ULTRAPAR HOLDINGS INC
Form 20-F
April 09, 2018
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As filed with the Securities and Exchange Commission on April 6, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark one)

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

OR

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

For the fiscal year ended December 31, 2017

OR

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

OR

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

For the transition period from to

Commission file number: 001-14950

ULTRAPAR PARTICIPAÇÕES S.A.

(Exact name of Registrant as specified in its charter)

ULTRAPAR HOLDINGS INC.

(Translation of Registrant s name into English)

The Federative Republic of Brazil

(Jurisdiction of incorporation or organization)

Av. Brigadeiro Luis Antônio, 1343, 9º Andar

São Paulo, SP, Brazil 01317-910

Telephone: 55 11 3177 3820

(Address of principal executive offices)

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

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

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

None

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

None

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

The number of outstanding shares of each class as of December 31, 2017.

Title of Class	Number of Shares Outstanding
Common Stock	**556,405,096**

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

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

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

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

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

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

Large Accelerated Filer Accelerated Filer

Non-accelerated Filer Emerging growth company

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

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

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

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

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

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

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INTRODUCTION

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

Ultragaz is the leader in LPG distribution in Brazil, which is one of the largest markets worldwide. Ultragaz had a 23.6% market share as of December 31, 2017 according to ANP and was one of the largest independent LPG distributors in the world in terms of volume sold. Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Ultragaz Competition. As of December 31, 2017, we delivered LPG to an estimated 11 million households through a network of approximately 5,800 independent retailers in the bottled segment and to approximately 54 thousand customers in the bulk segment.

Ipiranga is one of the largest fuel distributor in Brazil, with, as of December 31, 2017, servicing a network of 8,005 service stations and 20.3% market share as of December 31, 2017 according to ANP. See Item 4.B. Information on the Company Business Overview Fuel Distribution Ipiranga Competition.

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

Ultracargo has a leading position in its sector, being the largest provider of liquid bulk storage in Brazil in terms of number of terminals and storage capacity according to ABTL, with six terminals and a storage capacity of 696 thousand cubic meters as of December 31, 2017.

Extrafarma is one of the leading drugstore chains in the North and Northeast of Brazil according to ABRAFARMA, with 394 drugstores and 2 distribution centers as of December 31, 2017.

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

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

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

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

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

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

Ale are to Alesat Combustíveis S.A.;

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

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

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

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

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

Aqces are to Aqces Logística Internacional Ltda.;

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

ARLA are to Automotive Liquid Reducing Agent;

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

Braskem are to Braskem S.A.;

Brazil are to the Federative Republic of Brazil;

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

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

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

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

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

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

CBLSA are to Chevron Brasil Lubrificantes S.A.;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IAS are to International Accounting Standard;

IASB are to International Accounting Standards Board;

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

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

IMS Health are to IMS Health Holdings, Inc.;

IpiLubs are to Ipiranga Lubrificantes S.A.;

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

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

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

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

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

IRS are to U.S. Internal Revenue Service;

ITL are to Ipiranga Trading Limited;

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

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

Liquigás are to Liquigás Distribuidora S.A.;

LPG are to liquefied petroleum gas;

LPG International are to LPG International Inc.;

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

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

NYSE are to the New York Stock Exchange;

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

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

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

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

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

Oxiteno Overseas are to Oxiteno Overseas Co.;

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

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

Petrobras are to Petrobras Petróleo Brasileiro S.A.;

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

PFIC are to passive foreign investment company;

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

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

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

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

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

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

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

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

Selic are to the Brazilian base interest rate;

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

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

Sindigás are to the Brazilian association of LPG distributors;

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

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

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

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

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

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

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

Tropical are to Tropical Transportes Ipiranga Ltda.;

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

Ultra S.A. are to Ultra S.A. Participações, a holding company owned by members of the founding family and senior management of Ultrapar. Ultra S.A. is the largest shareholder of Ultrapar, holding 22% of its total capital stock. Prior to the Conversion, Ultra S.A. owned 66% of the voting capital of Ultrapar;

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

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

Ultrapar International are to Ultrapar International S.A.;

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

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

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

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

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

2014 Ultra S.A. Shareholders Agreement has the meaning given in Item 4.A. Information on the Company History and Development of the Company , Item 7.A. Major Shareholders and Related Party Transactions Major Shareholders and Item 10. Additional Information Material Contracts .

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

PRESENTATION OF FINANCIAL INFORMATION

Our audited consolidated financial statements included in Item 18 were prepared in accordance with IFRS as issued by the IASB and include our consolidated balance sheets as of December 31, 2017 and 2016 and the related consolidated income statements, statements of comprehensive income, changes in shareholders equity and statement of cash flows for the years ended December 31, 2017, 2016 and 2015, as well as notes thereto.

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

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

On March 31, 2018 the exchange rate for *Reais* into U.S. dollars was R$3.324 to US$1.00, based on the commercial selling rate as reported by the Central Bank. The commercial selling rate was R$3.308 to US$1.00 on December 31, 2017, and R$3.259 to US$1.00 on December 31, 2016. The *Real*/dollar exchange rate fluctuates widely, and the current commercial selling rate may not be indicative of future exchange rates. See Item 3.A. Key Information Selected Consolidated Financial Data Exchange Rates for information regarding exchange rates for the Brazilian currency. Solely for the convenience of the reader, we have translated some amounts included in Item 3.A. Key Information Selected Consolidated Financial Information and elsewhere in this annual report from *Reais* into U.S. dollars using the commercial selling rate as reported by the Central Bank at December 31, 2017 of R$3.308 to US$1.00. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or at any other exchange rate. Such translations should not be construed as representations that the *Real* amounts represent or have been or could be converted into U.S. dollars as of that or any other date.

Segment information for our businesses is presented on an unconsolidated basis. See Note 30 to our consolidated financial statements for further information on segment information. Consequently, intercompany transactions have not been eliminated in segment information, and such information may differ from consolidated financial information provided elsewhere in this annual report. See Item 7.B. Major Shareholders and Related Party Transactions Related Party Transactions for more information on intercompany transactions.

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

Market share and economic information

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

FORWARD-LOOKING STATEMENTS

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

strategy for marketing and operational expansion;

capital expenditures forecasts; and

development of additional sources of revenue.

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

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

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

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- competition;
- ability to produce and deliver products on a timely basis;
- ability to anticipate trends in the LPG, fuels, chemicals, logistics and retail pharmacy industries, including changes in capacity and industry price movements;
- changes in official regulations;
- receipt of official authorizations and licenses;
- political, economic and social events in Brazil;
- access to sources of financing and our level of indebtedness;
- ability to integrate acquisitions;
- regulatory issues relating to acquisitions;
- instability and volatility in the financial markets;
- availability of tax benefits; and
- other factors contained in this 20-F under Item 3.D. Key Information Risk Factors.

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

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Consolidated Financial Data

We have selected the following consolidated financial data from our audited consolidated financial statements, for the periods indicated. You should read our selected consolidated financial data in conjunction with Item 5. Operating and Financial Review and Prospects and our audited consolidated financial statements and notes thereto included in this annual report. Our consolidated financial statements are prepared in *Reais* and in accordance with IFRS. The consolidated balance sheets as of and for the years ended December 31, 2017 and 2016 and the consolidated income statements and cash flows as of and for the years ended December 31, 2017, 2016 and 2015 are derived from our audited consolidated financial statements included in this annual report. See Presentation of Financial Information and Item 5.A. Operating and Financial Review and Prospects Operating Results Critical accounting policies. The following table presents our selected financial information in accordance with IFRS at the dates and for each of the periods indicated.

	Years Ended December 31,					
	2017[(1)]	**2017**	**2016**	**2015**	**2014**	**2013**
	(in millions, except per share data)					
Income statements data:	**US$**	**R$**	**R$**	**R$**	**R$**	**R$**
Net revenue from sales and services	**24,186.0**	**80,007.4**	**77,353.0**	**75,655.3**	**67,736.3**	**60,940.2**
Cost of products and services sold	(21,987.8)	(72,735.8)	(70,342.7)	(68,933.7)	(62,304.6)	(56,165.4)
Gross profit	**2,198.2**	**7,271.6**	**7,010.2**	**6,721.6**	**5,431.7**	**4,774.9**
Operating income (expenses)						
Selling and marketing	(872.2)	(2,885.3)	(2,651.5)	(2,516.6)	(2,158.7)	(1,756.4)

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	Years Ended December 31,					
	2017[1]	2017	2016	2015	2014	2013
	(in millions, except per share data)					
Income statements data:	**US$**	**R$**	**R$**	**R$**	**R$**	**R$**
General and administrative	(476.6)	(1,576.5)	(1,445.9)	(1,321.3)	(1,130.3)	(1,012.3)
Gain (loss) on disposal of property, plant and equipment and intangibles	(0.7)	(2.2)	(6.1)	27.3	37.0	40.3
Other operating income, net	17.9	59.4	199.0	50.6	106.9	97.6
Operating income before financial income (expenses) and share of profit (loss) of joint ventures and associates	**866.7**	**2,866.9**	**3,105.7**	**2,961.5**	**2,286.6**	**2,144.0**
Financial result, net	(143.4)	(474.3)	(842.6)	(703.3)	(445.4)	(337.6)
Share of profit (loss) of joint ventures and associates	6.2	20.7	7.5	(10.9)	(16.5)	(5.0)
Income before income and social contribution taxes	**729.5**	**2,413.3**	**2,270.6**	**2,247.3**	**1,824.7**	**1,801.4**
Income and social contribution taxes						
Current	(278.9)	(922.5)	(800.5)	(719.5)	(551.7)	(481.7)
Deferred	25.1	83.0	100.5	(14.8)	(21.7)	(91.0)
	(253.8)	**(839.4)**	**(700.0)**	**(734.3)**	**(573.5)**	**(572.7)**
Net income for the year	**475.8**	**1,573.9**	**1,570.6**	**1,513.0**	**1,251.2**	**1,228.7**
Net income for the year attributable to:						
Shareholders of the Company	475.9	1,574.3	1,561.6	1,503.5	1,241.6	1,225.1
Non-controlling interests in subsidiaries	(0.1)	(0.4)	9.0	9.5	9.7	3.6
Earnings per share[2]						
Basic	0.88	2.91	2.88	2.76	2.28	2.29
Diluted	0.87	2.88	2.86	2.74	2.26	2.28
Dividends per share	0.53	1.75	1.67	1.60	1.42	1.37
Other financial data						
Cash flows from operating activities	689.1	2,279.4	2,513.7	3,201.7	2,650.7	2,120.7
	(578.0)	(1,912.1)	(1,848.8)	(801.8)	(1,540.2)	(1,287.9)

Cash flows used in investing activities						
Cash flows from (used in) financing activities	102.9	340.3	928.4	(2,520.7)	(539.3)	(578.9)
Depreciation and amortization(3)	355.5	1,176.0	1,103.5	1,002.6	887.8	778.9
EBITDA(4)	**1,228.4**	**4,063.5**	**4,216.7**	**3,953.3**	**3,157.9**	**2,918.0**
Net debt(5)	(2,182.8)	(7,220.7)	(5,715.3)	(4,928.4)	(3,975.1)	(3,425.9)
Number of common shares (in thousands)(6)	556,405.1	556,405.1	556,405.1	556,405.1	556,405.1	544,384.0

(1) The figures in *Reais* for December 31, 2017 have been converted into U.S. dollars using the exchange rate of US$1.00 = R$3.308, which is the commercial rate reported by the Central Bank on that date. This information is presented solely for the convenience of the reader. You should not interpret the currency conversions in this annual report as a statement that the amounts in *Reais* currently represent such values in U.S. dollars. Additionally, you should not interpret such conversions as statements that the amounts in *Reais* have been, could have been or could be converted into U.S. dollars at this or any other foreign exchange rates. See Item 3.A. Key Information Selected Consolidated Financial Data Exchange Rates.

(2) Earnings per share are calculated based on the net income attributable to Ultrapar s shareholders and the weighted average shares outstanding during each of the years presented. See Note 29 to our consolidated financial statements for further information on earnings per share.

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

(4) EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is presented in this document in accordance with ICVM 527/12 and represents our net income before (i) income and social contribution taxes, (ii) net financial expense (income) and (iii) depreciation and amortization. The purpose of including EBITDA information is to provide a measure used by management for internal assessment of our operating results, and because a portion of our employee profit sharing plan is linked directly or indirectly to EBITDA performance. It is also a financial indicator widely used by investors and analysts to measure our ability to generate cash from operations and our operating performance. We also calculate EBITDA in connection with covenants related to some of our financing, as described in Note 14 to our consolidated financial statements. We believe EBITDA allows a better understanding not only of our financial performance but also of our capacity of meeting the payment of interest and principal from our debt and of obtaining resources for our investments and working capital. Our definition of EBITDA may differ from, and, therefore, may not be comparable with similarly titled measures used by other companies, thereby limiting its usefulness as a comparative measure. Because EBITDA excludes net financial expense (income), income and social contribution taxes and depreciation and amortization, it provides an indicator of general economic performance that is not affected by debt restructurings, fluctuations in interest rates or changes in income and social contribution taxes, depreciation and amortization. EBITDA is not a measure of financial performance under IFRS, and it should not be considered in isolation, or as a substitute for net income, as a measure of operating performance, as a substitute for cash flows from operations or as a measure of liquidity. EBITDA has material limitations that impair its value as a measure of a company s overall profitability since it does not address certain ongoing costs of our business that could significantly affect profitability such as financial expense (income), income and social contribution taxes, depreciation and amortization. The tables below provide a reconciliation of net income and operating income before financial income (expenses) and share of profit (loss) of joint-ventures and associates to EBITDA for Ultrapar and a reconciliation of operating income before financial income (expenses) and share of profit (loss) of joint-ventures and associates to EBITDA for Ultragaz, Ipiranga, Oxiteno and Ultracargo for the years ended December 31, 2017, 2016, 2015, 2014 and 2013, and the reconciliation of operating income (expense) before financial income (expenses) to EBITDA for Extrafarma for the year ended December 31, 2017, 2016 and 2015, and for 2014, related to the period from February 1 to December 31, 2014:

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	Ultrapar Reconciliation of net income to EBITDA Years ended December 31,				
	2017	2016	2015	2014	2013
	(in millions of *Reais*)				
Net income	1,573.9	1,570.6	1,513.0	1,251.2	1,228.7
Depreciation and amortization	1,176.0	1,103.5	1,002.6	887.8	778.9
Net financial expenses	474.3	842.6	703.3	445.4	337.6
Income and social contribution taxes	839.4	700.0	734.3	573.5	572.7
EBITDA(4)	**4,063.5**	**4,216.7**	**3,953.3**	**3,157.9**	**2,918.0**

	Ultrapar Reconciliation of operating income to EBITDA Years ended December 31,				
	2017	2016	2015	2014	2013
	(in millions of *Reais*)				
Operating income before financial income (expenses) and share of profit (loss) of joint-ventures and associates	2,866.9	3,105.7	2,961.5	2,286.6	2,144.0
Depreciation and amortization	1,176.0	1,103.5	1,002.6	887.8	778.9
Share of profit (loss) of joint-ventures and associates	20.7	7.5	(10.9)	(16.5)	(5.0)
EBITDA(4)	**4,063.5**	**4,216.7**	**3,953.3**	**3,157.9**	**2,918.0**

	Ultragaz Reconciliation of operating income to EBITDA Years ended December 31,				
	2017	2016	2015	2014	2013
	(in millions of *Reais*)				
Operating income before financial income (expenses) and share of profit (loss) of associates	269.1	288.4	213.9	169.0	147.0
Depreciation and amortization	182.8	158.2	143.2	136.4	133.5
Share of profit (loss) of associates	1.2	(0.0)	(0.1)	0.2	0.0
EBITDA(4)	**453.2**	**446.6**	**357.0**	**305.5**	**280.5**

	Oxiteno Reconciliation of operating income to EBITDA Years ended December 31,				
	2017	2016	2015	2014	2013
	(in millions of *Reais*)				
	140.3	308.2	579.5	264.2	308.6

Operating income before financial income (expenses) and share of profit (loss) of associates					
Depreciation and amortization	153.1	149.7	158.3	138.5	131.9
Share of profit (loss) of associates	1.4	1.0	2.0	1.0	0.1
EBITDA[4]	**294.8**	**458.9**	**739.8**	**403.7**	**440.6**

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Ultracargo Reconciliation of operating income to EBITDA Years ended December 31,					
	2017	2016	2015	2014	2013
	(in millions of *Reais*)				
Operating income (expense) before financial income (expenses) and share of profit of joint-ventures and associates	74.9	127.9	(16.1)	117.3	108.9
Depreciation and amortization	47.7	43.4	41.7	49.4	47.3
Share of profit (loss) of joint-ventures and associates	1.6	(0.0)	0.7	0.2	1.3
EBITDA(4)	**124.1**	**171.2**	**26.3**	**166.9**	**157.5**

Ipiranga Reconciliation of operating income to EBITDA Years ended December 31,					
	2017	2016	2015	2014	2013
	(in millions of *Reais*)				
Operating income before financial income (expenses) and share of profit of associates	2,418.5	2,383.6	2,154.6	1,758.1	1,574.7
Depreciation and amortization	716.8	695.7	612.7	529.0	454.2
Share of profit (loss) of associates	1.2	1.2	1.5	1.0	0.8
EBITDA(4)(8)	**3,136.5**	**3,080.5**	**2,768.8**	**2,288.0**	**2,029.6**

Extrafarma Reconciliation of operating income to EBITDA Years ended December 31,					
	2017	2016	2015	2014(7)	2013
	(in millions of *Reais*)				
Operating income (expense) before financial income (expenses)	(36.9)	(5.6)	5.0	16.9	
Depreciation and amortization	60.8	42.7	23.7	12.8	
EBITDA(4)	**24.0**	**37.1**	**28.7**	**29.8**	

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The reconciliation of EBITDA to cash flows from operating activities for the years ending December 31, 2017, 2016, 2015, 2014 and 2013 is presented in the table below:

	2017	2016	2015	2014	2013
			(in millions of *Reais*)		
Net income for the year	**1,573.9**	**1,570.6**	**1,513.0**	**1,251.2**	**1,228.7**
Adjustments to reconcile net income to EBITDA:					
Depreciation and amortization	1,176.0	1,103.5	1,002.6	887.8	778.9
Financial result, net	474.3	842.6	703.3	445.4	337.6
Income and social contribution taxes	839.4	700.0	734.3	573.5	572.7
EBITDA(4)	**4,063.5**	**4,216.7**	**3,953.3**	**3,157.9**	**2,918.0**
Adjustments to reconcile EBITDA to cash provided by operating activities:					
Financial result that affected the cash flow from operating activities	380.4	(78.8)	879.2	519.4	274.5
Current income and social contribution taxes	(922.5)	(800.5)	(719.5)	(551.7)	(481.7)
PIS and COFINS credits on depreciation	13.1	12.6	12.1	12.7	12.4
Assets retirement obligation	(15.4)	(2.8)	(3.9)	(4.0)	(5.4)
Others	10.1	0.1	0.3	(14.5)	(31.1)
(Increase) decrease in current assets					
Trade receivables	(665.1)	(326.7)	(615.4)	(212.3)	(8.4)
Inventories	(605.8)	(263.0)	(615.4)	(184.3)	(298.9)
Recoverable taxes	(334.2)	87.0	(60.1)	(106.8)	(2.0)
Insurance and other receivables	358.7	(309.7)	13.6	(8.2)	1.1
Prepaid expenses	(23.0)	(40.0)	(14.2)	8.1	(11.4)
Increase (decrease) in current liabilities					
Trade payables	412.4	249.1	181.0	192.1	(328.8)
Salaries and related charges	7.1	(41.6)	109.7	(19.6)	45.1
Taxes payable	34.7	2.2	30.0	19.1	8.6
Income and social contribution taxes	783.7	567.3	504.5	437.1	350.8
Post-employment benefits	5.1	11.2		(0.5)	1.9
Provision for tax, civil and labor risks	11.9	7.4	(18.8)	(5.1)	19.8
Insurance and other payables	(34.0)	56.8	29.2	(21.0)	36.6
Deferred revenue	(3.9)	(2.1)	1.0	0.6	(0.3)
(Increase) decrease in non-current assets					
Trade receivables	(102.9)	(74.8)	(8.4)	(19.3)	13.0
Recoverable taxes	(130.2)	(47.2)	(60.0)	(38.0)	11.7
Escrow deposits	(39.8)	(37.9)	(44.0)	(80.6)	(81.2)
Other receivables	(4.4)	13.8	(10.7)	0.8	2.2
Prepaid expenses	(116.7)	(65.8)	(15.4)	0.5	(18.2)
Increase (decrease) in non-current liabilities					
Post-employment benefits	13.2	(0.0)	10.9	9.5	8.3
Provision for tax, civil and labor risks	(68.2)	42.4	61.4	(12.0)	18.8
Other payables	88.0	(19.3)	20.1	(10.8)	(21.8)

Deferred revenue	0.4	1.5	3.3	(1.4)	(0.7)
Income and social contribution taxes paid	(836.8)	(644.2)	(422.0)	(416.6)	(312.1)
Net cash provided by operating activities	**2,279.4**	**2,513.7**	**3,201.7**	**2,650.7**	**2,120.7**

(5) Net debt is included in this document in order to provide the reader with information relating to our overall indebtedness and financial position. Net debt is not a measure of financial performance or liquidity under IFRS. In managing our businesses, we rely on net debt as a means of assessing our financial condition. We believe that this type of measurement is useful for comparing our financial condition from period to period and making related management decisions. Net debt is also used in connection with covenants related to some of our financings. The table below provides a reconciliation of our consolidated balance sheet data to the net debt positions shown in the table, as of December 31, 2017, 2016, 2015, 2014 and 2013:

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	Ultrapar Reconciliation of consolidated balance sheets to net debt As of December 31,				
	2017	2016	2015	2014	2013
	(in millions of *Reais*)				
Current loans and hedging instruments and finance leases	(1,822.5)	(1,824.0)	(1,050.5)	(2,557.5)	(1,769.6)
Current debentures	(1,681.2)	(651.6)	(47.4)	(884.9)	(60.4)
Non-current loans and hedging instruments and finance leases	(6,159.4)	(6,846.2)	(5,604.9)	(3,533.9)	(3,740.6)
Non-current debentures	(3,927.6)	(2,095.3)	(2,198.8)	(1,399.0)	(1,399.0)
Gross debt position	(13,590.6)	(11,417.1)	(8,901.6)	(8,375.2)	(6,969.6)
Cash and cash equivalents	5,002.0	4,274.2	2,702.9	2,827.4	2,276.1
Current financial investments	1,283.5	1,412.6	803.3	1,441.8	1,149.1
Non-current financial investments	84.4	15.1	467.0	130.9	118.5
Net debt	(7,220.7)	(5,715.3)	(4,928.4)	(3,975.1)	(3,425.9)

(6) The number of shares corresponds to the totality of shares issued by the Company, including those held in treasury.

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

(8) EBITDA does not include losses related to ConectCar in the amount of R$21.0, R$24.4 million, R$23.2 million, R$18.7 million and R$12.0 million in 2017, 2016, 2015, 2014 and 2013, respectively.

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

			As of December 31,			
	2017[1]	2017	2016	2015	2014	2013
			(in millions)			
Consolidated balance sheets data:	**US$**	**R$**	**R$**	**R$**	**R$**	**R$**
Current assets						
Cash and cash equivalents	1,512.1	5,002.0	4,274.2	2,702.9	2,827.4	2,276.1
Financial investments	388.0	1,283.5	1,412.6	803.3	1,441.8	1,149.1
Trade receivables, net	1,311.1	4,337.1	3,502.3	3,167.2	2,604.1	2,321.5
Inventories, net	1,055.6	3,491.9	2,761.2	2,495.2	1,925.0	1,592.5
Recoverable taxes, net	266.5	881.6	541.8	628.8	593.5	480.0
Other receivables	16.7	55.2	395.9	32.5	43.3	19.5
Prepaid expenses, net	45.4	150.0	123.9	81.5	67.3	65.2
Total current assets	**4,595.3**	**15,201.3**	**13,011.8**	**9,911.4**	**9,502.4**	**7,903.9**
Non-current assets						

Financial investments	25.5	84.4	15.1	467.0	130.9	118.5
Trade receivables, net	99.8	330.0	227.1	152.2	143.8	124.5
Related parties	0.1	0.5	0.5	0.5	10.9	10.9
Deferred income and social contribution taxes	164.9	545.6	417.3	306.0	311.8	275.5
Recoverable taxes, net	94.7	313.2	182.6	135.4	75.4	37.4
Escrow deposits	248.7	822.7	778.8	740.8	696.8	614.9
Other receivables	63.6	210.3	2.7	16.5	5.8	6.6
Prepaid expenses, net	104.9	346.9	222.5	146.7	131.2	97.8
	802.2	**2,653.6**	**1,846.6**	**1,965.2**	**1,506.7**	**1,286.0**

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	2017[1]	2017	2016	2015	2014	2013
			As of December 31, (in millions)			
	US$	R$	R$	R$	R$	R$
Investments						
In joint-ventures	36.9	122.1	116.1	79.4	54.5	44.4
In associates	7.7	25.3	22.7	21.5	13.1	11.7
Other	0.8	2.8	2.8	2.8	2.8	2.8
Property, plant and equipment, net	1,997.5	6,607.8	5,788.0	5,438.9	5,092.0	4,860.2
Intangible assets, net	1,126.8	3,727.5	3,371.6	3,293.9	3,158.1	2,168.8
	3,169.7	10,485.5	9,301.3	8,836.6	8,320.5	7,087.9
Total non-current assets	**3,971.9**	**13,139.0**	**11,147.9**	**10,801.7**	**9,827.3**	**8,374.0**
TOTAL ASSETS	**8,567.2**	**28,340.3**	**24,159.7**	**20,713.1**	**19,329.6**	**16,277.9**

	2017[1]	2017	2016	2015	2014	2013
			As of December 31, (in millions)			
Consolidated balance sheets data:	US$	R$	R$	R$	R$	R$
Current liabilities						
Loans	550.1	1,819.8	1,821.4	1,048.1	2,554.7	1,767.8
Debentures	508.2	1,681.2	651.6	47.4	884.9	60.4
Finance leases	0.8	2.7	2.6	2.4	2.7	1.8
Trade payables	651.6	2,155.5	1,709.7	1,460.5	1,279.5	969.0
Salaries and related charges	117.3	388.1	362.7	404.3	294.6	297.7
Taxes payable	68.3	225.8	171.0	168.8	138.8	116.3
Dividends payable	102.4	338.8	320.9	298.8	218.4	242.2
Income and social contribution taxes payable	26.3	86.8	140.0	216.9	134.4	113.9
Post-employment benefits	9.1	30.1	24.9	13.7	11.4	11.9
Provision for asset retirement obligation	1.5	4.8	4.6	5.2	4.6	3.4
Provision for tax, civil and labor risks	19.5	64.6	52.7	45.3	64.2	69.3
Other payables	59.7	197.4	202.6	97.5	80.4	93.0
Deferred revenue	5.6	18.4	22.3	24.4	23.5	17.7
Total current liabilities	**2,120.3**	**7,014.0**	**5,486.9**	**3,833.4**	**5,692.1**	**3,764.5**
Non-current liabilities						
Loans	1,848.1	6,113.5	6,800.1	5,561.4	3,489.6	3,698.0
Debentures	1,187.3	3,927.6	2,095.3	2,198.8	1,399.0	1,399.0
Finance leases	13.8	45.8	46.1	43.5	44.3	42.6
Related parties	1.3	4.2	4.3	4.4	4.4	3.9
Deferred income and social contribution taxes	11.6	38.5	7.6	13.0	2.1	0.9
Provision for tax, civil and labor risks	260.4	861.2	727.1	684.7	623.3	569.7
Post-employment benefits	62.7	207.5	119.8	112.8	108.4	99.4
Provision for assets retirement obligation	18.1	60.0	73.0	69.5	66.2	66.2
Subscription warrants indemnification	51.8	171.5	153.4	112.2	92.1	

Other payables	49.2	162.8	74.9	94.1	74.0	77.7
Deferred revenue	3.9	12.9	12.5	11.0	7.7	9.1
Total non-current liabilities	**3,508.3**	**11,605.5**	**10,114.2**	**8,905.5**	**5,910.9**	**5,966.5**
TOTAL LIABILITIES	**5,628.6**	**18,619.5**	**15,601.1**	**12,738.9**	**11,603.0**	**9,731.0**

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	As of December 31,					
	2017[1]	2017	2016	2015	2014	2013
	(in millions)					
	US$	R$	R$	R$	R$	R$
Shareholder s equity						
Share capital	1,563.4	5,171.8	3,838.7	3,838.7	3,838.7	3,696.8
Equity instrument granted	0.2	0.5				
Capital reserve	166.2	549.8	552.0	546.6	547.5	20.2
Treasury shares	(145.8)	(482.3)	(483.9)	(490.9)	(103.0)	(114.9)
Revaluation reserve	1.5	4.9	5.3	5.6	5.8	6.1
Profit reserves	1,136.7	3,760.1	4,466.4	3,802.0	3,169.7	2,706.6
Additional dividends to the minimum mandatory dividends	48.3	159.6	165.5	157.2	189.0	161.6
Valuation adjustments	16.0	53.1	(24.0)	19.0	7.1	5.4
Cumulative translation adjustments	49.5	163.7	7.5	66.9	43.2	38.1
Shareholders equity attributable to:						
Shareholders of the Company	2,835.9	9,381.3	8,527.6	7,945.0	7,698.0	6,520.0
Non-controlling interest in subsidiaries	102.7	339.6	30.9	29.1	28.6	26.9
TOTAL SHAREHOLDER S EQUITY	**2,938.6**	**9,720.8**	**8,558.6**	**7,974.1**	**7,726.6**	**6,546.9**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**8,567.2**	**28,340.3**	**24,159.7**	**20,713.1**	**19,329.6**	**16,277.9**

[1] The figures in *Reais* for December 31, 2017 have been converted into dollars using the exchange rate of US$1.00 = R$3.308, which is the commercial rate reported by the Central Bank on that date. This information is presented solely for the convenience of the reader. You should not interpret the currency conversions in this annual report as a statement that the amounts in *Reais* currently represent such values in U.S. dollars. Additionally, you should not interpret such conversions as statements that the amounts in *Reais* have been, could have been or could be converted into U.S. dollars at this or any other foreign exchange rates. See Item 3.A. Key Information Selected Consolidated Financial Data Exchange Rates.

Exchange Rates

In 2013, the *Real* depreciated 15% against the U.S. dollar due to the performance of the Brazilian economy, the economic rebound in the United States and the economic instability in the international markets. In 2014, despite the weak performance of the Brazilian economy, and the recovery of the North American economy, the *Real* remained relatively stable against the dollar until September, when it started to devalue, closing the year with a depreciation of 13% against the U.S. dollar. In 2015, the political instability, the downgrade of Brazil s sovereign credit rating and the expectation for an interest rate rise by the Federal Reserve System contributed to a 47% depreciation of the *Real* against the U.S. dollar. In 2016, the *Real* appreciated 17% against the U.S. dollar, marking the first year that it has appreciated against the U.S. dollar since 2011, despite residual political instability and continuing signs of shrinking of the Brazilian economy. This was due mostly to improvements in the Brazilian political environment, following the impeachment of former president Dilma Rousseff and certain stabilizing measures proposed by current President Michel Temer as well as ongoing efforts by the government s economic team to curb public spending and debt. In 2017, the *Real* depreciated 2% against the U.S. dollar, reflecting the continued political instability and diminished expectations of the pension reform despite a slight improvement in the Brazilian economic scenario.

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

On March 31, 2018, the exchange rate for *Reais* into U.S. dollars was R$3.324 to US$1.00, based on the commercial selling rate as reported by the Central Bank. The average *Real*-U.S. dollar of the monthly exchange rate in 2017 was R$3.192 per US$1.00 compared with R$3.490 per US$1.00 in 2016, an appreciation of 9%. The following table sets forth information on prevailing commercial foreign exchange selling rates for the periods indicated, as published by the Central Bank on its electronic information system, SISBACEN, using PTAX 800, Option 5.

	Exchange rates of nominal Reais per US$1.00			
	High	Low	Average	Period-Ended
Year Ended				
December 31, 2013	2.446	1.953	2.174(1)	2.343
December 31, 2014	2.740	2.197	2.360(1)	2.656
December 31, 2015	4.195	2.575	3.388(1)	3.905
December 31, 2016	4.156	3.119	3.450(1)	3.259
December 31, 2017	3.381	3.051	3.203(1)	3.308
Month Ended				
November 30, 2017	3.292	3.214	3.253(2)	3.262
December 31, 2017	3.333	3.232	3.283(2)	3.308
January 31, 2018	3.270	3.139	3.204(2)	3.162
February 28, 2018	3.282	3.173	3.228(2)	3.245
March 31, 2018	3.338	3.225	3.281(2)	3.324

(1) Average of the foreign exchange rates on the last day of each month in the period.
(2) Average of the high and low foreign exchange rates for each month.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

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

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

Risks Relating to Ultrapar and Its Industries

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

Prior to 1995, Petrobras held a constitutional monopoly for the production and importation of petroleum products in Brazil. Although this monopoly was removed from the Brazilian constitution, Petrobras effectively remains the main provider of LPG and oil-based fuels in Brazil. Currently, Ultragaz and all other LPG distributors in Brazil purchase all or nearly all LPG from Petrobras. Ultragaz s net revenue from sales and services represented 8% of our consolidated net revenue from sales and services for the year ended December 31, 2017. The procedures for ordering and purchasing LPG from Petrobras are generally common to all LPG distributors including Ultragaz. For more details, see Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Ultragaz Supply of LPG.

With respect to fuel distribution, Petrobras also supplied the majority of Ipiranga and other distributors oil-based fuel requirements in 2017. Petrobras supply to Ipiranga is governed by an annual contract, under which the supply volume is established based on the volume purchased in the previous year. Ipiranga s net revenue from sales and services represented 85% of our consolidated net revenue from sales and services for the year ended December 31, 2017.

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

Petrobras is currently under investigation by the CVM, the SEC, the U.S. Department of Justice (DOJ), the Brazilian Federal Police and other Brazilian public authorities in connection with corruption allegations (so called *Lava Jato* investigations) consisting, among other things, of illegal payments made to officers, directors and other employees of Petrobras to influence commercial decisions. In addition, Petrobras is subject to securities litigation (including class actions) in the United States. Such investigations and litigation have had a destabilizing effect on Petrobras, and it is difficult to ascertain what impact the investigations and litigation will have on Petrobras supply of LPG and oil-based fuels to market players.

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

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

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

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

The Brazilian fuel distribution market is highly competitive in both retail and wholesale segments. Petrobras, our supplier of oil-derivative products, and other major companies with significant resources participate in the Brazilian fuel distribution market. Intense competition in the fuel distribution market could lead to lower sales volumes and increased marketing expenses, which may have a material adverse effect on our operating margins. See Item 4.B. Information on the Company Business Overview Fuel Distribution Industry and Regulatory Overview The role of Petrobras and Item 4.B. Information on the Company Business Overview Fuel Distribution Ipiranga Competition. In addition, a number of small local and regional distributors entered the Brazilian fuel distribution market in the late 1990 s, after the market was deregulated, which further increased competition in such market.

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

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

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

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

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

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

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

All second generation petrochemical producers in Brazil that use ethylene as their key raw material, including Oxiteno purchase ethylene from Brazilian suppliers. Approximately 3% of our net revenue from sales and services were derived from the sale of chemical products manufactured in Brazil that require ethylene in 2017. Oxiteno purchases ethylene from two of Brazil s three naphtha cracker units, which are the sole sources of ethylene in Brazil. Pursuant to long-term contracts, Braskem is the sole supplier of all of our ethylene requirements at our plants located at Camaçari and at Mauá. For more detailed information about these contracts see Item 5.F. Operating and Financial Review and Prospects Tabular Disclosure of Contractual Obligations. Given its characteristics, ethylene is difficult and expensive to store and transport, and cannot be easily imported to Brazil. Therefore, Oxiteno is almost totally dependent on ethylene produced at Braskem for its supply. For the year ended December 31, 2017, Brazil s ethylene imports totaled 17 tons, representing less than 0.01% of Brazil s installed capacity.

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

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

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

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

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

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

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

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

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

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

Final prices paid by importers of petrochemical products include import tariffs. Consequently, import tariffs imposed by the Brazilian government affect the prices we can charge for our products. The Brazilian government s negotiation of commercial and other intergovernmental agreements may result in reductions in the Brazilian import tariffs on petrochemical products, which generally range between 12% and 14%, and may reduce the competitiveness of Oxiteno s products vis-à-vis imported petrochemical products. Additionally, Oxiteno s competitiveness may also be reduced in case of higher import tariffs imposed by countries to which the company exports its products.

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

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

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

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

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

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

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

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

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

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

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

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

As of December 31, 2017, our consolidated gross debt (consisting of loan, debentures and finance leases recorded as current and non-current liabilities) totaled R$13,590.6 million (US$4,108.4 million), our consolidated net debt was R$7,220.7 million (US$2,182.8 million). See Selected Consolidated Financial and Other Information Non-GAAP financial measures and reconciliation. The level and composition of our indebtedness could have significant consequences for us, including requiring a portion of our cash flow from operations to be committed to the payment of principal and interest on our indebtedness, thereby reducing our available cash to finance our working capital and investments.

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

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

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

We are entitled to federal tax benefits providing for income tax exemption or reduction for our activities in the northeast region of Brazil. These benefits have defined terms and may be cancelled or suspended at any time if we distribute to our shareholders the amount of income tax that was not paid as a consequence of tax benefits or if the relevant tax authorities decide to suspend or cancel our benefits. As a result, we may become liable for the payment of related taxes at the full tax rates. If we are not able to renew such benefits, or if we are only able to renew them under terms that are substantially less favorable than expected, our results of operations may be adversely affected. Income tax exemptions amounted to R$48.6 million and R$98.9 million, respectively, for the years ended December 31, 2017 and 2016. See Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Ultragaz Income tax exemption status , Item 4.B. Information on the Company Business Overview Petrochemicals and Chemicals Oxiteno Income tax exemption status and Item 4.B. Information on the Company Business Overview Storage services for liquid bulk Ultracargo Income tax exemption status.

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

Although there is no controlling shareholder of Ultrapar, our founding family and part of our senior management, through their ownership interest in Ultra S.A., beneficially own 22% of our outstanding common stock. These individuals are party to a shareholders agreement executed on February 24, 2014. See Item 4.A. Information on the Company History and Development of the Company and Item 7.A. Major Shareholders and Related Party Transactions Major Shareholders Shareholders Agreements. Accordingly, these shareholders, acting together through Ultra S.A., may exercise significant influence over all matters requiring shareholder approval, including the election of our directors. Although our Board of Directors is responsible for nominating the slate of directors to be elected by our shareholders at our annual shareholders meetings, five of the current members of our Board of Directors, who were elected at our April 19, 2017 shareholders meeting, are the same as those who previously served as members of our Board of Directors elected by Ultra S.A. on April 27, 2011, which, at that time, held approximately 66% of our voting shares.

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

No single shareholder or group of shareholders holds more than 50% of our capital stock. Due to the absence of a controlling shareholder, we may be subject to future alliances or agreements between our shareholders, which may result in the exercise of a relevant influence over our Company by them. In the event a controlling group is formed and decides to exercise its influence over our Company, we may be subject to unexpected changes in our corporate governance and strategies, including the replacement of key executive officers. Any unexpected change in our management team, business policy or strategy, any dispute between our shareholders, or any attempt to acquire control of our Company may have an adverse impact on us. The term of office of our current members of our Board of Directors, who were elected at the annual general shareholders meeting held on April 19, 2017, will expire in the annual general shareholders meeting to be held in 2019.

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

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

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

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

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

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

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

Our main growth strategy for Extrafarma consists of the accelerated opening of new drugstores in Brazil. It includes the opening of stores by leveraging our access to Ipiranga and Ultragaz resellers sites (service stations and LPG shops). Our ability to open new drugstores could be affected if we are unable to find enough appropriate outlets for new drugstores, or if the necessary investments to adapt the property to our needs are too high. Stricter regulations, including those relating to land use and zoning laws in the regions in which we operate may also result in increased expenses and make it more difficult to find suitable outlets for opening our drugstores.

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

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

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

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

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

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

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

Information technology failures could disrupt our operations.

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

Risks Relating to Brazil

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

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

- currency fluctuations;
- inflation;
- interest rates;

- exchange rate policies;
- liquidity available in the domestic capital, credit and financial markets;
- oil and gas sector regulations, including price policies;
- price instability;
- social and political instability;
- energy and water shortages and rationing;
- liquidity of domestic capital and lending markets;
- fiscal policy; and
- other political, economic, social, trade and diplomatic developments in or affecting Brazil.

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

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

Brazilian president Dilma Rousseff was reelected for a second four-year term in October 2014, which began in January 2015. Following the reelection, wide scale protests throughout Brazil called for the impeachment of Dilma Rousseff. On April 17, 2016, Brazil s lower house of Congress voted in favor of sending an impeachment motion against Mrs. Rousseff to the Brazilian Senate. In May 2016, the Brazilian Senate voted to approve the commencement of an impeachment trial, which was concluded on August 31, 2016 with approval by the Senate of the impeachment of Mrs. Rousseff. As a result, Michel Temer, Brazil s vice president, assumed the presidency permanently until the next election, which is scheduled to take place in October 2018. We have no control over, and cannot predict what policies or actions the Brazilian government may take in the future. Any of these factors may have an adverse impact on the Brazilian economy, our business, financial condition, results of operations and the market price of our ADSs and shares.

Currently, Brazilian markets are experiencing heightened volatility due to the uncertainties derived from the ongoing *Lava Jato* and similar corruption investigations, being conducted by Law Courts in Paraná and other states, and the

Office of the Brazilian Federal Prosecutor, and its impact on the Brazilian economy and political environment. Members of the Brazilian federal government (including Mr. Temer and other senior members of the executive branch) and of the legislative branch, as well as senior officers of large state-owned companies as well as privately held companies have faced allegations of political corruption, including through the alleged acceptance of bribes by means of kickbacks on contracts granted by the government to infrastructure, oil and gas and construction companies. The potential outcome of these investigations is uncertain, but they have already had an adverse impact on the image and reputation of the implicated companies, and on the general market perception of the Brazilian economy. We cannot predict whether such allegations will lead to further political and economic instability or whether new allegations against government officials will arise in the future. In addition, we cannot predict the outcome of any such allegations nor their effect on the Brazilian economy. The development of such unethical cases could adversely affect our business, financial condition and results of operations.

The Brazilian government may be subject to internal pressure to change its current macroeconomic policies in order to achieve higher rates of economic growth and has historically maintained a tight monetary policy with high interest rates, thereby restricting the availability of credit and reducing economic growth. We cannot predict which policies will be adopted by the Brazilian government. Moreover, in the past, the Brazilian economy has been affected by the country s political events, which have also affected the confidence of investors and the public in general, thereby adversely affecting the performance of the Brazilian economy. Furthermore, any indecisiveness by the Brazilian government in implementing changes to certain policies or regulations may contribute to economic uncertainty in Brazil and heightened volatility for the Brazilian securities markets and securities issued abroad by Brazilian companies.

We are not able to fully estimate the impact of global and Brazilian political and macroeconomic developments on our business. In addition, due to the current political instability, there is substantial uncertainty regarding future economic policies and we cannot predict which policies will be adopted by the Brazilian government and whether these policies will negatively affect the economy or our business or financial performance. Recent economic and political instability has led to a negative perception of the Brazilian economy and higher volatility in the Brazilian securities markets, which also may adversely affect our securities and us. Any continued economic instability and political uncertainty which results in reduced availability of credit and reduced economic growth may materially and adversely affect our business.

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

In the past, Brazil has experienced extremely high rates of inflation. Inflation and some of the Brazilian government s measures taken in an attempt to curb inflation have had significant negative effects on the Brazilian economy. Since the introduction of the *Real* in 1994, Brazil s inflation rate has been substantially lower than that in previous periods. However, during the last several years, the economy has experienced increasing inflation rates and actions taken in an effort to curb inflation, coupled with speculation about possible future governmental actions, have contributed to economic uncertainty in Brazil and heightened volatility in the Brazilian securities market. According to the *Índice Geral de Preços-Mercado*, or IGP-M, an inflation index, the Brazilian general price inflation rates were -0.5% in 2017, 7.2% in 2016, 10.5% in 2015, 3.7% in 2014 and 5.5% in 2013. From January to March 2018, IGP-M index was 1.5%. According to the *Índice Nacional de Preços ao Consumidor Amplo*, or IPCA, an inflation index to which Brazilian government s inflation targets are linked, inflation in Brazil was 2.9% in 2017, 6.3% in 2016, 10.7% in 2015, 6.4% in 2014 and 5.9% in 2013.

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

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

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

In 2013, the *Real* depreciated 15% against the U.S. dollar due to the performance of the Brazilian economy, the economic rebound of the United States and the economic instability in the international markets. In 2014, despite the weak performance of the Brazilian economy, and the recovery of the North American economy, the *Real* remained relatively stable against the dollar until September, when started to devalue, closing the year with a depreciation of 13%. In 2015, the political instability, the downgrade of Brazil s sovereign credit rating and the expectation for an interest rate rise by the Federal Reserve System contributed to a 47% depreciation of the *Real* against the U.S. dollar. In 2016, the *Real* appreciated 17% against the U.S. dollar, marking the first year that it has appreciated against the U.S. dollar since 2011, despite residual political instability and continuing signs of shrinking of the Brazilian economy. This was due mostly to improvements in the Brazilian political environment, following the impeachment of former president Dilma Rouseff and certain stabilizing measures proposed by current President Michel Temer as well as ongoing efforts by the government s economic team to curb public spending and debt. In 2017, the *Real* depreciated 2% against the U.S. dollar reflecting the continued political instability and deterioration of the expectation of the pension reform approval, despite the slight improvement in the Brazilian macroeconomic scenario. From December 31, 2017 to March 31, 2018, the *Real* depreciated 0.5% against the U.S. dollar. See Item 3.A. Key Information Selected Consolidated Financial Data Exchange Rates.

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

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

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

See Item 11. Quantitative and Qualitative Disclosures about Market Risk.

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

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

In 2015, 2016 and 2017, there was an increase in volatility in all Brazilian markets due to, among other factors, uncertainties about how monetary policy adjustments in the United States would affect the international financial markets, the increasing risk aversion to emerging market countries, and the uncertainties regarding Brazilian macroeconomic and political conditions. These uncertainties adversely affected us and the market value of our securities.

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

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

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

The turmoil of the global financial markets and the scarcity of credit in 2008 and 2009, and to a lesser extent, the European crisis deteriorated in 2011, led to lack of consumer confidence, increased market volatility and widespread reduction of business activity. An economic downturn could materially adversely affect the liquidity, businesses and/or financial conditions of our customers, which could in turn result not only in decreased demand for our products, but also increased delinquencies in our accounts receivable. Furthermore, an eventual new global financial crisis could have a negative impact on our cost of borrowing and on our ability to obtain future borrowings. The disruptions in the financial markets could also lead to a reduction in available trade credit due to counterparties liquidity concerns. If we experience a decrease in demand for our products or an increase in delinquencies in our accounts receivable, or if we are unable to obtain borrowings our business, financial condition and results of operations could be materially adversely affected.

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

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

Risks Relating to the Shares and the American Depositary Shares

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

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

Holders of our shares or ADSs may not receive dividends.

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

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

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

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

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

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

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

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

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

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

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

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

Shareholders of Ultra S.A., which own 22% of our outstanding shares, have the right to exchange their shares of Ultra S.A. for shares of Ultrapar and freely trade them in the market as more fully described under Item 7.A. Major Shareholders and Related Party Transactions Major Shareholders Shareholders Agreements. Other shareholders, who may freely sell their respective shares, hold a substantial portion of our remaining shares. A sale of a significant number of shares could negatively affect the market value of the shares and ADSs. The market price of our shares and the ADSs could drop significantly if the holders of shares or the ADSs sell them or the market perceives that they intend to sell them.

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

If we were characterized as a PFIC, in any year during which a U.S. Holder holds our shares or ADSs, certain adverse U.S. federal tax income consequences could apply to that person. Based on the manner in which we currently operate our business, the projected composition of our income and valuation of our assets, and the current interpretation of the PFIC rules, we do not believe that we were a PFIC in 2017 and we do not expect to be a PFIC in the foreseeable future. However, because PFIC classification is a factual determination made annually and is subject to change and differing interpretations, there can be no assurance that we will not be considered a PFIC for the current taxable year or any subsequent taxable year. U.S. Holders should carefully read Item 10.E. Additional Information Taxation U.S. Federal Income Tax Considerations for a description of the PFIC rules and consult their own tax advisors regarding the likelihood and consequences of us being treated as a PFIC for U.S. federal income tax purposes.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

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

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

We were also one of the pioneers in developing the Brazilian petrochemicals industry with the creation of Oxiteno in 1970, whose first plant was located in the Mauá petrochemical complex in São Paulo metropolitan area. In 1974, Oxiteno inaugurated its second industrial unit, in the Camaçari petrochemical complex in Bahia. In 1986, Oxiteno established its own research and development center in order to respond to specific customer needs.

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

In 1997, we concluded the capacity expansion of Oxiteno s industrial unit in Camaçari Petrochemical Complex, in the state of Bahia.

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On October 6, 1999, we concluded our initial public offering, listing our shares simultaneously on B3 and NYSE.

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

In March 2000, Ultra S.A. s shareholders signed an agreement, assuring equal treatment of all shareholders (holders of both common and/or preferred shares) in the event of any change in control tag along rights. The agreement stipulated that any transfer of control of Ultrapar, either direct or indirect, would only be executed in conjunction with a public offer by the acquiring entity to purchase the shares of all shareholders in the same proportion and under the same price and payment terms as those offered to the controlling shareholders.

In April 2002, Oxiteno completed a tender offer for the acquisition of the shares of its subsidiary Oxiteno Nordeste, through the acquisition of approximately 73.3% of the shares held by minority shareholders. Oxiteno increased its share ownership from 97% to 98.9% for R$4.4 million.

In December 2002, we completed a corporate restructuring process that had begun in October 2002. The effects of the corporate restructuring were (i) the merger of Gipóia Ltda., a company which held a 23% direct stake in Ultragaz and was owned by Ultra S.A., into Ultrapar, increasing our ownership in Ultragaz to 100% and (ii) the exchange of shares issued by Oxiteno for shares issued by Ultrapar.

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

In December 2003, we concluded the acquisition of Canamex, a Mexican specialty chemicals company. In June 2004, we acquired the operational assets of Rhodia Especialidades S.A. de C.V. in Mexico. Both acquisitions had the target of establishing a stronger presence in the Mexican petrochemical market and to create a production and distribution platform to serve the United States market. Since July 2007, Canamex has been renamed Oxiteno Mexico S.A. de C.V. (Oxiteno Mexico).

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

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

In August 2006, Ultrapar announced the signing of an agreement between its subsidiary Oxiteno Nordeste and Braskem, for the supply of ethylene, with a 15-year term. Also in August 2006, Oxiteno opened its first commercial office outside Brazil, in Buenos Aires, Argentina Oxiteno Argentina S.R.L.

In March 2007, Ultrapar, Petrobras and Braskem announced their intent to acquire the Ipiranga Group, and Ultrapar entered into, and Petrobras and Braskem acknowledged, the Ipiranga Group SPA with the Key Shareholders of the principal companies constituting of the Ipiranga Group. In April 2007, Ultrapar acquired the control of the Southern Distribution Business, EMCA and a one-third stake in RPR, in connection with the acquisition of the Ipiranga Group.

Following the acquisition, Ultrapar, which was already Brazil s largest LPG distributor, became the second largest fuel distributor in the country, with a 14% market share in 2007, according to ANP. After the completion of the acquisition of Ipiranga Group, its businesses were divided among Petrobras, Ultrapar and Braskem. Ultrapar retained the fuel and lubricant distribution businesses located in the South and Southeast regions of Brazil; Petrobras received the fuel and lubricant distribution businesses located in the North, Northeast and Midwest regions of Brazil; Petrobras and Braskem received the Petrochemical Business, in the proportion of 60% for Braskem and 40% for Petrobras. For a more detailed discussion of the acquisition of Ipiranga Group, see our Form F-4 filed with the Commission on December 17, 2007.

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In April 2007, Ultrapar acquired the sulfate and sulfonate assets of Unión Química S.A. de C.V., in San Juan del Río, Mexico through its subsidiary Oxiteno Mexico. In September 2007, Oxiteno acquired Arch Andina, a subsidiary of the U.S. company Arch Chemicals, Inc. At such time, Arch Andina was the sole producer of ethoxylates in Venezuela, which had been the only ethylene oxide producing country in Latin America where Oxiteno did not have operations. The amount paid for the acquisition was US$7.6 million. The company was renamed Oxiteno Andina. Also in September 2007, Oxiteno announced the opening of a sales office in the United States.

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

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

In July 2008, Oxiteno inaugurated its first sales office in Europe and the third outside Brazil in Brussels, Belgium, as part of Oxiteno s internationalization strategy.

In August 2008, Ultrapar announced that its subsidiary SBP entered into a sale and purchase agreement with Chevron for the acquisition of 100% of the shares of CBL and Galena. Prior to the closing, Chevron s lubricant and oil exploration activities in Brazil were spun-off from CBL and Galena to other Chevron s legal entities. In March 2009, Ultrapar completed the acquisition and paid R$1,106 million to Chevron, in addition to a US$38 million deposit that it had made to Chevron in August 2008. In August 2009, Ultrapar also paid R$162 million related to the expected working capital adjustment, reflecting the increased working capital effectively received by Ultrapar on the closing date of the acquisition (as set forth in the sale and purchase agreement). The combination with Texaco created a nationwide fuel distribution business, strengthening its competitiveness through a larger operational scale. After completion of the acquisition, Ultrapar implemented its business plan, which consisted of two main work streams (i) the integration of operations, administrative and financial functions of Texaco, and (ii) the implementation of Ipiranga s business model in the expanded network, with a wider range of products and services and a differentiated approach to its resellers. As of December 31, 2012, Ultrapar had also converted all the acquired Texaco branded stations into the Ipiranga brand. Under the terms of the Ipiranga Group Transaction Agreements, Petrobras had the exclusive right to use Ipiranga s brand in the operating regions of the Northern Distribution Business for five years from the date of the acquisition of Ipiranga Group, which expired in March 2012. Until then, Ipiranga operated under the Texaco brand in those regions.

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

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

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

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

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

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

In October 2010, Ultrapar, through Ipiranga, entered into a sale and purchase agreement for the acquisition of 100% of the shares of DNP. The total value of the acquisition was R$73 million. DNP distributes fuels in the states of Amazonas, Rondônia, Roraima, Acre, Pará and Mato Grosso through a network of 110 service stations, with 4% market share in 2009 in the North of Brazil, and was the fourth largest fuel distributor in this geographic area.

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

In April 2011, our Board of Directors, at a meeting held, approved the submission to our shareholders a proposal to (a) convert any and all shares of preferred stock issued by the Company into shares of common stock, on a 1:1 conversion ratio; (b) amend the Company s bylaws, modifying several of its provisions, aiming to strengthen the Company s corporate governance; and (c) adhere to the *Novo Mercado* segment rules.

In August 2011, Ultrapar s shares began trading on the *Novo Mercado* under ticker symbol UGPA3. Simultaneously, Ultrapar s ADSs, formerly represented by preferred shares, began representing Ultrapar s common shares and began trading on the NYSE under this new format.

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

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

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

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

In April 2012, Oxiteno acquired a specialty chemicals plant in the United States for US$15 million, with no debt assumption. The plant is located in Pasadena, Texas, one of the most important chemical hubs in the world, benefiting from attractive feedstock conditions, including competitive natural gas-based raw materials, and highly efficient logistics infrastructure. During 2012 and 2013, Oxiteno invested R$42 million in capital expenditures to retrofit the plant for its product line of specialty surfactants. The total production capacity is 32 thousand tons per year and operations started in late 2012.

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

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

In July 2012, Ultracargo acquired Temmar from Temmar Netherlands B.V. and Noble Netherlands B.V., subsidiaries of Noble Group Limited for R$68 million, in addition to the assumption of net debt in the amount of R$91 million. In December 2013, in order to simplify our corporate structure, the subsidiary Temmar was merged into Tequimar. Temmar owned a terminal in the port of Itaqui, which added 55 thousand cubic meters to Ultracargo s capacity.

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

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

In November 2012, Ipiranga entered the segment of electronic payment for tolls, parking and fuels through ConectCar. This initiative was driven by new rules implemented in 2012 to incentivize competition in this segment and combines the experience and complementarity of its partners, each with a 50% interest in the company. ConectCar fits into Ipiranga s strategy of differentiation, offering more products and services in its service station network focused on convenience and practicality, generating benefits for its clients, retailers and for the company itself. ConectCar started operations in April 2013 and operates in markets that have strong growth perspectives.

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

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

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

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

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

On June 12, 2016, Ipiranga signed a sale and purchase agreement for the acquisition, directly or indirectly, of 100% of the capital stock of Ale and the assets comprising its operations. The total value of the acquisition was R$2,168 million. On August 2, 2017, CADE rejected the transaction relating the acquisition of Ale and the assets comprising its operations despite all the efforts endeavored by the applicants. The contract was automatically resolved without any penalty from either party.

On August 4, 2016, our subsidiary IPP entered into a joint venture agreement with Chevron to create a new company: ICONIC, in the lubricants business; of which Ipiranga and Chevron hold 56% and 44%, respectively. Operations commenced on December 1, 2017 and CADE approved the transaction on February 9, 2017.

On November 17, 2016, Ultragaz signed a sale and purchase agreement for the acquisition of 100% of the capital stock of Liquigás. The enterprise value of the acquisition was R$2.8 billion. On February 28, 2018, CADE rejected the transaction relating the acquisition of Liquigás despite all efforts endeavored by the applicants. The contract was automatically terminated, pursuant to which Ultragaz paid a fine on March 13, 2018, in favor of Petrobras in the amount of R$286 million as per the terms of original sale and purchase agreement.

On June 2017, Ultrapar announced changes to its executive officers approved by its Board of Directors. After five years as Chief Executive Officer of Ultrapar, Thilo Mannhardt decided not to renew his contract with the Company. As of October 2017, Frederico Curado assumed the position of Chief Executive Officer.

Extrafarma Transaction

Summary. On September 30, 2013, Ultrapar entered into an agreement with Extrafarma, one of Brazil s ten largest drugstore chains. According to the terms of the agreement, Ultrapar and Extrafarma entered into a merger of shares, pursuant to which Ultrapar acquired 100% of the shares of Extrafarma in exchange for up to 2.9% of shares issued by Ultrapar to Extrafarma s shareholders. The Extrafarma Transaction closed on January 31, 2014 with the approval of the merger of shares by the Extraordinary General Meetings of Ultrapar and Extrafarma and, consequently, Extrafarma became a wholly-owned subsidiary of Ultrapar from February 1, 2014 onwards. The total consideration of the Extrafarma Transaction consisted of the issuance of up to 16,028,131 shares of Ultrapar and the assumption by Ultrapar of Extrafarma s net debt of R$106 million as of December 31, 2012.

Structure of the Extrafarma Transaction. Ultrapar received from the former seven shareholders of Extrafarma (who are the heirs of Extrafarma s founder) all of the shares of Extrafarma in exchange for 12,021,100 newly issued shares of Ultrapar, in accordance with Art. 252 of the Brazilian Corporate Law, increasing our issued share capital to 556,405,096 shares. In addition, as a mechanism for possible adjustments related to contingencies whose triggering events occurred prior to the closing of the transaction, we issued subscription warrants to the former Extrafarma shareholders that, if exercised, could potentially lead to the issuance of up to 4,007,031 shares in the future, subject to adjustment based on numerous factors. Of the total possible shares that could be issued to the former Extrafarma shareholders upon exercise of the subscription warrants, Extrafarma s shareholders could receive up to 801,409 additional shares based on working capital adjustments and 3,205,622 shares based on absence of indemnification obligations.

On January 31, 2014, at the extraordinary general shareholders meetings of Ultrapar and Extrafarma, ours and Extrafarma s shareholders approved the merger of shares and consequently, Extrafarma became a wholly-owned subsidiary of Ultrapar. The former shareholders of Extrafarma became long-term shareholders of Ultrapar, which we believe evidences their confidence in the growth potential of the sector and in the project to be developed by Ultrapar and Extrafarma.

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

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

Ultracargo Fire at storage facilities in Santos

In April 2015, a fire occurred in six ethanol and gasoline tanks operated by Ultracargo in Santos, which represented 4% of the subsidiary s overall capacity as of December 31, 2014. The Civil and Federal Police investigated the accident and its impact, and concluded that it was not possible to determine the cause of the accident and neither to individualize active or passive conduct related to the cause, and there was no criminal charge against either individual or the subsidiary, by both authorities. Notwithstanding, on February 21, 2018, the Federal Court Public accepted a criminal indictment filed by the Public Prosecutor s Office against Tequimar, which shall wait for the court summons in order to take the necessary measures for its defense. Tequimar intends to vigorously defend itself against these charges once it receives the official court summons, which as of the date of this annual report has not yet been received.

In June 2017, Ultracargo obtained the licensing required for the return to operation of 67.5 thousand cubic meters of the total of 150 thousand cubic meters affected by the fire. The remaining tanks are still non-operational and the process to obtain licensing to restart operations is currently underway as of the date of this annual report.

As a result of the evolution of the regulation process with insurers, as of December 31, 2016, the company recorded insurance receivables in the amount of R$366.7 million and indemnities to customers and third parties in the amount of R$99.9 million in its balance sheet. In the first quarter of 2017, Ultracargo received the full amount from the insurers. As of December 31, 2017, the indemnities to customers and third parties remaining amount is R$72.2 million. In addition, contingent liabilities not recognized related to lawsuits and extrajudicial lawsuits in the amount of R$88.1 million and R$25.9 million (R$96.4 million and R$16.6 million as of December 31, 2016), respectively.

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

Recent Developments

Acquisition

On January 30, 2018, the Company through its subsidiary Tequimar entered into a sale and purchase agreement for the acquisition of 100% of the quotas of TEAS Terminal Exportador de Álcool de Santos Ltda. (TEAS), owned by Raízen Energia S.A. and Raízen Araraquara Açúcar e Álcool Ltda., which had already been operated by the subsidiary Tequimar in the Port of Santos. The purchase price of the acquisition was R$103 million. The closing of the acquisition is subject to certain usual conditions precedent in transactions of similar nature, mainly the approval by CADE. On February 9, 2018, the General Superintendence of CADE issued an opinion for the approval of the transaction without any restriction. On March 2, 2018, CADE issued a certificate attesting to the approval that was published on February 10, 2018. On March 29, 2018, the acquisition was concluded through the closing of the operation.

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Debentures

In February 2018, Ultrapar made its sixth issuance of debentures in a single series of 1,725,000, simple, non-convertible into shares, nominative, book-entry and unsecured debentures with a par value of R$1,000.00, final maturity in 5 years (lump sum at final maturity) and interest of 105.25% of CDI. The key terms of these debentures are set forth on the table below:

Principal Amount:	R$1,725,000,000.00
Unit Par Value:	R$1,000.00
Maturity date:	March 5, 2023
Repayment method:	Lump sum at final maturity
Interest:	105.25% of CDI
Payment of interest:	Semiannually

Investments

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

The following table shows our total additions to property, plant, equipment, and intangible assets for the years ended December 31, 2017, 2016 and 2015:

	Year ended December 31,		
	2017	**2016**	**2015**
	(in millions of *Reais*)		
Ipiranga	1,059.9	892.3	853.9
Oxiteno	463.1	288.4	131.4
Ultragaz	214.9	225.5	219.9
Ultracargo	86.4	78.9	23.9
Extrafarma	170.5	142.8	80.8
Others[(1)]	22.6	9.9	24.2
Total additions to property, plant, equipment and intangible assets	**2,017.3**	**1,637.9**	**1,334.2**

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

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In 2017, Ultrapar s total additions to property, plant, equipment and intangible assets totaled R$2,017 million. At Ipiranga, R$1,336 million was invested, with nearly 50% directed towards the expansion of its network (branding non-branded stations and opening new stations) and am/pm and Jet Oil franchises, with the remaining 50% directed towards improving logistics bases, contract renewal (mainly bonuses to our reseller) and maintenance, which increases useful lives of the assets. Out of Ipiranga s total amount, R$1,060 million concerned fixed assets and additions to intangible assets, while R$277 million concerned financing to customers net of repayments (reseller financing is provided for renovation and upgrading of service stations, purchase of products, and development of the automotive fuels and lubricants distribution markets). At Oxiteno, the total investments in 2017 amounted to R$463 million, mostly directed towards the construction of the new plant in the United States, and in the maintenance of its production units, which increases useful lives of the assets. At Ultragaz, R$215 million was invested, mainly in the bulk segment, in bottles replacement and acquisition, and bottling bases maintenance, which increases useful lives of the assets. In 2017, Ultracargo invested R$86 million, mainly in terminal security systems modernization and infrastructure maintenance at existing terminals, which increases useful lives of the assets. Extrafarma invested R$170 million, mainly in the construction of new stores, information technology systems and remodeling of existing stores.

Ultrapar s 2018 investment plan amounts to R$2,676 million, which demonstrates the continued presence of good opportunities for organic growth and productivity gains, as well as opportunities for modernization of existing operations. The amount does not include potential acquisitions. At Ipiranga, the approved limit is R$1,545 million, of which approximately 50% is intended to increase the pace of expansion of the resellers network by adding fueling stations and am/pm and Jet Oil franchises, in addition to new customers in the corporate segment. The other 50% is aimed at expanding the logistics infrastructure as a means to support growth and increase productivity, and for activities maintenance and modernization, mainly contract renewal and information technology in support of innovation and efficiency projects. Oxiteno s investment plan approved for 2018 totals R$343 million and will be deployed mainly to production units modernization and maintenance, for the purpose of improved productivity; to information systems; and includes US$34 million intended to complete the new ethoxylation unit in Pasadena, Texas (USA), which we plan to complete in the first half of 2018. The new unit s capacity will be 120,000 tons per year. Ultragaz s investment plan approved for 2018 totals R$284 million, of which R$190 million is allocated to investments in operations maintenance and modernization, as well as technology investments with a focus on new systems to support its operations and quality, and R$94 million is allocated to expanding the resellers chain and bulk customers portfolio. Ultracargo is expected to invest R$115 million in the Itaqui and Suape terminals, which completions are expected in 2019 and 2020, respectively; and in continued terminal safety and infrastructure improvements, for a total amount of R$247 million. At Extrafarma, we plan to invest R$232 million mainly in the opening of new stores and associated logistic infrastructure, with an expectation geographic concentration in the north and northeast regions and in the state of São Paulo, as well as in IT.

The plan also covers continued modernization of the information systems within every business to enable increasingly better customer service, improved logistics efficiency, the development of new forms of selling, and expanding our relationships with resellers and partners.

Equity investments

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

Equity investments consist of acquisition of subsidiaries and capital increases, net of capital reductions in joint ventures and associates. The table below shows our equity investments for the years ended December 31, 2017, 2016 and 2015:

	Year ended December 31,		
	2017	**2016**	**2015**
	(in millions of *Reais*)		
Ipiranga[1]	16.0	47.3	41.1
Oxiteno			
Ultragaz			
Ultracargo			
Extrafarma			
Others			
Total equity investments	**16.0**	**47.3**	**41.1**

(1) Capital invested in ConectCar.

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We are a company incorporated under the laws of Brazil. Our principal executive office is located at Brigadeiro Luis Antônio Avenue, 1343, 9th Floor, 01317-910, São Paulo, SP, Brazil. Our telephone number is +55 (11) 3177 7014. Our Internet website address is http://ri.ultra.com.br. Our agent for service of process in the United States is C.T. Corporation System, located at 111 Eighth Avenue, New York, New York 10011.

B. Business Overview

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

Ultragaz is the leader in LPG distribution in Brazil, which is one of the largest markets worldwide. Ultragaz had a 23.6% market share as of December 31, 2017 according to ANP and was one of the largest independent LPG distributors in the world in terms of volume sold. Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Ultragaz Competition. As of December 31, 2017, we delivered LPG to an estimated 11 million households through a network of approximately 5,800 independent retailers in the bottled segment and to approximately 54 thousand customers in the bulk segment.

Ipiranga is one of the largest fuel distributor in Brazil, with, as of December 31, 2017, servicing a network of 8,005 service stations and 20.3% market share as of December 31, 2017 according to ANP. See Item 4.B. Information on the Company Business Overview Fuel Distribution Ipiranga Competition.

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

Ultracargo has a leading position in its sector, being the largest provider of liquid bulk storage in Brazil in terms of number of terminals and storage capacity, with six terminals and a storage capacity of 696 thousand cubic meters as of December 31, 2017.

Extrafarma is one of the leading drugstore chains in the North and Northeast of Brazil according to ABRAFARMA, with 394 drugstores and 2 distribution centers as of December 31, 2017.

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

Our Strengths

Leading market positions across all businesses

Ultragaz is the largest LPG distributor in Brazil. In 2017, Ultragaz s national market share was 23.6% according to ANP, and served approximately 11 million homes in the bottled segment and 54 thousand customers in the bulk segment. For the year ended December 31, 2017, Ultragaz s total volume of LPG sold was 1.7 million tons.

Ipiranga is one of the largest fuel distributor in Brazil with a 20.3% market share in 2017 according to ANP, see Item 4.B. Information on the Company Business Overview Fuel Distribution Ipiranga Competition , and a network of 8,005 service stations as of December 31, 2017. In addition to the service stations, Ipiranga s network has approximately 2.4 thousand am/pm convenience stores and 1.7 thousand Jet Oil franchises. In 2017, Ipiranga focused on its strategy of expansion of its network (branding unbranded stations, opening new stations and new customers). The implementation of Ipiranga s business model including its network of convenience stores and loyalty programs in its service station network allows it to offer a broad range of products and services, which benefits consumers and resellers. The volume of fuel sold by Ipiranga in 2017 was 23.5 million cubic meters.

Oxiteno is a major producer of specialty chemicals and one of the largest producers of ethylene oxide and its principal derivatives in Latin America, according to IHS Chemical. Our chemical operations supply a broad range of market segments, particularly crop protection chemicals, food, cosmetics, detergents, packaging for beverages, thread and polyester filaments, brake fluids, petroleum and paints and coatings. For the year ended December 31, 2017, Oxiteno sold 790 thousand tons of chemical products. In Brazil, Oxiteno competes principally against imports.

Ultracargo is the largest provider of liquid bulk storage in Brazil, with six terminals and storage capacity of 696 thousand cubic meters as of December 31, 2017, with leading positions in the main ports in Brazil in which it operates.

Extrafarma is the sixth largest drugstore network in the country according to ABRAFARMA s ranking, with 394 drugstores and 2 distribution centers as of December 31, 2017.

Robust business portfolio

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

Ultrapar s businesses are simultaneously resilient and leveraged on Brazilian economic growth. Certain of Ultrapar s businesses, such as the sale of LPG for residential use and fuels for light vehicles, are resilient due to their inelastic demand profile and, therefore, are less volatile in economic downturns. Other of Ultrapar s businesses, such as sales of diesel fuel, specialty chemicals and bulk LPG are linked to economic performance and tend to experience higher sales volumes during periods of strong economic growth.

Bottled LPG is an essential good, as it is mainly used for cooking, and, therefore, is not as correlated to economic performance. Volume of fuels for light vehicles tends to grow linked to the number of light vehicles in Brazil. The Brazilian light vehicle fleet grew at rates ranging from 2% to 8% per year during the last five years, despite the volatility in the economic growth during this period, leading to a similar level of growth in the volume of fuels for light vehicles. On the other hand, diesel, specialty chemicals and bulk LPG sales growth have been historically correlated to the performance of the Brazilian economy.

Highly efficient LPG distribution network

Ultragaz maintains an exclusive network of independent dealers. This network constituted approximately 5,800 dealers, which sells Ultragaz LPG bottles. In 2017, this has enabled Ultragaz to control the quality and productivity of its dealers leading to a recognition that we believe is associated with quality, safety and efficiency, and also to have frequent contact with LPG customers. In addition, in April 1995, Ultragaz was the first player to introduce LPG small bulk delivery in Brazil, with lower distribution costs than bottled distribution. Over the years, it has built a strong client base in this segment.

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

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

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Distinguished positioning in the fuel distribution sector

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

Flexibility across the petrochemical cycle

Oxiteno is one of the largest producers of ethylene oxide and its principal derivatives in Latin America. In 2017, 99% of its ethylene oxide production was used internally in the production of ethylene oxide derivatives, which can be roughly classified in two groups: specialty and commodity chemicals. Oxiteno is a major producer of specialty chemicals, which have traditionally higher margins and less exposure to petrochemical cycles than commodity chemicals. Oxiteno has also been heavily investing in the development of products derived from renewable raw materials, aiming at reducing its dependence on oil-based feedstock and expanding its product portfolio.

Cost-efficient operations

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

Strong operational track record

Our Company has exhibited a solid operational track record. Our EBITDA presented an average compound annual growth of 18% from 1998 to 2017, in spite of the overall macroeconomic volatility in Brazil and in the world during this same period. See Item 3.A. Key Information Selected Consolidated Financial Data for more information about EBITDA. Our net income attributable to shareholders of the Company presented average compound annual growth of 21% from 1998 to 2017.

Experienced management team

We are led by a strong and experienced management team with a proven track record in the LPG and fuel distribution, petrochemical and specialized logistics industries. Our senior management team has on average almost 20 years of experience in the Company. In addition, among the nine members of our Board of Directors, five have more than 15 years with the Company.

Alignment of interests

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

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

Our Strategies

Build on the strength of our brands

Ultrapar is a multi-business company engaged in specialized distribution and retail, specialty chemicals and liquid bulk storage. We believe that our businesses have a high brand recognition associated with quality, safety and efficiency that we continually strive to deliver. We intend to reinforce this market perception by continuing to supply high-quality products and services and to introduce new services and distribution channels.

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

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

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

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

Increase market share in fuel distribution

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

Promote and benefit from the formalization of the fuel distribution market

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

Enhance retail network

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

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Ipiranga s *Posto Ecoeficiente* project (Eco-Efficient service station) is one of the initiatives that reflect Ultrapar s innovation philosophy. It aggregates, in a single project, innovative solutions and sustainable technologies, in harmony with the profitability of the service station for the reseller. This project offers solutions in the construction and operation of service stations that result in better use of resources, such as water and electricity, and reduction of wastage and residues. Ipiranga ended 2017 with 1,240 eco-efficient services stations.

In 2009, Ipiranga launched *Km de Vantagens*, a loyalty program through which customers and resellers may redeem rewards and benefits. With over 26 million participants, *Km de Vantagens* has served as an important platform, strengthening relationships with Ipiranga s customers. Also as part of its differentiation strategy, Ipiranga launched in 2010 bakeries within its am/pm stores and became Brazil s largest bakery franchise chain. As of December 31, 2017, there were 863 bakeries.

In 2012, among the initiatives of Ipiranga, we highlight the entrance in the segment of electronic payment for tolls, parking and fuels through ConectCar. Once installed on a vehicle s windshield, ConectCar s tag automatically opens toll gates at lower costs through a prepaid system. The client can buy the tag online or at Ipiranga s service stations. At the end of 2017, ConectCar reached 970 thousand active tags, and is available in almost all toll roads in Brazil.

In 2014, Ipiranga launched a verticalized and integrated supply solution, concentrating logistics, sales to and service of am/pm convenience stores under a single umbrella structure: *am/pm Suprimentos*. This initiative aims to streamline am/pm operations, improve the franchisees competitiveness and ensure a higher quality product assortment, creating value for clients and franchisees. As of December 31, 2017, *am/pm Suprimentos* operated 4 distribution centers located in the states of Rio de Janeiro, São Paulo, Paraná and Rio Grande do Sul, which supplied am/pm convenience stores in those states with the main categories of products, except for tobacco and ice cream.

Also in 2014, Ipiranga launched Beer Cave, a new beer purchase experience at its am/pm convenience stores. The Beer Cave is a refrigerated container aimed at the retail consumer that stores more than 100 national and international brands of cold beers ready for consumption. As of December 31, 2017, there were 491 Beer Caves installed in Ipiranga s franchisees premises.

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

In 2016, Ipiranga developed and launched on the market *Abastece Aí* (Portuguese for Fill Up Here), an initiative that seeks to maximize advantages from the integration of platforms for offering even greater convenience and benefits to customers. Through the *Abastece Aí* mobile phone app, the customer can obtain discounts and pre-program a refueling option, which is recognized by the Ipiranga service station attendant through a number automatically generated by the app. Through the app, the customer also chooses the rewards he/she prefers to receive and finalizes the refueling process by using a unique *Km de Vantagens* password in a safe payment method.

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

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

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

On January 31, 2014, we concluded the Extrafarma Transaction, which marked our entry into Brazil s retail pharmacy business. We believe the outlook of the retail pharmacy business in Brazil remains favorable, despite macroeconomic challenges in recent years, mainly due to (i) the aging population; (ii) greater access to medicines, especially due to the growing prominence of generic drugs; (iii) the general resilience of the retail pharmacy business compared to other retail markets in Brazil; and (iv) growing demand for personal care, wellness and beauty products. In addition, consolidation of the sector, supported by increasing formalization and consequent investments, is still in the incipient stages, and we intend to participate in this process.

We intend to accelerate Extrafarma s expansion plan through (i) increasing its investment capacity, (ii) expanding its distribution network through the potential opening of drugstores at Ipiranga s service stations and Ultragaz s resellers, which together have over 12 thousand retail outlets; and (iii) strengthening its management structure through the implementation of Ultrapar s recognized corporate governance practices and a management model based on performance incentives. Through the integration of sites and products, service and convenience offerings we intend to develop business models that are continuously more attractive to Extrafarma s, Ipiranga s and Ultragaz s consumers, thus increasing competitive differentiation in each of these businesses and allowing for increased cross-selling opportunities.

Invest in niche segments for LPG distribution

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

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

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

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

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

On November 4, 2015, Ultrapar s Board of Directors approved the expansion of Oxiteno s specialty chemicals capacity in Pasadena (Texas) in the United States, by building an ethoxylation unit at its current site, which is expected to be concluded in 2018. The plant is located in one of the world s most important chemical hubs, taking advantage of attractive conditions of raw materials, as well as highly efficient logistics infrastructure. The investment will expand Oxiteno s footprint in the United States, focusing on local markets of agrochemicals, personal care, household and industrial cleaning, coatings and oil and gas. We expect that the new unit s capacity will be 120,000 tons per year at its initial stage. Until December 31, 2017, the total amount invested in this plant was US$118 million.

Continue to enhance product mix at Oxiteno

We increased Oxiteno s capacity to produce a variety of value-added ethylene oxide derivatives and other specialty chemicals in order to optimize its sales mix across petrochemical cycles. Oxiteno s investments in research and development have resulted in the introduction of 86 new products during the last three years. Oxiteno will continue to invest in research and development focused on developing new products to meet clients needs. In addition, we intend to continue to focus Oxiteno s sales in the Brazilian market, which allows us to continuously add value to our products. In 2017, Oxiteno s research and development expenditures were R$53 million.

Maintain financial strength

We seek to maintain a sound financial position to allow us to pursue investment opportunities and enhance our shareholders return on their investment in our Company. Our net debt (consisting of loans, debentures and finance leases recorded as current and non-current liabilities, net of cash and cash equivalents and financial investments) as of December 31, 2017 was R$7,220.7 million, representing a 1.78 times net debt (consisting of loans, debentures and finance leases recorded as current and non-current liabilities, net of cash and cash equivalents and financial investments) to EBITDA ratio. We have been consistently distributing dividends to our shareholders. During the five years ended December 31, 2017, we have declared yearly dividends representing an average of 60% of our net income.

Key Financial Information

The table below sets forth certain financial information for us:

	Year ended December 31,				
	2017	**2016**	**2015**	**2014**	**2013**
	(in millions of *Reais*)				
Net revenue from sales and services	80,007.4	77,353.0	75,655.3	67,736.3	60,940.2
Net income attributable to Ultrapar s shareholders	1,574.3	1,561.6	1,503.5	1,241.6	1,225.1
Net debt[1]	(7,220.7)	(5,715.3)	(4,928.4)	(3,975.1)	(3,425.9)

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

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

	Year ended December 31,				
	2017	**2016**	**2015**	**2014**	**2013**
	(in millions of *Reais*)				
Net revenue from sales and services[1]					
Ultragaz	6,069.3	5,365.5	4,621.2	4,091.3	3,982.3
Ipiranga	67,730.9	66,407.3	65,349.8	58,830.1	53,384.1
Oxiteno	3,957.6	3,700.7	4,082.5	3,413.6	3,277.8
Ultracargo	438.4	355.4	315.5	346.5	332.1
Extrafarma[2]	1,869.5	1,578.2	1,336.3	1,101.3	

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

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

The table below sets forth EBITDA for our principal businesses and us:

	Year ended December 31,				
	2017	2016	2015	2014	2013
	(in millions of *Reais*)				
EBITDA[1]					
Ultrapar	4,063.5	4,216.7	3,953.3	3,157.9	2,918.0
Ultragaz	453.2	446.6	357.0	305.5	280.5
Ipiranga	3,136.5	3,080.5	2,768.8	2,288.0	2,029.6
Oxiteno	294.8	458.9	739.8	403.7	440.6
Ultracargo	124.1	171.2	26.3	166.9	157.5
Extrafarma[2]	24.0	37.1	28.7	29.8	

(1) See footnote 4 under Item 3.A. Key Information Selected Consolidated Financial Data for a more complete discussion of EBITDA and its reconciliation to information in our financial statements.

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

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Distribution of Liquefied Petroleum Gas

Industry and Regulatory Overview

Liquefied petroleum gas (LPG) is a fuel derived from the oil or natural gas refining process. In Brazil, 74% of local demand in 2017 was produced in local refineries and the remaining 26% was imported. LPG has the following primary uses in Brazil:

- Bottled LPG used primarily by residential consumers for cooking; and

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

The following chart shows the process of LPG distribution:

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

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

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

Currently, the LPG distribution industry in Brazil consists of 16 LPG distribution companies or groups of companies, and is regulated by the National Petroleum Agency (ANP). The LPG distribution industry includes purchasing nearly all its LPG requirements from Petrobras, filling LPG bottles and bulk delivery trucks at filling stations, selling LPG to dealers and end users, controlling product quality and providing technical assistance to LPG consumers. See Industry and Regulatory Overview The role of the ANP. LPG produced by Petrobras, which represented 74% of total LPG sold in Brazil in 2017, is transported in pipelines and by trucks from Petrobras production and storage facilities to filling stations maintained by LPG distributors. The balance is imported by Petrobras into Brazil and stored in large storage facilities mostly maintained by Petrobras. The imported LPG is then transported from the storage facilities by pipeline and truck to the LPG distributors filling stations.

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

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

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

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

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

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

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

	Jan-08	**Apr-08**	**Jul-08**	**Jan-10**	**Dec-14**	**Sep-15**	**Dec-15**	**Dec-16**
Commercial and Industrial LPG (% adjustment)	15%	10%	6%	6%	15%	11%	4%	12%

	Apr-17	**Jul-17**	**Aug-17**	**Sep-17**	**Nov-17**	**Dec-17**
Commercial and Industrial LPG (% adjustment)	-4.0%	-5.2% and 8.0%	7.2%	2.3% and 7.9%	6.5%	5.3%

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

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

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

In 2015 and 2016, Petrobras average refinery price was US$331 per ton and US$356 per ton, respectively, compared with the average international price of US$254 per ton and US$270 per ton, respectively. In 2017, Petrobras average refinery price was US$484 per ton compared with the average international price of US$401 per ton.

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

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

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

With the discovery of the pre-salt reservoirs, the Brazilian Government created an inter-ministerial committee to analyze the various alternatives and suggest modifications to Brazil s exploration and production concession regime, which has been in force since the enactment of the Petroleum Law. The Brazilian Government decided to develop the oil and natural gas deposits in the pre-salt region by means of production sharing contracts (PSC), resulting in the new regulatory regime for the pre-salt reservoirs, which was finally implemented through Federal Law 12,351/2010 (the Pre-salt Law).

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

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

- maintenance of sufficient LPG storage capacity;
- maintenance of an adequate quantity of LPG bottles;
- use of bottles stamped with the distributor s own brand name;
- possession of its own filling plant;
- appropriate maintenance of LPG filling units;

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

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

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

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

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

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

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

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

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

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

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

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

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

- the requalification of 12.8 million bottles manufactured between 1992 and 1996 starting in November 1996.

The Self-Regulatory Code was replaced by ANP Resolution 49/2016 and 51/2016, which regulates the distribution of LPG activities.

Ultragaz itself was required to requalify 13.8 million bottles before November 2006 and an additional 10.7 million bottles by November 2011. Ultragaz requalified 3.0 million bottles, 2.5 million bottles and 2.6 million bottles in 2015, 2016 and 2017, respectively. In 2018, Ultragaz expects to requalify approximately 2.4 million bottles.

Environmental, health and safety standards. LPG distributors are regulated by ANP and subject to Brazilian federal, state and local laws and regulations relating to the protection of the environment, public health and safety. The National Council of the Environment (*Conselho Nacional do Meio Ambiente* CONAMA), the Ministry of Labor and Employment (*Ministério do Trabalho e Emprego*), and the Ministry of Transport (*Ministério dos Transportes*), are the primary regulators of LPG distribution at the federal level.

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

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

Ultragaz

We distribute LPG through Ultragaz. Founded in 1937, we were the first LPG distributor in Brazil. At that time, Brazilians used wood stoves and, to a lesser extent, alcohol, kerosene and coal stoves. Ultragaz was the leading company by sales volume in the Brazilian LPG market as of December 31, 2017.

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

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

Ultragaz is comprised of the following operating subsidiaries:

- Cia. Ultragaz, the company that pioneered our LPG operations;
- Bahiana, which primarily operates in the Northeast region of Brazil; and
- Utingás, a storage services provider that operates two facilities in São Paulo and Paraná. Utingás was incorporated in 1967 when Ultragaz and other LPG distributors joined to construct LPG storage facilities based in the states of São Paulo and Paraná. Ultragaz currently indirectly owns 57% of Utingás. See Storage of LPG .

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

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

Distribution of bulk LPG is largely carried out through 190 kg storage tanks installed on its clients premises. Since 1997, Ultragaz operates small- and medium-sized bulk delivery facilities with bob-tail trucks, known together as UltraSystem, which deliver LPG in bulk mainly to residential buildings, commercial and industrial clients. Ultragaz s clients in the commercial sector include shopping centers, hotels, residential buildings, restaurants, laundries and hospitals. Ultragaz s trucks supply clients stationary tanks using a system that is quick, safe and cost effective.

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

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

Ultragaz s strategy for bulk LPG distribution is to continue its process of product and service innovation. Ultragaz has a team to identify the needs of each bulk LPG client and to develop technical solutions for using LPG as an energy source. Furthermore, in 2015 Ultragaz started operating under a new concept for the small and medium business clients, named *Ultrapronto*. As an innovative concept in the LPG industry, *Ultrapronto* represents a more agile and complete service to the client, including client prospection, setup of equipment, logistics and after-sale service, and permeates the entire value chain of the bulk segment, based on: (i) differentiated value proposition for the client, (ii) standardization of processes, in order to enable the service to client, and (iii) rationalization of the installation process (30% of time reduction on average).

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

Client category	**Year ended December 31,**		
	2017	**2016**	**2015**
	(in thousands of tons)		
Bottled LPG			
Residential delivery by Ultragaz / Ultragaz owned retail stores	61.1	60.4	63.2
Independent dealers[(1)]	1,139.8	1,137.0	1,104.5
Total bottled LPG	1,201.0	1,197.5	1,167.8
Total bulk LPG	544.8	562.8	528.8
Total tons delivered	**1,745.7**	**1,760.3**	**1,696.6**

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

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

LPG distribution is a very dynamic retail market where consumers habits change constantly, thus creating opportunities for the company. In order to more closely track market developments and differentiate itself from its competitors, Ultragaz has developed and enhanced sales channels and payment methods. In the last decade, the company expanded the participation of *Disk Gás* (sale of LPG bottles by telephone) and, more recently, introduced ordering through a smartphone app (*Ultragaz Connect*) and through a website (*Pedido Online*). These initiatives provide customers with greater convenience add further value and generate logistic optimization to Ultragaz. The same principles have been extended to the bulk segment, in which Ultragaz is a pioneer and has a leading position, and where it has been developing new usages for its products, such as localized heating for the ignition of industrial furnaces, mainly in lead, iron and steel industries, and a steam car washing product for Ipiranga resellers and other entrepreneurs, which uses steam to substitute the traditional car wash, reducing substantially the usage of water. Ultragaz also began offering new solutions that make it an alternative or supplement for companies located in areas supplied with natural gas. Lastly, tracking consumption trends in the bulk segment, Ultragaz intensified its unique account billing service in residential condominiums, through which it provides individual gas bills.

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

Project	Year of launch	Brief description
Ultragaz Cultural	2000	Series of shows, movies, theater, literature, music and educational workshops 2008 2017: served more than 199 thousand children in 22 states in Brazil
Partnership with Ministry of Health	2008	Awareness and educational campaigns to address diseases prevention, such as dengue, Zika virus, H1N1 and yellow fever, as well as other basic health concerns 2009 2017: reached more than 120 million people
United Nations Partnership	2009	Ultragaz is a signatory of the UN Global Compact In 2016, Ultragaz joined the 17 Objectives of Sustainable Development
Junior Achievement	2009	The largest and oldest organization in Brazil dedicated to educating youth in business 2017: 265 volunteers were involved in 13 states in Brazil, benefiting more than 2,800 students
Pega Pilhas, Baterias e Celulares	2012	Collection and disposal of used batteries in Ultragaz s consumers households 2017: almost 1 ton of batteries collected in 10 states in Brazil
Campanha Junte Óleo: Ultragaz Coleta e Soya Recicla Partnership with Bunge and Triângulo Institute, a NGO	2013	Cooking oil recycle campaign to avoid its disposal into drinkable water sources 2015: the project won the 14th Marketing Best Sustainability Award 2017: over 800,000 liters of oil collected, reaching 450,000 Brazilian households with approximately 400 resellers involved
Partnership with BNDES	2014	Improvement of the infrastructure of Brazilian cooperatives of recyclable materials and training of the cooperative members in basic management tools 2014 2015: carried out in six cities in Brazil
Somar Sustentabilidade	2014	A project that aims to foster sustainability concept and practices among its resellers

		By the end of 2017, more than 400 resellers had participated
Ultragaz Sustainable Shop	2014	A LPG Shop constructed according to USGBC (United States Green Building Council) criteria, seeking to be accredited by LEED (Leadership in Energy and Environmental Design) and AQUA (High Environmental Quality) certifications The first store was launched in 2014 in São Paulo, and the second one in 2016 in Ceará
CDP Partnership	2015	With the support of CDP, Ultragaz promotes training with its critical suppliers about CO_2 emissions, encouraging them to develop inventories for greenhouse gas emissions 2017: 43 supplies were involved

Distribution infrastructure. Ultragaz s distribution strategy includes having its own distribution infrastructure for bulk LPG, since it believes proximity to customers is a significant factor in successful distribution and sales strategies. Ultragaz also maintains a large independent dealer network for the bottled LPG. See Independent dealers. For both bottled and bulk LPG, deliveries are made by a staff wearing Ultragaz uniforms and driving vehicles with Ultragaz s logo. Ultragaz has also invested in information technology for improving its process, such as logistics optimization and production efficiency.

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Ultragaz delivers bottled LPG, using a distribution network, which as of December 31, 2017 included approximately 5,800 independent dealers. As of December 31, 2017 Ultragaz had a fleet of 38 vehicles for the delivery of gas bottles and 306 for bulk delivery.

Bottled sales capacity derives from the number of bottles bearing Ultragaz s brands. Ultragaz estimates that, as of December 31, 2017, there were 25.4 million 13 kg bottles stamped with Ultragaz s brands in the market.

Independent dealers. Ultragaz s independent distribution network ranges from large dealers, which carry out extensive home delivery, to single retail stores, which sell small quantities of LPG bottles. Until the enactment of ANP Rule 297 on November 18, 2003, independent dealers needed only to be registered with ANP for the sale of LPG bottles. No licenses were required except for those required by the fire department and the municipal authorities. Rule 297 established that the independent dealers must be registered with ANP and comply with a list of prerequisites contained in such rule, as well as those required by law for the storage of bottles up to 90 kg. Also, each municipality sets forth its own safety regulations applicable to stores that sell LPG, including a minimum distance from certain locations, such as schools. For the year ended December 31, 2017, 95% of Ultragaz s bottled LPG sales were made through independent dealers. The agreements entered into between Ultragaz and independent dealers require the use of the Ultragaz brand and the display of the Ultragaz logo in the delivery vehicles and on the uniforms worn by delivery personnel. Proprietary rights in the trademark and logo are retained by Ultragaz and are duly registered with the National Institute of Industrial Property (INPI *Instituto Nacional de Propriedade Industrial*). All contracted dealers are Ultragaz s exclusive representatives. Under the terms of the respective contracts, each dealer agrees not to deliver non-Ultragaz LPG bottles.

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

The main tool is the *Programa de Qualificação de Revendas* (Reseller Qualification Program), which seeks to standardize Ultragaz s resellers best management practices, including brand standardization, management quality, and strict compliance with the laws applicable to the industry. Through an assessment process, resellers are classified into categories (blue diamond, diamond, golden, bronze and opportunity), allowing the participants to check their performance compared to Ultragaz s excellence standards and stimulating constant improvement. In 2017, approximately 4.7 thousand resellers participated in the program a significant increase compared to 2008, when the program began with approximately 750 resellers evaluated. Out of the resellers that participated in the program in 2017, 72% (or 3.4 thousand) were qualified as bronze or above, in line with 2016 (73%) and 2015 (73%), attesting their compliance with most of Ultragaz s quality requirements. In addition to the Reseller Qualification Program, Ultragaz has been deploying new initiatives to improve the efficiency of its resellers, such as the pre-operation training programs, aiming to accelerate their maturing process and anticipate financial results, increasing success rates among the new resellers, comprised of courses focused on key aspects of LPG operations, marketing and cash flows, among others.

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

The main initiative carried out since 2007 is *Academia Revenda* (Reseller s Academy), which includes the training programs *Formação em Gestão de Revenda* (Reseller Management Education), *O Especialista em Atendimento* (The serving specialist) and Disk Especialista (Disk specialist). In addition, in 2016, Ultragaz launched *Ultratop*, a program for the reseller s employees, including online trainings and campaigns focused on customer services. These programs seek to provide its resellers and their employees with critical skills to ensure an effective management in the LPG retail market and strengthen the qualification of the resellers network.

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

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

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

Requalification of bottles. The useful life of a bottle varies depending on a number of factors, the most important of which are the extent to which the bottle has been exposed to corrosion from the atmosphere and whether the bottle has been damaged. The Self-Regulatory Code and ANP regulation provides that all bottles must be requalified after their first 15 years of use, and every ten years thereafter. Each bottle is visually inspected for damage and corrosion to determine if it can be requalified or if it should be scrapped. In the case of bottles which pass the quality and safety checks, several procedures are followed before the bottles are stamped with the year of requalification and the next term in which they are due for requalification.

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

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

	Jan-08	Apr-08	Jul-08	Jan-10	Dec-14	Sep-15	Dec-15	Dec-16
Commercial and Industrial LPG (% adjustment)	15%	10%	6%	6%	15%	11%	4%	12%

	Apr-17	Jul-17	Aug-17	Sep-17	Nov-17	Dec-17
Commercial and Industrial LPG (% adjustment)	-4.0%	-5.2% and 8.0%	7.2%	2.3% and 7.9%	6.5%	5.3%

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

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

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

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

In 2015 and 2016, Petrobras average refinery price was US$331 per ton and US$356 per ton, respectively, compared with the average international price of US$254 per ton and US$270 per ton, respectively. In 2017, Petrobras average refinery price was US$484 per ton compared with the average international price of US$401 per ton. See Industry and Regulatory Overview The role of the Brazilian government.

Storage of LPG. On December 31, 2017, Ultragaz s storage capacity was approximately 19.7 thousand tons, including Utingás storage capacity. Based on its 2017 average LPG sales, Ultragaz could store approximately 3.4 days of LPG supply. Accordingly, an interruption in the production of LPG may result in shortages, such as the one that occurred during the Petrobras strike in 1995.

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

Competition. Ultragaz s main competitors are:

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

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

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

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

	Year ended December 31,		
LPG Distributor	**2017**	**2016**	**2015**
Ultragaz	23.6%	23.8%	23.2%
Liquigás	21.6%	21.7%	22.6%
Supergasbras	20.1%	20.5%	20.4%
Nacional Gás Butano	19.5%	19.3%	19.2%
Others	15.1%	14.7%	14.6%
Total	**100.0%**	**100.0%**	**100.0%**

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

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

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

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

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

Source: ANP (volume for 2006 according to Sindigás)

Income tax exemption status. Brazilian legislation provides a benefit of 75% income tax reduction for businesses located in the northeast region of Brazil, which depends of SUDENE s formal and previous consent. The tax benefits that Bahiana s filling plant located at Caucaia benefited from expires in 2025. Mataripe s plant has renewed its 75% income tax reduction until December 2024, based on investments made to increase production capacity and on the modernization of the facility. Also, Suape s plant is entitled to this tax benefit until 2018. The tax benefits for Aracaju s plant expired in 2017 and the subsidiary will file a request for extension of SUDENE benefit for an additional period of 10 years. In July 2017, a new request was filed and the benefit was granted by SUDENE until 2026 due to productive unit implementation for its Juazeiro plant. In March 2018, the SUDENE s approval was authorized by Brazilian Federal Revenue Service. The total amount of SUDENE s income tax exemption for Bahiana for the years ended December 31, 2017 and 2016 was R$3.0 million and R$28.5 million, respectively. For further information, see

Note 9(c) to our 2017 consolidated financial statements.

Quality. We were the first Brazilian LPG distributor to receive ISO (International Standards Organization) certification for excellence in quality management. We were also the first LPG distributor in Brazil to be awarded with *Prêmio Paulista de Qualidade*, a well-recognized quality award in Brazil. Ultragaz is implementing the Management Excellence Model (*Modelo de Excelência da Gestão® MEG*), of the National Quality Foundation (FNQ). This system standardizes and certifies the main working processes in four areas: Quality Management (ISO 9001), Environmental Management (ISO 14001), Occupational Health and Safety Management (OHSAS 18001) and Social Responsibility Management (SA 8000). Also, in the last 3 years Ultragaz has received several awards related to quality and management quality in different states in which it operates.

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Fuel Distribution

Industry and Regulatory Overview

The Brazilian fuels market comprises the distribution and marketing of gasoline, ethanol, diesel, fuel oil, kerosene and natural gas for vehicles (NGV). In 2017, diesel represented 46% of the fuels distributed in Brazil, followed by gasoline, ethanol, fuel oils, NGV and kerosene, each of which represented 37%, 12%, 3%, 2% and less than 0.01%, respectively.

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

In December 2017, credit in Brazil reached 47% of GDP, compared to 50% in December 2016, 54% in December 2015, 59% in December 2014 and 56% in December 2013. In 2017, the domestic dynamics gradually recovered throughout the year, with an improvement in real average income although continued high unemployment rates. Sales of vehicles were positively impacted, posting a 9.4% increase after four years of decline. According to ANFAVEA, approximately 2.2 million new light vehicles were registered in Brazil in 2017 (2.0 million in 2016). The average light vehicle fleet increased by 1.3% in 2017, reaching more than 41 million by the end of the year. Among the total vehicles sold in 2017, 89% were flex-fuel vehicles, which have engines adapted to operate using either gasoline or ethanol, or by any combination of the two, 3% were gasoline-only fueled vehicles, 8% were diesel-only and 0.2% were electric vehicles. Since the launching of flex-fuel vehicles in Brazil in 2003, 30.5 million flex-fuel cars were sold in Brazil.

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

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

- Service stations (86% of the market in terms of volume in 2016, last available data), which serve final retail consumers;

- Large consumers (9% of the market in terms of volume in 2016, last available data), mainly industries and fleets; and

- Retail wholesale resellers TRR (4% of the market in terms of volume in 2016, last available data), specialized resellers that distribute diesel to medium and small volume end-users.

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

The following chart shows the ethanol distribution process in Brazil:

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

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

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All gasoline sold in Brazil must contain a certain proportion of anhydrous ethanol that can vary from 18% to 27%. In May 2013, the Brazilian Mines and Energy Ministry increased the required percentage of anhydrous ethanol mixed with gasoline again to 25%. In March 2015, the Brazilian Agriculture Ministry increased the required percentage of anhydrous ethanol mixed with gasoline from 25% to 27%. Currently, the percentage of anhydrous ethanol mixed with gasoline is 27%. The Brazilian Sugar and Alcohol Interministerial Council (*Conselho Interministerial do Açúcar e Álcool*) establishes the percentage of anhydrous ethanol that must be used as an additive to gasoline (currently, at 27% in regular gasoline and 25% in additive/premium gasoline).

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

Since January 2008, under the Biodiesel Program, distributors have been required to include a percentage of biodiesel in the volume of diesel sold, in order to reduce greenhouse gas emissions. In addition, this program has also the social purpose of encouraging and developing small agriculture producers of biodiesel raw materials. From January 2008 to June 2008, the biodiesel mix requirement was 2%. On July 1, 2008 and 2009, the biodiesel mix requirement was increased to 3% and to a further 4%, respectively. On January 1, 2010, the biodiesel mix requirement was increased to 5%, on July 1, 2014 to 6% and on November 1, 2014 to 7%. In March 2016, the government enacted Law 13,263, which increased the required percentage of biodiesel mix to diesel to 8% starting in March 2017, with the expectation of reaching up to 10% by 2019 (or 15%, subject to technical testing of engines). On March 1, 2017, the biodiesel mix was increased to 8%, and on November 9, 2017, the National Council of Energy Policy published CNPE 23/2017 Resolution increasing the biodiesel mix requirement to 10% as of March 1, 2018.

As of January 2018, there were 153 fuel distributors authorized by ANP to operate in Brazil.

Supply. Petrobras is currently the only relevant domestic supplier of oil derivatives, accounting for 99% of Brazilian production. There are currently 17 oil refineries in Brazil, of which Petrobras owns 13. Petrobras s total refining capacity in 2017 was 372 thousand cubic meters per day. Brazilian refineries are located predominantly in the South and Southeast regions of Brazil. The overall product yield for these refineries in 2017 was 38% diesel, 25% gasoline, 11% fuel oil, 7% LPG and 19% other products, including naphtha. In 2017, 79% of oil derivates was supplied by local refineries and the remaining 21% was imported.

Ethanol is purchased from various producers. In 2017, there were 365 mills in Brazil, which produced approximately 28 million cubic meters of ethanol, 42% of which was anhydrous ethanol and the rest of which was hydrated ethanol. Brazil s supply of anhydrous and hydrated ethanol is seasonal and depends mostly on the sugarcane harvest. Since July 2017, four corn-based ethanol plants have been operating in the Midwest region of Brazil. In 2017, 94% of such supply came from Central and Southern Brazil and the remainder of which came from Northern Brazil.

Biodiesel is purchased from the many producers of biofuels in Brazil, and its main raw materials are tallow and soy seeds. As of December 31, 2017, there were 48 biodiesel producers, located predominantly in the Midwestern region. Brazil s biodiesel production in 2017 was 55% of its total production capacity. Since January 2008, which was the first year of the Biodiesel Program, Petrobras has been required to purchase biofuels in auctions promoted by ANP and supply distributors with amounts of biodiesel corresponding to the proportional volume of diesel purchased. This policy aims to prevent distributors from selling diesel without including the minimum required amount of biodiesel.

The role of the Brazilian government. The Brazilian government has historically regulated the pricing of oil and oil-derivative products, ethanol, natural gas and electric energy. From 1990 onwards, the Brazilian oil and gas sector has been significantly deregulated. Until the adoption of the Petroleum Law, the Brazilian government maintained strict control over the prices that could be charged by (i) refineries to distributors, (ii) distributors to service stations and other channels and (iii) service stations to end-users.

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

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

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

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

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

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

In October 2016, a new pricing for gasoline and diesel was established with the objective of, among other aspects, controlling fluctuating prices according to international references on a monthly basis. Therefore, gasoline and diesel prices became directly influenced by the international prices and the Real/U.S. dollar exchange rate. Under the new pricing dynamic, gasoline prices were reduced by 3.2% and 3.1% and increased by 8.1%, respectively, in October, November and December 2016. On the same occasions, diesel prices were reduced by 2.7% and 10.4% and increased by 9.5%.

In July 2017, the new price dynamic was updated in order to make daily price adjustments based on international references and the *Real*/U.S. dollar exchange rates. Also, in July 2017, Brazilian Government announced an increase in PIS and COFINS taxes for gasoline and diesel. On gasoline the taxes levied increased from R$381.6 to R$792.5 per cubic meter, while for diesel it jumped from R$248.0 to R$461.5 per cubic meter.

The following graphs show the price volatility of fuels acquired by the distributors from the refineries:

Ethanol prices are deregulated, being freely charged by the ethanol producers. In order to curb unfair competitive practices in the ethanol sales, some measures have been taken by the government, supported by Plural members. In April 2008, it became mandatory for fuel producers and distributors, as well as TRRs, to issue electronic tax invoices in all the states of Brazil. In addition, in June 2008 the government, through the Brazilian Congress, enacted the Law 11,727/08, based on the Provisional Measure 425 (*Medida Provisória 425*), which came into force in October 2008. Under this law, two initiatives were imposed to prevent tax evasion: (i) increasing the proportion of collection of PIS and COFINS taxes at distilleries from 25% to 40% and (ii) requiring distilleries to install flow meters (*medidores de vazão*) to control the output of ethanol, however this initiative was not implemented due to technical aspects. In 2009, ANP started to track sales of methanol. The blending of methanol with ethanol is an example of product adulteration practiced by certain distributors or gas station owners, mainly in the State of São Paulo. On May 7, 2013, the government adopted the Provisional Measure 613 (*Medida Provisória 613*), which, among other resolutions, granted tax incentives to ethanol producers and to chemical producers through PIS and COFINS tax credits and reductions. As a result, all PIS and COFINS taxes levied on ethanol, which corresponded to R$120 per cubic meter as of December 31, 2013, were collected by the producers, and they received a R$120 per cubic meter tax credit to offset the increased PIS and COFINS taxes levied on ethanol. However, in January 2017, PIS and COFINS taxes for ethanol producers were reestablished at R$120 per cubic meter, without any corresponding credit.

In July 2017, the Brazilian Government announced an increased in PIS and COFINS taxes for ethanol. For ethanol producers, taxes levied increased from R$120.0 to R$130.9 per cubic meter and for ethanol distributers went from zero to R$110.9 per cubic meter.

In accordance with the publication of the Law No. 11,097 on January 13, 2005, the National Biodiesel Program (*Programa Nacional de Biodiesel*) was created. Since 2008, a certain amount of biodiesel has been required to be added to diesel. In addition, some changes were required in the distributors facilities, as well as the restructuring of its logistics. In March 2016, the government enacted Law No. 13,263, which amended Law No. 11,097 and increased the required percentage of biodiesel mix to diesel to 8% by 2017, reaching up to 10% by 2019, or 15%, subject to technical testing of engines. On March 1, 2017, the biodiesel mix was increased to 8%, and on November 9, 2017, the National Council of Energy Policy published CNPE 23/2017 Resolution increasing the biodiesel mix requirement to 10% as of March 1, 2018.

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

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

Since 1971, Petrobras has acted in the Brazilian fuel distribution market through its subsidiary BR. BR is the leader in the fuel distribution market, with market share of 26.6% in 2017, according to ANP.

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

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

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

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

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

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

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

Plural (formerly, Sindicom) is the association that represents the interests of major Brazilian fuel distributors, with its members controlling 67.7% of the Brazilian fuel market in 2017. The association was formed in 1941 and its primary purpose is to promote uniform standards for industry regulation and to provide a forum in which members can discuss matters affecting the industry. Plural represents its members in discussions before federal and state governmental bodies and presents its members perspectives on relevant laws and regulations, including those relating to taxation, operations, industrial and occupational safety and environmental protection.

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

Among the actions taken were:

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

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

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

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

Ipiranga

Ipiranga was founded in 1937 and is one of the largest private players in the Brazilian fuel distribution market, with 20.3% market share in terms of sales volume in 2017 and 8,005 service stations as of December 31, 2017.

Ipiranga distributes diesel, gasoline, ethanol, NGV, fuel oil, kerosene, ARLA (liquid agent to reduce nitrogen oxides emissions from heavy vehicles), lubricants and greases nationwide. In addition to a traditional fuel distribution business, Ipiranga has implemented a differentiation strategy, by offering other products and services throughout its service station network. This strategy has led to a significant and growing convenience store business, branded am/pm, including the expansion of the bakery network and private label products under the same brand, as well as lubricant servicing businesses, Jet Oil and Jet Oil Motos, and the consolidation of other related products and services. In 2014 Ipiranga launched its own supply solution for its am/pm convenience stores, the *am/pm Suprimentos*. At the end of 2017, *am/pm Suprimentos* operated four distribution centers in Brazil (Rio de Janeiro, Rio Grande do Sul, Paraná and São Paulo). In 2017, Ipiranga opened the third am/pm expanded concept for urban service station, a new configuration of the am/pm store, and ended the year with one *am/pm Estação*, a model developed for highways service stations. The new am/pm models increased the offer of convenience by adding new services and products to the traditional ones: health and beauty space, grocery store, full meals and a new fast food concept appropriate to each type of client. For more information, see Item 4.B. Information on the Company Business Overview Our Strategy Enhance retail network.

Ipiranga has a loyalty program, *Km de Vantagens*, which has reached 26 million participants as of December 31, 2017, and the online service station, *Posto Ipiranga na Web* , where customers can acquire fuel credits online and use them to purchase fuel at our accredited fuel stations.

Markets and marketing. Until March 2009, Ipiranga only operated in the South and Southeast regions of Brazil. After the acquisition of Texaco, Ipiranga became a nationwide distributor and started to operate in the Northeast, North and Midwest regions of Brazil, regions where the fuel consumption grows above the national average rate, given the lower car penetration and faster-growing household income compared to other regions. Under the terms of the Ipiranga Group Transaction Agreements, Petrobras had the exclusive right to use Ipiranga s brand in the operating regions of the Northern Distribution Business for five years from the date of the acquisition of Ipiranga Group, which expired in April 2012. Until then, Ipiranga operated under the Texaco brand in those regions. In November 2010, Ultrapar closed the acquisition of DNP, which distributes fuel in the states of Amazonas, Rondônia, Roraima, Acre, Pará and Mato Grosso through a network of 110 service stations, with 4% market share in the North region of Brazil in 2010. See Item 4.A. Information on the Company History and Development of the Company. In 2017, Ipiranga continued its strategy to increase its scale of operations, adding 442 service stations through the conversion of unbranded service stations and the opening of new gas stations. Furthermore, Ipiranga ended 2017 with 1,240 eco-efficient service stations (*Posto Ecoeficiente* service stations with a set of solutions that reduce the consumption of materials, natural resources and energy of these service stations, including the reduction of waste generated during the construction). Ipiranga is also focusing on the expansion of Jet Oil and am/pm franchises to enhance the service and convenience of consumers at the Ipiranga service stations.

Growth in the fuel distribution sector is directly influenced by GDP growth rates and by the size of the car fleet. See Item 5.D. Operating and Financial Review and Prospects Trend Information. Legislative changes and inspection in the fuel distribution sector in recent years have progressively curbed unfair competition, creating a level playing field in the Brazilian distribution market. Overtime, these improvements should benefit the formal market by capturing the volume from the grey market. See Item 4.B. Information on the Company Business Overview Fuel Distribution Industry and Regulatory Overview.

In 2017, 2.2 million new light vehicles were registered according to ANFAVEA, an increase of 9.4% compared to 2016, with flex fuel cars representing 89% of the total light vehicles registered in 2017.

According to ANFAVEA, the average light vehicles fleet in Brazil as of December 31, 2017 was more than 41 million, an increase of 1.3% from 2016, as a consequence of the 2.2 million new cars registered and a scrapping of 1.7 million cars in 2017.

In 2017, the fuel volume sold by Ipiranga remained stable compared to 2016. The combined sales volume of gasoline, ethanol and NGV increased by 1.4%, driven by the growth of 1.3% in the average light vehicle fleet. In line with the gradual improvement of the macroeconomic scenario, the volume of diesel only began to increase in the second half of the year, resulting in an overall reduction of 1.6% despite the improvements in the second half of the year.

Ipiranga s sales volume from its service station network accounted for 76% of its total sales in 2017. As of December 31, 2017, there were 8,005 service stations operating under the Ipiranga brand, of which 917 had the land either owned by us or under a long term lease to us and 7,088 owned by third parties. In 2017, 89% of these service stations were located in urban areas, with the remaining 11% located in highways.

Distribution to large consumers represented 17% of Ipiranga s sales in 2017. Ipiranga directly sold to 5,208 customers in 2017, including state and municipal governments, industries and cargo and passenger transportation fleet owners.

Ipiranga also sells diesel, fuel oil and kerosene to 293 independent TRRs that redistribute these products to small and medium-sized companies throughout Brazil. Ipiranga s TRR clients consist mostly of companies that have large fixed tanks at their facilities. These clients represented 7% of Ipiranga s sales volume in 2017.

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

The table below shows Ipiranga s sales of fuels by product:

	Year ended December 31,		
	2017	2016	2015
	(in thousand cubic meters)		
Diesel (by client category)			
Service station	6,322.0	6,330.0	6,983.0
Large consumers	3,897.8	4,065.9	4,379.5
Retail wholesale resellers (TRR)	1,523.6	1,536.3	1,733.8
Total diesel	**11,743.4**	**11,932.2**	**13,096.2**
Gasoline	**8,791.6**	**8,493.3**	**8,554.4**
Ethanol	**2,321.6**	**2,453.8**	**3,444.8**
Others(1)	**601.9**	**627.5**	**629.5**
Total volume sold	**23,458.5**	**23,506.9**	**25,724.8**

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

Distribution infrastructure. Ipiranga operated through 84 storage terminals as of December 31, 2017 that were strategically located to facilitate fast and economic delivery of its products. There are two types of facilities: primary storage terminals, generally located near the coast and major cities, which are supplied by refineries through pipelines, and secondary storage terminals, which are mainly located inland, and are supplied by primary terminals by railroad or through road transportation for locations not accessible by railroad. Ethanol is supplied to the terminals by road.

Ipiranga has its own fleet of trucks through its transportation company, Tropical, which was responsible for transportation of 27% of the volume of fuels sold by Ipiranga in 2017, with the remaining portion of the transportation provided by third parties.

Resellers. Ipiranga generally enters into three types of arrangements with resellers in which: (i) it owns land, equipment and buildings for a service station that it leases to an operator, (ii) a third party owns land, and leases it to Ipiranga and it constructs a service station facility or make improvements to an existing facility and leases the station to an operator and (iii) the operator or a third party owns the land and constructs a service station facility or makes improvements to an existing facility that is typically financed by Ipiranga. Under the terms of the contracts and in accordance with applicable law, each reseller operating under Ipiranga s brand must purchase fuels exclusively from us. For the year ended December 31, 2017, 76% of Ipiranga s volume sold was through resellers.

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

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

In 2009, Ipiranga created *Km de Vantagens*, a pioneer customer loyalty program in the fuel industry that provides awards and benefits to customers and resellers. Ipiranga developed strategic partnerships to broaden the scope of the program and the benefits for its clients and resellers, including partnerships in areas of entertainment, tourism, magazines and airline tickets, among others. By the end of 2017, *Km de Vantagens*, the largest loyalty program in Brazil, had more than 26 million clients registered. Each year, Ipiranga seeks new initiatives to add further value to the program, maintain current participants and increase the number of new participants.

In 2010, through its am/pm convenience stores, the largest convenience store network in Brazil, Ipiranga began launching initiatives to increase product offerings through the launch of private label products, including energy drinks and snacks, and the expansion of the am/pm bakeries, providing to resellers an additional source of income, as well as strengthening the am/pm brand. In 2014, Ipiranga launched a new beer purchase experience through its Beer Cave, which is a refrigerated container that stores more than 100 brands of beer. Ipiranga ended 2017 with 2,415 am/pm stores, 863 bakeries and 491 Beer Caves. In 2017, Ipiranga further strengthened the products offered at its am/pm stores with the launch of Wine Cave. In an air-conditioned wine cellar, customers can find a wide variety of wines, from 60 to 80 different labels, at the right temperature. As of December 31, 2017, there were four Wine Cave units installed in the states of Minas Gerais, São Paulo and Rio de Janeiro.

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

The Jet Oil units, Ipiranga s lubricant-changing and automotive service specialized network, ended 2017 with 1,735 franchises, including 247 Jet Oil Motos, the first specialized lubricant-changing and service network for motorcycles.

In order to strengthen the am/pm convenience stores product offering and operations, Ipiranga launched in 2014 its own supply solution. The *am/pm Suprimentos* concentrates logistics, sales and customer service of the convenience stores main products in just one structure. This initiative aims to streamline the am/pm convenience store s operation, increase the competitiveness of franchisees and ensure higher quality product range. At the end of 2017, *am/pm Suprimentos* operated four distribution centers located in Rio de Janeiro, São Paulo, Paraná and Rio Grande do Sul states, which supplied the stores in those states with the main categories of products, except for tobacco and ice cream.

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

In 2016, Ipiranga developed and launched on the market *Abastece Aí* (Portuguese for Fill Up Here), an initiative that seeks to maximize advantages from the integration of platforms for offering even greater convenience and benefits to customers. Through the *Abastece Aí* mobile phone app, the customer can obtain discounts and pre-program a refueling option, which is recognized by the Ipiranga service station attendant through a number automatically generated by the app. Through the app, the customer also chooses the rewards he/she prefers to receive and finalizes the refueling process by using a unique *Km de Vantagens* password in a safe payment method.

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

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

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

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

The ethanol fuel market in Brazil consists of 365 sugarcane mills, producing sugar and ethanol from sugarcane. Ethanol production occurs approximately eight months per year. A portion of the production is stored in the distilleries to meet demand during the inter-harvest season. Distilleries produce two types of ethanol: (i) anhydrous ethanol, which must be blended with gasoline and (ii) hydrated ethanol, which is essentially used for flex fuel vehicles.

Ethanol in Brazil is substantially based on sugarcane that can either be used to produce ethanol or sugar. Since July 2017, four corn-based ethanol plants have been operating in the Midwest region of Brazil. From an ethanol producer s perspective, the production ratio between ethanol and sugar is determined based on the respective prices of ethanol in the Brazilian market and of sugar in the international markets, such choice being fundamental for leveraging the profitability of their plant. Although ethanol production is subject to favorable climate conditions, the risk of interruptions in supply is primarily confined to the end of the harvest.

Storage of fuels. Ipiranga stores its fuels in large tanks at each of its facilities located throughout the regions in which it operates. Primary facilities receive fuels directly from Petrobras by pipeline and from distilleries by railroad and road transportation and secondary facilities are supplied by railroad and truck. See Item 4.D. Information on the Company Property, Plant and Equipment. In 2017, Ipiranga s storage capacity was 806,734 cubic meters. Based on its 2017 average sales, Ipiranga can store approximately eleven days of fuel supply. Accordingly, an interruption in the production of oil-based fuels for longer than that time period could result in shortages, such as the one that occurred during the Petrobras strike in 1995.

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Competition. Ipiranga s main competitors in 2017 were:

Petrobras Distribuidora S.A. (BR), a subsidiary of Petrobras, which has been operating in the Brazilian fuel distribution sector since 1971. BR is the Brazilian market leader and operates throughout the entire country. In December 2017, BR concluded its initial public offering, listing the shares on B3.

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

Alesat, a domestic Brazilian fuel distributor created in 2006, as a result of the merger of Ale and Satelite, is present in 21 states. In December 2008, Alesat acquired the fuel distribution business of Repsol YPF in Brazil. In August 2017, the company decided to disassociate from Plural.

The following table sets forth the market share of Ipiranga and its competitors based on volume of gasoline, ethanol and diesel sold according to ANP data:

	Year ended December 31,		
Distributor[1]	**2017**	**2016**	**2015**
Petrobras	26.8%	28.2%	31.3%
Ipiranga	20.3%	20.4%	21.6%
Raízen	20.6%	19.9%	19.3%
Alesat[2]		3.8%	3.7%
Others	32.3%	27.6%	24.1%
Total cubic meters	**100.0%**	**100.0%**	**100.0%**

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

(2) No data is available in 2017 because Alesat dissociated with Plural.

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

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

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

Quality. In 1998, Ipiranga s terminal in Londrina (PR), received the first ISO 14001 (Environmental Management System) certificate for a fuel distribution terminal in Latin America. In the same year, Ipiranga s lubricant factory located in Rio de Janeiro obtained an ISO 9001 (Quality Management System). One year later, Ipiranga s Betim terminal obtained ISO 9001 and ISO 14001 certifications and in 2008 the OHSAS 18001 (Safety and Occupational Health Management System) certificate. These certifications are reaffirmed every three years. Furthermore, since 2002, Ipiranga has adopted its own environmental management system through a program named SIGA, which applies what we believe to be the highest international standards to its policies and practices. Initially focused only on environmental initiatives, in 2009 the program expanded its scope to include areas such as safety, health, quality and social responsibility, in order to align the operations of its terminals to a broader vision of sustainability, becoming SIGA+ (Ipiranga s management system applied to health, safety, environment, quality and social responsibility). The program included audits in 2010 to verify the results of its implementation and to identify areas of improvement. Since then, SIGA+ grew from 23 operational units audited in 2010 to 56 in 2017, including some offices and all owned storage terminals and joint operated terminals.

Petrochemicals and Chemicals

Industry and Regulatory Overview

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

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

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

- polyethylene, ethylene oxide, polystyrene and polyvinyl chloride (PVC), each produced from ethylene;
- polypropylene, oxo-alcohols and acrylonitrile, each produced from propylene;
- styrene butadiene rubber (SBR), and polybutadiene, each produced from butadiene;
- caprolactam, produced from benzene; and
- purified terephtalic acid (PTA), produced from p-xylene.

The intermediate petrochemicals are produced in solid form (as plastic pellets or powders) and in liquid form and are transported through roads, railroads or by ship to third generation companies.

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

- polyester produced from PTA and ethylene glycol (ethylene glycols produced from ethylene oxide);
- plastics produced from polyethylene, polypropylene and PVC;
- elastomers produced from butadiene;
- acrylic fibers produced from acrylonitrile; and
- nylon produced from caprolactam.

Third generation companies produce a variety of consumer and industrial goods, including containers and packaging materials, such as bags, film and bottles, textiles, detergents and paints as well as automobile parts, toys and consumer electronic goods.

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

The northeast complex, located in the municipality of Camaçari in the state of Bahia, began operations in 1978. Braskem currently has an ethylene production capacity of 1.28 million tons per annum.

The São Paulo complex, located in the municipality of Santo André and Mauá in the state of São Paulo, was created in 1972 and is the oldest petrochemical complex in Brazil. Braskem has an ethylene production capacity of 700 thousand tons per annum.

The southern complex, located in the municipality of Triunfo in the state of Rio Grande do Sul, is based around the raw materials cracker, Braskem. Braskem s plant in Triunfo has an ethylene production capacity of 1.25 million tons per annum. Oxiteno does not purchase ethylene from Braskem in Triunfo, but purchases C4, a raw material used in the production of Methyl-ethyl-ketone (MEK).

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

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

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

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

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

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

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

Due to the use of controlled products, petrochemical companies are also subject to regulation and surveillance by the Army and Civil and Police Forces. In accordance with the applicable laws and regulations, they shall obtain from governmental authorities permits, licenses and certificates to use controlled substances in their activities. Decree No. 3,665, dated November 20, 2000, regulates the Brazilian Army control over explosive substances and/or substances that could be used to prepare explosives and establishes that those that manufacture, store or sell such substances are required to obtain a registration certificate, which must be periodically renewed. Law No. 10,357, dated December 27, 2001, sets forth that those that manufacture, store, handle, use and distribute chemical substances that could be employed in the manufacture of narcotics or psychotropic substances are subject to control by the Federal Police Department and shall obtain the required certificates, which must be periodically renewed. The sanctions that can be imposed in case of noncompliance with the applicable regulations concerning controlled substances include warnings, fines, pre-interdiction fines, interdiction, apprehension of products, suspension, cancellation or forfeiture of the corresponding certificates and licenses.

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Oxiteno

We operate in the chemical sector through the second generation company, Oxiteno, a wholly owned subsidiary of Ultrapar and major producer of specialty chemicals. Oxiteno is the only producer of ethylene oxide, ethylene glycols, ethanolamines, glycol ethers and methyl-ethyl-ketone in Brazil, as well as the only producer of fatty alcohol in Latin America. Besides a plant in Venezuela, Oxiteno is the only ethylene oxide producer in South America. Its products are used in a broad range of industrial sectors, such as cosmetics, detergents, crop protection chemicals, polyester, packaging, coatings and oil industry. During the year ended December 31, 2017, Oxiteno sold 790 thousand tons of chemical and petrochemical products.

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

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

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

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

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

Acetates, alcohols, glycols ethers, glycols, ketones, alkyl ether sulfates, ethoxylated alkylphenols, ethoxylated fatty alcohols, block copolymers EO/PO	Solvents and surfactants are used in the preparation of paints and coatings, adhesives and inks. Solvents serve multiple functions in solvent borne paints and coatings: solubilization of the resin or polymer forming the continuous coating phase, pigment wetting and viscosity reduction to facilitate the application of the coating. Surfactants are used in emulsion polymerization and also as additive: thickeners, antifoaming agents, additives used to control rheological properties and others.

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

Ethylene oxide. Ethylene oxide is a colorless and highly flammable gas at room temperature and atmospheric pressure. Ethylene oxide is produced in a continuous production process by gaseous phase catalytic partial oxidation of ethylene by oxygen at high temperature and pressure. In 2017, Oxiteno used 99% of its ethylene oxide production in the production of derivatives and sold the remaining 1% to other chemical companies.

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

Domestic sales. The Brazilian petrochemicals industry seeks to prioritize demand from the domestic market, where there is greater value added, although sales are also made to the overseas market. While Oxiteno sells the larger part of its commodities and specialty chemicals in Brazil, production capacity exceeds domestic market demand, with Oxiteno exporting surplus production to more than 50 countries in Asia, America, Europe, Africa and Oceania. Oxiteno maintains production capacity above local demand for strategic reasons. For the years ended December 31, 2017, 2016 and 2015, 29%, 29% and 33% of Oxiteno s net revenue from sales and services, respectively, were from sales outside Brazil. For the years ended December 31, 2017, 2016 and 2015, 29%, 28% and 28% of Oxiteno s sales volume, respectively, were from sales outside Brazil.

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

	Year Ended December 31,		
Market sector	**2017**	**2016**	**2015**
	(in thousand tons)		
Polyester	139.3	117.7	103.4
Cosmetics and detergents	109.8	111.6	123.0
Crop protection	99.9	97.9	91.2
Distributors	55.6	51.6	53.5
Coatings	46.6	44.6	45.2
EO / DOT (brake fluids)	37.4	32.8	33.0
Performance Products(1)	26.9	27.2	26.1
Glycols	22.3	19.7	19.6
Oil and Gas	26.1	20.3	20.1
Others(2)	6.6	6.1	6.7
Total Brazilian market	**570.5**	**529.4**	**521.8**

(1) Includes food, civil construction, textiles, leather and paper.

(2) Includes mineral oils and polymers.

Many of Oxiteno s commodity product prices in the Brazilian market are set by reference to international contract prices in U.S. dollars, although the prices are denominated in *Reais*. For specialty products, sales are individually negotiated and sometimes made pursuant to contracts. Specialty chemicals are designed to meet specific customer needs and are less exposed to replacement by imported products. Accordingly, specialty chemicals have a higher value added and Oxiteno has more flexibility in pricing for these products.

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

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

Breakdown of sales volume outside Brazil	Year Ended December 31, 2017		2016		2015	
	(in thousand metric tons and percentage of the total)					
From Oxiteno Brazil						
Mercosur (not including Brazil)	48.0	22%	43.6	21%	40.7	20%
NAFTA	24.9	11%	12.4	6%	11.2	5%
Asia	20.2	9%	19.1	9%	16.8	8%
Europe	15.9	7%	17.2	8%	12.2	6%
Other	17.8	8%	19.9	10%	17.0	8%
Sub-Total	**126.9**	**58%**	**112.2**	**54%**	**97.8**	**48%**
From Oxiteno Mexico						
Mexico	41.6	19%	38.3	18%	41.2	20%
USA	15.9	7%	13.7	7%	10.5	7%
Other	5.4	2%	6.7	3%	7.8	4%
Sub-Total	**62.9**	**29%**	**58.7**	**28%**	**64.0**	**31%**
From Oxiteno Andina						
Venezuela	1.5	1%	2.1	1%	6.0	3%
Other	3.2	1%	4.2	2%	4.5	2%
Sub-Total	**4.7**	**2%**	**6.3**	**3%**	**10.4**	**5%**
From Oxiteno Uruguay						
Brazil	17.9	8%	16.8	8%	19.6	10%
Uruguay	11.9	5%	11.4	5%	9.6	5%
USA	0.7	0%	0.7	0%	0.7	0%
Other	20.2	9%	20.4	10%	15.2	7%
Sub-Total	**50.7**	**23%**	**49.3**	**24%**	**45.1**	**22%**
From Oxiteno USA						
USA	23.0	10%	13.2	6%	7.4	4%
Sub-Total	**25.7**	**12%**	**16.0**	**8%**	**9.5**	**5%**
Total[(1)]	**219.7**	**100%**	**208.7**	**100%**	**203.3**	**100%**

(1) Does not include intercompany sales volume.

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

Since 2003, Oxiteno has focused on expanding its presence in Americas, and on increasing its specialty chemicals sales, creating a closer relationship with its customers. As a first step, in December 2003 Oxiteno acquired Canamex a Mexican specialty chemicals company (renamed Oxiteno Mexico). In April 2007, Oxiteno acquired the operating assets of Unión Química SA de CV, in San Juan del Río, Mexico. For the year ended December 31, 2017, Oxiteno Mexico s sales volume totaled 44,977 tons, which represented a 4% decrease compared to the year ended December 31, 2016. See Item 4.A. Information on the Company History and Development of the Company.

In September 2007, Oxiteno acquired 100% of the shares of Arch Andina in Santa Rita, Venezuela (renamed Oxiteno Andina). For the year ended December 31, 2017, Oxiteno Andina s sales volume totaled 2,930 tons, representing a decrease of 32% compared to the year ended December 31, 2016. See Item 4.A. Information on the Company History and Development of the Company.

In April 2012, Oxiteno acquired a specialty chemicals plant in Pasadena, Texas. For the year, ended December 31, 2017, sales volume from the plant totaled 23,641 tons, representing an increase of 73% compared to the year ended December 31, 2016. See Item 4.A. Information on the Company History and Development of the Company.

In November 2012, Oxiteno acquired of 100% of the shares of American Chemical (renamed Oxiteno Uruguay), a Uruguayan specialty chemicals company. For the year ended December 31, 2017, Oxiteno Uruguay s sales volume totaled 47,121 tons, which represented a 3% increase compared to the year ended December 31, 2016. See Item 4.A. Information on the Company History and Development of the Company.

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

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

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

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

In 2017, Oxiteno s main customers in the domestic market included Monsanto, which mainly purchases ethanolamines, Syngenta, Indústrias Gessy Lever Ltda. (Unilever), which mainly purchase surfactants and MEGlobal, which mainly purchases glycols. In the international market, Oxiteno sells both to industrial customers, including Unilever, Procter&Gamble and Syngenta, as well as trading companies and other third-party distributors. In 2017, Oxiteno s ten largest customers accounted for 36% of its net revenue from sales and services. No single customer accounted for more than 7% of Oxiteno s net sales in such year.

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

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

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

Research and development. Oxiteno carries on a wide range of research and development activities, principally related to the application of specialty chemicals and improvements in production processes. As of December 31, 2017, 159 employees of Oxiteno were engaged in research and development and engineering activities. Oxiteno s research and development expenditures in 2017, 2016 and 2015 were R$53 million, R$50 million and R$41 million, respectively. In 2004, Oxiteno founded its own Science and Technology Council , with six of the world s major specialists in surfactants as members. These specialists, with experience in the surfactants industry or in the academic environment in the US, Europe and Latin America, follow the trends and opportunities in the sector. Since 2004, the council, currently composed of five specialists, has met once a year in São Paulo to analyze Oxiteno s research and development project portfolio, as well as the management methodology applied. Their recommendations enable Oxiteno to improve its research and development activities efficiency, as well as to broaden the reach of its partnerships with international entities. In addition, Oxiteno has created specific scientific councils with specialists from its main segments.

Oxiteno s investments in research and development have resulted in the introduction of 86 new applications for its products during the last three years. Oxiteno will continue to invest in research and development focused on developing new product applications to meet clients needs.

Raw materials. Oxiteno s principal raw material is ethylene. For the year ended December 31, 2017, ethylene was responsible for 32% of Oxiteno s variable costs of production and 27% of its total cost of sales and services. Among Oxiteno s other raw materials, the principal materials include palm kernel oil, C4, butyl alcohol, primary fatty amine and phenol. Supply of ethylene constitutes an entry barrier for new ethylene oxide producers in Brazil since the current production capacity of ethylene by Brazilian crackers is committed to existing second generation companies, including Oxiteno, and significant investments are needed for the construction of a new cracker. Additionally, ethylene s transport and storage is complex and expensive because it must be kept at a temperature below -200 degrees Fahrenheit (-100 degrees Celsius) during transportation and storage, therefore importing and exporting of ethylene is generally uneconomical. Accordingly, the naphtha crackers, such as Braskem, are largely dependent for their sales upon the second generation petrochemical companies, such as Oxiteno, located in the respective petrochemical complexes.

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

Oxiteno has a supply agreement with Braskem, which establishes a minimum annual consumption level of ethylene, calculated quarterly, and conditions for the supply of ethylene until 2021 at the Camaçari plant. The minimum purchase commitment clause is 205 thousand tons of ethylene and a maximum of 220 thousand tons of ethylene per year. Should the minimum purchase commitment not be met, Oxiteno would be liable for a fine of 40% of the current ethylene price for the quantity not purchased. The minimum purchase commitment is subject to proportional reduction in the case of scheduled shutdowns in the supplier s and/or Oxiteno s facilities.

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

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

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

Price of ethylene. The price of ethylene supplied by Braskem to Oxiteno for the production of goods to be sold in Brazil is linked to ethylene contract prices referenced to the North-Western Europe (NWE) markets as from August 2006 to our plant in Camaçari and as from August 2008 to our plant in Mauá.

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

	NWE	
	(US$/ton)	**Equivalent to (R$/ton)[(1)]**
2017		
First Quarter	1,086	3,593
Second Quarter	1,139	3,769
Third Quarter	1,149	3,801
Fourth Quarter	1,212	4,010
Maximum Price in Year	1,249	4,130
Minimum Price in Year	1,049	3,470
Year Average	1,147	3,793
2016		
First Quarter	926	3,064
Second Quarter	1,024	3,387
Third Quarter	1,039	3,436
Fourth Quarter	1,025	3,391
Maximum Price in Year	1,051	3,477
Minimum Price in Year	903	2,986
Year Average	1,004	3,320
2015		
First Quarter	972	3,214
Second Quarter	1,155	3,820
Third Quarter	1,128	3,731
Fourth Quarter	996	3,295

Maximum Price in Year	1,240	4,100
Minimum Price in Year	946	3,130
Year Average	1,063	3,515

(1) The figures in U.S. dollars have been converted into *Reais* using the exchange rate of US$1.00 = R$3.308, which is the commercial rate reported by the Central Bank on that date. This information is presented solely for the convenience of the reader.

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

In April 2013, the Brazilian government announced a reduction in the PIS and COFINS taxes levied on certain raw materials for the petrochemical industry (first and second generation), including ethylene. The PIS and COFINS paid on raw material procurement, including ethylene, was reduced to 1% from 9.25%. The lower tax rate was effective from May 2013 and was valid until December 2015. According to the current legislation, the level of PIS and COFINS taxes levied on the acquisition of ethylene will gradually increase from 5% in 2017 to 5.6% in 2018.

Other raw materials. For the year ended December 31, 2017, other raw materials, such as palm kernel oil, C4, butyl alcohol, acetic acid, nonene, phenol, primary fatty amine, ethanol, oxygen, base oils, ammonium and other accounted for approximately 47% of Oxiteno s variable costs and 40% of its total costs of sales and services.

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

Utilities. Electric power, steam and natural gas are the main utilities required for Oxiteno s production. Part of the electricity and steam used by Oxiteno is generated internally and part is purchased from electricity companies and third-party suppliers of steam in the regions where Oxiteno s plants are located. Natural gas is purchased from local companies. In 2017, electric power represented 2% of Oxiteno s variable costs.

Income tax exemption status. Brazilian legislation provides a benefit of 75% income tax reduction for businesses located in the northeast region of Brazil, which depends of SUDENE s formal and previous consent. Oxiteno is entitled to this tax benefit at Oxiteno Nordeste and EMCA until 2026 and Oleoquímica until 2021.

In 2017, Oxiteno Nordeste had successfully extended SUDENE s tax benefit for an additional period of 10 years, until 2026, and EMCA also obtained an extended tax benefit in 2017, based on the modernization of the facility, for a period of 10 years. The total amount of SUDENE s income tax exemption for Oxiteno for the years ended December 31, 2017 and 2016 was R$36.7 million and R$57.4 million, respectively. For further information, see Note 9(c) to our 2017 consolidated financial statements.

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

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

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

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

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

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

Oxiteno developed an important project to increase the use of renewable raw materials, the oleochemical unit, which uses palm kernel oil, extracted from the palm seed, to produce fatty alcohols and its by-products. After the start-up of the oleochemical unit, the share of renewable raw materials in Oxiteno s raw materials total costs reached 25% in 2017. In 2010, Oxiteno joined the Roundtable on Sustainable Palm Oil, an organization that works to regulate the sustainable plantation of palm, aiming to strengthen its regional leadership and its sustainability practices.

Storage services for liquid bulk

Ultracargo

Ultracargo is the largest provider of liquid bulk storage in Brazil. Ultracargo s main differentiating characteristic is the strategic location of its facilities, located close to the main Brazilian ports and rail junctions in Brazil. Ultracargo stores and handles liquid bulk, mainly chemicals, fuels and vegetable oil. Ultracargo also offers ship loading and unloading services, the operation of pipelines, logistics programming and installation engineering. Ultracargo s ten largest clients accounted for 66% of its revenues in 2017, with its three largest clients, Braskem, Petrobras and Ipiranga (a related party) accounting for 17%, 15% and 7%, respectively, of Ultracargo s revenues. Ultracargo s strategic location of its operations, close to the main Brazilian port terminals, railroad junctions and roads, is one of the company s main strengths and a key driver of integrated services profitability. As of December 31, 2017, Ultracargo operated storage facilities with a capacity of 696 thousand cubic meters. Ultracargo s history is one of pioneering logistics solutions in the Brazilian market. The latest available data shows that Ultracargo accounted for 67% of all tank capacity for liquids at the Aratu port in the State of Bahia, which serves South America s largest petrochemicals complex. The company is also present in the port of Santos, in the state of São Paulo, which was responsible for 28% of the Brazilian foreign trade in 2017. The Santos terminal, which started operating in mid-2005, has become the largest storage facility operated by Ultracargo after the integration of the terminals acquired from União Terminais in 2008. In December 2009, with the acquisition of Puma, Ultracargo added 83.4 thousand cubic meters to its current capacity. In May 2012, Ultracargo acquired a liquid bulk storage terminal in Itaqui port, in the State of Maranhão, that added 55 thousand cubic meters to Ultracargo s current capacity. See Item 4.A. Information on the Company History and Development of the Company.

Storage. Ultracargo primarily provides storage services for liquid bulk, especially chemicals, fuels and vegetable oil. Ultracargo provides storage facilities to Braskem and most of the second-generation petrochemical companies in the Northeastern Petrochemical Complex, including Oxiteno. Transactions between Ultracargo and Oxiteno are carried out strictly on an arm s-length basis. At the end of 2003, Ultracargo maintained four liquid bulk storage terminals in Aratu in the state of Bahia, in Paulínia and Santos in the state of São Paulo, and in Suape in the state of Pernambuco. In late 2004, Ultracargo completed construction of an intermodal terminal in Montes Claros, in the state of Minas Gerais. With the acquisition of União Terminais in 2008, Ultracargo also started to operate in Paranaguá, in the state of Paraná, and in Rio de Janeiro, in the state of Rio de Janeiro. Since August 2012, Ultracargo has been operating in Itaqui, in the State of Maranhão. In 2012, Ultracargo sold to Ipiranga a liquid bulk terminal for fuels in Montes Claros in the state of Minas Gerais. Ultracargo operated the terminal until March 2013. In August 2015, Ultracargo s terminal in Paulínia was permanently closed and, in June 2017, it was sold to a third party.

Ultracargo completed the construction of another intermodal terminal in Santos in mid-2005. This project is Ultracargo s second port installation to integrate road, rail and maritime transportation systems, the first being Aratu. The terminal occupies an area of approximately 64 thousand square meters that hosts 38 thousand cubic meters of tankage space for chemical products, 40 thousand cubic meters for ethanol and 38 thousand cubic meters for vegetable oils. In 2007, Ultracargo also expanded its liquid storage capacity with the addition of 10 thousand cubic meters to Aratu.

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

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

Income tax exemption status. Brazilian legislation provides a benefit of 75% income tax reduction for businesses located in the northeast region of Brazil, which depends on SUDENE formal and previous consent. Tequimar is entitled to this tax benefit at the Aratu, Suape and Itaqui terminals, until 2022, 2020 and 2025, respectively. The total amount of SUDENE s income tax exemption for the years ended on December 31, 2017 and 2016 is R$8.8 million and R$13.0 million, respectively. For further information, see Note 9(c) to our consolidated financial statements.

Quality. In 2007, Ultracargo s terminal in Aratu obtained an ISO 14001 certification and, since then, has undergone several re-certification processes, most recently in 2017. The evaluation process occurred under a unified Quality Management System for the entire country. Paulínia terminal obtained the ISO 14001 certification in 2004 and, underwent re-certification processes, most recently in 2012. In 2002, Santos terminal obtained the ISO 14001 certification and OHSAS 18001 in 2003. In 2011, Suape terminal obtained an ISO 14001 certification. In 2012, Suape and Aratu terminals obtained OHSAS 18001 certification. In 2014 and 2016, the Aratu terminal was recognized for its performance in Health, Safety and the Environment by Industrial Development Committee of Camaçari (Cofic). In 2015, Itaqui terminal obtained an ISO 14001 and OHSAS 18001 certification.

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Retail Pharmacy

Industry Overview

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

The retail pharmacy business is a highly regulated industry. In Brazil, the regulation of the sector is executed by the Federal Government, the State and Municipalities. The Federal Government enacts laws and regulations of general applicability, which are enforced and complemented by actions of the States and Municipalities. At the federal level, the health and pharmaceutical sectors are regulated and supervised by the Ministry of Health, through ANVISA, a public agency established by Federal Law No. 9,782/ 99 and regulated by Decree No. 3,029/99.

In addition, pursuant to Law No. 10,742/03 and Decree No. 4,766/03, the regulation of standards and criteria for setting and adjusting the prices of medicines in Brazil is established by the Drug Market Regulation Chamber (CMED), which fixes a capped price for sales from pharmaceutical companies to their distributors, and for final sales to consumers. This capped-price is based on the mechanism which comprises essentially (i) an inflation rate measured by the National wide Consumer Price Index (Índice Nacional de Preços ao Consumidor Amplo IPCA); (ii) factor of productiveness, which is a percentage calculated based on future earnings of productivity by the pharmaceutical industry, and (iii) factor of price adjustments, which is a percentage calculated based on the input costs applicable among market sector prices and to intra-sector prices. The medicines are readjusted in April of every year. However, some pharmaceutical products, such as herbal and homeopathic medicines are not currently subject to CMED s price regulation. In Brazil, the front-store area occupied by drugstores is usually smaller than 300 square meters.

Brazilian drugstores total revenues, according to data from IMS Health, were R$108 billion in 2017, a 13% growth compared to 2016. We believe the sector has potential for continued growth, mainly due to the aging population, greater access to medicines, especially due to the growing prominence of generic drugs, the growing demand for personal care, wellness and beauty products in drugstores, and higher levels of disposable income among, consumers in the longer term. In addition, consolidation of the sector, supported by increasing market formalization and consequent investments, is in its early stages, with the top five drugstore chains in Brazil accounting for only 28% of the overall market revenues in 2017, according to ABRAFARMA. According to IMS Health, there were approximately 77 thousand drugstores in Brazil in 2017.

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

Branded medicine Innovative products, registered at the federal agency responsible for sanitary surveillance and marketed in the country whose efficacy, safety and quality have been scientifically proven by the federal competent body upon registration.

Generic medicine Contain the same active ingredient, in the same strength and dosage form, being administered by the same route and with the same therapeutic indication as the reference drug in the country, showing the same safety as the reference drug in the country, and which can be interchangeable with the latter.

Similar medicine Contain the same active ingredients, has the same concentration, pharmaceutical form, method of administration, dosage and therapeutic instructions, and is equivalent to a medicine registered with the Federal agency responsible for sanitary surveillance, differing only as regard the characteristics of size and form of the product, period of validity, packaging, labelling, excipients and vehicle.

OTC medicines Over the Counter (OTC) medicines that do not need a prescription to be sold.

According to ABRAFARMA, the sale of medicines accounted for 68% of the total sales of its members in the retail pharmacy business in Brazil in 2017, and products other than medicines accounted for the remaining 32% of the sales. Sales of OTC products during the winter are usually higher than in warmer seasons, while sales of personal care products during the summer are usually higher than in other seasons.

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

Extrafarma

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

As of December 31, 2017, Extrafarma operated 394 drugstores in twelve states of Brazil (113 in Pará, 13 in Amapá, 7 in Tocantins, 93 in Ceará, 58 in Maranhão, 33 in Pernambuco, 20 in Rio Grande do Norte, 13 in Paraíba, 10 in Piauí, 9 in Bahia, 1 in Sergipe and 24 in São Paulo). Extrafarma operates two distribution centers in Benevides, in the state of Pará, and in Aquiraz, in the state of Ceará, which are responsible for supplying all of our stores.

Extrafarma operates both in the retail and wholesale of pharmaceutical products. In 2017, Extrafarma s gross revenues reached R$2.0 billion, of which the retail business represented 92% and the wholesale business represented 8%.

Extrafarma s main strategy is focused on the retail business, which is responsible for the larger share of its revenues. Within this business, Extrafarma s product mix consists of all the main types of pharmaceutical products (branded medicine; generic medicine; similar medicine; OTC) in addition to personal care products and convenience products. In 2017, out of Extrafarma s revenues in the retail business, branded medicines represented 39%, generic/similar medicines represented 15%, OTC 10%, personal care products represented 21% and convenience products represented 15%.

On the wholesale side, Extrafarma operates as a distributor of both pharmaceutical and personal care products. It purchases the products from manufacturers and sells them to other drugstore chains and independent retailers, which are serviced through Extrafarma s own and leased truck fleet. As of December 31, 2017, the average payment term of Extrafarma s sales to independent retailers was 47 days.

In January 2016, Extrafarma remodeled its loyalty program and renamed it *Clube Extrafarma*. The program provides immediate discounts on purchases, in addition to accumulating 1 point for each R$1 spent. Points received by Extrafarma s customers may be exchanged during the period of 6 months for significant discounts in store products, pre-paid mobile phone credits, Ipiranga s *Km de Vantagens* and *Multiplus Fidelidade*. As of December 31, 2017, *Clube Extrafarma* had 6.5 million clients registered.

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

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

The drugstore chains associated to ABRAFARMA represented an estimated 42% of the total revenues in the sector in 2017. There were more than 20 drugstore chains associated to ABRAFARMA in 2017. According to ABRAFARMA the main players in Brazil are Raia Drogasil, DPSP, Pague Menos, Brasil Pharma, Araujo and Panvel.

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

Oil Refining

RPR consists of a refinery in the city of Rio Grande, in the state of Rio Grande do Sul, in the Southern region of Brazil. The refinery s nominal capacity is 17,000 barrels per day, and its principal products include gasoline, diesel, naphtha, fuel oil, LPG, kerosene, asphalt and solvents. In 2017, the average production of the refinery was 14,500 barrels per day, which represented 85% of its nominal capacity and less than 1% of the total Brazilian oil refining capacity, according to ANP data. Ultrapar currently owns approximately one third of the capital of RPR. See Item 4.A. Information on the Company History and Development of the Company. RPR s results are accounted for using the equity method, as share of profit of joint ventures and associates. Results generated by the oil refining operations are not significant to Ultrapar. In 2017, the share of profits from RPR operations recognized into Ultrapar s results amounted to R$36.2 million, corresponding to less than 1% of Ultrapar s consolidated net income for the year.

In August 2014, there was a sharp reduction in the international crude oil prices, reaching in December 2015 the lowest level since December 2008 (US$36 per barrel). Despite the reduction in oil prices, the prices of oil based fuels in Brazil have increased during the same period, helping improve RPR´s margins. In October 2016, a new price dynamic for gasoline and diesel was established with the objective of, amongst other aspects, fluctuating prices according to international references. Therefore, gasoline and diesel prices became directly influenced by the international prices and the *Real*/U.S. dollar exchange rate. In July 2017, the new price dynamic was updated in order to make daily price adjustments based on international references and the *Real*/U.S. dollar exchange rates. In the fourth quarter of 2017, operating margins for refining activities were negatively impacted by the increase in crude oil prices internationally, as a reflection of the reduction of oil production by OPEC countries. See Item 4.A. Information on the Company History and Development of the Company.

Insurance

We maintain insurance policies covering all the facilities of our wholly owned subsidiaries, which we consider appropriate to cover the risks to which we believe we are exposed, including but not limited to loss and damage from fire, lightning, explosion of any nature, windstorm, plane crash and electrical damage. The maximum compensation values based on the maximum possible loss that could result from specific location, as of December 31, 2017, are shown below:

	Maximum compensation value(*)
Oxiteno	US$ 1,142
Ipiranga	R$ 924
Ultracargo	R$ 740
Ultragaz	R$ 150
Extrafarma	R$ 160

(*) In millions. In accordance with our policies terms and conditions.

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

We maintain Directors & Officers Liability (D&O) insurance policies to indemnify members of the Board of Directors, fiscal council and executive officers of Ultrapar and its subsidiaries (insureds) in the total amount of US$80 million as of December 31, 2017, which covers any insured liabilities resulting from wrongful acts, including any act or omission or any matter claimed against them solely by reason of his or her serving in such capacity, except if the act, omission or the claim is consequence of gross negligence or willful misconduct.

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

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We believe that our insurance covers, in all material respects, the risks to which we are exposed and is in line with industry standards. However, the occurrence of losses or other liabilities that are not covered by insurance or that exceed the limits of our insurance coverage could result in significant unexpected additional costs to us.

C. Organizational Structure

The following chart shows our organizational structure(1) for our principal subsidiaries as of December 31, 2017:

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

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

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

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

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

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

On August 4, 2016, the Company, through its subsidiary IPP, entered into a joint venture with Chevron to create a new company in the lubricants market combining Ipiranga s and Chevron s lubricants operations in Brazil. As part of this endeavor, Ipiranga Lubrificantes S.A. (IpiLubs) was established as a subsidiary of IPP in order to segregate Ipiranga s lubricants operations from Ipiranga, and on August 1, 2017, this segregation process was completed. Following this, on December 1, 2017, the joint venture process was concluded, with the contribution of IpiLubs to CBLSA pursuant to which IPP obtained direct control of CBLSA. Ipiranga and Chevron hold 56% and 44%, respectively, of this joint venture.

In September 2016, subsidiary Ultrapar International S.A. was created and subsequently issued an aggregate principal amount of US$750 million of notes in the foreign capital markets.

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

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

D. Property, Plant and Equipment

Ultragaz

Ultragaz s LPG distribution network includes 18 filling plants. LPG is carried to the filling plants either via gas pipelines from Petrobras installations or by tanker trucks. When LPG transportation is via gas pipeline the bases are known as primary and when transportation is via tanker truck, the bases are known as secondary. Ultragaz also operates LPG storage bases, known as satellite bases for supplying our bulk trucks. Ultragaz maintains storage facilities for LPG bottles and satellite bulk distribution plants at strategic locations in order to maintain supplies close to its customer bases and thus to reduce transportation costs. LPG is stored in the filling plants in large LPG storage tanks with a typical capacity of 60 tons per tank. In the case of LPG to be delivered in bulk, the LPG is pumped directly from the storage tanks into the bulk tankers. In the case of LPG to be delivered in bottles, the LPG is pumped from the storage tanks into a number of filling heads, which fills the LPG bottles.

The following table sets forth the total storage capacity, total filling capacity during 2017 and the 2017 average filling utilization for each of Ultragaz s primary and secondary filling stations and satellite stations.

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Base	Type	Total storage capacity (in tons)	Filling capacity (in tons per month)	2017 average filling utilization rate
Aracajú	Secondary	240	4,388	81%
Araçatuba	Satellite	180		
Aracruz	Secondary	120	4,388	31%
Araraquara	Satellite	60		
Araucária	Primary	240	8,776	81%
Barra de São Francisco	Secondary	360	2,498	19%
Barueri	Secondary	1,500	5,363	79%
Bauru	Satellite	60		
Betim	Secondary	480	8,776(1)	55%
Blumenau	Satellite	60		
Canoas	Secondary	600	7,679	53%
Capuava	Primary	720	13,164	49%
Cascavel	Satellite	120		
Caucaia	Secondary	420	8,776(1)	73%
Caxias do Sul	Satellite	60		
Chapecó	Satellite	60		
Florianópolis	Satellite	60		
Goiânia	Secondary	360	5,363	71%
Imbiruçu	Satellite	372		
João Pessoa	Satellite	60		
Joinville	Satellite	60		
Juazeiro	Secondary	180	4,388	41%
Londrina	Satellite	60		
Mataripe	Primary	1,025	20,341(1)	71%
Mauá	Satellite	720		
Paulínia	Primary	2,260	8,776	87%
Pirajá Salvador	Satellite	60		
Ponta Grossa	Satellite	60		
Pouso Alegre	Satellite	60		
Ribeirão Preto	Secondary	180	4,388	83%
Rio de Janeiro	Primary	720	5,363(1)	99%
Santos	Primary	2,400	3,500	52%
São José do Rio Preto	Satellite	60		
São José dos Campos	Primary	960	5,363	66%
Sorocaba	Satellite	120		
Suape	Primary	480	5,363	132%
Total		**15,537**	**126,653**	**69%**

(1) These facilities operated with more than one 8-hour shift per day.
Note: Facilities with more than 100% average filling utilization rate operated during and outside of normal business hours.

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

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Ipiranga

Distribution of fuels is carried out through an extensive network of primary and secondary storage terminals. Primary storage terminals are generally located near refineries and are used as storage terminals for products to be transported either to secondary storage terminals or to large customers and TRRs. Distributors own their storage terminals (Owned), lease space in third parties storage terminals (Third Party Agreement TPA) or participate in pools (Joint-Operated terminals JO) that serve two or more distributors. The following table sets forth the total storage capacity and ownership structure for each of Ipiranga s primary and secondary facilities in 2017.

Base	Type	Owner Structure of Storage Teminal	Storage Capacity (m³)
Açailândia	Secondary	JO operated by others[2]	4,449
Araucária	Primary	TPA[1]	850
Araucária	Primary	JO operated by others[2]	53,898
Bagé	Secondary	Owned	4,721
Barcarena	Primary	Owned	8,202
Barueri	Primary	TPA[1]	6,100
Bauru	Secondary	Owned	3,288
Belém	Primary	Owned	13,835
Belém	Primary	TPA[1]	5,700
Betim	Primary	JO operated by Ipiranga[2]	13,462
Betim	Primary	JO operated by others[2]	7,258
Biguaçu	Primary	TPA[1]	2,517
Brasília	Primary	JO operated by others[2]	6,931
Cabedelo	Primary	TPA[1]	7,294
Campo Grande	Secondary	Owned	4,820
Campos	Secondary	JO operated by Ipiranga[2]	3,728
Canoas	Primary	Owned	39,272
Canoas	Primary	TPA[1]	600
Cascavel	Secondary	Owned	4,048
Caxias	Primary	Owned	36,284
Caxias	Primary	JO operated by others[2]	9,640
Cruz Alta	Secondary	Owned	4,325
Cubatão	Primary	Owned	9,588
Cubatão	Primary	TPA[1]	2,463
Cuiabá	Secondary	Owned	1,819
Fortaleza	Primary	TPA[1]	4,560
Goiânia	Primary	TPA[1]	2,185
Goiânia	Primary	JO operated by others[2]	8,179
Governador Valadares	Secondary	Owned	4,745
Guamaré	Primary	JO operated by others[2]	2,790
Guaramirim	Primary	TPA[1]	1,216
Guarapuava	Secondary	Owned	5,625
Guarulhos	Primary	TPA[1]	3,080
Imbiruçu	Primary	JO operated by Ipiranga[2]	5,241

Itabuna	Primary	TPA(1)	145
Itacoatiara	Primary	TPA(1)	250
Itaituba	Secondary	Owned	1,350
Itajaí	Primary	TPA(1)	681
Itajaí	Primary	JO operated by Ipiranga(2)	10,539
Jequié	Primary	JO operated by others(2)	4,710
Juazeiro	Secondary	JO operated by others(2)	1,821
Lages	Secondary	TPA(1)	1,310
Londrina	Secondary	JO operated by Ipiranga(2)	6,233
Luis Eduardo Magalhães	Secondary	TPA(1)	306
Macapá	Primary	JO operated by Ipiranga(2)	4,307
Maceió	Primary	JO operated by Ipiranga(2)	6,895

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Base	Type	Owner Structure of Storage Teminal	Storage Capacity (m³)
Manaus	Primary	Owned	6,664
Manaus	Primary	TPA[(1)]	700
Marabá	Secondary	TPA[(1)]	1,183
Maringá	Secondary	TPA[(1)]	1,843
Montes Claros	Secondary	Owned	904
Munguba	Secondary	Owned	12,377
Ourinhos	Secondary	Owned	10,011
Paranaguá	Primary	TPA[(1)]	90,000
Passo Fundo	Primary	JO operated by Ipiranga[(2)]	8,983
Paulínia	Primary	Owned	7,994
Paulínia	Primary	JO operated by Ipiranga[(2)]	30,690
Porto Nacional	Secondary	TPA[(1)]	2,790
Porto Velho	Secondary	Owned	8,318
Pres. Prudente	Secondary	Owned	2,732
Ribeirão Preto	Primary	JO operated by others[(2)]	12,810
Rio Grande	Primary	TPA[(1)]	3,466
Rondonópolis	Secondary	Owned	7,609
Santa Maria	Secondary	Owned	5,322
Santarém	Secondary	Owned	3,221
Santos	Primary	TPA[(1)]	80,000
Sarandi	Primary	TPA[(1)]	5,610
São Caetano	Primary	Owned	21,605
São Francisco do Conde	Primary	TPA[(1)]	4,846
São José do Rio Preto	Secondary	JO operated by others[(2)]	1,838
São José do Rio Preto	Secondary	Owned	6,491
São José do Rio Preto	Secondary	Owned	1,194
São José dos Campos	Primary	JO operated by others[(2)]	8,621
São José dos Campos	Primary	TPA[(1)]	820
São Luis	Primary	TPA[(1)]	33,570
São Luis	Primary	JO operated by Ipiranga[(2)]	15,152
Suape	Primary	TPA[(1)]	30,450
Suape	Primary	JO operated by others[(2)]	13,630
Teresina	Secondary	JO operated by others[(2)]	4,395
Uberaba	Primary	TPA[(1)]	740
Uberlândia	Primary	JO operated by others[(2)]	11,005
Vila Velha	Primary	TPA[(1)]	9,170
Vilhena	Secondary	Owned	884
Vitória	Primary	TPA[(1)]	7,836
			806,734

(1) Third party agreements.

(2) Joint-operated with other distributors.

Oxiteno

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

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The following table sets forth the current ethylene oxide production capacity of Oxiteno s plants in Brazil as of December 31, 2017.

Units	**Capacity (in tons per year)**
Camaçari	350,000
Mauá	90,000
Tremembé	
Triunfo	
Suzano	
Total	**440,000**

Ethylene oxide is primarily an intermediate material used in the production of ethylene oxide derivatives only 1% of Oxiteno s sales volume in the year ended December 31, 2017 were ethylene oxide. Therefore, Oxiteno s total production output may not be determined by adding the capacities of ethylene oxide and its derivatives.

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

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

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

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

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

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

Units	**Capacity (in tons per year)**
Ethylene oxide	350,000
Ethylene glycols	285,000
Ethanolamines	110,000
Glycol ethers	25,000
Ethoxylated derivatives	270,000

White Mineral Oils	60,000
Fatty Alcohols	77,000
Fatty Acids	7,000
Glycerin	11,000

In 2017, the Camaçari plant operated at 61% of its production capacity. The plant had planned stoppages for regular maintenance.

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

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Units	Capacity (in tons per year)
Ethylene Oxide	90,000
Ethylene Glycols	40,000
Glycol Ethers	40,000
Acetates	72,000
C4+C5 Alcohols	13,500
Ethoxylated Derivatives	106,000
Alkylation	17,000
Esterification	4,000
Hydraulic fluids	30,000

In 2017, the Mauá plant operated at 41% of its production capacity.

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

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

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

(1) Capacity adjusted for 100% active matter.

In 2017, the Tremembé plant operated at 36% of its production capacity.

Suzano plant. In 2007, Oxiteno began operating a sulfonation and sulfation plant in Suzano, with a production capacity of 13.5 thousand tons per year. In 2012, Oxiteno added 11.5 thousand tons per year to its capacity. As a result, production capacity at the Suzano plant increased to 26.5 thousand tons per year.

Units	Capacity (in tons per year)
Sulfonation/Sulfation	13,500
Esterification	11,500
Betaines	1,500

In 2017, the Suzano plant operated at 50% of its production capacity.

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

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

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

In 2017, the Triunfo plant operated at 63% of its production capacity.

With the acquisition of Oxiteno Mexico (formerly Canamex) in December 2003 and Unión Química in 2007, Oxiteno acquired three specialty chemical plants in Mexico. As of December 31, 2017, the Coatzacoalcos plant had a production capacity of 86 thousand tons per year of ethoxylates and 8 thousand tons per year of alkyphenols; the Guadalajara plant had a production capacity of 32 thousand tons per year of specialty chemicals and San Juan del Río had a production capacity of 8 thousand tons per year of specialty chemicals. In 2017, the Guadalajara, the Coatzacoalcos and San Juan del Río plants operated at an average rate of 46%, 36% and 91% of their production capacity, respectively.

With the acquisition of Oxiteno Andina in September 2007, Oxiteno acquired a specialty chemical plant in Venezuela. As of December 31, 2017, the Santa Rita plant had a production capacity of 70 thousand tons per year of ethoxylates and operated with 12% of its production capacity in 2017.

Oxiteno acquired a specialty chemical plant in Pasadena, Texas in April 2012. As of December 31, 2017, the Pasadena plant had a production capacity of 32 thousand tons per year of specialty and agricultural blends. In 2017, Pasadena plant operated at an average rate of 18% of its production capacity.

With the acquisition of Oxiteno Uruguay in November 2012, Oxiteno acquired a specialty chemical plant in Montevideo, Uruguay. As of December 31, 2017, the Montevideo plant had a production capacity of 63 thousand tons per year of specialty chemicals and operated with 45% of its production capacity.

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

Units	**Capacity (in tons per year)**
Ethoxylated derivatives Coatzacoalcos plant	86,000
Alkylation Coatzacoalcos plant	7,860
Ethoxylated derivatives Guadalajara plant	19,000
Esterification Guadalajara plant	13,000
Sulfonation/Sulfation San Juan del Río	8,400
Alkoxylated derivatives Santa Rita	70,000
Specialties/Agricultural Blends Pasadena	32,000
Sulfonation/Sulfation Montevideo	45,000
Fatty Acid Sulfate (FAS) Montevideo	10,000

Betaines/Amides	Montevideo	6,000
Fatliquor oils	Montevideo	2,000

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Ultracargo

The following tables set forth the principal products stored at, and the storage capacity operated by, Ultracargo s facilities at December 31, 2017, and the average utilization of Ultracargo s facilities during 2017.

Facility	Capacity (in cubic meters)	Average utilization %(2)	Product Lines
Aratu (Bahia)	218,190	109%	Chemicals, ethanol, vegetable oils, corrosives, and fuels
Suape (Pernambuco)	157,910	144%	Chemicals, ethanol, corrosives, and fuels
Itaqui (Maranhão)	55,280	138%	Ethanol and fuels
Santos (São Paulo)(1)	219,300	78%	Chemicals, ethanol, lubricants, fuels, and corrosives
Rio de Janeiro (Rio de Janeiro)	17,247	106%	Corrosives and lubricants
Paranaguá (Paraná)	28,262	67%	Corrosives and vegetable oils
Total	**696,189**	109%	

(1) 152 thousand cubic meters of effective capacity at our Santos facilities have been interrupted due to the fire accident in April 2015. In June 2017, Ultracargo resumed operations with 67.5 thousand cubic meters. Please see Item 4.A. Information on the Company History and Development of the Company Ultracargo Fire at storage facilities in Santos.

(2) Based on an estimated turnover of products for each terminal.

Extrafarma

As of December 31, 2017, Extrafarma operated 394 drugstores and 2 distribution centers in the North and Northeast regions of Brazil.

The following tables set forth the breakdown per region of Extrafarma s drugstores and the capacity for each of Extrafarma s distribution centers as of December 31, 2017:

Location	# of stores
North	**133**
Pará	113
Amapá	13
Tocantins	7
Northeast	**237**
Ceará	93
Maranhão	58
Pernambuco	33
Rio Grande do Norte	20
Paraíba	13
Piauí	10

Bahia	9
Sergipe	1
Southeast	**24**
São Paulo	24
Total	**394**

Distribution center	**Area (in square meters)**	**Height (in meters)**
Benevides (Pará)	9,777	13.0
Aquiraz (Ceará)	7,500	12.3
Total	**17,277**	

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Collateral

As of December 31, 2017, Ultrapar had no debt secured by property, plant and equipment.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. Operating Results

You should read this discussion together with our consolidated financial statements, including the notes thereto, and other financial information included elsewhere in this annual report and in conjunction with the financial information included under Item 3.A. Key Information Selected Consolidated Financial Information.

Our audited consolidated financial statements included herein were prepared in accordance with IFRS and include our consolidated balance sheets as of December 31, 2017 and 2016, and the related income statements, statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017, 2016 and 2015, as well as notes thereto.

Overview

Ultrapar is a Brazilian Company with leading positions in the markets in which it operates with 80 years of history. Our five principal businesses are:

- LPG distribution, conducted by Ultragaz;
- fuel distribution, conducted by Ipiranga;
- chemicals production, conducted by Oxiteno;
- storage services for liquid bulk, conducted by Ultracargo; and
- retail pharmacy business, conducted by Extrafarma.

Ultragaz distributes LPG to residential, commercial and industrial market segments. Ipiranga distributes gasoline, ethanol, diesel, NGV, fuel oil, kerosene and lubricants through a network of 8,005 service stations and directly to large customers. Oxiteno produces ethylene oxide and its principal derivatives, and is also a significant producer of specialty chemicals, particularly surfactants. It manufactures approximately 1,100 products used in various industrial sectors such as cosmetics, detergents, crop protection chemicals, packaging, textiles and coatings. Ultracargo is the largest provider of storage for liquid bulk in Brazil, with six terminals and storage capacity of 696 thousand cubic meters.

On September 30, 2013, Ultrapar entered into an agreement with Extrafarma, one of Brazil s ten largest drugstore chains. The Extrafarma Transaction closed on January 31, 2014 with the approval of the merger of shares by the Extraordinary General Meetings of Ultrapar and Extrafarma and, consequently, Extrafarma became a wholly-owned subsidiary of Ultrapar from February 1, 2014 onwards. Accordingly, Extrafarma s results of operations did not affect our results of operations in 2013. Extrafarma s results of operations were consolidated into Ultrapar s results of operations as from February 1, 2014. As of December 31, 2017, Extrafarma operated 394 drugstores in twelve Brazilian states. See Item 4.A. Information on the Company History and Development of the Company Extrafarma Transaction.

Brazilian economic background

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

Gross domestic product. In 2013, the macroeconomic environment remained challenging in Brazil, with a slightly better situation in the international market, influenced by the recovery in the U.S. and European economies. In order to curb the rising inflation rates observed throughout the year, the Brazilian government raised the economy s base interest rate (SELIC), from 7.25% at the end of 2012 to 10.0% at the end of 2013. Brazil s GDP grew by 3.0% in 2013. In 2014, inflation remained at high levels, reaching 6.4% at the end of the year, and the Brazilian government raised again the economy s basic interest rate from 10.0% at the end of 2013 to 11.75% at the end of 2014. Brazil´s GDP grew 0.5% in 2014. In 2015, Brazilian GDP decreased 3.8%, influenced by a challenging domestic environment with a combination of economic slowdown, higher unemployment levels, inflationary pressure and a higher economy s basic interest rate (from 11.75% at the end of 2014 to 14.25% at the end of 2015). In 2016, Brazil s GDP further contracted 3.6%, reflecting the worsening of the crisis on both political and economic fronts, with a combination of weak economic activity and a deterioration in disposable income and employment rates, thus curbing consumption levels and creating a challenging business environment. However, the inflation rates have been gradually declining since the second half of 2016, paving the way for a reduction in basic interest rate (from 14.25% at the end of 2015 to 13.75% at the end of 2016). In 2017, GDP grew 1.0% backed by falling inflation and interest rate (from 13.75% at the end of 2016 to 7.00% at the end of 2017). Our operations are significantly impacted by Brazilian GDP growth, specifically, sales of LPG to commercial and industrial customers, sales of diesel, Oxiteno s sales to the domestic market and Ultracargo s logistics operations.

Inflation and currency fluctuations. Our cash operating activities are substantially in *Reais* and tend to increase with inflation. However, some of our costs of sales and services sold are linked to the U.S. dollar and are not substantially affected by the Brazilian inflation rate. In addition, some of our *Real*-denominated debt is indexed to take into account the effects of inflation. In 2013, the *Real* depreciated 15% against the U.S. dollar influenced by the performance of the Brazilian economy, the economic rebound in the United States and the economic instability in the international markets. In 2014, the weak performance of the Brazilian economy and the recovery of the North American economy contributed to a 13% depreciation of *Real* against the U.S. dollar. In 2014, the IGP-M and the IPCA index rates were 3.7% and 6.4%, respectively. In 2015, the IGP-M and the IPCA index rates were 10.5% and 10.7%, respectively, impacted by the adjustment of regulated prices, such as fuels and electric energy, and the *Real* depreciated 47% against the U.S. dollar influenced by the downgrade of Brazil s sovereign credit rating and the expectation for an interest rate rise by the Federal Reserve System. In 2016, the IGP-M and the IPCA index rates were, respectively, 7.2% and 6.3%. In 2016, the *Real* appreciated 17% against the U.S. dollar. In 2017, the *Real* depreciated 2% against the U.S. dollar and the IPCA index rate was 2.9%. The IGP-M index rate was -0.5%, the lowest rate since 2009. From December 31, 2017 to March 31, 2018, the Real depreciated 0.5% against the U.S. dollar. The principal foreign exchange risk we face arises from certain U.S. dollar denominated costs and expenses. Although a substantial part of our debt is dollar-denominated, it is currently hedged against currency devaluation through the use of various derivative instruments or matching assets in the same currency. Additionally, a significant part of our raw materials is also denominated or indexed to the U.S. dollar. A large part of our sales is denominated in *Reais*, although prices in the chemical business are benchmarked to prices prevailing in the international markets, which in turn are linked to U.S. dollars. Hence, we are exposed to foreign exchange rate risks which could negatively impact our businesses, financial situation and operating results as well as our capacity to service our debt.

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

	Year ended December 31,		
Index	**2017**	**2016**	**2015**
IGP-M	(0.5%)	7.2%	10.5%

IPCA	2.9%	6.3%	10.7%
Devaluation (appreciation) of the *Real* against the U.S. dollar	1.5%	(16.5%)	47.0%

We manage the foreign exchange risk associated with the scheduled payments under the terms of our U.S. dollar indebtedness by investing in U.S. dollar-denominated securities and foreign currency/interest swap contracts, under which we pay variable interest in *Reais* based on the interbank certificate of deposit rate, (CDI), and receive fixed interest in U.S. currency. As of December 31, 2017 our total obligations denominated in foreign currency were R$4,589.3 million (US$1,387.3 million), including debts, payables arising from imports and net of advances to foreign suppliers. At the same date our total asset position in foreign currency was R$3,158.9 million (US$954.9 million), comprised of investments indexed to U.S. dollars and hedging instruments used to manage fluctuations of exchange rates and foreign currency receivables exposures. As of December 31, 2017, Ultrapar had a net exposure in foreign currency of R$1,430.4 million (US$432.4 million), comprised of a net short position in U.S. dollars of R$404.9 million (US$122.4 million), a net long position in U.S. dollars of R$1,136.5 million (US$343.6 million), a net short position in other currencies of R$2.1 million (US$0.6 million) and a net long position in other currencies, principally the Mexican Peso of R$113.2 million (US$34.2 million), due to the company s operations in this country. For the purposes of this paragraph, U.S. dollar values were calculated based on the December 31, 2017 *Real*/U.S. dollar exchange rate. See Item 11. Quantitative and Qualitative Disclosures About Market Risk Foreign Exchange Risk for information about our foreign exchange risk hedging policy and Notes 14 and 31 to our consolidated financial statements.

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Critical accounting policies and estimates

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

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

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

We have identified the following accounting policies as critical.

Allowance for doubtful accounts. We maintain allowances for doubtful accounts for estimated losses resulting from the subsequent inability of our customers to make required payments. The allowance for doubtful accounts is recorded in an amount we consider sufficient to cover any probable losses on realization of our accounts receivable from our customers, as well as other receivables, and is included as selling expenses; no adjustment is made to net revenue from sales and services. In order to establish the allowance for doubtful accounts, our management constantly evaluates the amount and characteristics of our accounts receivable. When significant delays occur and the likelihood of receiving these payments decreases, a provision is made. In case receivables in arrears are guaranteed or there are reasonable grounds to believe they will be paid, no provision is made. If the financial conditions of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances would be required in future periods. However, because we cannot predict with certainty the future financial stability of our customers, we cannot guarantee that our allowances will continue to be adequate. Actual credit losses may be greater than the allowance we have established, which could impact our selling expenses. See Notes 5 and 31 to our consolidated financial statements, for additional information about our allowance for doubtful accounts.

Provisions for inventory losses. If net realizable values are below inventory costs, a provision corresponding to this difference is recognized. Provisions are also made for obsolescence of products, materials or supplies that (i) do not meet our specifications, (ii) have exceeded their expiration date or (iii) are considered slow-moving inventory. This classification is made by management with the support of its industrial and operation teams. A significant decrease in net realizable value below inventory costs on a higher level of obsolete, slow-moving or expired products could impact our cost of goods sold and our gross and operating margins. See Note 6 to our consolidated financial statements for additional information about our provisions for inventory losses.

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Deferred income and social contribution taxes. We recognize deferred tax assets and liabilities, which do not expire, arising from tax loss carry forwards, temporary add-backs, revaluation of property, plant and equipment and other procedures. The deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which they can be utilized. We periodically review the deferred tax assets for recoverability considering historical taxable income, projected future taxable income, and the expected timing of the reversals of existing temporary differences. In the event we or one of our subsidiaries operate at a loss or are unable to generate sufficient future taxable income, or if there is a material change in the actual effective tax rates or time period within which the underlying temporary differences become taxable or deductible, we reduce all or a significant portion of our deferred tax assets, resulting in an increase in our effective tax rate, thereby decreasing net income. A high degree of management judgment is required in determining the recoverability of deferred tax assets. The principal uncertainty relates to the likelihood of future taxable income from the subsidiary that generated the deferred tax asset. A change in our projections of profitability could result in the need to reduce the deferred tax assets, resulting in a negative impact of future results. See Note 9 to our consolidated financial statements for additional information on taxes.

Investments in subsidiaries, associates and joint ventures. A subsidiary is an investee in which the investor is entitled to variable returns on investment and has the ability to interfere in its financial and operational activities. Usually the equity interest in a subsidiary is more than 50%. See Note 3.b to our consolidated financial statements for additional information on our investments in subsidiaries. Investments in associates and joint ventures are accounted for under the equity method of accounting in consolidated financial statements. An associate is an investment, in which an investor has significant influence, that is, has the power to participate in the financial and operating decisions of the investee but does not exercise control. A joint venture is an investment in which the shareholders have the right to net assets on behalf of a joint control. Joint control is the agreement which establish that decisions about the relevant activities of the investee require the consent from the parties that share control. See Note 11 to our consolidated financial statements for additional information on our investments in associates and joint ventures.

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

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

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

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

Exclusive rights disbursements as provided in Ipiranga s agreements with reseller service stations and major consumers are recognized as distribution rights when paid and amortized according to the conditions established in the agreements.

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

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

Changes to the useful lives of the definite useful lives intangibles could impact our selling expenses and results.

Impairment of assets. The Company and its subsidiaries review, every reporting period, the existence of any indication that an asset may be impaired and annually to intangible assets with indefinite useful life. If there is an indication, the Company and its subsidiaries estimate the recoverable amount of the asset. Assets that cannot be evaluated individually are grouped in the smallest group of assets that generate cash flow from continuous use and that are largely independent of cash flows of other assets (CGU). The recoverable amount of assets or CGUs corresponds to the greater of their fair value net of applicable direct selling costs and their value in use.

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

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

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

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

As of December 31, 2017, the discount and real growth rates used to extrapolate the projections ranged from 9.6% to 12.7% and from 0% to 1% p.a., respectively, depending on the CGU analyzed. For the subsidiary Oxiteno Andina, due to the macroeconomic scenario in Venezuela, the discount rate used was 803.8%.

Our goodwill impairment tests and net assets of the Company and its subsidiaries did not result in the recognition of losses for the year ended December 31, 2017. For the year ended December 31, 2016, the Company recognized an impairment loss in the amount of R$ 2,114, which correspond to R$ 1,695 related to goodwill and R$ 419 related to other intangible assets, from the subsidiary Oxiteno Andina. The main reason for the impairment recognized in 2016 is Venezuela s political and economic situation. Our goodwill impairment tests did not result in the recognition of losses for the year ended December 31, 2015. For further detail, see Note 13 (i) to our consolidated financial statements.

Changes to the significant assumptions and economic conditions could impact the value in use of the assets and could result in impairment losses and impact our results.

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

Exchange rate used in translation of Oxiteno Andina s financial statements. Due to the political and economic situation in Venezuela, the Company s management uses the *Tipo de Cambio Complementario Flotante de Mercado Supplemental* (Floating Market Exchange), or DICOM, in the translation of its financial statements. On May 19, 2017, the Venezuelan Central Bank issued a Foreign Exchange Regulation No. 38, which set forth changes to the Venezuelan foreign exchange markets and regulated the legally recognized different types of exchange rates: a) DIPRO *Tipo de Cambio Protegido* (Exchange Protected): Bolivar (VEF) is traded at an exchange rate of 9.975 VEF/US$ for purchase and 10.00 VEF/US$ for sale. This rate is applied to importation of essential goods (medicines and food) and raw materials and inputs related to the production of these sectors, which transactions are channeled through CENCOEX *Centro Nacional de Comercio Exterior en Venezuela*; b) DICOM: Bolivar was traded at the variable exchange rate of 3,345.00 VEF/US$ for sale and 3,336.64 VEF/US$ for purchase in the last auction of 2017. This rate is applied to all unforeseen currency settlement transactions not expressly set forth in the Venezuelan Foreign Exchange Regulation, which transactions are processed through alternative currency markets. Changes in the exchange rates, the currency market on Venezuela s economic and political situation could impact our results. For further detail, see Note 2.r to our consolidated financial statements.

Subscription warrants indemnification fair value determination. Subscription warrants are valued according to Ultrapar s share price (UGPA3) as of each closing date of financial statements, reduced by the dividend yield, once the subscription warrants exercise is only possible from 2020 onward, without dividends rights until then. The quantity of shares of the subscription warrants indemnification is also adjusted according to the variation of the amounts of provisions and of tax, civil and labor risks contingent liabilities, relative to the period before January 31, 2014. For further detail, see Notes 22 and 31 to our consolidated financial statements. Changes to the significant assumptions used to measure to the fair value, including Ultrapar s share prices, could impact our results.

Financial assets. Our financial instruments are classified as follows:

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

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

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

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

We and our subsidiaries use derivative financial instruments for hedging purposes, applying the concepts described below:

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

Hedge accounting cash flow hedge: financial instruments used to hedge the exposure to variability in cash flows that is attributable to a risk associated with an asset or liability or highly probable transaction or firm commitment that may affect the income statements. The portion of the gain or loss on the hedging instrument that is determined to be effective relating to the effects of exchange rate effect, is recognized directly in equity in accumulated other comprehensive income as Valuation adjustments while the ineffective portion is recognized in profit or loss. Gains or losses on the hedging instrument relating to the effective portion of this hedge that had been recognized directly in accumulated other comprehensive income shall be recognized in profit or loss in the period in which the hedged item is recognized in profit or loss or as initial cost of non-financial assets, in the same line of the statement that the hedged item is recognized. The hedge accounting shall be discontinued when (i) the Company cancels the hedging relationship; (ii) the hedging instrument expires; and (iii) the hedging instrument no longer qualifies for hedge accounting. When hedge accounting is discontinued, gains and losses recognized in other comprehensive income in equity are reclassified to profit or loss in the period which the hedged item is recognized in profit or loss. If the transaction hedged is canceled or is not expected to occur, the cumulative gains and losses in other comprehensive income in equity shall be recognized immediately in profit or loss.

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

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

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

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

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

The subscription warrants indemnification were measured based on the share price of Ultrapar (UGPA3) at the financial statements date and are adjusted to the Company s dividend yield, since the exercise is only possible starting in 2020 onwards and they are not entitled to dividends until then. The number of shares of subscription warrants indemnification is also adjusted according to the changes in the amounts of provision for tax, civil, and labor risks and contingent liabilities related to the period prior to January 31, 2014. (See Note 22 to our consolidated financial statements).

Fair value calculation of notes in the foreign market (see Note 14.b to our consolidated financial statements) is based on the quoted price in an active market.

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

The interpretation of market information on the choice of calculation methodologies for the fair value requires considerable judgment and estimates to obtain a value deemed appropriate to each situation. Consequently, the estimates presented do not necessary indicate the amounts that may be realizable in the current market. Changes in the significant assumptions used to measure the fair value of financial assets and liabilities could impact our results.

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For further detail on financial instruments of the Company, see Notes 4, 14 and 31 to our consolidated financial statements.

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

Transaction costs incurred and directly attributable to the activities necessary for contracting loans or for issuing bonds, as well as premiums and discounts upon issuance of debentures and other debt, are allocated to the instrument and amortized to profit or loss over its term, using the effective interest rate method (see Note 14.j to our consolidated financial statements). Changes in the significant assumptions used to measure the fair value of financial assets and liabilities could impact our results.

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

Significant actuarial assumptions adopted include:

Economic factors

	2017 **% per year**	**2016** **% per year**
Discount rate for the actuarial obligation at present value	9.51	11.46
Average projected salary growth rate	8.38	8.90
Inflation rate (long term)	4.50	5.00
Growth rate of medical services	8.68	9.20

Demographic factors

Mortality Table for the life insurance benefit CSO-80

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

Disabled Mortality Table RRB 1983

Disability Table RRB 1944 modified

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

Changes to the significant actuarial assumptions could impact our results.

Adoption of the Pronouncements Issued by IFRS as issued by the IASB. The Company and its subsidiaries disclosed the relevant information, known or reasonably estimated to the possible impacts on the adoption of IFRS 9 and IFRS 15 that were available in the preparation of these financial statements, and are subject to change until the first complete financial statements with the initial adoption are disclosed in 2018. For further detail, see Note 2.y to our consolidated financial statements.

Standards and criteria adopted in preparing the information

The consolidated financial information presented below was prepared based on the consolidated financial statements as of and for the years ended December 31, 2017, 2016 and 2015, which were prepared in accordance with IFRS. Ultrapar s financial information is presented on a consolidated basis. Financial information relating to Ultragaz, Ipiranga, Oxiteno, Ultracargo and Extrafarma is presented on an individual basis and does not reflect elimination of intercompany transactions. See Presentation of Financial Information. Accordingly, the sum of individual financial information of Ultrapar s subsidiaries may not correspond to the consolidated financial information of Ultrapar.

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Results of operations

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

Year ended December 31, 2017 compared to the year ended December 31, 2016.

The following table shows a summary of our results of operations for the years ended December 31, 2017 and 2016:

	Year ended December 31, 2017	% of net revenue from sales and services	Year ended December 31, 2016	% of net revenue from sales and services	Percent change 2017 2016
			(R$ million)		
Net revenue from sales and services	80,007.4	100%	77,353.0	100%	3%
Cost of products and services sold	(72,735.8)	-91%	(70,342.7)	-91%	3%
Gross profit	**7,271.6**	**9%**	**7,010.2**	**9%**	**4%**
Selling, marketing, general and administrative expenses	(4,461.8)	-6%	(4,097.4)	-5%	9%
Other operating income, net	59.4	0%	199.0	0%	-70%
Gain (loss) on disposal of property, plant and equipment and intangibles	(2.2)	0%	(6.1)	0%	-63%
Operating income before financial income (expenses) and share of profit (loss) of joint ventures and associates	**2,866.9**	**4%**	**3,105.7**	**4%**	**-8%**
Net financial expenses	(474.3)	-1%	(842.6)	-1%	-44%
Income and social contribution taxes	(839.4)	-1%	(700.0)	-1%	20%
Share of profit (loss) of joint ventures and associates	20.7	0%	7.5	0%	176%
Net income	**1,573.9**	**2%**	**1,570.6**	**2%**	**0%**
Net income attributable to:					
Shareholders of Ultrapar	1,574.3	2%	1,561.6	2%	1%
Non-controlling shareholders of the subsidiaries	(0.4)	0%	9.0	0%	-105%

The following table shows our EBITDA and depreciation and amortization for the years ended December 31, 2017 and 2016:

	Year ended December 31, 2017	% of net revenue from sales and services	Year ended December 31, 2016	% of net revenue from sales and services	Percent change 2017 2016
			(R$ million)		

EBITDA[1]	**4,063.5**	**5%**	**4,216.7**	**5%**	**-4%**
Depreciation and amortization	1,176.0	1%	1,103.5	1%	7%

(1) See footnote 4 under Item 3.A. Key Information Selected Consolidated Financial Data for additional discussion of EBITDA and its reconciliation to other information in our financial statements.

Net revenue from sales and services**.** Ultrapar s net revenue from sales and services increased 3%, from R$77,353.0 million in 2016 to R$80,007.4 million in 2017. Ultrapar s net revenue from sales and services generally includes revenues from fuel and gas sales by Ipiranga and Ultragaz, respectively, pharmaceutical products sales by Extrafarma, specialty chemicals sales by Oxiteno and liquid bulk storage services provided by Ultracargo, reduced by sales taxes such as ICMS, PIS and COFINS and by discounts and sales returns.

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

	2016	2017	Percent change 2017-2016
	(R$ million)		
Ipiranga	66,407.3	67,730.9	2%
Oxiteno	3,700.7	3,957.6	7%
Ultragaz	5,365.5	6,069.3	13%
Ultracargo	355.4	438.4	23%
Extrafarma	1,578.2	1,869.5	18%

Ipiranga s net revenue from sales increased by 2%, from R$66,407.3 million in 2016 to R$67,730.9 million in 2017, mainly due to (i) an increase in diesel and gasoline prices, which were more frequently adjusted to reflect international benchmark prices in 2017 (See Item 4.B. Information on the Company Business Overview Fuel Distribution Industry and Regulatory Overview The role of the Brazilian government), (ii) the increase in taxes levied on gasoline, diesel and ethanol (PIS and COFINS taxes) from June 2017 (See Item 4.B. Information on the Company Business Overview Fuel Distribution Industry and Regulatory Overview The role of the Brazilian government), (iii) the greater share of gasoline in the 2017 sales breakdown from 36.1% in 2016 to 37.5% in 2017, and (iv) the strategy of constant innovation in services and convenience, generating improved customer satisfaction and loyalty. Ipiranga s sales volume in 2017 remained almost stable compared to total sales in 2016, from 23,507 thousand cubic meters in 2016 to 23,458 thousand cubic meters in 2017. In 2017, Ipiranga reported an increase of 1% in sales volume of gasoline, ethanol and natural gas for vehicles (Otto cycle) influenced by the car fleet expansion (+1%). In line with the economy s performance, diesel volume decreased by 2% year on year, despite growth in the second half of 2017.

Oxiteno s net revenue from sales increased by 7%, from R$3,700.7 million in 2016 to R$3,957.6 million in 2017, largely due to the increased sales volume. On the other hand, the increase in Oxiteno s net revenue was partially offset by a 9% decrease in the average *Real*-U.S. dollar exchange rate (from R$3.49 per US$1.00 in 2016 to R$3.19 per US$ in 2017), due to the fact that Oxiteno s sales are highly influenced by the foreign exchange rate, with the appreciation effectively decreasing Oxiteno s net revenue in *Reais*. Sales volume sold at Oxiteno grew 7% in 2017, from 738 thousand tons in 2016 to 790 thousand tons in 2017, primarily as a result of 16% and 5% increases in the volumes of commodities and specialty chemicals, respectively, reflecting increased demand from United States due to pre-marketing sales in preparation for the start of the new plant in Pasadena, along with a growth of volume sold in Brazil as a result of the recovery of Brazil s economy.

Ultragaz s net revenue from sales increased by 13%, from R$5,365.5 million in 2016 to R$6,069.3 million in 2017, mainly due to (i) the increase in the cost of bottled and bulk LPG at refineries, which were more frequently adjusted to reflect international benchmark prices in 2017 (See Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Industry and Regulatory Overview The role of the Brazilian government), and (ii) Ultragaz s differentiation and innovation strategy. The lower share of bulk LPG in the sales mix partly offset the revenues growth. Ultragaz s sales volume decreased by 1%, from 1,760 thousand tons in 2016 to 1,746 thousand tons in 2017. Despite the stable sales volume in the bottled LPG category, due to investments to add new resellers, the bulk category posted a 3% reduction, explained primarily by the loss of some customers to natural gas and the planned reduction in the LPG demand by an industrial client.

Ultracargo s net revenue from services increased by 23%, from R$355.4 million in 2016 to R$438.4 million in 2017, due to increased volumes of fuel handled in Ultracargo s terminals leading to increased average storage volumes, improved productivity and the partial return to operations in June 2017 of 67.5 thousand m^3 out of 151.5 thousand m^3 in Santos that had been shut down since April 2015 incident. Average storage posted an increase of 8% in 2017, due mainly to an increase in the volume of fuels handling at the Santos, Suape and Itaqui terminals, explained primarily by the partial resumption of activities in its Santos terminal in 2017 and the higher demand for fuel handling at Brazilian ports.

Extrafarma s net revenue from sales increased by 18%, from R$1,578.2 million in 2016 to R$1,869.5 million in 2017, mainly due to an increase in retail sales resulting from an increase in the average number of stores coupled with 10% growth in same store sales (corresponding to sales in stores that have been operating for more than 12 months). This growth was partly offset by a 17% decrease in mobile phones revenues, and lower revenues from the wholesale business. Extrafarma opened 100 new stores and closed 21 stores in 2017, resulting in a 25% expansion of the network, with a net of 79 new stores.

Cost of products and services sold. Ultrapar s cost of products and services sold increased by 2%, from R$70,342.7 million in 2016 to R$72,735.8 million in 2017. Ultrapar main costs of products and services sold are related to the purchase of goods for resale, including diesel, gasoline and ethanol for Ipiranga, LPG for Ultragaz and pharmaceutical products for Extrafarma, and raw material, substantially the ethylene for Oxiteno, and depreciation and amortization.

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

	2016	2017	Percent change 2017-2016
	(R$ million)		
Ipiranga	61,877.4	63,003.0	2%
Oxiteno	2,781.7	3,199.5	15%
Ultragaz	4,467.2	5,095.6	14%
Ultracargo	199.0	218.5	10%
Extrafarma	1,071.9	1,277.6	19%

Ipiranga s cost of products sold increased by 2%, from R$61,877.4 million in 2016 to R$63,003.0 million in 2017, due mainly to shifts in the costs of diesel and gasoline, which were more frequently adjusted by producers to reflect international benchmark prices in 2017 and to the increase in taxes levied on gasoline, diesel and ethanol (PIS and COFINS taxes) starting from June 2017.

Oxiteno s cost of products sold increased 15% compared to 2016, from R$2,781.7 million in 2016 to R$3,199.5 million in 2017, due mainly (i) to the higher sales volume, (ii) costs associated with the lengthy stoppage of the Oleoquímica plant due to technical problems in the restarting of the plant, and (iii) increased pre-operational costs (mainly personnel, maintenance and tax property) in preparation for the start of the new Pasadena plant, partially offset by a 9% appreciation of Brazilian *Real*.

Ultragaz s cost of products sold increased 14%, from R$4,467.2 million in 2016 to R$5,095.6 million in 2017, due mainly to the higher cost of LPG at refineries, which were more frequently adjusted to reflect international benchmark prices in 2017.

Ultracargo s cost of services sold increased by 10%, from R$199.0 million in 2016 to R$218.5 million in 2017, due mainly to higher payroll and materials costs, in line with the increased storage volumes.

The cost of products sold by Extrafarma increased by 19%, from R$1,071.9 million in 2016 to R$1,277.6 million in 2017, due mainly to the greater sales volume and the annual adjustment in medicine prices as authorized by the Medicine Market Regulation Chamber (CMED) by 3%.

***Gross profit*.** For the reasons described above, Ultrapar s gross profit increased by 4%, from R$7,010.2 million in 2016 to R$7,271.6 million in 2017, as a result of the increased gross profit in Ipiranga, Ultragaz, Ultracargo and Extrafarma. Ipiranga s gross profit increased by 4%, from R$4,529.9 million in 2016 to R$4,727.9 million in 2017. Oxiteno s gross profit decreased by 18%, from R$919.0 million in 2016 to R$758.1 million in 2017. Ultragaz s gross profit increased by 8%, from R$898.3 million in 2016 to R$973.8 million in 2017. Ultracargo s gross profit increased by 41%, from R$156.4 million in 2016 to R$219.9 million in 2017. Extrafarma s gross profit increased by 17%, from R$506.3 million in 2016 to R$591.9 million in 2017.

***Selling, marketing, general and administrative expenses*.** Ultrapar s selling, marketing, general and administrative (SG&A) expenses generally include personnel, freight, marketing and depreciation and amortization expenses. Ultrapar s SG&A expenses increased by 9%, from R$4,097.4 million in 2016 to R$4,461.8 million in 2017.

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

	2016	2017	Percent change 2017-2016
	(R$ million)		
Ipiranga	2,257.6	2,431.3	8%
Oxiteno	616.4	668.0	8%
Ultragaz	615.5	630.6	2%
Ultracargo	99.7	112.8	13%
Extrafarma	511.1	622.7	22%

Ipiranga s SG&A expenses increased by 8% in 2017, from R$2,257.6 million in 2016 to R$2,431.3 million in 2017, due to (i) an increase in freight expenses, (ii) increased expenses with projects and strategic initiatives, particularly those relating to the lubricants joint venture with Chevron, and (iii) costs incurred in connection with the expansion of the service stations and franchise networks.

Oxiteno s SG&A expenses increased by 8% in 2017, from R$616.4 million in 2016 to R$668.0 million in 2017, due to higher freight expenses resulting from the greater volumes sold and pre-operating expenses (mainly personnel, advertising and marketing and expenses with studies and projects) in preparation for the start of the new Pasadena plant.

Ultragaz s SG&A expenses increased by 2% in 2017, from R$615.5 million in 2016 to R$630.6 million in 2017, as result of the effects of a 2.9% inflation rate (measured by the IPCA) on expenses, which was partially offset by new cost-cutting initiatives in recent years.

Ultracargo s SG&A expenses increased by 13% in 2017, from R$99.7 million in 2016 to R$112.8 million in 2017, due mainly to (i) increased payroll expenses resulting from additional personnel, annual salary adjustment and increased variable compensation in line with operating indicators growth, and (ii) increased costs incurred with consultancies and legal advice.

Extrafarma s SG&A expenses increased by 22% in 2017, from R$511.1 million in 2016 to R$622.7 million in 2017, mainly due to the 23% increase in the average number of stores and R$6 million to expenses resulting from the transfer of its distribution center from Belém to Benevides, and indemnity expenses with dismissals incurred in the first quarter of 2017, partially offset by initiatives to increase efficiency.

Other operating income, net. Other operating income, net decreased from R$199.0 million in 2016 to R$59.4 million in 2017, mainly due to (i) Ultracargo with the effects of the April 2015 fire in Santos, with a positive impact of R$68 million in 2016 resulting mainly from recovery from insurers, and a negative impact of R$39 million in 2017 resulting from expenses relating to the accident; and (ii) Ultragaz with the negative impact of the Cease and Desist Agreement entered into in November 2017 with CADE, which generated an expense of R$84 million.

Income from disposal of assets. Ultrapar s income from disposal of assets is mainly composed of the sale of real estate at Ipiranga in both years and increased from net expenses of R$6.1 million in 2016 to a net expense of R$2.2 million in 2017, or an increase of 63%.

Operating income before financial income (expenses) and share of profit of joint ventures and associates. For the reasons described above, Ultrapar s operating income before financial income (expenses) and share of profit of joint ventures and associates decreased by 8%, from R$3,105.7 million in 2016 to R$2,866.9 million in 2017, as a result of the decreased operating income before financial income (expenses) and share of profit of joint ventures and associates in Oxiteno, Ultragaz, Ultracargo and Extrafarma. Ipiranga s operating income before financial income (expenses) and share of profit of joint ventures and associates increased by 1%, from R$2,383.6 million in 2016 to R$2,418.5 million in 2017. Oxiteno s operating income before financial income (expenses) and share of profit of associates decreased by 54%, from R$308.2 million in 2016 to R$140.3 million in 2017. Ultragaz s operating income before financial income (expenses) and share of profit of associates decreased by 7%, from R$288.4 million in 2016 to R$269.1 million in 2017. Ultracargo s operating income before financial income (expenses) and share of profit of joint ventures and associates decreased by 41%, from R$127.9 million in 2016 to R$74.9 million in 2017. Extrafarma s operating income before financial income (expenses) and share of profit of joint ventures and associates decreased by 561%, from operating loss of R$5.6 million in 2016 to operating loss of R$36.9 million in 2017.

Net financial expenses**.** Net financial expenses include mainly income and expenses from interest on financial investments and financing and exchange rate variation. Ultrapar s net financial expenses decreased by 44%, from R$842.6 million in 2016 to R$474.3 million in 2017, mainly due to (i) the lower average CDI rates during the period (9.9% in 2017 compared to 14.0% in 2016), and (ii) foreign exchange rate effects during the period, which were partially offset by an increase in net debt (from R$5,715.3 million as of December 31, 2016 to R$7,220.7 million as of December 31, 2017). Ultrapar s net debt to EBITDA ratio was 1.78x as of December 31, 2017, compared with 1.36x as of December 31, 2016.

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As of December 31, 2017, Ultrapar s gross debt was R$13,590.6 million and net debt was R$7,220.7 million, compared to gross debt of R$11,417.1 million and net debt of R$5,715.3 million as of December 31, 2016. See footnote 8 under Item 3.A. Key Information Selected Consolidated Financial Data for a detailed discussion of net debt and its reconciliation to information in our financial statements, as well as Notes 4, 14 and 31 to our consolidated financial statements.

Income and social contribution taxes. Ultrapar s income and social contribution taxes, net of benefits from income tax exemptions, increased by 20%, from R$700.0 million in 2016 to R$839.4 million in 2017.

Net income for the year. Ultrapar s net income for 2017 reached R$1,573.9 million, which was stable compared to R$1,570.6 million for 2016, mainly due to the lower financial expenses incurred during the period, partially offset by the decrease in operating income before financial income (expenses) and share of profit of joint ventures and associates between the periods, and higher amortization and depreciation, as a result of investments made during the period, all as described above.

EBITDA. Ultrapar s EBITDA decreased 4%, from R$4,216.7 million in 2016 to R$4,063.5 million in 2017, as a result of EBITDA decreases in Oxiteno, Ultracargo and Extrafarma.

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

R$ million	**2017**	**2016**	**2015**
Net income for the year	**1,573.9**	**1,570.6**	**1,513.0**
(+) Income and social contribution taxes	839.4	700.0	734.3
(+) Net financial expenses	474.3	842.6	703.3
(+) Depreciation and amortization	1,176.0	1,103.5	1,002.6
EBITDA[1]	**4,063.5**	**4,216.7**	**3,953.3**

(1) See footnote 4 under Item 3.A. Key Information Selected Consolidated Financial Data for a more complete discussion of EBITDA and its reconciliation to information in our financial statements.

The following table shows the changes in EBITDA for each of our segments:

	2016	**2017**	**Percent change 2017-2016**
	(R$ million)		
Ipiranga[1]	3,080.5	3,136.5	2%
Oxiteno	458.9	294.8	-36%
Ultragaz	446.6	453.2	1%
Ultracargo	171.2	124.1	-28%
Extrafarma	37.1	24.0	-35%

(1) EBITDA does not include losses related to ConectCar in the amount of R$21.0 million and R$24.4 million in 2017 and 2016, respectively.

Ipiranga reported EBITDA of R$3,136.5 million in 2017, an increase of 2% compared to 2016, in line with the revenues growth due mainly to (i) the strategy of constant services and convenience innovation at service stations, and (ii) improved sales mix with a bigger share of gasoline in the mix (from 36.1% in 2016 to 37.5% in 2017).

Oxiteno reported EBITDA of R$294.8 million, a 36% decrease compared to 2016, despite the increase in total volumes. The reduction is due mainly (i) to the R$ 0.30/US$ appreciation of the average price of the Brazilian Real in 2017, (ii) higher volatility of certain raw materials prices, (iii) the lengthy stoppage of the Oleoquímica plant, and (iv) pre-operational costs at the new Pasadena plant.

Ultragaz s EBITDA totaled R$453.2 million, 1% higher than 2016, as a result of (i) costs and expenses cutting initiatives, (ii) commercial strategies intended to capture new customers and resellers, and (iii) the differentiation and innovation strategy. If the above-mentioned R$84 million contingency expense in 2017 is not considered, Ultragaz EBITDA posted a 20% growth.

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Ultracargo s EBITDA totaled R$124.1 million in 2017, a 28% decrease compared to 2016, due to recoveries against insurance claims in 2016, without corresponding effects in 2017, partially offset by increased cargo handling volumes. See Item 4.A. Information on the Company History and Development of the Company Ultracargo Fire at storage facilities in Santos.

Extrafarma reported EBITDA of R$24.0 million, a 35% decrease compared to 2016, because of the increased number of maturing stores, which went from 45% of the chain in 2016 to 55% in 2017, and R$11 million expenses incurred in connection with the transfer of the distribution center from Belém to Benevides. This decrease was partially offset by strategic and commercial initiatives intended to reduce costs and increase efficiency.

For a reconciliation of our EBITDA and the EBITDA of Ipiranga, Oxiteno, Ultragaz, Ultracargo and Extrafarma to information in our financial statements, see footnote 4 under Item 3.A. Key Information Selected Consolidated Financial Data.

Year ended December 31, 2016 compared to the year ended December 31, 2015.

The following table shows a summary of our results of operations for the years ended December 31, 2016 and 2015:

	Year ended December 31, 2016	% of net revenue from sales and services	Year ended December 31, 2015	% of net revenue from sales and services	Percent change 2016 2015
			(R$ million)		
Net revenue from sales and services	77,353.0	100%	75,655.3	100%	2%
Cost of products and services sold	(70,342.7)	-91%	(68,933.7)	-91%	2%
Gross profit	**7,010.2**	**9%**	**6,721.6**	**9%**	**4%**
Selling, marketing, general and administrative expenses	(4,097.4)	-5%	(3,837.9)	-5%	7%
Other operating income, net	199.0	0%	50.6	0%	293%
Gain (loss) on disposal of property, plant and equipment and intangibles	(6.1)	0%	27.3	0%	-122%
Operating income before financial income (expenses) and share of profit (loss) of joint ventures and associates	**3,105.7**	**4%**	**2,961.5**	**4%**	**5%**
Net financial expenses	(842.6)	-1%	(703.3)	-1%	20%
Income and social contribution taxes	(700.0)	-1%	(734.3)	-1%	-5%
Share of profit (loss) of joint ventures and associates	7.5	0%	(10.9)	0%	-169%
Net income	**1,570.6**	**2%**	**1,513.0**	**2%**	**4%**
Net income attributable to:					
Shareholders of Ultrapar	1,561.6	2%	1,503.5	2%	4%
Non-controlling shareholders of the subsidiaries	9.0	0%	9.5	0%	-5%

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The following table shows our EBITDA and depreciation and amortization for the years ended December 31, 2016 and 2015:

	Year ended December 31, 2016	% of net revenue from sales and services	Year ended December 31, 2015	% of net revenue from sales and services	Percent change 2016 2015
			(R$ million)		
EBITDA[1]	**4,216.7**	**5%**	**3,953.3**	**5%**	**7%**
Depreciation and amortization	1,103.5	1%	1,002.6	1%	10%

(1) See footnote 4 under Item 3.A. Key Information Selected Consolidated Financial Data for additional discussion of EBITDA and its reconciliation to other information in our financial statements.

Net revenue from sales and services. Ultrapar s net revenue from sales and services increased 2%, from R$75,655.3 million in 2015 to R$77,353.0 million in 2016. Ultrapar s net revenue from sales and services generally includes revenues from fuel and gas sales by Ipiranga and Ultragaz, respectively, pharmaceutical products sales by Extrafarma, specialty chemicals sales by Oxiteno and liquid bulk storage services provided by Ultracargo, reduced by sales taxes such as ICMS, PIS and COFINS and by discounts and sales returns.

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

	2015	2016	Percent change 2016-2015
	(R$ million)		
Ipiranga	65,349.8	66,407.3	2%
Oxiteno	4,082.5	3,700.7	-9%
Ultragaz	4,621.2	5,365.5	16%
Ultracargo	315.5	355.4	13%
Extrafarma	1,336.3	1,578.2	18%

Ipiranga s net revenue from sales increased by 2%, from R$65,349.8 million in 2015 to R$66,407.3 million in 2016, mainly due to (i) the rise of diesel and gasoline refinery prices of 4.0% and 6.0%, respectively, charged by Petrobras in October 2015, thereby impacting the price of ethanol, (ii) the greater share of gasoline in the overall sales mix in 2016 from 33% in 2015 to 36% in 2016, and (iii) the strategy of constant innovation in service station services and convenience, resulting in greater customer satisfaction and loyalty, despite lower sales volumes. Ipiranga s sales volume in 2016 decreased by 9%, from 25,725 thousand cubic meters in 2015 to 23,507 thousand cubic meters in 2016. In 2016, sales volume of gasoline, ethanol and natural gas for vehicles (Otto cycle) reported a decrease of 9%, in spite of the effective growth of 2% in the light vehicle fleet, reflecting economic conditions, a worsening in employment levels and the increase in the relative prices of fuel compared to household income. In 2016, the total volume of diesel was also down 9%, mirroring weakness in the economy overall.

Oxiteno s net revenue from sales decreased by 9%, from R$4,082.5 million in 2015 to R$3,700.7 million in 2016, largely due to 15% lower average prices in USD, as a consequence of lower international commodities prices and a greater share of these products in the sales mix. Decrease in Oxiteno s net revenue was partially offset by a 5%

increase in the average *Real*-U.S. dollar exchange rate (from R$3.33 per US$1.00 in 2015 to R$3.49 per US$ in 2016), due to the fact that Oxiteno s sales are highly influenced by the foreign exchange rate, with the depreciation effectively increasing Oxiteno s net revenue in *Reais* and a 2% increase in sales volume. Sales volume sold at Oxiteno was 2% higher in 2016, from 725 thousand tons in 2015 to 738 thousand tons in 2016, as a result of a 17% growth in commodities, as a strategy of increasing efficiency in the use of capacity and dilution in cost of plants, to compensate for the 1% decline in sales volume of specialty chemicals, a reflection of weak economic activity in Brazil.

Ultragaz s net revenue from sales increased by 16%, from R$4,621.2 million in 2015 to R$5,365.5 million in 2016, mainly due to (i) the increase in the costs of LPG for use in the bottled and bulk category by Petrobras of 15.0% and 11.0%, respectively, in September 2015, 4.0% in the bulk category in December 2015 and 12.0% in the bulk category in December 2016, (ii) higher sales volume sold as detailed below, (iii) the adoption of differentiation and innovation strategies, and (iv) the increased share of the bulk category in the composition of total sales mix from 31% in 2015 to 32% in 2016. Ultragaz s sales volume increased by 4%, from 1,697 thousand tons in 2015 to 1,760 thousand tons in 2016, with a 3% growth in the LPG bottled category, the result of commercial initiatives to increase the numbers of resellers, and 6% growth in the bulk category due to investments in the capture of new customers despite the effects of the slowdown of the economy.

Ultracargo s net revenue from services increased by 13%, from R$315.5 million in 2015 to R$355.4 million in 2016, mainly due to the increase in average storage and higher average tariffs at the terminals. Average storage posted an increase of 3% in 2016, due mainly to greater fuel handling at the Suape and Aratu port terminals, which was partially offset by the temporary stoppage of activities at the Ultracargo terminal in Santos in 2015 due to the fire in April of that year.

Extrafarma s net revenue from sales increased by 18%, from R$1,336.3 million in 2015 to R$1,578.2 million in 2016, due to a growth in retail sales excluding sales of mobile phones, a reflection of the larger average number of stores. Same store sales excluding sales of mobile phones (sales in stores that have been in operation more than 12 months) increased 20% in 2016, which was partially offset by the weak performance of the economy, which saw mobile phone sales decrease by 30% in 2016. Extrafarma ended the year with 24% growth (corresponding to the addition of 61 stores) compared to 2015, compared to a growth of 8% of ABRAFARMA.

Cost of products and services sold. Ultrapar s cost of products and services sold increased by 2%, from R$68,933.7 million in 2015 to R$70,342.7 million in 2016. Ultrapar main costs of products and services sold are related to the purchase of goods for resale, including diesel, gasoline and ethanol for Ipiranga, LPG for Ultragaz and pharmaceutical products for Extrafarma, and raw material, substantially the ethylene for Oxiteno, and depreciation and amortization.

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

	2015	2016	Percent change 2016-2015
	(R$ million)		
Ipiranga	61,236.8	61,877.4	1%
Oxiteno	2,809.8	2,781.7	-1%
Ultragaz	3,884.6	4,467.2	15%
Ultracargo	151.9	199.0	31%
Extrafarma	900.9	1,071.9	19%

Ipiranga s cost of products sold increased by 1%, from R$61,236.8 million in 2015 to R$61,877.4 million in 2016, due to the increases in diesel and gasoline costs of 4.0% and 6.0%, respectively, by Petrobras in October 2015 and correspondingly higher ethanol costs, partially offset by lower sales volume and imported fuels.

Oxiteno s cost of products sold decreased 1% compared to 2015, from R$2,809.8 million in 2015 to R$2,781.7 million in 2016, due to lower payroll costs offset by (i) higher sales volume, (ii) a 5% weaker *Real*, which increased Oxiteno s costs denominated or linked to the U.S. dollar, particularly variable costs associated with raw materials such as the ethylene and (iii) increased prices of certain raw materials, international prices of palm kernel oil increased by 45% year on year.

Ultragaz s cost of products sold increased 15%, from R$3,884.6 million in 2015 to R$4,467.2 million in 2016, mainly due to (i) the increase in the costs of LPG for use in the bottled and bulk category by Petrobras of 15.0% and 11.0%, respectively, in September 2015, 4.0% in the bulk category in December 2015 and 12.0% in the bulk category in December 2016, (ii) higher volumes, and (iii) higher unit freight costs due to the increase in product withdrawals on more distant routes.

Ultracargo s cost of services sold increased by 31%, from R$151.9 million in 2015 to R$199.0 million in 2016, due to higher costs with payroll, maintenance, insurance and rental expenses in Ultracargo s terminal.

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The cost of products sold by Extrafarma increased by 19%, from R$900.9 million in 2015 to R$1,071.9 million in 2016, due to greater sales volume and the annual price adjustment in medicines authorized by the Drugs Market Regulation Chamber (CMED) of 12%.

Gross profit. For the reasons described above, Ultrapar s gross profit increased by 4%, from R$6,721.6 million in 2015 to R$7,010.2 million in 2016, as a result of the increased gross profit in Ipiranga, Ultragaz and Extrafarma. Ipiranga s gross profit increased by 10%, from R$4,113.0 million in 2015 to R$4,529.9 million in 2016. Oxiteno s gross profit decreased by 28%, from R$1,272.7 million in 2015 to R$919.0 million in 2016. Ultragaz s gross profit increased by 22%, from R$736.7 million in 2015 to R$898.3 million in 2016. Ultracargo s gross profit decreased by 4%, from R$163.6 million in 2015 to R$156.4 million in 2016. Extrafarma s gross profit increased by 16%, from R$435.3 million in 2015 to R$506.3 million in 2016.

Selling, marketing, general and administrative expenses. Ultrapar s selling, marketing, general and administrative (SG&A) expenses generally include personnel, freight, marketing and depreciation and amortization expenses. Ultrapar s SG&A expenses increased by 7%, from R$3,837.9 million in 2015 to R$4,097.4 million in 2016.

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

	2015	**2016**	**Percent change 2016-2015**
	(R$ million)		
Ipiranga	2,087.2	2,257.6	8%
Oxiteno	690.8	616.4	-11%
Ultragaz	525.4	615.5	17%
Ultracargo	100.6	99.7	-1%
Extrafarma	427.5	511.1	20%

Ipiranga s SG&A expenses increased by 8% in 2016, from R$2,087.2 million in 2015 to R$2,257.6 million in 2016, due to (i) higher expenses with studies and projects for expansion and innovation, (ii) expansion in the service station and franchise network and (iii) the effects of a 6.3% inflation rate (as measured by the IPCA) in 2016, which were partially offset by Ipiranga s reduced freight on lower sales volume.

Oxiteno s SG&A expenses decreased by 11% in 2016, from R$690.8 million in 2015 to R$616.4 million in 2016, mainly due to lower personnel expenses, as a result of lower variable compensation, offset by the depreciation in the average U.S. Dollar/*Real* exchange rate on logistics and international units expenses, aimed by increased sales volume.

Ultragaz s SG&A expenses increased by 17% in 2016, from R$525.4 million in 2015 to R$615.5 million in 2016, due to (i) higher expenditure on studies and projects for expansion and innovation, (ii) higher expenses with systems and support for commercial initiatives, and (iii) greater spending with advertising and marketing, highlighting key aspects of the current strategy focused on consumer convenience and services.

Ultracargo s SG&A expenses decreased by 1% in 2016, from R$100.6 million in 2015 to R$99.7 million in 2016, mainly due to the lower insurance and rental expenses, partially offset by higher payroll expenses.

Extrafarma s SG&A expenses increased by 20% in 2016, from R$427.5 million in 2015 to R$511.1 million in 2016. The increase reflects an 18% average increase in the number of stores, the effects of a 6.3% inflation rate (measured by the IPCA) on payroll expenses and expenses with the launch of the new brand, partially offset by actions implemented for improving pharmaceutical retail management standards.

Other operating income, net. Other operating income, net is mainly composed of merchandising fees from Ipiranga s suppliers. Ultrapar s other operating income, net increased from R$50.6 million in 2015 to R$199.0 million in 2016, due to (i) the effects of the fire in April 2015 at Ultracargo s Santos terminal with a positive impact of R$68 million in 2016, mainly related to recoveries on insurance claims, compared to an expense of R$92 million in 2015, and (ii) receipt of revenues due to the strategy of constant innovation in services and convenience at Ipiranga, partially offset by the recognition in 2015 of non-recurring income of R$30 million relating to the adjustment in working capital and net indebtedness due to the Extrafarma acquisition and a lawsuit relating to the use of trademark decided favorably to Ultrapar.

Income from disposal of assets. Ultrapar s income from disposal of assets is mainly composed of the sale of real estate at Ipiranga in both years and decreased from net revenues of R$27.3 million in 2015 to a net expense of R$6.1 million in 2016, or a decrease of 122%.

Operating income before financial income (expenses) and share of profit of joint ventures and associates. For the reasons described above, Ultrapar s operating income before financial income (expenses) and share of profit of joint ventures and associates increased by 5%, from R$2,961.5 million in 2015 to R$3,105.7 million in 2016, as a result of the increased operating income before financial income (expenses) and share of profit of joint ventures and associates in Ipiranga, Ultragaz and Ultracargo. Ipiranga s operating income before financial income (expenses) and share of profit of joint ventures and associates increased by 11%, from R$2,154.6 million in 2015 to R$2,383.6 million in 2016. Oxiteno s operating income before financial income (expenses) and share of profit of associates decreased by 47%, from R$579.5 million in 2015 to R$308.2 million in 2016. Ultragaz s operating income before financial income (expenses) and share of profit of associates increased by 35%, from R$213.9 million in 2015 to R$288.4 million in 2016. Ultracargo s operating income before financial income (expenses) and share of profit of joint ventures and associates increased by 897%, from operating loss of R$16.1 million in 2015 to operating income of R$127.9 million in 2016. Extrafarma s operating income before financial income (expenses) and share of profit of joint ventures and associates decreased by 212%, from operating income of R$5.0 million in 2015 to operating loss of R$5.6 million in 2016.

Net financial expenses. Net financial expenses include mainly income and expenses from interest on financial investments and financing and exchange rate variation. Ultrapar s net financial expenses increased by 20%, from R$703.3 million in 2015 to R$842.6 million in 2016, mainly due to (i) higher CDI rates in the period (14.0% in 2016 compared to 13.2% in 2015), (ii) higher net debt from R$4,928.4 million in 2015 to R$5,715.3 million in 2016, in line with the growth of the company, and (iii) currency rate fluctuations in the period. Ultrapar s net debt to EBITDA ratio was 1.36x as of December 31, 2016, compared with 1.25x as of December 31, 2015.

As of December 31, 2016, Ultrapar s gross debt was R$11,417.1 million and net debt was R$5,715.3 million, compared to gross debt of R$8,901.6 million and net debt of R$4,928.4 million as of December 31, 2015. See footnote 8 under Item 3.A. Key Information Selected Consolidated Financial Data for a detailed discussion of net debt and its reconciliation to information in our financial statements, as well as Notes 4, 14 and 31 to our consolidated financial statements.

Income and social contribution taxes. Ultrapar s income and social contribution taxes, net of benefits from income tax exemptions, decreased by 5%, from R$734.3 million in 2015 to R$700.0 million in 2016.

Net income for the year. Ultrapar s net income for 2016 reached R$1,570.6 million, a 4% increase in net income compared to 2015, due to growth in operating income before financial income (expenses) and share of profit of joint ventures and associates between the periods, partially offset by higher financial expenses and higher amortization and depreciation, as a result of investments made during the period, all as described above.

EBITDA. Ultrapar s EBITDA increased 7%, from R$3,953.3 million in 2015 to R$4,216.7 million in 2016, as a result of EBITDA growth in Ipiranga, Ultragaz, Ultracargo and Extrafarma.

The following table shows the changes in EBITDA for each of our segments:

	2015	2016	Percent change 2016-2015
	(R$ million)		
Ipiranga[1]	2,768.8	3,080.5	11%
Oxiteno	739.8	458.9	-38%
Ultragaz	357.0	446.6	25%
Ultracargo	26.3	171.2	551%
Extrafarma	28.7	37.1	29%

(1) EBITDA does not include losses related to ConectCar in the amount of R$24.4 million and R$23.2 million in 2016 and 2015, respectively.

Ipiranga reported EBITDA of R$3,080.5 million in 2016, an increase of 11% compared to 2015, despite lower sales volumes, mainly due to (i) the strategy of constant innovation in service station services and convenience, (ii) the better sales mix and (iii) the reduction in the average cost of fuels, made possible by imports.

Oxiteno reported EBITDA of R$458.9 million, a 38% decrease compared to 2015, mainly due to (i) the variation in exchange rates and in prices of certain raw materials, both moving in opposite directions when comparing 2016 and 2015, and (ii) the greater share of commodities in the product mix, partially offset by higher sales volume and by a 5% weaker *Real* (R$ 0.16/US$).

Ultragaz s EBITDA totaled R$446.6 million, 25% higher than 2015, as a result of commercial initiatives for the capture of new customers and resellers and the strategy of differentiation and innovation.

Ultracargo s EBITDA totaled R$171.2 million in 2016, a 551% increase, due to recoveries against insurance claims and greater handling movement. See Item 4.A. Information on the Company History and Development of the Company Ultracargo Fire at storage facilities in Santos.

Extrafarma reported EBITDA of R$37.1 million, a 29% increase compared to 2015, due to sales growth and actions taken to improve pharmaceutical retail management standards, partially offset by the larger number of recently opened stores yet to reach full maturity.

For a reconciliation of our EBITDA and the EBITDA of Ipiranga, Oxiteno, Ultragaz, Ultracargo and Extrafarma to information in our financial statements, see footnote 4 under Item 3.A. Key Information Selected Consolidated Financial Data.

B. Liquidity and Capital Resources

Our principal sources of liquidity derive from (i) cash, cash equivalents and financial investments, (ii) cash generated from operations and (iii) financings. We believe that these sources are sufficient to satisfy our current funding requirements for a period of 12 months, which include, but are not limited to, working capital, capital expenditures, amortization of debt and payment of dividends.

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

Sources and uses of funds. Net cash provided by operating activities was R$2,279.4, R$2,513.7 million and R$3,201.7 million for 2017, 2016 and 2015, respectively. In 2017, net cash provided by operating activities was R$234.3 million lower than that of 2016, mainly due to a decrease in EBITDA year-over-year and the increase in working capital investments given the volatility observed in LPG and fuel acquisition prices (See Item 4.B. Information on the Company Business Overview Fuel Distribution Industry and Regulatory Overview The role of the Brazilian government and Item 4.B. Information on the Company Business Overview Distribution of Liquefied Petroleum Gas Industry and Regulatory Overview The role of the Brazilian government). In 2016, net cash provided by operating activities was R$688.0 million lower than that of 2015, despite the 7% EBITDA growth and lower investment in working capital when compared to 2015. Due to the use of the indirect method of cash flow, interest on financial liabilities and variations on the exchange rate adjustment in the net cash provided by operating activities in 2016 were R$818.8 million lower than in 2015. In 2015, net cash provided by operating activities was R$551.0 million higher than that of 2014, mainly due to the growth in operations, partially offset by an increase in investment in working capital, that grew from a divestment of R$99.0 million to an investment of R$455.0 million in 2015.

Net cash used in investing activities was R$1,912.1, R$1,848.8 million and R$801.8 million for 2017, 2016 and 2015, respectively. In 2017, Ultrapar continued with an investment strategy focused on the continuing growth of scale and competitiveness, better serving an increasing number of customers. In 2017, 2016 and 2015, we invested R$2,016.9, R$1,637.9 million and R$1,334.2 million in additions to fixed assets, equipment and intangible assets, net of divestment and repayments. In addition, capital investments were made in ConectCar of R$16.0, R$47.3 million and R$41.1 million in 2017, 2016 and 2015 respectively.

Net cash from financing activities totaled a cash provided by of R$340.3 million and R$928.4 million for 2017 and 2016, respectively and a cash provided of R$2,520.7 million for 2015. In 2017, cash flow used by financing activities decrease in R$588.0 million compared to 2016, mainly due to an increase in amortization of principal, which was partially offset by an R$833.8 increase in proceeds from new financings. In 2016, cash flow used by financing activities increased in R$3,449.1 million compared to 2015, mainly as a result of lower use of resources for amortization of debt and an increase of R$1,292.3 million in new loans and financings, which strengthened the cash position and extended the Company s debt profile. In 2015, net cash used in financing activities increased by R$1,981.4 million compared to 2014, mainly as a result of an increase in amortization of debt and interest payment and for acquisition of shares issued by the Company (share buyback program).

Accordingly, cash and cash equivalents totaled R$5,002.0, R$4,274.2 million and R$2,702.9 million as of December 31, 2017, 2016 and 2015, respectively.

We believe we have sufficient working capital to meet our current needs for a period of 12 months. We had R$6,285.5 million in cash, cash equivalents and short-term investments as of December 31, 2017. The gross indebtedness due from January 1 to December 31, 2018 totaled R$3,809.9 million, including estimated interest payments on loans, as of December 31, 2017. See Tabular Disclosure of Contractual Obligations. Furthermore, we estimate investments of R$2,676.5 in 2018.

We anticipate that we will spend approximately R$20.4 billion in the next five years to meet long-term contractual obligations described in the Tabular Disclosure of Contractual Obligations and for the 2018 budgeted capital expenditures. We expect to meet these cash requirements through a combination of cash generated from operating activities and cash generated by financing activities, including new debt financing and the refinancing of some of our indebtedness as it becomes due.

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

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Indebtedness

As of December 31, 2017, our consolidated short and long-term debt was as follows:

Indebtedness	Currency	Interest Rate(1)	Principal amount of outstanding and accrued interest through December 31, 2017	2016
			(in millions of *Reais*)	
Foreign currency-denominated loans:				
Notes in the foreign market	US$	5.3%	2,454.1	2,412.1
Foreign loan	US$	LIBOR (2) + 1.0%	788.8	942.5
Financial institutions	US$	LIBOR (2) + 2.5%	330.8	195.0
Foreign loan	US$	LIBOR (2) + 1.9%	298.9	332.6
Foreign loan	US$	2.2%	259.0	486.5
Financial institutions	US$	2.8%	106.7	109.9
Advances on Foreign Exchange Contracts	US$	2.4%	44.5	111.1
Financial institutions	MX$(3)	8.5%	27.0	24.6
Foreign currency advances delivered	US$	2.2%	26.1	32.6
BNDES	US$	6.4%	4.5	7.1
Financial institutions	MX$(3)	TIIE (3) + 1.5%	3.4	9.6
Financial institutions	Bs$(8)	24.0%	0.6	0.4
***Reais* denominated loans:**				
Debentures 1st, 2nd, 4th and 6th public issuances IPP	R$	105.8% of CDI	2,836.7	1,914.5
Banco do Brasil floating rate	R$	107.3% of CDI	2,794.3	2,956.5
Debentures CRA	R$	95.0% of CDI	1,380.9	
Debentures 5th issuance	R$	108.3% of CDI	817.7	832.4
Debentures CRA	R$	IPCA (7) + 4.6%	554.4	
BNDES	R$	TJLP (4) + 2.4%	206.4	307.6
Export Credit Note floating rate	R$	101.5% of CDI	157.7	158.8
BNDES	R$	SELIC (6) + 2.3%	69.4	71.4
BNDES EXIM	R$	TJLP (4) + 3.5%	62.8	62.1
Finance leases	R$	IGP-M (5) + 5.6%	48.5	48.6
FINEP Research and Projects Financing	R$	4.0%	35.6	48.7
FINEP Research and Projects Financing	R$	TJLP (4) + 1.0%	32.7	34.6
BNDES EXIM	R$	SELIC (6) + 3.9%	30.9	28.1
Banco do Nordeste do Brasil(9)	R$	8.5%	28.1	47.1
BNDES	R$	5.6%	26.3	40.3
FINAME Financing for Machines and Equipment	R$	TJLP (4) + 5.7%	0.1	0.1
Floating rate finance leases	R$			0.1
Fixed rate finance leases	R$			0.0
Total loans			**13,426.8**	**11,214.8**
Unrealized losses on swaps transactions			163.7	202.4

Total	**13,590.6**	**11,417.1**

(1) Interest rate as of December 31, 2017.

(2) LIBOR = London Interbank Offered Rate.

(3) MX$ = Mexican peso and TIIE = the Mexican interbank balance interest rate.

(4) TJLP (Long-Term Interest Rate) = set by the National Monetary Council, TJLP is the basic financing cost of BNDES. On December 31, 2017, TJLP was fixed at 7.0% p.a.

(5) IGP-M = General Index of Market Prices of Brazilian inflation, calculated by the Getulio Vargas Foundation.

(6) SELIC = Brazilian base interest rate.

(7) IPCA = Brazilian National Wide Consumer Price Index.

(8) Bs$ = Bolívar.

(9) Contract linked to the FNE (Northeast Constitutional Financing Fund) rate, as managed by Bando do Nordeste do Brasil, the purpose of which is to promote the development of the industrial sector. On December 31, 2017, the FNE interest rate was 10% p.a. FNE grants a 15% interest rate discount for timely payments.

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Our consolidated debt as of December 31, 2017 had the following maturity schedule:

Maturity	**Amount (in millions of *Reais*)**
January 1, 2018 to December 31, 2018	3,503.7
January 1, 2019 to December 31, 2019	1,826.9
January 1, 2020 to December 31, 2020	894.6
January 1, 2021 to December 31, 2021	1,302.5
January 1, 2022 to December 31, 2022	3,016.4
2023 thereafter	3,046.5
Total	13,590.6

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

Ultrapar contracted hedging instruments against foreign currency exchange and interest rate variations for a portion of its indebtedness. See Item 11. Quantitative and Qualitative Disclosures about Market Risk and Note 31 to our consolidated financial statements for more information.

The financings are guaranteed by collateral in the amount of R$66.3 million as of December 31, 2017 (R$56.6 million as of December 31, 2016) and by guarantees and promissory notes in the amount of R$9,858.0 million as of December 31, 2017 (R$7,069.5 million as of December 31, 2016) and guarantees related to raw materials imported by the subsidiary Ipiranga in the amount of R$81.0 million (R$59.3 million as of December 31, 2016).

Some subsidiaries issued collateral to financial institutions in connection with the amounts owed by some of their customers to such institutions (vendor financing). If a subsidiary is required to make any payment under this collateral, this subsidiary may recover the amount paid directly from its customers through commercial collection. The maximum amount of future payments related to this collateral is R$8.2 million as of December 31, 2017 with maturities of less than 212 days. As of December 31, 2017, Ultrapar did not have losses in connection with this collateral. The fair value of collaterals recognized in current liabilities as other payables was R$0.2 million as of December 31, 2017, which is recognized as profit or loss as customers settle their obligations with the financial institutions.

Notes in the foreign market

In October 2016, the subsidiary Ultrapar International issued notes in the international market in the amount of US$ 750 million, with maturity in October 2026 and interest rate of 5.25% p.a., paid semiannually. The issue price was 98.097% of the face value of the notes. The notes were guaranteed by Ultrapar and IPP.

As a result of the issuance of these notes, the Company and its subsidiaries are required to undertake certain obligations, including:

- Restriction on sale of all or substantially all assets of the Company and subsidiaries Ultrapar International and IPP; and

- Restriction on encumbrance of assets exceeding US$150 million or 15% of the value of the consolidated tangible assets.

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

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Foreign loans

1) The subsidiary IPP has foreign loans in the total amount of US$320 million. IPP also contracted hedging instruments for floating interest rate in U.S. dollar and exchange rate variation, changing the foreign loans charge to an average cost of 102.9% of CDI (see Note 31 to our consolidated financial statements). IPP designated these hedging instruments as a fair value hedge; therefore, loans and hedging instruments are both measured at fair value from inception, with changes in fair value recognized through profit or loss. The foreign loans are guaranteed by Ultrapar.

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

Maturity	Amount in millions of dollars	Cost % of CDI
July, 2018	60.0	103.0
September, 2018	80.0	101.5
November, 2018	80.0	101.4
June, 2022	100.0	105.0
Total / average cost	**320.0**	**102.9**

2) The subsidiary LPG International has a foreign loan in the amount of US$30 million, with maturity in December 2018 and interest rate of LIBOR + 1.85% per year, paid quarterly. The foreign loan is guaranteed by the Company and its subsidiary IPP.

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

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

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

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

3) The subsidiary Global Petroleum Products Trading Corporation obtained a foreign loan in the amount of US$12 million, with maturity in December 2018 and interest rate of LIBOR + 1.85% per year, paid quarterly.

This loan was guaranteed by the Company and its subsidiary IPP. This loan was fully repaid in December 2017.

4) The subsidiary Global Petroleum Products Trading Corporation obtained a foreign loan in the amount of US$60 million with maturity on June 22, 2020 and interest of LIBOR + 2.0% p.a., paid quarterly. The Company, through the subsidiary Cia. Ultragaz, contracted, interest rate hedging instruments subject to floating interest rates in U.S. dollar and exchange rate variation, which resulted in this loan having an effective fixed rate of 105.9% of CDI. This loan is guaranteed by the Company and its subsidiary Oxiteno Nordeste.

Debentures

In October 2017, the subsidiary IPP carried out its seventh issuance of simple, nonconvertible, unsecured, book-entry debentures in the amount of R$944.1 million, in two series of R$730.4 million and R$213.7 million. These debentures have been subscribed by Vert Companhia Securitizadora. The proceeds from this issuance have been used exclusively for the purchase of ethanol.

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The debentures were later assigned and transferred to Vert Créditos Ltda., which acquired these agribusiness credit rights with the purpose to bind the issuance of Certificates of Agribusiness Receivables (CRA). The financial settlement occurred on November 1, 2017. The debentures have an additional guarantee from Ultrapar and the main characteristics of the debentures are as follows:

Principal Amount:	R$730,384,000.00
Unit Par Value:	R$1,000.00
Maturity date:	October 24, 2022
Repayment method:	Lump sum at final maturity
Interest:	95.0% of CDI
Payment of interest:	Semiannually

Principal Amount:	R$213,693,000.00
Unit Par Value:	R$1,000.00
Maturity date:	October 24, 2024
Repayment method:	Lump sum at final maturity
Interest:	IPCA + 4.33%
Payment of interest:	Annually

The subsidiary IPP contracted interest rate hedging instruments, with the effect of changing the interest rate applicable to the debentures from IPCA + 4.33% to 97.3% of CDI. IPP designated these hedging instruments as fair value hedges; therefore, debentures and hedging instruments are both measured at fair value from inception, with changes in fair value recognized through profit or loss.

In July 2017, the subsidiary IPP carried out its sixth issuance of public debentures, in one single series of 1,500,000 simple, nonconvertible into shares and unsecured debentures, which main characteristics are as follows:

Principal Amount:	R$1,500,000,000.00
Unit Par Value:	R$1,000.00
Maturity date:	July 28, 2022
Repayment method:	Amortizing annually, beginning in July 2021
Interest:	105.0% of CDI
Payment of interest:	Annually

In April 2017, the subsidiary IPP carried out its fifth issuance of debentures, in two single series of 660,139 and 352,361, simple, nonconvertible into shares, nominative, book-entry and unsecured debentures. The proceeds from this issuance has been used exclusively for the purchase of ethanol.

The debentures have an additional guarantee from Ultrapar and the main characteristics of the debentures are as follows:

Principal Amount:	R$660,139,000.00
Unit Par Value:	R$1,000.00

Maturity date:	April 18, 2022
Repayment method:	Lump sum at final maturity
Interest:	95.0% of CDI
Payment of interest:	Semiannually

Principal Amount:	R$352,361,000.00
Unit Par Value:	R$1,000.00
Maturity date:	April 15, 2024
Repayment method:	Lump sum at final maturity
Interest:	IPCA + 4.68%
Payment of interest:	Annually

The subsidiary IPP entered into interest rate hedging instruments, with the effect of changing the interest rate applicable to the debentures from IPCA + 4.68% to 93.9% of CDI. IPP designated these hedging instruments as fair value hedges; therefore, debentures and hedging instruments are both measured at fair value from inception, with changes in fair value recognized through profit or loss.

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In May 2016, the subsidiary IPP carried out its fourth issuance of public debentures, in a single series of 500 simple, nonconvertible into shares, nominative, book-entry and unsecured debentures, with an additional guarantee granted by Ultrapar, and its main characteristics are as follows:

Principal Amount:	R$500,000,000.00
Unit Par Value:	R$1,000,000.00
Maturity date:	May 25, 2021
Repayment method:	Amortizing annually, beginning in May 2019
Interest:	105.0% of CDI
Payment of interest:	Semiannually

The proceeds of this issuance were used in the purchase of ethanol by the subsidiary IPP. The subsidiary has the obligation to prove the allocation of the resources within 12 months from subscription.

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

Principal Amount:	R$800,000,000.00
Unit Par Value:	R$10,000.00
Maturity date:	March 16, 2018
Repayment method:	Lump sum at final maturity
Interest:	108.25% of CDI
Payment of interest:	Semiannually

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

The debentures from the fifth issuance were fully settled by the Company on the maturity date.

In January 2014, the subsidiary IPP made its second public issuance of debentures in single series of 80,000 simple, nonconvertible into shares, nominative, book-entry and unsecured debentures with an additional guarantee granted by Ultrapar, and its main characteristics are as follows:

Principal Amount:	R$800,000,000.00
Unit Par Value:	R$10,000.00
Maturity date:	December 20, 2018
Repayment method:	Lump sum at final maturity
Interest:	107.9% of CDI
Payment of interest:	Semiannually

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

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In December 2012, the subsidiary IPP made its first public issuance of debentures in single series of 60,000 simple, nonconvertible into shares, nominative, book-entry and unsecured debentures, with an additional guarantee granted by Ultrapar, and its main characteristics are as follows:

Principal Amount:	R$600,000,000.00
Unit Par Value:	R$10,000.00
Maturity date:	November 16, 2017
Repayment method:	Lump sum at final maturity
Interest:	107.9% of CDI
Payment of interest:	Semiannually

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

These debentures were fully settled by the Company on their maturity date.

BNDES

The subsidiaries of Ultrapar have financings from BNDES (Brazilian National Development Bank) for some of their investments and projects and such financings are guaranteed by Ultrapar. As of December 31, 2017, such lines of credit with BNDES totaled R$1.6 billion, of which R$0.3 billion had been drawn down. See Item 10.C. Additional Information Material Contracts BNDES.

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

- capitalization level: shareholders equity / total assets equal to or above 0.3; and
- current liquidity level: current assets / current liabilities equal to or above 1.3.

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

Financial institutions

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

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

In September 2016, the subsidiary Oxiteno USA renegotiated a loan in the notional amount of US$20 million, changing its maturity from October 2017 to September 2020, bearing interest of LIBOR + 3% per year, paid quarterly. The loan is guaranteed by Ultrapar and the subsidiary Oxiteno S.A.

In October 2017, the subsidiary Oxiteno USA entered into a loan agreement in the amount of US$40 million, due in October 2022 and bearing interest of LIBOR + 1.73% p.a., paid quarterly. The proceeds of this loan are being used to fund the construction of a new alkoxylation plant in the state of Texas. The loan is guaranteed by the Company.

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Banco do Brasil

As of December 31, 2017, the subsidiary IPP was party to seven floating interest rate loan agreements with Banco do Brasil S.A., with a total aggregate outstanding balance of R$2,794.3 million, to finance the marketing, processing or manufacturing of agricultural goods, including the production of ethanol. Except for one of such loan agreements, each was renegotiated to allow for the segregation of their principal amounts into subcredits, with different amounts, interest rates and maturity dates.

In February 2016, IPP renegotiated loans with Banco do Brasil in the total aggregate principal amount R$166.7 million and extended their respective maturity dates from February 2016 to February 2019, with a floating interest rate of 114.0% of CDI. In addition, in June 2016, IPP renegotiated additional loans with Banco do Brasil in the total aggregate principal amount of R$100.0 million and R$909.5 million with a floating interest rate of 110.9% of CDI, and furthermore (i) extended the respective maturity dates from May 2016 and January 2017 to May 2020, May 2021 and May 2022, respectively.

The chart below indicates the consolidated amounts due by IPP to Banco do Brasil on the maturity dates of the subcredits agreed in the loan agreements (include interest until December 31, 2017):

Maturity	**Balance in 2017 (in millions of *Reais*)**
January, 2018	172.8
April, 2018	100.6
February, 2019	168.4
May, 2019	1,339.0
May, 2020	337.8
May, 2021	337.8
May, 2022	337.8
	2,794.3

Export credit note.

The subsidiary Oxiteno Nordeste has export credit notes in the amounts of R$156.8 million with maturity in May 2018 and floating rate of 101.5% of CDI, paid quarterly.

In March 2016, the subsidiary Oxiteno Nordeste settled the export credit note in the amount of R$17.5 million, on the maturity date, with interest rate of 8% per year, and also settled its respective hedging instrument.

In August 2016, the subsidiary Oxiteno Nordeste settled the export credit note in the amount of R$10.0 million, on the maturity date, with interest rate of 8% per year, and also settled its respective hedging instrument.

Investments

Equity investments

Equity investments consist of acquisition of subsidiaries and capital increases, net of capital reduction in joint ventures and associates. The table below shows our equity investments for the years ended December 31, 2017, 2016 and 2015:

	Year ended December 31,		
	2017	**2016**	**2015**
	(in millions of *Reais*)		
Ipiranga[1]	16.0	47.3	41.1
Oxiteno			
Ultragaz			
Ultracargo			
Extrafarma			
Others			
Total equity investments	**16.0**	**47.3**	**41.1**

(1) Capital invested in ConectCar.

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Investments

The following table shows our total additions to property, plant, equipment, and intangible assets for the years ended December 31, 2017, 2016 and 2015 and does not include equity investments:

	Year ended December 31,		
	2017	2016	2015
	(in millions of *Reais*)		
Ipiranga	1059.9	892.3	853.9
Oxiteno	463.1	288.4	131.4
Ultragaz	214.9	225.5	219.9
Ultracargo	86.4	78.9	23.9
Extrafarma	170.5	142.8	80.8
Others[1]	22.6	9.9	24.2
Total additions to property, plant, equipment and intangible assets	**2,017.3**	**1,637.9**	**1,334.2**

[1] Includes mainly capital expenditures related to corporate information technology.

In 2017, Ultrapar s total additions to property, plant, equipment and intangible assets totaled R$2,017 million. At Ipiranga, R$1,336 million was invested in 2017, of which nearly 50% was in connection with the expansion of its distribution network (through branding non-branded stations and opening new stations) and am/pm and Jet Oil franchises, and the remaining 50% was in connection with logistics infrastructure facilities, renovations and maintenance, which increases useful lives of the assets. Out of Ipiranga s total amount, R$1,060 million related to property, plant and equipment and additions to intangible assets, and R$277 million related to the financing to customers net of repayments (reseller financing is provided for renovation and upgrading of service stations, purchase of products, and development of the automotive fuels and lubricants distribution market). At Oxiteno, total investments in 2017 amounted to R$463 million, mostly in the construction of the new plant in the United States, and in the maintenance of its production units, which increases useful lives of the assets. At Ultragaz, R$215 million were invested in 2017, mainly in the bulk segment, in the replacement and acquisitions of bottles and maintenance of its bottling facilitie, which increases useful lives of the assets. In 2017, Ultracargo invested R$86 million, mainly in the modernization terminal safety system and infrastructure maintenance at existing terminals, which increases useful lives of the assets. Extrafarma invested R$170 million, mainly in the construction of new stores, information technology systems and remodeling of existing stores.

Ultrapar s 2018 investment plan amounts to R$2,676 million (excluding potential acquisitions), which demonstrates the continued existence of good opportunities for organic growth and productivity gains, as well as modernization of existing operations. At Ipiranga, the amount approved for investment is R$1,545 million, of which approximately 50% are intended to increase the pace of expansion of the resellers network by adding fueling stations and am/pm and Jet Oil franchises, in addition to new customers in the corporate segment. The other 50% aim at expanding the logistics infrastructure as a means to support growth and increase productivity, and for maintenance and modernization of its activities, mainly contract renewals and information technology in support of innovation and efficiency projects. Oxiteno s investment plan approved for 2018 totals R$343 million and will be deployed mainly to production units modernization and maintenance, for the purpose of improving productivity; to upgrade its information technology systems; and includes US$34 million for the completion of the new ethoxylation unit at its Pasadena, Texas (USA) plant, which we plan to complete in the first half of 2018. The new unit s capacity will be 120,000 tons per year. Ultragaz s investment plan approved for 2018 totals R$284 million, of which it covers R$190 million in investments in operations maintenance and modernization; technology with a focus on new systems to support its operations and quality; and R$94 million allocated to expanding the resellers chain and bulk customers portfolio. Ultracargo is expected to invest R$115 million in the Itaqui and Suape terminals which are expected to be completed in 2019 and 2020, respectively; and in continued terminal safety and infrastructure improvements, for a total amount of R$247 million. At Extrafarma, we plan to invest R$232 million mainly in the opening of new stores and associated logistic infrastructure, focusing on the north and northeast regions and in the state of São Paulo, as well as in information technology.

The plan also covers continued modernization of the information systems at every business to enable increasingly better customer service, improved logistics efficiency, develop new forms of selling, and expanding our relationships with resellers and partners.

C. Research and Development, Trademarks and Patents

Research and Development

Oxiteno carries on a wide range of research and development activities, principally related to the application of specialty chemicals and improvements in production processes. As of December 31, 2017, 159 employees of Oxiteno were engaged in research and development and engineering activities. Oxiteno s research and development expenditures in 2017, 2016 and 2015 were R$53 million, R$50 million and R$41 million, respectively. In 2004, Oxiteno founded its own Science and Technology Council with six of the world s major specialists in surfactants as members. These specialists, with experience in the surfactants industry or in the academic environment in the US, Europe and Latin America, follow the trends and opportunities in the sector. Since 2004, the council, currently composed of five specialists, has met once a year in São Paulo to analyze Oxiteno s research and development project portfolio, as well as the management methodology applied. Their recommendations enable Oxiteno to improve its research and development activities efficiency, as well as to broaden the reach of its partnerships with international entities. In addition, Oxiteno has created specific scientific councils with specialists from its main segments.

Oxiteno s investments in research and development have resulted in the introduction of 86 new products during the last three years. Oxiteno will continue to invest in research and development focused on developing new product applications to meet clients needs.

Trademarks and Patents

Ipiranga owns registrations for the trademarks used in its distribution business, such as Ipiranga, *Quilômetros de Vantagens Ipiranga* (*Km de Vantagens*), Jet Oil, *Clube* VIP Ipiranga, *Clube do Milhão* Ipiranga, Posto 24 horas, Atlantic, *Gasolina Original* Ipiranga (Original Ipiranga Gasoline), among several others. The 10-year period of validity of the registrations for these trademarks will expire between 2018 and 2028. Ipiranga acquired the am/pm brand in Brazil in November 2012 through an agreement signed with Atlantic Richfield Company.

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

The other Company s subsidiaries also own registrations and applications for its main trademarks, such as (i) Ultragaz, Ultragaz Ultrasystem and Brasilgás trademarks for the activities of Ultragaz, (ii) Extrafarma and *Clube Extrafarma* trademarks for the activities of Extrafarma, (iii) Ultracargo and Ultradata for the activities of Ultracargo and (iv) Oxiteno. The 10-year period of validity of the registrations for these trademarks will expire between 2018 and 2028.

D. Trend Information

LPG business

Between 2003 and the end of 2007, LPG prices charged to LPG distributors in Brazil remained stable, despite increases in oil and LPG prices in the international markets, which were partially offset by the appreciation of the *Real* compared to the U.S. dollar. However, since 2008 Petrobras has increased LPG refinery prices for commercial and industrial usage sporadically. In 2017, LPG refinery prices were adjusted more frequently, as shown below:

	Jan-08	Apr-08	Jul-08	Jan-10	Dec-14	Sep-15	Dec-15	Dec-16
Commercial and Industrial LPG (% adjustment)	15%	10%	6%	6%	15%	11%	4%	12%

	Apr-17	Jul-17	Aug-17	Sep-17	Nov-17	Dec-17
Commercial and Industrial LPG (% adjustment)	-4.0%	-5.2% and 8.0%	7.2%	2.3% and 7.9%	6.5%	5.3%

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

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

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

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

LPG bulk sales are correlated to economic growth. Thus, an acceleration or deceleration in Brazilian GDP growth can affect our sales volume, since the segment represented approximately 30% of the volume sold by Ultragaz. Bottled LPG is an essential good and, therefore, it has a relatively low correlation with economic performance.

Chemical and petrochemical business

The specialty chemicals volume in the Brazilian market is correlated to economic performance. Therefore, an acceleration or deceleration in the Brazilian GDP can affect our sales volume, as Oxiteno s specialty chemicals sales in Brazil represented 55% of its total sales in 2017. In the end of 2008, Oxiteno concluded certain capacity expansions that, coupled with the increase of 70 thousand tons per year in the ethoxylate unit of Camaçari in 2010 and of 90 thousand tons per year of ethylene oxide also in Camaçari in 2011, allowed an increase in sales volume, exports and, therefore, in the share of international units in volume sold. In periods of the Brazilian market growth, Oxiteno aims at (i) increasing the volume sold in the domestic market once the logistics costs are usually lower than those of sales outside Brazil, and (ii) increasing sales volume of specialties products of higher value added than commodities. In 2017, sales of specialty chemicals represented 82% of the total volume sold by Oxiteno.

In 2012, Oxiteno expanded its activities to the United States, through the acquisition of a specialty chemicals plant in Pasadena, Texas, with production capacity of 32 thousand tons per year, and to Uruguay, through the acquisition of American Chemical, a specialty chemicals Company, with production capacity of 81 thousand tons per year. In 2014, Oxiteno invested in the continuity of the expansion of the production capacity in Coatzacoalcos. In 2015, Oxiteno announced investments to build a new ethoxylation unit in its site in Texas, which is expected to be completed in the first half of 2018. Until December 31, 2017, the total amount invested in this plant was US$118 million. The new facility will reach a production capacity of 120 thousand tons per year in its initial stage. In 2017, Oxiteno invested R$463 million for maintenance of its units and for the new site in Texas.

Almost all of Oxiteno s products prices and variable costs are linked to U.S. dollar. Therefore, a sharp appreciation or depreciation of the U.S. dollar could have an impact on Oxiteno s contribution margin in the future. The depreciation of the *Real* against the U.S. dollar was 47% in 2015. In 2016, the *Real* appreciated 17% against the U.S. dollar. In 2017, the *Real* depreciated 2% against the U.S. dollar. From December 31, 2017 to March 31, 2018, the *Real* depreciated 0.5% against the U.S. dollar. We cannot predict what will be the trend of the *Real* in the future.

Oxiteno s main raw material is ethylene, which is produced from naphtha in Brazil. Generally, naphtha prices in Brazil fluctuate with oil prices. In 2015, oil prices ended at US$36/barrel, down 36% compared to 2014. In 2016, oil prices ended at US$55/barrel, up 55% compared to 2015. In 2017, oil prices ended at US$67/barrel, up 21% compared to 2016. From December 31, 2017 to February 28, 2018, oil prices decreased by 4%. We cannot predict whether oil and ethylene prices maintain this trend. A sharp variation in ethylene prices would impact Oxiteno s results if it is not able to keep operating margins. The second most important raw material for Oxiteno is the palm kernel oil, the international prices for which increased from US$903/ton in December 2015 to US$1,747/ton in December 2016. In 2017, palm kernel oil prices ended at US$1,367/ton, down 22% compared to 2016.

The increase in demand for chemical and petrochemical products in Brazil during the last years and the ongoing integration of regional and world markets have contributed to the increasing integration of the Brazilian petrochemical industry into the international marketplace. As a consequence, events affecting the petrochemical industry worldwide could have a material effect on our business and results of operations. The chemical industry performance worldwide was strongly affected by the world financial crisis in 2009, which caused the demand for chemical products to decrease in several countries. Due to the growth of the Brazilian chemicals market, Oxiteno faces tougher competition from certain foreign producers since 2009, including ethylene oxide and derivatives producers with access to natural-gas-based raw materials.

Fuel distribution business

In the recent past, the combined sales of gasoline, ethanol and natural gas (Otto cycle) in Brazil have been correlated mainly to the growth of the light vehicle fleet. According to ANFAVEA, in 2017, the light vehicle fleet continued to grow, with about 2.2 million new vehicles licensed in Brazil, and growth of 1.3% of the average fleet compared to 2016, reaching about more than 42 million light vehicles. Additionally, we believe the current ratio of inhabitants per vehicle in Brazil is still low when compared to the rate seen in countries with similar level of development. According to 2015 data released by ANFAVEA (the last available data), the penetration of light vehicles in Brazil is about 21% of total inhabitants, while in Argentina is 31% and in Mexico is 29%.

The Otto cycle posted growth of 1% in 2017, following a decrease in 2016, primarily reflecting the increase of the new light vehicle registrations during the period.

Diesel sales, which in 2017 accounted for 50% of the volume sold by Ipiranga, have historically been correlated with Brazilian economic performance, particularly the agricultural and consumer goods segments. In 2017, the Brazilian diesel market, according to ANP data, showed growth of 1% when compared to 2016, influenced by the overall economy s performance. The increase in the fuel consumption could have a positive effect on the future volume sold by the Company and on its results.

In the last few years, Petrobras practice was not to immediately reflect the volatility of international prices of oil and its derivatives in the Brazilian market. Between January 2012 and September 2016, increases in prices occurred, on average, every eight months. In October 2016, Petrobras announced a new dynamic for gasoline and diesel with the objective of, amongst other aspects, fluctuating prices according to international references on a monthly basis. Therefore, gasoline and diesel prices became directly influenced by the international prices and the Real/U.S. dollar exchange rate.

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Prices began fluctuating on a daily basis on June 2017. The following graphs show the price volatility of fuels acquired by the distributors from the refineries:

Retail pharmacy business

Retail pharmacy is a relevant market in Brazil and during the last years has presented significant growth. According to ABRAFARMA, the revenues of its member companies grew by 9% in 2017 compared to 2016. We believe the sector has potential for continued growth, mainly due to:

(i) Brazilian aging population the estimated Brazilian population over 60 years, which is responsible for the largest part of the consumption of medicines is estimated at 24 million people and is expected to reach 42 million people in 2030, an average growth of 4% per year, according to IBGE data;

(ii) greater access to medicines, especially due to the growing prominence of generic drugs, which are cheaper than the reference branded medicine; and

(iii) the growing sale of personal care and beauty products through the drugstore channel.

E. Off Balance Sheet Arrangements

We do not have any off balance sheet arrangements.

F. Tabular Disclosure of Contractual Obligations

The following table summarizes our contractual obligations, as of December 31, 2017:

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Contractual obligations	Total	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years
	Payment due by period (in millions of *Reais*)				
Loans and hedging instruments, debentures and finance leases	13,426.8	3,349.5	2,721.5	4,314.1	3,041.8
Estimated interest payments on financing(1)(2)	3,144.5	460.5	792.8	653.9	1,237.2
Currency and interest rate hedging instruments(3)	422.2	145.2	136.6	113.4	27.0
Estimated planned funding of pension plan Ultraprev(4)	669.5	24.2	51.7	56.5	537.1
Purchase obligations raw materials(5)	1,724.9	399.3	798.6	463.2	63.8
Purchase obligations utilities(6)	28.4	21.4	7.1		
Minimum tariff obligations Ultracargo(7)	91.5	11.0	21.9	21.9	36.7
Operating leases(8)	876.4	145.3	207.4	207.4	316.3
Total contractual obligations	**20,384.3**	**4,556.3**	**4,737.7**	**5,830.3**	**5,259.9**

(1) The estimated interest payment amount was calculated based on macro-economic assumptions including, on average for the period, principally (i) a 6.76% CDI interest rate in 2018, 8.08% from 2019 to 2020, 9.63% from 2021 to 2022 and 10.70% from 2023 to 2033, (ii) *Reais* to U.S. dollar exchange rate of R$3.37 in 2018, R$3.53 in 2019, R$3.77 in 2020, R$4.05 in 2021 and R$4.35 in 2022, R$4.66 in 2023, R$4.99 in 2024, R$5.35 in 2025, R$5.73 in 2026 and R$6.13 in 2027, (iii) a 6.75% TJLP rate and (iv) Brazilian inflation (IGP-M General Market Price Index) at a rate of 4.38% in 2018, 4.13% in 2019 and 4.00% from 2020 to 2033, (v) IPCA of 3.90% (Source: B3, Boletim Focus and financial institutions). See Item 5.B. Operating and Financial Review and Prospect Liquidity and Capital Resources Indebtedness and Note 14 to our consolidated financial statements for more information about the maturity of our debt and applicable interest rates. See Notes 14 and 31 to our consolidated financial statements for more information on the maturity and the fair value of our swap agreements.

(2) Includes estimated interest payments on our short-term and long-term debt. Does not include any information about our derivative instruments, for which the fair value is disclosed in Item 11. Quantitative and Qualitative Disclosures About Market Risk. See Item 11. Quantitative and Qualitative Disclosures About Market Risk for more information about our derivative instruments.

(3) The currency and interest rate hedging instruments were estimated based on projected U.S. dollar futures contracts and the futures curve of DI x Pre and Pre x IPCA contracts quoted on B3 as of December 28, 2017 and on the futures curve of LIBOR (ICE IntercontinentalExchange) on December 29, 2017. In the table above, only the hedging instruments that are expected to result in a disbursement at the time of settlement were considered.

(4) The estimated payment amount was calculated based on (i) a 4.5% inflation assumption, (ii) the average age of the participants as of December 31, 2017 (37 years) and (iii) the Company s contribution in December 2017.

(5) Our subsidiary Oxiteno Nordeste has a supply agreement with Braskem which establishes a minimum annually consumption level of ethylene, and conditions for the supply of ethylene until 2021. The minimum purchase commitment clause provided for a minimum annual consumption of 205 thousand tons in 2017. Should the minimum purchase commitment not be met, the subsidiary would be liable for a fine based on the current ethylene price for the quantity not purchased. According to contractual conditions and tolerances, there are no material issues regarding the minimum purchase commitment. Our subsidiary Oxiteno has a supply agreement with Braskem, valid until 2023, which establishes and regulates the conditions for supply of ethylene to Oxiteno based on the international market for this product. The minimum purchase is 22,050 tons of ethylene semiannually.

Should the minimum purchase commitment not be met, the subsidiary would be liable for a fine based on the current ethylene price for the quantity not purchased. According to contractual conditions and tolerances, there are no material issues regarding the minimum purchase commitment.

(6) The purchase obligation relates to long-term contracts under which Oxiteno is required to purchase a minimum amount of energy annually.

(7) Tequimar has agreements with CODEBA *Companhia Docas do Estado da Bahia and Complexo Industrial Portuário Governador Eraldo Gueiros*, in connection with its ports facilities in Aratu and Suape, respectively. Such agreements establish a minimum cargo movement of products (i) in Aratu, of 397,000 tons per year until 2031, and of 900,000 tons per year until 2022, as well as (ii) in Suape, of 250,000 tons per year, until 2027, and of 400,000 tons per year in Suape until 2029. If the annual movement is less than the minimum contractual movement, the subsidiary is liable to pay the difference between the effective movement and the minimum contractual movement, based on the port tariff rates in effect on the date established for payment. As of December 2017, these rates were R$6.99 per ton for Aratu and R$2.90 per ton for Suape.

(8) The subsidiaries Ipiranga, Extrafarma and Cia. Ultragaz have operating lease contracts. Ipiranga has contratcs related to land and building of service stations, Extrafarma to drugstores and Ultragaz to stores and vehicles in their fleet, respectively. In addition, the subsidiaries Cia. Ultragaz, Ultracargo and Oxiteno have operating lease contracts for the use of IT equipment. See Note 32.c to our consolidated financial statements for more information about the operating leases.

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ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table lists the members of our Board of Directors and senior management as of April 6, 2018:

Name	Position	Years with the Company	Age
Board of Directors			
Paulo Guilherme Aguiar Cunha	Chairman	51	78
Pedro Wongtschowski	Vice Chairman	40	71
Alexandre Gonçalves Silva	Director	2	73
Carlos Tadeu da Costa Fraga	Director	2	60
Jorge Marques de Toledo Camargo	Director	2	63
José Maurício Pereira Coelho	Director	2	51
Lucio de Castro Andrade Filho	Director	41	73
Nildemar Secches	Director	15	69
Olavo Egydio Monteiro de Carvalho	Director	15	76
Executive Officers			
Frederico Pinheiro Fleury Curado(1)	Chief Executive Officer	0	56
André Pires de Oliveira Dias(2)	Chief Financial and Investor Relations Officer, Ultrapar	2	50
João Benjamin Parolin	Officer, Oxiteno	32	59
Leocadio de Almeida Antunes Filho	Officer, Ipiranga	9	67
André Covre	Officer, Extrafarma	14	47
Pedro Jorge Filho	Officer, Ultragaz	40	63
Ricardo Isaac Catran	Officer, Ultracargo	38	63

(1) Mr. Curado assumed the position of Chief Executive Officer in October 2017 . See Item 4.A. Information on the Company History and Development of the Company .

(2) Mr. Pires assumed the position of Chief Financial and Investor Relations Officer in July 2015. See Item 4.A. Information on the Company History and Development of the Company .

Summarized below is information regarding the business experience, areas of experience and principal outside business interest of the current members of our Board of Directors and our senior management.

Board of Directors

Paulo Guilherme Aguiar Cunha. Mr. Cunha has been the Chairman of our Board of Directors since 1998 and was our Chief Executive Officer until January 2007. Mr. Cunha has been a member of the Board of Directors of Monteiro Aranha S.A. since 1997. Mr. Cunha joined Ultrapar in 1967 and was appointed Vice President in 1973 and Chief Executive Officer in 1981. Mr. Cunha has also been a member of the CMN National Monetary Council, a member of the board of BNDESPAR, a subsidiary of BNDES, president of the Brazilian Association of Technical Standards ABNT, a member of the consulting board of ABIQUIM and president of IBP, the Brazilian Petroleum Institute (*Instituto Brasileiro de Petróleo*). Mr. Cunha is a board member of the Superior Council of Economy and of the Consultative Council for Industry of FIESP, the state of São Paulo Industry Association and ex-president of IEDI

Research Institution for the Industrial Development, where he currently is a member of the Board of Directors. Mr. Cunha is also a member of the board of Insper IBMEC Business School and of Development Council of PUC RJ, an educational institution. From 2008 to 2014, Mr. Cunha was a board member of the Superior Strategic Council of FIESP and of the board of IPT Technological Research Institution from 2008 to 2012. Mr. Cunha received a degree in industrial mechanical engineering from PUC Catholic University in Rio de Janeiro in 1962. Mr. Cunha also was a Professor of Engineering at the Catholic University and at the Federal University of Rio de Janeiro from 1963 to 1966.

Pedro Wongtschowski. Dr. Wongtschowski became an officer of Ultrapar in 1985, and CEO in January 2007, a position he held until December 2012. Currently, he serves as Vice-Chairman of Ultrapar s Board of Directors. He is Chairman of the Board of the National Association for Research, Development and Engineering of Innovative Companies (*Associação Nacional de Pesquisa e Desenvolvimento das Empresas Inovadoras*) and Chairman of the board of EMPRAPII (*Empresa Brasileira de Pesquisa e Inovação Industrial*). Since 2015, he is the Chairman of IEDI (*Instituto de Estudos para o Desenvolvimento Industrial)*. Dr. Wongtschowski is a member of the Board of Directors of Embraer S.A., CTC (*Centro de Tecnologia Canavieira*) and other non-profit-organizations. He is author or co-author of books related to the chemical industry. Dr. Wongtschowski is a Chemical Engineer, with MSc and PhD from *Escola Politécnica* of the University of São Paulo.

Lucio de Castro Andrade Filho. Mr. Andrade Filho has been the Vice Chairman of our Board of Directors since 1998. He joined Ultrapar in 1977 and since then Mr. Andrade Filho has held a number of positions with Ultrapar s subsidiaries in the LPG, logistics, engineering and chemicals segments, as well as serving as Ultrapar s Vice President from 1982 to 2006. Mr. Andrade Filho was also the Chief Executive Officer of GLP *Qualidade Compartilhada*, an LPG industry association and a member of the Board of Directors of the Brazilian Petroleum Institute. He has also been a member of *Associação Arte Despertar*, from 2005 to 2009. Mr. Andrade Filho received degrees in civil engineering and in administration from Mackenzie University in São Paulo in 1968 and 1972, respectively.

Jorge Marques de Toledo Camargo. Mr. Camargo joined us as a member of the Board of Directors in April 2015. He has been a member of the Board of Directors of Prumo Logística S.A. since 2014. Mr. Camargo has also been a member of the Board of Directors of *Instituto Brasileiro de Petróleo, Gás e Biocombustíveis* since 2010, and in 2015, he became the President of *Instituto Brasileiro de Petróleo, Gás e Biocombustíveis*. He has also been a senior consultant at McKinsey & Comp., Inc. since 2012, and a member of the Board of Directors of Mills Estruturas e Serviços de Engenharia S.A. since 2011. He was a member of the Board of Directors of Deepflex do Brasil Ltda. from 2010 to 2013 and a senior consultant of Statoil Brazil from 2010 to 2014. He has more than 35 years of experience in the oil industry. He graduated in geology from the University of Brasilia and obtained a master s degree in geophysics from the University of Texas.

Nildemar Secches. Mr. Secches joined us in April 2002 as a member of our Board of Directors. Mr. Secches is a member of the Board of Directors of WEG S.A. and of Suzano Papel and Celulose. He was a member of the Board of Directors of Itaú Unibanco Holding S.A. from 2012 to 2017. From 2007 to 2013, he was the Chairman of the Board of Directors of Brasil Foods S.A. and from 1995 to 2008 he was the CEO of Empresas Perdigão S.A. From 1972 to 1990, Mr. Secches worked for National Bank for Economic and Social Development (*Banco Nacional de Desenvolvimento Econômico e Social* BNDES), serving as an Executive Officer from 1987 to 1990. From 1990 to 1994, Mr. Secches served as Chief Executive Officer of Grupo Iochpe-Maxion, where he is currently a member of the Board of Directors. Mr. Secches also previously held positions of Chief Executive Officer of ABEF Brazilian Association of Chicken Producers and Exporters and vice-president of ABIPECS Brazilian Association of Pork Producers and Exporters Industries. Mr. Secches received a degree in mechanical engineering from the University of São Paulo, a master s degree in finance from PUC Catholic University in Rio de Janeiro and a doctoral course in economics from the University of Campinas (in the state of São Paulo).

José Maurício Pereira Coelho. Mr. Coelho joined Ultrapar in April 2015 as a member of the Board of Directors. He currently is the President and CEO of BB Seguridade Participações S.A. He was the Vice-president of Financial Management and Investor Relations of Banco do Brasil S.A. from 2015 to 2017 (January) and a member of the Board of Directors of Grupo Neoenergia from 2009 to 2014. Mr. Coelho was also a member of the Board of Directors of the BB Securities LLC, New York, BB Securities Limited, London and BB Securities Asia Pte. Ltda., Singapore, from 2009 to 2015. He has also been a member of the Board of Directors of Cielo S.A since 2012. He obtained a degree in accounting from *Faculdade Unigranrio*, Rio de Janeiro, in 1990. He has an MBA in Finance and Capital Markets, with specialization in Corporate Governance from FGV/RJ.

***Olavo Egydio Monteiro de Carvalho*.** Mr. Monteiro de Carvalho joined our Company in December 2002 as a member of the Board of Directors. He is the Chairman of the Board of Directors of Monteiro Aranha S.A. and a member on the Board of Directors of Klabin S.A. He is also a member of the Board of the Municipal Development Advisory *(Conselho Municipal do Desenvolvimento* COMUDES), partner of Geociclo Biotecnologia S.A., member of the of the Board of Directors of Agência Rio-Negócios, an investment and promotion agency created to promote the economic and commercial development of Rio de Janeiro and was president of *Associação Comercial do Rio de Janeiro* until 2009. He holds a mechanical engineering degree from Technische Hochschule in Munich.

***Alexandre Gonçalves Silva*.** Mr. Silva joined us in April 2015 as a member of the Board of Directors. Mr. Silva has been a member of the Board of Directors of Embraer S.A. since 2011, and in 2012, he became the Chairman of the Board of Directors of Embraer S.A. He has also been a member of the Board of Directors of Fibria Celulose S.A. since 2009, Companhia Nitro Química Brasileira since 2012 and Votorantim Cimentos since 2016. Mr. Silva was a member of the Board of Directors of Tecsis Tecnologia e Sistemas Avançados from 2013 to 2016. He was also CEO of General Electric in Brazil from 2001 to 2007. He received a degree in industrial mechanical engineering from PUC Catholic University in Rio de Janeiro in 1967.

***Carlos Tadeu da Costa Fraga*.** Mr. Fraga joined us in April 2015 as a member of the Board of Directors. He has been a member of the Board of Directors of Açu Petróleo S.A. since 2017, MRO Logistics S.A. since 2016, *Instituto Brasileiro de Petróleo, Gás e Biocombustíveis* since 2016 and GranBio Investimentos S.A. since 2015. Mr. Fraga was a member of the Technological Park Council of the *Universidade Federal do Rio de Janeiro* from 2006 to 2012. He was also a member of the Orientation Board of *Instituto de Pesquisas Tecnológicas* de São Paulo from 2008 to 2012, and the Executive Manager of Exploration and Production of the Pre-salt of Petrobras Petróleo Brasileiro S.A. from 2012 to 2015 (February). He earned a degree in civil engineering from Federal University of Rio de Janeiro in 1980.

Executive Officers

***Frederico Pinheiro Fleury Curado*.** Mr. Frederico P. F. Curado joined Ultrapar in October 2017 as Chief Executive Officer. Mr. Curado served as President and Chief Executive Officer of Embraer S.A. from 2007 to 2016, where he previously held the positions of Executive Vice-President, Airline Market from 1998 to 2007, and Executive Vice-President, Planning and Organizational Development, from 1995 to 1998. Mr. Curado is a non-executive member of the Board of Directors of Transocean Ltd (since 2013) and of ABB Ltd (since 2016). He is also Vice-Chairman of the ICC International Chamber of Commerce (since 2013). Mr. Curado previously served as non-executive Director of Iochpe-Maxion S.A. (from 2015 to 2017) and Chairman of the Brazilian Chapter of the Brazil-United States Business Council (from 2011 to 2016). He received his Bachelor of Science degree in Mechanical-Aeronautical Engineering from the *Instituto Tecnológico de Aeronáutica* in Brazil in 1983 and an executive Masters in Business Administration from the University of São Paulo in 1997.

André Pires de Oliveira Dias. Mr. Pires joined Ultrapar in July 2015 as Chief Financial and Investor Relations Officer. With over 25 years of experience in the financial and capital markets, Mr. Pires began his career in 1988 and held several positions in Brazil and in the United States in Banco Geral de Comércio, Montgomery Asset Management, Banco BBA Creditanstalt and BNP Paribas. He joined Gerdau S.A. in 2004 where he worked as a fund manager in Gerdau s family office and as CFO in Gerdau Ameristeel in the United States. In 2013, Mr. Pires was appointed Executive Vice President of the Executive Committee of Gerdau and CFO, positions he held until 2015. Mr. Pires holds a bachelor degree in business administration with an emphasis in finance from *Fundação Getulio Vargas* and attended the Advanced Management Program at the University of Pennsylvania in the United States.

***André Covre*.** Mr. Covre joined Ultrapar in 2003 as Corporate Planning and Investor Relations Director and worked in such capacity until March 2007, when he assumed the position as the Company s Chief Financial and Investor Relation Officer until July 2015. Since that date, Mr. Covre has been the Chief Executive Officer of Extrafarma, Ultrapar´s drugstore business. Mr. Covre has 25 years of experience in multiple management functions, including general management, strategic and corporate development, growth and turnaround ventures, corporate governance, mergers & acquisitions and capital markets. From 2008 to 2010, Mr. Covre was the Chairman and from 2010 to 2013 was Vice-Chairman of the Latin American Corporate Governance Roundtable s Companies Circle, the corporate governance development group in Latin America, supported by the Organization of Economic Co-operation and Development (OECD), International Finance Corporation (IFC) and Global Corporate Governance Forum (GCGF). Mr. Covre began his career with Unisys Corp. in the United States, was formerly the treasurer of Pepsi Cola

Engarrafadora in Brazil and a director of ABN AMRO Capital in Amsterdam, a private equity and venture capital fund. Mr. Covre holds an MBA from INSEAD, in France, and a bachelor degree in government studies from *Fundação Getulio Vargas* in São Paulo.

João Benjamin Parolin. Mr. Parolin joined the Company in 1986, working in Oxiteno s commercial department prior to assuming the position of Oxiteno s Chief Operating Officer in 2007. Mr. Parolin formerly served as marketing manager from 1989 to 1992 and sales manager from 1992 to 2000. From 2000 to 2006, he held the sales director position at Oxiteno. Prior to joining Oxiteno, Mr. Parolin worked in the commercial area at Dow Química S.A. Mr. Parolin received a bachelor degree in chemical engineering from *Escola Politécnica da Universidade de São Paulo* in 1980, a post-graduate degree in Marketing Administration at *Fundação Getulio Vargas* and a master s degree in business administration from *Fundação Instituto de Administração Universidade de São Paulo* in 2003. As a complement to his academic background he attended the STC Skills, Tools and Competences from *Fundação Dom Cabral*/J.L Kellogg Graduate School of Management (Northwestern University) in 2000 and the Advanced Management Program at Wharton University in 2005.

Leocadio de Almeida Antunes Filho. Mr. Antunes has been an officer of Ultrapar since May 2008. He has held a number of positions at Ipiranga since 1987 when he joined as commercial officer at Fertisul S.A. and officer at Ipiranga Serrana Fertilizantes S.A. From 1993 to 2008, he served as an executive officer at CBPI and DPPI. Currently Mr. Antunes is Ipiranga s Chief Operating Officer and is also a member of the board of Plural. Mr. Antunes is also a member of the Board of Directors of the Brazilian Petroleum Institute IBP and of the Association for Convenience and Fuel Retailing NACS. He earned a degree in Economics from *Universidade Federal do Rio Grande do Sul* and post graduate and a master s degree in Agricultural Economics at University of Reading (UK) and University of London, respectively. Furthermore, he has completed the Advanced Executive Program, from J.L. Kellogg Graduate School of Management at Northwestern University.

Pedro Jorge Filho. Mr. Jorge has been an officer of Ultrapar since April 2005. He has been with the Company since 1977 and has held a number of positions with the Company, including serving as an officer of Utingás and Director of Engineering and Marketing at Ultragaz. Mr. Jorge was also responsible for the Southeastern and Midwest regions. Mr. Jorge became Ultragaz s Chief Operating Officer in 2003. He is an officer at Sindigás and at AIGLP (*Associación Iberoamericana de Gás Licuado de Petróleo*) and President at World LPG Association Paris. Mr. Jorge is also the Chief Executive Officer of GLP *Qualidade Compartilhada*, an LPG industry association. He earned a degree in Industrial and Chemical Engineering from *Universidade Mackenzie*. He also earned a certificate from the Advanced Management Program at INSEAD, in Fontainebleau, France in 1998, and from the program HR s Contribution to Continuous Improvement at Instituto IESE of *Universidade de Navarra*, in Barcelona, Spain in 1999.

Ricardo Isaac Catran. Mr. Catran has been an officer of Ultrapar since May 2010. He joined the Company in 1980 and since then has held a number of positions, including commercial officer of Transultra and Tequimar for the Northeast region. Mr. Catran became Ultracargo s Chief Operating Officer in 2008. He earned a degree in civil engineering from *Universidade Federal do Rio de Janeiro* and post graduate degree in transport engineering from COPPE UFRJ (*Instituto Alberto Luiz Coimbra de Pós-Graduação e Pesquisa de Engenharia Universidade Federal do Rio de Janeiro*).

B. Compensation

The purpose of our compensation policy and practices are (i) to align the interests between management and shareholders, based on the principle of sharing risks and returns, (ii) to converge individual goals to the Company s strategy, and (iii) to recognize the contribution and retain professionals, based on market references. Following these principles, we adopted a differentiated and competitive compensation plan that includes the use of value creation metrics to establish variable compensation targets, differentiated benefits to executives and a stock ownership plan.

For the year ended December 31, 2017, the Company recognized aggregate compensation of our directors and executive officers of R$50.3 million in its financial statements, distributed as follows:

	Board of Directors	Executive Officers	Total
	(in thousands of *Reais*, except for the number of members)		
Number of members	**9.00**	**7.00**	
Annual fixed compensation	**6,552.0**	**21,814.7**	**28,366.7**
Salary	4,916.0	11,449.7	16,365.7
Direct and indirect benefits	1,636.0	10,365.0	12,001.0
Variable compensation		**10,651.4**	**10,651.4**
Short-term variable compensation		17,110.0	17,110.0
Long-term variable compensation		(6,458.6)	(6,458.6)
Post-employment benefit		**1,096.0**	**1,096.0**
Benefits due to the interruption in the exercise of the position		**8,793.9**	**8,793.9**
Stock-based compensation		**1,398.5**	**1,398.5**
Total compensation	**6,552.0**	**43,754.5**	**50,306.5**

The table below shows the higher, lower and average individual compensation recognized in our financial statements for our directors and executive officers in 2017:

Body	**Number of members**	**Highest individual compensation**	**Lowest individual compensation**	**Average individual compensation**
	(in thousands of *Reais*, except for the number of members)			
Board of Directors	9.00	1,667.5	492.5	728.0
Executive Officers	7.00	9,355.0	3,851.0	6,171.4

The main components of our management compensation plan are:

Fixed compensation (salary and direct and indirect benefits): a monthly amount paid with the purpose of remunerating the responsibility and complexity inherent to each position, the individual contribution and the experience of each professional.

Short-term variable compensation: an annual amount paid in order to align the interests of the executives with those of the Company. This amount is linked to (i) the businesses performance, which is measured through the Economic Value Added (EVA®) metric, and (ii) the achievement of annual individual goals established based on the strategic planning and focused on expansion, operational excellence projects, people development, market positioning, among others.

Long-term variable compensation: the purpose of this portion is to align long-term interests of executives and shareholders and to retain executives. The last program was set up in February 2014, and established that Ultrapar s CEO may receive additional variable compensation based on the performance of the Company as measured by the price of shares between 2013 and 2017. This program terminated in 2017.

In addition, a portion of the aggregated compensation is represented by the amortization of the shares granted to the executive officers under the Deferred Stock Plan (defined below). See Item 6.D. Directors, Senior Management and Employees Employees.

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On April 27, 2001, the annual general shareholders meeting approved a stock-based compensation plan to members of management and employees in executive positions in the Company. On November 26, 2003, the extraordinary general shareholders meeting approved certain amendments to the original plan of 2001 (the Deferred Stock Plan). In the Deferred Stock Plan, certain members of management of the Company have the voting and economic rights of shares and the ownership of these shares is retained by our subsidiaries. The Deferred Stock Plan provides for the transfer of the ownership of the shares to those eligible members of management after five to ten years from the initial concession of the rights subject to uninterrupted employment of the participant during the period. The total number of shares to be used for the Deferred Stock Plan is subject to the availability in treasury of such shares. It is incumbent on Ultrapar s Board of Directors to select the members of management eligible for the plan and propose the number of shares in each case for approval by the Board of Directors. On December 31, 2017, the amount granted to the Company s executives, including tax charges, totaled R$105.5 million. This amount is amortized over the vesting period of the Deferred Stock Plan, between five and seven years from the grant date. The amortization in 2017 in the amount of R$11.8 million was recognized as a general and administrative expense. The fair value of the awards were determined on the grant date based on the market value of the shares on the B3.

On April 19, 2017, our annual general shareholders meeting approved a new stock-based incentive plan (Plan) which establishes the terms and general conditions for granting common shares issued by the Company held as treasury stock which may or may not involve awarding usufruct over any portion thereof for subsequent transfer of ownership for periods from three to six years to officers or employees of the Company or its subsidiaries (Participants).

According to the terms of the Plan, a minimum of two different programs can be established. The first one establishes the granting of equity rights over the total amount of shares and the transference of property up to 6 (six) years, subjected to the maintenance of the relationship between the executive and the Company or its subsidiaries during such period. The second one establishes, among other requirements: (a) usufruct granting of equity rights over 50% (fifty percent) of the shares determined by the program for the participants; (b) the performance goals defined for the Company on which the property transfer of 50% (fifty percent) of the shares determined by the program is based, shares that are not granted in usufruct; and (c) 3 (three) tranches in a 5 (five) years vesting period. The mentioned financial goals are previously determined by the Board of Directors and for the plan established in 2017 return on invested capital (ROIC) goals have been defined.

The aggregate number of common shares to be used for the Plan is limited to 1% of our total capital stock on the date of approval of the Plan, corresponding to 5,564,051 common shares.

As of December 31, 2017, our Board of Directors approved our first restricted stock program and the first restricted stock and performance program, pursuant to which the participants appointed by the Board of Directors were granted unvested shares in the amount of R$18.5 million. In 2017, we recognized a general and administrative expense of R$0.8 million in connection with these programs.

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The chart below sets forth a historical summary of the vested and unvested shares granted to the members of our board of Executive Officers as of December 31, 2017, by grating date:

Statutory Officers

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1	2	4	1	3	2	1	1	1	1	1
14-Dec-05	09-Nov-06	08-Oct-08	16-Dec-09	10-Nov-10	07-Nov-12	03-Feb-14	05-Mar-14	10-Dec-14	13-Mar-17	08-Nov-1
20,000	133,600	496,000	40,000	140,000	70,000	150,000	38,400	100,000	100,000	120,000
Nov-15	Oct-16	1/3 in Sep-13 1/3 in Sep-14 1/3 in Sep-15	1/3 in Nov-14 1/3 in Nov-15 1/3 in Nov-16	1/3 in Oct-15 1/3 in Oct-16 1/3 in Oct-17	1/3 in Oct-17 1/3 in Oct-18 1/3 in Oct-19	1/3 in Jan-18 1/3 in Jan-19 1/3 in Jan-20	1/3 in Mar-19 1/3 in Mar-20 1/3 in Mar-21	1/3 in Dec-19 1/3 in Dec-20 1/3 in Dec-21	1/3 in Nov-22 1/3 in Nov-23 1/3 in Nov-24	Oct-23
8.21	11.62	9.99	20.75	26.78	42.90	50.64	52.15	50.64	67.99	77.14

(1) Includes shares granted from 2004 to 2008 to certain officers who were not statutory officers at the granting date.

(2) The number and the price of shares granted were adjusted to reflect the stock split of the shares issued by the Company at a ratio of 1 existing share to 4 shares approved by extraordinary general meeting on February 10, 2011.

(3) Subjected to the performance goals throughout the vesting period, the same amount of shares can be transferred to the Executive Directors as performance shares. The performance shares are not submitted to the grant of usufruct.

The members of our Board of Directors are not eligible to the approved program.

For more information on our Deferred Stock Plan and Plan, please see Note 8(c) to our financial statements.

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C. Board Practices

We are managed by our Board of Directors (*Conselho de Administração*) and by our Executive Officers (*Diretoria*). As of December 31, 2017, our Board of Directors elected at the annual general shareholders meeting held on April 19, 2017, consisted of nine members, all of them being non-executive members and six of whom are independent, according to the Brazilian *Novo Mercado* Listing Rules. Two members of the Board were executive officers until December 2006 and one member was an executive officer until December 2012. On April 19, 2017, the members of our Board of Directors were reelected for a two-year term. Our Board of Directors must meet regularly every three months and extraordinarily whenever called by its chairman or by any two directors. During 2017, thirteen board meetings were held. Each meeting of the Board of Directors requires the majority of the directors to be present, including the chairman or the vice-chairman, before the meeting may commence. The vote of the majority of the members present is required for the approval of a resolution by the Board of Directors. In case of a tie, the chairman, or in the chairman s absence, the vice chairman, will provide the casting vote. In case of urgency, the chairman of our Board of Directors may call a special meeting of the Board of Directors with a shorter notice period than the usual; provided, however, that two-thirds of board members are present in order to convene such special meeting. Among other responsibilities, the Board of Directors is responsible for (i) our general guidelines, (ii) electing and removing our executive officers, supervising their management and fixing their compensation, (iii) deliberating on the issuance of new shares, within the limits of our authorized capital, (iv) authorizing the distributions of dividends and interest on shareholders equity, (v) approving transactions with value exceeding three percent of our shareholders equity, (vi) approving our dissolution or merger and (vii) the appointment of independent registered public accounting firm, among other responsibilities. Pursuant to Brazilian law, each member of the Board of Directors must be elected by our shareholders at the general shareholders meeting.

Members of the Board of Directors are elected for a period of two years and may be reelected.

Our bylaws require that at least thirty percent of the members of our Board of Directors be independent directors, which exceeds the 20% required by the *Novo Mercado* segment regulation. In addition, our bylaws set forth that the election of the members of the Board of Directors must be made through the nomination of a slate of candidates, unless cumulative voting is requested. Only the following slates of candidates will be eligible; (i) those nominated by the Board of Directors; or (ii) those nominated by any shareholder or group of shareholders. See Item 4.A. Information on the Company History and Development of the Company New corporate governance structure and Exhibit 1.1. Bylaws of Ultrapar, dated as of April 19, 2017 .

When electing members to the Board of Directors, shareholders will be entitled to request, as required by law and our bylaws, the adoption of a cumulative voting process, provided that they do so within, at least, forty-eight hours in advance of the shareholders meeting. The minimum percentage of capital necessary for requesting the cumulative voting process is 5% of the shares. In the event the election has been conducted by cumulative voting, the removal of any member of the Board of Directors by the shareholders meeting shall entail the removal of the other members, giving rise to a new election. See Exhibit 1.1. Bylaws of Ultrapar, dated as of April 19, 2017 .

Executive Officers

As of December 31, 2017, our Board of Executive Officers was comprised of a minimum of four and a maximum of eight members, including our Chief Executive Officer.

Members of Board of Executive Officers are appointed for a two-year term and can be reelected. For the dates on which our executive officers began holding their respective position, see Item 6.A. Directors, Senior Management and Employees Directors and Senior Management.

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Fiscal Council and Audit Committee Exemption

Brazilian Corporate Law requires us to establish a Fiscal Council (*Conselho Fiscal*), which may operate on a permanent or non-permanent basis. According to the Brazilian Corporate Law, a Fiscal Council acting on a non-permanent basis is required to be formed when requested by 10% of voting shareholders in an annual general shareholders meeting. However, pursuant to CVM Instruction 324/00, in the case of Ultrapar, holders of 2% of the voting capital are entitled to request the installation of the Fiscal Council. The elected members of the Fiscal Council will remain in place only until the following annual general shareholders meeting, in which they may be reelected by our shareholders.

As set forth in our bylaws approved on June 28, 2011, our Fiscal Council, composed of 3 members, acts on a non-permanent basis and its current members will remain in office until the annual general shareholders meeting that will be held in 2018. Our management proposal submitted to our annual shareholders meeting to be held on April 11, 2018, includes the following individuals to serve as members of our Fiscal Council: Mr. Flavio Cesar Maia Luz, Mr. Geraldo Toffanello and Mr. William Bezerra Cavalcanti Filho. If elected these members will serve a term from April 2018 through April 2019. In addition, our bylaws provide for an audit committee as an ancillary body of the Board of Directors. In the event the Fiscal Council is installed in accordance with Brazilian Corporate Law, the Fiscal Council will operate as the audit committee during that mandate, exercising all the duties and in accordance with the requirements set forth in our bylaws, including with respect to its members. The audit committee will not operate in any fiscal year when a Fiscal Council is installed. See Exhibit 1.1. Bylaws of Ultrapar, dated as of April 19, 2017 . We currently have a Fiscal Council installed.

Currently, our Fiscal Council acts as an audit committee pursuant to the requirements of the Sarbanes-Oxley Act. Under Rule 10A-3(c)(3) of the Exchange Act, non-U.S. issuers, including us, are exempt from the audit committee requirements of Section 303A of the NYSE Listed Company Manual if they establish, according to their local law or regulations, another body that acts as an audit committee.

The Fiscal Council is a separate corporate body independent of our management and our external independent registered public accounting firm. According to the Brazilian Corporate Law, the Fiscal Council must meet at least four times per year. Since its establishment, in July 2005, our Fiscal Council has been meeting on a regular basis, and in 2017, they held thirteen meetings. Our Fiscal Council is responsible for reviewing the accuracy and integrity of quarterly and annual financial statements in accordance with applicable accounting, internal control and auditing requirements and in compliance with the provisions of Brazilian Corporate Law; the forms of the CVM and requirements for listing on B3; the rules of the SEC and the requirements for listing on NYSE. Our Fiscal Council also (1) makes recommendations to our Board of Directors regarding the appointment, retention and oversight of our independent registered public accounting firm, (2) discusses matters related to interim and annual financial statements with the management of the Company and the independent registered public accounting firm, (3) reviews and evaluates the performance of internal auditing and (4) discusses matters related to effectiveness of the internal controls of the Company with management and independent registered public accounting firm. With the support of our Fiscal Council, the Company improved procedures for receiving, retaining and addressing complaints regarding accounting, internal control and auditing matters, including the submission of confidential, anonymous complaints from employees regarding questionable accounting or auditing matters. Our Fiscal Council may hire outside advisors to assist it with matters related to the course of their duties, and such expenses are covered by us. The members of our Fiscal Council are elected by our shareholders at the annual general shareholders meeting for one-year terms and are eligible for reelection. The terms of the members of our Fiscal Council expire at the next annual general shareholders meeting to be held in 2018. Under Brazilian Corporate Law, individuals who are members of our Board of Directors or our Board of Executive Officers or are employees or spouses or relatives of any member of our management are not eligible to serve on the Fiscal Council. To be eligible to serve on our Fiscal Council, a person must be a resident of

Brazil and either a university graduate or has been a Company officer or Fiscal Council member of another Brazilian company for at least three years prior to election to our Fiscal Council.

On June 28, 2011, the extraordinary shareholders meeting approved the modification of the number of Fiscal Council members from five to three members. See Item 4.A. Information on the Company History and Development of the Company New corporate governance structure and Exhibit 1.1. Bylaws of Ultrapar, dated as of April 19, 2017 .

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Notwithstanding the above, the new rules for the *Novo Mercado* segment determines that, not later than on the annual shareholders meeting of 2021, all companies listed in this segment must have an audit committee to advise the Board of Directors responsible for (i) issuing an opinion on the engagement or dismissal of independent outside auditors; (ii) appraising the company s quarterly financial filings, interim financial statements, and annual financial statements; (iii) overseeing the activities of the company s internal auditing and internal control departments; (iv) appraising and monitoring the company s risk exposures; (v) appraising and monitoring the company s internal policies, including its policy on related-party transactions, and recommending corrections or enhancements; (vi) having the means to receive and treat information on non-compliance with the laws and regulations applicable to the company, and with its internal rules and codes, including provision for specific procedures to protect whistleblowers and assure the confidentiality of such information.

Also in accordance with the new rules for the *Novo Mercado*, said committee shall have (i) at least three members, of whom at least one must be an independent member of the Board of Director and one must have recognized experience in business accounting pursuant to the rules issued by the CVM regarding the registration and practice of independent auditing activities in the securities market; (ii) operational autonomy and its own budget approved by the Board to cover its operating costs and expenses; and (iii) its own bylaws, approved by the Board of Directors, with a detailed description of its functions and operating procedures, and a chairperson whose activities must be defined in its bylaws..

As mentioned above, companies listed in *Novo Mercado* will have until the general shareholders meeting of 2021 to fully comply with these requirements. See Item 16.G. Corporate Governance.

On April 19, 2017, the annual general shareholders meeting approved compensation for Fiscal Council members of R$17,110 per month for each effective (non-alternate) member, except for the president of the Fiscal Council, whose compensation was set at R$18,500 per month.

As of December 31, 2017, our Fiscal Council consisted of three members and their respective alternate members, set forth on the following table:

Name	First Year of Appointment
Flavio César Maia Luz	2005
Márcio Augustus Ribeiro (alternate)	2007
Geraldo Toffanello	2017
Pedro Ozires Predeus (alternate)	2005
Nilson Martiniano Moreira	2016
Paulo Cesar Pascotini (alternate)	2014

On April 19, 2017, at the annual general shareholders meeting, Flavio César Maia Luz (president), Geraldo Toffanello and Nilson Martiniano Moreira were elected, as well as Márcio Augustus Ribeiro, Pedro Ozires Predeus and Paulo Cesar Pascontini as alternates of Mr. Luz, Mr. Toffanello and Mr. Moreira, respectively. Mr. Toffanello was elected in replacement of Mr. Probst and the other members were reelected. Summarized below is information regarding the business experience, areas of experience and principal outside business interests of the current members of our Fiscal Council.

Flavio César Maia Luz. Mr. Luz has been our Fiscal Council president since 2005. Mr. Luz is a partner-officer at Doing Business Consultoria Empresarial Ltda, a business and corporate finance Company. He is also a member of the

Fiscal Council at CTEEP S.A. and Itaúsa S.A. and a member of the Board of Directors of Ser Educacional S.A. and of Marcopolo S.A. Mr. Luz was corporate and finance vice-president of Cofra Latin America Ltda. C&A Group from 2001 to 2010 and was Chief Executive Officer of Banco Ibi C&A Group in 2009. From 1999 to 2001, Mr. Luz served as executive director and vice-president of the Board of Directors at Eletropaulo and as a member of the Board of Directors at Light S.A. From 1976 to 1998, Mr. Luz worked at Duratex, where he occupied the executive vice-president position from 1993 to 1998. Mr. Luz received a degree in civil engineering from *Escola Politécnica da Universidade de São Paulo* and a post-graduate degree in business administration from *Escola de Administração de Empresas de São Paulo da Fundação Getulio Vargas*. He also holds certificates of continuing education programs in Finance, Marketing and Mergers & Acquisitions, from Harvard Business School, Stanford University and Wharton Business School, respectively.

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Geraldo Toffanello. Mr. Toffanello has been a member of our Fiscal Council since April 19, 2017. Mr. Toffanello is a member of the Fiscal Council of Gerdau S.A. and Metalúrgica Gerdau S.A. From 1998 to 2012, he worked as an accounting director of Gerdau S.A. He was a member of Fiscal Council of Dimed S.A. Distribuidora de Medicamentos and a member of the Board of Director of Puras FO from 2013 to 2015. Mr. Toffanello served as a member of the audit and accounting standards committee of ABRASCA *Associação Brasileira de Companhias Abertas* (Brazilian Publicly Traded Companies Association) from 1995 and 2012 and a member of the council board of IFRS. He also is the founder of Luzes do Mundo Ltda. Mr. Toffanello received a degree in accounting from *Faculdade Porto-Alegrense de Ciências Contábeis e Administrativas* and a postgraduate degree in accounting from *Universidade Federal do Rio Grande do Sul*.

Nilson Martiniano Moreira. Mr. Moreira joined the Company in April 2016 as a member of Fiscal Council. He has been an officer of Banco do Brasil S.A. since 2006 and a member of the Fiscal Council of Alelo Companhia Brasileira de Soluções e Serviços S.A. since 2014. Mr. Moreira was also a member of the Fiscal Council of Neoenergia from 2010 to 2014, a member of the Fiscal Council of *Companhia Brasileira de Soluções e Serviços* from 2013 to 2016 and a member of Board of Directors of BB Tecnologia e Serviços in 2014. He holds a bachelor degree in Economics from PUC *Pontificia Universidade Católica de Minas Gerais* and an MBA from IBMEC *Instituto Brasileiro de Mercado de Capitais*.

Corporate Governance

We are incorporated under the laws of Brazil and we are subject to Brazilian laws related to corporate governance. Under Brazilian Corporate Law, there are no legal requirements with respect to corporate governance regarding (i) the independence of our Board of Directors, (ii) meetings of non-management directors, (iii) the mandatory establishment and composition of certain board committees or (iv) the adoption and disclosure of corporate governance guidelines or codes of business conduct and ethics. As a non-U.S. issuer, we are exempt from adopting certain NYSE corporate governance requirements. However, we aim to ensure that best practices, recommendations and standards of corporate governance are employed in our functioning and operations. As of December 31, 2017, we had adopted corporate governance practices, such as the requirement that at least 30% of the members of the Board of Directors be independent, the implementation of a code of ethics for Ultra S.A., senior officers and all employees, and the implementation of the people and organization and audit committees. According to our bylaws, the Fiscal Council will act on a non-permanent basis and will be installed when requested by our shareholders as set forth in Brazilian Corporate Law. The audit committee will not operate in any fiscal year when a Fiscal Council is installed. We currently have a Fiscal Council installed, which exercises all the duties provided for in the bylaws regarding the audit committee. See Fiscal Council and Audit Committee Exemption and Description of the Audit Committee .

In 2000, B3 introduced three special listing segments, known as Levels 1 and 2 of Differentiated Corporate Governance Practices and *Novo Mercado*, which seek to foster a secondary market for securities issued by Brazilian companies with securities listed on B3, by requiring such companies to follow good practices of corporate governance. The listing segments were designed for the trading of shares issued by companies voluntarily abiding by corporate governance practices and disclosure requirements in addition to those already imposed by Brazilian Corporate Law. These rules generally increase shareholders rights and enhance the disclosure of information provided to shareholders.

In October 2005, we entered into an agreement with B3 and have complied with the requirements to become a Level 1 Company, which is the entrance level of the Differentiated Corporate Governance Practices of B3.

On June 28, 2011, the extraordinary general shareholders meeting and the special preferred shareholders meeting approved the conversion of each preferred share into one common voting share, the migration of Ultrapar to *Novo*

Mercado segment of B3 and amendments to our bylaws. See Exhibit 2.11 Rules of *Novo Mercado*.

Our bylaws have provisions that exceed the listing requirements of *Novo Mercado*. For example, according to the rules of *Novo Mercado* the minimum percentage of independent members of the Board of Directors is set at 20%, while a minimum of 30% is required in our bylaws. Our bylaws also (i) establish a mandatory tender offer for 100% of the Company s shareholders in the event a shareholder, or a group of shareholders acting in concert, acquire or become holder of 20% of the Company s shares, excluding treasury shares, and (ii) create audit and people and organization committees, as ancillary bodies of the Board of Directors. Our bylaws do not establish any limitation on voting rights, special treatment to current shareholders, public tender offers for a price above that of the acquisition price of shares or any other poison pill provisions, thus assuring the effectiveness of a majority shareholders approval on all matters to be deliberated. See Item 4.A. History and Development of the Company New corporate governance structure and Exhibit 1.1. Bylaws of Ultrapar, dated as of April 19, 2017.

In addition, we highlight that new Listing Rules for the *Novo Mercado* were approved by the CVM in September 2017 and became effective as of January 2, 2018.

Some of the modifications of the *Novo Mercado* Listing Rules may be adopted until the General Shareholders Meeting of 2021, which include: (i) obligation of setting up an Audit Committee (statutory or non statutory); (ii) structuring and disclosing a process of assessment of the Board of Directors, its committees and the executive officers; (iii) elaboration and disclosure of a Code of Conduct, as well as of a Compensation Policy, a Nomination Policy for the Board of Directors, its Committees and Executive Officer, a Risk Management Policy; a Related Party Transaction Policy and a Securities Trading Policy, all of them with minimum requirements.

On the other hand, other requirements set forth in the new rules of the *Novo Mercado* are already in force as of January 2, 2018, such as, among others:

(i) the disclosure of the resignation or dismissal of any member of the board of directors or statutory officer by means of a market notice or a notice of material fact issued not later than the business day following that on which the company is notified of the resignation or the dismissal is approved;

(ii) the filing with B3, not after ten days after the end of each month, of a monthly report based on information provided by the controlling shareholder detailing the direct or indirect ownership of its shares by the controlling shareholder and related persons, on an individual and consolidated basis, including positions in derivatives and any other securities referenced to the stock issued by the company, including derivatives settled in cash;

(iii) the disclosure of notices of material fact, information about dividends and other distributions in English simultaneously with the correspondent disclosure in Portuguese;

(iv) holding a public presentation on the information disclosed in its quarterly earnings results or financial statements within five business days of their release;

(v) the rules regarding the Board of Directors opinion on public tender offers whose notices are published after January 2, 2018;

(vi) the rules regarding the transfer of the company s control, delisting from the *Novo Mercado* and corporate reorganization in connection with events disclosed after January 2, 2018.

Description of the Audit Committee

Our bylaws establish the audit committee as an ancillary body of the Board of Directors. The audit committee shall be comprised of three members, of whom at least two shall be external and independent members, all elected by the Board of Directors for a one-year term of office, with reelection being permitted for successive terms. The external and independent members of the audit committee shall not be a member of the Board of Directors of the Company or of its controlled companies and shall have knowledge or experience in auditing, controls, accounting, taxation or rules applicable to publicly-held companies, in so far as they refer to the adequate preparation of their financial statements. The audit committee shall (a) propose to the Board of Directors the nomination of the independent registered public accounting firm as well as their replacement; (b) review the management report and the financial statements of the Company and of its controlled companies, and provide the recommendations it deems necessary to the Board of Directors; (c) review the quarterly financial information and the periodic financial statements prepared by the Company; (d) assess the effectiveness and sufficiency of the internal control structure and of the internal and independent audit processes of the Company and of its controlled companies, including in relation to the provisions set forth in the Sarbanes-Oxley Act, submitting the recommendations it deems necessary for the improvement of policies, practices and procedures; (e) provide its opinion, upon request of the Board of Directors, with respect to the proposals of the management bodies, to be submitted to the shareholders meetings, relating to changes to the capital stock, issuance of debentures or warrants, capital budgets, dividend distribution, transformation, merger, amalgamation or spin-off; and (f) provide its opinion on the matters submitted to it by the Board of Directors, as well as on those matters it determines to be relevant. As determined in our bylaws, in the event the Fiscal Council is installed as set forth in Brazilian Corporate Law, the Fiscal Council shall operate as the audit committee exercising all the duties provided for in our bylaws. The audit committee will not operate in any fiscal year when a Fiscal Council is installed. As set forth by our bylaws, our Fiscal Council will act on a non-permanent basis and its current members will remain in office until the annual general shareholders meeting that will be held in 2018. Our management proposal submitted to our annual shareholders meeting to be held on April 11, 2018, includes the following individuals to serve as members of our Fiscal Council: Mr. Flavio Cesar Maia Luz, Mr. Geraldo Toffanello and Mr. William Bezerra Cavalcanti Filho. If elected these members will serve a term from April 2018 through April 2019. See Item 4.A. History and Development of the Company New corporate governance structure and Exhibit 1.1. Bylaws of Ultrapar, dated as of April 19, 2017.

Notwithstanding the above, the new rules for the *Novo Mercado* segment determines that, not later than on the annual shareholders meeting of 2021, all companies listed in this segment must have an audit committee to advise the Board of Directors responsible for (i) issuing an opinion on the engagement or dismissal of independent outside auditors; (ii) appraising the company s quarterly financial filings, interim financial statements, and annual financial statements; (iii) overseeing the activities of the company s internal auditing and internal control departments; (iv) appraising and monitoring the company s risk exposures; (v) appraising and monitoring the company s internal policies, including its policy on related-party transactions, and recommending corrections or enhancements; (vi) having the means to receive and treat information on non-compliance with the laws and regulations applicable to the company, and with its internal rules and codes, including provision for specific procedures to protect whistleblowers and assure the confidentiality of such information.

Also in accordance with the new rules for the *Novo Mercado*, said committee shall have (i) at least three members, of whom at least one must be an independent member of the Board of Director and one must have recognized experience in business accounting pursuant to the rules issued by CVM regarding the registration and practice of independent auditing activities in the securities market; (ii) operational autonomy and its own budget approved by the Board to cover its operating costs and expenses; and (iii) its own bylaws, approved by the Board of Directors, with a detailed description of its functions and operating procedures; and (iv) a chairperson whose activities must be defined in its bylaws.

As mentioned above, companies listed in the *Novo Mercado* will have until the annual shareholders meeting of 2021 to fully comply with these requirements.

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Description of the People and Organization Committee

Our bylaws establish the people and organization committee as an ancillary body of the Board of Directors. The people and organization committee shall (a) pursuant to the proposal received from the Chief Executive Officer, propose to the Board of Directors and periodically revise the parameters and guidelines of a remuneration and benefits framework to directors, executive officers and senior employees of the Company and subsidiaries, and members of the committees and other governing bodies assisting the Board of Directors, (b) propose to the Board of Directors, pursuant to the proposal received from the Chief Executive Officer, the overall compensation of the directors and executive officers of the Company, which shall be submitted to the shareholders meeting; (c) ensure that the Company prepares itself adequately for the succession of its directors, executive officers and other key employees, particularly the Chief Executive Officer and the principal executive officers; and (d) carry out diligence and supervise the steps taken to ensure that the Company adopts a model of competence and leadership, attraction, retention and motivation in line with its strategic plans. As approved by the Annual and Extraordinary General Shareholders Meeting held on April 19, 2017, the denomination of such committee was modified from compensation committee to people and organization committee. In addition, the composition of such committee was modified from three members of the Board of Directors, two of which should be independent directors, to up to four members, of whom two shall be independent directors, and the others may be directors or not. See Item 4.A. History and Development of the Company New corporate governance structure and Exhibit 1.1. Bylaws of Ultrapar, dated as of April 19, 2017.

The people and organization committee was installed by the Board of Directors at the meeting held on November 9, 2011. As of December 31, 2017, Mr. Alexandre Gonçalves Silva, Mr. Nildemar Secches, Mr. Lucio de Castro Andrade Filho and Mr. Pedro Wongtschowski were members of the people and organization committee as appointed by the Board of Directors at the meeting held on May 10, 2017 for a term of office that will be extended until the end of the term of office of the Board of Directors elected in the meeting held on April 19, 2017. See Exhibit 1.1. Bylaws of Ultrapar, dated as of April 19, 2017.

Termination Agreements

Not applicable.

D. Employees

As of December 31, 2017, we had 16,448 employees. The following table sets forth our number of employees per line of business at the dates indicated:

	As of December 31, Number of employees		
	2017	**2016**	**2015**
Ultragaz	3,633	3,610	3,603
Ipiranga	3,051	2,903	2,864
Oxiteno	1,901	1,903	1,806
Ultracargo	715	645	596
Extrafarma	6,698	5,670	5,269
Others[(1)]	450	442	459
Ultrapar	16,448	15,173	14,597

(1) Includes corporate center personnel.

Ultrapar s employees are covered by collective agreements with the labor unions that represent different industry sectors: Ultragaz in the minerals trading and transportation sectors; Ipiranga in the fuel distribution sector; Oxiteno in the chemicals sector; Ultracargo in the storage sector; and Extrafarma in the retail pharmacy business. All agreements, signed between the companies and labor unions of each sector, addresses social, financial, labor union and labor relations issues.

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In February 2001, our Board of Directors approved the adoption of a defined contribution pension plan to be sponsored by Ultrapar and each of its subsidiaries. Participating employees have been contributing to this plan, managed by Ultraprev   *Associação de Previdência Complementar*, since August 2001. Under the terms of the plan, every year each participating employee chooses his or her basic contribution to the plan. Each sponsoring company provides a matching contribution in an amount equivalent to each basic contribution, up to a limit of 11% of the employee s base salary, according to the rules of the plan. As participating employees retire, they may choose to receive either (i) a monthly sum ranging between 0.5% and 1.0% of their respective contribution (including accumulated funds) in Ultraprev or (ii) a fixed monthly amount which will exhaust their respective contribution (including accumulated funds) over a period of 5 to 25 years. The sponsoring company does not guarantee the amounts or the duration of the benefits received by each employee that retires. The total number of participating employees as of December 31, 2017 was 8,677.

E. Share Ownership

In accordance with our bylaws, our common shares are our sole class of capital stock authorized and outstanding. They entitle their holders to voting rights on any matter. See Item 6.B. Directors, Senior Management and Employees Board Practices Corporate Governance.

On February 10, 2011, the extraordinary general shareholders meeting approved a stock split of the shares issued by Ultrapar, so that each share would be represented by four shares of the same class and type, with no modification in the shareholders financial position and interest in the Company. After the stock split, our numbers of preferred shares and common shares increased to 197,719,588 and 346,664,408, respectively.

In addition, on June 28, 2011, the extraordinary general shareholders meeting and the special preferred shareholders meeting approved the conversion of each preferred share issued by the Company into one common share with voting rights.

As of December 31, 2016, following the Extrafarma Transaction and the shares issued to the former Extrafarma shareholders in connection therewith, Ultrapar s capital stock was composed of 556,405,096 common voting shares.

The table below sets forth the number of our common shares beneficially owned by each of our directors and executive officers as of December 31, 2017, including through their participation in Ultra S.A., and does not reflect changes to our capital stock subsequent to such date:

	Total Shares	%
Board of Directors		
Paulo Guilherme Aguiar Cunha(1)	15,730,616	2.8%
Lucio de Castro Andrade Filho(1)	5,568,164	1.0%
Pedro Wongtschowski(1)	2,368,987	0.4%
Alexandre Gonçalves Silva		0.0%
Carlos Tadeu da Costa Fraga		0.0%
Jorge Marques de Toledo Camargo		0.0%
José Maurício Pereira Coelho		0.0%
Nildemar Secches(2)	168,068	0.0%
Olavo Egydio Monteiro de Carvalho	4	0.0%

Executive officers		
Frederico Pinheiro Fleury Curado[3]	123,394	0.0%
André Pires de Oliveira Dias[3]	103,732	0.0%
André Covre[3]	401,600	0.1%
João Benjamin Parolin[3]	232,000	0.0%
Leocadio de Almeida Antunes Filho[3]	300,000	0.1%
Pedro Jorge Filho[3]	339,900	0.1%
Ricardo Isaac Catran[3]	149,650	0.0%
Board of Directors and executive officers	**25,486,115**	**4.6%**
Total	**556,405,096**	

(1) Individuals who beneficially own shares primarily through their participation in the holding company Ultra S.A. See Item 7.A. Major Shareholders and Related Party Transactions Major Shareholders.

(2) Individual who owns shares through an exclusive fund.

(3) Executives who were granted shares through the Deferred Stock Plan.

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ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The table below shows the capital stock of Ultrapar as of December 31, 2017:

	Total Shares	%
Shareholders		
Ultra S.A. Participações	119,760,601	22%
Standard Life Aberdeen PLC[1]	47,271,300	8%
Parth do Brasil Participações[2]	42,833,956	8%
BlackRock, Inc.	27,906,793	5%
Others	318,632,446	57%
Total	**556,405,096**	**100%**

(1) Fund managers headquartered in the United Kingdom (according to relevant shareholder position notice disclosed by the respective funds).

(2) Parth do Brasil Participações Ltda. is controlled by Daisy Igel s family. In November 2015, it was renamed from Parth Investments Company to Parth do Brasil Participações Ltda.

Ownership and Capital Structure of Ultra S.A. Participações

As of December 31, 2017, Ultra S.A. owned 22% of Ultrapar s voting shares. As of December 31, 2016, the capital stock of Ultra S.A. was beneficially owned as follows:

	Common Shares	%	Preferred Shares	%	Total Shares	%
Shareholders						
Ana Maria Levy Villela Igel	9,764,689	17%	12,395,100	52%	22,159,789	27%
Fabio Igel	7,518,770	13%	1,768,275	7%	9,287,045	11%
Marcia Igel Joppert	6,521,602	11%	1,031,494	4%	7,533,096	9%
Joyce Igel de Castro Andrade	5,916,246	10%	1,262,989	5%	7,179,235	9%
Rogério Igel	3,314,187	6%	130,519	1%	3,444,706	4%
Christy Participações Ltda	4,049,199	7%	4,990,444	21%	9,039,643	11%
Others	4,140,702	7%	2,364,065	10%	6,504,767	8%
Total Shareholders	**41,225,395**	**72%**	**23,942,886**	**100%**	**65,168,281**	**80%**

Common	Preferred	Total

	Shares	%	Shares	%	Shares	%
Directors and officers						
Paulo Guilherme Aguiar de Cunha	10,654,109	19%		0%	10,654,109	13%
Lucio de Castro Andrade Filho	3,775,470	7%		0%	3,775,470	5%
Pedro Wongtschowski	1,606,301	3%		0%	1,606,301	2%
Total Directors and Officers	**16,035,880**	**28%**		**0%**	**16,035,880**	**20%**
Total	**57,261,275**	**100%**	**23,942,886**	**100%**	**81,204,161**	**100%**

All of the securities of Ultra S.A. are held in Brazil and there are 20 record holders of these securities in Brazil.

Shareholders Agreements

Ultra S.A. s shareholders executed, on February 24, 2014, a new shareholders agreement which became effective as of that date and replaced the Ultra S.A. Shareholders Agreement executed on 2011. The Ultra S.A. shareholders agreement s main terms are substantially related to (i) the decision process of Ultra S.A. s vote at Ultrapar s shareholders meetings and (ii) procedures to exchange any party s shares in Ultra S.A. into shares of Ultrapar, provided that the party s percentage held in our capital remains the same percentage held indirectly through his or her interest in Ultra S.A. The terms and conditions of the new shareholders agreement are substantially the same as the previous shareholder s agreement among the same parties effective since 2011, except, mainly, for the replacement of previous meetings among the agreeing parties for extraordinary shareholders meetings of Ultra S.A. to decide upon the vote of Ultra S.A. regarding certain matters in general shareholders meetings of Ultrapar. The 2014 Shareholders Agreement will be valid for a five-year term and is renewable by a unanimous resolution. It can be terminated prior to the expiration of its term by a resolution of 80% of Ultra S.A. voting shares. Additionally, in line with the 2011 Shareholders Agreement, the following provisions remain:

- any party purchasing shares of Ultra S.A. must agree to be bound by the terms of the 2014 Shareholders Agreement;

- the requirement for prior approval at a shareholders meeting for a third party to become an Ultra S.A. shareholder; and

- the obligation to the agreeing parties of the 2014 Shareholders Agreement to vote favorably at the extraordinary shareholders meeting of Ultra S.A. convened to discuss and approve the necessary actions for the exchange of any party s shares in Ultra S.A. into our shares at an exchange ratio necessary to obtain the same percentage of our capital stock as was held in Ultra S.A.

See Exhibit 2.13 2014 Ultra S.A. Shareholders Agreement, dated as of February 25, 2014.

B. Related Party Transactions

As of December 31, 2017, Ultrapar is responsible for guarantees and securities provided to subsidiaries in the amount of R$9,588.0 million. This disclosure of related party transactions is provided for purposes of the rules governing Annual Reports on Form 20-F and is not meant to suggest that these matters would be considered related party transactions under IFRS.

Utingás bylaws provide for each of its shareholders to use a proportion of Utingás total storage capacity equal to such shareholder s proportionate ownership of Utingás. Accordingly, Ultragaz is entitled to use 4.2 thousand tons of LPG storage capacity at Utingás facilities, reflecting Ultragaz s 57% ownership in Utingás. The amount of payments made by Ultragaz to Utingás in 2017 with respect to the use of storage capacity at Utingás facilities totaled R$9.3 million.

The related parties transactions for financial statements purposes are transactions between the subsidiaries of the Ultrapar with joint ventures and associates companies, that are not eliminated in the consolidation of financial statements. The mainly related parties transactions refer to RPR and ConectCar. See Note 8.a) to our consolidated financial statements for a detailed breakdown of related party transactions as of December 31, 2017.

C. Interests of Expert and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

For our consolidated financial statements and notes thereto see Item 18. Financial Statements.

Dividends and Distribution Policy

Dividend policy

The bylaws of a Brazilian company may establish a minimum percentage of the profit that must be paid to shareholders as mandatory dividends. The amounts due as dividends may be paid as interest on net equity. Our bylaws provides for a mandatory distribution equal to 50% of the net profit (as defined below).

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Brazilian Corporate Law defines the net profit as the results of the relevant fiscal year, reduced by accumulated losses of prior fiscal years, provisions for income tax and social contribution on the net profit for such fiscal year, and amounts allocated to employees and management s participation on the results in such fiscal year.

Under Brazilian Corporate Law, the net profit may be reduced or increased by the following:

- amounts allocated to the legal reserve;
- amounts allocated to the statutory reserve, if any;
- amounts allocated to the contingency reserve, if required;
- amounts allocated to the unrealized profit reserve;
- amounts allocated to the retained profit reserve;
- amounts allocated to the income tax exemption reserve;
- reversions of reserves registered in prior years, in accordance with Brazilian GAAP; and
- reversions of the amounts allocated to the unrealized profit reserve, when realized and not absorbed by losses.

Legal reserves. We are required to maintain a legal reserve to which we must allocate 5% of our net profit until the amount of our legal reserve equals 20% of paid-in capital. We are not required to make any allocations to the legal reserve for any fiscal year in which such reserve, when added to our capital reserves, exceeds 30% of our capital stock. Accumulated losses, if any, may be charged against the legal reserve. Other than that, the legal reserve can only be used to increase our capital.

Statutory reserves. Under Brazilian Corporate Law, any corporation may create statutory reserves, in which case it shall be provided in its respective bylaws. In this case, the bylaws must also indicate the reserve purpose, allocation criteria and maximum amount of reserve. As provided in our bylaws, we may allocate up to 45% of our net profit to an investment reserve, up to the limit of 100% of our capital stock.

Contingency reserves. Under Brazilian Corporate Law, our shareholders may decide, upon a proposal of our Board of Directors, to allocate a discretionary amount of our net profit to a contingency reserve for estimated future losses, which are deemed probable. The distributable amount may be further increased by the reversal of such reserve in the fiscal year when the reasons that justified the creation of such reserve cease to exist or in which the anticipated loss occurs. Accordingly, there is no specific percentage of net profit allocable to this type of reserve.

Unrealized profits reserves. Under Brazilian Corporate Law, when the mandatory dividend amount exceeds the realized net profits in a given fiscal year, our shareholders may elect, upon a proposal of our Board of Directors, to allocate some or all of the excess dividend amount to any unrealized profits reserve. Brazilian Corporate Law defines realized net profits as the amount by which the company s net profits exceed the sum of (1) its net positive results, if any, from the equity method of accounting for earnings and losses of the company s subsidiaries and certain of its affiliates and (2) the profits, gains or returns that will be received by the company after the end of the next fiscal year. The distributable amount is increased by the profits that were allocated to such reserve when they are realized.

Income tax exemption reserve. Under Brazilian Corporate Law, the portion of the net profit derived from donations or governmental incentives directed to investments, can be excluded of the Distributable Amount.

Retained profits reserve. Under Brazilian Corporate Law, our shareholders may decide to retain a discretionary amount of our net profits that is provided for in a budget approved in the general shareholders meeting, upon the proposal of its Board of Directors, for the expansion of our installations and other investment projects. After the conclusion of the relevant investments, we may retain the reserve until the shareholders approve the transfer of the reserve, in full or in part, to its capital or to the accumulated profits reserve. In accordance with Brazilian Corporate Law, if a project to which part of the reserve has been allocated has a term exceeding one year, the budget for such project must be approved by the general shareholders meeting each fiscal year through the conclusion of the project.

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Brazilian Corporate Law provides that all statutory allocations of net profit, including the unrealized profits reserve and the reserve for investment projects, are subject to approval by the shareholders voting at a general shareholders meeting and may be used for capital increases or for the payment of dividends in subsequent years. The legal reserve is also subject to approval by the general shareholders meeting and may be transferred to capital or used to absorb losses, but is not available for the payment of dividends in subsequent years.

The balance for the profit reserve accounts, except for the contingency reserve and unrealized profits reserve, may not exceed the share capital. If this happens, our shareholders must determine whether the excess will be applied to pay in the subscribed and unpaid capital, to increase and pay in the subscribed stock capital or to distribute dividends.

The profits unallocated to the accounts mentioned above must be distributed as dividends.

A company is permitted to allocate to the unrealized profits reserves all income from equity gains in subsidiaries that are not distributed to the company in the form of cash dividends. When such gains are distributed to the company in the form of cash dividends, the company is required to reverse the reserve. See Item 3.D. Key Information Risk Factors Risks Relating to the Shares and the American Depositary Shares. In addition to the mandatory distribution, the Board of Directors may recommend to the shareholders the payment of interim distributions from other funds that are legally available for such purposes. Any payment of an interim dividend may be set off against the amount of the mandatory dividend distribution for that fiscal year.

As an alternative form of payment of dividends, Brazilian companies may distribute interest on capital, which payments may be treated by a company as a deductible expense for income and social contribution taxes purposes. Payments of interest on capital may be made at the discretion of our Board of Directors, subject to the approval of the holders of our common shares. Payments of interest attributed to shareholders equity, net of withholding tax, may be distributed as part of the minimum mandatory dividends, to the extent that it does not exceed the limits described below. This interest is calculated in accordance with the daily pro rata variation of the Brazilian government s long-term interest rate, (TJLP), as determined by the Central Bank from time to time, and cannot exceed the greater of:

- 50% of net income (after the deduction of the social contribution on profits and before the provision for corporate income tax and the amounts attributable to shareholders as net interest on equity) related to the period in respect of which the payment is made; or

- 50% of the sum of retained profits and profit reserves in the beginning of the period with respect to which the payment is made.

Under Brazilian Corporate Law, a company may suspend the mandatory distribution either in the form of dividends or payments of interest on capital if the shareholders at the general shareholders meeting determine, based on the Board of Directors proposal, which is reviewed by the Fiscal Council, that payment of the mandatory distribution for the preceding fiscal year would be inadvisable in light of the company s financial condition. Our managers must report to the CVM such suspension within five days of the relevant general shareholders meeting. Under Brazilian law, mandatory distributions that are suspended and not offset against losses in future years must be paid as soon as the financial condition of the company permits.

We declare and pay dividends and/or interest on capital, pursuant to Brazilian Corporate Law and our bylaws. Our Board of Directors may approve the distribution of dividends and/or interest on capital, calculated based on our annual or semiannual financial statements or on financial statements relating to shorter periods. The amount of any distributions will depend on a series of factors, such as our financial condition, prospects, macroeconomic conditions, tariff adjustments, regulatory changes, growth strategies and other issues our Board of Directors and our shareholders may consider relevant.

The amount of retention of profits and investments reserve are free of distribution restrictions and totaled R$3.1 billion as of December 31, 2017.

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For 2017 and 2016, we declared dividends to our shareholders of R$951 million and R$907 million, respectively, corresponding to 60% and 58%, respectively, of our reported net income for each year.

We usually pay dividends twice a year interim dividends are paid after the reporting of the second quarter financial statements and the remaining is paid after the reporting of the annual financial statements.

The following table sets forth the dividends per share distributed by us with respect to our capital stock in the past five years.

Dividend history

Year s results	**Common shares**	
	(in *Reais* per share)	**(in US$ per share)[1]**
2013	1.37	0.58
2014	1.42	0.53
2015	1.60	0.44
2016	1.67	0.52
2017	1.75	0.55

(1) The amounts in *Reais* have been converted into dollars using the exchange rates at each respective payment date.
Holders of our shares are entitled to receive dividends declared by us solely from the date of the subscription and/or acquisition of such shares.

***Payment of dividends*.** Within the four months following the end of each fiscal year, our shareholders are required to hold an annual shareholders meeting to decide, among other things, on the allocation of our net profits with respect to the fiscal year ended immediately prior to the shareholders meeting and the payment of an annual dividend. Additionally, interim dividends may be declared by our Board of Directors. Under Brazilian Corporate Law, dividends are generally required to be paid within 60 days following the date the dividend was declared, unless a shareholders resolution sets forth another date of payment, which, in either case, must occur prior to the end of the fiscal year in which such dividend was declared. Unclaimed dividends revert to us three years after the date when we begin to pay such declared dividends.

Shareholders who are not residents of Brazil must register with the Central Bank to have dividends, sales proceeds or other amounts with respect to their shares eligible to be remitted in foreign currency outside of Brazil. The shares underlying the ADSs will be held in Brazil by the Custodian, *Itaú Corretora de Valores S.A.*, as agent for the Depositary. For purposes of the registration requirement, the Depositary is deemed to be the stockholder of the shares underlying the ADSs. The Depositary will register such common shares with the Central Bank.

Payments of cash dividends and distributions, if any, will be made in Brazilian currency to the Custodian on behalf of the Depositary. The Custodian will then convert such proceeds into U.S. dollars and will cause such U.S. dollars to be delivered to the Depositary for distribution to holders of ADSs. See Description of American Depositary Receipts in our Registration Statement filed on Form F-1, declared effective on April 12, 2005. In the event that the Custodian is unable to convert immediately the Brazilian currency received as dividends into U.S. dollars, the amount of U.S. dollars payable to holders of ADSs may be adversely affected by devaluations of the Brazilian currency that may occur before such dividends are converted and remitted. See Item 3.A. Key Information Selected Consolidated

Financial Data Exchange Rates and Item 3.D. Key Information Risk factors Risks Relating to Brazil. Dividends in respect of the shares paid to shareholders who are not Brazilian residents, including holders of ADSs, are exempt from Brazilian withholding tax except for dividends declared based on profits generated prior to December 31, 1995. Distributions of interest attributable to shareholders equity are currently subject to withholding tax at a rate of 15%, or 25% in the case of a shareholder domiciled in a tax haven . See Item 10.E. Additional Information Taxation Brazilian Tax Consequences.

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Legal proceedings

Provisions for tax, civil and labor risks. We are party to administrative proceedings and lawsuits in relation to tax, civil, environmental, regulatory, and labor matters that are incidental to the normal course of our business. Depending on the outcome of such administrative proceedings and lawsuits, penalties restricting rights may be applied against the Company or its subsidiaries. Proceedings are guaranteed by escrow accounts, and whenever applicable, we maintain escrow deposits. The provisions for the losses related to these suits are based on the assessment of our external legal advisors.

The table below demonstrates the breakdown of provisions by nature and its movement (in millions):

Provisions	2016	Additions	Write- offs	Monetary restatement	Opening balance CBLSA	2017
Income taxes and contribution on net profit	473.5		(2.2)	25.3	19.2	515.8
PIS e COFINS	141.1		(109.5)	3.3		34.9
ICMS	17.1	1.9	(7.8)	0.5	100.1	111.8
IPI					78.1	78.1
Civil, Environmental and Regulatory	69.4	22.0	(3.3)	0.3	0.9	89.3
Labor	65.2	24.0	(11.9)	1.1	4.0	82.4
Others	13.6	0.6	(1.4)	0.6	0.1	13.5
Total	**779.8**	**48.5**	**(136.0)**	**31.2**	**202.4**	**925.8**
Current	52.7					64.6
Non-current	727.1					861.2

Some of the provisions above consist, in whole or in part, of escrow deposits. The balance of these escrow deposits are as follows (in millions):

	Year ended December 31, 2017	2016
Tax	659.1	643.4
Labor	71.1	70.4
Civil and others	92.5	65.0
Total current asset	**822.7**	**778.8**

Social Security and tax provisions. On October 7, 2005, our subsidiaries Cia. Ultragaz and Bahiana filed for and obtained a preliminary injunction to recognize and offset PIS and COFINS credits on LPG purchases, against other taxes levied by the Brazilian Federal Revenue Service, notably IRPJ and CSLL. The decision was confirmed by a trial court on May 16, 2008. Under the preliminary injunction, the subsidiaries made escrow deposits for these debits which amounted to R$483.5 million as of December 31, 2017 (R$ 457.9 million as of December 31, 2016). On July 18, 2014, a second instance unfavorable decision was published and the subsidiaries suspended the escrow deposits, and started to pay income taxes from that date. In seeking to appeal the court decision, the subsidiaries presented a writ of prevention which was dismissed on December 30, 2014, and the Company appealed this decision on February 3, 2015. Appeals were also presented to the respective higher courts (STJ and STF) whose trials are pending.

The subsidiaries Oxiteno S.A., Oxiteno Nordeste, Cia. Ultragaz, Tequimar, Tropical Transportes Ipiranga Ltda., EMCA, IPP and Extrafarma filed for a preliminary injunction seeking the deduction of ICMS from their PIS and COFINS tax bases. On March 15, 2017, the Federal Supreme Court (STF) decided that the ICMS should not be included in the calculation of PIS and COFINS tax bases. Therefore, based on the advice of its legal advisors, on March 31, 2017, Oxiteno Nordeste and IPP reversed the corresponding provision in the amount of R$109.5 million in 2017.

We note, however, that it is possible for the STF to restrict the effects of the judgment or to decide that the effectiveness will be reached after its final decision or other time that may be fixed. Despite the favorable decision, until there is a final judgment, the proceedings may be reassessed, which could result in new provisions in the future.

Civil, environmental and regulatory provisions. Ultrapar and certain subsidiaries are engaged in lawsuits and administrative proceedings, mainly derived from contracts entered into with customers and former suppliers, as well as proceedings related to environmental issues. The company and its subsidiaries maintained total provisions of R$89.3 million as of December 31, 2017 (R$69.4 million as of December 31, 2016) for such lawsuits and administrative proceedings.

Labor provisions. The Company and its subsidiaries maintain provisions of R$82.4 million as of December 31, 2017 (R$65.2 million as of December 31, 2016) for labor litigation filed by former employees and by employees of our service providers mainly contesting the non-payment of labor rights.

Contingent liabilities. The Company and its subsidiaries are party to various tax, civil, environmental, regulatory and labor proceedings for which the risk of loss has been classified as either possible or remote by our in-house legal department and external advisors. Based on this assessment, we have not recorded provisions for proceedings with either a possible or remote risk of loss, pursuant to applicable accounting standards. The total amount involved in proceedings for which the risk of loss was classified as possible was R$2.58 billion as of December 31, 2017 (R$2.25 billion as of December 31, 2016).

Tax and social security contingent liabilities. The Company and its subsidiaries have tax and social security contingent liabilities of R$1.71 billion as of December 31, 2017 (R$1.52 billion as of December 31, 2016), as further described below.

Our subsidiary IPP and its subsidiaries have assessments invalidating the offset of excise tax (IPI) credits in connection with the purchase of raw materials used in the manufacturing of products which sales are not subject to IPI under the protection of tax immunity. The amount of this contingency is R$166.0 million as of December 31, 2017 (R$169.9 million as of December 31, 2016).

Our subsidiary IPP and its subsidiaries have legal proceedings related to ICMS. The total amount involved as of December 31, 2017 in these proceedings, was R$618.8 million (R$626.4 million as of December 31, 2016). Such proceedings arise mostly due to (i) the disregard of ICMS credits amounting to R$307.3 million (R$283.4 million as of December 31, 2016), of which R$121.9 million (R$113.9 million as of December 31, 2016) refer to proportional reversal requirement of ICMS credits related to the acquisition of hydrated alcohol; (ii) the alleged nonpayment in the amount of R$114.0 million (R$108.8 million as of December 31, 2016); and (iii) inventory differences in the amount of R$149.2 million (R$147.0 million as of December 31, 2016) related to the leftovers or faults due to temperature changes or product handling.

We and our subsidiaries are parties to administrative and judicial suits involving income tax, social security contribution, PIS and COFINS, substantially about denials of offset claims and credits disallowance which total amount is R$645.9 million as of December 31, 2017 (R$450.1 million as of December 31, 2016).

In the first quarter of 2017, our subsidiary IPP received a tax assessment related to the IRPJ and CSLL resulting from the supposedly undue amortization of the goodwill paid in connection with its acquisition of a subsidiary, in the amount of R$187.0 million as of December 31, 2017, which includes income taxes, interest and penalties. Management assessed the likelihood of the tax assessment, supported by the opinion of our legal advisors, as possible , and therefore did not recognize a provision for this assessment.

Civil, environmental and regulatory contingent liabilities. The Company and its subsidiaries have civil, environmental and regulatory contingent liabilities in the total amount of R$593.4 million as of December 31, 2017 (R$480.1 million as of December 31, 2016), as further described below.

Our subsidiary Cia. Ultragaz is party to an administrative proceeding before CADE based on alleged anti-competitive practices in the State of Minas Gerais in 2001. CADE rendered a decision against Cia. Ultragaz and imposed a penalty of R$32.3 million as of December 31, 2017 (R$31.3 million as of December 31, 2016). This decision was suspended by a court order and its merit is being judicially reviewed.

In 2016, subsidiary Cia. Ultragaz also became a party to two administrative proceedings filed by CADE relating to allegations of anti-competitive practices.

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The first proceeding relates to anti-competitive practices in the State of Paraíba and other Northeast States and also involves our subsidiary Bahiana. Both companies signed a Cease and Desist Agreement (*Termo de Compromisso de Cessação de Prática* TCC), which was approved by CADE on November 22, 2017 pursuant to which they agreed to pay a penalty of R$96.0 million, in 8 (eight) equal installments starting on the date corresponding to 180 (one hundred and eighty) days as from the publication of CADE s approval. These installments will be adjusted on a semiannual bases by the SELIC. In addition, three employees and a former employee of Ultragaz also signed the TCC and agreed to pay R$1.1 million in fines.

The second proceeding relates to anti-competitive practices in the Federal District and surrounding, and involves only Cia. Ultragaz. Cia. Ultragaz signed a TCC with respect to this proceeding that was approved by CADE on September 6, 2017. Pursuant to the TCC, Cia. Ultragaz agreed to pay a penalty of R$2.2 million, in a single installment on the date corresponding to 180 (one hundred and eighty) days as from the date of publication of CADE s approval. Two former employees of Ultragaz also signed TCC and agreed to pay R$50 thousand each in fines.

As a result of the TCCs described above, the proceeding against Cia. Ultragaz, Bahiana and the employees will be suspended until final decision by CADE Tribunal.

Our subsidiary IPP became a party to two administrative proceedings filed by CADE, relating to allegations of anti-competitive practices in the city of Joinville, State of Santa Catarina and the surroundings of the city of Belo Horizonte, State of Minas Gerais. As of December 31, 2017, no decision has been rendered in connection with these two administrative proceedings and no fine had been imposed to the subsidiary. Regarding the administrative proceeding related to the metropolitan region of Belo Horizonte, administrative areas of CADE recommended the conviction of 35 resellers and their respective owners, the resellers syndicate of Minas Gerais and 4 distributors, among which is IPP. Their recommendations are non-binding. Both cases were submitted to the decision of CADE s Tribunal. In both cases, supported by the opinion of external legal counsel that classified the probability of loss as remote , management did not recognize a provision for such contingencies as of December 31, 2017. If it is concluded that IPP has engaged in anticompetitive activities or behavior, penalties and/or criminal sanctions may be applied against certain executives or employees or the Company, such as losses of operation license, and we may suffer reputational harm. Also, according to Law 12,529/11 (Competition Law), the penalty for infraction of the economic order may vary from 0.1% to 20% of the value of gross sales of the company, group or conglomerate obtained in the last fiscal year prior to the commencement of the administrative proceeding, in the branch of business activity in which the infraction occurred, which will never be less than the advantage obtained, when its estimation will be possible.

Certain former shareholders of RPR, CBPI and DPPI filed two lawsuits in the States of São Paulo and Rio de Janeiro questioning the Share Exchange in connection with the acquisition of the Ipiranga Group in order to prevent the Company s shareholders meeting that would deliberate on the Share Exchange from taking place. Decisions by administrative and judicial courts stated that there were no legal grounds for the request. Based on such administrative and court decisions, the Share Exchange was approved by the shareholders meeting of the companies on December 18, 2007. The lawsuit filed in the State of Rio de Janeiro terminated as a result of loss of interest to sue, due to the sale of the correspondent shareholding at Ultrapar. Regarding the lawsuit filed in the state of São Paulo, the former Ipiranga shareholders that filed the suit appealed against the decision issued and the court of appeals rejected this appeal and maintained the lower court s decision. Nonetheless, such former shareholders filed a special appeal against such decision, which was also not admitted by the court of appeals. Against this specific decision on non-admittance, they filed an interlocutory appeal to forcibly refer the case records to the Brazilian High Court of Justice, where the merits of the special appeal was also denied. The former shareholders then filed a motion for clarification, which was also rejected by the High Court of Justice. Against both decisions, which respectively rejected the special appeal and the motion for clarification, they filed an extraordinary appeal, where both admission and merits will be judged. In 2011, a new lawsuit in the State of Rio de Janeiro was filed by some of these former shareholders, questioning aspects of the Share Exchange. However, the High Court of Justice rendered a decision regarding a conflict of jurisdictions and ordered the remittance of this new lawsuit to the State of São Paulo, where it will be judged. The Company has not recorded any provision for these lawsuits in its financial statements.

On November 29, 2016, a technical opinion was issued by the Operational Support Center for Execution (Centro de Apoio Operacional à Execução CAEX), a technical body linked to the São Paulo State Public Prosecutor (MPE), presenting a proposal setting forth an estimate of monetary damages for the alleged environmental impact caused by the fire on April 2, 2015 at the Santos Terminal of the subsidiary Tequimar. This technical opinion is non-binding, with no condemnatory or sanctioning nature, and will still be evaluated by the authorities and parties. The Company disagrees with the methodology and the assumptions adopted in the proposal and is negotiating an agreement with the MPE and the Brazilian Federal Public Prosecutor (MPF). Nevertheless, it is expected that the amounts eventually payable on the final MPE report may have a material impact on the Company s financial statements, besides the amounts already recognized. In addition, Tequimar has been criminally indicted based on the recommendation of the MPF in relation to the same matters. Tequimar is awaiting for the formal court summons in connection with this indictment in order to take the necessary measures for its defense. For additional information, see Note 33 to our financial statements.

Labor contingent liabilities. The Company and its subsidiaries have labor contingent liabilities in the total amount of R$273.7 million as of December 31, 2017 (R$252.9 million as of December 31, 2016), as further described below.

In 1990, the Petrochemical Industry Labor Union (Sindiquímica), of which the employees of Oxiteno Nordeste and EMCA, companies located in the Camaçari Petrochemical Complex, are members, filed separate lawsuits against the subsidiaries demanding the compliance with the fourth section of the collective labor agreement, which provided for a salary adjustment in lieu of the salary policies practiced. In the same year, a collective labor dispute was also filed by the Union of Employers (SINPEQ) against Sindiquímica, requiring the recognition of the loss of effectiveness of such fourth section. The decisions rendered on the individual claims which were favorable to the subsidiaries Oxiteno Nordeste and EMCA are final and unappealable. The collective labor dispute remains pending trial by STF. In 2010, some companies in the Camaçari Petrochemical Complex signed an agreement with Sindiquímica and reported the fact in the collective labor dispute. In October 2015, Sindiquímica filed enforcement lawsuits against all Camaçari Petrochemical Complex companies that have not yet reached settlements, including Oxiteno Nordeste and EMCA.

Lubricants operation between IPP and Chevron. In the process of establishing the joint venture between Chevron and subsidiary IPP, the companies agreed that each shareholder of the new company would be responsible for any claims arising out of any acts, facts or omissions prior to their formation. The liability provisions of the Chevron shareholder in the amount of R$3.5 million are reflected in the consolidated financial statements, as well as the contingent liabilities identified at the date of acquisition, whose provision amount of R$198.9 million was recognized as a business combination on December 1, 2017. The amount provisioned of Chevron s liability recognized in the business combination will be reimbursed to subsidiary CBLSA in the event of losses and an indemnity asset was hereby constituted in the same amount, without the need to establish a provision for uncollectible amounts.

Antitrust matters

Acquisition of Alesat Combustíveis S.A. The acquisition of 100% of Ale and the assets integrating its operation by Ipiranga was duly submitted to the antitrust authorities on September 19, 2016. On February 1, 2017, the General Superintendence issued a non-binding opinion objecting to the transaction. On August 2, 2017, CADE rejected the transaction relating the acquisition of Ale and any of its assets comprising its operations. The contract was automatically terminated without any penalty from either party.

Joint Venture between Ipiranga and Chevron in the Lubricants Business in Brazil. The joint venture between Ipiranga and Chevron to create a company in the lubricants business in Brazil was duly submitted to the antitrust authorities on December 13, 2016. On February 9, 2017, the General Superintendence of CADE issued an opinion for the approval of the transaction without any restriction. On March 2, 2017, CADE issued a certificate attesting to the approval that was published on February 10, 2017.

Acquisition of Liquigás Distribuidora S.A. The acquisition of 100% of Liquigás by Cia. Ultragaz S.A. was submitted to the antitrust authorities on April 7, 2017. On August 28, 2017, the General Superintendence issued a non-binding opinion objecting to the transaction. On February 28, 2018, CADE rejected the transaction relating the acquisition of Liquigás. The contract was automatically terminated, pursuant to which Ultragaz paid a fine on March 13, 2018, in favor of Petrobras in the amount of R$286 million as per the terms of original sale and purchase agreement.

Acquisition of Terminal Exportador de Álcool de Santos Ltda. (TEAS). The acquisition of 100% of TEAS, currently owned by Raízen Energia S.A. and Raízen Araraquara Açúcar e Álcool Ltda., by Terminal Químico de Aratu S.A. TEQUIMAR, was duly submitted to the antitrust authorities on January 31, 2018. On February 9, 2018, the General Superintendence of CADE issued an opinion for the approval of the transaction without any restriction. On March 2, 2018, CADE issued a certificate attesting to the approval that was published on February 10, 2018.

B. Significant Changes

None.

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ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

The table below sets forth, for the indicated periods, the high and low closing prices of the ADSs on NYSE, in U.S. dollars, and the shares on the São Paulo Stock Exchange, in *Reais*:

	New York Stock Exchange			São Paulo Stock Exchange		
	High	Low	Volume[1]	High	Low	Volume[1]
	(in US$ per ADS)			(in *Reais* per share)[2]		
Year ended						
December 31, 2013	27.73	21.39	339,862	60.20	45.28	972,171
December 31, 2014	26.18	17.80	393,511	58.40	48.30	1,270,075
December 31, 2015	24.50	15.25	554,041	73.85	49.00	1,576,482
December 31, 2016	24.48	13.14	594,273	79.05	54.35	1,356,563
December 31, 2017	25.00	20.14	523,628	79.79	63.78	1,285,665
Year ended December 31, 2016						
First quarter	19.62	13.14	580,529	71.00	54.35	1,563,085
Second quarter	22.01	18.75	532,337	73.71	65.95	1,305,471
Third quarter	24.48	20.62	617,573	79.05	69.05	1,188,995
Fourth quarter	23.23	19.14	646,830	73.40	65.19	1,384,751
Year ended December 31, 2017						
First quarter	23.15	20.14	516,404	72.50	63.78	1,238,374
Second quarter	24.74	21.30	585,802	79.35	70.07	1,280,059
Third quarter	24.94	21.86	520,579	78.55	69.60	1,379,750
Fourth quarter	25.00	21.39	470,775	79.79	69.90	1,239,097
Month ended						
November 30, 2017	24.01	21.39	552,730	77.81	70.05	1,555,863
December 31, 2017	22.73	21.46	420,391	75.00	69.90	1,156,837
January 31, 2018	25.92	23.57	431,517	81.54	76.21	1,088,119
February 28, 2018	25.63	23.26	545,542	81.85	75.34	1,122,539
March 31, 2018	22.74	20.78	497,647	75.34	69.25	1,155,619

(1) Average daily number of shares.

(2) Common shares, with respect to any period on or after the Conversion, which was concluded on August 17, 2011, or preferred shares, with respect to any period prior to the Conversion. See Item 4.A. Information on the Company History and Development of the Company.

The prices and volumes are retroactively adjusted for the stock split described under Item 4.A. Information on the Company History and Development of the Company.

B. Plan of Distribution

Not applicable.

C. Markets

Our shares are listed on the São Paulo Stock Exchange under the ticker symbol UGPA3 and the ADSs are listed on NYSE under the symbol UGP.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Bylaws

We are registered with the commercial registry of the state of São Paulo under the registration number 35,300,109,724. Pursuant to chapter I, article 3 of our bylaws, our main corporate purpose is the investment of our capital in the trade, industry and agriculture sectors and in companies providing services, through the subscription for or acquisition of shares or quotas in other companies.

General

Set forth below is a summary of selected significant provisions of our bylaws and the Brazilian Corporate Law, the rules and regulations of the CVM and the *Novo Mercado* listing segment of B3 regarding certain corporate matters in force since the completion of the Conversion. This description does not purport to be complete and is qualified by reference to our bylaws, Brazilian Corporate Law, the rules and regulations of the CVM and the rules of the *Novo Mercado*.

In connection with the Conversion, at the extraordinary shareholders meeting and the special preferred shareholders meeting, both held on June 28, 2011, our shareholders approved (i) the conversion of all preferred shares into common shares at a ratio of one preferred share for one common share; (ii) changes to and consolidation of our bylaws; (iii) the Company s adherence to the rules of the *Novo Mercado* of the B3; and (iv) the confirmation that the new provisions related to the rights of all Company s shareholders in the event of a sale of control of the Company, pursuant to its new bylaws and the *Novo Mercado* regulations, are equivalent to the provisions of the Ultra S.A. shareholders agreement dated as of March 22, 2000. Such decisions became effective on the date the shares issued by the Company were admitted to trade at the *Novo Mercado* of the B3.

As a result of the Conversion, all preferred shares were converted into common shares. Therefore, certain rights granted to preferred shareholders by Brazilian law or our previous bylaws no longer apply, such as, for example, the priority in capital distribution in the event of our liquidation. Also, due to our new capital structure, other shareholders rights are currently not applicable, for instance, the right to separate elections for the Board of Directors and Fiscal Council. On the other hand, common shareholders are entitled to voting rights in any matter. See Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds.

Since our shares are listed on the *Novo Mercado*, we are required to comply with heightened requirements for corporate governance. In addition, we are not permitted to issue preferred shares or any shares with restricted voting rights while listed on the *Novo Mercado* pursuant to the rules of the *Novo Mercado* and our bylaws.

As of January 2, 2018, the new rules for Novo Mercado came into effect. Despite the fact that the Companies listed in this segment are registered to fully comply with the regulations until the general shareholders meeting of 2021, some obligations shall be applied, such as the proceedings required for the voluntary withdrawal from the Novo Mercado segment described below.

Description of Capital Stock

As of December 31, 2017, our subscribed and paid-in capital stock consisted of 556,405,096 common shares, all of which have equal voting and equity rights, with no par value.

Voting Rights

Each common share entitles its holder to one vote at the matters of the shareholders meetings, in accordance with the Brazilian Corporate Law, our bylaws and the *Novo Mercado* regulations. For more detailed information with respect to the voting rights of our common shares see our Form 8-A filed with the SEC on August 15, 2011 in the section Description of Capital Stock Shareholders Meetings.

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Deregistration as Publicly-Held Company

We may only deregister as a publicly-held company if such deregistration is approved by a majority of the shareholders present at a shareholders meeting, which shall be conditioned to: (i) the launching of a public tender offer for the acquisition of all of our outstanding shares in accordance with the provisions of Brazilian Corporate Law, the CVM rules and regulations, the *Novo Mercado* regulation and our bylaws by us, our controlling shareholders or a group of controlling shareholders and (ii) the acceptance of at least two thirds (2/3) of the shareholders representing the free float that show up at the tender offer auction (whether by selling its shares or expressly agreeing with the deregistration), in which case we would become a privately-held company. The price offered for such outstanding shares must at least correspond to the fair value of such shares as set forth in the respective appraisal report issued by a specialized institution with proven experience hired by the offeror for the purposes of the tender offer.

Shareholders holding at least ten percent of the free float of our shares may require our management to call a special shareholders meeting to determine whether to perform another valuation using the same or a different valuation method. This request must be made within 15 days following the disclosure of the price to be paid for the shares in the public tender offer. If the new valuation price is equal to or lower than the original valuation price, the shareholders making such request as well as those who vote in its favor must reimburse the Company for any costs incurred in preparing the new appraisal report. If the new valuation price is higher than the original valuation price, the offeror shall then decide whether to proceed with the public tender offer observing the new price or withdraw the tender offer, in which case the Company will continue to be registered as a publicly-held company.

Withdrawal from the Novo Mercado

According to the new *Novo Mercado* Listing Rules applicable as of January 2, 2018 the withdrawal from the *Novo Mercado* may result from: (i) the controlling shareholders or the company s decision; (ii) the violation of any the rules of the *Novo Mercado*; or (iii) the deregistration as publicly-held company.

The withdrawal, however, shall only occur after the launching of a public tender offer for the Company s outstanding shares, which shall (i) follow, as applicable, the CVM regulation that rules that the mandatory tender offer for the deregistration as publicly-held company (including the abovementioned possibility to request a second valuation report); and (ii) be launched at a fair price, as appointed in the appraisal report issued by a specialized institution with proven experience for the purposes of the tender offer; and (ii) be approved by at least one third (1/3) of the shareholders representing the free float that participate in the tender offer auction (whether by selling its shares or expressly agreeing with the withdrawal from the *Novo Mercado*).

The obligation to launch such public tender offer, however, may be waived by the majority of the shareholders representing the Company s free float present at the shareholders meeting convened to resolve on that matter. Such shareholders meeting may be held on first call with the attendance of shareholders representing two thirds (2/3) of the free float or, on second call, with the attendance of any number of shareholders representing the free float.

The withdrawal from the *Novo Mercado* does not necessarily result in our deregistration as a publicly-held company on the BM&FBOVESPA.

If the Company participates in a corporate reorganization involving the transfer of its shareholders base to a company that is not listed in the Novo Mercado, such resulting company or companies must apply for listing on *Novo Mercado* within one hundred and twenty (120) days from the date of the general shareholders meeting that approved the reorganization, unless the majority of the shareholders representing the Company s free float present at such shareholders meeting agrees with the non-listing of the resulting company.

Pursuant to the new rules of the Novo Mercado, the voluntary withdrawal shall be preceded by a public tender offer at fair market value. For the withdrawal to move forward, shareholders representing more than 1/3 of the outstanding shares shall need to accept the tender offer or expressly agree to delist without selling the shares.

According to the rules of the *Novo Mercado*, in the event of a transfer of our shareholding control within twelve (12) months following our delisting from the *Novo Mercado*, the selling controlling shareholder(s) and the acquirer must offer to acquire the remaining shares for the same price and terms offered to the selling controlling shareholders, duly updated, or pay the difference, if any, between the tender offer price accepted by the former shareholders, duly updated, and the price obtained by the controlling shareholder in selling its shares.

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Sale of Control

In the event of a direct or indirect sale of the Company s shareholding control, through a single or series of transactions, the acquirer must conduct a public tender offer for all shares held by the remaining shareholders in order to ensure equal treatment of all shareholders (tag-along right). Such right has been provided to Ultrapar s shareholders since March 22, 2000, in accordance with the terms of the Ultra S.A. shareholders agreement signed on the same date, which has since then been rescinded and replaced by our bylaws. The tender offer is subject to applicable laws and regulations, our bylaws and the rules of the *Novo Mercado*.

A public tender offer is also required when there is an assignment for consideration of share subscription rights or rights of other securities convertible into our shares, which results in the transfer of control of the Company. In such case, the acquiring shareholder must (i) complete a public tender offer for our remaining shares on the same terms and conditions offered to the selling shareholder and (ii) according to our bylaws, reimburse the counterparties from whom it has acquired our shares on the stock exchange in the six-month period preceding the transaction which resulted in a change in control. The reimbursement amount corresponds to the positive difference between the price paid to the selling shareholder in the transaction that resulted in a change of control and the adjusted price paid in the transactions carried out on the B3 during this six-month period, as adjusted by the SELIC rate up until the payment date.

The acquirer of our corporate control, if applicable, must take all necessary measures to reconstitute the minimum free float set forth by the rules of the *Novo Mercado* within eighteen months from the first day of non-compliance with such requirement, which shall correspond to (i) 25% of our capital stock; or (ii) 15% of our capital stock, if the average daily trading volume of our shares remains equal to or greater than R$25.0 million, considering the trades performed in the previous twelve months.

Acquisition of a Relevant Interest

Any person, regardless of whether he/she is a shareholder, which, on his/her own account or acting jointly with another person, acquires our shares, through a single transaction or a series of successive transactions, representing 20% or more of our capital stock, is required to make a tender offer for the acquisition of the shares held by the remaining shareholders at a price equal to the highest value per share paid by him/her in the preceding six months, adjusted pursuant to the SELIC rate. Such persons will not be required to carry out a public tender offer in the event they timely and cumulatively sell on a stock exchange the number of our shares that exceeds such thresholds, within 30 days from the date they provide notice to the Company of their intent to make such sales. In addition, the requirement to carry out a public tender offer will not apply in the event any shareholder or group of shareholders hold more than 50% of our capital stock at the time of acquisition of the relevant interest.

Public Tender Offers

A single public tender offer may be launched for more than one of the purposes provided for in our bylaws, the *Novo Mercado* Listing rules, the Brazilian Corporate Law or in the regulations issued by the CVM, provided that the procedures used when conducting the unified public tender offer are compatible with all requirements of each individual public tender offer, the public tender offers do not suffer any damages and the authorization of the CVM is obtained, when required by the applicable law.

C. Material Contracts

2014 Ultra S.A. Shareholders Agreement

Ultra S.A. s shareholders executed, on February 24, 2014, a new shareholders agreement which became effective as of that date and replaced the Ultra S.A. shareholders agreement executed in April 2011. The Ultra S.A. shareholders agreement s main terms are substantially related to (i) the decision process of Ultra S.A. s vote at Ultrapar s shareholders meetings and (ii) procedures to exchange shares in Ultra S.A. into shares of Ultrapar. The terms and conditions of the new shareholders agreement are substantially the same as the previous shareholder s agreement among the same parties effective since 2011, except, mainly, for the replacement of preliminary meetings among the agreeing parties for extraordinary shareholders meetings of Ultra S.A. to decide upon the vote of Ultra S.A. regarding certain matters in general shareholders meetings of Ultrapar. The 2014 Shareholders Agreement will be valid for a five-year term and is renewable by a unanimous resolution. It can be terminated prior to the expiration of its term by a resolution of 80% of Ultra S.A. voting shares. See Item 7.A. Major Shareholders and Related Party Transactions Major Shareholders Shareholders Agreements and Exhibit 2.13 2014 Ultra S.A. Shareholders Agreement, dated as of February 24, 2014.

Association and Other Covenants Agreement Extrafarma

On September 30, 2013, Ultrapar, Extrafarma, Paulo Correa Lazera, Katia Correa Lazera, Pedro José Correa Lazera, Roberto Correa Lazera, Tania Lazera Lima Paes, Tereza Lazera Kemp and Sandra Correa Lazera, each individual being a former shareholder of Extrafarma entered into an Association and Other Covenants Agreement to effect the merger of shares (*incorporação de ações*) of Extrafarma with Ultrapar. See Exhibit 4.17 Summary of the Association and Other Covenants Agreement, dated September 30, 2013.

Notes in the foreign market

In October 2016, the subsidiary Ultrapar International S.A. issued notes in the international market in the principal amount of US$750 million, with maturity in October 2026 and interest rate of 5.25% per annum, with interest payable semiannually. The issue price was 98.097% of its face value. The notes are jointly and unconditionally guaranteed by Ultrapar and by the subsidiary IPP.

BNDES

Ultrapar has financing from BNDES (Brazilian National Development Bank) for some of its investments. As of December 31, 2017, such line of credit with BNDES totaled R$1.6 billion, of which R$0.3 billion had been drawn down.

The loans under this credit agreement bear mainly an annual interest of TJLP plus an additional rate that varies according to each subsidiary. The credit line agreement contains certain financial ratio covenants and limits on permitted usages of the borrowed amounts (which are limited to certain fixed asset and working capital expenditures). In addition, the subsidiaries may redeem the debt prior to the maturity date, but will be subject to the payment of certain premiums.

Debentures

In December 2012, the subsidiary IPP made its first issuance of R$600 million in public debentures, which matured in November 2017 and bore interest at 107.9% of CDI, with principal due at maturity. The proceeds from this issuance were used for general corporate purposes, in order to strengthen its cash position and lengthen its debt profile, providing greater financial flexibility. The debentures were settled by the Company on the maturity date.

In January 2014, the subsidiary IPP made its second issuance of R$800 million in public debentures, which mature in December 2018 and bear interest at 107.9% of CDI, with principal due at maturity. The proceeds from this issuance were used to lengthen its debt profile, providing greater financial flexibility.

In March 2015, Ultrapar completed its fifth issuance of R$800 million in public debentures, which mature in March 2018 and bear interest at 108.25% of CDI, with principal due at maturity. The proceeds of the issuance were used to redeem 800 debentures from the fourth issuance, at the final maturity date. The debentures were settled by the Company on the maturity date.

In May 2016, the subsidiary IPP made its fourth issuance of R$500 million in public debentures, which mature in May 2021 and bear interest at 105.0% of CDI, with annual amortization, beginning in May 2019. The proceeds from this issuance were used in the purchase of ethanol by the subsidiary IPP.

In April 2017, the subsidiary IPP carried out its fifth issuance of R$1,012.5 million in debentures, in two single series of R$660.1 million and R$352.4 million, which mature in April 2022 and April 2024 and bear interest at 95.0% of CDI and IPCA + 4.68% per year, respectively. Both series have principal due at maturity. The proceeds from this issuance has been used exclusively for the purchase of ethanol.

In July 2017, the subsidiary IPP made its fourth issuance of R$1,500 million in public debentures, which mature in July 2022 and bear interest at 105.0% of CDI, with annual amortization, beginning in July 2021. The proceeds from this issuance were used to lengthen its debt profile, providing greater financial flexibility.

In October 2017, the subsidiary IPP carried out its seventh issuance of R$944.1 million in debentures, in two single series of R$730.4 million and R$213.7 million, which mature in October 2022 and October 2024 and bear interest at 95.0% of CDI and IPCA + 4.33% per year, respectively. Both series have principal due at maturity. The proceeds from this issuance has been used exclusively for the purchase of ethanol.

For more information on our debentures, see Item 5.B. Operating and Financial Review and Prospects Liquidity and Capital Resources Indebtedness.

Banco do Brasil

Our subsidiary IPP entered into several loan agreements with Banco do Brasil S.A. to finance the marketing, processing or manufacturing of agricultural goods (particularly ethanol). The loan agreements contain certain financial penalties for failure to make required payments, limits on permitted usages of the borrowed amounts (which are linked to certain agricultural products expenditures) and loan acceleration clauses. In addition, these agreements contain cross default clauses, requiring the principal and accrued interest to be paid in full for certain events.

For further detail on financial instruments of Ultrapar and its subsidiaries, see Note 31 to our consolidated financial statements and Item 5.B. Operating and Financial Review and Prospects Liquidity and Capital Resources Indebtedness.

Other material contracts are described in other sections of this report

For information regarding our contract with Braskem relating to the supply of ethylene, see Item 4.B. Information on the Company Business Overview Petrochemicals and Chemicals Oxiteno Raw materials and Item 5.F. Operating and Financial Review and Prospects Tabular Disclosure of Contractual Obligations.

D. Exchange Controls

There are no restrictions on ownership of our common shares by individual or legal entities domiciled outside Brazil. However, the right to convert dividend payments and proceeds from the sale of our shares into foreign currency and to remit such amounts abroad is subject to restrictions under foreign investment legislation, which generally require, among other things, that the relevant investment be registered with the Central Bank and/or the CVM, as the case may be.

Foreign investors may register their investment in our shares under Law 4,131, dated as of September 3, 1962, as amended, or Resolution 4,373, dated as of September 29, 2014 (which replaced Resolution 2,689, dated of January 26, 2000). Registration under Resolution 4,373 affords favorable tax treatment to non-Brazilian investors who are not residents in a tax haven jurisdiction (i.e. countries that do not impose income tax or where the maximum income tax rate is lower than 20%), as defined by Brazilian tax laws.

Resolution 4,373 provides that foreign investors may invest in financial and capital markets in Brazil, including by means of the issuance of depositary receipts in foreign markets in respect of shares of Brazilian issuers.

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Under Annex I of Resolution 4,373, investments of non-Brazilian investors shall be made in Brazil in accordance with the same instruments and operational modalities available to the investors residing or domiciled in Brazil. The definition of non-Brazilian investor includes individuals, legal entities, funds and other collective investment entities, residing, domiciled or headquartered abroad.

Pursuant to Annex I of Resolution 4,373, among the requirements applicable to the investment of a non-Brazilian investor in the Brazilian financial and capital market, such investor must:

appoint at least one representative in Brazil, which must be a financial institution or other institution authorized to operate by the Central Bank of Brazil. The local representative appointed by the foreign investor shall be responsible for performing and updating the registration of the investments made by the foreign investor with the Central Bank of Brazil, as well as the registration of the foreign investor with the CVM;

obtain a registry as a foreign investor with the CVM, through the representative appointed pursuant to item (i) above; and

establish or contract one or more custodians authorized by the CVM to perform custody activities.

Securities and other financial assets held by non-Brazilian investors pursuant to Annex I Resolution 4,373 must be registered or maintained in deposit accounts or under the custody of an entity duly licensed by the Central Bank or the CVM, or be registered with clearing houses or other entities that provide services of registration, clearing and settlement duly licensed by the Brazilian Central Bank or the CVM. In the case of Depositary Receipts (DRs), the record must be made by the Brazilian custodian entity on behalf of the foreign depositary institution.

Annex II of Resolution 4,373 of the National Monetary Council provides for the issuance of depositary receipts in foreign markets in respect of shares of Brazilian issuers. The ADS program was approved by the CVM prior to the issuance of the ADSs.

For purposes of the mandatory registration with the Central Bank of Brazil of foreign investments in the Brazilian financial and capital markets, Resolution 4,373 expressly provides that simultaneous foreign exchange transactions (i.e. without effective transfer of funds) shall be required in specific situations, including (i) conversion of credits held by foreign investors in Brazil into foreign investment in Brazilian companies in the financial and capital markets; (ii) transfer of investments made in depositary receipts into foreign direct investments (or investimento externo direto) or investments in the Brazilian financial and capital markets under Annex I of Resolution. 4,373; and (iii) transfer of investments in the Brazilian financial and capital markets under Annex I of Resolution. 4,373 into foreign direct investments.

In addition, Resolution 4,373 does not allow foreign investors to perform investments outside of organized markets, except as expressly authorized by the CVM through specific regulation or according to the exceptions provided in CVM Rule 560/15. Pursuant to CVM Rule 560/15, the exceptions for investments outside of organized markets include subscription, stock bonus, initial purchase offers and the exercise of put options due to initial purchase offers, among others.

Foreign investors must be registered with the Brazilian Internal Revenue Service (Receita Federal) pursuant to the Nominative Instruction 1,634, dated as of May 6, 2016 and Nominative Instruction 1,548, dated as of February 13, 2015. This registration process is undertaken by the investor s legal representative in Brazil.

The right to convert dividend payments and proceeds from the sale of our shares into foreign currency and to remit such amounts outside Brazil is subject to restrictions under foreign investment legislation which generally requires, among other things, that the relevant investment be registered with the Central Bank and/or the CVM, as the case may be. A foreign investor holder of shares may experience delays in obtaining a foreign investor registration, which may delay remittances outside Brazil and adversely affect the amount, in U.S. dollars, received by the foreign investor holder.

We have obtained a certificate of registration in the name of The Bank of New York, the depositary. Pursuant to this certificate, the custodian and the depositary are able to convert dividends and other distributions with respect to the shares represented by ADSs into foreign currency and to remit the proceeds outside Brazil. If a holder exchanges ADSs for shares, such holder must seek to register its investment directly with the Central Bank. Unless the holder has registered its investment with the Central Bank, such holder may not convert into foreign currency and remit outside Brazil the proceeds from the disposition of, or distributions with respect to, such shares. Such holder generally will be subject to less favorable Brazilian tax treatment than a holder of ADSs.

Since 2005, the National Monetary Council has enacted new regulations allowing, subject to certain procedures and specific regulatory provisions, the purchase and sale of foreign currency and the international transfer of *Reais* by a person or legal entity, without limitation of the amount involved, provided that the transaction is legal and has economic grounds (as evidenced by documents presented by the Brazilian person or legal entity to the financial institution executing the purchase and sale of foreign currency or the international transfer of *Reais*).

Under Brazilian law, whenever there is a serious imbalance in Brazil s balance of payments or reasons to foresee a serious imbalance, the Brazilian government may impose temporary restriction on the remittance of foreign currency abroad and on the conversion of Brazilian currency into foreign currencies. Such restrictions may hinder or prevent the custodian or holders who have exchanged ADSs for underlying shares from converting distributions or the proceeds from any sale of such shares, as the case may be, into U.S. dollars and remitting such U.S. dollars abroad.

E. Taxation

This description does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular investor, including tax considerations that arise from rules of general application to all taxpayers or to certain classes of investors or that are generally assumed to be known by investors.

This summary is based upon tax laws of Brazil and the United States as of the date of this annual report, which are subject to change, possibly with retroactive effect, and to differing interpretations. Investors who hold our shares and ADSs should consult their own tax advisors as to the Brazilian, U.S. or other tax considerations relating to the ownership and disposition of shares or ADSs, including, in particular, the effect of any non-U.S., state or local tax laws.

The tax considerations described below do not take into account the effects of a possible future bilateral income tax treaty between Brazil and the United States. We cannot assure you as to whether or when an income tax treaty will enter into force or how it will affect U.S. Holders of our shares or ADSs.

This summary does not address any tax issues that affect solely the Company, such as deductibility of expenses.

Brazilian Tax Consequences

General. The following discussion summarizes the main Brazilian tax considerations relating to the ownership and disposal of our shares or ADSs, as the case may be, by a holder that is not domiciled in Brazil for purposes of Brazilian taxation and, in the case of shares, has registered its investment in such securities with the Central Bank as a direct investment (in each case, a Non-Brazilian Holder). The following discussion does not address all of the Brazilian tax considerations applicable to any particular Non-Brazilian Holder. Therefore, each Non-Brazilian Holder should consult his or her own tax advisors concerning the Brazilian tax considerations relating to an investment in our shares or ADSs.

Law No. 12,973 enacted on May 13, 2014 established new rules regarding the withholding tax exemption available on the payment of dividends and interest on capital. The legislation had no material impact, as foreseen by the tax consultants in the 20-F form in the previous year.

Taxation of dividends. Dividends paid by us, including stock dividends and other dividends paid in property, to the depositary in respect of the shares, or to a Non-Brazilian Holder in respect of shares, are currently exempted from withholding tax in Brazil to the extent that the dividends are paid out of profits as of January 1, 1996. Dividends relating to profits generated prior to January 1, 1996 may be subject to Brazilian withholding income tax at varying rates, depending on the year the profits were generated.

***Interpretation of the Discussion on the Definition of Favorable Tax Jurisdiction*.** On June 4, 2010, Brazilian tax authorities enacted Normative Instruction 1,037 listing (i) the countries and jurisdictions considered as favorable tax jurisdiction or where local legislation does not allow access to information related to the shareholding composition of legal entities to their ownership or to the identity of the effective beneficiary of the income attributed to non-residents, or tax haven jurisdictions, and (ii) the privileged tax regimes, whose definition is provided by Law No. 11,727, dated as of June 23, 2008. Although we believe that the best interpretation of the current tax legislation could lead to the conclusion that the above mentioned privileged tax regime concept should apply solely for purposes of Brazilian transfer pricing, thin capitalization and controlled foreign company rules, we cannot assure you whether subsequent legislation or interpretations by the Brazilian tax authorities regarding the definition of a privileged tax regime provided by Law No. 11,727/08 will also apply to a Non-Brazilian Holder on payments potentially made by a Brazilian source.

Moreover, on November 28, 2014, due to the enactment of Ordinance No. 488, the definition of a favorable tax jurisdiction, for the purposes described above, was changed from jurisdictions where there is no income tax, or the income tax applicable rate is inferior to 20%, to jurisdictions where there is no income tax, or the income tax applicable rate is inferior to 17% (if the country is aligned with the international standards of fiscal transparency defined by Brazilian legislation).

We recommend prospective investors consult their own tax advisors from time to time to verify any possible tax consequences arising of Normative Ruling No. 1,037/10 and Law No. 11,727/08. If the Brazilian tax authorities determine that the concept of privileged tax regime provided by Law No. 11,727/08 will also apply to a Non-Resident Holder on payments potentially made by a Brazilian source, the withholding income tax applicable to such payments could be assessed at a rate up to 25%.

Payments of interest on capital. Law No. 9,249, dated as of December 26, 1995, permits Brazilian corporations to make distributions to shareholders of interest on capital, or interest attributed to shareholders equity.

These distributions may be paid in cash and such payments represent a deductible expense from the payer s corporate income tax and social contribution tax basis. This interest is limited to the daily pro rata variation of the Federal Government s long-term interest rate, as determined by the Central Bank from time to time, and cannot exceed the greater of:

- 50% of net income (after the social contribution on net profits and before the provision for corporate income tax, and the amounts attributable to shareholders as interest on net equity) for the fiscal year; or

- 50% of the sum of retained profits and profits reserves.

Any payment of interest on capital to shareholders (including holders of ADSs in respect of shares) is subject to a withholding income tax at a rate of 15%, or 25% if the Non-Brazilian Holder is domiciled in a tax haven jurisdiction (Tax Haven Holder). These payments may be included, net of withholding income taxes, as part of any mandatory dividend.

Under the Decree 8,426 of 2014 the payment of interest on capital are also subjected to PIS and COFINS at a rate of 9.25%.

To the extent that payments of interest on capital are included as part of a mandatory dividend, we are required to distribute an additional amount to ensure that the net amount received by shareholders, after payment of the applicable withholding income tax, is at least equal to the mandatory dividend.

Distributions of interest on net equity to foreign holders may be converted into U.S. dollars and remitted outside Brazil, subject to applicable exchange controls, to the extent that the investment is registered with the Central Bank.

We cannot assure you if our Board of Directors will determine that future distributions should be made by means of dividends or interest on capital.

Taxation of gains. According to Law No. 10,833, dated as of December 29, 2003, the gains recognized on a disposal of assets located in Brazil, such as our shares, by a Non-Brazilian Holder, are subject to withholding income tax in Brazil. This rule is applicable regardless of whether the disposal is conducted in Brazil or abroad and/or if the disposal is or is not made to an individual or entity resident or domiciled in Brazil.

As a general rule, capital gains realized as a result of a disposal transaction are the positive difference between the amount realized on the disposal of the shares and the respective acquisition cost.

Capital gains realized by Non-Brazilian Holders on the disposal of shares sold on the Brazilian stock exchange (which includes the transactions carried out on the organized over-the-counter market):

- are subject to the withholding income tax at a zero percent rate when realized by a Non-Brazilian Holder that (i) has registered its investment in Brazil before the Central Bank under the rules of the Brazilian Monetary Counsel (Registered Holder) and (ii) is not a Tax Haven Holder; and

- are subject to income tax at a rate of 15% with respect to gains realized by a Non-Brazilian Holder that is not a Registered Holder (including a Non-Brazilian Holder who qualifies under Law No. 4,131/62) and gains earned by Tax Haven Holders that are Registered Holders. In this case, a withholding income tax of 0.005% shall be applicable and can be offset against any income tax due on the capital gain.

Any other gains realized on the disposal of shares that are sold on the Brazilian stock exchange or on the organized over-the-counter market:

- are subject to income tax at a rate of 15% when realized by any Non-Brazilian Holder that is not a Tax Haven Holder, no matter if a Registered Holder or not; and

- are subject to income tax at a rate of 25% when realized by a Tax Haven Holder, no matter if a Registered Holder or not.

In the cases above, if the gains are related to transactions conducted on the Brazilian non-organized over-the-counter market with intermediation, the withholding income tax of 0.005% shall also be applicable on the gross proceeds and can be offset against any income tax due on the capital gain.

Any exercise of preemptive rights relating to shares will not be subject to Brazilian income tax. Gains realized by a Non-Brazilian Holder on the disposal of preemptive rights will be subject to Brazilian income tax according to the same rules applicable to disposal of shares.

There can be no assurance that the current favorable tax treatment of Registered Holders will continue in the future.

Furthermore, according to the general rules set forth in Law No. 13,259/2016, any other gains on the disposal of shares (out of the Brazilian stock exchange and qualified under Law No. 4131/62) are subject to income tax at a progressive rate from 15% to 22.5% or 25% if the resident is located in a low-tax jurisdiction or Tax Heaven.

Sale of ADS and shares by non-Brazilian Holders to other non-residents in Brazil

Pursuant to Section 26 of Law No. 10,833, published on December 29, 2003, the sale of property located in Brazil involving non-resident investors is subject to Brazilian income tax as of February 1, 2004. Our understanding is that ADSs do not qualify as property located in Brazil and, thus, should not be subject to the Brazilian withholding tax. Insofar as the regulatory norm referred to in Section 26 is generic and since, at the present time, no definitive jurisprudence provided by Brazilian Superior Courts has been established with respect to this matter, we are unable to assure the final outcome of such discussion.

Gains on the exchange of ADS for shares

Although there is no clear regulatory guidance, the exchange of ADSs for shares should not be subject to Brazilian income tax. Non-Brazilian Holders may exchange their ADSs for the underlying shares, sell the shares on a Brazilian stock exchange and remit abroad the proceeds of the sale within five business days from the date of exchange (in reliance on the depositary s electronic registration). For further information, see Item 10. Additional Information Taxation Brazilian Tax Consequences Taxation of Bonds and Securities Transactions (IOF/Bonds). Our understanding is that the exchange of ADSs for the underlying shares and sale of shares within the period mentioned above by a Non-Brazilian Holder that (i) is a Registered Holder and (ii) is not a Tax Haven Holder, should not be subject to the withholding income tax.

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Upon receipt of the underlying shares in exchange for ADSs, Non-Brazilian Holders may also elect to register with the Central Bank the U.S. dollar value of such shares as a foreign portfolio investment under the rules of the Brazilian Monetary Counsel, which will entitle them to the tax treatment referred above in connection with Registered Holders.

Alternatively, the Non-Brazilian Holder is also entitled to register with the Central Bank the U.S. dollar value of such shares as a foreign direct investment under Law No. 4,131/62, in which case the respective sale would be subject to the tax treatment of Non-Brazilian Holders that are not Registered Holders.

Gains on the exchange of shares for ADS

The deposit of shares in exchange for the ADSs may be subject to Brazilian income tax on capital gains if the amount previously registered with the Central Bank as a foreign investment in shares (direct investment registered under Law No. 4,131/62) or, in the case of Registered Holders, the acquisition cost of the shares, as the case may be, is lower than:

- the average price per share on the Brazilian stock exchange on which the greatest number of such shares were sold on the day of the deposit; or

- if no shares were sold on that day, the average price on the Brazilian stock exchange on which the greatest number of shares were sold during the 15 preceding trading sessions.

The difference between the amount previously registered, or the acquisition cost, as the case may be, and the average price of the shares, calculated as set forth above, is considered a capital gain subject to income tax at a rate of 15%, or 25% for Tax Haven Holders.

Taxation of Foreign Exchange Transactions (IOF/Exchange). IOF/Exchange is imposed on the conversion of *Reais* into foreign currency and on the conversion of foreign currency into *Reais*. In the case of the settlement of foreign exchange transactions for the flow of capital into the country, made by foreign investors, for transactions in the financial and capital markets, the applicable rate is 0%. The Brazilian Federal Government is permitted to increase the rate at any time, up to 25%. However, any increase in rates only applies to future transactions.

Taxation of Bonds and Securities Transactions: (IOF/Bonds). Law No. 8,894, dated as of June 21, 1994, created the IOF/Bonds, which may be imposed on any transaction involving bonds and securities, even if the transaction includes Brazilian stock, futures or commodities exchange. The Federal Supreme Court of Brazil decided that the transfer of shares shall be taxed by IOF/Bonds. The current rate of IOF/Bonds with respect to transactions of shares is 0%. Regarding the ADSs, under the Decree No. 8,165, from December 23, 2013 which amended the Decree No. 6,306, from December 14, 2007, the IOF/Bonds rate applicable to the transfer of shares listed on the Brazilian stock exchange, with the specific purpose of guaranteeing the issuance of depositary receipts in the foreign market, is currently 0%. The Brazilian government may increase the rate up to 1.5% per day during the terms of the securities, but only with respect to future transactions relating to shares or ADSs.

Other Brazilian Taxes. Some Brazilian states impose gift and inheritance tax on gifts or bequests made by individuals or entities not domiciled or residing in Brazil to individuals or entities domiciled or residing within such states. There are no Brazilian stamp, issue, registration, or similar taxes or duties payable by holders of shares or ADSs.

U.S. Federal Income Tax Considerations

The following is a discussion of U.S. federal income tax considerations relating to the ownership and disposition of our shares or ADSs, but it does not purport to be a comprehensive description of all the tax considerations that may be relevant to U.S. Holders of our shares or ADSs. The discussion applies only to a U.S. Holder that holds our shares or ADSs as capital assets (generally, for investment purposes) for U.S. federal income tax purposes and does not address all the U.S. federal income tax considerations that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as dealers and traders in securities or currencies, financial institutions, insurance companies, tax-exempt entities, real estate investment trusts, regulated investment companies, persons that own, or have owned directly, indirectly or constructively, 10% or more of our voting shares for U.S. federal income tax purposes, persons holding our shares or ADSs as part of a hedging transaction, wash sale, straddle, conversion transaction or other integrated transaction for U.S. federal income tax purposes, persons entering into a constructive sale with respect to our shares or ADSs for U.S. federal income tax purposes, persons that have a functional currency for U.S. federal income tax purposes other than the U.S. dollar, certain former citizens or long-term residents of the United States, persons who acquired our shares or ADSs pursuant to the exercise of any employee stock option or otherwise as compensation.

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Moreover, this discussion does not address the U.S. federal estate and gift tax, Medicare contribution or alternative minimum tax considerations relating to the acquisition, ownership or disposition of our shares or ADSs. U.S. Holders should consult their tax advisors with respect to the U.S. federal, state, local and non-U.S. tax considerations relating to the acquisition, ownership and disposition of our shares or ADSs.

This discussion is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed U.S. Treasury regulations, in each case as in effect and available on the date hereof. All of the foregoing are subject to change (possibly on a retroactive basis), or differing interpretations, which could affect the U.S. federal income tax considerations described herein. There can be no assurance that the IRS or a court will not take a contrary position with respect to any U.S. federal income tax considerations described below. In addition, this discussion assumes that each obligation provided for in or otherwise contemplated by the Deposit Agreement and any other related document will be performed in accordance with its terms.

For purposes of this discussion, a U.S. Holder is a beneficial owner of our shares or ADSs that is for U.S. federal income tax purposes (i) a citizen or individual resident of the United States, (ii) a corporation, or other entity taxable as a corporation, created or organized under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust, (1) if such trust has validly elected to be treated as a U.S. person for U.S. federal income tax purposes, or (2) if a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of the substantial decisions of such trust.

If a partnership, or any other entity or arrangement treated as a partnership for U.S. federal tax income tax purposes, holds shares or ADSs, the U.S. federal income tax treatment of a partner in such partnership will generally depend on the status of the partner and on the activities of the partnership. Partnerships holding our shares or ADSs and partners in such partnerships should consult their tax advisors as to the particular U.S. federal income tax consequences of acquiring, owning and disposing of our shares or ADSs.

Ownership of ADSs in general

In general, U.S. Holders of ADSs will be treated for U.S. federal income tax purposes as owners of the shares underlying the ADSs. Accordingly, no gain or loss will be recognized if a U.S. Holder exchanges ADSs for the underlying shares represented by those ADSs or exchanges the underlying shares represented by those ADSs for ADSs.

Taxation of distributions

Subject to the discussion below under Passive foreign investment company , the gross amount of any distributions made to a U.S. Holder on our shares or ADSs, before reduction for any Brazilian taxes, including withholding taxes attributable to interest on equity, will be includable as ordinary dividend income on the day on which the dividends are actually or constructively received by a U.S. Holder to the extent paid out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. A distribution in excess of our current or accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder s adjusted basis in our shares or ADSs and as a capital gain to the extent it exceeds the U.S. Holder s basis. We do not maintain calculations of our earnings and profits under U.S. federal income tax principles. Therefore, U.S. Holders should expect that distributions by us will generally be treated as dividends to U.S. Holders for U.S. federal income tax purposes.

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A non-corporate U.S. Holder will be subject to tax at the lower capital gain tax rate applicable to qualified dividend income , provided that certain conditions are satisfied, including that (1) our shares or ADSs, as applicable, are readily tradable on an established securities market in the United States, (2) we are neither a PFIC nor treated as such with respect to a U.S. Holder (as discussed below) for the taxable year in which the dividend was paid and the preceding taxable year, and (3) certain holding period requirements are met. Although no assurance may be given, we believe that our ADSs are readily tradable on the New York Stock Exchange, which is an established securities market in the United States. There can be no assurance, however, that our ADSs will be considered readily tradable on an established securities market in the United States in later years. Because we do not expect that our shares will be listed on an established securities market in the United States, we do not expect that dividends we pay on our shares will meet the conditions required for the reduced tax rate.

Dividends paid to U.S. Holders in *Reais* will be includable in income in a U.S. dollar amount based on the exchange rate in effect on the date of actual or constructive receipt whether or not converted into U.S. dollars at that time. If dividends received in *Reais* are converted into U.S. dollars on the day they are actually or constructively received, the U.S. Holder will generally not be required to recognize foreign currency gain or loss in respect of the dividend income. Assuming the payment is not converted at that time, the U.S. Holder will have a tax basis in *Reais* equal to that U.S. dollar amount, which will be used to measure gain or loss from subsequent changes in exchange rates. Any gain or loss that a U.S. Holder recognizes on a subsequent conversion of *Reais* into U.S. dollars (or other disposition) will generally be U.S. source ordinary income or loss for U.S. foreign tax credit purposes.

Dividends on our shares or ADSs received by a U.S. Holder will generally be treated as foreign source income and will generally constitute passive category income for U.S. foreign tax credit purposes. Subject to certain conditions and limitations under U.S. federal income tax law concerning credits or deductions for non-U.S. taxes and certain exceptions for short-term and hedged positions, a Brazilian withholding tax imposed on dividends would be treated as a foreign income tax eligible for credit against a U.S. Holder s U.S. federal income tax liability (or at a U.S. Holder s election may be deducted in computing taxable income if the U.S. Holder has elected to deduct all foreign income taxes for the taxable year). The rules with respect to foreign tax credits are complex and U.S. Holders should consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Taxation of sale, exchange or other disposition of shares or ADSs

Subject to the discussion below under Passive foreign investment company , a U.S. Holder will generally recognize gain or loss on the sale, exchange or other disposition of a share or ADS in an amount equal to the difference between the amount realized (including the gross amount of the proceeds before the reduction of any Brazilian tax) on such sale, exchange or other disposition and the U.S. Holder s adjusted tax basis in such share or ADS. Subject to the discussion below under Passive foreign investment company , gain or loss on the sale, exchange or other disposition of a share or ADS will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder held such share or ADS for more than one year. Gain or loss recognized by a U.S. Holder will generally be treated as U.S. source gain or loss for U.S. foreign tax credit purposes, as the case may be. An individual U.S. Holder may be entitled to preferential rates of taxation for net long-term capital gains; however, the deductibility of capital losses is subject to limitations under the Code.

A U.S. Holder s initial tax basis of our shares or ADSs will be the U.S. dollar value of the purchase price determined on the date of purchase. If our shares or ADSs are treated as traded on an established securities market, a cash basis U.S. Holder (or, if it elects, an accrual basis U.S. Holder) will determine the U.S. dollar value of the cost of such shares or ADSs by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. The conversion of U.S. dollars to *Reais* and the immediate use of that currency to purchase shares or ADSs will generally not result in taxable gain or loss for a U.S. Holder.

A U.S. Holder that receives *Reais* upon a sale, exchange or other disposition of our shares or ADSs will realize an amount equal to the U.S. dollar value of the *Reais* on the date of sale, exchange, or other disposition. If our shares or ADSs are treated as traded on an established securities market, a cash basis U.S. Holder (or, if it elects, an accrual basis U.S. Holder) will determine the U.S. dollar value of the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale, exchange or other disposition. A U.S. Holder will have a tax basis in the *Reais* received equal to that U.S. dollar amount. Any gain or loss realized by a U.S. Holder on a subsequent conversion of *Reais* into U.S. dollars (or other disposition) will generally be U.S. source ordinary income or loss for U.S. foreign tax credit purposes.

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If any gain from the sale, exchange or other disposition of our shares or ADSs is subject to Brazilian tax, U.S. Holders may not be able to credit such taxes against their U.S. federal income tax liability under the U.S. foreign tax credit limitations of the Code since such gain will generally be U.S. source income, unless such tax can be credited (subject to applicable limitations) against tax due on other income treated as derived from foreign sources. Alternatively, the U.S. Holder may take a deduction for the Brazilian income tax if such holder does not take a credit for any foreign income tax during the taxable year. The rules with respect to foreign tax credits are complex and U.S. Holders should consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Passive foreign investment company

In general, certain adverse consequences could apply to a U.S. Holder if we are treated as a PFIC for any taxable year during which the U.S. Holder holds our shares or ADSs. A non-U.S. corporation will be classified as a PFIC for U.S. federal income tax purposes in any taxable year in which, after applying certain look-through rules, either (i) at least 75 percent of its gross income consists of passive income , such as dividends, interest, rents, royalties and certain gains, or (ii) at least 50 percent of the average quarterly value of its gross assets is attributable to assets that produce or are held for the production of passive income.

We must make a separate determination each year as to whether we are a PFIC. Based on a review of our gross income and assets, the manner in which we currently operate our business, the current market price of our shares, and the current interpretation of the PFIC provisions in the Code, we believe that we were not a PFIC for U.S. federal income tax purposes for the 2017 taxable year. However, the determination as to whether we are a PFIC for any taxable year is based on the application of complex U.S. federal income tax rules, which are subject to differing interpretations, depends upon the composition of a company s income and assets and the market value of its assets from time to time, and is not made until after the end of a taxable year. Consequently, there can be no assurance that we will not be considered a PFIC for the current taxable year or any subsequent taxable year.

If we are a PFIC for any taxable year during which a U.S. Holder holds our shares or ADSs, a U.S. Holder of our shares or ADSs may be subject to imputed interest charges and other generally adverse tax consequences with respect to any gain from the sale, exchange or other taxable disposition of, and certain excess distributions with respect to, our shares or ADSs. Distributions received in a taxable year that are greater than 125 percent of the average annual distributions received during the shorter of (i) the three preceding taxable years or (ii) a U.S. Holder s holding period for the shares or ADSs will be treated as excess distributions . Under these special tax rules: (A) any excess distributions or gain will be allocated ratably to each day in the U.S. Holder s holding period for the shares or ADSs, (B) the amount allocated to the taxable year of disposition, and any taxable year prior to the first taxable year in which we are a PFIC, will be treated as ordinary income, and (C) the amount allocated to each other taxable years that we were a PFIC will be subject to tax at the highest tax rate applicable to ordinary income in effect for such taxpayer for each such earlier taxable year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

If we are a PFIC for any taxable year during which a U.S. Holder holds our shares or ADSs and any of our non-U.S. subsidiaries is also a PFIC, such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC and would be subject to the rules described above on certain distributions by such lower-tier PFIC and a disposition of shares of such lower-tier PFIC even though such U.S. Holder would generally not receive the proceeds of those distributions or dispositions. U.S. Holders should consult their tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

If a company that is a PFIC provides certain information to U.S, Holders, a U.S. Holder can then avoid certain adverse tax consequences described above by making a qualified electing fund election to be taxed currently on its proportionate share of the PFIC s ordinary income and net capital gains. However, a qualified electing fund election will not be available to U.S. Holders because we do not intend to provide the necessary information to allow U.S. Holders to make such an election for any tax year in which we are a PFIC.

Alternatively, a U.S. Holder of marketable stock in a PFIC may make a mark-to-market election with respect to such stock. Marketable stock is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter (regularly traded) on a qualified exchange (such as the New York Stock Exchange) or other market as defined in applicable U.S. Treasury regulations. We believe that our shares and ADSs qualify as being regularly traded on a qualified exchange, but no assurances may be given in this regard. If a U.S. Holder makes this election, such holder will generally (i) include as income for each taxable year the excess, if any, of the fair market value of our shares or ADSs held at the end of the taxable year over the adjusted tax basis of such shares or ADSs and (ii) deduct as a loss the excess, if any, of the adjusted tax basis of our shares or ADSs over the fair market value of such shares or ADSs held at the end of the taxable year, but only to the extent of the amount previously included in income as a result of the mark-to-market election. The U.S. Holder s adjusted tax basis in our shares or ADSs would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a U.S. Holder makes a mark-to-market election in respect of a corporation classified as a PFIC and such corporation ceases to be classified as a PFIC, such holder will not be required to take into account the gain or loss described above during any period that such corporation is not classified as a PFIC.

Because a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a U.S. Holder may continue to be subject to the PFIC rules with respect to such holder s indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes.

U.S. Holders should consult their tax advisors regarding the tax consequences that would arise if we were treated as a PFIC for U.S. federal income tax purposes, including the possibility of making a mark-to-market election.

Foreign tax credit for Brazilian taxes

Any Brazilian IOF/Exchange Tax imposed on a purchase of our shares or ADSs or IOF/Bonds Tax imposed on a transaction (as discussed above under Brazilian Tax Consequences) will not be treated as a creditable foreign tax for U.S. federal income tax purposes. U.S. Holders should consult their tax advisors regarding the tax consequences of these Brazilian taxes.

Certain reporting requirements

Certain U.S. Holders are required to report to the IRS information relating to an interest in our shares or ADSs, subject to exceptions (including an exception for shares or ADSs held in accounts maintained by certain financial institutions), by attaching a complete IRS Form 8938, Statement of Specified Foreign Financial Assets, with its tax return for each year in which it held an interest in our shares or ADSs. If a U.S. Holder holds our shares or ADSs in any year in which we are treated as a PFIC with respect to such U.S. Holder, the U.S. Holder will be required to file IRS Form 8621 U.S. Holders should consult their tax advisors regarding the application of the U.S. information reporting rules to their particular circumstances.

THE PRECEDING DISCUSSION OF U.S. FEDERAL INCOME TAX CONSIDERATIONS IS INTENDED FOR GENERAL INFORMATION ONLY AND DOES NOT CONSTITUTE TAX ADVICE. U.S. HOLDERS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE U.S. FEDERAL, STATE, LOCAL AND

NON-U.S. TAX CONSEQUENCES TO THEM OF AN INVESTMENT IN OUR SHARES OR ADSs.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

Statements contained in this annual report as to the contents of any contract or other document referred to are not necessarily complete, and each of these statements is qualified in all respects by reference to the full text of such contract or other document filed as an exhibit hereto. A copy of the complete annual report including the exhibits and schedules filed herewith may be inspected without charge at the public reference facilities maintained by the SEC at, 100 F Street, N.E., Washington, D.C. 20549. Such reports and other information may also be inspected at the offices of NYSE, 11 Wall Street, New York, New York 10005, on which ADSs are listed. In addition, the SEC maintains a website that contains information filed electronically with the SEC, which can be accessed over the Internet at http://www.sec.gov.

We are subject to the information and periodic reporting requirements of the Securities Exchange Act of 1934 as amended, and, in accordance therewith, file periodic reports and other information with the SEC. However, as a foreign private issuer, we are exempt from the rules under the Exchange Act relating to the furnishing and content of proxy statements and relating to short-swing profits reporting and liability.

We furnish to The Bank of New York, as depositary, copies of all reports we are required to file with the SEC under the Exchange Act, including our annual reports in English, containing a brief description of our operations and our audited annual consolidated financial statements which are prepared in accordance with IFRS. In addition, we are required under the Deposit Agreement to furnish the depositary with copies of English translations to the extent required under the rules of the SEC of all notices of meetings of holders of preferred shares and other reports and communications that are generally made available to holders of common shares. Under certain circumstances, the depositary will arrange for the mailing, at our expense, of these notices, other reports and communications to all ADS holders.

We also file financial statements and other periodic reports with the CVM located as Sete de Setembro Street, 111, Rio de Janeiro, Brazil, 20050-901. In addition, the CVM maintains a website that contains information in Portuguese filed electronically with the CVM, which can be accessed over the internet at http:// www.cvm.gov.br.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The main risks to which the company is exposed reflect strategic/operational and economic/financial aspects. Operational/strategic risks (including, but not limited to, demand behavior, competition, technological innovation, and material changes in the industry structure) are addressed by Ultrapar s management model. Economic/financial risks primarily reflect default of customers credit quality, behavior of macroeconomic variables, such as exchange and interest rates, as well as the characteristics of the financial instruments used by the company and by their counterparties. These risks are managed through control policies, specific strategies, and establishment of limits.

The Company has a conservative policy for the management of resources, financial instruments and risks approved by its Board of Directors (the Policy). In accordance with the Policy, the main objectives of financial management are to preserve the value and liquidity of financial assets and ensure financial resources for the development of business, including expansions. The main financial risks considered in the Policy are risks associated with currencies, interest rates, credit and selection of financial instruments. Governance of the management of financial risks and financial instruments follows the segregation of duties below:

Implementation of the management of financial assets, instruments and risks is the responsibility of the financial area, through its treasury department, with the assistance of the tax and accounting departments;

Supervision and monitoring of compliance with the principles, guidelines and standards of the Policy is the responsibility of the Risk and Investment Committee composed of members of the company s executive board (Committee). The Committee holds regular meetings and is in charge, among other responsibilities, of discussing and monitoring the financial strategies, existing exposures, and significant transactions involving investment, fundraising, or risk mitigation. The Committee monitors the risk standards established by the Policy through a monitoring map on a monthly basis;

Changes in the Policy, or revisions of its standards are subject to the approval of Board of Directors of Ultrapar;

Continuous enhancement of the Policy is the joint responsibility of the Board of Directors, the Committee, and the financial area; and

The internal audit department audits the compliance with the requirements of the Policy.

Currency risk

Most business operations of Ultrapar are located in Brazil and, therefore, the reference currency for risk management is the *Real*. Currency risk management is guided by neutrality of currency exposures and considers the transactional, accounting, and operational risks of Ultrapar and its exposure to changes in exchange rates. The Company considers as its main currency exposures the assets and liabilities in foreign currency and the short-term flow of net sales in foreign currency of Oxiteno.

The Company uses exchange rate hedging instruments (especially between the *Real* and the U.S. dollar) available in the financial market to protect their assets, liabilities, receipts and disbursements in foreign currency and net investments in foreign operations. Therefore, hedge is used in order to reduce the effects of changes in exchange rates on the Company s income and cash flows in *Reais* within the exposure limits under its Policy. Such foreign exchange hedging instruments have amounts, periods, and rates substantially equivalent to those of assets, liabilities, receipts and disbursements in foreign currency to which they are related. Assets and liabilities in foreign currencies are stated below, translated into *Reais* as of December 31, 2017 and 2016:

Assets and liabilities in foreign currency

In millions of *Reais*		**2017**	**2016**
Assets in foreign currency			
Cash, cash equivalents and financial investments in foreign currency (except hedging instruments)		236.4	423.9
Foreign trade receivables, net of allowance for doubtful accounts and advances to foreign customers		214.9	323.4
Net investments in foreign subsidiaries (except cash, cash equivalents, financial investments, trade receivables, financing and payables)		930.0	600.9
		1,381.3	**1,348.2**
Liabilities in foreign currency			
Financing in foreign currency gross of transaction costs and negative goodwill		(4,416.2)	(4,736.3)
Payables arising from imports, net of advances to foreign suppliers		(173.1)	(57.1)
		(4,589.3)	**(4,793.4)**
Foreign currency hedging instruments		1,777.6	2,206.4
Net asset (liability) position	Total	(1,430.4)	(1,238.8)
Net asset (liability) position	Income statement effect	(26.1)	24.8
Net asset (liability) position	Shareholders equity effect	(1,404.3)	(1,263.6)

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Sensitivity analysis of assets and liabilities in foreign currency

The table below shows the effect of exchange rate changes on different scenarios, based on the net liability position of R$1,430.4 million in foreign currency.

In millions of Brazilian *Reais*	**Risk**	**Scenario I 10%**	**Scenario II 25%**	**Scenario III 50%**
(1) Income statement effect	*Real* devaluation	(2.6)	(6.5)	(13.0)
(2) Shareholders equity effect		(140.4)	(351.1)	(702.2)
(1) + (2)	**Net effect**	**(143.0)**	**(357.6)**	**(715.2)**
(3) Income statement effect	*Real* appreciation	2.6	6.5	13.0
(4) Shareholders equity effect		140.4	351.1	702.2
(3) + (4)	**Net effect**	**143.0**	**357.6**	**715.2**

The shareholders equity effect refers to cumulative translation adjustments of changes in the exchange rate on equity of foreign subsidiaries (see Notes 2.r and 23.g Cumulative Translation Adjustments to our consolidated financial statements), net investments hedge in foreign entities, cash flow hedge of firm commitment and highly probable transaction (see Note 2.c and Hedge Accounting to our consolidated financial statements).

Sensitivity analysis of currency derivative instruments

The Company uses derivative financial instruments only to hedge against identified risks and in amounts consistent with the risk (limited to 100% of the identified risk). Thus, for purposes of sensitivity analysis of market risks associated with financial instruments, the Company analyzes the hedging instrument and the hedged item together, as shown on the charts below.

For the sensitivity analysis of foreign exchange hedging instruments, management adopted as a likely scenario the *Real*/U.S. dollar exchange rates at maturity of each swap, projected by U.S. dollar futures contracts quoted on B3 as of December 28, 2017. As a reference, the exchange rate for the last maturity of foreign exchange hedging instruments is R$5.83 in the likely scenario. Scenarios II and III were estimated with a 25% and 50% additional appreciation or depreciation of the *Real* against the likely scenario, according to the risk to which the hedged item is exposed.

Based on the balances of the hedging instruments and hedged items as of December 29, 2017, the exchange rates were replaced, and the changes between the new balance in *Reais* and the balance in *Reais* as of December 29, 2017 were calculated in each of the three scenarios. The table below shows the change in the values of the main derivative instruments and their hedged items, considering the changes in the exchange rate in the different scenarios:

	Risk	**Scenario I (Likely)**	**Scenario II**	**Scenario III**
		(In millions of *Reais*)		
Currency swaps receivable in U.S. dollars				
(1) U.S. dollar / *Real* swaps	Dollar appreciation	198.1	690.4	1,182.7

(2) Debts/firm commitments in U.S. dollars		(198.1)	(690.4)	(1,182.7)
(1)+(2)	**Net Effect**	**0.0**	**0.0**	**0.0**
Currency swaps payable in U.S. dollars				
(3) *Real* / U.S. dollar swaps	Dollar devaluation	(0.1)	7.5	15.1
(4) Gross margin of Oxiteno		0.1	(7.5)	(15.1)
(3)+(4)	**Net Effect**			

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For sensitivity analysis of hedging instruments for interest rates in Brazilian Reais, the Company used the futures curve of the DI x Pre contract quoted on B3 as of December 28, 2017 for each of the swap and debt (hedged item) maturities, to determine the likely scenarios. Scenarios II and III were estimated based on a 25% and 50% deterioration, respectively, of the likely scenario pre-fixed interest rate.

Based on the three scenarios of interest rates in Brazilian *Reais*, we estimated the values of our debt and hedging instruments according to the risk which is being hedged (variations in the pre-fixed interest rates in Brazilian *Reais*), by projecting them to future value at the contracted rates and bringing them to present value at the interest rates of the estimated scenarios. The result is shown in the table below:

	Risk	**Scenario I (Likely)**	**Scenario II**	**Scenario III**
		(In millions of *Reais*)		
Interest rate swap (in Brazilian Reais)				
Debentures CRA				
(1) Fixed rate swap CDI	Decrease in Pre-fixed rate	13.7	95.3	192.2
(2) Fixed rate debt		(13.7)	(95.3)	(192.2)
(1)+(2)	**Net Effect**			

Interest Rate Risk

Ultrapar adopts prudent policies for borrowing and investing financial resources and for capital cost minimization. The financial investments of Ultrapar are primarily held in transactions linked to the CDI. Our borrowings primarily relate to financings from Banco do Brasil S.A., BNDES and other development agencies, debentures, notes in the foreign credit markets and other borrowings in foreign currency. Ultrapar does not actively manage risks associated with changes in the level of interest rates and attempts to maintain its financial interest assets and liabilities at floating rates. See Notes 4, 14 and 31 to our consolidated financial statements.

The table below provides information as of December 31, 2017 about our debt obligations in foreign currency and in *Reais* that are subject to variable and fixed rates of interest. The table summarizes information on instruments and transactions that are sensitive to foreign currency exchange rates and interest rates:

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Debt	Weighted average interest rate	Fair value	Book value	Principal by year of maturity[1] 2018	2019	2020	2021	2022	2023 and thereafter
				(in millions of *Reais*)					
R$ borrowings	5.9%	88.2	90.0	37.8	25.6	15.7	11.0	0.0	
Borrowings indexed to the CDI	104.6% of the CDI	7,983.8	7,987.3	2,105.7	1,668.1	495.1	1,245.5	2,472.8	
Borrowings indexed to the TJLP	2.5%	301.6	301.9	155.3	82.0	37.1	13.6	10.0	3.9
U.S. dollar borrowings	4.8%	2,924.9	2,895.0	397.5	(3.4)	(5.6)	(6.1)	59.9	2,452.7
Borrowings indexed to the LIBOR	1.5%	1,416.9	1,418.5	557.2	32.3	330.4	32.8	465.7	
Borrowings indexed to the IGP-M	5.6%	48.5	48.5	2.7	2.7	2.8	3.0	3.2	34.2
Borrowings indexed to the SELIC	2.8%	100.4	100.3	52.0	21.4	20.7	4.3	1.7	0.1
Borrowings indexed to the MX$	8.5%	27.0	27.0	27.0					
Borrowings indexed to the MX$+ TIIE	1.5%	3.4	3.4	3.4					
Borrowings indexed to the Bs	24.0%	0.6	0.6	0.6					
Borrowings indexed to the IPCA	4.6%	554.4	554.4	10.3	(1.7)	(1.7)	(1.7)	(1.7)	550.9
Subtotal		13,449.7	13,426.8	3,349.5	1,826.9	894.6	1,302.5	3,011.6	3,041.8
Unrealized losses on swaps transactions		163.7	163.7	154.2				4.8	4.8
Total		**13,613.5**	**13,590.6**	**3,503.7**	**1,826.9**	**894.6**	**1,302.5**	**3,016.4**	**3,046.5**

(1) Figures include interest accrued through December 31, 2017.

Credit risk

The financial instruments that would expose the Company to credit risks of the counterparty are basically represented by cash and cash equivalents, financial investments, hedging instruments and trade receivables.

Customer credit risk Such risks are managed by each business unit through specific criteria for acceptance of customers and their credit rating and customers credit risks are also mitigated by diversification of sales. As of December 31, 2017, the allowance for doubtful accounts on their trade receivables recorded for Ipiranga, Ultragaz, Extrafarma, Oxiteno and Ultracargo were R$238.7 million, R$39.0 million, R$4.9 million, R$10.8 million and R$2.2 million, respectively. In addition, as of December 31, 2017, no single customer or group accounts for more than 10% of total revenue.

Credit risk of financial institutions Such risk results from the inability of financial institutions to comply with their financial obligations to the Company due to insolvency. The Company regularly conducts a credit review of the institutions with which they hold cash and cash equivalents, financial investments, and hedging instruments through various methodologies that assess liquidity, solvency, leverage, portfolio quality, etc. Cash and cash equivalents, financial investments, and hedging instruments are held only with institutions with a solid credit history, chosen for safety and soundness. The volumes of cash and cash equivalents, financial investments, and hedging instruments are subject to maximum limits by each institution and, therefore, require diversification of counterparties.

Government credit risk The Company s Policy allows investments in government securities from countries classified as investment grade AAA or Aaa by specialized credit rating agencies and in Brazilian government bonds. The volume of such financial investments is subject to maximum limits by each country and, therefore, requires diversification of counterparties.

Liquidity risk

The Company main sources of liquidity derive from (i) cash, cash equivalents and financial investments, (ii) cash generated from operations and (iii) financing. The Company believes that these sources are sufficient to satisfy its current funding requirements, which include, but are not limited to, working capital, capital expenditures, amortization of debt and payment of dividends.

The Company periodically examines opportunities for acquisitions and investments. The Company considers different types of investments, either directly, through joint ventures, or through associated companies, and finance such investments using cash generated from operations, debt financing, through capital increases or through a combination of these methods.

The Company believes it has sufficient working capital to satisfy its current needs. The gross indebtedness due over the next twelve months totals R$3,809.9 million, including estimated interests on loans. Furthermore, the investment plan for 2017 totals R$2,676.5 million. In 2017, the Company had R$6,285.5 million in cash, cash equivalents and short-term financial investments (for quantitative information, see Notes 4 and 14 to our consolidated financial statements).

For further information on financial liabilities as of December 31, 2017, see Note 31 to our consolidated financial statements.

Capital management

The Company manages its capital structure based on indicators and benchmarks. The key performance indicators related to the capital structure management are the weighted average cost of capital, and the net debt/EBITDA, interest coverage and indebtedness/equity ratios. Net debt is composed of cash, cash equivalents and financial investments (see Note 4 to our consolidated financial statements) and loans, including debentures (see Note 14 to our consolidated financial statements). The Company can change its capital structure depending on economic and financial conditions, in order to optimize its financial leverage and capital management. The Company seeks to improve its return on invested capital by implementing efficient working capital management and a selective investment program.

Selection and use of financial instruments

In selecting financial investments and hedging instruments, an analysis is conducted to estimate rates of return, risks involved, liquidity, calculation methodology for the carrying value and fair value, and a review is conducted of any documentation applicable to the financial instruments. The financial instruments used to manage the financial resources of the Company are intended to preserve value and liquidity.

The Policy contemplates the use of derivative financial instruments only to cover identified risks and in amounts consistent with the risk (limited to 100% of the identified risk). The risks identified in the Policy are described in the above sections, and are subject to risk management. In accordance with the Policy, the Company can use forward contracts, swaps, options, and futures contracts to manage identified risks. Leveraged derivative instruments are not permitted. Because the use of derivative financial instruments is limited to the coverage of identified risks, the Company uses the term hedging instruments to refer to derivative financial instruments.

As mentioned in the section Risk Management and Financial Instruments Governance , the Committee monitors compliance with the risk standards established by the Policy through a risk map, including the use of hedging instruments, on a monthly basis. In addition, the internal audit department verifies the compliance with the requirements of the Policy.

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The table below summarizes the position of hedging instruments entered by the Company:

Hedging instruments	Maturity	Notional amount(1)		Fair value		Amounts receivable	Amounts payable
		2017	2016	2017	2016	2017	
				R$ million	R$ million	R$ million	R$ million
a Exchange rate swaps receivable in U.S. dollars							
Receivables in U.S. dollars (LIBOR)		US$300.0	US$350.0	984.3	1,149.7	984.3	
Receivables in U.S. dollars (Fixed)	Jan 2018 to Oct 2026	US$956.6	US$1,062.4	823.1	1,084.6	823.1	
Payables in CDI interest rate		US$(1,256.6)	US$(1,412.4)	(1,877.4)	(2,181.6)		1,877.4
Total result				(70.0)	52.7	1,807.4	1,877.4
b Exchange rate swaps payable in U.S. dollars + COUPON							
Receivables in CDI interest rates	Jan 2018 to Apr 2018	US$9.1	US$8.5	29.9	28.3	29.9	
Payables in U.S. dollars (Fixed)		US$(9.1)	US$(8.5)	(29.8)	(27.9)		29.8
Total result				0.1	0.4	29.9	29.8
c Interest rate swaps in R$							
Receivables in fixed interest rate + IPCA	Oct 2024	R$566.1		583.3		583.3	
Payables in CDI interest rate		R$(566.1)		(586.6)			586.6
Total result				(3.3)		583.3	586.6
Total gross result				**(73.2)**	**53.1**	**2,420.6**	**2,493.8**
Income tax				(4.7)	(36.9)	(4.7)	
Total net result				**(77.9)**	**16.2**	**2,415.9**	**2,493.8**
				85.8	218.5		

Positive result (see Note 4)		
Negative result (see Note 14)	(163.7)	(202.3)

[1] In millions. Currency as indicated.

All transactions mentioned above were properly registered with CETIP S.A. (the Brazilian over-the-counter clearing house).

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Hedging instruments existing in 2017 are described below, according to their category, risk, and hedging strategy:

a *Hedging against foreign exchange exposure of liabilities in foreign currency* The purpose of these contracts is (i) to offset the effect of the change in exchange rates of debts or firm commitments in U.S. dollars by converting them into debts or firm commitments in *Reais* linked to CDI and (ii) change a financial investment linked to the CDI and given as guarantee to loan in U.S. dollars, into a financial investment linked to U.S. dollars. The tables below present our position in this category of swaps as of December 31, 2017:

	Maturity	
Swap	**2018**	**2019 and thereafter**
Notional amount of swaps (in millions of *Reais*)[1]	673.4	2,490.9
Notional amount of swaps (in millions of dollars)	203.6	753.0
Average receiving rate	US$ + 1.01%	US$ + 5.58%
Average payment rate	79.10% of the CDI	72.70% of the CDI

(1) Notional amount converted according to the commercial selling rate reported by the Central Bank (PTAX) as of December 31, 2017.

	Maturity	
Swap	**2018**	**2019 and thereafter**
Notional amount of swaps (in millions of *Reais*)[1]	463.1	529.3
Notional amount of swaps (in millions of dollars)	140.0	160.0
Average receiving rate	US$ + LIBOR + 1.10%	US$ + LIBOR + 1.46%
Average payment rate	101.98% of the CDI	105.33% of the CDI

(1) Notional amount converted according to the commercial selling rate reported by the Central Bank (PTAX) as of December 31, 2017.

b *Hedging against foreign exchange exposure of operations* The purpose of these contracts is to make the exchange rate of the revenues of subsidiaries Oleoquímica, Oxiteno S.A. and Oxiteno Nordeste equal to the exchange rate of the cost of their main raw materials during their operating cycles. The table below presents our position in this category of swaps as of December 31, 2017:

Swap	**Maturity 2018**
Notional amount of swaps (in millions of *Reais*)[1]	30.2
Notional amount of swaps (in millions of dollars)	9.1
Average receiving rate	57.36% of the CDI
Average payment rate	US$

(1) Notional amount converted according to the commercial selling rate reported by the Central Bank (PTAX) as of December 31, 2017.

c *Hedging against fixed interest rate + IPCA in Brazilian Reais* The purpose of this contract is to change fixed interest rate + IPCA of debentures issued in Brazilian Reais to floating interest. The table below presents our position in this category of swaps as of December 31, 2017.

Swap	**Maturity 2019 and thereafter**
Notional amount of swaps (in millions of *Reais*)[(1)]	566.1
Notional amount of swaps (in millions of dollars)	171.1
Average receiving rate	4.55% p.a. + IPCA
Average payment rate	95.18% of the CDI

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Hedge accounting

The Company uses derivative and non-derivative financial instruments for hedging purposes and test, throughout the duration of the hedge, their effectiveness, as well as the changes in their fair value.

Fair value hedge

The Company and its subsidiaries designates as fair value hedges certain financial instruments used to offset the variations in interest and exchange rates, which are based on the market value of financing contracted in Brazilian *Reais* and U.S. dollars.

In 2017, the notional amount of foreign exchange hedging instruments designated as fair value hedge totaled US$320.0 million. In 2017, a loss of R$143.4 million related to the result of hedging instruments, a gain of R$16.5 million related to the fair value adjustment of debt, and a loss of R$4.1 million related to the financial expense of the debt were recognized in the income statements, transforming the average effective cost of the operation into 102.7% of CDI (see Note 14.c.1 to our consolidated financial statements).

In 2017, the notional amount of interest rate hedging instruments designated as fair value hedges totaled R$566.1 million. In 2017, a loss of R$3.3 million related to the result of hedging instruments, a gain of R$19.1 million related to the fair value adjustment of debt, and a loss of R$18.5 million related to the financial expense of the debt were recognized in the income statements, causing the average effective cost of the operations to be 95.2% of CDI.

Cash flow hedge

The Company and its subsidiaries designates as cash flow hedge of firm commitment and highly probable transactions, derivative financial instruments to hedge firm commitments and non-derivative financial instruments to hedge highly probable future transactions , so as to hedge against fluctuations arising from changes in exchange rate.

In 2017, the notional amount of exchange rate hedging instruments of firm commitments designated as cash flow hedges totaled US$115.0 million and a loss of R$45.4 million was recognized in the income statement. In 2017, the unrealized gain of Other comprehensive income is R$5.3 million, net of deferred income and social contribution taxes.

In 2017, the notional amount of foreign exchange hedging instruments for highly probable future transactions designated as fair value hedge, related to notes in the foreign market totaled US$570.0 million. In 2017, the unrealized loss of Other comprehensive income is R$30.5 million, net of deferred income and social contribution taxes.

Net investment hedge in foreign entities

The Company and its subsidiaries designates as net investment hedge in foreign entities notes in the foreign market, for hedging net investment hedge in foreign entities, to offset changes in exchange rates.

In 2017, the balance of foreign exchange hedging instruments designated as net investments hedge in foreign entities, related to part of the investments made in entities which functional currency is other than the Brazilian *Real*, totaled US$113.0 million. In 2017, the unrealized loss of Other comprehensive income is R$6.2 million, net of deferred income and social contribution taxes. The effects of exchange rate changes on investments and hedging instruments were offset in shareholders equity.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities
Not applicable.

D. American Depositary Shares
In the United States, our common shares are traded in the form of ADSs. Each of our ADSs represents one common share of Ultrapar, issued by The Bank of New York Mellon, as depositary, pursuant to a deposit agreement, dated July 22, 1999, as amended and restated on May 5, 2005, on January 26, 2011 and on August 15, 2011. The depositary s principal executive office is located at One Wall Street, New York, NY 10286.

Fees and expenses

The following table summarizes the fees and expenses payable by holders of ADSs:

Persons depositing or withdrawing shares must pay:	For
$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	(i) Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property (ii) Cancellation of ADSs for the purpose of withdrawal, including if the Deposit Agreement terminates
$0.05 (or less) per ADSs	Any cash distribution
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs	Distribution of securities to holders of deposited securities which are distributed by the depositary to ADS holders
Registration or transfer fees	Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares
Expenses of the depositary	(i) Cable, telex and facsimile transmissions (ii) Converting foreign currency to U.S. dollars
Taxes and other governmental charges the depositary or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes	As necessary

Any charges incurred by the depositary or its agents for servicing the deposited securities	As necessary

Payment of taxes

The depositary may deduct the amount of any taxes owed from any payments to investors who hold ADSs. It may also sell deposited securities, by public or private sale, to pay any taxes owed. Investors who hold ADSs will remain liable if the proceeds of the sale are not sufficient to pay the taxes. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to investors who hold ADSs any proceeds, or send to investors who hold ADSs any property, remaining after it has paid the taxes.

Reimbursement of fees

The Bank of New York Mellon, as depositary, has agreed to reimburse us for expenses we incur that are related to establishment and maintenance expenses of the ADS program. The depositary has agreed to reimburse us for our continuing annual stock exchange listing fees. The depositary has also agreed to pay the standard out-of-pocket maintenance costs for the ADRs, which consist of the expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of United States federal tax information, mailing required tax forms, stationery, postage, facsimile, and telephone calls.

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Reimbursement of fees incurred in 2017

From January 1, 2017 until December 31, 2017, Ultrapar received from the depositary US$59,081, net of withholding taxes, for continuing annual stock exchange listing fees, standard out-of-pocket maintenance costs for the ADSs (consisting of the expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of U.S. Federal tax information, mailing required tax forms, stationery, postage, facsimile, and telephone calls), any applicable performance indicators relating to the ADR facility, underwriting fees and legal fees.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

As of December 31, 2017, under management s supervision and with its participation, including our Chief Executive Officer and Chief Financial Officer, we performed an evaluation of our disclosure controls and procedures for the period relating to the information contained in this 20F report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that (a) our disclosure controls and procedures were effective as of December 31, 2017 to enable the company to record, process, summarize, and report information required to be included in the reports that it files or submits under the Securities Exchange Act of 1934, within the time periods required and (b) our disclosure controls and procedures were also effective as of December 31, 2017 to ensure that information required to be disclosed in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company s management, including its chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.

(b) Management s Annual Report on Internal Control over Financial Reporting

The Management of Ultrapar Participações S.A. (the Company) is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934.

The Company s internal control over financial reporting is a process designed by, or under the supervision of, our Chief Executive Officer, or CEO and Chief Financial Officer, or CFO, and effected by our Board of Directors, Management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company s assets that could have a material effect on the financial statements.

Because of inherent limitations of internal control over financial reporting, including the possibility of collusion or improper Management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management has assessed the effectiveness of the Company s internal control over financial reporting as of December 31, 2017 based on the criteria established in the Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on such assessment and criteria, Management has concluded that the Company s internal controls over financial reporting are effective as of December 31, 2017.

On December 1, 2017, the Company concluded the joint venture process of CBLSA. Due to the timing of this process, we have excluded CBLSA from our evaluation of the effectiveness of internal control over financial reporting. CBLSA s financial statements constitute approximately 3.4% and 1.7% of net and total assets, respectively, 1.0% of net revenue from sales and services, and -1.5% of net income of the consolidated financial statements amounts as of and for the year ended December 31, 2017.

The Company s independent registered public accounting firm for the year ended December 31, 2017, KPMG Auditores Independentes, audited the Company s internal controls over financial reporting as of December 31, 2017, and their report, dated April 6, 2018 and included herein, expressed an unqualified opinion.

(c) Report of the Independent Registered Public Accounting Firm on Internal Control over Financial Reporting

The Report of independent registered public accounting firm on internal control over financial reporting issued by our independent registered public accounting firm, *KPMG Auditores Independentes* (KPMG), is presented below.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of

Ultrapar Participações S.A.

Opinions on the consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheet of Ultrapar Participações S.A. (the Company) as of December 31, 2017, the related consolidated income statement, comprehensive income, changes in shareholders equity and cash flows for the year ended December 31, 2017, and the related notes. We also have audited the Company s internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017, and the results of its operations and its cash flows for the year ended December 31, 2017, in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway

Commission.

The Company acquired Chevron Brasil Lubrificantes S.A. during 2017, and management excluded from its assessment of the effectiveness of the Company s internal control over financial reporting as of December 31, 2017, Chevron Brasil Lubrificantes S.A. internal control over financial reporting associated with total assets of R$793,910 and total revenues of R$830,515 included in the consolidated financial statements of the Company as of and for the year ended December 31, 2017. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of Chevron Brasil Lubrificantes S.A.

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Basis for Opinions

The Company s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s annual report on internal control over financial reporting appearing under Item 15 of the Company s Annual Report on Form 20-F. Our responsibility is to express an opinion on the Company s consolidated financial statements and an opinion on the Company s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/S/ KPMG Auditores Independentes

KPMG Auditores Independentes

We have served as the Company s auditor since 2017.

São Paulo SP

April 6, 2018

(d) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting for the year ended December 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Fiscal Council acts as an audit committee pursuant to the requirements of the Sarbanes-Oxley Act. Under Rule 10A-3(c)(3) of the Exchange Act, non-U.S. issuers, such as Ultrapar, are exempt from the audit committee requirements of Section 303A of the NYSE Listed Company Manual if they establish, according to their local law or regulations, another body that acts as an audit committee. See Item 6.C. Directors, Senior Management and Employees Board Practices.

Ultrapar has determined that it will not appoint an audit committee financial expert, as Brazilian law does not require a Fiscal Council member to have the same attributes of such a financial expert. However, the Company believes that its Fiscal Council members have broad commercial experience and extensive business leadership, having held various roles in accountancy, financial management and supervision, treasury and corporate finance. For example, one member of the Company s Fiscal Council served as a board member at the CPC (Accounting Pronouncements Committee) and at the IFRS. In addition, other members of the Company s Fiscal Council have served as the chief financial officer of major Brazilian companies and as a member of the board of executive officers in a major Brazilian bank. We believe that there is a broad and suitable mix of business and financial experience on the Fiscal Council.

Our bylaws provides for an audit committee to be appointed by the Board of Directors which will only be installed during the periods when the Fiscal Council is not installed. See Item 6. Directors, senior management and employees reference Board Practices Fiscal Council and Audit Committee Exemption. We currently have a Fiscal Council installed, which exercises all the duties provided for in the bylaws regarding the audit committee.

Notwithstanding the above, the new *Novo Mercado* Listing Rules, in force as of January, 2018, determines that, not later than on the annual shareholders meeting of 2021, all companies listed in this segment must have an audit committee, responsible for (i) issuing an opinion on the engagement or dismissal of independent outside auditors; (ii) appraising the company s quarterly financial filings, interim financial statements, and annual financial statements; (iii) overseeing the activities of the company s internal auditing and internal control departments; (iv) appraising and monitoring the company s risk exposures; (v) appraising and monitoring the company s internal policies, including its policy on related-party transactions, and recommending corrections or enhancements; (vi) having the means to receive and treat information on non-compliance with the laws and regulations applicable to the company, and with its internal rules and codes, including provision for specific procedures to protect whistleblowers and assure the confidentiality of such information.

Also in accordance with the new rules for *Novo Mercado*, said committee shall have (i) at least three members, of whom at least one must be an independent member of the Board of Director and at least one of whom must have recognized experience in business accounting pursuant to the rules issued by the CVM regarding the registration and practice of independent auditing activities in the securities market; (ii) operational autonomy and its own budget approved by the Board to cover its operating costs and expenses; and (iii) its own bylaws, approved by the Board of Directors, with a detailed description of its functions and operating procedures, and a chairperson whose activities must be defined in its bylaws.

As mentioned above, companies listed in this segment will have up to the annual shareholders meeting to be held on 2021 to fully comply with these requirements.

ITEM 16B. CODE OF ETHICS

In 2004, we established a code of ethics which covered (i) the Board of Directors; (ii) the whole Executive Board (including the Chief Executive Officer and the Chief Financial Officer); (iii) the Fiscal Council of Ultrapar; (iv) the Board of Directors and Executive Board of its subsidiaries; and (v) remaining bodies with technical or advisory functions that are directly subordinated to the Board of Directors, to the Executive Board or to the fiscal committee of Ultrapar. Our code of ethics was amended on June 17, 2009 to (i) improve certain existing items of the code by including examples of acceptable or unacceptable behavior and clarifying the language to avoid misunderstanding of such items and (ii) improve access to the channel for reporting non-compliance with the code. On July 31, 2013, we amended our Code of Ethics in order to increase the number of permanent members of the Conduct Committee from three to four members. On September 17, 2014, we reviewed our code of ethics. On December 13, 2017, our Board of

Directors approved a new Code of Ethics, in force from March 1, 2018 onwards. For the complete amended Code of Ethics please see our 6-K furnished to the SEC on March 1, 2018. The objective of this code is (i) to reduce the subjectivity of personal interpretations of ethical principles; (ii) to be a formal and institutional benchmark for the professional conduct of the employees, including the ethical handling of actual or apparent conflicts of interests, becoming a standard for the internal and external relationship of Ultrapar with its stakeholders, namely: shareholders, clients, employees, partners, suppliers, service providers, labor unions, competitors, society, government and the communities in which it operates; and (iii) to ensure that the daily concerns with efficiency, competitiveness and profitability do not override ethical behavior.

Also, in 2014, we approved the anti-corruption and relationship with public officers policy, applicable to shareholders, employees of the Company, third parties and business partners when representing or acting on behalf of the Company. On December 13, 2017, our Board of Directors approved a new Anti-Corruption and Relationship with Public Officers Policy, in force from March 1, 2018 onwards. This policy consolidates the guidelines for corruption prevention to be adopted in the relationship with public officers to protect the integrity and transparency of our businesses.

On September 21, 2016, our Board of Directors approved the Antitrust Policy applicable to employees of the Company, third parties and business partners. This policy establishes guidelines in addition to our Code of Ethics for anti-competitive practices.

On the same date, the Company approved the Conflict of Interests Policy applicable to employees of the Company, third parties and business partners when representing or acting on behalf of the Company. This policy provides for standard behaviors and professional conduct of the employees, including the ethical handling of actual or apparent conflicts of interests.

You can obtain a copy of our Code of Ethics and of our Anti-Corruption and Relationship with Public Officers Policy, free of charge, at our website (www.ultra.com.br), or by requesting a copy from the Investor Relations Department (e-mail: invest@ultra.com.br).

In addition, we highlight that Companies listed in the *Novo Mercado* will have up to the annual shareholders meeting to be held in 2021 to prepare and disclose a code of conduct approved by the board of directors and applicable to all employees and officers.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The relationship with our independent registered public accounting firm in respect to the contracting of services unrelated to the external audit is based on principles that preserve the independence of the independent registered public accounting firm. Our Board of Directors approves our financial statements, the performance by our independent registered public accounting firm of audit and permissible non-audit services, and associated fees, supported by our Fiscal Council, which acts as an audit committee pursuant to the requirements of the Sarbanes-Oxley Act. See Item 6.C. Directors, Senior Management and Employees Board Practices Fiscal Council and Audit Committee Exemption for more information about the responsibilities of the Fiscal Council. Our consolidated financial statements for the year ended December 31, 2017 were audited by the independent registered public accounting firm KPMG Auditores Independentes. Our consolidated financial statements for the year ended December 31, 2016 were audited by the independent registered public accounting firm Deloitte Touche Tohmatsu Auditores Independentes.

The following table describes the total amount billed to us by KPMG Auditores Independentes for services performed in 2017 and by Deloitte Touche Tohmatsu Auditores Independentes for services performed in 2016 and the respective compensation for these services.

	2017	**2016**
	(in thousands of *Reais*)	
Audit Fees	5,780.0	5,745.9
Audit Related Fees	120.0	623.9
Tax Fees		145.1
All Other Fees		
Total Consolidated Audit Fees	5,900.0	6,514.9

Audit Fees are the aggregate fees billed by our independent registered public accounting firm for the audit of our consolidated and annual financial statements, reviews of interim financial information and attestation services that are provided in connection with statutory and regulatory filings or engagements.

Audit Related Fees 2016 are fees related to a comfort letter provided by Deloitte Touche Tohmatsu Auditores Independentes in connection with the offering of US$750 million notes in the international market by subsidiary Ultrapar International S.A. in October 2016. See Item 5.B. Operating and Financial Review and Prospect Liquidity and Capital Resources Indebtedness.

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Audit Related Fees 2017 are fees related to report of Ipiranga Lubrificantes provided by KPMG Auditores Independentes in connection with the joint venture of Ipiranga and Chevron. History and Development of the Company.

Tax Fees are fees charged by Deloitte Touche Tohmatsu Auditores Independentes related to tax compliance services.

Pre-Approval Policies and Procedures

Pursuant to our Fiscal Council internal rules, services rendered by our independent auditors must be pre-approved by the Fiscal Council. All services exceeding R$250 thousand threshold should be approved by our Fiscal Council, provided that these are permitted services as stated in the Fiscal Council internal rules. In addition, permitted services up to the R$250 thousand threshold are pre-approved, and should be informed to the Fiscal Council in the subsequent meeting.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Our Fiscal Council meets the requirements for exemption from audit committee independence pursuant to the requirements of the Sarbanes-Oxley Act. Under Rule 10A-3(c)(3) of the Exchange Act, non-U.S. issuers, such as Ultrapar, are exempt from the audit committee independence requirements of Section 303A of the NYSE Listed Company Manual if they establish, according to their local law or regulations, another body that meets certain requirements. See Item 6.C. Directors, Senior Management and Employees Board Practices Fiscal Council and Audit Committee Exemption.

The Fiscal Council currently in office meets the following requirements of the general exemption contained in Rule 10A-3(c)(3):

- the Fiscal Council is established pursuant to Brazilian Corporate Law and our bylaws;

- under the requirements of Brazilian Corporate Law, our Fiscal Council is a separate body from our Board of Directors;

- the Fiscal Council was not elected by Ultrapar s management and no executive officer of Ultrapar is a member of the Fiscal Council;

- all of the members of the Fiscal Council meet the independence requirements from Ultrapar, the management and the independent registered public accounting firm, as set forth by Brazilian Corporate Law and/or listing provisions in Brazil;

- the Fiscal Council makes recommendations to our Board of Directors regarding the appointment, retention and oversight of the work of the independent registered public accounting firm engaged for the purpose of preparing or issuing audit reports for Ultrapar;

the Fiscal Council adopted a complaints procedure in accordance with Rule 10A-3(b)(3) of the Exchange Act;

the Fiscal Council is authorized to engage independent counsel and other advisers, as it deems appropriate; and

Ultrapar has provided for appropriate funding, as determined by the Fiscal Council, for the payment of (i) compensation to Ultrapar s independent registered public accounting firm engaged for the purpose of issuing audit reports, (ii) compensation to independent counsel and other advisers engaged by the Fiscal Council, and (iii) ordinary administrative expenses of the Fiscal Council in carrying out its duties.

Ultrapar s reliance on Rule 10A-3(c)(3) does not, in its opinion, materially adversely affect the ability of its Fiscal Council to act independently and to satisfy the other requirements of Rule 10A-3.

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ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

We did not purchase any share issued by the Company in 2016.

ITEM 16F. CHANGE IN REGISTRANT S INDEPENDENT PUBLIC ACCOUNTING FIRM

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

Under the rules of the NYSE, foreign private issuers are subject to a more limited set of corporate governance requirements than are U.S. domestic issuers. As a foreign private issuer, we must comply with four principal NYSE corporate governance rules: (i) we must satisfy the requirements of Exchange Act Rule 10A 3 relating to audit committees; (ii) our Chief Executive Officer must promptly notify the NYSE after any executive officer becomes aware of any material noncompliance with the applicable NYSE rules; (iii) we must provide the NYSE with annual and interim written affirmations; and (iv) we must provide a brief description of any significant differences between our corporate governance practices and those followed by U.S. companies under NYSE listing standards.

The significant differences between our corporate governance practices and the NYSE corporate governance standards are as follows:

Independence of Directors

NYSE rules require that a majority of the Board of Directors must consist of independent directors as defined under NYSE rules. Under Brazilian Corporate Law, we are not required to have a majority of independent directors.

The Brazilian Corporate Law requires that our directors be elected by our shareholders at a general shareholders meeting. According to the rules of *Novo Mercado*, at least 20% of the members of the Board of Directors, and as of the annual shareholders meeting to be held in 2021, not fewer than two of its members must meet the independence requirements as established under these rules. Furthermore, according to our bylaws, at least 30% of the members of the Board of Directors must be independent.

The new rules for the *Novo Mercado* segment, in force as of January 2, 2018, established that the companies listed in this segment will have up to the annual shareholders meeting to be held in 2021 to adopt new requirements to assure the independence of the members of the Board of Directors, based on their relationship with the company, its direct or indirect controlling shareholder (if applicable), its directors and its executive officers; and subsidiaries, affiliates and joint ventures.

According to these new requirements to be adopted not later than April 2021 a board member will not be considered independent if he/she (i) is the direct or indirect controlling shareholder of the company; (ii) has his/her voting rights at the board meetings bound to a shareholders agreement regarding matters related to the company; (iii) is a spouse, partner or direct or collateral first/second-degree relative of the controlling shareholder or of any executive officer of the company or the controlling shareholder; (iv) was an employee or executive officer of the company or its controlling shareholder in the past three years.

Furthermore, the new rules of the *Novo Mercado* establish that when deciding whether Board members are independent, some situations must be analyzed in order to verify whether they entail loss of independence due to the characteristics, magnitude and extent of the relationship, as follows: (i) are they a first/second-degree relative of the controlling shareholder or of any executive officer of the company or the controlling shareholder? ; (ii) have they been an employee or executive officer the company s subsidiaries, affiliates or joint ventures in the past three years? ; (iii) do they have a business relationship with the company, its controlling shareholder, or a subsidiary, affiliate or joint venture? ; (iv) do they hold a position in a firm or entity that has a business relationship with the company or with its controlling shareholder, whereby they have decision-making power regarding the activities of the firm or entity? ; (v) do they receive any compensation from the company, its controlling shareholder, or a subsidiary, affiliate or joint venture other than the compensation relating to their position as a member of the board of directors or committees of the company, its controlling shareholder, or its subsidiaries, affiliates and joint ventures, excluding income from shares in the company and benefits from supplementary pension plans? .

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Once such new requirements are adopted, the general shareholders meeting shall then be entitled to decide whether a person nominated as member of the Board of Director is independent and may base its decision (i) on a declaration submitted to the Board of Directors in which the nominee attests and justify his/her compliance with the independence requirements or (ii) on the opinion of the Board of Director expressed in management s proposal to the general shareholders meeting that elects directors and officers regarding the candidate s compliance or non-compliance with the independence criteria.

As of December 31, 2017, our Board of Directors consisted of nine members, six of whom are independent non-executive members and three are shareholders of Ultra S.A. Two of these three non-independent board members were executive officers of Ultrapar until December 2006 and one of them was executive officer of Ultrapar until December 2012. On April 19, 2017, the members of our Board of Directors were reelected for a two-year term of office. See Item 6.C. Directors, Senior Management and Employees Board Practices and Exhibit 1.1 Bylaws of Ultrapar, dated as of April 19, 2017 .

No member of the Board has any material relationship with the Company, either directly or as a partner or officer of an organization that has relationship with Ultrapar, except for their interest as shareholders of Ultrapar, when applicable, as mentioned above. The Brazilian Corporate Law, the *Novo Mercado* Listing rules and the CVM establish rules relating to the qualification of the members of our Board of Directors and our executive officers, including their compensation, duties and responsibilities. We believe these rules provide adequate assurances that our directors are independent according to the independence tests established by the NYSE.

Executive Sessions

NYSE rules require that the non-management directors must meet at regularly scheduled executive sessions without management present. Such provision does not apply to Ultrapar given that none of our directors is currently an executive officer of the Company.

Committees

NYSE rules require that U.S. domestic listed companies have a nominating/corporate governance committee and a compensation committee composed entirely of independent directors and governed by a written charter addressing the committee s purpose and responsibilities. Under the Brazilian Corporate Law, we are not required to have a nominating committee, a corporate governance committee or a compensation committee. Notwithstanding, our bylaws provides for a compensation and an audit committee, as ancillary bodies of the Board of Directors. As approved by the Annual and Extraordinary General Shareholders Meeting held on April 19, 2017, the denomination of the compensation committee was modified to people and organization committee . In addition, the composition of such committee was modified from three members of the Board of Directors, two of which should be independent directors to up to four members of whom two shall be independent directors, and the others may or not be directors. See Item 4.A. History and Development of the Company New corporate governance structure , Item 6.C. Directors, Senior Management and Employees Board Practices and Exhibit 1.1 Bylaws of Ultrapar, dated as of April 19, 2017 .

Alexandre Gonçalves Silva, Lucio de Castro Andrade Filho, Nildemar Secches and Pedro Wongtschowski, who are also members of the Board of Directors elected on the Annual and Extraordinary General Shareholders Meeting held on April 2017 (being both Alexandre Gonçalves Silva and Nildemar Secches independent directors), are members of our people and organization committee. Their current term of office in such committee match with their term of office at the Board of Directors (until the annual general shareholders meeting held on April 2019.

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Fiscal Council and Audit Committee

U.S. domestic listed companies must have an audit committee with a minimum of three independent directors who are financially literate and who satisfy the independence requirements of Rule 10A 3 of the Securities Exchange Act of 1934 (the Exchange Act), with a written charter addressing the committee s purpose and responsibilities.

However, as the Brazilian Corporate Law requires the establishment of a corporate body whose duties are similar to those established by the Exchange Act (the Fiscal Council), we may be exempt from the requirements of Rule 10A 3 if we satisfy the conditions of Rule 10A 3(c)(3) of the Exchange Act.

In this sense, our Fiscal Council currently in office satisfies the requirements of Rule 10A 3(c)(3) of the Exchange Act. Our Fiscal Council consists of three members and their respective alternate members, and it is a separate corporate body independent from our management. The members of our Fiscal Council are elected by our shareholders at the annual general shareholders meeting for one-year term and are eligible for reelection. Under the Brazilian Corporate Law, individuals who are members of the Board of Directors or are executive officers or employees or spouses or relatives of any member of the Company s management are not eligible to serve on the Fiscal Council.

Our Fiscal Council acts on a non-permanent basis. In addition, our bylaws establish an audit committee as an ancillary body of the Board of Directors. As determined by our bylaws, in the event the Fiscal Council is established as set forth in the Brazilian Corporate Law, the Fiscal Council shall operate as the audit committee exercising all the duties provided for in our bylaws as required of the audit committee, and with respect to its members, they shall be subjected to all the requirements and limitations provided for by the Brazilian Corporate Law. The audit committee will not operate in any fiscal year when a Fiscal Council is installed. See Item 4.A. History and Development of the Company New corporate governance structure and Exhibit 1.1 Bylaws of Ultrapar, dated as of April 19, 2017 .

Additionally, according to the new Listing Rules for *Novo Mercado*, the companies listed in this segment will have until the annual shareholders meeting of 2021 to have an audit committee (statutory or non statutory) responsible for (i) issuing an opinion on the engagement or dismissal of independent outside auditors; (ii) appraising the company s quarterly financial filings, interim financial statements, and annual financial statements; (iii) overseeing the activities of the company s internal auditing and internal control departments; (iv) appraising and monitoring the company s risk exposures; (v) appraising and monitoring the company s internal policies, including its policy on related-party transactions, and recommending corrections or enhancements; and (vi) having the means to receive and treat information on non-compliance with the laws and regulations applicable to the company, and with its internal rules and codes, including provision for specific procedures to protect whistleblowers and assure the confidentiality of such information.

For more information, see Item 6.C. Directors, Senior Management and Employees Board Practices Fiscal Council and Audit Committee Exemption and Exhibit 1.1 Bylaws of Ultrapar, dated as of April 19, 2017.

Shareholder Approval of Equity Compensation Plans

NYSE rules require that equity compensation plans for U.S. domestic listed companies be subject to shareholder approval, with limited exceptions. In November 2003, our shareholders approved the Deferred Stock Plan. In accordance with the Deferred Stock Plan, the Board of Directors determines the eligible participants and the number of shares to which each participant shall have rights. See Item 6.B. Directors, Senior Management and Employees Compensation. At the annual general shareholders meeting held on April 19, 2017, our shareholders approved a new stock-based incentive plan for our employees and executives.

Corporate Governance Guidelines

NYSE rules require that U.S. domestic listed companies adopt and disclose corporate governance guidelines. We have adopted corporate governance guidelines set out by our Board of Directors or required by the Brazilian Corporate Law, the CVM and B3 and which we believe are consistent with best practices, such as the 100% tag along rights to all shareholders, the establishment and disclosure of a code of ethics, and the adoption of the Policy of Disclosure of Material Acts or Facts, which deals with the public disclosure of all relevant information and the trading of shares issued by Ultrapar as per CVM Instruction No. 358, and the adoption of Anti-Corruption and Relationship with Public Officers Policy.

Since June 28, 2011, we have been listed on the *Novo Mercado* segment of B3. According to the rules of *Novo Mercado* the minimum percentage of independent members of the Board of Directors is set at 20%, and as of the annual shareholders meeting to be held in 2021, also not less than two of its members, while a minimum of 30% is required in our bylaws.

Our bylaws also (i) establish a mandatory tender offer for 100% of the Company s shareholders in the event a shareholder, or a group of shareholders acting in concert, acquire or become holder of 20% of the Company s shares, excluding treasury shares, and (ii) create an audit and a people and organization committees, as ancillary bodies of the Board of Directors. Our bylaws do not establish any limitation on voting rights, special treatment to current shareholders, public tender offers for a price above that of the acquisition price of shares or any other poison pill provisions, thus assuring the effectiveness of a majority shareholders approval on all matters to be deliberated. See Item 4.A. History and Development of the Company New corporate governance structure and Exhibit 1.1 Bylaws of Ultrapar, dated as of April 19, 2017 .

In addition, as mentioned above, on September 2017, new rules for *Novo Mercado* were approved by the CVM. Some of the modifications of the *Novo Mercado* Rules include: (i) obligations of setting up an audit committee (statutory or non statutory); (ii) structuring and disclosing a process of assessment of the Board of Directors, its committees and executive officers; (iii) elaboration and disclosure of a Code of Conduct, as well as of a Compensation Policy, a Nomination Policy for the Board of Directors, its Committees and Executive Officer, a Risk Management Policy; a Related Party Transaction Policy and Securities Trading Policy, all of them with minimum requirements. Companies listed in this segment will have until the General Shareholders Meeting of 2021 to fully comply with these new obligations.

Code of Business Conduct and Ethics

NYSE rules require that U.S. domestic listed companies adopt and disclose a code of business conduct and ethics for directors, officers and employees. In 2004, we established a code of ethics, which was amended on September 17, 2014 and on December 17, 2017. For the complete amended code of ethics please see our 6K furnished to the SEC on March 1, 2018. The main objectives of this code is (i) to reduce the subjectivity of personal interpretations of ethical principles; and (ii) to be a formal and institutional benchmark for the professional conduct of our employees, including the ethical handling of actual or apparent conflicts of interests, becoming a standard for the internal and external relationship of the Company with its stakeholders. See Item 16.B. Code of Ethics .

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

We have responded to Item 18 in lieu of responding to this Item.

ITEM 18. FINANCIAL STATEMENTS

We file the following consolidated financial statements together with the reports of independent registered public accountants firms, as part of this annual report:

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ITEM 19. EXHIBITS

We are filing the following documents as part of this Annual Report Form 20F:

1.1 Bylaws of Ultrapar, dated as of April 19, 2017 (incorporated by reference to Exhibit 1.1 to Form 20-F of Ultrapar Participações S.A. filed on April 28, 2017).

2.1 Shareholders Agreement dated March 22, 2000 (incorporated by reference to Exhibit 2.1 to Form 20-F of Ultrapar Participações S.A. filed on June 7, 2007).

2.2 Amendment dated as of March 31, 2006 to the Indenture dated as of December 20, 2005 (incorporated by reference to Exhibit 2.3 to Form 20-F of Ultrapar Participações S.A. filed on May 5, 2006).

2.3 Ipiranga Group Shareholders Agreement entered into by and among Ultrapar, Petrobras and Braskem, dated April 18, 2007 English Translation (incorporated by reference to Exhibit 2.7 to Form 20-F of Ultrapar Participações S.A. filed on June 7, 2007).

2.4 RPR Shareholders Agreement entered into by and among Ultrapar, Petrobras and Braskem, dated April 18, 2007 English Translation (incorporated by reference to Exhibit 2.8 to Form 20-F of Ultrapar Participações S.A. filed on June 7, 2007).

2.5 Ultrapar Participações S.A. 3rd Public Offering Indenture of Simple Debentures, Non-Convertible, Unsecured and Non-Preferred in a Single Series between Ultrapar Participações S.A. and Pentágono S/A DTVM, dated May 20, 2009 English Summary (incorporated by reference to Exhibit 2.8 to Form 20-F of Ultrapar Participações S.A. filed on June 30, 2010).

2.6 First Amendment to Ultrapar Participações S.A. 3rd Public Offering Indenture of Simple Debentures, Non-Convertible, Unsecured and Non-Preferred in a Single Series between Ultrapar Participações S.A. and Pentágono S/A DTVM, dated June 3, 2009 English Summary (incorporated by reference to Exhibit 2.9 to Form 20-F of Ultrapar Participações S.A. filed on June 30, 2010).

2.7 Second Amendment to Ultrapar Participações S.A. 3rd Public Offering Indenture of Simple Debentures, Non-Convertible, Unsecured and Non-Preferred in a Single Series between Ultrapar Participações, S.A. and Pentágono S/A DTVM, dated December 4, 2009 English Summary (incorporated by reference to Exhibit 2.11 to Form 20-F of Ultrapar Participações S.A. filed on June 30, 2010).

2.8 Ultrapar Participações S.A. 4th Public Offering Indenture of Simple Debentures, Non-Convertible, Unsecured and Non-Preferred in a Single series between Ultrapar Participações S.A. and Pentágono S.A. DTVM, dated March 2, 2012 (incorporated by reference to Exhibit 2.13 to Form 20-F of Ultrapar Participações S.A. filed on April 30, 2012).

2.9 Rules of the *Novo Mercado* (English translation).

2.10 Ipiranga Produtos de Petróleo S.A. 1st Public Offering Indenture of Simple Debentures, Non-Convertible, Unsecured and Non-Preferred in a Single series between Ipiranga Produtos de Petróleo S.A. and Banco Bradesco BBI S.A. as lead manager and Banco Bradesco S.A. as co-manager, dated November 7, 2012 English Summary (incorporated by reference to Exhibit 2.13 to Form 20-F of Ultrapar Participações S.A. filed on April 30, 2013).

2.11 2014 Ultra S.A. Shareholders Agreement dated February 24, 2014 (incorporated by reference to Item 2 of the report on Form 6-K furnished by Ultrapar Participações S.A. on February 25, 2014).

2.12 Ultrapar Participações S.A. 5th Public Offering Indenture of Simple, Non-Convertible into Shares, Single-Series, Unsecured Debentures, for Public Distribution with Restricted Placement Efforts between Ultrapar Participações S.A. and Pentágono S.A. DTVM, dated March 3, 2015 (incorporated by reference to Form 6-K of Ultrapar Participações S.A. filed on March 13, 2015).

4.1 Share Sale and Purchase Agreement related to the sale and purchase of the entire share capital of Shell Gás (LPG) Brasil S.A. (incorporated by reference to Exhibit 10.2 to Form F-1 of Ultrapar Participações S.A. filed on February 2, 2005).

4.2 Form of agreement between Ultragaz and independent dealers (incorporated by reference to Exhibit 10.4 to Form F-1 of Ultrapar Participações S.A. filed on February 2, 2005, as amended).

4.3 Take or pay agreement between Tequimar and CODEBA (incorporated by reference to Exhibit 10.5 to Form F-1 of Ultrapar Participações S.A. filed on February 2, 2005, as amended).

4.4 The Investment Agreement entered into by and among Ultrapar, Petrobras and Braskem dated March 18, 2007 English translation, as amended by the Amendment to Investment Agreement entered into by and among Ultrapar, Petrobras and Braskem dated April 18, 2007 English Summary (incorporated by reference to Exhibit 4.4 to Form 20-F of Ultrapar Participações S.A. filed on June 7, 2007).

4.5 Share Purchase Agreement entered into by and among Ultrapar, Petrobras, Braskem and the Key Shareholders of RPR, DPPI and CBPI, dated March 18, 2007 English Summary (incorporated by reference to Exhibit 4.5 to Form 20-F of Ultrapar Participações S.A. filed on June 7, 2007).

4.6 Braskem/Petrobras Asset Security Agreement entered into by and among Ultrapar, Petrobras and Braskem, dated April 18, 2007 English Summary (incorporated by reference to Exhibit 4.6 to Form 20-F of Ultrapar Participações S.A. filed on June 7, 2007).

4.7 Petrobras Asset Security Agreement entered into by and among Ultrapar, Petrobras and Braskem, dated April 18, 2007 English Summary (incorporated by reference to Exhibit 4.7 to Form 20-F of Ultrapar Participações S.A. filed on June 7, 2007).

4.8 Ethylene Supply Agreement between Braskem S.A. and Oxiteno Nordeste S.A. Indústria e Comércio, dated June 13, 2008 English Summary (incorporated by reference to Exhibit 4.8 to Form 20-F of Ultrapar Participações S.A. filed on June 30, 2010).

4.9 Fourth Amendment to the Ethylene Supply Agreement between Braskem S.A. and Oxiteno Nordeste S.A. Indústria e Comércio, dated January 1, 2013 English Summary (incorporated by reference to Exhibit 4.9 to Form 20-F of Ultrapar Participações S.A. filed on April 30, 2013).

4.10 Share Purchase Agreement between Ultrapar Participações S.A. s subsidiary Terminal Químico de Aratu S.A. and Unipar, dated June 6, 2008, including Amendment dated September 22, 2008 English Summary (incorporated by reference to Exhibit 4.8 to From 20-F of Ultrapar Participações S.A. filed on June 29, 2009).

4.11 Ethylene Supply Agreement between Petroquímica União S.A. and Oxiteno S.A. Indústria e Comércio, dated August 1, 2008 English Summary (incorporated by reference to Exhibit 4.10 to Form 20-F of Ultrapar Participações S.A. filed on June 30, 2010).

4.12 Securities Purchase Agreement entered into by and among Chevron, CBL, Galena and SBP, dated August 14, 2008 (incorporated by reference to Exhibit 4.9 to Form 20-F of Ultrapar Participações S.A. filed on June 29, 2009).

4.13 Revolving Line of Credit Agreement among Banco Nacional de Desenvolvimento Econômico e Social (BNDES), Companhia Brasileira de Petróleo Ipiranga, Companhia Ultragaz S/A, Oleoquímica Indústria e Comércio de Produtos Químicos Ltda, Oxiteno Nordeste S/A Indústria e Comércio, Tequimar Terminal Químico de Aratu S/A, Tropical Transportes Ipiranga Ltda. and Ultrapar Participações S.A., dated December 16, 2008 English Summary (incorporated by reference to Exhibit 4.12 to Form 20-F of Ultrapar Participações S.A. filed on June 30, 2010).

4.14 Amendment No. 1 to Securities Purchase Agreement entered into by and among Chevron, CBL, Galena and SBP, dated March 30, 2009 (incorporated by reference to Exhibit 4.10 to Form 20-F of Ultrapar Participações S.A. filed on June 29, 2009).

4.15 Line of Credit Agreements between Banco do Brasil S.A. and Ipiranga Produtos de Petróleo S.A., each dated June 16, 2010 English Summary (incorporated by reference to Exhibit 4.14 to Form 20-F of Ultrapar Participações S.A. filed on June 30, 2010).

4.16 Amendment to the line of Credit Agreements between Banco do Brasil S.A. and Ipiranga Produtos de Petróleo S.A., each dated February 7, 2013 English Summary (incorporated by reference to Exhibit 4.16 to Form 20-F of Ultrapar Participações S.A. filed on April 30, 2013).

4.17 Association and Other Covenants Agreement to effect the merger of shares (incorporação de ações) of Extrafarma with Ultrapar, dated September 30, 2013 English Summary (incorporated by reference to Exhibit 4.17 to Form 20-F of Ultrapar Participações S.A. filed on April 30, 2014).

4.18 Protocol and Justification of Incorporação de Ações (merger of shares) issued by Imifarma Produtos Farmacêuticos e Cosméticos S.A. by Ultrapar Participações S.A., dated December 17, 2013 (incorporated by reference to the report on Form 6-K furnished by Ultrapar Participações S.A. filed on December 27, 2013, as amended).

6.1 Statement regarding computation of earnings per share (incorporated by reference to Note 29 to our consolidated financial statements included in this annual report).

8.1 List of subsidiaries of Ultrapar (incorporated by reference to Note 3 to our consolidated financial statements included in this annual report).

11.1 Code of Ethics, amended on March 1, 2018 (incorporated by reference to the report on Form 6-K furnished by Ultrapar Participações S.A. on March 1, 2018).

12.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

12.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

13 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

15.1 Documentation with respect to our corporate restructuring of 2002 (incorporated by reference to the reports on Form 6-K, furnished on October 15, 2002, November 1, 2002 and December 6, 2002).

There are certain promissory notes and other instruments and agreements with respect to long-term debt of our Company omitted from the exhibits filed with or incorporated by reference into this annual report, none of which authorizes securities in a total amount that exceeds 10% of the total assets of our Company. See Item 5.B. Operating and Financial Review and Prospect Liquidity and Capital Resources Indebtedness. We hereby agree to furnish to the SEC copies of any such omitted promissory notes or other instruments or agreements as the Commission requests.

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SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

ULTRAPAR PARTICIPAÇÕES S.A.

By:	/s/ FREDERICO PINHEIRO FLEURY CURADO
Name:	**Frederico Pinheiro Fleury Curado**
Title:	Chief Executive Officer

Date: April 6, 2018

By:	/s/ ANDRÉ PIRES DE OLIVEIRA DIAS
Name:	**André Pires de Oliveira Dias**
Title:	Chief Financial and Investor Relations Officer

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Ultrapar Participações S.A.

Consolidated

Financial Statements

for the Year Ended

December 31, 2017 and

Report of Independent Registered

Public Accounting Firm

KPMG Auditores Independentes

Ultrapar Participações S.A. and Subsidiaries

Consolidated Financial Statements for the Year Ended December 31, 2017

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of

Ultrapar Participações S.A.

Opinions on the consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheet of Ultrapar Participações S.A. (the Company) as of December 31, 2017, the related consolidated income statement, comprehensive income, changes in shareholders equity and cash flows for the year ended December 31, 2017, and the related notes. We also have audited the Company s internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017, and the results of its operations and its cash flows for the year ended December 31, 2017, in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The Company acquired Chevron Brasil Lubrificantes S.A. during 2017, and management excluded from its assessment of the effectiveness of the Company s internal control over financial reporting as of December 31, 2017, Chevron Brasil Lubrificantes S.A. internal control over financial reporting associated with total assets of R$ 793,910 and total revenues of R$ 830,515 included in the consolidated financial statements of the Company as of and for the year ended December 31, 2017. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of Chevron Brasil Lubrificantes S.A.

Basis for Opinions

The Company s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s annual report on internal control over financial reporting appearing under Item 15 of the Company s Annual Report on Form 20-F. Our responsibility is to express an opinion on the Company s consolidated financial statements and an opinion on the Company s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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Definition and Limitations of Internal Control Over Financial Reporting

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG Auditores Independentes

We have served as the Company s auditor since 2017.

São Paulo SP

April 06, 2018

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Ultrapar Participações S.A.

São Paulo SP Brazil

We have audited the accompanying consolidated balance sheet of Ultrapar Participações S.A. and subsidiaries (the Company) as of December 31, 2016, and the related consolidated statements of income, of comprehensive income, of changes in equity and of cash flows for each of the two years in the period ended December 31, 2016. These financial statements are the responsibility of the Company s Management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board PCAOB (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Ultrapar Participações S.A. and subsidiaries as of December 31, 2016, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2016, in conformity with International Financial Reporting Standards IFRS, issued by the International Accounting Standards Board IASB.

/s/ DELOITTE TOUCHE TOHMATSU

Auditores Independentes

São Paulo, Brazil

April 28, 2017

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Ultrapar Participações S.A. and Subsidiaries

Balance Sheets

as of December 31, 2017 and 2016

(In thousands of Brazilian Reais)

Assets	**Note**	**2017**	**2016**
Current assets			
Cash and cash equivalents	4	5,002,004	4,274,158
Financial investments and hedging instruments	4	1,283,498	1,412,587
Trade receivables and reseller financing, net	5	4,337,118	3,502,322
Inventories, net	6	3,491,879	2,761,207
Recoverable taxes, net	7	881,584	541,772
Dividends receivable		11,137	8,616
Other receivables		44,025	20,573
Trade receivables insurer s indemnification	33		366,678
Prepaid expenses, net	10	150,046	123,883
Total current assets		15,201,291	13,011,796
Non-current assets			
Financial investments and hedging instruments	4	84,426	15,104
Trade receivables and reseller financing, net	5	329,991	227,085
Related parties	8.a	490	490
Deferred income and social contribution taxes	9.a	545,611	417,344
Recoverable taxes, net	7	313,242	182,617
Escrow deposits	20.a	822,660	778,770
Indemnity asset business combination	20.c	202,352	
Other receivables		7,918	2,678
Prepaid expenses, net	10	346,886	222,518
Total long term assets		2,653,576	1,846,606
Investments			
In joint-ventures	11.a	122,061	116,142
In associates	11.b	25,341	22,731
Other		2,792	2,814
Property, plant, and equipment, net	12	6,607,788	5,787,982

Intangible assets, net	13	3,727,473	3,371,599
		10,485,455	9,301,268
Total non-current assets		13,139,031	11,147,874
Total assets		28,340,322	24,159,670

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

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Ultrapar Participações S.A. and Subsidiaries

Balance Sheets

as of December 31, 2017 and 2016

(In thousands of Brazilian Reais)

Liabilities	**Note**	**2017**	**2016**
Current liabilities			
Loans and hedging instruments	14	1,819,766	1,821,398
Debentures	14.g	1,681,199	651,591
Finance leases	14.i	2,710	2,615
Trade payables	15	2,155,498	1,709,653
Salaries and related charges	16	388,118	362,718
Taxes payable	17	225,829	171,033
Dividends payable	23.h	338,845	320,883
Income and social contribution taxes payable		86,836	139,981
Post-employment benefits	18.b	30,059	24,940
Provision for asset retirement obligation	19	4,799	4,563
Provision for tax, civil, and labor risks	20.a	64,550	52,694
Trade payables customers and third parties indemnification	33	72,216	99,863
Other payables		125,150	102,714
Deferred revenue	21	18,413	22,300
Total current liabilities		7,013,988	5,486,946
Non-current liabilities			
Loans and hedging instruments	14	6,113,545	6,800,135
Debentures	14.g	3,927,569	2,095,290
Finance leases	14.i	45,805	46,101
Related parties	8.a	4,185	4,272
Deferred income and social contribution taxes	9.a	38,524	7,645
Post-employment benefits	18.b	207,464	119,811
Provision for asset retirement obligation	19	59,975	73,001
Provision for tax, civil, and labor risks	20.a; 20.c	861,246	727,088
Deferred revenue	21	12,896	12,510
Subscription warrants indemnification	22	171,459	153,429
Other payables		162,834	74,884
Total non-current liabilities		11,605,502	10,114,166

Shareholders equity			
Share capital	23.a; 23.f	5,171,752	3,838,686
Equity instrument granted	23.b	536	
Capital reserve	23.d	549,778	552,038
Treasury shares	23.c	(482,260)	(483,879)
Revaluation reserve on subsidiaries	23.e	4,930	5,339
Profit reserves	23.f	3,760,079	4,466,392
Valuation adjustments	2.c; 2.o; 23.g	159,643	(23,987)
Cumulative translation adjustments	2.c; 2.r; 23.g	53,061	7,519
Additional dividends to the minimum mandatory dividends	23.h	163,742	165,515
Shareholders equity attributable to:			
Shareholders of the Company		9,381,261	8,527,623
Non-controlling interests in subsidiaries		339,571	30,935
Total shareholders equity		9,720,832	8,558,558
Total liabilities and shareholders equity		28,340,322	24,159,670

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

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Ultrapar Participações S.A. and Subsidiaries

Income Statements

For the years ended December 31, 2017, 2016 and 2015

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

	Note	2017	2016	2015
Net revenue from sales and services	24	80,007,422	77,352,955	75,655,274
Cost of products and services sold	25	(72,735,781)	(70,342,723)	(68,933,702)
Gross profit		7,271,641	7,010,232	6,721,572
Operating income (expenses)				
Selling and marketing	25	(2,885,311)	(2,651,501)	(2,516,561)
General and administrative	25	(1,576,528)	(1,445,859)	(1,321,341)
Gain (loss) on disposal of property, plant and equipment and intangibles	26	(2,242)	(6,134)	27,276
Other operating income, net	27	59,360	198,972	50,584
Operating income before financial income (expenses) and share of profit (loss) of joint ventures and associates		2,866,920	3,105,710	2,961,530
Financial income	28	585,101	513,243	426,429
Financial expenses	28	(1,059,397)	(1,355,819)	(1,129,767)
Financial result, net		(474,296)	(842,576)	(703,338)
Share of profit (loss) of joint ventures and associates	11	20,673	7,476	(10,884)
Income before income and social contribution taxes		2,413,297	2,270,610	2,247,308
Income and social contribution taxes				
Current	9.b; 9c	(922,458)	(800,497)	(719,523)
Deferred	9.b	83,029	100,505	(14,813)
		(839,429)	(699,992)	(734,336)
Net income for the year		1,573,868	1,570,618	1,512,972
Net income for the year attributable to:				
Shareholders of the Company		1,574,306	1,561,585	1,503,466
Non-controlling interests in subsidiaries		(438)	9,033	9,506

Earnings per share (based on weighted average number of shares outstanding) R$				
Basic	29	2.9056	2.8844	2.7649
Diluted	29	2.8847	2.8626	2.7433

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

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Ultrapar Participações S.A. and Subsidiaries

Statements of Comprehensive Income

For the years ended December 31, 2017, 2016 and 2015

(In thousands of Brazilian Reais)

	Note	2017	2016	2015
Net income for the year attributable to shareholders of the Company		1,574,306	1,561,585	1,503,466
Net income for the year attributable to non-controlling interests in subsidiaries		(438)	9,033	9,506
Net income for the year		1,573,868	1,570,618	1,512,972
Items that are subsequently reclassified to profit or loss:				
Fair value adjustments of financial instruments of subsidiaries, net	2.c; 23.g	(4,016)	(33,653)	11,042
Fair value adjustments of financial instruments of joint ventures, net	2.c; 23.g	3,535	(1,014)	(3,309)
Cumulative translation adjustments, net of hedge of net investments in foreign operations and income and social contribution taxes	2.c; 2.r; 23.g	45,542	(59,406)	23,733
Items that are not subsequently reclassified to profit or loss:				
Actuarial gains (losses) of post-employment benefits of subsidiaries, net	2.o; 23.g	(23,856)	(8,647)	4,071
Actuarial gains (losses) of post-employment benefits of joint ventures, net	2.o; 23.g	544	374	
Total comprehensive income for the year		1,595,617	1,468,272	1,548,509
Total comprehensive income for the year attributable to shareholders of the Company		1,601,290	1,459,239	1,539,003
Total comprehensive income for the year attributable to non-controlling interest in subsidiaries		(5,673)	9,033	9,506

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

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Ultrapar Participações S.A. and Subsidiaries

Statements of Changes in Shareholders Equity

For the years ended December 31, 2017, 2016 and 2015

(In thousands of Brazilian Reais)

			Profit reserves								
Share capital	**Capital reserve**	**Revaluation reserve on subsidiaries**	**Legal reserve**	**Investments statutory reserve**	**Retention of profits**	**Valuation adjustments**	**Cumulative translation adjustments**	**Retained earnings**	**Treasury shares**	**Additional dividends to the minimum mandatory dividends**	**Sha Co**
3,838,686	**547,462**	**5,848**	**397,177**	**1,439,461**	**1,333,066**	**7,149**	**43,192**		**(103,018)**	**188,976**	**7,**
								1,503,466			1,
						7,733					
						4,071					
							23,733				

				11,804	23,733	1,503,466			1,
(855)							(387,863)		(
	(258)					258			
						(120)			
			138			(138)			
								(188,976)	(
		75,173				(75,173)			
						(436,842)			(
						(434,467)		157,162	(
			556,984			(556,984)			

3,838,686	**546,607**	**5,590**	**472,350**	**1,996,583**	**1,333,066**	**18,953**	**66,925**		**(490,881)**	**157,162**	**7,**

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

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Ultrapar Participações S.A. and Subsidiaries

Statements of Changes in Shareholders Equity

For the years ended December 31, 2017, 2016 and 2015

(In thousands of Brazilian Reais)

				Profit reserve							S
Share capital	**Capital reserve**	**Treasury shares**	**Revaluation reserve on subsidiaries**	**Legal reserve**	**Investments statutory reserve**	**Retention of profits**	**Valuation adjustments**	**Cumulative translation adjustments**	**Retained earnings**	**Additional dividends to the minimum mandatory dividen**	**Sh**
3,838,686	**546,607**	**(490,881)**	**5,590**	**472,350**	**1,996,583**	**1,333,066**	**18,953**	**66,925**		**157,162**	**7**
									1,561,585		1
							(34,667)				
							(8,273)				
								(59,406)			

							(42,940)	(59,406)	1,561,585		
	5,431	7,002									
			(251)						251		
									(42)		
									9,868		
					10,077				(10,077)		
										(157,162)	
				78,078					(78,078)		
									(434,619)		
									(472,650)	165,515	
					576,238				(576,238)		
3,838,686	**552,038**	**(483,879)**	**5,339**	**550,428**	**2,582,898**	**1,333,066**	**(23,987)**	**7,519**		**165,515**	**8**

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

Ultrapar Participações S.A. and Subsidiaries

Statements of Changes in Shareholders Equity

For the years ended December 31, 2017, 2016 and 2015

(In thousands of Brazilian Reais)

					Profit reserve						
are ital	Equity instrument granted	Capital reserve	Treasury shares	Revaluation reserve on subsidiaries	Legal reserve	Investments statutory reserve	Retention of profits	Valuation adjustments	Cumulative translation adjustments	Retained earnings	Additional dividends to the minimum mandatory divide	S
3,686		**552,038**	**(483,879)**	**5,339**	**550,428**	**2,582,898**	**1,333,066**	**(23,987)**	**7,519**		**165,515**	
										1,574,306		
								(481)				
								(18,077)				
									45,542			

								(18,558)	45,542	1,574,306	
3,066							(1,333,066)				
	536										
		3,114	3,685								
		(5,374)	(2,066)								
				(409)						409	
										(96)	
										3,029	
						3,342				(3,342)	
											(165,515)
								202,188			
					78,716					(78,716)	
										(461,868)	

									(489,027)	163,742
						544,695			(544,695)	
1,752	**536**	**549,778**	**(482,260)**	**4,930**	**629,144**	**3,130,935**	**159,643**	**53,061**		**163,742**

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

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Ultrapar Participações S.A. and Subsidiaries

Statements of Cash Flows Indirect Method

For the years ended December 31, 2017, 2016 and 2015

(In thousands of Brazilian Reais)

	Note	2017	2016	2015
Cash flows from operating activities				
Net income for the year		1,573,868	1,570,618	1,512,972
Adjustments to reconcile net income to cash provided by operating activities				
Share of loss (profit) of joint ventures and associates	11	(20,673)	(7,476)	10,884
Depreciation and amortization	12; 13	1,175,951	1,103,538	1,002,647
PIS and COFINS credits on depreciation	12; 13	13,134	12,581	12,146
Asset retirement obligation	19	(15,432)	(2,785)	(3,949)
Interest, monetary, and foreign exchange rate variations		854,671	763,793	1,582,579
Deferred income and social contribution taxes	9.b	(83,029)	(100,505)	14,813
(Gain) loss on disposal of property, plant and equipment and intangibles	26	2,242	6,134	(27,276)
Other provisions and adjustments		(868)	(6,515)	13,313
		3,499,864	3,339,383	4,118,129
(Increase) decrease in current assets				
Trade receivables	5	(665,145)	(326,695)	(615,381)
Inventories	6	(605,757)	(262,993)	(615,390)
Recoverable taxes	7	(334,217)	87,006	(60,141)
Dividends received from joint-ventures and associates		29,411	7,925	3,417
Insurance and other receivables		358,682	(309,725)	13,555
Prepaid expenses	10	(23,016)	(39,980)	(14,209)
Increase (decrease) in current liabilities				
Trade payables	15	412,393	249,121	181,030
Salaries and related charges	16	7,149	(41,595)	109,734
Taxes payable	17	34,707	2,229	29,969
Income and social contribution taxes		783,663	567,286	504,495
Post-employment benefits	18.b	5,119	11,193	
Provision for tax, civil, and labor risks	20.a	11,857	7,372	(18,847)
Insurance and other payables		(33,955)	56,811	29,235
Deferred revenue	21	(3,887)	(2,120)	970

(Increase) decrease in non-current assets				
Trade receivables	5	(102,905)	(74,846)	(8,433)
Recoverable taxes	7	(130,200)	(47,168)	(60,045)
Escrow deposits		(39,795)	(37,935)	(44,000)
Other receivables		(4,356)	13,829	(10,675)
Prepaid expenses	10	(116,735)	(65,847)	(15,437)
Increase (decrease) in non-current liabilities				
Post-employment benefits	18.b	13,209	(40)	10,868
Provision for tax, civil, and labor risks	20.a	(68,193)	42,428	61,388
Other payables		87,950	(19,255)	20,130
Deferred revenue	21	385	1,474	3,327
Income and social contribution taxes paid		(836,808)	(644,188)	(422,010)
Net cash provided by operating activities		2,279,420	2,513,670	3,201,679

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

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Ultrapar Participações S.A. and Subsidiaries

Statements of Cash Flows Indirect Method

For the years ended December 31, 2017, 2016 and 2015

(In thousands of Brazilian Reais)

	Note	2017	2016	2015
Cash flows from investing activities				
Financial investments, net of redemptions		60,859	(163,625)	573,446
Acquisition of subsidiary, net of cash acquired	3.c	59,863		
Acquisition of property, plant, and equipment	12	(1,262,558)	(1,015,199)	(803,503)
Acquisition of intangible assets	13	(801,971)	(651,171)	(609,600)
Capital increase in joint ventures	11.a	(16,000)	(47,281)	(41,080)
Proceeds from disposal of property, plant and equipment and intangibles	26	47,670	28,500	78,941
Net cash used in investing activities		(1,912,137)	(1,848,776)	(801,796)
Cash flows from financing activities				
Loans and debentures				
Proceeds	14	4,510,694	3,676,874	2,384,589
Repayments	14	(2,462,200)	(812,520)	(2,824,543)
Interest paid	14	(769,740)	(1,057,580)	(855,190)
Payments of financial lease	14.i	(5,191)	(5,016)	(5,174)
Dividends paid		(940,250)	(873,270)	(831,654)
Acquisition of non-controlling interests of subsidiaries				(9)
Acquisition of own shares to be held in treasury				(388,718)
Related parties	8.a	7,036	(100)	
Net cash provided by (used in) financing activities		340,349	928,388	(2,520,699)
Effect of exchange rate changes on cash and cash equivalents in foreign currency		20,214	(22,017)	(3,660)
Increase (decrease) in cash and cash equivalents		727,846	1,571,265	(124,476)

Cash and cash equivalents at the beginning of the year	4	4,274,158	2,702,893	2,827,369
Cash and cash equivalents at the end of the year	4	5,002,004	4,274,158	2,702,893

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

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Ultrapar Participações S.A. and Subsidiaries

Notes to the Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

1. Operations

Ultrapar Participações S.A. (Ultrapar or Company) is a publicly-traded company headquartered at the Brigadeiro Luis Antônio Avenue, 1343 in the city of São Paulo SP, Brazil.

The Company engages in the investment of its own capital in services, commercial, and industrial activities, through the subscription or acquisition of shares of other companies. Through its subsidiaries, it operates in the segments of liquefied petroleum gas LPG distribution (Ultragaz), fuel distribution and related businesses (Ipiranga), production and marketing of chemicals (Oxiteno), and storage services for liquid bulk (Ultracargo) and retail distribution of pharmaceutical, hygiene, beauty, and skincare products, through Imifarma Produtos Farmacêuticos e Cosméticos S.A. (Extrafarma). For further information about segments see Note 30.

2. Presentation of Financial Statements and Summary of Significant Accounting Policies

The Company s consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

All relevant specific information of the financial statements, and only this information, is being presented and correspond to that used by the Company s and its subsidiaries Management.

The presentation currency of the Company s consolidated financial statements is the Brazilian Real (R$), which is the Company s functional currency.

The Company and its subsidiaries applied the accounting policies described below in a consistent manner for all years presented in the consolidated financial statements.

a. Recognition of Income

Revenue is measured at the fair value of the consideration received or receivable, net of sales returns, discounts, and other deductions, if applicable.

Revenue from sales of fuels and lubricants is recognized when the products are delivered to gas stations and to large consumers. Revenue from sales of LPG is recognized when the products are delivered to customers at home, to independent dealers and to industrial and commercial customers. Revenue from sales of pharmaceuticals is recognized when the products are delivered to end user customers in own drugstores and when the products are delivered to independent resellers. Revenue from sales of chemical products is recognized when the products are delivered to industrial customers, depending of the freight mode of delivery. The revenue provided from storage services is recognized as services are performed. Costs of products sold and services provided include goods (mainly fuels, lubricants, LPG, and pharmaceutical products), raw materials (chemicals and petrochemicals) and production, distribution, storage, and filling costs.

b. Cash and Cash Equivalents

Includes cash, banks deposits, and 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 4 for further details on cash and cash equivalents of the Company and its subsidiaries.

Ultrapar Participações S.A. and Subsidiaries

Notes to the Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

c. Financial Assets

In accordance with International Accounting Standards (IAS) 32, IAS 39, and IFRS 7, the financial assets of the Company and its subsidiaries are classified in accordance with the following categories:

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

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

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

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

The Company and its subsidiaries use financial instruments for hedging purposes, applying the concepts described below:

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

Hedge accounting cash flow hedge: financial instruments used to hedge the exposure to variability in cash flows that is attributable to a risk associated with an asset or liability or highly probable transaction or firm commitment that may affect the income statements. The portion of the gain or loss on the hedging instrument that is determined to be effective relating to the effects of exchange rate effect, is recognized directly in equity in accumulated other comprehensive income as Valuation adjustments while the ineffective portion is recognized in profit or loss. Gains or losses on the hedging instrument relating to the effective portion of this hedge that had been recognized directly in accumulated other comprehensive income shall be recognized in profit or loss in the period in which the hedged item is recognized in profit or loss or as initial cost of non- financial assets, in the same line of the statement that the hedged item is recognized. The hedge accounting shall be discontinued when (i) the Company cancels the hedging relationship; (ii) the hedging instrument expires; and (iii) the hedging instrument no longer qualifies for hedge accounting. When hedge accounting is discontinued, gains and losses recognized in other comprehensive income in equity are reclassified to profit or loss in the period which the hedged item is recognized in profit or loss. If the transaction hedged is canceled or is not expected to occur, the cumulative gains and losses in other comprehensive income in equity shall be recognized immediately in profit or loss.

Ultrapar Participações S.A. and Subsidiaries

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

For further detail on financial instruments of the Company and its subsidiaries, see Note 31.

d. Trade Receivables

Trade receivables are recognized at the amount invoiced. An allowance for doubtful accounts is recorded based on estimated losses and is set at an amount deemed by management to be sufficient to cover any probable loss on realization of trade receivables (see Notes 5 and 31 Customer Credit Risk).

e. Inventories

Inventories are stated at the lower of acquisition cost or net realizable value (see Note 6). The cost value of inventory is measured using the weighted average cost and includes the costs of acquisition and processing directly and indirectly related to the units produced based on the normal capacity of production. Estimates of net realizable value are based on the average selling prices at the end of the reporting period, net of applicable direct selling expenses. Subsequent events related to the fluctuation of prices and costs are also considered, if relevant. If net realizable values are below inventory costs, a provision corresponding to this difference is recognized. Provisions are also made for obsolescence of products, materials, or supplies that (i) do not meet its subsidiaries specifications, (ii) have exceeded their expiration date, or (iii) are considered slow-moving inventory. This classification is made by management with the support of its industrial and operations teams.

f. Investments

Investments in associates and joint ventures are accounted for under the equity method of accounting in the consolidated financial statements (see Note 11).

An associate is an investment, in which an investor has significant influence, that is, has the power to participate in the financial and operating decisions of the investee but does not exercise control.

A joint venture is an investment in which the shareholders have the right to net assets on behalf of a joint control. Joint control is the agreement which establish that decisions about the relevant activities of the investee require the consent from the parties that share control.

Other investments are stated at acquisition cost less provision for losses, unless the loss is considered temporary.

g. Property, Plant, and Equipment

Property, plant, and equipment is recognized at acquisition or construction cost, including financial charges incurred on property, plant, and equipment under construction (see Note 12), as well as maintenance costs resulting from scheduled plant outages and estimated costs to remove, to decommission, or to restore assets (see Notes 2.m and 19), less accumulated depreciation and, when applicable, less provision for losses.

Depreciation is calculated using the straight-line method, over the periods mentioned in Note 12, taking into account the estimated useful lives of the assets, which are reviewed annually.

Ultrapar Participações S.A. and Subsidiaries

Notes to the Consolidated Financial Statements

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Leasehold improvements are depreciated over the shorter of the lease contract term and useful life of the property.

h. Leases

Finance Leases

Certain lease contracts transfer substantially all the risks and benefits associated with the ownership of an asset to the subsidiaries. These contracts are characterized as finance leases, and assets thereunder are capitalized at lease commencement at their fair value or, if lower, present value of the minimum lease payments under the contracts. The items recognized as assets are depreciated and amortized using the lower of the straight-line method over the lower of the useful lives applicable to each group of assets or the contract terms, as mentioned in Notes 12 and 13. Financial charges under the finance lease contracts are allocated to profit or loss over the lease contract term, based on the amortized cost and the effective interest rate method of the related lease obligation (see Note 14.i).

Operating Leases

There are lease transactions where the risks and benefits associated with the ownership of the asset are not transferred and where there is no purchase option, or 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 cost or expense in the income statement on a straight-line basis over the term of the lease contract (see Note 32.c).

i. Intangible Assets

Intangible assets include assets acquired by the Company and its subsidiaries from third parties, according to the criteria below (see Note 13):

Goodwill is carried net of accumulated amortization as of December 31, 2008, when it ceased to be amortized. Goodwill generated since January 1, 2009 is shown as intangible assets corresponding to the positive difference between the amount paid or payable to the seller and the fair value of the identified assets and liabilities assumed of the acquired entity. Goodwill is tested annually for impairment. Goodwill is allocated to the business segments, which represent the lowest level that goodwill is monitored by the Company for impairment testing purposes (see Note 13.i).

Exclusive rights disbursements as provided in Ipiranga s agreements with reseller service stations and major consumers are recognized as distribution rights when paid and amortized according to the conditions established in the agreements (see Note 13.v).

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

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

j. Other Assets

Other assets are stated at the lower of cost and realizable value, including, if applicable, 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 2.u).

Ultrapar Participações S.A. and Subsidiaries

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k. Financial Liabilities

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

Transaction costs incurred and directly attributable to the activities necessary for contracting loans or for issuing bonds, as well as premiums and discounts upon issuance of debentures and other debt, are allocated to the instrument and amortized to profit or loss over its term, using the effective interest rate method (see Note 14.j).

l. Income and Social Contribution Taxes on Income

Current and deferred income tax (IRPJ) and social contribution on net income tax (CSLL) are calculated based on their current rates, considering the value of tax incentives. Taxes are recognized based on the rates of IRPJ and CSLL provided for by the laws enacted on the last day of the financial statements. The current rates in Brazil are 25% for income tax and 9% for social contribution on net income tax. For further details about recognition and realization of IRPJ and CSLL, see Note 9.

For purposes of disclosure, deferred tax assets were offset against the deferred tax liability, income tax and social contribution, in the same taxable entity and the same taxation authority.

m. Provision for Asset Retirement Obligation Fuel Tanks

The Company and its subsidiaries have the legal obligation to remove Ipiranga s underground fuel tanks located at Ipiranga-branded service stations after a certain period. The estimated cost of the obligation to remove these fuel tanks is recognized as a liability when the tanks are installed. The estimated cost is recognized in property, plant, and equipment and depreciated over the respective useful lives of the tanks. The amounts recognized as a liability are monetarily restated using the National Consumer Price Index (IPCA) until the respective tank is removed (see Note 19). An increase in the estimated cost of the obligation to remove the tanks could result in negative impact in future results. The estimated removal cost is reviewed and updated annually or when there is significant change in its amount and change in the estimated costs are recognized in income statements when they become known.

n. Provisions for Tax, Civil, and Labor Risks

A provision for tax, civil and labor risks is recognized for quantifiable risks, when the chance of loss is more-likely-than-not in the opinion of management and internal and external legal counsel, and the amounts are recognized based on the evaluation of the outcomes of the legal proceedings (see Note 20).

o. Post-Employment Benefits

Post-employment benefits granted and to be granted to employees, retirees, and pensioners are based on an actuarial calculation prepared by an independent actuary and reviewed by management, using the projected unit credit method (see Note 18.b). The actuarial gains and losses are recognized in cumulative other comprehensive income in the Valuation adjustments and presented in the statement of shareholders equity.

p. Other Liabilities

Other liabilities are stated at known or measurable amounts plus, if applicable, related charges, monetary restatement, and changes in exchange rates incurred. When applicable, other liabilities are recognized at present value, based on interest rates that reflect the term, currency, and risk of each transaction.

Ultrapar Participações S.A. and Subsidiaries

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(In thousands of Brazilian Reais, unless otherwise stated)

q. Foreign Currency Transactions

Foreign currency transactions carried out by the Company or its subsidiaries are remeasured into their functional currency at the exchange rate prevailing at the date of each transaction. Outstanding monetary assets and liabilities of the Company and its subsidiaries are translated using the exchange rate at the date of the reporting period. The effect of the difference between those exchange rates is recognized in profit or loss until the conclusion of each transaction.

r. Basis for Translation of Financial Statements of Foreign Subsidiaries

Assets and liabilities of the foreign subsidiaries, denominated in currencies other than that of the Company (functional currency: Brazilian Real), which have administrative autonomy, are translated using the exchange rate at the end of the reporting year. Revenues and expenses are translated using the average exchange rate of each year and shareholders equity is translated at the historical exchange rate of each transaction affecting shareholders equity. Gains and losses resulting from changes in these foreign investments are directly recognized in shareholders equity in cumulative other comprehensive income in the cumulative translation adjustments and will be recognized in profit or loss if these investments are disposed of. The balance in cumulative other comprehensive income and presented in the shareholders equity as cumulative translation adjustments in 2017 was a gain of R$ 53,061 (gain of R$ 7,519 in 2016) see Note 23.g Cumulative Translation Adjustments.

The foreign subsidiaries with functional currency different from the Company and which have administrative autonomy are listed below:

Subsidiary	Functional currency	Location
Oxiteno México S.A. de C.V.	Mexican Peso	Mexico
Oxiteno Servicios Corporativos S.A. de C.V.	Mexican Peso	Mexico
Oxiteno Servicios Industriales de C.V.	Mexican Peso	Mexico
Oxiteno USA LLC	U.S. Dollar	United States
Oxiteno Uruguay S.A.(i)	U.S. Dollar	Uruguay
Oxiteno Andina, C.A.(ii)	Bolivar	Venezuela

(i) The subsidiary Oxiteno Uruguay S.A. (Oxiteno Uruguay) determined its functional currency as the U.S. dollar (US$), as its inventory sales, purchases of raw material inputs, and financing activities are performed substantially in this currency.

(ii) According the definition and general guidance of IAS 29, the characteristics of the economic environment of Venezuela indicate that this country is a hyperinflationary economy. As a result, the financial information of Oxiteno Andina, C.A. (Oxiteno Andina) was adjusted by the Venezuelan Consumer Price Index.

On May 19, 2017, the Venezuelan Central Bank issued Foreign Exchange Regulation No. 38, altering the Venezuelan foreign exchange markets and regulating the legally recognized types of exchange rates:

a) DIPRO *Tipo de Cambio Protegido* (Exchange Protected): Bolivar (VEF) is traded at an exchange rate of 9.975 VEF/US$ for purchase and 10.00 VEF/US$ for sale. This rate is applied to importation of essential goods (medicines and food) and raw materials and inputs related to the production of these sectors, which transactions are channeled through CENCOEX *Centro Nacional de Comercio Exterior en Venezuela*;

b) DICOM *Tipo de Cambio Complementario Flotante de Mercado Supplemental* (Floating Market Exchange): Bolivar was traded at the variable exchange rate of 3,345.00 VEF/US$ for sale and 3,336.64 VEF/US$ for purchase in the last auction of 2017. This rate is applied to all unforeseen currency settlement transactions not expressly set forth in the Foreign Exchange Regulation, which transactions are processed through alternative currency markets.

Due to the political and economic situation in Venezuela, the Company s management uses the DICOM exchange rate in the translation.

Ultrapar Participações S.A. and Subsidiaries

Notes to the Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

Assets and liabilities of the other foreign subsidiaries, which do not have administrative autonomy, are considered an extension of the activities of their parent company and are translated using the exchange rate at the end of the reporting period. Gains and losses resulting from changes in these foreign investments are directly recognized as financial income or loss. The gain recognized in income in 2017 amounted to R$ 7,368 (R$ 3,425 gain in 2016 and R$ 6,243 gain in 2015).

s. Use of Estimates, Assumptions and Judgments

The preparation of the financial statements requires the use of estimates, assumptions, and judgments for the accounting of certain assets, liabilities, and income. Therefore, the Company s and subsidiaries management use the best information available at the time of preparation of the financial statements, as well as the experience of past and current events, also considering assumptions regarding future events. The financial statements therefore include estimates, assumptions, and judgments related mainly to determining the fair value of financial instruments (Notes 2.c, 2.k, 4, 14 and 31), the determination of the allowance for doubtful accounts (Notes 2.d, 5 and 31), the determination of provisions for losses of inventories (Notes 2.e and 6), the determination of deferred income taxes amounts (Notes 2.l and 9), the determination of control in subsidiaries (Notes 2.r and 3), the determination of joint control in joint venture (Notes 2.f and 11.a), the determination of significant influence in associates (Notes 2.f and 11.b), the determination of exchange rate used to translation of Oxiteno Andina information (Note 2.r), the useful lives of property, plant, and equipment (Notes 2.g and 12), the useful lives of intangible assets, and the determination of the recoverable amount of goodwill (Notes 2.i and 13), provisions for assets retirement obligations (Notes 2.m and 19), provisions for tax, civil, and labor risks (Notes 2.n and 20), estimates for the preparation of actuarial reports (Notes 2.o and 18.b) and the determination of fair value of subscription warrants indemnification (Notes 22 and 31). The actual result of the transactions and information may differ from their estimates.

t. Impairment of Assets

The Company and its subsidiaries review, every report period, the existence of any indication that an asset may be impaired and annually test intangible assets with indefinite useful life. If there is an indication, the Company and its subsidiaries estimate the recoverable amount of the asset. Assets that cannot be evaluated individually are grouped in the smallest group of assets that generate cash flow from continuous use and that are largely independent of cash flows of other assets (cash generating units CGU). The recoverable amount of assets or CGUs corresponds to the greater of their fair value net of applicable direct selling costs and their value in use.

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

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

No impairment was recognized in the present year (see Note 13.i) and for the year ended December 31, 2015. For the year ended December 31, 2016, the Company recognized an impairment loss in the amount of R$ 2,114, which correspond to R$ 1,695 related to goodwill and R$ 419 related to other intangible assets, from subsidiary Oxiteno Andina.

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u. Adjustment to Present Value

The Company and its subsidiaries reviewed all items classified as non-current and, when relevant, current assets and liabilities. No recognition of present value adjustments that would have relevant effects were identified.

v. Business Combination

A business combination is accounted applying the acquisition method. The cost of the acquisition is measured based on the consideration transferred and to be transferred, measured at fair value at the acquisition date. In a business combination, the assets acquired and liabilities assumed are measured in order to classify and allocate them accordingly to the contractual terms, economic circumstances and relevant conditions on the acquisition date. The non-controlling interest in the acquired is measured based on its interest in identifiable net assets acquired. Goodwill is measured as the excess of the consideration transferred and to be transferred over the fair value of net assets acquired (identifiable assets and liabilities assumed, net). After the initial recognition, goodwill is measured at cost less any accumulated impairment losses. For impairment testing purposes, goodwill is allocated to the Company s operating segments. When the cost of the acquisition is lower than the fair value of net assets acquired, a gain is recognized directly in the income statement. Costs related to the acquisition are recorded in the income statement when incurred.

x. Statements of Cash Flows Indirect Method

The Company and its subsidiaries prepared its consolidated statements of cash flows in accordance with IAS 7 Cash Flow Statement. The Company and its subsidiaries present the interest paid on loans and debentures in financing activities. The Company and its subsidiaries present financial investments on a net basis of interest income in the investment activities.

y. Adoption of the Pronouncements Issued by the IASB

The following standards, amendments, and interpretations to IFRS were issued by the IASB which are effective as of December 31, 2017:

	Effective date
	2017

IAS 7 Disclosure Initiative Amendments to IAS 7: clarifications made by the IASB related to liabilities arising from financing activities (see Note 14.a).		
IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses Amendments to IAS 12: clarifications made by the IASB on the recognition of deferred tax assets on unrealised losses.	2017

The following standards, amendments, and interpretations to IFRS were issued by the IASB but are not yet effective and were not adopted as of December 31, 2017:

	Effective date
IFRS 9 Financial instrument classification and measurement: includes new requirements for the classification and measurement of financial assets and liabilities, derecognition requirements, new impairment methodology for financial instruments, and new hedge accounting guidance.	2018
IFRS 15 Revenue from contracts with customers: establish the principles of nature, amount, timing and uncertainty of revenue and cash flow arising from a contract with a customer.	2018
IFRS 16 Lease: requires lessees record, in the financial statements, a liability reflecting future payments of a lease and the right to use an asset for the lease contracts, except for certain short-term leases and low asset value contracts. The criteria for recognition and measurement of leases in the financial statements of lessors are substantially maintained.	2019

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The Company and its subsidiaries did not adopt in advance these IFRS in their financial statements for the year ended December 31, 2017.

The Company and its subsidiaries disclosed the relevant information, known or reasonably estimated to the possible impacts on the adoption of IFRS 9 and 15 that were available in the preparation of these financial statements, and are subject to change until the first complete financial statements with the initial adoption are disclosed in 2018.

(1) IFRS 9 adoption Financial instruments:

a) Classification and measurement of financial instruments:

The Company and its subsidiaries evaluated the classification and measurement of financial instruments and, based on its business model, preliminarily concluded that the most part of the financial investments will be classified as measured at fair value through other comprehensive income, except for funds that will be classified as measured at fair value through profit or loss and financial investments given as collateral for loans that will be classified as amortized cost.

The Company and its subsidiaries do not expect material impacts resulting from these changes.

b) Expected credit losses

The Company and its subsidiaries assessed the expected credit losses on trade receivables, taking into account, at the initial recognition of the contract, the expected losses for the next 12 months and for the useful life of the contract when the deterioration or improvement of customers credit quality.

The Company and its subsidiaries evaluated the impact of this change and the previously amount indicates an additional allowance for doubtful accounts in the amount of R$ 173,314, which effect of R$ 121,563 recognized in the opening balance in the retained earnings. The deferred IRPJ and CSLL effect will be recognized on the amounts above.

c) Derivative financial instruments

The Company and its subsidiaries have not identified impacts arising from this change and are evaluating the adoption of IFRS 9 or the permanence of the application of IAS 39.

The Company and its subsidiaries are evaluating the practical implementation from the initial adoption of IFRS 9 to conclude whether the retrospective or prospective adoption will be made.

(2) IFRS 15 adoption Revenue recognition from contracts with customers:

The Company and its subsidiaries evaluated all the stages for the recognition of their revenues from contracts with customers and based on their diagnosis did not identify material measurement impacts resulting from the adoption of this standard.

In relation to the presentation in the income statement, the Company and its subsidiaries evaluated that certain expenses that are currently been allocated as selling and marketing expenses, after the adoption of IFRS15, will be presented as a reduction of revenue, substantially the amortization expenses of exclusive contracts to operate Ipiranga service stations. In 2017 the amortization recognized as selling and marketing expenses was R$ 463,049.

The Company and its subsidiaries are evaluating the practical implementation of the initial adoption of IFRS 15 to conclude whether the retrospective or prospective adoption will be made.

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The table below summarizes the estimate impacts of the IFRS 9 and 15 adoption:

As of December 31, 2017				
Balance sheet	**As disclosed**	**IFRS 9 (1) adoption**	**IFRS 15 (2) adoption**	**After adoption IFRS 9 and 15**
Current assets	15,201,291	(173,314)		15,027,977
Non-current assets	13,139,031			13,139,031
Total assets	28,340,322	(173,314)		28,167,008
Current liabilities	7,013,988			7,013,988
Non-current liabilities	11,605,502	(58,927)		11,546,575
Shareholder s equity	9,720,832	(114,387)		9,606,445
Total liabilities and shareholders equity	28,340,322	(173,314)		28,167,008
Income statements				
Net revenue from sales and services	80,007,422		(463,049)	79,544,373
Cost of products and services sold	(72,735,781)			(72,735,781)
Selling and marketing expenses	(2,885,311)	(51,751)	463,049	(2,474,013)
General and administrative expenses	(1,576,528)			(1,576,528)
Financial result, net	(474,296)			(474,296)
Income tax and social contribution	(839,429)	17,595		(821,834)
Net income for the year	1,573,868	(34,156)		1,539,712
Earnings per share basic	2.9056	(0.0630)		2.8426
Earnings per share diluted	2.8847	(0.0626)		2.8221

In relation to leases IFRS 16, the Company and its subsidiaries are quantifying the potential effects of this pronouncement, and it is expected to have a relevant impact on the recognition of the right of use and debt related to lease contracts of the land and building of service stations, drugstores and stores given the number of lease agreements the Company has in place. The Company is evaluating the transition options that it will apply upon the adoption of the new standard. See Note 32.c for additional information regarding Company s lease agreements.

z. Authorization for Issuance of the Financial Statements

These financial statements were authorized for issue by the Board of Officers on April 06, 2018.

3. Principles of Consolidation, Investments in Subsidiaries and Unrealized Acquisition

a) Principles of Consolidation

The consolidated financial statements were prepared following the basic principles of consolidation established by IFRS 10. Investments of one company in another, balances of asset and liability accounts, revenues transactions, costs and expenses were eliminated, as well as the effects of transactions conducted between the companies. Non-controlling interests in subsidiaries are presented within consolidated shareholders equity and net income.

Consolidation of a subsidiary begins when the parent company obtains direct or indirect control over a company and ceases when the parent company loses control of a company. Income and expenses of a subsidiary acquired are included in the consolidated income statement and other comprehensive income from the date the parent company gains the control. Income and expenses of a subsidiary, in which the parent company loses control, are included in the consolidated income statement and other comprehensive income until the date the parent company loses control.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company s accounting policies.

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b) Investments in Subsidiaries

The consolidated financial statements include the following direct and indirect subsidiaries:

			% interest in the share			
			2017		2016	
			Control		Control	
	Location	Segment	Direct control	Indirect control	Direct control	Indirect control
Ipiranga Produtos de Petróleo S.A.	Brazil	Ipiranga	100		100	
am/pm Comestíveis Ltda.	Brazil	Ipiranga		100		100
Centro de Conveniências Millennium Ltda.	Brazil	Ipiranga		100		100
Icorban Correspondente Bancário Ltda.	Brazil	Ipiranga		100		100
Ipiranga Trading Limited	Virgin Islands	Ipiranga		100		100
Tropical Transportes Ipiranga Ltda.	Brazil	Ipiranga		100		100
Ipiranga Imobiliária Ltda.	Brazil	Ipiranga		100		100
Ipiranga Logística Ltda.	Brazil	Ipiranga		100		100
Oil Trading Importadora e Exportadora Ltda.	Brazil	Ipiranga		100		100
Chevron Brasil Lubrificantes S.A. (see Note 3.c)	Brazil	Ipiranga		56		
Ipiranga Lubrificantes S.A. (see Note 3.c)	Brazil	Ipiranga		100		100
Integra Frotas Ltda.(1)	Brazil	Ipiranga		100		
Companhia Ultragaz S.A.	Brazil	Ultragaz		99		99
Ultragaz Comercial Ltda.(2)	Brazil	Ultragaz		100		
Bahiana Distribuidora de Gás Ltda.	Brazil	Ultragaz		100		100
Utingás Armazenadora S.A.	Brazil	Ultragaz		57		57
LPG International Inc.	Cayman Islands	Ultragaz		100		100
Imaven Imóveis Ltda.	Brazil	Others		100		100
Imifarma Produtos Farmacêuticos e Cosméticos S.A.	Brazil	Extrafarma		100		100
Oxiteno S.A. Indústria e Comércio	Brazil	Oxiteno	100		100	
Oxiteno Nordeste S.A. Indústria e Comércio	Brazil	Oxiteno		99		99
Oxiteno Argentina Sociedad de Responsabilidad Ltda.	Argentina	Oxiteno		100		100
Oleoquímica Indústria e Comércio de Produtos Químicos Ltda.	Brazil	Oxiteno		100		100

Oxiteno Uruguay S.A.	Uruguay	Oxiteno		100		100
Barrington S.L.[3]	Spain	Oxiteno				100
Oxiteno México S.A. de C.V.	Mexico	Oxiteno		100		100
Oxiteno Servicios Corporativos S.A. de C.V.	Mexico	Oxiteno		100		100
Oxiteno Servicios Industriales S.A. de C.V.	Mexico	Oxiteno		100		100
Oxiteno USA LLC	United States	Oxiteno		100		100
Global Petroleum Products Trading Corp.	Virgin Islands	Oxiteno		100		100
Oxiteno Overseas Corp.[4]	Virgin Islands	Oxiteno				100
Oxiteno Andina, C.A.	Venezuela	Oxiteno		100		100
Oxiteno Europe SPRL	Belgium	Oxiteno		100		100
Oxiteno Colombia S.A.S	Colombia	Oxiteno		100		100
Oxiteno Shanghai LTD.	China	Oxiteno		100		100
Empresa Carioca de Produtos Químicos S.A.	Brazil	Oxiteno		100		100
Ultracargo Operações Logísticas e Participações Ltda.	Brazil	Ultracargo	100		100	
Terminal Químico de Aratu S.A. Tequimar	Brazil	Ultracargo		99		99
Ultrapar International S.A.	Luxembourg	Others	100		100	
SERMA Ass. dos usuários equip. proc. de dados	Brazil	Others		100		100

The percentages in the table above are rounded.

(1) The main objective of Integra Frotas Ltda. is the management of fleets and fuel supplies.

(2) Ultragaz Comercial Ltda. may concentrate some activities currently executed by its quotaholders.

(3) In November 2017, in order to simplify the corporate structure, Barrington S.L. was liquidated.

(4) In April 2017, in order to simplify the corporate structure, the Oxiteno Overseas Corp. was merged into Global Petroleum Products Trading Corporation (GPPTC).

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c) Conclusion of the business combination with Chevron Brasil Lubrificantes S.A.

On August 4, 2016, the Company through its subsidiary Ipiranga Produtos de Petróleo S.A. (IPP) entered into an agreement with Chevron Brasil Lubrificantes Ltda. (Chevron) to create a new company in the lubricants market. Under this agreement, the company will be formed by Ipiranga s and Chevron s lubricants operations in Brazil. Ipiranga and Chevron will hold 56% and 44%, respectively, of the new company s capital. On February 9, 2017, this transaction was approved without restrictions through an opinion issued by the General Superintendence (SG) of the Brazilian Antitrust Authority (CADE). The decision of the SG was published in the Brazilian Federal Official Gazette on February 10, 2017. On March 2, 2017, CADE issued a certificate approving the decision published on February 10, 2017. On August 1, 2017, IPP segregated the lubricants business to the subsidiary Ipiranga Lubrificantes S.A. (IpiLubs) and the operating contracts were signed. On December 1, 2017, the transaction was concluded, through the contribution of IpiLubs to Chevron Brasil Lubrificantes S.A. (CBLSA) and consequently IPP obtains direct control of CBLSA.

The Company is in the process of measuring the fair value of assets and liabilities acquired, and, consequently, the resulting goodwill. The purchase price allocation is preliminary as the Company is in the process of obtaining additional information regarding certain intangible assets and therefore the provisional amounts of these assets may increase which will lead to a decrease in goodwill. The Company, supported by a third party company specialized in valuations, estimated the preliminary amount for the purchase price allocation and calculated the temporary goodwill in the amount of R$ 123,673. The preliminary goodwill is based on the synergy between the lubricant operations of CBLSA and IpiLubs.

The table below summarizes the preliminary assets acquired and liabilities assumed as of the acquisition date, subject to the customary final adjustments of purchase price allocation and calculation of goodwill:

Current assets		**Current liabilities**	
Cash and cash equivalents	73,316	Trade payables	33,453
Trade receivables	157,016	Salaries and related charges	18,251
Inventories	112,998	Taxes payable	20,089
Recoverable taxes	5,595	Other payables	28,743
Other receivables	15,497		
	364,422		100,536

Non-current assets		**Non-current liabilities**	
Related parties	7,077	Provision for tax, civil, and labor risks	202,352
Indemnity asset	202,352	Deferred income and social contribution taxes	3,300
Escrow deposits	4,095	Post-employment benefits	44,478
Other receivables	5,257		
Property, plant, and equipment	172,526		
Intangible assets	9,944		
	401,251		250,130
Total assets acquired	765,673	Total liabilities assumed	350,666
Preliminary goodwill	123,673	Participation of non-controlling interests	182,603
Total assets acquired and preliminary goodwill	889,346	Preliminary consideration transferred	356,077

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The calculation of the provisional goodwill is shown below:

Temporary consideration transferred	356,077
Total assets acquired	765,673
(-) Total liabilities assumed	(350,666)
(-) Non-controlling interest	(182,603)
Temporary goodwill	123,673

For further details of property, plant, and equipment and intangible assets acquired, see Notes 12 and 13, respectively, and of provision for tax, civil, and labor risks, see Note 20.c.

The following summary presents the Company s *pro forma* information for 2017, as if the acquisition had been completed at the beginning of this year. The *pro forma* information is only presented for comparative purposes and does not purport to be indicative of what would have occurred had the acquisition actually been made at such date, nor is it necessarily indicative of future operating results:

	2017
Net revenue from sales and services	80,785,084
Operating income	2,834,636
Net income for the year	1,555,077
Earnings per share basic whole R$ (see Note 29)	2.8709
Earnings per share diluted whole R$ (see Note 29)	2.8503

d) <u>Unrealized Acquisition</u>

On June 12, 2016, the Company through its subsidiary IPP entered into a sale and purchase agreement for the acquisition of 100% of Alesat Combustíveis S.A. (ALE) and the assets comprising its operations. The total transaction amount was R$ 2,168 million, which would be reduced by ALE s net debt as of December 31, 2015 and is subject to working capital and net debt adjustments on the closing date of the transaction. On August 3, 2016, the Extraordinary General Shareholders Meeting (EGM) of Ultrapar approved the transaction. The closing of the acquisition was subject to certain usual conditions precedent in transactions of similar nature, mainly the approval by CADE. On August 2, 2017, the Court of Appeals of CADE voted the transaction and despite all the efforts endeavored by the applicants throughout the analysis of the Concentration Act and the negotiations conducted with the Court of Appeals, the Court blocked the transaction. The contract is automatically resolved without any penalty from either party.

On November 17, 2016, the Company through its subsidiary Companhia Ultragaz S.A. (Cia. Ultragaz), entered into a sale and purchase agreement for the acquisition of 100% of the capital stock of Liquigás Distribuidora S.A (Liquigás). The total transaction amount is R$ 2,665 million and will be adjusted by the Interbank Certificate of Deposit (CDI), between the execution date and transaction closing date. The amount will still be subject to adjustments related to the variations in Liquigás working capital and net debt between December 31, 2015 and the closing date of the transaction. On January 23, 2017, the EGM of Ultrapar approved the transaction. The closing of the acquisition were subject to certain usual conditions precedent in transactions of similar nature, mainly the approval by CADE. On February 28, 2018, the Court of Appeals of CADE voted the transaction and, despite all the efforts endeavored by the applicants throughout the analysis of the process and the negotiations conducted with the Court of Appeals, decided to reject the transaction with the majority of votes. Due to non-compliance of one of the precedent conditions to the consummation of the transaction, Cia. Ultragaz paid a fine of R$ 286,160 in favor of Petróleo Brasileiro S.A. Petrobras (Petrobras) on March 9, 2018.

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4. Cash and Cash Equivalents and Financial Investments

Cash equivalents and financial investments, excluding cash and bank deposits, are substantially represented by investments: (i) in Brazil, in certificates of deposit of first-rate financial institutions linked to the CDI, in repurchase agreement and in short term investments funds, whose portfolio comprised exclusively of Brazilian Federal Government bonds; (ii) outside Brazil, in certificates of deposit of first-rate financial institutions and in short term investments funds, whose portfolio comprised of Federal Government bonds; and (iii) in currency and interest rate hedging instruments.

The financial assets were classified in Note 31, according to their characteristics and intention of the Company and its subsidiaries.

The balance of cash, cash equivalents and financial investments amounted to R$ 6,369,928 in 2017 (R$ 5,701,849 as of December 31, 2016) and are distributed as follows:

Cash and Cash Equivalents

Cash and cash equivalents are considered: (i) cash and bank deposits, and (ii) highly-liquid short-term investments that are readily convertible into a known amount of cash and are subject to an insignificant risk of change in value.

	2017	2016
Cash and bank deposits		
In local currency	73,128	47,177
In foreign currency	74,798	66,141
Financial investments considered cash equivalents		
In local currency		
Fixed-income securities	4,821,605	3,837,807
In foreign currency		
Fixed-income securities	32,473	323,033
Total cash and cash equivalents	5,002,004	4,274,158

Financial Investments

The financial investments of the Company and its subsidiaries, which are not classified as cash and cash equivalents, are distributed as follows:

	2017	2016
Financial investments		
In local currency		
Fixed-income securities and funds	1,153,040	1,174,458
In foreign currency		
Fixed-income securities and funds	129,131	34,775
Currency and interest rate hedging instruments[a]	85,753	218,458
Total financial investments	1,367,924	1,427,691
Current	1,283,498	1,412,587
Non-current	84,426	15,104

(a) Accumulated gains, net of income tax (see Note 31).

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5. Trade Receivables and Reseller Financing

The composition of trade receivables and reseller financing is as follows:

	2017	2016
Domestic customers	4,057,752	3,315,783
Reseller financing Ipiranga (i)	675,236	466,277
Foreign customers	229,701	180,679
(-) Allowance for doubtful accounts	(295,580)	(233,332)
Total	4,667,109	3,729,407
Current	4,337,118	3,502,322
Non-current	329,991	227,085

(i) Reseller financing is provided for renovation and upgrading of service stations, purchase of products, and development of the automotive fuels and lubricants distribution market.

The breakdown of trade receivables, gross of allowance for doubtful accounts, is as follows:

			Past due				
	Total	Current	less than 30 days	31-60 days	61-90 days	91-180 days	more than 180 days
2017	4,962,689	4,102,549	200,939	46,491	48,197	87,812	476,701
2016	3,962,739	3,326,934	167,790	44,152	23,738	60,150	339,975

Movements in the allowance for doubtful accounts are as follows:

Balance on 12/31/2014	178,444
Additions	44,380

Write-offs	(22,008)
Balance on 12/31/2015	200,816
Additions	48,402
Write-offs	(15,886)
Balance on 12/31/2016	233,332
Opening balance CBL S.A. (see Note 3.c)	6,733
Additions	66,427
Write-offs	(10,912)
Balance on 12/31/2017	295,580

For further information about allowance for doubtful accounts see Note 31   Customer credit risk.

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6. Inventories

The composition of inventories is as follows:

	2017			2016		
	Cost	Provision for losses	Net balance	Cost	Provision for losses	Net balance
Fuels, lubricants and greases	1,622,054	(3,074)	1,618,980	1,317,042	(2,851)	1,314,191
Finished goods	485,407	(18,495)	466,912	425,335	(19,801)	405,534
Work in process	1,637		1,637	2,011		2,011
Raw materials	492,029	(1,835)	490,194	246,974	(1,147)	245,827
Liquefied petroleum gas (LPG)	102,031	(5,761)	96,270	71,466	(5,761)	65,705
Consumable materials and other items for resale	160,024	(5,380)	154,644	138,610	(7,619)	130,991
Pharmaceutical, hygiene, and beauty products	415,956	(2,447)	413,509	352,187	(9,985)	342,202
Purchase for future delivery[1]	222,808		222,808	228,871		228,871
Properties for resale	27,032	(107)	26,925	25,982	(107)	25,875
	3,528,978	(37,099)	3,491,879	2,808,478	(47,271)	2,761,207

[1] Refers to ethanol, biodiesel and advance of fuels.

Movements in the provision for losses are as follows:

Balance on 12/31/2014	46,325
Additions to net realizable value adjustment	2,003
Reversals of obsolescence and other losses	(14,336)
Balance on 12/31/2015	33,992

Additions to net realizable value adjustment	12,393
Additions of obsolescence and other losses	886
Balance on 12/31/2016	47,271
Reversals to net realizable value adjustment	(6,713)
Reversals of obsolescence and other losses	(3,459)
Balance on 12/31/2017	37,099

The breakdown of provisions for losses related to inventories is shown in the table below:

	2017	**2016**
Net realizable value adjustment	19,817	26,530
Obsolescence and other losses	17,282	20,741
Total	37,099	47,271

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7. Recoverable Taxes

Recoverable taxes are substantially represented by credits of Tax on Goods and Services (ICMS , the Brazilian VAT), Contribution for Social Security Financing (COFINS), Social Integration Program (PIS), Income Tax (IRPJ), and Social Contribution (CSLL).

	2017	**2016**
ICMS	580,630	459,255
Provision for ICMS losses[1]	(72,076)	(68,683)
PIS and COFINS	348,333	109,552
IRPJ and CSLL	295,172	195,276
Value-Added Tax (IVA) of subsidiaries Oxiteno Mexico, Oxiteno Andina, Oxiteno Uruguay and Ultrapar International	27,180	22,121
Others	15,587	6,868
Total	1,194,826	724,389
Current	881,584	541,772
Non-current	313,242	182,617

(1) The provision for ICMS losses relates to tax credits that the subsidiaries believe will not be utilized or offset in the future based on its estimates, and its movements are as follows:

Balance on 12/31/2014	67,657
Write-offs, additions and reversals, net	(2,766)
Balance on 12/31/2015	64,891
Additions, write-offs and reversals, net	3,792
Balance on 12/31/2016	68,683
Additions, write-offs and reversals, net	3,393
Balance on 12/31/2017	72,076

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8. Related Parties

a. Related Parties

Balances and transactions between the Company and its subsidiaries have been eliminated in consolidation and are not disclosed in this note. The balances and transactions between the Company and its subsidiaries with other related parties are disclosed below:

	Loans		Commercial transactions	
	Assets	Liabilities	Receivables(1)	Payables(1)
Oxicap Indústria de Gases Ltda.				1,489
Química da Bahia Indústria e Comércio S.A.		2,946		
ConectCar Soluções de Mobilidade Eletrônica S.A.			1,067	31
Refinaria de Petróleo Riograndense S.A.				22,199
Others	490	1,239		
Total in 2017	490	4,185	1,067	23,719

	Loans		Commercial transactions	
	Assets	Liabilities	Receivables(1)	Payables(1)
Oxicap Indústria de Gases Ltda.				1,534
Química da Bahia Indústria e Comércio S.A.		2,946		
ConectCar Soluções de Mobilidade Eletrônica S.A.			7,259	5,820
Refinaria de Petróleo Riograndense S.A.				18,186
Others	490	1,326		
Total in 2016	490	4,272	7,259	25,540

(1) Included in trade receivables and trade payables, respectively.

	Commercial transactions	
	Sales and services	Purchases
Oxicap Indústria de Gases Ltda	6	18,108
Refinaria de Petróleo Riograndense S.A.		1,004,030
ConectCar Soluções de Mobilidade Eletrônica S.A.	7,239	859
Total in 2017	7,245	1,022,997

	Commercial transactions	
	Sales and services	Purchases
Oxicap Indústria de Gases Ltda.	6	18,079
Refinaria de Petróleo Riograndense S.A.		958,007
ConectCar Soluções de Mobilidade Eletrônica S.A.	13,329	1,424
Total in 2016	13,335	977,510

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	Commercial transactions	
	Sales and services	Purchases
Oxicap Indústria de Gases Ltda.	6	12,353
Refinaria de Petróleo Riograndense S.A.		615,014
ConectCar Soluções de Mobilidade Eletrônica S.A.	18,205	
Total in 2015	18,211	627,367

Purchase and sale transactions relate substantially to the purchase of raw materials, feedstock, transportation, and storage services based on similar market prices and terms with customers and suppliers with comparable operational performance. The above operations related to ConectCar Soluções de Mobilidade Eletrônica S.A. (ConectCar) refer to services provided. Borrowing agreements are for an indeterminate period and do not contain interest clauses. In the opinion of the Company and its subsidiaries management, transactions with related parties are not subject to credit risk, which is why no allowance for doubtful accounts or collateral is provided. Collateral provided by the Company in loans of subsidiaries and affiliates are mentioned in Note 14.k). Intercompany loans are contracted in light of temporary cash surpluses or deficits of the Company, its subsidiaries, and its associates.

b. Key executives

The Company s compensation strategy combines short and long-term elements, following the principles of alignment of interests and of maintaining a competitive compensation, and is aimed at retaining key officers and remunerating them adequately according to their attributed responsibilities and the value created to the Company and its shareholders.

Short-term compensation is comprised of: (a) fixed monthly compensation paid with the objective of rewarding the executive s experience, responsibility, and his/her position s complexity, and includes salary and benefits such as medical coverage, check-up, life insurance, and others; (b) variable compensation paid annually with the objective of aligning the executive s and the Company s objectives, which is linked to: (i) the business performance measured through its economic value creation and (ii) the fulfillment of individual annual goals that are based on the strategic plan and are focused on expansion and operational excellence projects, people development and market positioning, among others. In addition, the chief executive officer in office until October 2, 2017 was entitled to additional long term variable compensation, which was terminated with the succession of the chief executive officer announced by the Company in June, 2017. Further details about the Deferred Stock Plan are contained in Note 8.c) and about post-employment benefits in Note 18.b).

The Company and its subsidiaries recognized expenses for compensation of its key executives (Company s directors and executive officers) as shown below:

	2017	2016	2015
Short-term compensation	45,477	40,306	37,759
Stock compensation	1,399	5,427	6,126
Post-employment benefits	1,096	3,336	2,936
Termination benefit	8,794		
Long-term compensation	(6,459)	2,473	2,302
Total	50,307	51,542	49,123

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c. *Deferred Stock Plan*

On April 27, 2001, the Ordinary and Extraordinary General Shareholders Meeting (OEGM) approved a benefit plan to members of management and employees in executive positions in the Company and its subsidiaries. On November 26, 2003, the EGM approved certain amendments to the original plan of 2001 (the Deferred Stock Plan). In the Deferred Stock Plan, certain members of management of the Company and its subsidiaries have the usufruct of voting and economic rights of shares and the ownership of these shares is retained by the subsidiaries of the Company. The Deferred Stock Plan provides for the transfer of the ownership of the shares to those eligible members of management after five to seven years from the initial concession of the rights subject to uninterrupted employment of the participant during the period. The total number of shares to be used for the Deferred Stock Plan is subject to the availability in treasury of such shares. It is incumbent on Ultrapar s executive officers to select the members of management eligible for the plan and propose the number of shares in each case for approval by the Board of Directors. The fair value of the awards were determined on the grant date based on the market value of the shares on the B3 S.A. Brasil, Bolsa, Balcão (B3), the Brazilian Securities, Commodities and Futures Exchange and the amounts are amortized between five to seven years from the grant date.

The table below summarizes shares granted to the Company and its subsidiaries management:

Grant date	Balance of number of shares granted	Vesting period	Market price of shares on the grant date (in R$ per share)	Total grant costs, including taxes	Accumulated recognized grant costs	Accumulated unrecognized grant costs
March 13, 2017	100,000	2022 to 2024	67.99	9,378	(1,327)	8,051
March 4, 2016	190,000	2021 to 2023	65.43	17,147	(5,339)	11,808
December 9, 2014	570,000	2019 to 2021	50.64	39,814	(20,849)	18,965
March 5, 2014	83,400	2019 to 2021	52.15	5,999	(3,906)	2,093
November 7, 2012	199,998	2017 to 2019	42.90	18,309	(15,937)	2,372
December 14, 2011	40,000	2016 to 2018	31.85	5,272	(5,042)	230
November 10, 2010		2015 to 2017	26.78	9,602	(9,602)	

1,183,398	105,521	(62,002)	43,519

In 2017, the amortization in the amount of R$ 11,752 (R$ 18,372 in 2016 and R$ 16,935 in 2015) was recognized as a general and administrative expense.

The table below summarizes the changes of number of shares granted:

Balance on 12/31/2015	1,727,264
Shares granted on March 4, 2016	190,000
Shares vested and transferred	(417,192)
Balance on 12/31/2016	1,500,072
Shares granted on March 4, 2017	100,000
Forfeiture of granted shares due to termination of executive employment	(143,333)
Shares vested and transferred	(273,341)
Balance on 12/31/2017	1,183,398

In addition, on April 19, 2017, Ultrapar s Shareholders approved a new incentive plan based on shares (Plan), which establishes the general terms and conditions for the concession of common shares issued by the Company and held in treasury, that may or may not involve the granting of usufruct of part of these shares for later transfer of the ownership of the shares, to directors or employees of the Company or its subsidiaries under its direct or indirect control.

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Management may be appointed to participate in this new plan (statutory or designated, except members of the Board of Directors of the Company) or employees in executive positions of the Company or its subsidiaries under its direct or indirect control (Participants), subject to the provisions of each program. The Board of Directors or the Personnel and Organization Committee, appointed to advise them on the administration of the Plan (Committee), as the case may be, shall indicate, through the incentive programs in shares (Program), the Participants that will have the usufruct on the shares issued by the Company and the concession of shares issued by the Company. As a result of the Plan, common shares representing at most 1% of the Company s share capital may be delivered to the Participants, which corresponds, at the date of approval of this Plan, to 5,564,051 common shares.

The Board of Directors approved the 1st Restricted stock program and the 1st Restricted stock and performance program, as follows:

rogram	**Grant date**	**Balance of number of shares granted**	**Vesting period**	**Market price of shares on the grant date (in R$ per share)**	**Total grant costs, including taxes**	**Accumulated recognized grant costs**	**Accumulate unrecognize grant costs**
estricted	October 1, 2017	120,000	2023	76.38	12,642	(527)	12,115
estricted and Performance	November 8, 2017	46,270	2020 to 2022	76.38	5,901	(257)	5,644
		166,270			18,543	(784)	17,759

In 2017, a general and administrative expense in the amount of R$ 784 was recognized in relation to the Plan.

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9. Income and Social Contribution Taxes

a. Deferred Income and Social Contribution Taxes

The Company and its subsidiaries recognize deferred tax assets and liabilities which are not subject to the statute of limitations, resulting from tax loss carryforwards, temporary differences, negative tax bases and revaluation of property, plant, and equipment, among others. Deferred tax assets are sustained by the continued profitability of their operations. Deferred IRPJ and CSLL are recognized under the following main categories:

	2017	2016
Assets Deferred income and social contribution taxes on:		
Provision for impairment of assets	47,592	46,254
Provisions for tax, civil, and labor risks	145,767	163,096
Provision for post-employment benefits	81,199	54,185
Provision for differences between cash and accrual basis	40,755	18,452
Goodwill	14,234	17,823
Business combination fiscal basis vs. accounting basis of goodwill	74,972	68,064
Provision for asset retirement obligation	19,111	23,419
Other provisions	146,002	136,463
Tax losses and negative basis for social contribution carryforwards (d)	201,471	78,682
Total	771,103	606,438
Offset the liabilities balance	(225,492)	(189,094)
Net balance of assets	545,611	417,344
Liabilities Deferred income and social contribution taxes on:		
Revaluation of property, plant, and equipment	2,109	2,640
Lease	3,361	3,899
Provision for differences between cash and accrual basis	44,440	59,264
Provision for goodwill/negative goodwill	131,811	74,895
Business combination fair value of assets	45,414	46,202
Temporary differences of foreign subsidiaries	955	2,290

Other provisions	35,926	7,549
Total	264,016	196,739
Offset the assets balance	(225,492)	(189,094)
Net balance of liabilities	38,524	7,645

Changes in the net balance of deferred IRPJ and CSLL are as follows:

	2017	2016	2015
Initial balance	409,699	292,989	309,726
Deferred IRPJ and CSLL recognized in income of the year	83,029	100,505	(14,813)
Deferred IRPJ and CSLL recognized in other comprehensive income	13,389	18,938	(2,250)
Deferred IRPJ and CSLL recognized in business combination	(610)		
Others	1,580	(2,733)	326
Final balance	507,087	409,699	292,989

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The estimated recovery of deferred tax assets relating to IRPJ and CSLL is stated as follows:

Up to 1 Year	207,210
From 1 to 2 Years	79,790
From 2 to 3 Years	139,314
From 3 to 5 Years	94,397
From 5 to 7 Years	194,627
From 7 to 10 Years	55,765
Total of deferred tax assets relating to IRPJ and CSLL	771,103

The technical study on Extrafarma s projection of taxable profits for the realization of deferred tax assets was reviewed by the Fiscal Council on February 20, 2018 and approved by the Company s Board of Directors on February 21, 2018, taking into account implementation of the actions proposed by the subsidiary s management, among them, the operational restructuring and the expansion of stores.

b. Reconciliation of Income and Social Contribution Taxes

IRPJ and CSLL are reconciled to the statutory tax rates as follows:

	2017	**2016**	**2015**
Income (loss) before taxes and share of profit (loss) of joint ventures, and associates	2,392,624	2,263,134	2,258,192
Statutory tax rates %	34	34	34
Income and social contribution taxes at the statutory tax rates	(813,492)	(769,466)	(767,785)
Adjustments to the statutory income and social contribution taxes:			
Nondeductible expenses (i)	(105,017)	(57,961)	(70,540)
Nontaxable revenues (ii)	19,084	7,561	3,753
Adjustment to estimated income (iii)	10,844	14,218	12,926
Interest on equity (iv)	(550)	(364)	

Other adjustments	1,104	7,108	4,874
Income and social contribution taxes before tax incentives	(888,027)	(798,904)	(816,772)
Tax incentives SUDENE	48,598	98,912	82,436
Income and social contribution taxes in the income statement	(839,429)	(699,992)	(734,336)
Current	(922,458)	(800,497)	(719,523)
Deferred	83,029	100,505	(14,813)
Effective IRPJ and CSLL rates -%	35.0	30.9	32.5

(i) Nondeductible expenses consist of certain expenses that cannot be deducted for tax purposes under applicable tax legislation, such as expenses with fines, donations, gifts, losses of assets, negative effects of foreign subsidiaries and certain provisions;

(ii) Nontaxable revenues consist of certain gains and income that are not taxable under applicable tax legislation, such as the reimbursement of taxes and the reversal of certain provisions;

(iii) Brazilian tax law allows for an alternative method of taxation for companies that generated gross revenues of up to R$ 78 million in their previous fiscal year. Certain subsidiaries of the Company adopted this alternative form of taxation, whereby income and social contribution taxes are calculated on a basis equal to 32% of operating revenues, as opposed to being calculated based on the effective taxable income of these subsidiaries. The adjustment to estimated income represents the difference between the taxation under this alternative method and the income and social contribution taxes that would have been paid based on the effective statutory rate applied to the taxable income of these subsidiaries; and

(iv) Interest on equity is an option foreseen in Brazilian corporate law to distribute profits to shareholders, calculated based on the long-term interest rate (TJLP), which does not affect the income statement, but is deductible for purposes of IRPJ and CSLL, being taxable to the beneficiary and deductible to the entity that pays.

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c. Tax Incentives SUDENE

The following subsidiaries are entitled to federal tax benefits providing for IRPJ reduction under the program for development of northeastern Brazil operated by the Superintendence for the Development of the Northeast (SUDENE):

Subsidiary	Units	Incentive %	Expiration
Bahiana Distribuidora de Gás Ltda.	Aracaju base[(1)]	75	2017
	Suape base	75	2018
	Mataripe base	75	2024
	Caucaia base	75	2025
Terminal Químico de Aratu S.A. Tequimar	Suape terminal	75	2020
	Aratu terminal	75	2022
	Itaqui terminal	75	2025
Oleoquímica Indústria e Comércio de Produtos Químicos Ltda.	Camaçari plant	75	2021
Oxiteno Nordeste S.A. Indústria e Comércio	Camaçari plant[(2)]	75	2026
Empresa Carioca de Produtos Químicos S.A.	Camaçari plant[(3)]	75	2026

(1) In the first semester of 2018, the subsidiary will request to SUDENE the extension of the tax incentive for another 10 years.

(2) On April 10, 2017 the subsidiary requested to SUDENE the extension of recognition of the tax incentive for another 10 years, due to modernizations realized in Camaçari plant. Due to modernizations on the plant, SUDENE approved the 75% income tax reduction until 2026 through an appraisal report issued on July 13, 2017. On August 21, 2017, the constitutive benefit appraisal report was forwarded to the Brazilian Federal Revenue Service (RFB) for approval within a term of 120 days. As a result of the expiration of the statutes of limitation for the RFB to approve the constitutive benefit appraisal report, the income tax reduction was recognized by the subsidiary in the income statement in 2017, in the total amount of R$ 34,547 with retroactive effect to January 2017.

(3) On June 12, 2017 the subsidiary Empresa Carioca de Produtos Químicos S.A. (EMCA) filed a request at SUDENE requiring the 75% income tax reduction incentive for its Camaçari plant Bahia, due to modernizations on the plant. SUDENE approved the 75% income tax reduction until 2026 through an appraisal report issued on August 29, 2017. On September 21, 2017, the constitutive benefit appraisal report was forwarded to the RFB for approval within a term of 120 days. As a result of the expiration of the statutes of limitation for the RFB to approve the constitutive benefit appraisal report, the income tax

reduction was recognized by the subsidiary in the income statement in 2017, in the total amount of R$ 1,842 with retroactive effect to January 2017.

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On July 3, 2017, the subsidiary Bahiana Distribuidora de Gás Ltda. (Bahiana), filed a request at SUDENE requiring the 75% income tax reduction incentive, due to productive unit implementation for its Juazeiro plant Bahia. SUDENE approved the incentive until 2026 through an appraisal report issued on November 7, 2017. The constitutive benefit appraisal report was forwarded to the RFB, on November 27, 2017, for approval within a term of 120 days.

d. Income and Social Contribution Taxes Carryforwards

In 2017, certain subsidiaries of the Company had tax loss carryforwards related to income tax (IRPJ) of R$ 598,183 (R$ 236,956 in 2016) and negative basis of CSLL of R$ 576,949 (R$ 216,036 in 2016), whose compensations are limited to 30% of taxable income in a given tax year, which do not expire. Based on these values, the Company and its subsidiaries recognized deferred income and social contribution tax assets in the amount of R$ 201,471 in 2017 (R$ 78,682 in 2016).

10. Prepaid expenses

	2017	2016
Rents[1]	329,421	196,944
Advertising and publicity	67,321	37,833
Deferred Stock Plan, net (see Note 8.c)	37,591	44,719
Insurance premiums	39,629	46,896
Software maintenance	8,237	12,478
Other prepaid expenses	14,733	7,531
	496,932	346,401
Current	150,046	123,883
Non-current	346,886	222,518

[1] Refers substantially to the rental advance of service stations of IPP, which are subsequently subleased and operated by the resellers.

11. Investments

a. Joint Ventures

The Company holds an interest in Refinaria de Petróleo Riograndense (RPR), which is primarily engaged in oil refining.

The subsidiary Ultracargo Operações Logísticas e Participações Ltda. (Ultracargo Participações) holds an interest in União Vopak Armazéns Gerais Ltda. (União Vopak), which is primarily engaged in liquid bulk storage in the port of Paranaguá.

The subsidiary IPP holds an interest in ConectCar, established in November 2012, which is primarily engaged in electronic payment of tolls and parking in the States of Alagoas, Bahia, Ceará, Espírito Santo, Goiás, Maranhão, Mato Grosso, Mato Grosso do Sul, Minas Gerais, Paraná, Pernambuco, Rio de Janeiro, Rio Grande do Sul, Santa Catarina, São Paulo and Distrito Federal, and in the electronic fuel payment segment throughout the Brazilian territory.

These investments are accounted for under the equity method of accounting based on their financial statements of 2017.

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Balances and changes in joint ventures are as follows:

	Movements in investments			
	União Vopak	**RPR**	**ConectCar**	**Total**
Balance on 12/31/2014	**4,960**	**24,076**	**25,472**	**54,508**
Capital increase			37,080	37,080
Advance for Future Capital Increase			4,000	4,000
Valuation adjustments		1,535		1,535
Share of profit (loss) of joint ventures	699	8,248	(23,234)	(14,287)
Dividends	(1,114)	(2,345)		(3,459)
Balance on 12/31/2015	**4,545**	**31,514**	**43,318**	**79,377**
Capital increase			47,281	47,281
Valuation adjustments		(2,935)		(2,935)
Dividends and interest on equity (gross)		(12,915)		(12,915)
Share of profit (loss) of joint ventures	(27)	29,745	(24,384)	5,334
Balance on 12/31/2016	**4,518**	**45,409**	**66,215**	**116,142**
Capital increase			16,000	16,000
Valuation adjustments		4,079		4,079
Dividends and interest on equity (gross)		(30,959)		(30,959)
Share of profit (loss) of joint ventures	1,578	36,210	(20,989)	16,799
Balance on 12/31/2017	**6,096**	**54,739**	**61,226**	**122,061**

The table below presents the full amounts of balance sheets and income statements of joint ventures:

	2017		
	União Vopak	**RPR**	**ConectCar**
Current assets	7,110	389,022	90,242
Non-current assets	6,627	128,417	132,785
Current liabilities	1,210	297,762	100,564

Non-current liabilities	336	54,821	12
Shareholders equity	12,191	164,856	122,451
Net revenue from sales and services	15,260	5,067,950	33,935
Costs, operating expenses and income	(10,852)	(4,876,389)	(100,444)
Net financial income and income and social contribution taxes	(1,252)	(82,498)	24,530
Net income (loss)	3,156	109,063	(41,979)
Number of shares or units held	29,995	5,078,888	169,860,500
% of capital held	50	33	50

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	2016		
	União Vopak	**RPR**	**ConectCar**
Current assets	4,228	286,916	93,634
Non-current assets	6,383	116,931	116,243
Current liabilities	700	198,619	77,448
Non-current liabilities	876	68,467	
Shareholders equity	9,035	136,761	132,429
Net revenue from sales and services	12,030	1,490,516	30,058
Costs, operating expenses and income	(12,430)	(1,361,551)	(105,800)
Net financial income and income and social contribution taxes	346	(39,379)	26,974
Net income (loss)	(54)	89,586	(48,768)
Number of shares or units held	29,995	5,078,888	145,860,500
% of capital held	50	33	50

	2015		
	União Vopak	**RPR**	**ConectCar**
Current assets	3,360	234,094	59,599
Non-current assets	7,300	114,123	85,195
Current liabilities	1,570	176,134	62,158
Non-current liabilities		77,172	
Shareholders equity	9,090	94,911	82,636
Costs, operating expenses and income	(10,198)	(926,392)	(89,431)
Net financial income and income and social contribution taxes	(430)	(20,768)	24,553
Net income (loss)	1,398	27,647	(46,468)
Number of shares or units held	29,995	5,078,888	94,579,500
% of capital held	50	33	50

The percentages in the table above are rounded.

b. Associates

Subsidiary IPP holds an interest in Transportadora Sulbrasileira de Gás S.A., which is primarily engaged in natural gas transportation services.

Subsidiary Oxiteno S.A. Indústria e Comércio (Oxiteno S.A) holds an interest in Oxicap Indústria de Gases Ltda. (Oxicap), which is primarily engaged in the supply of nitrogen and oxygen for its shareholders in the Mauá petrochemical complex.

Subsidiary Oxiteno Nordeste S.A. Indústria e Comércio (Oxiteno Nordeste) holds an interest in Química da Bahia Indústria e Comércio S.A., which is primarily engaged in manufacturing, marketing, and processing of chemicals. The operations of this associate are currently suspended.

Subsidiary Cia. Ultragaz holds an interest in Metalúrgica Plus S.A., which is primarily engaged in the manufacture and trading of LPG containers. The operations of this associate are currently suspended.

Subsidiary IPP holds an interest in Plenogás Distribuidora de Gás S.A., which is primarily engaged in the marketing of LPG. The operations of this associate are currently suspended.

The investment of subsidiary Oxiteno S.A. in the associate Oxicap is accounted for under the equity method of accounting based on its financial information as of November 30, 2017, while the other associates are valued based on the financial statements as of 2017.

Ultrapar Participações S.A. and Subsidiaries

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Balances and changes in associates are as follows:

	Movements in investments					
	Transportadora Sulbrasileira de Gás S.A.	**Oxicap Indústria de Gases Ltda.**	**Química da Bahia Indústria e Comércio S.A.**	**Metalúrgica Plus S.A.**	**Plenogás Distribuidora de Gás S.A.**	**Total**
Balance on 12/31/2014	6,212	3,090	3,676	165		13,143
Capital increase		10,368[(1)]				10,368
Dividends	(1,924)	(3,453)				(5,377)
Share of profit (loss) of associates	1,455	1,995	8	(55)		3,403
Balance on 12/31/2015	5,743	12,000	3,684	110		21,537
Dividends	(948)					(948)
Share of profit (loss) of associates	1,206	981	(6)	(39)		2,142
Balance on 12/31/2016	6,001	12,981	3,678	71		22,731
Dividends	(865)				(399)	(1,264)
Share of profit (loss) of associates	1,212	1,477	(60)	269	976	3,874
Balance on 12/31/2017	6,348	14,458	3,618	340	577	25,341

(1) In 2015, Oxicap s shareholders realized a capital increase and Oxiteno S.A. reduced its stake from 25% to 15% approximately.

The table below presents the full amounts of balance sheets and income statements of associates:

2017

	Transportadora Sulbrasileira de Gás S.A.	Oxicap Indústria de Gases Ltda.	Química da Bahia Indústria e Comércio S.A.	Metalúrgica Plus S.A.	Plenogás Distribuidora de Gás S.A.
Current assets	11,218	45,061	67	175	505
Non-current assets	16,464	74,612	10,278	1,695	2,821
Current liabilities	1,960	12,338		422	93
Non-current liabilities	332	7,920	3,110	427	1,500
Shareholders equity	25,390	99,424	7,235	1,021	1,733
Net revenue from sales and services	10,522	52,709			
Costs, operating expenses and income	(5,649)	(40,769)	(90)	673	628
Net financial income and income and social contribution taxes		(2,144)	(31)	179	15
Net income (loss)	4,873	9,796	(121)	852	643
Number of shares or units held	20,124,996	1,987	1,493,120	3,000	1,384,308
% of capital held	25	15	50	33	33

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	2016				
	Transportadora Sulbrasileira de Gás S.A.	Oxicap Indústria de Gases Ltda.	Química da Bahia Indústria e Comércio S.A.	Metalúrgica Plus S.A.	Plenogás Distribuidora de Gás S.A.
Current assets	7,524	28,358	220	169	1,178
Non-current assets	17,570	70,034	10,246	1,682	2,821
Current liabilities	759	7,125	1	21	53
Non-current liabilities	332	5,226	3,109	1,616	1,667
Shareholders equity	24,003	86,041	7,356	214	2,279
Net revenue from sales and services	9,955	52,751			
Costs, operating expenses and income	(5,194)	(39,539)	(60)	(189)	574
Net financial income and income and social contribution taxes	63	(6,837)	49	(19)	68
Net income (loss)	4,824	6,375	(11)	(208)	642
Number of shares or units held	20,124,996	1,987	1,493,120	3,000	1,384,308
% of capital held	25	15	50	33	33

	2015				
	Transportadora Sulbrasileira de Gás S.A.	Oxicap Indústria de Gases Ltda.	Química da Bahia Indústria e Comércio S.A.	Metalúrgica Plus S.A.	Plenogás Distribuidora de Gás S.A.
Current assets	5,175	13,390	73	759	691
Non-current assets	18,773	79,203	10,403	1,681	2,830
Current liabilities	644	8,682		403	101
Non-current liabilities	332	4,371	3,109	1,708	1,777
Shareholders equity	22,972	79,540	7,367	329	1,643
Net revenue from sales and services	10,628	42,799			

Costs, operating expenses and income	(4,703)	(14,050)	(34)	(172)	1,792
Net financial income and income and social contribution taxes	(7)	(9,973)	49	8	14
Net income (loss)	5,918	18,776	15	(164)	1,806
Number of shares or units held	20,124,996	1,987	1,493,120	3,000	1,384,308
% of capital held	25	15	50	33	33

The percentages in the table above are rounded.

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12. Property, Plant, and Equipment

Balances and changes in property, plant, and equipment are as follows:

	Weighted average useful life (years)	Balance on 12/31/2016	Additions	Depreciation	Transfer	Write-offs and disposals	Effect of foreign currency exchange rate variation	Opening balance CBLSA	Balance on 12/31/2017
Cost:									
Land		520,575	4,319		16,039	(969)	4,574	34,636	579,174
Buildings	30	1,440,204	10,677		95,630	(12,409)	32,998	72,767	1,639,867
Leasehold improvements	9	796,521	13,819		116,698	(14,494)	11		912,555
Machinery and equipment	12	4,225,056	130,154		105,060	(16,069)	277,730		4,721,931
Automotive fuel/lubricant distribution equipment and facilities	13	2,429,079	131,134		78,568	(29,935)		112,229	2,721,075
LPG tanks and bottles	11	619,511	59,598		(1,149)	(34,263)			643,697
Vehicles	7	271,133	28,428		6,948	(21,055)	1,841		287,295
Furniture and utensils	9	204,550	35,078		10,775	(834)	10,756	6,169	266,494
Construction in progress		523,285	766,775		(386,198)	(4)	10,192	14,950	929,000
Advances to suppliers		96,423	61,536		(48,722)		2,930		112,167
Imports in progress		58	1,182		(450)		(4)		786
IT equipment	5	288,705	42,638		3,095	(1,081)	170	19,495	353,022

	11,415,100	1,285,338		(3,706)	(131,113)	341,198	260,246	13,167,063
Accumulated depreciation:								
Buildings	(632,908)		(46,795)	130	5,535	(28,365)	(22,005)	(724,408)
Leasehold improvements	(412,449)		(71,660)	(166)	8,624			(475,651)
Machinery and equipment	(2,474,504)		(258,068)	(139)	10,174	(257,629)		(2,980,166)
Automotive fuel/lubricant distribution equipment and facilities	(1,383,069)		(144,884)	(29)	26,907		(44,731)	(1,545,806)
LPG tanks and bottles	(276,414)		(45,838)	130	16,157			(305,965)
Vehicles	(101,082)		(21,740)	80	12,365	(1,823)		(112,200)
Furniture and utensils	(120,747)		(15,128)	(9)	594	(9,275)	(4,010)	(148,575)
IT equipment	(220,421)		(24,481)	148	991	(121)	(16,975)	(260,859)
	(5,621,594)		(628,594)	145	81,347	(297,213)	(87,721)	(6,553,630)
Provision for losses:								
Advances to suppliers	(83)							(83)
Land	(197)	(104)			197			(104)
Leasehold improvements	(560)	(10)			14	(8)		(564)
Machinery and equipment	(4,347)	(397)			45	(25)		(4,724)
Automotive fuel/lubricant distribution equipment and facilities	(336)				167			(169)
Furniture and utensils	(1)							(1)
	(5,524)	(511)			423	(33)		(5,645)
Net amount	5,787,982	1,284,827	(628,594)	(3,561)	(49,343)	43,952	172,525	6,607,788

Ultrapar Participações S.A. and Subsidiaries

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	Weighted average useful life (years)	Balance on 12/31/2015	Additions	Depreciation	Transfer	Write-offs and disposals	Effect of foreign currency exchange rate variation	Balance on 12/31/2016
Cost:								
Land		524,159	157		218	(202)	(3,757)	520,575
Buildings	30	1,382,603	11,597		68,989	(281)	(22,704)	1,440,204
Leasehold improvements	9	701,183	11,109		87,312	(3,078)	(5)	796,521
Machinery and equipment	13	3,991,839	117,157		164,883	(10,209)	(38,614)	4,225,056
Automotive fuel/lubricant distribution equipment and facilities	14	2,282,462	113,162		56,213	(22,758)		2,429,079
LPG tanks and bottles	11	541,351	107,582		1,435	(30,857)		619,511
Vehicles	7	258,776	25,882		5,559	(18,575)	(509)	271,133
Furniture and utensils	10	170,695	27,319		8,955	(1,315)	(1,104)	204,550
Construction in progress		437,533	487,651		(384,335)	(535)	(17,029)	523,285
Advances to suppliers		12,125	102,465		(13,781)		(4,386)	96,423
Imports in progress		1,201	8,007		(8,895)		(255)	58
IT equipment	5	260,685	27,574		3,448	(1,561)	(1,441)	288,705
		10,564,612	1,039,662		(9,999)	(89,371)	(89,804)	11,415,100
Accumulated depreciation:								

Buildings	(591,831)		(43,778)	13	151	2,537	(632,908)
Leasehold improvements	(359,117)		(55,913)	339	2,235	7	(412,449)
Machinery and equipment	(2,241,244)		(242,419)	3,099	9,536	(3,476)	(2,474,504)
Automotive fuel/lubricant distribution equipment and facilities	(1,270,797)		(130,613)		18,341		(1,383,069)
LPG tanks and bottles	(249,234)		(40,941)		13,761		(276,414)
Vehicles	(92,457)		(19,991)		11,234	132	(101,082)
Furniture and utensils	(110,259)		(11,146)	5	868	(215)	(120,747)
IT equipment	(203,793)		(19,225)	(3)	1,488	1,112	(220,421)
	(5,118,732)		(564,026)	3,453	57,614	97	(5,621,594)
Provision for losses:							
Advances to suppliers	(83)						(83)
Land	(197)						(197)
Leasehold improvements	(659)	(4)				103	(560)
Machinery and equipment	(4,739)	(281)			325	348	(4,347)
Automotive fuel/lubricant distribution equipment and facilities	(1,306)				970		(336)
Furniture and utensils	(1)						(1)
	(6,985)	(285)			1,295	451	(5,524)
Net amount	5,438,895	1,039,377	(564,026)	(6,546)	(30,462)	(89,256)	5,787,982

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	Weighted average useful life (years)	Balance on 12/31/2014	Additions	Depreciation	Transfer	Write-offs and disposals	Effect of foreign currency exchange rate variation	Balance on 12/31/2015
Cost:								
Land		476,107	45,843		3,077	(4,947)	4,079	524,159
Buildings	31	1,275,728	14,521		86,725	(4,060)	9,689	1,382,603
Leasehold improvements	11	631,342	17,825		55,615	(3,599)		701,183
Machinery and equipment	13	3,909,475	99,038		108,286	(12,300)	(112,660)	3,991,839
Automotive fuel/lubricant distribution equipment and facilities	14	2,096,563	121,746		81,386	(17,233)		2,282,462
LPG tanks and bottles	12	494,691	83,608		2,777	(39,725)		541,351
Vehicles	7	244,467	21,883		11,358	(18,341)	(591)	258,776
Furniture and utensils	9	156,115	14,198		4,888	(440)	(4,066)	170,695
Construction in progress		372,974	373,774		(337,967)	(2,550)	31,302	437,533
Advances to suppliers		19,527	10,685		(18,095)		8	12,125
Imports in progress		59	1,959		(817)			1,201
IT equipment	5	239,930	24,255		1,124	(4,810)	186	260,685
		9,916,978	829,335		(1,643)	(108,005)	(72,053)	10,564,612
Accumulated depreciation:								

Buildings	(565,308)		(40,766)	15	1,919	12,309	(591,831)
Leasehold improvements	(313,647)		(48,132)	1	2,661		(359,117)
Machinery and equipment	(2,158,390)		(234,792)	(240)	9,005	143,173	(2,241,244)
Automotive fuel/lubricant distribution equipment and facilities	(1,164,074)		(116,010)		9,287		(1,270,797)
LPG tanks and bottles	(231,001)		(34,392)	(136)	16,295		(249,234)
Vehicles	(90,004)		(15,769)	369	12,126	821	(92,457)
Furniture and utensils	(105,483)		(10,050)		323	4,951	(110,259)
IT equipment	(189,859)		(16,872)	(7)	3,667	(722)	(203,793)
	(4,817,766)		(516,783)	2	55,283	160,532	(5,118,732)
Provision for losses:							
Advances to suppliers		(83)					(83)
Land	(197)						(197)
Leasehold improvements	(462)				2	(199)	(659)
Machinery and equipment	(5,895)	(1,137)			2,964	(671)	(4,739)
Automotive fuel/lubricant distribution equipment and facilities		(1,342)			36		(1,306)
IT equipment	(683)				683		
Furniture and utensils	(4)	(1)			4		(1)
	(7,241)	(2,563)			3,689	(870)	(6,985)
Net amount	5,091,971	826,772	(516,783)	(1,641)	(49,033)	87,609	5,438,895

Construction in progress relates substantially to expansions, renovations, construction and upgrade of industrial facilities, terminals, stores, service stations and distribution bases.

Advances to suppliers is related basically to manufacturing of assets for expansion of plants, terminals, stores, bases, and acquisition of real estate.

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13. Intangible Assets

Balances and changes in intangible assets are as follows:

	Weighted average useful life (years)	Balance on 12/31/2016	Additions	Amortization	Transfer	Write-offs and disposals	Effect of foreign currency exchange rate variation	Opening balance CBLSA	Balance on 12/31/2017
Cost:									
Goodwill(i)		1,454,484						123,673	1,578,157
Software(ii)	5	641,691	207,703		2,447	(1,193)	2,431		853,079
Technology(iii)	5	32,617							32,617
Commercial property rights(iv)	10	43,258	13,837		(68)	(1,958)			55,069
Distribution rights(v)	6	3,651,316	580,011					42,052	4,273,379
Brands(vi)		112,936					607		113,543
Others(vii)	4	39,172	420				922		40,514
		5,975,474	801,971		2,379	(3,151)	3,960	165,725	6,946,358
Accumulated amortization:									
Software		(396,702)		(59,579)	(5)	1,191	(1,704)		(456,799)
Technology		(32,469)		(72)					(32,541)
Commercial property rights		(19,568)		(3,689)	8	1,957			(21,292)
Distribution rights		(2,131,826)		(500,488)	(12,635)			(32,108)	(2,677,057)
Others		(23,310)		(7,883)			(3)		(31,196)
		(2,603,875)		(571,711)	(12,632)	3,148	(1,707)	(32,108)	(3,218,885)
		3,371,599	801,971	(571,711)	(10,253)	(3)	2,253	133,617	3,727,473

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	Weighted average useful life (years)	Balance on 12/31/2015	Additions	Amortization	Transfer	Write-offs and disposals	Effect of foreign currency exchange rate variation	Balance on 12/31/2016
Cost:								
Goodwill[(i)]		1,456,179				(1,695)		1,454,484
Software[(ii)]	5	539,522	99,734		7,601	(7)	(5,159)	641,691
Technology[(iii)]	5	32,617						32,617
Commercial property rights[(iv)]	10	36,588	7,303			(633)		43,258
Distribution rights[(v)]	5	3,278,487	543,527		(170,698)			3,651,316
Brands[(vi)]		120,944					(8,008)	112,936
Others[(vii)]	4	46,951	607		(5,960)	(980)	(1,446)	39,172
		5,511,288	651,171		(169,057)	(3,315)	(14,613)	5,975,474
Accumulated amortization:								
Software		(350,760)		(49,380)	(2)	7	3,433	(396,702)
Technology		(31,256)		(1,213)				(32,469)
Commercial property rights		(16,979)		(3,148)		559		(19,568)
Distribution rights		(1,802,989)		(493,348)	164,511			(2,131,826)
Others		(15,369)		(7,835)	(83)		(23)	(23,310)
		(2,217,353)		(554,924)	164,426	566	3,410	(2,603,875)
		3,293,935	651,171	(554,924)	(4,631)	(2,749)	(11,203)	3,371,599

	Weighted average useful life (years)	Balance on 12/31/2014	Additions	Amortization	Transfer	Write-offs and disposals	Effect of foreign currency exchange rate variation	Balance on 12/31/2015
Cost:								
Goodwill[i]		1,456,179						1,456,179
Software[ii]	5	451,936	82,612		453	(59)	4,580	539,522
Technology[iii]	5	32,617						32,617
Commercial property rights[iv]	10	31,881	4,994			(287)		36,588
Distribution rights[v]	5	2,762,985	515,502					3,278,487
Brands[vi]		105,458			2		15,484	120,944
Others[vii]	4	38,606	6,492		(79)		1,932	46,951
		4,879,662	609,600		376	(346)	21,996	5,511,288
Accumulated amortization:								
Software		(303,780)		(44,346)		59	(2,693)	(350,760)
Technology		(29,471)		(1,785)				(31,256)
Commercial property rights		(14,545)		(2,643)		209		(16,979)
Distribution rights		(1,366,128)		(433,869)	(2,992)			(1,802,989)
Others		(7,625)		(7,821)	96		(19)	(15,369)
		(1,721,549)		(490,464)	(2,896)	268	(2,712)	(2,217,353)
Net amount		3,158,113	609,600	(490,464)	(2,520)	(78)	19,284	3,293,935

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i) The balance of the goodwill is tested annually for impairment and presents the following balances:

	Segment	2017	2016
Goodwill on the acquisition of:			
Extrafarma	Extrafarma	661,553	661,553
Ipiranga	Ipiranga	276,724	276,724
União Terminais	Ultracargo	211,089	211,089
CBLSA	Ipiranga	123,673	
Texaco	Ipiranga	177,759	177,759
Oxiteno Uruguay	Oxiteno	44,856	44,856
Temmar	Ultracargo	43,781	43,781
DNP	Ipiranga	24,736	24,736
Repsol	Ultragaz	13,403	13,403
Others	Oxiteno	583	583
		1,578,157	1,454,484

On December 31, 2017, the Company tested the balances of goodwill shown in the table above for impairment. The determination of value in use involves assumptions, judgments, and estimates of cash flows, such as growth rates of revenues, costs and expenses, estimates of investments and working capital, and discount rates. The assumptions about growth projections and future cash flows are based on the Company s business plan of its operating segments, as well as comparable market data, and represent management s best estimate of the economic conditions that will exist over the economic life of the various CGUs, to which goodwill is related. The main key-assumptions used by the Company to calculate the value in use are described below:

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

Discount and real growth rates: on December 31, 2017, the discount and real growth rates used to extrapolate the projections ranged from 9.6% to 12.7% and from 0% to 1% p.a., respectively, depending on the CGU analyzed. For the subsidiary Oxiteno Andina, due to the macroeconomic scenario in Venezuela, the discount rate used was 803.8%.

Revenue from sales and services, costs and expenses, and gross margin: for 2018, the budget prepared by management and approved by the Board of Directors was considered. In subsequent periods, the Company considers the forecast of the general inflation or price index predicted in the contracts.

Opening of new commercial points (investments): for 2018, the budget prepared by the management and approved by the Board of Directors was considered. In subsequent periods, the Company considers the expansion plans of each business unit, which also considers the commercial establishments closed in the previously years.

The goodwill impairment tests and net assets of the Company and its subsidiaries did not result in the recognition of impairment for the year ended December 31, 2017. The Company assessed a sensitivity analysis of discount and growth rate of perpetuity, due to their significant impact on cash flows and value in use. An increase of 0.5 percentage points in the discount rate or a decrease of 0.5 percentage points in the growth rate of the perpetuity of the cash flow of each business segment would not result in the recognition of impairment.

ii) Software includes user licenses and costs for the implementation of the various systems used by the Company and its subsidiaries, such as: integrated management and control, financial management, foreign trade, industrial automation, operational and storage management, accounting information, and other systems.

iii) The subsidiaries Oxiteno S.A., Oxiteno Nordeste and Oleoquímica Indústria e Comércio de Produtos Químicos Ltda. (Oleoquímica) recognize as technology certain rights of use held by them. Such licenses include the production of ethylene oxide, ethylene glycols, ethanolamines, glycol ethers, ethoxylates, solvents, fatty acids from vegetable oils, fatty alcohols, and specialty chemicals, which are products that are supplied to various industries.

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iv) Commercial property rights include those described below:

Subsidiary Terminal Químico de Aratu S.A. Tequimar (Tequimar) has an agreement with CODEBA Companhia das Docas do Estado da Bahia, which allows it to explore the area in which the Aratu Terminal is located for 20 years, renewable for a similar period. The price paid by Tequimar was R$ 12,000, which is being amortized from August 2002 to July 2042.

Subsidiary Tequimar has a lease contract for an area adjacent to the Port of Santos for 20 years from December 2002, renewable for a similar period, which allows the construction, operation, and use of a terminal for liquid bulk unloading, tank storage, handling, and distribution. The price paid by Tequimar was R$ 4,334, which is being amortized from August 2005 to December 2022.

Subsidiary Extrafarma pays key money to obtain certain commercial establishments to open drugstores which is stated at the cost of acquisition, amortized using the straight-line method, considering the lease contract terms. In the case of the closedown of stores, the residual amount is written off.

v) Distribution rights refer mainly to exclusive rights disbursements as provided in Ipiranga s agreements with resellers and large customers. Exclusive rights disbursements are recognized when paid and recognized as selling expenses in the income statement according to the conditions established in the agreement which is reviewed as per the changes occurred in the agreements.

vi) Brands are represented by the acquisition cost of the am/pm brand in Brazil and of the Extrafarma brand.

vii) Other intangibles refer mainly to the loyalty program Clube Extrafarma .

The amortization expenses were recognized in the financial statements as shown below:

	2017	**2016**	**2015**
Inventories and cost of products and services sold	29,344	14,593	11,522
Selling and marketing	484,609	492,973	436,253
General and administrative	57,758	47,358	42,689

571,711	554,924	490,464

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14. Loans, Debentures, and Finance Leases

a. Composition

Description	2017	2016	Index/Currency	Weighted average financial charges 12/31/2017 % p.a.	Maturity
Foreign currency denominated loans:					
Notes in the foreign market (b)(*)	2,454,142	2,412,112	US$	+5.3	2026
Foreign loan (c.1)(*)	788,794	942,456	US$ + LIBOR (i)	+1.0	2018 to 2022
Foreign loan (c.1)(*)	298,927	332,650	US$ + LIBOR (i)	+1.9	2018
Foreign loan (c.2, c.3 and c.4)	259,015	486,451	US$	+2.2	2018
Financial institutions (e)	330,755	195,021	US$ + LIBOR (i)	+2.5	2019 to 2022
Financial institutions (e)	106,745	109,859	US$	+2.8	2018 to 2022
Financial institutions (e)	27,048	24,586	MX$ (ii)	+8.5	2018
Foreign currency advances delivered	26,080	32,582	US$	+2.2	< 54 days
Advances on foreign exchange contracts	44,515	111,066	US$	+2.4	< 92 days
BNDES (d)	4,460	7,137	US$	+6.4	2018 to 2020
Financial institutions (e)	3,382	9,569	MX$ + TIIE (ii)	+1.5	2018
Financial institutions (e)	593	435	Bs$ (vii)	+24.0	2018
Subtotal foreign currency	4,344,456	4,663,924			
Brazilian Reais denominated loans:					
Debentures Ipiranga (g.1, g.2, g.4 and g.6)	2,836,741	1,914,498	CDI	105.8	2018 to 2022
Banco do Brasil floating rate (f)	2,794,272	2,956,547	CDI	107.3	2018 to 2021
Debentures 5th issuance (g.3)	817,654	832,383	CDI	108.3	2018
Debentures CRA (g.5)	1,380,852		CDI	95.0	2022
Debentures CRA (g.5)(*)	554,402		IPCA	+4.6	2024

BNDES (d)	206,423	307,593	TJLP (iii)	+2.4	2018 to 2023
Export Credit Note floating rate (h)	157,749	158,753	CDI	101.5	2018
BNDES (d)	69,422	71,430	SELIC (vi)	+2.3	2018 to 2023
BNDES EXIM	62,754	62,084	TJLP (iii)	+3.5	2018
Finance leases (i)	48,515	48,566	IGP-M (v)	+5.6	2018 to 2031
FINEP	35,611	48,667	R$	+4.0	2018 to 2022
FINEP	32,682	34,613	TJLP (iii)	+1.0	2018 to 2023
Banco do Nordeste do Brasil	28,136	47,120	R$	+8.5	2018 to 2021
BNDES EXIM	30,850	28,056	SELIC (vi)	+3.9	2018
BNDES (d)	26,270	40,309	R$	+5.6	2018 to 2022
FINAME	56	80	TJLP (iii)	+5.7	2018 to 2022
Fixed finance leases (i)		41			
Floating finance leases (i)		109			
Subtotal Brazilian Reais	9,082,389	6,550,849			
Total foreign currency and Brazilian Reais	13,426,845	11,214,773			
Currency and interest rate hedging instruments(**)	163,749	202,357			
Total	13,590,594	11,417,130			
Current	3,503,675	2,475,604			
Non-current	10,086,919	8,941,526			

(*) These transactions were designated for hedge accounting (see Note 31 Hedge Accounting).
(**) Accumulated losses (see Note 31).
(i) LIBOR = London Interbank Offered Rate.
(ii) MX$ = Mexican Peso; TIIE = the Mexican interbank balance interest rate.
(iii) TJLP (Long-term Interest Rate) = set by the National Monetary Council, TJLP is the basic financing cost of Banco Nacional de Desenvolvimento Econômico e Social (BNDES), the Brazilian Development Bank. On December 31, 2017, TJLP was fixed at 7.0% p.a.
(iv) Contract linked to the rate of FNE (Northeast Constitutional Financing Fund) fund whose purpose is to promote the development of the industrial sector, managed by Banco do Nordeste do Brasil. On December 31, 2017, the FNE interest rate was 10% p.a. FNE grants a discount of 15% on the interest rate for timely payments.
(v) IGP-M = General Market Price Index is a measure of Brazilian inflation, calculated by the Getúlio Vargas Foundation.
(vi) SELIC = basic interest rate set by the Brazilian Central Bank.
(vii) Bs$ = Bolívar.

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The changes in loans, debentures and finance leases are shown below:

Balance on 12/31/2016	11,214,773
New loans and debentures with cash effect	4,510,694
Interest accrued	925,421
Principal payment and financial leases	(2,467,391)
Interest payment	(769,740)
Monetary variation	37,937
Change in fair value	(24,849)
Balance on 12/31/2017	13,426,845

The long-term consolidated debt had the following principal maturity schedule:

	2017	**2016**
From 1 to 2 years	1,826,907	3,203,383
From 2 to 3 years	894,640	1,699,009
From 3 to 4 years	1,302,450	693,993
From 4 to 5 years	3,016,406	554,162
More than 5 years	3,046,516	2,790,979
	10,086,919	8,941,526

As provided in IAS 39, the transaction costs and issuance premiums associated with debt issuance by the Company and its subsidiaries were added to their financial liabilities, as shown in Note 14.j).

The Company s management entered into hedging instruments against foreign exchange and interest rate variations for a portion of its debt obligations (see Note 31).

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b. Notes in the Foreign Market

On October 6, 2016, the subsidiary Ultrapar International S.A. (Ultrapar International) issued US$ 750 million in notes in the foreign market, maturing in October 2026, with interest rate of 5.25% p. a., paid semiannually. The issue price was 98.097% of the face value of the note. The notes were guaranteed by the Company and its subsidiary IPP. The Company has designated hedge relationships for this transaction (see Note 31 Hedge accounting: cash flow hedge and net investment hedge in foreign entities).

As a result of the issuance of the notes in the foreign market, the Company and its subsidiaries are required to perform certain obligations, including:

Restriction on sale of all or substantially all assets of the Company and subsidiaries Ultrapar International and IPP.

Restriction on encumbrance of assets exceeding US$ 150 million or 15% of the amount of the consolidated tangible assets.

The Company and its subsidiaries are in compliance with the levels of covenants required by this debt. The restrictions imposed on the Company and its subsidiaries are customary in transactions of this nature and have not limited their ability to conduct their business to date.

c. Foreign Loans

1) The subsidiary IPP has foreign loans in the amount of US$ 320 million. IPP also contracted hedging instruments with floating interest rate in U.S. dollar and exchange rate variation, changing the foreign loans charges, on average, to 102.9% of CDI (see Note 31). IPP designated these hedging instruments as a fair value hedge; therefore, loans and hedging instruments are both measured at fair value from inception, with changes in fair value recognized through profit or loss. The foreign loans are secured by the Company.

The foreign loans have the maturity distributed as follows:

Maturity	**US$(million)**	**Cost in % of CDI**

Jul/18	60.0	103.0
Sep/18	80.0	101.5
Nov/18	80.0	101.4
Jun/22	100.0	105.0
Total / average cost	320.0	102.9

2) The subsidiary LPG International Inc. has a foreign loan in the amount of US$ 30 million with maturity in December 2018 and interest rate of LIBOR + 1.85% p.a., paid quarterly. The foreign loan is guaranteed by the Company and its subsidiary IPP.

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

Maintenance of a financial ratio, determined by the ratio between consolidated net debt and consolidated Earnings before Interest, Taxes, Depreciation, and Amortization (EBITDA), at less than or equal to 3.5.

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

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

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3) The subsidiary GPPTC had a foreign loan in the amount of US$ 12 million with maturity in December 2018 and interest rate of LIBOR + 1.85% p.a., paid quarterly. The foreign loan was guaranteed by the Company and its subsidiary IPP. The subsidiary settled the loan in advance in December 2017.

4) The subsidiary GPPTC has a foreign loan in the amount of US$ 60 million with maturity on June 22, 2020 and interest of LIBOR + 2.0% p.a., paid quarterly. The Company, through the subsidiary Cia. Ultragaz, contracted hedging instruments subject to floating interest rates in dollar and exchange rate variation, changing the foreign loan charge to 105.9% of CDI. The foreign loan is guaranteed by the Company and its subsidiary Oxiteno Nordeste.

d. BNDES

The subsidiaries have financing from BNDES for some of their investments and for working capital.

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

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

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

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

e. Financial Institutions

The subsidiaries Oxiteno Mexico S.A. de C.V., Oxiteno USA LLC (Oxiteno USA), Oxiteno Uruguay and Oxiteno Andina have loans to finance investments and working capital.

The subsidiary Oxiteno USA has a loan agreement in the amount of US$40 million, due in February 2021 and bearing interest of LIBOR + 3% p.a., paid quarterly. The loan is guaranteed by the Company and the subsidiary Oxiteno Nordeste and the proceeds of this loan are being used to fund the construction of a new alkoxylation plant in the state of Texas.

The subsidiary Oxiteno USA has a loan in the notional amount of US$20 million, due in September 2020, with interest of LIBOR + 3% p.a., paid quarterly. The loan is guaranteed by the Company and the subsidiary Oxiteno S.A.

In October 2017, the subsidiary Oxiteno USA contracted a loan agreement in the amount of US$ 40 million, due in October 2022 and bearing interest of LIBOR + 1.73% pa, paid quarterly. The proceeds of this loan are being used to fund the construction of a new alkoxylation plant in the state of Texas. The loan is guaranteed by the Company.

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f. Banco do Brasil

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

These loans mature, as follows (accrued interest until December 31, 2017):

Maturity	
2018-Jan	172,798
2018-Apr	100,571
2019-Feb	168,392
2019-May	1,338,979
2020-May	337,844
2021-May	337,844
2022-May	337,844
Total	2,794,272

g. Debentures

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

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

The debentures were settled by the Company on the maturity date.

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

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

3) In March 2015, the Company made its fifth issuance of debentures, in a single series of 80,000 simple, nonconvertible into shares, unsecured debentures, which main characteristics are as follows:

Face value unit:	R$10,000.00
Final maturity:	March 16, 2018
Payment of the face value:	Lump sum at final maturity
Interest:	108.25% of CDI
Payment of interest:	Semiannually
Reprice:	Not applicable

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4) In May 2016, the subsidiary IPP made its fourth issuance of public debentures, in one single series of 500 simple, nominative, registered debentures, nonconvertible into shares and unsecured, which main characteristics are as follows:

Face value unit:	R$1,000,000.00
Final maturity:	May 25, 2021
Payment of the face value:	Annual as from May 2019
Interest:	105.0% of CDI
Payment of interest:	Semiannually
Reprice:	Not applicable

5) In April 2017, the subsidiary IPP carried out its fifth issuance of debentures, in two single series of 660,139 and 352,361, simple, nonconvertible into shares, nominative, book-entry and unsecured debentures. The debentures have been subscribed by Eco Consult Consultoria de Operações Financeiras Agropecuárias Ltda. The proceeds from this issuance has been used exclusively for the purchase of ethanol.

The debentures were later assigned and transferred to Eco Securitizadora de Direitos Creditórios do Agronegócio S.A. that acquired these agribusiness credit rights with the purpose to bind the issuance of Certificates of Agribusiness Receivables (CRA). The debentures have an additional guarantee from Ultrapar and the main characteristics of the debentures are as follows:

Face value unit:	R$1,000.00
Final maturity:	April 18, 2022
Payment of the face value:	Lump sum at final maturity
Interest:	95% of CDI
Payment of interest:	Semiannually
Reprice:	Not applicable

Face value unit:	R$1,000.00
Final maturity:	April 15, 2024
Payment of the face value:	Lump sum at final maturity
Interest:	IPCA + 4.7%

Payment of interest:	Annually
Reprice:	Not applicable

The subsidiary IPP contracted hedging instruments subjected to IPCA variation, changing the debentures charges linked to IPCA to 93.9% of CDI. IPP designated these hedging instruments as fair value hedges; therefore, debentures and hedging instruments are both measured at fair value from inception, with changes in fair value recognized through profit or loss.

6) In July 2017, the subsidiary IPP made its sixth issuance of public debentures, in one single series of 1,500,000 simple, nonconvertible into shares and unsecured debentures, which main characteristics are as follows:

Face value unit:	R$1,000.00
Final maturity:	July 28, 2022
Payment of the face value:	Annual as from July 2021
Interest:	105.0% of CDI
Payment of interest:	Annually
Reprice:	Not applicable

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7) In October 2017, the subsidiary IPP carried out its seventh issuance of debentures in the amount of R$ 944,077, in two single series of 730,384 and 213,693, simple, nonconvertible into shares, nominative, book-entry and unsecured debentures. The debentures have been subscribed by Vert Companhia Securitizadora. The proceeds from this issuance has been used exclusively for the purchase of ethanol.

The debentures were later assigned and transferred to Vert Créditos Ltda, that acquired these agribusiness credit rights with the purpose to bind the issuance of Certificates of Agribusiness Receivables (CRA). The financial settlement occurred on November 1, 2017. The debentures have an additional guarantee from Ultrapar and the main characteristics of the debentures are as follows:

Face value unit:	R$1,000.00
Final maturity:	October 24, 2022
Payment of the face value:	Lump sum at final maturity
Interest:	95% of CDI
Payment of interest:	Semiannually
Reprice:	Not applicable

Face value unit:	R$1,000.00
Final maturity:	October 24, 2024
Payment of the face value:	Lump sum at final maturity
Interest:	IPCA + 4.33%
Payment of interest:	Annually
Reprice:	Not applicable

The subsidiary IPP contracted hedging instruments subjected to IPCA variation, changing the debentures charges linked to IPCA to 97.3% of CDI. IPP designated these hedging instruments as fair value hedges; therefore, debentures and hedging instruments are both measured at fair value from inception, with changes in fair value recognized through profit or loss.

The debentures have maturity dates distributed as shown below (accrued interest until December 31, 2017).

Maturity	
Mar/2018	817,654

Dec/2018	801,026
May/2021	499,012
Apr/2022	656,009
Jul/2022	1,536,704
Oct/2022	724,841
Apr/2024	350,873
Oct/2024	203,530
Total	5,589,649

h. Export Credit Note

The subsidiary Oxiteno Nordeste has export credit note contract in the amount of R$ 156.8 million, with maturity in May 2018, and floating rate of 101.5% of CDI, paid quarterly.

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(In thousands of Brazilian Reais, unless otherwise stated)

i. Finance Leases

The subsidiary Cia. Ultragaz has a finance lease contract related to LPG bottling facilities, maturing in April 2031.

Subsidiary Extrafarma had finance lease contracts related to software, with term of 48 months, ended in 2017.

The amounts of equipment and intangible assets, net of depreciation and amortization, and the amounts of the corresponding liabilities are shown below:

	2017	2016		
	LPG bottling facilities	LPG bottling facilities	Software	Total
Equipment and intangible assets, net of depreciation and amortization	15,732	17,078	223	17,301
Financing (present value)	48,515	48,566	150	48,716
Current	2,710	2,465	150	2,615
Non-current	45,805	46,101		46,101

The future disbursements (installments) assumed under these contracts are presented below:

	2017	2016		
	LPG bottling facilities	LPG bottling facilities	Software	Total
Up to 1 year	5,113	4,876	156	5,032
From 1 to 2 years	5,113	4,876		4,876
From 2 to 3 years	5,113	4,876		4,876
From 3 to 4 years	5,113	4,876		4,876
From 4 to 5 years	5,113	4,876		4,876
More than 5 years	42,611	45,516		45,516
Total	68,176	69,896	156	70,052

The above amounts include Services Tax (ISS) payable on the monthly installments, except for disbursements for the LPG bottling facilities.

j. Transaction Costs

Transaction costs incurred in issuing debt were deducted from the value of the related financial instruments and are recognized as an expense according to the effective interest rate method, as follows:

	Effective rate of transaction costs (% p.a.)	**Balance on 12/31/2016**	**Incurred cost**	**Amortization**	**Balance on 12/31/2017**
Notes in the foreign market (14.b)	0.0	16,612		(1,314)	15,298
Banco do Brasil (14.f)	0.2	12,182		(4,117)	8,065
Debentures (14.g)	0.2	6,835	42,388	(4,514)	44,709
Foreign loans (14.c)	0.2	2,211	563	(1,561)	1,213
Other	0.2	1,952	1,418	(569)	2,801
Total		39,792	44,369	(12,075)	72,086

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	Effective rate of transaction costs (% p.a.)	Balance on 12/31/2015	Incurred cost	Amortization	Balance on 12/31/2016
Banco do Brasil (14.f)	0.2	11,883	3,529	(3,230)	12,182
Foreign Loans (14.c)	0.2	4,649		(2,438)	2,211
Debentures (14.g)	0.1	1,801	6,407	(1,373)	6,835
Notes in the foreign market (14.b)	0.0		16,821	(209)	16,612
Other	0.2	545	2,079	(672)	1,952
Total		18,878	28,836	(7,922)	39,792

The amount to be appropriated to profit or loss in the future is as follows:

	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
Notes in the foreign market (14.b)	1,388	1,464	1,546	1,632	1,723	7,545	15,298
Banco do Brasil (14.f)	4,628	2,317	599	385	136		8,065
Debentures (14.g)	9,151	9,069	9,110	8,971	5,798	2,610	44,709
Foreign loans (14.c)	931	171	111				1,213
Other	642	831	710	354	264		2,801
Total	16,740	13,852	12,076	11,342	7,921	10,155	72,086

k. Guarantees

The financings are guaranteed by collateral in the amount of R$ 66,337 in 2017 (R$ 56,570 in 2016) and by guarantees and promissory notes in the amount of R$ 9,587,971 in 2017 (R$ 7,069,482 in 2016).

In addition, the Company and its subsidiaries offer collateral in the form of letters of credit for commercial and legal proceedings in the amount of R$ 237,537 in 2017 (R$ 215,988 in 2016) and guarantees related to raw materials imported by the subsidiary IPP in the amount of R$ 81,046 in 2017 (R$ 59,316 in 2016).

Some subsidiaries of Oxiteno issue collateral to financial institutions in connection with the amounts owed by some of their customers to such institutions (vendor financing). If a subsidiary is required to make any payment under these collaterals, this subsidiary may recover the amount paid directly from its customers through commercial collection. The maximum amount of future payments related to these collaterals is R$ 8,224 in 2017 (R$ 30,764 in 2016), with maturities of up to 212 days. Until December 31, 2017, the subsidiaries did not have losses in connection with these collaterals. The fair value of collaterals recognized in current liabilities as other payables is R$ 205 in 2017 (R$ 743 in 2016), which is recognized as profit or loss as customers settle their obligations with the financial institutions.

Ultrapar Participações S.A. and Subsidiaries

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15. Trade Payables

	2017	2016
Domestic suppliers	1,973,668	1,620,388
Foreign suppliers	181,830	89,265
	2,155,498	1,709,653

Some Company s subsidiaries acquire oil based fuels and LPG from Petrobras and its subsidiaries and ethylene from Braskem S.A. These suppliers control almost all of the markets for these products in Brazil.

16. Salaries and Related Charges

	2017	2016
Provisions on salaries	179,120	162,216
Profit sharing, bonus and premium	125,006	140,504
Social charges	64,524	49,812
Others	19,468	10,186
	388,118	362,718

17. Taxes Payable

	2017	2016
ICMS	131,125	105,160
PIS and COFINS	27,065	25,287
PERT(*)	19,584	
Value-Added Tax (IVA) of subsidiaries Oxiteno Mexico, Oxiteno USA, Oxiteno Andina and Oxiteno Uruguay	17,992	16,148
ISS	11,211	8,074
Others	18,852	16,364

	225,829	171,033

(*) Refers to federal tax debits of the subsidiary IPP that were included in the Special Program of Tax Regularization (PERT).

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18. Employee Benefits and Private Pension Plan

a. ULTRAPREV- Associação de Previdência Complementar

In February 2001, the Company s Board of Directors approved the adoption of a defined contribution pension plan to be sponsored by the Company and each of its subsidiaries. Participating employees have been contributing to this plan, managed by Ultraprev Associação de Previdência Complementar (Ultraprev), since August 2001. Under the terms of the plan, every year each participating employee chooses his or her basic contribution to the plan. Each sponsoring company provides a matching contribution in an amount equivalent to each basic contribution, up to a limit of 11% of the employee s reference salary, according to the rules of the plan. As participating employees retire, they may choose to receive either (i) a monthly sum ranging between 0.5% and 1.0% of their respective accumulated fund in Ultraprev or (ii) a fixed monthly amount which will exhaust their respective accumulated fund over a period of 5 to 25 years. The sponsoring company does not take responsibility for guaranteeing amounts or the duration of the benefits received by the retired employee. In 2017, the subsidiaries contributed R$ 24,819 (R$ 23,261 in 2016 and R$ 22,216 in 2015) to Ultraprev, which is recognized as expense in the income statement. The total number of participating employees in 2017 was 8,322 active participants and 245 retired participants. In addition, Ultraprev had 27 former employees receiving benefits under the rules of a previous plan whose reserves are fully constituted.

b. Post-employment Benefits

The subsidiaries recognized a provision for post-employment benefits mainly related to seniority bonus, payment of Government Severance Indemnity Fund (FGTS), and health, dental care, and life insurance plan for eligible retirees.

The amounts related to such benefits were determined based on a valuation conducted by an independent actuary and reviewed by management as of December 31, 2017 and are recognized in the financial statements in accordance with IAS 19 R2011.

	2017	**2016**
Health and dental care plan[1]	99,767	32,826
FGTS Penalty	81,831	64,654
Bonus	40,254	32,815
Life insurance[1]	15,671	14,456
Total	237,523	144,751

Current	30,059	24,940
Non-current	207,464	119,811

(1) Only Ipiranga and, in 2017, also to CBLSA.

Changes in the present value of the provision for post-employment benefits are as follows:

	2017	**2016**
Opening balance	144,751	126,595
Current service cost	7,664	3,636
Interest cost	15,754	14,538
Actuarial (gains) losses from changes in actuarial assumptions	36,120	11,818
Benefits paid directly by Company and its subsidiaries	(11,368)	(10,971)
Opening balance CBL S.A. (see Note 3.c)	44,478	
Exchange rate from foreign subsidiaries	124	(865)
Ending balance	237,523	144,751

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The expense of the year is presented below:

	2017	**2016**	**2015**
Health and dental care plan	164	3,065	3,291
FGTS Penalty	14,828	9,068	10,445
Bonus	6,883	4,455	4,352
Life insurance	1,543	1,586	1,683
Total	23,418	18,174	19,771

Significant actuarial assumptions adopted include:

Economic factors

	2017 % p.a.	**2016 % p.a.**
Discount rate for the actuarial obligation at present value	9.51	11.46
Average projected salary growth rate	8.38	8.90
Inflation rate (long term)	4.50	5.00
Growth rate of medical services	8.68	9.20

Demographic factors

Mortality Table for the life insurance benefit CSO-80

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

Disabled Mortality Table RRB 1983

Disability Table RRB 1944 modified

Sensitivity analysis

The significant actuarial assumptions to determine the provision for post-employment benefits are: discount rate, wage and medical costs increases. The following sensitivity analyses on December 31, 2017 were determined based on reasonably possible changes of assumptions occurring at the reporting date of the financial statements, keeping all other assumptions constant.

Assumption	**Change in assumptions**	**Decrease in liability**	**Change in assumptions**	**Increase in liability**
Discount rate	increase by 1.0 p.p	10,237	decrease by 1.0 p.p	11,690
Wage growth rate	decrease by 1.0 p.p	2,807	increase by 1.0 p.p	3,103
Medical services growth rate	decrease by 1.0 p.p	3,837	increase by 1.0 p.p	4,413

The sensitivity analysis presented may not represent the real change in the post-employment benefits obligation, since it is unlikely that changes occur in just one assumption alone, considering that some of these assumptions may be correlated.

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Inherent risks related to post-employment benefits

Interest rate risk: a long-term interest rate is used to calculate the present value of post-employment liabilities. A reduction in this interest rate will increase the corresponding liability.

Wage growth risk: the present value of the liability is calculated using as reference the wages of the plan participants, projected with the average nominal wage growth rate. An increase in the real wages of plan participants will increase the corresponding liability.

Medical costs growth risk: the present value of the liability is calculated using as reference the medical cost by age based on actual healthcare costs, projected based on the growth rate of medical services costs. An increase in the real medical costs will increase the corresponding liability.

19. Provision for Asset Retirement Obligation Fuel Tanks

The provision corresponds to the legal obligation to remove Ipiranga s underground fuel tanks located at Ipiranga-branded service stations after a certain use period (see Note 2.m).

Changes in the provision for asset retirement obligation are as follows:

	2017	2016	2015
Initial balance	77,564	74,716	70,802
Additions (new tanks)	537	483	625
Expense with tanks removed	(15,432)	(2,785)	(3,949)
Accretion expense	2,105	5,150	7,238
Final balance	64,774	77,564	74,716
Current	4,799	4,563	5,232
Non-current	59,975	73,001	69,484

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20. Provisions, Contingencies and Commitments

a. *Provisions for tax, civil, and labor risks*

The Company and its subsidiaries are parties in tax, civil, environmental, regulatory, and labor disputes at the administrative and judiciary levels, which, when applicable, are backed by escrow deposits. Provisions for losses are estimated and updated by Management based on the opinion of the Company s legal department and its external legal advisors.

The table below demonstrates the breakdown of provisions by nature and its movement:

Provisions	Balance on 12/31/2016	Additions	Write-offs	Monetary restatement	Opening balance CBL S.A.	Balance on 12/31/2017
IRPJ and CSLL (a.1.1)	473,490		(2,163)	25,285	19,217	515,829
PIS and COFINS (a.1.2)	141,112		(109,463)	3,278		34,927
ICMS	17,099	1,864	(7,795)	533	100,083	111,784
Civil, environmental and regulatory claims (a.2.1)	69,350	22,026	(3,269)	330	859	89,296
Labor litigation (a.3.1)	65,162	23,973	(11,899)	1,145	4,044	82,425
IPI					78,067	78,067
Other	13,569	634	(1,401)	584	82	13,468
Total	779,782	48,497	(135,990)	31,155	202,352	925,796
Current	52,694					64,550
Non-current	727,088					861,246

Some of the provisions above involve, in whole or in part, escrow deposits.

Balances of escrow deposits are as follows:

	2017	2016

Tax matters	659,062	643,423
Labor litigation	71,074	70,392
Civil and other	92,524	64,955
Total non-current assets	822,660	778,770

a.1)Provisions for Tax Matters and Social Security

a.1.1) On October 7, 2005, the subsidiaries Cia. Ultragaz and Bahiana filed for and obtained a preliminary injunction to recognize and offset PIS and COFINS credits on LPG purchases, against other taxes levied by the RFB, notably IRPJ and CSLL. The decision was confirmed by a trial court on May 16, 2008. Under the preliminary injunction, the subsidiaries made escrow deposits for these debits which amounted to R$ 483,485 as of December 31, 2017 (R$ 457,868 as of December 31, 2016). On July 18, 2014, a second instance unfavorable decision was published and the subsidiaries suspended the escrow deposits, and started to pay income taxes from that date. To revert the court decision, the subsidiaries presented a writ of prevention which was dismissed on December 30, 2014, and the subsidiaries appealed this decision on February 3, 2015. Appeals were also presented to the respective higher courts (STJ and STF) whose final trial are pending.

a.1.2) The subsidiaries Oxiteno S.A., Oxiteno Nordeste, Cia. Ultragaz, Tequimar, Tropical Transportes Ipiranga Ltda., EMCA, IPP and Extrafarma filed for a preliminary injunction seeking the deduction of ICMS from their PIS and COFINS tax bases. On March 15, 2017, in a decision with general repercussion, the Federal Supreme Court (STF) decided that the ICMS does not make up the calculation of PIS and COFINS tax bases. Therefore, supported by its legal advisors, on March 31, 2017, Oxiteno Nordeste and IPP reversed the provision in the amount of R$ 109,463 in 2017.

The Company emphasizes that it is possible for the STF to restrict the effects of the judgment or to decide that the effectiveness will be reached after its final decision or other time that may be fixed. Despite the favorable context, until there is effective final decision, the causes may be reassessed, which could result in the recognition of new provisions in the future.

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a.2) Provisions for Civil, Environmental and Regulatory Claims

a.2.1) The Company and its subsidiaries maintained provisions for lawsuits and administrative proceedings, mainly derived from contracts entered into with customers and former services providers, as well as proceedings related to environmental and regulatory issues in the amount of R$ 89,296 as of December 31, 2017 (R$ 69,350 as of December 31, 2016).

a.3) Provisions for Labor Matters

a.3.1) The Company and its subsidiaries maintained provisions of R$ 82,425 as of December 31, 2017 (R$ 65,162 as of December 31, 2016) for labor litigation filed by former employees and by employees of our service providers mainly contesting the non-payment of labor rights.

b. Contingent Liabilities (Possible)

The Company and its subsidiaries are parties in tax, civil, environmental, regulatory, and labor claims whose loss prognosis is assessed as possible (proceedings whose chance of loss is 50% or less) by the Company s legal departments based on the opinion of its external legal advisors and, based on this assessment, these claims were not recognized in the financial statements. The estimated amount of this contingency is R$ 2,576,583 as of December 31, 2017 (R$ 2,252,637 as of December 31, 2016).

b.1) Contingent Liabilities for Tax Matters and Social Security

The Company and its subsidiaries have contingent liabilities for tax matters and social security in the amount of R$ 1,709,435 as of December 31, 2017 (R$ 1,519,658 as of December 31, 2016), mainly represented by:

b.1.1) The subsidiary IPP and its subsidiaries have assessments invalidating the offset of excise tax (IPI) credits in connection with the purchase of raw materials used in the manufacturing of products which sales are not subject to IPI under the protection of tax immunity. The amount of this contingency is R$ 166,003 as of December 31, 2017 (R$ 169,889 as of December 31, 2016).

b.1.2) The subsidiary IPP and its subsidiaries have legal proceedings related to ICMS. The total amount involved in these proceedings, was R$ 618,774 as of December 31, 2017 (R$ 626,393 as of December 31, 2016). Such proceedings arise mostly of the disregard of ICMS credits amounting to R$ 307,255 (R$ 283,367 as of December 31, 2016), of which R$ 121,891 (R$ 113,889 as of December 31, 2016) refer to proportional reversal requirement of ICMS credits related to the acquisition of hydrated alcohol; of alleged non-payment in the amount of R$ 113,999 (R$

108,786 as of December 31, 2016); and inventory differences in the amount of R$ 149,171 (R$ 147,031 as of December 31, 2016) related to the leftovers or faults due to temperature changes or product handling.

b.1.3) The Company and its subsidiaries are parties to administrative and judicial suits involving Income Tax, Social Security Contribution, PIS and COFINS, substantially about denials of offset claims and credits disallowance which total amount is R$ 645,868 as of December 31, 2017 (R$ 450,120 as of December 31, 2016), mainly represented by:

b.1.3.1) In the first quarter of 2017, the subsidiary IPP received a tax assessment related to the IRPJ and CSLL resulting from the supposedly undue amortization of the goodwill paid on acquisition of a subsidiary, in the amount of R$ 187,027 as of December 31, 2017, which includes the amount of the income taxes, interest and penalty. Management assessed the likelihood of the tax assessment, supported by the opinion of its legal advisors, as possible , and therefore did not recognize a provision for this contingent liability.

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b.2) Contingent Liabilities for Civil, Environmental and Regulatory Claims

The Company and its subsidiaries have contingent liabilities for civil, environmental and regulatory claims in the amount of R$ 593,437, totaling 2,783 lawsuits as of December 31, 2017 (R$ 480,065, totaling 2,329 lawsuits as of December 31, 2016), mainly represented by:

b.2.1) The subsidiary Cia. Ultragaz is party to an administrative proceeding before CADE based on alleged anti-competitive practices in the State of Minas Gerais in 2001. The CADE entered a decision against Cia. Ultragaz and imposed a penalty of R$ 32,315 as of December 31, 2017 (R$ 31,281 as of December 31, 2016). The imposition of such administrative decision was suspended by a court order and its merit is being judicially reviewed.

b.2.2) In 2016, the subsidiary Cia. Ultragaz became party to two administrative proceedings filed by CADE, related to allegations of anti-competitive practices: i) one of the proceedings relate to practices in the State of Paraíba and other Northeast States, in which the subsidiary Bahiana is part along with Cia. Ultragaz. On this proceeding, Cia. Ultragaz and Bahiana signed a Cessation Commitment Agreement (TCC) with CADE, approved on November 22, 2017, in the amount of R$ 95,987, to be paid in 8 (eight) equal installments updated semiannualy by SELIC, with maturity of the first one in 180 (one hundred and eighty) days from the date of publication of the approval. Three employees and one former employee signed TCC in the total amount of R$ 1,100. With the TCC, the administrative proceeding will be suspended in relation to the Cia. Ultragaz and Bahiana until final decision.; ii) the second proceeding relate to practices in the Federal District and around, in which only Cia. Ultragaz is part. On this proceeding, Cia. Ultragaz signed a TCC with CADE, approved on September 6, 2017, in the amount of R$ 2,154, to be paid in a single installment, with maturity in 180 (one hundred and eighty) days from the date of publication of the approval. Two former employees signed TCC in the amount of R$ 50 each. With the TCC, the administrative proceeding will be suspended in relation to the Cia. Ultragaz until final decision.

b.2.3) The subsidiary IPP became party to two administrative proceedings filed by CADE, related to allegations of anti-competitive practices in the city of Joinville, State of Santa Catarina and around the city of Belo Horizonte, State of Minas Gerais. As of December 31, 2017, as a result of these administrative proceedings, no fine had been imposed to the subsidiary. Supported by the opinion of external legal counsel that classified the probability of loss as remote , Management did not recognize a provision for this contingency as of December 31, 2017.

b.2.4) On November 29, 2016, a technical opinion was issued by the Operational Support Center for Execution (Centro de Apoio Operacional à Execução CAEX), a technical body linked to the São Paulo State Public Prosecutor (MPE), presenting a proposal of compensation for the alleged environmental damages caused by the fire on April 2nd, 2015 at the Santos Terminal of the subsidiary Tequimar. This technical opinion is non-binding, with no condemnatory or sanctioning nature, and will still be evaluated by the authorities and parties. The subsidiary disagrees with the methodology and the assumptions adopted in the proposal and is negotiating an agreement with the MPE and the Brazilian Federal Public Prosecutor (MPF), and currently there is no civil lawsuit filed on the matter. The negotiations relate to *in natura* repair of the any damages. In case of adverse conclusion of the negotiations with the MPE and MPF, the payments related to the project costs may affect the future Company s financial statements, in addition to the amounts already recognized. In addition, the MPF denounced the subsidiary Tequimar in the criminal sphere, which shall wait for the court summons in order to take the necessary measures for its defense. For more information see Note 33.

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b.3) Contingent Liabilities for Labor Matters

The Company and its subsidiaries have contingent liabilities for labor matters in the amount of R$ 273,711, totaling 1,899 lawsuits as of December 31, 2017 (R$ 252,914, totaling 1,484 lawsuits as of December 31, 2016), mainly represented by:

b.3.1) In 1990, the Petrochemical Industry Labor Union (Sindiquímica), of which the employees of Oxiteno Nordeste and EMCA, companies located in the Camaçari Petrochemical Complex, are members, filed separate lawsuits against the subsidiaries demanding the compliance with the fourth section of the collective labor agreement, which provided for a salary adjustment in lieu of the salary policies practiced. In the same year, a collective labor dispute was also filed by the Union of Employers (SINPEQ) against Sindiquímica, requiring the recognition of the loss of effectiveness of such fourth section. The decisions rendered on the individual claims which were favorable to the subsidiaries Oxiteno Nordeste and EMCA are final and unappealable. The collective labor dispute remains pending trial by STF. In 2010, some companies in the Camaçari Petrochemical Complex signed an agreement with Sindiquímica and reported the fact in the collective labor dispute. In October 2015, Sindiquímica filed enforcement lawsuits against all Camaçari Petrochemical Complex companies that have not yet made settlements, including Oxiteno Nordeste and EMCA.

c. Lubricants operation between IPP and Chevron

In the process of transaction of the lubricants operation in Brazil between Chevron and subsidiary IPP (see Note 3.c), it was agreed that each shareholder is responsible for any claims arising out of acts, facts or omissions prior to the transaction. The liability provisions of the Chevron shareholder in the amount of R$ 3,452 are reflected in the consolidation of these financial statements, as well as the contingent liabilities identified in the date of acquisition, whose provision amount of R$ 198,900 was recognized as a business combination on December 1, 2017. The amounts of provisions of Chevron s liability recognized in the business combination will be reimbursed to subsidiary CBLSA in the event of losses and an indemnity asset was hereby constituted in the same amount, without the need to establish a provision for uncollectible amounts.

21. Deferred Revenue

The Company s subsidiaries have recognized the following deferred revenue:

	2017	2016

am/pm and Jet Oil franchising upfront fee	19,537	18,620
Loyalty program Km de Vantagens	9,134	13,062
Loyalty program Clube Extrafarma	2,638	3,128
	31,309	34,810
Current	18,413	22,300
Non-current	12,896	12,510

Loyalty Programs

Subsidiary Ipiranga has a loyalty program called Km de Vantagens (www.kmdevantagens.com.br) under which registered customers are rewarded with points when they buy products at Ipiranga service stations or at its partners. The customers may exchange these points, during the period of one year, for discounts on products and services offered by Ipiranga and its partners. Points received by Ipiranga s customers that may be used with the partner Multiplus Fidelidade and for discounts of fuel in Ipiranga s website (www.postoipiranganaweb.com.br) and discounted from sales revenue.

Subsidiary Extrafarma has a loyalty program called Clube Extrafarma (www.clubeextrafarma.com.br) under which registered customers are rewarded with points when they buy products at its drugstore chain. The customers may exchange these points, during the period of six months, for discounts in products at its drugstore chain, recharge credit on a mobile phone, and prizes offered by partners Multiplus Fidelidade and Ipiranga, through Km de Vantagens. Points received by Extrafarma s customers are discounted from sales revenue.

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Deferred revenue is estimated based on the fair value of the points granted, considering the value of the prizes and the expected redemption of points. Deferred revenue is recognized in profit or loss when the points are redeemed, on which occasion the costs incurred are also recognized. Deferred revenue of unredeemed points is also recognized in profit or loss when the points expire.

Franchising Upfront Fee

am/pm is the convenience stores chain of the Ipiranga service stations. Ipiranga ended 2017 with 2,414 stores (2,165 stores in 2016). Jet Oil is Ipiranga s lubricant-changing and automotive service specialized network. Ipiranga ended 2017 with 1,735 stores (1,594 stores in 2016). The franchising upfront fee received by Ipiranga is deferred and recognized in profit or loss on the straight-line accrual basis throughout the terms of the agreements with the franchisees.

22. Subscription warrants indemnification

Because of the association between the Company and Extrafarma on January 31, 2014, 7 subscription warrants indemnification were issued, corresponding to up to 3,205,622 shares of the Company. The subscription warrants indemnification may be exercised beginning 2020 by the former shareholders of Extrafarma and are adjusted according to the changes in the amounts of provisions for tax, civil, and labor risks and contingent liabilities related to the period prior to January 31, 2014. The subscription warrants indemnification s fair value is measured based on the share price of Ultrapar (UGPA3) and is reduced by the dividend yield until 2020, since the exercise is possible only from 2020, and they are not entitled to dividends until that date. In 2017, the subscription warrants indemnification were represented by 2,415,848 shares and amounted to R$ 171,459 (as of December 31, 2016, they were represented by 2,394,825 and totaled R$ 153,429). Due to the final adverse decision of some of these lawsuits, on December 31, 2017, the maximum number of shares that could be issued related to the subscription warrants indemnification was up to 3,035,499 (3,059,579 shares as of December 31, 2016). For further information on Extrafarma s acquisition, see Note 3.a to the financial statements of the Company filed on February 17, 2016.

23. Shareholders Equity

a. Share Capital

The Company is a publicly traded company listed on B3 in the Novo Mercado listing segment under the ticker UGPA3 and on the New York Stock Exchange (NYSE) in the form of level III American Depositary Receipts (ADRs) under the ticker UGP . On December 31, 2017, the subscribed and paid-in capital stock consists of 556,405,096 common shares with no par value and the issuance of preferred shares and participation certificates is prohibited. Each common share entitles its holder to one vote at Shareholders Meetings.

The price of the shares issued by the Company as of December 31, 2017, on B3 was R$ 75.00.

As of December 31, 2017, the Company is authorized to increase capital up to the limit of 800,000,000 common shares, without amendment to the Bylaws, by resolution of the Board of Directors.

As of December 31, 2017, there were 28,935,260 common shares outstanding abroad in the form of ADRs (28,944,097 shares as of December 31, 2016).

b. Equity instrument granted

On April 19, 2017, a new share-based incentive plan was approved, which establishes the general terms and conditions for the concession of common shares issued by the Company held in treasury (see Note 8.c).

c. Treasury Shares

The Company acquired its own shares at market prices, without capital reduction, to be held in treasury and to be subsequently disposed of or cancelled.

As of December 31, 2017, 13,041,356 common shares (13,131,356 as of December 31, 2016) were held in the Company s treasury, acquired at an average cost of R$ 36.98 per share (R$ 36.85 as of December 31, 2016).

Ultrapar Participações S.A. and Subsidiaries

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d. Capital Reserve

The capital reserve reflects the gain on the transfer of shares at market price used in the Deferred Stock Plan granted to executives of the subsidiaries of the Company, as mentioned in Note 8.c).

Because of Extrafarma s association in 2014, the Company recognized an increase in the capital reserves in the amount of R$ 498,812, due to the difference between the value attributable to share capital and the market value of the Ultrapar shares on the date of issue, deducted by R$ 2,260 related to the incurred costs directly attributable to issuing new shares.

e. Revaluation Reserve

The revaluation reserve reflects the revaluation of assets of subsidiaries and is based on depreciation, write-off, or disposal of the revalued assets of the subsidiaries, as well as the tax effects recognized by these subsidiaries.

f. Profit Reserves

Legal Reserve

Under Brazilian Corporate Law, the Company is required to appropriate 5% of net annual earnings to a legal reserve, until the balance reaches 20% of capital stock. This reserve may be used to increase capital or absorb losses, but may not be distributed as dividends.

Retention of Profits

Reserve recognized in previous fiscal years and used for investments contemplated in a capital budget, mainly for expansion, productivity, and quality, acquisitions and new investments, in accordance with Article 196 of Brazilian Corporate Law. In compliance with Article 199 of the Brazilian Corporate Law, on April 19, 2017 the OEGM deliberated the excess of the profit reserves in relation to share capital, increasing the share capital in the amount of R$ 1,333,066, related to the retained earnings reserve.

Investments Reserve

In compliance with Article 194 of the Brazilian Corporate Law and Article 55.c) of the Bylaws this reserve is aimed to protect the integrity of the Company s assets and to supplement its capital stock, in order to allow new investments to be made. As provided in its Bylaws, the Company may allocate up to 45% of net income to the investments reserve, up to the limit of 100% of the share capital.

The investments reserve is free of distribution restrictions and totaled R$ 3,130,935 as of December 31, 2017.

g. Valuation Adjustments and Cumulative Translation Adjustments

Valuation Adjustments

Actuarial gains and losses relating to post-employment benefits, calculated based on a valuation conducted by an independent actuary, are recognized in shareholders equity under the title valuation adjustments . Actuarial gains and losses recorded in equity are not reclassified to profit or loss in subsequent periods.

Gains and losses on the hedging instruments of exchange rate related to firm commitment and highly probable transactions designated as cash flows hedges are recorded in shareholders equity as valuation adjustments . Gains and losses are reclassified to initial cost of non-financial assets.

The Company recognizes in this item the effect of changes in the non-controlling interest in subsidiaries that do not result in loss of control. This amount corresponds to the difference between the amount by which the non-controlling interest was adjusted and the fair value of the consideration received or paid and represents a transaction with shareholders.

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Cumulative Translation Adjustments

The change in exchange rates on assets, liabilities, and income of foreign subsidiaries that have (i) functional currency other than the presentation currency of the Company, (ii) an independent administration and (iii) notes in the foreign market (see Note 31 net investment hedge in foreign entities), is directly recognized in the shareholders equity. This accumulated effect is reflected in profit or loss as a gain or loss only in case of disposal or write-off of the investment.

Balance and changes in valuation adjustments and cumulative translation adjustments of the Company are as follows:

	Valuation adjustments					
	Fair value of cash flow hedging instruments	**Fair value of financial instruments classified as available for sale**	**Actuarial gains (losses) of post-employment benefits**	**Non-controlling shareholders interest change**	**Total**	**Cumulative translation adjustment**
Balance on 12/31/2014		51	7,098		7,149	43,192
Translation of foreign subsidiaries, net of income tax						23,733
Changes in fair value	6,261	1,472			7,733	
Actuarial gains of post-employment benefits			6,321		6,321	
Income and social contribution taxes on actuarial gains			(2,250)		(2,250)	
Balance on 12/31/2015	6,261	1,523	11,169		18,953	66,925
Translation of foreign subsidiaries, net of income tax						(59,406)
Changes in fair value	(46,470)	(1,523)			(47,993)	
Income and social contribution taxes on fair value	13,326				13,326	
			(12,435)		(12,435)	

Actuarial losses of post-employment benefits					
Income and social contribution taxes on actuarial losses		4,162		4,162	
Balance on 12/31/2016	(26,883)	2,896		(23,987)	7,519
Translation of foreign subsidiaries, net of income tax					45,542
Changes in fair value of hedge instruments	(2,550)			(2,550)	
Difference between the fair value of the consideration received or paid and the variation in the non-controlling shareholders interest			202,188	202,188	
Income and social contribution taxes on fair value	2,069			2,069	
Actuarial losses of post-employment benefits		(27,658)		(27,658)	
Income and social contribution taxes on actuarial losses		9,581		9,581	
Balance on 12/31/2017	(27,364)	(15,181)	202,188	159,643	53,061

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Ultrapar Participações S.A. and Subsidiaries

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h. Dividends and Allocation of Net Income

The shareholders are entitled, under the Bylaws, to a minimum annual dividend of 50% of adjusted net income calculated in accordance with Brazilian Corporate Law. The dividends and interest on equity in excess of the obligation established in the Bylaws are recognized in shareholders equity until the Shareholders approve them. The proposed dividends payable as of December 31, 2016 in the amount of R$ 472,650 (R$ 0.87 eighty seven cents of Brazilian Real per share), were approved by the Board of Directors on February 22, 2017, and paid beginning March 10, 2017, being ratified at the OEGM on April 19, 2017. On August 9, 2017, the Board of Directors approved the anticipation of dividends of 2017, in the amount of R$ 461,868 (R$ 0.85 eighty five cents of Brazilian Real per share), paid as from August 25, 2017. The proposed dividends payable as of December 31, 2017 in the amount of R$ 489,027 (R$ 0.90 ninety cents of Brazilian Real per share), were approved by the Board of Directors on February 21, 2018, and paid beginning March 12, 2018.

	2017
Net income for the year attributable to shareholders of Ultrapar	1,574,306
Minimum mandatory dividends	787,153
Interim dividends paid (R$ 0.85 per share)	(461,868)
Mandatory dividends payable Current liabilities	325,285
Additional dividends to the minimum mandatory dividends shareholders equity	163,742
Dividends payable (R$ 0.90 per share)	489,027
Legal reserve	78,716
Statutory investments reserve	544,695

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24. Net Revenue from Sale and Services

	2017	2016	2015
Gross revenue from sale	82,134,879	79,361,004	77,463,652
Gross revenue from services	728,590	621,823	568,556
Sales taxes	(1,936,077)	(1,929,288)	(2,011,860)
Discounts and sales returns	(927,557)	(703,305)	(360,777)
Deferred revenue (see Note 21)	7,587	2,721	(4,297)
Net revenue from sales and services	80,007,422	77,352,955	75,655,274

25. Expenses by Nature

The Company presents its expenses by function in the consolidated income statement and presents below its expenses by nature:

	2017	2016	2015
Raw materials and materials for use and consumption	71,521,652	69,173,511	67,763,793
Personnel expenses	2,231,556	2,042,985	1,950,776
Freight and storage	1,117,467	1,077,552	1,134,388
Depreciation and amortization	1,175,951	1,103,538	1,002,647
Advertising and marketing	192,441	200,011	177,336
Services provided by third parties	351,227	318,746	255,750
Lease of real estate and equipment	196,970	164,740	143,677
Other expenses	410,356	359,000	343,237
Total	77,197,620	74,440,083	72,771,604
Classified as:			
Cost of products and services sold	72,735,781	70,342,723	68,933,702
Selling and marketing	2,885,311	2,651,501	2,516,561
General and administrative	1,576,528	1,445,859	1,321,341

Total	77,197,620	74,440,083	72,771,604

Research and development expenses are recognized in the income statements and amounted to R$ 55,836 in 2017 (R$ 50,129 in 2016 and R$ 41,368 in 2015).

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26. Gain (loss) on Disposal of Property, Plant and Equipment and Intangibles

The gain or loss is determined as the difference between the selling price and residual book value of the investment, property, plant, and equipment, or intangible asset disposed of. In 2017, the loss was R$ 2,242 (loss of R$ 6,134 in 2016 and gain of R$ 27,276 in 2015), represented primarily from disposal of property, plant, and equipment.

27. Other Operating Income, Net

	2017	**2016**	**2015**
Commercial partnerships[1]	52,731	59,761	50,763
Merchandising[2]	53,870	38,851	29,158
Loyalty program[3]	26,419	19,411	22,455
Ultracargo fire accident in Santos[4]	(39,080)	76,443	(92,192)
Reversal of provision ICMS from PIS and COFINS tax bases (see Note 20.a.1.2)	49,152		
TCC Cia. Ultragaz e Bahiana[5]	(85,819)		
Compensation of undue use of Ultratecno brand			16,000
Adjustment of working capital and net debt Extrafarma acquisition[6]			13,784
Others	2,087	4,506	10,616
Other operating income, net	59,360	198,972	50,584

(1) Refers to contracts with service providers and suppliers which establish trade agreements for convenience stores and gas stations.

(2) Refers to contracts with suppliers of convenience stores, which establish, among other agreements, promotional campaigns.

(3) Refers to sales of Km de Vantagens to partners of the loyalty program. Revenue is recognized at the time that the partners transfer the points to their customers.

(4) For more information about the fire accident in Ultracargo, see Note 33.

(5) For more information about the Cessation Commitment Agreement of the subsidiaries Cia. Ultragaz and Bahiana, see Notes 20.b.2.2 and 28.

(6) For further information on Extrafarma s acquisition, see Note 3.a. to the financial statements of the Company filed on February 17, 2016.

Ultrapar Participações S.A. and Subsidiaries

Notes to the Consolidated Financial Statements

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28. Financial Income (Expense)

	2017	2016	2015
Financial income:			
Interest on financial investments	475,460	404,080	341,739
Interest from customers	105,773	103,976	81,374
Other financial income	3,868	5,187	3,316
	585,101	513,243	426,429
Financial expenses:			
Interest on loans	(672,102)	(777,424)	(666,791)
Interest on debentures	(385,009)	(374,125)	(308,290)
Interest on finance leases	(4,991)	(7,839)	(4,023)
Bank charges, financial transactions tax, and other charges	(91,614)	(74,761)	(46,966)
Exchange variation, net of gains and losses with derivative instruments	72,869	(69,854)	(71,384)
Reversal of provision ICMS from PIS and COFINS tax bases (see Note 20.a.1.2)	43,411		
Changes in subscription warranty indemnification (see Note 22)	(20,360)	(42,615)	(21,154)
TCC monetary restatement Bahiana (see Notes 20.b.2.2 and 27)	(13,509)		
Monetary restatement of provisions, net, and other financial expenses	11,908	(9,201)	(11,159)
	(1,059,397)	(1,355,819)	(1,129,767)
Financial income (expense)	(474,296)	(842,576)	(703,338)

29. Earnings per Share

The table below presents a reconciliation of numerators and denominators used in computing earnings per share. The Company has a deferred stock plan and subscription warrants indemnification, as mentioned in Notes 8.c and 22, respectively.

Basic Earnings per Share	**2017**	**2016**	**2015**
Net income for the year of the Company	1,574,306	1,561,585	1,503,466
Weighted average shares outstanding (in thousands)	541,813	541,391	543,775
Basic earnings per share R$	2.9056	2.8844	2.7649

Diluted Earnings per Share	**2017**	**2016**	**2015**
Net income for the year of the Company	1,574,306	1,561,585	1,503,466
Weighted average shares outstanding (in thousands), including deferred stock plan and subscription warrants indemnification	545,740	545,509	548,054
Diluted earnings per share R$	2.8847	2.8626	2.7433

Weighted Average Shares Outstanding (in thousands)	**2017**	**2016**	**2015**
Weighted average shares outstanding for basic per share calculation	541,813	541,391	543,775
Dilution effect			
Subscription warrants indemnification	2,395	2,267	2,161
Deferred Stock Plan	1,532	1,851	2,118
Weighted average shares outstanding for diluted per share calculation	545,740	545,509	548,054

Ultrapar Participações S.A. and Subsidiaries

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30. Segment Information

The Company operates five main business segments: gas distribution, fuel distribution, chemicals, storage and drugstores. The gas distribution segment (Ultragaz) distributes LPG to residential, commercial, and industrial consumers, especially in the South, Southeast, and Northeast regions of Brazil. The fuel distribution segment (Ipiranga) operates the distribution and marketing of gasoline, ethanol, diesel, fuel oil, kerosene, natural gas for vehicles, and lubricants and related activities throughout all the Brazilian territory. The chemicals segment (Oxiteno) produces ethylene oxide and its main derivatives and fatty alcohols, which are raw materials used in the home and personal care, agrochemical, paints, varnishes, and other industries. The storage segment (Ultracargo) operates liquid bulk terminals, especially in the Southeast and Northeast regions of Brazil. The drugstores segment (Extrafarma) trades pharmaceutical, hygiene, and beauty products through its own drugstore chain in the states of Amapá, Bahia, Ceará, Maranhão, Pará, Paraíba, Pernambuco, Piauí, Rio Grande do Norte, São Paulo, Sergipe and Tocantins. The segments shown in the financial statements are strategic business units supplying different products and services. Intersegment sales are at prices similar to those that would be charged to third parties.

The main financial information of each of the Company s segments are stated as follows:

	2017	2016	2015
Net revenue from sales and services:			
Ultragaz	6,069,340	5,365,524	4,621,242
Ipiranga	67,730,856	66,407,305	65,349,812
Oxiteno	3,957,584	3,700,703	4,082,479
Ultracargo	438,360	355,412	315,510
Extrafarma	1,869,466	1,578,210	1,336,255
	80,065,606	77,407,154	75,705,298
Others[(1)]	50,752	45,504	45,244
Intersegment sales	(108,936)	(99,703)	(95,268)
Total	80,007,422	77,352,955	75,655,274
Intersegment sales:			
Ultragaz	2,217	2,942	3,027
Ipiranga	964		
Oxiteno	919	2,519	2,576

Ultracargo	54,174	48,941	44,395
Extrafarma			
	58,274	54,402	49,998
Others(1)	50,662	45,301	45,270
Total	108,936	99,703	95,268
Net revenue from sales and services, excluding intersegment sales:			
Ultragaz	6,067,123	5,362,582	4,618,215
Ipiranga	67,729,892	66,407,305	65,349,786
Oxiteno	3,956,665	3,698,184	4,079,903
Ultracargo	384,186	306,471	271,115
Extrafarma	1,869,466	1,578,210	1,336,255
	80,007,332	77,352,752	75,655,274
Others(1)	90	203	
Total	80,007,422	77,352,955	75,655,274

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	2017	**2016**	**2015**
Operating income (expense):			
Ultragaz	269,125	288,449	213,895
Ipiranga	2,415,534	2,383,585	2,154,606
Oxiteno	140,262	308,177	579,541
Ultracargo	74,880	127,904	(16,058)
Extrafarma	(36,854)	(5,577)	4,985
	2,862,947	3,102,538	2,936,969
Others(1)	3,973	3,172	24,561
Total	2,866,920	3,105,710	2,961,530
Share of profit (loss) of joint-ventures and associates:			
Ultragaz	1,245	(39)	(55)
Ipiranga	(19,777)	(23,178)	(21,779)
Oxiteno	1,417	975	2,003
Ultracargo	1,578	(27)	699
	(15,537)	(22,269)	(19,132)
Others(1)	36,210	29,745	8,248
Total	20,673	7,476	(10,884)
Financial result, net	(474,296)	(842,576)	(703,338)
Income before income and social contribution taxes	2,413,297	2,270,610	2,247,308
Additions to property, plant, and equipment and intangible assets (excluding intersegment account balances):			
Ultragaz	244,187	248,627	251,463
Ipiranga	1,077,318	911,927	921,634
Oxiteno	466,967	291,294	136,314
Ultracargo	105,028	81,166	24,463
Extrafarma	171,183	140,454	80,813

	2,064,683	1,673,468	1,414,687
Others(1)	22,626	17,365	24,248
Total additions to property, plant, and equipment and intangible assets (see Notes 12 and 13)	2,087,309	1,690,833	1,438,935
Asset retirement obligation fuel tanks (see Note 19)	(537)	(483)	(625)
Capitalized borrowing costs	(22,243)	(23,980)	(25,207)
Total investments in property, plant, and equipment and intangible assets (cash flow)	2,064,529	1,666,370	1,413,103

Depreciation and amortization charges:			
Ultragaz	182,833	158,193	143,207
Ipiranga	716,831	695,664	612,727
Oxiteno	153,110	149,716	158,261
Ultracargo	47,669	43,356	41,668
Extrafarma	60,856	42,666	23,744
	1,161,299	1,089,595	979,607
Others(1)	14,652	13,943	23,040
Total	1,175,951	1,103,538	1,002,647

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	2017	2016
Total assets (excluding intersegment account balances):		
Ultragaz	2,438,113	2,308,686
Ipiranga	15,410,667	11,663,289
Oxiteno	6,562,360	6,354,788
Ultracargo	1,394,087	1,535,815
Extrafarma	1,950,000	1,719,524
	27,755,227	23,582,102
Others[(1)]	585,095	577,568
Total	28,340,322	24,159,670

(1) Composed of the parent company Ultrapar (including goodwill of certain acquisitions) and subsidiaries Serma Associação dos Usuários de Equipamentos de Processamento de Dados e Serviços Correlatos (Serma) and Imaven Imóveis Ltda.

Geographic Area Information

The fixed and intangible assets of the Company and its subsidiaries are located in Brazil, except those related to Oxiteno plants abroad, as shown below:

	2017	2016
United States of America[(*)]	511,912	264,478
Mexico	109,034	103,051
Uruguay	65,876	67,251
Venezuela	22,480	5,989
	709,302	440,769

(*) The increase refers to the construction of a new plant in Pasadena, Texas.

The subsidiaries generate revenue from operations in Brazil, Mexico, United Stated of America, Uruguay and Venezuela, as well as from exports of products to foreign customers, as disclosed below:

	2017	**2016**	**2015**
Net revenue:			
Brazil	78,763,771	76,283,061	74,337,803
Mexico	190,205	183,124	215,141
Uruguay	33,873	33,782	37,938
Venezuela	54,788	25,393	158,020
Other Latin American countries	427,875	448,814	392,748
United States of America and Canada	292,709	158,280	166,277
Far East	72,469	57,662	190,160
Europe	119,097	97,261	101,931
Others	52,635	65,578	55,256
Total	80,007,422	77,352,955	75,655,274

Sales to the foreign market are made substantially by the Oxiteno segment.

Ultrapar Participações S.A. and Subsidiaries

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31. Risks and Financial Instruments

Risk Management and Financial Instruments Governance

The main risks to which the Company and its subsidiaries are exposed reflect strategic/operational and economic/financial aspects. Operational/strategic risks (including, but not limited to, demand behavior, competition, technological innovation, and material changes in the industry structure) are addressed by the Company s management model. Economic/financial risks primarily reflect default of customers, behavior of macroeconomic variables, such as exchange and interest rates, as well as the characteristics of the financial instruments used by the Company and its subsidiaries and their counterparties. These risks are managed through control policies, specific strategies, and the establishment of limits.

The Company has a policy for the management of resources, financial instruments, and risks approved by its Board of Directors (Policy). In accordance with the Policy, the main objectives of financial management are to preserve the value and liquidity of financial assets and ensure financial resources for the development of the business, including expansions. The main financial risks considered in the Policy are risks associated with currencies, interest rates, credit, and selection of financial instruments. Governance of the management of financial risks and financial instruments follows the segregation of duties below:

Implementation of the management of financial assets, instruments, and risks is the responsibility of the financial area, through its treasury department, with the assistance of the tax and accounting departments.

Supervision and monitoring of compliance with the principles, guidelines, and standards of the Policy is the responsibility of the Risk and Investment Committee, which is composed of members of the Company s Executive Board (Committee). The Committee holds regular meetings and is in charge, among other responsibilities, of discussing and monitoring the financial strategies, existing exposures, and significant transactions involving investment, fundraising, or risk mitigation. The Committee monitors the risk standards established by the Policy through a monitoring map on a monthly basis.

Changes in the Policy or revisions of its standards are subject to the approval of the Board of Directors of Ultrapar.

Continuous improvement of the Policy is the joint responsibility of the Board of Directors, the Committee, and the financial area.

The internal audit department audits the compliance with the requirements of the Policy.

Currency Risk

Most transactions of the Company, through its subsidiaries, are located in Brazil and, therefore, the reference currency for risk management is the Brazilian Real. Currency risk management is guided by neutrality of currency exposures and considers the transactional, accounting, and operational risks of the Company and its subsidiaries and their exposure to changes in exchange rates. The Company considers as its main currency exposures the assets and liabilities in foreign currency and the short-term flow of net sales in foreign currency of Oxiteno.

The Company and its subsidiaries use exchange rate hedging instruments (especially between the Brazilian Real and the U.S. dollar) available in the financial market to protect their assets, liabilities, receipts, and disbursements in foreign currency and net investments in foreign operations. Hedge is used in order to reduce the effects of changes in exchange rates on the Company´s income and cash flows in Brazilian Reais within the exposure limits under its Policy. Such foreign exchange hedging instruments have amounts, periods, and rates substantially equivalent to those of assets, liabilities, receipts, and disbursements in foreign currencies to which they are related. Assets and liabilities in foreign currencies are stated below, translated into Brazilian Reais:

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Assets and Liabilities in Foreign Currencies

In millions of Brazilian *Reais*		2017	2016
Assets in foreign currency			
Cash, cash equivalents and financial investments in foreign currency (except hedging instruments)		236.4	423.9
Foreign trade receivables, net of allowance for doubtful accounts and advances to foreign customers		214.9	323.4
Net investments in foreign subsidiaries (except cash, cash equivalents, financial investments, trade receivables, financing, and payables)		930.0	600.9
		1,381.3	1,348.2
Liabilities in foreign currency			
Financing in foreign currency, gross of transaction costs and discount		(4,416.2)	(4,736.3)
Payables arising from imports, net of advances to foreign suppliers		(173,1)	(57.1)
		(4,589.3)	(4,793.4)
Foreign currency hedging instruments		1,777.6	2,206.4
Net asset (liability) position	Total	(1,430.4)	(1,238.8)
Net asset (liability) position	Income statement effect	(26.1)	24.8
Net asset (liability) position	Shareholders equity effect	(1,404.3)	(1,263.6)

Sensitivity Analysis of Assets and Liabilities in Foreign Currency

The table below shows the effect of exchange rate changes in different scenarios, based on the net liability position of R$ 1,430.4 million in foreign currency:

	Risk	Scenario I	Scenario II	Scenario III

		10%	25%	50%
In millions of Brazilian *Reais*				
(1) Income statement effect	Real devaluation	(2.6)	(6.5)	(13.0)
(2) Shareholders equity effect		(140.4)	(351.1)	(702.2)
(1) + (2)	**Net effect**	(143.0)	(357.6)	(715.2)
(3) Income statement effect	Real appreciation	2.6	6.5	13.0
(4) Shareholders equity effect		140.4	351.1	702.2
(3) + (4)	**Net effect**	143.0	357.6	715.2

The shareholders equity effect refers to cumulative translation adjustments of changes in the exchange rate on equity of foreign subsidiaries (see Notes 2.r and 23.g Cumulative Translation Adjustments), net investments hedge in foreign entities, cash flow hedge of firm commitment and highly probable transaction (see Note 2.c and Hedge Accounting below).

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Interest Rate Risk

The Company and its subsidiaries adopt policies for borrowing and investing financial resources and for capital cost minimization. The financial investments of the Company and its subsidiaries are primarily held in transactions linked to the CDI, as set forth in Note 4. Borrowings primarily relate to financing from Banco do Brasil, BNDES, and other development agencies, as well as debentures and borrowings in foreign currency, as shown in Note 14.

The Company attempts to maintain its financial interest assets and liabilities at floating rates.

The table below shows the financial assets and liabilities exposed to floating interest rates:

In millions of Brazilian Reais

	Note	2017	2016
CDI			
Cash equivalents	4	4,821.6	3,837.8
Financial investments	4	1,153.0	1,174.5
Asset position of foreign exchange hedging instruments CDI	31	29.9	28.3
Loans and debentures	14	(7,987.3)	(5,862.3)
Liability position of foreign exchange hedging instruments CDI	31	(1,877.4)	(2,181.6)
Liability position of fixed interest instruments CDI	31	(586.6)	
Net liability position in CDI		(4,446.8)	(3,003.3)
TJLP			
Loans TJLP	14	(301.9)	(404.4)
Net liability position in TJLP		(301.9)	(404.4)
LIBOR			
Asset position of foreign exchange hedging instruments LIBOR	31	984.3	1,149.7
Loans LIBOR	14	(1,418.5)	(1,470.1)
Net liability position in LIBOR		(434.2)	(320.4)

TIIE			
Loans TIIE	14	(3.4)	(9.6)
Net liability position in TIIE		(3.4)	(9.6)
SELIC			
Loans SELIC	14	(100.3)	(99.5)
Net liability position in SELIC		(100.3)	(99.5)
Total net liability position exposed to floating interest		(5,286.6)	(3,837.2)

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Sensitivity Analysis of Floating Interest Rate Risk

The table below shows the incremental expenses and income that would be recognized in financial income in 2017, due to the effect of floating interest rate changes in different scenarios.

For sensitivity analysis of floating interest rate risk, the Company used the accumulated amount of the reference indexes (CDI, TJLP, LIBOR, TIIE and SELIC) as a base scenario up to December 31, 2017. Scenarios I, II and III were based on of 10%, 25% and 50% variation, respectively, in the floating interest rate of the base scenario:

In millions of Brazilian Reais

	Risk	Scenario I 10%	Scenario II 25%	Scenario III 50%
Exposure of interest rate risk				
Interest effect on cash equivalents and financial investments	Increase in CDI	47.3	118.1	236.3
Foreign exchange hedging instruments (assets in CDI) effect	Increase in CDI	0.2	0.5	1.0
Interest effect on debt in CDI	Increase in CDI	(67.2)	(168.0)	(336.0)
Interest rate hedging instruments (liabilities in CDI) effect	Increase in CDI	(38.6)	(94.2)	(186.7)
Incremental expenses		(58.3)	(143.6)	(285.4)
Interest effect on debt in TJLP	Increase in TJLP	(2.3)	(5.6)	(11.3)
Incremental expenses		(2.3)	(5.6)	(11.3)
Foreign exchange hedging instruments (assets in LIBOR) effect	Increase in LIBOR	1.4	3.4	6.8
Interest effect on debt in LIBOR	Increase in LIBOR	(1.7)	(4.4)	(8.7)
Incremental expenses		(0.3)	(1.0)	(1.9)

Interest effect on debt in TIIE	Increase in TIIE	(0.0)	(0.1)	(0.2)
Incremental expenses		(0.0)	(0.1)	(0.2)
Interest effect on debt in SELIC	Increase in SELIC	(1.0)	(2.5)	(4.9)
Incremental expenses		(1.0)	(2.5)	(4.9)

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Credit Risks

The financial instruments that would expose the Company and its subsidiaries to credit risks of the counterparty are basically represented by cash and bank deposits, financial investments, hedging instruments (see Note 4), and trade receivables (see Note 5).

Credit risk of financial institutions Such risk results from the inability of financial institutions to comply with their financial obligations to the Company and its subsidiaries due to insolvency. The Company and its subsidiaries regularly conduct a credit review of the institutions with which they hold cash and cash equivalents, financial investments, and hedging instruments through various methodologies that assess liquidity, solvency, leverage, portfolio quality, etc. Cash and cash equivalents, financial investments, and hedging instruments are held only with institutions with a solid credit history, chosen for safety and soundness. The volume of cash and cash equivalents, financial investments, and hedging instruments are subject to maximum limits by each institution and, therefore, require diversification of counterparties.

Government credit risk The Company s policy allows investments in government securities from countries classified as investment grade AAA or Aaa by specialized credit rating agencies and in Brazilian government bonds. The volume of such financial investments is subject to maximum limits by each country and, therefore, requires diversification of counterparties.

Customer credit risk Such risks are managed by each business unit through specific criteria for acceptance of customers and their credit rating and are additionally mitigated by the diversification of sales. No single customer or group accounts for more than 10% of total revenue.

The Company maintained the following allowances for doubtful accounts on trade receivables:

	2017	**2016**
Ipiranga	238,697	182,252
Ultragaz	39,034	33,804
Oxiteno	10,755	10,856
Extrafarma	4,922	3,449
Ultracargo	2,172	2,971
Total	295,580	233,332

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Liquidity Risk

The Company and its subsidiaries main sources of liquidity derive from (i) cash, cash equivalents, and financial investments, (ii) cash generated from operations and (iii) financing. The Company and its subsidiaries believe that these sources are sufficient to satisfy their current funding requirements, which include, but are not limited to, working capital, capital expenditures, amortization of debt, and payment of dividends.

The Company and its subsidiaries periodically examine opportunities for acquisitions and investments. They consider different types of investments, either directly, through joint ventures, or through associated companies, and finance such investments using cash generated from operations, debt financing, through capital increases, or through a combination of these methods.

The Company and its subsidiaries believe to have enough working capital and sources of financing to satisfy their current needs. The gross indebtedness due over the next twelve months totals R$ 3,809.9 million, including estimated interests on loans (for quantitative information, see Note 14). Furthermore, the investment plan for 2018 totals R$ 2,676 million. As of December 31, 2017, the Company and its subsidiaries had R$ 6,285.5 million in cash, cash equivalents, and short-term financial investments (for quantitative information, see Note 4).

The table below presents a summary of financial liabilities as of December 31, 2017 to be settled by the Company and its subsidiaries, listed by maturity. The amounts disclosed in this table are the contractual undiscounted cash outflows, and, therefore, these amounts may be different from the amounts disclosed on the balance sheet as of December 31, 2017.

		In millions of Brazilian *Reais*			
Financial liabilities	**Total**	**Less than 1 year**	**Between 1 and 3 years**	**Between 3 and 5 years**	**More than 5 years**
Loans including future contractual interest[1][2]	16,571.3	3,809.9	3,514.4	4,968.0	4,279.0
Currency and interest rate hedging instruments[3]	422.2	145.2	136.6	113.4	27.0
Trade payables	2,155.5	2,155.5			

(1) To calculate the estimated interest on loans some macroeconomic assumptions were used, including averaging for the period the following: (i) CDI of 6.76% in 2018, 8.08% from 2019 to 2020, 9.63% from 2021 to 2022, 10.70%

from 2023 to 2033, (ii) exchange rate of the Real against the U.S. dollar of R$ 3.37 in 2018, R$ 3.53 in 2019, R$ 3.77 in 2020, R$ 4.05 in 2021, R$ 4.35 in 2022, R$ 4.66 in 2023, R$ 4.99 in 2024, R$ 5.35 in 2025, R$ 5.73 in 2026 and R$ 6.13 in 2027 (iii) TJLP of 6.75% p.a. and (iv) IGP-M of 4.38% in 2018, 4.13% in 2019, 4.0% from 2020 to 2033 (v) IPCA of 3.9% (source: B3, Bulletin Focus and financial institutions).

(2) Includes estimated interest payments on short-term and long-term loans until the payment date.

(3) The currency and interest rate hedging instruments were estimated based on projected U.S dollar futures contracts and the futures curves of DI x Pre and Pre x IPCA contracts quoted on B3 on December 28, 2017 and on the futures curve of LIBOR (ICE IntercontinentalExchange) on December 29, 2017. In the table above, only the hedging instruments with negative results at the time of settlement were considered.

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Capital Management

The Company manages its capital structure based on indicators and benchmarks. The key performance indicators related to the capital structure management are the weighted average cost of capital, net debt / EBITDA, interest coverage, and indebtedness / equity ratios. Net debt is composed of cash, cash equivalents, and financial investments (see Note 4) and loans, including debentures (see Note 14). The Company can change its capital structure depending on the economic and financial conditions, in order to optimize its financial leverage and capital management. The Company seeks to improve its return on invested capital by implementing efficient working capital management and a selective investment program.

Selection and Use of Financial Instruments

In selecting financial investments and hedging instruments, an analysis is conducted to estimate rates of return, risks involved, liquidity, calculation methodology for the carrying value and fair value, and a review is conducted of any documentation applicable to the financial instruments. The financial instruments used to manage the financial resources of the Company and its subsidiaries are intended to preserve value and liquidity.

The Policy contemplates the use of derivative financial instruments only to cover identified risks and in amounts consistent with the risk (limited to 100% of the identified risk). The risks identified in the Policy are described in the above sections, and are subject to risk management. In accordance with the Policy, the Company and its subsidiaries can use forward contracts, swaps, options, and futures contracts to manage identified risks. Leveraged derivative instruments are not permitted. Because the use of derivative financial instruments is limited to the coverage of identified risks, the Company and its subsidiaries use the term hedging instruments to refer to derivative financial instruments.

As mentioned in the section Risk Management and Financial Instruments Governance , the Committee monitors compliance with the risk standards established by the Policy through a risk map, including the use of hedging instruments, on a monthly basis. In addition, the internal audit department verifies the compliance with the requirements of the Policy.

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The table below summarizes the position of hedging instruments entered into by the Company and its subsidiaries:

Hedging instruments	Maturity	Notional amount(1) 2017		Notional amount(1) 2016		Fair value 2017 R$ million	Fair value 2016 R$ million	Amounts receivable 2017 R$ million	Amounts payable 2017 R$ million
a Exchange rate swaps receivable in U.S. dollars									
Receivables in U.S. dollars (LIBOR)	Jan 2018 to Oct 2026	US$	300.0	US$	350.0	984.3	1,149.7	984.3	
Receivables in U.S. dollars (Fixed)		US$	956.6	US$	1,062.4	823.1	1,084.6	823.1	
Payables in CDI interest rate		US$	(1,256.6)	US$	(1,412.4)	(1,877.4)	(2,181.6)		1,877.4
Total result						(70.0)	52.7	1,807.4	1,877.4
b Exchange rate swaps payable in U.S. dollars + COUPON									
Receivables in CDI interest rates	Jan 2018 to Apr 2018	US$	9.1	US$	8.5	29.9	28.3	29.9	
Payables in U.S. dollars (Fixed)		US$	(9.1)	US$	(8.5)	(29.8)	(27.9)		29.8
Total result						0.1	0.4	29.9	29.8
c Interest rate swaps in Brazilian Reais									
Receivables in fixed interest rates + IPCA	Oct 2024	R$	566.1			583.3		583.3	
Payables in CDI interest rates		R$	(566.1)			(586.6)			586.6

Total result	(3.3)		583.3	586.6
Total gross result	(73.2)	53.1	2,420.6	2,493.8
Income tax	(4.7)	(36.9)	(4.7)	
Total net result	(77.9)	16.2	2,415.9	2,493.8
Positive result (see Note 4)	85.8	218.5		
Negative result (see Note 14)	(163.7)	(202.3)		

(1) In million. Currency as indicated.
All transactions mentioned above were properly registered with CETIP S.A.

Hedging instruments existing as of December 31, 2017 are described below, according to their category, risk, and hedging strategy:

a Hedging against foreign exchange exposure of liabilities in foreign currency The purpose of these contracts is (i) to offset the effect of the change in exchange rates of debts or firm commitments in U.S. dollars by converting them into debts or firm commitments in Brazilian Reais linked to CDI, (ii) firm commitments in U.S. dollars, changing them into debts or firm commitments in Reais indexed to the CDI and (iii) change a financial investment linked to the CDI and given as a guarantee to a loan in the U.S. dollar into a financial investment linked to the U.S. dollar. As of December 31, 2017, the Company and its subsidiaries had outstanding swap contracts totaling US$ 1,256.6 million in notional amount with a liability position, on average of 81.5% of CDI, of which US$ 223.6 million, had an asset position at US$ + 1.17% p.a., US$ 300.0 million had an asset position at US$ + LIBOR + 1.29% p.a. and US$ 733.0 million in interest rate swap with an asset position at US$ + 5.65% p.a. This amount includes US$ 320.0 million related to the fair value of hedging instruments of Ipiranga s debt (see Notes 14.c and hedge accounting below) and US$ 115.0 million related to hedging instruments of cash flow of firm commitment (see hedge accounting below).

b Hedging against foreign exchange exposure of operations The purpose of these contracts is to make the exchange rate of the revenues of subsidiaries Oleoquímica, Oxiteno S.A. and Oxiteno Nordeste equal to the exchange rate of the cost of their main raw materials during their operating cycles. As of December 31, 2017, these swap contracts totaled US$ 9.1 million and, on average, had an asset position at 57.4% of CDI and a liability position at US$ + 0.0% p.a.

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c Hedging against fixed interest rate + IPCA in Brazilian Reais The purpose of this contract is to change fixed interest rate + IPCA of debentures issued in Brazilian Reais to floating interest. As of December 31, 2017 this swap contract totaled R$ 566.1 million of notional amount, corresponding to the principal amount of the debt and had an asset position at 4.55% p.a. + IPCA and a liability position at 95.2% of CDI.

Hedge Accounting

The Company and its subsidiaries use derivative and non-derivative financial instruments for hedging purposes and test, throughout the duration of the hedge, their effectiveness, as well as the changes in their fair value.

Fair value hedge

The Company and its subsidiaries designate as fair value hedges certain financial instruments used to offset the variations in interest and exchange rates, which are based on the market value of financing contracted in Brazilian Reais and U.S. dollars.

On December 31, 2017, the notional amount of foreign exchange hedging instruments designated as fair value hedge totaled US$ 320.0 million. In 2017, a loss of R$ 143.4 million related to the result of hedging instruments, a gain of R$ 16.5 million related to the fair value adjustment of debt, and a loss of R$ 4.1 million related to the financial expense of the debt were recognized in the income statements, transforming the average effective cost of the operation into 102.7% of CDI (see Note 14.c.1).

On December 31, 2017, the notional amount of interest rate hedging instruments designated as fair value hedges totaled R$ 566.1 million. As of December 31, 2017, a loss of R$ 3.3 million related to the result of hedging instruments, a gain of R$ 19.1 million related to the fair value adjustment of debt, and a loss of R$ 18.5 million related to the financial expense of the debt were recognized in the income statements, transforming the average effective cost of the operations into 95.2% of CDI.

Cash flow hedge

The Company and its subsidiaries designate, as cash flow hedge of firm commitment and highly probable transactions, derivative financial instruments to hedge firm commitments and non-derivative financial instruments to hedge highly probable future transactions , to hedge against fluctuations arising from changes in exchange rate.

On December 31, 2017, the notional amount of exchange rate hedging instruments of firm commitments designated as cash flow hedges totaled US$ 115.0 million, and a loss of R$ 45.4 million was recognized in the income statement.

On December 31, 2017, the unrealized gain of Other comprehensive income is R$ 5.3 million (loss of R$ 13.8 million on December 31, 2016), net of deferred income and social contribution taxes.

On December 31, 2017, the notional amount of foreign exchange hedging instruments for highly probable future transactions designated as fair value hedge, related to notes in the foreign market totaled US$ 570.0 million. On December 31, 2017, the unrealized loss of Other comprehensive income is R$ 30.5 million (loss of R$ 12.1 million on December 31, 2016), net of deferred income and social contribution taxes.

Net investment hedge in foreign entities

The Company and its subsidiaries designate, as net investment hedge in foreign entities, notes in the foreign market, for hedging net investment in foreign entities, to offset changes in exchange rates.

On December 31, 2017, the balance of foreign exchange hedging instruments designated as net investments hedge in foreign entities, related to part of the investments made in entities which functional currency is other than the Brazilian Real, totaled US$ 113.0 million. On December 31, 2017, the unrealized loss of Other comprehensive income is R$ 6.2 million (loss of R$ 2.8 million on December 31, 2016), net of deferred income and social contribution taxes. The effects of exchange rate changes on investments and hedging instruments were offset in shareholders equity.

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Gains (losses) on Hedging Instruments

The following tables summarize the value of gains (losses) recognized, which affected the shareholders equity of the Company and its subsidiaries:

		R$ million 2017 Profit or loss	Equity
a	Exchange rate swaps receivable in U.S. dollars (i)(ii)	(72.1)	5.3
b	Exchange rate swaps payable in U.S. dollars (ii)	3.2	
c	Interest rate swaps in R$ (ii)	15.9	
d	Non-derivative financial instruments (iv)	(104.2)	(36.7)
Total		(157.2)	(31.4)

		R$ million 2016 Profit or loss	2016 Equity
a	Exchange rate swaps receivable in U.S. dollars (i)(ii)	(177.0)	(13.8)
b	Exchange rate swaps payable in U.S. dollars (ii)	9.2	
c	Interest rate swaps in R$ (ii)	(0.5)	
d	Non-derivative financial instruments (iv)	(28.5)	(14.9)
Total		(196.8)	(28.7)

	R$ million 2015 Equity

		Profit or loss	
a	Exchange rate swaps receivable in U.S. dollars[(i)(ii)]	(143.1)	6.3
b	Exchange rate swaps payable in U.S. dollars[(ii)]	(2.2)	(31.3)
c	Interest rate swaps in R$[(iii)]	1.1	
Total		(144.2)	(25.0)

[(i)] Does not consider the effect of exchange rate variation of exchange swaps receivable in U.S. dollars when this effect is offset in the gain or loss of the hedged item (debt/firm commitments).

[(ii)] Considers the designation effect of foreign exchange hedging.

[(iii)] Considers the designation effect of interest rate hedging in Brazilian Reais.

[(iv)] Considers the results of notes in the foreign market.

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Fair Value of Financial Instruments

The fair values and the carrying values of the financial instruments, including currency and interest rate hedging instruments, are stated below:

			2017		2016	
	Category	**Note**	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Financial assets:						
Cash and cash equivalents						
Cash and bank deposits	Loans and receivables	4	147,926	147,926	113,318	113,318
Financial investments in local currency	Measured at fair value through profit or loss	4	4,821,605	4,821,605	3,837,807	3,837,807
Financial investments in foreign currency	Measured at fair value through profit or loss	4	32,473	32,473	323,033	323,033
Financial investments:						
Fixed-income securities and funds in local currency	Available for sale	4	68,742	68,742	113,640	113,640
Fixed-income securities and funds in local currency	Measured at fair value through profit or loss	4	1,076,849	1,076,849	1,053,369	1,053,369
Fixed-income securities and funds in local currency	Held to maturity	4	7,449	7,449	7,449	7,449
Fixed-income securities and funds in foreign currency	Available for sale	4	129,131	129,131	34,775	34,775
Currency and interest rate hedging instruments	Measured at fair value through profit or loss	4	85,753	85,753	218,458	218,458
Total			6,369,928	6,369,928	5,701,849	5,701,849
Financial liabilities:						
Financing		14	1,047,809	1,047,809	1,428,907	1,428,907

	Measured at fair value through profit or loss					
Financing	Measured at amortized cost	14	6,740,872	6,761,907	6,990,269	6,881,085
Debentures	Measured at amortized cost	14	5,035,247	5,037,072	2,746,881	2,746,915
Debentures	Measured at fair value through profit or loss	14	554,402	554,402		
Finance leases	Measured at amortized cost	14	48,515	48,515	48,716	48,716
Currency and interest rate hedging instruments	Measured at fair value through profit or loss	14	163,749	163,749	202,357	202,357
Subscription warrants indemnification	Measured at fair value through profit or loss	22	171,459	171,459	153,429	153,429
Total			13,762,053	13,784,913	11,570,559	11,461,409

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

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

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

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

The fair value of trade receivables and trade payables are approximate to their carrying values.

The subscription warrants indemnification were measured based on the share price of Ultrapar (UGPA3) at the financial statements date and are adjusted to the Company s dividend yield, since the exercise is only possible starting in 2020 onwards and they are not entitled to dividends until then. The number of shares of subscription warrants indemnification is also adjusted according to the changes in the amounts of provision for tax, civil, and labor risks and contingent liabilities related to the period prior to January 31, 2014. (See Note 22).

The fair value calculation of notes in the foreign market (see Note 14.b) is based on the quoted price in an active market.

The fair value of other financial investments and financing was determined using calculation methodologies commonly used for mark-to-market reporting, which consist of calculating future cash flows associated with each instrument adopted and adjusting them to present value at the market rates as of December 31, 2017 and 2016. For some cases where there is no active market for the financial instrument, the Company and its subsidiaries can use quotes provided by the transaction counterparties.

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

Financial instruments were classified as loans and receivables or financial liabilities measured at amortized cost, except (i) all exchange rate and interest rate hedging instruments, which are measured at fair value through profit or loss, (ii) financial investments classified as measured at fair value through profit or loss, (iii) financial investments that are classified as available for sale, which are measured at fair value through other comprehensive income (see Note 4), (iv) loans and financing measured at fair value through profit or loss (see Note 14), (v) guarantees to customers that have vendor arrangements (see Note 14.k), which are measured at fair value through profit or loss, and (vi) subscription warrants indemnification, which are measured at fair value through profit or loss (see Note 22). The financial investments classified as held-to-maturity are measured at amortized cost. Cash, banks, and trade receivables are classified as loans and receivables. Trade payables and other payables are classified as financial liabilities measured at amortized cost.

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Fair Value Hierarchy of Financial Instruments

The financial instruments are classified in the following categories:

(a) Level 1 prices negotiated (without adjustment) in active markets for identical assets or liabilities;

(b) Level 2 inputs other than prices negotiated in active markets included in Level 1 and observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

(c) Level 3 inputs for the asset or liability which are not based on observable market variables (unobservable inputs).

The table below shows a summary of the financial assets and financial liabilities measured at fair value in the Company s and its subsidiaries:

	Category	Note	2017	Level 1	Level 2	Level 3
Financial assets:						
Cash equivalents						
Cash and banks	Loans and receivables	4	147,926	147,926		
Financial investments in local currency	Measured at fair value through profit or loss	4	4,821,605	4,821,605		
Financial investments in foreign currency	Measured at fair value through profit or loss	4	32,473	32,473		
Financial investments:						
Fixed-income securities and funds in local currency	Available for sale	4	68,742	68,742		
Fixed-income securities and funds in local currency	Measured at fair value through profit or loss	4	1,076,849	1,076,849		
Fixed-income securities and funds in local currency	Held to maturity	4	7,449	7,449		
	Available for sale	4	129,131	40,556	88,575	

Fixed-income securities and funds in foreign currency					
Currency and interest rate hedging instruments	Measured at fair value through profit or loss	4	85,753		85,753
Total			6,369,928	6,195,600	174,328
Financial liabilities:					
Financing	Measured at fair value through profit or loss	14	1,047,809		1,047,809
Financing	Measured at amortized cost	14	6,761,907	2,523,643	4,238,264
Debentures	Measured at amortized cost	14	5,037,072		5,037,072
Debentures	Measured at fair value through profit or loss	14	554,402		554,402
Finance leases	Measured at amortized cost	14	48,515		48,515
Currency and interest rate hedging instruments	Measured at fair value through profit or loss	14	163,749		163,749
Subscription warrants indemnification(1)	Measured at fair value through profit or loss	22	171,459		171,459
Total			13,784,913	2,523,643	11,261,270

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(In thousands of Brazilian Reais, unless otherwise stated)

	Category	Note	2016	Level 1	Level 2	Level 3
Financial assets:						
Cash equivalents						
Cash and banks	Loans and receivables	4	113,318	113,318		
Financial investments in local currency	Measured at fair value through profit or loss	4	3,837,807	3,837,807		
Financial investments in foreign currency	Measured at fair value through profit or loss	4	323,033	323,033		
Financial investments:						
Fixed-income securities and funds in local currency	Available for sale	4	113,640	113,640		
Fixed-income securities and funds in local currency	Measured at fair value through profit or loss	4	1,053,369	1,053,369		
Fixed-income securities and funds in local currency	Held to maturity	4	7,449	7,449		
Fixed-income securities and funds in foreign currency	Available for sale	4	34,775	32,167	2,608	
Currency and interest rate hedging instruments	Measured at fair value through profit or loss	4	218,458		218,458	
Total			5,701,849	5,480,783	221,066	
Financial liabilities:						
Financing	Measured at fair value through profit or loss	14	1,428,907		1,428,907	
Financing	Measured at amortized cost	14	6,881,085	2,338,920	4,542,165	
Debentures	Measured at amortized cost	14	2,746,915		2,746,915	
Finance leases	Measured at amortized cost	14	48,716		48,716	
Currency and interest rate hedging instruments	Measured at fair value through profit or loss	14	202,357		202,357	
		22	153,429		153,429	

Subscription warrants indemnification[1]	Measured at fair value through profit or loss			
Total		11,461,409	2,338,920	9,122,489

(1) Refers to subscription warrants issued by the Company in the Extrafarma acquisition.
The fair value of trade receivables and trade payables are classified as level 2.

Sensitivity Analysis

The Company and its subsidiaries use derivative financial instruments only to hedge against identified risks and in amounts consistent with the risk (limited to 100% of the identified risk). Thus, for purposes of sensitivity analysis of market risks associated with financial instruments, the Company analyzes the hedging instrument and the hedged item together, as shown on the charts below.

For the sensitivity analysis of foreign exchange hedging instruments, management adopted as a likely scenario the Real/U.S. dollar exchange rates at maturity of each swap, projected by U.S dollar futures contracts quoted on B3 as of December 28, 2017. As a reference, the exchange rate for the last maturity of foreign exchange hedging instruments is R$ 5.83 in the likely scenario. Scenarios II and III were estimated with a 25% and 50% additional appreciation or depreciation of the Brazilian Real against the likely scenario, according to the risk to which the hedged item is exposed.

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Based on the balances of the hedging instruments and hedged items as of December 29, 2017, the exchange rates were replaced, and the changes between the new balance in Brazilian Reais and the original balance in Brazilian Reais as of December 29, 2017 were calculated in each of the three scenarios. The table below shows the change in the values of the main derivative instruments and their hedged items, considering the changes in the exchange rate in the different scenarios:

	Risk	Scenario I (likely)	Scenario II	Scenario III
Currency swaps receivable in U.S. dollars				
(1) U.S. Dollar / Real swaps	Dollar	198,138	690,432	1,182,726
(2) Debts/firm commitments in dollars	appreciation	(198,130)	(690,415)	(1,182,700)
(1)+(2)	**Net effect**	8	17	26
Currency swaps payable in U.S. dollars				
(3) Real / U.S. Dollar swaps	Dollar	(97)	7,486	15,069
(4) Gross margin of Oxiteno	devaluation	97	(7,486)	(15,069)
(3)+(4)	**Net effect**			

For sensitivity analysis of hedging instruments for interest rates in Brazilian Reais, the Company used the futures curve of the DI x Pre contract quoted on B3 as of December 28, 2017 for each of the swap and debt (hedged item) maturities, to determine the likely scenarios. Scenarios II and III were estimated based on a 25% and 50% deterioration, respectively, of the likely scenario pre-fixed interest rate.

Based on the three scenarios of interest rates in Brazilian Reais, the Company estimated the values of its debt and hedging instruments according to the risk which is being hedged (variations in the pre-fixed interest rates in Brazilian Reais), by projecting them to future value at the contracted rates and bringing them to present value at the interest rates of the estimated scenarios. The result are shown in the table below:

	Risk	Scenario II	Scenario III

		Scenario I (likely)		
Interest rate swap (in Brazilian Reais) Debentures CRA				
(1) Fixed rate swap CDI	Decrease in	13,691	95,292	192,204
(2) Fixed rate debt	Pre-fixed rate	(13,691)	(95,292)	(192,204)
(1) + (2)	Net effect			

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(In thousands of Brazilian Reais, unless otherwise stated)

32. Commitments

a. Contracts

Subsidiary Tequimar has agreements with CODEBA and Complexo Industrial Portuário Governador Eraldo Gueiros, in connection with its port facilities in Aratu and Suape, respectively. Such agreements establish a minimum cargo movement of products, as shown below:

Port	Minimum movement in tons per year	Maturity
Aratu	397,000	2031
Aratu	900,000	2022
Suape	250,000	2027
Suape	400,000	2029

If the annual movement is less than the minimum contractual movement, the subsidiary is liable to pay the difference between the effective movement and the minimum contractual movement, based on the port tariff rates in effect on the date established for payment. As of December 2017, these rates were R$ 6.99 per ton for Aratu and R$ 2.90 per ton for Suape. The subsidiary has met the minimum cargo movement required since the beginning of the contractual agreements.

Subsidiary Oxiteno Nordeste has a supply agreement with Braskem S.A. which establishes a minimum annually consumption level of ethylene, and conditions for the supply of ethylene until 2021. The minimum purchase commitment clause provided for a minimum annual consumption of 205 thousand tons in 2017. Should the minimum purchase commitment not be met, the subsidiary would be liable for a fine based on the current ethylene price for the quantity not purchased. According to contractual conditions and tolerances, there are no material issues regarding the minimum purchase commitment.

Subsidiary Oxiteno S.A. has a supply agreement with Braskem S.A., valid until 2023, which establishes and regulates the conditions for supply of ethylene to Oxiteno based on the international market for this product. The minimum purchase is 22,050 tons of ethylene semiannually. Should the minimum purchase commitment not be met, the subsidiary would be liable for a fine based on the current ethylene price for the quantity not purchased. According to contractual conditions and tolerances, there are no material issues regarding the minimum purchase commitment.

b. Insurance Coverage in Subsidiaries

The Company maintains insurance policies with the objective of covering several risks to which it is exposed, including loss of profits, losses and damage from fire, lightning, explosion of any kind, gale, aircraft crash, electric damage, and other risks, covering the industrial plants and distribution bases and branches of all subsidiaries. The maximum compensation values based on the risk analysis of possible losses of certain locations are shown below:

	Maximum compensation value(*)
Oxiteno	US$1,142
Ipiranga	R$924
Ultracargo	R$740
Ultragaz	R$150
Extrafarma	R$160

(*) In millions. In accordance with policy conditions.

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The General Liability Insurance program covers the Company and its subsidiaries with a maximum aggregate coverage of US$ 400 million against losses caused to third parties as a result of accidents related to commercial and industrial operations and/or distribution and sale of products and services.

The Company maintains liability insurance policies for directors and executive officers (D&O) to indemnify the members of the Board of Directors, fiscal council and executive officers of Ultrapar and its subsidiaries (Insured) in the total amount of US$ 80 million, which cover any of the Insured liabilities resulting from wrongful acts, including any act or omission committed or attempted, except if the act, omission or the claim is consequence of gross negligence or willful misconduct.

In addition, group life and personal accident, health and national and international transportation and other insurance policies are also maintained.

The coverage and limit of the insurance policies are based on a careful study of risks and losses conducted by independent insurance advisors. The type of insurance is considered by management to be sufficient to cover potential losses based on the nature of the business conducted by the companies.

c. Operating Lease Contracts

Subsidiaries Cia. Ultragaz, Bahiana, Tequimar, Serma, and Oxiteno S.A. have operating lease contracts for the use of IT equipment. These contracts have terms from 36 to 48 months. The subsidiaries have the option to purchase the assets at a price equal to the fair market price on the date of option, and management does not intend to exercise such option. Subsidiaries Cia. Ultragaz and Bahiana have operating lease contracts related to vehicles in their fleet. These contracts have terms of 24 to 60 months and there is no purchase option. The future disbursements (installments), assumed under these contracts, amount approximately to:

	Up to 1 year	Between 1 and 5 years	More than 5 years	Total
2017	38,321	62,832		101,153

The subsidiaries IPP, Extrafarma, and Cia. Ultragaz have operating lease contracts related to land and building of service stations, drugstores, and stores, respectively. The future disbursements and receipts (installments), arising from these contracts, amount approximately to:

		Up to 1 year	Between 1 and 5 years	More than 5 years	Total
2017	payable	167,733	530,744	444,582	1,143,059
	receivable	(60,705)	(178,696)	(128,307)	(367,708)

The expense recognized in 2017 for operating leases was R$ 160,465 (R$ 101,330 in 2016 and R$ 100,522 in 2015), net of sublease income.

Ultrapar Participações S.A. and Subsidiaries

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33. Ultracargo Fire Accident in Santos

In April 2015, a fire occurred in six ethanol and gasoline tanks operated by Ultracargo in Santos, which represented 4% of the subsidiary s overall capacity as of December 31, 2014. The Civil and Federal Police investigated the accident and its impacts, and concluded that it is not possible to determine the cause of the accident and neither to individualize active or passive conduct related to the cause, and there was no criminal charge against either individual or the subsidiary, by both authorities. Notwithstanding that, the Brazilian Federal Public Prosecutor denounced the subsidiary Tequimar in the criminal sphere, which shall wait for the court summons in order to take the necessary measures for its defense.

The decommissioning stage of the affected area were completed. In June 2017, the licensing required for the return to operation of 67.5 thousands cubic meters from the total of 150 thousands cubic meters affected by the fire was obtained. The remaining tanks continue to be paralyzed and in the process of recovery for subsequent licensing and start of operation.

As of December 31, 2016, the insurance receivable in the amount of R$ 366,678 and indemnities to customers and third parties in the amount of R$ 99,863 were recognized. In the first quarter of 2017, Ultracargo received the full amount from the insurers. As of December 31, 2017, the indemnities to customers and third parties remaining amount is R$ 72,216. In addition, as of December 31, 2017, there are contingent liabilities not recognized related to lawsuits and extrajudicial lawsuits in the amount of R$ 88,075 and R$ 25,852 (R$ 96,408 and R$ 16,637 as of December 31, 2016), respectively.

34. Subsequent Events

Acquisition under approval

On January 30, 2018, the Company through its subsidiary Tequimar entered into a sale and purchase agreement for the acquisition of 100% of the quotas of TEAS Terminal Exportador de Álcool de Santos Ltda. (TEAS), owned by Raízen Energia S.A. and Raízen Araraquara Açúcar e Álcool Ltda., which had already been operated by the subsidiary Tequimar in the Port of Santos. The purchase price of the acquisition was R$ 103 million. The closing of the acquisition is subject to certain usual conditions precedent in transactions of similar nature, mainly the approval by CADE. On February 14, 2018, this transaction was approved without restrictions through an opinion issued by the General Superintendence of CADE. The parties must wait 15 days for the approval to be formally validated.

Issuance of Debentures

In February 2018, the Company made its sixth issuance of debentures in a single series of 1,725,000, simple, non-convertible into shares, nominative, book-entry and unsecured debentures with a par value of R$ 1,000.00, final maturity in 5 years (lump sum at final maturity) and interest of 105.25% of CDI.