

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 Oxiten, reflecting the effective management responsibility for the business, and the financial statements of Oxiten 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 financial statements in periods prior to 4Q08 do not include the results of the businesses acquired.

Comparative performance 2008-2007
(R\$ million)

	2008					2007				
	Ultrapar1	Ultragaz	Ipiranga	Oxiteno	Ultracargo	Ultrapar2	Ultragaz	Pro-Forma	Oxiteno	Ultracargo
Net sales	28,268	3,339	22,676	1,926	283	19,921	3,113	19,394	1,765	229
Cost of products and services	(26,152)	(2,898)	(21,492)	(1,527)	(187)	(18,224)	(2,644)	(18,349)	(1,422)	(145)
Gross profit	2,116	441	1,184	399	96	1,697	469	1,045	343	84
Sales, General and Administrative	(1,424)	(348)	(682)	(246)	(92)	(1,223)	(338)	(723)	(238)	(70)
Other operational results	22	(5)	14	1	3	12	1	12	3	1
EBIT	713	88	516	154	7	486	132	334	108	15
EBITDA	1,079	211	603	210	51	779	252	417	157	43
Depreciation and Amortization	376	123	97	56	43	301	119	90	49	28
Statutory interest	9	-	9	-	-	7	-	7	-	-

The financial information of Ultragaz, Ipiranga, Oxiteno and Ultracargo is presented without eliminating the transactions carried out between the companies.

1 Considers União Terminais' results since 4Q08

2 Considers Ipiranga's results since 2Q07

Sales Volume

In 2008, the Brazilian LPG market increased by 2% compared to 2007. Sales volume at Ultragaz grew in line with the market, amounting to a total of 1,601,000 tons of LPG sold, highlighting the 3% growth seen in the bottled segment, basically as a result of commercial initiatives developed by the company. At Ipiranga, sales volume increased 8% compared to Pro-forma volume in 2007, in line with the growth in the market in the regions where the company has operations (South and Southeast of Brazil). Fuel sales volume for passenger vehicles (gasoline, ethanol and NGV) grew by 11% as a consequence of the 14% increase in the sale of light vehicles and of measures to improve legislation and inspection implemented in the sector. Diesel sales volume was up by 7%, basically as a result of the good performance in the economy. At Oxiteno, total sales amounted to 567,000 tons in 2008, 14% lower than in 2007, as a result of (i) scheduled maintenance and expansion stoppages by the company during 2008 and (ii) higher glycols sales in 2007, taking advantage of the restriction in the international supply of this product at that time. The sales mix also saw a substantial improvement, with sales of specialty chemicals rising from 77% of total sales in 2007 to 89% in 2008. Sales volume in Oxiteno's operations abroad increased by 64% in 2008, as a result of the 33% increase in the sales volume of Oxiteno Mexico and the acquisition of Oxiteno Andina in 3Q07. At Ultracargo, effective storage showed an increase of 20%, as a result of expansion at the Aratu terminal, a higher occupancy rate at the Santos terminal and consolidation of União Terminais from 4Q08.

Net Sales and services

Ultrapar net sales and services amounted to R\$ 28,268 million in 2008, up 42% on 2007, basically as a consequence of the consolidation of net sales from Ipiranga from 2Q07, and the growth seen in all the company's business units. Net sales at Ultragas amounted to R\$ 3,339 million, 7% higher than in 2007, as a result of the 2% increase in sales volume and the rise in the cost of LPG used in the bulk segment in 2008, partially offset by a more competitive market during the 1H08. Net sales at Ipiranga totaled R\$ 22,676 million in 2008, up 17% compared to Pro-forma sales in 2007, as a consequence of an 8% increase in sales volume, and a rise in diesel costs in 2008. Oxiteno reported net sales of R\$ 1,926 million, up 9% on 2007, as a consequence of a 34% recovery in average prices in dollar terms, result of the improved sales mix and commercial initiatives introduced by the company over the last 12 months. This improvement in average price was partially offset by a 6% appreciation in the Brazilian Real, and a 14% drop in sales volume. Ultracargo's net sales amounted to R\$ 283 million, 24% higher than in 2007, basically as a consequence of increased storage volumes and new integrated transport and in-house logistics operations.

Cost of Products and Services

Ultrapar's cost of products and services amounted to R\$ 26,152 million in 2008, an increase of 44% on the previous year, basically as a consequence of the consolidation of Ipiranga's cost of products sold from 2Q07, the rise in the cost of diesel and the higher cost of LPG for the bulk segment. Ultragas's cost of products sold amounted to a total of R\$ 2,898 million, a 10% increase compared to 2007, basically as a consequence of higher sales volume and the successive increases in the ex-refinery price for use in the bulk segment in 2008. Ipiranga's cost of products sold totaled R\$ 21,492 million, up 17% compared to Pro-forma figures for 2007, as a consequence of an 8% increase in sales volume, the increase in the diesel cost, derived from the increase in the ex-refinery price in May 2008 and the obligatory increase in the percentage of bio-diesel added to diesel. The cost of products sold at Oxiteno totaled R\$ 1,527 million, an increase of 7% compared to 2007, basically due to higher raw material unit costs in dollar, as a consequence of higher average oil prices, and the cost of R\$ 18 million as a result of the scheduled maintenance stoppages at the production units during 2008. Ultracargo's cost of services provided amounted to R\$ 187 million, an increase of 29% on 2007, as a result of a rise in storage volume, new integrated in-house transport and logistics operations, and the increase in diesel prices.

Sales, General and Administrative Expenses

Ultrapar's sales, general and administrative expenses totaled R\$ 1,424 million in 2008, up 16% compared to 2007, basically as a result of (i) the impact of inflation on expenses, (ii) the consolidation of sales, general and administrative expenses from Ipiranga from 2Q07, (iii) the increase in the cost of diesel, which had an impact on freight expenses and (iv) an 8% increase in sales volume at Ipiranga. Ultragas's sales, general and administrative expenses totaled R\$ 348 million, 3% higher than in 2007, despite the 2% increase in sales volume and the effects of inflation on personnel costs, as a consequence of expense reduction initiatives implemented during 2008 and higher advertising and marketing expenses related to the company's 70th anniversary institutional campaign in 2007. Sales, general and administrative expenses at Ipiranga totaled R\$ 682 million, down 6% compared to Pro-forma figures for 2007, a result of organizational optimization implemented since the acquisition and the end of CPMF tax, partially offset by (i) an 8% increase in sales volume, (ii) an increase in diesel costs, with an impact on freight expenses, (iii) higher expenses with advertising and marketing, including those related to the campaign of the Texaco acquisition and the launch of Ipirangashop.com and incentive programs such as Clube VIP and Clube do Milhão and (iv) higher personnel expenses as a result of annual collective wage agreements and the increase in variable compensation in line with the improvement in earnings. Oxiteno's sales, general and administrative expenses amounted to R\$ 246 million in 2008, up 3% on the previous year, as a result of higher freight expenses due to the increase in diesel prices and the rise in personnel expenses, as a result of annual collective wage agreement and higher variable

compensation, in line with the improvement in the company's results. Sales, general and administrative expenses at Ultracargo totaled R\$ 92 million in 2008, 31% higher than in 2007, as a result of the impact of inflation on expenses, the goodwill amortization related to the acquisition of União Terminais, of R\$ 8 million, and the addition of sales, general and administrative expenses from União Terminais from 4Q08.

Effects of the changes in legislation: Ultrapar's sales, general and administrative expenses in 2008 were R\$ 7 million lower than the result that would have been obtained without the changes in legislation, due to a reduction of R\$ 16 million in administrative expenses and an increase of R\$ 9 million in depreciation as a result of the consolidation of the company SERMA and of the CVM Resolution 534/08, which refers to leasing. As a consequence of this rule, certain Ipiranga's contracts started to be treated as financial leasing, resulting in (i) the inclusion of its remaining balance in the company debt, (ii) the booking of the leased goods as fixed assets, and (iii) the appropriation of financial charges from the leasing to the company's results.

EBITDA - Earnings before Interest, Taxes, Depreciation and Amortization

Ultrapar's consolidated EBITDA amounted to R\$ 1,079 million in 2008, up 39% compared to 2007, basically as a consequence of EBITDA growth at Ipiranga and Oxiteno, as well as the consolidation of the results of Ipiranga and União Terminais, respectively, from 2Q07 and 4Q08. Ultragaz's EBITDA totaled R\$ 211 million, 16% down on the previous year, basically due to a more competitive market in the bottled gas segment in the first half of 2008. Ipiranga reported EBITDA of R\$ 603 million in 2008, up 45% compared to Pro-forma EBITDA for 2007, as a result of the 8% increase in sales volume, with a consequent increase in operational leverage, and a 6% reduction in sales, general and administrative expenses. Oxiteno reported EBITDA of R\$ 210 million, up 33% compared to 2007, as a result of a recovery in average prices in dollars, as a consequence of an improved sales mix and commercial initiatives developed by the company over the last 12 months, as well as the depreciation in the Brazilian Real in the last quarter of the year. EBITDA at Ultracargo amounted to R\$ 51 million, up 18% compared to 2007, basically as a consequence of the expansion to the Aratu terminal, an increase in the volumes of products handled at the Santos terminal, and the addition of the volume from União Terminais' operations from 4Q08.

Effects of the changes in legislation: Ultrapar's EBITDA in 2008 was R\$ 16 million higher than the result that would have been obtained without the changes in legislation, as a consequence of the increase of the financial leasing and the beginning of the consolidation of the company SERMA in the results of the company, both mentioned in the sales, general and administrative expenses.

The EBITDA is a commonly used measure, similar to the operational result. Including EBITDA information aims to represent our capacity to generate cash from our operations. Among other uses, the EBITDA is used as a measurement of Ultrapar's commitments related to financings, according to the note number 16 in the company's financial statements. The EBITDA should not be considered separately, or as an alternative to net income, as a measure of operational performance, or as an alternative to the operational net cash flow, as a liquidity measure.

Financial result

Ultrapar reported net financial expenses of R\$ 169 million in 2008, R\$ 49 million higher than that of 2007. The increase in net financial expenses in 2008 mainly reflects the increase of Ultrapar's average net debt, higher interest rates and the 32% Brazilian Real depreciation during 2008, compared to an appreciation of 17% during 2007.

Effects of the changes in legislation: Ultrapar's net financial expenses in 2008 were R\$ 3 million higher than the result that would have been obtained without the changes in legislation, as a consequence of increases of R\$

8 million related to monetary translation of foreign investments (CVM Resolution 534/08) and R\$ 3 million related to leasing, partially offset by reductions of R\$ 8 million referring to the marking to market of financial instruments (CVM Resolution 566/08) and R\$ 1 million referring to the booking of the transaction costs associated with the issuance of securities (CVM Resolution 556/08).

Net earnings

Consolidated net earnings amounted to R\$ 390 million 2008, 115% higher than that reported in 2007, as a consequence of the 38% rise in EBITDA at Ultrapar and the transitory effects of minority interest related to the acquisition of Ipiranga in 2007.

Effect of the changes in legislation: Ultrapar's net earnings in 2008 were R\$ 2 million higher than the figure that would have been obtained without the changes in legislation, as a consequence of the effects mentioned in the paragraphs of the financial result and the sales, general and administrative expenses.

Indebtedness

Ultrapar ended the financial year 2008 with a gross debt position of R\$ 3,672 million, resulting in a net debt of R\$ 1,538 million, 7% higher than the company's net debt position at the end of 2007.

Effects of the changes in legislation: Ultrapar's net debt at the end of 2008 was R\$ 14 million higher than it would have been without the changes in legislation, basically due to (i) the effect of leasing on debt mentioned in the sales, general and administrative expenses paragraph, (ii) transaction costs associated with the issuance of securities and (iii) the marking to market of certain financial instruments, both mentioned in the paragraph of the company's financial results.

Summary of the changes resulting from the implementation of Law 11,638/07 and Provisional Measure 449/08. The table below shows the main effects of the application of Law 11,638/07 and Provisional Measure 449/08 on 2008 financial statements. Additional information about the changes resulting from the new legislation is available in notes 2 and 3 of the attached financial statements.

Effects of the implementation of Law 11,638/07 and Provisional Measure 449/08 on the business units EBITDA
(R\$ million)

		Ipiranga	Ultragaz	Oxiteno	Ultracargo	Others/Elim	Ultrapar
EBITDA before the implementation of Law 11,638/07 and Provisional Measure 449/08		592.8	210.7	210.0	50.6	(0.3)	1,063.9
Contracts for financial leasing operations recognized as fixed assets and debt	CVM 554/ CPC 06	10.4	-	-	-	0.1	10.5
Consolidation of the results of the company SERMA* on the financial statements	CVM 565/ CPC 13	-	-	-	-	5.1	5.1
Total effects		10.4	-	-	-	5.1	15.5
EBITDA according to audited financial statements on December 31st, 2008 (after the implementation of Law 11,638/07 and Provisional Measure 449/08)		603.2	210.7	210.0	50.6	4.9	1,079.4

Main effects of the implementation of Law 11,638/07 and the Provisional Measure 449/08 on the consolidated financial statements

(R\$ million)

		EBITDA	Financial results	Net earnings	Net debt	Long term assets	Shareholders' equity
EBITDA before the implementation of Law 11,638/07 and Provisional Measure 449/08		1,063.9	(166.3)	388.0	1,524.3	3,726.3	4,646.1
Contracts of financial leasing operations recognized as fixed assets and debt	CVM 554/ CPC 06	10.5	(2.9)	2.4	25.4	29.0	2.4
Consolidation of the company SERMA* and equity in subsidiary and affiliated companies of Metalplus** in the financial statements	CVM 565/ CPC 13	5.1	(0.2)	-	(0.2)	14.9	(0.3)
Currency translation impact of the net investment on some foreign subsidiaries	CVM 534/ CPC 02	-	(8.3)	(8.3)	-	-	-

recorded directly in the
account Accumulated
adjustments of conversion in
the Shareholder's equity

Marking to market of financial and foreign exchange and interest hedging instruments	CVM 566/ CPC 14	-	7.7	7.3	(1.6)	-	1.1
Transaction costs and premiums in the issuance of securities and securities recognized as debt reducer	CVM 556/ CPC 08	-	1.2	0.9	(9.6)	-	0.9
Adjustment at present value of credit balances of ICMS on the purchase of fixed assets (CIAP)	CVM 564/ CPC 12	-	-	-	-	5.5	-
Total effects		15.5	(2.6)	2.3	14.0	49.5	4.0
Figures according to audited financial statements on December 31st, 2008 (after the implementation of Law 11,638/07 and Provisional Measure 449/08)		1,079.4	(168.8)	390.3	1,538.3	3,775.7	4,650.1

* SERMA - Association of Users of data processing equipment and related services (responsible for IT services for Ultrapar)

** Metalúrgica Plus S / A. - Former producer of gas cylinders, not currently operating.

OUTLOOK

With the acquisitions of Texaco and União Terminais and the conclusion of a significant portion of Oxiteno's production capacity expansion, the year 2008 crowed a major cycle of investments started in 2006, aiming at enabling the growth in Ultrapar's businesses and in its levels of profitability in the years to come. During 2009 we will be focusing on capturing the benefits of these acquisitions and investments, through increased operational and financial scale and a widened range of products and services offered. Add to this the natural resilience of our businesses, the sound finance position and the focus on results which have always been our characteristics, leaving us in a privileged position to move forward on the path of sustainable growth and value generation.

In the fuel distribution business, the consolidation of Texaco and the implementation of our management model in the business acquired should result in a significant increase over time in the level of earnings at the new Ipiranga. In addition to this, the larger national vehicle fleet at the end of 2008, combined with improvements to legislation and inspection measures in the sector, all indicate a growth in the combined sales volume of gasoline, ethanol and NGV in 2009. At Oxiteno the production expansion, which has come on stream in the last few months, will enable us to increase our specialty chemical production volume, basically through displacing imported products, resulting in an improvement in sales mix. In addition, the weaker Brazilian Real together with the lower international oil prices should also contribute positively to Oxiteno's earnings increase. At Ultracargo, we will continue to execute the União Terminais' acquisition business plan, already started in the 4Q08. At Ultragas, we will be continuing with projects to improve operational efficiency through Ultralevel and Ultraflex programs, and the expansion in niche markets that have a higher rate of growth than the national average.

Finally, we would like to thank all those who have contributed to another year of important achievements at Ultrapar.

The Management

ITEM 2

Ultrapar Participações S.A. and
Subsidiaries

Financial statements
as of December 31, 2008 and 2007
(Convenience Translation into English from the Original Previously Issued in Portuguese)

Ultrapar Participações S.A. and Subsidiaries

Financial statements

as of December 31, 2008 and 2007

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Independent auditors' report

To
The Board of Directors and Shareholders
Ultrapar Participações S.A.
São Paulo - SP

1. We have examined the accompanying balance sheet of Ultrapar Participações S.A. and the consolidated balance sheet of the Company and its subsidiaries as of December 31, 2008 and the related statement of income, changes in shareholders' equity, statement of cash flows and statement of added value for the year then ended, which are the responsibility of its management. Our responsibility is to express an opinion on these financial statements.

2. Our examination was conducted in accordance with auditing standards generally accepted in Brazil and included: (a) planning of the audit work, considering the materiality of the balances, the volume of transactions and the accounting systems and internal accounting controls of the Company and its subsidiaries; (b) verification, on a test basis, of the evidence and records which support the amounts and accounting information disclosed; and (c) evaluation of the most significant accounting policies and estimates adopted by Company's management and its subsidiaries, as well as the presentation of the financial statements taken as a whole.

3. In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Ultrapar Participações S.A. and the consolidated financial position of the Company and its subsidiaries as of December 31, 2008, and the result of its operations, changes in its shareholders' equity, statement of cash flows and statement of added value for the year then ended, in conformity with accounting practices adopted in Brazil

4. We have examined the accompanying financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries for the year ended December 31, 2007, including the balance sheet, statement of income, changes in shareholders' equity, statement of changes in financial position and the supplementary information of cash flows and added value issuing an unqualified opinion, dated February 11, 2008. As mentioned in Explanatory Note 2, the accounting practices adopted in Brazil changed as from January 1st, 2008. The accompanying December 31, 2007 financial statements were prepared in accordance with accounting practices adopted in Brazil until December 31, 2007 and, as permitted by the Technical Pronouncement CPC 13 – Law 11.638/07 first adoption and Provisional Measure 449/08, are not being restated for comparative purposes.

March 11, 2009

KPMG Auditores Independentes
CRC 2SP014428/O-6

Anselmo Neves Macedo Alexandre Heinermann
Accountant CRC 1SP160482/O-6 Accountant CRC 1SP228175/O-0

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Ultrapar Participações S.A. and Subsidiaries

Balance sheets

as of December 31, 2008 and 2007

(In thousands of Reais)

Assets	Parent Note	2008	2007	2008	Consolidated 2007
Current assets					
Cash and banks		533	629	164,351	203,057
Financial investments	5	778,458	97,197	1,962,076	1,419,859
Trade account receivables	6	-	-	1,429,311	1,344,432
Inventories	7	-	-	1,033,756	631,135
Recoverable taxes	8	28,780	34,019	311,869	202,620
Deferred income tax and social contribution	10.a)	128	4,202	111,842	108,964
Dividends receivable		98,279	170,571	-	-
Other receivables		869	1,752,673	103,605	1,772,440
Prepaid expenses	2.b) and 11	-	-	19,000	11,508
Total current assets	2.b) and 11	907,047	2,059,291	5,135,810	5,694,015
Non-current assets					
Long-term assets					
Financial investments	5	-	-	7,193	120,832
Trade account receivables	6	-	-	210,057	176,885
Related companies	9.a)	77,034	41,413	5,640	12,865
Deferred income tax and social contribution	10.a)	115	11,287	408,708	119,575
Recoverable taxes	2.d) and 8	-	-	42,959	65,015
Escrow deposits		193	193	56,053	31,779
Other receivables		-	20	491	8,317
Prepaid expenses	2.b) and 11	-	-	24,581	30,518
		77,342	52,913	755,682	565,786
Investments					
Subsidiaries	2.a) and 12.a)	4,765,499	4,256,743	-	-
Affiliates	12.b)	-	-	12,981	12,948
Others	2.c)	59	60	21,000	38,510
Fixed assets	2.c), 2.d), 13 and 16.g)	-	-	3,131,496	2,333,543
Intangible assets	2.a), 2.c) and 14	246,163	449,942	594,595	543,989
Deferred charges	2.a), 2.c) and 15	-	-	15,604	27,615
		5,011,721	4,706,745	3,775,676	2,956,605

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Total non-current assets	5,089,063	4,759,658	4,531,358	3,522,391
Total assets	5,996,110	6,818,949	9,667,168	92,16,406

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Ultrapar Participações S.A. and Subsidiaries

Balance sheets

as of December 31, 2008 and 2007

(In thousands of Reais)

Liabilities	Note	Parent		Consolidated	
		2008	2007	2008	2007
Current liabilities					
Loans and financing	2.b) and 16	1,203,823	-	1,645,534	588,903
Debentures	2.b) and 16	-	1,218,679	-	1,228,067
Finance lease	16.g)	-	-	12,581	-
Suppliers		426	2,103	614,201	582,683
Salaries and related charges		90	88	164,620	123,207
Taxes payable		113	12,310	88,972	93,885
Dividends payable	17.g)	119,941	278,127	127,021	285,090
Income tax and social contribution payable		-	-	17,418	26,680
Deferred income tax and social Contribution	10.a)	-	-	14,706	123
Post-employment benefits	23.b)	-	-	8,768	8,768
Provision for contingencies	22.a)	-	-	32,521	14,875
Other payables		1,372	2,946	21,378	55,050
Total current liabilities		1,325,765	1,514,253	2,747,720	3,007,331
Non-current liabilities					
Long-term liabilities					
Financing	2.b) and 16	-	-	2,000,941	1,002,815
Debentures	16	-	-	-	350,000
Finance lease	16.g)	-	-	12,866	-
Related companies	9.a)	1,825	689,955	4,422	4,723
Deferred income tax and social Contribution	10.a)	-	-	18,233	1,835
Provision for contingencies	22.a)	4,918	4,759	103,530	111,979
Post-employment benefits	23.b)	-	-	77,722	85,164
Other payables		-	-	13,471	16,983
Total non-current liabilities		6,743	694,714	2,231,185	1,573,499
Minority interest		-	-	38,187	34,791
Shareholders' equity					
Share capital	17.a)	3,696,773	3,696,773	3,696,773	3,696,773
Capital reserve	17.c)	2,906	3,664	855	858
Revaluation reserve	17.d)	10,280	11,641	10,280	11,641
Profit reserves	17.e) and 17.f)	1,078,914	925,423	1,078,914	925,423

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Treasury shares	17.b)	(127,332)	(27,519)	(138,807)	(33,910)
	2, 3.c)				
Valuation adjustment	and 17.i)	(6,248)	-	(6,248)	-
	2, 3.n)				
Cumulative translation adjustments	and 17.j)	8,309	-	8,309	-
	2 and				
	17.h)	4,663,602	4,609,982	4,650,076	4,600,785
Total liabilities and shareholders' equity		5,996,110	6,818,949	9,667,168	9,216,406

The accompanying notes are an integral part of these financial statements.

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Ultrapar Participações S.A. and Subsidiaries

Income statements

Fiscal years ended December 31, 2008 and 2007

(In thousands of Reais, except net earnings per share)

	Note	Parent		Consolidated	
		2008	2007	2008	2007
Gross revenue from sales and services	3.a)	-	-	29,536,420	20,841,121
Taxes on sales and services		-	-	(1,122,544)	(805,346)
Rebates, discounts and returns		-	-	(145,893)	(114,470)
Net revenue from sales and services		-	-	28,267,983	19,921,305
Cost of products and services sold	3.a)	-	-	(26,152,327)	(18,224,238)
Gross income		-	-	2,115,656	1,697,067
Income from investments in subsidiaries and affiliates					
Equity in income of subsidiaries and affiliates	12.a) and 12.b)	332,720	315,004	11	576
Operating revenues (expenses)					
Selling and marketing		-	-	(584,163)	(472,590)
General and administrative		(271)	(243)	(552,953)	(522,175)
Depreciation and amortization		(42,876)	(34,032)	(287,245)	(228,438)
Other net operating income		458	604	22,114	12,298
Operating income before financial income and other revenues		290,031	281,333	713,420	486,738
Net financial income	20	(79,033)	(86,559)	(165,993)	(80,712)
PIS/COFINS/CPMF/IOF/other charges on financial income	20	(586)	(5,742)	(2,841)	(38,699)
Other income	18	210,454	-	11,212	8,808
Operating income before social contribution and income tax		420,866	189,032	555,798	376,135
Social contribution and income tax					
Current	10.b)	(17,452)	(19,459)	(204,581)	(207,798)
Deferred charges	10.b)	(13,145)	12,320	12,689	86,681
Tax incentives	10.b) and 10.c)	-	-	40,309	35,152
		(30,597)	(7,139)	(151,583)	(85,965)
		390,269	181,893	404,215	290,170

Income before minority interest and employee
statutory interest

Employee statutory interest	-	-	(9,451)	(7,318)
Minority interest	-	-	(4,495)	(100,959)

Net income for the year	17.g)	390,269	181,893	390,269	181,893
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Net income per equity share (annual weighted
average) - R\$

2.87	2.19
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The accompanying notes are an integral part of these financial statements

7

Ultrapar Participações S.A. and Subsidiaries

Statements of changes in shareholders' equity in the parent company

Fiscal years ended December 31, 2008 and 2007

(In thousands of Reais, except dividends per share)

	Note	Share capital	Revaluation reserve	Capital reserve subsidiaries	Profit reserves			Retained earnings	Treasury shares	Total
					Legal reserve	Retention of profits	Cumulative Unrealized appreciation adjustments			
Balance at December 31, 2006		946,034	3,026	13,009	90,967	796,118	96,145	-	(4,589)	1,940,711
Capital increase through stock-for-stock merger	17.a)	2,750,739	-	-	-	-	-	-	-	2,750,739
Purchase of shares for treasury		-	-	-	-	-	-	-	(25,203)	(25,203)
Sale of treasury shares		-	638	-	-	-	-	-	2,273	2,911
Realization of revaluation reserve	17.d)	-	-	(1,368)	-	-	-	1,368	-	-
Income tax and social contribution on realization of revaluation reserve of subsidiaries	17.d)	-	-	-	-	-	-	(195)	-	(195)
Transfer to retained earnings		-	-	-	-	1,173	-	(1,173)	-	-
Net income for the year		-	-	-	-	-	-	181,893	-	181,893
Appropriation of net income:										
Legal reserve		-	-	-	9,095	-	-	(9,095)	-	-
Proposed dividends payable (R\$)	17.g)	-	-	-	-	-	(96,145)	(144,728)	-	(240,873)

1.777031 per
share)

Retained
earnings

17.e)

-

-

-

-

28,070

-

-

-

(28,070)

-

Balance at
December 31,
2007

3,696,773

3,664

11,641

100,062

825,361

-

-

-

-

(27,519)

4,609,98

8

Ultrapar Participações S.A. and Subsidiaries

Statements of changes in shareholders' equity in the parent company

Fiscal years ended December 31, 2008 and 2007

(In thousands of Reais, except dividends per share)

	Note	Share capital	Capital reserve	Revaluation reserve in subsidiaries	Profit reserves				Retained earnings	Treasury shares	
					Legal reserve	Retention of profits	Unrealized profit adjustments	Cumulative translation adjustments			
Balance at December 31, 2007		3,696,773	3,664	11,641	100,062	825,361	-	-	-	(27,519)	4,000
Initial implementation of Law 11638/07	2	-	-	-	-	-	-	-	(313)	-	-
Purchase of shares for treasury		-	-	-	-	-	-	-	-	(105,014)	(105,014)
Sale of treasury shares	17.b)	-	(758)	-	-	-	-	-	-	5,201	5,201
Realization of revaluation reserve	17.d)	-	-	(1,361)	-	-	-	-	1,361	-	-
Income tax and social contribution on realization of revaluation reserve of subsidiaries	17.d)	-	-	-	-	-	-	-	(57)	-	-
Transfer to retained earnings		-	-	-	-	991	-	-	(991)	-	-
Valuation adjustments for financial instruments	3.c)	-	-	-	-	-	-	(6,248)	-	-	-
Currency translation of foreign subsidiaries	3.n)	-	-	-	-	-	-	8,309	-	-	-
Net income for the year		-	-	-	-	-	-	-	390,269	-	-

Appropriation of net income:												
Legal reserve		-	-	-	19,513	-	-	-	-	(19,513)	-	
Interim dividends (R\$ 0.89 per share)	17.g)	-	-	-	-	-	-	-	-	(119,006)	-	
Proposed dividends payable (R\$ 0.887031 per share)	17.g)	-	-	-	-	-	-	-	-	(118,763)	-	
Retained earnings	17.c)	-	-	-	-	132,987	-	-	-	(132,987)	-	
Balance at December 31, 2008												
		3,696,773	2,906	10,280	119,575	959,339	-	(6,248)	8,309	-	(127,332)	4,

The accompanying notes are an integral part of these financial statements.

Ultrapar Participações S.A. and Subsidiaries

Statements of cash flows - Indirect method

Fiscal years ended December 31, 2008 and 2007

(In thousands of Reais)

	Note	Parent 2008	Parent 2007	Consolidated 2008	Consolidated 2007
Cash flows from operating activities					
Net income for the year		390,269	181,893	390,269	181,893
Adjustments to reconcile net income to cash provided by operating activities					
Equity in income of subsidiaries and affiliates	12	(332,720)	(315,004)	(11)	(576)
Depreciation and amortization		42,876	34,032	375,476	300,588
PIS and COFINS credits on depreciation		-	-	5,084	2,994
Interest, monetary and exchange rate changes		152,274	98,726	566,876	71,637
Deferred income tax and social contribution	10.b)	13,145	(12,320)	(12,689)	(92,177)
Minority interest in income		-	-	4,495	100,959
Proceeds from sale of fixed assets		(210,454)	-	(20,790)	(7,604)
Provision (release of provision) for loss on fixed assets		-	-	(1,900)	(2,755)
Others		-	-	1,586	938
Dividends received from subsidiaries		172,549	10,606	-	-
(Increase) decrease in current assets					
Trade receivables	6	-	-	(80,022)	(84,695)
Inventories	7	-	-	(387,061)	(64,340)
Recoverable taxes	8	5,239	(6,431)	(100,309)	(24,056)
Other receivables		119	(647)	(82,337)	(5,546)
Prepaid expenses	11	-	(93)	(6,222)	11,221
Increase (decrease) in current liabilities					
Trade payables		(1,677)	1,739	26,887	130,609
Wages and employee benefits		2	29	38,184	9,295
Taxes payable		(12,197)	12,276	(5,952)	45,094
Income tax and social contribution		-	-	(16,340)	8,595
Other payables		(1,574)	2,947	(17,255)	22,892
(Increase) decrease in long-term assets					
Accounts receivable	6	-	-	(40,222)	(17,719)
Tax credits	8	-	18,739	20,332	(367)
Amounts in escrow		-	-	(22,491)	(4,976)
Other receivables		20	(20)	7,824	(1,933)
Prepaid expenses	11	-	187	1,882	(10,500)
Increase (decrease) in long-term liabilities					

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Provision for contingencies		159	(4,630)	32,507	28,058
Other payables		-	-	(54,375)	(4,981)
Net cash provided by operating activities		218,030	22,029	623,426	592,548
Cash flows from investment activities					
Financial investments, net of redemptions		-	-	33,992	509,165
Disposal (acquisition) of investments, net	12	61,557	(858,830)	(432,370)	(889,625)
Capital contributions to subsidiaries	12	(1,101,828)	-	-	-
Capital reduction of subsidiaries	12	470,000	-	-	-
Cash of acquired subsidiaries		-	-	11,364	166,691
Acquisition of fixed assets	13	-	-	(891,693)	(658,847)
Increase in intangible assets	14	-	-	(37,853)	(6,242)
Increase in deferred charges	15	-	-	(4,933)	(63,377)
Gain on sale of fixed assets		-	-	45,046	33,823
Net cash provided by (used in) investment activities		(570,271)	(858,830)	(1,276,447)	(908,412)

Ultrapar Participações S.A. and Subsidiaries

Statements of cash flows - Indirect method

Fiscal years ended December 31, 2008 and 2007

(In thousands of Reais)

	Note	Parent 2008	Parent 2007	Consolidated 2008	Consolidated 2007
Cash flows from financing activities					
Financing and debentures					
Fund raising	16	2,400,000	889,000	3,607,728	1,941,845
Amortization	16	(2,567,139)	(77,950)	(3,761,011)	(1,008,588)
Payment of financial lease	16	-	-	(10,476)	-
Dividends paid		(395,955)	(62,644)	(398,927)	(65,652)
Acquisition of minority interest		-	-	(18)	(53)
Purchase of shares for treasury	17.b)	(105,014)	(25,203)	(105,014)	(25,203)
Sale of treasury shares to subsidiaries		4,443	2,911	-	-
Payment from Petrobras and Braskem for delivery of Petrochemical and Distribution Assets		1,731,313	-	1,731,313	-
Related entities	9.a)	(34,242)	(70,873)	(5,711)	26,355
Net cash provided by (used in) financing activities		1,033,406	655,241	1,057,884	868,704
Effect of changes in exchange rates on cash and cash equivalents in foreign currency		-	-	7,798	-
Increase (decrease) in cash, banks and short-term investments		681,165	(181,560)	412,661	552,840
Cash, banks and short-term investments at beginning of year		97,826	279,386	1,622,916	1,070,076
Initial adjustment in the definition of cash and cash equivalents		-	-	(760,524)	-
Cash and cash equivalents at beginning of year	5	97,826	279,386	862,392	1,070,076
Cash, banks and short-term investments at end of year		778,991	97,826	1,275,053	1,622,916
Initial adjustment in the definition of cash and cash equivalents		-	-	-	(760,524)
Cash and cash equivalents at end of year	5	778,991	97,826	1,275,053	862,392
Additional information					
Interest paid on financing		52,419	77,950	180,273	160,502
		6,401	-	126,558	70,645

Income tax and social contribution paid for the year

Items not affecting cash for the period

Capital increase through stock-for-stock merger	4.iii	-	2,750,739	-	2,750,739
Accounts receivable from stock-for-stock merger for Petrobras and Braskem assets	4.iii	-	(1,751,685)	-	(1,751,685)
Acquisition of investments through stock-for-stock merger	4.iii	-	999,054	-	999,054
Debt of acquired subsidiaries		-	673,164	43,472	676,955
Finance lease	16.g)	-	-	15,475	-

The accompanying notes are an integral part of these financial statements.

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Ultrapar Participações S.A. and Subsidiaries

Statements of value added

Fiscal years ended December 31, 2008 and 2007

(In thousands of Reais, except percentages)

	Note	2008	Parent %	2007	%	2008	Consolidated %	2007	%
Revenues									
Gross revenue from sales and services, except rents and royalties	3.a)	-	-	-	-	29,504,108	-	20,818,354	-
Rebates, discounts and returns		-	-	-	-	(145,893)	-	(114,470)	-
Allowance for doubtful accounts - Release (creation)		-	-	-	-	7,203	-	4,140	-
Other income		210,454	-	-	-	11,212	-	8,808	-
		210,454	-	-	-	29,376,630	-	20,716,832	-
Materials purchased from third parties									
Raw materials used	3.a)	-	-	-	-	(1,805,726)	-	(1,546,401)	-
Cost of goods, products and services sold		-	-	-	-	(24,276,334)	-	(16,552,275)	-
Third-party materials, energy, services and others		(4,952)	-	(2,359)	-	(932,075)	-	(869,091)	-
Recovery (loss) of asset value		8,574	-	5,240	-	2,988	-	(682)	-
		3,622	-	2,881	-	(27,011,147)	-	(18,968,449)	-
Gross value added		214,076	-	2,881	-	2,365,483	-	1,748,383	-
Deductions									
Depreciation and amortization		(42,876)	-	(34,032)	-	(380,560)	-	(303,582)	-
Net value added by the company		171,200	-	(31,151)	-	1,984,923	-	1,444,801	-

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Value added received in transfer									
Equity in income of subsidiaries and affiliates	12.a) and 12.b)	332,720		315,004		11		576	
Dividends and interest on equity at cost									
		30		31		2,796		1,764	
Rents and royalties									
		-		-		32,312		22,767	
Financial revenues	20	82,648		12,683		257,243		163,330	
		415,398		327,718		292,362		188,437	
Total value added available for distribution									
		586,598	100	296,567	100	2,277,285	100	1,633,238	100
Distribution of value added									
Labor and benefits		2,899	1	2,114	1	699,918	31	645,168	40
Taxes, fees and contributions		31,749	5	13,317	4	694,471	30	416,799	25
Financial expenses and rents		161,681	28	99,243	33	488,132	21	288,419	18
Dividends and interest on equity		237,769	40	144,728	49	239,307	11	146,289	9
Retained earnings		152,500	26	37,165	13	155,457	7	136,563	8
Value added distributed									
		586,598	100	296,567	100	2,277,285	100	1,633,238	100

The accompanying notes are an integral part of these financial statements.

Ultrapar Participações S.A. and Subsidiaries

Notes to the financial statements

(In thousands of Reais, unless otherwise stated)

1 Operations

Ultrapar Participações S.A. (“Company”), with headquarters in the City of São Paulo, engages in the investment of its own capital in commercial and industrial activities and related businesses, including the subscription or acquisition of shares of other companies.

Through its subsidiaries, it operates in the segment of liquefied petroleum gas (LPG) distribution (“Ultragaz”), light fuel & lubricant distribution, and related business in Southern and Southeastern Brazil (“Ipiranga”), production and marketing of chemicals (“Oxiteno”), and provision of integrated logistics solution services for special bulk cargo (“Ultracargo”). The Company also operates in the petroleum refining business through its investment in Refinaria de Petróleo Riograndense S.A., formerly known as Refinaria de Petróleo Ipiranga S.A. (“Refining”).

2 Initial implementation of Law 11638/07 and summary of significant accounting policy changes

Law 11638/07 was enacted on December 28, 2007 and Provisional Measure 449/08 was issued on December 3, 2008, both amending and repealing existing provisions and adding new provisions to Law 6404/76 (Brazilian Corporate Law) to adapt the accounting policies adopted in Brazil to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). In order to regulate these changes, the Brazilian Securities Commission (CVM) issued a set of Resolutions during 2008, whose main effects on the financial statements of the Company and its subsidiaries are summarized below.

Resolution CVM 565 of December 17, 2008 – deals with the initial implementation of Law 11638/07 and Provisional Measure (MP) 449/08.

As permitted by this Resolution, the Company decided to adopt January 1, 2008 as the date of transition. In addition, the Company and its subsidiaries started to use the equity method of accounting for the company Metalúrgica Plus S/A. and consolidate the company SERMA – Associação dos Usuários de Equipamentos de Processamento de Dados e Serviços Correlatos in their financial statements (see Notes 4 and 12). Further, in compliance with Resolution CVM 565/08, the Company reclassified the balance at December 31, 2007 to allow a better comparison with the fiscal year of 2008, as shown on the table below:

Ultrapar Participações S.A. and Subsidiaries

Notes to the financial statements

(In thousands of Reais, unless otherwise stated)

Parent company

		Balances at December 31, 2007, as previously reported	Balances at December 31, 2007 reclassified under Law 11638/07
Investments in subsidiaries	a)	4,706,685	4,256,743
Intangible assets	a)	-	449,942
Debentures – current	b)	1,219,332	1,218,679
Prepaid expenses	b)	653	-

Consolidated

		Balances at December 31, 2007, as previously reported	Balances at December 31, 2007 reclassified under Law 11638/07
Deferred charges	a), c)	570,124	27,615
Intangible assets	a), c)	66,894	543,989
Prepaid expenses – current	b)	13,195	11,508
Prepaid expenses – non-current	b)	36,929	30,518
Financing – current	b)	589,937	588,903
Debentures – current	b)	1,228,720	1,228,067
Financing – non-current	b)	1,009,226	1,002,815
Fixed assets	c), d)	2,268,885	2,333,543
Other investments	c)	34,117	38,510
Recoverable taxes – non-current	d)	68,652	65,015

(a) Reclassification of goodwill, from deferred charges to intangible assets, in accordance with Resolution CVM 553/08.

(b) Reclassification of transaction costs for issuance of bonds and securities, from prepaid expenses to a reduction of loans and financing, in accordance with Resolution CVM 556/08.

(c) Reclassification of preoperating costs incurred in facilities of Ultrasystem customers, implementation of systems, and acquisition of companies, from deferred charges to fixed assets, intangible assets, and investment in progress, respectively, in accordance with Resolution CVM 553/08.

(d) Recognition of the adjustment to present value of ICMS credit balances on fixed assets, in accordance with Resolution CVM 564/08.

Ultrapar Participações S.A. and Subsidiaries

Notes to the financial statements

(In thousands of Reais, unless otherwise stated)

Resolution CVM 534 of January 29, 2008 – deals with effects of the changes in exchange rates and of the translation of financial statements.

The Company and its subsidiaries analyzed their investments in foreign entities and combined with the investor, those investees lacking autonomy and independent management, in accordance with item 41(a) of the Resolution. Foreign subsidiaries with autonomy were booked as provided for in item 41(b) of the Resolution, and the changes in exchange rates of the net investment in these subsidiaries were recorded as Cumulative translation adjustments in the investor's shareholders' equity. See Note 3.n).

Resolution CVM 547 of August 13, 2008 – deals with the Statement of Cash Flows.

The Company and its subsidiaries classified as cash equivalents, the short-term investments that are readily convertible into known amounts of cash and are subject to insignificant risk of change in value. The statement of cash flows shows the activity in the accounts: (i) Cash and banks and (ii) Financial investments considered as cash equivalents in the fiscal year. See Notes 3.b) and 5.

Resolution CVM 566 of December 17, 2008 – deals with recognition, measurement, and evidence of financial instruments.

The financial instruments of the Company and its subsidiaries were classified, according to their characteristics and the Company's intention, into: (i) measured at fair value through income; (ii) held to maturity; (iii) available for sale; and (iv) loans and receivables. See Notes 3.c), 5 and 21.

Resolution CVM 553 of November 12, 2008 – deals with intangible assets.

The Company and its subsidiaries reclassified to intangible assets the goodwill on the acquisitions of companies, which were previously shown as deferred charges in the financial statements. See Notes 3.h), 3.i) and 14.

Resolution CVM 554 of November 12, 2008 – deals with financial leases.

Certain financial lease contracts where substantially all the risks and benefits associated with the ownership of an asset are transferred to the Company and its subsidiaries were recorded in the financial statements as finance leases, net of tax effects. The items recognized as assets were depreciated at the depreciation rates applicable to each of the group of assets into which they were classified, and the financial charges under the leases were allocated over the contract terms, based on the amortized cost method. See Notes 3.g) 16.g) and 22.d).

Ultrapar Participações S.A. and Subsidiaries

Notes to the financial statements

(In thousands of Reais, unless otherwise stated)

Resolution CVM 556 of November 12, 2008 – deals with transaction costs and premiums on issuance of bonds and securities.

Transaction costs and issue premiums associated with funding transactions by the Company and its subsidiaries were reclassified and added to the values of the respective funds raised, and the effective interest rate of each issuance was calculated. See Note 16.a).

Resolution CVM 564 of December 17, 2008 – deals with adjustment to present value of assets and liabilities.

The Company's subsidiaries recorded the adjustment to present value of ICMS credit balances on acquisition of fixed assets (CIAP). The Company and its subsidiaries reviewed all other items of long-term and, where relevant, short-term assets and liabilities and did not identify the need to adjust these transactions to present value. See Notes 3.q) and 8.

The chart below shows the effects of the implementation of Law 11638/07 and MP 449/08 on consolidated net income and shareholders' equity as of December 31, 2008:

	CVM Resolution	2008 Net income	2008 Shareholders' equity
Values before the implementation of Law 11638/07 and MP 449/08		388,014	4,646,072
Effects of the implementation of Law 11638/07 and MP 449/08:			
Finance leases	554	2,402	2,385
Cost of funding	556	910	910
Marking-to-market of currency and interest rate hedging instruments	566	7,309	716
Marking-to-market of short-term investments available for sale	566	-	345
Equity in income of Metalplus	565	(22)	(317)
Cumulative translation adjustments	534	(8,344)	(35)
Total		2,255	4,004
Values in financial statements as of December 31, 2008		390,269	4,650,076

Ultrapar Participações S.A. and Subsidiaries

Notes to the financial statements

(In thousands of Reais, unless otherwise stated)

3 Presentation of financial statements and significant accounting policies

The individual and consolidated financial statements were prepared in conformity with the accounting policies adopted in Brazil, which include the Brazilian Corporate Law, the Standards, Guidelines and Interpretations issued by the Accounting Standards Committee and the rules issued by the Brazilian Securities Commission (CVM).

On March 11, 2009 the Board of Directors authorized the conclusion of these financial statements.

a. Recognition of income

Income is recognized on the accrual basis. Revenues from sales and costs are recognized as income when all risks and benefits associated with the products are transferred to the purchaser. Revenues from services provided and their costs are recognized as income when the services are performed.

b. Cash equivalents

Include short-term highly-liquid investments that are readily convertible into a known amount of cash and are subject to an insignificant risk of change in value. See Note 5 for further detail on cash equivalents of the Company and its subsidiaries.

c. Financial instruments

In accordance with Resolution CVM 566/08, the financial instruments of the Company and its subsidiaries were classified into the following categories:

Measured at fair value through income: financial assets held for trading, that is, purchased or created primarily for the purpose of sale or repurchase in the short term, and derivatives. Changes in fair value are recorded as income, and the balances are stated at fair value.

Held to maturity: non-derivative financial assets with fixed payments or determinable payments with fixed maturities for which the entity has the positive intent and ability to hold to maturity. The interest earned is recorded as income, and balances are stated at acquisition cost plus the interest earned.

Ultrapar Participações S.A. and Subsidiaries

Notes to the financial statements

(In thousands of Reais, unless otherwise stated)

Available for sale: non-derivative financial assets that are designated as available for sale or that were not classified into other categories. The interest earned is recorded as income, and the balances are stated at fair value. Differences between fair value and acquisition cost plus the interest earned are recorded in a specific account of the shareholders' equity. Gains and losses recorded in the shareholders' equity are included in income, in case of prepayment.

Loans and receivables: non-derivative financial instruments with fixed payments or determinable payments not quoted in active markets, except: (i) those which the entity intends to sell immediately or in the short term and which the entity classified as measured at fair value through income; (ii) those classified as available for sale; or (iii) those the holder of which cannot substantially recover its initial investment for reasons other than credit deterioration. The interest earned is recorded as income, and balances are stated at acquisition cost plus the interest earned.

Certain derivative financial instruments used to hedge against changes in interest rates were designated as cash flow hedge for purposes of measuring their fair value. The difference between the fair value of the financial instrument and its value plus interest earned is recognized as a Valuation adjustment in the shareholders' equity, not affecting the income statement of the Company and its subsidiaries. Gains and losses recorded in the shareholders' equity are included in income, in case of prepayment.

For further detail on financial instruments of the Company and its subsidiaries, see Notes 5, 16, and 21.

d. Current and non-current assets

Allowance for doubtful accounts is calculated based on estimated losses and is set at an amount deemed by Management to be sufficient to cover any loss on realization of accounts receivable.

Inventories are stated at the lower of average acquisition or production cost, and replacement cost or market value.

The other assets are stated at the lower of cost and realizable value, including, if applicable, the interest earned, monetary changes and changes in exchange rates incurred or less a provision for loss and, if applicable, adjustment to present value (see Note 3.q).

Ultrapar Participações S.A. and Subsidiaries

Notes to the financial statements

(In thousands of Reais, unless otherwise stated)

e. Investments

Investments in subsidiaries are valued by the equity method of accounting.

Investments in companies on which Management has a significant influence or in which it holds 20% or more of the voting stock, or that are part of a group under common control are also valued by the equity method of accounting (see Note 12).

The other investments are stated at acquisition cost less provision for loss, unless the loss is considered temporary, and also include investments in progress.

f. Fixed assets

Recorded at acquisition or construction cost, including financial charges incurred on fixed assets under construction, as well as significant maintenance costs resulting from scheduled plant outages. The Company will maintain the revaluation balances until their realization, but will not record new revaluations. Such balances were included in the cost value of the property.

Depreciation is calculated by the straight-line method, at the annual rates stated in Note 13, over the useful/economic life of the property.

Leasehold improvements in service stations are depreciated over the shorter of the contract term and useful/economic life of the property.

g. Financial leases

• Finance leases

Certain financial lease contracts transfer substantially all the risks and benefits associated with the ownership of an asset to the Company and its subsidiaries. These contracts are characterized as finance leases, and assets thereunder are stated at fair value or present value of the minimum payments under the relevant contracts. The items recognized as assets are depreciated at the depreciation rates applicable to each group of assets in accordance with Note 13. Financial charges under the finance lease contracts are allocated to income over the contract term, based on the amortized cost and actual interest rate method (see Note 16.g).

Ultrapar Participações S.A. and Subsidiaries

Notes to the financial statements

(In thousands of Reais, unless otherwise stated)

- Operating leases

Are lease transactions where the risks and benefits associated with the ownership of the asset are not transferred and where the purchase option at the end of the contract is equivalent to the market value of the leased asset. Payments made under an operating lease contract are recognized as expenses in the income statement on a straight-line basis over the term of the lease contract, in accordance with Note 22.d).

- h. Intangible assets

Intangible assets include assets acquired by the Company and its subsidiaries from third parties, according to the following criteria (see Note 14):

- Goodwill is carried at the original value less accumulated amortization as of December 31, 2008.
- Other intangible assets acquired from third parties are measured at the total acquisition cost less accumulated amortization expenses.

The Company and its subsidiaries do not have intangible assets that were created internally or that have an indefinite useful life.

- i. Deferred charges

Deferred charges include restructuring costs that will produce benefits in future years (see Note 15). The Company and its subsidiaries decided to maintain the balances until they are fully amortized.

- j. Current and non-current liabilities

Are stated at known or calculable amounts plus, if applicable, related charges, monetary changes and changes in exchange rates incurred until the date of the financial statements and, if applicable, adjustment to present value (see Note 3.q).

- k. Income tax and social contribution on profit

Current and deferred income tax (IRPJ) and social contribution (CSLL) are calculated based on the current rates of income tax and social contribution on profit, including the value of tax incentives, as stated in Note 10.b).

Ultrapar Participações S.A. and Subsidiaries

Notes to the financial statements

(In thousands of Reais, unless otherwise stated)

l. Provision for contingencies

The provision for contingencies is created for contingent risks with a “probable” chance of loss in the opinion of managers and internal and external legal counsel, and the values are recorded based on evaluation of the outcomes of the legal proceedings (see Note 22.a).

m. Actuarial obligation for post-employment benefits

Reserves for actuarial liabilities for post-employment benefits granted and to be granted to employees, retirees, and pensioners are based on an actuarial calculation prepared by an independent actuary, using the projected unit credit method, as described in Note 23.b).

n. Basis for translating financial statements of foreign-based subsidiaries

Assets and liabilities of the subsidiaries Oxiteno México S.A. de C.V. and its subsidiaries, located in Mexico (functional currency: Mexican Peso), and Oxiteno Andina, C.A., located in Venezuela (functional currency: Bolivar), denominated in currencies other than that of the Company (functional currency: Real), are translated at the exchange rate in effect on the date of the financial statements. Gains and losses resulting from changes in these foreign investments are directly recognized in the shareholders’ equity as Cumulative translation adjustments and are recognized as income when these investments are disposed of. The amount recognized in the shareholders’ equity as cumulative translation adjustments in 2008 was R\$ 8,309.

Assets and liabilities of the other foreign subsidiaries, which do not have autonomy, are considered activities of their investor and are translated at the exchange rate in effect on the date of the financial statements. Gains and losses resulting from changes in these foreign investments are directly recognized as income. The gain recognized as income in 2008 amounted to R\$ 30,428.

o. Use of estimates

The preparation of financial statements requires the Company’s Management to make estimates and assumptions that affect the values of assets and liabilities presented as of the date of the financial statements, as well as the values of revenues, costs and expenses for the fiscal years presented. Although these estimates are based on the best information available to Management about present and future events, the actual results may differ from these estimates.

Ultrapar Participações S.A. and Subsidiaries

Notes to the financial statements

(In thousands of Reais, unless otherwise stated)

p. Impairment of assets

The Company reviews, at least annually, the carrying value of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use or disposal. In cases where future expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of these assets. The factors considered by the Company in performing this assessment include current operating results, trends, and prospects, as well as the effects of obsolescence, demand, competition, and other economic factors.

No impairment was recorded in the consolidated financial statements as of December 31, 2008.

q. Adjustment to present value

The subsidiaries booked the adjustment to present value of ICMS credit balances on fixed assets (CIAP – see Note 8). As of December 31, 2007, the balances of CIAP were recorded at their nominal values. The Company and its subsidiaries reviewed all items classified as long-term and, where relevant, short-term assets and liabilities and did not identify the need to adjust other balances to present value.

Ultrapar Participações S.A. and Subsidiaries

Notes to the financial statements

(In thousands of Reais, unless otherwise stated)

4 Principles of consolidation and investments in affiliates

The consolidated financial statements were prepared following the basic principles of consolidation established by the Brazilian Corporate Law and CVM rules, including the following direct and indirect subsidiaries:

	Location	% interest in the share capital – Dec. 31, 2008	
		Direct control	Indirect control
Ultracargo - Operações Logísticas e Participações Ltda.	Brazil	100	-
Transultra. - Armazenamento e Transporte Especializado Ltda.	Brazil	-	100
Petrolog Serviços e Armazéns Gerais Ltda.	Brazil	-	100
Terminal Químico de Aratu S.A. – Tequimar	Brazil	-	99
União Vopak Armazéns Gerais Ltda.	Brazil	-	50
Melamina Ultra S.A. Indústria Química	Brazil	-	99
Oxiten S.A. Indústria e Comércio	Brazil	100	-
Oxiten Nordeste S.A. Indústria e Comércio	Brazil	-	99
Oxiten Argentina Sociedad de Responsabilidad Ltda.	Argentina	-	99
Oleoquímica Indústria e Comércio de Produtos Químicos Ltda.	Brazil	-	100
Barrington S.L.	Spain	-	100
Oxiten México S.A. de C.V.	Mexico	-	100
Oxiten Servicios Corporativos S.A. de C.V.	Mexico	-	100
Oxiten Servicios Industriales S.A. de C.V.	Mexico	-	100
Oxiten USA LLC	United States	-	100
Oxiten International Corp.	Virgin Islands	-	100
Oxiten Overseas Corp.	Virgin Islands	-	100
Oxiten Andina, C.A.	Venezuela	-	100
Oxiten Europe SPRL	Belgium	-	-