our wholly owned company, responsible for providing IT services to Ultrapar and its subsidiaries;

Share Exchange are to the exchanges of RPR s, DPPI s and CBPI s preferred shares and any remaining common shares for Ultrapar s preferred shares in connection with the acquisition of Ipiranga Group;

Sindicás are to the Brazilian association of LPG distributors;

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Sindusfarma are to *Sindicato da Indústria de Produtos Farmacêuticos no Estado de São Paulo*, the Brazilian association of the industry of pharmaceutical products in the state of São Paulo;

Southern Distribution Business are to Ipiranga Group's fuel and lubricant distribution businesses located in the South and Southeast regions of Brazil and their related activities;

STF are to *Supremo Tribunal Federal*, the Brazilian Supreme Federal Court;

SUDENE are to Superintendência do Desenvolvimento do Nordeste, the development agency of the Northeast of Brazil;

TEAS are to TEAS Terminal Exportador de Álcool de Santos Ltda., a company acquired by Ultracargo in March 2018;

Temmar are to Terminal Marítimo do Maranhão S.A., a company that was acquired by Ultracargo in August 2012 and was merged into Tequimar in December 2013;

Tequimar are to Terminal Químico de Aratu S.A., Ultracargo's subsidiary that operates in the liquid bulk storage segment;

Texaco are to the Texaco-branded fuels marketing business in Brazil, previously carried-out by CBL and Galena, companies that were acquired by Ipiranga in March 2009;

Tropical are to Tropical Transportes Ipiranga Ltda.;

TRR are to Retail Wholesale Resellers, specialized resellers in the fuel distribution;

Ultra S.A. are to Ultra S.A. Participações, a holding company owned by members of the founding family and senior management of Ultrapar. Ultra S.A. is the largest shareholder of Ultrapar, holding 22% of its total capital stock;

Ultracargo are to Ultracargo Operações Logísticas e Participações Ltda., our wholly owned subsidiary and its subsidiaries that provide storage, handling and logistics services for liquid bulk cargo;

Ultragaz are to Ultrapar's subsidiaries that operate in the distribution of LPG;

Ultrapar International are to Ultrapar International S.A.;

União Terminais are to União Terminais e Armazéns Gerais Ltda., a company that was merged into Tequimar in December 2008;

União Vopak are to União Vopak Armazéns Gerais Ltda., a joint venture in which Ultracargo has a 50% stake;

Unipar are to União das Indústrias Petroquímicas S.A.;

U.S. Holder has the meaning given in Item 10. Additional Information E. Taxation U.S. Federal Income Tax Considerations ;

US\$, dollar , dollars or U.S. dollars are to the United States dollar; and

2018 Shareholders Agreement has the meaning given in Item 4.A. Information on the Company History and Development of the Company , Item 7.A. Major Shareholders and Related Party Transactions Major Shareholders and Item 10. Additional Information Material Contracts.

Unless otherwise specified, data related to (i) the Brazilian petrochemical industry included in this annual report were obtained from ABIQUIM, (ii) the LPG business were obtained from Sindigás and ANP, (iii) the fuel distribution business were obtained from Plural and ANP, (iv) the liquid bulk storage industry were obtained from ABTL, and (v) the retail pharmacy business were obtained from ABRAFARMA, IQVIA, ABIHPEC and Sindusfarma.

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PRESENTATION OF FINANCIAL INFORMATION

Our audited consolidated financial statements included in Items 17 and 18 were prepared in accordance with IFRS as issued by the IASB and include our consolidated Statements of Financial Position, as of December 31, 2018 and 2017 and the related Statements of Profit or Loss, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016, as well as notes thereto.

The following standards became effective on January 1, 2018.

IFRS 9 Financial instrument classification and measurement that includes new requirements for the classification and measurement of financial assets and liabilities, derecognition requirements, new impairment methodology for financial instruments, and new hedge accounting guidance.

IFRS 15 Revenue from contracts with customers, which establishes the principles of nature, amount, timing and uncertainty of revenue and cash flow arising from a contract with a customer.

These adoptions impacted our consolidated financial statements. Thus, the information for the years ended December 31, 2017 and 2016, presented in this annual report, has been retrospectively restated to reflect the changes resulting from the adoption of IFRS 9 and 15 as the Company adopted the full retrospective method. For further information about the adoption of these standards with respect to our Statements of Financial Position as of December 31, 2017 and January 1, 2017 and Statements of Profit or Loss and Statements of Cash Flows for the years ended December 2017 and 2016 see Note 2.x of our audited consolidated financial statements. For the years ended December 31, 2015 and 2014, presented in this annual report, the information was the same as previously reported in the respective years, without retrospective restatement.

The financial information presented in this annual report should be read in conjunction with our consolidated financial statements.

On April 11, 2019 the exchange rate for *Reais* into U.S. dollars was R\$3.840 to US\$1.00, based on the commercial selling rate as reported by the Central Bank. The commercial selling rate was R\$3.875 to US\$1.00 on December 31, 2018, R\$3.308 to US\$1.00 on December 31, 2017, and R\$3.259 to US\$1.00 on December 31, 2016. The *Real*/dollar exchange rate fluctuates widely, and the current commercial selling rate may not be indicative of future exchange rates. See Item 3.A. Key Information Selected Consolidated Financial Data Exchange Rates for information regarding exchange rates for the Brazilian currency. Solely for the convenience of the reader, we have translated some amounts included in Item 3.A. Key Information Selected Consolidated Financial Data and elsewhere in this annual report from *Reais* into U.S. dollars using the commercial selling rate as reported by the Central Bank at December 31, 2018 of R\$3.875 to US\$1.00. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or at any other exchange rate. Such translations should not be construed as representations that the *Real* amounts represent or have been or could be converted into U.S. dollars as of that or any other date.

Segment information for our businesses is presented on an unconsolidated basis. See Note 32 to our consolidated financial statements for further information on segment information. Consequently, intercompany transactions have not been eliminated in segment information, and such information may differ from consolidated financial information provided elsewhere in this annual report. See Item 7.B. Major Shareholders and Related Party Transactions Related Party Transactions for more information on intercompany transactions.

Certain figures included in this annual report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables and charts may not be an arithmetic aggregation of the figures that precede them.

Market share and economic information

All market share information, unless otherwise specified, related to (i) the LPG business was obtained from ANP, (ii) the fuel distribution business was obtained from Plural and ANP, (iii) the liquid bulk storage industry was obtained from ABTL and (iv) the retail pharmacy business was obtained from ABRAFARMA and IQVIA. Unless otherwise specified, all macroeconomic data are obtained from the *Instituto Brasileiro de Geografia e Estatística* IBGE, *Fundação Getulio Vargas* FGV and the Central Bank. Although we do not have any reason to believe any of this information is inaccurate in any material respect, we have not independently verified any such information.

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FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements within the meaning of Section 27A of the Securities Act subject to risks and uncertainties, including our estimates, plans, forecasts and expectations regarding future events, strategies and projections. Forward-looking statements speak only as of the date they were made, and we undertake no obligation to update publicly or revise any forward-looking statements after we distribute this annual report because of new information, future events and other factors. Words such as believe , expect , may , will , plan , strategy , p foresee , estimate , project , anticipate , can , intend and similar words are intended to identify forward-looking statements. We have made forward-looking statements with respect to, among other things, our:

strategy for marketing and operational expansion;

capital expenditures forecasts; and

development of additional sources of revenue.

The risks and uncertainties described above include, but are not limited to:

the effect of the global economic situation on the Brazilian and Latin American economic condition;

general economic and business conditions, including the price of crude oil and other commodities, refining margins and prevailing foreign exchange rates;

competition;

ability to produce and deliver products on a timely basis;

ability to anticipate trends in the LPG, fuels, chemicals, logistics and retail pharmacy industries, including changes in capacity and industry price movements;

changes in official regulations;

receipt of official authorizations and licenses;

political, economic and social events in Brazil and the other countries in which we have operations;

access to sources of financing and our level of indebtedness;

ability to integrate acquisitions;

regulatory issues relating to acquisitions;

instability and volatility in the financial markets;

availability of tax benefits; and

other factors contained in this annual report under Item 3.D. Key Information Risk Factors.

Forward-looking statements involve risks and uncertainties and are not a guarantee of future results. In light of the risks and uncertainties described above, the forward-looking events and circumstances discussed in this annual report might not occur and our future results may differ materially from those expressed in or suggested by these forward-looking statements.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

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We have selected the following consolidated financial data from our audited consolidated financial statements, for the periods indicated. You should read our selected consolidated financial data in conjunction with Item 5. Operating and Financial Review and Prospects and our audited consolidated financial statements and notes thereto included in this annual report. Our consolidated financial statements are prepared in *Reais* and in accordance with IFRS. The consolidated Statements of Financial Position as of December 31, 2018 and 2017 and January 1, 2017 and the Statements of Profit or Loss and Statements of Cash Flows as of and for the years ended December 31, 2018, 2017 and 2016 are derived from our audited consolidated financial statements included in this annual report. For the years ended December 31, 2015 and 2014, the information is derived from our audited consolidated financial statements as previously reported in the respective years, without retrospective restatement. See Presentation of Financial Information and Item 5.A. Operating and Financial Review and Prospects Operating Results Critical accounting policies. The following table presents our selected financial information in accordance with IFRS at the dates and for each of the periods indicated.

| | Years Ended December 31, | | | | | |
|--|--------------------------------------|----------------|-------------------------|----------------|---------------------------------------|----------------|
| | 2018 ⁽¹⁾ | 2018 | 2017 | 2016 | 2015 | 2014 |
| | | | Restated ⁽²⁾ | | As previously reported ⁽²⁾ | |
| | (in millions, except per share data) | | | | | |
| Statements of Profit or Loss data: | US\$ | R\$ | R\$ | R\$ | R\$ | R\$ |
| Net revenue from sales and services | 23,407.1 | 90,698.0 | 79,230.0 | 76,740.0 | 75,655.3 | 67,736.3 |
| Cost of products and services sold | (21,817.2) | (84,537.4) | (72,431.5) | (70,196.9) | (68,933.7) | (62,304.6) |
| Gross profit | 1,589.9 | 6,160.6 | 6,798.5 | 6,543.1 | 6,721.6 | 5,431.7 |
| Operating income (expenses) | | | | | | |
| Selling and marketing | (689.3) | (2,670.9) | (2,486.4) | (2,220.2) | (2,516.6) | (2,158.7) |
| General and administrative | (419.6) | (1,625.8) | (1,576.5) | (1,445.9) | (1,321.3) | (1,130.3) |
| Gain (loss) on disposal of property, plant and equipment and intangibles | (5.7) | (22.1) | (2.2) | (6.1) | 27.3 | 37.0 |
| Other operating income, net | 14.8 | 57.5 | 59.4 | 199.0 | 50.6 | 106.9 |
| Financial result, net | (29.3) | (113.5) | (474.3) | (842.6) | (703.3) | (445.4) |
| Share of profit (loss) of joint-ventures and associates | (3.8) | (14.8) | 20.7 | 7.5 | (10.9) | (16.5) |
| Income before income and social contribution taxes | 457.1 | 1,771.0 | 2,339.1 | 2,234.8 | 2,247.3 | 1,824.7 |
| Income and social contribution taxes | | | | | | |
| Current | (122.9) | (476.3) | (922.5) | (800.5) | (719.5) | (551.7) |
| Deferred | (41.9) | (162.4) | 109.2 | 112.5 | (14.8) | (21.7) |
| | (164.8) | (638.7) | (813.3) | (688.0) | (734.3) | (573.5) |
| Net income for the year | 292.2 | 1,132.3 | 1,525.9 | 1,546.8 | 1,513.0 | 1,251.2 |

| | | | | | | |
|---|-------|---------|---------|---------|---------|---------|
| Net income for the year attributable to: | | | | | | |
| Shareholders of the Company | 296.9 | 1,150.4 | 1,526.5 | 1,537.8 | 1,503.5 | 1,241.6 |
| Non-controlling interests in subsidiaries | (4.7) | (18.1) | (0.6) | 9.0 | 9.5 | 9.7 |
| Earnings per share ⁽³⁾ | | | | | | |
| Basic | 0.28 | 1.06 | 1.41 | 1.42 | 1.38 | 1.14 |
| Diluted | 0.27 | 1.05 | 1.40 | 1.41 | 1.37 | 1.13 |
| Dividends per share ⁽⁴⁾ | | | | | | |
| | 0.33 | 1.26 | 1.75 | 1.67 | 1.60 | 1.42 |

- (1) The figures in *Reais* for December 31, 2018 have been converted into U.S. dollars using the exchange rate of US\$1.00 = R\$3.8748, which is the commercial rate reported by the Central Bank on that date. This information is presented solely for the convenience of the reader. You should not interpret the currency conversions in this annual report as a statement that the amounts in *Reais* currently represent such values in U.S. dollars. Additionally, you should not interpret such conversions as statements that the amounts in *Reais* have been, could have been or could be converted into U.S. dollars at this or any other foreign exchange rates. See Item 3.A. Key Information Selected Consolidated Financial Data Exchange Rates.
- (2) See Presentation of Financial Information.
- (3) Earnings per share are calculated based on the net income attributable to Ultrapar's shareholders and the weighted average shares outstanding during each of the years presented. The earnings per share was adjusted retrospectively due to the approval of the stock split on April 10, 2019. See Item 4.A. Information on the Company History and Development of the Company Recent Development and Notes 31 and 35 to our consolidated financial statements for further information on earnings per share.
- (4) Dividends per share does not consider the approval of the stock split on April 10, 2019, which is scheduled to become effective on April 24, 2019.

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The following table presents other financial data information at the dates and for each of the periods indicated.

| | Years Ended December 31, | | | | | |
|--|--------------------------|----------------|--------------------------------------|----------------|---------------------------------------|----------------|
| | 2018 ⁽¹⁾ | 2018 | 2017 | 2016 | 2015 | 2014 |
| | | | Restated ⁽²⁾ | | As previously reported ⁽²⁾ | |
| | | | (in millions, except per share data) | | | |
| Other financial data | US\$ | R\$ | R\$ | R\$ | R\$ | R\$ |
| Net cash provided by operating activities | 745.6 | 2,889.0 | 1,739.0 | 1,988.9 | 3,201.7 | 2,650.7 |
| Net cash used in investing activities | (820.1) | (3,177.6) | (1,371.8) | (1,324.0) | (801.8) | (1,540.2) |
| Net cash provided by (used in) financing activities | (206.7) | (801.0) | 340.3 | 928.4 | (2,520.7) | (539.3) |
| Depreciation and amortization ⁽³⁾ | 209.7 | 812.5 | 704.5 | 628.2 | 1,002.6 | 887.8 |
| Amortization of contractual assets with customers – exclusive rights (Ipiranga) ⁽⁴⁾ | 96.0 | 371.8 | 463.0 | 463.5 | | |
| Adjusted EBITDA⁽⁵⁾ | 792.0 | 3,068.9 | 3,981.0 | 4,169.0 | 3,953.3 | 3,157.9 |
| Net debt ⁽⁶⁾ | (2,119.3) | (8,211.7) | (7,220.7) | (5,715.3) | (4,928.4) | (3,975.1) |
| Number of common shares (in thousands) ⁽⁷⁾ | 556,405.1 | 556,405.1 | 556,405.1 | 556,405.1 | 556,405.1 | 556,405.1 |

(1) The figures in *Reais* for December 31, 2018 have been converted into U.S. dollars using the exchange rate of US\$1.00 = R\$3.8748, which is the commercial rate reported by the Central Bank on that date. This information is presented solely for the convenience of the reader. You should not interpret the currency conversions in this annual report as a statement that the amounts in *Reais* currently represent such values in U.S. dollars. Additionally, you should not interpret such conversions as statements that the amounts in *Reais* have been, could have been or could be converted into U.S. dollars at this or any other foreign exchange rates. See Item 3.A. Key Information Selected Consolidated Financial Data Exchange Rates.

(2) See Presentation of Financial Information.

(3) Represents depreciation and amortization expenses included in cost of products and services sold and in selling, marketing, general and administrative expenses.

(4) Represents amortization of contractual assets with customers – exclusive rights (Ipiranga) included in revenues reduction as a consequence of adoption of IFRS 15. See Presentation of Financial Information. In 2015 and 2014, the amortization of contractual assets with customers – exclusive rights (Ipiranga) was classified as amortization from intangible assets. See Note 2.a, 2.f and 11 to our consolidated financial statements for further information.

(5) EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) and Adjusted EBITDA (adjusted for amortization of contractual assets with customers – exclusive rights) are presented in this annual report in accordance with ICVM 527/12. The purpose of including EBITDA and Adjusted EBITDA information is to provide a measure used by management for internal assessment of our operating results, and because part of our employee profit sharing plan is linked directly or indirectly to EBITDA and Adjusted EBITDA performance. It is also a financial indicator widely used by investors and analysts to measure our ability to generate cash from operations and our operating performance. We also calculate EBITDA and Adjusted EBITDA in connection with covenants related to some of our financing, as described in Note 15 to our consolidated financial statements. We believe

EBITDA and Adjusted EBITDA allow a better understanding not only of our financial performance but also of our capacity of meeting the payment of interest and principal from our debt and of obtaining resources for our investments and working capital. Our definition of EBITDA and Adjusted EBITDA may differ from, and, therefore, may not be comparable with similarly titled measures used by other companies, thereby limiting its usefulness as a comparative measure. Because EBITDA and Adjusted EBITDA exclude net financial expense (income), income and social contribution taxes, depreciation and amortization (and, in the case of Adjusted EBITDA, also excludes amortization of contractual assets with customers' exclusive rights), they provide an indicator of general economic performance that is not affected by debt restructurings, fluctuations in interest rates or changes in income and social contribution taxes, depreciation and amortization. EBITDA and Adjusted EBITDA are not measures of financial performance under IFRS and should not be considered in isolation, or as substitutes for net income, as measures of operating performance, as substitutes for cash flows from operations or as measures of liquidity. EBITDA and Adjusted EBITDA have material limitations that impair their value as a measure of a company's overall profitability since they do not address certain ongoing costs of our business that could significantly affect profitability such as financial expense (income), income and social contribution taxes, depreciation and amortization, (and in the case of Adjusted EBITDA, also excludes amortization of contractual assets with customers' exclusive rights).

- (6) Net debt is included in this annual report in order to provide the reader with information relating to our overall indebtedness and financial position. Net debt is not a measure of financial performance or liquidity under IFRS. In managing our businesses, we rely on net debt as a means of assessing our financial condition. We believe that this type of measurement is useful for comparing our financial condition from period to period and making related management decisions. Net debt is also used in connection with covenants related to some of our financings.
- (7) The number of shares corresponds to the all of shares issued by the Company, including those held in treasury and does not consider the approval of the stock split on April 10, 2019, which is scheduled to become effective on April 24, 2019.

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The tables below provide a reconciliation of net income and operating income before financial income (expenses) and share of profit (loss) of joint-ventures and associates to EBITDA and Adjusted EBITDA for Ultrapar and a reconciliation of operating income before financial income (expenses) and share of profit (loss) of joint-ventures and associates to Adjusted EBITDA for Ipiranga and to EBITDA for Ultragaz, Oxiten, Ultracargo and Extrafarma for the years ended December 31, 2018, 2017, 2016, 2015 and 2014.

| Ultrapar | | | | | |
|---|----------------|-------------------------|----------------|---------------------------------------|----------------|
| Reconciliation of net income to EBITDA and Adjusted EBITDA | | | | | |
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| | | | | As previously reported ⁽¹⁾ | |
| | | Restated ⁽¹⁾ | | | |
| | | (in millions of Reais) | | | |
| Net income | 1,132.3 | 1,525.9 | 1,546.8 | 1,513.0 | 1,251.2 |
| Net financial expenses | 113.5 | 474.3 | 842.6 | 703.3 | 445.4 |
| Income and social contribution taxes | 638.7 | 813.3 | 688.0 | 734.3 | 573.5 |
| Depreciation and amortization | 812.5 | 704.5 | 628.2 | 1,002.6 | 887.8 |
| EBITDA⁽²⁾ | 2,697.1 | 3,518.0 | 3,705.5 | 3,953.3 | 3,157.9 |
| Adjustment | | | | | |
| Amortization of contractual assets with customers exclusive rights (Ipiranga) | 371.8 | 463.0 | 463.5 | | |
| Adjusted EBITDA⁽²⁾ | 3,068.9 | 3,981.0 | 4,169.0 | 3,953.3 | 3,157.9 |

| Ultrapar | | | | | |
|---|----------------|-------------------------|----------------|---------------------------------------|----------------|
| Reconciliation of operating income to Adjusted EBITDA | | | | | |
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| | | | | As previously reported ⁽¹⁾ | |
| | | Restated ⁽¹⁾ | | | |
| | | (in millions of Reais) | | | |
| Operating income before financial income (expenses) and share of profit (loss) of joint-ventures and associates | 1,899.4 | 2,792.7 | 3,069.9 | 2,961.5 | 2,286.6 |
| Depreciation and amortization | 812.5 | 704.5 | 628.2 | 1,002.6 | 887.8 |
| Share of profit (loss) of joint-ventures and associates | (14.8) | 20.7 | 7.5 | (10.9) | (16.5) |
| EBITDA⁽²⁾ | 2,697.1 | 3,518.0 | 3,705.5 | 3,953.3 | 3,157.9 |
| Adjustment | | | | | |
| | 371.8 | 463.0 | 463.5 | | |

Amortization of contractual assets with
customers exclusive rights (Ipiranga)

| | | | | | |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Adjusted EBITDA⁽²⁾ | 3,068.9 | 3,981.0 | 4,169.0 | 3,953.3 | 3,157.9 |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|

| Ultragaz Reconciliation of operating income to EBITDA Years ended December 31, | | | | | |
|---|--------------|-------------------------------|--------------|-------------------------------|--------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| | | Restated⁽¹⁾ | | As previously | |
| | | (in millions of Reais) | | reported⁽¹⁾ | |
| Operating income before financial income (expenses) and share of profit (loss) of associates | 35.6 | 255.9 | 267.3 | 213.9 | 169.0 |
| Depreciation and amortization | 222.5 | 182.8 | 158.2 | 143.2 | 136.4 |
| Share of profit (loss) of associates | 0.0 | 1.2 | (0.0) | (0.1) | 0.2 |
| EBITDA⁽²⁾ | 258.1 | 440.0 | 425.4 | 357.0 | 305.5 |

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| Oxitenó | | | | | |
|--|--------------|-------------------------------|---|--------------|--------------|
| Reconciliation of operating income to EBITDA | | | | | |
| Years ended December 31, | | | | | |
| 2018 | 2017 | 2016 | 2015 | 2014 | |
| | | | As previously reported⁽¹⁾ | | |
| | | Restated⁽¹⁾ | | | |
| | | (in millions of Reais) | | | |
| Operating income before financial income (expenses) and share of profit (loss) of associates | 457.1 | 141.4 | 311.5 | 579.5 | 264.2 |
| Depreciation and amortization | 167.4 | 153.1 | 149.7 | 158.3 | 138.5 |
| Share of profit (loss) of associates | 0.9 | 1.4 | 1.0 | 2.0 | 1.0 |
| EBITDA⁽²⁾ | 625.4 | 295.9 | 462.2 | 739.8 | 403.7 |

| Ultracargo | | | | | |
|--|--------------|-------------------------------|---|-------------|--------------|
| Reconciliation of operating income to EBITDA | | | | | |
| Years ended December 31, | | | | | |
| 2018 | 2017 | 2016 | 2015 | 2014 | |
| | | | As previously reported⁽¹⁾ | | |
| | | Restated⁽¹⁾ | | | |
| | | (in millions of Reais) | | | |
| Operating income (expenses) before financial income (expenses) and share of profit (loss) of joint-ventures and associates | 124.7 | 75.0 | 127.7 | (16.1) | 117.3 |
| Depreciation and amortization | 52.4 | 47.7 | 43.4 | 41.7 | 49.4 |
| Share of profit (loss) of joint-ventures and associates | 1.3 | 1.6 | (0.0) | 0.7 | 0.2 |
| EBITDA⁽²⁾ | 178.5 | 124.3 | 171.1 | 26.3 | 166.9 |

| Ipiranga | | | | | |
|--|----------------|-------------------------------|---|----------------|----------------|
| Reconciliation of operating income to Adjusted EBITDA | | | | | |
| Years ended December 31, | | | | | |
| 2018 | 2017 | 2016 | 2015 | 2014 | |
| | | | As previously reported⁽¹⁾ | | |
| | | Restated⁽¹⁾ | | | |
| | | (in millions of Reais) | | | |
| Operating income before financial income (expenses) and share of profit (loss) of associates | 1,396.6 | 2,357.1 | 2,364.0 | 2,154.6 | 1,758.1 |
| Depreciation and amortization | 283.4 | 245.4 | 220.3 | 612.7 | 529.0 |
| Share of profit (loss) of associates | 0.6 | 1.2 | 1.2 | 1.5 | 1.0 |
| EBITDA⁽²⁾⁽³⁾ | 1,680.6 | 2,603.8 | 2,585.5 | 2,768.8 | 2,288.0 |

| | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| Adjustment | | | | | |
| Amortization of contractual assets with customers exclusive rights | 371.8 | 463.0 | 463.5 | | |
| Adjusted EBITDA⁽²⁾⁽³⁾ | 2,052.4 | 3,066.8 | 3,049.0 | 2,768.8 | 2,288.0 |

| Extrafarma Reconciliation of operating income to EBITDA Years ended December 31, | | | | | |
|---|---------------|-------------------------------|-------------|---|---------------------------|
| | 2018 | 2017 | 2016 | 2015 | 2014⁽⁴⁾ |
| | | Restated⁽¹⁾ | | As previously reported⁽¹⁾ | |
| | | (in millions of Reais) | | | |
| Operating income (expenses) before financial income (expenses) | (118.3) | (37.7) | (3.8) | 5.0 | 16.9 |
| Depreciation and amortization | 71.6 | 60.8 | 42.7 | 23.7 | 12.8 |
| EBITDA⁽²⁾ | (46.8) | 23.1 | 38.8 | 28.7 | 29.8 |

(1) See Presentation of Financial Information.

(2) See footnote 5 under Item 3.A. Key Information Selected Consolidated Financial Data for a more complete discussion of EBITDA and Adjusted EBITDA and its reconciliation to information in our financial statements.

(3) EBITDA and Adjusted EBITDA for Ipiranga do not include losses related to ConectCar in the amount of R\$18.7 million, R\$21.0 million, R\$24.4 million, R\$23.2 million and R\$18.7 million in 2018, 2017, 2016, 2015 and 2014, respectively.

(4) Reflects results of operations for the 11-month period from February 1, 2014, the date on which Extrafarma's results of operations were consolidated into our financial statements, through December 31, 2014. For additional information, see Presentation of Financial Information.

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The reconciliation of Adjusted EBITDA to cash flows from operating activities for the years ending December 31, 2018, 2017, 2016, 2015 and 2014 is presented in the table below:

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|----------------|-------------------------|----------------|---------------------------------------|----------------|
| | | Restated ⁽¹⁾ | | As previously reported ⁽¹⁾ | |
| | | (in millions of Reais) | | | |
| Net income for the year | 1,132.3 | 1,525.9 | 1,546.8 | 1,513.0 | 1,251.2 |
| Adjustments to reconcile net income to Adjusted EBITDA: | | | | | |
| Depreciation and amortization | 812.5 | 704.5 | 628.2 | 1,002.6 | 887.8 |
| Amortization of contractual assets with customers exclusive rights | 371.8 | 463.0 | 463.5 | | |
| Financial result, net | 113.5 | 474.3 | 842.6 | 703.3 | 445.4 |
| Income and social contribution taxes | 638.7 | 813.3 | 688.0 | 734.3 | 573.5 |
| Adjusted EBITDA⁽²⁾ | 3,068.9 | 3,981.0 | 4,169.0 | 3,953.3 | 3,157.9 |
| Adjustments to reconcile Adjusted EBITDA to cash provided by operating activities: | | | | | |
| Financial result that affected the cash flow from operating activities | 913.0 | 380.4 | (78.8) | 879.2 | 519.4 |
| Current income and social contribution taxes | (476.3) | (922.5) | (800.5) | (719.5) | (551.7) |
| PIS and COFINS credits on depreciation | 15.7 | 13.1 | 12.6 | 12.1 | 12.7 |
| Assets retirement obligation | | | | (3.9) | (4.0) |
| Others | 109.3 | 129.0 | 85.9 | 0.3 | (14.5) |
| (Increase) decrease in current assets | | | | | |
| Trade receivables and reseller financing | (355.9) | (725.2) | (372.9) | (615.4) | (212.3) |
| Inventories | 168.7 | (606.5) | (267.5) | (615.4) | (184.3) |
| Recoverable taxes | (11.5) | (334.2) | 87.0 | (60.1) | (106.8) |
| Dividends received from subsidiaries and joint-ventures | 42.4 | 29.4 | 7.9 | | |
| Insurance and other receivables | (14.5) | 358.7 | (309.7) | 13.6 | (8.2) |
| Prepaid expenses | (37.5) | (23.0) | (40.0) | (14.2) | 8.1 |
| Increase (decrease) in current liabilities | | | | | |
| Trade payables | 576.2 | 412.4 | 249.1 | 181.0 | 192.1 |
| Salaries and related charges | 40.1 | 7.1 | (41.6) | 109.7 | (19.6) |
| Taxes payable | 46.5 | 33.1 | 4.0 | 30.0 | 19.1 |
| Income and social contribution taxes | 166.5 | 783.7 | 567.3 | 504.5 | 437.1 |
| Post-employment benefits | 15.6 | 5.1 | 11.2 | | (0.5) |
| Provision for tax, civil and labor risks | 13.3 | 11.9 | 7.4 | (18.8) | (5.1) |
| Insurance and other payables | (59.2) | (49.4) | 54.0 | 29.2 | (21.0) |
| Deferred revenue | 8.2 | (3.9) | (2.1) | 1.0 | 0.6 |
| (Increase) decrease in non-current assets | | | | | |
| Trade receivables and reseller financing | (99.6) | (102.9) | (74.8) | (8.4) | (19.3) |
| Recoverable taxes | (539.5) | (130.2) | (47.2) | (60.0) | (38.0) |

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| | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| Escrow deposits | (58.8) | (39.8) | (37.9) | (44.0) | (80.6) |
| Other receivables | 6.4 | (4.4) | 13.8 | (10.7) | 0.8 |
| Prepaid expenses | (58.7) | (116.7) | (65.8) | (15.4) | 0.5 |
| Increase (decrease) in non-current liabilities | | | | | |
| Post-employment benefits | (8.5) | (0.8) | (7.7) | 10.9 | 9.5 |
| Provision for tax, civil and labor risks | 11.8 | (68.2) | 42.4 | 61.4 | (12.0) |
| Other payables | (4.4) | 88.0 | (19.3) | 20.1 | (10.8) |
| Deferred revenue | (1.0) | 0.4 | 1.5 | 3.3 | (1.4) |
| Payments of contractual assets with customers exclusive rights | (390.2) | (529.7) | (514.3) | | |
| Income and social contribution taxes paid | (197.9) | (836.8) | (644.2) | (422.0) | (416.6) |
| Net cash provided by operating activities | 2,889.0 | 1,739.0 | 1,988.9 | 3,201.7 | 2,650.7 |

(1) See Presentation of Financial Information.

(2) See footnote 5 under Item 3.A. Key Information Selected Consolidated Financial Data for a more complete discussion of EBITDA and Adjusted EBITDA and its reconciliation to information in our financial statements.

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The table below provides a reconciliation of our consolidated balance sheet data to the net debt positions shown in the table:

| Ultrapar Reconciliation of consolidated statements of financial position to net debt As of December 31, | | | | | |
|--|-------------------------------|-------------------------------|-------------|---|-------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| | | Restated⁽¹⁾ | | As previously reported⁽¹⁾ | |
| | (in millions of Reais) | | | | |
| Current loans and hedging instruments and finance leases | (2,010.3) | (1,822.5) | (1,824.0) | (1,050.5) | (2,557.5) |
| Current debentures | (263.7) | (1,681.2) | (651.6) | (47.4) | (884.9) |
| Non-current loans and hedging instruments and finance leases | (6,530.6) | (6,159.4) | (6,846.2) | (5,604.9) | (3,533.9) |
| Non-current debentures | (6,401.5) | (3,927.6) | (2,095.3) | (2,198.8) | (1,399.0) |
| Gross debt position | (15,206.1) | (13,590.6) | (11,417.1) | (8,901.6) | (8,375.2) |
| Cash and cash equivalents | 3,939.0 | 5,002.0 | 4,274.2 | 2,702.9 | 2,827.4 |
| Current financial investments | 2,853.1 | 1,283.5 | 1,412.6 | 803.3 | 1,441.8 |
| Non-current financial investments | 202.3 | 84.4 | 15.1 | 467.0 | 130.9 |
| Net debt | (8,211.7) | (7,220.7) | (5,715.3) | (4,928.4) | (3,975.1) |

⁽¹⁾ See Presentation of Financial Information.

The following tables present our consolidated statements of financial position in accordance with IFRS as of the dates indicated.

| | | As of December 31, Restated⁽²⁾ (in millions) | | | | |
|--|---------------------------|--|-------------|-------------|---|-------------|
| | 2018⁽¹⁾ | 2018 | 2017 | 2016 | 2015 | 2014 |
| | | | | | As previously reported⁽²⁾ | |
| Consolidated Statements of Financial Position Data: | US\$ | R\$ | R\$ | R\$ | R\$ | R\$ |
| Current assets | | | | | | |
| Cash and cash equivalents | 1,016.6 | 3,939.0 | 5,002.0 | 4,274.2 | 2,702.9 | 2,827.4 |
| Financial investments and hedging instruments | 736.3 | 2,853.1 | 1,283.5 | 1,412.6 | 803.3 | 1,441.8 |
| Trade receivables | 1,050.2 | 4,069.3 | 3,861.3 | 3,177.1 | 3,167.2 | 2,604.1 |
| Reseller financing | 94.8 | 367.3 | 286.6 | 211.1 | | |
| Inventories | 865.7 | 3,354.5 | 3,513.7 | 2,781.4 | 2,495.2 | 1,925.0 |

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| | | | | | | |
|--|----------------|-----------------|-----------------|-----------------|----------------|----------------|
| Recoverable taxes | 165.1 | 639.7 | 665.0 | 382.4 | 628.8 | 593.5 |
| Recoverable income and social contribution taxes | 66.4 | 257.2 | 216.6 | 159.4 | | |
| Other receivables | 15.4 | 59.6 | 55.2 | 395.9 | 32.5 | 43.3 |
| Prepaid expenses | 48.4 | 187.6 | 150.0 | 123.9 | 81.5 | 67.3 |
| Contractual assets with customers exclusive rights | 125.0 | 484.5 | 456.2 | 448.3 | | |
| Total current assets | 4,183.9 | 16,211.7 | 15,490.1 | 13,366.1 | 9,911.4 | 9,502.4 |
| Non-current assets | | | | | | |
| Financial investments and hedging instruments | 52.2 | 202.3 | 84.4 | 15.1 | 467.0 | 130.9 |
| Trade receivables | 21.1 | 81.6 | 46.3 | 49.6 | 152.2 | 143.8 |
| Reseller financing | 89.9 | 348.3 | 283.7 | 177.5 | | |
| Related parties | 0.1 | 0.5 | 0.5 | 0.5 | 0.5 | 10.9 |
| Deferred income and social contribution taxes | 132.7 | 514.2 | 614.1 | 459.6 | 306.0 | 311.8 |
| Recoverable taxes, net | 192.8 | 747.2 | 234.7 | 146.8 | 135.4 | 75.4 |
| Recoverable income and social contribution taxes | 27.3 | 105.6 | 78.5 | 35.9 | | |
| Escrow deposits | 227.5 | 881.5 | 822.7 | 778.8 | 740.8 | 696.8 |
| Indemnity asset business combination | 50.3 | 194.7 | 202.4 | | | |
| Other receivables | 0.4 | 1.4 | 7.9 | 2.7 | 16.5 | 5.8 |
| Prepaid expenses | 103.0 | 399.1 | 346.9 | 222.5 | 146.7 | 131.2 |
| Contractual assets with customers exclusive rights | 266.9 | 1,034.0 | 1,046.1 | 989.8 | | |
| | 1,164.0 | 4,510.4 | 3,768.2 | 2,878.6 | 1,965.2 | 1,506.7 |

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| | 2018 ⁽¹⁾ | 2018 | As of December 31, | | 2015 | 2014 |
|------------------------------------|---------------------|-----------------|--|-----------------|---------------------------------------|-----------------|
| | | | 2017 | 2016 | As previously reported ⁽²⁾ | |
| | | | Restated ⁽²⁾ (in millions) | | | |
| | US\$ | R\$ | R\$ | R\$ | R\$ | R\$ |
| Investments | | | | | | |
| In joint-ventures | 26.3 | 102.0 | 122.1 | 116.1 | 79.4 | 54.5 |
| In associates | 6.3 | 24.3 | 25.3 | 22.7 | 21.5 | 13.1 |
| Other | 0.7 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 |
| Property, plant and equipment, net | 1,878.5 | 7,278.9 | 6,637.8 | 5,796.4 | 5,438.9 | 5,092.0 |
| Intangible assets, net | 611.5 | 2,369.4 | 2,238.0 | 1,891.6 | 3,293.9 | 3,158.1 |
| | 2,523.3 | 9,777.3 | 9,026.1 | 7,829.7 | 8,836.6 | 8,320.5 |
| Total non-current assets | 3,687.3 | 14,287.7 | 12,794.2 | 10,708.4 | 10,801.7 | 9,827.3 |
| TOTAL ASSETS | 7,871.2 | 30,499.4 | 28,284.3 | 24,074.5 | 20,713.1 | 19,329.6 |

| | 2018 ⁽¹⁾ | 2018 | As of December 31, | | 2015 | 2014 |
|--|---------------------|----------------|--|----------------|---------------------------------------|----------------|
| | | | 2017 | 2016 | As previously reported ⁽²⁾ | |
| | | | Restated ⁽²⁾ (in millions) | | | |
| | US\$ | R\$ | R\$ | R\$ | R\$ | R\$ |
| Consolidated Statements of Financial Position Data: | | | | | | |
| Current liabilities | | | | | | |
| Loans and hedging instruments | 518.1 | 2,007.4 | 1,819.8 | 1,821.4 | 1,048.1 | 2,554.7 |
| Debentures | 68.1 | 263.7 | 1,681.2 | 651.6 | 47.4 | 884.9 |
| Finance leases | 0.7 | 2.8 | 2.7 | 2.6 | 2.4 | 2.7 |
| Trade payables | 705.0 | 2,731.7 | 2,155.5 | 1,709.7 | 1,460.5 | 1,279.5 |
| Salaries and related charges | 110.5 | 428.2 | 388.1 | 362.7 | 404.3 | 294.6 |
| Taxes payable | 69.2 | 268.0 | 221.5 | 168.4 | 168.8 | 138.8 |
| Dividends payable | 73.3 | 284.0 | 338.8 | 320.9 | 298.8 | 218.4 |
| Income and social contribution taxes payable | 14.3 | 55.5 | 86.8 | 140.0 | 216.9 | 134.4 |
| Post-employment benefits | 11.8 | 45.7 | 30.1 | 24.9 | 13.7 | 11.4 |
| Provision for asset retirement obligation | 1.1 | 4.4 | 4.8 | 4.6 | 5.2 | 4.6 |
| Provision for tax, civil and labor risks | 20.1 | 77.8 | 64.6 | 52.7 | 45.3 | 64.2 |
| Other payables | 36.4 | 141.0 | 197.4 | 202.6 | 97.5 | 80.4 |
| Deferred revenue | 6.9 | 26.6 | 18.4 | 22.3 | 24.4 | 23.5 |
| Total current liabilities | 1,635.4 | 6,336.8 | 7,009.7 | 5,484.3 | 3,833.4 | 5,692.1 |
| Non-current liabilities | | | | | | |
| Loans and hedging instruments | 1,674.3 | 6,487.4 | 6,113.5 | 6,800.1 | 5,561.4 | 3,489.6 |
| Debentures | 1,652.1 | 6,401.5 | 3,927.6 | 2,095.3 | 2,198.8 | 1,399.0 |
| Finance leases | 11.2 | 43.2 | 45.8 | 46.1 | 43.5 | 44.3 |

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| | | | | | | |
|---|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Related parties | 1.1 | 4.1 | 4.2 | 4.3 | 4.4 | 4.4 |
| Deferred income and social contribution taxes | 2.4 | 9.3 | 83.6 | 7.6 | 13.0 | 2.1 |
| Provision for tax, civil and labor risks | 223.3 | 865.2 | 861.2 | 727.1 | 684.7 | 623.3 |
| Post-employment benefits | 52.7 | 204.2 | 207.5 | 119.8 | 112.8 | 108.4 |
| Provision for assets retirement obligation | 13.0 | 50.3 | 60.0 | 73.0 | 69.5 | 66.2 |
| Subscription warrants indemnification | 31.8 | 123.1 | 171.5 | 153.4 | 112.2 | 92.1 |
| Other payables | 41.9 | 162.4 | 162.8 | 74.9 | 94.1 | 74.0 |
| Deferred revenue | 3.1 | 11.9 | 12.9 | 12.5 | 11.0 | 7.7 |
| Total non-current liabilities | 3,706.7 | 14,362.6 | 11,650.6 | 10,114.2 | 8,905.5 | 5,910.9 |
| TOTAL LIABILITIES | 5,342.0 | 20,699.4 | 18,660.3 | 15,598.5 | 12,738.9 | 11,603.0 |

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| | 2018 ⁽¹⁾ | 2018 | As of December 31, 2017 2016 Restated ⁽²⁾ (in millions) | | 2015 As previously reported ⁽²⁾ | 2014 |
|---|---------------------|-----------------|--|-----------------|---|-----------------|
| | US\$ | R\$ | R\$ | R\$ | R\$ | R\$ |
| Equity | | | | | | |
| Share capital | 1,334.7 | 5,171.8 | 5,171.8 | 3,838.7 | 3,838.7 | 3,838.7 |
| Equity instrument granted | 1.1 | 4.3 | 0.5 | | | |
| Capital reserve | 140.0 | 542.4 | 549.8 | 552.0 | 546.6 | 547.5 |
| Treasury shares | (125.3) | (485.4) | (482.3) | (483.9) | (490.9) | (103.0) |
| Revaluation reserve on subsidiaries | 1.2 | 4.7 | 4.9 | 5.3 | 5.6 | 5.8 |
| Profit reserves | 1,057.9 | 4,099.1 | 3,629.9 | 4,384.0 | 3,802.0 | 3,169.7 |
| Additional dividends to the minimum mandatory dividends | 28.2 | 109.4 | 163.7 | 165.5 | 157.2 | 189.0 |
| Valuation adjustments | (16.5) | (64.0) | 154.8 | (24.0) | 19.0 | 7.1 |
| Cumulative translation adjustments | 17.0 | 65.9 | 53.1 | 7.5 | 66.9 | 43.2 |
| Equity attributable to: | | | | | | |
| Shareholders of the Company | 2,438.3 | 9,448.1 | 9,246.2 | 8,445.2 | 7,945.0 | 7,698.0 |
| Non-controlling interest in subsidiaries | 90.8 | 351.9 | 377.8 | 30.9 | 29.1 | 28.6 |
| TOTAL EQUITY | 2,529.2 | 9,800.0 | 9,624.0 | 8,476.1 | 7,974.1 | 7,726.6 |
| TOTAL LIABILITIES AND EQUITY | 7,871.2 | 30,499.4 | 28,284.3 | 24,074.5 | 20,713.1 | 19,329.6 |

(1) The figures in *Reais* for December 31, 2018 have been converted into dollars using the exchange rate of US\$1.00 = R\$3.8748, which is the commercial rate reported by the Central Bank on that date. This information is presented solely for the convenience of the reader. You should not interpret the currency conversions in this annual report as a statement that the amounts in *Reais* currently represent such values in U.S. dollars. Additionally, you should not interpret such conversions as statements that the amounts in *Reais* have been, could have been or could be converted into U.S. dollars at this or any other foreign exchange rates. See Item 3.A. Key Information Selected Consolidated Financial Data Exchange Rates.

(2) See Presentation of Financial Information.

Exchange Rates

In 2014, despite the weak performance of the Brazilian economy, and the recovery of the North American economy, the *Real* remained relatively stable against the dollar until September, when it started to devalue, closing the year with a depreciation of 13% against the U.S. dollar. In 2015, the political instability, the downgrade of Brazil's sovereign credit rating and the expectation for an interest rate rise by the Federal Reserve System contributed to a 47% depreciation of the *Real* against the U.S. dollar. In 2016, the *Real* appreciated 17% against the U.S. dollar, marking the first year that it has appreciated against the U.S. dollar since 2011, despite residual political instability and continuing signs that the Brazilian economy was shrinking. This was due mostly to improvements in the Brazilian political environment, following the impeachment of former president Dilma Rousseff and certain stabilizing measures proposed by former President Michel Temer as well as ongoing efforts by the government's economic team to curb public spending and debt. In 2017, the *Real* depreciated 2% against the U.S. dollar, reflecting the continued political instability and diminished expectations of the pension reform despite a slight improvement in the Brazilian

economic scenario. In 2018, the *Real* depreciated 17%, pressured mainly by the global instability, result of economic crises in developed countries, and the increase of interest rates by the Federal Reserve System. The domestic scenario, characterized by political instability due to the presidential elections and the slow progress of fiscal and pension reforms, also influenced the *Real* depreciation during the year.

It is not possible to predict whether the *Real* will remain at its present level and what impact the Brazilian macroeconomic scenario and the Brazilian government's exchange rate policies may have on us.

On April 11, 2019, the exchange rate for *Reais* into U.S. dollars was R\$3.840 to US\$1.00, based on the commercial selling rate as reported by the Central Bank. The average *Real*-U.S. dollar of the monthly exchange rate in 2018 was R\$3.654 per US\$1.00 compared with R\$3.192 per US\$1.00 in 2017, a depreciation of 14%. The following table sets forth information on prevailing commercial foreign exchange selling rates for the periods indicated, as published by the Central Bank on its electronic information system, SISBACEN, using PTAX 800, Option 5.

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| Year Ended | Exchange rates of nominal <i>Reais</i> per US\$1.00 | | | |
|--------------------|---|-------|----------------------|--------------|
| | High | Low | Average | Period-Ended |
| December 31, 2014 | 2.740 | 2.197 | 2.360 ⁽¹⁾ | 2.656 |
| December 31, 2015 | 4.195 | 2.575 | 3.388 ⁽¹⁾ | 3.905 |
| December 31, 2016 | 4.156 | 3.119 | 3.450 ⁽¹⁾ | 3.259 |
| December 31, 2017 | 3.381 | 3.051 | 3.203 ⁽¹⁾ | 3.308 |
| December 31, 2018 | 4.188 | 3.139 | 3.680 ⁽¹⁾ | 3.875 |
| Month Ended | | | | |
| November 30, 2018 | 3.893 | 3.697 | 3.795 ⁽²⁾ | 3.863 |
| December 31, 2018 | 3.933 | 3.829 | 3.881 ⁽²⁾ | 3.875 |
| January 31, 2019 | 3.860 | 3.652 | 3.756 ⁽²⁾ | 3.652 |
| February 28, 2019 | 3.776 | 3.669 | 3.723 ⁽²⁾ | 3.739 |
| March 31, 2019 | 3.968 | 3.776 | 3.872 ⁽²⁾ | 3.897 |
| April 11, 2019 | 3.871 | 3.835 | 3.853 ⁽²⁾ | 3.840 |

(1) Average of the foreign exchange rates on the last day of each month in the period.

(2) Average of the high and low foreign exchange rates for each month.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Investing in our shares and ADSs involves a high degree of risk. You should carefully consider the risks described below and the other information contained in this annual report in evaluating an investment in our shares or ADSs. Our business, results of operations, cash flow, liquidity and financial condition could be harmed if any of these risks materializes and, as a result, the trading price of the shares or the ADSs could decline and you could lose a substantial part or even all your investment.

We have included information in these risk factors concerning Brazil based on information that is publicly available.

Risks Relating to Ultrapar and Its Industries

Petrobras is the main supplier of LPG and oil-based fuels in Brazil. Fuel and LPG distributors in Brazil, including Ipiranga and Ultragaz, have formal contracts with Petrobras for the supply of oil-derivatives. Any interruption in the supply of LPG or oil-based fuels from Petrobras would immediately affect Ultragaz or Ipiranga's ability to provide LPG and oil-based fuels to their customers.

Prior to 1995, Petrobras held a constitutional monopoly for the production and importation of petroleum products in Brazil. Although this monopoly was removed from the Brazilian constitution, Petrobras effectively remains the main

provider of LPG and oil-based fuels in Brazil. Currently, Ultragas and all other LPG distributors in Brazil purchase all or nearly all LPG from Petrobras. Ultragas' s net revenue from sales and services represented 8% of our consolidated net revenue from sales and services for the year ended December 31, 2018. The procedures for ordering and purchasing LPG from Petrobras are generally common to all LPG distributors including Ultragas. For more details, see Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Ultragas Supply of LPG.

With respect to fuel distribution, Petrobras also supplied the majority of Ipiranga and other distributors' oil-based fuel requirements in 2018. Petrobras' supply to Ipiranga is governed by an annual contract, under which the supply volume is established based on the volume purchased in the previous year. Ipiranga' s net revenue from sales and services represented 84% of our consolidated net revenue from sales and services for the year ended December 31, 2018.

The last significant interruption in the supply of oil derivatives by Petrobras to LPG and fuel distributors occurred during 1995 due to a 15-day strike by Petrobras employees. See Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Industry and Regulatory Overview and Item 4.B. Information on the Company Business Overview Fuel Distribution Industry and Regulatory Overview.

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Significant interruptions of LPG and oil-based fuel supply from Petrobras may occur in the future. Any interruption in the supply of LPG or oil-based fuels from Petrobras would immediately affect Ultragas or Ipiranga's respective ability to provide LPG or oil-based fuels to its customers. If we are not able to obtain an adequate supply of LPG or oil-based fuels from Petrobras under acceptable terms, we may seek to meet our demands through LPG or oil-based fuels purchased in the international market. The logistics infrastructure for LPG and oil-based fuel imports in Brazil is limited and is substantially all controlled by Petrobras. Any such interruption could increase our purchase costs and reduce our sales volume, consequently, adversely affecting our operating margins.

Petrobras is currently under investigation by the CVM, the Brazilian Federal Police and other Brazilian public authorities in connection with corruption allegations (so called *Lava Jato* investigations) consisting, among other things, of illegal payments made to officers, directors and other employees of Petrobras to influence commercial decisions. Petrobras was under investigation by the SEC and the US Department of Justice and announced a settlement of those investigations in September 2018. In addition, Petrobras was previously subject to a class action in the United States, which was also settled in 2018. Such investigations and litigation have had a destabilizing effect on Petrobras, and it is difficult to ascertain what further impact such matters will have on Petrobras' supply of LPG and oil-based fuels to market players.

In addition, Petrobras has made several changes to the composition of its management team and has undertaken a long-term divestment plan that may change the structure and long-term outlook of the fuel market. We cannot predict the outcome that the *Lava Jato* investigations will have on the fuel market and, specifically, on the availability of, and our ability to access, the LPG and oil-based fuel supply from Petrobras.

Intense competition is generally inherent to distribution markets, including the LPG, the fuel distribution and the retail pharmacy markets and may affect our operating margins.

The Brazilian LPG market is very competitive in all segments—residential, commercial and industrial. Petrobras, our supplier of LPG, and other major companies participate in the Brazilian LPG distribution market. Intense competition in the LPG distribution market could lead to lower sales volumes and increased marketing expenses, which may have a material adverse effect on our operating margins. See Item 4.B. Information on the Company—Business Overview—Distribution of Liquefied Petroleum Gas—Industry and Regulatory Overview—The role of Petrobras—and Item 4.B. Information on the Company—Business Overview—Distribution of Liquefied Petroleum Gas—Ultragas Competition.

The Brazilian fuel distribution market is highly competitive in both retail and wholesale segments. Petrobras, our supplier of oil-derivative products, and other major companies with significant resources participate in the Brazilian fuel distribution market. Intense competition in the fuel distribution market could lead to lower sales volumes and increased marketing expenses, which may have a material adverse effect on our operating margins. See Item 4.B. Information on the Company—Business Overview—Fuel Distribution—Industry and Regulatory Overview—The role of Petrobras—and Item 4.B. Information on the Company—Business Overview—Fuel Distribution—Ipiranga Competition. In addition, a number of small local and regional distributors entered the Brazilian fuel distribution market in the late 1990s, after the market was deregulated, which further increased competition in such market. Moreover, in 2018, some important international players entered the Brazilian fuel distribution market: (i) Glencore Oil Participações Ltda., a Swiss company, through the acquisition of 78% of Alesat; (ii) Total, a French company, through the acquisition of 100% of Zema; (iii) PetroChina, a Chinese company, through the acquisition of 30% of TT Work and (iv) Vitol, a Dutch company, acquired 50% of Rodoil and, subsequently, Rodoil acquired 100% of MegaPetro Petróleo Brasil S.A..

Likewise, the Brazilian drugstore market is highly competitive. Extrafarma competes with national, regional and local drugstore chains, independent drugstores, phone marketing services, direct marketing companies, prescription-only pharmacies, internet purveyors of pharmaceutical and beauty products, and other retailers such as supermarkets, beauty products stores and convenience stores. In addition, new retailers may enter the market and compete with us. Competition in the retail pharmacy market is shaped by a variety of factors, such as location, range of products, advertising, commercial practices, price, quality of services and strength of brand name, among others. If we are unable to anticipate, predict and meet the preferences of our customers, we may lose revenues and market share to our competitors.

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Anticompetitive practices in the fuel distribution sector may distort market prices.

In the recent past, anticompetitive practices have been one of the main problems affecting fuels distributors in Brazil, including Ipiranga. Generally, these practices have involved a combination of tax evasion and fuels adulteration, such as the dilution of gasoline by mixing solvents or adding anhydrous ethanol in an amount greater than that permitted by applicable law.

Taxes constitute a significant portion of the cost of fuels sold in Brazil. For this reason, tax evasion by some fuel distributors has been prevalent, allowing them to lower the prices they charge compared to large distributors such as Ipiranga. As the final prices for the products sold by distributors, including Ipiranga, are calculated based on, among other factors, the amount of taxes levied on the purchase and sale of these fuels, anticompetitive practices such as tax evasion may reduce Ipiranga's sales volume and could have a material adverse effect on our operating margins. Should there be any increase in the taxes levied on fuel, tax evasion may increase, resulting in a greater distortion of the prices of fuels sold and further adversely affecting our results of operations.

LPG and oil-based fuels compete with alternative sources of energy. Competition with and the development of alternative sources of energy in the future may adversely affect the LPG and oil-based fuels market.

LPG competes with alternative sources of energy, such as natural gas, wood, diesel, fuel oil and electricity. Natural gas is currently the principal source of energy that we compete with. Natural gas is currently less expensive than LPG for industrial consumers, but more expensive for most of residential consumers. Changes in relative prices or the development of alternative sources of energy in the future may adversely affect the LPG market and consequently our business, financial results and results of operations. Oil-based fuels also compete with alternative sources of energy, such as electricity. See Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Ultragas Competition.

Ethylene, one of the principal raw materials used in our petrochemical operations, comes from limited supply sources. Any reduction in the supply of ethylene would have an immediate impact on Oxitenol's production and results of operations.

All second generation petrochemical producers in Brazil that use ethylene as their key raw material, including Oxitenol, purchase ethylene from Brazilian suppliers. Approximately 3% of our net revenue from sales and services were derived from the sale of chemical products manufactured in Brazil that require ethylene in 2018. Oxitenol purchases ethylene from two of Brazil's three naphtha cracker units, which are the sole sources of ethylene in Brazil. Pursuant to long-term contracts, Braskem is the sole supplier of all ethylene required at our plants located at Camaçari and Mauá. For more detailed information about these contracts see Item 5.F. Operating and Financial Review and Prospects Tabular Disclosure of Contractual Obligations. Given its characteristics, ethylene is difficult and expensive to store and transport, and cannot be easily imported to Brazil. Therefore, Oxitenol is almost totally dependent on ethylene produced by Braskem. For the year ended December 31, 2018, Brazil's ethylene imports totaled 15 tons, representing less than 0.01% of Brazil's installed capacity.

Due to ethylene's chemical characteristics, Oxitenol does not store any quantity of ethylene, and reductions or interruptions in supply from Braskem, Oxitenol's sole supplier of ethylene in Brazil, would have an immediate impact on our production and results of operations. See Item 4.A. Information on the Company History and Development of the Company Investments. If we further expand our production capacity, there is no assurance that we will be able to obtain additional ethylene from Braskem. In addition, Petrobras is the principal supplier of naphtha to crackers in Brazil, and any interruption in the supply of naphtha from Petrobras to the crackers could adversely impact their ability to supply ethylene to Oxitenol.

In addition, Brazilian markets have been experiencing heightened volatility due to the uncertainties derived from the ongoing *Lava Jato* and other corruption investigations, which are being conducted by the Office of the Brazilian Federal Prosecutor, and their impact on the Brazilian economy and political environment. Members of the Brazilian federal government and of the legislative branch, as well as former senior officers of Petrobras, have faced allegations of political corruption. These government officials and senior officers allegedly accepted bribes by means of kickbacks on contracts granted by Petrobras to several infrastructure, oil and gas and construction companies, including Odebrecht S.A., Braskem's controlling shareholder. We cannot currently predict how the investigations and any future decisions and actions by authorities in relation to Braskem's shareholders may impact Braskem or, consequently, Oxitenol's supply of ethylene.

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The prices of ethylene and palm kernel oil, Oxitenos main raw materials, are subject to fluctuations in international markets.

The price of ethylene, which is the principal component of Oxitenos cost of sales and services, is directly linked to the price of naphtha, which, in turn, is largely linked to the price of crude oil. Consequently, ethylene prices are subject to fluctuations in international oil prices. A significant increase in the price of crude oil and, consequently, naphtha and ethylene, could increase our costs, which could have a material adverse effect on Oxitenos results of operations, particularly in Brazil.

Palm kernel oil is one of Oxitenos main raw materials, used to produce fatty alcohols and its by-products in the oleochemical unit. Oxiteno imports the palm kernel oil from the main producing countries, especially Malaysia and Indonesia, and therefore palm kernel oil prices are subject to the effects of foreign exchange rate variation. Palm kernel oil is a vegetable oil, also commonly used by the food industry. Consequently, palm kernel oil prices are subject to the effects of environmental and climatic variations that affect the palm plantations, fluctuations of harvest periods, economic environment in major producing countries and fluctuations in the demand for its use in the food industry. A significant increase in the price of palm kernel oil combined with foreign exchange rate variations of the Real could increase our costs, which could have a material adverse effect on Oxitenos results of operations.

New natural gas reserves, primarily in North America, may reduce the global prices of natural gas-based ethylene, which could affect Oxitenos competitiveness with imported petrochemical products.

The ethylene used in the chemical and petrochemical industries can be obtained either from ethane, which is derived from natural gas, or naphtha, which is derived from oil. During the last few years, naphtha-based ethylene has been more expensive than natural gas-based ethylene, as oil prices have been higher than those of natural gas. The discovery of new shale gas reserves in North America and improvements in the technology to extract natural gas from shale gas have intensified the difference between naphtha and natural gas-based ethylene prices. Most of the ethylene produced in Brazil is derived from naphtha. As Oxiteno competes in the Brazilian market largely with imported products, declining feedstock costs of international players could affect the competitiveness of Oxiteno, which could materially affect our results.

The Brazilian petrochemical industry is influenced by the performance of the international petrochemical industry and its cyclical behavior.

The international petrochemical market is cyclical by nature, with alternating periods typically characterized by tight supply, increased prices and high margins, or by overcapacity, declining prices and low margins. The decrease in Brazilian import tariffs on petrochemical products, the increase in demand for such products in Brazil, and the ongoing integration of regional and world markets for commodities have contributed to the increasing integration of the Brazilian petrochemical industry into the international petrochemical marketplace. As a consequence, events affecting the petrochemical industry worldwide could have a material adverse effect on our business, financial condition and results of operations.

The reduction in import tariffs on petrochemical products can reduce our competitiveness in relation to imported products.

Final prices paid by importers of petrochemical products include import tariffs. Consequently, import tariffs imposed by the Brazilian government affect the prices we can charge for our products. The Brazilian governments negotiation of commercial and other intergovernmental agreements may result in reductions in the Brazilian import tariffs on petrochemical products, which generally range between 12% and 14%, and may reduce the competitiveness of

Oxiteno's products *vis-à-vis* imported petrochemical products. Additionally, Oxiteno's competitiveness may also be reduced in case of higher import tariffs imposed by countries to which the company exports its products.

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Regulatory, political, economic and social conditions in the countries where we have operations or projects could adversely impact our business and the market price of our securities.

Our financial and operational performance may be negatively affected by regulatory, political, economic and social conditions in countries where we have operations or projects. In some of these jurisdictions, we are exposed to various risks such as potential renegotiation, nullification or forced modification of existing contracts, expropriation or nationalization of property, foreign exchange controls, changes in local laws, regulations and policies, trade controls and tariffs and political instability. We also face the risk of having to submit to the jurisdiction of a foreign court or arbitration panel or having to enforce a judgment against a sovereign nation within its own territory. Furthermore, we operate in labor-intensive industries that are subject to the effects of instabilities in the labor market, including strikes, work stoppages, protests and changes in employment regulations, increases in wages and the conditions of collective bargaining agreements that, individually or in the aggregate, could have a material adverse effect on our results. The industries in which we operate have experienced these types of instabilities in the past and we cannot assure you that these instabilities will not occur again.

Actual or potential political or social changes and changes in economic policy may undermine investor confidence, which may hamper investment and thereby reduce economic growth, and otherwise may adversely affect the economic and other conditions under which we operate in ways that could have a materially negative effect on our business.

Our business would be materially adversely affected if operations at our transportation and distribution facilities experienced significant interruptions.

The distribution of LPG, fuels, petrochemicals and pharmaceutical products are subject to inherent risks, including interruptions or disturbances in the distribution system which may be caused by accidents or force majeure events. Our operations are dependent upon the uninterrupted operation of our terminals, storage and distribution facilities and various means of transportation. We are also dependent upon the uninterrupted operation of certain facilities owned or operated by our suppliers. Operations at our facilities and at the facilities owned or operated by our suppliers could be partially or completely shut down, temporarily or permanently, as the result of any number of circumstances that are not within our control, such as:

catastrophic events, including hurricanes and floods;

environmental matters (including environmental licensing processes or environmental incidents, contamination, and others);

labor difficulties (including work stoppages, strikes and other events); and

disruptions in our means of transportation, affecting the supply of our products.

Any significant interruption at these facilities or inability to transport products to or from these facilities or to our customers for any reason could subject us to liability in judicial, administrative or other proceedings, including for disruptions caused by events outside of our control, which could materially affect our business and results.

For example, on May 21, 2018, Brazilian truck drivers announced a nationwide strike, which lasted 10 days, demanding a reduction in taxes imposed on diesel and an amendment to the fuel pricing methodology adopted by Petrobras. The nationwide strike also involved the blockage of some of our facilities, obstruction of highways and other public roadways all over the country which have affected the delivery of various types of cargos and prevented us from carrying out our activities and operations in a normal manner. Amongst the impacts caused by the nationwide strike, the ANP issued a series of exceptional measures to remain in effect while the strike was ongoing to avoid fuel shortages. The Brazilian Federal Government also announced the implementation of measures to meet the demands made by the truck drivers in an attempt to end the nationwide strike. It was announced that (i) the price of diesel at the pump would be reduced by R\$0.46 for 60 days and thereafter adjusted on a monthly basis until the end of 2018, (ii) no tariffs would be levied on vehicles with suspended axles at road tolls and (iii) certain provisional measures were amended to require Conab to hire 30% of the independent truck drivers for its freight and to establish a minimum value of the freight under the nationally used table. See Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Industry and Regulatory Overview and Item 4.B. Information on the Company Business Overview Fuel Distribution Industry and Regulatory Overview.

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Ultrapar results of 2018 were impacted by the truck drivers' strike, mainly due to losses of sales volume during the period of the strike in Ipiranga, Oxitenó, Ultragaz and Extrafarma and inventory losses at Ipiranga due to the reduction of R\$0.46 on the price of diesel. At Ipiranga, blockades at the distribution terminals during the strike prevented delivery of products. At Oxitenó, the strike caused a temporary stoppage at four production units due to impossibility of delivering products. At Ultragaz, difficulties of product delivery centered round the bulk segment. At Extrafarma, there were logistical problems in receiving and distributing products.

We may be adversely affected by changes to specific laws and regulations in our operating sectors.

We are subject to extensive federal, state and local legislation and regulation by government agencies and sector associations in the industries we operate. Rules related to quality of products, days of product storage, staff working hours, among others, may become more stringent or be amended overtime, and require new investments or the increase in expenses to adequate our operations. Changes in specific laws and regulations in the sectors we operate may adversely affect the conditions under which we operate in ways that could have a materially negative effect on our business and our results.

For example, as a consequence of the nationwide truck drivers' strike, the ANP issued a series of exceptional measures to remain in effect while the strike was ongoing to avoid fuel shortages. The Brazilian Federal Government also announced the implementation of measures to meet the demands made by the truck drivers in an attempt to end the nationwide strike.

Ultrapar results of 2018 were impacted by the truck drivers' strike, mainly due to losses of sales volume during the period of the strike in Ipiranga, Oxitenó, Ultragaz and Extrafarma and inventory losses at Ipiranga due to the reduction of R\$0.46 on the price of diesel.

The nationwide strike and the measures adopted in response had a direct impact to our business and results. Further strikes and any additional measures to be implemented by the Brazilian Federal Government and regulatory agencies in response may also affect our operations and further adversely impact our results.

We may be adversely affected by the imposition and enforcement of more stringent environmental laws and regulations.

We are subject to extensive federal and state legislation and regulation by government agencies responsible for the implementation of environmental and health laws and policies in Brazil, Mexico, the United States, Uruguay and Venezuela. Companies like ours are required to obtain licenses for their manufacturing facilities from environmental authorities who may also regulate their operations by prescribing specific environmental standards in their operating licenses. Environmental regulations apply particularly to the discharge, handling and disposal of gaseous, liquid and solid products and by-products from manufacturing activities.

Changes in these laws and regulations, or changes in their enforcement, could adversely affect us by increasing our cost of compliance or operations. In addition, new laws or additional regulations, or more stringent interpretations of existing laws and regulations, could require us to spend additional funds on related matters in order to stay in compliance, thus increasing our costs and having an adverse effect on our results. See Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Industry and Regulatory Overview Environmental, health and safety standards, Item 4.B. Information on the Company Business Overview Fuel Distribution Industry and Regulatory Overview Environmental, health and safety standards and Item 4.B. Information on the Company Business Overview Petrochemicals and Chemicals Industry and Regulatory Overview Environmental, health and safety standards.

The production, storage and transportation of LPG, fuels and petrochemicals are inherently hazardous.

The operations we perform at our plants involve safety risks and other operating risks, including the handling, production, storage and transportation of highly inflammable, explosive and toxic materials. These risks could result in personal injury and death, severe damage to or destruction of property and equipment and environmental damage. A sufficiently large accident at one of our plants, service stations or storage facilities could force us to suspend our operations in the facility temporarily and result in significant remediation costs, loss of revenues and contingent liabilities. In addition, insurance proceeds may not be available on a timely basis and may be insufficient to cover all losses. Equipment breakdowns, natural disasters and delays in obtaining imports or required replacement parts or equipment can also affect our manufacturing operations and consequently our results from operations.

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For example, on April 2, 2015, part of the storage facilities operated by Ultracargo in Santos, in the State of São Paulo, endured a nine-day fire surrounding six ethanol and gasoline tanks. There were no casualties in this accident and, following an investigation by the Civil and Federal Police into the accident and its impact on the region, the cause of the accident was determined to be inconclusive. See Item 4.A. Information on the Company History and Development of the Company Ultracargo Fire at storage facilities in Santos.

Our level of indebtedness may require us to use a significant portion of our cash flow to service such indebtedness.

As of December 31, 2018, our consolidated gross debt (consisting of loan, debentures and finance leases recorded as current and non-current liabilities) totaled R\$15,206.1 million (US\$3,924.4 million), our consolidated net debt was R\$8,211.7 million (US\$2,119.3 million) and our cash flow generated from operating activities was R\$2,889.0 million (US\$745.6 million). See Selected Consolidated Financial Data. The level and composition of our indebtedness could have significant consequences for us, including requiring a portion of our cash flow from operations to be committed to the payment of principal and interest on our indebtedness, thereby reducing our available cash to finance our working capital and investments.

Our insurance coverage may be insufficient to cover losses that we might incur.

The operation of any chemical manufacturing plant and the specialized distribution and retail, as well as the operations of logistics of oil, chemical products, LPG, fuel and pharmaceuticals distribution involve substantial risks of property damage and personal injury and may result in material costs and liabilities. Although we maintain insurance policies, the occurrence of losses or other liabilities that are not covered by insurance or that exceed the limits of our insurance coverage could result in significant unexpected additional costs.

The suspension, cancellation or non-renewal of certain federal tax benefits may adversely affect our results of operations.

Currently, we are entitled to federal tax benefits providing for income tax reduction for our activities in the Northeast region of Brazil, subject to certain conditions. Conversely, if the corresponding tax authorities understand that we have not complied with any of the tax benefit requirements or if the current tax programs from which we benefit are modified, suspended, cancelled, not renewed or renewed under terms that are substantially less favorable than expected, we may become liable for the payment of related taxes at the full tax rates and our results of operations may be adversely affected. Income tax exemptions amounted to R\$107.7 million, R\$48.6 million and R\$98.9 million, for the years ended December 31, 2018, 2017 and 2016, respectively. See Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Ultragas Income tax exemption status , Item 4.B. Information on the Company Business Overview Petrochemicals and Chemicals Oxiteno Income tax exemption status and Item 4.B. Information on the Company Business Overview Storage services for liquid bulk Ultracargo Income tax exemption status.

Our founding family and part of our senior management, through their ownership interest in Ultra S.A. and Parth, own a significant portion of our shares and may influence the management, direction and policies of Ultrapar, including the outcome of any matter submitted to a vote of shareholders.

Although there is no controlling shareholder of Ultrapar, our founding family and part of our senior management, through their ownership interest in Ultra S.A., beneficially own 22% of our outstanding common stock. Ultra S.A., together with Parth, another branch of the Igel family, entered into a shareholders' agreement on May 2, 2018. Such agreement binds a total of shares representing 31.25% of the Company's capital stock. See Item 4.A. Information on the Company History and Development of the Company and Item 7.A. Major Shareholders and Related Party

Transactions Major Shareholders Shareholders Agreements. Accordingly, these shareholders, acting together through Ultra S.A. and Parth, may exercise significant influence over all matters requiring shareholder approval, including the election of our directors.

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No single shareholder or group of shareholders holds more than 50% of our capital stock, which may increase the opportunity for alliances between shareholders and other events that may occur as a result thereof.

No single shareholder or group of shareholders holds more than 50% of our capital stock. Due to the absence of a controlling shareholder, we may be subject to future alliances or agreements between our shareholders, which may result in the exercise of a relevant influence over our Company by them. In the event a controlling group is formed and decides to exercise its influence over our Company, we may be subject to unexpected changes in our corporate governance and strategies, including the replacement of key executive officers. Any unexpected change in our management team, business policy or strategy, any dispute between our shareholders, or any attempt to acquire control of our Company may have an adverse impact on us. The term of office of our current members of our Board of Directors, who were elected at the annual general shareholders meeting held on April 10, 2019, will expire in the annual general shareholders meeting to be held in 2021.

Our status as a holding company may limit our ability to pay dividends on the shares and consequently, on the ADSs.

As a holding company, we have no significant operating assets other than the ownership of shares of our subsidiaries. Substantially all of our operating income comes from our subsidiaries, and therefore we depend on the distribution of dividends or interest on shareholders equity from our subsidiaries. Consequently, our ability to pay dividends depends solely upon our receipt of dividends and other cash flows from our subsidiaries.

As a result of the significant acquisitions of Ipiranga, União Terminais, Texaco, the Extrafarma Transaction, as well as other smaller acquisitions and possible future acquisitions, Ultrapar has assumed and may assume in the future certain liabilities related to the businesses acquired or to be acquired and risks associated with the transactions, including regulatory risks.

Ultrapar has assumed certain liabilities of previously acquired businesses; therefore, certain existing financial obligations, legal liabilities or other known and unknown contingent liabilities or risks of the businesses acquired have become Ultrapar's responsibility. Ultrapar may acquire new businesses in the future and, as a result, it may be subject to additional liabilities, obligations and risks. See Item 4.A. Information on the Company History and Development of the Company for more information in connection with these acquisitions.

In addition, Ultrapar is subject to risks relating to acquisitions that it enters into from time to time. Such risks include that the approval of such transactions may ultimately be refused by the relevant regulatory bodies, including CADE. See Item 8.A. Financial Information Consolidated Statements and Other Financial Information Legal Proceedings.

These liabilities may cause Ultrapar to be required to make payments, incur charges or take other actions that may adversely affect Ultrapar's financial position and results of operations and the price of Ultrapar's shares.

If we fail to successfully implement our organic growth strategy in Extrafarma, our future results of operations may not meet the expectations of investors, which could adversely affect the market price of our shares and ADSs.

Our main growth strategy for Extrafarma consists of the opening of new drugstores in Brazil. Our ability to open new drugstores could be affected if we are unable to find enough appropriate outlets for new drugstores, or if the necessary investments to adapt the property to our needs are too high. Stricter regulations, including those relating to land use and zoning laws in the regions in which we operate may also result in increased expenses and make it more difficult to find suitable outlets for opening our drugstores.

In addition, new or recently opened drugstores may not achieve maturity of its sales within the period we estimate. Also, our new or recently opened stores may adversely affect the profitability of our drugstores, what could adversely affect our business and our consolidated results.

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Moreover, personnel are a key success factor in the retail pharmacy business, and we may be adversely affected if we are unable to hire, train or retain employees. Our business strategy will require the opening of new drugstores, heightening the need to hire, train and retain employees. Failure to do so may impair the process of opening new stores and our operating and financial results. Additionally, a shortage of pharmacists in Brazil as a result of continued robust market growth may result in increased wages or limit our ability to retain or recruit new pharmacists and, consequently, limit our ability to open new drugstores in the long term.

Other risks associated with the opening of new drugstores include (i) entry of new competitors in the retail pharmacy business, (ii) greater competition with market leaders in the North and Northeast regions of Brazil, (iii) limited knowledge about the new regions where we may open new drugstores and (iv) decrease in demand for our products as a result of restrictions in consumer spending or other factors. Any of these risks could adversely affect our ability to implement our organic growth strategy with respect to Extrafarma and, therefore, our business and operating and financial results. This could lead to our failure to meet the expectations of investors and to meet our goals for the operating and financial results of our drugstore business.

Rising climate change concerns could lead to additional regulatory measures that may result in increased costs of operation and compliance, as well as a decrease in demand for our products.

Due to concern over the risk of climate change, a number of countries, including Brazil, have adopted or are considering the adoption of regulatory frameworks to, among other things, reduce greenhouse gas emissions. These include adoption of cap and trade regimes, carbon taxes, increased efficiency standards, prohibition of oil-based fuels vehicles, and incentives or mandates for renewable energy. These requirements could reduce demand for hydrocarbons, as well as shifting hydrocarbon demand toward relatively lower-carbon sources. In addition, many governments are providing tax advantages and other subsidies and mandates to make alternative energy sources more competitive against oil and gas. Governments are also promoting research into new technologies to reduce the cost and increase the scalability of alternative energy sources, all of which could lead to a decrease in demand for our products. In addition, current and pending greenhouse gas regulations may substantially increase our compliance costs and, as a result, increase the price of the products we produce or distribute.

Our governance and compliance processes may fail to prevent regulatory penalties and reputational harm.

We are committed to conduct our businesses in a legal and ethical manner in compliance with the local and international statutory requirements and standards applicable to our activities. However, our governance and compliance processes, which include the review of internal control over financial reporting, may not prevent future breaches of legal, regulatory (including applicable anti-corruption and antitrust laws), accounting or governance standards. Although we have implemented what we understand to be a robust compliance and anti-corruption program to detect and prevent violations of applicable anti-corruption and antitrust laws, we may be subject to breaches of our Code of Ethics, anti-corruption policies and business conduct protocols, and to instances of fraudulent behavior, corrupt or anticompetitive practices and dishonesty by our employees, contractors or other agents. In the recent past, anticompetitive practices have been one of the main problems affecting fuels and LPG distributors in Brazil, including Ipiranga and Ultragaz. There are allegations of cartels involved in price fixing in the fuel distribution and LPG sectors, and CADE has been targeting players of these sectors in different regions of Brazil. CADE has recently been actively investigating these sectors and the outcome of the ongoing investigations, administrative proceedings and lawsuits could have a material adverse effect on Ipiranga and Ultragaz. Our failure to comply with applicable laws and other standards could subject us to, among others, litigation, investigations, expenses, fines, loss of operating licenses and reputational harm.

Information technology failures could disrupt our operations.

We increasingly rely on information technology systems to process, transmit, and store electronic information. A significant portion of the communication between our personnel, customers, and suppliers depends on information technology. In addition, our billing systems rely heavily on technology infrastructure. As with all large systems, our information systems may be vulnerable to a variety of interruptions due to events beyond our control, including, but not limited to, natural disasters, terrorist attacks, telecommunications failures, computer viruses, hacker attacks or other security issues.

We depend on information technology to enable us to operate efficiently and interface with customers, as well as to maintain in-house management and control. We also collect and store non-public personal information that customers provide to purchase products or services, including personal information and payment information.

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In addition, the concentration of processes in shared services center means that any technology disruption could impact a large portion of our business within the operating regions we serve. Any transitions of processes to, from or within shared services centers as well as other transformational projects, could lead to business disruptions. If we do not allocate, and effectively manage, the resources necessary to build and sustain the proper technology infrastructure, we could be subject to transaction errors, processing inefficiencies, loss of customers, operations disruptions, or the loss of or damage to intellectual property through a security breach. As with all information technology systems, our system could also be penetrated by outside parties with the purpose of extracting information, corrupting information or disrupting business processes.

We take various actions with the aim of minimizing potential technology disruptions, such as tools, controls and procedures in the management and monitoring of internal and perimeter security, periodic analysis of vulnerabilities performed by an independent external company, an information security and cybersecurity awareness program, a secondary environment for disaster recovery and respective periodic tests, tools for continuous monitoring and correlation of events, a dedicated team responsible for maintaining and continuously improving the information security management system, currently certified by ISO 27001 (Information Security Management standards) and other best practices and tools, but all of these protections may be compromised as a result of third-party security breaches, burglaries, cyberattack, errors by employees or employees of third-party vendors, of contractors, misappropriation of data by employees, vendors or unaffiliated third parties, or other irregularities that may result in persons obtaining unauthorized access to company data or otherwise disrupting our business.

These or other similar interruptions could have a material adverse effect on our business, results of operations, cash flows or financial condition.

In addition, our management evaluated and concluded that our disclosure controls and procedures as of December 31, 2018, were not effective due to deficiencies that represent a material weakness in our internal control over financial reporting, in the design and maintenance of our controls regarding change management and privileged access to our Information Technology (IT) environment, as described in Item 15 of this Form 20-F.

Risks Relating to Brazil

The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. Brazilian political and economic conditions, including ongoing political instability and perceptions of these conditions in the international markets, could adversely affect our businesses and the market price of our shares and ADSs.

The Brazilian government frequently intervenes in the Brazilian economy and occasionally makes substantial changes in policy and regulations. The Brazilian government's actions to control inflation and affect other policies and regulations have involved price and wage controls, currency devaluations, capital controls, strong fiscal adjustments and limits on imports, among other measures. Our businesses, financial condition and results of operations may be adversely affected by changes in policy or regulations involving or affecting tariffs, exchange controls and other matters, as well as factors such as:

currency fluctuations;

inflation;

interest rates;

exchange rate policies;

liquidity available in the domestic capital, credit and financial markets;

oil and gas sector regulations, including price policies;

petrochemical and chemical sectors regulations;

retail pharmacy business regulations;

price instability;

social and political instability;

energy and water shortages and rationing;

liquidity of domestic capital and lending markets;

fiscal policy; and

other political, economic, social, trade and diplomatic developments in or affecting Brazil.

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Uncertainty over whether the Brazilian government may implement changes in policy or regulation affecting these or other factors in the future may contribute to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets and securities issued abroad by Brazilian issuers, as well as heightened volatility in the Brazilian *Real*. These and other future developments in the Brazilian economy and government policies may adversely affect us and our businesses and results of operations and may adversely affect the trading price of our ADSs and shares. Furthermore, the Brazilian government may enact new regulations that may adversely affect our businesses and us.

Political instability in Brazil has been growing in recent years and can adversely affect the economy.

Brazilian president Dilma Rousseff was reelected for a second four-year term in October 2014, which began in January 2015. Following the reelection, wide scale protests throughout Brazil called for the impeachment of Dilma Rousseff. On April 17, 2016, Brazil's lower house of Congress voted in favor of sending an impeachment motion against Mrs. Rousseff to the Brazilian Senate. In May 2016, the Brazilian Senate voted to approve the commencement of an impeachment trial, which was concluded on August 31, 2016 with approval by the Senate of the impeachment of Mrs. Rousseff. As a result, Michel Temer, the former Vice-President assumed the presidency of Brazil following Rousseff's ouster. In October 2018, Mr. Jair Messias Bolsonaro, a former member of the lower house of Congress, was elected president for a 4-year term, from 2019 to 2022.

We have no control over and cannot predict what policies or actions the Brazilian government may take in the future. Any of these factors may have an adverse impact on the Brazilian economy, our business, financial condition, results of operations and the market price of our ADSs and shares.

Currently, Brazilian markets are experiencing heightened volatility due to the uncertainties derived from the ongoing *Lava Jato* and similar corruption investigations, being conducted by Law Courts in Paraná and other states, and the Office of the Brazilian Federal Prosecutor, and its impact on the Brazilian economy and political environment. Former members of the Brazilian federal government and of the legislative branch, as well as senior officers of large state-owned companies as well as privately held companies have faced allegations of political corruption, including through the alleged acceptance of bribes by means of kickbacks on contracts granted by the government to infrastructure, oil and gas and construction companies. The potential outcome of these investigations is uncertain, but they have already had an adverse impact on the image and reputation of the implicated companies, and on the general market perception of the Brazilian economy. We cannot predict whether such allegations will lead to further political and economic instability or whether new allegations against government officials will arise in the future. In addition, we cannot predict the outcome of any such allegations nor their effect on the Brazilian economy. The development of such unethical cases could adversely affect our business, financial condition and results of operations.

The Brazilian government may be subject to internal pressure to change its current macroeconomic policies in order to achieve higher rates of economic growth and has historically maintained a tight monetary policy with high interest rates, thereby restricting the availability of credit and reducing economic growth. For example, Brazil's federal budget has been in deficit since 2014. Similarly, the governments of Brazil's constituent states are also facing fiscal concerns due to their high debt burdens, declining revenues and inflexible expenditures. While the Brazilian Congress has approved a ceiling on government spending that will limit primary public expenditure growth to the prior year's inflation for a period of at least 10 years, local and foreign investors believe that fiscal reforms, and in particular a reform of Brazil's pension system, will be critical for Brazil to comply with the spending limit. As of the date of this annual report, discussions in the Brazilian Congress relating to such reforms remain ongoing. Diminished confidence in the Brazilian government's budgetary condition and fiscal stance could result in downgrades of Brazil's sovereign debt by credit rating agencies, negatively impact Brazil's economy, lead to further depreciation of the *Real* and an increase in inflation and interest rates, thus adversely affecting our business, results of operations and financial

condition.

We cannot predict which policies will be adopted by the Brazilian government. Moreover, in the past, the Brazilian economy has been affected by the country's political events, which have also affected the confidence of investors and the public in general, thereby adversely affecting the performance of the Brazilian economy. Furthermore, any indecisiveness by the Brazilian government in implementing changes to certain policies or regulations may contribute to economic uncertainty in Brazil and heightened volatility for the Brazilian securities markets and securities issued abroad by Brazilian companies. We are not able to fully estimate the impact of global and Brazilian political and macroeconomic developments on our business. In addition, there is substantial uncertainty regarding future economic policies and we cannot predict which policies will be adopted by the Brazilian government and whether these policies will negatively affect the economy or our business or financial performance. Recent economic and political instability has led to a negative perception of the Brazilian economy and higher volatility in the Brazilian securities markets, which also may adversely affect our securities and us. Any continued economic instability and political uncertainty which results in reduced availability of credit and reduced economic growth may materially and adversely affect our business.

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Inflation and certain governmental measures to curb inflation may contribute significantly to economic uncertainty in Brazil and could harm our business and the market value of the ADSs and our shares.

In the past, Brazil has experienced extremely high rates of inflation. Inflation and some of the Brazilian government's measures taken in an attempt to curb inflation have had significant negative effects on the Brazilian economy. Since the introduction of the *Real* in 1994, Brazil's inflation rate has been substantially lower than that in previous periods. However, during the recent past, the economy has experienced increasing inflation rates and actions taken in an effort to curb inflation, coupled with speculation about possible future governmental actions, have contributed to economic uncertainty in Brazil and heightened volatility in the Brazilian securities market. According to the *Índice Geral de Preços-Mercado*, or IGP-M, an inflation index, the Brazilian general price inflation rates were 7.5% in 2018, -0.5% in 2017, 7.2% in 2016, 10.5% in 2015 and 3.7% in 2014. From January to March 2019, IGP-M index was 2.2%. According to the *Índice Nacional de Preços ao Consumidor Amplo*, or IPCA, an inflation index to which Brazilian government's inflation targets are linked, inflation in Brazil was 3.7% in 2018, 2.9% in 2017, 6.3% in 2016, 10.7% in 2015 and 6.4% in 2014.

Brazil may experience high levels of inflation in the future. Our operating expenses are substantially in *Reais* and tend to increase with Brazilian inflation. Inflationary pressures may also hinder our ability to access foreign financial markets or may lead to further government intervention in the economy, including the introduction of government policies that could harm our business or adversely affect the market value of our shares and, as a result, our ADSs.

Exchange rate instability may adversely affect our financial condition and results of operations and the market price of the ADSs and our shares.

During the last decades, the Brazilian government has implemented various economic plans and a number of exchange rate policies, including sudden devaluations, periodic mini-devaluations during which the frequency of adjustments has ranged from daily to monthly, floating exchange rate systems, exchange controls and dual exchange rate markets. Although over long periods depreciation of the Brazilian currency has been generally correlated with the rate of inflation in Brazil, there have historically been observed shorter periods of significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar and other currencies, in particular in the last 10 years.

In 2014, despite the weak performance of the Brazilian economy, and the recovery of the North American economy, the *Real* remained relatively stable against the dollar until September, when started to devalue, closing the year with a depreciation of 13%. In 2015, the political instability, the downgrade of Brazil's sovereign credit rating and the expectation for an interest rate rise by the Federal Reserve System contributed to a 47% depreciation of the *Real* against the U.S. dollar. In 2016, the *Real* appreciated 17% against the U.S. dollar, marking the first year that it has appreciated against the U.S. dollar since 2011, despite residual political instability and continuing signs of shrinking of the Brazilian economy. This was due mostly to improvements in the Brazilian political environment, following the impeachment of former president Dilma Rouseff and certain stabilizing measures proposed by current President Michel Temer as well as ongoing efforts by the government's economic team to curb public spending and debt. In 2017, the *Real* depreciated 2% against the U.S. dollar reflecting the continued political instability and deterioration of the expectation of the pension reform approval, despite the slight improvement in the Brazilian macroeconomic scenario. In 2018, the *Real* depreciated 17%, pressured mainly by the global instability, result of economic crises in developed countries and the increase of interest rates by the Federal Reserve System in the United States. The domestic scenario, characterized by political instability due to the presidential election and the slow progress of fiscal and pension reforms, also influenced the *Real* depreciation during the year. From December 31, 2018 to April 11, 2019, the *Real* appreciated 1% against the U.S. dollar. See Item 3.A. Key Information Selected Consolidated Financial Data Exchange Rates.

There are no guarantees that the exchange rate between the *Real* and the U.S. dollar will stabilize at current levels. Although we have contracted hedging instruments with respect to our existing U.S. dollar debt obligations, in order to reduce our exposure to fluctuations in the dollar/*Real* exchange rate, we cannot guarantee that such instruments will be adequate to protect us fully against further devaluation of the *Real*, and we could in the future experience monetary losses as a result. See Item 11. Quantitative and Qualitative Disclosures about Market Risk Foreign Exchange Risk for information about our foreign exchange risk hedging policy.

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Depreciations of the *Real* relative to the U.S. dollar can create additional inflationary pressures in Brazil that may negatively affect us. Depreciations generally curtail access to foreign financial markets and may prompt government intervention, including recessionary governmental policies. Depreciations also reduce the U.S. dollar value of distributions and dividends on the ADSs and the U.S. dollar equivalent of the market price of our shares and, as a result, the ADSs. On the other hand, appreciation of the *Real* against the U.S. dollar may lead to a deterioration of the country's current account and the balance of payments, as well as to a dampening of export-driven growth.

Although a large part of our sales is denominated in *Reais*, prices and certain costs in the chemical business (including but not limited to ethylene and palm kernel oil, purchased by our subsidiary Oxitenio) are benchmarked to prices prevailing in the international markets. Therefore, we are exposed to foreign exchange rate risks that could materially adversely affect our business, financial condition and results of operations as well as our capacity to service our debt. See Item 11. Quantitative and Qualitative Disclosures about Market Risk.

Economic and market conditions in other countries, including in the United States and emerging market countries, may materially and adversely affect the Brazilian economy and, therefore, our financial condition and the market price of the shares and ADSs.

The market for securities issued by Brazilian companies is influenced by economic and market conditions in Brazil, and, to varying degrees, market conditions in other countries, including the United States, other Latin American and emerging market countries. Although economic conditions are different in each country, the reaction of investors to developments in one country may cause the capital markets in other countries to fluctuate. Developments or conditions in other countries, including the United States and other emerging market countries, have at times significantly affected the availability of credit in the Brazilian economy and resulted in considerable outflows of funds and declines in the amount of foreign currency invested in Brazil, as well as limited access to international capital markets, all of which may materially and adversely affect our ability to borrow funds at an acceptable interest rate or to raise equity capital when and if we should have such a need.

In 2016, 2017 and 2018, there was an increase in volatility in all Brazilian markets due to, among other factors, uncertainties about how monetary policy adjustments in the United States would affect the international financial markets, the increasing risk aversion to emerging market countries, and the uncertainties regarding Brazilian macroeconomic and political conditions. These uncertainties adversely affected us and the market value of our securities.

In addition, we continue to be exposed to disruptions and volatility in the global financial markets because of their effects on the financial and economic environment, particularly in Brazil, such as a slowdown in the economy, an increase in the unemployment rate, a decrease in the purchasing power of consumers and the lack of credit availability.

Disruption or volatility in the global financial markets could further increase negative effects on the financial and economic environment in Brazil, which could have a material adverse effect on our business, results of operations and financial condition.

Our businesses, financial condition and results of operations may be materially adversely affected by a general economic downturn and by instability and volatility in the financial markets.

The turmoil of the global financial markets and the scarcity of credit in 2008 and 2009, and to a lesser extent, the European crisis deteriorated in 2011, led to lack of consumer confidence, increased market volatility and widespread reduction of business activity. An economic downturn could materially adversely affect the liquidity, businesses

and/or financial conditions of our customers, which could in turn result not only in decreased demand for our products, but also increased delinquencies in our accounts receivable. Furthermore, an eventual new global financial crisis could have a negative impact on our cost of borrowing and on our ability to obtain future borrowings. The disruptions in the financial markets could also lead to a reduction in available trade credit due to counterparties liquidity concerns. If we experience a decrease in demand for our products or an increase in delinquencies in our accounts receivable, or if we are unable to obtain borrowings our business, financial condition and results of operations could be materially adversely affected.

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Holders of our ADSs may face difficulties in serving process on or enforcing judgments against us and other relevant persons.

We are a company incorporated under the laws of Brazil. All members of our Board of Directors, executive officers and experts named in this annual report are residents of Brazil or have business address in Brazil. All or a substantial part of the assets pertaining to these individuals and to Ultrapar are located outside the United States. As a result, it is possible that investors may not be able to effect service of process upon these individuals or us in the United States or other jurisdictions outside Brazil, or enforce judgments against us or these other persons obtained in the United States or other jurisdictions outside Brazil, including for civil liability based upon United States federal securities laws or otherwise. In addition, because judgments of United States courts for civil liabilities based upon the United States federal securities laws may only be enforced in Brazil if certain conditions are met, holders may face greater difficulties in protecting their interests in the case of actions against us or our Board of Directors or executive officers than would shareholders of a United States corporation.

Risks Relating to the Shares and the American Depositary Shares

Asserting limited voting rights as a holder of ADSs may prove more difficult than for holders of our common shares.

Under the Brazilian Corporate Law, only shareholders registered as such in our corporate books may attend shareholders' meetings. All common shares underlying the ADSs are registered in the name of the depositary bank. A holder of ADSs, accordingly, is not entitled to attend shareholders' meetings. A holder of ADSs is entitled to instruct the depositary bank as to how to exercise the voting rights of its common shares underlying the ADSs in accordance with procedures provided for in the Deposit Agreement, but a holder of ADSs will not be able to vote directly at a shareholders' meeting or appoint a proxy to do so. In addition, a holder of ADSs may not have sufficient or reasonable time to provide such voting instructions to the depositary bank in accordance with the mechanisms set forth in the Deposit Agreement and custody agreement, and the depositary bank will not be held liable for failure to deliver any voting instructions to such holders.

Holders of our shares or ADSs may not receive dividends.

Under our bylaws, unless otherwise proposed by the Board of Directors and approved by the voting shareholders at our annual shareholders' meeting, we must generally pay our shareholders a mandatory distribution equal to at least 50% of our adjusted net profit, after the allocation of 5% of the net profit to the legal reserve. However, our net income may be used to increase our capital stock, used to set off losses and/or otherwise retained in accordance with the Brazilian Corporate Law and may not be available for the payment of dividends, including in the form of interest on shareholders' equity. Therefore, whether or not you receive a dividend depends on the amount of the mandatory distribution, if any, and whether the Board of Directors and the voting shareholders exercise their discretion to suspend these payments. See Item 8.A. Financial Information Consolidated Statements and Other Financial Information Dividend and Distribution Policy Dividend Policy for a more detailed discussion of mandatory distributions.

Holders of our shares may be unable to exercise preemptive rights with respect to the shares.

In the event that we issue new shares pursuant to a capital increase or offer rights to purchase our shares, shareholders would have preemptive rights to subscribe for the newly issued shares or rights, as the case may be, corresponding to their respective interest in our share capital, allowing them to maintain their existing shareholder percentage.

However, our bylaws establish that the Board of Directors may exclude preemptive rights to the current shareholders or reduce the time our shareholders have to exercise their rights, in the case of an offering of new shares to be sold on a registered stock exchange or otherwise through a public offering.

The holders of our shares or ADSs may be unable to exercise their preemptive rights in relation to the shares represented by the ADSs, unless we file a registration statement for the offering of rights or shares with the SEC pursuant to the United States Securities Act or an exemption from the registration requirements applies. We are not obliged to file registration statements in order to facilitate the exercise of preemptive rights and, therefore, we cannot assure ADS holders that such a registration statement will be filed. As a result, the equity interest of such holders in our Company may be diluted. If the rights or shares, as the case may be, are not registered as required, the depositary will try to sell the preemptive rights held by holder of the ADSs and you will have the right to the net sale value, if any. However, the preemptive rights will expire without compensation to you should the depositary not succeed in selling them.

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If shareholders exchange ADSs for shares, they may lose certain foreign currency remittance and Brazilian tax advantages.

The ADSs benefit from the depositary's certificate of foreign capital registration, which permits the depositary to convert dividends and other distributions with respect to the shares into foreign currency and remit the proceeds abroad. If the shareholders exchange the ADSs for shares, they will only be entitled to rely on the depositary's certificate of foreign capital registration for five business days from the date of exchange. Thereafter, the shareholders will not be able to remit abroad non-Brazilian currency unless they obtain their own certificate of foreign capital registration or they qualify under National Monetary Council Resolution 4,373 of September 29, 2014 (which replaced Resolution 2,689, of January 26, 2000) which entitles certain investors to buy and sell shares on Brazilian stock exchanges without obtaining separate certificates of registration. If the shareholders do not qualify under Resolution 4,373 (which replaced Resolution 2,689), they will generally be subject to less favorable tax treatment on distributions with respect to the shares. The depositary's certificate of registration or any certificate of foreign capital registration obtained by the shareholders may be affected by future legislative or regulatory changes, and additional Brazilian law restrictions applicable to their investment in the ADSs may be imposed in the future. For a more complete description of Brazilian tax regulations, see Item 10.E. Additional Information Taxation Brazilian Tax Consequences.

Controls and restrictions on the remittance of foreign currency could negatively affect your ability to convert and remit dividends, distributions or the proceeds from the sale of our shares, Ultrapar's capacity to make dividend payments to non-Brazilian investors and the market price of our shares and ADSs.

Brazilian law provides that, whenever there is a serious imbalance in the Brazilian balance of payments or reasons for believing that there will be a serious imbalance in the future, the Brazilian government can impose temporary restrictions on remittances of income on investments by non-Brazilian investors in Brazil. The probability that the Brazilian government might impose such restrictions is related to the level of the country's foreign currency reserves, the availability of currency in the foreign exchange markets on the maturity date of a payment, the amount of the Brazilian debt servicing requirement in relation to the economy as a whole, and the Brazilian policy towards the International Monetary Fund, among other factors. We are unable to give assurances that the Central Bank will not modify its policies or that the Brazilian government will not introduce restrictions or cause delays in payments by Brazilian entities of dividends relating to securities issued in the overseas capital markets up to the present. Such restrictions or delays could negatively affect your ability to convert and remit dividends, distributions or the proceeds from the sale of our shares, Ultrapar's capacity to make dividend payments to non-Brazilian investors and the market price of our shares and the ADSs.

Changes in Brazilian tax laws may have an adverse impact on the taxes applicable to a disposition of our ADSs.

According to Law No. 10,833, enacted on December 29, 2003, the disposition of assets located in Brazil by a non-resident to either a Brazilian resident or a non-resident is subject to taxation in Brazil, regardless of whether the disposal occurs outside or within Brazil. In the event that the disposal of assets is interpreted to include a disposal of our ADSs, this tax law could result in the imposition of the withholding income tax on a disposal of our ADSs between non-residents of Brazil. See Item 10.E. Additional Information Taxation Brazilian Tax Consequences Taxation of Gains.

Substantial sales of our shares or our ADSs could cause the price of our shares or our ADSs to decrease.

Shareholders of Ultra S.A. and Parth, which own 31% of our outstanding shares, have the right to exchange their shares of Ultra S.A. and Parth for shares of Ultrapar and freely trade them in the market as more fully described under

Item 7.A. Major Shareholders and Related Party Transactions Major Shareholders Shareholders Agreements. Other shareholders, who may freely sell their respective shares, hold a substantial portion of our remaining shares. A sale of a significant number of shares could negatively affect the market value of the shares and ADSs. The market price of our shares and the ADSs could drop significantly if the holders of shares or the ADSs sell them or the market perceives that they intend to sell them.

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There may be adverse U.S. federal income tax consequences to U.S. Holders if we are or become a PFIC under the Code.

If we were characterized as a PFIC, in any year during which a U.S. Holder holds our shares or ADSs, certain adverse U.S. federal tax income consequences could apply to that person. Based on the manner in which we currently operate our business, the projected composition of our income and valuation of our assets, and the current interpretation of the PFIC rules, including the Commodity Exception, we do not believe that we were a PFIC in 2018 and we do not expect to be a PFIC in the foreseeable future. However, because PFIC classification is a factual determination made annually and is subject to change and differing interpretations, there can be no assurance that we will not be considered a PFIC for the current taxable year or any subsequent taxable year. U.S. Holders should carefully read Item 10.E. Additional Information Taxation U.S. Federal Income Tax Considerations for a description of the PFIC rules and consult their tax advisors regarding the likelihood and consequences of us being treated as a PFIC for U.S. federal income tax purposes.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We were incorporated on December 20, 1953, with our origins going back to 1937, when Ernesto Igel founded Ultragaz and pioneered the use of LPG as cooking gas in Brazil, using bottles acquired from Companhia Zeppelin. The gas stove began to replace the traditional wood stove and, to a lesser degree, kerosene and coal, which dominated Brazilian kitchens at the time.

With more than 80 years of history, Ultrapar occupies positions of leadership in the five business segments in which it operates: specialized distribution and retail through Ultragaz, Ipiranga and Extrafarma, production of specialty chemicals through Oxiteno and liquid bulk storage services through Ultracargo.

We are a company incorporated under the laws of Brazil. Our principal executive office is located at Avenida Brigadeiro Luis Antônio, 1343, 9th Floor, 01317-910, São Paulo, SP, Brazil. Our telephone number is +55 (11) 3177 7014. Our internet website address is <http://ri.ultra.com.br>. Unless expressly incorporated by reference into this annual report, including the exhibits and schedules filed herewith, the contents of our website are not incorporated by reference into this annual report. Our agent for service of process in the United States is C.T. Corporation System, located at 111 Eighth Avenue, New York, New York 10011.

Ultragaz

When Ultragaz began its operations, it served only the Southeast region of Brazil. Currently, Ultragaz operates nationwide in the distribution of both bottled and bulk LPG, including the most highly populated states in Brazil, such as São Paulo, Rio de Janeiro and Bahia, and may sell bottled LPG through independent dealers. Bulk LPG is serviced through Ultragaz own infrastructure.

In 1995, Ultragaz introduced UltraSystem a small bulk distribution system to residential, commercial and industrial segments, and started the process of geographical expansion through the construction of new LPG filling and satellite plants.

In August 2003, Ultragaz acquired Shell Gás, Royal Dutch Shell plc's LPG operations in Brazil. With this acquisition, Ultragaz became the Brazilian market leader in LPG, with a 24% share of the Brazilian market on that date. In October 2011, Ultragaz acquired Repsol's LPG distribution business in Brazil.

Oxiteno

We were also one of the pioneers in developing the Brazilian petrochemicals industry with the creation of Oxiteno in 1970, whose first plant was located in the Mauá petrochemical complex in São Paulo metropolitan area. In 1974, Oxiteno inaugurated its second industrial unit, in the Camaçari petrochemical complex in Bahia. In 1986, Oxiteno established its own research and development center in order to respond to specific customer needs. In April 2002, Oxiteno completed a tender offer for the acquisition of the shares of its subsidiary Oxiteno Nordeste, through the acquisition of approximately 73.3% of the shares held by minority shareholders. Oxiteno increased its share ownership in Oxiteno Nordeste from 97% to 98.9%.

In December 2003, we concluded the acquisition of Canamex, later renamed Oxiteno Mexico, a Mexican specialty chemicals company. In June 2004, we acquired the operational assets of Rhodia Especialidades S.A. de C.V. in Mexico. Both acquisitions had the target of establishing a stronger presence in the Mexican petrochemical market and to create a production and distribution platform to serve the United States market.

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In September 2007, Oxiteno acquired Arch Andina, a subsidiary of the U.S. company Arch Chemicals, Inc. At such time, Arch Andina was the sole producer of ethoxylates in Venezuela, which had been the only ethylene oxide producing country in Latin America where Oxiteno did not have operations. The company was later renamed Oxiteno Andina.

In April 2012, Oxiteno acquired a specialty chemicals plant in the United States. The plant is located in Pasadena, Texas, one of the most important chemical hubs in the world, benefiting from attractive feedstock conditions, including competitive natural gas-based raw materials, and highly efficient logistics infrastructure. In September 2018, Oxiteno completed the construction of the new alkoxylation unit in the same site in Texas, US. The unit expands Oxiteno's footprint in the United States, focusing on local markets of agrochemicals, personal care, household and industrial cleaning, coatings and oil and gas.

In November 2012, Oxiteno acquired American Chemical (currently Oxiteno Uruguay), a Uruguayan specialty chemicals company. Oxiteno Uruguay's production capacity is 81 thousand tons per year, particularly sulfonate and sulfate surfactants for the home and personal care industries.

Oxiteno continued the expansion of its international activities, initiated in 2003 with the opening of commercial offices outside Brazil. In August 2006, Oxiteno opened its first commercial office outside Brazil, in Buenos Aires, Argentina – Oxiteno Argentina S.R.L. In July 2008, Oxiteno inaugurated its first sales office in Europe and the third outside Brazil in Brussels, Belgium, as part of Oxiteno's internationalization strategy. In May 2012, Oxiteno opened a commercial office in Shanghai, China – Oxiteno Shanghai Trading LTD.

Ultracargo

The market demand, in the decade of 1960, for high-quality and safe transportation services led to our entrance in the transportation of chemicals, petrochemicals and LPG segment. In 1978, Tequimar was founded for the specific purpose of operating the storage business. Later, Tequimar was acquired by Ultracargo, which is currently the largest provider of liquid bulk storage in Brazil.

In July 2005, Ultracargo started up a new terminal in Santos, its second port terminal that integrates road, rail and maritime transportation systems. In June 2008, Ultracargo signed the sale and purchase agreement for the acquisition of 100% of the shares of União Terminais held by Unipar. In October 2008, the acquisition of the port terminals in Santos and Rio de Janeiro were concluded. In November 2008, Ultracargo completed the acquisition of 50% of the total capital stock held by Unipar in União Vopak, which owned a port terminal in Paranaguá. The combination of its operations with those of União Terminais doubled the size of Ultracargo in terms of EBITDA and made it the largest liquid bulk storage company in Brazil, strengthening its operating scale. With this acquisition, Ultracargo increased its presence at the port of Santos, the largest Brazilian port, and is now strategically positioned in the ports of Rio de Janeiro and Paranaguá, where the company did not previously have operations.

In December 2009, Ultracargo acquired Puma Storage do Brasil Ltda., a storage terminal for liquid bulk located at the port of Suape, in the state of Pernambuco. In July 2012, Ultracargo acquired Temmar from Temmar Netherlands B.V. and Noble Netherlands B.V., subsidiaries of Noble Group. Temmar owned a terminal in the port of Itaqui, in the state of Maranhão.

In January 2018, Tequimar entered into a sale and purchase agreement for the acquisition of 100% of the quotas of TEAS, owned by Raízen Energia S.A. and Raízen Araraquara Açúcar e Alcool Ltda., whose assets had already been operated by Tequimar in the port of Santos. On March 29, 2018, the acquisition was concluded.

Ipiranga

In March 2007, Ultrapar, Petrobras and Braskem announced their intent to acquire the Ipiranga Group, and Ultrapar entered into, and Petrobras and Braskem acknowledged, the Ipiranga Group SPA with the Key Shareholders of the principal companies comprising the Ipiranga Group. In April 2007, Ultrapar acquired the control of the Southern Distribution Business, EMCA and a one-third stake in RPR, in connection with the acquisition of the Ipiranga Group. Following the acquisition, Ultrapar, which was already Brazil's largest LPG distributor, became the second largest fuel distributor in the country, with a 14% market share in 2007, according to ANP.

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After the completion of the acquisition of Ipiranga Group, its businesses were divided among Petrobras, Ultrapar and Braskem. Ultrapar retained the fuel and lubricant distribution businesses located in the South and Southeast regions of Brazil; Petrobras received the fuel and lubricant distribution businesses located in the North, Northeast and Midwest regions of Brazil; Petrobras and Braskem received the Petrochemical Business, in the proportion of 60% for Braskem and 40% for Petrobras. For a more detailed discussion of the acquisition of Ipiranga Group, see our Form F-4 filed with the Commission on December 17, 2007.

In August 2008, Ipiranga entered into a sale and purchase agreement with Chevron for the acquisition of 100% of the shares of CBL and Galena. The combination with Texaco created a nationwide fuel distribution business, strengthening its competitiveness through a larger operational scale. After completion of the acquisition, Ipiranga implemented its business plan, which consisted of two main work streams (i) the integration of operations, administrative and financial functions of Texaco, and (ii) the implementation of Ipiranga's business model in the expanded network, with a wider range of products and services and a differentiated approach to its resellers. As of December 31, 2012, Ipiranga had also converted all the acquired Texaco branded stations into the Ipiranga brand.

In February 2009, a capital increase of R\$15 million was approved at an extraordinary general shareholders' meeting of RPR through the issuance of 15 million new common and preferred shares and the admission of new shareholders in its capital stock, as part of the acquisition of the Ipiranga Group. As a result, RPR ceased to be a wholly-owned subsidiary of Ultrapar. Ultrapar retains an equity interest of 33% in RPR.

In October 2010, Ipiranga acquired 100% of the shares of DNP. DNP distributed fuels in the states of Amazonas, Rondônia, Roraima, Acre, Pará and Mato Grosso through a network of 110 service stations, with 4% market share in 2009 in the North of Brazil.

In November 2012, Ipiranga entered the segment of electronic payment for tolls, parking and fuels through ConectCar. ConectCar fits into Ipiranga's strategy of differentiation, offering more products and services in its service station network focused on convenience and practicality, generating benefits for its clients, retailers and for the company itself. In October 2015, Redecard S.A. acquired 50% of ConectCar from a former partner. This new partner provided opportunities to ConectCar expand its services to new markets, continuing with its purpose of offering customers mobility, convenience, flexibility and, above all, differentiated benefits.

In August 2016, Ipiranga entered into an association agreement with Chevron to create a new company in the lubricants business, Iconic; of which Ipiranga and Chevron hold 56% and 44%, respectively. Operations commenced on December 1, 2017.

Extrafarma

Benefitting from over 50 years of activity in the wholesale and retail of pharmaceutical products, Extrafarma is a leading drugstore chain in the main regions in which it operates. In September 2013, Ultrapar and the former shareholders of Extrafarma entered into an association agreement with Extrafarma, one of Brazil's top ten drugstores chains, marking our entry in the retail pharmacy business. According to the terms of the agreement, Ultrapar and Extrafarma entered into a merger of shares, pursuant to which Ultrapar acquired 100% of the shares of Extrafarma in exchange for up to 2.9% of shares issued by Ultrapar to Extrafarma's shareholders. Extrafarma became a wholly-owned subsidiary of Ultrapar from February 1, 2014 onwards. The total consideration of the Extrafarma Transaction consisted of the issuance of up to 16,028,131 shares of Ultrapar and the assumption by Ultrapar of Extrafarma's net debt of R\$106 million as of December 31, 2012.

Ultrapar received from the former seven shareholders of Extrafarma all of the shares of Extrafarma in exchange for 12,021,100 newly issued shares of Ultrapar, in accordance with Art. 252 of the Brazilian Corporate Law, increasing our issued share capital to 556,405,096 shares. In addition, as a mechanism for possible adjustments related to contingencies whose triggering events occurred prior to the closing of the transaction, we issued subscription warrants to the former Extrafarma shareholders that, if exercised, could potentially lead to the issuance of up to 4,007,031 shares until 2020, subject to adjustment based on numerous factors. Of the total possible shares that could be issued to the former Extrafarma shareholders upon exercise of the subscription warrants, Extrafarma's shareholders could receive up to 801,409 additional shares of Ultrapar based on working capital adjustments and 3,205,622 shares of Ultrapar based on absence of indemnification obligations. In 2015, after a final agreement between Ultrapar and Extrafarma, the subscription warrants related to the working capital adjustments were cancelled. Therefore, currently, the exercise of subscription warrants by the former Extrafarma shareholders could potentially lead to the issuance of up to 3,205,622 shares of Ultrapar until 2020, none of which have been exercised at the date of this annual report.

Ultrapar's 12,021,100 shares received by the former shareholders of Extrafarma are subject to lock-up agreements and will become available for trading in phases. Of the total shares, 33.5% were immediately available for trading after the closing, 8.3% became available in each of February 2015, February 2016, February 2017, February 2018 and February 2019 with the final tranche of 25% to be released from the lock-up in 2020, which will mark the sixth year after the closing.

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Corporate events

On October 6, 1999, we concluded our initial public offering, listing our shares simultaneously on B3 and NYSE. In March 2000, Ultra S.A.'s shareholders signed an agreement, assuring equal treatment of all shareholders (holders of both common and/or preferred shares) in the event of any change in control tag along rights. The agreement determined that any transfer of control of Ultrapar, either directly or indirectly, would only be executed in conjunction with a public offer by the acquiring entity to purchase the shares of all shareholders in the same proportion and under the same price and payment terms as those offered to the controlling shareholders. In December 2002, we completed a corporate restructuring process that had begun in October 2002. The effects of the corporate restructuring were (i) the merger of Gipóia Ltda., a company which held a 23% direct stake in Ultragaz and was owned by Ultra S.A., into Ultrapar, increasing our ownership in Ultragaz to 99.6% and (ii) the exchange of shares issued by Oxiteno for shares issued by Ultrapar.

In January 2008, Ultrapar significantly increased the liquidity of its shares through the issuance of 55 million preferred shares, as a consequence of the Share Exchange. The Share Exchange increased Ultrapar's free float from 32 million shares to 87 million shares, with the free float reaching 64% of the Company's total capital. The significant increase in the size of the free float helped Ultrapar to become part of Ibovespa, one of B3 index.

In April 2011, our Board of Directors approved the submission to our shareholders a proposal to (a) convert any and all shares of preferred stock issued by the Company into common shares, on a 1:1 conversion ratio; (b) amend the Company's bylaws, modifying several of its provisions, aiming to strengthen the Company's corporate governance; and (c) adhere to the *Novo Mercado* segment rules. Our shareholders approved all the proposals and, in August 2011, Ultrapar's shares began trading on the *Novo Mercado* under ticker symbol UGPA3. Simultaneously, Ultrapar's ADSs, formerly represented by preferred shares, began representing Ultrapar's common shares and began trading on the NYSE under this new format.

In May 2018, Ultra S.A.'s and Parth's shareholders entered into a new shareholders' agreement which became effective as of that date and replaced the shareholders' agreement that was executed in 2014. The abovementioned companies are holding companies of the two branches of the Igel family, as well as of former executives of the Company. The agreement sets forth a set of rules to govern the relationship between these two shareholders and binds a total of shares representing 31.25% of the Company's capital stock. The agreement aims to reinforce, without any change, the principles that have been governing the actions of two reference shareholders of Ultrapar, in favor of all shareholders interests and the guarantee that the Company is managed in a professional and independent manner. See Item 7.A. Major Shareholders and Related Party Transactions Major Shareholders Shareholders Agreements.

Leadership

In May 2012, the Board of Directors approved the nomination of Thilo Mannhardt to succeed Pedro Wongtschowski as Chief Executive Officer starting January 1, 2013. Pedro Wongtschowski replaced Thilo Mannhardt on the Board of Directors consistent with Ultrapar's philosophy of adequately planning changes in its management.

In June 2015, Ultrapar announced changes in its executive board approved by its Board of Directors. After eight years as Chief Financial and Investor Relations Officer of Ultrapar, André Covre took over as Chief Executive Officer of Extrafarma. André Covre succeeded Paulo Lazera, who continued involved with Ultrapar as a shareholder and special consultant to Extrafarma. The Chief Financial and Investor Relations Officer position was assumed by André Pires de Oliveira Dias.

In June 2017, Ultrapar announced changes to its executive officers approved by its Board of Directors. As of October 2017, Frederico Curado replaced Thilo Mannhardt and assumed the position of Chief Executive Officer.

As part of a planned succession process and consistent with the Company's governance, in May 2018, Paulo Guilherme Aguiar Cunha, after three decades of contributions, was nominated Chairman Emeritus of the Board of Directors, an honorary and life time position. To succeed him, Pedro Wongtschowski, Vice-Chairman of the Board of Directors and Chief Executive Officer of Ultrapar between 2007 and 2012, was elected Chairman. Mr. Lucio de Castro Andrade Filho, who joined the Company in 1977 and has been a member of the Board of Directors since 1998, was appointed for the position of Vice-Chairman of the Board of Directors.

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Other important succession movements took place at the senior management level, with the nomination of Mr. Rodrigo de Almeida Pizzinatto, Mr. Tabajara Bertelli Costa and Mr. Marcelo Pereira Malta de Araújo as Presidents of Extrafarma, Ultragaz and Ipiranga, respectively, equally aligned to a planned succession process which blended internal promotions with the attraction of external talents.

Ultracargo Fire at storage facilities in Santos

In April 2015, a fire occurred in six ethanol and gasoline tanks operated by Ultracargo in Santos, which represented 4% of the subsidiary's overall capacity as of December 31, 2014. The Civil and Federal Police investigated the accident and its impacts, and concluded that it was not possible to determine the cause of the accident or to individualize active or passive conduct related to the cause, and there was no criminal charge against either any individual or Ultracargo, by both authorities. Notwithstanding, on February 21, 2018, the Federal Public Court accepted a criminal indictment filed by the Public Prosecutor's Office against Tequimar, which has already presented its defense against these charges, after being summoned in June, 2018. As of the date of this annual report, a stay of proceedings is in effect while the parties attempt to reach a settlement agreement regarding certain civil damages alleged by the Public Prosecutor's Office.

In June 2017, Ultracargo obtained the licensing required for the return to operation of 67.5 thousand cubic meters of the total of 151.5 thousand cubic meters affected by the fire. The remaining tanks are still non-operational and the process to obtain licensing to restart operations is currently underway as of the date of this annual report.

As a result of the evolution of the regulation process with insurers, as of December 31, 2016, the Company recorded insurance receivables in the amount of R\$366.7 million and indemnities to customers and third parties in the amount of R\$99.9 million in its balance sheet. In the first quarter of 2017, Ultracargo received the full amount from the insurers. The remaining amount for indemnities to customers and third parties recorded in its balance sheet was R\$3.5 million and R\$72.2 million for the years ended December 31, 2018 and 2017, respectively. In addition, on December 31, 2018, there were contingent liabilities not recognized related to lawsuits and extrajudicial lawsuits in the amount of R\$62.9 million and R\$3.4 million, respectively (R\$88.1 million and R\$25.9 million as of December 31, 2017).

See Item 8.A. Financial Information Consolidated Statements and Other Financial Information Legal Proceedings.

Recent Developments

Port concessions

On March 22, 2019, Ultrapar, through its subsidiary Ipiranga, won the port concessions of three areas located with minimum storage capacity of 64 thousand cubic meters at the port of Cabedelo, in the state of Paraíba, and one area with minimum storage capacity of 66 thousand cubic meters at the port of Vitória, in the state of Espírito Santo, which will be designated for handling, storage and distribution of fuels. These concessions were carried out by two consortia of which Ipiranga holds one third of the total participation. The total investment to be made in respect of Ipiranga's stake in the consortia is R\$160 million, to be disbursed throughout the next five years, for a concession term of 25 years.

On April 5, 2019, Ultrapar, through its subsidiaries Ipiranga and Ultracargo, also won other three port concessions. Ipiranga won two areas located at the port of Miramar, in Belém, state of Pará: (i) BEL02A area, through a consortium 50% owned by Ipiranga, that shall have minimum storage capacity of 41 thousand cubic meters, and (ii) BEL04A area, which is currently operated by Ipiranga with minimum storage capacity of 23 thousand cubic meters. Such areas

will be operated for at least 15 years, according to the auction notice. Ultracargo won the concession of VDC12 area in the port of Vila do Conde, in Barcarena, state of Pará. The minimum storage capacity will be 59 thousand cubic meters. The area will be operated by Ultracargo for at least 25 years, according to the auction notice. The estimated investments regarding these port concessions up to approximately R\$450 million, to be disbursed throughout the next five years.

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On April 10, 2019, CADE concluded the administrative proceeding involving IPP that discussed alleged non-competitive conduct in the fuel-distribution and resale market in the cities of Belo Horizonte, Contagem and Betim, in the state of Minas Gerais, between October 2006 and July 2008. Despite IPP's assertion as to the good standing of its conducts demonstrated throughout the proceeding, the CADE administrative award ruled against IPP for allegedly influencing uniform commercial conduct among fuel resellers, while the charges against IPP for participating in the formation of a cartel among fuel distributors were dismissed. The award requires IPP to pay a fine of R\$40.7 million.

Approval of stock split

On April 10, 2019, the Company's extraordinary and annual general meeting approved the stock split of common shares issued by Ultrapar, at a ratio of one currently existing share to two shares of the same class and type. The stock split approved shall not imply in any change in the Ultrapar's capital stock. The new shares and ADRs resulting from the stock split approved will be of the same class and will grant to its holders the same rights of the current shares and ADRs.

Investments

We have made substantial investments in our operations over the last three fiscal years. Investments at Ipiranga have been directed to (i) the expansion of the Ipiranga network of service stations, convenience stores and lubricant service shops, (ii) the expansion of its logistics infrastructure to support the growing demand, and (iii) the maintenance of its operations. Oxitenó has invested in the maintenance of its production units, mainly for specialty chemicals in Brazil, Mexico and the United States, the commencement of operations in the United States, and the modernization of its industrial plants. At Ultragaz, we have invested mainly in small bulk LPG distribution (UltraSystem) and the purchase and renewal of LPG bottles and tanks. We have also invested in the consolidation of our national coverage over the past three years. Ultracargo has mainly invested in the expansion and maintenance of its storage facilities in response to strong demand for logistics infrastructure in Brazil, including investments in modernization of safety systems of its terminals. Extrafarma has invested mainly in the opening and maintenance of its drugstores. See Item 4.A. Information on the Company History and Development of the Company.

The following table shows our total additions to property, plant, equipment, and intangible assets for the years ended December 31, 2018, 2017 and 2016:

| | Year ended December 31, | | |
|-----------------------|-------------------------|---------------------------------|---------------------------------|
| | 2018 | 2017 Restated ⁽¹⁾ | 2016 Restated ⁽¹⁾ |
| | (in millions of Reais) | | |
| Ipiranga | 387.6 | 519.5 | 367.5 |
| Oxitenó | 466.6 | 462.6 | 288.4 |
| Ultragaz | 225.0 | 214.9 | 225.5 |
| Ultracargo | 161.8 | 86.4 | 78.9 |
| Extrafarma | 118.0 | 170.5 | 142.8 |
| Others ⁽²⁾ | 18.3 | 22.6 | 9.9 |

| | | | | |
|--------------|--|----------------|----------------|----------------|
| Total | additions to property, plant, equipment and intangible assets | 1,377.3 | 1,476.5 | 1,113.1 |
|--------------|--|----------------|----------------|----------------|

(1) See Presentation of Financial Information.

(2) Includes mainly capital expenditures related to corporate information technology.

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In 2018, Ultrapar's investments net of divestments and repayments were R\$1,947 million.

Ipiranga invested R\$957 million, practically 50% allocated to the expansion of the service stations network (through branding unbranded stations, opening new stations and capturing new customers), am/pm and Jet Oil franchises and logistics facilities. The remaining 50% was invested in network renovation, maintenance and logistics infrastructure. Out of the total investment, R\$388 million were related to property, plant and equipment and additions to intangible assets, R\$390 million to contractual assets with clients' exclusive rights (exclusive rights disbursement provided in Ipiranga's agreements for resellers and major consumers which are recognized as contractual assets when paid and amortized according to the conditions established in the agreements) and R\$179 million to financing to clients and leasing advances, net of repayments.

Oxiteno invested R\$467 million, principally allocated to the construction of the plant in the United States and in the expansion and maintenance of its industrial units as a whole.

Ultragaz invested R\$225 million, mainly in the bulk segment, replacement and acquisition of gas bottles and information technology.

Ultracargo invested R\$162 million, mainly allocated to the expansion of the Itaquí and Santos terminals and adjustments and maintenance to existing infrastructure.

Extrafarma invested R\$118 million, largely allocated to the opening of new stores and the new information systems platform.

Ultrapar's investment plan for 2019 totals R\$1,762 million and is indicative of the Company's commitment to the sustainable growth of its businesses and operating excellence.

At Ipiranga, the approved limit for investments is R\$824 million, approximately 50% being allocated to expansion of the resellers network with the addition of fueling stations and am/pm and Jet Oil franchises and the expansion of logistics infrastructure with the construction of two bases and expansion of three others. The remaining 50% will be invested in maintenance and modernization of Ipiranga's activities, principally the renewal of reseller contracts and information to support the operations.

The investment of R\$319 million approved for Oxiteno will be used mainly for technological modernization of its productive units, in addition to investments in safety, with a view to efficiency gains and increased productivity.

At Ultragaz, investments of R\$279 million were approved for the: (i) capture of new clients in both the bottled and bulk segments; (ii) replacement and acquisition of gas bottles; (iii) expansion and maintenance of the filling plants; and (iv) investments in information technology to achieve efficiency gains and as part of

the innovation strategy.

Ultracargo is expected to invest R\$161 million in increased tankage at the Itaquí and Santos terminals, adding 16% to its total capacity over the course of the second half of 2019, and in the continuing improvement in safety and infrastructure at the terminals.

Extrafarma plans to invest R\$158 million for expanding the store network with the rollout of new stores as well as expanding its logistical infrastructure and IT capability.

Table of Contents***Equity investments***

We have also made several acquisitions and related investments to maintain and create new opportunities for growth and to consolidate our position in the markets in which we operate.

Equity investments consist of acquisition of subsidiaries and capital increases, net of capital reductions in subsidiaries, joint-ventures and associates. The table below shows our equity investments for the years ended December 31, 2018, 2017 and 2016:

| | Year ended December 31, | | |
|------------------------------------|--------------------------------|-------------|-------------|
| | 2018 | 2017 | 2016 |
| | (in millions of Reais) | | |
| Ipiranga ⁽¹⁾ | 31.9 | 16.0 | 47.3 |
| Oxiteno | | | |
| Ultragas | | | |
| Ultracargo ⁽²⁾ | 103.4 | | |
| Extrafarma | | | |
| Others | (1.2) | | |
| Total equity investments(3) | 134.0 | 16.0 | 47.3 |

(1) Capital invested in ConectCar.

(2) Acquisition of 100% of quotas of TEAS.

(3) Equity investments consist of acquisition of subsidiaries and capital increases, net of capital reductions in joint-ventures and associates.

B. Business Overview

Ultrapar is a Brazilian company with more than 80 years of history, with leading positions in the markets in which it operates: specialized distribution and retail through Ultragas, Ipiranga and Extrafarma, production of specialty chemicals through Oxiteno and liquid bulk storage services through Ultracargo.

Ultragas is the leader in LPG distribution in Brazil, which is one of the largest markets worldwide. Ultragas had a 23.6% market share as of December 31, 2018 according to ANP and was one of the largest independent LPG distributors in the world in terms of volume sold. Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Ultragas Competition. As of December 31, 2018, we delivered LPG to an estimated 11 million households through a network of approximately 5.4 thousand independent retailers in the bottled segment and to approximately 54 thousand customers in the bulk segment.

Ipiranga is one of the largest fuel distributors in Brazil, with a network of 7,218 service stations and 20.2% market share as of December 31, 2018 according to ANP. See Item 4.B. Information on the Company Business Overview Fuel Distribution Ipiranga Competition.

Oxiteno is one of the largest producers of ethylene oxide and its main derivatives in Latin America, a major producer of specialty chemicals and the sole producer of fatty-alcohols and related by-products in Latin America, according to IHS Chemical. Oxiteno has twelve industrial units: six in Brazil, three in Mexico, one in the United States, one in Uruguay and one in Venezuela and commercial offices in Argentina, Belgium, China and Colombia.

Ultracargo has a leading position in its sector, being the largest provider of liquid bulk storage in Brazil in terms of number of terminals and storage capacity, with six terminals and a storage capacity of 700 thousand cubic meters as of December 31, 2018.

Extrafarma is the fifth largest drugstore chain in Brazil, according to ABRAFARMA, with 433 drugstores and 2 distribution centers as of December 31, 2018.

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The following chart simplifies our organizational structure as of the date hereof, showing our principal business units. For more detailed information about our current organizational structure, see Item 4.C. Information on the Company Organizational Structure.

Our Strengths

Leading market positions across all businesses

Ultragaz is the largest LPG distributor in Brazil. In 2018, Ultragaz's national market share was 23.6% according to ANP, and served approximately 11 million homes in the bottled segment and 54 thousand customers in the bulk segment. For the year ended December 31, 2018, Ultragaz's total volume of LPG sold was 1.7 million tons.

Ipiranga is one of the largest fuel distributors in Brazil with a 20.2% market share in 2018 according to ANP and a network of 7,218 service stations as of December 31, 2018. See Item 4.B. Information on the Company Business Overview Fuel Distribution Ipiranga Competition. In addition to the service stations, Ipiranga's network has 2,493 am/pm convenience stores and 1,772 Jet Oil franchises. In 2018, Ipiranga focused on its strategy of expansion of its network (branding unbranded stations, opening new stations and new customers). The implementation of Ipiranga's business model including its network of convenience stores and loyalty programs in its service station network allows it to offer a broad range of products and services, which benefits consumers and resellers. The volume of fuel sold by Ipiranga in 2018 was 23.7 million cubic meters.

Oxiteno is a major producer of specialty chemicals and one of the largest producers of ethylene oxide and its principal derivatives in Latin America, according to IHS Chemical. Our chemical operations supply a broad range of market segments, particularly crop protection chemicals, food, cosmetics, detergents, packaging for beverages, thread and polyester filaments, brake fluids, petroleum and paints and coatings. For the year ended December 31, 2018, Oxiteno sold 769 thousand tons of chemical products. In Brazil, Oxiteno competes principally against imports.

Ultracargo is the largest provider of liquid bulk storage in Brazil, with six terminals and storage capacity of 700 thousand cubic meters as of December 31, 2018, and leading positions in the main ports in Brazil in which it operates.

Extrafarma is the fifth largest drugstore network in the country, according to ABRAFARMA's ranking, with 433 drugstores and 2 distribution centers as of December 31, 2018.

Robust business portfolio

Our operations encompass LPG and fuel distribution, operation of a drugstore chain, the production of ethylene oxide and its derivatives and liquid bulk storage services. We believe our businesses provide us with increased financial capability and flexibility. Our business mix makes us less vulnerable to economic fluctuations and allows us to pursue growth opportunities as they arise in any of our business segments.

Ultrapar's businesses are simultaneously resilient and leveraged on Brazilian economic growth. Certain of Ultrapar's businesses, such as the sale of LPG for residential use and fuels for light vehicles, are resilient due to their inelastic demand profile and, therefore, are less volatile in economic downturns. Bottled LPG is an essential good, as it is mainly used for cooking, and, therefore, is not as correlated to economic performance. Volume of fuels for light

vehicles tends to grow linked to the number of light vehicles in Brazil. The Brazilian light vehicle fleet grew at rates ranging from 1% to 6% per year during the last five years, despite the volatility in the economic growth during this period, leading to a similar level of growth in the volume of fuels for light vehicles.

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On the other hand, other of Ultrapar's businesses, such as sales of diesel fuel, specialty chemicals and bulk LPG are linked to economic performance and tend to experience higher sales volumes during periods of strong economic growth. Sales growth of these products have been historically correlated to the performance of the Brazilian economy.

Highly efficient LPG distribution network

Ultragas maintains an exclusive network of independent dealers, which has enabled Ultragas to control the quality and productivity of its dealers leading to a recognition that we believe is associated with quality, safety and efficiency, and also to have frequent contact with LPG customers. This network constituted approximately 5,400 dealers that sell Ultragas LPG bottles. In addition, in April 1995, Ultragas was the first player to introduce LPG small bulk delivery in Brazil, with lower distribution costs than bottled distribution. Over the years, it has built a strong client base in this segment.

Efficiencies in retail network logistics in addition to resale management know-how

We believe that the expertise in logistics and resale management that we have gained at Ultragas is complemented by Ipiranga's know-how in the same areas, thus maximizing efficiency and profitability at both companies.

Distinguished positioning in the fuel distribution sector

We believe that Ipiranga differentiates itself from its competition in the sector by having a more diverse array of products and services and thereby being a more convenient choice for customers. These services and products include convenience stores, lubricant-changing service shops, electronic payment, bakeries, loyalty program, Ipiranga-branded credit cards, and a set of initiatives that aim at enhancing customer's convenience and loyalty.

Flexibility across the petrochemical cycle

Oxiteno is one of the largest producers of ethylene oxide and its principal derivatives in Latin America. In 2018, 98% of its ethylene oxide production was used internally in the production of ethylene oxide derivatives, which can be roughly classified in two groups: specialty and commodity chemicals. Oxiteno is a major producer of specialty chemicals, which have traditionally higher margins and less exposure to petrochemical cycles than commodity chemicals. Oxiteno has also been heavily investing in the development of products derived from renewable raw materials, aiming at reducing its dependence on oil-based feedstock and expanding its product portfolio.

Cost-efficient operations

Oxiteno's operations have a high degree of production efficiency derived from a scale that we believe is similar to that of the largest producers in the world. Ultragas has significant market presence in densely populated areas, which allows it to operate its filling plants and distribution system with a high level of capacity utilization and efficiency with depth and capillarity. Ipiranga also has a significant market presence in the South and Southeast regions of Brazil, which allows it to operate its extensive network of primary and secondary storage terminals and its distribution system in a cost-efficient manner. After the consolidation of Texaco and DNP and the network expansion through the opening of new gas stations and the conversion of unbranded service stations, the increased scale of Ipiranga allowed improved efficiency and competitiveness in the distribution and sales processes, dilution of advertising, marketing and new product development expenses, and gains from economies of scale in administrative functions. Ultracargo is the largest independent liquid bulk storage company in Brazil and the only player in the liquid bulk storage sector present in more than three major ports. Such position provides Ultracargo with increased operational flexibility, operational efficiency and economies of scale.

Strong operational track record

Our Company has exhibited a solid operational track record. Our EBITDA presented an average compound annual growth of 15% from 1998 to 2018, despite the overall macroeconomic volatility in Brazil and in the world during this same period. See [Item 3.A. Key Information Selected Consolidated Financial Data](#) for more information about EBITDA. Our net income attributable to shareholders of the Company presented average compound annual growth of 18% from 1998 to 2018.

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Experienced management team

We are led by a strong and experienced management team with a proven track record in the LPG and fuel distribution, retail, petrochemical and specialized logistics industries. Our senior management team has on average more than 15 years of experience in the Company. In addition, among the ten members of our Board of Directors, three have more than 15 years with the Company and the new members bring relevant experience and knowledge to Ultrapar, providing a renewed vision and contributing to the development of the Company.

Alignment of interests

Members of Ultrapar's management are shareholders of Ultrapar and receive variable compensation linked to performance and value generation to shareholders measured by Economic Value Added (EVA®) growth targets. Moreover, Ultrapar has consistently implemented improvements in corporate governance, such as being the first Brazilian company to grant 100% tag along rights to all its shareholders, the segregation of the roles of Chief Executive Officer and Chairman of the Board of Directors and its emphasis on maintaining transparency and consistency in its interactions with investors. Ultrapar is also a founding member of the Latin American Corporate Governance Roundtable Companies Circle, a group dedicated to promoting corporate governance in Latin America.

In 2011, Ultrapar completed the implementation of a new corporate governance structure, further aligning our shareholders' interests by converting all preferred shares into common voting shares. The conversion resulted in all of our shares having identical voting rights, which allows our shareholders to actively participate in the decisions of shareholders' meetings, without (i) any limitations on voting rights, (ii) special treatment to current shareholders, (iii) mandatory public tender offers at a premium to market prices once a certain beneficial ownership threshold is crossed or (iv) any other poison pill provisions.

Our Strategies

Build on the strength of our brands

We believe that our businesses have a high brand recognition associated with quality, safety and efficiency that we continually strive to deliver. We intend to reinforce this market perception by continuing to supply high-quality products and services and to introduce new services and distribution channels.

Maintain a strong relationship with our resellers in the LPG and fuel distribution business

We intend to preserve our strong relationship with dealers by keeping their distribution exclusivity and continuing to implement our differentiated incentive programs in Ultragaz and Ipiranga. We plan to continue to invest in training our dealers, in order to maximize efficiency, to further strengthen our relationship and to promote the high standards of our distribution network. In parallel, we plan to continue to increase our operational efficiency and productivity at Ultragaz and Ipiranga.

Continuously improve cost and capital efficiency in the LPG and fuel distribution business

We plan to continue to invest in the cost and capital efficiency of our distribution systems. Current initiatives include enhanced discipline with respect to our capital allocations and other programs designed to control our costs in both the LPG and fuel distribution business units.

Increase market share in fuel distribution

Our sales strategy is to increase Ipiranga's market share by converting unbranded stations to Ipiranga's brand and by opening new service stations. In the Midwest, Northeast and North regions of Brazil, we have lower market share and consumption growth is higher than the national average, given the lower car penetration and faster-growing household income in these regions, which we believe presents opportunities for growth. Ipiranga's strategy also includes expanding its logistics infrastructure to support the growing demand for fuels in Brazil and initiatives aiming at differentiating our products and services.

Promote and benefit from the formalization of the fuel distribution market

We plan to continue to collaborate with the competent authorities to promote improvements to legislation and to enhance regulatory enforcements in the fuel distribution sector as means of creating a level playing field in the market, increasing sales volume in the formal market and improving our gross margin, thus reducing the competitiveness of players which benefited from cost advantages derived from unfair practices.

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Enhance retail network

Ultrapar's strategy for its retail operations is strongly focused on differentiation and innovation. At Ipiranga, this focus has translated to the creation of new market niches through its reseller network characterized by customer service and convenience, thus contributing to high levels of customer loyalty. We believe these initiatives result in a better value proposition for customers and resellers, creating benefits for the whole chain – the client has access to differentiated, more convenient products and services; the reseller has a more attractive business; and the service station has a differentiated positioning, contributing to the evolution of the company's results.

Ipiranga's *Posto Ecoeficiente* project (Eco-Efficient service station) is one of the initiatives that reflect Ultrapar's innovation philosophy. It aggregates, in a single project, innovative solutions and sustainable technologies, in harmony with the profitability of the service station for the reseller. This project offers solutions in the construction and operation of service stations that result in better use of resources, such as water and electricity, and reduction of wastage and residues. Ipiranga ended 2018 with 1,182 eco-efficient services stations.

In 2009, Ipiranga launched *Km de Vantagens* (KMV), a loyalty program through which customers and resellers may redeem rewards and benefits in areas of entertainment, tourism, magazines, airline tickets, car rental and others. With over 29 million participants in 2018, KMV has served as an important platform, strengthening relationships with Ipiranga's customers and resellers.

Also, as part of its differentiation strategy, Ipiranga launched in 2010 bakeries within its am/pm stores and became Brazil's largest bakery franchise chain. Our bakeries serve fresh products – like bread, coffee, snacks and hot meals through more than 100 items, including am/pm branded products. As of December 31, 2018, there were 930 bakeries.

In 2012, among the initiatives of Ipiranga, we highlight the entrance in the segment of electronic payment for tolls, parking and fuels through ConectCar. Once installed on a vehicle's windshield, ConectCar's tag automatically opens toll gates through a monthly payment system. At the end of 2018, ConectCar reached 392 thousand active customers and is available in all toll roads in Brazil, as well as in several malls, parking lots and airports.

In 2014, Ipiranga launched a verticalized and integrated supply solution, concentrating logistics, sales and service of am/pm convenience stores under a single umbrella structure: *am/pm Suprimentos*. This initiative aims to streamline am/pm operations, improve the franchisees' competitiveness and ensure a higher quality product assortment, creating value for clients and franchisees. As of December 31, 2018, *am/pm Suprimentos* operated four distribution centers located in the states of Rio de Janeiro, São Paulo, Paraná and Rio Grande do Sul, which supply am/pm convenience stores in those states with the main categories of products, except tobacco and ice cream.

Also in 2014, Ipiranga launched Beer Cave, a new beer purchase experience at its am/pm convenience stores. The Beer Cave is a walk-in refrigerated container aimed at the retail consumer that stores more than 100 national and international brands of cold beers ready for consumption. As of December 31, 2018, there were 545 Beer Caves installed in Ipiranga's franchisees premises.

In addition, in 2015, Ipiranga opened a new configuration of am/pm in São Paulo: an expanded concept of convenience comparable to small neighborhood supermarkets for urban service stations, with supply of fresh products – like fruits, vegetables, meats, flowers and a wider range of fast meals. Ipiranga also launched a flagship store, *am/pm Estação*, in the State of São Paulo, a model developed for highway service stations to provide long distances travelers with a broader array of convenience and personal care products distances drivers and travelers.

In 2016, Ipiranga developed and launched *Abastece Aí* (Portuguese for Fill Up Here), a mobile payment service app that seeks to maximize advantages from the integration of platforms to offer even greater convenience and benefits to customers. Through the *Abastece Aí* app, customers can obtain discounts in exchange for KMV points. In addition, they can receive rewards of their preference and finalize the refueling process by using a unique KMV password in a safe payment method. In 2018, more than 1.4 million customers used the app as a mean of payment and nine times more payments were made through *Abastece Aí* as compared to 2017.

Ipiranga also launched a new gasoline called DT Clean in 2016, using one of the most modern fuel additive technologies that aims to restore the engine's performance to its original state, while at the same time increasing the car's useful life and efficiency. In addition, in 2017, Ipiranga launched Octapro, a high-octane gasoline that features a combination of cutting-edge additives and, among other benefits, helps engines reach their top power and improves driving performance.

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In 2017, Ipiranga further strengthened the products offered at its am/pm stores with the launch of Wine Cave. In an air-conditioned wine cellar, customers can find a wide variety of wines, from 60 to 80 different labels, at the right temperature. As of December 31, 2018, there were 15 Wine Cave units installed in the states of Minas Gerais, São Paulo, Rio de Janeiro, Santa Catarina, Paraná and Amazonas.

Invest in niche segments for LPG distribution

Ultragaz is strengthening its presence in the North and Northeast regions of Brazil by focusing on expanding to states where it previously did not have significant operations and where LPG consumption has historically grown faster than Brazil's national average rate.

For the bulk segment, Ultragaz strategy is focused on two areas. The first one is offering its clients mainly in industrial and agribusiness segments new applications for LPG. As a result, Ultragaz aims at expanding its participation in the use of LPG for home and personal care and localized heating, such as preheating of industrial furnaces, especially in steel, lead, asphalt manufacturing and metallurgical plants, and in new applications in agribusiness, such as drying grains and seeds, with greater operational and economic efficiency.

The second one is to invest in the expansion of the bulk LPG distribution to small- and medium-sized businesses, such as laundry shops, restaurants, bakeries, residential condominiums and steam car wash, on the basis of agile and convenience services.

Expand capacity at Oxitenó to maintain our capacity ahead of domestic demand

We intend to maintain Oxitenó's production capacity ahead of demand in Brazil. Between 2008 and 2011, Oxitenó invested heavily to significantly increase its production capacity, thereby allowing it to maintain production capacity ahead of domestic demand. We also plan to continue our efforts to apply the best global practices to Oxitenó's plants and production processes with a view to remain technologically competitive.

On November 4, 2015, Ultrapar's Board of Directors approved the expansion of Oxitenó's specialty chemicals capacity in Pasadena (Texas) in the United States, by building an alkoxylation unit at its current site, which started operating in September 2018. The plant is located in one of the world's most important chemical hubs, taking advantage of attractive conditions of raw materials, as well as highly efficient logistics infrastructure. The investment expands Oxitenó's footprint in the United States, focusing on local markets of agrochemicals, personal care, household and industrial cleaning, coatings and oil and gas. The new unit's capacity is 120,000 tons per year at its initial stage. Until December 31, 2018, the total amount invested in this plant was US\$185 million.

Continue to enhance product mix at Oxitenó

We increased Oxitenó's capacity to produce a variety of value-added ethylene oxide derivatives and other specialty chemicals in order to optimize its sales mix across petrochemical cycles. Oxitenó's investments in research and development have resulted in the introduction of 72 new products during the last three years. Oxitenó will continue to invest in research and development focused on developing new products to meet clients' needs. In addition, we intend to continue to focus Oxitenó's sales in the Brazilian market, which allows us to continuously add value to our products. In 2018, Oxitenó's research and development expenditures were R\$57 million.

Maintain financial strength

We seek to maintain a solid financial position to allow us to pursue investment opportunities and enhance our shareholders' return on their investment in our Company. Our net debt (consisting of loans, debentures and finance leases recorded as current and non-current liabilities, net of cash and cash equivalents and financial investments) as of December 31, 2018 was R\$8,211.7 million, representing a 2.68 times net debt (consisting of loans, debentures and finance leases recorded as current and non-current liabilities, net of cash and cash equivalents and financial investments) to EBITDA ratio. We have been consistently distributing dividends to our shareholders. During the five years ended December 31, 2018, we have declared yearly dividends representing an average of 59% of our net income.

Table of Contents**Key Financial Information**

The table below sets forth certain financial information for us:

| | 2018 | Year ended December 31, 2017 2016 2015 2014 Restated ⁽¹⁾ As previously reported ⁽¹⁾ (in millions of Reais) | | | |
|--|------------|--|------------|-----------|-----------|
| Net revenue from sales and services | 90,698.0 | 79,230.0 | 76,740.0 | 75,655.3 | 67,736.3 |
| Net income attributable to Ultrapar's shareholders | 1,150.4 | 1,526.5 | 1,537.8 | 1,503.5 | 1,241.6 |
| Gross debt | (15,206.1) | (13,590.6) | (11,417.1) | (8,901.6) | (8,375.2) |
| Cash, cash equivalents and financial investments | 6,994.4 | 6,369.9 | 5,701.8 | 3,973.2 | 4,400.1 |
| Net debt ⁽²⁾ | (8,211.7) | (7,220.7) | (5,715.3) | (4,928.4) | (3,975.1) |

(1) See Presentation of Financial Information.

(2) See footnote 6 under Item 3.A. Key Information Selected Consolidated Financial Data for a more complete discussion of net debt and its reconciliation to information in our financial statements.

The table below sets forth the net revenue from sales and services for our principal businesses:

| | 2018 | Year ended December 31, 2017 2016 2015 2014 Restated ⁽¹⁾ As previously reported ⁽¹⁾ (in millions of Reais) | | | |
|--|-----------------|--|-----------------|-----------------|-----------------|
| Net revenue from sales and services⁽²⁾ | 90,698.0 | 79,230.0 | 76,740.0 | 75,655.3 | 67,736.3 |
| Ultragaz | 7,043.2 | 6,071.0 | 5,365.1 | 4,621.2 | 4,091.3 |
| Ipiranga | 76,473.4 | 66,950.5 | 65,793.7 | 65,349.8 | 58,830.1 |
| Oxitenó | 4,748.4 | 3,959.4 | 3,701.4 | 4,082.5 | 3,413.6 |
| Ultracargo | 493.6 | 438.4 | 355.4 | 315.5 | 346.5 |
| Extrafarma ⁽³⁾ | 2,028.0 | 1,868.9 | 1,578.6 | 1,336.3 | 1,101.3 |

(1) See Presentation of Financial Information.

(2) Segment information for Ultragaz, Ipiranga, Oxitenó, Ultracargo and Extrafarma is presented on an unconsolidated basis. See Presentation of Financial Information for more information.

(3) In 2014, reflects net revenue for the 11-month period from February 1, 2014, the date on which Extrafarma's results of operations were consolidated into our financial statements, through December 31, 2014. For additional information, see Presentation of Financial Information.

The tables below set forth Adjusted EBITDA for Ipiranga and EBITDA for Ultragaz, Oxitenó, Ultracargo and Extrafarma:

Year ended December 31,

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|--------------------------------------|--------------------------------|-------------------------|---------|---------------------------------------|---------|
| | | Restated ⁽¹⁾ | | As previously reported ⁽¹⁾ | |
| | (in millions of <i>Reais</i>) | | | | |
| Adjusted EBITDA⁽²⁾ | | | | | |
| Ipiranga | 2,052.4 | 3,066.8 | 3,049.0 | 2,768.8 | 2,288.0 |
| EBITDA⁽²⁾ | | | | | |
| Ultragaz | 258.1 | 440.0 | 425.4 | 357.0 | 305.5 |
| Oxitenó | 625.4 | 295.9 | 453.9 | 739.8 | 403.7 |
| Ultracargo | 178.5 | 124.3 | 171.1 | 26.3 | 166.9 |
| Extrafarma ⁽³⁾ | (46.8) | 23.1 | 38.8 | 28.7 | 29.8 |

⁽¹⁾ See Presentation of Financial Information.

⁽²⁾ See footnote 5 under Item 3.A. Key Information Selected Consolidated Financial Data for a more complete discussion of EBITDA and Adjusted EBITDA and its reconciliation to information in our financial statements.

⁽³⁾ In 2014, reflects EBITDA for the 11-month period from February 1, 2014, the date on which Extrafarma's results of operations were consolidated into our financial statements, through December 31, 2014. For additional information, see Presentation of Financial Information.

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Distribution of Liquefied Petroleum Gas

Industry and Regulatory Overview

Liquefied petroleum gas (LPG) is a fuel derived from the oil or natural gas refining process. In Brazil, 71% of local demand in 2018 was produced in local refineries and the remaining 29% was imported. LPG has the following primary uses in Brazil:

Bottled LPG used primarily by residential consumers for cooking; and

Bulk LPG used primarily for cooking and water heating in shopping malls, hotels, residential buildings, restaurants, laundries, hospitals and industries, with several other specific applications to each industrial process, such as furnace heating, asphalt production, among others.

The following chart shows the process of LPG distribution:

Historically, bottled LPG has represented a substantial portion of the LPG distributed in Brazil and is primarily used for cooking. The use of LPG for domestic heating in Brazil is immaterial compared with its use in other developed and emerging countries, primarily because of Brazil's generally warm climate. Consequently, demand seasonality throughout the year is relatively small. In addition, because LPG is not used to a significant extent for domestic heating in Brazil, overall consumption of LPG per capita is lower in Brazil compared to countries where domestic heating is a major element of LPG demand, making low distribution costs a major competitive differential in the Brazilian LPG market.

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Prior to 1990, extensive governmental regulation of the LPG industry essentially limited the use of LPG to domestic cooking. Since 1990, regulations have permitted the use of LPG for certain commercial and industrial uses, and the use of LPG has increased accordingly.

The primary international suppliers of LPG are major oil companies and independent producers of both liquefied natural gas and oil. However, due to Petrobras' market dominance over the production and import of petroleum and petroleum products, a result of its legal monopoly that was abolished only in 1997, following Constitutional Amendment No. 09/1995 and the enactment of Federal Law No. 9,478/97, Petrobras is currently the *de facto* sole supplier of LPG in Brazil.

Currently, the LPG distribution industry in Brazil consists of 15 LPG distribution companies or groups of companies and is regulated by the National Petroleum Agency (ANP). The LPG distribution industry includes purchasing nearly all its LPG requirements from Petrobras, filling LPG bottles and bulk delivery trucks at filling stations, selling LPG to dealers and end users, controlling product quality and providing technical assistance to LPG consumers. See *Industry and Regulatory Overview* *The role of the ANP*. LPG produced by Petrobras, which represented 71% of total LPG sold in Brazil in 2018, is transported in pipelines and by trucks from Petrobras' production and storage facilities to filling stations maintained by LPG distributors. The balance is imported by Petrobras into Brazil and stored in large storage facilities mostly maintained by Petrobras. The imported LPG is then transported from the storage facilities by pipeline and truck to the LPG distributors' filling stations.

LPG can be delivered to end users either in bottles or in bulk. The bottles are filled in the LPG distributors' filling stations. Distribution of bottled LPG is conducted through the use of bottles via two principal channels:

- home delivery of LPG bottles; and

- the sale of LPG bottles in retail stores and at filling stations.

In both cases, the bottles are either delivered by the LPG distributors themselves or by independent dealers.

Bulk delivery is the principal delivery method to large volume consumers, such as residential buildings, hospitals, small- and medium-sized businesses and industries. In the case of bulk delivery, LPG is pumped directly into tanker trucks at filling stations, transported to customers and pumped into a bulk storage tank located at the customer's premises.

The role of the Brazilian government. The Brazilian government historically regulated the sale and distribution of LPG in Brazil. The period from 1960 to 1990 was characterized by heavy governmental regulation, including price controls, regulation of the geographical areas in which each LPG distributor could operate, regulation of the services offered by distributors and governmental quotas for the LPG sold by distributors, thus restricting the growth of larger LPG distributors. In 1990, the Brazilian government started a deregulation process of the LPG market. This process included easing the requirements for the entry into the market of new distribution companies, reducing certain administrative burdens and removing restrictions on the areas in which distributors could conduct their business and on sales quotas. There are currently no restrictions on foreign ownership of LPG companies in Brazil.

Since 2001, distributors have been allowed to freely establish retail prices, which were previously set by the Brazilian government. Until the end of 2001, the LPG refinery price charged by Petrobras to all LPG distributors was determined by the Brazilian government and was the same for all LPG distributors in all regions of Brazil.

Historically, refinery prices have been subsidized by the Brazilian government. In January 2002, the Brazilian government abolished subsidies to refinery prices and Petrobras started to freely price LPG in the domestic market, adopting the international price plus surcharges as its benchmark. However, the Petrobras refinery price of LPG is still subject to the Brazilian government influence when the government deems appropriate. Refinery prices of LPG in *Reais* remained unchanged from May 2003 to the end of 2007, despite increases in oil and LPG prices in the international markets, which were partially offset by the appreciation of the *Real* compared to the U.S. dollar, reducing the difference between LPG prices in Brazil and in the international markets. From 2008 to 2016, Petrobras increased LPG refinery prices for commercial and industrial usage sporadically. In 2017 and 2018, LPG refinery prices were adjusted more frequently, as shown below:

| | Jan-08 | Apr-08 | Jul-08 | Jan-10 | Dec-14 | Sep-15 | Dec-15 | Dec-16 | Apr-17 | Jul-17 | Aug-17 |
|---|---------------|--------|--------|--------|--------|----------------|---------------|--------|--------|-----------------|--------|
| Commercial and Industrial LPG (% adjustment) | 15% | 10% | 6% | 6% | 15% | 11% | 4% | 12% | -4.0% | -5.2% and 8.0% | 7.2% |
| | Sep-17 | Nov-17 | Dec-17 | Jan-18 | Feb-18 | Mar-18 | May-18 | Jul-18 | Sep-18 | Nov-18 | |
| Commercial and Industrial LPG (% adjustment) | 2.3% and 7.9% | 6.5% | 5.3% | -6.3% | -4.6% | -4.2% and 4.7% | 7.1% and 3.6% | 4.4% | 5.0% | -5.6% and -9.2% | |

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The LPG refinery price for residential use remained unchanged from May 2003 to September 2015, when Petrobras increased prices by 15%. In the recent past, Petrobras' practice was not to immediately reflect in its oil derivatives prices in Brazil the volatility of international prices of oil and oil derivatives. However, in June 2017, the dynamic of LPG prices supplied to the distributors was modified to reflect international price volatility and exchange rate variation, as shown below:

| | Mar-17 | Jun-17 | Jul-17 | Aug-17 | Sep-17 | Oct-17 | Nov-17 | Dec-17 |
|--------------------------------|--------|--------|--------|--------|----------------|--------|--------|--------|
| Residential LPG (% adjustment) | 9.8% | 6.7% | -4.5% | 6.9% | 10.7% and 6.9% | 12.9% | 4.5% | 8.9% |

In January 2018, the price dynamic for LPG acquisition at refineries was adjusted to soften the transfer of price volatility in the international market to the domestic price. The period for verification of international prices and currency rates, which dictate the percentages of price adjustment, will be the average of the preceding twelve months and no longer the monthly variation and price movement will now become quarterly and not monthly. The following table shows residential LPG adjustments:

| | Jan-18 | Apr-18 | Jul-18 | Nov-18 |
|--------------------------------|--------|--------|--------|--------|
| Residential LPG (% adjustment) | -5.0% | -4.4% | 4.4% | 8.5% |

In 2016 and 2017, Petrobras' average refinery price was US\$356 per ton and US\$484 per ton, respectively, compared with the average international price of US\$273 per ton and US\$409 per ton, respectively. In 2018, Petrobras' average refinery price was US\$560 per ton compared with the average international price of US\$459 per ton.

The role of Petrobras. Petrobras, Brazil's national oil and oil products company, had a legal monopoly in the exploration, production, refining, importing and transporting of crude oil and oil products in Brazil and Brazil's continental waters since its establishment in 1953. This monopoly was confirmed in Brazil's federal constitution enacted in 1988. As a result, Petrobras was historically the sole supplier in Brazil of oil and oil-related products, including LPG.

In November 1995, Petrobras' monopoly was removed from the federal constitution by the aforementioned Constitutional Amendment No. 09/1995 approved by the Brazilian Congress. According to this amendment, other state and private companies would be able to compete with Petrobras in virtually all fields in which Petrobras operated. This amendment was implemented through Law No. 9,478, dated August 6, 1997, which effectively allowed Petrobras' monopoly over the prices for oil, gas and oil products to continue for a maximum period of three years. Law No. 9,478, also known as *Lei do Petróleo*, (the Petroleum Law), prescribed that the termination of Petrobras' monopoly would be accompanied by the deregulation of prices for oil, gas and oil products, and created a new regulatory agency, the ANP, to oversee oil-related activities. However, in practice, Petrobras still remains the sole LPG supplier in Brazil, even though there are no legal restrictions to the operation of other suppliers or to imports.

On June 25, 2004, Petrobras entered the LPG distribution market in Brazil through the acquisition of Liquigás, one of the main players in the market.

With the discovery of the pre-salt reservoirs, the Brazilian Government created an inter-ministerial committee to analyze the various alternatives and suggest modifications to Brazil's exploration and production concession regime, which has been in force since the enactment of the Petroleum Law. The Brazilian Government decided to develop the oil and natural gas deposits in the pre-salt region by means of production sharing contracts (PSC), resulting in the new regulatory regime for the pre-salt reservoirs, which was finally implemented through Federal Law No. 12,351/2010.

(the Pre-salt Law).

The role of the ANP. The ANP is responsible for the control, supervision and implementation of the government's oil, gas and biofuels policies. The ANP regulates all aspects of the production, distribution and sale of oil and oil products in Brazil, including product quality standards and minimum storage capacities required to be maintained by distributors.

In order to operate in Brazil, an LPG distributor must be licensed with the ANP and must comply with certain minimum operating requirements, including:

maintenance of sufficient LPG storage capacity;

maintenance of an adequate quantity of LPG bottles;

use of bottles stamped with the distributor's own brand name;

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possession of its own filling plant;

appropriate maintenance of LPG filling units;

distribution of LPG exclusively in areas where it can provide technical assistance to the consumer either directly or indirectly through an authorized dealer; and

full compliance with the Unified Suppliers Registration System (*Sistema de Cadastramento Unificado de Fornecedores* - SICAF).

LPG distributors are required to provide the ANP with monthly reports showing their sales in the previous month and the volume of LPG ordered from Petrobras for the next four months. The ANP limits the volume of LPG that may be ordered by each distributor based on the number of bottles and infrastructure owned by the distributor. Based on the information provided by the distributors, Petrobras supplies the volume of LPG ordered, provided its production and imports of LPG are sufficient to meet the demand.

LPG distribution to the end consumer may be carried out by independent dealers or exclusive dealers, according to ANP Resolution 49/2016 and 51/2016. Each LPG distributor must provide the ANP with information regarding its contracted independent dealers on a monthly basis. The construction of LPG filling plants and storage facilities is subject to the prior approval of the ANP, and filling plants and storage facilities may only begin operations after ANP inspection.

The self-regulatory code/ANP Resolution 49/2016 and 51/2016. In August 1996, most of the Brazilian LPG distributors, representing more than 90% of the market, bottle manufacturers, LPG transportation companies and certain LPG retail stores, under the supervision of the Brazilian government, entered into a statement of intent regarding the establishment of a program for requalifying LPG bottles (a process under which they undergo safety and quality checks) and other safety procedures, known as the Self-Regulatory Code or *Código de Autorregulamentação*. See *Ultragaz* Bottle swapping centers and *Ultragaz* Requalification of bottles. Before the Self-Regulatory Code came into effect, certain LPG distributors, not including Ultragaz, would fill bottles stamped with another distributor's brand. This practice resulted in a low level of investment in new bottles, giving rise to concerns regarding the safety of older bottles. The Self-Regulatory Code provides, among other things, that:

each LPG distributor may only fill and sell bottles that are stamped with its own trademark;

each LPG distributor is responsible for the quality and safety control of its bottles; and

each LPG distributor must maintain a sufficient number of bottles to service its sales volume.

Under the Ministry of Mines and Energy Normative Ruling No. 334 of November 1, 1996, or Ruling 334, any party that defaults on its obligations under the Self-Regulatory Code will be subject to the legal penalties, ranging from payment of a fine and suspension of supply of LPG to such party to suspension of such party's LPG distribution operations.

Ruling 334 set forth the following timetable for the implementation of the measures adopted under the Self-Regulatory Code:

the construction of at least 15 bottle swapping centers, starting in November 1996 (see Ultragas Bottle swapping centers and Ultragas Requalification of bottles);

the filling of third-party bottles which ceased in October 1997;

the requalification of 68.8 million bottles manufactured up to 1991 starting in November 1996; and

the requalification of 12.8 million bottles manufactured between 1992 and 1996 starting in November 1996. The Self-Regulatory Code was replaced by ANP Resolution 49/2016 and 51/2016, which regulates the distribution of LPG activities.

Ultragas had to requalify 2.5 million bottles, 2.6 million bottles and 2.4 million bottles in 2016, 2017 and 2018, respectively. In 2019, Ultragas expects to requalify approximately 2.9 million bottles.

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Environmental, health and safety standards. LPG distributors are regulated by ANP and subject to Brazilian federal, state and local laws and regulations relating to the protection of the environment, public health and safety. The CONAMA, the Ministry of Economy (*Ministério da Economia*), and the Ministry of Infrastructure (*Ministério da Infraestrutura*) are the primary regulators of LPG distribution at the federal level.

The Brazilian regulations require LPG distributors to obtain operating permits from the environmental agencies, from municipal authorities and from the fire department. In order to obtain and maintain the validity of such permits, distributors must satisfy regulatory authorities that the operation of facilities are in compliance with regulations and are not prejudicial to the environment and the community. In addition, regulations establish standard procedures for transporting, delivering and storing LPG and for testing and requalification of LPG bottles. Civil, administrative and criminal sanctions, including fines and the revocation of licenses, may apply to violations of regulations. Under applicable law, distributors are strictly and jointly liable for environmental damages.

The LPG industry and market are also subject to occupational health and safety standards, including labor laws, social security laws and consumer protection laws. In addition, the company also has a sustainability policy that describes the good management practices for health, safety and the environment (HSE). Ultragaz annually conducts audits in its HSE related processes to verify the performance and compliance with HSE legislation, HSE internal standards and sustainability policy.

Ultragaz

We distribute LPG through Ultragaz. Founded in 1937, we were the first LPG distributor in Brazil. At that time, Brazilians used wood stoves and, to a lesser extent, alcohol, kerosene and coal stoves. Ultragaz was the leading company by sales volume in the Brazilian LPG market as of December 31, 2018, according to ANP.

Ultragaz operates nationwide in the distribution of both bottled and bulk LPG, including the most highly populated states in Brazil, such as São Paulo, Rio de Janeiro and Bahia, and may sell bottled LPG through independent dealers. Bulk LPG is serviced through Ultragaz own infrastructure.

In August 2003, Ultragaz acquired Shell Gás, Royal Dutch Shell's LPG operations in Brazil, for a total price of R\$171 million. Shell Gás had about a 4.5% market share in Brazilian LPG distribution according to ANP, selling 287.4 thousand tons of LPG in 2002. With this acquisition, Ultragaz became the national market leader in LPG, with a 24% share of the Brazilian market in 2003. In October 2011, Ultragaz acquired Repsol, which sold approximately 22 thousand tons of LPG in 2011.

Ultragaz is comprised of the following operating subsidiaries:

Cia. Ultragaz, the company that pioneered our LPG operations;

Bahiana, which primarily operates in the Northeast region of Brazil; and

Utingás, a storage services provider that operates two facilities in São Paulo and Paraná. Utingás was incorporated in 1967 when Ultragaz and other LPG distributors joined to construct LPG storage facilities based in the states of São Paulo and Paraná. Ultragaz currently indirectly owns 57% of Utingás. See Storage

of LPG .

Markets and marketing. When Ultragaz began its operations, it served only the Southeast region of Brazil. Currently, Ultragaz is present in almost all of Brazil's significant population centers. In recent years, Ultragaz strengthened its presence in the North and Northeast of Brazil, where it did not have significant operations and where LPG consumption has historically grown faster than Brazil's national average growth rate. Distribution of bottled LPG includes mainly retail stores, carried out by Ultragaz's dealership network mainly using 13 kg ANP approved bottles. In the case of Ultragaz, the bottles are painted blue. Ultragaz's operating margins for bottled LPG vary from region to region and reflect the distribution channel in the region.

Before Shell Gás's acquisition, Ultragaz's sales strategy for bottled LPG delivery was to increase market share through geographical expansion as well as protecting and incrementing market participation in regions where it already operated. With the acquisition of Shell Gás, Ultragaz became the Brazilian market leader in LPG, and the focus of its marketing strategy evolved to protecting market share and strengthening its position in certain regions where it does not have a significant presence. The LPG bottled market in Brazil is a mature one and Ultragaz believes that growth in demand in the long term will be a function of an increasing number of households consuming the product as well as an increasing level of household income.

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Distribution of bulk LPG is largely carried out through 190 kg storage tanks installed on the clients' premises. Since 1995, Ultragas operates small- and medium-sized bulk delivery facilities with bob-tail trucks, known together as UltraSystem, which deliver LPG in bulk mainly to residential buildings, commercial and industrial clients. Ultragas's clients in the commercial sector include shopping centers, hotels, residential buildings, restaurants, laundries and hospitals. Ultragas's trucks supply clients' stationary tanks using a system that is quick, safe and cost effective.

Ultragas's bulk sales include large industrial clients, including companies in the food, metallurgical, steel and home and personal care sectors that have large fixed tanks at their plants. In the case of large volume consumers, Ultragas is competing with other highly competitive energy sources such as natural gas, diesel, wood, fuel oil and electricity.

Ultragas supplies its bulk clients on the basis of supply contracts with terms ranging typically from two to five years. This type of contract limits fluctuations in sales given that the installation of the tanks is carried out by Ultragas, and any change in supplier would imply the client's reimbursing Ultragas's investments. The contract also requires that any tank supplied by Ultragas may only be filled with LPG delivered by the company. When the bulk delivery contract expires, it can be renegotiated or the tank is removed. Since the installation of the tank represents a significant investment for Ultragas, it seeks to achieve a return on its investment within the term of the contract.

Ultragas's strategy for bulk LPG distribution is to continue its process of product and service innovation. Ultragas has a team to identify the needs of each bulk LPG client and to develop technical solutions for using LPG as an energy source. Furthermore, in 2015 Ultragas started operating under a new concept for the small and medium business clients, named *Ultrapronto*. As an innovative concept in the LPG industry, *Ultrapronto* represents a more agile and complete service to the client, including prospecting of clients, setup of equipment, logistics and after-sale service. It permeates the entire value chain of the bulk segment, based on: (i) differentiated value proposition for the client, (ii) standardization of processes, in order to enable the service to client, and (iii) rationalization of the installation process.

The table below shows Ultragas's sales of LPG to clients of bottled and bulk LPG:

| Client category | Year ended December 31, | | |
|---|-------------------------|----------------|----------------|
| | 2018 | 2017 | 2016 |
| | (in thousands of tons) | | |
| Bottled LPG | | | |
| Residential delivery by Ultragas / Ultragas owned retail stores | 56.3 | 61.1 | 60.4 |
| Independent dealers ⁽¹⁾ | 1,141.5 | 1,139.8 | 1,137.0 |
| Total bottled LPG | 1,197.7 | 1,201.0 | 1,197.5 |
| Total bulk LPG | 527.2 | 544.8 | 562.8 |
| Total tons delivered | 1,724.9 | 1,745.7 | 1,760.3 |

⁽¹⁾ Includes residential deliveries and distribution through retailers' stores.

Residential delivery has evolved during the last years from primarily door-to-door to a scheduled, order by phone or app.

LPG distribution is a very dynamic retail market where consumers' habits change constantly, thus creating opportunities for the company. In order to more closely track market developments and differentiate itself from its competitors, Ultragas has developed and enhanced sales channels and payment methods. In the last decade, the company expanded the participation of Disk Gas (sale of LPG bottles by telephone) and, more recently, introduced ordering through a smartphone app (Ultragas Connect) and through a website (*Pedido Online*). These initiatives provide customers with greater convenience, add further value and generate logistic optimization to Ultragas. The same principles have been extended to the bulk segment, in which Ultragas is a pioneer and has a leading position. Ultragas has been developing new usages for its products, such as localized heating for the ignition of industrial furnaces, mainly in lead, iron and steel industries. Ultragas has also expanded LPG uses portfolio to agribusiness, such as a solution for coffee roasting and for cotton ginning. Lastly, tracking consumption trends in the bulk segment, Ultragas intensified its unique account billing service in residential condominiums, through which it provides individual gas bills.

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Given Ultragaz's network and reach to the most remote communities in Brazil, it has engaged in a series of initiatives and partnerships to promote social inclusion, education and culture. The table below shows the most relevant ones:

| Project | Year of launch | Brief description |
|--|-----------------------|--|
| Ultragaz Cultural | 2000 | Series of shows, movies, theater, literature, music and educational workshops |
| | | 2008 – 2018: served more than 268 thousand children in 22 states in Brazil |
| Partnership with Ministry of Health | 2008 | Awareness and educational campaigns to address diseases prevention, such as dengue, Zika virus, H1N1 and yellow fever, as well as other basic health concerns |
| | | 2009 – 2018: reached more than 140 million people |
| United Nations Partnership | 2009 | Ultragaz is a signatory of the UN Global Compact |
| | | In 2016, Ultragaz joined the 17 Objectives of Sustainable Development |
| Junior Achievement | 2009 | The largest and oldest organization in Brazil dedicated to educating youth in business |
| | | 2018: 290 volunteers were involved in 13 states in Brazil, benefiting more than 2,400 students |
| <i>Pega Pilhas, Baterias e Celulares</i> | 2012 | Collection and disposal of used batteries in Ultragaz's consumers households |
| | | 2018: almost 1 ton of batteries collected in 10 states in Brazil |
| <i>Campanha Junte Óleo: Ultragaz Coleta e Soja Recicla</i> | 2013 | Cooking oil recycle campaign to avoid its disposal into drinkable water sources |
| Partnership with Bunge and Triângulo Institute, a NGO | | 2015: the project won the Marketing Best Sustainability Award |
| | | 2018: over 1 million liters of oil collected, reaching 610,000 Brazilian households with approximately 400 resellers involved |
| <i>Somar Sustentabilidade</i> | 2014 | A project that aims to foster sustainability concept and practices among its resellers |
| | | By the end of 2018, more than 480 resellers had participated |
| Ultragaz Sustainable Shop | 2014 | A LPG Shop constructed according to USGBC (United States Green Building Council) criteria, seeking to be accredited by LEED (Leadership in Energy and Environmental Design) and AQUA (High Environmental Quality) certifications |
| | | The first store was launched in 2014 in São Paulo, and the second one in 2016 in Ceará |
| CDP Partnership | 2015 | |

| | | |
|---------------------------|------|---|
| | | With the support of CDP, Ultragaz promotes training with its critical suppliers about CO ₂ emissions, encouraging them to develop inventories for greenhouse gas emissions |
| | | 2018: 45 suppliers were involved |
| Ultragaz Volunteer Portal | 2016 | A corporate social network to foster volunteer projects |
| | | 2018: more than 550 employees registered on the website |
| Female Empowerment | 2018 | Partnership with the Feminine Association for Social and University Studies (Afesu) focused in supporting socially vulnerable women by offering training schemes for entry into the labor market. 2018: 70 girls (between 12-17 years old) were benefited |
| | | With the support of Woman Entrepreneur Network (<i>Rede Mulher Empreendedora</i>), Ultragaz offers opportunities and fosters entrepreneurship and redeeming self-esteem among women who are victims of domestic violence. 2018: 120 women were involved |

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Distribution infrastructure. Ultragas' s distribution strategy includes having its own distribution infrastructure for bulk LPG, since it believes proximity to customers is a significant factor in successful distribution and sales strategies. Ultragas also maintains a large independent dealer network for the bottled LPG. See ***Independent dealers.*** For both bottled and bulk LPG, deliveries are made by a staff wearing Ultragas uniforms and driving vehicles with Ultragas' s logo. Ultragas has also invested in information technology for improving its process, such as logistics optimization and production efficiency. Ultragas delivers bottled LPG, using a distribution network, which included 5.4 thousand independent dealers and a fleet of 41 vehicles for the delivery of gas bottles and 287 for bulk delivery as of December 31, 2018. Bottled sales capacity derives from the number of bottles bearing Ultragas' s brands. Ultragas estimates that, as of December 31, 2018, there were 26.1 million 13 kg bottles stamped with Ultragas' s brands in the market.

Independent dealers. Ultragas' s independent distribution network ranges from large dealers, which carry out extensive home delivery, to single retail stores, which sell small quantities of LPG bottles. ANP Rule 51, enacted on November 30, 2016, that repealed the ANP Rule 297, sets that the independent dealers must be registered with ANP and comply with a list of prerequisites contained in such rule, as well as those required by law for the storage of bottles up to 90 kg. Also, each municipality sets forth its own safety regulations applicable to stores that sell LPG, including a minimum distance from certain locations, such as schools. For the year ended December 31, 2018, 95% of Ultragas' s bottled LPG sales were made through independent dealers. The agreements entered into between Ultragas and independent dealers require the use of the Ultragas brand and the display of the Ultragas logo in the delivery vehicles and on the uniforms worn by delivery personnel. Proprietary rights of the trademark and the logo are retained by Ultragas and are duly registered with the National Institute of Industrial Property (INPI *Instituto Nacional de Propriedade Industrial*). All contracted dealers are Ultragas' s exclusive representatives. Under the terms of the respective contracts, each dealer agrees not to deliver non-Ultragas LPG bottles.

Ultragas understands that investing in the efficiency of its reseller network is key for staying ahead of competition and at the same time aligned with market demand for LPG. Accordingly, Ultragas has developed several programs aimed at improving resellers' management quality and standards.

The main tool is the *Programa de Qualificação de Revendas* (Reseller Qualification Program), which seeks to standardize Ultragas' s resellers' best management practices, including brand standardization, management quality, and strict compliance with the laws applicable to the industry. Through an assessment process, resellers are classified into categories (blue diamond, diamond, golden, bronze and opportunity), allowing the participants to check their performance compared to Ultragas' s excellence standards and stimulating constant improvement. In 2018, approximately 4.5 thousand resellers participated in the program – a significant increase compared to 2008, when the program began with approximately 750 resellers evaluated. Out of the resellers that participated in the program in 2018, 74% (or 3.3 thousand) were qualified as bronze or above, in line with 2017 (72%) and 2016 (73%), attesting their compliance with most of Ultragas' s quality requirements. In addition to the Reseller Qualification Program, Ultragas has been deploying new initiatives to improve the efficiency of its resellers, such as the pre-operation training programs, aiming to accelerate their maturing process and anticipate financial results, increasing success rates among the new resellers, comprised of courses focused on key aspects of LPG operations, marketing and cash flows, among others.

Ultragas also has invested in the development of training programs offered to its dealers. The first of them is Project SOMAR (Marketing Solutions Applied to Dealers), a program that includes replication of best practices and recommendations of changes to dealers' operating procedures aiming at improving the efficiency of their operations.

The main initiative carried out since 2007 is *Academia Revenda* (Reseller' s Academy), which includes the training programs *Formação em Gestão de Revenda* (Reseller Management Education), *O Especialista em Atendimento* (The

serving specialist) and *Disk Especialista* (Disk specialist). In addition, in 2016, Ultragas launched *Ultratop*, a program for the reseller's employees, including online trainings and campaigns focused on customer services. These programs seek to provide its resellers and their employees with critical skills to ensure an effective management in the LPG retail market and strengthen the qualification of the resellers' network.

Distribution channels to bulk consumers. Large bulk distribution, constituted mostly of industrial users, is made by tanker trucks that deliver the LPG directly to the storage tanks located at the customers' premises. Small bulk distribution, comprised of residential buildings and commercial users, and smaller industrial users, is made primarily by bob-tail trucks. Ultragas uses the UltraSystem trade name in connection with its small bulk distribution through bob-tail trucks. Ultragas makes bulk sales directly to customers using its own infrastructure and transportation provided by third-party transportation companies.

Payment terms. Ultragas's sales through its retail stores and through home delivery are made mainly on a cash basis. Ultragas's sales to independent dealers and to industrial and commercial users have payment terms of 22 days on average.

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Bottle swapping centers. Pursuant to the Self-Regulatory Code, established in 1996 and approved by ANP, the LPG distributors have established 9 operating swapping centers to facilitate the return of the bottles to the appropriate distributor. Under the Self-Regulatory Code, while LPG distributors may pick up any empty LPG bottles tendered by customers in exchange for full LPG bottles, whether or not such empty bottles were put in circulation by that distributor, after October 1997, LPG distributors were not permitted to refill third-party bottles. Accordingly, LPG distributors may deliver third-party bottles to a swapping center where such bottles may be exchanged for bottles placed in circulation by such LPG distributor. The swapping centers currently charge a fee of R\$0.56 per exchanged LPG bottle.

Requalification of bottles. The useful life of a bottle varies depending on a number of factors, the most important of which are the extent to which the bottle has been exposed to corrosion from the atmosphere and whether the bottle has been damaged. The Self-Regulatory Code and ANP regulation provides that all bottles must be requalified after their first fifteen years of use, and every ten years thereafter. Each bottle is visually inspected for damage and corrosion to determine if it can be requalified or if it should be scrapped. In the case of bottles which pass the quality and safety checks, several procedures are followed before the bottles are stamped with the year of requalification and the next term in which they are due for requalification.

Supply of LPG. Currently, Ultragas and all other LPG distributors in Brazil purchase all or nearly all LPG from Petrobras. Ultragas has a formal contract with Petrobras for the supply of LPG. The procedures for ordering and purchasing LPG from Petrobras are generally common to all LPG distributors, including Ultragas, which basically consist of sending an estimate of our needs to Petrobras four months in advance and a more precise estimate of our needs one month in advance. There have been no significant interruptions in the supply of LPG by Petrobras to the distributors since an interruption in 1995 due to a 15-day strike by Petrobras employees.

Since 2001, distributors have been allowed to freely establish retail prices, which were previously set by the Brazilian government. Until the end of 2001, the LPG refinery price charged by Petrobras to all LPG distributors was determined by the Brazilian government and was the same for all LPG distributors in all regions of Brazil. Historically, refinery prices have been subsidized by the Brazilian government. In January 2002, the Brazilian government abolished subsidies to refinery prices and Petrobras started to freely price LPG in the domestic market, adopting the international price plus surcharges as its benchmark. However, the Petrobras refinery price of LPG is still subject to the Brazilian government influence when the government deems appropriate. Refinery prices of LPG in *Reais* remained unchanged from May 2003 to the end of 2007, despite increases in oil and LPG prices in the international markets, which were partially offset by the appreciation of the *Real* compared to the U.S. dollar, reducing the difference between LPG prices in Brazil and in the international markets. From 2008 to 2016, Petrobras increased LPG refinery prices for commercial and industrial usage sporadically. In 2017 and 2018, LPG refinery prices were adjusted more frequently, as shown below:

| | Jan-08 | Apr-08 | Jul-08 | Jan-10 | Dec-14 | Sep-15 | Dec-15 | Dec-16 | Apr-17 | Jul-17 | Aug-17 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|----------------|--------|
| Commercial and Industrial LPG (% adjustment) | 15% | 10% | 6% | 6% | 15% | 11% | 4% | 12% | -4.0% | -5.2% and 8.0% | 7.2% |

| Sep-17 | Nov-17 | Dec-17 | Jan-18 | Feb-18 | Mar-18 | May-18 | Jul-18 | Sep-18 | Nov-18 | Dec-18 |
|----------|--------|--------|--------|--------|--------|----------|--------|--------|-----------|--------|
| 2.3% and | 6.5% | 5.3% | -6.3% | -4.6% | | 7.1% and | 4.4% | 5.0% | -5.6% and | -4.7% |

| | | | | |
|---|------|----------------|------|-------|
| Commercial and Industrial LPG (% adjustment) | 7.9% | -4.2% and 4.7% | 3.6% | -9.2% |
|---|------|----------------|------|-------|

The LPG refinery price for residential use remained unchanged from May 2003 to September 2015, when Petrobras increased prices by 15%. In the last years, Petrobras practice was not to immediately reflect in its oil derivatives prices in Brazil the volatility of international prices of oil and oil derivatives. However, in June 2017, the dynamic of LPG prices supplied to the distributors was modified to reflect international price volatility and exchange rate variation, as shown below:

| | Mar-17 | Jun-17 | Jul-17 | Aug-17 | Sep-17 | Oct-17 | Nov-17 | Dec-17 |
|--------------------------------|--------|--------|--------|--------|----------------|--------|--------|--------|
| Residential LPG (% adjustment) | 9.8% | 6.7% | -4.5% | 6.9% | 10.7% and 6.9% | 12.9% | 4.5% | 8.9% |

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In January 2018, the price dynamic for LPG acquisition at refineries was adjusted to soften the transfer of price volatility in the international market to the domestic price. The period for verification of international prices and currency rates which dictate the percentages of price adjustment will be the average of the preceding twelve months and no longer the monthly variation and price movement will now become quarterly and not monthly. The following table shows residential LPG adjustments:

| | Jan-18 | Apr-18 | Jul-18 | Nov-18 |
|--------------------------------|--------|--------|--------|--------|
| Residential LPG (% adjustment) | -5.0% | -4.4% | 4.4% | 8.5% |

We cannot guarantee that this trend will continue. Any sharp increase in LPG prices charged to LPG distributors could have an impact on Ultragas's results if it is unable to maintain its operational margins or sales volume.

In 2016 and 2017, Petrobras' average refinery price was US\$356 per ton and US\$484 per ton, respectively, compared with the average international price of US\$273 per ton and US\$409 per ton, respectively. In 2018, Petrobras' average refinery price was US\$560 per ton compared with the average international price of US\$459 per ton. See *Industry and Regulatory Overview* The role of the Brazilian government.

Storage of LPG. On December 31, 2018, Ultragas's storage capacity was approximately 19.7 thousand tons, including Utingás' storage capacity. Based on its 2018 average LPG sales, Ultragas could store approximately 3.4 days of LPG supply. Accordingly, an interruption in the production of LPG may result in shortages, such as the one that occurred during the Petrobras strike in 1995.

Ultragas stores its LPG in large tanks at each of its filling plants located throughout the regions in which it operates. Primary filling plants receive LPG directly from Petrobras by pipeline; secondary filling plants are supplied by truck; and satellite plants primarily hold LPG which is used to fill bob-tail trucks for small bulk distribution to customers that are not located near a primary or secondary filling plant. See *Item 4.D. Information on the Company* Property, Plants and Equipment.

Competition. Ultragas's main competitors are:

Liquigás, which was acquired by Petrobras in June 2004 from the ENI Group and has been operating in the Brazilian LPG distribution sector for more than 60 years;

Supergasbras, formed by the merger of Minasgás S.A., founded in 1955, and Supergasbras S.A., founded in 1946, and controlled by SHV Energy, a major multinational LPG distributor, which operates through its two separate brands, Minasgás and Supergasbras; and

Nacional Gás Butano, a Brazilian LPG distributor, which has been present in the market for more than 60 years.

The following table sets forth the market share of Ultragas and its competitors in terms of volume according to ANP:

| LPG Distributor | Year ended December 31, | | |
|------------------------|--------------------------------|---------------|---------------|
| | 2018¹ | 2017 | 2016 |
| Ultraz | 23.7% | 23.6% | 23.8% |
| Liquigás | 21.3% | 21.6% | 21.7% |
| Supergasbras | 20.0% | 20.1% | 20.5% |
| Nacional Gás Butano | 19.5% | 19.5% | 19.3% |
| Others | 15.4% | 15.1% | 14.7% |
| Total | 100.0% | 100.0% | 100.0% |

⁽¹⁾ Data from January to September 2018, since the information for the 12-month period is not available, except for Ultraz.

Prior to 1990, the Brazilian government specified the areas in which LPG distributors were permitted to operate and each LPG distributor was allocated a limit in its LPG sales for each Brazilian geographic region in which it operated. These limits impacted the growth of larger LPG distributors and limited competition among LPG distributors. These restrictions were removed as part of the deregulation process, resulting in a substantial increase in competition among domestic LPG distributors.

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Considering that the bottled market for LPG is a mature market with relatively low consumption growth, the competition is largely based upon attempts by LPG distributors to increase market share at the expense of their competitors. Since *per capita* consumption is small, low distribution cost is the critical factor in dictating profitability. Therefore, LPG distributors largely compete on the basis of efficiencies in distribution and delivery as all LPG distributors currently purchase nearly all of their LPG requirements from Petrobras, and as Petrobras' refinery price charged to the distributors is the same to all LPG distributors. Ultragaz's principal markets, including the cities of São Paulo, Salvador and Recife, are highly populated areas and therefore distribution to this market can be carried out with great economies of scale resulting in lower distribution costs to Ultragaz. Additionally, Ultragaz enjoys low bulk LPG distribution costs through UltraSystem.

In addition to competing with other LPG distributors, Ultragaz competes with companies that offer alternative energy sources to LPG, mainly natural gas, and other sources such as wood, diesel, fuel oil and electricity. Natural gas is currently the principal source of energy against which we compete. The supply of natural gas requires significant investments in pipelines. While fuel oil is less expensive than LPG, LPG has performance and environmental advantages over fuel oil in most uses.

In 2015, the Brazilian LPG market decreased by 1.5% compared to 2014, mainly driven by the decrease of 5.4% in the bulk segment compared to 2014, mostly due to the continued worsening of the economic environment in Brazil. In 2016, the Brazilian LPG market increased by 1.2% compared to 2015, driven by an increase in both segments. The bottled segment grew by 1.2% over 2015, given its resilient nature as an essential good and the bulk segment grew by 1.1% compared to 2015, due to new clients entering this market in 2016. In 2017, the Brazilian LPG market remained stable compared to 2016. The bottled segment increased by 0.6%, and the bulk segment decreased by 1.8%. In 2018, the Brazilian LPG market decreased by 1.0% compared to 2017, mainly driven by the decrease of 1.4% in the bottled segment.

The following graph shows LPG sales volume for the Brazilian market and Ultragaz for the periods indicated:

Source: ANP (volume for 2007 according to Sindigás)

Income tax exemption status. Brazilian legislation provides a 75% income tax reduction for businesses located in the Northeast region of Brazil, which depends of SUDENE's formal and previous approval. Ultragaz is entitled to this tax benefit at its filling plants located at Mataripe, Caucaia, Juazeiro and Aracaju until 2024, 2025, 2026 and 2028, respectively. Suape's plant obtained an extension of its tax benefit in January 2019 for a 10-year period, based on the modernization of the facilities, and a benefit appraisal report was sent on January 23, 2019 to the Brazilian Federal Revenue Service for approval within 120 days. The total amount of SUDENE's income tax exemption for Ultragaz for the years ended December 31, 2018 and 2017 was R\$12.8 million and R\$3.0 million, respectively. For further information, see Note 9.c to our 2018 consolidated financial statements.

Quality. We were the first Brazilian LPG distributor to receive ISO (International Standards Organization) certification for excellence in quality management. We were also the first LPG distributor in Brazil to be awarded with *Prêmio Paulista de Qualidade*, a well-recognized quality award in Brazil. Ultragaz is implementing the Management Excellence Model (*Modelo de Excelência da Gestão*® - MEG), of the National Quality Foundation (FNQ). This system standardizes and certifies the main working processes in four areas: Quality Management (ISO

9001), Environmental Management (ISO 14001), Occupational Health and Safety Management (OHSAS 18001) and Social Responsibility Management (SA 8000). Also, in the last 3 years Ultragaz has received several awards related to quality and management quality in different states in which it operates.

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Fuel Distribution

Industry and Regulatory Overview

The Brazilian fuels market comprises the distribution and marketing of gasoline, ethanol, diesel, fuel oil, kerosene and natural gas for vehicles (NGV). In 2018, diesel represented 47% of the fuels distributed in Brazil, followed by gasoline, ethanol, fuel oils, NGV and kerosene, each of which represented 33%, 16%, 2%, 2% and less than 0.01%, respectively.

Growth in the fuel distribution sector has been directly influenced by GDP growth rates and size of light vehicle fleet. GDP growth is the main driver for diesel volume, given that diesel in Brazil is highly used for buses, trucks and agricultural engines. The size of the light vehicle fleet influences the growth in the combined volumes of gasoline, ethanol and NGV, which are basically used for light vehicles. The growth in the size of the car fleet in turn, is highly correlated with credit availability and disposable income. Since 2005, the Brazilian economy has been passing through a structural change with the creation of a larger credit market for consumer goods. However, in recent years, the economic recession has affected the credit availability and levels of disposable income in Brazil.

In December 2018, credit in Brazil reached 47% of GDP, compared to 47% in December 2017, 49% in December 2016, 54% in December 2015 and 52% in December 2014, which, combined with a growth in disposable income in Brazil in 2018 (although with continued high unemployment rates), had