

ULTRAPAR HOLDINGS INC  
Form 20-F  
April 29, 2016

As filed with the Securities and Exchange Commission on April 29, 2016

**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, 2015**

**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 6695**

(Address of principal executive offices)

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

**Title of each class**

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)

**Name of each exchange on which registered**

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, 2015.

<b>Title of Class</b>	<b>Number of Shares Outstanding</b>
<b>Common Stock</b>	<b>556,405,096</b>

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). " Yes x No

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

Large Accelerated Filer x Accelerated Filer " Non-accelerated Filer "

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

U.S. GAAP " International Financial Reporting Standards as issued by the International Accounting Standards Board x other "

Indicate by check mark which financial statement item the registrant has elected to follow: Item 17 " Item 18 x

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 x No



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## INTRODUCTION

Ultrapar is a Brazilian company with almost 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 with a 23% market share in 2015 and one of the largest independent LPG distributors in the world in terms of volume sold. We deliver LPG to an estimated 11 million households through a network of approximately 5,100 independent retailers in the bottled segment and to approximately 50 thousand customers in the bulk segment. Ipiranga is the second largest fuel distributor in Brazil, with a network of 7,230 service stations and 22% market share in 2015. 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. Oxiteno has twelve industrial units in Brazil, Mexico, the United States, Uruguay and Venezuela and commercial offices in Argentina, Belgium, China and Colombia. Ultracargo has a leading position in its sector, being the largest provider of storage for liquid bulk in Brazil, with six terminals and a storage capacity of 630 thousand cubic meters as of December 31, 2015. Extrafarma is one of the leading drugstore chains in the North and Northeast of Brazil, with 254 drugstores and two distribution centers operating in December 2015. The Extrafarma Transaction closed on January 31, 2014 and, accordingly, Extrafarma's results of operations were consolidated into Ultrapar's results of operations as from February 1, 2014. See Item 4.A. Information on the Company History and Development of the Company Extrafarma Transaction.

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:

ABIHPEC are to Associação Brasileira da Indústria de Higiene Pessoal, Perfumaria e Cosméticos, the Brazilian association of personal care products;

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

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

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

ADRs are to the American Depositary Receipts evidencing our ADSs;

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;

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 de 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;

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

Aqces are to Aqces Logística Internacional Ltda.;

BM&FBOVESPA are to the BM&FBOVESPA S.A. Bolsa de Valores, Mercadorias e Futuros, the São Paulo Stock Exchange;

Braskem are to Braskem S.A.;

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, and by Law No. 12,431 enacted in June 2011;

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

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;

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

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

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.;

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;

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 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 merger of Extrafarma with Ultrapar on January 31, 2014, as described in Item 4.A. Information on the Company History and Development of the Company Extrafarma Transaction.

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;

IFRS are to International Financial Reporting Standards, as issued by the International Accounting Standards Board ( IASB );

IGP-M are to General Index of Market Prices of Brazilian inflation, calculated by the Getulio Vargas Foundation;

IMS Health are to IMS Health Holdings, Inc.;

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;

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

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

LPG are to liquefied petroleum gas;

LPG International are to LPG International Inc.;

Maxfácil are to Maxfácil Participações S.A., a company that was split between the partners in proportion to their shareholdings and subsequently merged by each partner in November 2012;

NYSE are to the New York Stock Exchange;

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

*Novo Mercado* are to *Novo Mercado* listing segment of BM&FBOVESPA;

Selic are to the Brazilian base interest rate;

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

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 Overseas are to Oxiteno Overseas Co.;

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;

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;

Petrobras are to Petrobras Petróleo Brasileiro S.A.;

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

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;

PFIC are to Passive Foreign Investment Company;

*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;

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;

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;

Sindigás are to the Brazilian association of LPG distributors;

Sindicom are to the Brazilian association of fuel distributors;

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;

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., Ultrapar'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. Prior to the Conversion, Ultra S.A. owned 66% of the voting capital of Ultrapar;

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;

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

2014 Ultra S.A. 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 Sindicom and ANP, (iv) the liquid bulk storage industry were obtained from ABTL, and (v) the retail pharmacy business were obtained from ABRAFARMA, IMS Health, ABIHPEC and Sindusfarma.

## PRESENTATION OF FINANCIAL INFORMATION

Our audited consolidated financial statements included in Item 18 were prepared in accordance with IFRS and include our consolidated balance sheets as of December 31, 2015 and 2014 and the related consolidated income statements, statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015, 2014 and 2013, as well as notes thereto.

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

On January 31, 2014, Ultrapar acquired Extrafarma, one of Brazil's top ten drugstore chains, marking our entry in the retail pharmacy business. The results of operations of the business acquired were consolidated into Ultrapar's financial statements as from February 1, 2014. Ultrapar's financial statements as of and for the periods prior to February 1, 2014 do not reflect any financial information of the acquired businesses. Accordingly, unless otherwise stated, 2014 financial and operational information for Extrafarma presented in this annual report relates to and refers to the 11-month period from February 1, 2014 to December 31, 2014 only. See Item 4.A. Information on the Company History and Development of the Company Extrafarma Transaction.

On April 25, 2016 the exchange rate for *Reais* into U.S. dollars was R\$3.547 to US\$1.00, based on the commercial selling rate as reported by the Central Bank. The commercial selling rate was R\$3.905 to US\$1.00 on December 31, 2015, and R\$2.656 to US\$1.00 on December 31, 2014. 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 Information 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, 2015 of R\$3.905 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. The *Real*/dollar exchange rate has presented significant volatility since December 31, 2015 and as of the date of this annual report is considered materially different from the rate used to perform the translations throughout this document.

Segment information for our businesses is presented on an unconsolidated basis. 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 Sindicom and ANP, (iii) the liquid bulk storage industry was obtained from ABTL and (iv) the retail pharmacy business was obtained from ABRAFARMA. 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.

### **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, 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;

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 20-F 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.

### **ITEM 3. KEY INFORMATION**

#### **A. Selected Consolidated Financial Data**

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* in accordance with IFRS. The consolidated balance sheets as of and for the years ended December 31, 2015 and 2014 and the consolidated income statements and cash flows as of and for the years ended December 31, 2015, 2014 and 2013 are derived from our audited consolidated financial statements included in this annual report. 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					
	2015 <sup>(1)</sup>	2015	2014	2013	2012	2011
	(in millions, except per share data)					
<b>Income statements data:</b>	<b>US\$</b>	<b>R\$</b>	<b>R\$</b>	<b>R\$</b>	<b>R\$</b>	<b>R\$</b>
<b>Net revenue from sales and services</b>	<b>19,374.9</b>	<b>75,655.3</b>	<b>67,736.3</b>	<b>60,940.2</b>	<b>53,868.9</b>	<b>48,628.7</b>
Cost of products and services sold	(17,653.6)	(68,933.7)	(62,304.6)	(56,165.4)	(49,768.1)	(45,124.3)
<b>Gross profit</b>	<b>1,721.4</b>	<b>6,721.6</b>	<b>5,431.7</b>	<b>4,774.9</b>	<b>4,100.8</b>	<b>3,504.4</b>
<b>Operating income (expenses)</b>						
Selling and marketing	(644.5)	(2,516.6)	(2,158.7)	(1,756.4)	(1,579.6)	(1,348.6)
General and administrative	(338.4)	(1,321.3)	(1,130.3)	(1,012.3)	(891.1)	(773.7)
Gain on disposal of property, plant and equipment and intangibles	7.0	27.3	37.0	40.3	3.7	21.4
Other operating income, net	13.0	50.6	106.9	97.6	74.1	52.2
<b>Operating income before financial income (expenses) and share of profit of joint ventures and associates</b>	<b>758.4</b>	<b>2,961.5</b>	<b>2,286.6</b>	<b>2,144.0</b>	<b>1,707.9</b>	<b>1,455.7</b>
Financial income	109.2	426.4	366.0	240.6	208.2	309.1
Financial expenses	(289.3)	(1,129.8)	(811.4)	(578.2)	(478.5)	(616.6)
Share of profit (loss) of joint ventures and associates	(2.8)	(10.9)	(16.5)	(5.0)	10.5	13.9
<b>Income before income and social contribution taxes</b>	<b>575.5</b>	<b>2,247.3</b>	<b>1,824.7</b>	<b>1,801.4</b>	<b>1,448.0</b>	<b>1,162.0</b>
<b>Income and social contribution taxes</b>						
Current	(205.4)	(802.0)	(615.1)	(534.5)	(356.3)	(238.6)
Deferred	(3.8)	(14.8)	(21.7)	(91.0)	(108.4)	(91.3)
Taxes incentives	21.1	82.4	63.4	52.8	43.4	28.2
	<b>(188.1)</b>	<b>(734.3)</b>	<b>(573.5)</b>	<b>(572.7)</b>	<b>(421.3)</b>	<b>(301.7)</b>
<b>Net income for the year</b>	<b>387.5</b>	<b>1,513.0</b>	<b>1,251.2</b>	<b>1,228.7</b>	<b>1,026.8</b>	<b>860.3</b>
Net income for the year attributable to:						
Shareholders of the Company	385.0	1,503.5	1,241.6	1,225.1	1,019.9	854.3
Non-controlling interests in subsidiaries	2.4	9.5	9.7	3.6	6.9	6.0
Earnings per share <sup>(2)</sup>						
Basic	0.71	2.76	2.28	2.29	1.91	1.60
Diluted	0.70	2.74	2.26	2.28	1.90	1.59

Dividends per share	0.41	1.60	1.42	1.37	1.17	0.98
<b>Other financial data</b>						
Cash flows from operating activities	819.9	3,201.7	2,650.7	2,120.7	2,443.7	1,673.7
Cash flows from investing activities	(205.3)	(801.8)	(1,540.2)	(1,287.9)	(1,565.0)	(1,445.2)
Cash flows from financing activities	(645.5)	(2,520.7)	(539.3)	(578.9)	(622.7)	(1,093.7)
Depreciation and amortization <sup>(3)</sup>	256.8	1,002.6	887.8	778.9	693.1	578.0
<b>EBITDA<sup>(4)</sup></b>	<b>1,012.4</b>	<b>3,953.3</b>	<b>3,157.9</b>	<b>2,918.0</b>	<b>2,411.4</b>	<b>2,047.5</b>
Net debt <sup>(5)</sup>	(1,262.2)	(4,928.4)	(3,975.1)	(3,425.9)	(3,084.0)	(2,882.8)
Number of common shares (in thousands) <sup>(6)</sup>	556,405.1	556,405.1	556,405.1	544,384.0	544,384.0	544,384.0

- (1) The figures in *Reais* for December 31, 2015 have been converted into U.S. dollars using the exchange rate of US\$1.00 = R\$3.905, 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) 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. Earnings per share for 2011 have been retroactively adjusted for the 1:4 stock split approved in the extraordinary general shareholders' meeting held on February 10, 2011 described under Item 4.A. Information on the Company History and Development of the Company.
- (3) Represents depreciation and amortization expenses included in cost of products and services sold and in selling, marketing, general and administrative expenses.
- (4) EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is presented in this document in accordance with ICVM 527/12 and represents our net income before (i) income and social contribution taxes, (ii) net financial expense (income) and (iii) depreciation and amortization. The purpose of including EBITDA information is to provide a measure used by management for internal assessment of our operating results, and because a portion of our employee profit sharing plan is linked directly or indirectly to 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 in connection with covenants related to some of our financing, as described in Note 14 to our consolidated financial statements. We believe EBITDA allows 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 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 excludes net financial expense (income), income and social contribution taxes and depreciation and amortization, it provides 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 is not a measure of financial performance under IFRS, and it should not be considered in isolation, or as a substitute for net income, as a measure of operating performance, as a substitute for cash flows from operations or as a measure of liquidity. EBITDA has material limitations that impair its value as a measure of a company's overall profitability since it does 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. The tables below provide a reconciliation of net income and operating income to EBITDA for Ultrapar and a reconciliation of operating income to EBITDA for Ultragas, Ipiranga, Oxiteno and Ultracargo for the years ended December 31, 2015, 2014, 2013, 2012 and 2011, and the reconciliation of operating income to EBITDA for Extrafarma for the year ended December 31, 2015 and for 2014, related to the period from February 1 to December 31, 2014:

<b>Ultrapar</b>					
<b>Reconciliation of net income to EBITDA</b>					
<b>Years ended December 31</b>					
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>(in millions of Reais)</b>					
Net income	1,513.0	1,251.2	1,228.7	1,026.8	860.3
Depreciation and amortization	1,002.6	887.8	778.9	693.1	578.0
Net financial expenses	703.3	445.4	337.6	270.3	307.6
Income and social contribution taxes	734.3	573.5	572.7	421.3	301.7
<b>EBITDA<sup>(4)</sup></b>	<b>3,953.3</b>	<b>3,157.9</b>	<b>2,918.0</b>	<b>2,411.4</b>	<b>2,047.5</b>

<b>Ultrapar</b>					
<b>Reconciliation of operating income to EBITDA</b>					
<b>Years ended December 31</b>					
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>(in millions of Reais)</b>					
Operating income before financial income (expenses) and share of profit (loss) of joint-ventures and associates	2,961.5	2,286.6	2,144.0	1,707.9	1,455.7
Depreciation and amortization	1,002.6	887.8	778.9	693.1	578.0
Share of profit (loss) of joint-ventures and associates	(10.9)	(16.5)	(5.0)	10.5	13.9
<b>EBITDA<sup>(4)</sup></b>	<b>3,953.3</b>	<b>3,157.9</b>	<b>2,918.0</b>	<b>2,411.4</b>	<b>2,047.5</b>

<b>Ultragaz</b>					
<b>Reconciliation of operating income to EBITDA</b>					
<b>Years ended December 31</b>					
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>(in millions of Reais)</b>					
Operating income before financial income (expenses) and share of profit (loss) of associates	213.9	169.0	147.0	114.3	163.4
Depreciation and amortization	143.2	136.4	133.5	131.4	117.5
Share of profit (loss) of associates	(0.1)	0.2	0.0	0.0	0.0
<b>EBITDA<sup>(4)</sup></b>	<b>357.0</b>	<b>305.5</b>	<b>280.5</b>	<b>245.7</b>	<b>280.9</b>

<b>Oxiteno</b>					
<b>Reconciliation of operating income to EBITDA</b>					
<b>Years ended December 31</b>					
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>(in millions of Reais)</b>					
Operating income before financial income (expenses) and share of profit (loss) of associates	579.5	264.2	308.6	228.8	156.0
Depreciation and amortization	158.3	138.5	131.9	123.1	106.3

Share of profit (loss) of associates	2.0	1.0	0.1	(0.1)	0.0
<b>EBITDA<sup>(4)</sup></b>	<b>739.8</b>	<b>403.7</b>	<b>440.6</b>	<b>351.8</b>	<b>262.3</b>

**Ultracargo**  
**Reconciliation of operating income to EBITDA**  
**Years ended December 31**  
**2015      2014      2013      2012      2011**  
**(in millions of Reais)**

Operating income before financial income (expenses) and share of profit of joint-ventures and associates	(16.1)	117.3	108.9	105.5	87.4
Depreciation and amortization	41.7	49.4	47.3	36.6	28.2
Share of profit of joint-ventures and associates	0.7	0.2	1.3	0.6	1.2
<b>EBITDA<sup>(4)</sup></b>	<b>26.3</b>	<b>166.9</b>	<b>157.5</b>	<b>142.7</b>	<b>116.8</b>

**Ipiranga**  
**Reconciliation of operating income to EBITDA**  
**Years ended December 31**  
**2015      2014      2013      2012      2011**  
**(in millions of Reais)**

Operating income before financial income (expenses) and share of profit of joint-ventures and associates	2,154.6	1,758.1	1,574.7	1,254.4	1,042.4
Depreciation and amortization	612.7	529.0	454.2	390.7	316.2
Share of profit of joint-ventures and associates	1.5	1.0	0.8	7.4	7.9
<b>EBITDA<sup>(4)</sup></b>	<b>2,768.8</b>	<b>2,288.0</b>	<b>2,029.6</b>	<b>1,652.6</b>	<b>1,366.4</b>

**Extrafarma**  
**Reconciliation of operating income to EBITDA**  
**Years ended December 31**  
**2015      2014<sup>(7)</sup>      2013      2012      2011**  
**(in millions of Reais)**

Operating income before financial income (expenses)	5.0	16.9			
Depreciation and amortization	23.7	12.8			
<b>EBITDA<sup>(4)</sup></b>	<b>28.7</b>	<b>29.8</b>			



The reconciliation of EBITDA to cash flows from operating activities for the years ending December 31, 2015, 2014, 2013, 2012 and 2011 is presented in the table below:

	2015	2014	2013	2012	2011
	(in millions of Reais)				
<b>Net income for the year</b>	<b>1,513.0</b>	<b>1,251.2</b>	<b>1,228.7</b>	<b>1,026.8</b>	<b>860.3</b>
<b>Adjustments to reconcile net income to EBITDA:</b>					
Depreciation and amortization	1,002.6	887.8	778.9	693.1	578.0
Net financial expenses	703.3	445.4	337.6	270.3	307.6
Income and social contribution taxes	734.3	573.5	572.7	421.3	301.7
<b>EBITDA<sup>(4)</sup></b>	<b>3,953.3</b>	<b>3,157.9</b>	<b>2,918.0</b>	<b>2,411.4</b>	<b>2,047.5</b>
<b>Adjustments to reconcile EBITDA to cash provided by operating activities:</b>					
Financial result that affected the cash flow from operating activities	879.2	519.4	274.5	345.2	424.4
Current income and social contribution taxes	(802.0)	(615.1)	(534.5)	(356.3)	(238.6)
Tax incentives (income and social contribution taxes)	82.4	63.4	52.8	43.4	28.2
PIS and COFINS credits on depreciation	12.1	12.7	12.4	11.6	10.1
Assets retirement obligation	(3.9)	(4.0)	(5.4)	(2.5)	(3.0)
Others	0.3	(14.5)	(31.1)	(2.9)	(20.3)
<b>(Increase) decrease in current assets</b>					
Trade receivables	(615.4)	(212.3)	(8.4)	(247.8)	(316.0)
Inventories	(615.4)	(184.3)	(298.9)	48.5	(180.2)
Recoverable taxes	(60.1)	(106.8)	(2.0)	(4.5)	(117.4)
Other receivables	13.6	(8.2)	1.1	1.3	(2.7)
Prepaid expenses	(14.2)	8.1	(11.4)	(10.6)	(4.8)
<b>Increase (decrease) in current liabilities</b>					
Trade payables	181.0	192.1	(328.8)	198.3	153.2
Salaries and related charges	109.7	(19.6)	45.1	(18.4)	38.6
Taxes payable	30.0	19.1	8.6	(2.5)	(42.1)
Income and social contribution taxes	504.5	437.1	350.8	208.2	93.1
Post-employment benefits		(0.5)	1.9	(1.7)	1.9
Provision for tax, civil and labor risks	(18.8)	(5.1)	19.8	8.5	1.7
Other payables	29.2	(21.0)	36.6	(0.2)	26.2
Deferred revenue	1.0	0.6	(0.3)	(1.7)	5.2
<b>(Increase) decrease in non-current assets</b>					
Trade receivables	(8.4)	(19.3)	13.0	(19.6)	(21.0)
Recoverable taxes	(60.0)	(38.0)	11.7	32.3	(26.4)
Escrow deposits	(44.0)	(80.6)	(81.2)	(64.5)	(88.7)
Other receivables	(10.7)	0.8	2.2	(9.7)	(0.6)
Prepaid expenses	(15.4)	0.5	(18.2)	1.5	(27.9)
<b>Increase (decrease) in non-current liabilities</b>					
Post-employment benefits	10.9	9.5	8.3	8.8	(4.8)
Provision for tax, civil and labor risks	61.4	(12.0)	18.8	38.6	41.7
Other payables	20.1	(10.8)	(21.8)	(3.1)	25.0
Deferred revenue	3.3	(1.4)	(0.7)	1.1	2.8

Income and social contribution taxes paid	(422.0)	(416.6)	(312.1)	(169.1)	(131.5)
<b>Net cash provided by operating activities</b>	<b>3,201.7</b>	<b>2,650.7</b>	<b>2,120.7</b>	<b>2,443.7</b>	<b>1,673.7</b>

<sup>(5)</sup> Net debt is included in this document 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. The table below provides a reconciliation of our consolidated balance sheet data to the net debt positions shown in the table, as of December 31, 2015, 2014, 2013, 2012 and 2011:

**Ultrapar**  
**Reconciliation of consolidated balance sheets to net debt**  
**As of December 31**  
**2015      2014      2013      2012      2011**  
**(in millions of Reais)**

	2015	2014	2013	2012	2011
Cash and cash equivalents	2,702.9	2,827.4	2,276.1	2,021.1	1,765.5
Current financial investments	803.3	1,441.8	1,149.1	961.2	819.3
Non-current financial investments	467.0	130.9	118.5	149.5	74.4
Current loans and finance leases	(1,050.5)	(2,557.5)	(1,769.6)	(1,575.0)	(1,302.5)
Current debentures	(47.4)	(884.9)	(60.4)	(53.0)	(1,002.5)
Non-current loans and finance leases	(5,604.9)	(3,533.9)	(3,740.6)	(3,192.6)	(3,237.1)
Non-current debentures	(2,198.8)	(1,399.0)	(1,399.0)	(1,395.3)	
Net debt position	(4,928.4)	(3,975.1)	(3,425.9)	(3,084.0)	(2,882.8)

- (6) The number of shares corresponds to the totality of shares issued by the Company, including those held in treasury. The number of shares for the year ended December 31, 2011 were retroactively adjusted for the 1:4 stock split approved in the extraordinary general shareholders' meeting held on February 10, 2011 described under Item 4.A. Information on the Company - History and Development of the Company.
- (7) 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.

The following tables present our consolidated balance sheet in accordance with IFRS as of the dates indicated.

	2015 <sup>(1)</sup>	2015	As of December 31		2012	2011
			2014	2013		
			(in millions)			
<b>Consolidated balance sheets data:</b>	<b>US\$</b>	<b>R\$</b>	<b>R\$</b>	<b>R\$</b>	<b>R\$</b>	<b>R\$</b>
<b>Current assets</b>						
Cash and cash equivalents	692.2	2,702.9	2,827.4	2,276.1	2,021.1	1,765.5
Financial investments	205.7	803.3	1,441.8	1,149.1	961.2	819.3
Trade receivables, net	811.1	3,167.2	2,604.1	2,321.5	2,306.5	2,023.4
Inventories, net	639.0	2,495.2	1,925.0	1,592.5	1,290.7	1,303.5
Recoverable taxes, net	161.0	628.8	593.5	480.0	478.0	466.5
Other receivables	8.3	32.5	43.3	19.4	20.5	20.2
Prepaid expenses, net	20.9	81.5	67.3	65.2	53.8	39.9
<b>Total current assets</b>	<b>2,538.2</b>	<b>9,911.4</b>	<b>9,502.4</b>	<b>7,903.9</b>	<b>7,133.0</b>	<b>6,438.4</b>
<b>Non-current assets</b>						
Financial investments	119.6	467.0	130.9	118.5	149.5	74.4
Trade receivables, net	39.0	152.2	143.8	124.5	137.4	117.7
Related parties	0.1	0.5	10.9	10.9	10.9	10.1
Deferred income and social contribution taxes	143.2	559.0	462.6	376.1	469.3	511.0
Recoverable taxes, net	34.7	135.4	75.4	37.4	49.1	81.4
Escrow deposits	189.7	740.8	696.8	614.9	533.7	469.2
Other receivables	4.2	16.5	5.8	6.6	11.0	1.3
Prepaid expenses, net	37.6	146.7	131.2	97.8	79.7	67.9
	568.1	2,218.1	1,657.5	1,386.7	1,440.5	1,333.0
<b>Investments</b>						
In joint-ventures	20.3	79.4	54.5	44.4	28.2	120.8
In associates	5.5	21.5	13.1	11.7	12.7	12.6
Other	0.7	2.8	2.8	2.8	2.8	2.8
Property, plant and equipment, net	1,392.9	5,438.9	5,092.0	4,860.2	4,667.0	4,250.9
Intangible assets, net	843.6	3,293.9	3,158.1	2,168.8	1,965.3	1,539.1
	2,263.0	8,836.6	8,320.5	7,087.9	6,676.0	5,926.2
<b>Total non-current assets</b>	<b>2,831.1</b>	<b>11,054.7</b>	<b>9,978.0</b>	<b>8,474.6</b>	<b>8,116.5</b>	<b>7,259.3</b>
<b>TOTAL ASSETS</b>	<b>5,369.3</b>	<b>20,966.0</b>	<b>19,480.4</b>	<b>16,378.5</b>	<b>15,249.6</b>	<b>13,697.7</b>
<b>Current liabilities</b>						
Loans	268.4	1,048.1	2,554.7	1,767.8	1,573.0	1,300.3
Debentures	12.1	47.4	884.9	60.4	53.0	1,002.5

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Finance leases	0.6	2.4	2.7	1.8	2.0	2.2
Trade payables	374.0	1,460.5	1,279.5	969.0	1,297.7	1,066.8
Salaries and related charges	103.5	404.3	294.6	297.7	252.5	267.2
Taxes payable	43.2	168.8	138.8	116.3	107.7	109.2
Dividends payable	76.5	298.8	218.4	242.2	222.4	163.8
Income and social contribution taxes payable	55.5	216.9	134.4	113.9	75.2	36.2
Post-employment benefits	3.5	13.7	11.4	11.9	10.0	11.7
Provision for assets retirement obligation	1.3	5.2	4.6	3.4	3.7	7.3
Provision for tax, civil and labor risks	11.6	45.3	64.2	69.3	49.5	41.0
Other payables	25.0	97.5	80.4	93.0	56.5	55.4
Deferred revenue	6.3	24.4	23.5	17.7	18.1	19.7
<b>Total current liabilities</b>	<b>981.7</b>	<b>3,833.4</b>	<b>5,692.1</b>	<b>3,764.5</b>	<b>3,721.3</b>	<b>4,083.2</b>

	As of December 31					
	2015 <sup>(1)</sup>	2015	2014	2013	2012	2011
<b>Consolidated balance sheets data:</b>	US\$	R\$	R\$	R\$	R\$	R\$
<b>Non-current liabilities</b>						
Loans	1,424.2	5,561.4	3,489.6	3,698.0	3,151.7	3,195.7
Debentures	563.1	2,198.8	1,399.0	1,399.0	1,395.3	
Finance leases	11.1	43.5	44.3	42.6	40.9	41.4
Related parties	1.1	4.4	4.4	3.9	3.9	4.0
Subscription warrants indemnification	28.7	112.2	92.1			
Deferred income and social contribution taxes	68.1	266.0	152.8	101.5	84.9	37.4
Provision for tax, civil and labor risks	175.3	684.7	623.3	569.7	551.0	512.2
Post-employment benefits	28.9	112.8	108.4	99.4	118.5	97.5
Provision for assets retirement obligation	17.8	69.5	66.2	66.2	66.7	60.3
Other payables	24.1	94.1	74.0	77.7	99.6	90.6
Deferred revenue	2.8	11.0	7.7	9.1	9.9	8.7
<b>Total non-current liabilities</b>	<b>2,345.5</b>	<b>9,158.5</b>	<b>6,061.7</b>	<b>6,067.2</b>	<b>5,522.2</b>	<b>4,047.8</b>
<b>TOTAL LIABILITIES</b>	<b>3,327.2</b>	<b>12,991.9</b>	<b>11,753.8</b>	<b>9,831.7</b>	<b>9,243.5</b>	<b>8,131.0</b>
<b>Shareholders equity</b>						
Share capital	983.1	3,838.7	3,838.7	3,696.8	3,696.8	3,696.8
Capital reserve	140.0	546.6	547.5	20.2	20.2	9.8
Revaluation reserve	1.4	5.6	5.8	6.1	6.7	7.1
Profit reserves	973.7	3,802.0	3,169.7	2,706.6	2,224.5	1,831.8
Treasury shares	(125.7)	(490.9)	(103.0)	(114.9)	(114.9)	(118.2)
Additional dividends to the minimum mandatory dividends	40.2	157.2	189.0	161.6	147.2	122.2
Valuation adjustments	4.9	19.0	7.1	5.4	(12.6)	(4.4)
Cumulative translation adjustments	17.1	66.9	43.2	38.1	12.6	(4.4)
<b>Shareholders equity attributable to:</b>						
Shareholders of the Company	2,034.7	7,945.0	7,698.0	6,520.0	5,980.6	5,540.5
Non-controlling interest in subsidiaries	7.4	29.1	28.6	26.9	25.5	26.2
<b>TOTAL SHAREHOLDERS EQUITY</b>	<b>2,042.1</b>	<b>7,974.1</b>	<b>7,726.6</b>	<b>6,546.9</b>	<b>6,006.1</b>	<b>5,566.7</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>5,369.3</b>	<b>20,966.0</b>	<b>19,480.4</b>	<b>16,378.5</b>	<b>15,249.6</b>	<b>13,697.7</b>

- (1) The figures in *Reais* for December 31, 2015 have been converted into dollars using the exchange rate of US\$1.00 = R\$3.905, 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***

Before March 14, 2005, there were two principal foreign exchange markets in Brazil, in which notes were freely negotiated but could be strongly influenced by Central Bank intervention:

the commercial rate exchange market dedicated principally to trade and financial foreign exchange transactions such as the buying and selling of registered investments by foreign entities, the purchase or sale of shares, or the payment of dividends or interest with respect to shares; and

the floating rate exchange market generally used for transactions not conducted through the commercial foreign exchange market.

On March 4, 2005, the National Monetary Council enacted Resolution No. 3,265, pursuant to which the commercial rate exchange market and the floating rate exchange market were unified in a sole exchange market, effective as of March 14, 2005. This resolution allowed, subject to certain procedures and specific regulatory provisions, the purchase and sale of foreign currency and the international transfer of *Reais* by a person or legal entity, without limitation of the amount involved; provided, however, the transaction is legal. Foreign currencies may only be purchased through financial institutions domiciled in Brazil authorized to operate in the exchange market. Resolution No. 3,265 was revoked by Resolution No. 3,568, effective as of July 1, 2008; however, the main directives provided by Resolution No. 3,265 were maintained.

In 2011, the unstable international economic environment, especially in the second half of the year as a result of the effects of the European crisis, contributed to a 13% depreciation of the *Real* against the U.S. dollar for the year, reversing the appreciation trend in the first half of the year. In 2012, the Brazilian government adopted counter-cyclical measures to foster economic growth. Such measures included the reduction of the base interest rate (SELIC) and the reduction of federal taxes on the automotive sector. The effects of the lower economic growth, the lower interest rate and the unstable international environment contributed to a 9% depreciation of the *Real* against the U.S. dollar. In 2013, the *Real* depreciated 15% against the U.S. dollar due to the performance of the Brazilian economy, the economic rebound in the United States and the economic instability in the international markets. 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.

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 25, 2016, the exchange rate for *Reais* into U.S. dollars was R\$3.547 to US\$1.00, based on the commercial selling rate as reported by the Central Bank. 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.

	Exchange rates of nominal <i>Reais</i> per US\$1.00			
	High	Low	Average	Period-Ended
<b>Year Ended</b>				
December 31, 2011	1.902	1.535	1.671 <sup>(1)</sup>	1.876
December 31, 2012	2.112	1.702	1.959 <sup>(1)</sup>	2.044
December 31, 2013	2.446	1.953	2.174 <sup>(1)</sup>	2.343
December 31, 2014	2.740	2.197	2.360 <sup>(1)</sup>	2.656
December 31, 2015	4.195	2.575	3.388 <sup>(1)</sup>	3.905
<b>Month Ended</b>				
November 30, 2015	3.851	3.701	3.776 <sup>(2)</sup>	3.851
December 31, 2015	3.983	3.748	3.865 <sup>(2)</sup>	3.905
January 31, 2016	4.156	3.986	4.071 <sup>(2)</sup>	4.043
February 29, 2016	4.049	3.865	3.957 <sup>(2)</sup>	3.980
March 31, 2016	3.991	3.559	3.775 <sup>(2)</sup>	3.559
April 25, 2016	3.692	3.513	3.602 <sup>(2)</sup>	3.547



- (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 of 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 Ultragas, 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 Ultragas 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 6% of our consolidated net revenue from sales and services for the year ended December 31, 2015. 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 nearly all of Ipiranga and other distributors' oil-based fuel requirements in 2015. 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 86% of our consolidated net revenue from sales and services for the year ended December 31, 2015.

The last significant interruption in the supply of oil derivatives by Petrobras to LPG and fuel distributors occurred during the 1995 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.

Petrobras is currently under investigation by the CVM, the SEC, the U.S. Department of Justice (DOJ), 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. In addition, Petrobras is subject to securities litigation (including class actions) in the United States. Such investigations and litigation have had a destabilizing effect on Petrobras, and it is difficult to ascertain what impact the investigations and litigation will have on Petrobras' supply of LPG and oil-based fuels to market players.

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 on the international market. The logistics infrastructure for LPG and oil-based fuels imports in Brazil is limited and is substantially all controlled by Petrobras. As a result, any such interruption could increase our purchase costs and, consequently, adversely affect our operating margins.

***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 1990 s, after the market was deregulated, which further increased competition in such market.

In addition, 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.

***Anticompetitive practices by our competitors 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 on the part of some fuel distributors has been prevalent, allowing them to lower the prices they charge. As the final prices for the products sold by these 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 affect 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.

These practices have enabled certain distributors to supply fuel products at prices lower than those offered by the major distributors, including Ipiranga.

Although the Brazilian government has been taking measures to inhibit these practices, if such practices become more prevalent, Ipiranga could suffer from a reduction in sales volume and in margins, which could have a material adverse effect on the results of our operations.



***LPG and oil-based fuels competes 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 against which we compete. Natural gas is currently less expensive than LPG for industrial consumers who purchase large volumes, but more expensive for the vast majority 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 Ultragaz Competition.

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

All second generation petrochemical producers in Brazil that use ethylene as their key raw material, including Oxiteno purchase ethylene from Brazilian suppliers. Approximately 3% of our net revenue from sales and services were derived from the sale of chemical products that require ethylene in 2015. Oxiteno 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 supplies all of our ethylene requirements at our plants located at Camaçari and at 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, Oxiteno is almost totally dependent on ethylene produced at Braskem for its supply. For the year ended December 31, 2015, Brazil's ethylene imports totaled 19 tons, representing less than 0.01% of Brazil's installed capacity.

Due to ethylene's chemical characteristics, Oxiteno does not store any quantity of ethylene, and reductions or interruptions in supply from Braskem 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 Oxiteno.

***The price of ethylene and palm kernel oil, Oxiteno's main raw materials, is subject to fluctuations in international markets.***

The price of ethylene, which is the principal component of Oxiteno's 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 Oxiteno's results of operations, particularly in Brazil.

Palm kernel oil is one of Oxiteno's 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. 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 palm kernel oil could increase our costs, which could have a material adverse effect on Oxiteno's results of operations.



***New natural gas reserves, primarily in North America, may reduce the global prices of natural gas-based ethylene, which could affect Oxiteno's 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, lowering 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 government's 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.

***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 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.

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.

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



We are subject to extensive federal and state 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.

***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.

In 2007, a legislation entitled REACH (Registration Evaluation Authorization of Chemicals) was established by the European Union, focusing on controlling the production, imports and utilization of chemical products in the region. According to REACH, all the chemical products sold in the European Economic Area ( EEA ) must be registered, through the submission of information regarding properties, uses and safety of each product that will be analyzed by the European Regulatory Agency. In 2015, 2% of the volume sold by Oxiteno was exported to this region. Oxiteno is in compliance with the current legislative requirements for the products it currently exports in the EEA. As REACH is now an established regulation and has been well accepted by multilateral trade organizations, such as the World Trade Organization, it is possible that other countries may adopt similar procedures in the future. We cannot guarantee the effect that amendments to this new legislation could have on any product we export to the EEA, or whether similar legislation will come into force in other regions.

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.

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 the cause of such accident and its impacts are still being investigated, including the extent of operational losses, damage to assets, potential environmental damages and other liabilities and reputational harm. See Item 4.A. Information on the Company History and Development of the Company Ultracargo Fire at storage facilities in Santos.

***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 believe that current insurance levels are adequate, 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.***

We are entitled to federal tax benefits providing for income tax exemption or reduction for our activities in the northeast region of Brazil. These benefits have defined terms and may be cancelled or suspended at any time if we distribute to our shareholders the amount of income tax that was not paid as a consequence of tax benefits or if the relevant tax authorities decide to suspend or cancel our benefits. As a result, we may become liable for the payment of related taxes at the full tax rates. If we are not able to renew such benefits, or if we are only able to renew them under terms that are substantially less favorable than expected, our results of operations may be adversely affected. Income tax exemptions amounted to R\$82.4 million and R\$63.4 million, respectively, for the years ended December 31, 2015 and 2014. 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., 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. These individuals are party to a shareholders' agreement executed on February 24, 2014. 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., may exercise significant influence over all matters requiring shareholder approval, including the election of our directors. Although our Board of Directors is responsible for nominating the slate of directors to be elected by our shareholders at our annual shareholders' meetings, some of the current members of our Board of Directors, who were elected at our April 15, 2015 shareholders' meeting, are the same as those who previously served as members of our Board of Directors elected by Ultra S.A. on April 27, 2011, which, at that time, held approximately 66% of our voting shares.

***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 will expire in the annual general shareholders' meeting to be held in 2017.

***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 transactions and certain liabilities of the businesses acquired and all the risks related to those liabilities.***

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.

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.

***In February 2014, we started operating in the retail pharmacy business, a new business unit in which we have limited experience and that could subject us to additional and unknown business and operating risks.***

In February, 2014 we started to operate in the retail pharmacy business through Extrafarma, our wholly-owned subsidiary operating in the sector, after the approval of the merger of shares by the extraordinary general meetings of Ultrapar and Extrafarma. Prior to this transaction, we were not involved in the drugstore business. The drugstore business is complex and involves assets and operations in which we have limited operating experience. Our ability to succeed in this business unit will depend upon our ability to address and overcome limitations in our experience. The difficulties of integrating new business activities with our existing operations include, among other things, operating distinct business segments that require different operating strategies and different managerial expertise, necessity of coordinating organization systems and facilities in different locations and integrating personnel with diverse backgrounds and organizational cultures. Failure to overcome these limitations and difficulties may have an adverse effect on our business, financial condition and results of operations.

***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 accelerated opening of new drugstores in Brazil. It includes the opening of stores by leveraging our access to Ipiranga and Ultragas resellers' sites (service stations and LPG shops). 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.

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) limited knowledge about the new regions where we may open new drugstores and (iii) 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, 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, 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 laws, we may be subject to breaches of our Code of Ethics and Conduct, anti-corruption policies and business conduct protocols and to instances of fraudulent behavior, corrupt practices and dishonesty by our employees, contractors or other agents. 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.

### **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, 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;



price 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.

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 us and our businesses.

Brazil faced a series of economic and political difficulties in 2015. These adversities included increasing unemployment rates, decreasing consumer and business confidence, falling industrial output, a deficit in Brazil's primary accounts, shrinking gross domestic product, rising inflation above recently observed ceilings, increasing uncertainties with regards to Congressional decisions, political instability and the significant devaluation of the *Real*. Moreover, the political crisis in recent months could worsen economic conditions in Brazil. All these factors contributed to Brazil's loss of its investment grade rating and an economic recession.

Brazilian president Dilma Rousseff was reelected for a second four-year term in October 2014, which began in January 2015. Uncertainty regarding future policies and appointments to influential governmental positions following the reelection as well as ongoing investigations into allegations of corruption in state-controlled enterprises or otherwise may also affect the confidence of investors and the general public. In addition, widescale protests throughout Brazil have called for the impeachment of Dilma Rousseff and impeachment proceedings are ongoing. On April 17, 2016, Brazil's lower house of Congress voted in favour of sending an impeachment motion against Mrs. Rousseff to the Brazilian Senate. 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* investigation, being conducted by Law Courts in Paraná and the Office of the Brazilian Federal Prosecutor, and its impact on the Brazilian economy and political environment. 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.

***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 last several years, 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 inflation of 10.5% in 2015, 3.7% in 2014, 5.5% in 2013, 7.8% in 2012 and 5.1% in 2011. From January 2016 to March 2016, IGP-M index was 3.0%. 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 10.7% in 2015, 6.4% in

2014, 5.9% in 2013, 5.8% in 2012 and 6.5% in 2011.

Brazil may continue to experience high levels of inflation in the future. In 2015, Brazil experienced the highest levels of inflation since 2002 and the Brazilian government is already introducing policies aimed at reducing inflationary pressures, which could have the effect of reducing overall performance of the Brazilian economy. There can be no assurance that the lower levels of inflation experienced in Brazil throughout 2014 will return or that inflation going forward will not continue the upward trend experienced in 2015. 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 2011, the unstable international economic environment, especially in the second half of the year as a result of the effects of the European crisis, contributed to a 13% depreciation of the *Real* against the U.S. dollar for the year. In 2012, the effects of the lower economic growth, the lower interest rate and the unstable international environment contributed to a 9% depreciation of the *Real* against the U.S. dollar. In 2013, the *Real* depreciated 15% against the U.S. dollar due to the performance of the Brazilian economy, the economic rebound of the United States and the economic instability in the international markets. 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. From December 31, 2015 to April 25, 2016 the *Real* appreciated by 9% 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.

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 Oxiteno) 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 Disclosure about Market Risk.

***Developments and the perception of risk in other countries, especially emerging market countries, may adversely affect the results of our operations and the market price of the shares and ADSs.***

The market value of securities of Brazilian companies is affected to varying degrees by economic and market conditions in other countries, including other Latin American and emerging market countries. Although economic conditions in such countries may differ significantly from economic conditions in Brazil, investors' reactions to developments in these other countries may have an adverse effect on the market value of securities of Brazilian issuers. Crises such as the global financial crisis started in 2008 may diminish investor interest in securities of Brazilian issuers, including our shares and ADSs. This could also make it more difficult for us to access the capital markets and finance our operations in the future on acceptable terms or at all.

***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 for our business, financial condition and results of operations could be materially adversely affected.

***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 income. However, our net income may be capitalized, 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. However, 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.

***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 you exchange your ADSs for shares, you 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, you will not be able to remit abroad non-Brazilian currency unless you obtain your own certificate of foreign capital registration or you 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 you do not qualify under Resolution 4,373 (which replaced Resolution 2,689), you 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 you may be affected by future legislative or regulatory changes, and additional Brazilian law restrictions applicable to your 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.





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***The relative volatility and illiquidity of the Brazilian securities markets may adversely affect you.***

Investing in securities, such as the shares or ADSs, of issuers from emerging market countries, including Brazil, involves a higher degree of risk than investing in securities of issuers from more developed countries. For the reasons above, investments involving risks relating to Brazil, such as investments in ADSs, are generally considered speculative in nature and are subject to certain economic and political risks, including but not limited to:

changes to the regulatory, tax, economic and political environment that may affect the ability of investors to receive payments, in whole or in part, in respect of their investments; and

restrictions on foreign investment and on repatriation of capital invested.

The Brazilian securities market is substantially smaller, less liquid, more concentrated and more volatile than major securities markets in the United States. This may limit your ability to sell the shares underlying your ADSs at the price and time at which you wish to do so. The BM&FBOVESPA, the only Brazilian stock exchange, had a market capitalization of US\$0.5 trillion as of December 31, 2015 and an average monthly trading volume of US\$42 billion for 2015. In comparison, the NYSE had a market capitalization of US\$18.4 trillion as of December 31, 2015 and an average monthly trading volume of US\$0.9 trillion for 2015.

There is also a large concentration in the Brazilian securities market. The ten largest companies in terms of market capitalization represented 51% of the aggregate market capitalization of the BM&FBOVESPA as of December 31, 2015. Ultrapar's average daily trading volume on both stock exchanges in 2015, 2014 and 2013 was R\$136.7 million, R\$88.4 million and R\$69.9 million, respectively.

***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., which own 22% of our outstanding shares, have the right to exchange their shares of Ultra S.A. 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.

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

If we were characterized as a PFIC, in any year during which a U.S. Holder holds 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, we do not believe that we were a PFIC in 2015 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 own tax advisors regarding the likelihood and consequences if we were 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.

In 1966, the market demand for high-quality and safe transportation services led to the entrance in the transportation of chemicals, petrochemicals and LPG segments. In 1978, Tequimar, was founded for the specific purpose of operating the storage business.

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 1997, through Ultragaz, we introduced UltraSystem a small bulk distribution system to residential, commercial and industrial segments, and we started the process of geographical expansion through the construction of new LPG filling and satellite plants. We also concluded the capacity expansion of Oxiteno's industrial unit in Camaçari Petrochemical Complex, in the state of Bahia.

On October 6, 1999, we concluded our initial public offering, listing our shares simultaneously on BM&FBOVESPA and NYSE.

In 2000, Ultragaz started the construction of four new filling plants, therefore covering a large portion of the Brazilian territory. Still in 2000, the first of the four new plants, located in Goiânia, in the state of Goiás, started operations. In 2001, Ultragaz started two new plants: in Fortaleza, in the state of Ceará, and in Duque de Caxias, in the state of Rio de Janeiro. In 2002, the company started operations at a filling plant in Betim, in the state of Minas Gerais.

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 stipulated that any transfer of control of Ultrapar, either direct or indirect, 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 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 from 97% to 98.9% for R\$4.4 million.

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. into Ultrapar, increasing our ownership in Ultragaz to 100% and (ii) the exchange of shares issued by Oxiteno for shares issued by Ultrapar.

In August 2003, Ultragaz acquired Shell Gás, Royal Dutch Shell plc's LPG operations in Brazil, for a total amount of R\$170.6 million. With this acquisition, Ultragaz became the Brazilian market leader in LPG, with a 24% share of the Brazilian market on that date.

In December 2003, we concluded the acquisition of Canamex, 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. Since July 2007, Canamex has been renamed Oxiteno Mexico S.A. de C.V., or Oxiteno Mexico.

In April 2005, we concluded a primary and secondary offering of our preferred shares and in July 2005, at an extraordinary general shareholders' meeting held, our shareholders approved a reverse stock split of all our issued common and preferred shares.

In July 2005, Ultracargo started up a new terminal in Santos, its second port terminal that integrates road, rail and maritime transportation systems. The new terminal had a storage capacity of 33.5 thousand cubic meters for chemical products, 40 thousand cubic meters for ethanol and 38 thousand cubic meters for vegetable oil at the time.

In August 2006, Ultrapar announced the signing of an agreement between its subsidiary Oxiteno Nordeste and Braskem, for the supply of ethylene, with a 15-year term.

Also in August 2006, Oxiteno opened its first commercial office outside Brazil, in Buenos Aires, Argentina - Oxiteno Argentina S.R.L.

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 constituting of 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. 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 April 2007, Ultrapar acquired the sulfate and sulfonate assets of Unión Química S.A. de C.V., in San Juan del Río, Mexico through its subsidiary Oxiteno Mexico.

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 amount paid for the acquisition was US\$7.6 million. The company was renamed Oxiteno Andina. Also in September 2007, Oxiteno announced the opening of a sales office in the United States.

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, the BM&FBOVESPA index.

In June 2008, Ultrapar announced that its subsidiary Ultracargo signed the sale and purchase agreement for the acquisition of 100% of the shares of União Terminais held by Unipar. In October 2008, Ultrapar completed the acquisition in relation to the port terminals in Santos and Rio de Janeiro. In November 2008, it completed the acquisition of 50% of the total capital stock held by Unipar of 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 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 August 2008, Ultrapar announced that its subsidiary SBP entered into a sale and purchase agreement with Chevron for the acquisition of 100% of the shares of CBL and Galena. Prior to the closing, Chevron's lubricant and oil exploration activities in Brazil were spun-off from CBL and Galena to other Chevron's legal entities. In March 2009, Ultrapar completed the acquisition and paid R\$1,106 million to Chevron, in addition to a US\$38 million deposit that it had made to Chevron in August 2008. In August 2009, Ultrapar also paid R\$162 million related to the expected working capital adjustment, reflecting the increased working capital effectively received by Ultrapar on the closing date of the acquisition (as set forth in the sale and purchase agreement). The combination with Texaco created a nationwide fuel distribution business, strengthening its competitiveness through a larger operational scale. After completion of the acquisition, Ultrapar 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, Ultrapar had also converted all the acquired Texaco branded stations into the Ipiranga brand. Under the terms of the Ipiranga Group Transaction Agreements, Petrobras had the exclusive right to use Ipiranga's brand in the operating regions of the Northern Distribution Business for five years from the date of the acquisition of Ipiranga Group, which expired in March 2012. Until then, Ipiranga operated under the Texaco brand in those regions.

Also in August 2008, Ultrapar announced the execution of a supply contract between Oxiteno and Braskem for the supply of ethylene to the Mauá unit, in the state of São Paulo, effective through 2023. At the same time, Oxiteno sold the equity interest it owned in Quattor, equivalent to 2,803,365 shares, for R\$46 million.

In October 2008, certain production capacity expansions at Oxiteno were completed, including (i) the operational start-up of the oleochemicals plant with an annual production capacity of approximately 100 thousand tons of fatty alcohols and by-products; (ii) the expansion of the ethylene oxide unit at Mauá, adding 38 thousand tons to the annual production capacity of this product; and (iii) the expansion of the ethoxylate and ethanalamine production at Camaçari, adding 120 thousand tons to the annual capacity of these products.

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 now retains an equity interest of 33% in RPR.

In December 2009, Ultrapar, through Ultracargo, paid R\$44 million for the acquisition of Puma Storage do Brasil Ltda., a storage terminal for liquid bulk with 83 thousand cubic meters capacity located at the port of Suape, in the state of Pernambuco.

In March 2010, Ultrapar entered into a sale and purchase agreement to sell Ultracargo's in-house logistics, solid bulk storage and road transportation businesses for R\$82 million. The sale was closed in July 2010.





In August 2010, Oxiteno concluded the expansion of the ethoxylate unit at Camaçari, which added 70 thousand tons per year to its production capacity.

In October 2010, Ultrapar, through Ipiranga, entered into a sale and purchase agreement for the acquisition of 100% of the shares of DNP. The total value of the acquisition was R\$73 million. DNP distributes 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, and was the fourth largest fuel distributor in this geographic area.

In February 2011, the extraordinary general shareholders meeting approved a stock split of the shares issued by Ultrapar resulting in each share converting into four shares of the same class and type, with no modification in the shareholders financial position or interest in the Company. After the stock split, the 1:1 ratio between preferred shares and ADSs was maintained, and each ADS consequently continued to represent one share.

In April 2011, our Board of Directors approved a proposal to (a) convert any and all shares of preferred stock issued by the Company into shares of common stock, 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.

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 August 2011, we completed the expansion of the ethylene oxide plant in Camaçari, increasing the production capacity by 90 thousand tons per year.

In August 2011, Oxiteno opened a commercial office in Bogota, Colombia Oxiteno Colombia S.A.S.

In September 2011, Ultracargo s expanded terminal in Suape started operations, increasing its storage capacity by 26 thousand cubic meters. This project was part of Ultracargo s expansion plan that began in 2010.

In October 2011, Ultrapar acquired, through Ultragaz, Repsol s LPG distribution business in Brazil for a total value of R\$50 million, which included R\$2 million related to the net cash of the acquired company.

In April 2012, Oxiteno acquired a specialty chemicals plant in the United States for US\$15 million, with no debt assumption. 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. During 2012 and 2013, Oxiteno invested R\$42 million in capital expenditures to retrofit the plant for its product line of specialty surfactants. The total production capacity is 32 thousand tons per year and operations started in late 2012. See Item 4.A. Information on the Company History and Development of the Company Investments for more information.

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 May 2012, Oxiteno opened a commercial office in Shanghai, China Oxiteno Shanghai Trading LTD.

In July 2012, Ultracargo acquired Temmar from Temmar Netherlands B.V. and Noble Netherlands B.V., subsidiaries of Noble Group Limited for R\$68 million, in addition to the assumption of net debt in the amount of R\$91 million. In December 2013, in order to simplify our corporate structure, the subsidiary Temmar was merged into Tequimar.

Temmar owned a terminal in the port of Itaquí, which added 55 thousand cubic meters to Ultracargo's capacity.

In September 2012, we concluded an expansion in the terminal of Santos, adding 30 thousand cubic meters to Ultracargo's storage capacity. This expansion, together with the expansion in the same terminal concluded in January 2012, which added 12 thousand cubic meters to its capacity, and with the expansion in the terminal of Aratu concluded in June 2012, which added approximately 4 thousand cubic meters to its capacity, represented combined additional storage capacity of 46 thousand cubic meters to Ultracargo. This project was part of Ultracargo's expansion plan started in 2010, to increase its total storage capacity by 15%.

In November 2012, Oxiteno acquired American Chemical (currently Oxiteno Uruguay), a Uruguayan specialty chemicals company, for R\$107 million, in addition to the assumption of R\$33 million in net debt. Oxiteno Uruguay's production capacity is 81 thousand tons per year, particularly sulfonate and sulfate surfactants for the home and personal care industries, as well as products for the leather industry. With the acquisition of Oxiteno Uruguay, Oxiteno continued the expansion of its international activities, initiated in 2003 and based on its deep knowledge of the technology for the production and application of surfactants and specialty chemicals and on a strong relationship with its customers.

In November 2012, Ipiranga entered the segment of electronic payment for tolls, parking and fuels through ConectCar. This initiative was driven by new rules implemented in 2012 to incentivize competition in this segment and combines the experience and complementarity of its partners, each with a 50% interest in the company. 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. ConectCar started operations in April 2013 and operates in markets that have strong growth perspectives.

In May 2013, Ultracargo concluded an expansion in the terminal of Aratu, adding 22 thousand cubic meters, and in the terminal of Santos, adding 4 thousand cubic meters, totaling 26 thousand cubic meters of additional storage capacity.

In September 2013, Ultrapar and the former shareholders of Extrafarma entered into an agreement to acquire Extrafarma, one of Brazil's top ten drugstores chains, marking our entry in the retail pharmacy business. See Extrafarma Transaction below.

In February 2014, Ultra S.A.'s shareholders executed a new shareholders' agreement which became effective as of that date and replaced the 2011 Ultra S.A. shareholders' agreement. The Ultra S.A. shareholders' agreement's main terms are substantially related to (i) the decision process of Ultra S.A.'s vote at Ultrapar's shareholders' meetings and (ii) procedures to exchange any party's shares in Ultra S.A. into shares of Ultrapar. The terms and conditions of the new shareholders' agreement are substantially the same as the previous shareholder's agreement among the same parties effective since 2011, except, mainly, for the replacement of preliminary meetings among the agreeing parties for extraordinary shareholders' meetings of Ultra S.A. to decide upon the vote of Ultra S.A. regarding certain matters in general shareholders' meetings of Ultrapar. See Item 7.A. Major Shareholders and Related Party Transactions Major Shareholders' Shareholders' Agreements.

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 October 2015, Redecard entered into an agreement with OTP to acquire 50% of ConectCar, for R\$170 million. This new partner will provide opportunities to ConectCar expand its services to new markets, continuing with its purpose of offering customers mobility, convenience, flexibility and, above all, differentiated benefits.



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***Extrafarma Transaction***

*Summary.* On September 30, 2013, Ultrapar entered into an association agreement with Extrafarma, one of Brazil's ten largest drugstore chains. According to the terms of the agreement, Ultrapar and Extrafarma entered into an *incorporação de ações* (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. The Extrafarma Transaction closed on January 31, 2014 with the approval of the merger of shares by the Extraordinary General Meetings of Ultrapar and Extrafarma and, consequently, 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.

*Structure of the Extrafarma Transaction.* Ultrapar acquired from the former seven shareholders of Extrafarma (who are the heirs of Extrafarma's founder) 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 in the future, 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 based on working capital adjustments and 3,205,622 shares based on absence of indemnification obligations.

On June 30, 2014, after assessing Extrafarma's working capital and indebtedness, we have determined that the subscription warrants related to working capital will not be exercised by the former shareholders of Extrafarma and, accordingly, we have reversed the full provision for the issuance of 801,409 shares related to such warrants, corresponding to R\$42.1 million. In addition, we also recorded R\$12.2 million in receivables under other receivables in current assets as of December 31, 2014 to reflect additional amounts payable to us by the former Extrafarma shareholders. On June 22, 2015, the agreement related to the final adjustment of working capital and net debt of the transaction was executed by and between the parties in the amount of R\$26.0 million, that was received by Ultrapar in the third quarter of 2015. The indemnification subscription warrants may still be exercised beginning in 2020, the value of which will be determined based on variations to provisions for fiscal, civil and labor risks and contingent liabilities related to the period prior to January 31, 2014. See Note 3.a to our consolidated financial statements for further information on the Extrafarma Transaction, including information on the business combination and goodwill, and Exhibit 4.18. Protocol and Justification of *Incorporação de Ações* (merger of shares).

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 February 2015 and the remaining shares to be unlocked in five annual tranches of 8.3% from 2016 to 2020, with a final tranche of 25% to be released from the lock-up on 2020, which is in the sixth year after the closing.

Extrafarma became a wholly-owned subsidiary of Ultrapar, and the former shareholders of Extrafarma became long-term shareholders of Ultrapar, which we believe evidences their confidence in the growth potential of the sector and in the project to be developed by Ultrapar and Extrafarma.

***Ultracargo Fire at storage facilities in Santos***

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. The six tanks represented 4% of Ultracargo's overall capacity in Brazil as of December 31, 2014. There were no casualties in this accident and the cause of such accident and its

impacts are still being investigated, including the extent of operational losses, damage to assets, potential environmental damages and other liabilities and reputational harm. We maintain insurance policies to cover certain risks to which we are exposed. See Item 4.B. Business Overview Insurance .

On April 9, 2015, the Santos municipal government suspended Ultracargo's activities in that city. Ultracargo's operations in Santos comprise two separate areas. On April 27, 2015, the authorization granted by the municipal government to Ultracargo to resume operations in the area not affected by the accident was published at the Santos Official Gazette (*Diário Oficial de Santos*). The still suspended operations correspond to 185 thousand cubic meters capacity, or 22.5% of Ultracargo's previous capacity in Brazil.

In addition to loss of revenues resulting from the partial interruption of Santos operations, Ultracargo incurred expenses related to the fire accident in the amount of R\$92 million in the year ended December 31, 2015. A significant portion of such expenses are entitled to reimbursement under our insurance policies.

Ultracargo completed the preparation and started the implementation of the decommissioning plan, which consists of the removal of equipment and structures of the terminal affected by the fire. This process will allow the experts of the Criminalistics Institute (*Instituto de Criminalística*) to finalize the assessment to determine the causes of the incident.

### ***Recent Developments***

#### ***Renegotiation of financing***

In February 2016, IPP renegotiated a loan with Banco do Brasil, which would mature in February 2016, with principal total amount of R\$166.7 million, extending the maturity to February 2019, and changing the floating interest rate to 114% of CDI.

#### ***Loan agreement***

In February 2016, Oxiteno USA entered into a loan agreement in the amount of US\$40 million, due in February 2021 and bearing interest of LIBOR + 3% p.a., paid quarterly. The loan is guaranteed by Ultrapar and the subsidiary Oxiteno Nordeste and the proceeds of this loan will be used to fund the construction of a new alcoxilation plant in the state of Texas.

#### ***Ultracargo Fire at storage facilities in Santos***

On March 16, 2016, Ultracargo decided to pay a fine in the amount of R\$ 16 million to the CETESB (*Companhia Ambiental do Estado de São Paulo*, the São Paulo state environmental agency), as a result of an unfavorable decision at the administrative level.

Also in March 2016, Ultracargo received advances relating to certain rescue and containment expenses from the insurers in the amount of R\$29.8 million and paid advances to a customer in the amount of R\$30.0 million.

In addition, lawsuits and extrajudicial claims for third-party indemnification, claiming damages, presented until the date of this annual report, will be entitled to insurance coverage and are being analyzed by the insurers.

See notes 20.b.2.2, 26 and 32 to our consolidated financial statements.

### **Investments**

We have made substantial investments in our operations over the last three fiscal years. At Ultragas, we have invested in (i) small bulk LPG distribution (UltraSystem); (ii) the purchase and renewal of LPG bottles and tanks; and (iii) the strengthening and restructuring of our distribution logistics. We have also invested in the consolidation of our national coverage over the past three 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. Oxiteno has invested in (i) the expansion of production capacity, mainly for specialty chemicals in Brazil and Mexico, and the commencement of operations in the United States, (ii) the modernization of its industrial plants and (iii) the development of new products. Ultracargo has invested in the expansion and maintenance of its storage facilities in response to strong demand for logistics infrastructure in Brazil, including investments in capacity expansions at the Aratu and Santos terminals. In 2015, Extrafarma invested mainly in the opening and maintenance of its stores. See Item 4.A. Information on the Company History and Development of the Company. We have also invested in information technology at all our businesses for integrating processes, improving the quality of information, decreasing the response time in decision-making and improving our services.

The following table shows our organic investments (see definition in note 3 below) for the years ended December 31, 2015, 2014 and 2013:

	<b>Year ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>(in millions of Reais)</b>		
Ipiranga	853.9	810.0	758.3
Oxitenó	131.4	113.9	139.3
Ultragas	219.9	180.5	150.9
Ultracargo	23.9	26.4	37.4
Extrafarma	80.8	57.1	
Others <sup>(1)</sup>	24.2	27.8	15.6
<b>Total additions to property, plant, equipment and intangible assets</b>	<b>1,334.2</b>	<b>1,215.7</b>	<b>1,101.5</b>
Financing and bonuses to our resellers <sup>(2)</sup>	18.1	4.6	(12.2)
<b>Total organic investments<sup>(3)</sup>, net of disposals</b>	<b>1,352.2</b>	<b>1,220.3</b>	<b>1,089.4</b>

- (1) Includes mainly capital expenditures related to corporate information technology and headquarters building maintenance.
- (2) Financing and bonuses to our resellers, net of repayments. Bonuses are lump sum payments made by distributors to resellers. Resellers typically use these payments to improve their facilities or to invest in working capital. Financing for clients is included under working capital in the cash flow statement and bonuses are included under intangible assets.
- (3) Organic investments consist of acquisitions of property, plant and equipment and intangible assets and financing and repayments to resellers, and do not include investments in acquisitions of subsidiaries and interest in other companies neither capital increases in joint ventures and associates.

In 2015, Ultrapar continued with an investment strategy focused on the continuing to generate economies of scale and increase competitiveness, better serving an increasing number of customers. Investments, net of disposals, totaled R\$1,352 million in organic investments. At Ipiranga, R\$872 million were invested, of which (i) R\$374 million in the expansion of its service stations network (through the conversion of unbranded service stations, the opening of new gas stations and new customers) and am/pm and Jet Oil franchises, focused on the Midwest, Northeast and North regions of Brazil, (ii) R\$115 million in expanding its logistics infrastructure to support the growing demand, through the construction and expansion of logistics facilities, (iii) R\$86 million in modernization, mainly in logistics facilities, and (iv) R\$297 million in the maintenance of its operations, mainly in the renewal of contracts of its distribution network and the renovation of service stations. Out of the total amount invested, R\$854 million were related to property, plant, equipment and intangible assets and R\$18 million were related to the financing to clients, net of repayments. At Oxitenó, the total investments in 2015 amounted to R\$131 million, mainly in the maintenance of its production units and the completion of the expansion of its production capacity in Coatzacoalcos, Mexico. At Ultragas, R\$220 million were invested, mainly in new clients in the bulk segment, replacement of bottles and maintenance of its bottling facilities. In 2015, Ultracargo invested R\$24 million, mainly directed towards modernization and maintenance of its terminals. Extrafarma invested R\$81 million, mainly directed towards the opening of new drugstores, maintenance of existing stores and IT retail-facing projects.

Ultrapar's investment plan for 2016 amounts to R\$1,809 million, which demonstrates the continuity of good opportunities to grow through increased scale and productivity gains, as well as modernization of existing operations. At Ipiranga, we plan to invest (i) R\$354 million to maintain the pace of expansion of its distribution network (through

the conversion of unbranded service stations and the opening of new gas stations) and of am/pm and Jet Oil franchises, focused on the Midwest, Northeast and North regions of Brazil, and in new distribution centers to supply the convenience stores, (ii) R\$112 million in the expansion of its logistics infrastructure to support growth, mainly through the construction and expansion of logistics facilities, and (iii) R\$421 million in the maintenance and modernization of its activities, mainly in the renewal of contracts of its distribution network and the renovation of service stations, as well as information systems to support its operations. Oxiteno's investment plan approved for 2016 totals R\$460 million. This amount includes US\$65 million to the construction of the new ethoxylation unit at its site in Texas (USA), which was announced in November 2015, and is expected to be concluded by the end of 2017. The new unit's capacity will be 170,000 tons per year at its final stage. The remaining amount will be focused in maintenance and modernization of its plants for higher productivity, as well as information systems. Ultragas's investment plan approved for 2016 totals R\$208 million, which will be focused mainly (i) on capturing new clients in the bottled and bulk segment, (ii) on the replacement and purchase of LPG bottles, (iii) on the expansion and maintenance of filling plants, and (iv) on IT with focus on systems to support its operations. Ultracargo's investment plan approved for 2016 totals R\$118 million, which will mainly be focused on (i) the modernization of safety systems of its terminals, (ii) the expansion of Itaquí terminal, which is expected to start operating in 2017, and (iii) the adjustment and maintenance of the infrastructure of its terminals. At Extrafarma, we plan to invest R\$124 million mainly in the opening of new drugstores and in the maintenance of its activities.

**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.

The Extrafarma Transaction closed on January 31, 2014 and, accordingly, Ultrapar started to consolidate the equity investment related to Extrafarma as from such date.

The table below shows our equity investments (see definition in note 7 below) for the years ended December 31, 2015, 2014 and 2013:

	Year ended December 31,		
	2015	2014	2013
Ipiranga	41.1 <sup>(1)</sup>	28.5 <sup>(1)</sup>	23.3 <sup>(2)</sup>
Oxitenó			6.2 <sup>(3)</sup>
Ultragaz			
Ultracargo			
Acquisition of Extrafarma		719.9	
Total equity investments <sup>(4)</sup>	41.1	748.4	29.5

(1) Capital invested in ConectCar.

(2) Capital invested in ConectCar (R\$24.9 million), net of capital reduction in the affiliated Transportadora Sulbrasileira de Gás S.A. (R\$1.5 million). See Item 4.A. Information on the Company History and Development of the Company.

(3) Working capital and net debt closing adjustments relating to the acquisition of American Chemical. See Item 4.A. Information on the Company History and Development of the Company.

(4) Equity investments consist of investments with acquisition of subsidiaries and interest in other companies and capital increases in joint ventures and associates.

We are a company incorporated under the laws of Brazil. Our principal executive office is located at Brigadeiro Luis Antônio Avenue, 1343, 9<sup>th</sup> Floor, 01317-910, São Paulo, SP, Brazil. Our telephone number is 55 11 3177 7014. Our Internet website address is <http://www.ultra.com.br>. 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.

**B. Business Overview**

Ultrapar is a Brazilian company with almost 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 Oxitenó and liquid bulk storage services through Ultracargo. Ultragaz is the leader in LPG distribution in Brazil with a 23% market share in 2015 and one of the largest independent LPG distributors in the world in terms of volume sold. We deliver LPG to an estimated 11 million households through a network of approximately 5,100 independent retailers in the bottled segment and to approximately 50 thousand customers in the bulk segment. Ipiranga is the second largest fuel distributor in Brazil, with a network of 7,230 service stations and 22% market share in 2015. Oxitenó 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. Oxitenó has twelve industrial units in Brazil, Mexico, the United States, Uruguay and Venezuela and commercial offices in Argentina, Belgium, China and Colombia. Ultracargo has a leading position in its sector, being

the largest provider of storage for liquid bulk in Brazil, with six terminals and a storage capacity of 630 thousand cubic meters as of December 31, 2015. Extrafarma is one of the leading drugstore chains in the North and Northeast of Brazil, with 254 drugstores and two distribution centers in December 2015. The Extrafarma Transaction closed on January 31, 2014 and, accordingly, Extrafarma's results of operations were consolidated into Ultrapar's results of operations as from February 1, 2014. See Item 4.A. Information on the Company History and Development of the Company Extrafarma Transaction.

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 businesses*

Ultragaz is the largest LPG distributor in Brazil. In 2015, Ultragaz's national market share was 23%, serving approximately 11 million homes in the bottled segment and approximately 50 thousand customers in the bulk segment. For the year ended December 31, 2015, Ultragaz's total volume of LPG sold was 1.7 million tons.

Ipiranga is the second largest fuel distributor in Brazil with a 22% market share in 2015, and a network of 7,230 service stations as of December 31, 2015. In addition to the service stations, Ipiranga's network has approximately 1.9 thousand am/pm convenience stores and 1.5 thousand Jet Oil franchises. In 2015, Ipiranga focused on its strategy of expansion to the North, Northeast and Midwest regions of Brazil, where the consumption growth rate has been above the national average and the market share of Ipiranga is lower than that in the South and Southeast. The implementation of Ipiranga's business model 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 2015 was 25.7 million cubic meters.

Oxiteno is a major producer of specialty chemicals and the largest producer of ethylene oxide and its principal derivatives in Latin America. 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 coatings. For the year ended December 31, 2015, Oxiteno sold 725 thousand tons of chemical products. In Brazil, Oxiteno competes principally against imports.

Ultracargo is the largest provider of storage for liquid bulk in Brazil, with six terminals and storage capacity of 630 thousand cubic meters as of December 31, 2015, with leading positions in the main ports in Brazil.

Extrafarma is the sixth largest drugstore network in the country according to Abrafarma's ranking, with 254 drugstores and 2 distribution centers as of December 31, 2015.

### ***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 the Brazilian economic growth. Certain of Ultrapar's businesses, such as LPG for residential use and fuels for light vehicles, are of a resilient nature and, therefore, are less volatile to economic downturns. Other Ultrapar's businesses such as sales of diesel, specialty chemicals and bulk LPG are linked to economic performance and tend to boost volumes during periods of strong economic growth.

Bottled LPG is an essential good, as it is mainly used for cooking, and, therefore, has a lower correlation with 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 3% to 8% 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. On the other hand, diesel, specialty chemicals and bulk LPG sales growth have been historically correlated to the performance of the Brazilian economy.

### ***Highly efficient LPG distribution network***

Ultragaz is the only LPG distributor in Brazil with an exclusive network of independent dealers. This network is constituted of approximately 5,100 dealers who sell Ultragaz LPG bottles. This has enabled Ultragaz to control the quality and productivity of its dealers leading to a strong brand name recognition that we believe is associated with quality, safety and efficiency, and also to have frequent contact with LPG customers. In addition, Ultragaz 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 Ultragaz is complemented by Ipiranga's know-how in the same areas, thus maximizing efficiency and profitability at both companies.

### ***Differentiated positioning in the fuel distribution sector***

We believe that Ipiranga has a differentiated positioning in its sector, supported by a strong brand and ample coverage of products and services at its service stations to increase the convenience of the customer. 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 the largest producer of ethylene oxide and its principal derivatives in Latin America. In 2015, 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, such as those produced at its oleochemicals unit, 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. 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. Extrafarma also has a significant market presence in the regions it operates (North and Northeast of Brazil), allowing it to distribute more efficiently its products to its drugstores.

### ***Strong operational track record***

Our Company has exhibited a solid operational track record. Our EBITDA presented an average compound annual growth of 20% from 1998 to 2015, in spite of 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 23% from 1998 to 2015.

### ***Experienced management team***

We are led by a strong and experienced management team with a proven track record in the LPG and fuel distribution, petrochemical and specialized logistics industries. Our senior management team has on average almost 20 years of experience in the Company.

### ***Alignment of interests***

The members of Ultrapar's management are relevant shareholders of Ultrapar and have variable compensation linked to performance and value generation to shareholders measured by Economic Value Added (EVA<sup>®</sup>) growth targets. Moreover, Ultrapar has consistently implemented improvements in corporate governance, such as being the first Brazilian company to grant 100% tag along right to all its shareholders, the separation of the roles of Executive Officer and Chairman of the Board of Directors and the constant and transparent interaction with the capital market. 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 its 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 the shareholders' meeting, without (i) any limitation on voting rights, (ii) special treatment to current shareholders, (iii) required public tender offers for prices greater than the acquisition price of a controlling interest or (iv) any other poison pill provisions.

### ***Our Strategy***

#### ***Build on the strength of our brands***

Ultrapar is a multi-business company engaged in specialized distribution and retail (Ipiranga / Ultragas / Extrafarma), specialty chemicals (Oxiteno) and storage for liquid bulk (Ultracargo). Our businesses have a high brand recognition associated with quality, safety and efficiency. 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 Ultragas 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 Ultragas and Ipiranga.

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

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 programs to revise Ultragas' distribution structure.

***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, focusing on the Midwest, Northeast and North regions of Brazil, where we have lower market share and where consumption growth is higher than the national average, given the lower car penetration and faster-growing household income in these regions. 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.

***Enhance retail network***

Ipiranga's strategy is strongly focused on differentiation and innovation. 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; the reseller has a more attractive business; and the service station has 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 involves 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 2015 with 1,159 eco-efficient services stations operating and over 226 service stations under constructions.

In another pioneering initiative, Ipiranga launched in 2009 the program *Km de Vantagens*, a loyalty program in the fuel industry that grants rewards and benefits to customers and resellers that has strengthened as an important platform for customer relationship and for other initiative of Ipiranga, currently with around 21 million participants, up 15% compared to 2014.

In 2010, also as part of its differentiation strategy, Ipiranga opened bakeries within its am/pm stores and became Brazil's largest bakery franchise chain. Over the year, it developed a new image, further strengthening the perception of being a convenience center always close to its consumer.

In 2011, Ipiranga was the first distributor to launch online sales of fuel. This initiative allows clients to purchase credits of fuel through its website. With these credits, clients are able to purchase fuel at any of the Ipiranga's accredited service stations. Participants of the *Km de Vantagens* program who purchase credits online can get a discount on the credit price, which represents another benefit for client loyalty.

In 2012, among the initiatives of Ipiranga, we highlight the strengthening of *Posto Virtual* and 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 at lower costs through a prepaid system with free enrollment. In addition, the tag may be used to purchase fuel as well as accumulate and redeem points of the *Km de Vantagens* program, points which will be acquired by ConectCar from Ipiranga. The client can buy the tag at Ipiranga's service stations, using the points of the loyalty program *Km de Vantagens*. At the end of 2015, ConectCar reached approximately 600 thousand customers, and is now available in almost all toll roads in Brazil.

In 2013, Ipiranga developed *Ipiranga Frotas*, a service for the remote control of the fleet, allowing Ipiranga's business customers to control and monitor better their vehicle fleet. Another pioneering initiative in 2013 was the app *Posto Ipiranga na Web*, the first of its kind to be launched in Brazil. The app allows the user with a smartphone to purchase fuels credit, which was already possible through the Ipiranga website.

In order to create value to its am/pm convenience stores clients and franchisees, Ipiranga launched in 2014 its own supply solution. This solution concentrates logistic, selling and service to am/pm convenience stores in one single structure. This initiative aims to facilitate am/pm operations, improve the competitiveness of franchisees and ensure a higher quality product assortment. In 2015, am/pm supply solution handled products from suppliers of the main categories, except tobacco and ice cream, and supplied stores in the states of Rio de Janeiro, Espírito Santo, São Paulo, Paraná and Santa Catarina.

Also in 2014, Ipiranga launched a new beer purchase experience at am/pm convenience stores. The Beer Cave is a refrigerated container that stores more than 100 national and international brands of cold beers, ready to be taken away. In December 31, 2015, there were 237 Beer Caves installed in its franchisees premises. In 2015, the convenience stores am/pm increased its private label lines in 20 items, including ready to drink juice category.

In addition, in 2015, Ipiranga presented in São Paulo new configurations of the am/pm store concept, the am/pm Super Store, which increases the offer of convenience in urban service stations by offering fresh products – fruits, vegetables, meats – and a broader range of fast foods. It was also launched in Sao Paulo a flagship store of the am/pm Estação, a model developed for highway service stations, with a broader offer of convenience and personal care for long distances drivers and travelers.

### ***Expand our operations in regions that grow above the national average***

Extrafarma's organic expansion plan is primarily focused on the consolidation of the presence on the North and Northeast regions of Brazil, where GDP and household income have grown above the Brazilian average, consequently increasing population's access to health care programs, to medicines and to personal care and beauty products.

Ipiranga's expansion strategy is focused on the Midwest, Northeast and North regions of Brazil, where we have lower market share and where consumption growth has been higher than the national average, given the lower car penetration and faster-growing household income in these regions.

### ***Take advantage of opportunities in the retail pharmacy business to expand our growth***

On January 31, 2014, we concluded the Extrafarma Transaction, which marked our entry into Brazil's retail pharmacy business. The Brazilian retail pharmacy segment is a relevant market in Brazil and during the last several years has presented significant growth. We believe the outlook of the retail pharmacy business in Brazil remains favorable mainly due to (i) the aging population; (ii) higher levels of disposable income among consumers; (iii) greater access to medicines, especially due to the growing prominence of generic drugs; and (iv) growing demand for personal care and beauty products. In addition, consolidation of the sector, supported by increasing formalization and consequent investments, is still in the incipient stages, and we intend to participate in this process.

We intend to accelerate Extrafarma's expansion plan through (i) increasing its investment capacity, (ii) expanding its distribution network through the potential opening of drugstores at Ipiranga's service stations and Ultragas's resellers, which together have over 12 thousand retail outlets; and (iii) strengthening its management structure through the implementation of Ultrapar's recognized corporate governance practices and incentives-based model aimed at the alignment of interests. Through the integration of sites and product, service and convenience offering we intend to develop business models that are continuously more attractive to Extrafarma's, Ipiranga's and Ultragas's consumers, thus increasing differentiation potential in each of these businesses.

***Invest in niche segments for LPG distribution***

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

For the bulk segment, Ultragas 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, Ultragas aims at expanding its participation in the use of LPG for localized heating, such as pre-heating of industrial furnaces, especially in steel and metallurgical plants, and in new applications in agribusiness, such as drying grains and plague control, 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, on the basis of agile and convenience services.

***Expand capacity at Oxiteno***

We intend to maintain Oxiteno's production capacity ahead of demand in Brazil. We also plan to continue our efforts to apply the best global practices to Oxiteno'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 Oxiteno's specialty chemicals capacity in Pasadena (TX), in the U.S., by building an ethoxylation unit at its current site, which is expected to be concluded by the end of 2017. 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 total investment, estimated at US\$113 million, will expand Oxiteno's footprint in the U.S., focusing on local markets of agrochemicals, personal care, household and industrial cleaning, coatings and oil and gas. The new unit's capacity will be 170,000 tons per year at its final stage.

***Continue to enhance product mix at Oxiteno***

We increased Oxiteno'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. Oxiteno's investments in research and development have resulted in the introduction of 70 new products during the last three years. Oxiteno 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 Oxiteno's sales in the Brazilian market, which allows us to continuously add value to our products.

***Maintain financial strength***

We seek to maintain a sound 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 financial leases recorded as current and non-current liabilities, net of cash and cash equivalents and financial investments) as of December 31, 2015 was R\$4,928 million, representing a 1.2 times net debt (consisting of loans, debentures and financial 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, 2015, we have declared yearly dividends representing an average of 60% of our net income.





**Continue to grow our businesses**

Our principal corporate goals are to enhance shareholder value and to strengthen our market presence by growing our businesses. Historically, we have grown our businesses organically and through acquisitions, such as the acquisitions of Shell Gás, Ipiranga, União Terminais, Texaco, DNP, Repsol, Temmar, American Chemical and Extrafarma, and we intend to continue this strategy.

We have also made several investments in the expansion of our existing operations. In Oxiteno, in the last five years ended December 31, 2015, we invested in the expansion of our production capacity focusing on specialty chemicals including investments outside Brazil in Mexico, the United States and Uruguay. In Ipiranga, organic investments were mainly directed to the expansion of our resellers network and logistics infrastructure. In Ultracargo, investments were made to increase the capacity of our terminals in Suape, Santos and Aratu. We constantly analyze acquisition opportunities in the segments in which we operate and in complementary segments that could add value to our Company.

**Key Financial Information**

The table below sets forth certain financial information for us and our principal businesses:

	<b>Year ended December 31,</b>				
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>(in millions of Reais)</b>				
<b>Net revenue from sales and services<sup>(1)</sup></b>					
Ultrapar	75,655.3	67,736.3	60,940.2	53,868.9	48,628.7
Ultragaz	4,621.2	4,091.3	3,982.3	3,847.1	3,776.8
Ipiranga	65,349.8	58,830.1	53,384.1	46,829.4	42,221.6
Oxiteno	4,082.5	3,413.6	3,277.8	2,928.8	2,408.6
Ultracargo	315.5	346.5	332.1	293.6	259.9
Extrafarma <sup>(2)</sup>	1,336.3	1,101.3			
<b>EBITDA<sup>(3)</sup></b>					
Ultrapar	3,953.3	3,157.9	2,918.0	2,411.4	2,047.5
Ultragaz	357.0	305.5	280.5	245.7	280.9
Ipiranga	2,768.8	2,288.0	2,029.6	1,652.6	1,366.4
Oxiteno	739.8	403.7	440.6	351.8	262.3
Ultracargo	26.3	166.9	157.5	142.7	116.8
Extrafarma <sup>(2)</sup>	28.7	29.8			
Net income attributable to Ultrapar's shareholders	1,503.5	1,241.6	1,225.1	1,019.9	854.3
<b>Net debt<sup>(4)</sup></b>					
Ultrapar	(4,928.4)	(3,975.1)	(3,425.9)	(3,084.0)	(2,882.8)

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

(2) In 2014, 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.

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

<sup>(4)</sup> 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.

## **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, 76% of local demand in 2015 was produced in local refineries and the remaining 24% 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.

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' monopoly over the production and import of petroleum and petroleum products until the end of 2001, 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 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 Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Industry and Regulatory Overview The role of the ANP. LPG produced by Petrobras, which represented 76% of total LPG sold in Brazil in 2015, 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 2002, the Brazilian government abolished subsidies to refinery prices and in January 2002, 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. However, since 2008 Petrobras has increased LPG refinery prices for commercial and industrial usage sporadically, as shown below:

(% increase)	Jan/08	Apr/08	Jul/08	Jan/10	Dec/14	Sep/15	Dec/15
<b>Commercial and industrial LPG</b>	15%	10%	6%	6%	15%	11%	4%

The LPG refinery price for residential use remained unchanged from May 2003 to September 2015, when Petrobras increased prices by 15%. In the last few years, Petrobras' practice has been not to immediately reflect in its oil derivatives prices in Brazil the volatility of international prices of oil and oil derivatives.

In 2013 and 2014, Petrobras' average refinery price was US\$457 per ton and US\$425 per ton, respectively, compared with the average international price of US\$575 per ton and US\$544 per ton, respectively. In 2015, Petrobras' average refinery price was US\$331 per ton compared with the average international price of US\$254 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 a constitutional amendment 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 to continue for a maximum period of three years. Law No. 9,478, also known as *Lei do Petróleo*, 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 adopted a series of measures in the regulatory environment, establishing a new legal framework for the oil industry, which may result in a series of regulations, such as production-sharing and concession contracts, among others. This discovery may bring a new scenario for the sector, creating major investments and adaptations in infrastructure such as new refineries, highways, pipelines, platforms, ports and ships, among others.

**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;

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 Único 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 directly by the LPG distribution companies or by independent dealers. 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 15/2005.*** 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 Auto-Regulamentação*. See Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Ultragas Bottle swapping centers and Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Ultragas Requalification of bottles. Before the Self-Regulatory Code came into effect, certain LPG distributors, not including Ultragas, 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 Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Ultragas Bottle swapping centers and Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas 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 15/2005, which regulates the distribution of LPG activities.

Ultragaz itself was required to requalify 13.8 million bottles before November 2006 and an additional 10.7 million bottles by November 2011. Ultragaz requalified 3.0 million bottles, 3.8 million bottles and 3.1 million bottles in 2013, 2014 and 2015, respectively. In 2016, Ultragaz expects to requalify approximately 2.5 million bottles.

***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 National Council of the Environment, or *Conselho Nacional do Meio Ambiente* – CONAMA, the Ministry of Labor, or *Ministério do Trabalho*, and the Ministry of Transport, or *Ministério dos Transportes*, are the primary regulators of LPG distribution at the federal level.

ANP and Brazilian federal and state environmental laws and regulations require LPG distributors to obtain operating permits from the state environmental agencies, from municipal authorities and from the fire department. In order to obtain such permits, distributors must satisfy regulatory authorities that the operation, maintenance and repair 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 liable for environmental damages.

The LPG industry and market are also subject to federal, state and local laws and regulations that prescribe occupational health and safety standards. In accordance with such laws and regulations, it is mandatory for distributors to prepare reports on their occupational health and safety records on an annual basis to the local office of the Ministry of Labor in each of the states in which they operate. In addition, they are also subject to all federal, state and local governmental regulation and supervision generally applicable to companies doing business in Brazil, including labor laws, social security laws and consumer protection laws.

### ***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, 2015.

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 its own retail stores, through independent dealers as well as through its own truck fleet, which operates on a door-to-door basis or on a scheduled delivery basis. Bulk LPG is serviced through Ultragaz own truck fleet.

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, 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. See Item 4.A. Information on the Company – History and Development of the Company



Ultragas is comprised of the following operating subsidiaries:

Companhia Ultragas S.A., or Cia Ultragas, the company that pioneered our LPG operations;

Bahiana Distribuidora de Gás Ltda., or Bahiana, which primarily operates in the Northeast region of Brazil;  
and

Utingás Armazenadora S.A., or Utingás, a storage services provider that operates two facilities in São Paulo and Paraná. Utingás was incorporated in 1967 when Ultragas and other LPG distributors joined to construct LPG storage facilities based in the states of São Paulo and Paraná. Ultragas currently owns 57% of Utingás. See Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Ultragas Storage of LPG .

**Markets and marketing.** When Ultragas began its operations, it served only the Southeast region of Brazil. Currently, Ultragas is present in almost all of Brazil's significant population centers. In the last four years, Ultragas strengthened its presence in the North and Northeast of Brazil, selling LPG in the states of Pará and Maranhão, 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 direct home delivery and retail stores, both carried out by Ultragas or its dealership network mainly using 13 kg ANP approved bottles. In the case of Ultragas, the bottles are painted blue, which we believe is an important element in recognizing the Ultragas brand. Ultragas's operating margins for bottled LPG vary from region to region and reflect market share and the distribution channel in the region.

Before Shell Gás acquisition, Ultragas'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, Ultragas became the Brazilian market leader in LPG, and the focus of its marketing strategy evolved to investing in the brand, 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 Ultragas 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.

Distribution of bulk LPG is largely carried out through 190 kg storage tanks installed on its clients' premises. Since 1997, Ultragas operates small- and medium-sized bulk delivery facilities with bob-tail trucks, known together as UltraSystem, which deliver LPG in bulk 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 and steel sectors that have large fixed tanks at their plants and consume monthly volumes in excess of five tons of LPG. These clients represent a small portion of Ultragas's sales volume since, in the case of large volume consumers, Ultragas is competing with other highly competitive energy sources such as natural gas, diesel and fuel oil.

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.

Ultragaz's strategy for bulk LPG distribution is to continue its process of product and service innovation and to increase the profile of its trademark. Ultragaz also 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 Ultragaz 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 client prospection, setup of equipment, logistics and after-sale service, and 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, (iii) substantially increase the generation of new business, and (iv) rationalization of the installation process (30% of time reduction on average).

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

Client category	Year ended December 31,		
	2015	2014	2013
	(in thousands of tons)		
<b>Bottled LPG</b>			
Residential delivery by Ultragaz / Ultragaz owned retail stores	63.2	65.9	64.4
Independent dealers <sup>(1)</sup>	1,104.5	1,089.6	1,069.6
<b>Total bottled LPG</b>	<b>1,167.8</b>	<b>1,155.4</b>	<b>1,134.0</b>
<b>Total bulk LPG</b>	<b>528.8</b>	<b>555.8</b>	<b>562.3</b>
<b>Total tons delivered</b>	<b>1,696.6</b>	<b>1,711.2</b>	<b>1,696.3</b>

<sup>(1)</sup> Includes residential deliveries and distribution through retailers' stores.

Residential delivery has evolved during the last years from primarily door-to-door to a primarily scheduled or phone-ordered delivery.

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, Ultragaz has developed and enhanced sales channels and payment methods. In the last decade, the company expanded the participation of *Disk Gás* (sale of LPG bottles by telephone) and, more recently, introduced ordering through a smartphone app (*Ultragaz Connect*). These initiatives provide customers with greater convenience, add further value and generate logistic optimization to Ultragaz. The same principles have been extended to the bulk segment, in which Ultragaz is a pioneer and has a leading position, and where it has been developing new usages for its products, such as localized heating for the ignition of industrial furnaces, mainly in iron and steel industries. Ultragaz also began offering new solutions that make it an alternative or supplement for companies located in areas supplied with natural gas. Lastly, tracking consumption trends in the bulk segment, Ultragaz intensified its unique account billing service in residential condominiums, through which it provides individual gas bills.

Given Ultragaz's capillarity and outreach of 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.

<b>Project</b>	<b>Year of launch</b>	<b>Brief description</b>
Ultragaz Cultural	2000	<ul style="list-style-type: none"> <li>ü Series of shows, movies, theater, literature and educational workshops</li> <li>ü 2008 – 2014: attended 22 states in Brazil and 125,000 children</li> <li>ü 2015: benefited more than 12,000 children in 13 states in Brazil</li> </ul>
Partnership with Ministry of Health	2008	<ul style="list-style-type: none"> <li>ü Awareness and educational campaigns to address diseases prevention, such as dengue, and H1N1, as well as other basic health concerns</li> </ul>
UN Global Compact	2009	<ul style="list-style-type: none"> <li>ü Ultragaz is a signatory of the UN Global Compact</li> </ul>
Junior Achievement	2009	<ul style="list-style-type: none"> <li>ü The largest and oldest organization in Brazil dedicated to educating youth in business</li> <li>ü 2015: benefited more than 300,000 students in 13 states in Brazil</li> </ul>
Pega Pilhas, Baterias e Celulares	2012	<ul style="list-style-type: none"> <li>ü Collection and disposal of used batteries in Ultragaz s consumers households</li> <li>ü 2015: more than 1 ton of batteries collected in 10 states in Brazil</li> </ul>
Campanha Junte Óleo: Ultragaz Coleta e Soya Recicla Partnership with Bunge and Triângulo Institute, a NGO	2013	<ul style="list-style-type: none"> <li>ü Cooking oil recycle campaign to avoid its disposal into drinkable water sources</li> <li>ü 2015: over 300,000 liters of oil collected, reaching 180,000 Brazilian households</li> <li>ü 2015: the project won the 14<sup>th</sup> Marketing Best Sustainability Award</li> </ul>
Partnership with BNDES	2014	<ul style="list-style-type: none"> <li>ü Improvement of the infrastructure of Brazilian cooperatives of recyclable materials and training of the cooperative members in basic management tools</li> <li>ü 2014 – 2015: carried out in six cities in Brazil</li> </ul>
Somar Sustentabilidade	2014	<ul style="list-style-type: none"> <li>ü A project that aims to foster sustainability concept and practices among its resellers</li> </ul>

Also, in 2014, Ultragas developed its first 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. It has recyclable materials collectors, rainwater utilization system, saving light bulbs, LPG heater and green wall . The first store was launched in 2014 in São Paulo, and there are expansion projects in progress in Ceará and Salvador.

***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 dealers network for the bottled LPG. See Independent dealers . The services associated with Ultragas' s home deliveries strongly influence the ranking of the Ultragas brand name in the bottled market. Ultragas seeks to expand its home delivery services, including faster delivery, quality and comfort for its customers, having delivery personnel that provide safety recommendations to household customers. 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 as of December 31, 2015 included 52 company-owned points of sales, and approximately 5,100 independent dealers. As of December 31, 2015 Ultragas had a fleet of 93 vehicles for the delivery of gas bottles and 281 for bulk delivery. Ultragas also maintains a call center, which centralizes LPG bottle orders made through phone calls.

Bottled sales capacity derives from the number of bottles bearing Ultragas' s brands. Ultragas estimates that, as of December 31, 2015, there were 23.2 million 13 kg bottles stamped with Ultragas' s brands in the market.



**Independent dealers.** Ultragas' independent distribution network ranges from large dealers, which carry out extensive home delivery, to single retail stores, which sell small quantities of LPG bottles. Until the enactment of ANP Rule 297 on November 18, 2003, independent dealers needed only to be registered with ANP for the sale of LPG bottles. No licenses were required except for those required by the fire department and the municipal authorities. Rule 297 established 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, 2015, 95% of Ultragas' 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 in the trademark and 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' 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 resellers 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' 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' excellence standards and stimulating constant improvement. In 2015, approximately 4.7 thousand resellers participated in the program - a significant increase compared to 2008, when the program began with approximately 700 resellers evaluated. Out of the resellers that participated in the program in 2015, 74% (or 3.5 thousand) were qualified as bronze or above, in line with 2014 (75%) and 2013 (74%), attesting their compliance with most of Ultragas' 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* (Resellers' 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). 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, classified by Ultragas as consumption of more than five tons per month and 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, classified by Ultragas as consumption under five tons per month and 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 fleet 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 18 days on average.

**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\$0.48 per exchanged LPG bottle. In areas where only one LPG distributor has a sizable market share, it is customary to use the facilities of that distributor as an unofficial swapping center.

**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 15 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.

Petrobras freely prices 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. However, since 2008 Petrobras has increased LPG refinery prices for commercial and industrial usage sporadically, as shown below:

(% increase)	Jan/08	Apr/08	Jul/08	Jan/10	Dec/14	Sep/15	Dec/15
<b>Commercial and industrial LPG</b>	15%	10%	6%	6%	15%	11%	4%

The LPG refinery price for residential use remained unchanged from May 2003 to September 2015, when Petrobras increased prices by 15%. In the last few years, Petrobras' practice has been not to immediately reflect in its oil derivatives prices in Brazil the volatility of international prices of oil and oil derivatives. We cannot guarantee that this trend will continue. Any sharp increase in LPG prices charged to LPG distributors could have an impact on Ultragas' results if it is unable to maintain its operational margins or sales volume.

In 2013 and 2014, Petrobras' average refinery price was US\$457 per ton and US\$425 per ton, respectively, compared with the average international price of US\$575 per ton and US\$544 per ton, respectively. LPG refinery prices for residential use have remained unchanged since 2003. In 2015, Petrobras' average refinery price was US\$331 per ton compared with the average international price of US\$254 per ton. See Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Industry and Regulatory Overview The role of the Brazilian government.



**Storage of LPG.** On December 31, 2015, Ultragas's storage capacity was approximately 19.4 thousand tons, including Utingás's storage capacity. Based on its 2015 average LPG sales, Ultragas could store approximately 3.5 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:

LPG Distributor	Year ended December 31,		
	2015	2014	2013
Ultragas	23.2%	23.0%	23.1%
Liquigás	22.6%	22.5%	22.6%
Supergasbras	20.4%	21.1%	21.1%
Nacional Gás Butano	19.2%	18.8%	18.8%
Others	14.6%	14.6%	14.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

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.

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. LPG distributors in the bottled market compete primarily on brand awareness and reliability of delivery and the service provided to customers. Ultragas believes that it is competitive in these aspects. 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. Ultragas's principal markets, including the cities of São Paulo, Salvador and Recife, contain heavy concentration of residential consumers and therefore distribution to this market can be carried out with great economies of scale resulting in lower distribution costs to Ultragas. Additionally, Ultragas enjoys low bulk LPG distribution costs through UltraSystem.

In addition to competing with other LPG distributors, Ultragas 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. Natural gas is currently less expensive than LPG for industrial consumers who purchase large volumes, but more expensive for the vast majority of residential consumers. In addition, 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 2013, the Brazilian LPG market increased by 2.7% compared to 2012, mainly driven by the growth of 5.8% in the bulk segment due to the country's economic growth. In 2014, the Brazilian LPG market increased by 1.2% compared to 2013. The bulk segment grew by 1.4% over 2013, a lower growth compared to the previous year mainly due to the worsening of the economic environment in Brazil. 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.

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

Source: ANP (volume for 2005, 2006, 2007 and 2008 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 consent. The tax benefits that Ultragas's filling plant located at Caucaia benefited from expired in 2012. On December 2015, a new request for the incentive was filled, without response until the date of this report. Mataripe's plant has renewed its 75% income tax reduction up to December 2024, based on investments made to increase production capacity and on the modernization of the facility. Also, Aracaju's and Suape's plants are entitled to this tax benefit up to 2017 and 2018, respectively. The total amount of SUDENE's income tax exemption for Ultragas for the years ended December 31, 2015 and 2014 was R\$5.3 million and R\$3.9 million, respectively. For further information, see Note 9(c) to our 2015 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. Ultragas 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 2014, Ultragas received several awards related to quality and management quality in different states in which it operates.

## 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 2015, diesel represented 47% of the fuels distributed in Brazil, followed by gasoline, ethanol, fuel oils, NGV and kerosene, each of which represented 33%, 15%, 4%, 1% 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.

In December 2015, credit in Brazil reached 54% of GDP, compared to 59% in December 2014, 56% in December 2013, 54% in December 2012 and 49% in December 2011, which, combined with an increase in disposable income in Brazil, had a positive effect on the sales of vehicles in those years. According to ANFAVEA, approximately 2.5 million new light vehicles were registered in Brazil in 2015, a decrease of 26% compared to 2014. The light vehicle fleet was estimated to have grown by 3% in 2015, reaching 40 million at the end of the year. Among the total vehicles sold in 2015, 88% were flex-fuel vehicles, which have engines adapted to operate using either gasoline or ethanol, or by any combination of the two, 5% were gasoline-only fueled vehicles and the remaining 6% were diesel-only. Since the launching of flex-fuel vehicles in Brazil in 2003, 26.8 million flex-fuel cars were sold in Brazil.

Moreover, recent changes to legislation and inspection in the fuel distribution sector have helped to progressively curb unfair competition, creating a level playing field. These improvements should benefit the formal market by capturing the volume from the grey market.

According to ANP, the distribution of fuels (gasoline, ethanol and diesel) is made mainly through three channels, as follows:

Service stations (78% of the market in terms of volume in 2014, last available data), which serve final retail consumers;

Large consumers (16% of the market in terms of volume in 2014, last available data), mainly industries and fleets; and

Retail wholesale resellers TRR (6% of the market in terms of volume in 2014, last available data), specialized resellers that distribute diesel to medium and small volume end-users.

The following chart shows the oil-derivative fuel distribution process in Brazil:



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The following chart shows the ethanol distribution process in Brazil:

Distribution of oil-derivative products is carried out through an extensive network of primary and secondary storage terminals. Primary storage terminals are generally located near refineries and are used to store products to be sold to customers (service stations, large consumers and TRRs) and to be transported to secondary storage terminals.

Oil-derivative products are transported from refineries to primary storage terminals via pipelines and coastal or river shipment. Transportation of oil-derivative products between primary and secondary storage terminals is provided by pipeline, railroads, trucks and coastal or river barges. Ethanol is transported from the many distilleries to primary and secondary storage bases by trucks and railroads. Delivery to service stations, large consumers and TRRs is made exclusively by trucks.

All gasoline sold in Brazil must contain a certain proportion of anhydrous ethanol that can vary from 18% to 27.5%. In October, 2011, the Brazilian Agriculture Ministry reduced the required percentage of anhydrous ethanol mixed with gasoline from 25% to 20%. In May 2013, the Brazilian Mines and Energy Ministry increased the required percentage of anhydrous ethanol mixed with gasoline again to 25%. In March 2015, the Brazilian Agriculture Ministry increased the required percentage of anhydrous ethanol mixed with gasoline from 25% to 27.5%.

Gasoline A, as it is known in its unmixed form, is mixed with anhydrous ethanol at primary storage terminals or at secondary storage terminals. Gasoline A, mixed with anhydrous ethanol, forms gasoline C, which is delivered directly to service stations and large consumers by truck.

Since January 2008, under the Biodiesel Program, distributors have been required to include a percentage of biodiesel in the volume of diesel sold, in order to reduce greenhouse gas emissions. In addition, this program has also the social purpose of encouraging and developing small agriculture producers of biodiesel raw materials. From January 2008 to June 2008, the biodiesel mix requirement was 2%. On July 1, 2008 and 2009, the biodiesel mix requirement was increased to 3% and to a further 4%, respectively. On January 1, 2010, the biodiesel mix requirement was increased to 5%, on July 1, 2014 to 6% and on November 1, 2014 to 7%. In March 2016, the government enacted the Law 13,263 which rises the required percentage of biodiesel mix to diesel to 8% until 2017, reaching 10% in 2019.

As of December 31, 2015, there were 188 fuel distributors authorized by ANP to operate in Brazil.

**Supply.** Petrobras is currently the only relevant supplier of oil derivatives in Brazil, accounting for 99% of the domestic production. There are currently 17 oil refineries in Brazil, of which Petrobras owns 13. Petrobras's total refining capacity in 2015 was 367 thousand cubic meters per day. Brazilian refineries are located predominantly in the South and Southeast regions of Brazil. The overall product yield for these refineries in 2015 was 42% diesel, 22% gasoline, 12% fuel oil, 6% LPG and 18% other products, including naphtha.

Ethanol is purchased from various producers. In 2015, there were nearly 400 distilleries in Brazil, which produced approximately 30 million cubic meters of ethanol, 39% of which was anhydrous ethanol and the rest of which was hydrated ethanol. Brazil's supply of anhydrous and hydrated ethanol is seasonal and depends on the sugarcane harvest. In 2015, 92% of such supply came from Central and Southern Brazil and the remainder of which came from Northern Brazil.

Biodiesel is purchased from the many producers of biofuels in Brazil, and its main raw materials are tallow and soy seeds. As of December 31, 2015, there were 51 biodiesel producers, located predominantly in the Midwestern region. Brazil's biodiesel production in 2015 was about half of its total production capacity. Since January 2008, which was the first year of the Biodiesel Program, Petrobras has been required to purchase biofuels in auctions promoted by ANP and supply distributors with amounts of biodiesel corresponding to the proportional volume of diesel purchased. This policy aims to prevent distributors from selling diesel without including the minimum required amount of biodiesel.

***The role of the Brazilian government.*** The Brazilian government has historically regulated the pricing of oil and oil-derivative products, ethanol, natural gas and electric energy. From 1990 onwards, the Brazilian oil and gas sector has been significantly deregulated. Until the adoption of the Law No. 9,478 in 1997, the Brazilian government maintained strict control over the prices that could be charged by (i) refineries to distributors, (ii) distributors to service stations and other channels and (iii) service stations to end-users.

Currently there is no legislation or regulation in force giving the Brazilian government power to set oil-derivative and ethanol fuel prices. However, given that Petrobras is a state-controlled company and the dominant supplier in this market, prices of oil-derivative fuels are still subject to indirect government influence, resulting in potential differences between international prices and domestic oil-derivative prices. Until 2005, the prices of certain oil-derivative products, especially gasoline and diesel, were periodically updated by Petrobras to minimize the differences between prices practiced in Brazil and in the international markets. From September 2005 to May 2008, gasoline and diesel prices remained unchanged.

From 2008 to 2010, Petrobras changed the prices of gasoline and diesel charged by refineries twice, and the Brazilian government simultaneously changed the CIDE tax in order to partially or fully offset the effect of the change in prices to the end consumer.

In October 2011, the Brazilian government reduced the percentage of anhydrous ethanol mixed into gasoline from 25% to 20%, due to a shortage of ethanol production. To avoid the gasoline price increase to the end consumer, the Brazilian government decided to simultaneously reduce the CIDE tax of gasoline A from R\$230 per cubic meter to R\$193 per cubic meter. In November 2011, Petrobras increased gasoline and diesel prices by 10% and 2%, respectively and, simultaneously, the Brazilian government reduced once more the CIDE tax of gasoline A to R\$91 per cubic meter and that of diesel from R\$70 per cubic meter to R\$47 per cubic meter, therefore without affecting final consumer prices.

In June 2012, as a consequence of its increased requirements for importing oil products at prices above those practiced in Brazil, Petrobras increased gasoline and diesel prices by 3.9% and 7.8%, respectively, and the CIDE tax of both products was simultaneously reduced to zero by the Brazilian government, offsetting the effect of the increase in prices. In July 2012, Petrobras further increased its refinery price for diesel by 6.2%.

Due to the *Real* depreciation and that the average cost of oil derivatives imported from the international markets was higher than the price practiced by Petrobras in the Brazilian market, (i) in January 2013, Petrobras increased gasoline and diesel prices by 6.6% and 5.4%, respectively; (ii) in March 2013, Petrobras announced a new adjustment in diesel price, of 4.9%; and (iii) in November 2013, Petrobras increased gasoline and diesel prices by 4.0% and 8.0%, respectively. In November 2014, Petrobras announced another increase in the gasoline and diesel prices by 3.0% and 5.0%, respectively.

In January 2015, the Brazilian government announced the return of the CIDE tax and the increase in the PIS and COFINS taxes on fuel, with an impact of R\$220 per cubic meter for gasoline and R\$150 per cubic meter for diesel, valid from February 1, 2015. On September, 30 2015, Petrobras announced a new increase in gasoline and diesel prices of 6.0% and 4.0%, respectively.

Ethanol prices are deregulated, being freely charged by the ethanol producers. In order to curb unfair competitive practices in the ethanol sales, some measures have been taken by the government, supported by Sindicom members. In April 2008, it became mandatory for fuel producers and distributors, as well as TRRs, to issue electronic tax invoices in all the states of Brazil. In addition, in June 2008 the government, through the Brazilian Congress, enacted the Law 11,727/08, based on the Provisional Measure 425 (*Medida Provisória 425*), which came into force in October 2008. Under this law, two initiatives were imposed to prevent tax evasion: (i) increasing the proportion of collection of PIS and COFINS taxes at distilleries from 25% to 40% and (ii) requiring distilleries to install flow meters (*medidores de vazão*) to control the output of ethanol, which is still awaiting the definition of certain technical aspects to be implemented. In 2009, ANP started to track sales of methanol. The blending of methanol with ethanol is an example of product adulteration practiced by certain distributors or gas station owners, mainly in the State of São Paulo. On May 7, 2013, the government adopted the Provisional Measure 613 (*Medida Provisória 613*), which, among other resolutions, granted tax incentives to ethanol producers and to chemical producers through PIS and COFINS tax credits and reductions. As a result, all PIS and COFINS taxes levied on ethanol, which corresponded to R\$120 per cubic meter as of December 31, 2013, are collected by the producers, and they receive a R\$120 per cubic meter tax credit to offset the increased PIS and COFINS taxes levied on ethanol.

In accordance with the publication of the Law No. 11,097 on January 13, 2005, the National Biodiesel Program (*Programa Nacional de Biodiesel*) was created. Since 2008, a certain amount of biodiesel has been required to be added to diesel. In addition, some changes were required in the distributors' facilities, as well as the restructuring of its logistics. In March 2016, the government enacted the Law 13,263 which rises the required percentage of biodiesel mix to diesel to 8% until 2017, reaching 10% in 2019.

***The role of Petrobras.*** Since its establishment in 1953, Petrobras maintained a legal monopoly in the exploration, production, refining, importing and transporting of crude oil and oil products in Brazil and its continental waters. This monopoly was confirmed in Brazil's federal constitution enacted in 1988. As a result, Petrobras has historically been the sole supplier of oil and oil-derivatives in Brazil.

In November 1995, Petrobras' monopoly was removed from the federal constitution by a constitutional amendment approved by the Brazilian Congress. According to this amendment, other state and private companies are permitted to compete against Petrobras in virtually all fields in which Petrobras operates. This amendment was also reflected in Law No. 9,478, dated August 6, 1997, which limited Petrobras' monopoly to a maximum period of three years. Law No. 9,478 prescribed that the termination of Petrobras' monopoly would be accompanied by the deregulation of oil, gas and oil-derivative product prices, and created a new regulatory agency, the ANP, to oversee all oil-related activities. However, in practice, Petrobras still remains basically the sole oil-derivative supplier of oil and oil-related products, including naphtha, LPG and oil-derivative fuels in Brazil, even though there are no legal restrictions on the operations of other suppliers or to imports.

Since 1971, Petrobras has acted in the Brazilian fuel distribution market through its subsidiary BR. BR is the leader in the fuel distribution market, with market share of 33% in 2014, according to ANP.

With the discovery of the pre-salt reservoirs, the Brazilian government adopted a series of measures in the regulatory environment, establishing a new legal framework for the oil industry, which may result in a series of regulations, such as production-sharing and concession contracts, among others. This discovery may bring a new scenario for the sector, creating major investments and adaptations in infrastructure such as new refineries, highways, pipelines, platforms, ports and ships, among others.



**The role of the ANP.** The ANP is responsible for the control, supervision and implementation of the Brazilian government's policies with respect to activities related to oil, natural gas and biofuels. The ANP regulates all aspects of the industry, from the exploration and/or production, transportation to the sale of these products, including product quality standards and to the minimum storage capacities required to be maintained by distributors with respect to oil and oil products in Brazil. Prior to 1999, there were no formal requirements imposed by the Brazilian government on the fuel distribution segment. Distributors were only required to register with the national department of fuels or the national Petroleum Agent or the National Agency prior to starting operations. On December 30, 1999, the ANP established through Resolution No. 202, a number of requirements, with which all distributors must comply. In October 2014, the ANP Resolution No. 202 was replaced by Resolution ANP No 58/2014. Under the new rules a fuel distributor, in order to operate in Brazil, must obtain an operating authorization and meet certain minimum requirements of operation, including:

minimum paid-in capital of R\$4,500,000.00;

proof of financial capacity equivalent to expected volumes to be sold (proof of such capacity may include proof of ownership of assets, insurance or a bank guarantee).

ANP is also responsible for establishing the limits of oil-based fuel volume purchased by distributors based on their storage capacity. Fuel distributors are required to provide the ANP with monthly reports showing their previous month sales.

Fuel distribution for service stations and large consumers must be carried out only by a registered distributor. TRRs are allowed to trade only diesel, lubricants and grease to small-end consumers. Each distributor must provide the ANP with information regarding its contracted independent dealers on a monthly basis. The construction of storage facilities and approval for new retail sellers to operate is subject to the prior approval of the ANP. Service stations and storage facilities may only begin operations after ANP inspections.

**Regulation.** Distributors are prohibited from operating service stations, other than for training purposes or for the development and testing of new products and services, and therefore, service stations are operated by independent resellers. Three types of arrangements between distributors and service station operators are generally used in the fuels industry: (i) the distributor owns land, equipment and buildings for a service station that it leases to an operator, (ii) a third party owns land, leases it to a distributor who constructs a service station facility or makes improvements to an existing facility and leases the station to an operator and (iii) the operator or a third party owns the land and constructs a service station facility or makes improvements to an existing facility, which is typically financed by the distributor (the most common practice in Brazil). Agreements between distributors and operators of service stations are generally exclusive for a given period. In exchange for being an exclusive supplier, the operator is granted the right to operate under the distributor's brand name. The agreement might also include provisions related to the leasing of pumps and tanks, layout standards, training, quality control, technical and financial support, marketing and advertising support and franchises for complementary services, such as convenience stores (am/pm) and lubricant servicing franchises (Jet Oil).

Sindicom represents the interests of major Brazilian fuel distributors, which controlled 77% of the Brazilian fuel market in 2015. Sindicom was formed in 1941 and its primary purpose is to promote uniform standards for industry regulation and to provide a forum in which members can discuss matters affecting the industry. Sindicom represents its members in discussions before federal and state governmental bodies and presents its members perspectives on relevant laws and regulations, including those relating to taxation, operations, industrial and occupational safety and environmental protection.

During the 1990s, when the process of deregulation began in the fuel distribution sector in Brazil, a number of parties entered the market with a business model based on cost advantages derived from anticompetitive practices through fuel adulteration and tax evasion, including (i) diluting gasoline by mixing solvents or adding anhydrous ethanol in an amount greater than the permitted by applicable law (anhydrous ethanol has its taxation incorporated into gasoline and is historically cheaper than gasoline), (ii) non-payment of federal taxes on fuels, taxes on gross revenues and state value-added taxes and (iii) selling anhydrous ethanol mixed with water as hydrated ethanol. Such practices have enabled these players, all of them non-Sindicom distributors, to increase their market share by charging artificially lower prices also based on artificially lower costs. Sindicom distributors, including Ipiranga, have taken, individually and collectively, a number of actions targeted at reducing or eliminating the effects of these anticompetitive and illegal practices.

Among the actions taken were:

(i) significant interaction with the Brazilian judiciary, including holding seminars for judges and prosecutors concerning the problems facing the industry and directly participating in tax litigation involving distributors that are not Sindicom members, (ii) sponsorship of the development of a chemical coloring solvent that is added to anhydrous ethanol, in order to prevent the addition of water (and later to be sold as hydrated ethanol), (iii) support of ANP resolution that restricts the sale of hydrated ethanol by producers to distributors and prohibits sales by producers to resellers or end-consumers; (iv) support of ANP resolution that forbids distributors to sell fuels to resellers operating under another brand, except for white-flag dealers, who operate without a brand; (v) contribution to the development of CODIF, a system that electronically controls the collection of value-added taxes on fuel sales, (vi) support in the implementation of electronic invoices at the federal level, concluded in 2008, (vii) support for ANP regulation which established brand definition and the obligation of disclosing the origin of the fuels in order to inhibit certain distributors from using a fake brand (known as cloned stations); and (viii) the suggestion of several other measures, supported by ANP, including focusing the collection of PIS and COFINS on distilleries and the installation of flow meters, which were included in Law 11,727/2008. As a result of these efforts, the more regulated market is leading to the weakening of the business model of lower prices based on artificially lower costs and unfair practices, creating a level playing field and increasing sales volume of the formal market. In 2015, share of ethanol volume sold by Sindicom members over the total market was 62%, an increase compared to 58% in 2011, as a result of the practices mentioned above and investments made by the branded distributors in converting unbranded service stations.

***Environmental, health and safety standards.*** Fuel distributors are subject to Brazilian federal, state and local laws and regulations relating to environmental protection, safety and occupational health and safety licensing by the fire department and transportation. The National Environment Council – CONAMA – is the principal responsible for ruling and accepting matters with respect to the environment. Environmental state agencies and municipal departments are also responsible for establishing and supervising complementary laws and regulations within its areas of operation.

Fuel distributors must obtain authorizations and/or licenses from federal, state and/or municipal environmental agencies and fire departments to implement and operate their facilities. They are required to develop programs to control air and water pollution and hazardous waste. Emergency plans for its plants and headquarters, involving communities, public companies and other private companies must also be implemented. Additionally, fuel distributors must also comply with laws from the Ministry of Labor, which prescribes occupational health and safety standards. To maintain a safe and healthy workplace, companies must carry out comprehensive occupational health and safety programs.

Fuels may be transported only under special conditions. In Brazil, transportation of dangerous products is regulated and the regulations cover all modes of transport.

### ***Ipiranga***

Ipiranga was founded in 1937 and is currently the largest private player in the Brazilian fuel distribution market, with 22% market share in terms of volume in 2015 and 7,230 service stations as of December 31, 2015.

Ipiranga distributes diesel, gasoline, ethanol, NGV, fuel oil, kerosene, ARLA (liquid agent to reduce nitrogen oxides emissions from heavy vehicles), lubricants and greases nationwide. In addition to a traditional fuel distribution business, Ipiranga has implemented a differentiation strategy, by offering other products and services throughout its service station network. This strategy has led to a significant and growing convenience store business, branded am/pm, including the expansion of the bakery network and private label products under the same brand, as well as lubricant servicing businesses, Jet Oil and Jet Oil Motos, and the consolidation of other related products and services. In 2014 Ipiranga launched its own supply solution for its am/pm convenience stores, the *am/pm Suprimentos*. At the end of 2015, *am/pm Suprimentos* operated three distribution centers in Brazil (Rio de Janeiro, Paraná and São Paulo).



In 2015, Ipiranga launched in São Paulo new configurations of the am/pm store concept, the am/pm Super Store, for urban service stations, and am/pm Estação, for service station in highways. The newly launched am/pm models increased the offer of convenience by adding new services and products to the traditional ones: health and beauty space, grocery store, full meals and a new fast food concept appropriate to each type of client. For more information see Item 4.B. Information on the Company Business Overview Our Strategy Enhance retail network.

Among the other related products and services, we highlight Ipiranga's loyalty program, *Km de Vantagens*, which has reached 21 million participants as of December 31, 2015, and the online service station, *Posto Ipiranga na Web*, where customers can acquire fuel credits online and use them to purchase fuel at our accredited fuel stations.

**Markets and marketing.** Until March 2009, Ipiranga only operated in the South and Southeast regions of Brazil. After the acquisition of Texaco, Ipiranga became a nationwide distributor and started to operate in the Northeast, North and Midwest regions of Brazil, regions where the fuel consumption grows above the national average rate, given the lower car penetration and faster-growing household income compared to other regions. Under the terms of the Ipiranga Group Transaction Agreements, Petrobras had the exclusive right to use Ipiranga's brand in the operating regions of the Northern Distribution Business for five years from the date of the acquisition of Ipiranga Group, which expired in April 2012. Until then, Ipiranga operated under the Texaco brand in those regions. In November 2010, Ultrapar closed the acquisition of DNP, which distributes fuel in the states of Amazonas, Rondônia, Roraima, Acre, Pará and Mato Grosso through a network of 110 service stations, with 4% market share in the North region of Brazil in 2010. See Item 4.A. Information on the Company History and Development of the Company. In 2015, Ipiranga continued its strategy to increase its scale of operations, adding 174 service stations through the conversion of unbranded service stations and the opening of new gas stations. Furthermore, Ipiranga ended 2015 with 1,159 eco-efficient service stations (*Posto Ecoeficiente* service stations with a set of solutions that reduce the consumption of materials, natural resources and energy of these service stations, including the reduction of waste generated during the construction). Ipiranga is also focusing on the expansion of Jet Oil and am/pm franchises to enhance the service and convenience of consumers at the Ipiranga service stations.

Growth in the fuel distribution sector is directly influenced by GDP growth rates and by the size of the car fleet. In 2010, 2011 and 2012, the automotive sector reached new records of new light vehicles registered, mainly as a result of the increased disposable income and credit availability. See Item 5.D. Operating and Financial Review and Prospects Trend Information. See Item 4.B. Information on the Company Business Overview Fuel Distribution Industry and Regulatory Overview. Furthermore, legislative changes and inspection in the fuel distribution sector occurred in the last years have progressively curbed unfair competition, creating a level playing field in the Brazilian distribution market. Overtime, these improvements should benefit the formal market by capturing the volume from the grey market.

In 2015, 2.5 million new light vehicles were registered according to ANFAVEA, a decrease of 26% in relation to 2014, with flex fuel cars representing 88% of the total light vehicles registered in 2015.

According to ANFAVEA, the estimated total light vehicles fleet in Brazil as of December 31, 2015 was 40 million, an increase of 3% from 2014, as a consequence of the 2.5 million new cars registered and an estimated scrapping of 1.4 million cars in 2015.

In 2015, the fuel volume sold by Ipiranga slightly increased by 0.4% compared to 2014, with (i) the combined sales volume of gasoline, ethanol and NGV increasing by 2.5 driven by the growth in light vehicle fleet and investments made to expand its service station network, partially offset by the effects of higher unemployment rates over the year and the consequent impact on household consumption, and (ii) diesel sales volume decreased 1.6% in the period, as a result of the economic downturn, partially offset by the investments made to capture new clients.

Ipiranga's sales volume from its service station network accounted for 75% of its total sales in 2015. As of December 31, 2015, there were 7,230 service stations operating under the Ipiranga brand, of which 795 had the land either owned by us or under a long term lease to us and 6,435 owned by third parties. In 2015, 90% of these service stations were located in urban areas, with the remaining 10% located in highways.

Distribution to large consumers represented 18% of Ipiranga's sales in 2015. Ipiranga directly sold to 5,630 customers in 2015, including state and municipal governments, industries and cargo and passenger transportation fleet owners.

Ipiranga also sells diesel, lubricants, fuel oil and kerosene to 281 independent TRRs that redistribute these products to small and medium-sized companies throughout Brazil. Ipiranga's TRR clients consist mostly of companies that have large fixed tanks at their facilities. These clients represented 7% of Ipiranga's sales volume in 2015.

The relationship between Ipiranga and its clients is generally governed by exclusive supply contracts with terms ranging from 1 to 10 years. The types of contracts change according to the distribution channel. For service stations, contracts usually have longer terms (5 to 10 years) and may provide for the installation of pumps and tanks on the client's premises and for the offering of financing and bonuses. Supply to large consumers and TRRs is rarely made under contracts. When contracts are entered into with these clients, the terms range from 1 to 3 years.

The table below shows Ipiranga's sales by product:

	Year ended December 31, (in thousand cubic meters)		
	2015	2014	2013
<b>Diesel (by client category)</b>			
Service station	6,982.9	7,226.2	7,003.5
Large consumers	4,379.5	4,386.0	4,619.1
Retail-wholesale resellers (TRR)	1,733.8	1,696.4	1,709.7
<b>Total Diesel</b>	<b>13,096.2</b>	<b>13,308.6</b>	<b>13,332.3</b>
<b>Gasoline</b>	<b>8,554.4</b>	<b>9,204.1</b>	<b>8,580.9</b>
<b>Ethanol</b>	<b>3,444.8</b>	<b>2,478.5</b>	<b>2,194.6</b>
<b>Others<sup>(1)</sup></b>	<b>629.5</b>	<b>622.3</b>	<b>650.1</b>
<b>Total volume sold</b>	<b>25,724.8</b>	<b>25,613.5</b>	<b>24,757.9</b>

(1) Includes NGV, fuel oil, kerosene, arla and lubricants.

**Distribution infrastructure.** Ipiranga operated through 91 storage terminals as of December 31, 2015 that were strategically located to facilitate fast and economic delivery of its products. There are two types of facilities: primary storage terminals, generally located near the coast and major cities, which are supplied by refineries through pipelines, and secondary storage terminals, which are mainly located inland, and are supplied by primary terminals by railroad or through road transportation for locations not accessible by railroad. Ethanol is supplied to the terminals by road.

Ipiranga has its own fleet of trucks through its transportation company, Tropical, which was responsible for transportation of 28% of the volume of fuels sold by Ipiranga in 2015, with the remaining portion of the transportation provided by third parties.

**Resellers.** Ipiranga generally enters into three types of arrangements with resellers in which: (i) it owns land, equipment and buildings for a service station that it leases to an operator, (ii) a third party owns land, and leases it to Ipiranga and it constructs a service station facility or make improvements to an existing facility and leases the station to an operator and (iii) the operator or a third party owns the land and constructs a service station facility or makes improvements to an existing facility that is typically financed by Ipiranga. Under the terms of the contracts and in accordance with applicable law, each reseller operating under Ipiranga's brand must purchase fuels exclusively from us. For the year ended December 31, 2015, 75% of Ipiranga's volume sold was through resellers.

Ipiranga has created incentive programs over the years in order to strengthen brand loyalty and its relationship with its reseller network, as well as to differentiate itself from its competitors. These incentive programs include annual rewards to its resellers with international trips through the relationship program *Clube do Milhão* (Million Club), upon the accomplishment of pre-established goals.

Ipiranga also establishes relationship programs with resellers employees, such as *Clube Vip* (VIP Club), to encourage the sale of added-value products and services, including credit cards, such as *Cartão Ipiranga* (Ipiranga private label credit card), *Cartão Ipiranga Carbono Zero* (Ipiranga Zero Carbon Card), premium gasoline and lubricants. Training programs are provided to these employees focusing on developing their knowledge about the business and their capacity for selling products and services.

In 2009, Ipiranga created *Km de Vantagens*, a pioneer customer loyalty program in the fuel industry that provides awards and benefits to customers and resellers. Ipiranga developed strategic partnerships to broaden the scope of the program and the benefits for its clients and resellers, including partnerships in areas of entertainment, tourism, magazines and airline tickets, among others. By the end of 2015, *Km de Vantagens*, the largest loyalty program in Brazil, had more than 21 million clients registered. Each year, Ipiranga seeks new initiatives to add further value to the program, maintain current participants and increase the number of new participants.

In 2010, through its am/pm convenience stores, the largest convenience store network in Brazil, Ipiranga began launching initiatives to increase product offerings through the launch of private label products, including energy drinks and snacks, and the expansion of the am/pm bakeries, providing to resellers an additional source of income, as well as strengthening the am/pm brand. In 2014, Ipiranga launched a new beer purchase experience through its Beer Cave, which is a refrigerated container that stores more than 100 brands of beer. Ipiranga ended 2015 with 1,910 am/pm stores, 521 bakeries and 237 Beer Caves.

In November 2012, Ipiranga launched ConectCar. See Item 4.A. Information on the Company History and Development of the Company and Item 4.B. Information on the Company Business Overview Our Strategy Enhance retail network.

The Jet Oil units, Ipiranga's lubricant-changing and automotive service specialized network, ended 2015 with 1,466 franchises, including 251 Jet Oil Motos, the first specialized lubricant-changing and service network for motorcycles.

In 2014, we entered into partnerships with Shoptime, the first Brazilian home shopping television channel, which also operates via the Internet and catalog. The customers are offered more than 100 thousand products, from home care to electronics.

In order to strengthen the am/pm convenience stores' product offering and operations, Ipiranga launched in 2014 its own supply solution. The *am/pm Suprimentos* concentrates logistics, sales and customer service of the convenience stores' main products in just one structure. This initiative aims to streamline the am/pm's convenience store operation, increase the competitiveness of franchisees and ensure higher quality product range. At the end of 2015, *am/pm Suprimentos* supplied the stores of Rio de Janeiro, Espírito Santo, São Paulo, Paraná and Santa Catarina states with the main categories of products, except for tobacco and ice cream.

In 2015, Ipiranga presented in São Paulo new configurations of the am/pm store concept, as previously described. The new am/pm store models increase the options for complementary revenues to resellers.

These strategic differentiation initiatives implemented by Ipiranga resulted in a better value proposition for customers and resellers, generating benefits for the whole chain – the consumer gets access to differentiated products, the reseller earns higher revenues, and the service station obtains a differentiated positioning, thus contributing for an increase in the company's income.

In line with this strategy, Ipiranga created the marketing campaign *Ipiranga: um lugar completo esperando por você* ( Ipiranga: a complete place waiting for you ). The concept consists of creating a place where customers can find a broader range of products and services to meet their consumption needs. This concept is stimulated on Ipiranga's communications, especially its TV ads, which includes the catchphrase *Pergunta lá no Posto Ipiranga* ( Ask there at the Ipiranga service station ), commonly used by many Brazilians in other contexts than purchasing fuels.

Since 2013, Ipiranga is a signatory of the UN Global Compact, an initiative sponsored by the United Nations formed by companies, institutions and the society. Its main goal is to mobilize the international business community to adopt internationally accepted business practices in the areas of human rights, labor relations, environment and anti-corruption intended to promote sustainable growth and civic awareness. Ipiranga annually publishes a

Communication of Progress COP showing projects and actions taken during the year to comply with the UN Global Compact.

**Supply of fuels.** Currently, Ipiranga and its competitors purchase all or nearly all oil-derivative fuels from Petrobras under a formal supply contract that establishes the volume and the terms for supply. The contract is renewed annually and the volume contracted for is based on the volume purchased in the previous year. The procedures for ordering and purchasing fuels from Petrobras are generally common to all distributors, including Ipiranga. There have been no significant interruptions in the supply of fuels by Petrobras to the distributors, with the exception of an interruption in 1995 due to a 15-day strike by Petrobras employees.

The ethanol fuel market in Brazil consists of nearly 400 distilleries, producing sugar and ethanol from sugarcane. Ethanol production occurs approximately eight months per year. A portion of the production is stored in the distilleries to meet demand during the inter-harvest season. Distilleries produce two types of ethanol: (i) anhydrous ethanol, which must be blended with gasoline and (ii) hydrated ethanol, which is essentially used for flex fuel vehicles.

Ethanol in Brazil is substantially based on sugarcane that can either be used to produce ethanol or sugar. From an ethanol producer's perspective, the production ratio between ethanol and sugar is determined based on the respective prices of ethanol in the Brazilian market and of sugar in the international markets, such choice being fundamental for leveraging the profitability of their plant. Although ethanol production is subject to favorable climate conditions, the risk of interruptions in supply is primarily confined to the end of the harvest.

**Storage of fuels.** Ipiranga stores its fuels in large tanks at each of its facilities located throughout the regions in which it operates. Primary facilities receive fuels directly from Petrobras by pipeline and from distilleries by railroad and road transportation and secondary facilities are supplied by railroad and truck. See Item 4.D. Information on the Company's Property, Plant and Equipment. In 2015, Ipiranga's storage capacity was 576,211 cubic meters. Based on its 2015 average sales, Ipiranga can store approximately eight days of fuel supply, in line with the average stock period of the fuel distribution industry. Accordingly, an interruption in the production of oil-based fuels for longer than that time period could result in shortages, such as the one that occurred during the Petrobras strike in 1995.

**Competition.** Ipiranga's main competitors in 2015 were:

Petrobras Distribuidora S.A. ( BR ), a subsidiary of Petrobras, which has been operating in the Brazilian fuel distribution sector since 1971. BR is the Brazilian market leader and operates throughout the entire country.

Raízen Combustíveis S.A. ( Raízen ), a joint venture between Cosan S.A. ( Cosan ) and Shell International Petroleum Company Limited ( Shell ), a subsidiary of Royal Dutch Shell. Cosan is the largest producer of sugar and ethanol in Brazil, having entered the fuel distribution market in 2008, when it acquired Esso's fuel distribution business in Brazil. In June 2011, Cosan established Raízen, a joint venture with Shell in June 2011 by combining certain of their respective assets, including their respective distribution businesses.

Alesat, a domestic Brazilian fuel distributor created in 2006 as a result of the merger of Ale and Satellite, is present in 21 states. In December 2008, Alesat acquired the fuel distribution business of Repsol YPF in Brazil.



The following table sets forth the market share of Ipiranga and its competitors based on ANP data:

<b>Distributor<sup>(1)</sup></b>	<b>Year ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Petrobras	31.3%	32.8%	33.3%
Ipiranga	21.6%	21.3%	21.8%
Raízen	19.3%	18.8%	18.2%
Alesat	3.7%	4.1%	4.1%
Others	24.1%	23.0%	22.7%
<b>Total cubic meters</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

(1) Volume sold of gasoline, ethanol and diesel.

The retail market for gasoline, diesel and ethanol in Brazil is highly competitive, with similar products and relatively low margins. Therefore, our strategy is to differentiate ourselves in the market by offering value-added services to complement our main products, with the goal of becoming the preferred choice of customers. For more information on Ipiranga's strategy see Item 4.B. Information on the Company Business Overview Our Strategy Enhance retail network.

The following graphs show sales volumes for the Brazilian market and Ipiranga for the periods indicated:

(1) Diesel, gasoline, ethanol (Source: ANP and Sindicom) and NGV (Source: Abegás). Information provided by ANP and Sindicom are subject to retroactive adjustments and, therefore, can differ from the information contained herein.

**Quality.** In 1998, Ipiranga's terminal in Londrina (PR), received the first ISO 14001 (Environmental Management System) certificate for a fuel distribution terminal in Latin America. In the same year, Ipiranga's lubricant factory located in Rio de Janeiro obtained an ISO 9001 (Quality Management System). One year later, Ipiranga's Betim terminal obtained ISO 9001 and ISO 14001 certifications and in 2008 the OHSAS 18001 (Safety and Occupational Health Management System) certificate. These certifications are reaffirmed every three years. Furthermore, since 2002, Ipiranga has adopted its own environmental management system through a program named SIGA, which applies what we believe to be the highest international standards to its policies and practices. Initially focused only on environmental initiatives, in 2009 the program expanded its scope to include areas such as safety, health, quality and social responsibility, in order to align the operations of its terminals to a broader vision of sustainability, becoming SIGA+ (Ipiranga's management system applied to health, safety, environment, quality and social responsibility). The program included audits in 2010 to verify the results of its implementation and to identify areas of improvement. Since then, SIGA+ grew from 23 operational units audited in 2010 to 54 in 2015, including some offices and all owned storage terminals and joint operated terminals.

## **Petrochemicals and Chemicals**

### ***Industry and Regulatory Overview***

The petrochemical industry transforms crude oil or natural gas into widely used consumer and industrial goods. The Brazilian petrochemical industry is generally divided in three sectors, depending on the stage of transformation of the petrochemical raw materials. The companies that operate in these different stages are known as first, second and third generation companies.

***First generation companies.*** Brazil's first generation companies, which are referred to as crackers, break down or crack naphtha (a by-product of the oil refining process), their principal feedstocks, into basic petrochemicals. In Brazil, the crackers supply their naphtha requirements from Petrobras and through imports. Currently, Petrobras is the major Brazilian producer of naphtha. The basic petrochemicals produced by the crackers include olefins, primarily ethylene, propylene and butadiene, and aromatics, such as benzene, toluene and xylenes. Braskem has three naphtha-cracker plants, located in Camaçari, in Triunfo and in Mauá. Brazil's naphtha cracker units sell these basic petrochemicals to second generation companies. The basic petrochemicals, which are in the form of either gases or liquids, are transported to the second generation companies through pipelines for further processing. This sector passed through a restructuring process, with the emergence of Braskem as the main player and Petrobras as a relevant minority shareholder.

***Second generation companies.*** Second generation companies process the basic petrochemicals produced by the crackers to obtain intermediate petrochemicals, such as:

polyethylene, ethylene oxide, polystyrene and polyvinyl chloride, or PVC, each produced from ethylene;

polypropylene, oxo-alcohols and acrylonitrile, each produced from propylene;

styrene butadiene rubber, or SBR, and polybutadiene, each produced from butadiene;

caprolactam, produced from benzene; and

purified terephthalic acid, or PTA, produced from p-xylene.

In 2015, there were about 50 second generation companies operating in Brazil, including Oxiteno. The intermediate petrochemicals are produced in solid form (as plastic pellets or powders) and in liquid form and are transported through roads, railroads or by ship to third generation companies.

***Third generation companies.*** Third generation companies, known as transformers, purchase the intermediate petrochemicals from the second generation companies and transform them into final products, including:

polyester produced from PTA and ethylene glycol (ethylene glycols produced from ethylene oxide);

plastics produced from polyethylene, polypropylene and PVC;

elastomers produced from butadiene;

acrylic fibers produced from acrylonitrile; and

nylon produced from caprolactam.

Third generation companies produce a variety of consumer and industrial goods, including containers and packaging materials, such as bags, film and bottles, textiles, detergents and paints as well as automobile parts, toys and consumer electronic goods. There are over 11,500 third generation companies operating in Brazil.

***Petrochemical complexes.*** The production of first and second generation petrochemicals in Brazil centers around three complexes: the northeast complex, the São Paulo petrochemical complex and the southern petrochemical complex. Each complex has a single first generation producer or cracker and several second generation companies.

The northeast complex, located in the municipality of Camaçari in the state of Bahia, began operations in 1978. It consists of approximately 15 second generation companies, including Oxiteno, situated around Braskem. Braskem currently has an ethylene production capacity of 1.3 million tons per annum.

The São Paulo complex, located in the municipality of Santo André and Mauá in the state of São Paulo, was created in 1972 and is the oldest petrochemical complex in Brazil. Braskem, supplies first generation petrochemicals to 25 second generation companies including Oxiteno. Braskem has an ethylene production capacity of 700 thousand tons per annum.

The southern complex, located in the municipality of Triunfo in the state of Rio Grande do Sul, is based around the raw materials cracker, Braskem, and includes six second generation companies. Braskem's plant in Triunfo has an ethylene production capacity of 1.5 million tons per annum. Oxiteno does not purchase ethylene from Braskem in Triunfo, but purchases C4, a raw material used in the production of Methyl-ethyl-ketone, or MEK.

In December 2005, Rio Polímeros S.A. ( RioPol ), a subsidiary of Braskem located in the state of Rio de Janeiro, started operations of its ethylene production plant based on natural gas. RioPol has an ethylene production capacity of 520 thousand tons per year. All of RioPol's ethylene production is used in its own polyethylene production.

***Role of Petrobras.*** Naphtha is the raw material used in Brazil for the production of basic petrochemicals such as ethylene and propylene. Petrobras is still the most important naphtha supplier in Brazil, even though its legal monopoly ended in August 2000. See Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Industry and Regulatory Overview for a discussion of the termination of the Petrobras monopoly.

***Environmental, health and safety standards.*** Petrochemical companies are subject to Brazilian federal, state and local laws and regulations governing the protection of the environment. At the federal level, the main regulators are CONAMA and the Ministry of Labor.

In accordance with environmental laws and regulations, petrochemical companies are required to obtain licenses for their manufacturing facilities from competent environmental authorities, which may also regulate their operations by prescribing specific environmental standards in their operating licenses. Petrochemical companies must satisfy regulatory authorities that the operation, maintenance, and reclaiming of facilities comply with regulations and do not

cause damage to the environment.

Environmental regulations apply particularly to the discharge, handling and disposal of gaseous, liquid and solid products and by-products from manufacturing activities. Rules issued by CONAMA and by state authorities also prescribe preventive measures relating to environmental pollution and waste treatment requirements. In addition, the transportation, storage and supply of products are subject to specific standards designed to prevent spills, leakages and other accidents.

Historically, environmental regulations have imposed increasingly stricter standards, higher fines, and greater exposure to liability and increased operating costs and capital expenditures. In addition, civil, administrative and criminal sanctions, including fines and the revocation of licenses may apply to violations of environmental regulations. Under applicable law, Oxiteno is strictly liable for environmental damages.

Petrochemical companies are also subject to federal, state and local laws and regulations that establish occupational health and safety standards. In accordance with such laws and regulations, these companies are also required to report on their occupational, health and safety records on a yearly basis to the local office of the Ministry of Labor in each of the states in which they operate. They are also subject to all federal, state and local government regulation and supervision generally applicable to companies doing business in Brazil, including labor laws, social security laws, public health, consumer protection, securities laws and antitrust laws.

### ***Oxiteno***

We operate in the chemical sector through the second generation company, Oxiteno, a wholly owned subsidiary of Ultrapar and major producer of specialty chemicals. Oxiteno is the only producer of ethylene oxide, ethylene glycols, ethanolamines, glycol ethers and methyl-ethyl-ketone in Brazil, as well as the only producer of fatty alcohol in Latin America. Besides a plant in Venezuela, Oxiteno is the only ethylene oxide producer in South America. Its products are used in a broad range of industrial sectors, such as cosmetics, detergents, crop protection chemicals, polyester, packaging, coatings and oil industry. During the year ended December 31, 2015, Oxiteno sold 725 thousand tons of chemical and petrochemical products.

Oxiteno's strategic focus is to provide a broad coverage of the ethylene oxide and derivatives, maintaining a leading position in these markets that strengthens its market positioning in Brazil. Oxiteno's strategy is to increase its specialty chemical production capacity and its geographic reach.

***Products and markets.*** Although a portion of Oxiteno's products could be classified as either a commodity or a specialty chemical depending on the use of each product by our customer, for ease of understanding, Oxiteno's products are here divided into two principal groups: (i) commodity chemicals, which are generally higher-volume products, with standard specifications, and (ii) specialty chemicals, which tend to be lower-volume products sold on the basis of chemical features and suitability to meet a particular end-use requirement. Oxiteno's principal commodity chemicals are ethylene oxide and ethylene glycol. Oxiteno's principal specialty chemicals include a wide variety of products that are used as surfactants, softeners, dispersants, emulsifiers and hydraulic fluids.

The following chart outlines the principal raw materials used by Oxiteno and their intermediate and final products.

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**Specialty chemicals.** The following table sets forth Oxiteno's principal specialty chemical products and their principal uses and markets.

Major Markets	Specialty Chemicals	Examples of uses and effects
Detergents	Alkylbenzene sulfonic acids, alkylsulfates, alkyl ether sulfates, ethoxylated alkylphenols, ethoxylated fatty alcohols, polyethyleneglycols, alkanolamides, betaines, sulphosuccinates, block copolymers EO/PO	Used in detergents, the specialty chemicals are added mainly to improve cleaning power and foaming and to reduce skin irritability.
Cosmetics	Alkylsulfates, alkyl ether sulfates, betaines, ethoxylated fatty alcohols, polyethyleneglycols, alkanolamides, ethoxylated sorbitan esters, sorbitan fatty esters	Used in cosmetics as moisturizers, detergents for foaming and residue removal, and reduction of eye irritation in shampoos.
Crop protection chemicals	Ethoxylated fatty amines, ethoxylated alkylphenols, alkyl ether sulfates, blends, naphthalene sulfonate, ethoxylated vegetable oil, copolymers EO/PO	Used as part of the composition of crop protection chemical, such as herbicides. Increases their efficiency, by improving soil penetration and adherence of the products to plant surfaces.
Foods	Sorbitan fatty esters, ethoxylated sorbitan esters, emulsifiers, stabilizers, dispersants	Principally used as additives for breads and cakes, improving their texture and consistency, and as an emulsifier responsible for ice cream creaminess.
Textiles	Ethoxylated alkylphenols, ethoxylated fatty alcohols, ethoxylated vegetable oils, ethoxylated fatty amines, antistatic agents, lubricants, softeners, emulsifiers, antifoamers, mercerizing additives, humectants, low foam detergents	Used in the processing of textiles, improving spinning and weaving performance. Permits greater evenness in the mixing of fibers, dyeing, bleaching and improving the softness of the final cloth.
Hydraulic fluids	Ethylene glycol ethers, ethylene glycols, corrosion inhibitors	Used directly as hydraulic fluids in vehicles. Brake fluids guarantee brake system performance and safe braking. Cooling liquids help to cool the motor and maintain the correct operating temperature.



<b>Major Markets</b>	<b>Specialty Chemicals</b>	<b>Examples of uses and effects</b>
Oil field chemicals	Additives, emulsion breaker, mutual solvent, surfactant, antifouling, glycols, ethanalamines and dispersants	Chemical inputs applied in all stages of the production of oil and gas, such as drilling, cementing, completion, stimulation, production and refining, each one with specific characteristics.
Coatings	Acetates, alcohols, glycols ethers, glycols, ketones, alkyl ether sulfates, ethoxylated alkylphenols, ethoxylated fatty alcohols, block copolymers EO/PO	Solvents and surfactants are used in the preparation of paints and coatings, adhesives and inks. Solvents serve multiple functions in solvent borne paints and coatings: solubilization of the resin or polymer forming the continuous coating phase, pigment wetting and viscosity reduction to facilitate the application of the coating. Surfactants are used in emulsion polymerization and also as additive: thickeners, antifoaming agents, additives used to control rheological properties and others.

**Commodity products.** The following are Oxiteno's principal commodity products and their principal uses and markets:

**Ethylene oxide.** Ethylene oxide is a colorless and highly flammable gas at room temperature and atmospheric pressure. Ethylene oxide is produced in a continuous production process by gaseous phase catalytic partial oxidation of ethylene by oxygen at high temperature and pressure. In 2015, Oxiteno used 98% of its ethylene oxide production in the production of derivatives and sold the remaining 2% to other chemical companies.

**Ethylene glycols.** The principal ethylene glycol produced by Oxiteno is mono-ethylene glycol, known as MEG. Oxiteno also produces di- and tri-ethylene glycol. Mono-ethylene glycol is a clear, non-flammable, non-volatile liquid at room temperature and atmospheric pressure. Ethylene glycols are produced in a continuous process from an ethylene oxide solution and principally sold to chemical companies for the manufacture of polyester fibers and polyethylene terephthalate, known as PET, with the remainder sold for use in the production of antifreeze, brake fluids, solvent and other chemicals.

**Domestic sales.** The Brazilian petrochemicals industry seeks to prioritize demand from the domestic market, where there is greater value added, although sales are also made to the overseas market. While Oxiteno sells the larger part of its commodities and specialty chemicals in Brazil, production capacity exceeds domestic market demand, with Oxiteno exporting surplus production to more than 40 countries in Asia, Latin America, Europe and North America. Oxiteno maintains production capacity above local demand for strategic reasons. For the years ended December 31, 2015, 2014 and 2013, 33%, 29% and 31% of Oxiteno's net revenue from sales and services, respectively, were from sales outside Brazil. For the years ended December 31, 2015, 2014 and 2013, 28%, 29% and 30% of Oxiteno's sales volume, respectively, were from sales outside Brazil.

The following table shows Oxiteno's domestic market sales volume by market segment for the period indicated:

Market sector	Year Ended December 31,		
	2015	2014	2013
	(in thousand tons)		
Polyester	103.3	101.9	84.0
Cosmetics and detergents	123.1	121.5	115.4
Crop protection	91.2	98.4	104.6
Distributors	53.5	56.7	58.8
Coatings	45.2	54.6	54.7
EO / DOT (brake fluids)	33.0	38.1	38.7
Performance Products <sup>(1)</sup>	26.1	28.6	27.7
Glycols	19.6	19.8	24.2
Oil and Gas	20.1	30.2	28.5
Others <sup>(2)</sup>	6.7	7.7	8.8
<b>Total Brazilian market</b>	<b>521.8</b>	<b>557.3</b>	<b>545.5</b>

<sup>(1)</sup> Includes food, civil construction, textiles, leather and paper.

<sup>(2)</sup> Includes mineral oils and polymers.

Many of Oxiteno's commodity product prices in the Brazilian market are set by reference to international contract prices in U.S. dollars, although the prices are denominated in *Reais*. For specialty products, sales are individually negotiated and sometimes made pursuant to contracts. Specialty chemicals are designed to meet specific customer

needs and are less exposed to replacement by imported products. Accordingly, specialty chemicals have a higher value added and Oxiteno has more flexibility in pricing for these products.

***Sales outside Brazil.*** Oxiteno's export sales are made mainly to customers in the Mercosur, Far East, Europe and NAFTA. In Europe, Oxiteno exports its products mainly to the Netherlands, Germany, Italy, Belgium and Spain. In the Far East, Oxiteno exports its products mainly to China, Taiwan, Japan and South Korea.

The following table sets forth Oxiteno's sales by volume for each geographic market served by Oxiteno in the periods indicated:

Breakdown of sales volume outside Brazil <sup>(1)</sup>	Year Ended December 31,					
	2015		2014		2013	
	(in thousand metric tons and percentage of the total)					
<b>From Oxiteno Brazil</b>						
Mercosur (not including Brazil)	40.7	19%	43.4	18%	42.1	17%
NAFTA	11.0	5%	13.2	5%	22.3	9%
Asia	16.8	8%	19.8	8%	18.7	8%
Europe	12.2	6%	13.7	6%	13.4	6%
Other	17.1	7%	14.6	7%	16.6	7%
<b>Sub-Total</b>	<b>97.8</b>	<b>46%</b>	<b>104.6</b>	<b>43%</b>	<b>113.1</b>	<b>46%</b>
<b>From Oxiteno Mexico</b>						
Mexico	41.2	19%	34.9	14%	37.6	15%
USA	10.5	5%	15.9	7%	14.0	6%
Other	6.4	3%	9.9	4%	7.3	3%
<b>Sub-Total</b>	<b>58.0</b>	<b>27%</b>	<b>60.7</b>	<b>27%</b>	<b>58.9</b>	<b>24%</b>
<b>From Oxiteno Andina</b>						
Venezuela	6.0	3%	8.0	3%	17.3	7%
Other	2.9	1%	0.7	0%	0.3	0%
<b>Sub-Total</b>	<b>8.8</b>	<b>4%</b>	<b>8.7</b>	<b>4%</b>	<b>17.6</b>	<b>7%</b>
<b>From Oxiteno Uruguay</b>						
Brazil	14.0	7%	24.4	12%	23.6	3%
Uruguay	9.6	5%	11.6	5%	13.7	6%
USA	0.7	0%	0.7	0%	1.1	0%
Other	15.1	7%	15.3	8%	12.0	5%
<b>Sub-Total</b>	<b>39.5</b>	<b>19%</b>	<b>52.0</b>	<b>24%</b>	<b>50.4</b>	<b>22%</b>
<b>From Oxiteno USA</b>						
USA	7.4	3%	5.6	3%	3.7	2%
<b>Sub-Total</b>	<b>7.6</b>	<b>4%</b>	<b>6.0</b>	<b>3%</b>	<b>3.7</b>	<b>2%</b>
<b>Total</b>	<b>211.8</b>	<b>100%</b>	<b>232.1</b>	<b>100%</b>	<b>230.1</b>	<b>100%</b>

<sup>(1)</sup> Does not include intercompany sales volume.

Oxiteno exports a wide variety of chemical products including glycols, MEK, ethoxylated alkylphenols, glycol ether acetates, glycol ethers, ethanolamines and surfactants.

Since 2003, Oxiteno has focused on expanding its presence in Americas, and on increasing its specialty chemicals sales, creating a closer relationship with its customers. As a first step, in December 2003 Oxiteno acquired Canamex a Mexican specialty chemicals company (renamed Oxiteno Mexico). In April 2007, Oxiteno acquired the operating assets of Unión Química SA de CV, in San Juan del Río, Mexico. For the year ended December 31, 2015, Oxiteno

Mexico's sales volume totaled 58,031 tons, which represented a 4% decrease compared to the year ended December 31, 2014. See Item 4.A. Information on the Company History and Development of the Company.

In September 2007, Oxiteno acquired 100% of the shares of Arch Andina in Santa Rita, Venezuela (renamed Oxiteno Andina). For the year ended December 31, 2015, Oxiteno Andina's sales volume totaled 8,849 tons, representing an increase of 1% compared to the year ended December 31, 2014. See Item 4.A. Information on the Company History and Development of the Company.

In April 2012, Oxiteno acquired a specialty chemicals plant in Pasadena, Texas. For the year ended December 31, 2015, sales volume from the plant totaled 7,647 tons, representing an increase of 27% compared to the year ended December 31, 2014. See Item 4.A. Information on the Company History and Development of the Company.

In November 2012, Oxiteno acquired 100% of the shares of American Chemical (renamed Oxiteno Uruguay), a Uruguayan specialty chemicals company. For the year ended December 31, 2015, Oxiteno Uruguay's sales volume totaled 39,473 tons, which represented a 24% decrease compared to the year ended December 31, 2014, due to the decision to discontinue a line of products for the leather market. See Item 4.A. Information on the Company History and Development of the Company.

As part of our strategy to grow outside of Brazil, we opened commercial offices in Argentina in 2006, in Belgium in 2008, in Colombia in 2011 and in China in 2012.

In November 2015, Oxiteno announced the approval of investments to build an ethoxylation plant in the U.S. See Item 4.A. Information on the Company History and Development of the Company Investments.

In most cases, Oxiteno's sales prices for its commodity chemicals in the export markets are based on international prices. International spot prices are established by reference to published data regarding the price at which industry participants have sold the relevant product. In general, Oxiteno's operating margins on products manufactured in Brazil and sold in the international market are lower than operating margins for similar products sold in the domestic market. Nevertheless, Oxiteno deems it important to maintain a presence in international markets and is focused on expanding its presence in other specialty chemicals markets by opening international commercial offices. Oxiteno intends to shift sales to the domestic market as local demand for its products increases, but will continue to export and will maintain its presence in the international market.

**Customers.** Oxiteno's most important customers for its commodity chemicals are chemical companies, surface coating producers and polyester producers. In turn, the customers for specialty chemicals constitute a variety of industrial and commercial enterprises including brake fluid distributors, agrochemical producers, manufacturers of food additives and manufacturers of detergents and cosmetics. Oxiteno believes that by distributing its products to a variety of markets it is able to protect itself, to a certain extent, from the effects of a decrease in economic activity in any particular market.

In 2015, Oxiteno's main customers in the domestic market included Monsanto, which mainly purchases ethanolamines, Syngenta, Indústrias Gessy Lever Ltda. (Unilever), which mainly purchase surfactants and MEGlobal, which mainly purchases glycols. In the international market, Oxiteno sells both to industrial customers, including Unilever, Procter&Gamble and Syngenta, as well as trading companies and other third-party distributors. In 2015, Oxiteno's ten largest customers accounted for 32% of its net revenue from sales and services. No single customer accounted for more than 6% of Oxiteno's net sales in such year.

**Competition.** Oxiteno competes in the Brazilian market largely with imported products. Since 1990, it has had to operate in an increasingly competitive environment due to imports from international and transnational petrochemical industries. As imported products are mostly commodity chemicals, competition is based principally on price. Importers incur additional costs when selling their products in the Brazilian market, due to import tariffs which generally range between 12% and 14%, and additional freight charges. However, factors such as product quality, timely delivery, reliability of supply and technical service and support are also important competitive factors. Because it is a local producer, Oxiteno believes it has a particular competitive advantage over imports with regard to timely delivery and reliability of supply.

In the case of specialty chemicals, pricing is a less decisive competitive factor than with true commodity chemicals, while conformity with specifications, product performance and reliability of service are comparatively more important. Access to technology, technical assistance and research and development are important factors with regard to conformity to specifications and product performance, especially in the development of new products to meet customers' needs. Oxiteno's strategy involves ensuring access to technology through its own research and development activity, licensing and joint ventures, if appropriate opportunities become available.



Oxiteno's principal competitors are Shell Chemical, Dow Chemical, Clariant, BASF S.A., Solvay and Stepan.

**Research and development.** Oxiteno carries on a wide range of research and development activities, principally related to the application of specialty chemicals and improvements in production processes. As of December 31, 2015, 133 employees of Oxiteno were engaged in research and development and engineering activities. Oxiteno's research and development expenditures in 2015, 2014 and 2013 were R\$41 million, R\$36 million and R\$28 million, respectively. In 2004, Oxiteno founded its own Science and Technology Council, with six of the world's major specialists in surfactants as members. These specialists, with experience in the surfactants industry or in the academic environment in the US, Europe and Latin America, follow the trends and opportunities in the sector. Since 2004, the council, currently composed of five specialists, has met once a year in São Paulo to analyze Oxiteno's research and development project portfolio, as well as the management methodology applied. Their recommendations enable Oxiteno to improve its research and development activities' efficiency, as well as to broaden the reach of its partnerships with international entities. In addition, Oxiteno has created specific scientific councils with specialists from its main segments.

Oxiteno's investments in research and development have resulted in the introduction of 70 new applications for its products during the last three years. Oxiteno will continue to invest in research and development focused on developing new product applications to meet clients' needs.

**Raw materials.** Oxiteno's principal raw material is ethylene. For the year ended December 31, 2015, ethylene was responsible for 30% of Oxiteno's variable costs of production and 24% of its total cost of sales and services. Among Oxiteno's other raw materials, the principal materials include palm kernel oil, C4, butyl alcohol, primary fatty amine and phenol. Supply of ethylene constitutes an entry barrier for new ethylene oxide producers in Brazil since the current production capacity of ethylene by Brazilian crackers is committed to existing second generation companies, including Oxiteno, and significant investments are needed for the construction of a new cracker. Additionally, ethylene's transport and storage is complex and expensive because it must be kept at a temperature below -200 degrees Fahrenheit (-100 degrees Celsius) during transportation and storage, therefore importing and exporting of ethylene is generally uneconomical. Accordingly, the naphtha crackers, such as Braskem, are largely dependent for their sales upon the second generation petrochemical companies, such as Oxiteno, located in the respective petrochemical complexes.

**Ethylene supply.** Ethylene is used for the production of ethylene oxide at the Camaçari plant and the Mauá plant. Braskem supplies all of Oxiteno's ethylene requirements for the Camaçari plant and Mauá plant, through pipelines, thus minimizing the costs of delivery of ethylene and helping to ensure the reliability of supply. See Item 4.B. Information on the Company Business Overview Petrochemicals and Chemicals Industry and Regulatory Overview.

Oxiteno has a supply agreement with Braskem which establishes a minimum annually consumption level of ethylene, calculated quarterly, and conditions for the supply of ethylene until 2021 at the Camaçari plant. The minimum purchase commitment clause is 190 thousand tons of ethylene and a maximum of 205 thousand tons of ethylene per year. Should the minimum purchase commitment not be met, Oxiteno would be liable for a fine of 40% of the current ethylene price for the quantity not purchased. The minimum purchase commitment is subject to proportional reduction in the case of scheduled shutdowns in the supplier's and/or Oxiteno's facilities.

In addition, Oxiteno has a supply agreement with Braskem that expires in 2023 at the Mauá plant. The contract establishes and regulates the conditions for the supply of ethylene to Oxiteno based on the international market for this product. The minimum purchase is 22,050 tons of ethylene semiannually. Should the minimum purchase commitment not be met, Oxiteno be liable for a fine of 30% of the current ethylene price for the quantity not purchased. The minimum purchase commitment is subject to proportional reduction in the case of scheduled shutdowns in the supplier's and/or Oxiteno's facilities.

Oxiteno does not maintain storage of ethylene and any unexpected interruptions in supply from the crackers would have an immediate impact on Oxiteno's production.

First generation petrochemical companies undergo scheduled maintenance shutdowns. Oxiteno anticipates these shutdowns by building up inventory. Oxiteno also uses these planned shutdowns for regular maintenance work on its own plants or eventual substitution of catalysts or for expansion of installed capacity.

**Price of ethylene.** The price of ethylene supplied by Braskem to Oxiteno for the production of goods to be sold in Brazil is linked to ethylene contract prices on international markets as from August 2006 to our plant in Camaçari and as from August 2008 to our plant in Mauá.

The following table shows the average ethylene prices referenced to the North-Western Europe (NWE) contract prices:

	<b>NWE (US\$/ton)</b>
<b>2015</b>	
First Quarter	972
Second Quarter	1,155
Third Quarter	1,128
Fourth Quarter	996
Maximum Price in Year	1,240
Minimum Price in Year	946
Year Average	1,063
<b>2014</b>	
First Quarter	1,647
Second Quarter	1,603
Third Quarter	1,574
Fourth Quarter	1,326
Maximum Price in Year	1,676
Minimum Price in Year	1,245
Year Average	1,534
<b>2013</b>	
First Quarter	1,707
Second Quarter	1,567
Third Quarter	1,608
Fourth Quarter	1,654
Maximum Price in Year	1,719
Minimum Price in Year	1,509
Year Average	1,634

As naphtha is the main raw material for the production of ethylene in Brazil, fluctuations in the price of naphtha strongly influence fluctuations in the price of ethylene. Because the main determinant of the price of naphtha is the price of crude oil, the price of naphtha, and thus ethylene, is subject to fluctuations based on changes in the international oil price. The increases in the price of ethylene could affect Oxiteno's competitiveness in the petrochemical market. See Item 3.D. Key Information Risk Factors Risks Relating to Ultrapar and Its Industry.

In April 2013, the Brazilian government announced a reduction in the PIS and COFINS taxes levied on certain raw materials for the petrochemical industry (first and second generation), including ethylene. The PIS and COFINS paid on raw material procurement, including ethylene, was reduced to 1% from 9.25%. The lower tax rate was effective from May 2013 and is valid until 2015. According to the current legislation, the level of PIS and COFINS taxes levied in the acquisition of ethylene will gradually increase from 3% in 2016 to 5.6% in 2018.

*Other raw materials.* For the year ended December 31, 2015, other raw materials, such as palm kernel oil, C4, butyl alcohol, acetic acid, nonene, phenol, primary fatty amine, ethanol, oxygen, base oils, ammonium and other accounted for approximately 35% of Oxiteno's variable costs and 28% of its total costs of sales and services.

Oxiteno generally obtains these other raw materials from a variety of sources, except for phenol, which Oxiteno purchases principally from a single supplier, Rhodia Poliamida Especialidades Ltda., and for C4, which is supplied by Braskem in Triunfo.

*Utilities.* Electric power, steam and natural gas are the main utilities required for Oxiteno's production. Part of the electricity and steam used by Oxiteno is generated internally and part is purchased from electricity companies and third-party suppliers of steam in the regions where Oxiteno's plants are located. Natural gas is purchased from local companies. In 2015, electric power represented 3% of Oxiteno's variable costs.

*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 consent. Oxiteno is entitled to this tax benefit at Oxiteno Nordeste and Oleoquímica, due in 2016 and 2021, respectively. The total amount of SUDENE's income tax exemption for Oxiteno for the years ended December 31, 2015 and 2014 is R\$75 million and R\$49 million, respectively. For further information, see Note 9(c) to our 2015 consolidated financial statements.

*Maintenance and quality control.* Oxiteno carries out a program of preventive maintenance at each of its plants and uses statistical analysis to help predict production problems. The shutdowns due to the maintenance program usually take place at the same time as the shutdowns for the change of the ethylene oxide catalyst. In the case of the ethylene oxide and ethylene glycol units at the Mauá and Camaçari plants, which have continuous production processes, maintenance is preferably scheduled for periods when the relevant cracker, which supplies ethylene to the plant, is scheduled to be shut down for maintenance. Each cracker is typically shut down for maintenance for a period of approximately 20 days every 36 to 48 months. The same happens to the Triunfo plant, which receives C4 from Braskem. In the case of the other production units at such plants and the Tremembé plants, maintenance is performed during scheduled breaks in production, and the frequency and period for maintenance vary depending on the nature of the product. Oxiteno uses its own employees for specialized maintenance and uses third-party contractors for routine maintenance. In addition, Oxiteno has a team of employees responsible for quality control that operates continuously.

*Health, safety and environmental matters.* Oxiteno continuously monitors its compliance with federal, state and municipal legislation applicable to its various places of operation. In accordance with applicable law, Oxiteno is strictly liable for losses and damages of an environmental nature. See Item 4.B. Information on the Company Business Overview - Petrochemicals and Chemicals - Industry and Regulatory Overview.

Each of Oxiteno's plants is licensed by the competent environmental authorities. Licenses granted are valid for a fixed period of time and then must be renewed. The other terms of the licenses vary according to the applicable legislation and to the periodic inspections performed by environmental authorities.

Waste products from Oxiteno's industrial plants are discharged in accordance with legal requirements. Effluents are discharged and treated in Oxiteno's own treatment centers or by petrochemical complexes where it has activities. Oxiteno seeks to reprocess solid waste products in cement furnaces. Where reprocessing is not possible, these products are mainly incinerated.



Oxiteno's health and safety indicators are comparable to relevant international standards and are a priority in Oxiteno's activities and in the action plans for the upcoming years.

In addition to the legal requirements, Oxiteno voluntarily complies with other requirements, such as those related to the Responsible Care Program, issued by ABIQUIM, which sets forth international standards for environmental protection and occupational health as well as safety measures to be followed by chemical product producers.

Oxiteno developed an important project to increase the use of renewable raw materials, the oleochemical unit, which uses palm kernel oil, extracted from the palm seed, to produce fatty alcohols and its by-products. After the start-up of the oleochemical unit, the share of renewable raw materials in Oxiteno's raw materials total costs reached 25% in 2015, compared with 8% in 2007. In 2010, Oxiteno joined the Roundtable on Sustainable Palm Oil, an organization that works to regulate the sustainable plantation of palm, aiming to strengthen its regional leadership and its sustainability practices.

### **Storage services for liquid bulk**

#### *Ultracargo*

Ultracargo is the largest provider of storage for liquid bulk in Brazil. Ultracargo's main differentiating characteristic is the strategic location of its facilities, located close to the main Brazilian ports and rail junctions in Brazil. Ultracargo stores and handles liquid bulk, mainly chemicals, fuels and vegetable oil. Ultracargo also offers ship loading and unloading services, the operation of pipelines, logistics programming and installation engineering. Ultracargo's ten largest clients accounted for 77% of its revenues in 2015, with its three largest clients, Braskem, Petrobras and Oxiteno accounting for 21%, 16% and 8%, respectively, of Ultracargo's revenues. Ultracargo's strategic location of its operations, close to the main Brazilian port terminals, railroad junctions and roads, is one of the company's main strengths and a key driver of integrated services profitability. As of December 31, 2015, Ultracargo operated storage facilities with a capacity of 630 thousand cubic meters. Ultracargo's history is one of pioneering logistics solutions in the Brazilian market. The latest available data shows that Ultracargo accounted for 67% of all tank capacity for liquids at the Aratu port in the State of Bahia, which serves South America's largest petrochemicals complex. The company is also present in the port of Santos, in the state of São Paulo, which was responsible for 27% of the Brazilian foreign trade in 2015. The Santos terminal, which started operating in mid-2005, has become the largest storage facility operated by Ultracargo after the integration of the terminals acquired from União Terminais in 2008. In December 2009, with the acquisition of Puma, Ultracargo added 83.4 thousand cubic meters to its current capacity. In May 2012, Ultracargo acquired a liquid bulk storage terminal in Itaqui port, in the State of Maranhão, that added 55 thousand cubic meters to Ultracargo's current capacity. See Item 4.A. Information on the Company History and Development of the Company.

**Storage.** Ultracargo primarily provides storage services for liquid bulk, especially chemicals, fuels and vegetable oil. Ultracargo provides storage facilities to Braskem and most of the second-generation petrochemical companies in the Northeastern Petrochemical Complex, including Oxiteno. Transactions between Ultracargo and Oxiteno are carried out strictly on an arm's-length basis. At the end of 2003, Ultracargo maintained four liquid bulk storage terminals in Aratu in the state of Bahia, in Paulínia and Santos in the state of São Paulo, and in Suape in the state of Pernambuco. In late 2004, Ultracargo completed construction of an intermodal terminal in Montes Claros, in the state of Minas Gerais. With the acquisition of União Terminais in 2008, Ultracargo also started to operate in Paranaguá, in the state of Paraná, and in Rio de Janeiro, in the state of Rio de Janeiro. Since August 2012, Ultracargo has been operating in Itaqui, in the State of Maranhão. In 2012, Ultracargo sold to Ipiranga a liquid bulk terminal for fuels in Montes Claros in the state of Minas Gerais. Ultracargo operated the terminal until March 2013. Ultracargo's terminal in Paulínia was permanently closed in August 2015.

Ultracargo completed the construction of another intermodal terminal in Santos in mid-2005. This project is Ultracargo's second port installation to integrate road, rail and maritime transportation systems, the first being Aratu. Ultracargo's investment in this terminal was approximately R\$80 million. The terminal occupies an area of approximately 64 thousand square meters that hosts 38 thousand cubic meters of tankage space for chemical products, 40 thousand cubic meters for ethanol and 38 thousand cubic meters for vegetable oils. The terminal was built in partnership with Crystalsev, later assumed by Cosan, and Cargill/Coinbra whose capacity is exclusively operated by Ultracargo. In 2007, Ultracargo also expanded its liquid storage capacity with the addition of 10 thousand cubic meters to Aratu.



In 2008, Ultracargo added 184 thousand cubic meters to its liquid bulk storage capacity through: (i) the acquisition of União Terminais which added 170 thousand cubic meters and (ii) the expansion of its terminal in Aratu, adding 14 thousand cubic meters. In 2009, Ultracargo added 95 thousand cubic meters to its liquid bulk storage capacity through (i) the acquisition of Puma's assets in Suape, adding 83 thousand cubic meters and (ii) the expansion of its terminal in Aratu, adding 12 thousand cubic meters.

In 2010, Ultracargo added 16 thousand cubic meters to its liquid bulk storage in the terminal of Santos. Additionally, in July 2010, Ultrapar sold Ultracargo's in-house logistics, solid bulk storage and road transportation businesses, with the transfer of shares of AGT and Petrolog to Aqces. This transaction allowed Ultracargo to focus exclusively on its liquid bulk storage business, a segment in which it has a market leadership position. See Item 4.A. Information on the Company History and Development of the Company. In 2011, Ultracargo added 26 thousand cubic meters to its liquid bulk storage capacity in the Suape terminal. In 2012, Ultracargo added 55 thousand cubic meters to its liquid bulk storage capacity through the acquisition of a terminal in Itaquí. In 2013, Ultracargo concluded an expansion in the terminal of Santos, adding 46 thousand cubic meters (42 thousand cubic meters in 2012 and 4 thousand cubic meters in 2013), and in the terminal of Aratu, adding 26 thousand cubic meters (4 thousand cubic meters in 2012 and 22 thousand cubic meters in 2013).

**Income tax exemption status.** Brazilian legislation provides a 75% income tax reduction for businesses located in the northeast region of Brazil, which depends on SUDENE formal and previous consent. Ultracargo is entitled to this tax benefit at the Aratu and Suape terminals, up to 2022 and 2020, respectively. The total amount of SUDENE's Income tax exemption for the years ended on December 31, 2015 and 2014 is R\$2.3 million and R\$10.5 million, respectively. For further information see Note 9(c) to our consolidated financial statements. On December 30, 2014, Ultracargo filed its request for SUDENE's tax benefit for its Itaquí terminal, without response up to the moment this report was published.

**Quality.** In 2007, Ultracargo's terminal in Aratu obtained an ISO 14001 certification and underwent re-certification processes, being the last one in 2015. The evaluation process occurred under a unified Quality Management System for the entire country. Paulínia terminal obtained the ISO 14001 certification in 2004 and underwent re-certification processes, being the last one in 2012. In 2012 Santos terminal obtained the ISO 14001 certification and OHSAS 18001 in 2003. In 2011, Suape terminal obtained an ISO 14001 certification. In 2012, Suape and Aratu terminals obtained OHSAS 18001 certification. In 2013, Paulínia terminal obtained OHSAS 18001 certification. Ultracargo's terminal in Paulínia was permanently closed in August 2015. In 2014, the Aratu terminal was recognized for its performance in Health, Safety and the Environment by Industrial Development Committee of Camaçari (Cofic). In 2015, Itaquí terminal obtained an ISO 14001 and OHSAS 18001 certification.

## **Retail Pharmacy**

### **Industry Overview**

The retail pharmacy business in Brazil is responsible for the purchase, distribution and resale of medicines to end consumers through drugstores. It is also a common practice in this industry to sell beauty and personal care products as well as certain convenience products at drugstores. Its main suppliers are pharmaceutical producers and beauty and personal care producers.

The retail pharmacy business is a highly regulated industry. In Brazil, the regulation of the sector is divided among the Brazilian government, the state governments and municipalities. The Brazilian government enacts laws and regulations of general applicability, which are enforced and complemented by actions of the state governments and municipalities. At the federal level, the health and pharmaceutical sectors are regulated and supervised by the Ministry of Health, through ANVISA, established by Federal Law No. 9,782, of January 26, 1999.



The main rules governing the retail pharmacy business in Brazil are related to pricing of medicines and the restrictions in the handling, transportation, storage, marketing and sale of these products. Every year, as of March 31, the government approves maximum wholesale and consumer price adjustments of medicines, according to a metric that includes inflation, currency and the level of competition in each product category. In Brazil, the front-store area occupied by drugstores is usually smaller than 300 square meters.

Brazilian drugstores' total revenues, according to data from IMS Health, exceeded R\$82 billion in 2015, a 12% growth compared to 2014. We believe the sector has potential for continued growth, mainly due to (i) the aging population; (ii) greater access to medicines, especially due to the growing prominence of generic drugs; (iii) the growing demand for personal care and beauty products in drugstores; and (iv) higher levels of disposable income among consumers in the longer term. In addition, consolidation of the sector, supported by increasing market formalization and consequent investments, is in its early stages, with the top five drugstore chains in Brazil accounting for only 28% of the overall market revenues. According to IMS Health, there were approximately 71 thousand drugstores in Brazil in 2014.

The main types of pharmaceutical products sold in Brazil are listed below:

*Branded medicine* All medicines requiring a doctor's prescription identified by trademark, usually consisting of innovative products, the efficacy, safety and quality of which have been scientifically proven upon registration with the ANVISA. The pharmaceutical company that developed the medicine typically holds its patent and exclusivity for its marketing during a minimum 10-year period, after which such medicine becomes a reference for the production of similar or generic medicines.

*Generic medicine* Generic medicine is a drug product that is comparable to the reference (branded) medicine in dosage form, strength, route of administration, quality and performance characteristics, and intended use, and must contain the same active ingredients as the original formulation. However, instead of being marketed under a trademark, the generic medicine is designated by the name of the active ingredient. Generic medicines may be prescribed as an alternative to the reference medicines or may replace them at the time the medication is dispensed, as permitted by law. Generics can only be produced and sold after expiration, waiver or loss of the patent or other exclusivity rights associated with the comparable reference medicine. In addition, production and marketing of generic medication also requires proof of the efficacy, safety and quality of the generic drugs, as established through bioequivalence and bioavailability testing pursuant to which the composition and absorption by the body of the generic drugs are analyzed against the comparable reference medicine. Generic medicines have no trademark, but the name of the constitutive substance and the name of the laboratory that produces and sells it are printed on the label and packaging.

*Similar medicine* Medicines containing the same or more active ingredients and the same concentration, manner of administration, dosage and therapeutic indication as the reference medicine, marketed under a different trademark that did not undergo the bioequivalence testing to prove its efficacy, safety and quality. Similar medicines, like generic medicines, can only be produced and sold after expiration or waiver of the patent for the comparable reference medicine. As the producers do not necessarily submit similar medicines to bioequivalence testing, which is an expensive process, similar medicines are usually cheaper than generic medicines and reference medicines.

*OTC medicines* Over the Counter (OTC) medicines consist of both branded and generic medicines, as well as other products related to health and well-being that do not need prescription to be sold. They are generally used for the treatment of easily self-diagnosed acute conditions such as pain medication, flu, cough, fever and cold, antacids, vitamins, herbal products, products for vision, health equipment, first aid as well as nutritional dietary and convenience products.

According to ABRAFARMA, the sale of medicines accounted for 66% of the total sales of its members in the retail pharmacy business in Brazil in 2015, and products other than medicines accounted for the remaining 34% of the sales.

Sales of OTC products during the winter are usually higher than in warmer seasons, while sales of personal care products during the summer are usually higher than in other seasons.

The following chart shows the supply process of retail pharmacy in Brazil:

***Extrafarma***

Benefitting from over 50 years of activity in the wholesale and retail of pharmaceutical products, Extrafarma is a leading drugstore chain in the regions in which it operates. Extrafarma operates in areas where recent sales growth rates have been above the national average, which we believe presents attractive potential for future growth.

As of December 31, 2015, Extrafarma operated 254 drugstores in six states of Brazil (103 in Pará, 11 in Amapá, 63 in Ceará, 57 in Maranhão, 11 in Rio Grande do Norte, 6 in Piauí, 1 in Pernambuco, 1 in Paraíba and 1 in São Paulo). Extrafarma operates two distribution centers in Belém, in the state of Pará, and in Aquiraz, in the state of Ceará, which are responsible for supplying all of our stores.

Extrafarma operates both in the retail and wholesale of pharmaceutical products. In 2015, Extrafarma's gross revenues reached over R\$1.4 billion, of which the retail business represented 87% and the wholesale business represented 13%.

Extrafarma's main strategy is focused on the retail business, which is responsible for the larger share of its revenues. Within this business, Extrafarma's product mix consists of all the main types of pharmaceutical products (branded medicine; generic medicine; similar medicine; OTC) in addition to personal care products and convenience products. In 2015, out of Extrafarma's revenues in the retail business, branded medicines represented 34%, generic/similar medicines represented 15%, OTC 10%, convenience products represented 21% and personal care products represented 21%.

On the wholesale side, Extrafarma operates as a distributor of both pharmaceutical and personal care products. We purchase the products from manufacturers and sell them to other drugstore chains and independent retailers, which are serviced through Extrafarma's own and leased truck fleet. In December 31, 2015, the average payment term of Extrafarma's sales to independent retailers was 46 days.

In January 2016, Extrafarma remodeled its loyalty program and renamed it *Clube Extrafarma* ([www.clubeextrafarma.com.br](http://www.clubeextrafarma.com.br)). The program provides immediate discounts on purchases, in addition to accumulating 1 point for each R\$1 spent. Points received by Extrafarma's customers may be exchanged during the period of 6 months for significant discounts in store products, pre-paid mobile phone credits, Ipiranga's *Km de Vantagens* and *Multipius Fidelidade*.

Ultrapar's plan is to strengthen and accelerate the expansion of Extrafarma through (i) increased investment capacity, (ii) access to retail space in Ipiranga's service stations and Ultragas's resellers, with over 12 thousand potential retail outlets; and (iii) strengthening Extrafarma's management through the implementation of Ultrapar's recognized corporate governance, incentives, and alignment of interests. These mechanisms also contributed to an efficient integration of the operations into Ultrapar and to the development of business models that are attractive to Extrafarma's, Ipiranga's and Ultragas's consumers, thus increasing differentiation potential in each of these businesses.

**Competition.** The consolidation process of the retail pharmacy business is in its early stages.

The drugstore chains associated to ABRAFARMA represented an estimated 43% of the total revenues in the sector in 2015. There were more than 20 drugstore chains associated to ABRAFARMA in 2015. According to ABRAFARMA the main players in Brazil are Raia Drogasil, DPSP, Pague Menos, Brasil Pharma, Araujo and Panvel.

See Item 4.A. Information on the Company – History and Development of the Company – Extrafarma Transaction.

## Oil Refining

RPR consists of a refinery in the city of Rio Grande, in the state of Rio Grande do Sul, in the Southern region of Brazil. The refinery's nominal capacity is 17,000 barrels per day, and its principal products include gasoline, diesel, naphtha, fuel oil, LPG, kerosene, asphalt and special solvents. In 2015, the average production of the refinery was 10,087 barrels per day, which represented 59% of its nominal capacity and less than 1% of the total Brazilian oil refining capacity, according to ANP data. Ultrapar currently owns approximately one third of the capital of RPR. See Item 4.A. Information on the Company – History and Development of the Company. RPR's results are accounted for using the equity method, as share of profit of joint ventures and associates. Results generated by the oil refining operations are not significant to Ultrapar. In 2015, the share of profits from RPR operations recognized into Ultrapar's results amounted to R\$8.2 million, corresponding to less than 1% of Ultrapar's consolidated net income for the year.

Between 2011 and the third quarter of 2014, RPR faced a challenging operating scenario, due to costly raw materials and controlled selling prices that have not followed these variations in raw material costs. From August 2014, there was a sharp reduction in the international crude oil prices, reaching in December 2015 the lowest level since December 2008 (US\$36 per barrel). Despite the reduction in oil prices, the prices of oil-based fuels in Brazil have increased during the same period, helping improve RPR's margins. No assurance can be given that market conditions

will not change throughout this year or that RPR will be able to continue to operate profitably. See Item 4.A. Information on the Company History and Development of the Company.

## Insurance

We maintain insurance policies covering all the facilities of our wholly owned subsidiaries, which we consider appropriate to cover the risks to which we believe we are exposed, including but not limited to loss and damage from fire, lightning, explosion of any nature, windstorm, plane crash and electrical damage. The maximum compensation values based on the maximum possible loss that could result from specific location, as of December 31, 2015, are shown below:

	<b>Maximum compensation value<sup>(*)</sup></b>
Oxiteno	US\$ 1,062
Ipiranga	R\$ 769
Ultracargo	R\$ 550
Ultragaz	R\$ 300
Extrafarma	R\$ 125

(\*) In millions. Currency as indicated.

We have general liability insurance that covers all our wholly owned subsidiaries with coverage of up to a maximum of US\$400 million as of December 31, 2015 for losses and damage incurred by third parties as a result of any accidents that occur in connection with our commercial/industrial operations and/or the distribution and sale of our products and services.

We maintain Directors & Officers Liability (D&O) insurance policies to indemnify members of the board of directors, fiscal council and executive officers of Ultrapar and its subsidiaries (insureds) in the total amount of US\$50 million, which covers any insured liabilities resulting from wrongful acts, including any act or omission or any matter claimed against them solely by reason of his or her serving in such capacity, except if the act, omission or the claim is consequence of gross negligence or willful misconduct.

In addition, we also take out group life and personal accident, health and national and international transportation and other insurance policies.

We believe that our insurance covers, in all material respects, the risks to which we are exposed and is in line with industry standards. However, 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 to us.



### C. Organizational Structure

The following chart shows our organizational structure<sup>(1)</sup> for our principal subsidiaries as of December 31, 2015:

- (1) Percentages represent approximate ownership of voting share capital and total capital (voting capital/total capital).
- (2) Non-controlling interests in Utingás are mainly held by Liquigás Distribuidora S.A. and SHV Gas (31% and 8% of total capital, respectively).
- (3) Other shareholders of RPR are Petrobras and Braskem, each holding 1/3 of the voting shares.
- (4) União Vopak a company jointly owned by Tequimar and Vopak Brasil S.A.
- (5) ConectCar.

We conduct our LPG distribution business through Ultragaz, composed of Cia Ultragaz, Bahiana and Utingás. Cia Ultragaz operates in the business of distribution of LPG, primarily in the South, Southeast and Midwest regions of Brazil. Bahiana operates in the business of distribution of LPG, primarily in the Northeast regions of Brazil. Utingás is an LPG storage company, with facilities in the states of São Paulo and Paraná.

We conduct our fuel distribution business through Ipiranga, represented by our wholly-owned subsidiary IPP, except for IPP's subsidiaries that operates in the LPG distribution business, as described above. Ipiranga covers the distribution and marketing of petroleum products, fuel ethanol and NGV throughout Brazil. IPP also, through its subsidiary ITL, owns am/pm brand in Brazil and Tropical, which provides transportation services for Ipiranga and other fuel distributors.

We conduct petrochemical and chemical activities through our wholly-owned subsidiary, Oxiteno. Oxiteno operates in the petrochemical and chemical sector directly and through its subsidiaries, Oxiteno Nordeste, Oleoquímica, EMCA, Oxiteno Mexico and Oxiteno Andina. Oxiteno directly operates plants located in the state of São Paulo. Oxiteno Nordeste operates plants located in Camaçari, in the state of Bahia, and in Triunfo, in the state of Rio Grande do Sul. Oleoquímica and EMCA also operate in the Camaçari plant. Oxiteno Mexico operates three plants in Mexico and one plant in the United States through Oxiteno USA. Oxiteno Andina operates one plant located in Venezuela. Oleoquímica is the subsidiary through which we built a fatty alcohol plant in Camaçari. Oxiteno Uruguay, acquired in November 2012, operates one plant located in Uruguay.

We conduct liquid bulk storage business through our wholly-owned subsidiary, Ultracargo, which operates through its subsidiary Tequimar. Tequimar maintains storage facilities at seven terminals, of which two are located near the main petrochemical complexes in Brazil, Camaçari and São Paulo.

On January 31, 2014, we closed the Extrafarma Transaction, pursuant to which Extrafarma became our wholly owned subsidiary. Extrafarma operates a retail and wholesale pharmacy business in the North and Northeast regions of Brazil. See Item 4.A. Information on the Company History and Development of the Company Extrafarma Transaction.

Except for Oxiteno Mexico, Oxiteno Andina, Oxiteno USA and Oxiteno Uruguay, all of our material subsidiaries are incorporated under the laws of Brazil.

For further information see Item 4.A. Information on the Company History and Development of the Company.

## **D. Property, Plant and Equipment**

### **Ultragaz**

Ultragaz's LPG distribution network includes 17 filling plants. LPG is carried to the filling plants either via gas pipelines from Petrobras installations or by tanker trucks. When LPG transportation is via gas pipeline the bases are known as primary and when transportation is via tanker truck, the bases are known as secondary. Ultragaz also operates LPG storage bases, known as satellite bases for supplying our bulk trucks. Ultragaz maintains storage facilities for LPG bottles and satellite bulk distribution plants at strategic locations in order to maintain supplies close to its customer bases and thus to reduce transportation costs. LPG is stored in the filling plants in large LPG storage tanks with a typical capacity of 60 tons per tank. In the case of LPG to be delivered in bulk, the LPG is pumped directly from the storage tanks into the bulk tankers. In the case of LPG to be delivered in bottles, the LPG is pumped from the storage tanks into a number of filling heads, which fills the LPG bottles.

The following table sets forth the total storage capacity, total filling capacity during 2015 and the 2015 average filling utilization for each of Ultragas' s primary and secondary filling stations and satellite stations.

Base	Type	Total storage capacity	Filling capacity	2015 average filling utilization rate
		(in tons)	(in tons per month)	
Aracaju	Secondary	240	4,263	91%
Araçatuba	Satellite	180		
Aracruz	Secondary	120	4,212	33%
Araraquara	Satellite	60		
Araucária	Primary	240	9,693	68%
Barra de São Francisco	Secondary	360	2,400	24%
Barueri	Secondary	1,500	5,850	76%
Bauru	Satellite	60		
Betim	Secondary	480	9,360 <sup>(1)</sup>	45%
Blumenau	Satellite	60		
Canoas	Secondary	600	4,750	80%
Capuava	Primary	720	14,449	50%
Cascavel	Satellite	120		
Caucaia	Secondary	420	7,371 <sup>(1)</sup>	98%
Caxias do Sul	Satellite	60		
Chapecó	Satellite	60		
Florianópolis	Satellite	60		
Goiânia	Secondary	360	5,850	64%
Imbiruçu	Satellite	372		
João Pessoa	Satellite	60		
Joinville	Satellite	60		
Juazeiro	Satellite	60		
Londrina	Satellite	60		
Mauá	Satellite	720		
Mataripe	Primary	1,025	21,508 <sup>(1)</sup>	74%
Paulínia	Primary	2,260	9,982	74%
Pirajá Salvador	Satellite	60		
Ponta Grossa	Satellite	60		
Pouso Alegre	Satellite	60		
Ribeirão Preto	Secondary	180	4,646	78%
Rio de Janeiro	Primary	480	5,850 <sup>(1)</sup>	77%
Santos	Primary	2,400	3,608	57%
São José do Rio Preto	Satellite	60		
São José dos Campos	Primary	960	5,850	55%
Sorocaba	Satellite	120		
Suape	Primary	480	5,962	104%
<b>Total</b>		<b>15,177</b>	<b>125,604</b>	<b>68%</b>

<sup>(1)</sup> These facilities operated with more than one 8-hour shift per day.

Note: Facilities with more than 100% average filling utilization rate operated during and outside of normal business hours.

In addition, Ultragaz maintains headquarters in the city of São Paulo and regional offices in the areas in which it operates. Ultragaz also maintains 52 points of sales.

**Ipiranga**

Distribution of fuels is carried out through an extensive network of primary and secondary storage terminals. Primary storage terminals are generally located near refineries and are used as storage terminals for products to be transported either to secondary storage terminals or to large customers and TRRs. Distributors own their storage terminals (Owned), lease space in third parties' storage terminals (Third Party Agreement - TPA) or participate in pools (Joint-Operated terminals - JO) that serve two or more distributors. The following table sets forth the total storage capacity and ownership structure for each of Ipiranga's primary and secondary facilities in 2015.

<b>Base</b>	<b>Type</b>	<b>Owner Structure of Storage Terminal</b>	<b>Storage Capacity (m<sup>3</sup>)</b>
Açailândia	Secondary	JO operated by others <sup>(2)</sup>	3,013
Araucária	Primary	TPA <sup>(1)</sup>	850
Araucária	Primary	JO operated by others <sup>(2)</sup>	54,093
Bagé	Secondary	Owned	4,721
Barcarena	Primary	Owned	8,202
Barra do Pirai	Secondary	MRS <sup>(3)</sup>	869
Barueri	Primary	TPA <sup>(1)</sup>	6,100
Bauru	Secondary	TPA <sup>(1)</sup>	
Bauru	Secondary	Owned	3,288
Belém	Primary	Owned	13,585
Belém	Primary	TPA <sup>(1)</sup>	1,700
Belo Horizonte MRS	Secondary	MRS <sup>(3)</sup>	45
Betim	Primary	JO operated by Ipiranga <sup>(2)</sup>	12,024
Betim	Primary	JO operated by others <sup>(2)</sup>	7,258
Biguaçu	Primary	TPA <sup>(1)</sup>	2,313
Brasília	Primary	JO operated by others <sup>(2)</sup>	6,939
Cabedelo	Primary	TPA <sup>(1)</sup>	10,464
Campo Grande	Secondary	Owned	3,405
Campos	Secondary	JO operated by Ipiranga <sup>(2)</sup>	3,728
Canoas	Primary	Owned	36,216
Canoas	Primary	TPA <sup>(1)</sup>	1,000
Cascavel	Secondary	Owned	4,047
Caxias	Primary	Owned	36,084
Caxias	Primary	JO operated by others <sup>(2)</sup>	6,695
Chapadão do Sul	Secondary	TPA <sup>(1)</sup>	1,000
Cruz Alta	Secondary	Owned	4,325
Cubatão	Primary	TPA <sup>(1)</sup>	2,463
Cuiaba	Secondary	Owned	1,064
Cuiaba	Secondary	TPA <sup>(1)</sup>	75
Esteio	Primary	TPA <sup>(1)</sup>	400
Fortaleza	Primary	TPA <sup>(1)</sup>	5,900
Goiânia	Primary	JO operated by others <sup>(2)</sup>	5,693
Goiânia	Primary	TPA <sup>(1)</sup>	2,185
Governador Valadares	Secondary	Owned	3,245
Guamare	Primary	JO operated by others <sup>(2)</sup>	2,258
Guaramirim	Primary	TPA <sup>(1)</sup>	402

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Guarapuava	Secondary	Owned	5,625
Guarulhos	Primary	TPA <sup>(1)</sup>	3,410
Imbiruçu	Primary	JO operated by Ipiranga <sup>(2)</sup>	5,241
Itabuna	Primary	TPA <sup>(1)</sup>	105
Itaguaí MRS	Secondary	MRS <sup>(3)</sup>	631
Itaituba	Secondary	Owned	1,350
Itajaí	Primary	JO operated by Ipiranga <sup>(2)</sup>	10,625
Itajaí	Primary	TPA <sup>(1)</sup>	923
Jequié	Primary	JO operated by others <sup>(2)</sup>	2,414
Juazeiro	Secondary	JO operated by others <sup>(2)</sup>	1,821
Jundiaí MRS	Secondary	MRS <sup>(3)</sup>	87

Base	Type	Owner Structure of Storage Terminal	Storage Capacity (m <sup>3</sup> )
Lages	Secondary	TPA <sup>(1)</sup>	385
Londrina	Secondary	JO operated by Ipiranga <sup>(2)</sup>	6,469
Macapá	Primary	JO operated by Ipiranga <sup>(2)</sup>	3,076
Maceió	Primary	JO operated by others <sup>(2)</sup>	6,895
Manaus	Primary	Owned	6,370
Manaus	Primary	TPA <sup>(1)</sup>	700
Marabá	Secondary	TPA <sup>(1)</sup>	213
Maringá	Secondary	TPA <sup>(1)</sup>	7,453
Montes Claros	Secondary	Owned	1,171
Munguba	Secondary	Owned	12,377
Ourinhos	Secondary	Owned	5,015
Ourinhos	Secondary	Owned	2,163
Passo Fundo	Primary	JO operated by Ipiranga <sup>(2)</sup>	10,088
Paulínia	Primary	Owned	7,994
Paulínia	Primary	Owned	3,461
Paulínia	Primary	TPA <sup>(1)</sup>	170
Paulínia	Primary	JO operated by Ipiranga <sup>(2)</sup>	30,785
Piaceguera MRS	Secondary	MRS <sup>(3)</sup>	55
Porto Velho	Secondary	Owned	8,318
Pres. Prudente	Secondary	Owned	2,712
Ribeirão Preto	Primary	JO operated by others <sup>(2)</sup>	11,922
Rio Grande	Primary	TPA <sup>(1)</sup>	3,356
Rondonópolis	Secondary	Owned	10,709
Santa Maria	Secondary	Owned	5,913
Santarém	Secondary	Owned	846
São Brás Suaçui	Secondary	MRS <sup>(3)</sup>	2,736
São Caetano	Primary	Owned	21,265
São Francisco do Conde	Primary	TPA <sup>(1)</sup>	4,740
São José do Rio Preto	Secondary	Owned	6,491
São José do Rio Preto	Secondary	Owned	1,189
São José do Rio Preto (Simeira)	Secondary	JO operated by others <sup>(2)</sup>	1,838
São José dos Campos	Primary	JO operated by others <sup>(2)</sup>	7,541
São José dos Campos	Secondary	MRS <sup>(3)</sup>	269
São Luis	Primary	JO operated by Ipiranga <sup>(2)</sup>	13,899
São Luis	Primary	TPA <sup>(1)</sup>	22,913
Suape	Primary	JO operated by others <sup>(2)</sup>	11,228
Suape	Primary	TPA <sup>(1)</sup>	10,450
Teresina	Secondary	JO operated by others <sup>(2)</sup>	4,395
Uberaba	Primary	TPA <sup>(1)</sup>	685
Uberlândia	Primary	JO operated by others <sup>(2)</sup>	5,834
Uberlândia	Primary	TPA <sup>(1)</sup>	1,000
Vilhena	Secondary	Owned	884
Vitória	Primary	TPA <sup>(1)</sup>	19,566
Porto Nacional	Secondary	TPA <sup>(1)</sup>	2,790
			<b>576,211</b>

- (1) Third party agreements.
- (2) Joint-operated with other distributors.
- (3) Storage terminal dedicated to MRS, a Brazilian logistic company, and operated by Ipiranga.

**Oxiteno**

Oxiteno has six plants in Brazil: Camaçari plants in the northeast complex, Mauá plant in the São Paulo complex, Triunfo plant in the southern complex and Tremembé and Suzano plants in the state of São Paulo.



The following table sets forth the current ethylene oxide production capacity of Oxiteno's plants in Brazil as of December 31, 2015.

Units	Capacity (in tons per year)
Camaçari	350,000
Mauá	90,000
Tremembé	
Triunfo	
Suzano	
<b>Total</b>	<b>440,000</b>

Ethylene oxide is primarily an intermediate material used in the production of ethylene oxide derivatives. Only 1% of Oxiteno's sales volume in the year ended December 31, 2015 were ethylene oxide. Therefore, Oxiteno's total production output may not be determined by adding the capacities of ethylene oxide and its derivatives.

As Oxiteno's capacity for ethylene oxide derivatives exceeds its ethylene oxide production capacity, Oxiteno cannot produce the maximum amount of each derivative product in any year and, accordingly, actual production of ethylene oxide derivatives is less than its capacity shown in the tables below.

However, the excess production capacity of ethylene oxide derivatives provides a degree of operating flexibility that enables the company to switch production partially to other products and re-manage its ethylene oxide output for derivative products depending on relative demand, thus mitigating the effects of reductions in demand for certain products resulting from downturns in the petrochemical business cycle.

**Camaçari plants.** The Camaçari plants, located in the Northeast Complex, was built by Oxiteno and commenced production in 1978. The Camaçari plants produce ethylene oxide and ethylene oxide derivatives, such as ethylene glycols, ethanolamines, glycol ethers and ethoxylated derivatives.

In 2007, in connection with the acquisition of Ipiranga Group by Ultrapar, Oxiteno started to operate a mineral oils production plant, EMCA.

See Item 4.A. Information on the Company History and Development of the Company Investments.

The following table sets forth the production capacity of the Camaçari plant for each of its principal products.

Units	Capacity (in tons per year)
Ethylene oxide	350,000
Ethylene glycols	285,000
Ethanolamines	110,000
Glycol ethers	25,000

Units	Capacity (in tons per year)
Ethoxylated derivatives	270,000
White Mineral Oils	60,000
Fatty Alcohols	77,000
Fatty Acids	7,000
Glycerin	11,000

In 2015, the Camaçari plant operated at 65% of its production capacity. The plant had planned stoppages for regular maintenance.

**Mauá plant.** The Mauá plant, located in the São Paulo Complex, was the first plant built by Oxiteno and it commenced production in 1974. The Mauá plant has process units for ethylene oxide, ethylene glycols, glycol ethers, glycol ether acetates, natural alcohols and ethoxylated derivatives. In addition to the production units, the plant has drumming, storage, warehouse and maintenance facilities and also houses Oxiteno's principal research and development laboratory. The following table sets forth the current production capacity of the Mauá plant for each of its principal products.

Units	Capacity (in tons per year)
Ethylene Oxide	90,000
Ethylene Glycols	40,000
Glycol Ethers	40,000
Acetates	72,000
C4+C5 Alcohols	14,000
Ethoxylated Derivatives	106,000
Alkylation	17,000
Esterification	4,000
Hydraulic fluids	30,000

In 2015, the Mauá plant operated at 58% of its production capacity.

**Tremembé plant.** The Tremembé plant, located at Bairro dos Guedes, Tremembé, in the state of São Paulo, has three principal production units, a sulfonation/sulfation unit and two multipurpose units. The Tremembé plant commenced production in 1970 and was subsequently acquired by us in 1985.

The following table shows the current capacity of the principal units at the Tremembé plant.

Units	Capacity (in tons per year)
Esterification	10,000
Specialties	15,000
Sulfonation/Sulfation	16,000 <sup>(1)</sup>
Betaines	10,000
Hydraulic fluids	3,200
Naphthalenes Sulfonates	9,000
Agricultural Blends	15,000

<sup>(1)</sup> Capacity adjusted for 100% active matter.

In 2015, the Tremembé plant operated at 81% of its production capacity.

**Suzano plant.** In 2007, Oxiteno began operating a sulfonation and sulfation plant in Suzano, with a production capacity of 13.5 thousand tons per year. In 2012, Oxiteno added 14 thousand tons per year to its capacity. As a result, production capacity at the Suzano plant increased to 27.5 thousand tons per year.

Units	Capacity (in tons per year)
Sulfonation/Sulfation	13,500
Esterification	12,000
Betaines	2,000

In 2015, the Suzano plant operated at 70% of its production capacity.

**Triunfo plant.** The Triunfo plant is located in the Southern Complex. The Triunfo plant was built by Oxiteno and started production in October 1989. The Triunfo plant has two process units, one for the production of secondary butyl alcohol, which is used in the production of MEK, and one for the production of MEK.

The following table shows the current capacity of the principal units at the Triunfo plant.

Units	Capacity (in tons per year)
Oxygenated solvents	42,000

In 2015, the Triunfo plant operated at 95% of its production capacity.

With the acquisition of Oxiteno Mexico (formerly Canamex) in December 2003 and Unión Química in 2007, Oxiteno acquired three specialty chemical plants in Mexico. As of December 31, 2015, the Coatzacoalcos plant had a production capacity of 90 thousand tons per year of ethoxylates and 8 thousand tons per year of alkyphenols; the Guadalajara plant had a production capacity of 32 thousand tons per year of specialty chemicals and San Juan del Río had a production capacity of 8 thousand tons per year of specialty chemicals. In 2015, the Guadalajara, the Coatzacoalcos and San Juan del Río plants operated at an average rate of 77%, 50% and 85% of their production

capacity, respectively.

With the acquisition of Oxiteno Andina in September 2007, Oxiteno acquired a specialty chemical plant in Venezuela. As of December 31, 2015, the Santa Rita plant had a production capacity of 70 thousand tons per year of ethoxylates and operated with 30% of its production capacity in 2015.

Oxiteno acquired a specialty chemical plant in Pasadena, Texas in April 2012. As of December 31, 2015, the Pasadena plant had a production capacity of 32 thousand tons per year of specialty and agricultural blends. In 2015, Pasadena plant operated at an average rate of 23% of its production capacity.

With the acquisition of Oxiteno Uruguay in November 2012, Oxiteno acquired a specialty chemical plant in Montevideo, Uruguay. As of December 31, 2015, the Montevideo plant had a production capacity of 63 thousand tons per year of specialty chemicals and operated with 71% of its production capacity.

The following table sets forth Oxiteno's production plants located outside of Brazil:

<b>Units</b>	<b>Capacity (in metric tons per year)</b>
Ethoxylated derivatives Coatzacoalcos plant	56,000
Alkylation Coatzacoalcos plant	8,000
Ethoxylated derivatives Guadalajara plant	19,000
Esterification Guadalajara plant	13,000
Sulfonation/Sulfation San Juan del Río	8,000
Alkoxyated derivatives Santa Rita	70,000
Specialties/Agricultural Blends Pasadena	32,000
Sulfonation/Sulfation Montevideo	45,000
Fatty Acid Sulfate (FAS) Montevideo	10,000
Betaines/Amides Montevideo	6,000
Fatliquor oils Montevideo	2,000

#### **Ultracargo**

The following tables set forth the principal products stored at, and the storage capacity operated by, Ultracargo's facilities at December 31, 2015, and the average utilization of Ultracargo's facilities during 2015.

<b>Facility</b>	<b>Capacity (in cubic meters)</b>	<b>Average utilization %<sup>(2)</sup></b>	<b>Product Lines</b>
Aratu (Bahia)	218,190	96%	Chemicals, vegetable oils, corrosives, and fuels
Suape (Pernambuco)	157,910	117%	Chemicals, ethanol, corrosives and fuels
Itaqui (Maranhão)	55,280	134%	Fuels
Santos (São Paulo) <sup>(1)</sup>	152,800	78%	Chemicals, lubricants, fuels, corrosives, ethanol and vegetable oils
Rio de Janeiro (Rio de Janeiro)	17,247	108%	Corrosives and lubricants
Paranaguá (Paraná)	28,262	58%	Corrosives, vegetable oils
Paulínia (São Paulo) <sup>(3)</sup>	0	44%	Chemicals and ethanol
<b>Total</b>	<b>629,689</b>	<b>97%</b>	

(1) 185 thousand cubic meters of effective capacity at our Santos facilities have been interrupted due to the fire accident. Please see Item 4.A. Information on the Company History and Development of the Company

Ultracargo Fire at storage facilities in Santos.

- (2) Based on an estimated turnover of products for each terminal.
- (3) Ultracargo's terminal in Paulínia was permanently closed in August 2015.

**Extrafarma**

As of December 31, 2015, Extrafarma operated 254 drugstores and 2 distribution centers in the North and Northeast regions of Brazil.

The following tables set forth the breakdown per region of Extrafarma's drugstores and the capacity for each of Extrafarma's distribution centers as of December 31, 2015:

<b>Location</b>	<b># of stores</b>
<b>North</b>	<b>114</b>
Pará	103
Amapá	11
<b>Northeast</b>	<b>139</b>
Ceará	63
Maranhão	57
Rio Grande do Norte	11
Piauí	6
Pernambuco	1
Paraíba	1
<b>Southeast</b>	<b>1</b>
São Paulo	1
<b>Total</b>	<b>254</b>

<b>Distribution center</b>	<b>Area (in square meters)</b>	<b>Height (in meters)</b>
Belém (Pará)	11,400	6.8
Aquiraz (Ceará)	7,500	12.3
<b>Total</b>	<b>18,900</b>	

**Collateral**

As of December 31, 2015, Ultrapar had no debt secured by property, plant and equipment.

**ITEM 4A. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS****A. Operating Results**

You should read this discussion together with our consolidated financial statements, including the notes thereto, and other financial information included elsewhere in this annual report and in conjunction with the financial information

included under Item 3.A. Key Information Selected Consolidated Financial Information.

Our audited consolidated financial statements included herein were prepared in accordance with IFRS and include our consolidated balance sheets as of December 31, 2015 and 2014, and the related income statements, statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015, 2014 and 2013, as well as notes thereto.



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

## Overview

Ultrapar is a Brazilian Company with leading positions in the markets in which it operates with almost 80 years of history. Our five principal businesses, as of December 31, 2015, were:

LPG distribution, conducted by Ultragas;

fuel distribution, conducted by Ipiranga;

chemicals production, conducted by Oxiteno;

storage services for liquid bulk, conducted by Ultracargo; and

retail pharmacy business, conducted by Extrafarma.

Ultragas distributes LPG to residential, commercial and industrial market segments. Ipiranga distributes gasoline, ethanol, diesel, NGV, fuel oil, kerosene and lubricants through a network of 7,230 service stations and directly to large customers. Oxiteno produces ethylene oxide and its principal derivatives, and is also a significant producer of specialty chemicals, particularly surfactants. It manufactures approximately 1,500 products used in various industrial sectors such as cosmetics, detergents, crop protection chemicals, packaging, textiles and coatings. Ultracargo is the largest provider of storage for liquid bulk in Brazil, with six terminals and storage capacity of approximately 630 thousand cubic meters.

On September 30, 2013, Ultrapar entered into an association agreement with Extrafarma, one of Brazil's ten largest drugstore chains. The Extrafarma Transaction closed on January 31, 2014 with the approval of the merger of shares by the Extraordinary General Meetings of Ultrapar and Extrafarma and, consequently, Extrafarma became a wholly-owned subsidiary of Ultrapar from February 1, 2014 onwards. Accordingly, Extrafarma's results of operations did not affect our results of operations in 2013. Extrafarma's results of operations were consolidated into Ultrapar's results of operations as from February 1, 2014. See Item 4.A. Information on the Company History and Development of the Company Extrafarma Transaction.

## Brazilian economic background

Since most of our operating businesses are located in Brazil, we are significantly affected by Brazil's economic and social conditions, including, but not limited to, gross domestic product, or GDP, growth rates, the domestic rate of inflation and exchange rate fluctuations.

**Gross domestic product.** Despite the domestic inflationary pressure and the effects of the economic crisis in Europe, Brazil's GDP grew by 3.9% in 2011, primarily as a result of the good performance of the agricultural and retail sectors, combined with an increase in families' consumption and historically low unemployment rates. In 2012, despite the Brazilian government's measures to stimulate the economy through record low interest rates and tax incentives to certain segments, GDP grew by 1.8%, the lowest level since 2009, partially as a result of the slowdown in the global

economy and low levels of local investments in previous years. In 2013, the macroeconomic environment remained challenging in Brazil, with a slightly better situation in the international market, influenced by the recovery in the U.S. and European economies. In order to curb the rising inflation rates observed throughout the year, the Brazilian government raised the economy's base interest rate (SELIC), from 7.25% at the end of 2012 to 10.0% at the end of 2013. Brazil's GDP grew by 2.7% over 2012. In 2014, inflation remained at high levels, reaching 6.4% at the end of the year, and the Brazilian government raised again the economy's basic interest rate from 10.0% at the end of 2013 to 11.75% at the end of 2014. Brazil's GDP grew 0.1% in 2014. In 2015, Brazilian GDP decreased 3.8%, influenced by a challenging domestic environment with a combination of economic slowdown, higher unemployment levels, inflationary pressure and a higher economy's basic interest rate (from 11.75% at the end of 2014 to 14.25% at the end of 2015). Our operations are significantly impacted by Brazilian GDP growth, specifically, sales of LPG to commercial and industrial customers, sales of diesel, Oxiteno's sales to the domestic market and Ultracargo's logistics operations.

**Inflation and currency fluctuations.** Our cash operating expenses are substantially in *Reais* and tend to increase with inflation. However, some of our costs of sales and services rendered are linked to the U.S. dollar and are not substantially affected by the Brazilian inflation rate. In addition, some of our *Real*-denominated debt is indexed to take into account the effects of inflation. In 2011, the unstable international economic environment, especially in the second half of the year as a result of the effects of the European crisis, contributed to a 13% depreciation of the *Real* against the U.S. dollar for the year, reversing the appreciation trend in the first half of the year. In 2011, the IGP-M and the IPCA index rates were 5.1% and 6.5%, respectively. In 2012, the Brazilian government adopted counter-cyclical measures during the year to foster economic growth, such as the reduction of the SELIC rate and the reduction of federal taxes on the automotive sector. The effects of the lower economic growth, the lower interest rate and the unstable international environment contributed to a 9% depreciation of the *Real* against the U.S. dollar. In 2012, the IGP-M and the IPCA index rates were 7.8% and 5.8%, respectively. In 2013, the *Real* depreciated 15% against the U.S. dollar influenced by the performance of the Brazilian economy, the economic rebound in the United States and the economic instability in the international markets. In 2014, the weak performance of the Brazilian economy and the recovery of the North American economy contributed to a 13% depreciation of *Real* against the U.S. dollar. The IGP-M and the IPCA index rates were 3.7% and 6.4%, respectively. In 2015, the IGP-M and the IPCA index rates were 10.5% and 10.7%, respectively, impacted by the adjustment of regulated prices, such as fuels and electric energy, and the *Real* depreciated 47% against the U.S. dollar influenced by the downgrade of Brazil's sovereign credit rating and the expectation for an interest rate rise by the Federal Reserve System. From December 31, 2015 to April 25, 2016 the *Real* appreciated by 9% against the U.S. dollar. The principal foreign exchange risk we face arises from certain U.S. dollar denominated costs and expenses. Although a substantial part of our debt is dollar-denominated, it is currently hedged against currency devaluation through the use of various derivative instruments or matching investments in the same currency. Additionally, a significant part of our raw materials is also denominated or indexed to the U.S. dollar. A large part of our sales is denominated in *Reais*, although prices in the chemical business are benchmarked to prices prevailing in the international markets, which in turn are linked to U.S. dollars. Hence, we are exposed to foreign exchange rate risks which could negatively impact our businesses, financial situation and operating results as well as our capacity to service our debt.

The table below shows the inflation rate for the periods indicated, as measured by the IGP-M as well as the devaluation (or appreciation) of the *Real* against the U.S. dollar.

Index	Year ended December 31,		
	2015	2014	2013
IGP-M	10.5%	3.7%	5.5%
IPCA	10.7%	6.4%	5.9%
Devaluation of the <i>Real</i> against the U.S. dollar	47.0%	13.4%	14.6%

We manage the foreign exchange risk associated with the scheduled payments under the terms of our U.S. dollar indebtedness by investing in U.S. dollar-denominated securities and foreign currency/interest swap contracts, under which we pay variable interest in *Reais* based on the interbank certificate of deposit rate, or CDI, and receive fixed interest in U.S. currency. As of December 31, 2015 our total obligations denominated in foreign currency were R\$2,694.7 million (US\$690.1 million), including payables arising from imports, net of advances to foreign suppliers. At the same date our total asset position in foreign currency was R\$3,615.2 million (US\$925.8 million), comprised of investments indexed to U.S. dollars and hedging instruments used to manage fluctuations of exchange rates and foreign currency receivables exposures. As of December 31, 2015, Ultrapar had a net long exposure in foreign currency of R\$920.5 million (US\$235.7 million), comprised of a net short position in U.S. dollars of R\$552.7 million (US\$141.5 million), a net long position in U.S. dollars of R\$94.6 million (R\$24.2 million) and a net long position in other currencies, principally the Mexican Peso of R\$273.2 million (US\$70.0 million), due to the company's operations in this country. For the purposes of this paragraph, U.S. dollar values were calculated based on the December 31, 2015 *Real*/dollar exchange rate. See Item 11. Quantitative and Qualitative Disclosures About Market Risk Foreign

Exchange Risk for information about our foreign exchange risk hedging policy and Notes 14 and 30 to our consolidated financial statements.

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**Critical accounting policies and estimates**

The presentation of our financial condition and results of operations requires our management to make judgments regarding the effects of matters that are inherently uncertain on the carrying value of our assets and liabilities and may affect the reported amount of them as well as our revenues and expenses. Actual results may differ from those estimated under different variables, assumptions or conditions, even though our management believes that its accounting estimates are reasonable. The following paragraphs review the critical accounting estimates that management considers most important for understanding our financial condition, results of operations and cash flows. An accounting estimate is considered a critical accounting estimate if it meets the following criteria:

The accounting estimate requires management to make assumptions about matters that were highly uncertain at the time the accounting estimate was made; and

Different estimates that management reasonably could have used for the accounting estimate in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, would have a material impact on our financial condition, results of operations or cash flows.

We have identified the following accounting policies as critical.

***Allowance for doubtful accounts.*** We maintain allowances for doubtful accounts for estimated losses resulting from the subsequent inability of our customers to make required payments. The allowance for doubtful accounts is recorded in an amount we consider sufficient to cover any probable losses on realization of our accounts receivable from our customers, as well as other receivables, and is included as selling expenses; no adjustment is made to net revenue from sales and services. In order to establish the allowance for doubtful accounts, our management constantly evaluates the amount and characteristics of our accounts receivable. When significant delays occur and the likelihood of receiving these payments decreases, a provision is made. In case receivables in arrears are guaranteed or there are reasonable grounds to believe they will be paid, no provision is made. If the financial conditions of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances would be required in future periods. However, because we cannot predict with certainty the future financial stability of our customers, we cannot guarantee that our allowances will continue to be adequate. Actual credit losses may be greater than the allowance we have established, which could have a significant impact on our selling expenses. See Notes 5 and 30 to our consolidated financial statements, for additional information about our allowance for doubtful accounts.

***Provisions for inventory losses.*** If net realizable values are below inventory costs, a provision corresponding to this difference is recognized. Provisions are also made for obsolescence of products, materials or supplies that (i) do not meet our specifications, (ii) have exceeded their expiration date or (iii) are considered slow-moving inventory. This classification is made by management with the support of its industrial and operation teams. See Note 6 to our consolidated financial statements for additional information about our provisions for inventory losses.

***Deferred income and social contribution taxes.*** We recognize deferred tax assets and liabilities, which do not expire, arising from tax loss carry forwards, temporary add-backs, revaluation of property, plants and equipment and other procedures. The deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which they can be utilized. We periodically review the deferred tax assets for recoverability considering historical taxable income, projected future taxable income, and the expected timing of the reversals of existing temporary differences. In the event we or one of our subsidiaries operate at a loss or are unable to generate sufficient future taxable income, or if there is a material change in the actual effective tax rates or time period within which the underlying temporary differences become taxable or deductible, we reduce all or a significant portion of our

deferred tax assets, resulting in an increase in our effective tax rate, thereby decreasing net income. A high degree of management judgment is required in determining the recoverability of deferred tax assets. The principal uncertainty relates to the likelihood of future taxable income from the subsidiary that generated the deferred tax asset. A change in our projections of profitability could result in the need to reduce the deferred tax assets, resulting in a negative impact of future results. See Note 9 to our consolidated financial statements for additional information on taxes.

**Provisions for tax, civil and labor risks.** We are currently involved in certain legal and administrative proceedings that arise from our normal course of business as described in Item 8.A. Financial Information Consolidated Statements and Other Financial Information Legal Proceedings and Note 20 to our consolidated financial statements. We believe that the provisions for such proceedings in our consolidated financial statements are adequate. It is our policy to record provisions in regard to lawsuits when the probability of an existing obligation is considered more-likely-than-not to occur in the opinion of our management, based on information available to us, including information obtained from our internal and external legal counsel. Future results of operations could be materially affected by changes in our assumptions, by the effectiveness of our strategies relating to these proceedings, by future developments in each matter being discussed or by changes in approach, such as a change in settlement strategy in dealing with these matters.

**Property, plant and equipment.** Property, plant and equipment is recognized at acquisition or construction cost, including financial charges incurred on property, plant and equipment under construction, as well as maintenance costs resulting from scheduled plant outages and estimated costs to remove, to decommission or to restore assets (see Note 19 to our consolidated financial statements). Depreciation is calculated using the straight-line method, for the periods mentioned in Note 12 to our consolidated financial statements, taking into account the useful lives of the assets, which are reviewed annually. Leasehold improvements are depreciated over the shorter of the lease contract term and useful life of the property.

**Intangible assets.** Intangible assets include assets acquired by us from third parties, according to the criteria below (see Note 13 to our consolidated financial statements):

Goodwill is carried net of accumulated amortization as of December 31, 2008, when it ceased to be amortized. Goodwill generated since January 1, 2009 is shown as intangible asset corresponding to the positive difference between the amount paid or payable to the seller and the fair value of the identified assets and liabilities assumed of the acquired entity, and is tested annually for impairment. Goodwill is allocated to the respective cash generating units ( CGU ) for impairment testing purposes.

Bonus disbursements as provided in Ipiranga's agreements with reseller service stations and major consumers are recognized as distribution rights when paid and amortized using the straight-line method according to the term of the agreement.

Other intangible assets acquired from third parties, such as software, technology and commercial property rights, are measured at the total acquisition cost and amortized using straight-line method, for the periods mentioned in Note 13 to our consolidated financial statements, taking into account their useful lives, which is reviewed annually.

We have not recognized intangible assets that were created internally. We and our subsidiaries have goodwill and brands acquired in business combinations, which are evaluated as intangible assets with indefinite useful life (see Note 13 items i and vi).

**Impairment of assets.** We review, at least annually, the existence of indication that an asset may be impaired. If there is an indication, we estimate the recoverable amount of the asset. Assets that cannot be evaluated individually are grouped in the smallest group of assets that generate cash flow from continuous use and that are largely independent of cash flows of other assets (CGU). The recoverable amount of assets or CGUs corresponds to the greater of their fair value net of applicable direct selling costs and their value in use.





The fair value less costs of disposal is determined by the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date, net of costs of removing the asset, direct incremental costs to bring an asset into condition for its sale, legal costs and taxes.

To assess the value in use, we consider the projections of future cash flows, trends and outlooks, as well as the effects of obsolescence, demand, competition and other economic factors. Such cash flows are discounted to their present values using the discount rate before tax that reflects market conditions for the period of impairment testing and the specific risks of the asset or CGU being evaluated. In cases where the expected discounted future cash flows are less than their carrying amount, the impairment loss is recognized for the amount by which the carrying value exceeds the fair value of these assets. Losses for impairment of assets are recognized in profit or loss. In case goodwill has been allocated to a CGU, the recognized losses are first allocated to reduce the corresponding goodwill. If the goodwill is not enough to absorb such losses, the surplus is allocated to the assets on a pro-rata basis. An impairment of goodwill cannot be reversed. For other assets, impairment losses may be reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if the impairment had not been recognized.

We tested the balances of goodwill shown in the table of Note 13 to our consolidated financial statements for impairment. The determination of value in use involves assumptions, judgments and estimates of cash flows, such as growth rates of revenues, costs and expenses, estimates of investments and working capital and discount rates. The assumptions about growth projections and future cash flows are based on our business plan, as well as comparable market data, and represent management's best estimate of the economic conditions that will exist over the economic life of the various CGUs, to which goodwill is related.

The evaluation of the value in use is calculated for a period of five years (except the Extrafarma segment), after which we calculate the perpetuity, considering the possibility of carrying the business on indefinitely. For the Extrafarma segment, a 10-year period was used due to its expansion plan and considering a three-year period to maturity of new stores.

On December 31, 2015, the discount and real growth rates used to extrapolate the projections ranged from 10.3% to 17.1% (except discount rate of Oxiteno Andina of 43.5%) and 0% to 1% p.a., respectively, depending on the CGU analyzed.

Our goodwill impairment tests did not result in the recognition of losses for the years ended December 31, 2015, 2014 and 2013.

***Provisions for assets retirement obligations – fuel tanks.*** We make provisions for assets retirement obligations that correspond to the legal obligation to remove Ipiranga's underground fuel tanks located at Ipiranga-branded service stations after a certain period. The estimated cost of the obligation to remove these fuel tanks is recognized as a liability when tanks are installed. The estimated cost is recognized in property, plant and equipment and depreciated over the respective useful life of the tanks. The amounts recognized as a liability are monetarily restated until the respective tank is removed. An increase in the estimated cost of the obligation to remove the tanks could result in negative impact in future results. The estimated removal cost is reviewed and updated annually or when there is significant change in its amount. For further detail on provisions for assets retirement obligations of Ipiranga, see Note 19 to our consolidated financial statements.

***Exchange rate used in translation of Oxiteno Andina financial statements.*** Due to the political and economic situation in Venezuela, the Company's management reassessed the exchange rate used in the translation of financial statements and changed, on December 31, 2015, the rate from SICAD Sistema Complementario de Administración de Divisas to SIMADI Sistema Marginal de Divisas, due to the fact that currently this exchange rate is the one that most closely matches the best expression of the Venezuelan economy. SIMADI: Bolivar is traded at variable exchange rate

of approximately 199 VEF/US\$ on December 31, 2015. For further detail, see Note 2.r to our consolidated financial statements.

***Subscription warrants indemnification fair value determination.*** Subscription warrants are valued according to Ultrapar's share price (UGPA3) on the effective date of financial statements, reduced by the dividend yield, once the subscription warrants exercise is only possible from 2020 onward, without dividends rights until then. The quantity of shares of the subscription warrants indemnification is also adjusted according to the variation of the amounts of provisions and of tax, civil and labor risks contingent liabilities, relative to the period before January 31, 2014. For further detail, see Notes 3.a and 30 to our consolidated financial statements.

**Financial assets.** In accordance with IAS 32, IAS 39, and IFRS 7, our financial instruments are classified as follows:

Measured at fair value through profit or loss: financial assets held for trading, that is, acquired or incurred principally for the purpose of selling or repurchasing in the near term, and derivatives. The balances are stated at fair value. The interest earned, the exchange variation, and changes in fair value are recognized in profit or loss.

Held to maturity: non-derivative financial assets with fixed or determinable payments, and fixed maturities for which the entity has the positive intention and ability to hold to maturity. The interest earned and the foreign currency exchange variation are recognized in profit or loss, and balances are stated at acquisition cost plus the interest earned, using the effective interest rate method.

Available for sale: non-derivative financial assets that are designated as available for sale or that are not classified into other categories at initial recognition. The balances are stated at fair value, and the interest earned and the foreign currency exchange variation are recognized in profit or loss. Differences between fair value and acquisition cost plus the interest earned are recognized in other comprehensive income in the Valuation adjustments . Accumulated gains and losses recognized in shareholders equity are reclassified to profit or loss in case of prepayment.

Loans and receivables: non-derivative financial assets with fixed or determinable payments or receipts, not quoted in an active market, except: (i) those which the entity intends to sell immediately or in the near term and which the entity classified as measured at fair value through profit or loss; (ii) those classified as available for sale; or (iii) those for which the Company may not recover substantially all of its initial investment for reasons other than credit deterioration. The interest earned and the foreign currency exchange variation are recognized in profit or loss. The balances are stated at acquisition cost plus interest, using the effective interest rate method. Loans and receivables include cash and banks, trade receivables, dividends receivable, and other trade receivables.

The Company uses derivative financial instruments for hedging purposes, applying the concepts described below:

Hedge accounting fair value hedge: derivative financial instruments used to hedge exposure to changes in the fair value of an item, attributable to a particular risk, which can affect the entity's profit or loss. In the initial designation of the fair value hedge, the relationship between the hedging instrument and the hedged item is documented, including the objectives of risk management, the strategy in conducting the transaction, and the methods to be used to evaluate its effectiveness. Once the fair value hedge has been qualified as effective, the hedge item is also measured at fair value. Gains and losses from hedge instruments and hedge items are recognized in profit or loss. The hedge accounting must be discontinued when the hedge becomes ineffective.

Hedge accounting cash flow hedge: derivative financial instruments used to hedge the exposure to variability in cash flows that is attributable to a risk associated with an asset or liability or highly probable transaction that may affect the income statements. The portion of the gain or loss on the hedging instrument that is determined to be effective relating to the effects of exchange rate effect, is recognized directly in

equity in accumulated other comprehensive income as Valuation adjustments while the ineffective portion is recognized in profit or loss. Gains or losses on the hedging instrument relating to the effective portion of this hedge that had been recognized directly in accumulated other comprehensive income shall be recognized in profit or loss in the period in which the hedged item is recognized in profit or loss or as initial cost of non-financial assets, in the same line of the statement that the hedged item is recognized. The hedge accounting shall be discontinued when (i) the Company cancels the hedging relationship; (ii) the hedging instrument expires; and (iii) the hedging instrument no longer qualifies for hedge accounting. When hedge accounting is discontinued, gains and losses recognized in other comprehensive income in equity are reclassified to profit or loss in the period which the hedged item is recognized in profit or loss. If the transaction hedged is canceled or is not expected to occur, the cumulative gains and losses in other comprehensive income in equity shall be recognized immediately in profit or loss.

Hedge accounting hedge of net investments in foreign operation: derivative financial instruments used to hedge exposure on net investments in foreign subsidiaries due to the fact that the local functional currency is different from the functional currency of the Company. The portion of the gain or loss on the hedging instrument that is determined to be effective, referring to the exchange rate effect, is recognized directly in equity in accumulated other comprehensive income as cumulative translation adjustments, while the ineffective portion and the operating costs are recognized in profit or loss. The gain or loss on the hedging instrument that has been recognized directly in accumulated other comprehensive income shall be recognized in income upon disposal of the foreign operation.

The fair value of financial instruments, including currency and interest hedging instruments, was determined as follows:

The fair value of cash and bank deposit balances are identical to their carrying values.

Financial investments in investment funds are valued at the value of the fund unit as of the date of the reporting period, which corresponds to their fair value.

Financial investments in CDBs (Bank Certificates of Deposit) and similar investments offer daily liquidity through repurchase at the yield curve and, therefore, the Company believes their fair value corresponds to their carrying value.

The fair value calculation of LPG International's notes in the foreign market in 2014 was based on the quoted prices in an active market. In 2015 the notes were settled by LPG International on the maturity date (see Note 14.b to our consolidated financial statements).

The subscription warrants' indemnification were measured based on the share price of Ultrapar (UGPA3) at the reporting date and are adjusted to the Company's dividend yield, since the exercise is only possible starting in 2020 onwards and they are not entitled to dividends until then. The number of shares of subscription warrants' indemnification is also adjusted according to the changes in the amounts of provision for tax, civil, and labor risks and contingent liabilities related to the period prior to January 31, 2014. For further information of the Extrafarma acquisition, see Note 3.a to our consolidated financial statements.

The fair value of other financial investments and financing was determined using calculation methodologies commonly used for mark-to-market reporting, which consist of calculating future cash flows associated with each instrument adopted and adjusting them to present value at the market rates as of December 31, 2015 and 2014. For some cases where there is no active market for the financial instrument, the Company and its subsidiaries can use quotes provided by the transaction counterparties.

The interpretation of market information on the choice of calculation methodologies for the fair value requires considerable judgment and estimates to obtain a value deemed appropriate to each situation. Consequently, the estimates presented do not necessarily indicate the amounts that may be realizable in the current market.

For further detail on financial instruments of the Company, see Notes 4, 14 and 30 to our consolidated financial statements.

**Financial liabilities.** Financial liabilities are classified as financial liabilities at fair value through profit or loss or financial liabilities at amortized cost. The financial liabilities at fair value through profit or loss refer to derivative financial instruments, subscription warrants, and financial liabilities designated as hedged items in a fair value hedge relationship upon initial recognition (see Note 2.c Fair Value Hedge to our consolidated financial statements). The financial liabilities at amortized cost are stated at the initial transaction amount plus related charges and transaction costs, net of amortization. The charges are recognized in profit or loss using the effective interest rate method.

Transaction costs incurred and directly attributable to the activities necessary for contracting loans or for issuing bonds, as well as premiums and discounts upon issuance of debentures and other debt, are allocated to the instrument and amortized to profit or loss over its term, using the effective interest rate method (see Note 14.j to our consolidated financial statements). Transaction costs incurred and directly attributable to the issue of shares or other equity instruments are recognized in equity and are not amortized.

**Post-employment benefits.** We recognized a provision for post-employment benefits mainly related to seniority bonus, payment of FGTS, and health, dental care, and life insurance plan for eligible retirees. The amounts related to such benefits were determined based on a valuation conducted by an independent actuary and are recognized in the financial statements in accordance with IAS 19 (Revised 2011).

Significant actuarial assumptions adopted include:

Economic factors

	<b>2015</b>	<b>2014</b>
	<b>% p.a.</b>	<b>% p.a.</b>
Discount rate for the actuarial obligation at present value	12.7	11.8
Average projected salary growth rate	9.0	8.4
Inflation rate (long term)	5.0	5.2
Growth rate of medical services	9.2	9.4
Demographic factors		

Mortality Table for the life insurance benefit CSO-80

Mortality Table for other benefits AT 2000 Basic decreased by 10%

Disabled Mortality Table RRB 1983

Disability Table RRB 1944 modified

For further information on our post-employment benefits, see Note 18.b) to our consolidated financial statements.

Standards and criteria adopted in preparing the information

The consolidated financial information presented below was prepared based on the consolidated financial statements as of and for the years ended December 31, 2015, 2014 and 2013, which were prepared in accordance with IFRS. Ultrapar's financial information is presented on a consolidated basis. Financial information relating to Ultragas, Ipiranga, Oxiteno, Ultracargo and Extrafarma is presented on an individual basis and does not reflect elimination of intercompany transactions. Accordingly, the sum of individual financial information of Ultrapar's subsidiaries may not correspond to the consolidated financial information of Ultrapar.





The reconciliation of the EBITDA starting from the net income is presented below:

R\$ million	2015	2014	2013
<b>Net income for the year</b>	<b>1,513.0</b>	<b>1,251.2</b>	<b>1,228.7</b>
(+) Income and social contribution taxes	734.3	573.5	572.7
(+) Net financial expenses	703.3	445.4	337.6
(+) Depreciation and amortization	1,002.6	887.8	778.9
<b>EBITDA<sup>(1)</sup></b>	<b>3,953.3</b>	<b>3,157.9</b>	<b>2,918.0</b>

<sup>(1)</sup> See footnote 7 under Item 3.A. Key Information Selected Consolidated Financial Data for a more complete discussion of EBITDA and its reconciliation to information in our financial statements.

### Results of operations

The following discussion of our results of operations is based on the financial information derived from our consolidated financial statements prepared in accordance with IFRS.

#### *Year ended December 31, 2015 compared to the year ended December 31, 2014.*

The following table shows a summary of our results of operations for the years ended December 31, 2015 and 2014:

	Year ended December 31, 2015	% of net revenue from sales and services	Year ended December 31, 2014 (R\$ million)	% of net revenue from sales and services	Percent change 2015- 2014
Net revenue from sales and services	75,655.3	100%	67,736.3	100%	12%
Cost of products and services sold	(68,933.7)	-91%	(62,304.6)	92%	11%
<b>Gross profit</b>	<b>6,721.6</b>	<b>9%</b>	<b>5,431.7</b>	<b>8%</b>	<b>24%</b>
Selling, marketing, general and administrative expenses	(3,837.9)	-5%	(3,289.0)	-5%	17%
Other operating income, net	50.6	0%	106.9	0%	-53%
Income from disposal of assets	27.3	0%	37.0	0%	-26%
<b>Operating income</b>	<b>2,961.5</b>	<b>4%</b>	<b>2,286.6</b>	<b>3%</b>	<b>30%</b>
Financial results	(703.3)	-1%	(445.4)	-1%	58%
Income and social contribution taxes	(734.3)	-1%	(573.5)	-1%	28%
Share of profit (loss) of joint ventures and associates	(10.9)	0%	(16.5)	-1%	-34%
<b>Net income</b>	<b>1,513.0</b>	<b>2%</b>	<b>1,251.2</b>	<b>2%</b>	<b>21%</b>
Net income attributable to:					
Shareholders of Ultrapar	1,503.5	2%	1,241.6	2%	21%
Non-controlling shareholders of the subsidiaries	9.5	0%	9.7	0%	-1%
<b>EBITDA<sup>(1)</sup></b>	<b>3,953.3</b>	<b>5%</b>	<b>3,157.9</b>	<b>5%</b>	<b>25%</b>
Depreciation and amortization	1,002.6	1%	887.8	1%	13%

(1) See footnote 7 under Item 3.A. Key Information – Selected Consolidated Financial Data for additional discussion of EBITDA and its reconciliation to other information in our financial statements.

***Net revenue from sales and services.*** Ultrapar's net revenue from sales and services increased 12%, from R\$67,736.3 million in 2014 to R\$75,655.3 million in 2015. Ultrapar's net revenue from sales and services generally includes revenues from fuel and gas sales by Ultragaz and Ipiranga, respectively, pharmaceutical products sales by Extrafarma, specialty chemicals sales by Oxiteno and liquid bulk storage services provided by Ultracargo, reduced by sales taxes such as ICMS, PIS and COFINS and by discounts and sales returns.

The following table shows the change in net revenue from sales and services for each of our businesses:

	2015	2014	Percent change 2015- 2014
	(R\$ million)		
Ipiranga	65,349.8	58,830.1	11%
Oxitenó	4,082.5	3,413.6	20%
Ultraz	4,621.2	4,091.3	13%
Ultraz	315.5	346.5	-9%
Extrafarma <sup>(1)</sup>	1,336.3	1,101.3	21%

<sup>(1)</sup> In 2014, 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.

Ipiranga's net revenue from sales and services increased by 11%, from R\$58,830.1 million in 2014 to R\$65,349.8 million in 2015, mainly due to (i) the rise on diesel and gasoline refinery prices, charged by Petrobras in November 2014 and September 2015, as well as the increase of CIDE, PIS and COFINS taxes on gasoline and diesel as from February 2015, impacting ethanol costs, and (ii) the strategy of constant innovation in services and convenience in the service station, generating greater customer satisfaction and loyalty. Ipiranga's sales volume in 2015 slightly increased by 0.4%, from 25,614 thousand cubic meters in 2014 to 25,725 thousand cubic meters in 2015. In 2015, sales volume of gasoline, ethanol and natural gas for vehicles (Otto cycle) increased by 2% from 2014, as a result of an estimated 3% growth of the light vehicles fleet and investments made in new service stations and conversion of unbranded service stations, partially offset by the effects of higher unemployment rates over the year and the consequent impact on household consumption. In 2015, the total volume of diesel decreased by 2% compared to 2014 due to the weak performance of the economy.

Oxitenó's net revenue from sales and services increased by 20%, from R\$3,413.6 million in 2014 to R\$4,082.5 million in 2015, as a result of (i) the 42% weaker *Real*, due to the fact that Oxitenó's sales are highly influenced by the foreign exchange rate, with the depreciation effectively increasing Oxitenó's net revenue in *Reals*, and (ii) its continuing strategic focus on specialty chemicals. The increase in Oxitenó's net revenue was partially offset by the lower sales volume and the decrease in the prices of main raw materials. Sales volume of specialty chemicals decreased by 8%, from 673 thousand tons in 2014 to 618 thousand tons in 2015, mainly due to the effects of the Brazilian economy slowdown, resulting in a 7% decrease in total volume compared to 2014.

Ultraz's net revenue from sales and services increased by 13%, from R\$4,091.3 million in 2014 to R\$4,621.2 million in 2015, mainly due to the increase on LPG refinery prices, charged by Petrobras for use in the bulk segment in December 2014, September 2015 and December 2015, and in the bottled segment in September 2015. Ultraz's sales volume decrease 1%, from 1,711 thousand tons in 2014 to 1,697 thousand tons in 2015, mainly due to the economy slowdown in bulk segment, partially offset by the capture of new customers in the residential and small- and medium-sized companies segments and condominiums and the 1% growth in bottled segment.

Ultraz's net revenue from sales and services decreased by 9%, from R\$346.5 million in 2014 to R\$315.5 million in 2015, mainly due to the partial stoppage of the Santos terminal as a result of the fire accident occurred in the beginning of April. Average storage had an 8% reduction over 2014, mainly as a result of the partial stoppage of the Santos terminal offset by the increased demand of fuels in Suape and Aratu.

Extrafarma's net sales and services grew by 21%, from R\$1,101.3 million in 2014 to R\$1,336.3 million in 2015, due to the higher average number of stores and a 10% increase in same store sales excluding mobile phones (sales in stores with more than 12 months). Extrafarma ended the year with 14% growth compared to 2014 in the average number of stores, compared to a growth of 8% Abrafarma, gaining two positions when compared to December 2014 in the Abrafarma ranking, ending the year in 6<sup>th</sup> position.

***Cost of products and services sold.*** Ultrapar's cost of products and services sold increased by 11%, from R\$62,304.6 million in 2014 to R\$68,933.7 million in 2015. Our main costs of products and services sold are related to the purchase of raw materials, including diesel, gasoline and ethanol for Ipiranga, ethylene for Oxiteno, LPG for Ultragaz and pharmaceutical products for Extrafarma, and depreciation and amortization.

The following table shows the change in cost of products and services sold for each of our businesses:

	2015	2014 (R\$ million)	Percent change 2015- 2014
Ipiranga	61,236.8	55,338.9	11%
Oxiteno	2,809.8	2,624.7	7%
Ultragaz	3,884.6	3,478.5	12%
Ultracargo	151.9	141.9	7%
Extrafarma <sup>(1)</sup>	900.9	752.4	20%

<sup>(1)</sup> In 2014, 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.

Ipiranga's cost of products and services sold increased by 11%, from R\$55,338.9 million in 2014 to R\$61,236.8 million in 2015, mainly due to the increases in diesel and gasoline costs by Petrobras and the increase of CIDE tax on such costs and higher sales volume.

Oxiteno's cost of products and services sold had a 7% increase compared to 2014, from R\$2,624.7 million in 2014 to R\$2,809.8 million in 2015, mainly due to the 42% weaker *Real* against the U.S. dollar, which increased our costs denominated or linked to the U.S. dollar, particularly variable costs associated with raw materials such as the ethylene. The increase in Oxiteno's cost of products and services sold was partially offset by a 22% reduction in unit variable costs in dollars (calculated as Oxiteno's variable cost of products and services sold in dollars divided by the volume of products sold) and a decrease in sales volume.

Ultragaz's cost of products and goods sold was 12% higher than in 2014, from R\$3,478.5 million in 2014 to R\$3,884.6 million in 2015, due to the increase in the cost of LPG for use in the bottled and bulk segments by Petrobras and the effects of a 10.7% inflation rate (as measured by the IPCA) on personnel expenses.

Ultracargo's cost of services sold increased by 7%, from R\$141.9 million in 2014 to R\$151.9 million in 2015, mainly as a result of the effects of a 10.7% inflation rate (as measured by the IPCA), mainly on personnel expenses.

The cost of products sold by Extrafarma increased by 20%, from R\$752.4 million in 2014 to R\$900.9 million in 2015, due to increased sales volume and the annual adjustment in the prices of medicines, set by the Chamber for the Regulation of the Medical Pharmaceuticals Market (CMED).

**Gross profit.** Ultrapar's gross profit increased by 24%, from R\$5,431.7 million in 2014 to R\$6,721.6 million in 2015, as a result of the increased gross profit in all businesses units, except in Ultracargo. Ipiranga's gross profit increased by 18%, from R\$3,491.1 million in 2014 to R\$4,113.0 million in 2015. Oxiteno's gross profit increased by 61%, from R\$788.9 million in 2014 to R\$1,272.7 million in 2015. Ultragaz's gross profit increased by 20%, from R\$612.7 million in 2014 to R\$736.7 million in 2015. Ultracargo's gross profit decreased by 20%, from R\$204.5 million in 2014 to R\$163.6 million in 2015, due to the fire that occurred in Santos in April 2015. Extrafarma's gross profit increased by 25%, from R\$349.0 million in 2014 to R\$435.3 million in 2015.

***Selling, marketing, general and administrative expenses.*** Ultrapar's selling, marketing, general and administrative ( SG&A ) expenses generally include personnel delivery, freight, marketing and depreciation and amortization expenses. Ultrapar's SG&A expenses increased by 17%, from R\$3,289.0 million in 2014 to R\$3,837.9 million in 2015.

The following table shows the change in SG&A expenses for each of our businesses:

	2015	2014	Percent change 2015- 2014
	(R\$ million)		
Ipiranga	2,087.2	1,871.1	12%
Oxiteno	690.8	522.7	32%
Ultragas	525.4	444.2	18%
Ultracargo	100.6	94.1	7%
Extrafarma <sup>(1)</sup>	427.5	332.5	29%

<sup>(1)</sup> In 2014, 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.

Ipiranga's SG&A expenses increased by 12% compared to 2014, from R\$1,871.1 million in 2014 to R\$2,087.2 million in 2015 mainly due to (i) the expansion of the distribution network, (ii) higher freight expenses mainly due to the rise in diesel costs and (iii) higher expenses with variable compensation, in line with the earnings progression.

Oxiteno's SG&A expenses increased by 32% compared to 2014, from R\$522.7 million in 2014 to R\$690.8 million in 2015 mainly due to (i) higher expenses with variable compensation, in line with the earnings progression, (ii) the effects of the weaker *Real* on expenses with logistics and international units, and (iii) the effects of a 10.7% inflation rate (as measured by the IPCA).

Ultragas's SG&A expenses increased by 18% compared to 2014, from R\$444.2 million in 2014 to R\$525.4 million in 2015 mainly due to (i) higher expenses with variable compensation, in line with the earnings progression, (ii) the effects of a 10.7% inflation rate (as measured by the IPCA) on expenses, and (iii) higher expenses with advertising and marketing in the relaunch campaign of the Ultragas brand, highlighting the attributes of its current strategy focused on convenience and services for consumers.

Ultracargo's SG&A expenses increased by 7% in 2015, from R\$94.1 million in 2014 to R\$100.6 million in 2015, excluding expenses related to the fire in the Santos terminal referred to below under Other operating results.

Extrafarma's SG&A expenses increased by 29% in 2015, from R\$332.5 million in 2014 to R\$427.5 million in 2015 mainly due to (i) the 14% increase in the average number of stores, (ii) the inclusion of expenses for the structuring for a more accelerated growth during 2014, (iii) the beginning of the operation of the new distribution center of Ceará at the end of 2014, and (iv) due to the effects of a 10.7% inflation rate (as measured by the IPCA) on expenses, partially offset by lower integration expenses.

**Other operating income, net.** Other operating income, net is mainly composed of merchandising fees from Ipiranga's suppliers. Ultrapar's other operating income, net decreased from R\$106.9 million in 2014 to R\$50.6 million in 2015, mainly as a result of the expansion in Ipiranga's operations, partially offset by expenses related to the fire in the terminal Ultracargo in Santos, which resulted in expenses of R\$92.0 million in 2015.

**Income from disposal of assets.** Ultrapar's income from disposal of assets is mainly composed of the sale of real estate at Ipiranga in both years and decreased from R\$37.0 million in 2014 to R\$27.3 million in 2015.

***Operating income before financial income (expenses) and share of profit of joint ventures and associates.*** Ultrapar's operating income before financial income (expenses) and share of profit of joint ventures and associates increased by 30%, from R\$2,286.6 million in 2014 to R\$2,961.5 million in 2015, as a result of the increased operating income before financial income (expenses) and share of profit of joint ventures and associates in Ipiranga, Oxiteno and Ultragaz. Ipiranga's operating income before financial income (expenses) and share of profit of joint ventures and associates increased by 23%, from R\$1,758.1 million in 2014 to R\$2,154.6 million in 2015. Oxiteno's operating income before financial income (expenses) and share of profit of associates increased by 119%, from R\$264.2 million in 2014 to R\$579.5 million in 2015. Ultragaz's operating income before financial income (expenses) and share of profit of associates increased by 27%, from R\$169.0 million in 2014 to R\$213.9 million in 2015. Ultracargo's operating income before financial income (expenses) and share of profit of joint ventures and associates decreased by 114%, from profit of R\$117.3 million in 2014 to loss of -R\$16.1 million in 2015. Extrafarma's operating income before financial income (expenses) and share of profit of joint ventures and associates decreased by 71%, from R\$16.9 million in 2014 to R\$5.0 million in 2015.



**Net financial expenses.** Net financial expenses include mainly income and expenses from (i) interest on financial investments and financings and (ii) exchange rate variation. Ultrapar's net financial expenses increased by 58%, from R\$445.4 million in 2014 to R\$703.3 million in 2015, mainly due to (i) higher CDI during the period, (ii) the higher net debt, in line with the growth of the company, (iii) the exchange rate fluctuations in the period and (iv) PIS and COFINS contributions on financial revenue as from July. Ultrapar's net debt to EBITDA ratio was 1.2 at the end of 2015, compared with 1.3 at the end of 2014.

As of December 31, 2015, Ultrapar's gross debt was R\$8,901.6 million and its net debt was R\$4,928.4 million, compared to gross debt of R\$8,375.2 million and net debt of R\$3,975.1 million on December 31, 2014. See footnote 8 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, as well as Notes 4, 14 and 30 to our consolidated financial statements.

**Income and social contribution taxes.** Ultrapar's income and social contribution taxes, net of benefits from income tax exemptions, increased by 28%, from R\$573.5 million in 2014 to R\$734.3 million in 2015, mainly as a result of an increase in pre-tax income due to the increase in Ultrapar's operational income.

**Net income for the year.** Ultrapar's net income for 2015 reached R\$1,513.0 million, a 21% increase in net income compared to 2014, mainly due to the EBITDA growth between the periods, partially offset by the increase in financial expenses and higher expenses and costs with depreciation and amortization costs, as a result of investments made over the period.

**EBITDA.** Ultrapar's EBITDA increased 25%, from R\$3,157.9 million in 2014 to R\$3,953.3 million in 2015, as a result of EBITDA growth in Ipiranga, Oxiteno and Ultragaz.

The following table shows the change in EBITDA for each of our businesses:

	2015	2014	Percent change 2015- 2014
	(R\$ million)		
Ipiranga	2,768.8	2,288.0	21%
Oxiteno	739.8	403.7	83%
Ultragaz	357.0	305.5	17%
Ultracargo	26.3	166.9	-84%
Extrafarma <sup>(1)</sup>	28.7	29.8	-4%

<sup>(1)</sup> In 2014, 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.

Ipiranga reported EBITDA of R\$2,768.8 million in 2015, an increase of 21% compared to 2014, primarily due to (i) the strategy of constant innovation in services and convenience in service stations, generating greater customer satisfaction and loyalty, (ii) increased sales volume in Otto cycle, and (iii) effects of import and inventory gains resulting from the economic adjustments in the Brazilian fuels market.

Oxiteno reported EBITDA of R\$739.8 million, an 83% increase compared to 2014, mainly due to the effect of a weaker *Real* against U.S. dollar and its strategic focus on specialty chemicals, partially offset by lower sales volume. Oxiteno's unit EBITDA reached US\$306/ton in 2015, compared to a unit EBITDA of US\$ 220/ton in 2014.

Ultragas's EBITDA totaled R\$357.0 million, 17% higher than 2014, mainly due to the company's commercial initiatives, specially in capturing residential and small- and medium-sized companies and condominiums, as well as the expansion of its resellers.

Ultracargo's EBITDA totaled R\$26.3 million in 2015, an 84% decrease mainly due to the lower handling, due to the partial stoppage of the Santos terminal and its fire related expenses. Excluding Santos operations, other Ultracargo's terminals reported an EBITDA of R\$92.9 million, a 5% decrease mainly due to the effects of economy slowdown on handling of chemicals.

Extrafarma reported EBITDA of R\$28.7 million, a 4% decrease as compared to 2014, due to expenses related to the initiatives for a more accelerated growth, including the beginning of the operation of the new distribution center of Ceará and the increased of new drugstores openings, the benefits of which are expected to be generated in the next years, partially offset by the increased in same store sales.

For a reconciliation of our EBITDA and the EBITDA of Ipiranga, Oxiteno, Ultragas, Ultracargo and Extrafarma to information in our financial statements, see footnote 7 under Item 3.A. Key Information Selected Consolidated Financial Data.

***Year ended December 31, 2014 compared to the year ended December 31, 2013.***

The following table shows a summary of our results of operations for the years ended December 31, 2014 and 2013:

	Year ended December 31, 2014	% of net revenue from sales and services	Year ended December 31, 2013 (R\$ million)	% of net revenue from sales and services	Percent change 2014- 2013
Net revenue from sales and services	67,736.3	100%	60,940.2	100%	11%
Cost of products and services sold	(62,304.6)	92%	(56,165.4)	92%	11%
<b>Gross profit</b>	<b>5,431.7</b>	<b>8%</b>	<b>4,774.9</b>	<b>8%</b>	<b>14%</b>
Selling, marketing, general and administrative expenses	(3,289.0)	-5%	(2,768.7)	-5%	19%
Other operating income, net	106.9	0%	97.6	0%	10%
Income from disposal of assets	37.0	0%	40.3	0%	-8%
<b>Operating income</b>	<b>2,286.6</b>	<b>3%</b>	<b>2,144.0</b>	<b>4%</b>	<b>7%</b>
Financial results	(445.4)	-1%	(337.6)	-1%	32%
Income and social contribution taxes	(573.5)	-1%	(572.7)	-1%	0%
Share of profit (loss) of joint ventures and associates	(16.5)	-1%	(5.0)	0%	230%
<b>Net income</b>	<b>1,251.2</b>	<b>2%</b>	<b>1,228.7</b>	<b>2%</b>	<b>2%</b>
Net income attributable to:					
Shareholders of Ultrapar	1,241.6	2%	1,225.1	2%	1%
Non-controlling shareholders of the subsidiaries	9.7	0%	3.6	0%	170%
<b>EBITDA<sup>(1)</sup></b>	<b>3,157.9</b>	<b>5%</b>	<b>2,918.0</b>	<b>5%</b>	<b>8%</b>
Depreciation and amortization	887.8	1%	778.9	4%	14%

(1) See footnote 7 under Item 3.A. Key Information – Selected Consolidated Financial Data for additional discussion of EBITDA and its reconciliation to other information in our financial statements.

**Net revenue from sales and services.** Ultrapar's net revenue from sales and services increased 11%, from R\$60,940.2 million in 2013 to R\$67,736.3 million in 2014, mainly as a result of the increased sales volume in all businesses. Ultrapar's net revenue from sales and services generally includes revenues from fuel and gas sales by Ultragaz and Ipiranga, respectively, pharmaceutical products sales by Extrafarma, specialty chemicals sales by Oxiteno and liquid bulk storage services provided by Ultracargo, reduced by sales taxes such as ICMS, PIS and COFINS and by discounts and sales returns.

The following table shows the change in net revenue from sales and services for each of our businesses:

	2014	2013 (R\$ million)	Percent change 2014- 2013
Ipiranga	58,830.1	53,384.1	10%
Oxiteno	3,413.6	3,277.8	4%
Ultragaz	4,091.3	3,982.3	3%
Ultracargo	346.5	332.1	4%
Extrafarma <sup>(1)</sup>	1,101.3		

<sup>(1)</sup> 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.

Ipiranga's net revenue from sales and services increased by 10%, from R\$53,384.1 million in 2013 to R\$58,830.1 million in 2014, mainly due to (i) 3.5% higher sales volume, (ii) the 5% increase on diesel refinery prices and the 3% increase on gasoline refinery prices, charged by Petrobras in November 2014, coupled with an increase of ethanol costs, (iii) improved sales mix, resulting from investments in the expansion of the service station network, which enabled an increased share of fuels for light vehicles and diesel sold through the reseller segment (sales in service stations), which represented 75% of Ipiranga's sales volume in 2014, and (iv) the strategy of constant innovation in services and convenience in the service station, generating greater customer satisfaction and loyalty. Ipiranga's sales volume in 2014 grew by 3.5%, from 24,758 thousand cubic meters in 2013 to 25,614 thousand cubic meters in 2014. Sales volume of gasoline, ethanol and natural gas for vehicles increased by 8% in relation to 2013, mainly as a result of an estimated 6% growth of the light vehicles fleet and strong investments made in new service stations and in the conversion of unbranded service stations. In 2014, diesel volumes remained stable, with an increase of 3% in the reseller segment compared to 2013, which is the result of investments for the expansion of the network, offset by the weak performance of the economy.

Oxiteno's net revenue from sales and services increased by 4%, from R\$3,277.8 million in 2013 to R\$3,413.6 million in 2014, as a result of a 9% depreciation of the average *Real* against the U.S. dollar in 2014, due to the fact that Oxiteno's sales are highly influenced by the foreign exchange rate, with the depreciation effectively increasing Oxiteno's net revenue in *Reais*. This increase was partially offset by a less favorable sales mix, with an increased share of commodities and lower international prices of glycols. Sales volume of specialty chemicals decreased by 2%, from 687 thousand tons in 2013 to 673 thousand tons in 2014, mainly due to the slowdown of the Brazilian economy and the decision to reduce the level of operations in Venezuela since the beginning of 2014, as a result of the limitations in importing raw materials in that country. The reduction in specialty chemicals was offset by the increase of 21% in sales of glycols, and Oxiteno's total volume sold presented a slight increase compared to 2013.

Ultragaz's net revenue from sales and services increased by 3%, from R\$3,982.3 million in 2013 to R\$4,091.3 million in 2014, mainly as a result of the growth in the sales volume in bottled segment and commercial initiatives in the commercial and industrial segments including an improved sales mix, especially in the residential and small- and medium-sized companies segments. Total sales volume grew 1%, from 1,696 thousand tons in 2013 to 1,711 thousand tons in 2014, due to growth of 2% in the bottled segment and growth in small- and medium-business and residential condominiums, due to commercial initiatives focused on convenience and services.

Ultracargo's net revenue from sales and services increased by 4%, from R\$332.1 million in 2013 to R\$346.5 million in 2014, mainly due to the increased average storage in its liquid bulk terminals. Average storage grew by 3% compared with 2013, driven by higher demand of fuel oil for thermoelectric plants and automotive fuels, which were possible by investments in additional storage capacity made in recent years.

As a result of Extrafarma Transaction, Extrafarma added R\$1,101.3 million to Ultrapar's net revenues in 2014.

***Cost of products and services sold.*** Ultrapar's cost of products and services sold increased by 11%, from R\$56,165.4 million in 2013 to R\$62,304.6 million in 2014, as a result of the increased sales volume of all businesses and unit costs of products. Our main costs of products and services sold are related to the purchase of raw materials, including diesel, gasoline and ethanol for Ipiranga, ethylene for Oxiteno, LPG for Ultragas and pharmaceutical products for Extrafarma, and depreciation and amortization.

The following table shows the change in cost of products and services sold for each of our businesses:

	2014	2013	Percent change 2014- 2013
	(R\$ million)		
Ipiranga	55,338.9	50,190.2	10%
Oxitenó	2,624.7	2,479.5	6%
Ultragas	3,478.5	3,398.2	2%
Ultracargo	141.9	133.8	6%
Extrafarma <sup>(1)</sup>	752.4		

<sup>(1)</sup> 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.

Ipiranga's cost of products and services sold increased by 10%, from R\$50,190.2 million in 2013 to R\$55,338.9 million in 2014, mainly due to the 3.5% higher sales volume and the rise in diesel and gasoline costs by Petrobras in November 2014 and, consequently, increased ethanol costs.

Oxitenó's cost of products and services sold increased by 6%, from R\$2,479.5 million in 2013 to R\$2,624.7 million in 2014, mainly due to the 9% depreciation of the average *Real* against the U.S. dollar, which increased our costs denominated or linked to the U.S. dollars, particularly variable costs associated with raw materials such as ethylene. The increase in Oxitenó's cost of product and services sold was partially offset by a 4% reduction in unit variable costs in dollars, calculated as Oxitenó's variable cost of products and services sold in dollars divided by the volume of products sold.

Ultragas's cost of products and services sold increased by 2%, from R\$3,398.2 million in 2013 to R\$3,478.5 million in 2014, as a result of (i) increased sales volume, (ii) the effects of a 6.4% inflation rate (as measured by the IPCA) on costs, and (iii) increased requalification of LPG bottles in 2014. These increases were partially offset by cost reduction initiatives implemented over the year, such as the management of freight contracts and the increased automation in bottling facilities.

Ultracargo's cost of services sold increased by 6%, from R\$133.8 million in 2013 to R\$141.9 million in 2014, mainly as a result of increased average storage and the effects of a 6.4% inflation rate (as measured by the IPCA) on costs, mainly personnel costs.

As a result of Extrafarma Transaction, Extrafarma added R\$752.4 million to Ultrapar's cost of products and services sold in 2014.

**Gross profit.** Ultrapar's gross profit increased by 14%, from R\$4,774.9 million in 2013 to R\$5,431.7 million in 2014, as a result of the increased gross profit in all businesses units, except in Oxitenó. Ipiranga's gross profit increased by 9%, from R\$3,194.0 million in 2013 to R\$3,491.1 million in 2014. Oxitenó's gross profit decreased by 1%, from R\$798.3 million in 2013 to R\$788.9 million in 2014. Ultragas's gross profit increased by 5% from R\$584.1 million in 2013 to R\$612.7 million in 2014. Ultracargo's gross profit increased by 3%, from R\$198.3 million in 2013 to R\$204.5 million in 2014. As a result of Extrafarma Transaction, Extrafarma added R\$349.0 million to Ultrapar's gross profit in 2014.

***Selling, marketing, general and administrative expenses.*** Ultrapar's selling, marketing, general and administrative ( SG&A ) expenses generally include personnel delivery, freight, marketing and depreciation and amortization expenses. Ultrapar's SG&A expenses increased by 19%, from R\$2,768.7 million in 2013 to R\$3,289.0 million in 2014.



The following table shows the change in SG&A expenses for each of our businesses:

	2014	2013	Percent change 2014- 2013
	(R\$ million)		
Ipiranga	1,871.1	1,759.5	6%
Oxitenó	522.7	486.9	7%
Ultragaz	444.2	432.4	3%
Ultracargo	94.1	94.5	0%
Extrafarma <sup>(1)</sup>	332.5		

(1) 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.

Ipiranga's SG&A expenses increased by 6%, from R\$1,759.5 million in 2013 to R\$1,871.1 million in 2014, mainly resulting from (i) the 3.5% higher sales volume, (ii) the expansion of the distribution network, (iii) the effects of a 6.4% inflation rate (as measured by the IPCA) on expenses and (iv) the increase of diesel costs impacting freight expenses.

Oxitenó's SG&A expenses increased by 7%, from R\$486.9 million in 2013 to R\$522.7 million in 2014, due to (i) increased logistics expenses, resulting from the rises in diesel costs and the effect of the weaker *Real*, which adversely affected Oxitenó's SG&A expenses denominated in U.S. dollars, particularly expenses related to international freight and its plants located outside Brazil, and (ii) the effects of a 6.4% inflation rate (as measured by the IPCA) on expenses, partially offset by lower variable compensation in line with the earnings progression.

Ultragaz's SG&A expenses increased by 3%, from R\$432.4 million in 2013 to R\$444.2 million in 2014, mainly due to (i) the effects of inflation on personnel and freight expenses and (ii) the increase in variable compensation, in line with the earnings progression, effects partially offset by initiatives for expense reduction during the year.

Ultracargo's SG&A expenses remained stable, from R\$94.5 million in 2013 to R\$94.1 million in 2014, with the effects of inflation on expenses offset by lower expenses with projects.

As a result of Extrafarma Transaction, Extrafarma added R\$332.5 million to Ultrapar's SG&A expenses in 2014.

**Other operating income, net.** Other operating income, net is mainly composed of merchandising fees from Ipiranga's suppliers. Ultrapar's other operating income, net increased from R\$97.6 million in 2013 to R\$106.9 million in 2014, mainly as a result of the expansion in Ipiranga's operations.

**Income from disposal of assets.** Ultrapar's income from disposal of assets is mainly composed of the sale of real estate at Ipiranga in both years and decreased from R\$40.3 million in 2013 to R\$37.0 million in 2014.

**Operating income before financial income (expenses) and share of profit of joint ventures and associates.** Ultrapar's operating income before financial income (expenses) and share of profit of joint ventures and associates increased by 7%, from R\$2,144.0 million in 2013 to R\$2,286.6 million in 2014, as a result of the increased operating income before financial income (expenses) and share of profit of joint ventures and associates in Ipiranga, Ultragaz and

Ultracargo. Ipiranga's operating income before financial income (expenses) and share of profit of joint ventures and associates increased by 12%, from R\$1,574.7 million in 2013 to R\$1,758.1 million in 2014. Oxiteno's operating income before financial income (expenses) and share of profit of associates decreased by 14%, from R\$308.6 million in 2013 to R\$264.2 million in 2014. Ultragas's operating income before financial income (expenses) and share of profit of associates increased by 15%, from R\$147.0 million in 2013 to R\$169.0 million in 2014. Ultracargo's operating income before financial income (expenses) and share of profit of joint ventures and associates increased by 8%, from R\$108.9 million in 2013 to R\$117.3 million in 2014. As a result of Extrafarma Transaction, Extrafarma added R\$16.9 million to Ultrapar's operating income before financial income (expenses) and share of profit of joint ventures and associates in 2014.

**Net financial expenses.** Net financial expenses include mainly income and expenses from (i) interest on financial investments and financings and (ii) exchange rate variation. Ultrapar's net financial expenses increased by 32%, from R\$337.6 million in 2013 to R\$445.4 million in 2014, mainly due to the higher CDI during the period and increased average net debt. Ultrapar's net debt to EBITDA ratio was 1.3 at the end of 2014, compared with 1.2 at the end of 2013.

As of December 31, 2014, Ultrapar's gross debt was R\$8,375.2 million and its net debt was R\$3,975.1 million, compared to gross debt of R\$6,969.6 million and net debt of R\$3,425.9 million on December 31, 2013. See footnote 8 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, as well as Notes 4, 14 and 30 to our consolidated financial statements.

**Income and social contribution taxes.** Ultrapar's income and social contribution taxes, net of benefits from income tax exemptions, remained stable, from R\$572.7 million in 2013 to R\$573.5 million in 2014.

**Net income for the year.** Ultrapar's net income for the year increased by 2%, from R\$1,228.7 million in 2013 to R\$1,251.2 million in 2014, as a result of the growth in operating income. Net income attributable to Ultrapar's shareholders increased by 1%, from R\$1,225.1 million in 2013 to R\$1,241.6 million in 2014.

**EBITDA.** Ultrapar's EBITDA increased 8%, from R\$2,918.0 million in 2013 to R\$3,157.9 million in 2014, as a result of EBITDA growth in Ipiranga, Ultragas and Ultracargo.

The following table shows the change in EBITDA for each of our businesses:

	2014	2013	Percent change 2014- 2013
	(R\$ million)		
Ipiranga	2,288.0	2,029.6	13%
Oxiteno	403.7	440.6	-8%
Ultragas	305.5	280.5	9%
Ultracargo	166.9	157.5	6%
Extrafarma <sup>(1)</sup>	29.8		

<sup>(1)</sup> 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.

Ipiranga's EBITDA increased by 13% from R\$2,029.6 million in 2013 to R\$2,288.0 million in 2014, mainly due to (i) investments in the resellers' network expansion resulting in increased sales volume in the reseller segment (sales in service stations), (ii) the strategy of constant innovation in services and convenience in the service station, generating greater customer satisfaction and loyalty, and (iii) initiatives to reduce the grey market in the ethanol market, mainly on the Midwest, Northeast and North regions of Brazil.

Oxiteno's EBITDA decreased by 8% from R\$440.6 million in 2013 to R\$403.7 million in 2014, as a result of (i) lower sales volume of specialty chemicals, (ii) the reduction in the international prices of glycols and (iii) the decision to reduce the level of operations in Venezuela since the beginning of the year, partially compensated by the 9% weaker

*Real.* Oxiteno's unit EBITDA reached US\$220/ton in 2014, compared to a unit EBITDA of US\$263/ton in 2013.

Ultragaz's EBITDA increased by 9% from R\$280.5 million in 2013 to R\$305.5 million in 2014, mainly due to increased sales volume, commercial initiatives and reduction in costs and expenses.

Ultracargo's EBITDA increased by 6%, from R\$157.5 million in 2013 to R\$166.9 million in 2014, mainly due to the increased average storage.

As a result of Extrafarma Transaction, Extrafarma added R\$29.8 million to Ultrapar's EBITDA in 2014.

For a reconciliation of our EBITDA and the EBITDA of Ultragaz, Ipiranga, Oxiteno and Ultracargo to information in our financial statements, see footnote 7 under Item 3.A. Key Information Selected Consolidated Financial Data.

## **B. Liquidity and Capital Resources**

Our principal sources of liquidity derive from (i) cash, cash equivalents and financial investments, (ii) cash generated from operations and (iii) financings. We believe that these sources are sufficient to satisfy our current funding requirements, which include, but are not limited to, working capital, capital expenditures, amortization of debt and payment of dividends.

Periodically, we assess the opportunities for acquisitions and investments. We consider different types of investments, either directly or through joint ventures, or associated companies, and we finance such investments using cash generated from our operations, debt financing, through capital increases or through a combination of these methods.

**Sources and uses of funds.** We generated cash flow from operations of R\$3,201.7 million, R\$2,650.7 million and R\$2,120.7 million for 2015, 2014 and 2013, respectively. In 2015, our cash flow from operations was R\$551.0 million higher than that of 2014, mainly due to the growth of our operations, partially offset by increased investment in working capital, which grew from a divestment of R\$99.0 million in 2014 to an investment of R\$436.2 million in 2015. In 2014, our cash flow from operations was R\$530.0 million higher than that in 2013, mainly due to the growth of our operations and lower investment in working capital, which decreased from an investment of R\$185.8 million to a divestment of R\$99.0 million in 2014.

Cash flow of investing activities used an amount of R\$801.8 million, R\$1,540.2 million and R\$1,287.9 million in 2015, 2014 and 2013, respectively. In 2015, Ultrapar continued with an investment strategy focused on the continuing growth of scale and competitiveness, better serving an increasing number of customers. In 2015, 2014 and 2013, we invested R\$1,334.2 million, R\$1,215.7 million and R\$1,101.5 million in additions to fixed assets, equipment and intangible assets, net of disposals. In addition, capital investments were made in ConectCar of R\$41.1 million (including an advance payment of R\$4 million for future capital increase), R\$28.5 million and R\$24.9 million in 2015, 2014 and 2013 respectively.

Cash flows used by financing activities totaled R\$2,520.7 million, R\$539.3 million and R\$578.9 million for 2015, 2014 and 2013, respectively. In 2015, cash used by financing activities increased R\$1,981.4 million compared to 2014, mainly as a result increased use of resources for amortization of debt interest payment and as for acquisition of shares issued by the Company (share buyback program). In 2014, cash used by financing activities decreased R\$39.5 million compared to 2013, mainly as a result of an increase of R\$369.5 million in new loans and debentures, which was partially offset by a greater use of resources of R\$327.0 million for amortization of financing and debentures, interest and dividend payments. In 2013, the cash used by financing activities decreased R\$43.8 million, primarily as a result of an increase of R\$1,307.8 million in new loans and debentures, which was partially offset by a greater use of resources in R\$1,297.6 million for amortization of financing and debentures, interest and dividend payments.

Accordingly, cash and cash equivalents totaled R\$2,702.9 million in 2015, R\$2,827.4 million in 2014 and R\$2,276.1 million in 2013.

We believe we have sufficient working capital to meet our current needs. In addition to the cash flow generated from operations explained above, we had R\$3,506.2 million in cash, cash equivalents and short-term investments as of December 31, 2015. The gross indebtedness due from January 1 to December 31, 2016 totaled R\$1,515.7 million, including estimated interest payments on loans, as of December 31, 2015. Furthermore, we estimate investments of R\$1,809.4 in 2016.

We anticipate that we will spend approximately R\$13.7 billion in the next five years to meet long-term contractual obligations described in the Tabular Disclosure of Contractual Obligations and for the 2016 budgeted capital expenditures. We expect to meet these cash requirements through a combination of cash generated from operating activities and cash generated by financing activities, including new debt financing and the refinancing of some of our indebtedness as it becomes due.

The Company uses exchange rate hedging instruments (especially between the *Real* and the U.S. dollar) available in the financial market to protect its assets, liabilities, receipts and disbursements in foreign currency and net investments in foreign operations. Hedging instruments are used to reduce the effects of variations in exchange rates on the Company's income and cash flows in *Reais* within the exposure limits under its Policy. For additional information regarding our funding and treasury policies see Item 11. Quantitative and Qualitative Disclosures About Market Risk.

## Indebtedness

As of December 31, 2015, our consolidated short and long-term debt was as follows:

Indebtedness	Currency	Interest Rate <sup>(1)</sup>	Principal amount of outstanding and accrued interest through December 31	
			2015	2014
<b>(in millions of Reais)</b>				
<b>Foreign currency-denominated loans:</b>				
Foreign loan	US\$	LIBOR <sup>(2)</sup> + 0.7%	1,111.7	603.0
Foreign loan	US\$	+2.1%	576.6	
Foreign loan	US\$	LIBOR <sup>(2)</sup> + 1.4%	397.6	158.0
Advances on Foreign Exchange Contracts	US\$	1.5%	222.5	184.1
Financial institutions	US\$	2.8%	142.8	113.9
Financial institutions	US\$	LIBOR <sup>(2)</sup> + 2.0%	77.8	53.3
Foreign currency advances delivered	US\$	1.3%	50.1	25.4
Financial institutions	MX\$ <sup>(3)</sup>	TIIE <sup>(3)</sup> + 1.0%	27.1	32.3
BNDES	US\$	6.0%	24.1	33.2
Notes in the foreign market	US\$			664.1
<b>Reais denominated loans:</b>				
Banco do Brasil floating rate	R\$	105.0% of CDI	3,115.8	2,873.6
Debentures \$1 and 2 <sup>nd</sup> public issuances IPP	R\$	107.9% of CDI	1,413.1	1,409.5
Debentures ₧ issuance	R\$	108.3% of CDI	833.1	
BNDES	R\$	TJLP <sup>(4)</sup> + 2.7%	409.3	531.0
Export Credit Note floating rate	R\$	101.5% of CDI	158.6	
Banco do Nordeste do Brasil	R\$	8.5%	66.1	85.1
FINEP Research and Projects Financing	R\$	4.0%	61.7	74.8
BNDES	R\$	4.6%	49.7	62.6
Finance leases	R\$	IGP-M <sup>(5)</sup> + 5.6%	45.5	45.9
BNDES	R\$	SELIC <sup>(6)</sup> + 2.2%	30.9	
Export Credit Note	R\$	8.0%	27.0	25.7
FINEP Research and Projects Financing	R\$	TJLP <sup>(4)</sup> -1.4%	11.2	9.1
Fixed rate working capital loan	R\$	10.3%	1.2	3.4
Floating rate finance leases	R\$	CDI + 2.8%	0.3	0.5
FINAME Financing for Machines and Equipment	R\$	TJLP <sup>(4)</sup> + 5.6%	0.3	0.5
Fixed rate finance leases	R\$	15.4%	0.1	0.7
Debentures ₧ issuance	R\$			874.3
Banco do Brasil fixed rate	R\$			503.9
<b>Total loans</b>			<b>8,854.2</b>	<b>8,367.8</b>
Unrealized losses on swaps transactions			47.4	7.4

<b>Total</b>	<b>8,901.6</b>	<b>8,375.2</b>
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- (1) Interest rate as of December 31, 2015.
- (2) LIBOR = London Interbank Offered Rate.
- (3) MX\$ = Mexican peso and TIIE = the Mexican interbank balance interest rate.
- (4) TJLP (Long-Term Interest Rate) = set by the National Monetary Council, TJLP is the basic financing cost of BNDES. On December 31, 2015, TJLP was fixed at 7.0% p.a.
- (5) IGP-M = General Index of Market Prices of Brazilian inflation, calculated by the Getulio Vargas Foundation.
- (6) SELIC = Brazilian base interest rate.



Our consolidated debt as of December 31, 2015 had the following maturity schedule:

<b>Maturity</b>	<b>Amount (in millions of Reais)</b>
January 1, 2016 to December 31, 2016	1,097.9
January 1, 2017 to December 31, 2017	3,393.6
January 1, 2018 to December 31, 2018	3,165.6
January 1, 2019 to December 31, 2019	1,155.8
January 1, 2020 to December 31, 2020	38.6
2021 thereafter	50.2
<b>Total</b>	<b>8,901.6</b>

As provided in IAS 39, the transaction costs and issuance premiums associated with our fundraising are included as part of our financial liabilities. See Note 14(j) to our consolidated financial statements for more information.

Ultrapar contracted hedging instruments against foreign currency exchange and interest rate variations for a portion of its indebtedness. See Item 11. Quantitative and Qualitative Disclosures about Market Risk and Note 30 to our consolidated financial statements for more information.

The financings are guaranteed by collateral in the amount of R\$52.3 million as of December 31, 2015 and by guarantees and promissory notes in the amount of R\$4,370.0 million as of December 31, 2015. In addition, Ultrapar and its subsidiaries offer collateral in the form of letters of credit for commercial and legal proceeding in the amount of R\$187.6 million and guarantees related to raw materials imported by the subsidiary Ipiranga in the amount of R\$133.2 million as of December 31, 2015.

Some subsidiaries issued collateral to financial institutions in connection with the amounts owed by some of their customers to such institutions (vendor financing). If a subsidiary is required to make any payment under this collateral, this subsidiary may recover the amount paid directly from its customers through commercial collection. The maximum amount of future payments related to this collateral is R\$27.1 million as of December 31, 2015 with maturities of less than 213 days. As of December 31, 2015, Ultrapar did not have losses in connection with this collateral. The fair value of collaterals recognized in current liabilities as other payables was R\$0.7 million as of December 31, 2015, which is recognized as profit or loss as customers settle their obligations with the financial institutions.

Some financing agreements of the Company contain cross default clauses whereby we are required to pay the debt assumed in case of default of other debts equal to or greater than US\$15 million. As of December 31, 2015, there was no event of default on such debts.

#### *Notes in the foreign market*

In December 2005, the subsidiary LPG International issued US\$250 million in notes in the foreign market, maturing in December 2015, with interest rate of 7.3% p.a., paid semiannually. The notes were guaranteed by Ultrapar and Oxiteno.

The notes were settled by LPG International at their maturity date.

#### *Foreign loans*

- 1) The subsidiary IPP contracted foreign loans in the total amount of US\$440 million. IPP also contracted hedging instruments for floating interest rate in U.S. dollar and exchange rate variation, changing the foreign loans charge to an average cost of 102.1% of CDI (see Note 30 to our consolidated financial statements). IPP designated these hedging instruments as a fair value hedge; therefore, loans and hedging instruments are both measured at fair value from inception, with changes in fair value recognized through profit or loss. The foreign loans are guaranteed by Ultrapar.

The maturity of the principal amount of these loans are as follows:

<b>Maturity</b>	<b>Amount in millions of dollars</b>	<b>Cost % of CDI</b>
March, 2017	70.0	99.5
September, 2017	150.0	103.7
July, 2018	60.0	103.0
September, 2018	80.0	101.5
November, 2018 <sup>(*)</sup>	80.0	101.4
<b>Total / average cost</b>	<b>440.0</b>	<b>102.1</b>

(\*) The subsidiary IPP renegotiated this foreign loan, in the total amount of US\$80 million, changing its maturity date from November, 2015 to November, 2018.

- 2) The subsidiary Oxiteno Overseas has a foreign loan in the amount of US\$60 million with maturity in January 2017 and interest rate of LIBOR + 1.0% p.a., paid semiannually. Ultrapar, through its subsidiary Cia Ultragaz, contracted hedging instruments with floating interest rate in U.S. dollar and exchange rate variation, changing the foreign loan charge to 94.0% of CDI (see Note 30 to our consolidated financial statements). The foreign loan is guaranteed by Ultrapar and its subsidiary Oxiteno S.A.
- 3) In December 2015, the subsidiary LPG contracted a foreign loan in the amount of US\$30 million, with maturity in December 2018 and interest rate equivalent to LIBOR + 1.85% p.a., paid quarterly. The foreign loan is guaranteed by Ultrapar and its subsidiary IPP.
- 4) In December 2015, the subsidiary Global Petroleum Products Trading Corporation contracted a foreign loan in the amount of US\$12 million, with maturity in December 2018 and interest rate equivalent to LIBOR + 1.85% p.a., paid quarterly. The foreign loan is guaranteed by Ultrapar and its subsidiary IPP.

During these contracts, Ultrapar shall maintain the following financial ratios, calculated based on its audited consolidated financial statements:

Maintenance of a financial ratio, determined by the ratio between consolidated net debt and consolidated EBITDA, at less than or equal to 3.5; and

Maintenance of a financial ratio determined by the ratio between consolidated EBITDA and consolidated net financial expenses, higher than or equal to 1.5.

The Company is in compliance with the levels of covenants required by these loans. The restrictions imposed on Ultrapar and its subsidiaries are usual for this type of transactions and have not limited their ability to conduct their business to date.



**Debentures**

In March 2015, Ultrapar carried out its fifth issuance of debentures, in a single series of 80,000 simple, nonconvertible into shares, unsecured debentures, and its main characteristics are as follows:

Face value unit:	R\$10,000.00
Final maturity:	March 16, 2018
Payment of the face value:	Lump sum at final maturity
Interest:	108.3% of CDI
Payment of interest:	Semiannually
Reprice:	Not applicable

The proceeds of the issuance were used to manage liquidity of the issuer, in order to strengthen its cash position and extend its debt profile, providing greater financial flexibility.

In January 2014, the subsidiary IPP made its second public issuance of debentures in single series of 80,000 simple, nonconvertible into shares, unsecured, nominative and registered debentures, and its main characteristics are as follows:

Face value unit:	R\$10,000.00
Final maturity:	December 20, 2018
Payment of the face value:	Lump sum at final maturity
Interest:	107.9% of CDI
Payment of interest:	Semiannually
Reprice:	Not applicable

The proceeds of the issuance were used to manage liquidity of the issuer, in order to strengthen its cash position and extend its debt profile, providing greater financial flexibility.

In December 2012, the subsidiary IPP made its first public issuance of debentures in single series of 60,000 simple, nonconvertible into shares, unsecured, nominative and registered debentures, and its main characteristics are as follows:

Face value unit:	R\$10,000.00
Final maturity:	November 16, 2017
Payment of the face value:	Lump sum at final maturity
Interest:	107.9% of CDI
Payment of interest:	Semiannually
Reprice:	Not applicable

The proceeds of the issuance were used to manage liquidity of the issuer, in order to strengthen its cash and extend its debt profile, providing greater financial flexibility.

**BNDES**

Ultrapar has financing from BNDES (Brazilian National Development Bank) for some of its investments. As of December 31, 2015, such lines of credit with BNDES totaled R\$1.6 billion, of which R\$0.4 billion had been drawn

down. See Item 10.C. Additional Information Material Contracts BNDES.

During the term of these agreements, Ultrapar must maintain the following capitalization and current liquidity levels, as determined in the annual consolidated audited balance sheet:

capitalization level: shareholders equity / total assets equal to or above 0.3; and

current liquidity level: current assets / current liabilities equal to or above 1.3.

We are in compliance with the levels of covenants required by these loans. The restrictions imposed on Ultrapar and its subsidiaries are usual for this type of transactions and have not limited their ability to conduct their business to date.

### ***Financial institutions***

The subsidiaries Oxiteno Mexico, Oxiteno USA LLC and Oxiteno Uruguay have loans to finance investments and working capital.

### ***Banco do Brasil***

The subsidiary IPP has floating interest rate loans from Banco do Brasil S.A. to finance the marketing, processing or manufacturing of agricultural goods (ethanol).

IPP renegotiated loans with original maturity in February 2015, with principal total amount of R\$333.3 million, changing the maturity to July 2017 and January 2018, and changing the floating interest rate to 106.0% of CDI.

IPP renegotiated loans with original maturity in May 2015, with principal total amount of R\$200.0 million, changing the maturity to November 2017 and April 2018, and changing the floating interest rate to 107.0% of CDI.

These loans mature as follows (include interest until December 31, 2015):

<b>Maturity</b>	<b>Balance in 2015 (in millions of Reais)</b>
February, 2016	226.0
May, 2016	133.4
January, 2017	1,146.7
July, 2017	177.5
November, 2017	101.6
January, 2018	177.5
April, 2018	101.6
May, 2019	1,051.6
	<b>3,115.8</b>

In February 2016, IPP renegotiated a loan with original maturity in February 2016, with principal total amount of R\$166.7 million, extending the maturity to February 2019, and changing the floating interest rate to 114.0% of CDI. See Item 4.A. Information on the Company History and Development of the Company Recent Developments .

### ***Export credit note.***

The subsidiary Oxiteno Nordeste has export credit notes in the amounts of R\$17.5 million and R\$10.0 million, with maturities in March and August 2016, respectively, and fixed interest rate of 8% per year, paid quarterly. In May 2015, the subsidiary Oxiteno Nordeste contracted an export credit note in the amount of R\$156.8 million, with maturity in May 2018 and floating interest rate of 101.5% of CDI, paid quarterly.

For the fixed rates contracts, Oxiteno Nordeste contracted interest hedging instruments, thus converting the fixed rates for these loans into 88.8% of CDI (see Note 30 to our consolidated financial statements). Oxiteno Nordeste designated

these hedging instruments as a fair value hedge; therefore, loans and hedging instruments are both measured at fair value from inception. Changes in fair value are recognized in profit or loss.



**Investments*****Equity investments***

	<b>Year ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>(in millions of Reais)</b>		
Ipiranga	41.1 <sup>(1)</sup>	28.5 <sup>(1)</sup>	23.3 <sup>(2)</sup>
Oxiteno			6.2 <sup>(3)</sup>
Ultragas			
Ultracargo			
Acquisition of Extrafarma		719.9	
Others			
<b>Total equity investments<sup>(4)</sup></b>	<b>41.1</b>	<b>748.4</b>	<b>29.5</b>

<sup>(1)</sup> Capital invested in ConectCar.

<sup>(2)</sup> Capital invested in ConectCar (R\$24.9 million), net of capital reduction in the affiliated Transportadora Sulbrasileira de Gás S.A. (R\$1.5 million). See Item 4.A. Information on the Company History and Development of the Company.

<sup>(3)</sup> Working capital and net debt closing adjustments relating to the acquisition of American Chemical. See Item 4.A. Information on the Company History and Development of the Company.

<sup>(4)</sup> Equity investments consist of investments with acquisition of subsidiaries and interest in other companies and capital increases in joint ventures and associates.

***Organic Investments***

The following table shows our organic investments for the years ended December 31, 2015, 2014 and 2013 and does not include equity investments:

	<b>Year ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>(in millions of Reais)</b>		
Ipiranga	853.9	810.0	758.3
Oxiteno	131.4	113.9	139.3
Ultragas	219.9	180.5	150.9
Ultracargo	23.9	26.4	37.4
Extrafarma	80.8	57.1	
Others <sup>(1)</sup>	24.2	27.8	15.6
<b>Total additions to property, plant, equipment and intangible assets</b>	<b>1,334.2</b>	<b>1,215.7</b>	<b>1,101.5</b>
Financing and bonuses to our resellers <sup>(2)</sup>	18.1	4.6	(12.2)
<b>Total organic investments<sup>(3)</sup>, net of disposals</b>	<b>1,352.2</b>	<b>1,220.3</b>	<b>1,089.4</b>

- (1) Includes mainly capital expenditures related to corporate information technology and headquarters building maintenance.
- (2) Financing and bonuses to our resellers, net of repayments. Bonuses are lump sum payments made by distributors to resellers. Resellers typically use these payments to improve their facilities or to invest in working capital. Financing for clients is included under working capital in the cash flow statement and bonuses are included under intangible assets.
- (3) Organic investments consist of acquisitions of property, plant and equipment and intangible assets and financing and repayments to resellers, and do not include investments in acquisitions of subsidiaries and interest in other companies neither capital increases in joint ventures and associates.

In 2015, Ultrapar continued with an investment strategy focused on the continuing growth of scale economy and competitiveness, better serving an increasing number of customers. Investments, net of disposals, totaled R\$1,352 million in organic investments. At Ipiranga, R\$872 million were invested, of which (i) R\$374 million in the expansion of its service stations network (through the conversion of unbranded service stations, the opening of new gas stations and new customers) and am/pm and Jet Oil franchises, focused on the Midwest, Northeast and North regions of Brazil, (ii) R\$115 million in expanding its logistics infrastructure to support the growing demand, through the construction and expansion of logistics facilities, (iii) R\$86 million in the modernization, mainly in logistics facilities and information systems, and (iv) R\$297 million in the maintenance of its operations, mainly in the renewal of contracts of its distribution network and the renovation of service stations. Out of the total amount invested, R\$854 million were related to property, plant, equipment and intangible assets and R\$18 million were related to the financing to clients, net of repayments. At Oxiteno, the total investments in 2015 amounted to R\$131 million, mainly in the maintenance of its production units and the completion of the expansion of its production capacity in Coatzacoalcos, Mexico. At Ultragaz, R\$220 million were invested, mainly in new clients in the bulk segment, replacement of LGP bottles and maintenance of its bottling facilities. In 2015, Ultracargo invested R\$24 million, mainly directed towards modernization and maintenance of its terminals. Extrafarma invested R\$81 million, mainly directed towards the opening of new drugstores, maintenance of existing stores and IT retail-facing projects.

Ultrapar's investment plan for 2016 amounts to R\$1,809 million, which demonstrates the continuity of good opportunities to grow through increased scale and productivity gains, as well as modernization of existing operations. At Ipiranga, we plan to invest (i) R\$354 million to maintain the pace of expansion of its distribution network (through the conversion of unbranded service stations and the opening of new gas stations) and of am/pm and Jet Oil franchises, focused on the Midwest, Northeast and North regions of Brazil, and in new distribution centers to supply the convenience stores, (ii) R\$112 million in the expansion of its logistics infrastructure to support growth, mainly through the construction and expansion of logistics facilities, and (iii) R\$421 million in the maintenance and modernization of its activities, mainly in the renewal of contracts of its distribution network and the renovation of service stations, as well as information systems to support its operations. Oxiteno's investment plan approved for 2016 totals R\$460 million. This amount includes US\$65 million to the construction of the new ethoxylation unit at its site in Texas (USA), which was announced in November 2015, and is expected to be concluded by the end of 2017. The new unit's capacity will be 170,000 tons per year at its final stage. The remaining amount will be focused in maintenance and modernization of its plants for higher productivity, as well as information systems. Ultragaz's investment plan approved for 2016 totals R\$208 million, which will be focused mainly (i) on capturing new clients in the bottled and bulk segment, (ii) on the replacement and purchase of LPG bottles, (iii) on the expansion and maintenance of filling plants, and (iv) on IT with focus on systems to support its operations. Ultracargo's investment plan approved for 2016 totals R\$118 million, which will mainly be focused on (i) the modernization of safety systems of its terminals, (ii) the expansion of Itaquí terminal, which is expected to start operating in 2017, and (iii) the adjustment and maintenance of the infrastructure of its terminals. At Extrafarma, we plan to invest R\$124 million mainly in the opening of new drugstores and in the maintenance of its activities.

### **C. Research and Development, Trademarks and Patents**

#### ***Research and Development***

Oxiteno carries on a wide range of research and development activities, principally related to the application of specialty chemicals and improvements in production processes. As of December 31, 2015, 133 employees of Oxiteno were engaged in research and development and engineering activities. Oxiteno's research and development expenditures in 2015, 2014 and 2013 were R\$41 million, R\$36 million and R\$28 million, respectively. In 2004, Oxiteno founded its own Science and Technology Council with six of the world's major specialists in surfactants as members. These specialists, with experience in the surfactants industry or in the academic environment in the US, Europe and Latin America, follow the trends and opportunities in the sector. Since 2004, the council, currently

composed of five specialists, has met once a year in São Paulo to analyze Oxiteno's research and development project portfolio, as well as the management methodology applied. Their recommendations enable Oxiteno to improve its research and development activities' efficiency, as well as to broaden the reach of its partnerships with international entities. In addition, Oxiteno has created specific scientific councils with specialists from its main segments.

Oxitenos investments in research and development have resulted in the introduction of 70 new products during the last three years. Oxiteno will continue to invest in research and development focused on developing new product applications to meet clients needs.

### ***Trademarks and Patents***

Ipiranga owns registrations for the trademarks used in its distribution business, such as Ipiranga, *Quilômetros de Vantagens Ipiranga* ( *Km de Vantagens* ), Jet Oil, *Clube VIP Ipiranga*, *Clube do Milhão Ipiranga*, Posto 24 horas, Atlantic, Ipiranga 4x4, *Gasolina Original Ipiranga* (Original Ipiranga Gasoline), among several others. The 10-year period of validity of the registrations for these trademarks will expire between 2016 and 2022. IPP also owns a supplying fuel pump and other patents. Ipiranga acquired the am/pm brand in Brazil in November 2012 through an agreement signed with Atlantic Richfield Company.

Additionally, Ipiranga has filed applications for the trademarks *Abastece Aí* , am/pm Super Store and am/pm Estação which are under INPI analysis.

The Company owns registrations for all its main trademarks: Extrafarma, Ultragaz, Brasilgás, Oxiteno and Ultracargo.

## **D. Trend Information**

### ***LPG business***

Between 2003 and the end of 2007, LPG prices charged to LPG distributors in Brazil remained stable, 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. However, since 2008 Petrobras has increased LPG refinery prices for commercial and industrial usage sporadically, as shown below:

(% increase)	Jan/08	Apr/08	Jul/08	Jan/10	Dec/14	Sep/15	Dec/15
<b>Commercial and industrial LPG</b>	15%	10%	6%	6%	15%	11%	4%

The LPG refinery prices 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 volatility of international prices of oil and its derivatives in the Brazilian market. We cannot guarantee that this trend will continue. Any sharp increase in LPG prices charged to LPG distributors could have an impact on Ultragazs results if it is unable to maintain its operational margins or sales volume.

LPG bulk sales are correlated to economic growth. Thus an acceleration or deceleration in Brazilian GDP growth can affect our sales volume. This segment represented approximately 30% of the volume sold by Ultragaz. Bottled LPG is an essential good and, therefore, it has a relatively low correlation with economic performance.

### ***Chemical and petrochemical business***

The specialty chemicals volume in the Brazilian market is correlated to economic growth. Therefore, an acceleration or deceleration in the Brazilian GDP growth can affect our sales volume, as Oxitenos specialty chemicals sales in Brazil represented 58% of its total sales in 2015. In periods of the Brazilian market growth, Oxiteno aims at (i) increasing the volume sold in the domestic market once the logistics costs are usually lower than those of sales outside Brazil, and (ii) increasing sales volume of specialties products of higher value added than commodities. In

2015, sales of specialty chemicals represented 85% of the total volume sold by Oxiteno.

In 2012, Oxiteno expanded its activities to the United States, through the acquisition of a specialty chemicals plant in Pasadena, Texas, with production capacity of 32,000 tons per year, and to Uruguay, through the acquisition of American Chemical, a specialty chemicals Company, with production capacity of 81,000 tons per year. In 2013, Oxiteno invested in the expansion of its production capacity in Coatzacoalcos, in Mexico. In 2015, Oxiteno announced investments of R\$460 million in 2016. Such amount includes US\$65 million to build a new ethoxylation unit in its site in Texas, which is expected to be completed in 2017. The new facility will reach production capacity of 170,000 tons per year in its final stage. Sharp changes in the foreign exchange rates can impact Oxiteno's investments in *Reais*, leading to increased use of cash.

Almost all of Oxiteno's products prices and variable costs are linked to U.S. dollar. Therefore, a sharp appreciation or depreciation of the U.S. dollar could have an impact on Oxiteno's contribution margin in the future. In 2015, *Real* depreciated 47% against the U.S. dollar, influencing positively Oxiteno's results. From December 31, 2015 to April 25, 2016, the *Real* appreciated 9% against the U.S. dollar. We cannot predict what will be the trend of the *Real* in the future.

Oxiteno's main raw material is ethylene, which is produced from naphtha in Brazil. Generally, naphtha prices in Brazil fluctuate with oil prices. In 2014, the slowdown in the global economy and the decisions of the OPEC member countries on oil production influenced the international oil price, which started the year at US\$111/barrel (Brent) and remained stable until the third quarter, but ended 2014 at US\$62/barrel. In 2015, oil prices ended at US\$38/barrel, down 39% compared to 2014. From December 31, 2015 to April 25, 2016, oil prices increased by 10%. We cannot predict whether oil and ethylene prices maintain this trend. A sharp variation in ethylene prices would impact Oxiteno's results if it is not able to keep operating margins.

The increase in demand for chemical and petrochemical products in Brazil during the last years and the ongoing integration of regional and world markets have contributed to the increasing integration of the Brazilian petrochemical industry into the international marketplace. As a consequence, events affecting the petrochemical industry worldwide could have a material effect on our business and results of operations. The chemical industry performance worldwide was strongly affected by the world financial crisis in 2009, which caused the demand for chemical products to decrease in several countries. Due to the growth of the Brazilian chemicals market that year, Oxiteno faces tougher competition from certain foreign producers since 2009, including ethylene oxide and derivatives producers with access to natural-gas-based raw materials.

### ***Fuel distribution business***

In the recent past, the combined sales of gasoline, ethanol and natural gas (Otto cycle) in Brazil have been correlated to the growth of the light vehicle fleet. According to ANFAVEA, in 2015, the light vehicle fleet continued to grow, with about 2.5 million new vehicles licensed in Brazil, and estimated growth of 3% of the fleet compared to 2014, reaching about 40 million light vehicles. Additionally, we believe the current ratio of inhabitants per vehicle in Brazil is still low when compared to the rate seen in countries with similar level of development. According to 2013 data released by ANFAVEA (the last available data), the penetration of light vehicles in Brazil is about 20% of total inhabitants, while in Argentina and in Mexico is 30%. Recent data show a growth of Otto cycle below the fleet growth, due to worsening in employment levels and household income. Diesel sales, which in 2015 accounted for 51% of the volume sold by Ipiranga, have historically been correlated with Brazilian economic performance, particularly the agricultural and consumer goods segments. In 2015, the Brazilian diesel market, according to ANP data, experienced a reduction of 5% when compared to 2014, influenced by the weak performance of the economy and decrease in diesel consumption for thermoelectric power plants. A decrease in fuel consumption could have a negative effect on the future volume sold by the Company and on its results.





In the last few years, Petrobras' practice was not to immediately reflect the volatility of international prices of oil and its derivatives in the Brazilian market. We cannot guarantee that this trend will continue. In October 2011, the Brazilian government reduced the percentage of anhydrous ethanol mixed to gasoline from 25% to 20%, due to a shortage of ethanol production. To avoid the price increase of the gasoline to the end consumer, the government decided to reduce the CIDE tax from R\$230/m<sup>3</sup> to R\$193/m<sup>3</sup> at the same time. In November 2011, the government reduced again the CIDE tax of the gasoline A to R\$91/m<sup>3</sup> and the diesel from R\$70/m<sup>3</sup> to R\$47/m<sup>3</sup>. This reduction of the CIDE tax allowed Petrobras to increase gasoline and diesel prices by 10% and 2%, respectively, without affecting prices to the distributor.

In June 2012, Petrobras started to sporadically increase diesel and gasoline prices, as shown below, but the CIDE tax of both products was simultaneously reduced to zero, offsetting the effect of the price increase at that moment to consumers. Subsequent increases had an impact on consumer prices. In January 2015, the Brazilian government announced the return of the CIDE tax and the increase in the PIS and COFINS taxes on fuel, with an impact of R\$220/m<sup>3</sup> for gasoline and R\$150/m<sup>3</sup> for diesel as from February 1, 2015.

(% increase)	Jun/12	Jul/12	Jan/13	Mar/13	Nov/13	Nov/14	Sep/15
<b>Diesel</b>	3.9%	6.2%	5.4%	4.9%	8.0%	5.0%	4.0%
<b>Gasoline</b>	7.8%		6.6%		4.0%	3.0%	6.0%

*Retail pharmacy business*

Retail pharmacy is a relevant market in Brazil and during the last years has presented significant growth. According to ABRAFARMA, the revenues of its member companies grew by 12% in 2015 compared to 2014. We believe the sector has potential for continued growth, mainly due to:

- (i) Brazilian aging population – the estimated Brazilian population over 60 years, which is responsible for the largest part of the consumption of medicines is estimated at 24 million people and is expected to reach 42 million people in 2030, an average growth of 4% per year, according to IBGE data;
- (ii) greater access to medicines, especially due to the growing prominence of generic drugs, which are cheaper than the reference branded medicine;
- (iii) the growing sale of personal care and beauty products through the drugstore channel.

#### **E. Off Balance Sheet Arrangements**

We do not have any off balance sheet arrangements.

#### **F. Tabular Disclosure of Contractual Obligations**

The following table summarizes our contractual obligations, as of December 31, 2015:



Contractual obligations	Total	Payment due by period			
		Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years
		(in millions of <i>Reais</i> )			
Financing	8,854.2	1,067.7	6,541.9	1,194.4	50.2
Estimated interest payments on financing <sup>(1)(2)</sup>	2,257.6	448.0	1,036.2	754.7	18.7
Currency and interest rate hedging instruments <sup>(3)</sup>	369.7	184.6	185.1		
Estimated planned funding of pension plan Ultraprev <sup>(4)</sup>	696.4	22.4	48.2	53.2	572.6
Purchase obligations raw materials <sup>(5)</sup>	2,098.3	330.8	661.7	661.7	444.1
Purchase obligations utilities <sup>(6)</sup>	62.5	20.3	45.8	(3.5)	
Minimum tariff obligations Ultracarg <sup>(7)</sup>	69.4	8.6	16.4	16.4	28.1
Operating leases <sup>(8)</sup>	282.7	65.8	98.2	51.9	67.0
<b>Total contractual obligations</b>	<b>14,690.9</b>	<b>2,148.2</b>	<b>8,633.4</b>	<b>2,728.6</b>	<b>1,180.7</b>

- (1) The estimated interest payment amount was calculated based on macro-economic assumptions including, on average for the period, principally (i) a 16.4% CDI interest rate, (ii) *Reais* to U.S. dollar exchange rate of R\$4.18 in 2016, R\$4.67 in 2017, R\$5.25 in 2018, R\$5.90 in 2019 and R\$6.64 in 2020, (iii) a 7.0% TJLP rate and (iv) Brazilian inflation (IGP-M General Market Price Index) at a rate of 7.3% in 2016, 6.5% in 2017 and 6.3% from 2018 to 2020. See Item 5.B. Operating and Financial Review and Prospect Liquidity and Capital Resources Indebtedness and Note 14 to our consolidated financial statements for more information about the maturity of our debt and applicable interest rates. See Notes 14 and 30 to our consolidated financial statements for more information on the maturity and the fair value of our swap agreements.
- (2) Includes estimated interest payments on our short-term and long-term debt. Does not include any information about our derivative instruments, for which the fair value is disclosed in Item 11. Quantitative and Qualitative Disclosures About Market Risk. See Item 11. Quantitative and Qualitative Disclosures About Market Risk for more information about our derivative instruments.
- (3) The currency and interest rate hedging instruments were estimated based on projected U.S. dollar futures contracts and the futures curve of DI x Pre contract quoted on BM&FBOVESPA as of December 30, 2015, and on the futures curve of LIBOR (ICE IntercontinentalExchange) on December 31, 2015. In the table above, only the hedging instruments that are expected to result in a disbursement at the time of settlement were considered.
- (4) The estimated payment amount was calculated based on (i) a 5.0% inflation assumption, (ii) the average age of the participants as of December 31, 2015 (37 years) and (iii) the Company's contribution in December 2015.
- (5) Our subsidiary Oxiteno Nordeste has a supply agreement with Braskem which establishes a minimum annually consumption level of ethylene, calculated quarterly, and conditions for the supply of ethylene until 2021. Pursuant to the terms of this agreement, Oxiteno's annual purchase commitment may not be lower than 190 thousand tons or higher than 205 thousand tons. Should the minimum purchase commitment not be met, the subsidiary would be liable for a fine of 40% of the current ethylene price for the quantity not purchased. The minimum purchase commitment was revised to adapt the interest of the companies, with no pending issues. Our subsidiary Oxiteno has a supply agreement with Braskem, valid until 2023, which establishes and regulates the conditions for supply of ethylene to Oxiteno based on the international market for this product. The minimum purchase is 22,050 tons of ethylene semiannually. Should the minimum purchase commitment not be met, the subsidiary would be liable for a fine of 30% of the current ethylene price for the quantity not purchased.
- (6) The purchase obligation relates to long-term contracts under which Oxiteno is required to purchase a minimum amount of energy annually.
- (7)

Tequimar has agreements with CODEBA – Companhia Docas do Estado da Bahia and Complexo Industrial Portuário Governador Eraldo Gueiros, in connection with its ports facilities in Aratu and Suape, respectively. Such agreements establish a minimum cargo movement of products (i) in Aratu, of 100,000 tons per year until 2016, and of 900,000 tons per year from 2017 to 2022, as well as (ii) in Suape, of 250,000 tons per year, until 2027, and of 400,000 tons per year in Suape in 2028 and 2029. If the annual movement is less than the minimum contractual movement, the subsidiary is liable to pay the difference between the effective movement and the minimum contractual movement based on the port tariff rates on the date established for payment. As of December 31, 2015, these rates per ton were R\$6.99 for Aratu and R\$2.90 for Suape.

- (8) The subsidiaries IPP, Extrafarma and Cia Ultragas have operating lease contracts related to land and building of service stations, drugstores and stores, respectively.

**ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES****A. Directors and Senior Management**

The following table lists the members of our Board of Directors and senior management as of April 25, 2016:

<b>Name</b>	<b>Position</b>	<b>Years with the Company</b>	<b>Age</b>
<b>Board of Directors</b>			
Paulo Guilherme Aguiar Cunha	Chairman	49	76
Lucio de Castro Andrade Filho	Vice Chairman	39	71
Alexandre Gonçalves Silva <sup>(1)</sup>	Director	1	71
Carlos Tadeu da Costa Fraga <sup>(1)</sup>	Director	1	58
Jorge Marques de Toledo Camargo <sup>(1)</sup>	Director	1	61
José Maurício Pereira Coelho <sup>(1)</sup>	Director	1	49
Nildemar Secches	Director	14	67
Olavo Egydio Monteiro de Carvalho	Director	13	74
Pedro Wongtschowski	Director	38	70
<b>Executive Officers</b>			
Thilo Mannhardt	Chief Executive Officer	5	61
André Pires de Oliveira Dias <sup>(2)</sup>	Chief Financial and Investor Relations Officer, Ultrapar	0	49
João Benjamin Parolin	Officer, Oxiteno	30	57
Leocadio de Almeida Antunes Filho	Officer, Ipiranga	8	65
André Covre	Officer, Extrafarma	12	45
Pedro Jorge Filho	Officer, Ultragaz	38	62
Ricardo Isaac Catran	Officer, Ultracargo	36	61

<sup>(1)</sup> Members of the Board of Directors elected to first term at the Annual General Shareholders Meeting held in April 2015.

<sup>(2)</sup> Mr. Pires assumed the position of Chief Financial and Investor Relations Officer in July, 2015. See Item 4.A. Information on the Company History and Development of the Company .

Summarized below is information regarding the business experience, areas of experience and principal outside business interest of the current members of our Board of Directors and our senior management.

**Board of Directors**

**Paulo Guilherme Aguiar Cunha.** Mr. Cunha has been the chairman of our Board of Directors since 1998 and was our Chief Executive Officer until January 2007. Mr. Cunha has been a member of the Board of Directors of Monteiro Aranha since 1997. Mr. Cunha joined Ultrapar in 1967 and was appointed vice president in 1973 and Chief Executive Officer in 1981. Mr. Cunha has also been a member of the CMN National Monetary Council, a member of the board of BNDESPAR, a subsidiary of BNDES, president of the Brazilian Association of Technical Standards ABNT, a member of the consulting board of ABIQUIM and president of IBP, the Brazilian Petroleum Institute (*Instituto Brasileiro de Petróleo*). Mr. Cunha is a board member of the Superior Council of Economy and of the Consultative Council for Industry of FIESP, the state of São Paulo Industry Association and ex-president of IEDI Research Institution for the Industrial Development, where he currently is a member of the Board of Directors. Mr. Cunha is also a member of the board of Insper IBMEC Business School, of the board of IPT Technological Research

Institution and of Development Council of PUC RJ, an educational institution. Since 2008, Mr. Cunha has also been a board member of the Superior Strategic Council of FIESP. Mr. Cunha received a degree in industrial mechanical engineering from PUC Catholic University in Rio de Janeiro in 1962. Mr. Cunha also was a Professor of Engineering at the Catholic University and at the Federal University of Rio de Janeiro from 1963 to 1966.

***Lucio de Castro Andrade Filho***. Mr. Andrade Filho has been the vice chairman of our Board of Directors since 1998. He joined Ultrapar in 1977 and since then Mr. Andrade Filho has held a number of positions with Ultrapar's subsidiaries in the LPG, logistics, engineering and chemicals segments, as well as serving as Ultrapar's vice president from 1982 to 2006. Mr. Andrade Filho was also the Chief Executive Officer of GLP *Qualidade Compartilhada*, an LPG industry association and a member of the Board of Directors of the Brazilian Petroleum Institute. He has also been a member of *Associação Arte Despertar*, from 2005 to 2009. Mr. Andrade Filho received degrees in civil engineering and in administration from *Mackenzie University* in São Paulo in 1968 and 1972, respectively.

**Pedro Wongtschowski.** Mr. Wongtschowski has served as an officer of Ultrapar since 1985, becoming President and CEO from January 2007 to December 2012 and currently serves on the Board of Directors. He is Chairman of the Board of the National Research Center in Energy and Materials ( *Centro Nacional de Pesquisa em Energia e Materiais* ), Chairman of the Board of the National Association for Research, Development and Engineering of Innovative Companies ( *Associação Nacional de Pesquisa e Desenvolvimento das Empresas Inovadoras* ) and Chairman of the Board of EMPRAPII ( *Associação Brasileira de Pesquisa e Inovação Industrial* ).

Mr. Wongtschowski is a member of the Board of Directors of Embraer S.A., Companhia Nitroquímica Brasileira, CTC (Centro de Tecnologia Canaveira) and other private companies and non-profit-organizations. He is author or co-author of books related to the chemical industry. Mr. Wongtschowski is a Chemical Engineer, with MSc and PhD from *Escola Politécnica Universidade de São Paulo*.

**Jorge Marques de Toledo Camargo.** Mr. Camargo joined us as a member of the Board of Directors in April 2015. He has been a member of the Board of Directors of Prumo Logística S.A. since 2014. Mr. Camargo currently serves as a senior consultant of Statoil Brazil. He has also been a Senior Consultant at McKinsey & Comp., Inc. since 2012, and a member of the Board of Directors of Mills Estruturas e Serviços de Engenharia S.A. since 2011. He was a member of the Board of Directors of Deepflex do Brasil Ltda from 2010 to 2013. He has more than 35 years of experience in the oil industry. He graduated in geology from the University of Brasilia and obtained a master's degree in geophysics from the University of Texas.

**Nildemar Secches.** Mr. Secches joined us in April 2002 as a member of our Board of Directors. Mr. Secches is a member of the Board of Directors of Itaú Unibanco Holding S.A., of WEG S.A. and of Cia Suzano Papel and Celulose. From 2007 to 2013, he was the chairman of the Board of Directors of Brasil Foods S.A. and from 1995 to 2008 he was the CEO of Empresas Perdigão S.A. From 1972 to 1990, Mr. Secches worked for National Bank for Economic and Social Development (*Banco Nacional de Desenvolvimento Econômico e Social* - BNDES), serving as an executive officer from 1987 to 1990. From 1990 to 1994, Mr. Secches served as Chief Executive Officer of Grupo Iochpe-Maxion, where he is currently a member of the Board of Directors. Mr. Secches also previously held positions of Chief Executive Officer of ABEP - Brazilian Association of Chicken Producers and Exporters and vice-president of ABIPECS - Brazilian Association of Pork Producers and Exporters Industries. Mr. Secches received a degree in mechanical engineering from the University of São Paulo, a master's degree in finance from Catholic University in Rio de Janeiro and a doctoral course in economics from the University of Campinas (in the state of São Paulo).

**José Maurício Pereira Coelho.** Mr. Coelho joined Ultrapar in April 2015 as a member of the Board of Directors. He is the Vice-president of Financial Management and Investor Relations of Banco do Brasil S.A. since 2015, a member of the Board of Directors of Grupo Neoenergia and has been a member of the Board of Directors of the BB Securities LLC, New York, since 2009. He has also been a member of the Board of Directors of Cielo S.A since 2012. He obtained a degree in accounting from Faculdade Unigranrio, Rio de Janeiro, in 1990. He has an MBA in Finance and Capital Markets, with specialization in Corporate Governance from FGV/RJ.

**Olavo Egydio Monteiro de Carvalho.** Mr. Monteiro de Carvalho joined our Company in December 2002 as a member of the Board of Directors. He is the chairman of the Board of Directors of Monteiro Aranha S.A. and a member on the Board of Directors of Klabin S.A. He is also a member of the Board of the Municipal Development Advisory (*Conselho Municipal do Desenvolvimento* - COMUDES), partner of Geociclo Biotecnologia S.A., member of the of the Board of Directors of Agência Rio-Negócios, an investment and promotion agency created to promote the economic and commercial development of Rio de Janeiro and was president of *Associação Comercial do Rio de Janeiro* until 2009. He holds a mechanical engineering degree from Technische Hochschule in Munich.

**Alexandre Gonçalves Silva.** Mr. Silva joined us in April 2015 as a member of the Board of Directors. Mr. Silva has been a member of the Board of Directors of Embraer S.A. since 2011, and in 2012 he became the Chairman of the Board of Directors of Embraer S.A. He has also been a member of the Board of Directors of Fibria Celulose S.A. since 2011, Tecsis - Tecnologia e Sistemas Avançados since 2003 and Companhia Nitro Química Brasileira since

2012. Mr. Silva was CEO of General Electric in Brazil from 2001 to 2007. He is a member of the Board of AMCHAM American Chamber of Commerce for Brazil since 2003. He received a degree in industrial mechanical engineering from PUC Catholic University in Rio de Janeiro in 1967.



**Carlos Tadeu da Costa Fraga.** Mr. Fraga joined us in April 2015 as a member of the Board of Directors. Mr. Fraga was a member of the Technological Park Council of the Universidade Federal do Rio de Janeiro from 2006 to 2012. He was also a member of the Orientation Board of *Instituto de Pesquisas Tecnológicas* de São Paulo from 2008 to 2012, and the Executive Manager of Exploration and Production of the Pre-salt of Petrobras – Petróleo Brasileiro S.A. from 2012 to 2015 (February). He earned a degree in civil engineering from UFRJ (*Universidade Federal do Rio de Janeiro*) in 1980.

### **Executive Officers**

**Thilo Mannhardt.** Mr. Mannhardt has been the Company’s CEO since January 2013. Mr. Mannhardt joined our Company in April 2011 as a member of our Board of Directors until December 2012. He was a senior partner and director of McKinsey & Co., a global management consulting firm, where he served from 1985 to 2012. Mr. Mannhardt has a master’s degree in aeronautical and aerospace engineering from Technische Universität Berlin and holds additionally a degree in business administration. Furthermore, Mr. Mannhardt holds a PhD in systems engineering and aeronautics from Technische Universität Berlin.

**André Pires de Oliveira Dias.** Mr. Pires joined Ultrapar in July 2015 as Chief Financial and Investor Relations Officer. With over 25 years of experience in the financial and capital markets, Mr. Pires began his career in 1988 and held several positions in Brazil and in the United States in Banco Geral de Comércio, Montgomery Asset Management, Banco BBA Creditanstalt and BNP Paribas. He joined Gerdau S.A. in 2004 where he worked as a fund manager in Gerdau’s family office and as CFO in Gerdau Ameristeel in the United States. In 2013, Mr. Pires was appointed Executive Vice President of the Executive Committee of Gerdau and CFO, positions he held until 2015. Mr. Pires holds a bachelor degree in business administration with an emphasis in finance from Fundação Getulio Vargas and attended the Advanced Management Program at the University of Pennsylvania in the United States.

**André Covre.** Mr. Covre joined Ultrapar in September 2003 as Corporate Planning and Investor Relations Director. Mr. Covre has been the Company’s Chief Financial and Investor Relations Officer since March 2007. Mr. Covre has 25 years of experience in multiple management functions, including the field of strategic and corporate development, growth and turnaround ventures, corporate governance, mergers & acquisitions and capital markets. Mr. Covre was the coordinator of the Capital Markets Committee of IBGC (Brazilian Institute of Corporate Governance from 2012 to 2015). From 2008 to 2010, Mr. Covre was the chairman and from 2010 to 2013 was vice-chairman of the Latin American Corporate Governance Roundtable’s Companies Circle, a group supported by the Organization for Economic Co-operation and Development – OECD, International Finance Corporation – IFC and Global Corporate Governance Forum – GCGF, aiming at developing corporate governance in Latin America. Mr. Covre began his career with Unisys Corp. in the United States, was formerly the treasurer of Pepsi Cola Engarrafadora in Brazil and a director of ABN AMRO Capital in Amsterdam, a private equity and venture capital fund. Mr. Covre holds an MBA from INSEAD, in France, and a bachelor degree in government studies from *Fundação Getulio Vargas* in São Paulo.

**João Benjamin Parolin.** Mr. Parolin joined the Company in 1986, working in Oxitenó’s commercial department prior to assuming the position of Oxitenó’s Chief Operating Officer in 2007. Mr. Parolin formerly served as marketing manager from 1989 to 1992 and sales manager from 1992 to 2000. From 2000 to 2006, he held the sales director position at Oxitenó. Prior to joining Oxitenó, Mr. Parolin worked in the commercial area at Dow Química S.A. Mr. Parolin received a bachelor degree in chemical engineering from *Escola Politécnica da Universidade de São Paulo* in 1980, a post-graduate degree in Marketing Administration at *Fundação Getulio Vargas* and a master’s degree in business administration from *Fundação Instituto de Administração – Universidade de São Paulo* in 2003. As a complement to his academic background he attended the STC – Skills, Tools and Competences from *Fundação Dom Cabral/J.L. Kellogg Graduate School of Management (Northwestern University)* in 2000 and the Advanced Management Program at Wharton University in 2005.



**Leocadio de Almeida Antunes Filho.** Mr. Antunes has been an officer of Ultrapar since May 2008. He has held a number of positions at Ipiranga since 1987 when he joined as commercial officer at Fertisul S.A. and officer at Ipiranga Serrana Fertilizantes S.A. From 1993 to 2008, he served as an executive officer at CBPI and DPPI. Currently Mr. Antunes is Ipiranga's Chief Operating Officer and is also a member of the Board of Sindicom. Mr. Antunes is also a member of the Board of Directors of the Brazilian Petroleum Institute – IBP and of the Association for Convenience and Fuel Retailing – NACS. He earned a degree in Economics from *Universidade Federal do Rio Grande do Sul* and post graduate and a master's degree in Agricultural Economics at University of Reading (UK) and University of London, respectively. Furthermore, he has completed the Advanced Executive Program, from J.L. Kellogg Graduate School of Management at Northwestern University.

**Pedro Jorge Filho.** Mr. Jorge has been an officer of Ultrapar since April 2005. He has been with the Company since 1977 and has held a number of positions with the Company, including serving as an officer of Utingás and Director of Engineering and Marketing at Ultragaz. Mr. Jorge was also responsible for the Southeastern and Midwest regions. Mr. Jorge became Ultragaz's Chief Operating Officer in 2002. He is an officer at Sindigás and at AIGLP (*Asociación Iberoamericana de Gas Licuado de Petróleo*) and first vice-president at World LP Gas Association – Paris. Mr. Jorge is also the Chief Executive Officer of GLP – *Qualidade Compartilhada*, an LPG industry association. He earned a degree in Industrial and Chemical Engineering from *Universidade Mackenzie*. He also earned a certificate from the Advanced Management Program at INSEAD, in Fontainebleau, France in 1998, and from the program HR's Contribution to Continuous Improvement – at Instituto IESE of Universidade de Navarra, in Barcelona, Spain in 1999.

**Ricardo Isaac Catran.** Mr. Catran has been an officer of Ultrapar since May 2010. He joined the Company in 1980 and since then has held a number of positions, including commercial officer of Transultra and Tequimar for the Northeast region. Mr. Catran became Ultracargo's Chief Operating Officer in 2008. He earned a degree in civil engineering from *Universidade Federal do Rio de Janeiro* and post graduate degree in transport engineering from COPPE UFRJ (*Instituto Alberto Luiz Coimbra de Pós-Graduação e Pesquisa de Engenharia – Universidade Federal do Rio de Janeiro*).

## **B. Compensation**

The purpose of Ultrapar's compensation policy and practices are (i) to align the interests between management and shareholders, based on the principle of sharing risks and returns, (ii) to converge individual goals to the Company's strategy, and (iii) to recognize the contribution and retain professionals, based on market references. Following these principles, Ultrapar adopts a differentiated and competitive compensation plan that includes the use of value creation metrics to establish variable compensation targets, differentiated benefits to executives and a stock ownership plan.

For the year ended December 31, 2015, the Company recognized aggregate compensation of our directors and executive officers of R\$49.1 million in its financial statements, distributed as follows:

	Board of Directors	Executive Officers	Total
	(in thousands of <i>Reais</i> , except for the number of members)		
<b>Number of members<sup>(1)</sup></b>	<b>8.83</b>	<b>7.00</b>	
<b>Annual fixed compensation</b>	<b>5,289.5</b>	<b>15,251.6</b>	<b>20,541.1</b>
Salary	3,963.7	9,182.4	13,146.1
Direct and indirect benefits	1,325.8	6,069.2	7,394.9
<b>Variable compensation</b>		<b>19,519.7</b>	<b>19,519.7</b>
Short-term variable compensation		17,218.1	17,218.1
Long-term variable compensation		2,301.6	2,301.6
<b>Post-employment benefit</b>		<b>2,936.0</b>	<b>2,936.0</b>
<b>Stock-based compensation</b>		<b>6,125.9</b>	<b>6,125.9</b>
<b>Total compensation</b>	<b>5,289.5</b>	<b>43,833.2</b>	<b>49,122.7</b>

The table below shows the higher, lower and average individual compensation recognized in our financial statements for our directors and executive officers in 2015:

Body	Number of members <sup>(1)</sup>	Highest individual compensation	Lowest individual compensation	Average individual compensation
	(in thousands of <i>Reais</i> , except for the number of members)			
Board of Directors	8.83	1,493.1	399.5	599.0
Executive Officers	7.00	13,069.0	3,710.1	6,261.9

- <sup>(1)</sup> Weighted average number of members over the period, which reflects that (a) Mr. Ivan de Souza Monteiro was a board member until February 11, 2015 and no additional board member was added until April, 2015 and (b) Mr. José Maurício Pereira Coelho was elected at the annual shareholders meeting held in April 15, 2015.

The main components of our management compensation plan are:

Fixed compensation (salary and direct and indirect benefits): a monthly amount paid with the purpose of remunerating the responsibility and complexity inherent to each position, the individual contribution and the experience of each professional.

Short-term variable compensation: an annual amount paid in order to align the interests of the executives with those of the Company. This amount is linked to (i) the businesses performance, which is measured through the Economic Value Added (EVA<sup>®</sup>) metric, and (ii) the achievement of annual individual goals established based on the strategic planning and focused on expansion and operational excellence projects, people development and market positioning, among others.

Long-term variable compensation: the purpose of this portion is to align long-term interests of executives and shareholders and to retain executives. The previous program had been effective from 2006 to 2011, with payment in 2012 after verified the achievement of the established goals. In February 2014, a similar program was established for the CEO of Ultrapar.

In addition, a portion of the aggregated compensation is represented by the amortization of the shares granted to the executive officers under the Deferred Stock Plan (defined below). See Item 6.D. Directors, Senior Management and Employees Employees.

On April 27, 2001, the annual general shareholders meeting approved a stock-based compensation plan to members of management and employees in executive positions in the Company. On November 26, 2003, the extraordinary general shareholders meeting approved certain amendments to the original plan of 2001 (the Deferred Stock Plan). In the Deferred Stock Plan, certain members of management of the Company have the voting and economic rights of shares and the ownership of these shares is retained by the subsidiaries of the Company. The Deferred Stock Plan provides for the transfer of the ownership of the shares to those eligible members of management after five to ten years from the initial concession of the rights subject to uninterrupted employment of the participant during the period. The total number of shares to be used for the Deferred Stock Plan is subject to the availability in treasury of such shares. It is incumbent on Ultrapar's Board of Directors to select the members of management eligible for the plan and propose the number of shares in each case for approval by the Board of Directors. On December 31, 2015, the amount granted to the Company's executives, including tax charges, totaled R\$112.3 million. This amount is amortized over the vesting period of the Deferred Stock Plan, between five and ten years from the grant date. The amortization in 2015 in the amount of R\$16.9 million was recognized as a general and administrative expense. The fair value of the awards were determined on the grant date based on the market value of the shares on the BM&FBOVESPA.

The chart below sets forth a historical summary of the shares provided to the members of our board of executive officers as of December 31, 2015:

Statutory Officers											
Weighted average number of statutory officers <sup>(1)</sup>	2018	2014	2014	2009	2012	2008	2016	2010	2007	2003	2005
	Dec-03	Oct-04	Dec-05	Nov-06	Dec-07	Oct-08	Dec-09	Nov-10	Nov-12	Feb-14	Mar-14
Number of shares	239,200	94,300	20,000	133,600	100,000	496,000	40,000	140,000	70,000	150,000	38,400
Price of shares granted					1/3 in Nov-2012	1/3 in Sep-2013	1/3 in Nov-2014	1/3 in Oct-2015	1/3 in Oct-2017	1/3 in Jan-2018	1/3 in Mar-2019
Number of shares to be granted					1/3 in Nov-2013	1/3 in Sep-2014	1/3 in Nov-2015	1/3 in Oct-2016	1/3 in Oct-2018	1/3 in Jan-2019	1/3 in Mar-2020
Price of shares granted					1/3 in Nov-2014	1/3 in Sep-2015	1/3 in Nov-2016	1/3 in Oct-2017	1/3 in Oct-2019	1/3 in Jan-2020	1/3 in Mar-2021
Price of shares granted to statutory officers <sup>(3)</sup>	7.58	10.20	8.21	11.62	16.17	9.99	20.75	26.78	42.90	55.36	52.15

(1) Weighted average of the number of statutory officers over the period, which reflects that (a) Mr. Ivan de Souza Monteiro was a board member until February 11, 2015 and no additional board member was added until April, 2015 and (b) Mr. José Maurício Pereira Coelho was elected at the annual shareholder s meeting held in April 15, 2015.

(2) Includes shares granted from 2004 to 2008 to certain officers who were not statutory officers at the granting date.

(3) The number and the price of shares granted were adjusted to reflect the stock split of the shares issued by the Company at a ratio of 1 existing share to 4 shares approved by extraordinary general meeting on February 10, 2011.

For more information on our Deferred Stock Plan, please see Note 8(c) to our financial statements.

**C. Board Practices**

We are managed by our Board of Directors (*Conselho de Administração*) and by our executive officers (*Diretoria*). As of December 31, 2015, our Board of Directors elected at the annual general shareholders meeting held on April 15, 2015, consisted of nine members, six of whom are independent, according to the Brazilian rules, non-executive members (including one appointed by former minority preferred shareholders). Two members of the board were executive officers until December 2006 and one member was an executive officer until December 2012. Our Board of Directors must meet regularly every three months and extraordinarily whenever called by its chairman or by any two directors. During 2015, eleven board meetings were held. Each meeting of the Board of Directors requires that a majority of the directors be present, including the chairman or the vice-chairman, before the meeting may commence. The vote of a majority of the members present is required for approval of a resolution by the Board of Directors. In case of a tie, the chairman, or in the chairman's absence, the vice chairman, will provide the casting vote. The chairman of our Board of Directors has the power to call a special meeting of the Board of Directors as circumstances may require; provided, however, that two-thirds of board members are present in order to convene such special meeting. Among other responsibilities, the Board of Directors is responsible for (i) our general guidelines, (ii) electing and removing our executive officers, supervising their management and fixing their compensation, (iii) deliberating on the issuance of new shares, within the limits of our authorized capital, (iv) authorizing the distributions of dividends and interest on shareholders' equity, (v) approving transactions with value exceeding three percent of our shareholders' equity, (vi) approving our dissolution or merger and (vii) the appointment of independent registered public accounting firm, among other responsibilities. Pursuant to Brazilian law, each member of the Board of Directors must be elected by the holders of our shares at the general shareholders meeting.

Members of the Board of Directors are elected for a period of two years and may be reelected.

Our bylaws require that at least thirty percent of the members of our Board of Directors be independent directors, in accordance with independence requirements of the *Novo Mercado* segment regulation. In addition, our bylaws set forth that the election of the members of the Board of Directors must be made through the nomination of a slate of candidates, unless cumulative voting is requested. Only the following slates of candidates will be eligible; (i) those nominated by the Board of Directors; or (ii) those nominated by any shareholder or group of shareholders. See Item 4.A. Information on the Company History and Development of the Company New corporate governance structure and Exhibit 1.1. Bylaws of Ultrapar, dated as of January 31, 2014.

When electing members to the Board of Directors, shareholders will be entitled to request, as required by law and our bylaws, the adoption of a cumulative voting process, provided that they do so within, at least, forty-eight hours in advance of the shareholders meeting. The minimum percentage of capital necessary for requesting the cumulative voting process is 5% of the shares. In the event the election has been conducted by cumulative voting, the removal of any member of the Board of Directors by the shareholders meeting shall entail the removal of the other members, giving rise to a new election. See Exhibit 1.1. Bylaws of Ultrapar, dated as of January 31, 2014.

### **Executive Officers**

As of December 31, 2015, our Board of Executive Officers was comprised of a minimum of four and a maximum of eight members, including our Chief Executive Officer.

Members of Board of Executive Officers are appointed for a two-year term and can be reelected. For the dates on which our executive officers began holding their respective position, see Item 6.A. Directors, Senior Management and Employees Directors and Senior Management.

### **Fiscal Council and Audit Committee Exemption**

Brazilian Corporate Law requires us to establish a fiscal council (*Conselho Fiscal*), which may operate on a permanent or non-permanent basis. According to the Brazilian Corporate Law, a fiscal council acting on a non-permanent basis is required to be formed when requested by 10% of voting shareholders in an annual general shareholders meeting. However, pursuant to CVM Instruction 324/00, in the case of Ultrapar, holders of 2% of the voting capital are entitled to request the installation of the fiscal council. The elected members of the fiscal council will remain in place only until the following annual general shareholders meeting, in which they may be reelected by our shareholders.

As set forth in our bylaws approved on June 28, 2011, our fiscal council acts on a non-permanent basis. In addition, our bylaws provide for an audit committee as an ancillary body of the Board of Directors. In the event the fiscal council is installed in accordance with Brazilian Corporate Law, the fiscal council will operate as the audit committee during that mandate, exercising all the duties and in accordance with the requirements set forth in our bylaws, including with respect to its members. The audit committee will not operate in any fiscal year when a fiscal council is installed. See Exhibit 1.1. Bylaws of Ultrapar, dated as of January 31, 2014. We currently have a fiscal council installed.

Currently, our fiscal council acts as an audit committee pursuant to the requirements of the Sarbanes-Oxley Act. Under Rule 10A-3(c)(3) of the Exchange Act, non-U.S. issuers, such as Ultrapar, are exempt from the audit committee requirements of Section 303A of the NYSE Listed Company Manual if they establish, according to their local law or regulations, another body that acts as an audit committee.





The fiscal council is a separate corporate body independent of our management and our external independent registered public accounting firm. According to the Brazilian Corporate Law, the fiscal council must meet at least four times per year. Since its establishment, in July 2005, our fiscal council has been meeting on a regular basis, and in 2015, they held twelve meetings. Our fiscal council is responsible for reviewing the accuracy and integrity of quarterly and annual financial statements in accordance with applicable accounting, internal control and auditing requirements and in compliance with the provisions of Brazilian Corporate Law; the forms of the CVM and requirements for listing on BM&FBOVESPA; the rules of the SEC and the requirements for listing on NYSE. Our fiscal council also (1) makes recommendations to our board of directors regarding the appointment, retention and oversight of our independent registered public accounting firm, (2) discusses matters related to interim and annual financial statements with the management of the Company and the independent registered public accounting firm, (3) reviews and evaluates the performance of internal auditing and (4) discusses matters related to effectiveness of the internal controls of the Company with management and independent registered public accounting firm. With the support of our fiscal council, the Company improved procedures for receiving, retaining and addressing complaints regarding accounting, internal control and auditing matters, including the submission of confidential, anonymous complaints from employees regarding questionable accounting or auditing matters. Our fiscal council may hire outside advisors to assist it with matters related to the course of their duties, and such expenses are covered by the Company. The members of our fiscal council are elected by our shareholders at the annual general shareholders meeting for one-year terms and are eligible for reelection. The terms of the members of our fiscal council expire at the next annual general shareholders meeting. Under Brazilian Corporate Law, individuals who are members of our board of directors or our board of executive officers or are employees or spouses or relatives of any member of our management are not eligible to serve on the fiscal council. To be eligible to serve on our fiscal council, a person must be a resident of Brazil and either a university graduate or has been a Company officer or fiscal council member of another Brazilian company for at least three years prior to election to our fiscal council.

On June 28, 2011, the extraordinary shareholders meeting approved the modification of the number of fiscal council members from five to three members. See Item 4.A. Information on the Company History and Development of the Company New corporate governance structure and Exhibit 1.1. Bylaws of Ultrapar, dated as of January 31, 2014.

On April 13, 2016, the annual general shareholders meeting approved compensation for fiscal council members of R\$16,200 per month for each effective (non-alternate) member, except for the president of the fiscal council, whose compensation was set at R\$17,500 per month.

As of December 31, 2015, our fiscal council consisted of three members and their respective alternate members, set forth on the following table:

<b>Name</b>	<b>First Year of Appointment</b>
Flavio César Maia Luz	2005
Márcio Augustus Ribeiro (alternate)	2007
Mario Probst	2005
Pedro Ozires Predeus (alternate)	2005
Janio Carlos Endo Macedo	2015
Paulo Cesar Pascontini (alternate)	2014

On April 13, 2016, at the annual general shareholders meeting, the fiscal council members Flavio César Maia Luz (president) and Mario Probst were reelected, as well as Márcio Augustus Ribeiro, Paulo Cesar Pascontini and Pedro Ozires Predeus as alternates of Mr. Luz, Mr. Probst and Mr. Nilson Martiniano Moreira, respectively, the latter elected in replacement of Mr. Macedo. Summarized below is information regarding the business experience, areas of experience and principal outside business interests of the current members of our fiscal council.



**Flavio César Maia Luz.** Mr. Luz has been our fiscal council president since 2005. Mr. Luz is a partner-officer at Doing Business Consultoria Empresarial Ltda, a business and corporate finance Company. He is also a member of the fiscal council at CTEEP S.A. and Itaúsa S.A. and a member of the Board of Directors of Senior Solutions S.A., of Ser Educacional S.A. and of Marcopolo S.A. Mr. Luz was corporate and finance vice-president of Cofra Latin America Ltda. C&A Group from 2001 to 2010 and was Chief Executive Officer of Banco Ibi C&A Group in 2009. From 1999 to 2001, Mr. Luz served as executive director and vice-president of the Board of Directors at Eletropaulo and as a member of the Board of Directors at Light S.A. From 1976 to 1998, Mr. Luz worked at Duratex, where he occupied the executive vice-president position from 1993 to 1998. Mr. Luz received a degree in civil engineering from *Escola Politécnica da Universidade de São Paulo* and a post-graduate degree in business administration from *Escola de Administração de Empresas de São Paulo da Fundação Getulio Vargas*. He also holds certificates of continuing education programs in Finance, Marketing and Mergers & Acquisitions, from Harvard Business School, Stanford University and Wharton Business School, respectively.

**Mario Probst.** Mr. Probst served as partner at KPMG Auditores Independentes from 1991 to 2004, and is currently retired. Mr. Probst was a member of the fiscal council at Odontoprev S.A. until 2014 and was a member of the fiscal council at Companhia Brasileira de Distribuição and at ViaVarejo S.A., a secretary of the audit committee at Gafisa S.A. and an alternate member of the statutory audit council at Banco Ibi S.A. Mr. Probst is also a member of the Board of Directors of *Hospital Alemão Oswaldo Cruz* since 2007 and a member of the fiscal council of Mahle Metal Leve S.A. Mr. Probst received a degree in business administration from *Escola de Administração de Empresas de São Paulo da Fundação Getulio Vargas* and accountancy from *Faculdade de Ciências Políticas e Econômicas do Rio de Janeiro*.

**Nilson Martiniano Moreira.** Mr. Moreira joined the Company in April 2016 as a member of fiscal council. He has been an officer of Banco do Brasil S.A. since 2007 and a member of fiscal council of Alelo Companhia Brasileira de Soluções e Serviços S.A. since 2014. Mr. Moreira was also a member of fiscal council of Neoenergia from 2011 to 2014 and a member of Board of Directors of BB Tecnologia e Serviços in 2014. He holds a bachelor degree in Economics from PUC *Pontifícia Universidade Católica de Minas Gerais* and an MBA from IBMEC *Instituto Brasileiro de Mercado de Capitais*.

## Corporate Governance

We are incorporated under the laws of Brazil and we are subject to Brazilian laws related to corporate governance. Under Brazilian Corporate Law, there are no legal requirements with respect to corporate governance regarding (i) the independence of our Board of Directors, (ii) meetings of non-management directors, (iii) the mandatory establishment and composition of certain board committees or (iv) the adoption and disclosure of corporate governance guidelines or codes of business conduct and ethics. As a non-U.S. issuer, we are exempt from adopting certain NYSE corporate governance requirements. However, we aim to ensure that best practices, recommendations and standards of corporate governance are employed in our functioning and operations. As of December 31, 2015, we had adopted corporate governance practices, such as the requirement that at least 30% of the members of the Board of Directors be independent, the implementation of a code of ethics for Ultra S.A., senior officers and all employees, and the implementation of the compensation and audit committees. According to our bylaws, the fiscal council will act on a non-permanent basis and will be installed when requested by our shareholders as set forth in Brazilian Corporate Law. We currently have a fiscal council installed. The audit committee will not operate in any fiscal year when a fiscal council is installed. See [Fiscal Council and Audit Committee Exemption](#) and [Description of the Audit Committee](#).

In 2000, BM&FBOVESPA introduced three special listing segments, known as Levels 1 and 2 of Differentiated Corporate Governance Practices and *Novo Mercado*, which seek to foster a secondary market for securities issued by Brazilian companies with securities listed on BM&FBOVESPA, by requiring such companies to follow good practices of corporate governance. The listing segments were designed for the trading of shares issued by companies voluntarily abiding by corporate governance practices and disclosure requirements in addition to those already

imposed by Brazilian law. These rules generally increase shareholders' rights and enhance the disclosure of information provided to shareholders.

In October 2005, we entered into an agreement with BM&FBOVESPA and have complied with the requirements to become a Level 1 Company, which is the entrance level of the Differentiated Corporate Governance Practices of BM&FBOVESPA.

On June 28, 2011, the extraordinary general shareholders' meeting and the special preferred shareholders' meeting approved the conversion of each preferred share into one common voting share, the migration of Ultrapar to *Novo Mercado* segment of BM&FBOVESPA and amendments to our bylaws. See Exhibit 2.11 Rules of *Novo Mercado*.

Our bylaws have provisions that exceed the listing requirements of *Novo Mercado*. For example, according to the rules of *Novo Mercado* the minimum percentage of independent members of the Board of Directors is set at 20%, while a minimum of 30% is required in our bylaws. Our bylaws also establish (i) a mandatory tender offer to 100% of the Company's shareholders in the event a shareholder, or a group of shareholders acting in concert, acquire or become holders of 20% of the Company's shares, excluding treasury shares, and (ii) creation of audit and compensation committees, as ancillary bodies of the Board of Directors. Our bylaws do not establish any limitation on voting rights, special treatment to current shareholders, public tender offers for a price above that of the acquisition price of shares or any other poison pill provisions, thus assuring the effectiveness of a majority shareholders' approval on all matters to be deliberated. See Item 4.A. History and Development of the Company New corporate governance structure and Exhibit 1.1. Bylaws of Ultrapar, dated as of January 31, 2014.

#### **Description of the Audit Committee**

Our bylaws establish the audit committee as an ancillary body of the Board of Directors. The audit committee shall be comprised of three independent members, of whom at least two shall be external members, all elected by the Board of Directors for a one-year term of office, with reelection being permitted for successive terms. The external members of the audit committee shall not be a member of the Board of Directors of the Company or of its controlled companies and shall have knowledge or experience in auditing, controls, accounting, taxation or rules applicable to publicly-held companies, in so far as they refer to the adequate preparation of their financial statements. The audit committee shall (a) propose to the Board of Directors the nomination of the independent registered public accounting firm as well as their replacement; (b) review the management report and the financial statements of the Company and of its controlled companies, and provide the recommendations it deems necessary to the Board of Directors; (c) review the quarterly financial information and the periodic financial statements prepared by the Company; (d) assess the effectiveness and sufficiency of the internal control structure and of the internal and independent audit processes of the Company and of its controlled companies, including in relation to the provisions set forth in the Sarbanes-Oxley Act, submitting the recommendations it deems necessary for the improvement of policies, practices and procedures; (e) provide its opinion, upon request of the Board of Directors, with respect to the proposals of the management bodies, to be submitted to the shareholders' meetings, relating to changes to the capital stock, issuance of debentures or warrants, capital budgets, dividend distribution, transformation, merger, amalgamation or spin-off; and (f) provide its opinion on the matters submitted to it by the Board of Directors, as well as on those matters it determines to be relevant. As determined in our bylaws, in the event the fiscal council is established as set forth in Brazilian Corporate Law, the fiscal council shall operate as the audit committee exercising all the duties provided for in our bylaws. The audit committee will not operate in any fiscal year when a fiscal council is installed. As set forth by our bylaws, our fiscal council will act on a non-permanent basis and its current members will remain in office until the annual general shareholders' meeting that will be held on 2017. See Item 4.A. History and Development of the Company New corporate governance structure and Exhibit 1.1. Bylaws of Ultrapar, dated as of January 31, 2014.

#### **Description of the Compensation Committee**

Our bylaws establish the compensation committee as an ancillary body of the Board of Directors. The compensation committee shall be comprised of three members of the Board of Directors, two of which shall be independent directors. The compensation committee shall (a) pursuant to the proposal received from the Chief Executive Officer,

propose to the Board of Directors and periodically revise the parameters and guidelines of a remuneration and benefits framework to directors, executive officers and senior employees of the Company and subsidiaries, and members of the committees and other governing bodies assisting the Board of Directors, (b) propose to the Board of Directors, pursuant to the proposal received from the Chief Executive Officer, the overall compensation of the directors and executive officers of the Company, which shall be submitted to the shareholders meeting; (c) ensure that the Company prepares itself adequately for the succession of its directors, executive officers and other key employees, particularly the Chief Executive Officer and the principal executive officers; and (d) carry out diligence and supervise the steps taken to ensure that the Company adopts a model of competence and leadership, attraction, retention and motivation in line with its strategic plans. See Item 4.A. History and Development of the Company New corporate governance structure and Exhibit 1.1. Bylaws of Ultrapar, dated as of January 31, 2014.

As set forth in our bylaws, the compensation committee was installed by the Board of Directors at the meeting held on November 9, 2011. Mr. Alexandre Gonçalves Silva, Mr. Nildemar Secches and Mr. Pedro Wongtschowski were appointed as members of the compensation committee on the Board of Directors meeting held on May 6, 2015. The members of our compensation committee shall maintain their positions up the end of their term of office as Directors, on annual general shareholders meeting of 2017.

### Termination Agreements

Not applicable.

### D. Employees

As of December 31, 2015, we had 14,597 employees. The following table sets forth our number of employees per line of business at the dates indicated:

	As of December 31, Number of employees		
	2015	2014	2013
Ultragaz	3,603	3,636	3,704
Ipiranga	2,864	2,769	2,682
Oxiteno	1,806	1,809	1,829
Ultracargo	596	613	604
Extrafarma	5,269	4,711	
Others <sup>(1)</sup>	459	440	416
Ultrapar	14,597	13,978	9,235

<sup>(1)</sup> Includes corporate center personnel.

Ultrapar's employees are covered by collective agreements with the labor unions that represent different industry sectors: Ultragaz in the minerals trading and transportation sectors; Ipiranga in the fuel distribution sector; Oxiteno in the chemicals sector; Ultracargo in the storage sector; and Extrafarma in the retail pharmacy business. All agreements, signed between the companies and labor unions of each sector, addresses social, financial, labor union and labor relations issues.

In February 2001, our Board of Directors approved the adoption of a defined contribution pension plan to be sponsored by Ultrapar and each of its subsidiaries. Participating employees have been contributing to this plan, managed by Ultraprev *Associação de Previdência Complementar*, since August 2001. Under the terms of the plan, every year each participating employee chooses his or her basic contribution to the plan. Each sponsoring Company provides a matching contribution in an amount equivalent to each basic contribution, up to a limit of 11% of the employee's reference salary, according to the rules of the plan. As participating employees retire, they may choose to receive either (i) a monthly sum ranging between 0.5% and 1.0% of their respective contribution in Ultraprev or (ii) a fixed monthly amount which will exhaust their respective contribution over a period of 5 to 25 years. The sponsoring Company does not guarantee the amounts or the duration of the benefits received by each employee that retires. The total number of participating employees as of December 31, 2015 was 8,903.





**E. Share Ownership**

In accordance with our bylaws, our common shares are our sole class of capital stock authorized and outstanding. They entitle their holders to voting rights on any matter. See Item 6.B. Directors, Senior Management and Employees Board Practices Corporate Governance.

On February 10, 2011, the extraordinary general shareholders meeting approved a stock split of the shares issued by Ultrapar, so that each share would be represented by four shares of the same class and type, with no modification in the shareholders financial position and interest in the Company. After the stock split, our numbers of preferred shares and common shares increased to 197,719,588 and 346,664,408, respectively.

In addition, on June 28, 2011, the extraordinary general shareholders meeting and the special preferred shareholders meeting approved the conversion of each preferred share issued by the Company into one common share with voting rights.

As of December 31, 2015, following the Extrafarma Transaction and the shares issued to the former Extrafarma shareholders in connection therewith, Ultrapar s capital stock was composed of 556,405,096 common voting shares.

The table below sets forth the number of our common shares beneficially owned by each of our directors and executive officers as of December 31, 2015, including through their participation in Ultra S.A., and does not reflect changes to our capital stock subsequent to such date:

	<b>Total</b>	
	<b>Shares</b>	<b>%</b>
<b>Board of directors</b>		
Paulo Guilherme Aguiar Cunha <sup>(1)</sup>	15,730,616	2.8%
Lucio de Castro Andrade Filho <sup>(1)</sup>	5,568,164	1.0%
Pedro Wongtschowski <sup>(1)</sup>	2,368,987	0.4%
Alexandre Gonçalves Silva		0.0%
Carlos Tadeu da Costa Fraga		0.0%
Jorge Marques de Toledo Camargo		0.0%
José Maurício Pereira Coelho		0.0%
Nildemar Secches <sup>(2)</sup>	168,068	0.0%
Olavo Egydio Monteiro de Carvalho	4	0.0%
<b>Executive officers</b>		
Thilo Mannhardt	150,001	0.0%
André Pires de Oliveira Dias		0.0%
André Covre <sup>(3)</sup>	401,600	0.1%
João Benjamin Parolin <sup>(3)</sup>	280,000	0.1%
Leocadio de Almeida Antunes Filho <sup>(3)</sup>	300,000	0.1%
Pedro Jorge Filho <sup>(3)</sup>	339,900	0.1%
Ricardo Isaac Catran <sup>(3)</sup>	149,650	0.0%
<b>Board of directors and executive officers</b>	<b>25,456,990</b>	<b>4.6%</b>
<b>Total</b>	<b>556,405,096</b>	

- (1) Individuals who beneficially own shares primarily through their participation in the holding company Ultra S.A.  
See Item 7.A. Major Shareholders and Related Party Transactions Major Shareholders.
- (2) Individual who owns shares through an exclusive fund.
- (3) Executives who were granted shares through the Deferred Stock Plan.

**ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS****A. Major Shareholders**

The table below shows the capital stock of Ultrapar as of December 31, 2015:

	<b>Total Shares</b>	<b>%</b>
<b>Shareholders</b>		
Ultra S.A. Participações	119,760,601	22%
Aberdeen Asset Management PLC <sup>(1)</sup>	65,205,340	12%
Parth do Brasil Participações <sup>(2)</sup>	42,833,956	8%
Others	328,605,199	59%
<b>Total</b>	<b>556,405,096</b>	<b>100%</b>

(1) Fund managers headquartered in England (according to relevant shareholder position notice disclosed by the respective funds). Position informed by the shareholder on June 13, 2011.

(2) Parth do Brasil Participações Ltda. is controlled by Daisy Igel's family. In November 2015, it was renamed from Parth Investments Company to Parth do Brasil Participações Ltda.

**Ownership and Capital Structure of Ultra S.A. Participações**

As of December 31, 2015, Ultra S.A. owned 22% of Ultrapar s voting shares. As of December 31, 2015, the capital stock of Ultra S.A. was beneficially owned as follows:

	Common		Preferred		Total	
	Shares	%	Shares	%	Shares	%
<b>Shareholders</b>						
Ana Maria Levy Villela Igel	9,764,689	17%	12,395,100	52%	22,159,789	27%
Fabio Igel	7,518,770	13%	1,768,275	7%	9,287,045	11%
Marcia Igel Joppert	6,201,602	11%	2,062,988	9%	8,264,590	10%
Joyce Igel de Castro Andrade	5,916,246	10%	1,262,989	5%	7,179,235	9%
Rogério Igel	3,634,187	6%	130,519	1%	3,764,706	5%
Christy Participações Ltda	4,049,199	7%	4,990,444	21%	9,039,643	11%
Others	4,140,702	7%	1,332,571	6%	5,473,273	7%
<b>Total Shareholders</b>	<b>41,225,395</b>	<b>72%</b>	<b>23,942,886</b>	<b>100%</b>	<b>65,168,281</b>	<b>80%</b>
<b>Directors and officers</b>						
Paulo Guilherme Aguiar de Cunha	10,654,109	19%		0%	10,654,109	13%
Lucio de Castro Andrade Filho	3,775,470	7%		0%	3,775,470	5%
Pedro Wongtschowski	1,606,301	3%		0%	1,606,301	2%
<b>Total Directors and Officers</b>	<b>16,035,880</b>	<b>28%</b>		<b>0%</b>	<b>16,035,880</b>	<b>20%</b>
<b>Total</b>	<b>57,261,275</b>	<b>100%</b>	<b>23,942,886</b>	<b>100%</b>	<b>81,204,161</b>	<b>100%</b>

All of the securities of Ultra S.A. are held in Brazil and there are 20 record holders of these securities in Brazil.

### ***Shareholders Agreements***

Ultra S.A.'s shareholders executed, on February 24, 2014, a new shareholders' agreement which became effective as of that date and replaced the Ultra S.A. Shareholders' Agreement executed on 2011. The Ultra S.A. shareholders' agreement's main terms are substantially related to (i) the decision process of Ultra S.A.'s vote at Ultrapar's shareholders meetings and (ii) procedures to exchange any party's shares in Ultra S.A. into shares of Ultrapar, provided that the party's percentage held in our capital remains the same percentage held indirectly through his or her interest in Ultra S.A. The terms and conditions of the new shareholders' agreement are substantially the same as the previous shareholder's agreement among the same parties effective since 2011, except, mainly, for the replacement of previous meetings among the agreeing parties for extraordinary shareholders' meetings of Ultra S.A. to decide upon the vote of Ultra S.A. regarding certain matters in general shareholders' meetings of Ultrapar. The 2014 Shareholders' Agreement will be valid for a five-year term and is renewable by a unanimous resolution. It can be terminated prior to the expiration of its term by a resolution of 80% of Ultra S.A. voting shares. Additionally, in line with the 2011 Shareholders' Agreement, the following provisions remain:

any party purchasing shares of Ultra S.A. must agree to be bound by the terms of the 2014 Shareholders Agreement;

the requirement for prior approval at a shareholders' meeting for a third party to become an Ultra S.A. shareholder; and

the obligation to the agreeing parties of the 2014 Shareholders' Agreement to vote favorably at the extraordinary shareholders' meeting of Ultra S.A. convened to discuss and approve the necessary actions for the exchange of any party's shares in Ultra S.A. into our shares at an exchange ratio necessary to obtain the same percentage of our capital stock as was held in Ultra S.A.

See Exhibit 2.13 2014 Ultra S.A. Shareholders' Agreement, dated as of February 25, 2014.

### **B. Related Party Transactions**

As of December 31, 2015, Ultrapar is responsible for guarantees and securities provided to subsidiaries in the amount of R\$4,370.0 million. This disclosure of related party transactions is provided for purposes of the rules governing Annual Reports on Form 20-F and is not meant to suggest that these matters would be considered related party transactions under IFRS.

Utingás' bylaws provide for each of its shareholders to use a proportion of Utingás' total storage capacity equal to such shareholder's proportionate ownership of Utingás. Accordingly, Ultragas is entitled to use 4.3 thousand tons of LPG storage capacity at Utingás' facilities, reflecting Ultragas's 57% ownership in Utingás. The amount of payments made by Ultragas to Utingás in 2015 with respect to the use of storage capacity at Utingás' facilities totaled R\$7.7 million.

See Note 8.a) to our consolidated financial statements for a detailed breakdown of related party transactions as of December 31, 2015.

### **C. Interests of Expert and Counsel**

Not applicable.

## **ITEM 8. FINANCIAL INFORMATION**

### **A. Consolidated Statements and Other Financial Information**

For our consolidated financial statements and notes thereto see Item 18. Financial Statements.

## Dividends and Distribution Policy

### *Dividend policy*

The bylaws of a Brazilian company may establish a minimum percentage of the profit that must be paid to shareholders as mandatory dividends. The amounts due as dividends may be paid as interest on net equity. Our bylaws provides for a mandatory distribution equal to 50% of the Distributable Amount (as defined below).

Brazilian Corporate Law defines the net profit as the results of the relevant fiscal year, reduced by accumulated losses of prior fiscal years, provisions for income tax and social contribution on the net profit for such fiscal year, and amounts allocated to employees and management's participation on the results in such fiscal year.

The amount available for distribution of dividends, referred to as the Distributable Amount, is the net profit, as reduced or increased by the following:

amounts allocated to the legal reserve;

amounts allocated to the statutory reserve, if any;

amounts allocated to the contingency reserve, if required;

amounts allocated to the unrealized profit reserve;

amounts allocated to the retained profit reserve;

amounts allocated to the income tax exemption reserve;

reversions of reserves registered in prior years, in accordance with Brazilian GAAP; and

reversions of the amounts allocated to the unrealized profit reserve, when realized and not absorbed by losses.

**Legal reserves.** We are required to maintain a legal reserve to which we must allocate 5% of our net profit until the amount of our legal reserve equals 20% of paid-in capital. We are not required to make any allocations to the legal reserve for any fiscal year in which such reserve, when added to our capital reserves, exceeds 30% of our capital stock. Accumulated losses, if any, may be charged against the legal reserve. Other than that, the legal reserve can only be used to increase our capital.

**Statutory reserves.** Under Brazilian Corporate Law, any corporation may create statutory reserves, in which case it shall be provided in its respective bylaws. In this case, the bylaws must also indicate the reserve purpose, allocation criteria and maximum amount of reserve. As provided in our bylaws, we may allocate up to 45% of our net profit to an investment reserve, up to the limit of 100% of our capital stock.



**Contingency reserves.** Under Brazilian Corporate Law, our shareholders may decide, upon a proposal of our Board of Directors, to allocate a discretionary amount of our net profit to a contingency reserve for estimated future losses, which are deemed probable. The distributable amount may be further increased by the reversal of such reserve in the fiscal year when the reasons that justified the creation of such reserve cease to exist or in which the anticipated loss occurs. Accordingly, there is no specific percentage of net profit allocable to this type of reserve.

**Unrealized profits reserves.** Under Brazilian Corporate Law, when the mandatory dividend amount exceeds the realized net profits in a given fiscal year, our shareholders may elect, upon a proposal of our Board of Directors, to allocate some or all of the excess dividend amount to any unrealized profits reserve. Brazilian Corporate Law defines realized net profits as the amount by which the company's net profits exceed the sum of (1) its net positive results, if any, from the equity method of accounting for earnings and losses of the company's subsidiaries and certain of its affiliates and (2) the profits, gains or returns that will be received by the company after the end of the next fiscal year. The distributable amount is increased by the profits that were allocated to such reserve when they are realized.

**Income tax exemption reserve.** Under Brazilian Corporate Law, the portion of the net profit derived from donations or governmental incentives directed to investments, can be excluded of the Distributable Amount.

**Retained profits reserve.** Under Brazilian Corporate Law, our shareholders may decide to retain a discretionary amount of our net profits that is provided for in a budget approved in the general shareholders' meeting, upon the proposal of its Board of Directors, for the expansion of our installations and other investment projects. After the conclusion of the relevant investments, we may retain the reserve until the shareholders approve the transfer of the reserve, in full or in part, to its capital or to the accumulated profits reserve. In accordance with Brazilian Corporate Law, if a project to which part of the reserve has been allocated has a term exceeding one year, the budget for such project must be approved by the general shareholders' meeting each fiscal year through the conclusion of the project.

Brazilian Corporate Law provides that all statutory allocations of net profit, including the unrealized profits reserve and the reserve for investment projects, are subject to approval by the shareholders voting at a general shareholders' meeting and may be used for capital increases or for the payment of dividends in subsequent years. The legal reserve is also subject to approval by the general shareholders' meeting and may be transferred to capital or used to absorb losses, but is not available for the payment of dividends in subsequent years.

The balance for the profit reserve accounts, except for the contingency reserve and unrealized profits reserve, may not exceed the share capital. If this happens, our shareholders must determine whether the excess will be applied to pay in the subscribed and unpaid capital, to increase and pay in the subscribed stock capital or to distribute dividends.

The profits unallocated to the accounts mentioned above must be distributed as dividends.

A company is permitted to allocate to the unrealized profits reserves all income from equity gains in subsidiaries that are not distributed to the company in the form of cash dividends. When such gains are distributed to the company in the form of cash dividends, the company is required to reverse the reserve. See Item 3.D. Key Information Risk Factors Risks Relating to the Shares and the American Depositary Shares. In addition to the mandatory distribution, the Board of Directors may recommend to the shareholders the payment of interim distributions from other funds that are legally available for such purposes. Any payment of an interim dividend may be set off against the amount of the mandatory dividend distribution for that fiscal year.

As an alternative form of payment of dividends, Brazilian companies may distribute interest on capital, which payments may be treated by a company as a deductible expense for income and social contribution taxes purposes. Payments of interest on capital may be made at the discretion of our Board of Directors, subject to the approval of the holders of our common shares. Payments of interest attributed to shareholders' equity, net of withholding tax, may be distributed as part of the minimum mandatory dividends, to the extent that it does not exceed the limits described below. This interest is calculated in accordance with the daily pro rata variation of the Brazilian government's long-term interest rate, (TJLP), as determined by the Central Bank from time to time, and cannot exceed the greater of:

50% of net income (after the deduction of the social contribution on profits and before the provision for corporate income tax and the amounts attributable to shareholders as net interest on equity) related to the period in respect of which the payment is made; or

50% of the sum of retained profits and profit reserves in the beginning of the period with respect to which the payment is made.

Under Brazilian Corporate Law, a company may suspend the mandatory distribution either in the form of dividends or payments of interest on capital if the shareholders at the general shareholders' meeting determine, based on the Board of Directors' proposal, which is reviewed by the fiscal council, that payment of the mandatory distribution for the preceding fiscal year would be inadvisable in light of the company's financial condition. Our managers must report to

the CVM such suspension within five days of the relevant general shareholders meeting. Under Brazilian law, mandatory distributions that are suspended and not offset against losses in future years must be paid as soon as the financial condition of the company permits.

We declare and pay dividends and/or interest on capital, pursuant to Brazilian Corporate Law and our bylaws. Our Board of Directors may approve the distribution of dividends and/or interest on capital, calculated based on our annual or semi-annual financial statements or on financial statements relating to shorter periods. The amount of any distributions will depend on a series of factors, such as our financial condition, prospects, macroeconomic conditions, tariff adjustments, regulatory changes, growth strategies and other issues our Board of Directors and our shareholders may consider relevant.

The amount of retention of profits and investments reserve are free of distribution restrictions and totaled R\$3.3 billion as of December 31, 2015 (R\$2.8 billion as of December 31, 2014).

For 2015 and 2014, we declared dividends to our shareholders in the amounts of R\$871 million and R\$779 million, respectively, corresponding to 58% and 62% of our reported net income for each year, respectively.

We usually pay dividends twice a year – interim dividends are paid after the reporting of the second quarter financial statements and the remaining is paid after the reporting of the annual financial statements.

The following table sets forth the dividends per share distributed by us with respect to our capital stock in the past five years.

### Dividend history

Year s results	Common shares	
	(in <i>Reais</i> per share)	(in US\$ per share) <sup>(1)</sup>
2011	0.98	0.59
2012	1.17	0.60
2013	1.37	0.58
2014	1.42	0.53
2015	1.60	0.44

<sup>(1)</sup> The amounts in *Reais* have been converted into dollars using the exchange rates at each respective payment date. Holders of our shares are entitled to receive dividends declared by us solely from the date of the subscription and/or acquisition of such shares.

**Payment of dividends.** Within the four months following the end of each fiscal year, our shareholders are required to hold an annual shareholders' meeting to decide, among other things, on the allocation of our net profits with respect to the fiscal year ended immediately prior to the shareholders' meeting and the payment of an annual dividend. Additionally, interim dividends may be declared by our Board of Directors. Under Brazilian Corporate Law, dividends are generally required to be paid within 60 days following the date the dividend was declared, unless a shareholders' resolution sets forth another date of payment, which, in either case, must occur prior to the end of the fiscal year in which such dividend was declared. Unclaimed dividends revert to us three years after the date when we begin to pay such declared dividends.

Shareholders who are not residents of Brazil must register with the Central Bank to have dividends, sales proceeds or other amounts with respect to their shares eligible to be remitted in foreign currency outside of Brazil. The shares underlying the ADSs will be held in Brazil by the Custodian, *Itaú Corretora de Valores S.A.*, as agent for the Depositary. For purposes of the registration requirement, the Depositary is deemed to be the stockholder of the shares underlying the ADSs. The Depositary will register such common shares with the Central Bank.

Payments of cash dividends and distributions, if any, will be made in Brazilian currency to the Custodian on behalf of the Depositary. The Custodian will then convert such proceeds into U.S. dollars and will cause such U.S. dollars to be delivered to the Depositary for distribution to holders of ADSs. See Description of American Depositary Receipts in our Registration Statement filed on Form F-1, declared effective on April 12, 2005. In the event that the Custodian is unable to convert immediately the Brazilian currency received as dividends into U.S. dollars, the amount of U.S. dollars payable to holders of ADSs may be adversely affected by devaluations of the Brazilian currency that may occur before such dividends are converted and remitted. See Item 3.A. Key Information Selected Consolidated Financial Data Exchange Rates and Item 3.D. Key Information Risk factors Risks Relating to Brazil. Dividends in respect of the shares paid to shareholders who are not Brazilian residents, including holders of ADSs, are exempt from Brazilian withholding tax except for dividends declared based on profits generated prior to December 31, 1995. Distributions of interest attributable to shareholders equity are currently subject to withholding tax at a rate of 15%, or 25% in the case of a shareholder domiciled in a tax haven. See Item 10.E. Additional Information Taxation Brazilian Tax Consequences.

### **Legal proceedings**

**Provisions for tax, civil and labor risks.** We are party to administrative proceedings and lawsuits in relation to tax, civil, environmental, regulatory and labor matters, that are incidental to the normal course of our business, and whenever applicable, the Company maintains escrow deposits. The provisions for the losses related to those suits are based in the opinion of the legal departments of the Company and its subsidiaries and also of its legal advisors, being estimated and updated by the administration.

The following chart summarizes our provisions by kind as of December 31, 2015 and December 31, 2014:

<b>Provisions</b>	<b>2014</b>	<b>Additions</b>	<b>Write-offs</b>	<b>Monetary restatement</b>	<b>2015</b>
			<b>(in millions of Reais)</b>		
IRPJ and CSLL	406.5			33.4	439.9
PIS and COFINS	119.2			16.6	135.8
ICMS	20.8		(3.5)	(0.7)	16.6
Social security	10.5	0.3	(0.2)	0.9	11.5
Civil, environmental and regulatory claims	58.3	6.7	(4.9)	0.1	60.3
Labor litigation	71.5	6.3	(13.7)	1.2	65.4
Others	0.6	0.0	(0.0)	0.0	0.5
<b>Total</b>	<b>687.4</b>	<b>13.3</b>	<b>(22.3)</b>	<b>51.5</b>	<b>730.0</b>

Some of the provisions above involve escrow deposits in the amount of R\$548.1 million as of December 31, 2015 (R\$505.6 million as of December 31, 2014).

**Social Security and tax provisions.** On October 7, 2005, our subsidiaries Cia Ultragaz and Bahiana were granted with a preliminary injunction issued in a writ of mandamus, which aims at recognizing their right to ascertain PIS and COFINS credits upon LPG purchases and offset then against other taxes collected by the Brazilian Federal Revenue Service, specially IRPJ and CSLL. The preliminary decision was confirmed by the 1st instance decision, issued on May 16, 2008. Given the preliminary injunction, the subsidiaries made judicial escrow deposits in relation to the debts discussed in such lawsuit (and registered the corresponding liability). The current amount of the judicial deposits is of R\$422.7 million, updated to December 31, 2015 (R\$388.7 million as of December 31, 2014). The 1st instance decision was revoked by the Court of Appeals on July 18, 2014 and, since then, the subsidiaries suspended the escrow deposits and have been collecting the IRPJ and CSLL. In order to reassure their right of making escrow deposits, the subsidiaries filed a writ of prevention that was defeated on December 30, 2014. The subsidiaries appealed against such

decision on February 3, 2015. In what concerns to the merits of the case, the subsidiaries presented the relevant appeals before the Brazilian Superior Court of Justice and Brazilian Supreme Court (STJ and STF), but the final decision yet have not been issued.

The subsidiaries Oxiteno S.A., Oxiteno Nordeste, Cia Ultragaz, Tequimar, Tropical, EMCA, IPP and Extrafarma filed a writ of mandamus seeking for the recognition of their right to deduct the ICMS from their PIS and COFINS tax basis. Oxiteno Nordeste and IPP obtained the right to pay the challenged amounts into escrow deposits through an injunction, and recognized a corresponding provision in the amount of R\$99.9 million as of December 31, 2015 (R\$92.5 million as of December 31, 2014).

*Civil, environmental and regulatory provisions.* Certain subsidiaries are engaged in lawsuits and administrative proceedings, mainly derived from contracts entered into with customers and former suppliers, as well as proceedings related to environmental issues. The company and its subsidiaries maintained total provisions of R\$60.3 million as of December 31, 2015 (R\$58.3 million as of December 31, 2014) for such lawsuits and administrative proceedings.

*Labor provisions.* The Company and its subsidiaries maintain provisions of R\$65.4 million as of December 31, 2015 (R\$71.5 million as of December 31, 2014) for labor litigation filed by former employees and by employees of our service providers mainly contesting the non-payment of labor rights.

*Contingent liabilities.* The company and its subsidiaries are party into tax, civil, environmental, regulatory and labor proceedings which loss prognosis is evaluated as possible (loss chances up to 50%) by their legal departments and external advisors as well. Based on this assessment, those suits have no provisions in the financial reports. The total amount involved in these cases is R\$2.07 billion as of December 31, 2015.

*Tax and social security contingent liabilities.* The Company and its subsidiaries have tax and social security contingent liabilities of R\$1.26 billion as of December 31, 2015, as stated below.

The subsidiary IPP has assessments invalidating the offset of IPI credits in connection with the purchase of raw materials used in the manufacturing of products which sales are not subject to IPI due to tax immunity. The non-provisioned amount of this contingency in 2015 was R\$154.8 million.

In addition, Ipiranga has legal proceedings related to ICMS matters. The total amount involved as at December 31, 2015, was R\$509.6 million. Such proceedings arise mostly (i) of the disregard of ICMS credits amounting to R\$294.5 million, of which R\$119.7 million refers to proportional reversal requirement of ICMS credits related to the acquisition of hydrated alcohol; (ii) of alleged non-payment in the amount of R\$105.1 million; (iii) inventory differences in the amount of R\$103.4 million related to the leftovers or faults occurred in function of temperature changes or product handling, and (iv) noncompliance of ancillary obligations in the amount of R\$6.7 million.

The Company and its subsidiaries are party into administrative and judicial suits involving Income Tax, Social Security Contribution, PIS and COFINS, substantially about denials for offset claims and credits disallowance which total amount is R\$308.4 million as of December 31, 2015.

*Civil, environmental and regulatory contingent liabilities.* The Company and its subsidiaries have civil, environmental and regulatory contingent liabilities in the total amount of R\$583.0 million as of December 31, 2015, as stated below.

The subsidiary Cia Ultragaz is party to an administrative proceeding before CADE (*Conselho Administrativo de Defesa Econômica*), the Brazilian antitrust authority, based on alleged anti-competitive practices in the State of Minas Gerais in 2001. In 2009, the CADE entered a decision against Cia Ultragaz imposing a penalty of R\$23.1 million. The imposition of the administrative decision was suspended by a court order and its merit is being judicially reviewed. Based on the above elements and on the opinion of its legal counsel, the management of the subsidiary did not record a provision for this contingency.





Additionally, certain former shareholders of RPR, CBPI and DPPI filed two lawsuits in the States of São Paulo and Rio de Janeiro questioning the Share Exchange in connection with the acquisition of the Ipiranga Group in order to prevent the Company's shareholders' meeting that would deliberate on the Share Exchange from taking place. Decisions by administrative and judicial courts stated that there were no legal grounds for the request. Based on such administrative and court decisions, the Share Exchange was approved by the shareholders' meeting of the companies on December 18, 2007. The lawsuit filed in the State of Rio de Janeiro terminated as a result of loss of interest to sue, due to the sale of the correspondent shareholding at Ultrapar. Regarding the lawsuit filed in the state of São Paulo, the former Ipiranga shareholders that filed the suit appealed against the decision issued and the court of appeals rejected this appeal and maintained the lower court's decision. Nonetheless, such former shareholders filed a special appeal against such decision, which was also not admitted by the court of appeals. Against this specific decision on non-admittance, they filed an interlocutory appeal to forcibly refer the case records to the Brazilian High Court of Justice, where both admission and merits of the special appeal will be judged. In 2011, a new lawsuit in the State of Rio de Janeiro was filed by some of these former shareholders, questioning aspects of the Share Exchange. This new lawsuit is still pending a lower court decision. The Company has not recorded any provision for these lawsuits in its financial statements.

*Labor contingent liabilities.* The Company and its subsidiaries have labor contingent liabilities in the total amount of R\$225.2 million as of December 31, 2015, as mentioned below.

In 1990, the Petrochemical Industry Labor Union (Sindicatúmica), of which the employees of Oxiteno Nordeste and EMCA, companies located in the Camaçari Petrochemical Complex, are members, filed separate lawsuits against the subsidiaries demanding the compliance with the fourth section of the collective labor agreement, which provided for a salary adjustment in lieu of the salary policies practiced. In the same year, a collective labor dispute was also filed by the Union of Employers (SINPEQ) against Sindicatúmica, requiring the recognition of the loss of effectiveness of such fourth section. Individual claims were rejected. The collective bargain agreement is currently pending trial by STF. In the second half of 2010, some companies in the Camaçari Petrochemical Complex signed an agreement with Sindicatúmica and reported the fact in the collective bargain agreement dispute. Based on the opinion of their legal advisors that reviewed the latest STF decision in the collective bargain agreement dispute as well as the final judgement of the individual claims involving the subsidiaries Oxiteno Nordeste and EMCA, the management of such subsidiaries believed that it was not necessary to recognize a provision as of December 31, 2015.

#### ***Antitrust matters***

***Acquisition of American Chemical.*** The acquisition of 100% of the shares of American Chemical by Oxiteno was duly submitted to the antitrust authorities on June 18, 2012. A non-binding opinion of the General Superintendence of CADE was issued on April 19, 2013 recommending disapproval of the transaction. However, on November 20, 2013, the plenary session of CADE voted unanimously to approve the transaction, subject to the execution of a Performance Commitment Agreement (*Termo de Compromisso de Desempenho*), setting forth certain business conduct obligations in relation to the acquired company for a period of five years as from the date of the execution of the TCD.

***Acquisition of Extrafarma.*** The merger of shares (*incorporação de ações*), of Extrafarma with Ultrapar, pursuant to which Ultrapar acquired all of the shares of Extrafarma and Extrafarma became our wholly-owned subsidiary, was duly submitted to the antitrust authorities on October 11, 2013. On October 25, 2013, CADE approved the transaction, which closed on January 31, 2014.

***Acquisition of Certain Assets of Servgás.*** The acquisition of certain assets of Servgás Distribuidora de Gás S.A. by Cia Ultragas S.A. was duly submitted to the antitrust authorities on October 22, 2015. On November 19, 2015, CADE approved the transaction, which closed on December 5, 2015.

**B. Significant Changes**

None.

**ITEM 9. THE OFFER AND LISTING****A. Offer and Listing Details**

The table below sets forth, for the indicated periods, the high and low closing prices of the ADSs on NYSE, in U.S. dollars, and the shares on the São Paulo Stock Exchange, in *Reais*:

<b>Year ended</b>	<b>New York Stock Exchange</b>			<b>São Paulo Stock Exchange</b>		
	<b>High</b>	<b>Low</b>	<b>Volume<sup>(1)</sup></b>	<b>High</b>	<b>Low</b>	<b>Volume<sup>(1)</sup></b>
	<b>(in US\$ per ADS)</b>			<b>(in Reais per share)<sup>(2)</sup></b>		
December 31, 2011	18.70	14.83	350,892	32.50	23.54	879,910
December 31, 2012	24.02	17.75	496,314	49.00	32.01	812,998
December 31, 2013	27.73	21.39	339,862	60.20	45.28	972,171
December 31, 2014	26.18	17.80	393,511	58.40	48.30	1,270,075
December 31, 2015	24.50	15.25	554,041	73.85	49.00	1,576,482
<b>Year ended December 31, 2014</b>						
First quarter	24.13	20.99	343,811	54.91	50.05	1,245,149
Second quarter	26.18	23.34	304,209	58.40	52.60	1,158,987
Third quarter	25.61	21.12	361,089	57.75	51.10	1,215,078
Fourth quarter	22.18	17.80	561,209	56.00	48.30	1,459,760
<b>Year ended December 31, 2015</b>						
First quarter	20.88	17.80	449,955	64.83	49.00	1,684,418
Second quarter	24.50	20.74	441,078	73.85	65.70	1,503,695
Third quarter	21.70	15.54	657,291	70.89	59.71	1,485,663
Fourth quarter	18.81	15.25	661,194	69.89	60.45	1,637,622
<b>Month ended</b>						
November 30, 2015	18.81	16.00	653,970	69.44	62.73	1,818,526
December 31, 2015	17.26	15.25	604,632	65.34	60.45	1,517,490
January 31, 2016	14.95	13.14	655,581	59.38	54.35	1,639,958
February 29, 2016	15.71	14.14	519,265	62.85	56.77	1,308,842
March 31, 2016	19.62	16.22	571,408	71.00	64.00	1,712,850
April 30, 2016 (through April 25)	20.93	18.75	486,029	73.71	68.04	1,396,013

(1) Average daily number of shares.

(2) Common shares, with respect to any period on or after the Conversion, which was concluded on August 17, 2011, or preferred shares, with respect to any period prior to the Conversion. See Item 4.A. Information on the Company History and Development of the Company.

The prices and volumes are retroactively adjusted for the stock split described under Item 4.A. Information on the Company History and Development of the Company.

**B. Plan of Distribution**

Not applicable.

**C. Markets**

Our shares are listed on the São Paulo Stock Exchange under the ticker symbol UGPA3 and the ADSs are listed on NYSE under the symbol UGP .

**D. Selling Shareholders**

Not applicable.

**E. Dilution**

Not applicable.

**F. Expenses of the Issue**

Not applicable.

**ITEM 10. ADDITIONAL INFORMATION**

**A. Share Capital**

Not applicable.

**B. Memorandum and Bylaws**

We are registered with the commercial registry of the state of São Paulo under the registration number 35,300,109,724. Pursuant to chapter I, article 3 of our bylaws, our main corporate purpose is the investment of our capital in the trade, industry and agriculture sectors and in companies providing services, through the subscription for or acquisition of shares or quotas in other companies.

***General***

Set forth below is a summary of selected significant provisions of our bylaws and the Brazilian Corporate Law, the rules and regulations of the CVM and the *Novo Mercado* listing segment of BM&FBOVESPA regarding certain corporate matters in force since the completion of the Conversion. This description does not purport to be complete

and is qualified by reference to our bylaws, Brazilian Corporate Law, the rules and regulations of CVM and the rules of the *Novo Mercado*.

In connection with the Conversion, at the extraordinary shareholders' meeting and the special preferred shareholders' meeting, both held on June 28, 2011, our shareholders approved (i) the conversion of all preferred shares into common shares at a ratio of one preferred share for one common share; (ii) changes to and consolidation of our bylaws; (iii) the Company's adherence to the rules of the *Novo Mercado* of the BM&FBOVESPA; and (iv) the confirmation that the new provisions related to the rights of all Company's shareholders in the event of a sale of control of the Company, pursuant to its new bylaws and the *Novo Mercado* regulations, are equivalent to the provisions of the Ultra S.A. shareholders' agreement dated as of March 22, 2000. Such decisions became effective on the date the shares issued by the Company were admitted to trade at the *Novo Mercado* of the BM&FBOVESPA.

As a result of the Conversion, all preferred shares were converted into common shares. Therefore, certain rights granted to preferred shareholders by Brazilian law or our previous bylaws no longer apply, such as, for example, the priority in capital distribution in the event of our liquidation. Also, due to our new capital structure, other shareholders' rights are currently not applicable, for instance, the right to separate elections for the Board of Directors and Fiscal Council. On the other hand, common shareholders are entitled to voting rights in any matter. See Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds.

Since our shares are listed on the *Novo Mercado*, we are required to comply with heightened requirements for corporate governance. In addition, we are not permitted to issue preferred shares or any shares with restricted voting rights while listed on the *Novo Mercado* pursuant to the rules of the *Novo Mercado* and our bylaws.

#### ***Description of Capital Stock***

As of December 31, 2015 our subscribed and paid-in capital stock consisted of 556,405,096 common shares, all of which have equal voting and equity rights, with no par value.

#### ***Voting Rights***

Each common share entitles its holder to one vote at the matters of the shareholders' meetings, in accordance with the Brazilian Corporate Law, our bylaws and the *Novo Mercado* regulations. For more detailed information with respect to the voting rights of our common shares see our Form 8-A filed with the SEC on August 15, 2011 in the section Description of Capital Stock Shareholders' Meetings.

#### ***Deregistration as Publicly-Held Company***

We may only deregister as a publicly-held company if such deregistration is approved by a majority of the shareholders present at a shareholders' meeting and we, our controlling shareholders or a group of controlling shareholders conduct a public tender offer for the acquisition of all of our outstanding shares in accordance with the provisions of Brazilian Corporate Law, the CVM rules and regulations, the *Novo Mercado* regulation and our bylaws, in which case we would become a privately-held company. The price offered for such outstanding shares must at least correspond to the economic value of such shares as set forth in the respective appraisal report issued by a specialized institution, paid for by the offeror.

The specialized institution must have proven experience and it must be independent with respect to the Company's decision making power, our Board of Directors, our executive officers and any controlling shareholder. The institution will be chosen at the shareholders' meeting from a list of three alternatives submitted by the Board of Directors. The institution will be chosen by a majority vote of the shareholders representing the free float present at such shareholders' meeting, not counting blank votes. The shareholders' meeting, if convened on first call, must have shareholders representing at least 20% of the entire free float in attendance. If convened on second call, the shareholders' meeting may have any number of shareholders representing the free float in attendance.



Shareholders holding at least 10 percent of the free float of our shares may require our management to call a special shareholders meeting to determine whether to perform another valuation using the same or a different valuation method. This request must be made within 15 days following the disclosure of the price to be paid for the shares in the public tender offer. If the new valuation price is lower than the original valuation price, the shareholders making such request as well as those who vote in its favor must reimburse the Company for any costs incurred in preparing the new valuation. If the new valuation price is higher than the original valuation price, the public tender offer must be made at the higher price.

If a transaction which results in our deregistration as publicly-held company is approved and there is no controlling shareholders or group of controlling shareholders, then the shareholders at the meeting approving such delisting will determine the persons responsible for launching the tender offer.

### ***Withdrawal from the Novo Mercado***

We may at any time withdraw the Company from the *Novo Mercado*, pursuant to majority shareholder approval at a shareholders meeting and with 30-day prior notice to BM&FBOVESPA. The withdrawal from the *Novo Mercado* does not necessarily result in our deregistration as a publicly-held company on the BM&FBOVESPA.

Pursuant to our bylaws, the withdrawal from the *Novo Mercado* approved by the shareholders present at a shareholders meeting, by the controlling shareholders or a group of controlling shareholders (including if the withdrawal is a result of the approval of a corporate reorganization) will be conditioned upon the launching of a mandatory tender offer for the acquisition of our remaining shares by such shareholders at a price at least equal to the economic value of such shares as set forth in the respective valuation report issued by a specialized institution.

If there is no controlling shareholder, the shareholders who approve the withdrawal from the *Novo Mercado* will determine the persons responsible for carrying out the tender offer among those present at the shareholders meeting. If no such persons are determined, in case of a corporate reorganization in which the securities of the Company resulting from such reorganization are not admitted for trading in the *Novo Mercado*, the shareholders having voted in favor of the corporate reorganization shall carry out the referred offer.

If the Company is withdrawn from the *Novo Mercado* as a result of a violation of the rules of the *Novo Mercado*, the controlling shareholders will be required to carry out a tender offer for the remaining shares at a price that corresponds to at least the economic value of such shares as set forth in an appraisal report prepared by a specialized institution. If there are no controlling shareholders, the tender offer shall be carried out by those shareholders who voted in favor of the resolution that resulted in the violation of the rules of the *Novo Mercado*. If, however, the violation results from management action or fact, our management must call a shareholders meeting for the purpose of taking the necessary actions to remedy the breach of its *Novo Mercado* obligations or to approve the delisting. In the event the shareholders approve the Company's delisting from the *Novo Mercado*, the shareholders must determine the persons responsible for carrying out the public tender offer. The appointment of the institutions responsible for preparing reports as mentioned above will comply with the same procedures applicable to a going private transaction. See Deregistration as a Publicly-Held Company.

According to the rules of the *Novo Mercado*, in the event of a transfer of our shareholding control within 12 months following our delisting from the *Novo Mercado*, the selling controlling shareholders and the acquirer must offer to acquire the remaining shares for the same price and terms offered to the selling controlling shareholders, adjusted for inflation.

If our shares are delisted from the *Novo Mercado*, we will not be permitted to rejoin the *Novo Mercado* for a period of two years after the delisting date, unless there is a change in the Company's control following our delisting.



***Sale of Control***

In the event of a direct or indirect sale of the Company's corporate control, through a single or series of transactions, the acquirer must conduct a public tender offer to buy all of the shares held by the remaining shareholders in order to ensure equal treatment of all shareholders (tag-along right). Such right has been provided to Ultrapar's shareholders since March 22, 2000, in accordance with the terms of the Ultra S.A. shareholders' agreement signed on the same date, which has since then been rescinded and replaced by our bylaws. The tender offer is subject to applicable laws, our bylaws and the rules of the *Novo Mercado*.

A public tender offer is also required when there is an assignment for consideration of share subscription rights or rights of other securities convertible into our shares, which results in the transfer of control of the Company. In such a case, the acquiring shareholder must (i) complete a public tender offer for the acquisition of our remaining shares on the same terms and conditions offered to the selling shareholder and (ii) reimburse the counterparties from whom it has acquired our shares on the stock exchange in the six-month period preceding the transaction which resulted in a change in control. The reimbursement amount corresponds to the positive difference between the price paid to the selling shareholder in the transaction that resulted in a change of control and the adjusted price paid in the transactions carried out on the BM&FBOVESPA during this six-month period, as adjusted by the SELIC rate up until the payment date.

The acquirer of our corporate control, if applicable, must take all necessary measures to reconstitute the minimum 25% free float within six months of the acquisition.

The controlling shareholder may not transfer our shares held by it to the purchaser of control of the Company, and we may not register the transfer of such shares, if the purchaser fails to execute the terms of consent of the rules of the *Novo Mercado* and the arbitration regulation established by the BM&FBOVESPA.

### ***Acquisition of a Relevant Interest***

Any person, regardless of whether he/she is a shareholder, which, on his/her own account or acting jointly with another person, acquires our shares, through a single transaction or a series of successive transactions, representing 20% or more of our capital stock, is required to make a tender offer for the acquisition of the shares held by the remaining shareholders at a price equal to the highest value per share paid by him/her in the preceding six months, adjusted pursuant to the SELIC rate. Such persons will not be required to carry out a public tender offer in the event they timely and cumulatively sell on a stock exchange the number of our shares that exceeds such thresholds, within 30 days from the date they provide notice to the Company of their intent to make such sales. In addition, the requirement to carry out a public tender offer will not apply in the event any shareholder or group of shareholders hold more than 50% of our capital stock at the time of acquisition of the relevant interest.

### ***Public Tender Offers***

A single public tender offer may be made for more than one of the purposes provided for in our bylaws, the rules of the *Novo Mercado*, Brazilian Corporate Law or in the regulations issued by the CVM, provided that the procedures used in conducting the public tender offer are compatible with all requirements of each distinct public tender offer, the public tender offerees do not suffer any damages and the authorization of the CVM is obtained, when required by applicable law.

## **C. Material Contracts**

### ***2014 Ultra S.A. Shareholders Agreement***

Ultra S.A.'s shareholders executed, on February 24, 2014, a new shareholders agreement which became effective as of that date and replaced the Ultra S.A. shareholders agreement executed in April, 2011. The Ultra S.A. shareholders agreement's main terms are substantially related to (i) the decision process of Ultra S.A.'s vote at Ultrapar's shareholders meetings and (ii) procedures to exchange shares in Ultra S.A. into shares of Ultrapar. The terms and conditions of the new shareholders agreement are substantially the same as the previous shareholder's agreement among the same parties effective since 2011, except, mainly, for the replacement of preliminary meetings among the agreeing parties for extraordinary shareholders meetings of Ultra S.A. to decide upon the vote of Ultra S.A. regarding certain matters in general shareholders meetings of Ultrapar. The 2014 Shareholders Agreement will be valid for a

five-year term and is renewable by a unanimous resolution. It can be terminated prior to the expiration of its term by a resolution of 80% of Ultra S.A. voting shares. See Item 7.A. Major Shareholders and Related Party Transactions Major Shareholders Shareholders Agreements and Exhibit 2.13 2014 Ultra S.A. Shareholders Agreement, dated as of February 24, 2014.

### ***Association and Other Covenants Agreement - Extrafarma***

On September 30, 2013, Ultrapar, Extrafarma, Paulo Correa Lazera, Katia Correa Lazera, Pedro José Correa Lazera, Roberto Correa Lazera, Tania Lazera Lima Paes, Tereza Lazera Kemp and Sandra Correa Lazera, each individual being a former shareholder of Extrafarma entered into an Association and Other Covenants Agreement to effect the merger of shares (*incorporação de ações*) of Extrafarma with Ultrapar. See Exhibit 4.17 Summary of the Association and Other Covenants Agreement, dated September 30, 2013.

### ***Notes in the foreign market***

In December 20, 2005, the subsidiary LPG International issued US\$250 million in notes in the international market, with the aim of lengthening the Company's debt profile, financing possible acquisitions and other corporate purposes. The notes had a coupon of 7.3% per annum paid semiannually. The notes were settled by LPG at their maturity date.

### ***BNDES***

Ultrapar has financing from BNDES (Brazilian National Development Bank) for some of its investments. As of December 31, 2015, such line of credit with BNDES totaled R\$1.6 billion, of which R\$0.4 billion had been drawn down.

The loans under this credit agreement bear mainly an annual interest of TJLP plus an additional rate that varies according to each subsidiary. The credit line agreement contains certain financial ratio covenants and limits on permitted usages of the borrowed amounts (which are limited to certain fixed asset and working capital expenditures). In addition, the subsidiaries may redeem the debt prior to the maturity date, but will be subject to the payment of certain premiums.

### ***Debentures***

In December 2012, the subsidiary IPP made its first issuance of R\$600 million in public debentures, which mature in November 2017 and bear interest at 107.9% of CDI, with principal due at maturity. The proceeds from this issuance were used for general corporate purposes, in order to strengthen its cash position and lengthen its debt profile, providing greater financial flexibility.

In January 2014, the subsidiary IPP made its second issuance of R\$800 million in public debentures, which mature in December 2018 and bear interest at 107.9% of CDI, with principal due at maturity. The proceeds from this issuance were used to lengthen its debt profile, providing greater financial flexibility.

In March 2015, Ultrapar completed its fifth issuance of debentures in a single series of 800 simple, nonconvertible into shares, unsecured debentures. The proceeds of the issuance were used to redeem 800 debentures from the fourth issuance, at the final maturity date. The terms of the fifth issuance of debentures are substantially the same of those of the fourth issuance, except for the maturity date, which is March 16, 2018.

For more information on our debentures, see Item 5.B. Operating and Financial Review and Prospects - Liquidity and Capital Resources - Indebtedness.

### ***Banco do Brasil***

Our subsidiary IPP entered into several loan agreements with Banco do Brasil S.A. to finance the marketing, processing or manufacturing of agricultural goods (particularly ethanol). The loan agreements contain certain financial penalties for failure to make required payments, limits on permitted usages of the borrowed amounts (which are linked

to certain agricultural products expenditures) and loan acceleration clauses. In addition, these agreements contain cross default clauses, requiring the principal and accrued interest to be paid in full for certain events.

For further detail on financial instruments of Ultrapar and its subsidiaries, see Note 30 to our consolidated financial statements and Item 4.A. Information on the Company History and Development of the Company Recent Developments.

*Other material contracts are described in other sections of this report*

For information regarding our contract with Braskem relating to the supply of ethylene, see Item 4.B. Information on the Company Business Overview Petrochemicals and Chemicals Oxiteno Raw materials and Item 5.F. Operating and Financial Review and Prospects Tabular Disclosure of Contractual Obligations.

#### **D. Exchange Controls**

There are no restrictions on ownership of our common shares by individual or legal entities domiciled outside Brazil. However, the right to convert dividend payments and proceeds from the sale of our shares into foreign currency and to remit such amounts abroad is subject to restrictions under foreign investment legislation which generally require, among other things, that the relevant investment be registered with the Central Bank and the CVM.

Foreign investors may register their investment in our shares under Law 4,131, dated as of September 3, 1962, as amended, or Resolution 4,373, dated as of September 29, 2014 (which replaced Resolution 2,689, dated of January 26, 2000). Registration under Resolution 4,373 affords favorable tax treatment to non-Brazilian investors who are not residents in a tax haven jurisdiction (i.e. countries that do not impose income tax or where the maximum income tax rate is lower than 20%), as defined by Brazilian tax laws.

Under Resolution 4,373, investments of non-Brazilian investors shall be made in Brazil pursuant to the same instruments and operational modalities available to the investors resident or domiciled in Brazil. The definition of non-Brazilian investor includes individuals, legal entities, funds and other collective investment entities, resident, domiciled or headquartered abroad.

Pursuant to Resolution 4,373, among the requirements applicable to the investment of a non-Brazilian investor in the Brazilian financial and capital market, such investor must:

appoint at least one representative in Brazil, which must be a financial institution or other institution authorized by the Central Bank of Brazil to operate. The local representative appointed by the foreign investor shall be responsible for performing and keeping updated the registration of the investments made by the foreign investor with the Central Bank of Brazil, as well as the registration of the foreign investor with the CVM;

obtain a registry as foreign investor with the CVM, through the representative appointed pursuant to item (i) above; and

establish or contract one or more custodians authorized by CVM to perform custody activities.

Securities and other financial assets held by non-Brazilian investors pursuant to Resolution 4,373 must be registered or maintained in deposit accounts or under the custody of an entity duly licensed by the Central Bank or the CVM, or be registered with clearing houses or other entities that provide services of registration, clearing and settlement duly licensed by the Brazilian Central Bank or the CVM. In the case of Depositary Receipts (DRs), the record must be

made by the Brazilian custodian entity on behalf of the foreign depositary institution.

For purposes of the mandatory registration with the Central Bank of Brazil of foreign investments in the Brazilian financial and capital markets, Resolution 4,373 expressly provides that simultaneous foreign exchange transactions (i.e. without effective transfer of funds) shall be required in specific situations, including (i) conversion of credits held by foreign investors in Brazil into foreign investment in Brazilian companies; (ii) transfer of investments made in depositary receipts into foreign direct investments (or investimento externo direto) or investments in the Brazilian financial and capital markets; and (iii) transfer of investments in the Brazilian financial and capital markets into foreign direct investments.

In addition, Resolution 4,373 does not allow foreign investors to perform investments outside of organized markets, except as expressly authorized by CVM through specific regulation. Pursuant to CVM Rule 560/15, the exceptions for investments outside of organized markets include subscription, stock bonus, initial purchase offers and the exercise of put options due to initial purchase offers, among others.

Foreign investors must be registered with the Brazilian internal Revenue Service ( *Receita Federal* ) pursuant to the Nominative Instruction 1,470, dated as of May 30, 2014. This registration process is undertaken by the investor's legal representative in Brazil.

Resolution 4,373 provides that foreign investors may invest in the financial and capital markets in Brazil, including by means of the issuance of depositary receipts in foreign markets in respect of shares of Brazilian issuers.

The right to convert dividend payments and proceeds from the sale of our shares into foreign currency and to remit such amounts outside Brazil is subject to restrictions under foreign investment legislation which generally requires, among other things, that the relevant investment be registered with the Central Bank. Restrictions on the remittance of foreign capital abroad could hinder or prevent the custodian for the shares represented by ADSs, or holders who have exchanged ADSs for shares, from converting dividends, distributions or the proceeds from any sale of shares, as the case may be, into U.S. dollars and remitting such U.S. dollars abroad. Delays in, or refusal to, granting the required government approval for conversions of Brazilian currency payments and remittances abroad could adversely affect holders of ADSs.

We have obtained a certificate of registration in the name of The Bank of New York, the depositary. Pursuant to this certificate, the custodian and the depositary are able to convert dividends and other distributions with respect to the shares represented by ADSs into foreign currency and to remit the proceeds outside Brazil. If a holder exchanges ADSs for shares, such holder may continue to rely on the depositary's certificate of capital registration for only five business days after such exchange. After that, such holder must seek to register its investment directly with the Central Bank. Thereafter, unless the holder has registered its investment with the Central Bank, such holder may not convert into foreign currency and remit outside Brazil the proceeds from the disposition of, or distributions with respect to, such shares. Such holder generally will be subject to less favorable Brazilian tax treatment than a holder of ADSs.

As from 2005, the National Monetary Council enacted new regulations allowing, subject to certain procedures and specific regulatory provisions, the purchase and sale of foreign currency and the international transfer of *Reais* by a person or legal entity, without limitation of the amount involved, provided that the transaction is legal and has economic grounds (as evidenced by documents presented by the Brazilian person or legal entity).

Under Brazilian law, whenever there is a serious imbalance in Brazil's balance of payments or reasons to foresee a serious imbalance, the Brazilian government may impose temporary restriction on the remittance of foreign currency abroad and on the conversion of Brazilian currency into foreign currencies. Such restrictions may hinder or prevent the custodian or holders who have exchanged ADSs for underlying shares from converting distributions or the proceeds from any sale of such shares, as the case may be, into U.S. dollars and remitting such U.S. dollars abroad.

#### **E. Taxation**

This description does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular investor, including tax considerations that arise from rules of general application to all taxpayers or to certain classes of investors or that are generally assumed to be known by investors.





This summary is based upon tax laws of Brazil and the United States as of the date of this annual report, which are subject to change, possibly with retroactive effect, and to differing interpretations. Investors who hold our shares and ADSs should consult their own tax advisors as to the Brazilian, United States or other tax considerations relating to the ownership and disposition of shares or ADSs, including, in particular, the effect of any non U.S., state or local tax laws.

The tax considerations described below do not take into account the effects of a possible future income tax treaty between Brazil and the United States. We cannot assure you as to whether or when an income tax treaty will enter into force or how it will affect U.S. Holders (as defined below) of our shares or ADSs.

This summary does not address any tax issues that affect solely the Company, such as deductibility of expenses.

### ***Brazilian Tax Consequences***

***General.*** The following discussion summarizes the main Brazilian tax considerations relating to the ownership and disposal of our shares or ADSs, as the case may be, by a holder that is not domiciled in Brazil for purposes of Brazilian taxation and, in the case of shares, has registered its investment in such securities with the Central Bank as a direct investment (in each case, a Non-Brazilian Holder). The following discussion does not address all of the Brazilian tax considerations applicable to any particular Non-Brazilian Holder. Therefore, each Non-Brazilian Holder should consult his or her own tax advisors concerning the Brazilian tax considerations relating to an investment in our shares or ADSs.

Provisory Measure No. 627 enacted on November 11, 2013 that was converted into the Law No. 12,973 enacted on May 13, 2014 established new rules that may potentially impact the withholding tax exemption available on the payment of dividends and interest on capital related to the period from 2009 to 2014. For the purposes of the fiscal year of 2014, the Company was not required to follow the rules settled by Law No. 12,973, but within the fiscal year of 2015 the rules of the Law No. 12,973 were followed and their impact was not material, as foreseen by the tax consultants in the 20-F form in the previous year.

***Taxation of dividends.*** Dividends paid by us, including stock dividends and other dividends paid in property, to the depositary in respect of the shares, or to a Non-Brazilian Holder in respect of shares, are currently exempted from withholding tax in Brazil to the extent that the dividends are paid out of profits as of January 1, 1996. Dividends relating to profits generated prior to January 1, 1996 may be subject to Brazilian withholding income tax at varying rates, depending on the year the profits were generated.

***Interpretation of the Discussion on the Definition of Favorable Tax Jurisdiction.*** On June 4, 2010, Brazilian tax authorities enacted Normative Instruction 1,037 listing (i) the countries and jurisdictions considered as favorable tax jurisdiction or where local legislation does not allow access to information related to the shareholding composition of legal entities to their ownership or to the identity of the effective beneficiary of the income attributed to non-residents, or tax haven jurisdictions, and (ii) the privileged tax regimes, whose definition is provided by Law No. 11,727, dated as of June 23, 2008. Although we believe that the best interpretation of the current tax legislation could lead to the conclusion that the above mentioned privileged tax regime concept should apply solely for purposes of Brazilian transfer pricing, thin capitalization and controlled foreign company rules, we cannot assure you whether subsequent legislation or interpretations by the Brazilian tax authorities regarding the definition of a privileged tax regime provided by Law No. 11,727/08 will also apply to a Non-Brazilian Holder on payments potentially made by a Brazilian source.

Moreover, on November 28, 2014, due to the enactment of Ordinance No. 488, the definition of a favorable tax jurisdiction, for the purposes described above, was changed from jurisdictions where there is no income tax, or the income tax applicable rate is inferior to 20%, to jurisdictions where there is no income tax, or the income tax

applicable rate is inferior to 17%. Due to this change, the listing of Normative Instruction No. 1,037 may soon be updated.

We recommend prospective investors consult their own tax advisors from time to time to verify any possible tax consequences arising of Normative Ruling No. 1,037/10 and Law No. 11,727/08. If the Brazilian tax authorities determine that the concept of "privileged tax regime" provided by Law No. 11,727/08 will also apply to a Non-Resident Holder on payments potentially made by a Brazilian source the withholding income tax applicable to such payments could be assessed at a rate up to 25%.

**Payments of interest on capital.** Law No. 9,249, dated as of December 26, 1995, permits Brazilian corporations to make distributions to shareholders of interest on capital, or interest attributed to shareholders' equity.

These distributions may be paid in cash and such payments represent a deductible expense from the payer's corporate income tax and social contribution tax basis. This interest is limited to the daily pro rata variation of the Federal Government's long-term interest rate, as determined by the Central Bank from time to time, and cannot exceed the greater of:

50% of net income (after the social contribution on net profits and before the provision for corporate income tax, and the amounts attributable to shareholders as interest on net equity) for the fiscal year; or

50% of the sum of retained profits and profits reserves.

Any payment of interest on capital to shareholders (including holders of ADSs in respect of shares) is subject to a withholding income tax at a rate of 15%, or 25% if the Non-Brazilian Holder is domiciled in a "tax haven" jurisdiction ("Tax Haven Holder"). These payments may be included, net of withholding income taxes, as part of any mandatory dividend.

Under the Decree 8,426 of 2014 the payment of interest on capital are also subjected to PIS and COFINS at a rate of 9.25%.

To the extent that payments of interest on capital are included as part of a mandatory dividend, we are required to distribute an additional amount to ensure that the net amount received by shareholders, after payment of the applicable withholding income tax, is at least equal to the mandatory dividend.

Distributions of interest on net equity to foreign holders may be converted into U.S. dollars and remitted outside Brazil, subject to applicable exchange controls, to the extent that the investment is registered with the Central Bank.

We cannot assure you if our Board of Directors will determine that future distributions should be made by means of dividends or interest on capital.

**Taxation of gains.** According to Law No. 10,833, dated as of December 29, 2003, the gains recognized on a disposal of assets located in Brazil, such as our shares, by a Non-Brazilian Holder, are subject to withholding income tax in Brazil. This rule is applicable regardless of whether the disposal is conducted in Brazil or abroad and/or if the disposal is or is not made to an individual or entity resident or domiciled in Brazil.

As a general rule, capital gains realized as a result of a disposal transaction are the positive difference between the amount realized on the disposal of the shares and the respective acquisition cost.

Capital gains realized by Non-Brazilian Holders on the disposal of shares sold on the Brazilian stock exchange (which includes the transactions carried out on the organized over-the-counter market):

are subject to the withholding income tax at a zero percent rate when realized by a Non-Brazilian Holder that (i) has registered its investment in Brazil before the Central Bank under the rules of the Brazilian Monetary Counsel ( Registered Holder ) and (ii) is not a Tax Haven Holder; and

are subject to income tax at a rate of 15% with respect to gains realized by a Non-Brazilian Holder that is not a Registered Holder (including a Non-Brazilian Holder who qualifies under Law No. 4,131/62) and gains earned by Tax Haven Holders that are Registered Holders. In this case, a withholding income tax of 0.005% shall be applicable and can be offset against any income tax due on the capital gain.

Any other gains realized on the disposal of shares that are sold on the Brazilian stock exchange or on the organized over-the-counter market:

are subject to income tax at a rate of 15% when realized by any Non-Brazilian Holder that is not a Tax Haven Holder, no matter if a Registered Holder or not; and

are subject to income tax at a rate of 25% when realized by a Tax Haven Holder, no matter if a Registered Holder or not.

In the cases above, if the gains are related to transactions conducted on the Brazilian non-organized over-the-counter market with intermediation, the withholding income tax of 0.005% shall also be applicable on the gross proceeds and can be offset against any income tax due on the capital gain.

Any exercise of preemptive rights relating to shares will not be subject to Brazilian income tax. Gains realized by a Non-Brazilian Holder on the disposal of preemptive rights will be subject to Brazilian income tax according to the same rules applicable to disposal of shares.

There can be no assurance that the current favorable tax treatment of Registered Holders will continue in the future.

#### *Sale of ADS and shares by U.S. Holders to other non-residents in Brazil*

Pursuant to Section 26 of Law No. 10,833, published on December 29, 2003, the sale of property located in Brazil involving non-resident investors is subject to Brazilian income tax as of February 1, 2004. Our understanding is that ADSs do not qualify as property located in Brazil and, thus, should not be subject to the Brazilian withholding tax. Insofar as the regulatory norm referred to in Section 26 is recent and generic and since, at the present time, no definitive jurisprudence provided by Brazilian Superior Courts has been established with respect to this matter, we are unable to assure the final outcome of such discussion.

#### *Gains on the exchange of ADS for shares*

Although there is no clear regulatory guidance, the exchange of ADSs for shares should not be subject to Brazilian income tax. Non-Brazilian Holders may exchange their ADSs for the underlying shares, sell the shares on a Brazilian stock exchange and remit abroad the proceeds of the sale within five business days from the date of exchange (in reliance on the depositary's electronic registration). For further information, see Item 10. Additional Information

Taxation Brazilian Tax Consequences Taxation of Bonds and Securities Transactions (IOF/Bonds). Our understanding is that the exchange of ADSs for the underlying shares and sale of shares within the period mentioned above by a Non-Brazilian Holder that (i) is a Registered Holder and (ii) is not a Tax Haven Holder, should not be subject to the withholding income tax.

Upon receipt of the underlying shares in exchange for ADSs, Non-Brazilian Holders may also elect to register with the Central Bank the U.S. dollar value of such shares as a foreign portfolio investment under the rules of the Brazilian Monetary Counsel, which will entitle them to the tax treatment referred above in connection with Registered Holders.

Alternatively, the Non-Brazilian Holder is also entitled to register with the Central Bank the U.S. dollar value of such shares as a foreign direct investment under Law No. 4,131/62, in which case the respective sale would be subject to the tax treatment of Non-Brazilian Holders that are not Registered Holders.

#### *Gains on the exchange of shares for ADS*

The deposit of shares in exchange for the ADSs may be subject to Brazilian income tax on capital gains if the amount previously registered with the Central Bank as a foreign investment in shares (direct investment registered under Law No. 4,131/62) or, in the case of Registered Holders, the acquisition cost of the shares, as the case may be, is lower than:

the average price per share on the Brazilian stock exchange on which the greatest number of such shares were sold on the day of the deposit; or

if no shares were sold on that day, the average price on the Brazilian stock exchange on which the greatest number of shares were sold during the 15 preceding trading sessions.

The difference between the amount previously registered, or the acquisition cost, as the case may be, and the average price of the shares, calculated as set forth above, is considered a capital gain subject to income tax at a rate of 15%, or 25% for Tax Haven Holders.

***Taxation of Foreign Exchange Transactions (IOF/Exchange).*** IOF/Exchange is imposed on the conversion of *Reais* into foreign currency and on the conversion of foreign currency into *Reais*. In the case of the settlement of foreign exchange transactions for the flow of capital into the country, made by foreign investors, for transactions in the financial and capital markets, the applicable rate is 0%. The Brazilian Federal Government is permitted to increase the rate at any time, up to 25%. However, any increase in rates only applies to future transactions.

***Taxation of Bonds and Securities Transactions: (IOF/Bonds).*** Law No. 8,894, dated as of June 21, 1994, created the IOF/Bonds, which may be imposed on any transaction involving bonds and securities, even if the transaction includes Brazilian stock, futures or commodities exchange. The Federal Supreme Court of Brazil recently decided that the transfer of shares shall be taxed<sup>1</sup> by IOF/Bonds. The current rate of IOF/Bonds with respect to transactions of shares is 0%. Regarding the ADSs, under the Decree No. 8,165, from December 23, 2013 which amended the Decree No. 6,306, from December 14, 2007, the IOF/Bonds rate applicable to the transfer of shares listed on the Brazilian stock exchange, with the specific purpose of guaranteeing the issuance of depositary receipts in the foreign market, is currently 0%. The Brazilian government may increase the rate up to 1.5% per day during the terms of the securities, but only with respect to future transactions relating to shares or ADSs.

***Other Brazilian Taxes.*** Some Brazilian states impose gift and inheritance tax on gifts or bequests made by individuals or entities not domiciled or residing in Brazil to individuals or entities domiciled or residing within such states. There are no Brazilian stamp, issue, registration, or similar taxes or duties payable by holders of shares or ADSs.

#### ***U.S. Federal Income Tax Considerations***

The following is a discussion of U.S. federal income tax considerations relating to the ownership and disposition of our shares or ADSs, but it does not purport to be a comprehensive description of all the tax considerations that may be relevant to U.S. Holders (as defined below) of our shares or ADSs. The discussion applies only to a U.S. Holder (as defined below) that holds our shares or ADSs as capital assets (generally, for investment purposes) for U.S. federal income tax purposes and does not address all the U.S. federal income tax considerations that may be relevant to a

holder in light of its particular circumstances or to holders subject to special rules, such as dealers and traders in securities or currencies, financial institutions, insurance companies, tax-exempt entities, real estate investment trusts, regulated investment companies, persons that own, or have owned directly, indirectly or constructively, 10% or more of our voting shares for U.S. federal income tax purposes, persons holding our shares or ADSs as part of a hedging transaction, wash sale, straddle, conversion transaction or other integrated transaction for U.S. federal income tax purposes, persons entering into a constructive sale with respect to our shares or ADSs for U.S. federal income tax purposes, persons that have a functional currency for U.S. federal income tax purposes other than the U.S. dollar, persons liable for the alternative minimum tax, certain former citizens or long-term residents of the United States, persons who acquired our shares or ADSs pursuant to the exercise of any employee stock option or otherwise as compensation, or entities or arrangements classified as partnerships for U.S. federal income tax purposes and their partners.



Moreover, this discussion does not address the U.S. federal estate and gift tax, Medicare contribution or alternative minimum tax considerations relating to the acquisition, ownership or disposition of our shares or ADSs. U.S. Holders should consult their own tax advisors with respect to the U.S. federal, state, local and non-U.S. tax considerations relating to the acquisition, ownership and disposition of our shares or ADSs.

This discussion is based on the Internal Revenue Code of 1986, as amended (the Code), administrative pronouncements, judicial decisions and final, temporary and proposed U.S. Treasury regulations, in each case as in effect and available on the date hereof. All of the foregoing are subject to change (possibly on a retroactive basis), or differing interpretations, which could affect the U.S. federal income tax considerations described herein. In addition, this discussion assumes that each obligation provided for in or otherwise contemplated by the Deposit Agreement and any other related document will be performed in accordance with its terms.

For purposes of this discussion, a U.S. Holder is a beneficial owner of our shares or ADSs that is for U.S. federal income tax purposes (i) a citizen or individual resident of the United States, (ii) a corporation, or other entity taxable as a corporation, created or organized under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust, if such trust has validly elected to be treated as a U.S. person for U.S. federal income tax purposes, or if (1) a court within the United States is able to exercise primary supervision over its administration and (2) one or more U.S. persons have the authority to control all of the substantial decisions of such trust.

If a partnership, or any other entity or arrangement treated as a partnership for U.S. federal tax income tax purposes, holds shares or ADSs, the U.S. federal income tax treatment of a partner in such partnership generally will depend on the status of the partner and on the activities of the partnership. Partnerships holding shares or ADSs and partners in such partnerships should consult their own tax advisors as to the particular U.S. federal income tax consequences of owning and disposing of the shares or ADSs.

U.S. Holders should consult their own tax advisors with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any non-U.S., state and local tax jurisdiction.

### ***Ownership of ADSs in general***

In general, U.S. Holders of ADSs will be treated for U.S. federal income tax purposes as owners of the shares underlying the ADSs. Accordingly, no gain or loss will be recognized if a U.S. Holder exchanges ADSs for the underlying shares represented by those ADSs or exchanges the underlying shares represented by those ADSs for ADSs.

### ***Taxation of distributions***

Subject to the discussion below under **Passive foreign investment company**, the gross amount of any distributions made to a U.S. Holder on shares or ADSs, before reduction for any Brazilian taxes, including withholding taxes attributable to interest on equity, will be includable as ordinary dividend income on the day on which the dividends are actually or constructively received by a U.S. Holder to the extent paid out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. A distribution in excess of our current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's adjusted basis in the shares or ADSs and as a capital gain to the extent it exceeds the U.S. Holder's basis. We do not maintain calculations of our earnings and profits under U.S. federal income tax principles. Therefore, U.S. Holders should expect that distributions by us generally will be treated as dividends to U.S. Holders for U.S. federal income tax purposes.



Subject to applicable limitations, dividends paid to certain non-corporate U.S. Holders may be eligible for the preferential tax rate currently applicable to certain qualified dividend income received by individuals, and dividends paid to corporate U.S. Holders will not be eligible for the dividends-received-deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations.

Dividends paid to U.S. Holders in *Reais* will be includable in income in a U.S. dollar amount based on the exchange rate in effect on the date of actual or constructive receipt whether or not converted into U.S. dollars at that time. If dividends received in *Reais* are converted into U.S. dollars on the day they are actually or constructively received, the U.S. Holder generally will not be required to recognize foreign currency gain or loss in respect of the dividend income. Assuming the payment is not converted at that time, the U.S. Holder will have a tax basis in *Reais* equal to that U.S. dollar amount, which will be used to measure gain or loss from subsequent changes in exchange rates. Any gain or loss that a U.S. Holder recognizes on a subsequent conversion of *Reais* into U.S. dollars (or other disposition) generally will be U.S. source ordinary income or loss for U.S. foreign tax credit purposes.

Dividends on our shares or ADSs received by a U.S. Holder generally will be treated as foreign source income for U.S. foreign tax credit purposes. Subject to certain conditions and limitations under U.S. federal income tax law concerning credits or deductions for non-U.S. taxes and certain exceptions for short-term and hedged positions, a Brazilian withholding tax imposed on dividends would be treated as a foreign income tax eligible for credit against a U.S. Holder's U.S. federal income tax liability (or at a U.S. Holder's election may be deducted in computing taxable income if the U.S. Holder has elected to deduct all foreign income taxes for the taxable year). The limitation on foreign income taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific baskets of income. The rules with respect to foreign tax credits are complex and U.S. Holders should consult their own tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

#### ***Taxation of sale, exchange or other disposition of shares or ADSs***

Subject to the discussion below under **Passive foreign investment company**, a U.S. Holder generally will recognize gain or loss on the sale, exchange or other disposition of a share or ADS equal to the difference between the amount realized (including the gross amount of the proceeds before the reduction of any Brazilian tax) on such sale, exchange or other disposition and the U.S. Holder's adjusted tax basis in the share or ADS. Subject to the discussion below under **Passive foreign investment company**, gain or loss on the disposition of a share or ADS will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder held the share or ADS for more than one year. Gain or loss recognized by a U.S. Holder generally will be treated as U.S. source gain or loss for U.S. foreign tax credit purposes, as the case may be. An individual U.S. Holder may be entitled to preferential rates of taxation for net long-term capital gains; however, the deductibility of capital losses is subject to limitations under the Code.

A U.S. Holder's initial tax basis of shares or ADSs will be the U.S. dollar value of the purchase price determined on the date of purchase. If the shares or ADSs are treated as traded on an established securities market, a cash basis U.S. Holder (or, if it elects, an accrual basis U.S. Holder) will determine the U.S. dollar value of the cost of such shares or ADSs by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. The conversion of U.S. dollars to *Reais* and the immediate use of that currency to purchase shares or ADSs generally will not result in taxable gain or loss for a U.S. Holder.

A U.S. Holder that receives *Reais* upon a sale, exchange or other disposition of our shares or ADSs will realize an amount equal to the U.S. dollar value of the *Reais* on the date of sale, exchange, or other disposition. If the shares or ADSs are treated as traded on an established securities market, a cash basis U.S. Holder (or, if it elects, an accrual basis U.S. Holder) will determine the U.S. dollar value of the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale. A U.S. Holder will have a tax basis in the *Reais* received equal to that U.S. dollar amount. Any gain or loss realized by a U.S. Holder on a subsequent conversion of *Reais* into U.S. dollars (or other disposition) generally will be U.S. source ordinary income or loss for U.S. foreign tax credit

purposes.

If any gain from the sale or exchange of our shares or ADSs is subject to Brazilian tax, U.S. Holders may not be able to credit such taxes against their U.S. federal income tax liability under the U.S. foreign tax credit limitations of the Code since such gain generally would be U.S. source income, unless such tax can be credited (subject to applicable limitations) against tax due on other income treated as derived from foreign sources. Alternatively, the U.S. Holder may take a deduction for the Brazilian income tax if such holder does not take a credit for any foreign income tax during the taxable year. The rules with respect to foreign tax credits are complex and U.S. Holders should consult their own tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

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***Passive foreign investment company***

In general, certain adverse consequences could apply to a U.S. Holder if we are treated as a PFIC for any taxable year during which the U.S. Holder holds shares or ADSs. A non-U.S. corporation will be classified as a PFIC for U.S. federal income tax purposes in any taxable year in which, after applying certain look-through rules, either (i) at least 75 percent of its gross income consists of passive income, such as dividends, interest, rents, royalties and certain gains, or (ii) at least 50 percent of the average quarterly value of its gross assets is attributable to assets that produce passive income or are held for the production of passive income.

Based on a review of our gross income and assets, the manner in which we currently operate our business, the current market price of our shares, and the current interpretation of the PFIC provisions in the Code, we believe that we were not a PFIC for U.S. federal income tax purposes for the 2014 taxable year. However, the determination as to whether we will be a PFIC for any taxable year is based on the application of complex U.S. federal income tax rules, which are subject to differing interpretations, depends upon the composition of a company's income and assets and the market value of its assets from time to time, and is not made until after the end of a taxable year. Consequently, there can be no assurance that we will not be considered a PFIC for the current taxable year or any subsequent taxable year.

If we were a PFIC for any taxable year during which a U.S. Holder held shares or ADSs, a U.S. Holder of shares or ADSs may be subject to imputed interest charges and other generally adverse tax consequences with respect to any gain from the sale, exchange or other taxable disposition of, and certain excess distributions with respect to, the shares or ADSs. Distributions received in a taxable year that are greater than 125 percent of the average annual distributions received during the shorter of (i) the three preceding taxable years or (ii) a U.S. Holder's holding period for the shares or ADSs will be treated as excess distributions. Under these special tax rules: (i) the excess distribution or gain will be allocated ratably to each day in the U.S. Holder's holding period for the shares or ADSs, (ii) the amount allocated to the taxable year of disposition, and any taxable year prior to the first taxable year in which we are a PFIC, will be treated as ordinary income, and (iii) the amount allocated to each other taxable year that we were a PFIC will be subject to tax at the highest tax rate applicable to ordinary income for each such earlier taxable year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

If we were a PFIC in any taxable year and provided certain requirements were met, a U.S. Holder might be able to make a mark-to-market election that could alleviate certain of the tax consequences described above. A qualified electing fund election would not be available to U.S. Holders because we do not intend to provide the necessary information to allow U.S. Holders to make such an election for any tax year in which we were to be a PFIC.

U.S. Holders should consult their own tax advisors regarding the tax consequences that would arise if we were treated as a PFIC for U.S. federal income tax purposes, any applicable information reporting requirements, and the possibility of making a mark-to-market election in order to alleviate certain of these tax consequences.

***Foreign tax credit for Brazilian taxes***

Any Brazilian IOF/Exchange Tax imposed on a purchase of our shares or ADSs or IOF/Bonds Tax imposed on a transaction (as discussed above under "Brazilian Tax Consequences") will not be treated as a creditable foreign tax for U.S. federal income tax purposes. U.S. Holders should consult their own tax advisors regarding the tax consequences of these Brazilian taxes.

***Information reporting and backup withholding requirement***

Payment of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting and to backup withholding unless (1) the holder

is a corporation or other tax exempt recipient or (2) in the case of backup withholding, the holder provides a correct taxpayer identification number and certifies that such holder is not subject to backup withholding.

Backup withholding is not an additional tax. A holder may be entitled to a refund or credit of any amounts withheld under the backup withholding rules against its U.S. federal income tax liability, provided the required information is furnished to the Internal Revenue Service ( IRS ) in a timely manner.

In addition, certain U.S. Holders are required to report to the IRS information relating to an interest in the shares or ADSs, subject to exceptions (including an exception for shares or ADSs held in accounts maintained by certain financial institutions), by attaching a complete IRS Form 8938, Statement of Specified Foreign Financial Assets, with its tax return for each year in which it held an interest in the shares or ADSs. U.S. Holders are urged to consult their own tax advisors regarding the effect, if any, of this information reporting requirement on their acquisition, ownership and disposition of the shares or ADSs.

#### **F. Dividends and Paying Agents**

Not applicable.

#### **G. Statement by Experts**

Not applicable.

#### **H. Documents on Display**

Statements contained in this annual report as to the contents of any contract or other document referred to are not necessarily complete, and each of these statements is qualified in all respects by reference to the full text of such contract or other document filed as an exhibit hereto. A copy of the complete annual report including the exhibits and schedules filed herewith may be inspected without charge at the public reference facilities maintained by the SEC at, 100 F Street, N.E., Washington, D.C. 20549. Such reports and other information may also be inspected at the offices of NYSE, 11 Wall Street, New York, New York 10005, on which ADSs are listed. In addition, the SEC maintains a website that contains information filed electronically with the SEC, which can be accessed over the Internet at <http://www.sec.gov>.

We are subject to the information and periodic reporting requirements of the Securities Exchange Act of 1934 as amended, and, in accordance therewith, file periodic reports and other information with the SEC. However, as a foreign private issuer, we are exempt from the rules under the Exchange Act relating to the furnishing and content of proxy statements and relating to short-swing profits reporting and liability.

We furnish to The Bank of New York, as depositary, copies of all reports we are required to file with the SEC under the Exchange Act, including our annual reports in English, containing a brief description of our operations and our audited annual consolidated financial statements which are prepared in accordance with IFRS. In addition, we are required under the Deposit Agreement to furnish the depositary with copies of English translations to the extent required under the rules of the SEC of all notices of meetings of holders of preferred shares and other reports and communications that are generally made available to holders of common shares. Under certain circumstances, the depositary will arrange for the mailing, at our expense, of these notices, other reports and communications to all ADS holders.

We also file financial statements and other periodic reports with the CVM located as Sete de Setembro Street, 111, Rio de Janeiro, Brazil, 20050-901. In addition the CVM maintains a website that contains information in Portuguese filed electronically with the CVM, which can be accessed over the internet at [http:// www.cvm.gov.br](http://www.cvm.gov.br).





**I. Subsidiary Information**

Not applicable.

**ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The main risks to which the company is exposed reflect strategic/operational and economic/financial aspects. Operational/strategic risks (including, but not limited to, demand behavior, competition, technological innovation, and material changes in the industry structure) are addressed by Ultrapar's management model. Economic/financial risks primarily reflect default of customers credit quality, behavior of macroeconomic variables, such as exchange and interest rates, as well as the characteristics of the financial instruments used by the company and by their counterparties. These risks are managed through control policies, specific strategies, and establishment of limits.

The Company has a conservative policy for the management of resources, financial instruments and risks approved by its Board of Directors (the Policy). In accordance with the Policy, the main objectives of financial management are to preserve the value and liquidity of financial assets and ensure financial resources for the development of business, including expansions. The main financial risks considered in the Policy are risks associated with currencies, interest rates, credit and selection of financial instruments. Governance of the management of financial risks and financial instruments follows the segregation of duties below:

Implementation of the management of financial assets, instruments and risks is the responsibility of the financial area, through its treasury department, with the assistance of the tax and accounting departments;

Supervision and monitoring of compliance with the principles, guidelines and standards of the Policy is the responsibility of the Risk and Investment Committee composed of members of the company's executive board (Committee). The Committee holds regular meetings and is in charge, among other responsibilities, of discussing and monitoring the financial strategies, existing exposures, and significant transactions involving investment, fundraising, or risk mitigation. The Committee monitors the risk standards established by the Policy through a monitoring map on a monthly basis;

Changes in the Policy, or revisions of its standards are subject to the approval of Board of Directors of Ultrapar;

Continuous enhancement of the Policy is the joint responsibility of the Board of Directors, the Committee, and the financial area; and

The internal audit department audits the compliance with the requirements of the Policy.

***Currency risk***

Most business operations of Ultrapar are located in Brazil and, therefore, the reference currency for risk management is the *Real*. Currency risk management is guided by neutrality of currency exposures and considers the transactional, accounting, and operational risks of Ultrapar and its exposure to changes in exchange rates. The Company considers as its main currency exposures the assets and liabilities in foreign currency and the short-term flow of net sales in foreign currency of Oxitenó.



The Company uses exchange rate hedging instruments (especially between the *Real* and the U.S. dollar) available in the financial market to protect their assets, liabilities, receipts and disbursements in foreign currency and net investments in foreign operations. Therefore, hedge is used in order to reduce the effects of changes in exchange rates on the Company's income and cash flows in *Reais* within the exposure limits under its Policy. Such foreign exchange hedging instruments have amounts, periods, and rates substantially equivalent to those of assets, liabilities, receipts and disbursements in foreign currency to which they are related. Assets and liabilities in foreign currencies are stated below, translated into *Reais* as of December 31, 2015 and 2014:

### Assets and liabilities in foreign currency

In millions of <i>Reais</i>	2015	2014
<u>Assets in foreign currency</u>		
Cash, cash equivalents and financial investments in foreign currency (except hedging instruments)	147.8	594.9
Foreign trade receivables, net of allowance for doubtful accounts	188.8	190.3
Net investments in foreign subsidiaries (except cash, cash equivalents, financial investments, trade receivables, financing and payables)	611.4	507.3
	948.0	1,292.5
<u>Liabilities in foreign currency</u>		
Financing in foreign currency	(2,630.3)	(1,867.2)
Payables arising from imports, net of advances to foreign suppliers	(64.4)	(70.6)
	(2,694.7)	(1,937.8)
Foreign currency hedging instruments	2,667.2	783.3
Net asset position Total	920.5	138.0

### Sensitivity analysis of assets and liabilities in foreign currency

The table below shows the effect of exchange rate changes on different scenarios, based on the net asset position of R\$920.5 million in foreign currency.

In millions of Brazilian <i>Reais</i>	Risk	Scenario I 10%	Scenario II 25%	Scenario III 50%
(1) Income statement effect	<i>Real</i> devaluation	(7.7)	(19.4)	(38.7)
(2) Shareholders' equity effect		99.8	249.5	499.0
<b>(1) + (2)</b>	<b>Net effect</b>	<b>92.1</b>	<b>230.1</b>	<b>460.3</b>
(3) Income statement effect	<i>Real</i> appreciation	7.7	19.4	38.7
(4) Shareholders' equity effect		(99.8)	(249.5)	(499.0)
<b>(3) + (4)</b>	<b>Net effect</b>	<b>(92.1)</b>	<b>(230.1)</b>	<b>(460.3)</b>

Gains (losses) directly recognized in equity in cumulative translation adjustments are due to changes in the exchange rate on equity of foreign subsidiaries. See Note 30 to our consolidated financial statements.

**Sensitivity analysis of currency derivative instruments**

The Company uses derivative financial instruments only to hedge against identified risks and in amounts consistent with the risk (limited to 100% of the identified risk). Thus, for purposes of sensitivity analysis of market risks associated with financial instruments, the Company analyzes the hedging instrument and the hedged item together, as shown on the charts below.

For the sensitivity analysis of foreign exchange hedging instruments, management adopted as a likely scenario the *Real*/U.S. dollar exchange rates at maturity of each swap, projected by U.S. dollar futures contracts quoted on BM&FBOVESPA as of December 31, 2015. As a reference, the exchange rate for the last maturity of foreign exchange hedging instruments is R\$5.49 in the likely scenario. Scenarios II and III were estimated with a 25% and 50% additional appreciation or depreciation of the *Real* against the likely scenario, according to the risk to which the hedged item is exposed.

Based on the balances of the hedging instruments and hedged items as of December 31, 2015, the exchange rates were replaced, and the changes between the new balance in *Reais* and the balance in *Reais* as of December 31, 2015 were calculated in each of the three scenarios. The table below shows the change in the values of the main derivative instruments and their hedged items, considering the changes in the exchange rate in the different scenarios:

	Risk	Scenario I (Likely) (In millions of <i>Reais</i> )	Scenario II	Scenario III
<b>Currency swaps receivable in U.S. dollars</b>				
(1) U.S. dollar / <i>Real</i> swaps	Dollar appreciation	578.4	1,392.8	2,207.1
(2) Debts/firm commitments in dollars		(578.4)	(1,392.8)	(2,207.1)
<b>(1)+(2)</b>	<b>Net Effect</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Currency swaps payable in U.S. dollars</b>				
(3) <i>Real</i> / U.S. Dollar swaps	Dollar devaluation	(0.7)	7.2	15.1
(4) Gross margin of Oxiteno		0.7	(7.2)	(15.1)
<b>(3)+(4)</b>	<b>Net Effect</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

#### ***Interest Rate Risk***

Ultrapar adopts prudent policies for borrowing and investing financial resources and for capital cost minimization. The financial investments of Ultrapar are primarily held in transactions linked to the CDI. Our borrowings primarily relate to financings from Banco do Brasil S.A., BNDES and other development agencies, debentures and borrowings in foreign currency. Ultrapar does not actively manage risks associated with changes in the level of interest rates and attempts to maintain its financial interest assets and liabilities at floating rates. As of December 31, 2015, the Company had interest rate derivative financial instruments linked to domestic loans, swapping the fixed interest rate of certain debts to floating interest rate (CDI). See Notes 4, 14 and 30 to our consolidated financial statements.

The table below provides information as of December 31, 2015 about our debt obligations in foreign currency and in *Reais* that are subject to variable and fixed rates of interest. The table summarizes information on instruments and transactions that are sensitive to foreign currency exchange rates and interest rates:

Debt	Weighted average interest rate	Fair value	Book value	Principal by year of maturity <sup>(1)</sup>					2021 and thereafter
				2016	2017	2018	2019	2020	
R\$ borrowings	6.2%	190.7	205.8	78.6	44.0	35.4	23.5	13.6	10.7
Borrowings indexed to the CDI	106.1% of the CDI	5,391.9	5,520.9	431.2	2,009.3	2,019.1	1,061.3		
Borrowings indexed to the TJLP	2.5%	394.8	420.8	154.5	114.0	72.1	59.9	16.2	4.0
U.S. dollar borrowings	2.1%	1,015.1	1,016.1	350.2	353.5	309.8	2.4	0.2	