ULTRAPAR HOLDINGS INC
Form 6-K
February 21, 2019
Table of Contents

Form 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report Of Foreign Private Issuer

Pursuant To Rule 13a-16 Or 15d-16 Of

The Securities Exchange Act Of 1934

For the month of February, 2019

Commission File Number: 001-14950

ULTRAPAR HOLDINGS INC.

(Translation of Registrant s Name into English)

Avenida Brigadeiro Luis Antonio, 1343, 9º Andar

São Paulo, SP, Brazil 01317-910

(Address of Principal Executive Offices)

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

Form 20-F ____X____ Form 40-F _________

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

Yes _________ No ____X____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes ________ No ____X____

Table of Contents

ULTRAPAR HOLDINGS INC.

TABLE OF CONTENTS

ITEM

Table of Contents

(Convenience Translation into English from

the Original Previously Issued in Portuguese)

Ultrapar Participações S.A.

Parent and Consolidated

Financial Statements

for the Year Ended

December 31, 2018 and

Independent Auditor s Report

Financial Information

KPMG Auditores Independentes

Ultrapar Participações S.A. and Subsidiaries

Parent and Consolidated Financial Statements

for the Years Ended December 31, 2018 and 2017

Table of Contents

Table of Contents

(Convenience Translation into English from the Original Previously Issued in Portuguese)

Independent Auditor s Report in the Individual and Consolidated Financial Statements

To the Shareholders of the

Ultrapar Participações S.A.

São Paulo SP

Opinion

We have audited the individual and consolidated financial statements of Ultrapar Participações S.A. (the Company), respectively referred to as Parent and Consolidated, which comprise the statement of financial position as at December 31, 2018, the statements of income and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of the Ultrapar Participações S.A. as at December 31, 2018, and of its individual and consolidated financial performance and its cash flows for the year then ended in accordance with Accounting Practices Adopted in Brazil and with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audit of the Individual and Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical requirements included in the Accountant Professional Code of Ethics (Código de Ética Profissional do Contador) and in the professional standards issued by the Brazilian Federal Accounting Council (Conselho Federal de Contabilidade) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverable amount of goodwill recorded in business combination individual and consolidated (Refer to notes 2. (t) Impairment of assets and 14 Intangible Assets)

The acquisition of the Imifarma Produtos Farmacêuticos S.A. (Extrafarma) operations in previous years resulted in recognition of goodwill, which the recoverable amount must be tested annually. The determination of the necessity of recording for impairment is supported by future profitability based on the business plan and budget as prepared by the Company and approved by the Board of Directors, which are made based on methodologies and assumptions, which involve judgment such as: discount and growth rates, revenue, costs, gross margin and new investments.

The process of determining the future profitability of the cash generating units for the purpose of evaluating the recoverable value of such assets involving complex, judgment and uncertain, and to the impacts that eventual changes in the assumptions used in the referred calculation might have in the consolidated financial statements as well as in the amount of the investment recorded under the equity method in the parent company s financial statements, we consider this a key audit matter.

Table of Contents

Our response

We evaluated the design and effectiveness of the key internal control of finance projections related to the identification and measurement of the recoverable value of the cash generating units where the goodwill was allocated.

Within the involvement of our corporate finance specialists, we evaluate the methodology used by the Company and the assumptions used in calculating discounted cash flows, including growth and discount rates, comparing historical information and testing the arithmetic accuracy of the formulas used in discounted cash flow models. We evaluated the sensitivity of results prepared by the Company considering reasonable changes in the key assumptions and comparing the budgets approved in the previous year with the actual amounts calculated in order to verify the Company s ability to project future net income.

In addition, we compared the recoverable amount calculated based on the discounted cash flows, per cash generating unit, to the carrying amount of the respective cash generating units and we evaluated the adequacy of the disclosures made in the financial statements.

As a result of the evidence obtained through the procedures as described above, we consider that the is acceptable the goodwill amount on the business combination and the respect disclosures are acceptable in the context of the individual and consolidated statements taken as a whole.

Disclosure of impacts of the new accounting standard CPC 06 (R2) and IFRS 16 - Lease Accounting (Note 2.y - Individual and Consolidated)

The revised accounting standard CPC 06 (R2) and IFRS 16 - accounting, introduces complex accounting requirements that are used as basis for measuring the registration of the right of use of an asset as well as the lease liability, especially with respect to the determination of the discount rate on each lease contract, as well as the disclosure of aspects related to the transition of the accounting standard and its accounting impact that will come into effect as of January 1, 2019.

The Company and its subsidiaries maintain significant commitments arising from operating leases of land, real estate and stores in Brazil, as well as harbor concessions and offices as administrative headquarters and disclosed the potential impacts arising from the transition of the new accounting standard among other information required by these accounting standards.

Due to the complexity and judgments involved in determining the discount rates on the lease loans and the relevance of the impacts of this rate on the measurement of the lease liability, as well as the relevance of the disclosures of the effects of the initial adoption of CPC 06 (R2) / IFRS 16, this matter was considered significant for our audit.

Our response

We analyze the process to identify the information necessary to disclosure the potential impact of the new accounting standard. With support of our corporate finance specialists, we evaluate the assumptions used in determining discount rates and sensitivity analysis on the model adopted by the Company and its subsidiaries. We evaluate the judgments applied by the Company and its subsidiaries for the other assumptions used as lease term and aggregate costs to the estimated value of right of use. We performed the reconciliation with the basis records and carried out documentary tests on the database used to support the disclosed values.

As a result of the evidence obtained through the procedures as described above, we consider that the is acceptable the disclosure of potential impacts of the new accounting standard in the context of the individual and consolidated statements taken as a whole.

Other matters - Statements of value added

The individual and consolidated statements of value added (DVA) for the year ended December 31, 2018 prepared under the responsibility of the Company s management, and presented herein as supplementary information for IFRS purposes, have been subject to audit procedures jointly performed with the audit of the Company s financial statements. In order to form our opinion, we assessed whether those statements are reconciled with the financial statements and accounting records, as applicable, and whether their format and contents are in accordance with criteria determined in the Technical Pronouncement 09 (CPC 09) - Statement of Value Added. In our opinion, the statements of value added have been fairly prepared, in all material respects, in accordance with the criteria determined by the aforementioned Technical Pronouncement, and are consistent with the overall individual and consolidated financial statements.

Table of Contents

Other information accompanying the individual and consolidated financial statements and the auditor s report

Management is responsible for the other information comprising the management report.

Our opinion on the individual and consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the individual and consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have no issues to report on this.

Responsibilities of Management and Those Charged with Governance for the Individual and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with Accounting Practices Adopted in Brazil and with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company s and subsidiaries financial reporting process.

Auditors Responsibilities for the Audit of the Individual and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and international standards on auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and international standards on auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s and its subsidiaries internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Table of Contents

Conclude on the appropriateness of management s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company s and its subsidiaries ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors report. However, future events or conditions may cause the Company and subsidiaries to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the indidual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the individual and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, February 20, 2019

KPMG Auditores Independentes

CRC 2SP014428/O-6

Original report in Portuguese signed by

Wagner Bottino

Accountant CRC 1SP196907/O-7

6

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Statements of Financial Position

as of December 31, 2018 and 2017

(In thousands of Brazilian Reais)

Assets	**Note**	**Parent** 12/31/2018	**Parent** 12/31/2017 Restated	**Parent** 1/1/2017 Restated	**Consolidated** 12/31/2018	**Consolidated** 12/31/2017 Restated	**Consolidated** 1/1/2017 Restated
Current assets							
Cash and cash equivalents	4.a	172,315	93,174	127,944	3,938,951	5,002,004	4,274,156
Financial investments and hedging instruments	4.b	565,930	21,657	1,052	2,853,106	1,283,498	1,412,588
Trade receivables	5.a				4,069,307	3,861,325	3,177,112
Reseller financing	5.b				367,262	286,569	211,055
Inventories	6				3,354,532	3,513,710	2,781,377
Recoverable taxes	7.a				639,699	664,954	382,361
Recoverable income and social contribution taxes	7.b	39,705	33,070	37,620	257,182	216,630	159,411
Dividends receivable		260,483	27,930	354,150	1,064	11,137	8,616
Other receivables		1,527	2,404	3,884	58,561	44,025	387,252
Prepaid expenses	10	1,962	1,597	98	187,570	150,046	123,883
Contractual assets with customers exclusive rights	11				484,473	456,213	448,316
Total current assets		1,041,922	179,832	524,748	16,211,707	15,490,111	13,366,127
Non-current assets							
Financial investments and hedging	4.b				202,349	84,426	15,104

instruments							
Trade receivables	5.a				81,569	46,301	49,601
Reseller financing	5.b				348,268	283,690	177,484
Related parties	8.a	761,288	762,562	772,425	490	490	490
Deferred income and social contribution taxes	9.a	14,034	29,158	22,462	514,187	614,061	459,618
Recoverable taxes	7.a				747,180	234,700	146,753
Recoverable income and social contribution taxes	7.b	48,685	48,685	35,010	105,602	78,542	35,864
Escrow deposits	21.a		148	148	881,507	822,660	778,770
Indemnity asset business combination	21.c				194,719	202,352	
Other receivables					1,411	7,918	2,678
Prepaid expenses	10	30			399,095	346,886	222,518
Contractual assets with customers exclusive rights	11				1,034,004	1,046,147	989,768
Total long term assets		824,037	840,553	830,045	4,510,381	3,768,173	2,878,648
Investments							
In subsidiaries	12.a	9,509,480	9,263,442	8,107,673			
In joint-ventures	12.a; 12.b	20,118	54,739	45,409	101,954	122,061	116,142
In associates	12.c				24,338	25,341	22,731
Other					2,795	2,792	2,814
		9,529,598	9,318,181	8,153,082	129,087	150,194	141,687
Property, plant, and equipment, net	13				7,278,865	6,637,826	5,796,418
Intangible assets, net	14	246,163	246,163	246,163	2,369,355	2,238,042	1,891,636
Total non-current assets		10,599,798	10,404,897	9,229,290	14,287,688	12,794,235	10,708,389
Total assets		11,641,720	10,584,729	9,754,038	30,499,395	28,284,346	24,074,516

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

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Statements of Financial Position

as of December 31, 2018 and 2017

(In thousands of Brazilian Reais)

Liabilities	Note	Parent 12/31/2018	Parent 12/31/2017 Restated	Parent 1/1/2017 Restated	Consolidated 12/31/2018	Consolidated 12/31/2017 Restated	Consolidated 1/1/2017 Restated
Current liabilities							
Loans and hedging instruments	15				2,007,430	1,819,766	1,821,398
Debentures	15.g	34,504	817,654	32,479	263,718	1,681,199	651,591
Finance leases	15.i				2,849	2,710	2,615
Trade payables	16	272	461	330	2,551,607	2,155,498	1,709,563
Trade payables - agreement	16				180,070		
Salaries and related charges	17	228	244	204	428,192	388,118	362,718
Taxes payable	18	11,563	343	726	268,005	221,529	168,386
Dividends payable	25.h	282,334	335,930	316,848	284,024	338,845	320,883
Income and social contribution taxes payable		9,238			55,477	86,836	139,981
Post-employment benefits	19.b				45,655	30,059	24,940
Provision for asset retirement obligation	20				4,382	4,799	4,563
Provision for tax, civil, and labor risks	21.a				77,822	64,550	52,694
Trade payables customers and	22				3,501	72,216	99,863

third parties indemnification							
Other payables		3,975	7,439	2,359	137,494	125,150	102,714
Deferred revenue	23				26,572	18,413	22,300
Total current liabilities		342,114	1,162,071	352,946	6,336,798	7,009,688	5,484,299
Non-current liabilities							
Loans and hedging instruments	15				6,487,400	6,113,545	6,800,135
Debentures	15.g	1,722,450		799,904	6,401,535	3,927,569	2,095,290
Finance leases	15.i				43,217	45,805	46,101
Related parties	8.a	5,158	4,003	679	4,071	4,185	4,272
Deferred income and social contribution taxes	9.a				9,297	83,642	7,645
Post-employment benefits	19.b				204,160	207,464	119,811
Provision for asset retirement obligation	20				50,285	59,975	73,001
Provision for tax, civil, and labor risks	21.a; 21.c	798	982	1,884	865,249	861,246	727,088
Deferred revenue	23				11,850	12,896	12,510
Subscription warrants indemnification	24	123,095	171,459	153,429	123,095	171,459	153,429
Other payables					162,409	162,834	74,884
Total non-current liabilities		1,851,501	176,444	955,896	14,362,568	11,650,620	10,114,166
Equity							
Share capital	25.a; 25.f	5,171,752	5,171,752	3,838,686	5,171,752	5,171,752	3,838,686
Equity instrument granted	25.b	4,309	536		4,309	536	
Capital reserve	25.d	542,400	549,778	552,038	542,400	549,778	552,038
Treasury shares	25.c	(485,383)	(482,260)	(483,879)	(485,383)	(482,260)	(483,879)
Revaluation reserve on subsidiaries	25.e	4,712	4,930	5,339	4,712	4,930	5,339
Profit reserves	25.f	4,099,092	3,629,851	4,383,965	4,099,092	3,629,851	4,383,965
Valuation adjustments	25.g	(63,989)	154,824	(23,987)	(63,989)	154,824	(23,987)
Cumulative translation adjustments	25.g	65,857	53,061	7,519	65,857	53,061	7,519

Additional dividends to the minimum mandatory dividends	25.h	109,355	163,742	165,515	109,355	163,742	165,515
Equity attributable to:							
Shareholders of the Company		9,448,105	9,246,214	8,445,196	9,448,105	9,246,214	8,445,196
Non-controlling interests in subsidiaries					351,924	377,824	30,855
Total equity		9,448,105	9,246,214	8,445,196	9,800,029	9,624,038	8,476,051
Total liabilities and equity		11,641,720	10,584,729	9,754,038	30,499,395	28,284,346	24,074,516

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

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Statements of Profit or Loss

For the years ended December 31, 2018 and 2017

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

		Parent		Consolidated	
	Note	2018	2017 Restated	2018	2017 Restated
Net revenue from sales and services	26			90,697,983	79,230,014
Cost of products and services sold	27			(84,537,368)	(72,431,473)
Gross profit				6,160,615	6,798,541
Operating income (expenses)					
Selling and marketing	27			(2,670,867)	(2,486,389)
General and administrative	27			(1,625,839)	(1,576,528)
Loss on disposal of property, plant and equipment and intangibles	28			(22,088)	(2,242)
Other operating income, net	29	(313)	1	57,533	59,360
Operating income before financial income (expenses) and share of profit of subsidiaries, joint ventures and associates		(313)	1	1,899,354	2,792,742
Share of profit of subsidiaries, joint ventures and associates	12	1,174,985	1,536,388	(14,779)	20,673
Income before financial result, income and social contribution taxes		1,174,672	1,536,389	1,884,575	2,813,415
Financial income	30	146,137	95,218	681,235	585,101
Financial expenses	30	(119,900)	(107,701)	(794,771)	(1,059,397)
Financial result, net		26,237	(12,483)	(113,536)	(474,296)
Income before income and social contribution taxes		1,200,909	1,523,906	1,771,039	2,339,119

Income and social contribution taxes					
Current	9.b; 9c	(35,363)	(4,098)	(476,302)	(922,458)
Deferred	9.b	(15,125)	6,697	(162,417)	109,204
		(50,488)	2,599	(638,719)	(813,254)
Net income for the year		1,150,421	1,526,505	1,132,320	1,525,865
Net income for the year attributable to:					
Shareholders of the Company		1,150,421	1,526,505	1,150,421	1,526,505
Non-controlling interests in subsidiaries				(18,101)	(640)
Earnings per share (based on weighted average number of shares outstanding) R$					
Basic	31	2.1223	2.8169	2.1223	2.8169
Diluted	31	2.1083	2.7968	2.1083	2.7968

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

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Statements of Other Comprehensive Income

For the years ended December 31, 2018 and 2017

(In thousands of Brazilian Reais)

	Note	Parent 2018	Parent 2017 Restated	Consolidated 2018	Consolidated 2017 Restated
Net income for the year attributable to shareholders of the Company		1,150,421	1,526,505	1,150,421	1,526,505
Net income for the year attributable to non-controlling interests in subsidiaries				(18,101)	(640)
Net income for the year		1,150,421	1,526,505	1,132,320	1,525,865
Items that are subsequently reclassified to profit or loss:					
Fair value adjustments of financial instruments of subsidiaries, net	25.g	(213,916)	(4,016)	(213,937)	(4,016)
Fair value adjustments of financial instruments of joint ventures, net	25.g	(2,329)	3,535	(2,329)	3,535
Cumulative translation adjustments, net of hedge of net investments in foreign operations and income and social contribution taxes	25.g	12,796	45,542	12,796	45,542
Items that are not subsequently reclassified to profit or loss:					
Actuarial losses of post-employment benefits of subsidiaries, net	25.g	(1,193)	(18,621)	(5,282)	(23,856)
Actuarial gains of post-employment benefits of joint ventures, net	25.g	(1,375)	544	(1,375)	544
Total comprehensive income for the year		944,404	1,553,489	922,193	1,547,614
Total comprehensive income for the year attributable to shareholders of the Company		944,404	1,553,489	944,404	1,553,489

Total comprehensive income for the year attributable to non-controlling interest in subsidiaries	(22,211)	(5,875)

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

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(In thousands of Brazilian Reais)

					Profit reserve						
Share capital	**Equity instrument granted**	**Capital reserve**	**Treasury shares**	**Revaluation reserve on subsidiaries**	**Legal reserve**	**Investments statutory reserve**	**Valuation adjustments**	**Cumulative translation adjustments**	**Retained earnings**	**Additional dividends to the minimum mandatory dividends**	**Shareho of th Comp**
5,171,752	**536**	**549,778**	**(482,260)**	**4,930**	**629,144**	**3,000,707**	**154,824**	**53,061**		**163,742**	**9,246**
									1,150,421		1,150
							(216,245)				(216
							(2,568)				(2
								12,796			12

							(218,813)	12,796	1,150,421		944
	3,773										3
		(7,378)	(3,123)								(10
				(218)					218		
									(3)		
									3,170		3
						3,385			(3,385)		
										(163,742)	(163
					57,521				(57,521)		
									(304,241)		(304
									(380,324)	109,355	(270
						408,335			(408,335)		
5,171,752	**4,309**	**542,400**	**(485,383)**	**4,712**	**686,665**	**3,412,427**	**(63,989)**	**65,857**		**109,355**	**9,448**

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

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(In thousands of Brazilian Reais)

					Profit reserve							
re tal	**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 dividends**	**Sh**
,686		**552,038**	**(483,879)**	**5,339**	**550,428**	**2,582,898**	**1,333,066**	**(23,987)**	**7,519**		**165,515**	
						(82,427)						
,686		**552,038**	**(483,879)**	**5,339**	**550,428**	**2,500,471**	**1,333,066**	**(23,987)**	**7,519**		**165,515**	
										1,526,505		
								(481)				
								(18,077)				

								45,542		
							(18,558)	45,542	1,526,505	
	536									
,066						(1,333,066)				
		(2,260)	1,619							
				(409)					409	
									(96)	
									3,029	
					3,342				(3,342)	
										(165,515)
							197,369			

					78,716					(78,716)	
										(461,868)	
										(489,027)	163,742
						496,894				(496,894)	
,752	**536**	**549,778**	**(482,260)**	**4,930**	**629,144**	**3,000,707**		**154,824**	**53,061**		**163,742**

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

12

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Statements of Cash Flows Indirect Method

For the years ended December 31, 2018 and 2017

(In thousands of Brazilian Reais)

	Note	Parent 2018	Parent 2017 Restated	Consolidated 2018	Consolidated 2017 Restated
Cash flows from operating activities					
Net income for the year		1,150,421	1,526,505	1,132,320	1,525,865
Adjustments to reconcile net income to cash provided by operating activities					
Share of loss (profit) of subsidiaries, joint ventures and associates	12	(1,174,985)	(1,536,388)	14,779	(20,673)
Amortization of contractual assets with customers exclusive rights	11			371,825	463,049
Depreciation and amortization	13;14			812,489	704,544
PIS and COFINS credits on depreciation	13;14			15,721	13,134
Interest, monetary, and foreign exchange rate variations		1,776	103,106	1,026,515	854,671
Deferred income and social contribution taxes	9.b	15,125	(6,697)	162,417	(109,204)
(Gain) loss on disposal of property, plant and equipment and intangibles	28			22,088	2,242
Estimated losses on doubtful accounts				69,250	132,756
Provision for losses in inventories				(1,498)	(802)
Provision for post-employment benefits				4,854	13,968
Other provisions and adjustments		(6)		(135)	1,539
		(7,669)	86,526	3,630,625	3,581,089
(Increase) decrease in current assets					
Trade receivables and reseller financing	5			(355,854)	(725,240)
Inventories	6			168,704	(606,484)
Recoverable taxes	7	(6,635)	4,550	(11,467)	(334,217)
Dividends received from subsidiaries and joint-ventures		528,778	922,301	42,436	29,411
Insurance and other receivables		877	1,480	(14,536)	358,682
Prepaid expenses	10	(365)	(1,499)	(37,525)	(23,016)

Increase (decrease) in current liabilities					
Trade payables	16	(190)	131	576,164	412,393
Salaries and related charges	17	(16)	40	40,074	7,149
Taxes payable	18	11,220	(383)	46,476	33,054
Income and social contribution taxes		9,238		166,527	783,663
Post-employment benefits	19.b			15,596	5,119
Provision for tax, civil, and labor risks	21.a			13,272	11,857
Insurance and other payables		(3,466)	(2,360)	(59,237)	(49,387)
Deferred revenue	23			8,159	(3,887)
(Increase) decrease in non-current assets					
Trade receivables and reseller financing	5			(99,622)	(102,905)
Recoverable taxes	7		(13,675)	(539,539)	(130,200)
Escrow deposits		148		(58,757)	(39,795)
Other receivables				6,350	(4,356)
Prepaid expenses	10	(30)		(58,735)	(116,735)
Increase (decrease) in non-current liabilities					
Post-employment benefits	19.b			(8,457)	(759)
Provision for tax, civil, and labor risks	21.a; 21.c	(184)	(902)	11,811	(68,193)
Other payables		(2,818)		(4,397)	87,950
Deferred revenue	23			(1,046)	385
Payments of contractual assets with customers exclusive rights	11			(390,177)	(529,732)
Income and social contribution taxes paid				(197,886)	(836,808)
Net cash provided by operating activities		528,888	996,209	2,888,959	1,739,038

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

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Statements of Cash Flows Indirect Method

For the years ended December 31, 2018 and 2017

(In thousands of Brazilian Reais)

		Parent		Consolidated	
	Note	2018	2017 Restated	2018	2017 Restated
Cash flows from investing activities					
Financial investments, net of redemptions		(544,273)	(20,605)	(1,669,937)	60,859
Cash and cash equivalents of subsidiary acquired	3.c; 3.d			3,662	59,863
Acquisition of property, plant, and equipment	13			(1,178,312)	(1,302,187)
Acquisition of intangible assets	14			(237,593)	(221,960)
Acquisition of companies	3.d			(103,373)	
Capital increase in joint ventures	12.b			(31,908)	(16,000)
Capital reduction in associates	12.c			1,250	
Proceeds from disposal of property, plant and equipment and intangibles	28			38,578	47,670
Net cash used in investing activities		(544,273)	(20,605)	(3,177,633)	(1,371,755)
Cash flows from financing activities					
Loans, debentures, and finance leases					
Proceeds	15	1,721,596		4,461,112	4,510,694
Repayments	15	(800,336)		(3,710,718)	(2,462,200)
Interest paid	15	(86,806)	(99,803)	(737,564)	(769,740)
Payments of financial lease	15.i			(5,120)	(5,191)
Dividends paid		(789,378)	(930,557)	(808,603)	(940,250)
Acquisition of treasury shares	23.c	(6,526)			
Sale of treasury shares	25.c		6,799		
Related parties	8.a	55,976	13,187	(114)	7,036
		94,526	(1,010,374)	(801,007)	340,349

Net cash provided by (used in) financing activities					
Effect of exchange rate changes on cash and cash equivalents in foreign currency				26,628	20,214
Increase (decrease) in cash and cash equivalents		79,141	(34,770)	(1,063,053)	727,846
Cash and cash equivalents at the beginning of the year	4	93,174	127,944	5,002,004	4,274,158
Cash and cash equivalents at the end of the year	4	172,315	93,174	3,938,951	5,002,004

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

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Statements of Value Added

For the years ended December 31, 2018 and 2017

(In thousands of Brazilian Reais, except percentages)

		Parent				Consolidated			
	Note	**2018**	**%**	**2017 Restated**	**%**	**2018**	**%**	**2017 Restated**	**%**
Revenue									
Gross revenue from sales and services, except rents and royalties	26					95,297,114		82,720,797	
Rebates, discounts, and returns	26					(1,342,799)		(927,557)	
Estimated losses on doubtful accounts allowance						(69,250)		(138,086)	
Amortization of contractual assets with customers exclusive rights	11					(371,825)		(463,049)	
Loss on disposal of property, plant and equipment and intangibles and other operating income, net	28;29					35,445		57,118	
						93,548,685		81,249,223	
Materials purchased from third parties									
Raw materials used						(6,173,615)		(5,333,301)	
Cost of goods, products, and services sold						(78,330,739)		(66,434,670)	
Third-party materials, energy, services, and others		7,306		8,142		(2,351,100)		(2,293,904)	
						(23,141)		(27,090)	

Provisions for losses of assets									
		7,306		8,142		(86,878,595)		(74,088,965)	
Gross value added		7,306		8,142		6,670,090		7,160,258	
Deductions									
Depreciation and amortization	13;14					(812,489)		(704,544)	
PIS and COFINS credits on depreciation	13;14					(15,721)		(13,134)	
						(828,210)		(717,678)	
Net value added by the Company		7,306		8,142		5,841,880		6,442,580	
Value added received in transfer									
Share of profit (loss) of subsidiaries, joint-ventures, and associates	12	1,174,985		1,536,388		(14,779)		20,673	
Rents and royalties	26					143,090		137,026	
Financial income	30	146,137		95,218		681,235		585,101	
		1,321,122		1,631,606		809,546		742,800	
Total value added available for distribution		1,328,428		1,639,748		6,651,426		7,185,380	
Distribution of value added									
Labor and benefits		6,218		6,921		2,187,994	33	1,924,541	27
Taxes, fees, and contributions		66,114	5	136		2,312,328	35	2,476,497	34
Financial expenses and rents		105,675	8	106,186	6	1,018,784	15	1,258,477	18
Dividends distributed		684,565	52	950,895	59	688,254	10	959,625	13
Retained earnings		465,856	35	575,610	35	444,066	7	566,240	8
Value added distributed		1,328,428	100	1,639,748	100	6,651,426	100	7,185,380	100

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

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and 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, listed on B3 S.A. Brasil, Bolsa, Balcão (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 .

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 (Extrafarma). For further information about segments, see Note 32.

2. Presentation of Financial Statements and Summary of Significant Accounting Policies

The Company s parent and consolidated financial statements (financial statements) were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the accounting policies adopted in Brazil.

The accounting policies adopted in Brazil include those in the Brazilian corporate law and in the Pronouncements, Orientations and Interpretations issued by the Accounting Pronouncements Committee (CPC) and approved by the Brazilian Federal Accounting Council (CFC) and the Brazilian Securities and Exchange Commission (CVM).

All relevant specific information of the financial statements, and only this information, were presented and correspond to that used by the Company s and its subsidiaries Management.

The presentation currency of the Company s 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 financial statements.

a. Recognition of Income

Revenue of sales and services rendered is measured at the value of the consideration that the Company s subsidiaries expect to be entitled to, net of sales returns, discounts, amortization of contractual assets with customers and other deductions, if applicable, being recognized as the entity fulfills its performance obligation. At Ipiranga, the revenue from sales of fuels and lubricants is recognized when the products are delivered to gas stations and to large consumers. At Ultragaz, 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. At Extrafarma, the 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. At Oxiteno, the revenue from sales of chemical products is recognized when the products are delivered to industrial customers, depending of the freight mode of delivery. At Ultracargo, the revenue provided from storage services is recognized as services are performed. The breakdowns of revenues from sales and services are shown in Notes 26 and 32.

Amortization of contractual assets with customers for the exclusive rights in Ipiranga s reseller service stations and the bonuses paid in performance obligation sales are recognized in the income statement as a deduction of the sales revenue according to the conditions established in the agreements which is reviewed as per the changes occurred in the agreements (see Notes 2.f and 11).

The am/pm 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. For more information, see Note 23.a.

Deferred revenue from loyalty program is recognized in the income statement when the points are redeemed, on which occasion the costs incurred are also recognized in profit or loss. Deferred revenue of unredeemed points is also recognized in profit or loss when points expire. For more information, see Note 23.b.

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

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.

Research and development expenses are recognized in the statements of profit or loss and amounted to R$ 63,085 in 2018 (R$ 55,836 in 2017).

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.a for further details on cash and cash equivalents of the Company and its subsidiaries.

c. Financial Assets

The Company and its subsidiaries evaluated the classification and measurement of financial assets based on its business model of financial assets as follows:

Amortized cost: financial assets held in order to collect contractual cash flows, solely principal and interest. 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. Financial investments in guarantee of loans are classified as amortized cost.

Measured at fair value through other comprehensive income: financial assets that are acquired or originated for the purpose of collecting contractual cash flows or selling financial assets. 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 initial amount of financial investments plus the interest earned are recognized in equity in other comprehensive income in the Valuation adjustments . Accumulated gains and losses recognized in equity are reclassified to profit or loss at the time of their settlement. Substantially the financial investments in Bank Certificates of Deposit (CDB) and repurchase agreements are classified as measured at fair value through other comprehensive income.

Measured at fair value through profit or loss: financial assets that were not classified as amortized cost or measured at fair value through other comprehensive income. The balances are stated at fair value and both the interest earned and the exchange variations and changes in fair value are recognized in the income statement. Investment funds and derivatives are classified as measured at fair value through profit or loss.

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 statements of profit or loss. 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 hedging relationship is canceled; (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 equity in other comprehensive income 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 equity in other comprehensive income shall be recognized immediately in profit or loss.

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

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 when the disposal of the foreign subsidiary occurs.

For further detail on financial instruments of the Company and its subsidiaries, see Note 33.

d. Trade Receivables

Trade receivables are recognized at the amount invoiced of the counterparty that the Company subsidiaries are entitled. The estimated losses take into account, at the initial recognition of the contract, the expected losses for the next 12 months and for the lifetime of the contract when the deterioration or improvement of the customers credit quality (see Notes 5 and 33.d.3), considering the customers characteristics in each business segment. The amount of the allowance for estimated losses on doubtful accounts is deemed by management to be sufficient to cover any probable loss on realization of trade receivables.

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. Contractual assets with customers exclusive rights

Exclusive rights disbursements as provided in Ipiranga s agreements with reseller service stations and major consumers are recognized as contractual assets when paid and amortized according to the conditions established in the agreements (see Note 2.a and 11).

g. Investments

Investments in subsidiaries are accounted for under the equity method of accounting in the financial statements of the parent company (see Notes 3.b and 12.a). 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%.

Investments in associates and joint ventures are accounted for under the equity method of accounting in the financial statements (see Note 12 items b and c). 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.

h. 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 qualifying maintenance costs resulting from scheduled plant outages and estimated costs to remove, to decommission, or to restore assets (see Notes 2.n and 20), less accumulated depreciation and, when applicable, less provision for losses (see Note 13).

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

Depreciation is calculated using the straight-line method, over the periods mentioned in Note 13, taking into account the estimated 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.

i. 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 13 and 14. 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 Notes 2.l and 15.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 34.c).

j. Intangible Assets

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

Goodwill 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 for impairment testing purposes (see Note 14.a).

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 14, taking into account their useful lives, which are 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 14 items a and e).

k. 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.

l. 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 indemnification, 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.

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

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 15.j).

m. 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. For the calculation of current IRPJ and CSLL, the value of tax incentives is also considered. 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 IRPJ and 9% for CSLL. 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, IRPJ and CSLL, in the same taxable entity and the same taxation authority.

n. Provision for Asset Retirement Obligation Fuel Tanks

The subsidiary Ipiranga has the legal obligation to remove the 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 accrue interest using the National Consumer Price Index (IPCA) until the respective tank is removed (see Note 20). 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 statements of profit or loss when they become known.

o. 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 21).

p. 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 19.b). The actuarial gains and losses are recognized in equity in cumulative other comprehensive income in the Valuation adjustments .

q. Other Liabilities

Other liabilities are stated at known or measurable amounts plus, if applicable, related charges, 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.

r. 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 financial statements. The effect of the difference between those exchange rates is recognized in profit or loss until the conclusion of each transaction.

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

s. Basis for Translation of Financial Statements of Foreign Subsidiaries

s.1. Subsidiaries with administrative autonomy

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 date of the financial statements. Revenues and expenses are translated using the average exchange rate of each year and equity is translated at the historical exchange rate of each transaction affecting equity. Gains and losses resulting from changes in these foreign investments are directly recognized in 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 on December 31, 2018 was a gain of R$ 65,857 (gain of R$ 53,061 on December 31, 2017) see Note 25.g.2.

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 S.A. 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 Soberano	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 (CPC 42), 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 August 20, 2018, the Venezuelan Central Bank put into effect the currency conversion (elimination of five zeros of the currency) and the Bolivar Soberano (VES). This implies a change in the monetary scale to simplify commercial transactions and accounting records, being the Bolivar Soberano traded as of December 31, 2018 at the variable exchange rate of 636.58 VES/US$ for sale and 638.18 VES/US$ for purchase.

Due to the economic and political situation in Venezuela and the uncertainty of its assets realization by Oxiteno S.A. Indústria e Comércio (Oxiteno S.A.), the Company s management recognized an impairment loss for subsidiary Oxiteno Andina in the amount of R$ 5,565, as shown below:

Current assets	
Cash and cash equivalents	1,703
Trade receivables	290
Inventories	985
Other receivables	160
	3,138
Non-current assets	
Property, plant, and equipment, net	2,427
Total of impairment loss	5,565

s.2. Subsidiaries without self-administrative autonomy

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 date of the financial statements. Gains and losses resulting from changes in these foreign investments are directly recognized as financial income or loss. The gain recognized in income in 2018 amounted to R$ 4,090 (R$ 7,368 gain in 2017).

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

t. Use of Estimates, Assumptions and Judgments

The preparation of the financial statements requires the use of estimates, assumptions, and judgments for the accounting and disclosure of certain assets, liabilities, and income. Therefore, the Company and subsidiaries management use the best information available at the date of preparation of the financial statements, as well as the experience of past and current events, also considering assumptions regarding future events. The estimates and assumptions are reviewed periodically.

t.1 Judgments

Information on the judgments is included: in the determination of control in subsidiaries (Notes 2.g, 2.s.1, 3 and 12.a), the determination of joint control in joint venture (Notes 2.g, 12.a and 12.b) and the determination of significant influence in associates (Notes 2.g and 12.c).

t.2 Uncertainties related to the assumptions and estimates

The information regarding uncertainties related to the assumptions and estimates are included: in determining the fair value of financial instruments (Notes 2.c, 2.l, 4, 15 and 33), the determination of the estimated losses on doubtful accounts (Notes 2.d, 5 and 33.d.3), the determination of provisions for losses of inventories (Notes 2.e and 6), the determination of deferred IRPJ and CSLL amounts (Notes 2.m and 9.a), , the determination of exchange rate used to translation of Oxiteno Andina information (Note 2.s.1.ii), the useful lives of property, plant, and equipment (Notes 2.h and 13), the useful lives of intangible assets, and the determination of the recoverable amount of goodwill (Notes 2.j and 14.a), provisions for assets retirement obligations (Notes 2.n and 20), provisions for tax, civil, and labor risks (Notes 2.o and 21), estimates for the preparation of actuarial reports (Notes 2.p and 19.b) and the determination of fair value of subscription warrants indemnification (Notes 24 and 33.j). The actual result of the transactions and information may differ from their estimates.

u. Impairment of Assets

The Company and its subsidiaries review, in every report period, the existence of any indication that an asset may be impaired and annually test intangible assets with undefined 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 inflow 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 projections of future cash flows, trends, and outlooks, as well as the effects of obsolescence, demand, competition, and other economic factors were considered. 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.

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

As of December 31, 2018, the Company recognized an impairment loss for subsidiary Oxiteno Andina (see Note 2.s.1.ii).

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 acquiree 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.

w. Statements of Value Added

As required by Brazilian Corporate Law, the Company and its subsidiaries prepare the parent and consolidated statements of value added (DVA) according to CPC 09 Statement of Value Added, as an integral part of the financial statements as applicable to publicly-traded companies, and as supplemental information for the IFRS, which does not require the presentation of DVA.

x. Statements of Cash Flows Indirect Method

The Company and its subsidiaries prepared its parent and consolidated statements of cash flows in accordance with IAS 7 (CPC 03) 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 income and redemptions in the investment activities.

y. Adoption of the Pronouncements Issued by CPC and IASB

The following standards, amendments, and interpretations to IFRS were issued by the IASB, which are effective as of January 1, 2018:

	Equivalent CPC
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.	48
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.	47
Financial Reporting in hyperinflationary economies IAS 29 and the applying the restatement approach under IAS 29 IFRIC 7.	42 and ICPC 23

The Company and its subsidiaries disclose below the information of the impacts of the adoption of IFRS 9 (CPC 48) and 15 (CPC 47) and reclassifications to the better presentation of the financial statements.

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

(1) IFRS 9 adoption (CPC 48) 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, concluded that the target is achieved, receiving contractual cash flows and selling financial assets (hold for collect and sell). Accordingly, most part of the financial investments are classified as measured at fair value through other comprehensive income. Funds that are classified as measured at fair value through profit or loss and financial investments given as collateral for loans that are stated at amortized cost (see Note 2.c).

	2017				
	Classification as previously reported according to IAS 39 / CPC 38		New classification according to IFRS 9 / CPC 48		
	Category	Carrying value	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income	Measured at amortized cost
Financial assets:					
Cash and cash equivalents					
Cash and bank deposits	Loans and receivables	147,926			147,926
Financial investments in local currency	Measured at fair value through profit or loss	4,821,605		4,821,605	
Financial investments in foreign currency	Measured at fair value through profit or loss	32,473	32,473		
Financial investments:					
Fixed-income securities and funds in local currency	Available for sale	68,742		2,720	66,022
Fixed-income securities and funds in local currency	Measured at fair value through profit or loss	1,076,849	1,076,849		
	Held to maturity	7,449			7,449

Fixed-income securities and funds in local currency					
Fixed-income securities and funds in foreign currency	Available for sale	129,131		129,131	
Currency and interest rate hedging instruments	Measured at fair value through profit or loss	85,753	85,753		
Total		6,369,928	1,195,075	4,953,456	221,397

b) Estimated losses on doubtful accounts

The Company and its subsidiaries assessed the estimated credit losses on doubtful accounts on trade receivables, taking into account, at the initial recognition of the contract, the expected losses for the next 12 months and for the lifetime of the contract when the deterioration or improvement of customers credit quality (see Note 2.d).

c) Derivative financial instruments

The Company and its subsidiaries have not identified impacts arising from this change keeping the permanence of the application of IAS 39.

(2) IFRS 15 adoption (CPC 47) 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 (see Note 2.a).

In relation to the presentation in the income statement, the Company and its subsidiaries evaluated that certain expenses, allocated as selling and marketing until December 31, 2017, should be better presented as a reduction of revenue, substantially in relation to the amortization expenses of exclusive contracts to operate Ipiranga service station.

The Company and its subsidiaries adopted retrospectively the impacts of the IFRS 9 and 15.

24

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

(3) Reclassifications

The following reclassifications were made to the better presentation of the financial statements: i) in the statements of financial position the reclassification between property, plant, and equipment and intangible assets related to the participation of subsidiary Cia. Ultragaz in the acquisition of GLP tanks and bottles for its resellers was made; and ii) in the statements of profit or loss the segregation of sales and purchase taxes between the sales revenue and the cost of products were made.

(4) Retrospective effect of the fair value related to CBLSA acquisition

As required by the item 45 of CPC 15/IFRS 3, the Company is presenting the retrospective effects of the fair value of assets in the statements of financial position as of December 31, 2017, related to the conclusion of the purchase price allocation from the association with Chevron Brasil Lubrificantes S.A. (CBLSA) -see Note 3.c.

The tables below summarize the effects of the IFRS 9 (CPC 48) and 15 (CPC 47) adoption, reclassifications, on consolidated statements of financial position, statements of profit or loss and statements of cash flow:

Statements of Financial Position as of January 1, 2017

Assets	**As previously reported 12/31/2016**	**IFRS 9 adoption (1)**	**IFRS 15 adoption (2)**	**Reclassifications (3)**	**After adoption IFRS 9 and 15**
Current assets					
Trade receivables and reseller financing	3,502,322	(84,713)	(29,442)		3,388,167
Inventories	2,761,207		20,170		2,781,377
Contractual assets with customers exclusive rights			448,316		448,316
Other current assets	6,748,267				6,748,267
Total current assets	13,011,796	(84,713)	439,044		13,366,127

Non-current assets					
Contractual assets with customers exclusive rights			989,768		989,768
Deferred income and social contribution taxes	417,344	28,802	13,472		459,618
Other non-current assets	1,429,262				1,429,262
Total long term assets	1,846,606	28,802	1,003,240		2,878,648
Investments	141,687				141,687
Property, plant, and equipment	5,787,982			8,436	5,796,418
Intangible assets	3,371,599		(1,471,527)	(8,436)	1,891,636
Total non-current assets	11,147,874	28,802	(468,287)		10,708,389
Total assets	24,159,670	(55,911)	(29,243)		24,074,516

25

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

Statements of Financial Position as of January 1, 2017

Liabilities	**As previously reported 12/31/2016**	**IFRS 9 adoption (1)**	**IFRS 15 adoption (2)**	**Reclassifications (3)**	**After adoption IFRS 9 and 15**
Current liabilities					
Taxes payable	171,033		(2,647)		168,386
Other current liabilities	5,315,913				5,315,913
Total current liabilities	5,486,946		(2,647)		5,484,299
Non-current liabilities					
Total non-current liabilities	10,114,166				10,114,166
Equity					
Profit reserves	4,466,392	(55,831)	(26,596)		4,383,965
Other equity items	4,061,231				4,061,231
Equity attributable to:					
Shareholders of the Company	8,527,623	(55,831)	(26,596)		8,445,196
Non-controlling interests in subsidiaries	30,935	(80)			30,855
Total equity	8,558,558	(55,911)	(26,596)		8,476,051
Total liabilities and equity	24,159,670	(55,911)	(29,243)		24,074,516

Statements of Financial Position as of December 31, 2017

Assets	**As previously**	**IFRS 9 adoption (1)**	**IFRS 15 adoption (2)**	**Reclassifications (3)**	**Fair value**	**After adoption IFRS**

	reported				CBLSA (4)	9 and 15
Current assets						
Trade receivables and reseller financing	4,337,118	(157,198)	(32,026)			4,147,894
Inventories	3,491,879		21,698		133	3,513,710
Contractual assets with customers exclusive rights			456,213			456,213
Other current assets	7,372,294					7,372,294
Total current assets	15,201,291	(157,198)	(445,885)		133	15,490,111
Non-current assets						
Contractual assets with customers exclusive rights			1,046,147			1,046,147
Deferred income and social contribution taxes	545,611	53,447	15,003			614,061
Other non-current assets	2,107,965					2,107,965
Total long term assets	2,653,576	53,447	1,061,150			3,768,173
Investments	150,194					150,194
Property, plant, and equipment	6,607,788			26,740	3,298	6,637,826
Intangible assets	3,727,473		(1,538,095)	(26,740)	75,404	2,238,042
Total non-current assets	13,139,031	53,447	(476,945)		78,702	12,794,235
Total assets	28,340,322	(103,751)	(31,060)		78,835	28,284,346

26

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

Statements of Financial Position as of December 31, 2017

Liabilities	**As previously reported**	**IFRS 9 adoption(1)**	**IFRS 15 adoption(2)**	**Reclassifications(3)**	**Fair value CBLSA(4)**	**After adoption IFRS 9 and 15**
Current liabilities						
Taxes payable	225,829		(4,300)			221,529
Other current liabilities	6,788,159					6,788,159
Total current liabilities	7,013,988		(4,300)			7,009,688
Non-current liabilities						
Deferred income and social contribution taxes	38,524				45,118	83,642
Other non-current assets	11,566,978					11,566,978
Total non-current liabilities	11,605,502				45,118	11,650,620
Equity						
Profit reserves	3,760,079	(103,468)	(26,760)			3,629,851
Valuation adjustments	159,643				(4,819)	154,824
Other equity items	5,461,539					5,461,539
Equity attributable to:						
Shareholders of the Company	9,381,261	(103,468)	(26,760)		(4,819)	9,246,214
Non-controlling interests in subsidiaries	339,571	(283)			38,536	377,824
Total equity	9,720,832	(103,751)	(26,760)		33,717	9,624,038
Total liabilities and equity	28,340,322	(103,751)	(31,060)		78,835	28,284,346

Statements of Profit or Loss for the year ended December 31, 2017

	As previously reported	IFRS 9 adoption(1)	IFRS 15 adoption(2)	Reclassifications(3)	After adoption IFRS 9 and 15
Net revenue from sales and services	80,007,422		(474,628)	(302,780)	79,230,014
Cost of products and services sold	(72,735,781)		1,528	302,780	(72,431,473)
Gross profit	7,271,641		(473,100)		6,798,541
Operating income (expenses)					
Selling and marketing	(2,885,311)	(72,485)	471,407		(2,486,389)
Other operating income (expenses) items	(1,519,410)				(1,519,410)
Operating income before financial income (expenses) and share of profit of joint ventures and associates	2,866,920	(72,485)	(1,693)		2,792,742
Financial result, net	(474,296)				(474,296)
Share of profit of joint ventures and associates	20,673				20,673
Income before income and social contribution taxes	2,413,297	(72,485)	(1,693)		2,339,119
Income and social contribution taxes					
Current	(922,458)				(922,458)
Deferred	83,029	25,599	576		109,204
	(839,429)	25,599	576		(813,254)
Net income for the year	1,573,868	(46,886)	(1,117)		1,525,865
Net income for the year attributable to:					
Shareholders of the Company	1,574,306	(46,825)	(976)		1,526,505
Non-controlling interests in subsidiaries	(438)	(61)	(141)		(640)
Earnings per share (based on weighted average number of shares outstanding) R$					
Basic	2.9056				2.8169
Diluted	2.8847				2.7968

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

Statements of Cash Flows for the year ended December 31, 2017

	As previously reported	IFRS 9 adoption (1)	IFRS 15 adoption (2)	Reclassifications (3)	After adoption IFRS 9 and 15
Cash flows from operating activities					
Net income for the year	1,573,868	(46,886)	(1,117)		1,525,865
Adjustments to reconcile net income to cash provided by operating activities					
Share of loss (profit) of joint ventures and associates	(20,673)				(20,673)
Amortization of contractual assets with customers exclusive rights			463,049		463,049
Depreciation and amortization	1,175,951		(471,407)		704,544
PIS and COFINS credits on depreciation	13,134				13,134
Asset retirement obligation	(15,432)			15,432	
Interest, monetary, and foreign exchange rate variations	854,671				854,671
Deferred income and social contribution taxes	(83,029)	(25,599)	(576)		(109,204)
(Gain) loss on disposal of property, plant and equipment and intangibles	2,242				2,242
Estimated credit losses on doubtful accounts				132,756	132,756
Provision for losses in inventories				(802)	(802)
Provision for post-employment benefits				13,968	13,968
Other provisions and adjustments	(868)		2,407		1,539
	3,499,864	(72,485)	(7,644)	161,354	3,581,089
(Increase) decrease in current assets					
	(665,145)	72,485	(3,006)	(129,574)	(725,240)

Trade receivables and reseller financing				
Inventories	(605,757)		(727)	(606,484)
Other current asset items	30,860			30,860
Increase (decrease) in current liabilities				
Taxes payable	34,707		(1,653)	33,054
Insurance and other payables	(33,955)		(15,432)	(49,387)
Other current liabilities items	1,216,294			1,216,294
(Increase) decrease in non-current assets				
Other non-current asset items	(393,991)			(393,991)
Increase (decrease) in non-current liabilities				
Post-employment benefits	13,209		(13,968)	(759)
Other non-current liabilities items	20,142			20,142
Payments of contractual assets with customers exclusive rights		(529,732)		(529,732)
Income and social contribution taxes paid	(836,808)			(836,808)
Net cash provided by operating activities	2,279,420	(540,382)		1,739,038
Cash flows from investing activities				
Acquisition of property, plant, and equipment	(1,262,558)		(39,629)	(1,302,187)
Acquisition of intangible assets	(801,971)	540,382	39,629	(221,960)
Other investing activities items	152,392			152,392
Net cash used in investing activities	(1,912,137)	540,382		(1,371,755)
Net cash provided by financing activities	340,349			340,349
Effect of exchange rate changes on cash and cash equivalents in foreign currency	20,214			20,214
Increase in cash and cash equivalents	727,846			727,846
Cash and cash equivalents at the beginning of the year	4,274,158			4,274,158
Cash and cash equivalents at the end of the year	5,002,004			5,002,004

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

(5) CPC 42 Financial Reporting in hyperinflationary economies (equivalent to IAS 29) and ICPC 23 Applying the restatement approach under CPC 42 (equivalent to IFRIC 7)

On December 7, 2018, CPC 42 and ICPC 23 were approved by the CPC. The subsidiaries Oxiteno Andina and Oxiteno Argentina are included in this context, and the Company had already adopted the definition and general guidance of IAS 29, not having impact on the financial statements.

The following standards, amendments, and interpretations to IFRS were issued by the IASB are not effective as of December 31, 2018:

	Equivalent CPC	**Effective date**
(i) 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.	06 (R2)	2019
(ii) Uncertainty over income tax treatments IFRIC 23: clarifies how to apply the recognition and measurement requirements in IAS 12 (CPC 32) when there is uncertainty over income tax treatments. In such circumstance, an entity shall recognize and measure its current or deferred tax asset or liability applying the requirements in IAS 12 (CPC 32) based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, applying this interpretation.	ICPC 22	2019

(i) With the adoption of IFRS 16 (CPC 06 R2), as of the fiscal year beginning January 1, 2019, the leases contracted by the Company s subsidiaries will impact the financial statements as follows:

- recognition of right to use assets and lease liabilities in the balance sheet, initially measured at the present value of future lease payments;

- recognition of amortization expenses of right to use assets and interest expenses on the lease liabilities in the financial result in the income statements; and

- split of the total amount of cash paid in these operations between principal and interest paid in operating activities in the statements of cash flows.

The requirements for the accounting of lessors will remain unchanged. However, in sublease cases, the intermediate lessor is required to classify its sublease operations as financial or operating leases by reference to the right of use asset arising from the principal lease rather than by reference to the underlying asset as previously required by IAS 17 (CPC 06 R1).

The Company selected as transition method the modified retrospective approach, with the cumulative effect of initial application of this new pronouncement recorded as an adjustment to the opening balance of equity and without the restatement of comparative periods.

The new lease definitions have been applied to all identified contracts in effect on the transition date. IFRS 16/CPC 06 (R2) determines whether a contract contains a lease if a customer has the right to control the use of an identified asset for a period in return for consideration.

In the diagnosis of the adoption, the Company s management, with the assistance of specialized consulting, carried out the inventory of the contracts, evaluating whether or not each agreement contains a lease in accordance with IFRS 16/CPC 06 (R2). This analysis identified impacts mainly related to the lease of properties from third parties, port areas and lower amounts arising from other operations where the existence of leased assets individually or combined in service contracts was identified.

As provided in the standard, short-term leases with a term of 12 months or less, variable amounts, indefinite term and leases of low amount assets such as computers and office furniture, will maintain the recognition of their lease expenses on a straight-line basis in the statements of profit or loss.

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

In addition, the following practical records will be used to transition to new lease accounting requirements:

- application of the CPC 06 (R2) / IFRS 16 to all contracts initiated before January 1, 2019 that were identified as leases in accordance with CPC 06 (R1) / IAS 7 and ICPC 03 / IFRIC 4;
- use of discount rate according to the lease term and similar characteristics;
- contracts with a term of 12 months from the date of the initial adoption of the standard or with indefinite term will not be recorded;
- exclusion of the initial direct costs of the measurement of the opening balance from right of use asset; and
- options for extension of the term or termination were considered, when applicable.

The table below summarizes the range of estimated impacts on the adoption of the IFRS 16 (CPC 06 R2), as of January 1, 2019:

	From	To
Current assets		
Prepaid expenses	(38,939)	(38,939)
Non-current assets		
Prepaid expenses	(288,630)	(288,630)
Right of use assets	1,731,314	1,940,091
Intangible assets	(39,178)	(39,178)
Total assets	1,364,567	1,573,344
Current liabilities		

Lease contracts payable	184,136	219,399
Non-Current liabilities		
Lease contracts payable	1,180,431	1,353,945
Total liabilities	1,364,567	1,573,344

30

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

The analyzes associated with the measurement and accounting of the lease agreements are substantially completed, with the definition of the following topics pending for its conclusion:

discount rate;

payment flows estimates from the lease agreements to be estimated for the gross or net portion of taxes.
Therefore, considering the existence of significant components of judgment in this pronouncement, the administration understands that there may be changes in the amounts presented above.

(ii) In the evaluation of management, no significant impacts are expected as a result of the adoption of IFRIC 23/ICPC 22, since all the procedures adopted for the determination and collection of income taxes are supported by the legislation and precedents from Administrative and Judicial Courts.

z. Authorization for Issuance of the Financial Statements

These financial statements were authorized for issue by the Board of Directors on February 20, 2019.

3. Principles of Consolidation, Investments in Subsidiaries and Acquisition

a. Principles of Consolidation

In the preparation of the consolidated financial statements the 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 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.

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

b. Investments in Subsidiaries

The consolidated financial statements include the following direct and indirect subsidiaries:

			% interest in the share			
			12/31/2018		12/31/2017	
			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
Iconic Lubrificantes S.A. (see Note 3.c)	Brazil	Ipiranga		56		56
Ipiranga Lubrificantes S.A. (see Note 3.c)	Brazil	Ipiranga				100
Integra Frotas Ltda.	Brazil	Ipiranga		100		100
Companhia Ultragaz S.A.	Brazil	Ultragaz		99		99
Ultragaz Comercial Ltda.	Brazil	Ultragaz		100		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
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 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
TEAS Terminal Exportador de Álcool de Santos Ltda. (see Note 3.d)	Brazil	Ultracargo		100		
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.

32

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

c. Association 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 association agreement with Chevron Latin America Marketing LLC and Chevron Amazonas LLC (Chevron) to create a new company in the lubricants market. The association is formed by Ipiranga and Chevron s lubricants operations in Brazil. On February 2017, this transaction was approved without restrictions through an opinion issued by the General Superintendence (SG) of the Brazilian Antitrust Authority (CADE) and published in the Brazilian Federal Official Gazette. On December 1, 2017, the association was concluded, through the contribution of the subsidiary Ipiranga Lubrificantes S.A. (IpiLubs) to CBLSA and consequently IPP obtained direct control of CBLSA. IPP and Chevron hold 56% and 44%, respectively, of the CBLSA.

The Company measured the open balance, fair value of assets and liabilities, and, consequently, the goodwill of their transaction. The Company, supported by a third party company specialized in valuations, estimated the amount for the purchase price allocation and calculated the goodwill in the amount of R$ 69,807. The goodwill is based on the synergy between the lubricant operations of CBLSA and IpiLubs.

The amounts for the purchase price allocation were temporary on the date on which they were disclosed in the financial statements of December 31, 2017. In 2018, the Company calculated the definitive amounts and adjusted retrospectively to December 1, 2017 the purchase price allocation during the fourth quarter of 2018. The table below summarize the assets acquired and liabilities assumed as of the acquisition date (December 1, 2017):

Current assets	**Temporary amount**	**Final amount**	**Adjustment**	**Current liabilities**	**Temporary amount**	**Final amount**	**Adjustment**
Cash and cash equivalents (1)	73,316	73,316		Trade payables	33,453	33,453	
Trade receivables	157,016	157,016		Salaries and related charges	18,251	18,251	
Inventories	112,998	113,131	133	Taxes payable	20,089	20,089	
Recoverable taxes	5,595	5,595		Other payables	28,743	28,743	
Other receivables	15,497	15,497					
	364,422	364,555	133		100,536	100,536	
Non-current assets				**Non-current liabilities**			

Related parties	7,077	7,077		Provision for tax, civil, and labor risks	202,352	202,352	
Indemnity asset	202,352	202,352		Deferred income and social contribution taxes	3,300	48,418	45,118
Escrow deposits	4,095	4,095		Post-employment benefits	44,478	44,478	
Other receivables	5,257	5,257			250,130	295,248	45,118
Property, plant, and equipment	172,526	175,823	3,298				
Intangible assets	9,944	139,215	129,270				
	401,251	533,819	132,568				
Total assets acquired	765,673	898,374	132,701	Total liabilities assumed	350,666	395,784	45,118
Goodwill	123,673	69,807	(53,866)	Participation of non-controlling interests	182,603	221,139	38,536
Total assets acquired and goodwill	889,346	968,181	78,835	Consideration transferred	356,077	351,258	(4,819)

(1) Includes the cash contribution from IPP.

33

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

During the process of identification of assets and liabilities, intangible assets, which were not recognized in the acquired entity s books were also taken into account, as shown below:

	R$	Useful life	Amortization method
Commercial property rights	114,792	39 years	Straight line
Portfolio and customers relationship	14,478	30 years	Straight line
Total	129,270		

The goodwill was calculated as below:

	Temporary amount	Final amount	Adjustment
Consideration transferred	356,077	351,258	4,819
Total assets acquired	(765,673)	(898,374)	(132,701)
Total liabilities assumed	350,666	395,784	45,118
Non-controlling interest	182,603	221,139	38,536
Goodwill (see Note 14.a)	123,673	69,807	53,866

For more information about the property, plant, and equipment and intangible assets acquired, see Notes 13 and 14, respectively and related to the provision for tax, civil and labor risks and indemnity assets, see Note 21.c.

The following summary presents the Company s pro forma information for 2017, as if the acquisition had been completed at the beginning of the 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	80,007,676
Operating income	2,760,458

Net income for the year	1,507,074
Earnings per share basic whole R$ (see Note 31)	2.7822
Earnings per share diluted whole R$ (see Note 31)	2.7624

In order to simplify the corporate structure and join companies with similar activities, IpiLubs was merged by CBLSA on November 1, 2018. In that same act, the subsidiary changed its corporate name to Iconic Lubrificantes S.A. (Iconic).

d. TEAS Terminal Exportador de Álcool de Santos Ltda. Acquisition

On January 30, 2018, the Company through its subsidiary Terminal Químico de Aratu S.A. Tequimar (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 were operated by the subsidiary Tequimar in the Port of Santos. The purchase price of the acquisition was R$103,373. On February 14, 2018, this transaction was approved without restrictions through an opinion issued by the SG of CADE. On March 2, 2018, CADE issued a certificate, attesting to the approval of the transaction. On March 29, 2018, the acquisition was concluded through the closing of the operation.

The Company measured the open balance, fair value of assets and liabilities, and, consequently, the goodwill of their transaction. During the process of identification of assets and liabilities, were not identified intangible assets to be recognized in the acquirer entity s books. The Company, supported by a third party company specialized in valuations, estimated the amount for the purchase price allocation and calculated the goodwill in the amount of R$ 797.

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

The table below summarizes the assets acquired and liabilities assumed as of the acquisition date:

Current assets		**Current liabilities**	
Cash and cash equivalents	3,662	Trade payables	14
Recoverable taxes	3,830	Contingent consideration	2,880
	7,492		2,894
Non-current assets		**Non-current liabilities**	
Deferred income and social contribution taxes	1,054	Provision for tax, civil, and labor risks	141
Escrow deposits	72		
Indemnity asset	141		
Property, plant, and equipment	96,852		
	98,119		141
Total assets acquired	105,611	Total liabilities assumed	3,035
Goodwill	797		
Total assets acquired and goodwill	106,408	Consideration transferred	103,373

The goodwill is was calculated as below:

Consideration transferred	103,373
Total assets acquired	(105,611)
Total liabilities assumed	3,035
Goodwill (see Note 14.a)	797

For further details of property, plant, and equipment assets acquired, see Note 13.

The following summary presents the Company s pro forma information for 2018, as if the acquisition had been completed at the beginning of the 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:

	2018
Net revenue from sales and services	90,697,983
Operating income	1,899,481
Net income for the year	1,132,468
Earnings per share basic whole R$ (see Note 31)	2.1226
Earnings per share diluted whole R$ (see Note 31)	2.1086

e. Unrealized Acquisition

On November 17, 2016, the 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) for the amount of R$ 2,665 million, subject to update by the Interbank Certificate of Deposit (CDI). On February 28, 2018, the Court of Appeals of CADE voted the transaction and, despite all the efforts endeavored by the applicants, decided to reject the transaction. Due to the non-closing of the transaction, on March 9, 2018, Cia. Ultragaz paid a contractual fine of R$ 286,160 in favor of Petróleo Brasileiro S.A. Petrobras (Petrobras), see Note 29.

35

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

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 financial institutions linked to the CDI, in repurchase agreement and in short term investments funds, whose portfolio comprised of Brazilian Federal Government bonds and in certificates of deposit of financial institutions; (ii) outside Brazil, in certificates of deposit of 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 33.j, based on business model of financial assets of the Company and its subsidiaries.

Cash, cash equivalents and financial investments (consolidated) amounted to R$ 6,994,406 as of December 31, 2018 (R$ 6,369,928 as of December 31, 2017) are as follows:

a. Cash and Cash Equivalents

Cash and cash equivalents of the Company and its subsidiaries are distributed as follows:

	Parent		**Consolidated**	
	12/31/2018	**12/31/2017**	**12/31/2018**	**12/31/2017**
Cash and bank deposits				
In local currency	381	143	117,231	73,128
In foreign currency			88,251	74,798
Financial investments considered cash equivalents				
In local currency				
Fixed-income securities	171,934	93,031	3,722,308	4,821,605
In foreign currency				
Fixed-income securities			11,161	32,473
Total cash and cash equivalents	172,315	93,174	3,938,951	5,002,004

b. Financial Investments

The financial investments of the Company and its subsidiaries, which are not classified as cash and cash equivalents, are distributed as follows:

	Parent		Consolidated	
	12/31/2018	**12/31/2017**	**12/31/2018**	**12/31/2017**
Financial investments				
In local currency				
Fixed-income securities and funds	565,930	21,657	2,537,315	1,153,040
In foreign currency				
Fixed-income securities and funds			154,811	129,131
Currency and interest rate hedging instruments (a)			363,329	85,753
Total financial investments	565,930	21,657	3,055,455	1,367,924
Current	565,930	21,657	2,853,106	1,283,498
Non-current			202,349	84,426

(a) Accumulated gains, net of income tax (see Note 33.j).

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

5. Trade Receivables and Reseller Financing (Consolidated)

a. *Trade Receivables*

The composition of trade receivables is as follows:

	12/31/2018	12/31/2017 Restated (i)
Domestic customers	4,290,996	4,024,919
Foreign customers	244,960	230,508
(-) Estimated losses on doubtful accounts	(385,080)	(347,801)
Total	4,150,876	3,907,626
Current	4,069,307	3,861,325
Non-current	81,569	46,301

The breakdown of trade receivables, gross of estimated losses on 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
12/31/2018	4,535,956	3,739,601	121,622	53,864	49,629	84,920	486,320
12/31/2017 Restated (i)	4,255,427	3,553,976	189,071	39,314	44,314	74,037	354,715

The breakdown of estimated losses on 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
12/31/2018		385,080	39,226	4,094	3,754	5,533	46,783	285,690
12/31/2017	**Restated (i)**	347,801	27,104	7,672	2,794	2,173	20,500	287,558

(i) See Note 2.y.

For further information about the allowance for estimated losses on doubtful accounts, see Note 33.d.3.

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

b. Reseller financing

The composition of reseller financing is as follows:

	12/31/2018	12/31/2017 Restated (i)
Reseller financing Ipiranga	855,229	675,236
(-) Estimated losses on doubtful accounts	(139,669)	(104,977)
Total	715,530	570,259
Current	367,262	286,569
Non-current	348,268	283,690

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 terms of reseller financing range substantially from 12 months to 60 months, with an average term of 40 months. The minimum and maximum rates are 0% per month and 1% per month, respectively.

The breakdown of reseller financing, gross of estimated losses on 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
12/31/2018	855,229	633,183	11,262	14,869	9,377	20,783	165,755
12/31/2017 Restated(i)	675,236	516,547	11,868	7,177	3,883	13,775	121,986

The breakdown of estimated losses on 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
12/31/2018	139,699	26,982	1,250	1,642	1,131	12,176	96,518
12/31/2017 Restated(i)	104,977	635	189	86	63	1,951	102,053

(i) See Note 2.y.

For further information about the allowance for estimated losses on doubtful accounts, see Note 33.d.3.

38

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

6. Inventories (Consolidated)

The composition of inventories is as follows:

	12/31/2018			12/31/2017 Restated (i)		
	Cost	Provision for losses	Net balance	Cost	Provision for losses	Net balance
Fuels, lubricants and greases	1,367,015	(1,804)	1,365,211	1,626,582	(3,074)	1,623,508
Finished goods	581,504	(20,923)	560,581	500,223	(18,495)	481,728
Work in process	1,412		1,412	1,637		1,637
Raw materials	383,161	(1,894)	381,267	492,029	(1,835)	490,194
Liquefied petroleum gas (LPG)	109,362	(5,761)	103,601	102,748	(5,761)	96,987
Consumable materials and other items for resale	150,188	(3,770)	146,418	160,024	(5,380)	154,644
Pharmaceutical, hygiene, and beauty products	583,060	(5,364)	577,696	417,726	(2,447)	415,279
Purchase for future delivery(1)	193,928	(2,964)	190,964	222,808		222,808
Properties for resale	27,489	(107)	27,382	27,032	(107)	26,925
	3,397,119	(42,587)	3,354,532	3,550,809	(37,099)	3,513,710

(1) Refers substantially to ethanol, biodiesel and advance of fuels.

(i) See Note 2.y.

Movements in the provision for losses are as follows:

Balance as of January 1, 2017	47,271
Additions to net realizable value adjustment	(6,713)

Additions of obsolescence and other losses	(3,459)
Balance as of December 31, 2017	37,099
Additions to net realizable value adjustment	600
Additions of obsolescence and other losses	3,903
Oxiteno Andina (*)	985
Balance as of December 31, 2018	42,587

(*) Refers to the impairment for subsidiary Oxiteno Andina (see Note 2.s.1.ii).

The breakdown of provisions for losses related to inventories is shown in the table below:

	12/31/2018	**12/31/2017**
Net realizable value adjustment	21,402	19,817
Obsolescence and other losses	21,185	17,282
Total	42,587	37,099

39

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

7. Taxes to Recover

a. Recoverable Taxes (Consolidated)

Recoverable taxes are substantially represented by credits of Tax on Goods and Services (ICMS , the Brazilian VAT), Contribution for Social Security Financing (COFINS) and Social Integration Program (PIS).

	12/31/2018	12/31/2017
ICMS (a.1)	710,669	580,630
Provision for ICMS losses	(99,187)	(72,076)
PIS and COFINS (a.2)	720,731	348,333
Value-Added Tax (IVA) of foreign subsidiaries	31,678	27,180
Others	22,988	15,587
Total	1,386,879	899,654
Current	639,699	664,954
Non-current	747,180	234,700

The provision for ICMS losses relates to tax credits that the subsidiaries estimate will not utilize or offset in the future based on its estimative, and its movements are as follows:

Balance as of January 1, 2017	68,683
Additions, write-offs and reversals, net	3,393
Balance as of December 31, 2017	72,076
Additions, write-offs and reversals, net	27,111
Balance as of December 31, 2018	99,187

a.1 The ICMS accumulated credit balance is substantially related to the following subsidiaries and operations:

(i) The subsidiary Oxiteno Nordeste S.A. Indústria e Comércio (Oxiteno Nordeste) predominantly carries out export operations, interstate outflow or deferred ICMS of products purchased within the State of Bahia;

(ii) The subsidiary IPP has credits arising from interstate outflows of oil-related products, whose ICMS was prepaid by the supplier (Petrobras), as well as credit balance consisting of the difference between transactions of inflows and outflows of products subject to ICMS taxation (mainly ethanol);

(iii) The subsidiary Extrafarma has credits of ICMS and ICMS-ST (tax substitution) advances on the inflow and outflow of operations carried out by its distribution centers, mostly in the North and Northeast.

Management estimates the realization of these credits within up to 10 years.

a.2 Refers, mainly, to the PIS and COFINS credits appropriated under Laws 10,637/2002 and 10,833/2003 by the subsidiaries IPP and Cia. Ultragaz, whose consumption will occur through the offset of debts administered by the Brazilian Federal Revenue Service (RFB) in an estimated term by management of 2 years. The subsidiary Oxiteno S.A. recognized, as of December 31, 2018, credits resulting from the exclusion of ICMS from the calculation basis of PIS and COFINS as recognized in a final favorable decision (see Note 21.a.1.2), as well as restitution of amounts unduly paid as half-yearly PIS. The subsidiaries Oxiteno S.A., Oxiteno Nordeste, Oleoquímica Indústria e Comércio de Produtos Químicos Ltda. (Oleoquímica) and Empresa Carioca de Produtos Químicos S.A. (EMCA) recognized, as of December 31, 2018, credits resulting from the exclusion of ICMS from the calculation basis of PIS/COFINS-import as recognized in a final favorable decision. The credits of Oxiteno S.A. will be realized through corporate restructuring with Oxiteno Nordeste.

For these cases, the management estimates the realization of these credits within up to 5 years.

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

b. Recoverable Income Tax and Social Contribution Taxes

Represented by credit balances of IRPJ and CSLL.

	Parent		Consolidated	
	12/31/2018	**12/31/2017**	**12/31/2018**	**12/31/2017**
IRPJ and CSLL	88,390	81,755	362,784	295,172
Total	88,390	81,755	362,784	295,172
Current	39,705	33,070	257,182	216,630
Non-current	48,685	48,685	105,602	78,542

Relates to IRPJ and CSLL to be recovered by the Company and its subsidiaries arising from the tax advances of previous years, with management estimating the realization of these credits within up to 5 years for the subsidiaries Oxiteno S.A. and Oxiteno Nordeste and up to 2 years for the others.

8. Related Parties

a. Related Parties

a.1 Parent

	Assets	Liabilities		Financial income (1)
	Debentures(1)	Other payable(2)	Account payable	
Ipiranga Produtos de Petróleo S.A.	761,288			54,702
Companhia Ultragaz S.A.		3,975		

Imifarma Produtos Farmacêuticos e Cosméticos S.A.			5,158	
Total as of December 31, 2018	761,288	3,975	5,158	54,702

	Assets	**Liabilities**		**Financial income** [1]
	Debentures[1]	**Other payables**[2]	**Account payable**	
Ipiranga Produtos de Petróleo S.A.	762,562			84,548
Imifarma Produtos Farmacêuticos e Cosméticos S.A.			4,003	
Oxiteno S.A. Indústria e Comércio		3,086		
Companhia Ultragaz S.A.		1,585		
Terminal Químico de Aratu S.A. Tequimar		2,768		
Total as of December 31, 2017	762,562	7,439	4,003	84,548

(1) In March 2016, the subsidiary IPP made its second private offering in one single series of 75 debentures at face value of R$ 10,000,000.00 (ten million Brazilian Reais) each, nonconvertible into shares and unsecured. The Company subscribed the total debentures with maturity on March 31, 2021 and semiannual interest linked to CDI.

(2) Refers to the Deferred Stock Plan (see Note 8.c).

41

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

a.2 Consolidated

Balances and transactions between the Company and its subsidiaries and between 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	
	Assets	**Liabilities**
Química da Bahia Indústria e Comércio S.A.		2,925
Others	490	1,146
Total as of December 31, 2018	490	4,071

	Loans	
	Assets	**Liabilities**
Química da Bahia Indústria e Comércio S.A.		2,946
Others	490	1,239
Total as of December 31, 2017	490	4,185

Borrowing agreements are for an indeterminated period and do not contain interest clauses. Borrowing agreements are contracted in light of temporary cash surpluses or deficits of the Company, its subsidiaries, and its associates.

	Commercial transactions				
	Receivables[1	**Payables[(1)]**	**Sales and services**	**Purchases**	**Expenses**
Oxicap Indústria de Gases Ltda.		567	6	9,032	
Refinaria de Petróleo Riograndense S.A.		24,630		1,008,860	
ConectCar Soluções de Mobilidade Eletrônica S.A.	1,042	136	3,844	186	

LA 7 Participações e Empreend. Imob. Ltda. (a)		117			1,469
Total as of December 31, 2018	1,042	25,450	3,850	1,018,078	1,469

	Commercial transactions				
	Receivables(1)	Payables(1)	Sales and services	Purchases	Expenses
Oxicap Indústria de Gases Ltda.		1,489	6	18,108	
Refinaria de Petróleo Riograndense S.A.		22,199		1,004,030	
ConectCar Soluções de Mobilidade Eletrônica S.A.	1,067	31	7,239	859	
LA 7 Participações e Empreend. Imob. Ltda. (a)		125			2,300
Total as of December 31, 2017	1,067	23,844	7,245	1,022,997	2,300

(1) Included in domestic trade receivables and domestic trade payables, respectively.

(a) Refers to rental contracts of 15 drugstores owned by LA 7 (16 drugstores in 2017), a company of the former shareholders of Extrafarma that are current shareholders of Ultrapar.

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. 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 15.k.

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

b. Key executives (Consolidated)

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. Further details about the Deferred Stock Plan are contained in Note 8.c and about post-employment benefits in Note 19.b.

The Company and its subsidiaries recognized expenses for compensation of its key executives (Company s directors and executive officers) as shown below:

	12/31/2018	**12/31/2017**
Short-term compensation	36,504	45,477
Stock compensation (*)	1,407	1,399
Post-employment benefits	2,278	1,096
Long-term compensation (**)		(6,459)
Termination benefit	905	8,794
Total	41,094	50,307

(*) Includes the reversal of expenses for the cancellation of granted shares due to termination of executive employment (see Note 8.c).

(**)

The chief executive officer in office until October 2, 2017 was entitled to additional long term variable compensation,. This contract was terminated with the succession of the chief executive officer announced by the Company in June 2017.

c. Deferred Stock Plan (Consolidated)

Since 2003, Ultrapar has adopted a stock plan in which the executive has the usufruct of shares held in treasury until the transfer of the full 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 volume of shares and the executives eligible are determined by the Board of Directors, and there is no mandatory annual grant. The total number of shares to be used in the plan is subject to the number of shares in treasury. Ultrapar s Board of Directors does not have a stock plan. The fair value of the awards were determined on the grant date based on the market value of the shares on the 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	(2,920)	6,458
March 4, 2016	190,000	2021 to 2023	65.43	17,147	(8,252)	8,895
December 9, 2014	400,000	2019 to 2021	50.64	27,939	(19,376)	8,563
March 5, 2014	83,400	2019 to 2021	52.15	5,999	(4,925)	1,074
November 7, 2012	76,664	2017 to 2019	42.90	16,139	(15,599)	540
December 14, 2011		2016 to 2018	31.85	4,832	(4,832)	
	850,064			81,434	(55,904)	25,530

In 2018, the amortization in the amount of R$ 3,922 (R$ 11,752 in 2017) was recognized as a general and administrative expense.

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

The table below summarizes the changes of number of shares granted:

Balance on January 1, 2017	1,500,072
Shares granted on March 4, 2017	100,000
Cancellation of granted shares due to termination of executive employment	(143,333)
Shares vested and transferred	(273,341)
Balance on December 31, 2017	1,183,398
Cancellation of granted shares due to termination of executive employment	(216,666)
Shares vested and transferred	(116,668)
Balance on December 31, 2018	850,064

In addition, on April 19, 2017, the Ordinary and Extraordinary General Shareholders Meeting (OEGM) of 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, in periods of three to six years, to directors or employees of the Company or its subsidiaries.

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 table below summarizes the restricted and performance stock programs:

Program	Grant date	Balance of number of shares granted	Vesting period	Market price of shares on the grant date (in R$ per	Total grant costs, including taxes	Accumulated recognized grant costs	Accumulated unrecognized grant costs

				share)			
Restricted	October 1, 2017	120,000	2023	76.38	12,642	(2,634)	10,008
Restricted and performance	November 8, 2017	37,938	2020 to 2022	76.38	4,988	(1,523)	3,465
Restricted and performance	April 9, 2018	92,038	2021 to 2023	68.70	12,028	(2,363)	9,665
Restricted	September 19, 2018	80,000	2024	39.16	4,321	(180)	4,141
Restricted	September 24, 2018	40,000	2024	36.80	2,030	(85)	1,945
		369,976			36,009	(6,785)	29,224

In 2018, a general and administrative expense in the amount of R$ 6,001 was recognized in relation to the Plan (R$ 784 in 2017).

The table below summarizes the changes of the number of restricted and performance shares granted:

Balance on December 31, 2017	166,270
Shares granted on April 9, 2018	103,592
Shares granted on September 19, 2018	80,000
Shares granted on September 24, 2018	40,000
Cancellation of granted shares due to termination of executive employment	(19,886)
Balance on December 31, 2018	369,976

44

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

9. Income and Social Contribution Taxes

a. *Deferred Income (IRPJ) and Social Contribution Taxes (CSLL)*

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:

	Parent		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017 Restated (i)
Assets Deferred income and social contribution taxes on:				
Provision for impairment of assets			116,191	103,092
Provisions for tax, civil, and labor risks			154,516	145,767
Provision for post-employment benefits			85,575	81,199
Provision for differences between cash and accrual basis			147,376	40,755
Goodwill			12,258	14,234
Business combination fiscal basis vs. accounting basis of goodwill			75,838	74,972
Provision for asset retirement obligation			15,801	19,111
Other provisions	14,034	29,158	144,354	158,952
Tax losses and negative basis for social contribution carryforwards (d)			208,036	201,471
Total	14,034	29,158	959,945	839,553
Offset the liabilities balance			(445,758)	(225,492)
Net balance of assets	14,034	29,158	514,187	614,061
Liabilities Deferred income and social contribution taxes on:				
Revaluation of property, plant, and equipment			1,981	2,109

Lease	2,858	3,361
Provision for differences between cash and accrual basis	138,332	44,440
Provision for goodwill	187,845	131,811
Business combination fair value of assets	117,352	90,532
Temporary differences of foreign subsidiaries		955
Other provisions	6,687	35,926
Total	455,055	309,134
Offset the assets balance	(445,758)	(225,492)
Net balance of liabilities	9,297	83,642

Changes in the net balance of deferred IRPJ and CSLL are as follows:

	12/31/2018	**12/31/2017 Restated (i)**
Initial balance	507,087	409,699
IFRS 9 and 15 adoption	68,450	42,275
IRPJ and CSLL related to CBLSA goodwill retrospective effect (i)	(45,118)	
Initial balance restated (i)	530,419	451,974
Deferred IRPJ and CSLL recognized in income of the year	(162,417)	109,204
Deferred IRPJ and CSLL recognized in other comprehensive income	133,124	13,389
Deferred IRPJ and CSLL recognized in business combination (see Notes 3.c and 3.d)	1,054	(45,728)
Others	2,710	1,580
Final balance	504,890	530,419

(i) See Note 2.y.

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

The estimated recovery of deferred tax assets relating to IRPJ and CSLL is stated as follows:

	Parent	Consolidated
Up to 1 Year		181,343
From 1 to 2 Years	1,481	117,990
From 2 to 3 Years	1,481	172,439
From 3 to 5 Years	2,852	169,119
From 5 to 7 Years	4,110	224,291
From 7 to 10 Years	4,110	94,763
Total of deferred tax assets relating to IRPJ and CSLL	14,034	959,945

b. Reconciliation of Income and Social Contribution Taxes

IRPJ and CSLL are reconciled to the statutory tax rates as follows:

	Parent		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017 Restated (vi)
Income (loss) before taxes and share of profit (loss) of subsidiaries, joint ventures, and associates	25,924	(12,482)	1,785,818	2,318,446
Statutory tax rates %	34	34	34	34
Income and social contribution taxes at the statutory tax rates	(8,814)	4,244	(607,178)	(788,272)
Adjustments to the statutory income and social contribution taxes:				
Nondeductible expenses (i)	(372)	(1,120)	(82,784)	(105,017)
Nontaxable revenues (ii)	13		32,523	19,084
Adjustment to estimated income (iii)			9,706	10,844
Interest on equity (iv)	(41,338)	(550)	(538)	(550)
			(95,480)	

Unrecorded deferred Income and Social Contribution Taxes Carryforwards deferred (v)				
Other adjustments	23	25	(2,634)	2,059
Income and social contribution taxes before tax incentives	(50,488)	2,599	(746,385)	(861,852)
Tax incentives SUDENE			107,666	48,598
Income and social contribution taxes in the income statement	(50,488)	2,599	(638,719)	(813,254)
Current	(35,363)	(4,098)	(476,302)	(922,458)
Deferred	(15,125)	6,697	(162,417)	109,204
Effective IRPJ and CSLL rates -%	194.8	20.8	35.8	35.1

(i) 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) 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;

(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.

(v) See Note 9.d;

(vi) See Note 2.y.

46

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

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), as shown below:

Subsidiary	**Units**	**Incentive %**	**Expiration**
Bahiana Distribuidora de Gás Ltda.	Aracaju base(1)	75	2028
	Suape base(2)	75	2018
	Mataripe base	75	2024
	Caucaia base	75	2025
	Juazeiro base(3)	75	2026
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	75	2026
Empresa Carioca de Produtos Químicos S.A.	Camaçari plant	75	2026

(1) The subsidiary Bahiana Distribuidora de Gás Ltda. (Bahiana), obtained 75% income tax reduction incentive recognized by SUDENE, through an appraisal report on October 22, 2018, until 2028, due to the modernization for its Aracaju plant Sergipe. On October 22, 2018, the constitutive benefit appraisal report was sent 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 setting the tacit approval of the application, the income tax reduction will be recognized by the subsidiary in the income statement in 2019.

(2) The subsidiary Bahiana had the 75% income tax reduction incentive recognized by SUDENE, through an appraisal report on January 14, 2019, until 2028, due to the modernization for its Suape plant Pernambuco. On January 23, 2019, the constitutive benefit appraisal report was sent to the RFB for approval within a term of 120 days.

(3) The subsidiary Bahiana, obtained 75% income tax reduction incentive recognized by SUDENE, through an appraisal report on November 7, 2017, until 2026, due to productive unit implementation for its Juazeiro plant

Bahia. On November 27, 2017, the constitutive benefit appraisal report was sent 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 setting the tacit approval of the application, the income tax reduction was recognized by the subsidiary in the income statement in 2018, in the total amount of R$ 149 with retroactive effect in January 2017.

d. Income and Social Contribution Taxes Carryforwards

In 2018, the Company and certain subsidiaries had tax loss carryforwards related to income tax (IRPJ) of R$ 873,718 (R$ 576,948 in 2017) and negative basis of CSLL of R$ 876,315 (R$ 576,949 in 2017), whose compensations are limited to 30% of taxable income in a given tax year, which do not expire.

In addition, certain offshore subsidiaries had tax loss carryforwards of R$ 620,906 (R$ 388,178 in 2017).

Deferred income and social contribution tax assets were recognized in the amount of R$ 208,036 in 2018 (R$ 201,471 in 2017), supported by the technical study on the projection of taxable profits for the realization of deferred tax assets, reviewed by the Fiscal Council and approved by the Company s Board of Directors. As a consequence of this study, in 2018, the subsidiary Extrafarma reversed the portion of the deferred tax asset, whose realization period exceeded the period of ten years, in the amount of R$ 39,462.

The amount of deferred taxes not recognized due to the uncertainty of realization is R$ 220,832 in 2018 (R$ 128,418 in 2017).

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

10. Prepaid Expenses (Consolidated)

	12/31/2018	12/31/2017
Rents(1)	413,799	329,421
Advertising and publicity	54,011	67,321
Deferred Stock Plan, net (see Note 8.c)	22,737	37,591
Insurance premiums	52,607	39,629
Software maintenance	21,667	8,237
Other prepaid expenses	21,844	14,733
	586,665	496,932
Current	187,570	150,046
Non-current	399,095	346,886

(1) Refers substantially to the rental advance of service stations of IPP, which are subsequently subleased and operated by the resellers.

11. Contractual Assets with Customers Exclusive Rights (Consolidated)

Refers to exclusive rights disbursements of Ipiranga s agreements with reseller service stations and major consumers that are recognized at the time of their occurrence and recognized as a reduction of the sales revenue in the income statement according to the conditions established in the agreement (amortization in weighted average term of five years), being reviewed as changes occur under the terms of the agreements.

Balance and changes are shown below:

	12/31/2018	12/31/2017 Restated (i)

Initial balance		
IFRS 15 adoption	1,502,360	1,438,084
Initial balance restated (i)	1,502,360	1,438,084
Additions	390,177	529,732
Amortization	(371,825)	(463,049)
Transfer	(2,235)	(2,407)
Final balance	1,518,477	1,502,360
Current	484,473	456,213
Non-current	1,034,004	1,046,147

(i) See Note 2.y.

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

12. Investments

a. Subsidiaries and Joint Venture (Parent Company)

The table below presents the full amounts of statements of financial position and statements of profit or loss of subsidiaries and joint venture:

	12/31/2018				
	Subsidiaries				Joint-venture
	Ultracargo Operações Logísticas e Participações Ltda.	Oxiteno S.A. Indústria e Comércio	Ipiranga Produtos de Petróleo S.A.	Ultrapar International S.A.	Refinaria de Petróleo Riograndense S.A.
Number of shares or units held	11,839,764	35,102,127	224,467,228,244	49,995	5,078,888
Assets	1,279,932	6,222,795	17,850,422	2,904,188	517,304
Liabilities	2,509	3,416,140	12,434,610	2,894,598	456,714
Equity	1,277,423	2,806,655 (*)	5,412,812 (*)	9,590	60,590
Net revenue from sales and services		1,380,519 (*)	74,312,071 (*)		2,092,548
Net income (loss)	111,145	553,236	512,987	(3,531)	8,695
% of capital held	100	100	100	100	33

	12/31/2017 Restated (i)				
	Subsidiaries				Joint-venture
	Ultracargo Operações Logísticas e Participações Ltda.	Oxiteno S.A. Indústria e Comércio	Ipiranga Produtos de Petróleo S.A.	Ultrapar International S.A.	Refinaria de Petróleo Riograndense S.A.

Number of shares or units held	11,839,764	35,102,127	224,467,228,244	49,995	5,078,888
Assets	1,167,912	5,434,041	17,087,671	2,472,924	517,439
Liabilities	2,486	2,752,026	11,684,775	2,459,803	352,583
Equity	1,165,426	2,682,015 (*)	5,402,896 (*)	13,121	164,856
Net revenue from sales and services		1,190,761 (*)	66,263,987 (*)		5,067,950
Net income (loss)	77,072	209,114	1,211,332	2,573	109,063
% of capital held	100	100	100	100	33

(*) adjusted for intercompany unrealized profits.
(i) See Note 2.y.
The percentages in the table above are rounded.

The financial information from our business segments is detailed in Note 32.

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

Balances and changes in subsidiaries and joint venture are as follows:

	Investments in subsidiaries					Joint-venture	
	Ultracargo Operações Logísticas e Participações Ltda.	**Oxiteno S.A. Indústria e Comércio**	**Ipiranga Produtos de Petróleo S.A.**	**Ultrapar International S.A.**	**Total**	**Refinaria de Petróleo Riograndense S.A.**	**Total**
Balance as of December 31, 2016	1,194,739	2,549,859	4,434,954	10,548	8,190,100	45,409	8,235,509
Effects of IFRS adoption	(111)	(3,253)	(79,063)		(82,427)		(82,427)
Balance as of January 1, 2017 Restated (i)	1,194,628	2,546,606	4,355,891	10,548	8,107,673	45,409	8,153,082
Share of profit (loss) of subsidiaries and joint venture restated (i)	77,072	209,216	1,211,317	2,573	1,500,178	36,210	1,536,388
Dividends and interest on equity (gross)	(105,914)	(100,118)	(359,091)		(565,123)	(30,959)	(596,082)
Tax liabilities on equity- method revaluation reserve			(96)		(96)		(96)
Equity instrument granted	5	13	518		536		536
Valuation adjustment of subsidiaries	(365)	(18,964)	194,061		174,732	4,079	178,811
Translation adjustments of		45,262	280		45,542		45,542

foreign-based subsidiaries							
Balance as of December 31, 2017 Restated (i)	1,165,426	2,682,015	5,402,880	13,121	9,263,442	54,739	9,318,181
Share of profit (loss) of subsidiaries and joint venture	111,145	553,236	512,987	(3,531)	1,173,837	1,148	1,174,985
Dividends and interest on equity (gross)		(229,243)	(500,023)		(729,266)	(32,065)	(761,331)
Tax liabilities on equity- method revaluation reserve			(7)		(7)		(7)
Equity instrument granted	65	269	3,439		3,773		3,773
Valuation adjustment of subsidiaries	787	(212,698)	(3,184)		(215,095)	(3,704)	(218,799)
Translation adjustments of foreign-based subsidiaries		13,076	(280)		12,796		12,796
Balance as of December 31, 2018	1,277,423	2,806,655	5,415,812	9,590	9,509,480	20,118	9,529,598

(i) See Note 2.y.

50

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

b. Joint Ventures (Consolidated)

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, which is primarily engaged in automatic 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.

These investments are accounted for under the equity method of accounting based on their financial statements as of December 31, 2018.

Balances and changes in joint ventures are as follows:

	União Vopak	**RPR**	**ConectCar**	**Total**
Balance as of January 1, 2017	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 as of December 31, 2017	6,096	54,739	61,226	122,061
Capital increase			31,908	31,908
Valuation adjustments		(3,704)		(3,704)
Dividends and interest on equity (gross)		(32,065)		(32,065)
Share of profit (loss) of joint ventures	1,350	1,148	(18,744)	(16,246)

Balance as of December 31, 2018	7,446	20,118	74,390	101,954

The table below presents the statements of financial position and statements of profit or loss of joint ventures:

	12/31/2018		
	União Vopak	**RPR**	**ConectCar**
Current assets	8,432	370,250	129,152
Non-current assets	8,552	147,054	150,054
Current liabilities	1,814	385,079	130,414
Non-current liabilities	280	71,635	14
Equity	14,890	60,590	148,778
Net revenue from sales and services	16,938	2,092,548	57,506
Costs, operating expenses and income	(13,154)	(2,083,592)	(114,336)
Net financial income and income and social contribution taxes	(1,084)	(261)	19,343
Net income (loss)	2,700	8,695	(37,487)
Number of shares or units held	29,995	5,078,888	193,768,000
% of capital held	50	33	50

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

	12/31/2017		
	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
Equity	12,191	164,856	122,451
Net revenue from sales and services	15,260	1,579,286	33,935
Costs, operating expenses and income	(10,852)	(1,433,030)	(100,444)
Net financial income and income and social contribution taxes	(1,252)	(37,193)	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

The percentages in the table above are rounded.

c. Associates (Consolidated)

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. 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 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, 2018, while the other associates are valued based on the financial statements as of December 31, 2018.

Balances and changes in associates are as follows:

	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 as of January 1, 2017	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 as of December 31, 2017	6,348	14,458	3,618	340	577	25,341
Capital reduction	(1,250)					(1,250)
Dividends	(984)				(236)	(1,220)
Share of profit (loss) of associates	575	908	(28)	(112)	124	1,467
Balance as of December 31, 2018	4,689	15,366	3,590	228	465	24,338

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

The table below presents the stataments of financial position and statements of profit or loss of associates:

	12/31/2018				
	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	7,803	38,714	51	19	64
Non-current assets	15,254	85,395	10,238	990	2,791
Current liabilities	3,963	9,777		21	123
Non-current liabilities	332	8,888	3,109	302	1,334
Equity	18,762	105,444	7,180	686	1,398
Net revenue from sales and services	10,595	53,288			
Costs, operating expenses and income	(7,957)	(43,814)	(78)	(266)	399
Net financial income and income and social contribution taxes	(211)	(3,453)	22	(69)	(27)
Net income (loss)	2,427	6,021	(56)	(335)	372
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

	12/31/2017				
	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	74,621	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
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

The percentages in the table above are rounded.

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

13. Property, Plant, and Equipment (Consolidated)

Balances and changes in property, plant, and equipment are as follows:

	Weighted average useful life (years)	Balance on 12/31/2017	Reclassifications (i)	Fair value CBLSA Retrospective effect (ii)	Balance on 12/31/2017 Restated (i)	Additions	Depreciation	Transfer (iv)	Write-offs and disposals	Effect of foreign currency exchange rate variation	Opening balance TEAS (iii)
		579,174		(2,532)	576,642	3,994		9,261	(895)	(1,238)	33,115
	32	1,639,867		(1,996)	1,637,871	7,041		151,937	(2,929)	(10,914)	18,067
	8	912,555			912,555	11,931		103,371	(12,273)	56	
d	13	4,721,931			4,721,931	115,171		588,696	(4,895)	(261,955)	60,308
d	13	2,721,075		8,447	2,729,522	98,478		98,573	(62,240)		
d	8	643,697	49,159		692,856	78,995		2,552	(31,387)		
	6	287,295			287,295	29,141		18,061	(23,996)	(1,745)	
	8	266,494		(585)	265,909	18,417		6,078	(863)	(10,570)	45
n		929,000			929,000	796,909		(883,994)	(578)	81,462	
		112,167			112,167	6,317		(100,233)		(4,163)	
		786			786	699		(1,446)		2	

5	353,022		(36)	352,986	34,921		7,942	(1,953)	1,161	6
	13,167,063	49,159	3,298	13,219,520	1,202,014		798	(142,009)	(207,904)	111,541
	(724,408)			(724,408)		(53,462)	10,046	2,608	26,533	(4,434)
	(475,651)			(475,651)		(83,208)	(4,574)	5,398	(7)	
d	(2,980,166)			(2,980,166)		(271,867)	1,143	3,449	288,461	(10,229)
d	(1,545,806)			(1,545,806)		(162,815)	(7,232)	58,245		
d	(305,965)	(22,419)		(328,384)		(88,308)	(2,347)	17,983		
	(112,200)			(112,200)		(28,792)	498	15,002	1,842	
	(148,575)			(148,575)		(18,482)	(292)	513	11,517	(20)
	(260,859)			(260,859)		(30,659)	2,702	1,819	(1,080)	(6)
	(6,553,630)	(22,419)		(6,576,049)		(737,593)	(56)	105,017	327,266	(14,689)

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

	Balance on 12/31/2017	Reclassifications (i)	Fair value CBLSA Retrospective effect (ii)	Balance on 12/31/2017 Restated (i)	Additions	Depreciation	Transfer (iv)	Write-offs and disposals	Effect of foreign currency exchange rate variation	Opening balance TEAS (iii)	Balanc on 12/31/20
vision for es:											
vances to pliers	(83)			(83)							(8
ldings					(306)(*)						(30
d	(104)			(104)	(723)(*)						(82
sehold rovements	(564)			(564)	(733)			2	(90)		(1,38
chinery and ipment	(4,724)			(4,724)	(1,532)(*)			444	(305)		(6,1
omotive /lubricant ribution ipment and lities	(169)			(169)				4			(16
nstruction in gress					(38)(*)						(3
niture and nsils	(1)			(1)	(69)(*)						(7
	(5,645)			(5,645)	(3,401)			450	(395)		(8,99
amount	6,607,788	26,740	3,298	6,637,826	1,198,613	(737,593)	742	(36,542)	118,967	96,852	7,278,8

55

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

Notes to the Parent and Consolidated Financial Statements

(In thousands of Brazilian Reais, unless otherwise stated)

	Weighted average useful life (years)	Balance on 12/31/2016	Reclassifications (i)	Balance on 1/1/2017 Restated(1)	Additions	Depreciation	Transfer (ii)	Write-offs and disposals	Effect of foreign currency exchange rate variation	Opening balance CBLSA (iii)	Balance on 12/31/2017 Restated(1)
Cost:											