ULTRAPAR HOLDINGS INC
Form 6-K
March 12, 2018

Form 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report Of Foreign Private Issuer

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

The Securities Exchange Act Of 1934

For the month of March, 2018

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__

MESSAGE FROM THE MANAGEMENT

Dear Shareholders,

We are pleased to invite you to attend the Annual General Shareholders' Meeting (the "Meeting") of Ultrapar Participações S.A. ("Ultrapar" or the "Company"), to be held on **April 11, 2018, at 2:00 p.m., in the Company's headquarters, located at Av. Brigadeiro Luís Antônio, nr 1,343, 9th floor, in the City and State of São Paulo, Brazil,** in accordance with the Call Notice, to be published in the newspapers Valor Econômico on March 12, 13 and 14, 2018 and Diário Oficial do Estado de São Paulo on March 13, 14 and 15, 2017, also available at the Company's website (ri.ultra.com.br).

The preparation of this Shareholders' Meeting Manual (the "Manual") is aligned with the Company's philosophy towards the continuous improvement of its corporate governance practices, including the quality and convenience of the information provided to our shareholders.

The purpose of this document is to present the management proposals and to provide you with clarification and guidance regarding the matters to be discussed and procedures required for your attendance and power of attorney to participate in the Meeting, consolidating in a single file all documents published by Ultrapar in connection with the Meeting.

In addition to the information disclosed, we also inform you that Ultrapar's Investor Relations team will be available for additional clarification by e-mail Invest@ultra.com.br or telephone +55 (11) 3177-7014.

All shareholders of Ultrapar (including holders of common shares in the form of ADRs) may vote in all matters included in the agenda. Each common share entitles its holder to one vote in the Meeting's resolutions. Holders of ADR will be represented as specified in a communication to be delivered to ADR holders by the depositary institution, pursuant to the terms of the depositary agreement.

We count on your presence.

CALL NOTICE

ULTRAPAR PARTICIPAÇÕES S.A.

Publicly-Traded Company

CNPJ nº 33.256.439/0001- 39   NIRE 35.300.109.724

Call Notice

ANNUAL GENERAL SHAREHOLDERS' MEETING

The shareholders are hereby invited to attend the Annual General Shareholders' Meeting of Ultrapar Participações S.A. ("Ultrapar" or the "Company"), to be held on April 11, 2018, at 2:00 p.m., in the Company's headquarters, located at Av. Brigadeiro Luís Antônio, nr 1343, 9th floor, in the City and State of São Paulo (the "Shareholders' Meeting"), to pass on the following matters:

1. The examination and approval of the Management Report and accounts and financial statements of the fiscal year ended on December 31, 2017, including the report from the Independent Auditors and the opinion from the Fiscal Council;

2. The allocation of net earnings for the fiscal year ended on December 31, 2017;

3. The approval of the annual Management's compensation;

4. The election of the effective and alternate members of the Fiscal Council based on the request for installation of the Fiscal Council submitted by shareholders representing more than 2% (two percent) of the voting shares issued by the Company, pursuant to article 161 of the Brazilian Corporate Law nr 6.404/76 and CVM Instruction 324/00; and

5. In accordance to the item above, approval of the Fiscal Council's compensation for the period of it terms.

Attendance at the Meeting

The shareholders, including holders of American Depositary Receipts (“ADRs”), of the Company may attend the Meeting in person or represented by proxies, upon the fulfilment of the requirements for attendance provided for in article 12 of the Company’s Bylaws, presenting the documents listed under items Individual Shareholder, Corporate Shareholder and Investment Funds below.

The status of shareholder will be evidenced by submitting a statement issued by the bookkeeping institution or by the custodian institution, indicating the number of shares held by them up to three days prior to the Meeting.

The Company will adopt for this Shareholders’ Meeting the remote voting system in accordance with CVM Instruction 481/09, allowing its shareholders to send, through their respective custodian institution or bookkeeping institution or directly to the Company, a Remote Voting Form, as provided by the Company together with other documents to be discussed at the Shareholders’ Meeting. The Company informs that the instructions for the exercise of the remote voting are described in the Shareholders’ Meeting Manual.

Holders of ADRs will be represented at the Shareholders Meeting by the custodian of underlying shares of the ADRs pursuant to the terms of the deposit agreement, dated December 16, 1999, as amended ("Deposit Agreement"). The procedures for exercising voting rights in connection with the ADRs will be specified in a communication to be delivered to ADR holders by the depositary institution, pursuant to the terms of the Deposit Agreement.

Individual Shareholder

- Original or certified copy of a photo identification (ID, Alien Resident Card, driver's license, officially recognized work card, or passport, in case of non-Brazilians); and

- Original or certified copy of the power-of-attorney, if applicable, and a photo identification of the proxy.

Corporate Shareholder

- Certified copy of the most recent consolidated bylaws or articles of incorporation and of the corporate acts granting power of attorney (minutes of the meeting of election of the board members and/or power of attorney);

- Original or certified copy of photo identification of the proxy or proxies; and;

- Original or certified copy of the power of attorney, if applicable, and photo identification of the proxy.

Investment Funds

- Evidence of the capacity of fund manager conferred upon the individual or legal entity representing the shareholder at the Shareholders' Meeting, or the proxy granting such powers;

- The corporate acts of the manager, in case it is a legal entity, granting powers to the representative attending the Shareholders' Meeting or to whom the power of attorney has been granted; and

- In the event the representative or proxy is a legal entity, the same documents referred to in "Corporate Shareholder" must be presented to the Company.

The documents listed above must be sent to the Investor Relations Department until 2:00 p.m. of April 9, 2018.

Availability of Documents and Information

In accordance with Ultrapar's Bylaws and with article 6 of CVM Instruction 481/09, the documents and information regarding the matters to be voted upon, as well as the Shareholders' Meeting Manual and other relevant information and documents to the exercise of voting rights in the Meeting, were filed with the CVM and are available in CVM website (www.cvm.gov.br), in the Company's headquarters, in the B3 – Brasil, Bolsa, Balcão website (www.b3.com.br) and in the Company’s website (ri.ultra.com.br).

São Paulo, March 12, 2018.

PAULO GUILHERME AGUIAR CUNHA

Chairman of the Board of Directors

ADDITIONAL PROCEDURES

The documents necessary for your participation in the Meeting are specified in the Call Notice.

We clarify that in the case of non-Brazilian investment funds and shareholders, a sworn translation of the documents shall not be required if the documents are originally in English or Spanish.

Ultrapar, aiming to facilitate the representation of its shareholders at the Meeting (excluding holders of common shares in the form of ADRs), provides in the end of this Manual a power-of-attorney model, through which shareholders may appoint the lawyers thereby indicated to represent them at the Meeting, at no cost and strictly in accordance with the powers granted. To the extent shareholders (excluding holders of common shares in the form of ADRs) opt to be represented at the Meeting using the model provided by the Company, the power of attorney must include all the representatives listed in the power-of-attorney model.

We kindly ask you to send the documents listed above to the Investor Relations Department, at Avenida Brigadeiro Luís Antônio, 1,343, 8th floor, CEP 01317-910, in the City and State of São Paulo, up to 2:00 p.m. of April 9, 2018.

Remote Voting

The form and other supporting documents shall be filed at the Company within 7 days from the GSM date, that is, until April 5, 2018.

MANAGEMENT PROPOSAL

ULTRAPAR PARTICIPAÇÕES S.A.

Publicly-Traded Company

CNPJ nº 33.256.439/0001- 39 NIRE 35.300.109.724

MANAGEMENT PROPOSAL

Dear Shareholders,

The Management of Ultrapar Participações S.A. (“Company”) hereby presents to the Company’s Shareholders the Management Proposal, regarding the resolutions to be voted in the Annual General Shareholders’ Meeting, to be held on April 11, 2018, at 2:00 p.m.

1) The examination and approval of the Management Report and accounts and financial statements for the fiscal year ended on December 31, 2017 including the report from the Independent Auditors and the opinion from the Fiscal Council

The Management’s Report and financial statements for the fiscal year ended on December 31, 2017 were filed at CVM’s website on February 21, 2018, and published in wide-circulation newspapers on February 23, 2018.

The mentioned documents (i) were approved by the Board of Directors and (ii) obtained a favorable opinion from the Company’s Fiscal Council at meetings held on February 21, 2018, whose minutes were also filed at CVM on the date.

In addition, the financial statements were audited and received a report with an unqualified opinion from the Company’s independent auditors, KPMG Independent Auditors. Such documents are available in **Exhibit I** of the present proposal. The Management discussion and analysis on the financial conditions of the Company, under the terms of item 10 of the Reference Form, are available in **Exhibit II**.

We propose the approval without reservations of the documents mentioned above by the Company’s shareholders.

2) The allocation of net earnings for the fiscal year ended on December 31, 2017

Pursuant to item II of paragraph 1 of article 9 of CVM Instruction 481/09, as amended, and in the format of annex 9-1-II of the same instruction, we have made available information regarding the allocation of net earnings for the fiscal year ended on December 31, 2017 in **Exhibit III**.

We propose the approval of the allocation of net earnings according to **Exhibit III** and the Company’s financial statements.

3) The approval of the Management’s annual global compensation

We propose the approval of the Company’s Management global compensation proposal for the period between May 2018 and April 2019 according to the terms presented in **Exhibit IV**.

In order to allow for a better understanding of the rationale of the present proposal, we disclose additional information regarding the Management’s compensation policies and practices in **Exhibit V**, according to item 13 of the Reference Form.

4) The election of the members of the Fiscal Council and their alternates based on the request for its installation made by shareholders representing more than 2% (two percent) of the voting shares issued by the Company

Considering that the Fiscal Council will be established by request of a shareholder representing more than 2% (two percent) of voting shares issued by the Company, pursuant to article 161 of the Brazilian Corporate Law, paragraph 2 and CVM Instruction 324/00, we propose the election of the following candidates as members of the Company's Fiscal Council, as well as their alternates:

(i) Flavio César Maia Luz (effective) / Márcio Augustus Ribeiro (alternate)

(ii) Geraldo Toffanello (effective) / Pedro Ozires Predeus (alternate)

(iii) William Bezerra Cavalcanti Filho (effective) / Paulo Cesar Pascotini (alternate)

Detailed information about the candidates is available in **Exhibit VI**, according to items 12.5 to 12.10 of the Reference Form.

5) The approval of the Fiscal Council's compensation

We propose the approval of the compensation of the members of the Fiscal Council for their term of office according to the terms presented in **Exhibit IV**.

Availability of Documents and Information

In accordance with Ultrapar's Bylaws and with article 6 of CVM Instruction 481/09, as amended, the documents and information regarding the matters to be approved, as well the remote voting form and other relevant information and documents necessary to the exercise of voting rights in the Meeting, were filed at CVM and are available in CVM's website (www.cvm.gov.br), at the Company's headquarters, B3 - Brasil, Bolsa, Balcão website (www.b3.com.br) and in the Company's website (ri.ultra.com.br).

São Paulo, March 12, 2018.

PAULO GUILHERME AGUIAR CUNHA

Chairman of the Board of Directors

EXHIBITS

EXHIBIT I – FINANCIAL STATEMENTS

This Annex was previously filed on Ultrapar’s Form 6-K dated February 21, 2018.

EXHIBIT II – ITEM 10 OF THE REFERENCE FORM (MD&A)

EXHIBIT II – ITEM 10 OF THE REFERENCE FORM (MD&A)

10. Management discussion

10.1 - Management discussion & analysis:

Introduction

You should read this discussion together with our consolidated financial statements, filed with the CVM on February 21, 2018, including the Notes thereto, and other financial information included elsewhere in this document.

a. General financial and equity conditions

Company overview

Ultrapar is a multi-business Company with 80 years of history, with distinguished position in the markets in which it operates. Our five principal segments are:

- the LPG distribution business, conducted by Ultragaz;
- the fuels distribution business, conducted by Ipiranga;
- the chemical and petrochemical business, conducted by Oxiteno;
- the storage for liquid bulk business, conducted by Ultracargo; and
- the retail pharmacy business, conducted by Extrafarma.

Ultragaz distributes LPG to residential, commercial and industrial market segments. Ipiranga distributes gasoline, ethanol, diesel, NGV (natural gas for vehicles), fuel oil, kerosene, lubricants and ARLA through a network of 8 thousand service stations and directly to large customers. Oxiteno produces ethylene oxide and its main derivatives, and is a major producer of specialty chemicals, particularly surfactants. It produces approximately 1.1 thousand products used in various industrial sectors such as cosmetics, detergents, agrochemicals, packaging, textiles, paints and coatings. Ultracargo is the largest provider of storage for liquid bulk in Brazil. Extrafarma operates in distribution and retail pharmacy sector, with 394 stores at the end of 2017, one of the leaders in its operational area and the seventh largest drugstore chain in Brazil according to the ABRAFARMA ranking.

In 2017, Ultrapar implemented initiatives and projects that allow us to establish new sources of growth paths for our businesses. Despite the CADE's (Administrative Council for Economic Defense) decision against the purchase of ALESAT, we reviewed our investments over the course of 2017 to R$ 2.3 billion, bigger investments than originally planned. The creation of a new lubricants business in partnership with Chevron announced in 2016 started operations in December 2017. On February 28, 2018 CADE decided against the purchase of Liquigás, an operation announced in November 2016 which was under the antithrust authority analysis for 327 days. Such initiatives did not affect the company's general financial and equity conditions.

2017

After two difficult years in deep recession, Brazilian GDP started 2017 in a downward trend, with gradual recovery of the economic activity throughout the year. The early expectations on the economy resumption were gradually confirmed by an increase in real average income and stable unemployment rates. The beginning of the economic situation upturn allowed continued reduction of the basic interest rate, which dropped from 13.75% at yearend 2016 to 7.00% in 2017. The average price of the US Dollar relative to the Brazilian Real in 2017 was R$ 3.19 vis-à-vis R$ 3.49 in 2016, a 9% drop. After four years of decreasing indicators, the number of light vehicles registered resumed growth and reached 2.2 million units, up 9% from 2016. The decision of OPEC members to reduce oil production until November 2018 influenced the international oil price, which was US$ 55/barrel (Brent) when 2017 began and reached yearend at US$ 67/barrel, up 21%. In the petrochemical market, ABIQUIM data show a 6% increase in National Apparent Consumption in 2017. As for pharmaceuticals retailing, Abrafarma data show 9% bigger gross revenue in 2017. In 2017, Ultrapar's net sales and services amounted to R$ 80.0 billion, EBITDA amounted to R$ 4,063.5 million and net earnings amounted to R$ 1,573.9 million. Net debt to EBITDA ratio in the end of 2017 was 1.8 times. Ultrapar ended 2017 with total assets of R$ 28.3 billion and shareholders' equity of R$ 9.7 billion.

2016

In a year characterized by the worsening of the crises on both political and economic fronts, Brazil ended 2016 with a combination of slowing business activity and a deterioration in disposable incomes and employment, thus curbing consumption and creating a challenging business environment. In the second half, there were some sporadic signs of improvement and inflation rates declined paving the way for cuts in the basic interest rate from 14.25% at the end of 2015 to 13.75% in 2016. The average R$/US Dollar exchange rate in 2016 was R$ 3.49 compared with R$ 3.33 in 2015, a devaluation of 5% of the Real on average albeit with an appreciating tendency of 17% during 2016. The number of light vehicles licensed during the year amounted to 2.0 million, making for a 2% growth in the fleet in 2016. The downturn in the global economy and the decisions of production of the OPEC member countries had influenced international oil prices, which began the year at US$ 36/barrel (Brent) and closed 2016 at US$ 55/barrel. In the petrochemical market, ABIQUIM (the Brazilian Chemical Industry Association) data indicated an increase of 5% in 2016 in National Apparent Consumption. Sales in the retail pharmacy sector, according to data from members of Abrafarma (the Brazilian Association of Pharmacies and Drugstores), grew 11% in 2016. In 2016, Ultrapar's net sales and services amounted to R$ 77.4 billion, EBITDA amounted to R$ 4,216.7 million and net earnings amounted to R$ 1,570.6 million. Net debt to EBITDA ratio in the end of 2016 was 1.4 times, slightly above the ratio at the end of 2015. Ultrapar ended 2016 with total assets of R$ 24.2 billion and shareholders' equity of R$ 8.6 billion.

2015

The business environment remained challenging in 2015, with the combination of economic slowdown, higher unemployment levels, inflation above target, rising interest rates and depreciation of the Real. Political instability created hurdles to approve tax adjustments necessary to Brazil, resulting in the downgrade of the sovereign rating by credit rating agencies. With the purpose of curbing soaring inflation rates found over the year, the Brazilian Central Bank raised the basic interest rate, from 11.75% at the end of 2014 to 14.25% at the end of 2015. GDP expectations for 2015, according to data published in the Focus Bulletin of the Central Bank of Brazil, began the year with a perspective of growth of 0.5% and ended with an expected drop of almost 4%. The average Real/Dollar exchange rate in 2015 was R$ 3.33/US$ as compared to R$ 2.35/US$ in 2014, an increase of 42%. The number of light vehicles licensed totaled 2.5 million units, allowing the fleet to a 3% estimated growth in 2015.

The deceleration in global economy and the decisions of production of the OPEC member countries had influence on the international oil price, which started the year at a price of US$ 57/barrel (Brent), remained stable in the first semester and ended 2015 at a price of US$ 36/barrel. The drop in oil prices and the increases in oil derivatives prices by Brazilian refineries maintained average domestic prices above international benchmarks. In the petrochemical market, ABIQUIM data showed a drop of 7% in 2015 in the national apparent consumption. Sales in the retail pharmacy sector, according to data from members of ABRAFARMA, continued to grow in nominal terms although at a lower level, showing a 12% increase in 2015. In 2015, Ultrapar's net sales and services amounted to R$ 75.7 billion, EBITDA amounted to R$ 3,953.3 million and net earnings amounted to R$ 1,513.0 million. Net debt to EBITDA ratio in the end of 2015 was 1.2, slightly below the index at the end of 2014. Ultrapar ended 2015 with total assets of R$ 20.7 billion and shareholders' equity of R$ 8.0 billion.

b. Capital structure and possibility of redemption of shares

Capital structure

Ultrapar's capital as of December 31, 2017 amounted to R$ 5,171.8 million, composed by 556,405,096 common shares, without par value.

2017

Ultrapar reached yearend 2017 with R$ 13,590.6 million in gross debt and R$ 6,369.9 million in gross cash, getting to R$ 7,220.7 million net debt. On December 31, 2017, shareholders' equity amounted R$ 9,720.8 million, resulting in a net debt to shareholders' equity ratio of 74%.

2016

Ultrapar's gross debt at the end of the fiscal year 2016 was R$ 11,417.1 million with a gross cash position of R$ 5,701.8 million, resulting in a net debt position of R$ 5,715.3 million, an increase of R$ 786.8 million in relation to 2015, in line with the growth of the Company. On December 31, 2016, shareholders' equity amounted R$ 8,558.6 million, resulting in a net debt to shareholders' equity ratio of 67%.

2015

Ultrapar ended the fiscal year 2015 with a gross debt of R$ 8,901.6 million and cash of R$ 3,973.2 million, resulting in a net debt of R$ 4,928.4 million, an increase of R$ 953.4 million compared to 2014, in line with the growth of the company. On December 31, 2015, shareholders' equity amounted to R$ 7,974.1 million, resulting in a net debt to shareholders' equity ratio of 62%.

Ultrapar association agreement with Extrafarma transaction was closed on January 31, 2014. As a consequence of the closing of the transaction, 12,021,100 new common, nominative book-entry shares with no par value of Ultrapar were issued, totaling an increase in equity of R$ 640.7 million. In addition, Ultrapar issued 3,205,622 shares related to subscription warrants – indemnification that may be exercised from 2020, it is adjusted according to the variations of provisions for tax, civil, and labor risks, and contingent liabilities related to the period beginning before January 31, 2014. The fair value of subscription warrants – indemnification is calculated based on the share price of Ultrapar (UGPA3) and are reduced by the dividend yield until 2020, since the exercise is possible only from 2020, and they are not entitled to receive dividends until that date. For more information, see Notes 3.a and 22 to our 2014 financial statements.

(R$ million)	2017	% of shareholders' equity	2016	% of shareholders' equity	2015	% of shareholders' equity
Gross debt	13,590.6	140%	11,417.1	133%	8,901.6	112%
Cash and financial investments	6,369.9	66%	5,701.8	67%	3,973.2	50%
Net debt	7,220.7	74%	5,715.3	67%	4,928.4	62%

c. Capacity to meet our financial commitments

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

Periodically, we assess the opportunities for acquisitions and investments. We consider different types of investments, either directly or through joint ventures, or associated companies, and we finance such investments using cash generated from our operations, debt financing, through capital increases or through a combination of these methods. In 2016, Ultrapar signed agreements for the acquisitions of ALESAT, in the fuel distribution segment, and Liquigás, in the LPG distribution segment, and for the creation of a new lubricants business with Chevron.

We believe we have sufficient working capital to satisfy our current needs. In addition to the cash flow generated from our operations during the year, as of 31 of December 2017, we had R$ 6,285.5 million in cash, cash equivalents and short-term investments. The gross indebtedness due between January and December 2018, including estimated interests on loans, totals R$ 3,809.9 million. Furthermore, the investment plan for 2018 totals R$ 2,676.5 million.

We anticipate that we will spend approximately R$ 17.8 billion in the next five years to meet long-term contractual obligations, including the amortization of existing loans and financings, and respective payment of interests, as well as the 2018 budgeted capital expenditures.

(R$ million)	2018-2022
Contractual obligations	2,436.8
Investment plan for 2018	2,676.5
Financing[1]	10,385.1
Estimated interest payments on financing [2]	1,907.2
Hedging instruments [3]	395,2
Total	**17,800.8**

[1] Does not include currency and interest rate hedging instruments.

[2] Includes estimated interest payments on short-term and long-term loans. Information of our derivative instruments is not included. The fair value information of such derivatives is available in Note 31, filed with the CVM on February 21, 2018. To calculate the estimated interest on loans certain macroeconomic assumptions were used, including, on average for the period, (i) CDI of 6.76% in 2018, 8.08% from 2019 to 2020, 9.63% from 2021 to 2022, 10.70% from 2023 to 2033, (ii) exchange rate of the Real against the U.S. dollar of R$ 3.37 in 2018, R$ 3.53 in 2019, R$ 3.77 in 2020, R$ 4.05 in 2021 and R$ 4.35 in 2022, R$ 4.66 in 2023, R$ 4.99 in 2024, R$ 5.35 in 2025, R$ 5.73 in 2026 and R$ 6.13 in 2027 (iii) TJLP of 6.75% p.a. and (iv) IGP-M of 4.38% in 2018, 4.13% in 2019, 4.0% from 2020 to 2033 (v) IPCA of 3.9% (source: B3, Bulletin Focus and financial institutions).

[3] The currency and interest rate hedging instruments were estimated based on projected U.S. dollar futures contracts and the futures curve of DI x Pre and DI x IPCA contracts quoted on B3 as of December 28, 2017 and on the futures curve of LIBOR (ICE – Intercontinental Exchange) on December 29, 2017. In the table above, only hedging instruments expected to generate losses at the time of settlement were considered.

See “Item 10.1.f. Indebtedness level and debt profile”, “Item 10.8.b. Other off-balance sheet arrangements” and “Item 10.10.a.i. Quantitative and qualitative description of the investments in progress and the estimated investments” for further information.

We expect to meet these cash requirements through a combination of cash generated from operating activities and cash generated by financing activities, including new debt financing and the refinancing of some of our indebtedness.

d. <u>Sources for financing working capital and investments in non-current assets</u>

We reported cash flow from operations of R$ 2,279.4 million, R$ 2,513.7 million and R$ 3,201.7 million in 2017, 2016 and 2015, respectively. In 2017, net cash provided by operating activities was R$234.3 million lower than that of 2016, mainly due to the reduced EBITDA year-over-year and the increase in investment in working capital given the volatility observed in LPG and fuels’ acquisition prices. In 2016, our cash flow from operations was R$ 688.0 million lower than that of 2015, despite the 7% EBITDA growth and lower investment in working capital in the comparison with 2015. Due to the use of the indirect method of cash flow, interest on financial liabilities and variations on the exchange rates were R$ 818.8 million in the operational cash flow in 2016 compared to 2015. In 2015, our operational cash flow was R$ 551.0 million higher than that of 2014, mainly due to the growth in operations, partially offset by an increase in investment in working capital, that grew from a divestment of R$ 99.0 million to an investment of R$ 436.2 million in 2015.

Cash flow of investing activities used an amount of R$$ 1,912.1 million, R$ 1,848.8 million and R$ 801.8 million in 2017, 2016 and 2015, respectively. In 2017, Ultrapar continued with an investment strategy focused on the continuing growth of scale and competitiveness, better serving an increasing number of customers. In 2017, 2016 and 2015, we invested R$ 2,016.9 million, R$ 1,637.9 million and R$ 1,334.2 million in additions to fixed assets, equipment and intangible assets, net of disposals. In addition, capital investments in ConectCar amounted to R$ 16.0 million, R$ 47.3 million and R$ 41.1 million in 2017, 2016 and 2015 respectively.

Net cash from financing activities totaled a cash generation of R$340.3 million and R$928.4 million for 2017 and 2016, respectively and a cash used of R$2,520.7 million for 2015. In 2017, cash flow used by financing activities decreased in R$588.0 million compared to 2016, mainly due to the growth of use of resources for amortization of debt, partially offset by an increase of R$833.8, which strengthened the cash position. In 2016, cash flow used by financing activities increased in R$ 3,449.1 million compared to 2015, mainly as a result of lower use of resources for amortization of debt and an increase of

R$ 1,292.3 million in new loans and financings, that strengthened the cash position and extended the Company's debt profile. In 2015, cash flow used by financing activities increased in R$ 1,981.4 million compared to 2014, mainly as a result of increased use of resources for amortization of debt and interest payment and for acquisition of shares issued by the Company (share buyback program). Accordingly, cash and cash equivalents totaled R$ 5,002.0 million in 2017, R$ 4,274.2 million in 2016 and R$ 2,702.9 million in 2015.

e. Sources for financing working capital and investments in non-current assets to be used in case of deficiencies in liquidity

In 2017, 2016 and 2015, we did not present deficiencies in liquidity. We believe that Ultrapar has own resources and operational cash generation sufficient to finance its needs for working capital and investments estimated for 2018. In addition, if necessary, we have access to third party financing resources.

f. Indebtedness level and debt profile

Our total indebtedness, considering all current liabilities and non-current liabilities, grew by 19%, from R$ 15,601.1 million as of December 31, 2016 to R$ 18,619.5 million as of December 31, 2017.

Our gross financial debt increased by 19% from R$ 11,417.1 million as of December 31, 2016 to R$ 13,590.6 million as of December 31, 2017. Our short-term financial debt was equivalent to 26% of our gross debt as of December 31, 2017 and to 22% as of December 31, 2016.

The table below shows our financial indebtedness for each period:

Loans	Currency	Weighted average financial charges as of December 31, 2017	Principal amount of outstanding debt and accrued interest as of		
			12/31/2017	12/31/2016	12/31/2015
Foreign currency – denominated					

loans:					
Foreign loan	US$	LIBOR (1) + 1.0%	788.8	942.5	1,111.7
Foreign loan	US$	LIBOR (1) +2.2%	259.0	486.5	576.6
Foreign loan	US$	+ 1.9%	298.9	332.6	397.6
Financial institutions	US$	LIBOR (1) + 2.5%	330.8	195.0	77.8
Advances on foreign exchange contracts	US$	+2.4%	44.5	111.1	222.5
Financial institutions	US$	+2.8%	106.7	109.9	142.8
Foreign currency advances delivered	US$	+2.2%	26.1	32.6	50.1
Financial institutions	MX$(2)	+8.5%	27.0	24.6	-
Financial institutions	MX$(2)	TIIE (2) + 1.5%	3.4	9.6	27.1
BNDES	US$	+6.4%	4.5	7.1	24.1
Financial institutions	Bs$(7)	+24.0%	0.6	0.4	-

Notes in the foreign market	US$	+5.3%	2,454.1	2,412.1	-
Brazilian *Reais* – denominated loans:					
Debentures – 1st and 2nd issuances IPP	R$	105.8% of CDI	2,836.7	1,914.5	1,413.1
Banco do Brasil – floating rate	R$	107.3% of CDI	2,794.3	2,956.5	3,115.8
Debentures - 5th issuance	R$	108.3% of CDI	817.7	832.4	833.1
Debentures – CRA	R$	95.0% of CDI	1,380.9	-	-
Debentures – CRA	R$	IPCA + 4.6%	554.4	-	-
BNDES	R$	TJLP (3) + 2.4%	206.4	307.6	409.3
Export Credit Note – floating rate	R$	101.5% of CDI	157.7	158.8	158.6
BNDES	R$	SELIC (6) + 2.3%	69.4	71.4	30.9
BNDES EXIM	R$	TJLP(3) + 3.5%	62.8	62.1	-
Finance leases	R$	IGP-M (5) + 5.6%	48.5	48.6	45.5
FINEP	R$	+4.0%	35.6	48.7	61.7
FINEP	R$	TJLP (3) + 1.0%	32.7	34.6	11.2
BNDES EXIM	R$	SELIC (6) + 3.9%	30.9	28.1	-
Banco do Nordeste do Brasil	R$	8.5% (4)	28.1	47.1	66.1
BNDES	R$	+5.5%	26.3	40.3	49.7
FINAME	R$	TJLP (3)+5.7%	0.1	0.1	0.3
Floating finance leases	R$		—	0.1	0.3
Fixed finance leases	R$		—	0.0	0.1
Export Credit Note	R$		—	—	27.0
Working capital loans Extrafarma – fixed rate	R$		—	—	1.2
Total loans			**13,426.9**	**11,214.8**	**8,854.2**
Currency and interest rate hedging instruments			163.7	202.4	47.4
Total			**13,590.6**	**11,417.1**	**8,901.6**

(1) LIBOR – London Interbank Offered Rate.

(2) MX$ - Mexican peso; TIIE - Mexican interbank balance interest rate.

(3) TJLP (Long-Term Interest Rate) = set by the National Monetary Council, TJLP is the basic financing cost of BNDES. As of December 31, 2017, TJLP was fixed at 7.0% p.a.

(4) Contract linked to the rate of FNE (Northeast Constitutional Financing Fund) fund whose purpose is to promote the development of the industrial sector, managed by Banco do Nordeste do Brasil. As of December 31, 2017, the FNE interest rate was 10% p.a. FNE grants a discount of 15% on the interest rate for timely payments.

(5) IGP-M = General Index of Market Prices of Brazilian inflation, calculated by the *Fundação Getúlio Vargas*.

(6) SELIC – basic interest rate set by the Brazilian Central Bank

(7) Bs$ = Bolívar.

Our consolidated debt as of December 31, 2017 had the following maturity schedule:

Year	**Maturities** (R$ million)
2018	3,503.7
2019	1,826.9
2020	894.6
2021	1,302.5
2022	3,016.4
2023 thereafter	3,046.5
Total	**13,590.6**

See "Item 10.1.c. Capacity to meet our financial commitments".

i. Relevant loan and financing contracts

Notes in the foreign market

In October 2016, the subsidiary Ultrapar International issued US$ 750 million in notes in the foreign market, maturing in October 2026, with interest rate of 5.25% p.a., paid semiannually. The notes were guaranteed by the Company and its subsidiary IPP. The Company has designated hedge relationships for this transaction (see Note 31 – Hedge accounting: cash flow hedge and net investment hedge in foreign entities).

As a result of the issuance of the notes in the foreign market, the Company and its subsidiary are required to perform certain obligations, including:

• Restriction on sale of all or substantially all assets of the Company and subsidiaries Ultrapar International and Ipiranga.

• Restriction on encumbrance of assets exceeding US$ 150 million or 15% of the amount of the consolidated tangible assets.

The Company and its subsidiaries are in compliance with the levels of covenants required by this debt. The restrictions imposed on the Company and its subsidiaries are customary in transactions of this nature and have not limited their ability to conduct their business to date.

Foreign loans

1) The subsidiary IPP has foreign loans in the amount of US$ 320 million. IPP also contracted hedging instruments with floating interest rate in U.S. dollar and exchange rate variation, changing the foreign loans charges, on average, to 102.9% of CDI (see Note 30). IPP designated these hedging instruments as a fair value hedge; therefore, loans and hedging instruments are both measured at fair value from inception, with changes in fair value recognized through profit or loss. The foreign loans are secured by Ultrapar.

The maturity of the foreign loans is distributed as follows:

Maturity	**US$ (million)**	**Cost in % of CDI**
July/18	60.0	103.0
September/18	80.0	101.5
November/18	80.0	101.4
June/22	100.0	105.0
Total / average cost	320.0	102.9

2) The subsidiary LPG International has a foreign loan in the amount of US$ 30 million with maturity in December 2018 and interest rate of LIBOR + 1.85% p.a, paid quarterly. The foreign loan is guaranteed by Ultrapar and its subsidiary IPP.

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

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

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

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

3) The subsidiary Global Petroleum Products Trading had a foreign loan in the amount of US$ 12 million with maturity in December 2018 and interest rate of LIBOR + 1.85% p.a., paid quarterly. The foreign loan was guaranteed by the Company and its subsidiary IPP. The subsidiary settled the loan in advance in December 2017.

4) The subsidiary Global Petroleum Products Trading has a foreign loan in the amount of US$ 60 million with maturity on June 22, 2020 and interest of LIBOR + 2.0% p.a., paid quarterly. The Company, through the subsidiary Cia. Ultragaz, contracted hedging instruments subject to floating interest rates in dollar and exchange rate variation, changing the foreign loan charge to 105.9% of CDI. The foreign loan is guaranteed by the Company and its subsidiary Oxiteno Nordeste.

Debentures

1) In February 2018, the Company made its sixth issuance of debentures in a single series of 1,725,000, simple, non-convertible into shares, nominative, book-entry and unsecured debentures with a par value of R$ 1,000.00, final maturity in 5 years (lump sum at final maturity) and interest of 105.25% of CDI.

Principal amount: R$ 1,725,000,000.00

Unit par value: R$ 1,000.00

Maturity date: March 5, 2023

Repayment method: Lump sum at final maturity

Interest: 105.25% of CDI

Payment of interest: Semi-annually

2) In October 2017, the subsidiary IPP carried out its seventh issuance of debentures in the amount of R$ 944,077 thousand, in two single series of 730,384 and 213,693, simple, nonconvertible into shares, nominative, book-entry and unsecured debentures. The debentures have been subscribed by Vert Companhia Securitizadora. The proceeds from this issuance has been used exclusively for the purchase of ethanol.

The debentures were later assigned and transferred to Vert Créditos Ltda, that acquired these agribusiness credit rights with the purpose to bind the issuance of Certificates of Agribusiness Receivables (CRA). The financial settlement occurred on November 1, 2017. The debentures have an additional guarantee from Ultrapar and the main characteristics of the debentures are as follows:

Principal amount: R$ 730,384,000.00

Unit par value: R$ 1,000.00

Maturity date: October 24, 2022

Repayment method: Lump sum at final maturity

Interest: 95.0% of CDI

Payment of interest: Semi-annually

Principal amount: R$ 213,693,000.00

Unit par value: R$ 1,000.00

Maturity date: October 24, 2024

Repayment method: Lump sum at final maturity

Interest: IPCA + 4.33%

Payment of interest: Annually

The subsidiary IPP contracted hedging instruments subjected to IPCA variation, changing the debentures charges linked to IPCA to 97.3% of CDI. IPP designated these hedging instruments as fair value hedges; therefore, debentures and hedging instruments are both measured at fair value from inception, with changes in fair value recognized through profit or loss.

3) In July 2017, the subsidiary IPP made its sixth issuance of public debentures, in one single series of 1,500,000 simple, nonconvertible into shares and unsecured debentures, which main characteristics are as follows:

Principal amount: R$ 1,500,000,000.00

Unit par value: R$ 1,000.00

Maturity date: July 28, 2022

Repayment method: Annual as from July 2021

Interest: 105.0% of CDI

Payment of interest: Annually

4) In April 2017, the subsidiary IPP carried out its fifth issuance of debentures, in two single series of 660,139 and 352,361, simple, nonconvertible into shares, nominative, book-entry and unsecured debentures. The debentures have been subscribed by Eco Consult – Consultoria de OperaçõesFinanceiras Agropecuárias Ltda. The proceeds from this issuance has been used exclusively for the purchase of ethanol.

The debentures were later assigned and transferred to Eco Securitizadora de Direitos Creditórios do Agronegócio S.A. that acquired these agribusiness credit rights with the purpose to bind the issuance of Certificates of Agribusiness Receivables (CRA). The debentures have an additional guarantee from Ultrapar and the main characteristics of the debentures are as follows:

Principal amount: R$ 660,139,000.00

Unit par value: R$ 1,000.00

Maturity date: April 18, 2022

Repayment method: Lump sum at final maturity

Interest: 95.0% of CDI

Payment of interest: Semi-annually

Principal amount: R$ 352,361,000.00

Unit par value: R$ 1,000.00

Maturity date: April 15, 2024

Repayment method: Lump sum at final maturity

Interest: IPCA + 4.7%

Payment of interest: Annually

The subsidiary IPP contracted hedging instruments subjected to IPCA variation, changing the debentures charges linked to IPCA to 93.9% of CDI. IPP designated these hedging instruments as fair value hedges; therefore, debentures and hedging instruments are both measured at fair value from inception, with changes in fair value recognized through profit or loss.

5) In May 2016, the subsidiary IPP made its fourth issuance of public debentures, in one single series of 500 simple, nominative, registered debentures, nonconvertible into shares and unsecured, which main characteristics are as follows:

Principal amount: R$ 500,000,000.00

Unit par value: R$ 1,000,000.00

Maturity date: May 25, 2021

Repayment method: Amortizing annually, beginning in May 2019

Interest: 105.00% of CDI

Payment of interest: Semi-annually

6) In March 2015, the Company made its fifth issuance of debentures, in a single series of 80,000 simple, nonconvertible into shares, unsecured debentures, which main characteristics are as follows:

Principal amount: R$ 800,000,000.00

Unit par value: R$ 10,000.00

Maturity date: March 16, 2018

Repayment method: Lump sum at final maturity

Interest: 108.25% of CDI

Payment of interest: Semi-annually

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

Principal amount: R$ 800,000,000.00

Unit par value: R$ 10,000.00

Maturity date: December 20, 2018

Repayment method: Lump sum at final maturity

Interest: 107.9% of CDI

Payment of interest: Semi-annually

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

Principal amount: R$ 600,000,000.00

Unit par value: R$ 10,000.00

Maturity date: November 16, 2017

Repayment method: Lump sum at final maturity

Interest: 107.9% of CDI

Payment of interest: Semi-annually

The debentures were settled by the Company on the maturity date.

BNDES

Ultrapar and its subsidiaries have financing from BNDES for some of their investments and for working capital.

During the term of these agreements, the Company must maintain the following capitalization and current liquidity levels, to be verified in the annual consolidated audited financial statements:

- Capitalization level: shareholders' equity / total assets equal to or above 0.3; and
- Current liquidity level: current assets / current liabilities equal to or above 1.3.

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

Financial Institutions

The subsidiaries Oxiteno Mexico S.A. de C.V., Oxiteno USA LLC and Oxiteno Uruguay have loans to finance investments and working capital.

In February 2016, subsidiary Oxiteno USA entered into a loan agreement in the amount of US$ 40 million, due in February 2021 and bearing interest of LIBOR + 3.0% p.a., paid quarterly. The loan is guaranteed by Ultrapar and the subsidiary Oxiteno Nordeste and the proceeds of this loan will be used to fund the construction of a new alkoxylation plant in the state of Texas.

In September 2016, subsidiary Oxiteno USA renegotiated a loan in the notional amount of US$20 million, changing the maturity from October 2017 to September 2020, with interest of LIBOR + 3% p.a., paid quarterly. The loan is guaranteed by Ultrapar and the subsidiary Oxiteno S.A.

In October 2017, subsidiary Oxiteno USA entered into a loan agreement in the amount of US$ 40 million, due in October 2022 and bearing interest of LIBOR + 1.73% p.a., paid quarterly. The proceeds of this loan will be used to fund the construction of a new alkoxylation plant in the state of Texas. The loan is guaranteed by Ultrapar.

Banco do Brasil

As of December 31, 2017, the subsidiary IPP was party to seven floating interest rate loan agreements with Banco do Brasil S.A., in the total outstanding balance of R$2,794.3 million, to finance the marketing, processing or manufacturing of agricultural goods, including the production of ethanol. Except for one of such agreements, each was renegotiated to allow for the segregation of their principal amounts into subcredits, with different amounts, interest rates and maturity dates.

These loans mature, as follows (including interest until December 31, 2017):

Maturity	
January/18	172.8
April/18	100.6
February/19	168.4
May/19	1,339.0
May/20	337.8
May/21	337.8
May/22	337.8
Total	2,794.3

Export Credit Note

The subsidiary Oxiteno Nordeste has export credit note contract in the amount of R$ 156.8 million, with maturity in May 2018, and floating rate of 101.5% of CDI, paid quarterly.

ii. Other long-term relations with financial institutions

In addition to the relationships mentioned in items 10.1.f.i. Relevant loan and financing contracts and 10.1.g. Limits of use of contracted loans and financing, Ultrapar maintains long term relationships with financial institutions (i) in connection with the ordinary course of the business, such as the payroll of its employees, credit and collection, payments and currency and interest rate hedging instruments and (ii) through a long-term contract between Ipiranga and Itaú Unibanco for the provision of financial services and management of the Ipiranga-branded credit cards.

In October 2015, Redecard acquired 50% of ConectCar, a company that operates in the segment of electronic payment for tolls, parking lots and fuel. Ipiranga holds the remaining 50% interest of the company. The deal was concluded in January 2016, after the meeting of some requirements and the approval by the regulatory authority.

iii. Subordination of debt

Our secured debt as of December 31, 2017, amounted R$ 66 million. Except for secured debt, there is no subordination among our existing debt contracts.

iv. Any restrictions imposed on the issuer, especially related to indebtedness limits and the hiring of new debt, to dividend distribution, to the sale of assets, to the issuing of new securities and to change of control, and if the issuer has complied with these restrictions.

Ultrapar and its subsidiaries are subject to some covenants required by loans contracted. The restrictions imposed on Ultrapar and its subsidiaries are those usual for transactions of this nature and have not limited their ability to conduct their business to date.

As a result of foreign loans, the Company shall maintain the following financial ratios, calculated based on its audited consolidated financial statements:

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

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

During the life of the agreements entered into with BNDES, Ultrapar must keep the following capitalization and current liquidity levels, as verified in annual consolidated audited balance sheet:

- Capitalization level: shareholders' equity / total assets equal to or above 0.30; and

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

The Company is compliant with the covenants levels required by financing contractors.

g. Limits of use of contracted loans and financings and percentages already used

The Company has certain financing contracts with BNDES whose amounts were only partially received. As of December 31, 2017, the total value of such contracts amounted R$ 227 million, sum that had not been yet used.

h. Main changes in each item of the financial statements

Ultrapar – Consolidated

(R$ million)	Information as of			Variation %	
	12/31/2017	12/31/2016	12/31/2015	12/31/2017 vs. 12/31/2016	12/31/2016 vs. 12/31/2015
ASSETS					