

ULTRAPAR HOLDINGS INC
Form 6-K
March 13, 2009

Form 6-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report Of Foreign Private Issuer
Pursuant To Rule 13a-16 Or 15d-16 Of
The Securities Exchange Act Of 1934

For the month of March, 2009

Commission File Number: 001-14950

ULTRAPAR HOLDINGS INC.
(Translation of Registrant's Name into English)

Avenida Brigadeiro Luis Antonio, 1343, 9º Andar
São Paulo, SP, Brazil 01317-910
(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form X	Form
20-F	40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes	No	X
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Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes	No	X
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Indicate by check mark whether by furnishing the information contained in this Form, the Registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes	No	X
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If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

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MANAGEMENT REPORT 2008

Dear Shareholders,

The Management of ULTRAPAR PARTICIPAÇÕES S.A. (Ultrapar) hereby presents the Management Report and Financial Statements for the fiscal year 2008. This information has been prepared according to the Brazilian Corporate Law and is accompanied by an independent auditor's report with an unqualified opinion (clean opinion).

COMPANY PROFILE

With a track record of over 70 years, Ultrapar is one of most solid business groups in Brazil, with leading positions in the markets in which it is present. The company operates in the fuel distribution business through Ultragaz and Ipiranga, in chemicals through Oxiteno, and in integrated logistics solutions through Ultracargo. Ultrapar has activities in the entire Brazilian territory, as well as in other countries through Oxiteno, which has industrial units in Mexico and Venezuela, and commercial offices in Argentina, the United States and Belgium.

Since 1999, Ultrapar's shares have been traded on the São Paulo Stock Exchange (BM&FBovespa), under the ticker UGPA4, and its ADRs (American Depositary Receipts) have been traded on the New York Stock Exchange (NYSE), under the ticker UGP.

Ultrapar's growth and value generation strategy is based on technology differentiation, expansion of operational scale and excellence in its businesses management, elements which combined with a sound financial position maintained over the years have enabled the company to obtain a credit rating of Baa3, equivalent to the investment grade, attributed by Moody's rating agency.

ECONOMIC AND OPERATIONAL ENVIRONMENT

The economic and operational environment in 2008 was marked by two distinct moments. In the first three quarters of 2008, Brazilian Gross Domestic Product (GDP) recorded a strong growth of 6.4% compared to the same period of 2007, with emphasis on the performances of the real estate sector and automotive industry. As a result of the strong economic activity during the first three quarters, the automotive industry reached in 2008 the highest number of vehicles sold in one year and foreign direct investment in Brazil peaked the record level of US\$ 45 billion, significantly increasing capital inflow, contributing to the appreciation of the Brazilian Real until September and to the assignment of the investment-grade rating to Brazil in April. However, from mid-September on the real estate crisis in the United States and a sharp tightening in credit markets spread rapidly around the world, also reflecting in Brazil. Despite the governments' initiatives to minimize the crisis effects and restore consumer confidence, the strong slowdown in global economic growth resulted in reduced investment and consumption, leading to a drop in commodities prices, particularly oil, which ended the year at US\$ 42/barrel after having reached the record level of US\$ 150/barrel. The worsening in the crisis also led to a sharp reduction in the flow of capital to Brazil in the fourth quarter, and a reversal trend in the appreciation of the Brazilian Real in place since 2003. The exchange rate at the end of 2008 was R\$/US\$ 2.34, 32% higher than that at the end of 2007.

ULTRAPAR IN 2008

Highlights of the year

In 2008 Ultrapar concluded a cycle of major investments, which will enable the growth and profitability of its businesses over the coming years. Continuing its strategy of expanding its scale and improving the competitiveness of its businesses, the company carried out two important acquisitions in the fuel distribution and logistics segments and concluded major expansion projects at Oxiteno. Always focusing on value generation, through these investments the company strengthened its leading position in the markets in which it operates but holding on to its characteristically disciplined financial management.

In the fuel distribution segment, Ultrapar continued its growth strategy initiated in 2007 with the acquisition of Ipiranga's distribution business in the South and Southeast regions of Brazil, and entered into an agreement in August 2008 to acquire Texaco's fuel distribution business in Brazil. With this transaction Ipiranga achieves nationwide coverage by expanding its operations to the Mid-West, Northeast, and North regions of Brazil, regions with growth rates above the national average. The enlarged distribution network will have more than 5 thousand service stations with approximately 23% market share in fuels distribution, resulting in a better positioning to capture the market growth and stronger competitiveness through the improvement of the operational scale. The acquisition of Texaco should allow, for example, better use of the distribution terminals, improved efficiency and competitiveness in sales processes, dilution of advertising, marketing and new product development expenses, and gains from economies of scale in administrative functions. Through these elements, Ultrapar aims to generate profitability in the combined business at least at the current levels of Ipiranga. Simultaneously with the growth through acquisitions, we have also continued to implement the business plan in other areas at Ipiranga, aiming at enlarging the business and raising the return on investment, with the implementation of a process of alignment of interests and increasing investment capacity, as shown in the table below.

Initiatives implemented in Ipiranga since its acquisition in April/07

Simplification of shareholding and management structure	ü
· Alignment of interests, decision making process simpler and faster	ü
· Adequacy of support structures	ü
· Centralization of the finance functions of Ipiranga in Ultrapar	ü
· Elimination of common structures between CBPI and DPPI	ü
Increased investment capacity	ü
· Number of unbranded service stations converted / new stations at Ipiranga grew 29% on 2007 and 144% on 2006	ü
· Acquisitions as part of strategy	ü
Implementation of EVA® as management tool	ü
· Variable compensation linked to EVA® growth targets	ü

·	Alignment of interests between executives and shareholders	ü
·	Value creation for all shareholders	ü

Ultracargo concluded the acquisition of União Terminais in November, a milestone in its transformation process, with the objective to consolidate itself as the largest and most complete provider of integrated logistic solutions for special bulk cargo in Brazil. The combination of its operations with União Terminais doubled the size of Ultracargo, which became the largest liquid bulk storage company in South America, reinforcing its operating scale. With this acquisition, Ultracargo has 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 have operations.

In Oxiteno, relevant investments were completed in 2008, significantly increasing the company's specialty chemical production capacity. The construction of the oleochemical unit, the first plant in Latin America to produce fatty alcohols, the expansion of the company's ethylene oxide unit at Mauá and its ethoxylate and ethanolamine units at Camaçari were all concluded in the second half of 2008. With these investments, Oxiteno is continuing its strategy of growth through economies of scale in the specialty chemicals segment, products

with a higher added value and maintaining Oxiteno's competitive advantages in Brazil, placing the company in a position to grow in its markets and to displace imported products.

Leader in the liquefied petroleum gas (LPG) distribution segment in Brazil, Ultragas has kept its focus on the growth strategy in market niches and constant improvement of its operational efficiency. The company's efforts have been directed towards expansion to new markets where growth rates are higher than that of the national average, in the states of Pará and Maranhão, and optimization of costs and expenses.

With the acquisitions and investments in organic expansion, we ended 2008 with net sales of R\$ 28.3 billion, 42% higher than in 2007. Ultrapar's EBITDA in 2008 amounted to R\$ 1.1 billion, up 38% on 2007. Net earnings totaled R\$ 390 million, 115% higher than that reported in 2007, mainly as a result of significant EBITDA growth in 2008. These results represent an average annual growth rate of 20% in EBITDA and 24% in net earnings since 1998, the year prior to Ultrapar's IPO.

Ultrapar - Highlights of 2008

Acquisitions

- ü Agreement for the acquisition of Texaco's fuel distribution business in Brazil for R\$ 1.2 billion, continuing the expansion in this segment started with the acquisition of Ipiranga in 2007.
- ü Acquisition of União Terminais for R\$ 519 million, including the assumption of R\$ 32 million in net debt. The acquisition has doubled the size of Ultracargo, making it South America's leading company in the liquid bulk storage, strengthening its operational and financial scale, and increasing Ultracargo's presence in Brazilian ports.

Organic expansion

- ü Completion of the capacity expansion projects at Oxiteno enables sales volume growth and the capture of gains from increased scale, as well as enriches the company's product mix.
- ü Start-up of the new oleochemical unit marks a pioneering step in the production of fatty alcohols from palm kernel oil in South America.
- ü Ultragas is expanding its activities in Pará and Maranhão, taking advantage of the benefits of LPG consumption growth in the North and Northeast regions of Brazil.
- ü Number at unbranded service stations converted / new stations at Ipiranga grew 29% on 2007 and 144% on 2006.

Results

- ü Ultrapar's net revenues have increased five times over two years, as a result of a strategy of acquisitions and investments in organic expansion.
- ü Ultrapar's EBITDA has increased 38% compared to 2007, reaching R\$ 1,079 million, exceeding the R\$ 1 billion mark for the first time.
- ü Ultrapar's net earnings amounted to R\$ 390 million, up 115% compared to the previous year.

Capital Markets

- ü Ultrapar's free-float has increased from 39% to 64% of its total capital.
- ü Average daily trading volume has risen from R\$ 12 million in 2007 to R\$ 26 million in 2008, an increase of 125%.
- ü New level of share liquidity has enabled Ultrapar to become part of the Ibovespa and the MSCI indexes.

Financial soundness

- ü Moody's assigned its Baa3 credit rating to Ultrapar, equivalent to investment grade.
- ü Standard & Poor's has reaffirmed its credit rating of BB+ for Ultrapar, just one notch below investment grade, and has changed its outlook from stable to positive.

Investments

Ultrapar maintains a long-term strategic vision, focusing on value creation for its shareholders. All investments carried out are subjected to a rigorous analysis, which considers economic, financial, strategic, market and socio-environmental aspects, using EVA® (Economic Value Added) methodology as its main tool.

Following its growth plan, during 2008 Ultrapar invested R\$ 1,516 million, R\$ 978 million of which spent in organic investment, aiming at consolidating its differentiated position in the markets in which it operates and reinforcing its growth through increased scale, technological differentiation and the optimization of costs and expenses. Regarding organic investments, a total of R\$ 167 million was invested in Ultragas, with a focus on the expansion of its LPG bulk distribution system (UltraSystem), the geographical expansion and the purchase and renewal of LPG bottles and tanks. Investments in Ipiranga's operation totaled R\$ 229 million and were mainly spent on expanding the company's distribution network, the renewal of contracts and improvements in service stations and distribution terminals. At Oxiteno, total investment amounted to R\$ 516 million, mostly concentrated on expanding production capacity, particularly in the conclusion of the oleochemical plant, in the expansion of specialty chemicals production capacity and in the expansion of ethylene oxide production capacity at Mauá unit, all of which came on stream in the fourth quarter of 2008. At Ultracargo investments totaled R\$ 56 million, basically on the expansion and maintenance of its terminals.

The capacity expansion projects at Oxiteno that came on stream in the fourth quarter of 2008 include (i) the operational start-up of the oleochemical unit, with a production capacity of approximately 100,000 tons; (ii) the expansion of the ethylene oxide unit at Mauá, adding 38,000 tons to the production capacity of this product, and (iii) the expansion of the ethoxylate and ethanolamine units at Camaçari, adding 120,000 tons to the production capacity of these products. These expansions aim at meeting the demand in the cosmetics, detergents, agrochemicals, paints and varnishes segments, mainly through imports replacement.

In addition to investments in the organic growth of its operations, Ultrapar also considers acquisitions to be an important way of increasing value generation for its shareholders. Aligned with this principle, we invested R\$ 537 million, mainly in the acquisition of União Terminais completed in 4Q08, in addition to the share buyback program, net of the sale of the stake formerly held in Petroquímica União S.A.. In August, Ultrapar entered into an agreement to acquire Texaco-branded fuels distribution business for R\$ 1.2 billion, whose conclusion is estimated to be soon, after the fulfillment of certain customary conditions precedent and the segregation of the lubricant and oil exploration activities, which will continue to belong to Chevron.

The investment plan for 2009, excluding acquisitions, amounts to R\$ 528 million, R\$ 69 million to be invested at Ultragas, R\$ 239 million at Ipiranga, R\$ 175 million at Oxiteno and R\$ 36 million at Ultracargo. At Ultragas investments will be mainly allocated in the renewal of LPG bottles and tanks and the strengthening of its operations in the North and Northeast regions of Brazil. At Ipiranga investments will be mainly allocated to expansion and renewal of its fuel distribution network, operational improvements and the Texaco brand-name switching in part of the acquired network. Investments at Oxiteno consider basically the expansion of ethylene oxide production capacity at Camaçari and the modernization of its facilities. At Ultracargo investments will be directed to operational improvements and expansion of its terminals in Santos and Aratu.

Capital Markets

Ultrapar reported a significant improvement of 125% in its shares' trading liquidity in 2008. In December 2007 the shares exchange of the listed companies of the Ipiranga Group was concluded, resulting in (i) greater alignment of interests of all company's shareholders, (ii) an increase in the liquidity of the company's shares, due to expansion of the shareholder base, as a result of the concentration of the shareholders of the listed companies of the Ipiranga Group into one company, Ultrapar, with shares traded on the stock exchanges in São Paulo (BM&FBovespa) and New York (NYSE), and (iii) extension of Ultrapar's recognized corporate governance standards to all of the shareholders of Refinaria de Petróleo Riograndense S.A. (RPR, former Refinaria de Petróleo Ipiranga S.A.), Distribuidora de Produtos de Petróleo Ipiranga S.A. (DPPI) and Companhia Brasileira de Petróleo Ipiranga (CBPI), notably regarding the 100% tag along rights for preferred shareholders.

The shares exchange of Ipiranga increased Ultrapar's free float by 172%, representing therefore 64% of the company's total capital. The daily volume in 2008 of R\$ 26 million, considering the combined trading on BM&FBovespa and the NYSE, represented an increase of 125% compared to the daily average of R\$ 12 million of the previous year. With this new level of liquidity obtained in the stock market, the average daily trading volume in the company's shares in 2008 increased by approximately 150% compared to the same period in 2007, with the combined trading on BM&FBovespa and the NYSE, daily average of 477,000 shares. Ultrapar became part of BOVESPA Index (Ibovespa) as well as the MSCI index (Morgan Stanley Capital International), which is widely used as reference in international capital markets.

From 3Q08 on, the worsening of the real estate crisis in the United States culminated in the bankruptcy of some financial institutions, tighter liquidity in credit markets and a slowdown in the global economy, led to a sharp fall on stock exchanges around the world resulting in the depreciation of the Ibovespa index by 41% in 2008. Over the same period, Ultrapar's shares dropped by 19% on BM&FBovespa, reflecting the resilience of Ultrapar's businesses to slower economic growth and the company's positioning in terms of potential earnings growth based on the investments already made. Ultrapar ended 2008 with a market capitalization of R\$ 7 billion.

With its commitment to transparency and widespread distribution of its relevant information, Ultrapar regularly holds meetings with its investing public. In 2008 Ultrapar held more than 400 meetings with capital market institutions both in Brazil and abroad, 30% more than the number held in 2007, including participation in conferences and roadshows for investors and analysts.

Dividends of R\$ 238 million were declared for the fiscal year 2008, equivalent to R\$ 1.78/share, representing 61% of consolidated net earnings in the year. Ultrapar constantly evaluates its immediate capital needs for investment in assets and acquisitions and, having ensured the maintenance of its sound financial position, distributes the resources to its shareholders in the form of dividends.

In 2008 Moody's Investors Service assigned its Baa3 credit rating to Ultrapar, equivalent to investment grade. According to Moody's, the Baa3 rating reflects Ultrapar's track record of cost-focused management and the company's leading market position in sectors in which it operates, supported by continuous investments in its strong fuels distribution brands and in research and development for specialty chemicals. Additionally, the credit rating agency S&P has changed its outlook for Ultrapar's rating from "stable" to "positive". The investment grade rating highlights Ultrapar's businesses cash generation capacity and sound financial management and corporate governance, reinforcing its strategy focused on value creation.

Corporate Governance

The pioneering approach in adopting differentiated corporate governance practices is an important part of Ultrapar's strategy, based on the quest to align the interests of shareholders and executives, aiming at the sustainability and longevity of the company, a process that started in the 80's. Since 1999 Ultrapar's shares have been traded on BM&FBovespa and its Level III ADRs (American Depositary Receipts) on the NYSE. Ultrapar was the first Brazilian company to grant 100% tag along rights to all its shareholders, guaranteeing equal treatment for all shareholders in the event of the sale of the controlling stake of the company, just one year after its IPO, and before tag along rights were obligatorily introduced by the new Brazilian Corporate Law implemented in 2001, limited to shareholders with voting rights, and restricted to 80% of the offer value. The company is also adjusted to the requirements of the Sarbanes-Oxley Act (SOX), which regulates mechanisms that guarantee the transparency of companies listed in the United States, having obtained SOX certifications since 2007 under section 404, which attests to the efficiency of its internal controls with regard to the company's financial information.

Financial discipline and sober management in relation to risks and costs are characteristics on which all decisions taken by Ultrapar are based. Decisions on new investment are analyzed on a detailed basis using management tools adopted by the company, being EVA® the main tool. As part of its financial management, Ultrapar maintains a Risk Management and Financial Investment Committee, composed of the Chief Financial Officer and the Executive Officers of each business. This committee guides the activity of the company's treasury, which operates centrally and aims at providing support for the operations of each business unit. This committee has been in place for more than 10 years, and meets regularly to discuss exposure limits, risks inherent in financial activities and new financial products, among others. In 2008, aiming at formalizing the directives adopted by the company for many years the Board of Directors ratified the company's Risk and Financial Investment Policy.

With regard to the management of its businesses, in 2008 Ultrapar promoted additional moves to renew its Executive Board, with the nomination of Leocádio de Almeida Antunes Filho as an Officer of Ultrapar.

Constant evolution in corporate governance standards has led Ultrapar to be granted several prizes and recognitions, both in Brazil and abroad, attesting to its continuing quest to align interests and its commitment to the rights of all shareholders, as well as transparency in the disclosure of information. Among the market recognitions it is worth mentioning that Ultrapar received the title of Second Most Shareholder-friendly Company by Institutional Investor Magazine. The market recognitions were also extended to Ultrapar's Executive Board: in 2008, Pedro Wongtschowski, Ultrapar's Chief Executive Officer was elected for the second consecutive year by Institutional Investor Magazine number two in the ranking of Best CEO in the Oil & Chemicals category and André Covre, Ultrapar's Chief Financial and Investor Relations Officer, was elected the Best CFO in the same category. Pedro Wongtschowski also received the Valuable Executive Award in the Chemical and Petrochemical Sector, granted by the newspaper Valor Econômico, and sector leader in the Chemical and Petrochemical Sector, granted by the International Leaders Forum. In 2008 André Covre was also elected the Chairman of Latin American Corporate Governance Roundtable's Companies Circle, a study group sponsored by the Organization for Economic Co-operation and Development – OECD, with cooperation from the IFC (International Finance Corporation) and BM&FBovespa, aiming at developing corporate governance in Latin America.

Operational Excellence – Technology, Quality, Safety and Environment

Operational excellence constitutes the essential core of the way in which Ultrapar's businesses are managed, which considers as indispensable for the company's sustainability and focus on quality and innovation. Each company has a specific combination of operational excellence programs, adapted to its products and services and to the market in which it operates.

Ultragas establishes operational excellence directives for all its units through Fator Azul, a program which sets standards for quality, operational safety, health and environmental care at all its production facilities. In 2008, the company continued its program for the optimization of resources consumption, increasing the reuse of water in its bottle painting cabins at its filling plants. In the safety area, Fator Azul contributes actively in the dissemination of safety standards in the handling and use of LPG, through specific training programs, process innovation and prevention and awareness campaigns, significantly reducing the level of accidents in its plants. Maintaining its innovative profile, in 2008 Ultragas took another pioneering step in the LPG market, with the launching of multi-brand mobile credit card payment terminals, which enable the consumer to pay for the purchase of bottles using any brand of credit card at the time of delivery to the customer's house. The project

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also aims to develop new functions for the terminals, such as receiving and printing orders made through Disk Gás, validation of electronic gas vouchers and bank check consultations.

Ipiranga was the first fuel distributor in Latin America to obtain ISO 14001 certification back in 1998, and currently adopts an environmental policy through SIGA (Ipiranga Environmental Management System), which focuses on the efficiency in the use of natural resources, the use of residues and the adoption of preventative measures to minimize risks in its business. In line with this philosophy, in 2008 Ipiranga completed one year of an innovative commercial initiative related to the environment, the Ipiranga Zero Carbon Card, which combines environmental benefits with client loyalty. By the end of 2008, more than 80,000 cards had been issued, confirming the success of the initiative, with 7,000 tons of carbon emissions neutralized. Also in relation to carbon emissions, other initiatives were taken by Ipiranga in 2008, such as (i) creating an eco-efficient fuel service station in Porto Alegre, built using the most advanced techniques available for environmental conservation, including the reuse of water and the use of renewable energy sources, (ii) introducing the emission auditing at its facilities, with a focus on the implementation of emission reduction targets and (iii) joining the B5 Program of the bus fleet in the state of Rio de Janeiro, with the aim of supplying its bus fleet with a mixture of 5% biodiesel (B5), 5 years ahead of the legal mandatory requirement. Following its strategy of innovation in the retail segment, in 2008 Ipiranga continued its process of providing a differentiated customer service, with the launch of Ipirangashop.com, a service which exploits potential business from the large flow of consumers at its fuel service stations and combines two sales channels: the sale of car-related products in its fuel service stations, and the offering of some 18,000 items in a website.

Mixing a pioneering approach with innovation and sustainability, in 2008 Oxiteno started-up its oleochemical unit, the first in Latin America to produce fatty alcohols based on renewable raw materials, which will produce a new family of biodegradable products, reflecting Oxiteno's strategy of seeking sustainable ways of manufacturing its products. The new unit will process 100,000 tons of vegetable oil a year (principally palm kernel oil), for the production of fatty alcohols and byproducts, with applications mainly in the cosmetics and detergents segments. The production of oleochemical derivatives also constitutes a new technological platform to be exploited and developed in Oxiteno's research and development laboratories. This environmental strategy also extends to other production units of Oxiteno, which have electricity cogeneration units, making use of the steam generated in the industrial processes. Instead of being released into the atmosphere, carbon-based gas resulting from the ethylene oxide production process at Camaçari is sold and injected into oil wells. Oxiteno's adoption of Six Sigma methodology has also resulted in the development of programs for the reduction of water consumption and generation of residues. In addition to sustainability, safety is also a core value at Oxiteno, focusing on the identification and management of risks inherent in its activities, with the adoption of the best international labor practices. In terms of innovation, approximately 2% of Oxiteno's annual revenue is spent on research and development of products and processes, which allows it not only to offer new products but also to customize solutions for clients.

Ultracargo, due to the nature of its logistics activities for products which require special handling, has adopted various programs to ensure the safety of its operations. The company was a pioneer in obtaining the certification by ABIQUIM through the use of SASSMAQ (System for the Evaluation of Health, Safety, Quality and the Environment) in 2001. Ultracargo's terminal in Paulínia (SP) obtained ISO 14001 certification in 2004 and underwent re-certification process in 2006 in accordance with the ISO 14001:2004 standard. In 2007, the Aratu terminal was also certificated with the ISO 14001:2004 standard. The environment is also a concern at the Santos Terminal, which has been built in order to meet the highest safety and environmental standards.

Personnel Management and Social Responsibility

The success achieved over more than 70 years of growth and market leadership by Ultrapar has been conducted by talented and competent professionals, willing to deal with the challenges that have arisen over the course of the company's history. The ability of Ultrapar's workforce is the result of the efforts of its staff and a culture based on valuing its employees, encouraging professional growth and seeking to achieve alignment in terms of company's

values and strategies. The company's relationship with its stakeholders is governed by a Code of Ethics, which drives the professional conduct of the employees of the companies that constitute Ultrapar. In 2008, the Code of Ethics was also adopted by all the employees of Ipiranga, which had not yet formally adopted this tool of alignment of values.

At the end of 2008, Ultrapar had 9,496 employees working at Ipiranga, Oxiteno, Ultracargo and Ultragas throughout Brazil and also in Oxiteno's offices and industrial units in Argentina, Belgium, the USA, Mexico and Venezuela. In this occasion Ultrapar had 399 employees working outside Brazil.

To develop and retain their talents, Ultrapar's business units develop training programs and adopt initiatives which enable their employees to specialize and broaden their horizons. Since 2004 Academia Ultragas has

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worked as a corporate university in partnership with well-known institutions, dedicating itself to the discussion of the best business practices and their constant updating. It offers training programs to the areas of business management, strategic planning, consumer services, controlling and marketing, as well as specific training related to priority projects at Ultragaz, such as Ultralevel and Ultraflex, which aim at improving profitability in the residential and business segments, respectively. Ipiranga maintains a policy that combines its growth strategy with continuous training of its employees, preparing them to improve the execution of their activities, and thus achieving excellence. Ipiranga launches annually its Programa Geral de Treinamento – PGT (General Training Program) which provides student scholarship for graduation, post-graduation and language courses, and seeks to develop fundamental skills to assist in professional growth, such as leadership, negotiation skills and communication. Aiming at strengthening the relationship with our independent dealers' network, Ipiranga uses incentive programs as a way of achieving differentiation and brand loyalty through a program focused on our pump attendants, Clube VIP. The program aims at ensuring quality in the service provided to customers, through training carried out by Ipiranga's own sales team, encouraging the sale of higher added value products and services, including Gasolina Original Aditivada (gasoline with additives), credit cards and products from Ipirangashop.com. In 2007 Oxiteno created a Program for Strategic Management and Technological Innovation, with the objective of developing and consolidating a culture of innovation and internationalization. Another program developed by Oxiteno is the Individual Development Plan, which aims to provide a context for employees at this current moment and future of their career, a program aligned with the DNA Project, an internal skill management program. Ultracargo seeks to develop its entire team with training carried out by recognized institutions, including training ranging from technical to behavioral, such as its leadership formation program, which has the objective of preparing professional staff to occupy strategic positions within the company.

Ultrapar and its business units develop social responsibility initiatives through programs based on the promotion and dissemination of education, culture and professionalization as a means of sustainable social inclusion. Among the several educational projects that the company sponsors, one of the most important is Ultra Formare, a free school for professional training, based at the company's headquarters building in São Paulo, aimed at the professional training of young students of the public education network. The program reproduces a work environment for its students to put theories learned into practice. More than 80 employees of Ultrapar voluntarily participate as teachers and mentors of the project, which in 2008 saw the graduation of its seventh intake. During the course, the students have access to several benefits and at the conclusion of the course, the youngsters receive a certificate that is recognized by the Ministry of Education.

In addition to initiatives by Ultrapar itself, each of its business units has its own range of social projects. Ultragaz sponsors the Ultragaz Cultural Program, with a series of initiatives aimed at the promotion of culture. Among the various projects sponsored in 2008, of particular note was “Ultragaz Cultural – Taking the Cinema to You”, which consists of a traveling cinema, installed on a truck, which traveled across nine Brazilian states in 2008. The initiative received the Top Social prize 2008, granted by the ADVB - Association of Sales and Marketing Managers, and the Social Responsibility Marketing Best prize, awarded by Editora Referência and the Madia Marketing School. Among its various social initiatives, Ipiranga is the founder and one of the ongoing supporters of the NGO Parceiros Voluntários do Rio Grande do Sul, which focuses on practicing organized volunteer work with the objective of improving the quality of life in society. In 2008, Ipiranga sponsored the 20th Book Fair in São Paulo and an initiative promoted by the Brazilian Book Chamber and the state government of São Paulo called “Everyone's Book”. This initiative consisted of the creation of a written book with free participation via internet, having the collaboration of 173 people and more than 14,000 visits on the website during the 30 days that it remained open. Oxiteno has developed one of its main social initiatives through APOLO (Association of Petrochemical Complex Industries of Greater ABC), offering free services to the population surrounding the petrochemical companies, including medical and dental consultations, environmental education and visits to its installations.

Relationship with Independent Auditors

Ultrapar's policies and those of its subsidiaries on contracting services, from its independent auditors aims at ensuring that there is no conflict of interest, loss of independence or objectivity, being based on principles that which preserve the auditor's independence. To avoid any subjectivity in the definition of the principle of independence in service provided by external auditors, procedures have been established for the approval of hiring such services, being those services precisely defined as (i) previously authorized services, (ii) services that are subject to prior approval by the Fiscal Council/Audit Committee and (iii) services that are prohibited.

For the year ending December 31, 2008 Ultrapar and its subsidiaries did not contract any work from their independent auditors that was not directly linked to the auditing of financial statements.

KPMG Auditores Independientes began to provide external auditing services for Ultrapar in 2007.

ANALYSIS OF FINANCIAL PERFORMANCE IN 2008

Considerations with Regard to the Financial Statements

Adoption of Law 11.638/07 and Provisional Measure 449/08

Ultrapar's financial statements for the year ending December 31, 2008 were prepared in accordance with the accounting directives set out in the Brazilian Corporate Law, being adopted for the first time in the fiscal year 2008 the alterations introduced by Law 11,638/07 and Provisional Measure 449/08, as well as the CVM rules, instructions and guidelines, which regulate them. The financial statements referring to the fiscal year ending December 31, 2007 are shown as previously released, without the changes introduced by the new legislation, except for the simple reclassification of certain accounts in the balance sheet in order to reflect the current financial statements format. In order to maintain comparability with financial statements in periods prior to the adoption of the accounting changes, we have highlighted in the performance analysis below the effects of the adoption of the new law on the respective lines, and present at the end of this section the statement of the effects of the new legislation on Ultrapar's main accounts of the 2008 financial statements, compared to values that would have been obtained if these modifications had not existed.

Effects of the acquisitions of Ipiranga and União Terminais

In April 2007 Ultrapar acquired the control of various companies in the Ipiranga Group, ending up with (i) the fuel and lubricants distribution businesses in the South and Southeast of Brazil and related activities, (ii) EMCA - Empresa Carioca de Produtos Químicos S.A., a producer of white mineral-based oils and special fluids, and (iii) a stake in the refining operations. The financial statements of Ultrapar consolidate all the businesses acquired from 2Q07. Except where otherwise mentioned, Ultrapar's financial statements for periods prior to 2Q07 do not include the operations acquired. With the purpose of providing a comparison basis for analysis of the evolution in the performance of Ipiranga, unaudited financial statements for this company have been drawn up for periods prior to 2Q07 ("Ipiranga Pro-forma figures"). With the exchange of the shares issued by RPR, DPPI and CBPI by those issued by Ultrapar in 4Q07, the correspondent portion of the minority interest in those companies was reduced and since October 2007 Ultrapar has been consolidating 100% of the earnings of those companies in its figures. From 01/01/2008, EMCA has been consolidated into Oxiteno, reflecting the effective management responsibility for the business, and the financial statements of Oxiteno and Ipiranga, prior to this date, reflect the current consolidation retrospectively. The references to the term "Ipiranga" consequently refer to the fuels and lubricants distribution businesses acquired in the South and Southeast of Brazil and related activities.

In June 2008, Ultrapar signed the sale and purchase agreement for the acquisition of 100% shares of União Terminais e Armazéns Gerais Ltda., a company involved in the storage and handling of bulk liquids, previously held by Unipar – União das Indústrias Petroquímicas S.A. with operations in the ports located in Santos (in the state of São Paulo), Rio de Janeiro and Paranaguá (in the state of Paraná). In October 2008, Ultrapar announced to the market that it had closed the purchase of the portion correspondent to the port terminals in Santos and Rio de Janeiro and in November 2008, the closing of the acquisition of the portion correspondent to the port terminal in Paranaguá. The total amount disbursed was R\$ 487 million. Furthermore, Ultrapar assumed a net debt of R\$ 32 million. The results of the businesses acquired were consolidated in Ultrapar's financial statements after their respective closing dates. Ultrapar's
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