

Issuer Comment: Ultrapar Participacoes S.A.

Moody's comments on the acquisition of Chevron's fuel distribution operations in Brazil by Ultrapar

Moody's Investors Service comments on Ultrapar Participações S.A.'s ("Ultrapar"; Baa3 / stable outlook) announced acquisition of the fuel distribution operations of Chevron Corporation in Brazil for a total cash consideration of BRL 1,161 million (about USD 712 million at the current exchange rate), subject to working capital and debt adjustments. Ultrapar expects the deal to be concluded in early 2009. The deal is subject to the approval by the local anti-trust authority.

The deal would add some 2,000 Texaco branded gas stations and 48 distribution terminals to Ultrapar's Ipiranga branded fuel distribution operations, making Ultrapar the second largest fuel distributor in Brazil with a market share of approximately 23% (second to BR Petrobras Distribuidora with about 35%) and over 5,000 service stations nationwide. Moody's views the announced acquisition as positive from an operational standpoint, given the potential for synergy gains and the increase of scale, a crucial factor in the low-margin fuel distribution business. Also, the acquisition would improve Ultrapar's geographic diversification, since it would expand the company's coverage to the North, Northeastern and Midwestern regions of Brazil.

The proposed deal has no immediate impact on Ultrapar's Baa3 issuer rating or stable outlook. The Baa3 rating already incorporated a high likelihood of a significant increase in leverage caused by acquisitions in the fuel distribution and logistics sectors. In addition to the Texaco deal, in June 2008, Ultrapar also announced a BRL 510 million acquisition of 100% of União Terminais e Armazéns Gerais Ltda. ("União"), which operates port terminals in Santos and Rio de Janeiro. The acquisition of União is expected to be concluded during the third quarter of 2008.

Moody's estimates that Ultrapar's consolidated leverage, as measured by Net Debt to EBITDA (pro-forma for acquisitions), will remain near 1.5x after the conclusion of the acquisitions. Negative pressure on the ratings could arise from a significant deterioration in the group's liquidity position or leverage as measured by Net Debt to EBITDA above 1.5x for a sustained period of time.

Ultrapar Participações S.A., headquartered in São Paulo, Brazil, is engaged in fuel distribution, chemicals and logistics. During the last twelve months ended on June 30, 2008, Ultrapar reported consolidated net revenues of BRL 25.5 billion (USD 14.3 billion converted by the average exchange rate). Fuel distribution is the group's largest business segment, representing some 92% of consolidated net revenues and 78% of the group's EBITDA during the last twelve months ending on June 30, 2008.

Contacts

Richard Sippli/Sao Paulo
Alexander I. Carpenter/Sao Paulo

Phone

5511-3043-7300
5511-30437323

© Copyright 2008, Moody's Investors Service, Inc. and/or its licensors including Moody's Assurance Company, Inc. (together, "MOODY'S"). All rights reserved.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY COPYRIGHT LAW AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, such information is provided "as is" without warranty of any kind and MOODY'S, in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such information. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The credit ratings and financial reporting analysis observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER. Each rating or other opinion must be weighed solely as one factor in any investment decision made by or on behalf of any user of the information contained herein, and each such user must accordingly make its own study and evaluation of each security and of each issuer and guarantor of, and each provider of credit support for, each security that it may consider purchasing, holding or selling.

MOODY'S hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and

commercial paper) and preferred stock rated by MOODY'S have, prior to assignment of any rating, agreed to pay to MOODY'S for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,400,000. Moody's Corporation (MCO) and its wholly-owned credit rating agency subsidiary, Moody's Investors Service (MIS), also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually on Moody's website at www.moody's.com under the heading "Shareholder Relations - Corporate Governance - Director and Shareholder Affiliation Policy."