ULTRAPAR HOLDINGS INC
Form F-4/A
November 15, 2007
**Table of Contents**

**As filed with the Securities and Exchange Commission on November 15, 2007**

**Registration No. 333-146406**

# SECURITIES AND EXCHANGE COMMISSION

**Washington, DC 20549**

# AMENDMENT NO 1.

**TO**

# FORM F-4

**REGISTRATION STATEMENT**

***UNDER***

***THE SECURITIES ACT OF 1933***

# Ultrapar Participações S.A.

**(Exact name of Registrant as specified in its charter)**

**N/A**

**(Translation of Registrant s name into English)**

| | | |
|---|---|---|
| **Brazil** | **2860** | **Not Applicable** |
| **(State or Other Jurisdiction of** | **(Primary Standard Industrial** | **(I.R.S. Employer** |
| **Incorporation or Organization)** | **Classification Code Number)** | **Identification Number)** |

**Av. Brigadeiro Luis Antônio, 1343, 9º Andar**

**São Paulo, SP, Brazil 01317-910**

**Telephone: 55-11-3177-6695**

**(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)**

**National Registered Agents, Inc.**

**875 Avenue of the Americas, Suite 501**

**New York, New York 10001**

**(800) 300-5067**

**(Name, address, including zip code, and telephone number, including area code, of agent for service)**

***Copy to:***

**Diane G. Kerr, Esq.**

**Andrés V. Gil, Esq.**

**Davis Polk & Wardwell**

**450 Lexington Avenue**

**New York, New York 10017**

**(212) 450-4000**

---

**Approximate date of commencement of proposed offer to the public:** As soon as practicable after this registration statement becomes effective.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.**

---

Table of Contents

**The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state or jurisdiction where the offer or sale is not permitted.**

*PRELIMINARY PROSPECTUS (Subject to Completion)*

*Dated November 15, 2007*

# *Ultrapar Participações S.A.*

***Exchange of Preferred Shares***

***for Preferred Shares of***

***Refinaria de Petróleo Ipiranga S.A.,***

***Distribuidora de Produtos de Petróleo Ipiranga S.A.***

***and***

***Companhia Brasileira de Petróleo Ipiranga***

Dear RIPI, DPPI and CBPI Preferred Shareholders:

This prospectus relates to a share exchange transaction, or the Share Exchange, wherein the preferred shares of Refinaria de Petróleo Ipiranga S.A., or RIPI, Distribuidora de Produtos de Petróleo Ipiranga S.A., or DPPI, and Companhia Brasileira de Petróleo Ipiranga, or CBPI, will be exchanged for preferred shares of Ultrapar Participações S.A., or Ultrapar. In addition, as part of the Share Exchange, all remaining outstanding common shares of RIPI, DPPI and CBPI will be exchanged for Ultrapar preferred shares. The Share Exchange is part of a multi-step acquisition, or the Transaction, by Ultrapar of RIPI, DPPI and CBPI, which together with their subsidiaries make up the Ipiranga Group. The Transaction is being conducted by Ultrapar on its own behalf and on behalf of Petróleo Brasileiro S.A., or Petrobras, and Braskem S.A., or Braskem, and following completion of the Transaction, Ultrapar, Petrobras and Braskem will divide among themselves all of the Ipiranga Group s assets and operations, including those of RIPI, DPPI and CBPI.

As discussed herein, RIPI, DPPI and CBPI have each called extraordinary shareholders meetings for the purpose of allowing their respective common shareholders to determine whether to approve the Share Exchange. Since Ultrapar currently holds more than a majority of each of RIPI, DPPI and CBPI s common shares, the Share Exchange will be approved at such shareholders meetings. Holders of RIPI, DPPI and CBPI preferred shares are not entitled to vote at meetings of the shareholders of RIPI, DPPI and CBPI. Accordingly, once the RIPI, DPPI and CBPI common shareholders approve the Share Exchange, your only alternatives prior to the Share Exchange will be (i) to hold your RIPI, DPPI or CBPI preferred shares and participate in the Share Exchange, (ii) to dispose of your RIPI, DPPI or CBPI preferred shares or (iii) if you are a RIPI or DPPI preferred shareholder to exercise appraisal rights pursuant to Brazilian law and request that RIPI or DPPI, as applicable, purchase your preferred shares, as explained further in this prospectus. According to Brazilian Law, holders of CBPI shares, which are highly liquid, are not entitled to appraisal rights. Your right to exercise appraisal rights will be triggered by publication of the approval of the Share Exchange at RIPI s and DPPI s respective extraordinary shareholder meetings. Once you notify the company whose shares you hold that you wish to exercise your appraisal rights, such request is irrevocable.

In connection with the Share Exchange, Ultrapar will issue 54,704,948 new preferred shares, which includes 1,043,359 preferred shares issued to the common shareholders RIPI, DPPI and CBPI. Each RIPI, DPPI and CBPI preferred share will be exchanged for Ultrapar preferred shares in accordance with the ratio of 0.79850, 0.64048 and 0.41846 Ultrapar preferred shares for each RIPI, DPPI and CBPI preferred share, respectively. On March 16, 2007, the last full trading day in São Paulo prior to the announcement of the Transaction, the implied value of the consideration per share of RIPI, DPPI and CBPI preferred stock was R$39.36, R$31.57 and R$20.63, respectively, and on November 9, 2007, the latest practicable date prior to the date of this document, the implied value of the consideration per share of RIPI, DPPI and CBPI preferred stock was R$53.45, R$42.85 and R$27.99, respectively. Ultrapar s preferred shares are listed on the BOVESPA stock exchange in Brazil under the ticker symbol UGPA4. American Depositary Shares, or ADSs, representing Ultrapar s preferred shares are listed on the New York Stock Exchange under the symbol UGP , but you will not receive ADSs in the Share Exchange.

The accompanying document provides a detailed description of the Transaction and Share Exchange. You are urged to read these materials carefully. **Please pay particular attention to the Risk Factors beginning on page 57 for a discussion of risks related to the Transaction.** If you are in any doubt as to the action you should take, contact your broker, lawyer, accountant or other professional advisor without delay. Other than reading the accompanying document, you are not being asked to take any action at this time. You are receiving this document for your information only, in connection with Ultrapar s registration of its preferred shares with the Securities and Exchange Commission, or SEC, under the U.S. Securities Act of 1933, as amended.

**Neither the SEC nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense. This document does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction where such an offer or solicitation would be illegal.**

This prospectus is dated , 2007 and is expected to be first made available to holders of RIPI, DPPI and CBPI preferred shares on or about that date.

Sincerely,

André Covre

Chief Financial and Investor

Relations Officer Ultrapar

Table of Contents

## ADDITIONAL INFORMATION

This document contains annexes which include important business and financial information about Ultrapar. For a more detailed description of the documents included in the annexes to this prospectus, see Where You Can Find More Information beginning on page 208.

**The documents included as annexes hereto have also been filed by Ultrapar with the Securities and Exchange Commission, or SEC. You can obtain additional copies of documents included as annexes hereto from the SEC s website at www.sec.gov or by requesting them in writing or by telephone from:**

**Ultrapar Participações S.A.**

**Av. Brigadeiro Luis Antônio, 1343, 8º Andar**

**São Paulo, SP, Brazil 01317-910**

**Attention: Investor Relations Department**

**Telephone: 55-11-3177-7014**

**Refinaria de Petróleo Ipiranga S.A.**

**Rua Engenheiro Heitor Amaro Barcellos, 551**

**CEP: 96202-900 Rio Grande RS Brazil**

**Telephone: 55-53-3233-8001**

**Fax: 55-53-3233-8014**

**Attention: Investor Relations Department**

**Distribuidora de Produtos de Petróleo Ipiranga S.A.**

**Rua Francisco Eugênio, 329 São Cristovão**

**CEP: 20941-900 Rio de Janeiro RJ**

**Telephone: 55-21-2574-5363/5267**

**Fax: 55-21-3224-6493**

**Attention: Investor Relations Department**

**Companhia Brasileira de Petróleo Ipiranga**

**Rua Francisco Eugênio, 329 São Cristovão**

**CEP: 20941-900 Rio de Janeiro RJ**

**Telephone: 55-21-2574-5363/5267**

**Fax: 55-21-3224-6493**

**Attention: Investor Relations Department**

Ultrapar, RIPI, DPPI and CBPI are not incorporating the contents of the websites of the SEC, Ultrapar, RIPI, DPPI, CBPI or any other person into this document. Ultrapar is providing only the information about how you can obtain additional copies of documents that are annexed to this document at these websites for your convenience.

**Table of Contents**

## TABLE OF CONTENTS

**Table of Contents**

Table of Contents

## ABOUT THIS DOCUMENT

This document, which forms part of a registration statement on Form F-4 filed with the SEC by Ultrapar (File No. 333-146406), constitutes a prospectus of Ultrapar under Section 5 of the U.S. Securities Act of 1933, as amended, or the Securities Act, with respect to the Ultrapar preferred shares to be issued to RIPI, DPPI and CBPI preferred shareholders in connection with the Share Exchange.

## TERMS USED IN THIS PROSPECTUS

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

2006 Form 20-F are to our 2006 Annual Report on Form 20-F, filed with the SEC on June 7, 2007;

ADRs are to the American Depositary Receipts evidencing our ADSs;

ADSs are to our American Depositary Shares, each representing one share of our non-voting preferred stock;

Acquiring Companies are to Ultrapar, Petrobras and Braskem;

AM/PM are to AM/PM Comestíveis Ltda.;

Apsis Valuation Report are to the valuation report which will be delivered by Apsis Consultoria Empresarial S/C Ltda. to Ultrapar prior to the calling of the RIPI, DPPI or CBPI shareholders meetings;

BOVESPA are to the *Bolsa de Valores de São Paulo*, the São Paulo stock exchange;

Braskem are to Braskem S.A.;

Braskem/Petrobras Asset Purchase Agreement are to the Asset Security Agreement entered into by and among Ultrapar, Braskem and Petrobras on April 18, 2007, whereby Ultrapar pledged to Braskem and Petrobras all of the common shares and 50% of the RIPI preferred shares it acquired from the Key Shareholders;

Brazilian Central Bank, BACEN, Central Bank of Brazil or Central Bank are to the *Banco Central do Brasil*, the Brazilian central bank;

Brazilian Corporate Law are to Law No. 6,404 of December 1976, as amended by Law No. 9,457 of May 1997 and by Law No. 10,303 of October 2001;

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

CBPI are to Companhia Brasileira de Petróleo Ipiranga, a company listed on the BOVESPA;

CBPI Opco are to the operating assets of CBPI;

Combined Company are to Ultrapar following the completion of the Transaction;

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

Copesul are to Companhia Petroquímica do Sul;

CVM are to the *Comissão de Valores Mobiliários*, the Brazilian securities commission;

Deutsche Bank are to Deutsche Bank Securities Inc.;

Deutsche Bank Valuation Report are to the Valuation Report delivered by Deutsche Bank Securities Inc. to Ultrapar on April 4, 2007, as amended;

Table of Contents

DPPI are to Distribuidora de Produtos de Petróleo Ipiranga S.A., a company listed on the BOVESPA;

DPPI Opco are to the operating assets of DPPI;

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

IASA are to Ipiranga Asfaltos S.A.;

Ipiranga and Ipiranga Group are to RIPI, DPPI, CBPI, IQ, IPQ, Copesul and their respective subsidiaries;

IPQ are to Ipiranga Petroquímica S.A.;

IQ are to Ipiranga Química S.A.;

Isa-Sul are to Isa-Sul Administração e Participação Ltda., a subsidiary of DPPI;

Investment Agreement are to the Investment Agreement entered into by and among Ultrapar, Petrobras and Braskem on March 18, 2007, amended on April 18, 2007;

Key Shareholders are to the direct and indirect controlling shareholders of RIPI, DPPI and CBPI prior to the closing of the SPA;

LPG are to liquefied petroleum gas;

Mandatory Tender Offers are to the mandatory cash tender offers (pursuant to tag along rights held by common minority shareholders under Brazilian Corporate Law and CVM rules) for the acquisition of the remaining common shares of RIPI, DPPI, CBPI and IPQ that Ultrapar did not acquire under the SPA;

NYSE are to the New York Stock Exchange;

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

Oil Refining Operations are to the oil refining operations of RIPI;

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

Petrobras are to Petróleo Brasileiro S.A.;

Petrobras Asset Purchase Agreement are to the Asset Security Agreement entered into by and among Ultrapar and Petrobras on April 18, 2007, whereby Ultrapar pledged in favor of Petrobras, 31% of the common shares and 78% of the preferred shares of DPPI that it acquired from the Key Shareholders;

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

Protocol and Justification are to each of the three *Protocolo e Justificação da Incorporaçao de Acões* agreements entered into on November 9, 2007 by the management of Ultrapar and each of RIPI, DPPI and CBPI. The Protocol and Justifications approve the Share Exchange. The boards of directors of each company approved their respective Protocol and Justification on November 12, 2007. The Protocol and Justifications will be required to be approved by the common shareholders of each company at the meetings called to approve the Share Exchange;

Public Tender Offer are to the tender offer by Braskem for the delisting of Copesul s common shares from the BOVESPA;

*real*, *reais* or R$ are to Brazilian *reais*, the official currency of Brazil;

Table of Contents

RIPI are to Refinaria de Petróleo Ipiranga S.A., a company listed on the BOVESPA;

RIPI Opco are to the operating assets of RIPI;

RIPI Shareholders Agreement are to the shareholders agreement governing the relationship among Ultrapar, Petrobras and Braskem regarding how RIPI s oil refining operations will be managed prior to the completion of the Transaction entered into on April 18, 2007;

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

Separation of Assets are to the separation of the Target Companies assets following the Share Exchange and Public Tender Offer;

Share Exchange are to the exchanges contemplated by this prospectus of RIPI, DPPI and CBPI s preferred shares for Ultrapar s preferred shares in connection with the Transaction;

Southern Distribution Business are to DPPI and CBPI s fuel and lubricant distribution businesses located in the South and Southeast regions of Brazil;

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

Target Companies are to RIPI, DPPI and CBPI;

Target Companies Shareholders Agreement are to the shareholders agreement governing the relationships among Ultrapar, Petrobras and Braskem regarding how IQ s, IPQ s and the Target Companies businesses will be managed prior to completion of the Transaction, excluding matters governed by the RIPI Shareholders Agreement, entered into by and among Ultrapar, Petrobras and Braskem on April 18, 2007;

Target Operations are to the operations substantially comprised of the Southern Distribution Business, the Ipiranga trademark and the Oil Refining Operations that Ultrapar will retain following the Transaction;

Transaction are to the acquisition of the Ipiranga Group by the Acquiring Companies;

Transaction Agreements are to the Investment Agreement, the SPA, the Target Companies Shareholders Agreement, the RIPI Shareholders Agreement, the Braskem/Petrobras Asset Purchase Agreement, the Petrobras Asset Purchase Agreement and the Protocol and Justifications;

Ultracargo are to Ultracargo Operações Logísticas e Participações Ltda., Ultrapar s wholly owned subsidiary, and its subsidiaries, that provide integrated road transport, storage, handling and logistics planning services for special bulk cargo; and

Ultragaz are to Ultragaz Participações Ltda., Ultrapar s wholly owned subsidiary, and its subsidiaries, that distribute LPG.
All references in this prospectus to U.S. dollars, dollars or US$ are to U.S. dollars. All references to the *real*, *reais* or R$ are to the Brazil *real*, the official currency of Brazil.

Table of Contents

**FINANCIAL INFORMATION**

The following financial statements are included in this prospectus:

*For Ultrapar and the Target Companies*

Ultrapar s audited consolidated financial statements for the years ended December 31, 2006, 2005 and 2004, which are included in our 2006 Form 20-F attached hereto as Annex A;

Ultrapar s unaudited interim consolidated financial statements as of and for the nine-month periods ended September 30, 2007 and 2006;

Ultrapar s unaudited interim consolidated financial statements as of and for the six-month periods ended June 30, 2007 and 2006;

RIPI s audited consolidated financial statements for the years ended December 31, 2006, 2005 and 2004 and as of December 31, 2006 and 2005;

RIPI s unaudited interim consolidated financial information for the nine-month periods ended September 30, 2007 and 2006 and as of September 30, 2007;

RIPI s unaudited interim consolidated financial information for the six-month periods ended June 30, 2007 and 2006 and as of June 30, 2007;

DPPI s audited consolidated financial statements for the years ended December 31, 2006, 2005 and 2004 and as of December 31, 2006 and 2005;

DPPI s unaudited interim consolidated financial information for the nine-month periods ended September 30, 2007 and 2006 and as of September 30, 2007;

DPPI s unaudited interim consolidated financial information for the six-month periods ended June 30, 2007 and 2006 and as of June 30, 2007;

CBPI s audited consolidated financial statements for the years ended December 31, 2006, 2005 and 2004 and as of December 31, 2006 and 2005; and

DPPI s unaudited interim consolidated financial information for the nine-month periods ended September 30, 2007 and 2006 and as of September 30, 2007;

CBPI s unaudited interim consolidated financial information for the six-month periods ended June 30, 2007 and 2006 and as of June 30, 2007.

*For the Target Companies businesses that Ultrapar will keep following completion of the Transaction*

Audited financial statements of the RIPI s refining business carried for the years ended December 31, 2006, 2005 and 2004 and as of December 31, 2006 and 2005 (in which Ultrapar will hold a 33% interest following completion of the Transaction);

Audited financial statements for DPPI s Southern Distribution Business for the years ended December 31, 2006, 2005 and 2004 and as of December 31, 2006 and 2005; and

Audited combined statements of revenue and direct expenses for the years ended December 31, 2006, 2005 and 2004 and combined statements of assets acquired and liabilities assumed as of December 31, 2006 and 2005, in each case for the part of CBPI s Southern Distribution Business.

*Unaudited interim financial information of the Target Companies for the nine-month periods ended September 30, 2007 and 2006 and as of September 2007*

We are including in this prospectus the unaudited interim financial information of RIPI, DPPI and CBPI for the nine months ended September 30, 2007 which was publicly released in Brazil on November 7, 2007 in accordance with the requirements for financial reporting established by the CVM. This interim financial

**Table of Contents**

information has been prepared in accordance with accounting practices adopted in Brazil and has not been reconciled to generally accepted accounting principles in the United States as such reconciliation is not required by the CVM. Amounts of net income and net equity of RIPI, DPPI and CBPI calculated in accordance with accounting practices adopted in Brazil differ from the amounts that would be determined under U.S. GAAP, as described in Note 25 to each of the annual audited financial statements of RIPI, DPPI and CBPI as of December 31, 2006 and 2005 and for the years ended December 31, 2006, 2005 and 2004 included in this prospectus.

Unaudited interim financial information of RIPI as of September 30, 2007 and for the nine-months ended September 30, 2007 and 2006 is presented on an unconsolidated basis only since this is the information that was presented to the CVM. Following the closing of the SPA on April 18, 2007, RIPI ceased controlling the operations of the Petrochemical Assets and therefore no longer presented its financial statements on a consolidated basis. Accordingly, even if consolidated financial information for RIPI had been presented in this prospectus it would have reflected the consolidation of the Petrochemical Assets only for the period prior to April 1, 2007.

*Principal differences between accounting practices adopted in Brazil and U.S. GAAP*

The unaudited consolidated interim financial statements of the Company are prepared in accordance with accounting practices adopted in Brazil, which comply with those prescribed by Brazilian corporate law and specific standards established by the Brazilian Securities Commission (CVM). Brazilian accounting policies, which differ significantly from U.S. GAAP, are summarized below. This description has not been subject to an audit or review by our independent auditors.

a) Inflation accounting

Accounting practices adopted in Brazil account for the effects of inflation on financial statements through December 31, 1995 using official inflation indexes. Under U.S. GAAP, Brazil was considered to be a highly inflationary economy until July 1, 1997, and the effect of inflation was recognized until December 31, 1997 based on inflation indexes calculated by independent institutions.

b) Fixed asset revaluations

Under accounting practices adopted in Brazil fixed assets could be revalued by independent appraisers in order to establish their market values. Under U.S. GAAP the revaluation of fixed assets is not permitted.

c) Deferred charges

Accounting practices adopted in Brazil permit the deferral of research and development costs and of pre-operating expenses incurred in the construction or expansion of a new facility until the facility begins commercial operations. Deferred charges are amortized over a period of five to ten years.

For U.S. GAAP purposes, such amounts do not meet the conditions established for deferral and, accordingly, are charged to income.

d) Investments in affiliated companies

As from 1996, Brazilian corporate law allows certain less than 20% owned affiliated companies in which an investor owns more than 10% of voting stock to be accounted for under the equity method. In addition, certain more than 20% and less than 50% owned affiliated companies deemed not significant in relation to their parent company are accounted at cost.

Under U.S. GAAP, less than 20% owned affiliated companies are accounted for on the basis of cost and more than 20% and less than 50% owned affiliated companies are accounted for based on the equity method.

**Table of Contents**

Brazilian corporate law allows certain jointly controlled corporate entities to be consolidated in a pro rata basis. U.S. GAAP requires these entities to be reported under the equity method.

e) Capitalization of interest in relation to construction in progress

Under accounting practices adopted in Brazil, prior to January 1, 1996 companies were not required to capitalize the interest cost of borrowed funds as part of the cost of the related asset. Under U.S. GAAP, capitalization of borrowed funds during construction of major facilities is recognized as part of the cost of the related assets.

f) Acquisitions and business combinations

The accounting practices adopted in Brazil derived from Corporation Law and CVM rules prescribe the application of the purchase method based on book values of the net assets acquired. Goodwill or negative goodwill recorded on the acquisition of a company is calculated as the difference between the cost of acquisition and the net book value of assets and liabilities acquired and is attributed to one of the following: step up basis of the assets due to differences in the carrying values and fair values of the assets, future profitability and other reasons. Such goodwill should be amortized as follows depending on its nature:

Step up basis of the assets. Goodwill or negative goodwill should be amortized proportionally over the remaining estimated useful lives of the corresponding assets of the acquiree;

Future profitability. Goodwill should be amortized during the time expected results are achieved. In this case, the amortization period should not exceed ten years. When considered appropriate, such as where future recoverability is not likely, goodwill may be written-off immediately on acquisition;

Other reasons. Goodwill should be expensed immediately. Negative goodwill should not be amortized to income until the related investment is sold or written off.

For U.S. GAAP purposes, all business combinations are accounted for using the purchase method. The purchase method is applicable for a business combination in which one company acquires an unrelated company. Under the purchase method, the acquiring company records identifiable assets and liabilities acquired based on their fair values. If the purchase price exceeds the amount of such fair value, the excess is recorded as goodwill in the books of the acquiring company. Under SFAS No. 141, more detailed guidelines have been provided for the recognition of intangible assets. Goodwill and other intangible assets with indefinite lives are no longer amortized. Under Statement of Financial Accounting Standard No. 142, or SFAS No. 142, the amount of goodwill will be evaluated for impairment annually, and, if an impairment exists, its recorded value will be adjusted accordingly. Purchase price includes direct costs of acquisition. If assets other than cash are distributed as part of the purchase price, such assets should be valued at fair value. When securities traded in the market are issued as part of the purchase price by the acquiring entity, the market price for a reasonable period before and after the date the terms of the acquisition are agreed to and announced should be considered in the determining purchase price. Under SFAS No. 141, any excess of net assets of the purchase price is first allocated to reduce the allocated amount of long-term assets, and any unallocated amount is recognized as an extraordinary gain in the statement of operations.

g) Earnings per share

Under accounting practices adopted in Brazil, it is permitted to determine earnings per share based upon the weighted average number of shares outstanding during each year that earnings are reported. Subsequent changes in the Company s share capital, such as stock dividends, are not retroactively reflected in the disclosure of number of shares outstanding and in the calculation of earnings per share under accounting practices adopted in Brazil, except for the reverse stock split.

Under U.S. GAAP, in accordance with SFAS No. 128 issued by the FASB, or SFAS No. 128, Earnings per Share, the presentation of earnings per share is required for public companies, including earnings per share

**Table of Contents**

from continuing operations and net income per share on the cover of the income statement, and the per share effect of changes in accounting principles, discontinued operations and extraordinary items either on the cover of the income statement or in a note. A dual presentation is required: (i) basic and (ii) diluted.

Computations of basic and diluted earnings per share data should be based on the weighted average number of shares outstanding during the period and all dilutive potential shares outstanding during each period presented, respectively.

h) Available-for-sale securities

*Equity securities*

Under accounting practices adopted in Brazil, available-for-sale equity securities are generally carried at cost, less provision charged to the statement of income if a loss in value is considered to be other than temporary.

Under U.S. GAAP, available-for-sale equity securities are recorded at estimated fair value, and the resulting accumulated adjustment is recognized as a separate component of shareholders equity until realization.

*Debt securities*

Under accounting practices adopted in Brazil, available-for-sale debt securities are generally carried at cost, plus interest income earned less provisions, when applicable, charged to the statement of income to reduce its carrying value to market value.

For U.S. GAAP reconciliation purposes, available-for-sale debt securities are recorded at estimated fair value, and the resulting accumulated adjustment, is recognized as a separate component of shareholders equity until realization.

i) Accounting for derivative financial instruments

Under accounting practices adopted in Brazil derivative financial instruments are recorded at net settlement price as determined on each balance sheet date.

Under U.S. GAAP, effective January 1, 2001, all derivative financial instruments must be reported at fair value on each balance sheet date and classified as a derivative asset or liability. Also under U.S. GAAP, the requirements for a derivative instrument to qualify for hedge accounting and deferral of gains and losses are more restrictive than under Brazilian corporate law.

j) Fair value of guarantees

Under accounting practices adopted in Brazil, companies are not required to record any liability related to guarantees given to third parties unless contingent obligations to make future payments under the guarantees are probable.

Under U.S. GAAP, companies recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing guarantees. Companies reduce the liability (by a credit to earnings) as they are released from risk under the guarantees.

k) Translation adjustments

Under accounting practices adopted in Brazil, assets and liabilities of foreign subsidiaries are translated into Brazilian reais at the exchange rate in effect at the end of the reporting period, and revenues, expenses, gains and losses are translated into Brazilian reais at the exchange rates prevailing in the end of each month. The net translation gain or loss is reported, net of tax, in the statement of income as Other operating income (loss) .

Under U.S. GAAP, assets and liabilities are translated into Brazilian reais at the exchange rate in effect at the end of the reporting period, and revenues, expenses, gains and losses are translated into Brazilian reais at

x

**Table of Contents**

the average rates prevailing during the respective months. The net translation gain or loss resulting from this translation process is excluded from income and is presented as cumulative translation adjustments (CTA) in Other comprehensive income (loss) as a separate component of shareholders equity.

l) Operating income

Under accounting practices adopted in Brazil, non-operating income (expenses) includes certain items that would be classified within operating income for U.S. GAAP purposes.

m) Right of offset

Brazilian GAAP permits offsetting amounts due or payable among parties for purposes of presenting balances in the financial statements based on management s expectation of being able to offset the amounts.

Under U.S. GAAP, the conditions to be met require the parties to agree to the offset and the legal right of offset to exist.

n) Accounting for asset retirement obligation

Under Brazilian GAAP, companies expense the amounts to be incurred when certain assets are retired, at the time of retirement.

Under U.S. GAAP, asset retirement obligations correspond to the legally required obligation to remove assets upon retirement. The fair value of asset retirement obligations are recorded as liabilities on a discounted basis when they are incurred, which is typically at the time the related assets are installed. Amounts recorded for the related assets will be increased by the amount of these obligations and depreciated over the related useful lives of such assets. Over time, the amounts recognized as liabilities will be accreted for the change in their present value until the related assets are retired or sold.

o) Financial statement note disclosures

Brazilian GAAP in general requires less information to be disclosed in financial statement footnotes than U.S. GAAP. Disclosures required under U.S. GAAP not typically found in Brazilian GAAP financial statements include, but are not limited to, the following:

- general business, political and economic risks;
- off-balance sheet risks and commitments, concentration of credit risk and major customers;
- irrevocable commitments such as take-or-pay or minimum sales contracts;
- advertising expense and assets;
- research and development costs;

- impairment of long-lived assets;
- impairment of goodwill;
- environmental related costs, liabilities and proceedings;
- analysis of sales by geographical area;
- financing facilities and terms; and
- footnote disclosure of summarized financial statements of affiliated companies which meet certain tests of significance.

Brazilian GAAP generally requires more disclosure than U.S. GAAP with respect to insurance coverage, parent company financial statements and details of investments in affiliated and subsidiary companies.

p) Pension and other post-employment benefits

*Pension benefits*

Pension benefit obligations for Brazilian GAP requires companies to account for defined benefit plans by recognizing a percentage attributed to the Company of the funded status and of the cost of the plan.

Under U.S. GAAP, for multi-employer plans, companies recognize as expense the contribution due to the plan over the corresponding period.

*Other post-retirement benefits*

Under accounting practices in Brazil actuarial gains and losses are deferred and recognized in income over the estimated remaining service period of the employees.

Under U.S. GAAP such benefits are accounted for by recognizing the funded status of the other postretirement benefits as a liability with an offsetting amount in accumulated other comprehensive income.

Table of Contents

**QUESTIONS AND ANSWERS ABOUT THE TRANSACTION**

*The following are some questions that you may have regarding the Share Exchange and the Transaction and brief answers to those questions. Ultrapar, RIPI, DPPI and CBPI urge you to read carefully the remainder of this document because the information in this section does not provide all the information that might be important to you with respect to the Share Exchange and the Transaction. Additional important information is also contained in the documents included as annexes to this prospectus.*

**Q: Why am I receiving this document?**

A: In connection with the Share Exchange, Ultrapar is required by the Securities Act to deliver this document to all preferred shareholders of RIPI, DPPI and CBPI that are U.S. residents. This document is being distributed to you for informational purposes only. You should carefully review it, but you will not be entitled to vote at the shareholder meetings that have been called in order for the common shareholders of RIPI, DPPI and CBPI to approve the Share Exchange. However, RIPI and DPPI preferred shareholders are entitled to appraisal rights in respect of the Share Exchange, as explained below. The Share Exchange will occur automatically following the vote of the common shareholders of each Target Company and, accordingly, you will not be required to take any action in order for your Target Company securities to be exchanged for Ultrapar preferred shares.

**Q: What is the purpose of the Transaction?**

A: Through the Transaction, Ultrapar is participating in an important step in the reorganization and consolidation of industries that are fundamental to the growth of the Brazilian economy. Ultrapar believes the division of the Ipiranga Group s assets among Ultrapar, Braskem and Petrobras will benefit the Brazilian economy because the Acquiring Companies will be in a position to provide focus, specialized management and strategic alignment to their respective assets. In addition, we believe that the Acquiring Companies will be able to make higher levels of investments in the Ipiranga Group assets they acquire and therefore develop their businesses to a greater extent than under the former owners, thereby stimulating growth in these key areas of the Brazilian economy.

The Ipiranga Group, one of Brazil s largest and most well-established corporate conglomerates, has historically operated in the same business segments as Petrobras, Ultrapar and Braskem. In 2006 the Ipiranga Group was Brazil s second-largest fuel distributor, with a network of 4,240 service stations. It also had a major share of the petrochemical market, with the production of 650,000 tons of petrochemical resins, through IPQ, and shared joint control with Braskem of Copesul, a petrochemical company that produces basic petrochemicals, such as ethylene, from naphtha, located in the southern petrochemical complex of Brazil. The consolidated net revenues of the Ipiranga Group in 2006 amounted to R$31 billion and net income of R$534 million.

Ultrapar, the largest LPG distributor in Brazil, became, following the closing of the SPA, the second-largest fuel distributor in Brazil, holding 15% of the market. Ultrapar believes that fuel distribution is a natural extension of LPG distribution because it has similar profitability drivers: logistics efficiency, management of a dealer network and leveraging a well-known brand. In addition, Ultrapar believes that the fuel distribution business presents attractive growth prospects in light of increased fuel consumption in Brazil in the past several years, principally due to increased national income and availability of credit.

Ultrapar believes that by completing the Transaction it will achieve the following objectives:

- Operational growth Ultrapar is already the leader in the LPG market and became the second largest fuel distribution company in Brazil, with a market share of approximately 15%;

- Obtain larger operating scale and administrative efficiency;

Combine logistics and distribution network management know-how;

Combine the market and consumer awareness of two major brands for the distribution of oil byproducts; and

Table of Contents

Accelerate investment in the growth of Ipiranga s businesses.

See The Transaction Ultrapar s Reasons For the Transaction for more information.

**Q: What will happen in the Transaction?**

A: The Transaction consists of a series of steps and is governed by the Transaction Agreements. In connection with the Transaction, the businesses and subsidiaries of the Ipiranga Group will be acquired and divided among Ultrapar, Petrobras and Braskem. Ultrapar will retain the fuel and lubricant distribution businesses located in the South and Southeast regions of Brazil; Petrobras will receive the fuel and lubricant distribution businesses located in the North, Northeast and Central West regions of Brazil; and Petrobras and Braskem will receive the petrochemical business, in the proportion of 60% for Braskem and 40% for Petrobras. RIPI s oil refining business will be shared equally among Petrobras, Ultrapar and Braskem.

The principal steps of the Transaction are:

Closing of the SPA on April 18, 2007, whereby Ultrapar acquired a controlling interest in each of the Target Companies;

Closing of mandatory tag-along cash tender offers by Ultrapar for the remaining outstanding common shares of each of the Target Companies, which occurred on November 8, 2007;

The Share Exchange wherein any remaining common and all preferred shares of each Target Company that Ultrapar does not already hold will be exchanged for Ultrapar preferred shares; and

Split-up of the Southern Distribution Business, Northern Distribution Business, the Petrochemical Business and RIPI s oil refining business and the subsequent transfer of the relevant assets to Petrobras and Braskem . See The Transaction for more information regarding the steps and agreements involved in the Transaction.

**Q: What is the Share Exchange?**

A: The Share Exchange is a stock merger (*incorporação de ações*), which is a Brazilian corporate law procedure pursuant to which a company becomes a wholly owned subsidiary of another company and shareholders of the former receive shares of the latter. Upon completion of the Share Exchange described in this prospectus, RIPI, DPPI and CBPI will become wholly owned subsidiaries of Ultrapar and the holders of common and preferred shares of RIPI, DPPI and CBPI will receive Ultrapar preferred shares in exchange for their respective shares in RIPI, DPPI and CBPI.

**Q: What type of consideration will I receive for my preferred shares of RIPI, DPPI and CBPI in the Share Exchange?**

A: In the Share Exchange, you will receive consideration for each of your shares of RIPI, DPPI and CBPI preferred stock in the form of 0.79850, 0.64048 and 0.41846 shares of Ultrapar s preferred stock, respectively. The aggregate number of Ultrapar preferred shares that will be delivered to RIPI, DPPI and CBPI preferred shareholders in the Share Exchange is 13,846,251, 11,682,147 and 28,133,191, respectively. Ultrapar will issue an additional 269,451, 181,139, and 592,769 preferred shares to the remaining common shareholders of RIPI, DPPI and CBPI, respectively, as part of the Share Exchange.

**Q: What is the status of the Transaction?**

A: The Investment Agreement entered into by the Acquiring Companies on March 18, 2007 regulates the relationships among these companies during the process of completing the Transaction. As of the date of this prospectus, the SPA has closed, the mandatory tag along cash tender offers have been completed and the shareholder meetings to approve the Share Exchange have been called, as described below.

**Q: When do you currently expect to complete the Transaction?**

A: In the fourth quarter of 2007. However, Ultrapar, RIPI, DPPI and CBPI cannot assure you when or if all of the steps of the Transaction as described in this prospectus will occur. RIPI, DPPI and CBPI must first

**Table of Contents**

obtain the required approvals of RIPI, DPPI, CBPI shareholders and CBPI Debenture holders. Ultrapar s shareholders must also approve the Transaction. According to the Investment Agreement, upon the occurrence of certain events which delay completion of certain steps of the Transaction, Ultrapar, Petrobras and Braskem may decide to follow different steps for the completion of the Transaction as described in detail in the Investment Agreement and in The Transaction Transaction Agreements Investment Agreement.

**Q: Are shareholder votes required for the Share Exchange?**

A: Yes, but only the favorable vote of a majority of the common shareholders of each of RIPI, DPPI and CBPI and of a majority of common shareholders of Ultrapar present at each respective shareholder meeting are required for the Share Exchange to be approved. Ultrapar, RIPI, DPPI and CBPI have called extraordinary shareholder meetings for the purpose of approving the Share Exchange, as described below.

**Q: Can I vote on the Share Exchange?**

A: No. Only common shareholders of Ultrapar, RIPI, DPPI and CBPI may vote on the Share Exchange. Preferred shareholders of Ultrapar, RIPI, DPPI and CBPI do not have the right to vote on the Share Exchange.

**Q: May I attend the Ultrapar, RIPI, DPPI and CBPI extraordinary shareholder meetings regarding the Share Exchange?**

A: Yes, you may attend the shareholder meetings of the companies in which you hold shares.

**Q: When and where are the Ultrapar, RIPI, DPPI and CBPI extraordinary shareholder meetings regarding the Share Exchange?**

A: The RIPI extraordinary shareholder meeting will take place on December 18, 2007 at 9:00 a.m. (São Paulo time) at RIPI s headquarters, located at Rua Engenheiro Heitor Amaro Barcellos, 551, City of Rio Grande, Rio Grande do Sul State, Brazil. The DPPI extraordinary shareholder meeting will take place on December 18, 2007 at 9:00 a.m. (São Paulo time) at DPPI s headquarters, located at Avenida Dolores Alcaraz Caldas, 90, City of Porto Alegre, State of Rio Grande do Sul, Brazil. The CBPI extraordinary shareholder meeting will take place on December 18, 2007 at 5:00 p.m. (São Paulo time) at CBPI s headquarters, located at Rua Francisco Eugênio, 329, City of Rio de Janeiro, State of Rio de Janeiro, Brazil. Ultrapar s extraordinary shareholder meeting will take place on December 18, 2007 at 7:00 p.m. São Paulo time, at Ultrapar s headquarters, located at Av. Brigadeiro Luiz Antonio, 1343 9th Floor, City of São Paulo, State of São Paulo, Brazil.

**Q: How will my rights as an RIPI, DPPI or CBPI preferred shareholder change after the Share Exchange?**

A: Because your RIPI, DPPI or CBPI preferred shares will be exchanged for Ultrapar preferred shares, you will become an Ultrapar shareholder and therefore will have the rights conferred by Ultrapar preferred shares. See Comparison of Your Rights as a Holder of RIPI, DPPI or CBPI Preferred Shares and Your Rights as a Potential Holder of Ultrapar Preferred Shares.

**Q: What other approvals from your shareholders, any governmental authorities, RIPI, DPPI, CBPI or any third parties are required in order to complete the Transaction?**

A: In addition to the shareholder approvals required for the Share Exchange, completion of the Transaction is subject to:

Approval of the Share Exchange in respect of CBPI s shares by the holders of debentures issued by CBPI, the meeting for which will be held immediately after the approval of the Share Exchange by CBPI s shareholders;

Table of Contents

Approval of the split-up of the Northern Distribution Business by CBPI s shareholders, the meeting for which will be held immediately after the Share Exchange in respect of CBPI s shares;

Approval of the split-up of the Petrochemical Business by CBPI and RIPI s shareholders, the meetings for which will be held immediately after the Share Exchange in respect of CBPI s and RIPI s shares;

Approval of the split-up of the Northern Distribution Business and the Petrochemical Business by the holders of debentures of CBPI; the meeting for which will be held immediately after the approval of such split-ups by CBPI s shareholders; and

Ratification of the Transaction by Ultrapar s shareholders, pursuant to article 256 of Brazilian Corporate Law, which must occur prior to April 18, 2008.

Completion of the Transaction does not depend on obtaining the approval of any regulatory body. The Brazilian antitrust authority, the *Conselho Administrativo de Defesa Econômica CADE*, is reviewing the Transaction and has the authority, following completion of the Transaction, to require one or more of the Acquiring Companies to dispose of assets acquired in the Transaction. In light of the fact that the assets we are acquiring in the Transaction relate to industries in which we have not historically operated, we do not believe that we will be required to divest any of such assets as a result of the review of the transaction by the Brazilian antitrust regulator. See The Transaction Regulatory Approvals Required for the Transaction .

**Q: Do I have withdrawal, appraisal or dissenter s rights with respect to the Share Exchange?**

A: Holders of RIPI and DPPI preferred shares are entitled to appraisal rights. Holders of CBPI preferred shares are not entitled to appraisal rights because of CBPI preferred shares high level of liquidity and the dispersion of CBPI s shareholder base. CBPI s preferred shares are included in the IBOVESPA stock index, which is the most actively traded in Brazil. Under Brazilian law, when such conditions are met, as in the case of CBPI s preferred shares, shareholders do not have appraisal rights. RIPI and DPPI shareholders appraisal rights may be exercised only by owners of record of RIPI and DPPI shares as of the last trading date prior to the first public announcement relating to the Share Exchange, which was March 19, 2007. Holders of DPPI preferred shares who exercise their appraisal rights may choose to receive an amount per share based on book value or liquidation value because the exchange ratio calculated with reference to liquidation value is more favorable to DPPI shareholders than the exchange ratio offered by Ultrapar (which was calculated based on economic value). RIPI shareholders may exercise their appraisal rights based on book value only. Book values to be paid to RIPI and DPPI shareholders will be R$19.50 per RIPI share and R$25.13 per DPPI share and are based on RIPI s balance sheet as of December 31, 2006 and DPPI s balance sheet as of December 31, 2006 , respectively. Liquidation value is R$33.55 per DPPI share, based on the valuation report prepared by Apsis Consultoria Empresarial S/C Ltda, or Apsis.

Preferred shareholders of RIPI and DPPI are entitled under Brazilian Corporate Law to request that they be provided with book value information for their respective preferred shares updated to a date that is within 60 days of the date of the relevant shareholder meeting. Ultrapar has engaged KPMG to issue a report confirming the book value applicable to RIPI and DPPI preferred shares as of September 30, 2007, which is based on these companies interim financial information included in this prospectus. Ultrapar intends to attach a copy of this report as an exhibit to the registration statement of which this prospectus forms a part.

**Q: Are there risks associated with the Share Exchange or the Transaction that I should consider in deciding whether to exercise my appraisal rights?**

A: Yes. There are a number of risks related to the Transaction that are discussed in this document. ***Please read in particular the detailed description of the risks associated with the Transaction on pages 57 through 59 and in the 2006 Form 20-F included as Annex A hereto.***

Table of Contents

**Q: When must I exercise my appraisal rights if I decide to do so?**

A: Your appraisal rights can only be exercised during the 30 day period following publication of the approval of the Share Exchange by the common shareholders of each of RIPI and DPPI. However, payment will not be due if the Share Exchange is rejected by the shareholders of either Ultrapar or RIPI, in the case of the RIPI Share Exchange, or the shareholders of either Ultrapar or DPPI, in the case of the DPPI Share Exchange, at the applicable shareholders meeting. Once the 30-day period for the exercise of your appraisal rights has expired, you will no longer have any right to compel RIPI or DPPI to purchase your preferred shares. The minutes of the shareholders meetings that approve the Share Exchange, as well as press releases related to the Share Exchange, will be published in the newspapers in which Ultrapar, RIPI and DPPI customarily publish their notices on the business day following the relevant shareholder meeting. Such publications shall constitute your sole notification regarding the commencement of the period to exercise your appraisal rights.

**Q: What if I want to cancel the exercise of my appraisal right after I have requested it?**

A: Exercise of your appraisal right is irrevocable.

**Q: When will I know the outcome of the Share Exchange?**

A: You will know if the Share Exchange was approved by the common shareholders of Ultrapar, RIPI, DPPI and CBPI immediately after the applicable extraordinary shareholder meetings. Under Brazilian Corporate Law, Ultrapar, RIPI, DPPI and CBPI must each publish a press release reporting the outcome of these meetings on the day following such shareholder meetings. Following the 30-day period within which you may exercise your appraisal rights, each of Ultrapar and RIPI, DPPI and CBPI will publish an additional press release describing the overall outcome of the Share Exchange**.**

**Q: When will I receive my new Ultrapar preferred shares?**

A: If you do not dispose of your RIPI, DPPI or CBPI preferred shares or exercise your appraisal rights, your RIPI, DPPI or CBPI preferred shares will be automatically exchanged for the appropriate number of Ultrapar preferred shares a few days later after the 30$^{th}$ day following publication of the approval of the Share Exchange by the common shareholders of each of RIPI, DPPI and CBPI. If management of any of RIPI, DPPI, CBPI or Ultrapar concludes, within 10 days after the end of the appraisal rights period, that the total value of the appraisal rights exercised by its shareholders could jeopardize the financial stability of their respective companies, such management could call a shareholder meeting to reconsider the approval of the applicable Share Exchange.

**Q: What will be the accounting treatment of the Share Exchange?**

A: In connection with the Share Exchange, we will execute a capital increase, corresponding to the number of new Ultrapar preferred shares that will be required to be issued in order to exchange all of the Target Companies outstanding common and preferred shares for our preferred shares. Under Brazilian GAAP, we intend to register this capital increase in an amount established in the Transaction Agreements. For U.S. GAAP, we intend to value the new Ultrapar preferred shares based on the market price of the securities over a reasonable period of time before and after the terms of the acquisition were agreed to and announced, in accordance with paragraph 22 of SFAS 141 Business Combination . The capital increase will correspond to an increase in the investment by Ultrapar in the Target Companies. The portion of the investment that corresponds to the net assets to be transferred to Braskem and Petrobras will be added to the previous steps amounts that pertain to the two companies. For the portion of the investment that corresponds to the net assets that will remain with Ultrapar, the difference between the value of this investment and its Brazilian GAAP book value will be recorded as goodwill and be amortized over 10 years. Under U.S. GAAP, we will adopt the purchase method of accounting for a step acquisition under SFAS 141 Business Combination . Goodwill will be recognized based on the excess of Ultrapar s acquisition cost over the net amounts assigned to the fair value of assets acquired and liabilities assumed. Goodwill is subject to annual impairment tests.

Table of Contents

**Q: What will my tax consequences be after the Share Exchange?**

A: The exchange of preferred shares of RIPI, DPPI or CBPI for our preferred shares pursuant to the Share Exchange will be a taxable transaction for U.S. federal income tax purposes. Accordingly, U.S. Holders who participate in the Share Exchange generally will recognize gain or loss. For a discussion of certain other U.S. tax matters that may be relevant to U.S. Holders, see Material U.S. Federal Income Tax Consequences. You are urged to consult your own tax advisor with respect to your personal tax consequences of the Share Exchange, which may vary for investors in different tax situations.

Based on the opinion of its external tax advisors, Ultrapar believes that there are good legal grounds to support the position that the receipt of Ultrapar s preferred shares in exchange for RIPI, DPPI or CBPI preferred shares, pursuant to the Shares Exchange, will not be a taxable transaction in Brazil. Gains, if any, resulting from the exercise of appraisal rights, however, will be taxable. You should consult your own tax advisor for a full understanding of the tax consequences of the Share Exchange to you. For a discussion of certain other Brazilian tax consequences, see Brazilian Tax Consequences.

**Q: What do I do now?**

A: The only thing you need to do now is to carefully read and consider the information contained in, and included as annexes to, this document. You do not need to reply to this document and you are not entitled to vote on the Share Exchange. Following the applicable meeting of the common shareholders of RIPI and DPPI, if you hold RIPI and/or DPPI preferred shares you should consider whether to exercise your appraisal rights.

**Q: Whom can I call with questions about the shareholder meetings or the Share Exchange?**

A: If you have questions about the Share Exchange or the extraordinary shareholder meetings or you need additional copies of this document, you should contact Ultrapar, RIPI, DPPI or CBPI at the addresses and telephone numbers listed on page i.

**Q: Where can I find more information about Ultrapar, RIPI, DPPI, CBPI and the Transaction?**

A: You can find more information about Ultrapar, RIPI, DPPI, CBPI and the Transaction from the various sources described under Where You Can Find More Information beginning on page 208.

**Table of Contents**

## SUMMARY

*The following summary highlights material information from this document. It does not contain all of the information that may be important to you. You are urged to read carefully this entire document and other documents which are included as annexes to this document in order to fully understand the Share Exchange and the Transaction. See Where You Can Find More Information on page 208. Most items in this summary include a page reference directing you to a more complete description of those items.*

### Ultrapar, RIPI, DPPI, CBPI and the Ipiranga Group (see page 100)

***Overview of Ultrapar***

Ultrapar is one of Brazil s largest corporate groups and is the second largest fuel distributor, a leading chemicals manufacturer and integrated logistics services provider. Our wholly owned subsidiary, Ultragaz, is the largest LPG distributor in Brazil, with a market share of approximately 24%. In the chemicals business, our wholly owned subsidiary, Oxiteno, is the largest producer of ethylene oxide and its principal derivatives in South America and a major producer of specialty chemicals. Through our wholly owned subsidiary, Ultracargo, we believe we are a leading provider of integrated road transport, storage, handling and logistics planning services for special bulk cargo. Following the closing of the SPA and Ultrapar s acquisition of a portion of the Ipiranga Group s fuel distribution business, Ultrapar became the second largest Brazilian fuel distributor, with approximately 15% market share.

***Overview of the Ipiranga Group***

Prior to the Transaction, RIPI, DPPI and CBPI were part of the Ipiranga Group, which, in addition to being Brazil s second largest fuel distributor through DPPI and CBPI as discussed below, had a significant presence in the petrochemical market, with the production of 650 thousand tons of petrochemical resins a year. The Ipiranga Group conducted its petrochemical business through IQ and IPQ and a 29.5% interest in Copesul (with Braskem owning another 29.5%), a petrochemical company that produces basic petrochemicals, such as ethylene, from naphtha, located in the southern petrochemical complex, which is Brazil s second-largest producer of petrochemicals.

***Overview of RIPI***

RIPI primarily operates an oil refinery in the state of Rio Grande do Sul, in the Southern region of Brazil, and also has interests in other companies in the Ipiranga Group. As of December 31, 2006, RIPI s nominal capacity was 17,000 barrels per day, and its principal products include gasoline, diesel, naphtha, fuel oil, LPG and kerosene. During 2006, RIPI faced difficulties in keeping its operations at full capacity due to an increase in international oil prices, to which its costs are linked, without a corresponding increase in oil derivatives prices in Brazil. This led RIPI to suspend its operations for five months during the year. In 2006, the average production of the refinery was 7,158 barrels per day, which represented 42% of the refinery s nominal capacity, and RIPI s market share reached 0.4% of the Brazilian market.

***Overview of DPPI***

DPPI is engaged in the distribution and marketing of petroleum products, fuel alcohol and vehicular natural gas in the State of Rio Grande do Sul and the Western portion of the State of Santa Catarina in Brazil. DPPI is also the controlling shareholder of CBPI, the company responsible for the fuel distribution business of the Ipiranga Group throughout the remainder of Brazil. DPPI s share of the Brazilian fuels market was approximately 2.6% as of December 31, 2006. A substantial portion of DPPI s net sales is derived from the sale of diesel and gasoline.

Table of Contents

*Overview of CBPI*

CBPI is engaged in the distribution and marketing of petroleum products, fuel alcohol and vehicular natural gas in Brazil, with the exception of those regions in which DPPI operates and the States of Roraima and Amapá. CBPI is controlled by DPPI. CBPI s share of the Brazilian fuels market was 16.9% as of December 31, 2006. In addition to selling gasoline and fuel alcohol, CBPI also sells diesel, vehicular natural gas, fuel oil, kerosene and lubricants. Together with DPPI, CBPI forms Brazil s second-largest fuel distributor, with a network of approximately 4,200 service stations and a 19% market share as of December 31, 2006.

**The Transaction (see page 61)**

On March 19, 2007, Ultrapar, Petrobras and Braskem announced their intention to acquire the Ipiranga Group and that on March 18, 2007, Ultrapar had entered into, and Petrobras and Braskem had acknowledged, a Share Purchase Agreement, or the SPA, with the Key Shareholders of the principal companies comprising the Ipiranga Group: RIPI, DPPI and CBPI. The SPA closed on April 18, 2007, upon payment of total consideration in the amount of R$2.1 billion, of which R$0.7 billion was paid by Ultrapar. As discussed below, in connection with the Transaction, Ultrapar is acting on its own behalf and on behalf of Petrobras and Braskem as commission agent.

After the completion of the Transaction, the businesses of the Ipiranga Group will be divided among Petrobras, Ultrapar and Braskem. Ultrapar will retain the fuel and lubricant distribution businesses located in the South and Southeast regions of Brazil, as well as the logistics and chemical businesses of the Ipiranga Group. Petrobras will receive the fuel and lubricant distribution businesses located in the North, Northeast and Central West regions of Brazil; and Petrobras and Braskem will receive the petrochemical business, in the proportion of 60% for Braskem and 40% for Petrobras. RIPI s oil refining business will be shared equally among Petrobras, Ultrapar and Braskem.

The Transaction is divided into five phases: (1) acquisition of the shares held by the Key Shareholders by Ultrapar (which closed on April 18, 2007); (2) mandatory cash tender offers (pursuant to tag along rights held by common minority shareholders under Brazilian Corporate Law and CVM rules) for the acquisition of the remaining common shares of RIPI, DPPI, CBPI and IPQ; (3) tender offer by Braskem for the delisting of Copesul s common shares from the BOVESPA; (4) exchange of any remaining common and all preferred shares of RIPI, DPPI and CBPI for preferred shares of Ultrapar; and (5) separation of the Target Companies assets. See The Transaction Description of the Transaction Phases of the Transaction.

In order to effect the Transaction, Ultrapar entered into certain agreements with Petrobras, Braskem and the Ipiranga Group, which we refer to as the Transaction Agreements, including:

*Investment Agreement*. The Investment Agreement was executed by Ultrapar, Petrobras and Braskem on March 18, 2007 and amended on April 18, 2007, regulates the relationship among the Acquiring Companies and is the principal agreement governing the Transaction.

*Share Purchase Agreement*. Entered into on March 18, 2007 among Ultrapar, with the consent of Petrobras and Braskem, and the Key Shareholders, the Share Purchase Agreement, or SPA, sets forth the conditions governing the Acquiring Companies acquisition of a controlling stake in the Ipiranga Group, which occurred on April 18, 2007.

*Target Companies Shareholders Agreement*. Ultrapar, Petrobras and Braskem entered into the Target Companies Shareholders Agreement on April 18, 2007 principally to govern the relationships among Ultrapar, Petrobras and Braskem with respect to the management of the Target Company s, IQ s and IPQ s businesses prior to the completion of the Transaction.

Table of Contents

*RIPI Shareholders Agreement*. The RIPI Shareholders Agreement, entered into among Ultrapar, Braskem and Petrobras on April 18, 2007, governs the relationship among Ultrapar, Petrobras and Braskem regarding how RIPI s operations will be managed prior to completion of the Transaction.

*Braskem/Petrobras Asset Security Agreement*. Ultrapar, Braskem and Petrobras entered into the Braskem/Petrobras Asset Security Agreement on April 18, 2007 pursuant to which Ultrapar is required to pledge to Braskem and Petrobras, in the proportions of 60% and 40%, respectively, all of the RIPI common shares and 50% of the RIPI preferred shares that it acquired from the Key Shareholders. Under this agreement, the RIPI shares acquired in the Mandatory Tender Offers were required to be pledged in favor of Braskem and Petrobras, in the same proportions.

*Petrobras Asset Security Agreement*. Under the Petrobras Asset Security Agreement, entered into on April 18, 2007 among Ultrapar and Petrobras, Ultrapar was required to pledge in favor of Petrobras 31% of the common shares and 100% of the preferred shares of DPPI that it acquired from the Key Shareholders, as well as 100% of the common shares of CBPI that it acquired from the Key Shareholders. Following completion of the Mandatory Tender Offers, Ultrapar was required to pledge, in substitution for 1,482,751 common shares issued by DPPI, 3,013,903 common shares issued by CBPI acquired in the Mandatory Tender Offers.

*Protocol and Justifications*. On November 9, 2007, Ultrapar and each of RIPI, DPPI and CBPI entered into the Protocol and Justifications, which include a description of the Share Exchange and the reasons the management of each company recommends approval of the Share Exchange by such company s board of directors. On November 12, 2007, the boards of directors of Ultrapar, RIPI, DPPI and CBPI approved their respective Protocol and Justification. The Protocol and Justifications will be required to be approved by the common shareholders of each company at the meetings called to approve the Share Exchange.

For more information on the Transaction Agreements, see The Transaction Transaction Agreements.

To finance part of the Transaction, on April 11, 2007, we completed an offering of unsecured debentures in the aggregate principal amount of R$889 million, in two series. The first series, in the aggregate amount of R$675 million, was issued on April 11, 2007. The second series, in the aggregate amount of R$214 million was issued on October 22, 2007. The debentures have a term of one year, and a coupon rate of 102.5% of CDI. For more information see our 2006 Form 20-F.

**The Share Exchange**

***You Will Receive Ultrapar Preferred Shares in the Share Exchange (see page 66)***

In the Share Exchange, Ultrapar will effect an *incorporação de ações* under Brazilian Corporate Law, where each remaining common and all preferred shares of each of RIPI, DPPI and CBPI that are not already owned by Ultrapar will be exchanged for 0.79850, 0.64048 and 0.41846 Ultrapar preferred shares, respectively. As a result, RIPI, DPPI and CBPI will become wholly owned subsidiaries of Ultrapar.

Based on the closing price of Ultrapar preferred shares on the BOVESPA:

- on March 16, 2007, the last full trading day in São Paulo prior to the announcement of the Transaction, the implied value of the consideration per share of RIPI, DPPI and CBPI preferred stock was R$39.36, R$31.57 and R$20.63, respectively; and

- on November 9, 2007, the latest practicable date prior to the date of this document, the implied value of the consideration per share of RIPI, DPPI and CBPI preferred stock was R$53.42, R$42.85 and R$27.99, respectively.

***The Ultrapar Preferred Shares to Be Issued in the Share Exchange Will Be Listed and Traded on the BOVESPA Stock Market in Brazil***

Ultrapar preferred shares are listed on the BOVESPA stock exchange in Brazil under the symbol UGPA4. Ultrapar s ADSs are listed on the New York Stock Exchange under the symbol UGP, but you will not receive any Ultrapar ADSs in connection with the Share Exchange. In order to convert the Ultrapar preferred shares you receive in the Share Exchange into Ultrapar ADSs, you will need to contact the depositary for Ultrapar s American Depositary Receipts program and pay any applicable fees.

***The Rights Associated With Owning Ultrapar Preferred Shares Are Different from Those Associated with Owning RIPI, DPPI or CBPI Preferred Shares (see page 166)***

The rights of holders of Ultrapar preferred shares are governed by Brazilian Corporate Law and by Ultrapar s bylaws. The rights of holders of RIPI preferred shares are also governed by Brazilian Corporate Law and by RIPI s bylaws. The rights of holders of DPPI preferred shares are also governed by Brazilian Corporate Law and by DPPI s bylaws. The rights of holders of CBPI preferred shares are also governed by Brazilian Corporate Law and by CBPI s bylaws. Accordingly, upon completion of the Share Exchange, preferred shareholders of each of RIPI, DPPI and CBPI will become holders of Ultrapar preferred shares and their rights as preferred shareholders will be governed by, in addition to Brazilian Corporate Law, Ultrapar s bylaws and not RIPI, DPPI or CBPI s bylaws. For a comparison of the rights of holders of Ultrapar preferred shares with the rights of holders of RIPI, DPPI or CBPI preferred shares, see Comparison of Your Rights as a Holder of RIPI, DPPI or CBPI Preferred Shares and Your Rights as a Potential Holder of Ultrapar Preferred Shares.

***Deutsche Bank Securities Inc. Has Provided a Valuation Report (see page 71)***

Deutsche Bank has provided a valuation report to Ultrapar, dated as of April 4, 2007, in accordance with Brazilian securities law. The report was prepared in connection with the Share Exchange and contains economic valuations of Ultrapar, RIPI, DPPI and CBPI. The original Deutsche Bank valuation report was filed with the CVM and was the subject of several requests from the CVM for additional explanatory disclosure to be included in the report. These requests did not relate to the quantitative information included in the report. Revised valuation reports were prepared to address these CVM requests. The full text of the final copy of Deutsche Bank s report, which sets forth, among other things, the assumptions made, matters considered and limits on the review undertaken by Deutsche Bank in connection with the report, has been included as an exhibit to the registration statement of which this prospectus forms a part. You are urged to read the report in its entirety. The report and its conclusions are not recommendations by Deutsche Bank as to whether RIPI, DPPI and CBPI preferred shareholders should take any action in connection with the Share Exchange or the Transaction. The report is not a fairness opinion as such is understood under U.S. law or a recommendation to shareholders relating to the exchange ratio to be offered to the RIPI, DPPI and CBPI preferred shareholders. The report was prepared in connection with Brazilian legal requirements relating to third-party independent valuation reports to be used in connection with merger and acquisition transactions. As compensation for its services in connection with the valuation report, Deutsche Bank will receive US$3,000,000 net of taxes upon completion of the Share Exchange. See The Transaction Deutsche Bank Valuation Report for a summary description of Deutsche Bank s valuation report.

***Apsis Consultoria Empresarial S/C Ltda. Has Provided a Valuation Report (see page 80)***

Apsis Consultoria Empresarial Ltda., or Apsis, has been engaged by Ultrapar and the Target Companies to conduct a valuation analysis for the purpose of appraising the equity of both Ultrapar and the Ipiranga Group. Apsis s valuation analysis will be used to determine the liquidation value of each of Ultrapar and the Target Companies preferred shares. These values will be utilized in connection with the RIPI and DIPI preferred shareholders appraisal rights.

We intend to include the full text of the Apsis report as an exhibit to the registration statement of which this prospectus forms a part. See The Transaction Apsis Valuation Report for a summary description of the Apsis valuation report.

***Credit Suisse Valuation Report***

In connection with the Share Exchange, the managements of each of the Target Companies engaged Credit Suisse to provide a valuation report covering the matters addressed by Deutsche Bank in its valuation report. We intend to include a summary of the Credit Suisse Report in this prospectus and the full text of the Credit Suisse report as an exhibit to the registration statement of which this prospectus forms a part.

***Appraisal Rights (see page 88)***

RIPI and DPPI shareholders will have appraisal rights in connection with the Share Exchange, but CBPI shareholders will not. In the Share Exchange, RIPI preferred shareholders appraisal rights will provide them with the right to sell their preferred shares to RIPI at their book value. In the Share Exchange, DPPI preferred shareholders appraisal rights will provide them the right to sell their preferred shares to DPPI at either book value or the liquidation value, at their sole discretion, because the exchange ratio calculated with reference to the liquidation value is more favorable than the exchange ratio offered by Ultrapar, which was calculated with reference to the economic value of such shares.

Appraisal rights can only be exercised in the 30 day period following publication of the approval of the Share Exchange by RIPI and DPPI s common shareholders, as applicable. Once the 30-day period for the exercise of appraisal rights has expired, RIPI or DPPI preferred shareholders will no longer have any right to compel RIPI or DPPI to purchase their preferred shares.

RIPI and DPPI s preferred shareholders may exercise their appraisal rights by sending a written notice to RIPI or DPPI, as applicable, informing them that they intend to exercise their appraisal rights. Upon receipt of the notice, RIPI and DPPI are bound to buy the preferred shares, and the shareholder is bound to sell them, unless the management of Ultrapar, RIPI or DPPI decides to reconsider the Share Exchange, as explained below. The exercise of appraisal rights is irrevocable.

***RIPI Will Hold Its Extraordinary Shareholder Meeting on December 18, 2007 (see page 98)***

RIPI s extraordinary shareholder meeting will be held on December 18, 2007 at 9:00 a.m. (São Paulo time) at RIPI s headquarters, located at Rua Engenheiro Heitor Amaro Barcellos, 551, city of Rio Grande, State of Rio Grande do Sul, Brazil.

You may not vote at RIPI s extraordinary shareholder meeting as a holder of RIPI preferred shares, although you may attend.

***DPPI Will Hold Its Extraordinary Shareholder Meeting on December 18, 2007 (see page 98)***

DPPI s extraordinary shareholder meeting will be held on December 18, 2007 at 9:00 a.m. (São Paulo time) at DPPI s headquarters, located at Avenida Dolores Alcaraz Caldas, 90, city of Porto Alegre, State of Rio Grande do Sul, Brazil.

You may not vote at DPPI s extraordinary shareholder meeting as a holder of DPPI preferred shares, although you may attend.

**Table of Contents**

***CBPI will hold its Extraordinary Shareholder Meeting on December 18, 2007 (see page 98)***

CBPI s extraordinary shareholder meeting will be held on December 18, 2007 at 5:00 p.m. (São Paulo time) at CBPI s headquarters located at Rua Francisco Eugênio, no 329, city of Rio de Janeiro, State of Rio de Janeiro, Brazil.

You may not vote at CBPI s extraordinary shareholder meeting as a holder of CBPI preferred shares, although you may attend.

***Ultrapar Will Hold Its Extraordinary Shareholder Meeting on December 18, 2007 (see page 99)***

The Ultrapar extraordinary shareholder s meeting will be held on December 18, 2007 at 7:00 p.m. (São Paulo time) at Ultrapar s headquarters, located at Av. Brigadeiro Luiz Antonio, 1343, 8th Floor, city of São Paulo, State of São Paulo, Brazil.

***Regulatory Approvals Required for the Transaction (see page 88)***

The Brazilian antitrust authority, *Conselho Administrativo de Defesa Econômica CADE*, is currently reviewing the Transaction and its potential consequences on competition in the relevant Brazilian industries. Approval of the Transaction by CADE, however, is not required prior to the completion of the Transaction. If, following the completion of the Transaction, CADE determines that the Transaction or part of the Transaction has a material adverse effect on competition in Brazil, it may require that Ultrapar, Braskem or Petrobras divest all or part of the assets acquired in the Transaction. In light of the fact that the assets we are acquiring in the Transaction relate to industries in which we have not historically operated, we do not believe that we will be required to divest any of such assets as a result of the review of the Transaction by the Brazilian antitrust regulator. See The Transaction Regulatory Approvals Required for the Transaction .

## SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF ULTRAPAR

The following is selected consolidated financial data from Ultrapar s consolidated financial statements, for the periods indicated. You should read this selected consolidated financial data in conjunction with Ultrapar s consolidated financial statements and related notes included in Annex A to this prospectus or contained elsewhere in this prospectus. See Where You Can Find More Information on page 208.

Ultrapar s consolidated financial statements are prepared in Brazilian *reais* in accordance with accounting practices adopted in Brazil, or Brazilian GAAP, which differ in certain material respects from accounting principles generally accepted in the United States of America, or U.S. GAAP. For a summary of the differences between the accounting practices adopted in Brazil and U.S. GAAP, see Note 24 to Ultrapar s consolidated financial statements appearing in its 2006 Form 20-F. For further information concerning the preparation and presentation of the financial information contained in Ultrapar s 2006 Form 20-F, see Presentation of Financial Information in its 2006 Form 20-F.

The following table presents Ultrapar s selected consolidated financial data at the dates and for each of the periods indicated in Brazilian GAAP, and U.S. GAAP where indicated. The consolidated balance sheet information as of December 31, 2006 and 2005 and the consolidated statements of income for the years ended December 31, 2006, 2005 and 2004 are derived from Ultrapar s audited consolidated financial statements included in this prospectus. The consolidated balance sheet information as of December 31, 2004, 2003 and 2002 and the related consolidated statements of income for the years ended December 31, 2003 and 2002 are derived from Ultrapar s audited consolidated financial statements that are not included in this prospectus.

The consolidated balance sheet data as of September 30, 2007 and as of June 30, 2007 and the consolidated statements of income for the nine-month periods ended September 30, 2007 and 2006 and the six-month periods ended June 30, 2007 and 2006 are derived from Ultrapar s unaudited consolidated financial statements included in this prospectus.

**Table of Contents**

| Consolidated Income Statement Data: | Nine-Month Period Ended September 30, 2007(1) US$ | Nine-Month Period Ended September 30, 2007 R$ | Nine-Month Period Ended September 30, 2006 R$ | Six-Month Period Ended June 30, 2007 R$ | Six-Month Period Ended June 30, 2006 R$ | Year Ended December 31, 2006(1) US$ | Year Ended December 31, 2006 R$ | Year Ended December 31, 2005 R$ | Year Ended December 31, 2004 R$ | Year Ended December 31, 2003 R$ | Year Ended December 31, 2002 R$ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | (in millions, except per share data) | | | | | | |
| Gross sales and services | 7,689.1 | 14,139.5 | 3,914.7 | 7,726.0 | 2,499.7 | 2,844.0 | 5,229.9 | 5,158.0 | 5,250.6 | 4,603.8 | 3,795.3 |
| Taxes on sales and services, rebates, discounts and returns | (338.0) | (621.5) | (324.4) | (370.8) | (204.6) | (237.0) | (435.8) | (464.2) | (466.4) | (603.5) | (800.8) |
| **Net Sales and Services** | 7,351.1 | 13,518.0 | 3,590.3 | 7,355.2 | 2,295.1 | 2,607.0 | 4,794.1 | 4,693.8 | 4,784.2 | 4,000.3 | 2,994.5 |
| Cost of sales and services | (6,710.2) | (12,339.3) | (2,889.3) | (6,655.1) | (1,859.4) | (2,099.0) | (3,859.9) | (3,783.4) | (3,669.9) | (3,196.4) | (2,247.1) |
| **Gross profit** | 640.9 | 1,178.7 | 701.0 | 700.1 | 435.7 | 508.0 | 934.2 | 910.4 | 1,114.3 | 803.9 | 747.4 |
| Operating (expenses) income | | | | | | | | | | | |
| Selling, general and administrative expenses | (453.9) | (834.6) | (441.9) | (492.1) | (287.6) | (329.1) | (605.1) | (551.7) | (555.9) | (458.9) | (382.3) |
| Other operating income, net | 2.7 | 4.9 | 1.8 | 4.1 | 1.0 | 0.7 | 1.3 | (0.4) | 5.5 | 6.6 | 0.4 |
| Total operating expenses | (451.2) | (829.7) | (440.1) | (488.0) | (286.6) | (328.3) | (603.8) | (552.1) | (550.4) | (452.3) | (381.9) |
| **Operating income before financial items** | 189.7 | 349.0 | 260.9 | 212.1 | 149.1 | 179.7 | 330.4 | 358.3 | 563.9 | 351.6 | 365.5 |
| Financial (expenses) income, net | (35.5) | (65.2) | 32.0 | (35.1) | 34.9 | 16.6 | 30.6 | (27.3) | (45.0) | (57.2) | 28.5 |
| Nonoperating (expenses) income, net | (1.6) | (2.9) | (20.9) | (2.0) | (13.2) | (10.1) | (18.5) | (1.8) | (16.0) | 1.0 | (44.1) |
| Income before income and social contribution taxes, equity in earnings (losses) of affiliated companies, employees statutory interests and minority interest | 152.6 | 280.9 | 272.0 | 175.0 | 170.8 | 186.3 | 342.5 | 329.2 | 502.9 | 295.4 | 349.9 |
| Income and social contribution taxes | (42.0) | (77.2) | (35.4) | (49.3) | (24.2) | (30.5) | (56.1) | (28.8) | (83.0) | (44.9) | (71.4) |
| Income before equity in earnings (losses) of affiliated companies and minority interest | 110.6 | 203.7 | 236.6 | 125.7 | 146.6 | 155.7 | 286.4 | 300.4 | 419.9 | 250.5 | 278.5 |
| Equity in earnings (losses) of affiliated companies | (0.1) | (0.2) | 0.7 | (0.1) | 0.6 | 0.5 | 1.0 | 1.6 | | (0.5) | (1.7) |
| Minority interest | (54.3) | (99.8) | (3.6) | (48.2) | (2.3) | (2.9) | (5.3) | (2.8) | (5.4) | (3.6) | (54.5) |
| Employees statutory interest | (2.4) | (4.5) | | (2.8) | | | | | | | |
| **Net income** | 53.8 | 99.2 | 233.7 | 74.6 | 144.9 | 153.4 | 282.1 | 299.2 | 414.5 | 246.4 | 222.3 |
| Earnings per share(2) | 0.67 | 1.23 | 2.88 | 0.92 | 1.79 | 1.93 | 3.55 | 3.73 | 5.95 | 3.54 | 3.62 |
| Dividends per common share(3) | | | 0.89 | | | 0.97 | 1.78 | 1.93 | 2.36 | 1.01 | 1.00 |
| Dividends per preferred share(3) | | | 0.89 | | | 0.97 | 1.78 | 1.93 | 2.36 | 1.11 | 1.09 |
| **U.S. GAAP:** | | | | | | | | | | | |
| Net income(4) | | | | 78.3 | 143.7 | 152.5 | 280.5 | 288.9 | 413.3 | 292.0 | 141.5 |
| Basic and diluted earnings per common share(4)(5) | | | | 0.97 | 1.77 | 1.88 | 3.46 | 3.57 | 5.17 | 3.52 | 1.94 |
| Basic and diluted earnings per preferred share(4)(5) | | | | 0.97 | 1.77 | 1.88 | 3.46 | 3.57 | 5.17 | 3.87 | 2.13 |
| Depreciation and amortization | | | | 131.2 | 93.5 | 78.3 | 143.9 | 137.4 | 126.6 | 98.5 | 85.4 |

(1) The *real* amounts for the nine-month period ended September 30, 2007 and for the year ended December 31, 2006, have been converted into dollars using the exchange rate of US$1.00 = R$1.839, which was the commercial rate reported by the Central Bank on September 30, 2007. This information is presented solely for the convenience of the reader. You should not interpret the currency conversions in this prospectus as a statement that the amounts in *reais* currently represent such values in U.S. dollars. Additionally, you should not interpret such conversions as statements that the amounts in *reais* have been, could have been or could be converted into U.S. dollars at this or any other foreign exchange rates. See Exchange Rates.

(2) Earnings per share are calculated based on the shares outstanding at period end. Under Brazilian GAAP, net earnings per share are not retroactively adjusted for the stock dividend but are retroactively adjusted for the reverse stock split described in our 2006 Form 20-F under Item 4.B. Information on the Company Business Overview.

(3) See Item 8.A. Consolidated Statements and Other Financial Information Dividend and Distribution Policy in our 2006 Form 20-F for information regarding declaration and payment of dividends. Dividends per share do not reflect any adjustments related to the stock dividend described under Item 4.B. Information on the Company Business Overview in our 2006 Form 20-F.

(4) The calculation of net income and earnings per share as of December 31, 2005, 2004, 2003 and 2002 was retroactively adjusted for the effect of a change in an accounting policy beginning in January 2006. See Item 5.A. Operating and Financial Review and Prospects Operating Results U.S. GAAP Reconciliation in our 2006 Form 20-F and Note 24(I)(q) to our consolidated financial statements for more information.

(5) The calculation of earnings per share as of December 31, 2005, 2004, 2003 and 2002 was retroactively adjusted for stock dividend and reverse stock split beginning in January 2006.

| | As of September 30, 2007(1) US$ | As of September 30, 2007 R$ | As of June 30, 2007 R$ | As of December 31, 2006(1) US$ | 2006 R$ | 2005 R$ | 2004 R$ | 2003 R$ | 2002 R$ |
|---|---|---|---|---|---|---|---|---|---|
| | (in millions of U.S. dollars or *reais*, where indicated) | | | | | | | | |
| **Consolidated Balance Sheet Data:** | | | | | | | | | |
| **Current assets** | | | | | | | | | |
| Cash and cash equivalents | 44.6 | 82.0 | 785.0 | 209.4 | 385.1 | 1,114.2 | 624.5 | 568.8 | 637.9 |
| Short term investment | 786.3 | 1,446.0 | 804.3 | 400.9 | 737.3 | 184.8 | 22.4 | 41.0 | |
| Trade accounts receivable, net | 703.8 | 1,294.3 | 1,260.9 | 195.8 | 360.0 | 343.3 | 369.3 | 322.3 | 278.0 |
| Inventories | 308.0 | 566.4 | 540.4 | 118.1 | 217.2 | 191.7 | 210.3 | 137.7 | 106.3 |
| Recoverable Taxes | 116.9 | 215.0 | 193.6 | 64.1 | 117.8 | 62.9 | 73.0 | 115.5 | 115.1 |
| Other | 66.2 | 121.7 | 126.3 | 22.8 | 42.0 | 39.4 | 45.4 | 33.4 | 49.6 |
| **Total current assets** | **2,025.8** | **3,725.4** | **3,710.5** | **1,011.1** | **1,859.4** | **1,936.3** | **1,344.9** | **1,218.7** | **1,186.9** |
| **Long-term assets** | | | | | | | | | |
| Trade accounts receivable, net | 90.2 | 165.8 | 157.6 | | | | | | |
| Long term investments | 65.0 | 119.5 | 118.9 | 298.0 | 548.0 | 372.7 | 38.8 | | |
| Related companies | 23.4 | 43.1 | 42.1 | 4.0 | 7.4 | 3.7 | 3.1 | 2.8 | 2.6 |
| Deferred income and social contribution taxes | 70.1 | 128.9 | 109.7 | 31.6 | 58.2 | 61.0 | 36.3 | 61.4 | 33.3 |
| Recoverable Taxes | 41.0 | 75.4 | 72.4 | 35.5 | 65.3 | 46.8 | 36.6 | | |
| Other | 35.9 | 66.0 | 62.4 | 26.0 | 47.9 | 49.3 | 28.5 | 20.7 | 11.5 |
| **Total long-term assets** | **325.6** | **598.7** | **563.1** | **395.2** | **726.8** | **533.5** | **143.3** | **84.9** | **47.4** |
| **Permanent assets** | | | | | | | | | |
| Investments | 25.1 | 46.2 | 38.9 | 16.7 | 30.8 | 32.3 | 31.8 | 33.1 | 33.0 |
| Property, plant, equipment and intangible assets, net | 1,185.5 | 2,180.0 | 2,066.4 | 637.8 | 1,172.8 | 1,072.7 | 1,047.4 | 968.6 | 779.5 |
| Deferred charges, net | 292.9 | 538.6 | 543.8 | 61.1 | 112.3 | 98.3 | 99.8 | 102.7 | 81.1 |
| **Total permanent assets** | **1,503.5** | **2,764.8** | **2,649.1** | **715.6** | **1,315.9** | **1,203.3** | **1,179.0** | **1,104.4** | **893.6** |
| **TOTAL ASSETS** | **3,854.9** | **7,088.9** | **6,922.7** | **2,122.0** | **3,902.1** | **3,673.1** | **2,667.2** | **2,408.0** | **2,127.9** |
| **Current liabilities** | | | | | | | | | |
| Loans, financing and debentures | 860.4 | 1,582.1 | 1,385.4 | 91.3 | 167.9 | 201.9 | 381.6 | 381.6 | 219.8 |
| Suppliers | 246.7 | 453.7 | 450.7 | 61.2 | 112.5 | 90.9 | 102.0 | 90.3 | 104.4 |
| Payroll and related charges | 65.7 | 120.8 | 105.3 | 44.2 | 81.2 | 66.1 | 94.1 | 74.7 | 64.4 |
| Post-retirement benefits | 3.7 | 6.8 | 7.2 | | | | | | |
| Taxes payable | 24.6 | 45.3 | 51.6 | | | | | | |
| Dividends payable | 22.0 | 40.5 | 39.6 | 55.1 | 101.4 | 103.9 | 74.7 | 41.7 | 49.0 |
| Provision for contingencies | 5.3 | 9.7 | 11.8 | | | | | | |
| Other | 58.4 | 107.4 | 66.6 | 11.3 | 20.8 | 25.5 | 33.0 | 44.5 | 30.6 |
| **Total current liabilities** | **1,286.8** | **2,366.3** | **2,118.2** | **263.1** | **483.8** | **488.3** | **685.4** | **632.8** | **468.2** |
| **Long-term liabilities** | | | | | | | | | |
| Loans, financing and debentures | 730.6 | 1,343.5 | 1,499.1 | 751.4 | 1,381.8 | 1,278.6 | 258.1 | 306.3 | 363.6 |
| Related companies | 2.6 | 4.7 | 4.7 | 2.6 | 4.7 | 5.0 | 8.8 | 9.0 | 10.2 |
| Other taxes and contributions contingent liabilities | 48.8 | 89.7 | 88.0 | 19.8 | 36.5 | 54.7 | 52.1 | 40.9 | 28.5 |
| Post-retirement benefits | 36.9 | 67.8 | 71.7 | | | | | | |
| Other | 22.3 | 41.2 | 37.9 | 15.6 | 28.7 | 26.8 | 34.1 | 30.1 | 35.3 |
| **Total long-term liabilities** | **841.2** | **1,546.9** | **1,701.4** | **789.4** | **1,451.7** | **1,365.1** | **353.1** | **386.3** | **437.6** |
| **TOTAL LIABILITIES** | **2,128.0** | **3,913.2** | **3,819.6** | **1,052.5** | **1,935.5** | **1,853.4** | **1,038.5** | **1,019.1** | **905.8** |
| **Minority Interest** | 634.8 | 1,167.3 | 1.115.7 | 18.0 | 33.1 | 29.6 | 28.2 | 32.2 | 31.0 |
| **Shareholders equity** | | | | | | | | | |
| Capital | 514.4 | 946.0 | 946.0 | 514.4 | 946.0 | 946.0 | 664.0 | 664.0 | 664.0 |
| Capital reserve | 0.4 | 0.8 | 0.7 | 0.3 | 0.6 | 0.3 | 0.1 | | |
| Revaluation reserve | 6.5 | 12.0 | 12.3 | 7.1 | 13.0 | 15.0 | 16.4 | 17.8 | 26.0 |
| Reserves and retained earnings | 570.8 | 1,049.6 | 1,028.4 | 529.6 | 973.9 | 828.8 | 920.0 | 674.9 | 501.1 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **TOTAL SHAREHOLDERS EQUITY** | **1,092.1** | **2,008.4** | **1,987.4** | **1,051.4** | **1,933.5** | **1,790.1** | **1,600.5** | **1,356.7** | **1,191.1** |
| **TOTAL LIABILITIES SHAREHOLDERS EQUITY** | **3,854.9** | **7,088.9** | **6,922.7** | **2,122.0** | **3,902.1** | **3,673.1** | **2,667.2** | **2,408.0** | **2,127.9** |
| **U.S. GAAP** | | | | | | | | | |
| **Total assets** | | | 6,924.2 | 2,090.1 | 3,843.5 | 3,610.0 | 2,595.9 | 2,343.6 | 2,004.2 |
| **Total shareholders equity**(2) | | | 1,935.9 | 1,018.5 | 1,872.9 | 1,730.2 | 1,555.3 | 1,305.3 | 1,083.4 |

10

Table of Contents

(1) The *real* amounts as of the nine-month period ended September 30, 2007 and as of the year ended December 31, 2006, have been converted into dollars using the exchange rate of US$1.00 = R$1.839, which was the commercial rate reported by the Central Bank on September 30, 2007. This information is presented solely for the convenience of the reader. You should not interpret the currency conversions in this prospectus as a statement that the amounts in *reais* currently represent such values in U.S. dollars. Additionally, you should not interpret such conversions as statements that the amounts in *reais* have been, could have been or could be converted into U.S. dollars at this or any other foreign exchange rates. See  Exchange Rates.

(2) Shareholders  equity as of December 31, 2005, 2004, 2003 and 2002 was retroactively adjusted to reflect changes in accounting policies beginning in January 2006. See  Item 5A. Operating and Financial Review and Prospects  Operating Results  U.S. GAAP Reconciliation  and Note 24 I(q) to our consolidated financial statements included in our 2006 Form 20-F for a better understanding of these changes.

Table of Contents

## SELECTED HISTORICAL FINANCIAL DATA OF RIPI

The following is selected financial data from RIPI s audited consolidated annual financial statements and unaudited consolidated interim financial information for the periods indicated. You should read this selected financial data in conjunction with RIPI s financial statements and related notes included in this prospectus.

Following closing of the SPA on April 18, 2007, Braskem assumed control of the Petrochemical Business. Accordingly, after such date RIPI no longer included the results of the Petrochemical Business in its consolidated financial statements. See Transaction Description of the Transaction .

RIPI s financial statements are prepared in Brazilian *reais* in accordance with Brazilian GAAP, which differs in certain material respects from U.S. GAAP. For a summary of the differences between the accounting practices adopted in Brazil and U.S. GAAP, see Note 25 to RIPI s consolidated financial statements and Note 23 to RIPI s interim consolidated financial information included in this prospectus. For further information concerning the preparation and presentation of the financial information contained in RIPI s financial statements, see Note 2 to RIPI s financial statements included in this prospectus.

The following table presents RIPI s selected financial data at the dates and for each of the periods indicated in Brazilian GAAP, and U.S. GAAP where indicated. The consolidated balance sheet information as of December 31, 2006 and 2005 and the consolidated statements of income for the years ended December 31, 2006, 2005 and 2004 are derived from RIPI s audited consolidated financial statements included in this prospectus. The balance sheet information as of September 30, 2007 and as of June 30, 2007 and the statements of income for the nine-month periods ended September 30, 2007 and 2006 and the six-month periods ended June 30, 2007 and 2006 are derived from RIPI s unaudited interim financial consolidated information included in this prospectus.

| **Income Statement** | **Nine-month Period Ended September 30,** | | | **Six-month Period Ended June 30,** | | **Year Ended December 31,** | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2007(1) US$** | **2007 R$** | **2006 R$** | **2007 R$** | **2006 R$** | **2006(1) US$** | **2006 R$** | **2005 R$** | **2004 R$** |
| | **(in millions, except per share data)** | | | | | | | | |
| Gross sales and services | 488.7 | 898.6 | 537.1 | 1,892.3 | 2,805.3 | 3,056.1 | 5,619.9 | 4,998.1 | 5,176.9 |
| Taxes on sales and services, rebates, discounts and returns | (156.1) | (287.1) | (223.6) | (488.4) | (765.5) | (776.8) | (1,428.5) | (1,385.4) | (1,429.9) |
| **Net sales and services** | **332.6** | **611.5** | **313.5** | **1,403.9** | **2,039.7** | **2,279.3** | **4,191.4** | **3,612.7** | **3,747.0** |
| Cost of sales and services | (312.1) | (573.9) | (292.9) | (1,140.3) | (1,670.8) | (1,837.8) | (3,379.6) | (2,872.8) | (2,897.3) |
| **Gross profit** | **20.5** | **37.6** | **20.6** | **263.6** | **368.9** | **441.5** | **811.8** | **739.9** | **849.7** |
| Operating (expenses) income | | | | | | | | | |
| Selling, general and administrative expenses | (12.8) | (23.6) | (21.3) | (106.2) | (163.0) | (188.9) | (347.3) | (304.8) | (303.2) |
| Other operating income, net | | | 0.5 | (6.2) | 10.5 | 4.5 | 8.2 | 26.6 | 11.9 |
| Total operating expenses | (12.8) | (23.6) | (20.8) | (112.4) | (152.5) | (184.4) | (339.1) | (278.2) | (291.3) |
| **Operating income before financial items** | **7.7** | **14.0** | **(0.2)** | **151.2** | **216.4** | **257.1** | **472.7** | **461.7** | **558.4** |
| Financial (expenses) income, net | (3.9) | (7.2) | (2.4) | (2.6) | (29.6) | (47.0) | (86.4) | (134.5) | (111.0) |
| Nonoperating (expenses) income, net | 0.2 | 0.4 | | (0.5) | (1.3) | (18.5) | (34.1) | 1.2 | (0.2) |
| Income before income and social contribution taxes, equity in earnings (losses) of affiliated companies, employee statutory interest and minority interest | 4.0 | 7.2 | (2.6) | 148.1 | 185.5 | 191.6 | 352.2 | 328.4 | 447.2 |
| Income and social contribution taxes | | | (1.1) | (41.9) | (33.3) | (44.3) | (81.4) | (100.2) | (68.3) |
| Income before equity in earnings (losses) of affiliated companies and minority interest | 4.0 | 7.2 | (3.7) | 106.2 | 152.2 | 147.3 | 270.8 | 228.2 | 378.9 |
| Equity in earnings (losses) of affiliated companies | 100.6 | 185.0 | 131.1 | 69.1 | 10.3 | 13.2 | 24.3 | 30.4 | 19.8 |

12

**Table of Contents**

| **Income Statement** | **Nine-month period ended September 30,** | | | **Six-month period ended June 30,** | | **Year Ended December 31,** | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2007(1) US$** | **2007 R$** | **2006 R$** | **2007 R$** | **2006 R$** | **2006(1) US$** | **2006 R$** | **2005 R$** | **2004 R$** |
| | **(in millions, except per share data)** | | | | | | | | |
| Employees statutory interest | | | | (1.7) | (2.9) | (4.3) | (7.9) | (7.1) | (6.4) |
| Minority interest | | | | (40.7) | (66.4) | (66.9) | (123.0) | (113.2) | (176.4) |
| **Net income** | **104.6** | **192.2** | **127.4** | **132.9** | **93.2** | **89.3** | **164.2** | **138.3** | **215.9** |
| Net earnings per share | 3.53 | 6.49 | 4.30 | 4.49 | 3.15 | 3.02 | 5.55 | 9.34 | 14.59 |
| Dividends per common shares | | | | 0.57 | 1.25 | 0.31 | 0.57 | 1.25 | 1.03 |
| Dividends per preferred shares | | | | 0.62 | 1.38 | 0.34 | 0.62 | 1.38 | 1.14 |
| **U.S. GAAP:** | | | | | | | | | |
| Net income | | | | 62.9 | 32.8 | 73.9 | 135.9 | 336.9 | |
| Basic earnings per common share | | | | 1.99 | 1.04 | 2.34 | 4.31 | 10.67 | |
| Diluted earnings per common share | | | | 1.99 | 1.04 | 2.14 | 3.94 | 8.98 | |
| Basic earnings per preferred share | | | | 2.19 | 1.14 | 2.58 | 4.74 | 11.74 | |
| Diluted earnings per preferred share | | | | 2.19 | 1.14 | 2.35 | 4.33 | 9.88 | |
| Depreciation and amortization | | | | 24.5 | 35.7 | 45.1 | 82.9 | 89.3 | |

(1) The *real* amounts for the nine-month period ended September 30, 2007 and for the year ended December 31, 2006, have been converted into U.S. dollars using the exchange rate of US$1.00 = R$1.839, which was the commercial rate reported by the Central Bank on September 30, 2007. This information is presented solely for the convenience of the reader. You should not interpret the currency conversions in this prospectus as a statement that the amounts in *reais* currently represent such values in U.S. dollars. Additionally, you should not interpret such conversions as statements that the amounts in *reais* have been, could have been or could be converted into U.S. dollars at this or any other foreign exchange rates. See Exchange Rates.

| **Balance Sheet** | **As of September 30, 2007(1) US$** | **2007 R$** | **As of June 30, 2007 R$** | **2006(1) US$** | **As of December 31, 2006 R$** | **2005 R$** | **2004 R$** |
|---|---|---|---|---|---|---|---|
| | **(in millions of U.S. dollars or *reais*, where indicated)** | | | | | | |
| **Current assets** | | | | | | | |
| Cash and cash equivalents | 15.6 | 28.6 | 7.5 | 49.9 | 91.8 | 91.3 | 100.5 |
| Short-term investments | | | | 15.4 | 28.4 | 29.9 | 22.9 |
| Related companies | 9.6 | 17.7 | 25.1 | 12.8 | 23.5 | 11.2 | 11.1 |
| Trade accounts receivable, net | 1.0 | 1.8 | 1.0 | 244.5 | 449.6 | 186.7 | 358.1 |
| Inventories | 42.3 | 77.7 | 97.3 | 259.3 | 476.9 | 414.8 | 385.5 |
| Recoverable taxes | 9.1 | 16.8 | 21.9 | 50.4 | 92.6 | 89.4 | 73.1 |
| Other | 0.4 | 0.5 | 0.7 | 57.2 | 105.0 | 52.6 | 91.7 |
| **Total current assets** | **78.0** | **143.1** | **153.5** | **689.5** | **1,267.8** | **875.9** | **1,042.9** |
| **Long-term assets** | | | | | | | |
| Trade accounts receivable, net | | | | 1.5 | 2.8 | 0.2 | 44.5 |
| Long term investments | | | | 0.1 | 0.2 | 0.3 | 3.4 |
| Related companies | | | | | | 0.1 | |
| Deferred income and social contribution taxes | | | | 76.5 | 140.7 | 109.7 | 117.4 |
| Recoverable Taxes | | | | 82.3 | 151.3 | 130.8 | 33.2 |
| Other | 0.2 | 0.4 | 0.4 | 10.9 | 20.1 | 20.7 | 19.2 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Total long-term assets** | **0.2** | **0.4** | **0.4** | **171.3** | **315.1** | **261.8** | **217.7** |
| **Permanent assets** | | | | | | | |
| Investments | 434.0 | 798.1 | 735.6 | 182.0 | 334.7 | 334.7 | 289.7 |

Table of Contents

| Balance Sheet | As of September 30, 2007(1) US$ | As of September 30, 2007 R$ | As of June 30, 2007 R$ | As of December 31, 2006(1) US$ | As of December 31, 2006 R$ | As of December 31, 2005 R$ | As of December 31, 2004 R$ |
|---|---|---|---|---|---|---|---|
| | (in millions of U.S. dollars or *reais*, where indicated) | | | | | | |
| Property, plant, equipment and intangible assets, net | 19.1 | 35.1 | 35.8 | 543.5 | 999.4 | 1,017.7 | 1,036.7 |
| Deferred charges, net | | | | 9.9 | 18.2 | 16.3 | 19.3 |
| **Total permanent assets** | **453.1** | **833.2** | **771.4** | **735.4** | **1,352.3** | **1,368.7** | **1,345.7** |
| **TOTAL ASSETS** | **531.3** | **976.7** | **925.3** | **1,596.2** | **2,935.2** | **2,506.4** | **2,606.3** |
| **Current liabilities** | | | | | | | |
| Loans, financing and debentures | 46.1 | 84.7 | 51.7 | 113.7 | 209.0 | 333.9 | 501.0 |
| Suppliers | 0.2 | 0.4 | 1.8 | 384.3 | 706.6 | 510.5 | 476.6 |
| Payroll and related charges | 1.2 | 2.2 | 1.9 | 21.4 | 39.4 | 32.8 | 45.4 |
| Post-retirement benefits | 2.1 | 3.9 | 3.9 | 2.2 | 4.1 | 4.2 | 6.8 |
| Taxes payable | 8.1 | 14.9 | 8.6 | 32.1 | 59.0 | 38.3 | 114.7 |
| Related companies | 20.5 | 37.7 | 80.8 | 49.5 | 91.0 | 16.4 | 1.6 |
| Dividends payable | 0.2 | 0.3 | 0.4 | 51.4 | 94.5 | 22.4 | 16.3 |
| Provision for contingencies | 0.2 | 0.4 | 0.7 | 5.4 | 10.0 | 1.6 | 1.3 |
| Other | 0.1 | 0.1 | 2.3 | 19.6 | 36.1 | 63.0 | 71.1 |
| **Total current liabilities** | **78.7** | **144.6** | **152.1** | **679.6** | **1,249.7** | **1,023.1** | **1,234.8** |
| **Long-term liabilities** | | | | | | | |
| Loans, financing and debentures | | | | 379.6 | 698.0 | 710.0 | 829.9 |
| Other taxes and contributions contingent liabilities | 0.4 | 0.7 | 1.1 | 6.4 | 11.8 | 3.8 | 2.5 |
| Post-retirement benefits | 19.9 | 36.6 | 36.5 | 25.7 | 47.3 | 49.7 | 62.7 |
| Other | 13.8 | 25.3 | 25.4 | 40.4 | 74.3 | 77.3 | 62.7 |
| **Total long-term liabilities** | **34.1** | **62.6** | **63.0** | **452.1** | **831.4** | **840.8** | **957.8** |
| **TOTAL LIABILITIES** | **112.8** | **207.2** | **215.1** | **1,131.7** | **2,081.1** | **1,863.9** | **2,192.6** |
| Minority interest | | | | 152.0 | 279.5 | 214.1 | 103.8 |
| **Shareholder s equity** | | | | | | | |
| Capital | 258.3 | 475.0 | 475.0 | 198.5 | 365.0 | 180.0 | 180.0 |
| Revaluation reserve | 3.4 | 6.2 | 6.2 | 3.4 | 6.2 | 6.2 | 6.2 |
| Reserves and retained earnings | 156.8 | 288.3 | 229.0 | 110.6 | 203.4 | 242.2 | 123.7 |
| **TOTAL SHAREHOLDER S EQUITY** | **418.5** | **769.5** | **710.2** | **312.5** | **574.6** | **428.4** | **309.9** |
| **TOTAL LIABILITIES SHAREHOLDER S EQUITY** | **531.3** | **976.7** | **925.3** | **1,596.2** | **2,935.2** | **2,506.4** | **2,606.3** |
| **U.S. GAAP** | | | | | | | |
| **Total assets** | | | | 1,553.4 | 2,856.5 | 2,463.9 | |
| **Total shareholders equity** | | | 927.1 | 418.8 | 770.1 | 650.8 | |

(1) The *real* amounts as of the nine-month period ended September 30, 2007 and as of the year ended December 31, 2006, have been converted into U.S. dollars using the exchange rate of US$1.00 = R$1.839, which was the commercial rate reported by the Central Bank on September 30, 2007. This information is presented solely for the convenience of the reader. You should not interpret the currency conversions in this prospectus as a statement that the amounts in *reais* currently represent such values in U.S. dollars. Additionally, you should not interpret such conversions as statements that the amounts in *reais* have been, could have been or could be converted into U.S. dollars at this or any other foreign exchange rates. See Exchange Rates.

Table of Contents

## SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF DPPI

The following is selected consolidated financial data from DPPI s audited consolidated financial statements and unaudited consolidated interim financial information for the periods indicated. You should read this selected financial data in conjunction with DPPI s consolidated financial statements and related notes included in this prospectus.

DPPI s consolidated financial statements are prepared in Brazilian *reais* in accordance with Brazilian GAAP, which differs in certain material respects from U.S. GAAP. For a summary of the differences between the accounting practices adopted in Brazil and U.S. GAAP, see Note 25 to DPPI s consolidated financial statements and Note 25 to DPPI s interim consolidated financial information included in this prospectus. For further information concerning the preparation and presentation of the financial information contained in DPPI s consolidated financial statements, see Note 2 to DPPI s financial statements included in this prospectus.

The following table presents DPPI s selected financial data at the dates and for each of the periods indicated in Brazilian GAAP, and U.S. GAAP where indicated. The consolidated balance sheet information as of December 31, 2006 and 2005 and the consolidated statements of income for the years ended December 31, 2006, 2005 and 2004 are derived from DPPI s audited consolidated financial statements included in this prospectus. The balance sheet information as of September 30, 2007 and as of June 30, 2007 and the statements of income information, for the nine-month periods ended September 30, 2007 and 2006 and the six-month periods ended June 30, 2007 and 2006 are derived from DPPI s unaudited interim consolidated financial information included in this prospectus.

| **Consolidated Income Statement** | **Nine-month Period Ended September 30,** | | | **Six-month period ended June 30,** | | **Year ended December 31,** | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2007(1) US$** | **2007 R$** | **2006 R$** | **2007 R$** | **2006 R$** | **2006(1) US$** | **2006 R$** | **2005 R$** | **2004 R$** |
| | | | | **(in millions, except per share data)** | | | | | |
| Gross sales and services | 10,823.5 | 19,903.4 | 19,531.7 | 13,120.8 | 12,747.1 | 14,335.1 | 26,360.8 | 23,471.7 | 19,698.2 |
| Taxes on sales and services, rebates, discounts and returns | (269.2) | (495.1) | (491.7) | (321.4) | (341.9) | (351.3) | (646.0) | (714.2) | (586.6) |
| **Net Sales and Services** | **10,554.3** | **19,408.3** | **19,040.0** | **12,799.4** | **12,405.2** | **13,983.8** | **25,714.8** | **22,757.5** | **19,111.6** |
| Cost of sales and services | (10,000.0) | (18,389.0) | (18,104.8) | (12,135.2) | (11,785.8) | (13,285.4) | (24,430.5) | (21,533.9) | (18,009.9) |
| **Gross profit** | **554.3** | **1,019.3** | **935.2** | **664.2** | **619.4** | **698.4** | **1,284.3** | **1,223.6** | **1,101.7** |
| Operating (expenses) income | | | | | | | | | |
| Selling, general and administrative expenses | (385.5) | (708.9) | (691.0) | (469.1) | (453.6) | (507.0) | (932.4) | (881.1) | (772.7) |
| Other operating income, net | 4.1 | 7.5 | 11.5 | 6.9 | 7.9 | 12.6 | 23.2 | 62.7 | 12.7 |
| Total operating expenses | (381.4) | (701.4) | (679.5) | (462.2) | (445.7) | (494.4) | (909.2) | (818.4) | (760.0) |
| **Operating income before financial items** | **172.9** | **317.9** | **255.7** | **202.0** | **173.7** | **204.0** | **375.1** | **405.2** | **341.7** |
| Financial (expenses) income , net | 10.1 | 18.5 | (5.6) | 8.4 | 1.9 | (4.2) | (7.7) | 40.8 | 15.3 |
| Nonoperating (expenses) income, net | 3.5 | 6.5 | 30.4 | 6.7 | 6.9 | 16.4 | 30.1 | 26.6 | (11.1) |
| Income before income and social contribution taxes, equity in earnings (losses) of affiliated companies, employees statutory interest and minority interest | 186.5 | 342.9 | 280.5 | 217.1 | 182.5 | 216.2 | 397.5 | 472.6 | 345.9 |
| Income and social contribution taxes | (57.7) | (106.1) | (37.9) | (68.3) | (33.9) | (26.2) | (48.1) | (99.7) | (70.4) |

15

Table of Contents

| Consolidated Income Statement | Nine-month Period Ended September 30, | | | Six-month period ended June 30, | | Year ended December 31, | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2007(1) US$ | 2007 R$ | 2006 R$ | 2007 R$ | 2006 R$ | 2006(1) US$ | 2006 R$ | 2005 R$ | 2004 R$ |
| | (in millions, except per share data) | | | | | | | | |
| Income before equity in earnings (losses) of affiliated companies, employees statutory interest and minority interest | 128.8 | 236.8 | 242.6 | 148.8 | 148.6 | 190.0 | 349.4 | 372.9 | 275.5 |
| Equity in earnings (losses) of affiliated companies | 54.2 | 99.7 | 65.5 | 66.0 | 45.1 | 46.2 | 84.9 | 72.4 | 127.8 |
| Employees statutory interest | (3.0) | (5.6) | (4.4) | (3.5) | (4.3) | (8.9) | (16.3) | (16.7) | (12.7) |
| Minority interest | (122.3) | (224.9) | (184.4) | (141.9) | (122.9) | (139.8) | (257.1) | (258.8) | (252.6) |
| **Net income** | **57.7** | **106.0** | **119.3** | **69.4** | **66.5** | **87.5** | **160.9** | **169.8** | **138.0** |
| Net earnings per share | 1.80 | 3.31 | 3.73 | 2.17 | 2.08 | 2.73 | 5.03 | 10.61 | 8.63 |
| Dividends per common shares | | | 0.78 | | 0.78 | 1.04 | 1.91 | 4.13 | 3.28 |
| Dividends per preferred shares | | | 0.86 | | 0.86 | 1.14 | 2.10 | 4.55 | 3.61 |
| **U.S. GAAP:** | | | | | | | | | |
| Net income | | | | 58.9 | 56.8 | 61.2 | 112.6 | 99.2 | |
| Basic and diluted earnings per common share | | | | 1.73 | 1.66 | 1.79 | 3.30 | 2.91 | |
| Basic and diluted earnings per preferred share | | | | 1.90 | 1.83 | 1.97 | 3.63 | 3.20 | |
| Depreciation and amortization | | | | 56.4 | 54.4 | 59.9 | 110.2 | 101.0 | |

(1) The *real* amounts for the nine-month period ended September 30, 2007 and for the year ended December 31, 2006, have been converted into dollars using the exchange rate of US$1.00 = R$1.839, which was the commercial rate reported by the Central Bank on September 30, 2007. This information is presented solely for the convenience of the reader. You should not interpret the currency conversions in this prospectus as a statement that the amounts in *reais* currently represent such values in U.S. dollars. Additionally, you should not interpret such conversions as statements that the amounts in *reais* have been, could have been or could be converted into U.S. dollars at this or any other foreign exchange rates. See Exchange Rates.

**Table of Contents**

| Consolidated Balance Sheet | As of September 30, 2007(1) US$ | 2007 R$ | As of June 30, 2007 R$ | As of December 31, 2006(1) US$ | 2006 R$ | 2005 R$ | 2004 R$ |
|---|---|---|---|---|---|---|---|
| | (in millions of U.S. dollars or *reais*, where indicated) | | | | | | |
| **Current assets** | | | | | | | |
| Cash and cash equivalents | 140.5 | 258.3 | 154.2 | 63.2 | 116.3 | 52.9 | 130.6 |
| Related companies | 66.5 | 122.3 | 117.7 | 33.3 | 61.2 | 2.1 | 4.9 |
| Trade accounts receivable, net | 698.6 | 1,284.6 | 1,270.1 | 661.3 | 1,216.1 | 1,152.5 | 975.6 |
| Inventories | 230.4 | 423.6 | 433.1 | 269.0 | 494.6 | 437.4 | 404.6 |
| Recoverable Taxes | 54.3 | 99.9 | 76.3 | 38.1 | 70.0 | 43.1 | 53.2 |
| Other | 36.8 | 67.8 | 78.5 | 44.5 | 81.7 | 55.6 | 56.7 |
| **Total current assets** | **1,227.1** | **2,256.5** | **2,129.9** | **1,109.4** | **2,039.9** | **1,743.6** | **1,625.6** |
| **Long-term assets** | | | | | | | |
| Trade accounts receivable, net | 109.0 | 200.4 | 186.3 | 101.7 | 187.0 | 167.0 | 148.6 |
| Long term investments | 49.1 | 90.2 | 88.6 | 46.2 | 85.0 | | |
| Related companies | | | | 42.3 | 77.7 | 336.4 | 254.8 |
| Deferred income and social contribution taxes | 25.7 | 47.2 | 46.7 | 25.8 | 47.5 | 51.9 | 52.0 |
| Recoverable Taxes | 1.7 | 3.1 | 3.0 | 1.6 | 3.0 | 9.5 | 7.6 |
| Other | 20.8 | 38.4 | 65.4 | 34.9 | 64.1 | 64.7 | 55.9 |
| **Total long-term assets** | **206.3** | **379.3** | **390.0** | **252.5** | **464.3** | **629.5** | **518.9** |
| **Permanent assets** | | | | | | | |
| Investments | 192.7 | 354.4 | 321.1 | 136.8 | 251.6 | 252.1 | 178.3 |
| Property, plant, equipment and intangible assets, net | 481.0 | 884.6 | 887.5 | 489.0 | 899.3 | 843.3 | 800.4 |
| Deferred charges, net | 0.2 | 0.3 | 0.5 | 0.3 | 0.5 | 1.2 | 0.8 |
| **Total permanent assets** | **673.9** | **1,239.3** | **1,209.1** | **626.1** | **1,151.4** | **1,096.6** | **979.5** |
| **TOTAL ASSETS** | **2,107.3** | **3,875.1** | **3,729.0** | **1,988.0** | **3,655.6** | **3,469.7** | **3,124.0** |
| **Current liabilities** | | | | | | | |
| Loans, financing and debentures | 163.1 | 299.9 | 89.8 | 78.1 | 143.6 | 289.7 | 181.9 |
| Suppliers | 101.8 | 187.1 | 170.9 | 276.8 | 508.8 | 567.3 | 549.7 |
| Payroll and related charges | 33.3 | 61.3 | 65.5 | 59.5 | 109.4 | 113.9 | 86.4 |
| Post-retirement benefits | 3.9 | 7.2 | 7.2 | 3.9 | 7.2 | 3.4 | 13.7 |
| Taxes payable | 71.7 | 131.9 | 96.5 | 30.3 | 55.8 | 78.9 | 64.7 |
| Related companies | 140.3 | 258.0 | 277.9 | 2.4 | 4.4 | 2.0 | 7.1 |
| Dividends payable | | | | | | | 50.9 |
| Provision for contingencies | 4.1 | 7.6 | 37.3 | 19.3 | 35.4 | 38.1 | 32.6 |
| Other | 19.7 | 36.2 | 15.3 | 10.8 | 20.0 | 21.3 | 37.8 |
| **Total current liabilities** | **537.9** | **989.2** | **760.4** | **481.1** | **884.6** | **1,114.6** | **1,024.8** |
| **Long-term liabilities** | | | | | | | |
| Loans, financing and debentures | 207.4 | 381.3 | 584.4 | 323.5 | 594.8 | 424.8 | 409.5 |
| Other taxes and contributions contingent liabilities | 32.7 | 60.1 | 59.0 | 32.1 | 59.0 | 57.0 | 20.7 |
| Post-retirement benefits | 40.4 | 74.2 | 74.2 | 42.1 | 77.4 | 90.1 | 125.6 |
| Other | 3.8 | 7.0 | 7.3 | 4.0 | 7.4 | 8.3 | 20.7 |
| **Total long-term liabilities** | **284.3** | **522.6** | **724.9** | **401.7** | **738.6** | **580.2** | **576.5** |
| **TOTAL LIABILITIES** | **822.2** | **1,511.8** | **1,485.3** | **882.8** | **1,623.2** | **1,694.8** | **1,601.3** |
| Minority Interest | 790.3 | 1,453.3 | 1,370.3 | 668.0 | 1,228.4 | 1,066.5 | 913.6 |
| **Shareholder s equity** | | | | | | | |
| Capital | 334.4 | 615.0 | 615.0 | 301.8 | 555.0 | 305.0 | 265.0 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Capital reserve | | | | | | | 0.1 |
| Reserves and retained earnings | 160.4 | 295.0 | 258.4 | 135.4 | 249.0 | 403.4 | 344.0 |
| **TOTAL SHAREHOLDER S EQUITY** | **494.8** | **910.0** | **873.4** | **437.2** | **804.0** | **708.4** | **609.1** |
| **TOTAL LIABILITIES SHAREHOLDER S EQUITY** | **2,107.3** | **3,875.1** | **3,729.0** | **1,988.0** | **3,655.6** | **3,469.7** | **3,124.0** |
| **U.S. GAAP:** | | | | | | | |
| **Total assets** | | | | **2,017.7** | **3,710.4** | **3,528.9** | |
| **Total shareholders equity** | | | **901.4** | **458.9** | **843.9** | **758.5** | |

Table of Contents

(1) The *real* amounts as of the nine-month period ended September 30, 2007 and as of the year ended December 31, 2006, have been converted into dollars using the exchange rate of US$1.00 = R$1.839, which was the commercial rate reported by the Central Bank on September 30, 2007. This information is presented solely for the convenience of the reader. You should not interpret the currency conversions in this prospectus as a statement that the amounts in *reais* currently represent such values in U.S. dollars. Additionally, you should not interpret such conversions as statements that the amounts in *reais* have been, could have been or could be converted into U.S. dollars at this or any other foreign exchange rates. See Exchange Rates.

**Table of Contents**

## SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF CBPI

The following is selected consolidated financial data from CBPI s audited consolidated financial statements and unaudited interim consolidated financial information for the periods indicated. You should read this selected financial data in conjunction with CBPI s consolidated financial statements and related notes included in this prospectus.

CBPI s consolidated financial statements are prepared in Brazilian *reais* in accordance with Brazilian GAAP, which differs in certain material respects from U.S. GAAP. For a summary of the differences between the accounting practices adopted in Brazil and U.S. GAAP, see Note 25 to CBPI s consolidated financial statements and Note 25 to CBPI s interim consolidated financial information included in this prospectus. For further information concerning the preparation and presentation of the financial information contained in CBPI s financial statements see Note 2 to CBPI s consolidated financial statements included in this prospectus.

The following table presents CBPI s selected financial information at the dates and for each of the periods indicated in Brazilian GAAP, and U.S. GAAP where indicated. The consolidated balance sheet information as of December 31, 2006 and 2005 and the consolidated statements of income for the years ended December 31, 2006, 2005 and 2004 are derived from CBPI s audited consolidated financial statements included in this prospectus. The balance sheet information as of September 30, 2007 and as of June 30, 2007 and the statements of income information for the nine-month periods ended September 30, 2007 and 2006 and the six-month periods ended June 30, 2007 and 2006 are derived from CBPI s unaudited interim consolidated financial information included in this prospectus.

| **Consolidated Income Statement** | **Nine-month Ended September 30,** | | | **Six-month period ended June 30** | | **Year ended December 31,** | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2007(1) US$** | **2007 R$** | **2006 R$** | **2007 R$** | **2006 R$** | **2006(1) US$** | **2006 R$** | **2005 R$** | **2004 R$** |
| | **(in millions, except per share data)** | | | | | | | | |
| Gross sales and services | 9,429.7 | 17,340.2 | 16,881.7 | 11,403.1 | 10,977.1 | 12,389.5 | 22,783.0 | 20,104.5 | 16,769.1 |
| Taxes on sales and services, rebates, discounts and returns | (231.2) | (425.2) | (427.4) | (275.0) | (299.6) | (303.4) | (557.9) | (628.0) | (520.7) |
| **Net sales and services** | **9,198.5** | **16,915.0** | **16,454.3** | **11,128.1** | **10,677.5** | **12,086.1** | **22,225.1** | **19,476.5** | **16,248.4** |
| Cost of sales and services | (8,730.5) | (16,054.5) | (15,662.3) | (10,571.3) | (10,154.0) | (11,497.6) | (21,143.0) | (18,450.1) | (15,336.5) |
| **Gross profit** | **468.0** | **860.5** | **792.0** | **556.8** | **523.5** | **588.5** | **1,082.1** | **1,026.4** | **911.9** |
| Operating (expenses) income | | | | | | | | | |
| Selling, general and administrative expenses | (327.9) | (602.9) | (587.0) | (397.0) | (388.6) | (430.6) | (791.9) | (758.8) | (659.5) |
| Other operating income, net | 4.6 | 8.4 | 8.0 | 5.2 | 5.0 | 10.6 | 19.5 | 49.8 | 5.6 |
| Total operating expenses | (323.3) | (594.5) | (579.0) | (391.8) | (383.6) | (420.0) | (772.4) | (709.0) | (653.9) |
| **Operating income before financial items** | **144.7** | **266.0** | **213.0** | **165.0** | **139.9** | **168.5** | **309.7** | **317.4** | **258.0** |
| Financial (expenses) income , net | 1.8 | 3.4 | (19.8) | (0.8) | (8.1) | (13.6) | (25.1) | 22.2 | 6.3 |
| Nonoperating (expenses) income, net | 3.6 | 6.6 | 3.2 | 6.4 | 6.9 | 2.0 | 3.7 | (2.9) | (12.4) |
| Income before income and social contribution taxes, equity in earnings (losses) of affiliated companies and employee s statutory interest | 150.1 | 276.0 | 196.4 | 170.7 | 138.7 | 156.9 | 288.3 | 336.7 | 251.9 |
| Income and social contribution taxes | (47.0) | (86.4) | (25.9) | (54.3) | (25.7) | (19.0) | (35.0) | (69.2) | (51.2) |
| Income before equity in earnings (losses) of affiliated companies and employee statutory interest | 103.1 | 189.6 | 170.5 | 116.4 | 113.0 | 137.9 | 253.3 | 267.5 | 200.7 |
| Equity in earnings (losses) of affiliated companies | 54.2 | 99.7 | 65.5 | 66.1 | 45.2 | 46.2 | 84.9 | 72.4 | 127.8 |
| Employees statutory interest | (2.5) | (4.6) | (3.5) | (2.8) | (3.4) | (8.0) | (14.7) | (14.4) | (10.6) |
| **Net income** | **154.8** | **284.7** | **232.5** | **179.6** | **154.7** | **176.1** | **323.5** | **325.5** | **317.9** |

Table of Contents

| Consolidated Income Statement | Nine-month period ended September 30, | | | Six-month period ended June 30, | | Year ended December 31, | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2007(1) US$ | 2007 R$ | 2006 R$ | 2007 R$ | 2006 R$ | 2006(1) US$ | 2006 R$ | 2005 R$ | 2004 R$ |
| | (in millions, except per share data) | | | | | | | | |
| Net earnings per share | 1.46 | 2.69 | 2.20 | 1.70 | 1.46 | 1.66 | 3.05 | 6.14 | 6.00 |
| Dividends per common shares | | | 0.47 | | 0.47 | 0.57 | 1.05 | 2.34 | 1.96 |
| Dividends per preferred shares | | | 0.52 | | 0.52 | 0.63 | 1.16 | 2.58 | 2.15 |
| **U.S. GAAP:** | | | | | | | | | |
| Net income | | | | 136.1 | 110.5 | 128.1 | 235.6 | 387.5 | |
| Basic and diluted earnings per common share | | | | 1.20 | 0.98 | 1.13 | 2.08 | 3.43 | |
| Basic and diluted earnings per preferred share | | | | 1.32 | 1.08 | 1.25 | 2.29 | 3.77 | |
| Depreciation and amortization | | | | 47.1 | 45.2 | 50.0 | 91.9 | 84.4 | |

(1) The *real* amounts for the nine-month period ended September 30, 2007 and for the year ended December 31, 2006, have been converted into dollars using the exchange rate of US$1.00 = R$1.839, which was the commercial rate reported by the Central Bank on September 30, 2007. This information is presented solely for the convenience of the reader. You should not interpret the currency conversions in this prospectus as a statement that the amounts in *reais* currently represent such values in U.S. dollars. Additionally, you should not interpret such conversions as statements that the amounts in *reais* have been, could have been or could be converted into U.S. dollars at this or any other foreign exchange rates. See Exchange Rates.

| Consolidated Balance Sheet | As of September 30, 2007(1) US$ | 2007 R$ | As of June 30, 2007 R$ | 2006(1) US$ | As of December 31, 2006 R$ | 2005 R$ | 2004 R$ |
|---|---|---|---|---|---|---|---|
| | (in millions of U.S. dollars or *reais*, where indicated) | | | | | | |
| **Current assets** | | | | | | | |
| Cash and cash equivalents | 103.2 | 189.8 | 86.3 | 48.9 | 89.9 | 20.6 | 102.2 |
| Related companies | 21.4 | 39.3 | 37.3 | 8.5 | 15.7 | 4.4 | 6.4 |
| Trade accounts receivable, net | 614.3 | 1,129.6 | 1,123.4 | 571.3 | 1,050.5 | 984.6 | 840.7 |
| Inventories | 197.6 | 363.3 | 379.5 | 231.4 | 425.6 | 384.8 | 338.2 |
| Recoverable taxes | 50.6 | 93.0 | 64.2 | 29.9 | 55.0 | 40.4 | 46.0 |
| Other | 32.7 | 60.1 | 68.3 | 37.8 | 69.6 | 47.1 | 49.7 |
| **Total current assets** | **1,019.8** | **1,875.1** | **1,759.0** | **927.8** | **1,706.3** | **1,481.9** | **1,383.2** |
| **Long-term assets** | | | | | | | |
| Trade accounts receivable, net | 91.0 | 167.3 | 158.5 | 86.8 | 159.6 | 139.4 | 122.0 |
| Long term investments | 33.4 | 61.4 | 60.3 | 31.4 | 57.8 | | |
| Related companies | | | | 17.7 | 32.6 | 128.9 | 107.2 |
| Deferred income and social contribution taxes | 19.1 | 35.2 | 35.2 | 19.7 | 36.2 | 42.1 | 38.9 |
| Recoverable taxes | 1.7 | 3.1 | 3.0 | 1.6 | 3.0 | 3.4 | |
| Other | 17.1 | 31.6 | 57.9 | 30.9 | 56.5 | 56.2 | 51.2 |
| **Total long-term assets** | **162.3** | **298.6** | **314.9** | **188.1** | **345.7** | **370.0** | **319.3** |
| **Current assets** | | | | | | | |
| **Permanent assets** | | | | | | | |
| Investments | 192.7 | 354.3 | 320.7 | 136.5 | 251.1 | 251.6 | 177.9 |
| Property, plant, equipment and intangible assets, net | 385.4 | 708.7 | 710.7 | 390.8 | 718.6 | 671.6 | 637.6 |
| Deferred charges, net | 0.2 | 0.3 | 0.5 | 0.3 | 0.6 | 1.2 | 0.8 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Total permanent assets** | **578.3** | **1,063.3** | **1,031.9** | **527.6** | **970.3** | **924.4** | **816.3** |
| **TOTAL ASSETS** | **1,760.4** | **3,237.0** | **3,105.8** | **1,643.5** | **3,022.3** | **2,776.3** | **2,518.8** |

**Table of Contents**

| Consolidated Balance Sheet | As of September 30, 2007(1) US$ | 2007 R$ | As of June 30, 2007 R$ | 2006(1) US$ | As of December 31, 2006 R$ | 2005 R$ | 2004 R$ |
|---|---|---|---|---|---|---|---|
| | (in millions of U.S. dollars or *reais*, where indicated) | | | | | | |
| **Current liabilities** | | | | | | | |
| Loans, financing and debentures | 146.4 | 269.3 | 87.2 | 62.6 | 115.2 | 228.3 | 116.4 |
| Suppliers | 93.1 | 171.2 | 155.4 | 257.4 | 473.3 | 508.1 | 491.0 |
| Payroll, related charges and profit sharing | 29.3 | 53.8 | 45.6 | 37.4 | 68.7 | 67.8 | 54.9 |
| Post-retirement benefits | 2.6 | 4.8 | 4.8 | 2.6 | 4.8 | 1.7 | 11.1 |
| Taxes payable | 68.5 | 125.9 | 90.9 | 27.5 | 50.6 | 68.6 | 60.5 |
| Related companies | 136.0 | 250.0 | 268.4 | 0.6 | 1.1 | 1.1 | 0.8 |
| Dividends payable | | | | | | | 41.5 |
| Provision for contingencies | 3.5 | 6.5 | 34.5 | 17.6 | 32.4 | 33.8 | 29.2 |
| Other | 14.9 | 27.4 | 21.1 | 23.2 | 42.6 | 51.2 | 52.8 |
| **Total current liabilities** | **494.3** | **908.9** | **707.9** | **428.9** | **788.7** | **960.6** | **858.2** |
| **Long-term liabilities** | | | | | | | |
| Loans, financing and debentures | 204.9 | 376.8 | 551.9 | 305.9 | 562.6 | 341.8 | 371.7 |
| Other taxes and contributions contingent liabilities | 31.8 | 58.5 | 58.2 | 32.1 | 59.0 | 57.0 | 20.8 |
| Post-retirement benefits | 24.4 | 44.9 | 44.9 | 26.4 | 48.6 | 59.8 | 90.7 |
| Other | 4.5 | 8.0 | 8.1 | 4.5 | 8.2 | 6.8 | 20.7 |
| **Total long-term liabilities** | **265.6** | **488.2** | **663.1** | **368.9** | **678.4** | **465.4** | **503.9** |
| **TOTAL LIABILITIES** | **759.9** | **1,397.1** | **1,371.0** | **797.8** | **1,467.1** | **1,426.0** | **1,362.1** |
| **Shareholder s equity** | | | | | | | |
| Capital | 560.1 | 1,030.0 | 1,030.0 | 557.4 | 1,025.0 | 580.0 | 450.0 |
| Capital reserve | 0.3 | 0.6 | 0.6 | 0.3 | 0.6 | 0.6 | 129.2 |
| Reserves and retained earnings | 440.1 | 809.3 | 704.2 | 288.0 | 529.6 | 769.7 | 577.5 |
| **TOTAL SHAREHOLDER S EQUITY** | **1,000.5** | **1,839.9** | **1,734.8** | **845.7** | **1,555.2** | **1,350.3** | **1,156.7** |
| **TOTAL LIABILITIES SHAREHOLDER S EQUITY** | **1,760.4** | **3,237.0** | **3,105.8** | **1,643.5** | **3,022.3** | **2,776.3** | **2,518.8** |
| **U.S. GAAP** | | | | | | | |
| **Total assets** | | | | **1,652.9** | **3,039.5** | **2,805.9** | |
| **Total shareholders equity** | | | **1,823.9** | **921.1** | **1,693.8** | **1,519.8** | |

(1) The *real* amounts as of the nine-month period ended September 30, 2007 and as of the year ended December 31, 2006, have been converted into dollars using the exchange rate of US$1.00 = R$1.839, which was the commercial rate reported by the Central Bank on September 30, 2007. This information is presented solely for the convenience of the reader. You should not interpret the currency conversions in this prospectus as a statement that the amounts in *reais* currently represent such values in U.S. dollars. Additionally, you should not interpret such conversions as statements that the amounts in *reais* have been, could have been or could be converted into U.S. dollars at this or any other foreign exchange rates. See Exchange Rates.

## UNAUDITED PRO FORMA FINANCIAL INFORMATION

As described in more detail herein, this unaudited pro forma financial information is based on the consolidated financial statements of Ultrapar Participações S.A. after giving effect to the acquisition and subsequent transfer of the assets of Ipiranga Group that are part of the Transaction.

The unaudited pro forma financial information does not represent what our consolidated financial position or statement of income would actually have been if the proposed transaction had in fact occurred on the dates indicated below. Consequently, you are cautioned not to base investment decisions on the pro forma financial statements. Furthermore, there can be no certainty that the proposed transaction will be completed in the manner described herein, if at all.

The unaudited pro forma financial information was prepared in accordance with Brazilian GAAP, which differs in certain material respects from U.S. GAAP. The unaudited pro forma financial information includes a pro forma reconciliation of shareholders equity and net income from Brazilian GAAP to U.S. GAAP.

### Summary of the Ipiranga Group Acquisition

On March 19, 2007, Ultrapar, Petrobras and Braskem announced their intent to acquire the Ipiranga Group and on March 18, 2007, Ultrapar entered into, and Petrobras and Braskem acknowledged, a Share Purchase Agreement, or the SPA, with the Key Shareholders of the principal companies comprising the Ipiranga Group: RIPI, DPPI and CBPI. As discussed further below, in connection with the Transaction, Ultrapar is acting on its own behalf and on behalf of Petrobras and Braskem pursuant to the Transaction Agreements. See Transaction Agreements.

To finance part of the Ipiranga Group acquisition, on April 11, 2007, we completed an offering of unsecured debentures in the aggregate principal amount of R$889 million, in two series. The first series, in the aggregate amount of R$675 million, was issued on April 11, 2007. The second series, in the aggregate amount of R$214 million, was issued on October 22, 2007. The debentures have a term of one year, and a coupon rate of 102.5% of the interbank deposit certificates index, or CDI.

After the completion of the Transaction, the businesses of the Ipiranga Group will be divided among Petrobras, Ultrapar and Braskem. Ultrapar will retain the fuel and lubricant distribution businesses located in the South and Southeast regions of Brazil, as well as the logistics and chemical business of the Ipiranga Group; Petrobras will receive the fuel and lubricant distribution businesses located in the North, Northeast and Central West regions of Brazil; and Petrobras and Braskem will receive the petrochemical business, in the proportion of 60% for Braskem and 40% for Petrobras. RIPI s oil refining operations will be shared equally among Petrobras, Ultrapar and Braskem.

The Transaction is divided into five phases: (1) the acquisition by Ultrapar of the RIPI, DPPI and CBPI shares held by the Key Shareholders which closed on April 18, 2007; (2) the mandatory tender offers (pursuant to tag along rights held by common minority shareholders under Brazilian Corporate Law and CVM rules) for the acquisition of the remaining common shares of RIPI, DPPI, CBPI and IPQ; (3) the tender offer by Braskem for the delisting of Copesul s common shares from the BOVESPA; (4) exchange of the remaining common and preferred shares of RIPI, DPPI and CBPI for preferred shares of Ultrapar, of which the Share Exchange forms a substantial part; and (5) separation of the Target Companies assets. The completion of the Transaction is expected to occur in the fourth quarter of 2007.

**Table of Contents**

**UNAUDITED PRO FORMA BALANCE SHEET**

**AS OF JUNE 30, 2007**

**(Amounts in thousands of Brazilian reais)**

The following is our unaudited pro forma balance sheet as of June 30, 2007:

| | Historical Information of Ultrapar and subsidiaries(a) | Pro forma adjustments before the Share Exchange(b) | Notes | Pro Forma before Share Exchange | Pro forma adjustments related to the Share Exchange(c) | Notes | Pro Forma after Share Exchange |
|---|---|---|---|---|---|---|---|
| **PRO FORMA ASSETS** | | | | | | | |
| CURRENT ASSETS | | | | | | | |
| Cash and cash equivalents | 784,999 | 50,880 | 2(i) | 835,879 | | | 835,879 |
| Short-term investments | 804,267 | | | 804,267 | | | 804,267 |
| Trade accounts receivable, net | 1,260,910 | | | 1,260,910 | | | 1,260,910 |
| Accounts receivables relating to the transaction | | | | | 1,739,743 | 2(ii) | 1,739,743 |
| Inventories | 540,443 | | | 540,443 | | | 540,443 |
| Recoverable taxes | 193,599 | | | 193,599 | | | 193,599 |
| Deferred income and social contribution taxes | 74,504 | | | 74,504 | | | 74,504 |
| Other | 31,277 | | | 31,277 | | | 31,277 |
| Prepaid expenses | 20,474 | | | 20,474 | | | 20,474 |
| **TOTAL CURRENT ASSETS** | **3,710,473** | **50,880** | | **3,761,353** | **1,739,743** | | **5,501,096** |
| NONCURRENT ASSETS | | | | | | | |
| Long-term investments | 118,946 | | | 118,946 | | | 118,946 |
| Trade accounts receivable, net | 157,647 | | | 157,647 | | | 157,647 |
| Related companies | 42,148 | | | 42,148 | | | 42,148 |
| Deferred income and social contribution taxes | 109,707 | | | 109,707 | | | 109,707 |
| Recoverable taxes | 72,437 | | | 72,437 | | | 72,437 |
| Escrow deposits | 25,100 | | | 25,100 | | | 25,100 |
| Other | 8,173 | | | 8,173 | | | 8,173 |
| Prepaid expenses | 29,078 | | | 29,078 | | | 29,078 |
| **TOTAL NONCURRENT ASSETS** | **563,236** | | | **563,236** | | | **563,236** |
| PERMANENT ASSETS | | | | | | | |
| Investments | 38,857 | | | 38,857 | | | 38,857 |
| Property, plant and equipment, net | 1,998,374 | | | 1,998,374 | | | 1,998,374 |
| Intangible assets, net | 67,967 | | | 67,967 | | | 67,967 |
| Deferred charges, net | 543,840 | 105,920 | 2(i) | 649,760 | (15,967) | 2(ii) | 633,793 |
| **TOTAL PERMANENT ASSETS** | **2,649,038** | **105,920** | | **2,754,958** | **(15,967)** | | **2,738,991** |
| **TOTAL PRO FORMA ASSETS UNDER BRAZILIAN GAAP** | **6,922,747** | **156,800** | | **7,079,547** | **1,723,776** | | **8,803,323** |

Table of Contents

| | Historical Information of Ultrapar and subsidiaries(a) | Pro forma adjustments before the Share Exchange(b) | Notes | Pro Forma before Share Exchange | Pro forma adjustments related to the Share Exchange(c) | Notes | Pro Forma after Share Exchange |
|---|---|---|---|---|---|---|---|
| **PRO FORMA LIABILITIES** | | | | | | | |
| CURRENT LIABILITIES | | | | | | | |
| Loans and financing | 370,098 | | | 370,098 | | | 370,098 |
| Debentures | 1,015,263 | 214,000 | 2(i), 2(viii) | 1,229,263 | | | 1,229,263 |
| Suppliers | 450,745 | | | 450,745 | | | 450,745 |
| Payroll and related charges | 105,302 | | | 105,302 | | | 105,302 |
| Taxes payable | 51,608 | | | 51,608 | | | 51,608 |
| Dividends payable | 39,611 | | | 39,611 | | | 39,611 |
| Income and social contribution taxes | 36,343 | | | 36,343 | | | 36,343 |
| Post-retirement benefits | 7,240 | | | 7,240 | | | 7,240 |
| Provision for contingencies | 11,749 | | | 11,749 | | | 11,749 |
| Deferred income and social contribution taxes | 208 | | | 208 | | | 208 |
| Other | 30,008 | | | 30,008 | | | 30,008 |
| **CURRENT LIABILITIES** | **2,118,175** | **214,000** | | **2,332,175** | | | **2,332,175** |
| NONCURRENT LIABILITIES | | | | | | | |
| Loans and financing | 1,149,132 | | | 1,149,132 | | | 1,149,132 |
| Debentures | 350,000 | | | 350,000 | | | 350,000 |
| Related companies | 4,723 | | | 4,723 | | | 4,723 |
| Deferred income and social contribution taxes | 26,514 | | | 26,514 | | | 26,514 |
| Other taxes and contributions contingent liabilities | 88,002 | | | 88,002 | | | 88,002 |
| Post-retirement benefits | 71,691 | | | 71,691 | | | 71,691 |
| Other | 11,343 | | | 11,343 | | | 11,343 |
| **NONCURRENT LIABILITIES** | **1,701,405** | | | **1,701,405** | | | **1,701,405** |
| MINORITY INTEREST | 1,115,685 | (57,200) | 2(i) | 1,058,485 | (1,023,695) | 2(ii) | 34,790 |
| SHAREHOLDERS EQUITY | | | | | | | |
| Capital | 946,035 | | | 946,035 | 2,747,471 | 2(ii) | 3,693,506 |
| Capital reserves | 702 | | | 702 | | | 702 |
| Revaluation reserve | 12,310 | | | 12,310 | | | 12,310 |
| Profit reserves | 1,058,395 | | | 1,058,395 | | | 1,058,395 |
| Treasury shares | (29,960) | | | (29,960) | | | (29,960) |
| **TOTAL PRO FORMA SHAREHOLDERS EQUITY UNDER BRAZILIAN GAAP** | **1,987,482** | | | **1,987,482** | **2,747,471** | | **4,734,953** |
| **TOTAL PRO FORMA LIABILITIES AND SHAREHOLDERS EQUITY UNDER BRAZILIAN GAAP** | **6,922,747** | **156,800** | | **7,079,547** | **1,723,776** | | **8,803,323** |

Table of Contents

| | Historical Information of Ultrapar and subsidiaries(a) | Pro forma adjustments before the Share Exchange(b) | Notes | Pro Forma before Share Exchange | Pro forma adjustments related to the Share Exchange(c) | Notes | Pro Forma after Share Exchange |
|---|---|---|---|---|---|---|---|
| **PRO FORMA RECONCILIATION TO U.S. GAAP** | | | | | | | |
| **TOTAL PRO FORMA SHAREHOLDERS EQUITY UNDER BRAZILIAN GAAP** | **1,987,482** | | | **1,987,482** | **2,747,471** | | **4,734,953** |
| Reversal of revaluation adjustments: | | | | | | | |
| Property, plant and equipment | (25,852) | | | (25,852) | | | (25,852) |
| Deferred tax effects | 684 | | | 684 | | | 684 |
| Minority interests | 503 | | | 503 | | | 503 |
| Inflation accounting: | | | | | | | |
| Property, plant and equipment | 56,205 | | | 56,205 | | | 56,205 |
| Other nonmonetary assets | 2,897 | | | 2,897 | | | 2,897 |
| Deferred tax effects | (20,010) | | | (20,010) | | | (20,010) |
| Minority interests | (177) | | | (177) | | | (177) |
| Different criteria for: | | | | | | | |
| Cancellation of subsidiaries treasury stock | (1,633) | | | (1,633) | | | (1,633) |
| Deferred charges: | | | | | | | |
| Cost | (232,568) | | | (232,568) | | | (232,568) |
| Accumulated amortization | 132,577 | | | 132,577 | | | 132,577 |
| Capitalization of interest costs during construction: | | | | | | | |
| Cost | 22,801 | | | 22,801 | | | 22,801 |
| Accumulated amortization | (12,713) | | | (12,713) | | | (12,713) |
| Accounting for refunds | (5,314) | | | (5,314) | | | (5,314) |
| Reversal of goodwill amortization of SPGás acquisition under BR GAAP | 18,727 | | | 18,727 | | | 18,727 |
| Reversal of goodwill amortization of Butano acquisition under BR GAAP | (907) | | | (907) | | | (907) |
| Fair value adjustments relating to accounting for derivative instruments | (637) | | | (637) | | | (637) |
| Assets Retirement Obligation FAS 143 Assets | 23,117 | | | 23,117 | | | 23,117 |
| Assets Retirement Obligation FAS 143 Liabilities | (88,272) | | | (88,272) | | | (88,272) |
| Pension Plan | (5,691) | | | (5,691) | | | (5,691) |
| Other individually insignificant adjustments | (66) | | | (66) | 23 | | (43) |
| Deferred tax effects | 51,366 | | | 51,366 | | | 51,366 |
| Minority interests | 607 | | | 607 | | | 607 |
| Fair value adjustments relating to business combinations: | 573 | | | 573 | | | 573 |
| Deferred tax effect | (263) | | | (263) | | | (263) |
| Fair value adjustments relating to acquisition of minority interest in Oxiteno S.A. Indústria e Comércio | (20,403) | | | (20,403) | | | (20,403) |

25

**Table of Contents**

| | Historical Information of Ultrapar and subsidiaries(a) | Pro forma adjustments before the Share Exchange(b) | Notes | Pro Forma before Share Exchange | Pro forma adjustments related to the Share Exchange(c) | Notes | Pro Forma after Share Exchange |
|---|---|---|---|---|---|---|---|
| Deferred tax effects | 4,140 | | | 4,140 | | | 4,140 |
| Adjustments relating to the acquisition of SPGás Distribuidora de Gás Ltda.: | | | | | | | |
| Fair value adjustments | (4,807) | | | (4,807) | | | (4,807) |
| Deferred tax effects | 1,634 | | | 1,634 | | | 1,634 |
| Goodwill difference between U.S. GAAP and accounting practices adopted in Brazil | 14,359 | | | 14,359 | | | 14,359 |
| Minority interest | (207) | | | (207) | | | (207) |
| Adjustments relating to the acquisition of Oxiteno Mexico: | | | | | | | |
| Fair value adjustments | (1,687) | | | (1,687) | | | (1,687) |
| Deferred tax effects | 573 | | | 573 | | | 573 |
| Goodwill difference between U.S. GAAP and accounting practices adopted in Brazil | 618 | | | 618 | | | 618 |
| Fair value adjustments relating to acquisition of minority interest in Companhia Ultragaz S.A | 3,485 | | | 3,485 | | | 3,485 |
| Deferred tax effects | (1,185) | | | (1,185) | | | (1,185) |
| Accounting for uncertain income tax position FIN 48 | (12,876) | | | (12,876) | | | (12,876) |
| Adjustments relating to the acquisition of Ipiranga: | | | | | | | |
| Fair value adjustments | 161,855 | 39,388 | 2(iii) | 201,243 | 104,692 | 2(iv) | 305,935 |
| Deferred tax effects | (54,026) | (13,392) | 2(iii) | (67,418) | (35,595) | 2(iv) | (103,013) |
| Goodwill difference between U.S. GAAP and accounting practices adopted in Brazil | (99,312) | (25,124) | 2(iii) | (124,436) | 15,967 | 2(ii) | (108,469) |
| Minority interest | 27,030 | (872) | 2(vi) | 26,158 | (26,158) | 2(vii) | |
| Available-for-sale equity securities (temporary unrealized losses) | 4,372 | | | 4,372 | | | 4,372 |
| Deferred tax effects | (1,487) | | | (1,487) | | | (1,487) |
| Available-for-sale debt securities (temporary unrealized losses) | 15,765 | | | 15,765 | | | 15,765 |
| Deferred tax effects | (5,360) | | | (5,360) | | | (5,360) |
| **TOTAL PRO FORMA STOCKHOLDERS EQUITY UNDER U.S. GAAP** | **1,935,917** | | | **1,935,917** | **2,806,400** | | **4,742,317** |

(a) Reflects the consolidated balance sheet of Ultrapar and subsidiaries as of June 30, 2007.

(b) Reflects the pro forma adjustments before the Share Exchange, which are discussed below in Note 2.

(c) Reflects the pro forma adjustments relating to the Share Exchange, which are discussed below in Note 2.

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

26

Table of Contents

**UNAUDITED PRO FORMA STATEMENT OF INCOME**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

**(Amounts in thousands of Brazilian reais, except per share data)**

The following is our unaudited pro forma statement of income for the year ended December 31, 2006:

| PRO FORMA STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2006 | Historical Information of Ultrapar and subsidiaries(a) | Acquisition of Southern Distribution Business(b) | Acquisition of Oil Refining Business(c) | Eliminations(d) | Pro forma adjustments before the Share Exchange(e) | Notes | Pro Forma before Share Exchange | Pro forma adjustments related to the Share Exchange(e) | Notes | Pro Forma after Share Exchange |
|---|---|---|---|---|---|---|---|---|---|---|
| Net revenue from sales and/or services | 4,794,048 | 19,107,602 | 144,031 | (162,534) | | | 23,883,147 | | | 23,883,147 |
| Cost of sales and/or services | (3,859,860) | (18,150,053) | (135,181) | 161,926 | | | (21,983,168) | | | (21,983,168) |
| Gross profit | 934,188 | 957,549 | 8,850 | (608) | | | 1,899,979 | | | 1,899,979 |
| Operating (expenses) income: | | | | | | | | | | |
| Selling expenses | (203,320) | (324,562) | (1,094) | | | | (528,976) | | | (528,976) |
| General and administrative expenses | (401,794) | (361,819) | (8,651) | | | | (772,264) | | | (772,264) |
| Other operating income | 1,317 | 26,699 | 163 | | | | 28,179 | | | 28,179 |
| Goodwill amortization | | 2,408 | | | (51,463) | 3 (i) | (49,055) | | | (49,055) |
| Income (loss) before financial items | 330,391 | 300,275 | (732) | (608) | (51,463) | | 577,863 | | | 577,863 |
| Financial income (expenses), net | 30,572 | 139 | (1,141) | | (134,648) | 3 (ii) | (105,078) | | | (105,078) |
| Nonoperating income (expenses), net | (18,488) | 29,930 | 1 | | | | 11,443 | | | 11,443 |
| Income (loss) before taxes on income and profit sharing | 342,475 | 330,344 | (1,872) | (608) | (186,111) | | 484,228 | | | 484,228 |
| Income and social contribution taxes | (61,447) | (74,956) | (1,161) | | | | (137,564) | | | (137,564) |
| Deferred income and social contribution taxes | 5,355 | 40,902 | | | 63,278 | 3 (iv) | 109,535 | | | 109,535 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Income (loss) before profit sharing and equity in affiliates | 286,383 | 296,290 | (3,033) | (608) | (122,833) | 456,199 | | | 456,199 |
| Equity in affiliates | 965 | | | | | 965 | | | 965 |
| Profit sharing | | (13,356) | (23) | | | (13,379) | | | (13,379) |
| Minority interest | (5,284) | (139,354) | | | | (144,638) | 139,354 | 3 (v) | (5,284) |

27

**Table of Contents**

| PRO FORMA STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2006 | Historical Information of Ultrapar and subsidiaries(a) | Acquisition of Southern Distribution Business(b) | Acquisition of Oil Refining Business(c) | Eliminations(d) | Pro forma adjustments before the Share Exchange(e) | Notes | Pro Forma before Share Exchange | Pro forma adjustments related to the Share Exchange(e) | Notes | Pro Forma after Share Exchange |
|---|---|---|---|---|---|---|---|---|---|---|
| **NET PRO FORMA INCOME (LOSS) UNDER BRAZILIAN GAAP** | **282,064** | **143,580** | **(3,056)** | **(608)** | **(122,833)** | | **299,147** | **139,354** | | **438,501** |
| **Outstanding shares as of December 31, 2006 (in thousands)** | **81,325.409** | | | | | | | | | **136,030.357** |
| **Brazilian GAAP pro forma earnings (loss) per share** | **3.47** | | | | | | | | | **3.22** |
| **Brazilian GAAP dividends declared and interest on capital per share** | **1.78** | | | | | | | | | **1.78(*)** |

(*) Pro forma dividend reflects the same dividends per share distributed by Ultrapar prior to the transaction

**PRO FORMA RECONCILIATION TO U.S. GAAP**

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **NET PRO FORMA INCOME (LOSS) UNDER BRAZILIAN GAAP** | **282,064** | **143,580** | **(3,056)** | **(608)** | **(122,833)** | | **299,147** | **139,354** | | **438,501** |
| Reversal of revaluation adjustments | 3,305 | | | | | | 3,305 | | | 3,305 |
| Inflation accounting | (3,588) | (21,081) | (58) | | | | (24,727) | | | (24,727) |
| Adjustments relating to the acquisition of Ipiranga: | | | | | | | | | | |
| Fair value adjustments relating purchase accounting of a business acquired | | | | | (7,724) | 3 (iii) | (7,724) | (32,848) | 3 (iii) | (40,572) |
| Different criteria for: | | | | | | | | | | |
| Cancellation of subsidiaries treasury stock | 869 | | | | | | 869 | | | 869 |
| Deferred charges | (17,611) | | | | | | (17,611) | | | (17,611) |

28

**Table of Contents**

| PRO FORMA STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2006 PRO FORMA RECONCILIATION TO U.S. GAAP | Historical Information of Ultrapar and subsidiaries(a) | Acquisition of Southern Distribution Business (b) | Acquisition of Oil Refining Business(c) | Eliminations(d) | Pro forma adjustments before the Share Exchange(e) | Notes | Pro Forma before Share Exchange | Pro forma adjustments related to the Share Exchange(e) | Notes | Pro Forma after Share Exchange |
|---|---|---|---|---|---|---|---|---|---|---|
| Depreciation of interest costs capitalized during construction | (458) | | | | | | (458) | | | (458) |
| Reversal of goodwill amortization | 5,248 | | | | 51,463 | 3 (i) | 56,711 | | | 56,711 |
| Fair value adjustments relating to accounting for derivative instruments and hedging activities | 1,350 | 446 | | | | | 1,796 | | | 1,796 |
| Translation adjustments Oxiteno Mexico | 1,759 | | | | | | 1,759 | | | 1,759 |
| Other individually insignificant adjustments | 1,438 | | | | | | 1,438 | | | 1,438 |
| Fair value adjustments relating to business combinations | (1,547) | | | | | | (1,547) | | | (1,547) |
| Fair value adjustments relating to acquisition of minority interest in Oxiteno S.A. Indústria e Comércio | 4,485 | | | | | | 4,485 | | | 4,485 |
| Fair value adjustments relating to the acquisition of SPGás Distribuidora de Gás Ltda. | 1,484 | | | | | | 1,484 | | | 1,484 |
| Fair value adjustments relating to the acquisition of Oxiteno Mexico | 167 | | | | | | 167 | | | 167 |
| Fair value adjustments relating to acquisition of minority interest in Companhia Ultragaz S.A | (551) | | | | | | (551) | | | (551) |

29

**Table of Contents**

| **PRO FORMA STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2006** | **Historical Information of Ultrapar and subsidiaries(a)** | **Acquisition of Southern Distribution Business (b)** | **Acquisition of Oil Refining Business(c)** | **Eliminations(d)** | **Pro forma adjustments before the Share Exchange(e)** | **Notes** | **Pro Forma before Share Exchange** | **Pro forma adjustments related to the Share Exchange(e)** | **Notes** | **Pro Forma after Share Exchange** |
|---|---|---|---|---|---|---|---|---|---|---|
| Gain on change in equity interest in Max Facil | | (85,494) | | | | | (85,494) | | | (85,494) |
| Post-employment benefits adjustment | | (16,090) | (767) | | | | (16,857) | | | (16,857) |
| Accounting for asset retirement obligation | | 686 | | | | | 686 | | | 686 |
| Capitalization of interest costs during construction, net of depreciation | | 1,115 | | | | | 1,115 | | | 1,115 |
| Fair value of guarantees under FIN45 | | 708 | 32 | | | | 740 | | | 740 |
| Accounting for refunds | | 2,218 | | | | | 2,218 | | | 2,218 |
| Deferred tax effects | 2,135 | 7,493 | 270.00 | | (14,871) | 3 (iv) | (4,973) | 11,168 | 3 (iv) | 6,195 |
| Minority interest | (41) | | | | | | (41) | | | (41) |
| **NET PRO FORMA INCOME (LOSS) UNDER U.S. GAAP** | **280,508** | **33,581** | **(3,579)** | **(608)** | **(93,965)** | | **215,937** | **117,674** | | **333,611** |
| **U.S. GAAP weighted average number of shares outstanding (in thousands)** | **81,129.709** | | | | | | | | | **135,834.658** |
| **Basic and diluted U.S. GAAP pro forma earnings (loss) per share** | **3.46** | | | | | | | | | **2.45** |
| **U.S. GAAP dividends declared and interest on shareholders equity per share** | **1.78** | | | | | | | | | **1.78(*)** |

(*) Pro-forma dividend reflects the same dividends per share distributed by Ultrapar prior to the transaction

a) Reflects Ultrapar s statement of income for the year ended December 31, 2006.

b) Reflects the statement of income for the year ended December 31, 2006 relating to the Southern Distribution Business, based on the DPPI and CBPI carve-out financials, as detailed in Southern Distribution Business table below.

Table of Contents

c) Reflects RIPI s statement of income for the year ended December 31, 2006 relating to the portion of the oil refining businesses acquired, as detailed in Oil Refining Business table below.

d) Intercompany eliminations and consolidating entries related to the unaudited pro forma statement of income for December 31, 2006 refer to sales of fuel by RIPI to DPPI, which should be eliminated in order to show our total unaudited pro forma consolidated statement of income.

e) Reflects the pro forma adjustments which are discussed below in Note 3.

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

**Table of Contents**

**ACQUISITION OF SOUTHERN DISTRIBUTION BUSINESS**

| PRO FORMA STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2006 | Historical Information of DPPI and subsidiaries(a) | Historical Information of CBPI and subsidiaries(b) | DPPI (-) CBPI(c) | Adjustments(d) | Historical Information of DPPI Carved-out(e) | Historical Information of CBPI Carved-out(f) | CBPI Other Income (Expenses) of Southern Distribution Business(g) | Acquisition of Southern Distribution Business |
|---|---|---|---|---|---|---|---|---|
| Net revenue from sales and/or services | 25,714,728 | 22,225,121 | 3,489,607 | 80,624 | 3,570,231 | 15,537,371 | | 19,107,602 |
| Cost of sales and/or services | (24,430,465) | (21,143,026) | (3,287,439) | (64,282) | (3,351,721) | (14,798,332) | | (18,150,053) |
| Gross profit | 1,284,263 | 1,082,095 | 202,168 | 16,342 | 218,510 | 739,039 | | 957,549 |
| Operating (expenses) income: | | | | | | | | |
| Selling expenses | (439,641) | (365,646) | (73,995) | (15,836) | (89,831) | (177,284) | (57,447) | (324,562) |
| General and administrative expenses | (492,762) | (426,290) | (66,472) | (949) | (67,421) | (150,655) | (143,743) | (361,819) |
| Other operating income | 23,163 | 19,531 | 3,632 | 569 | 4,201 | 27,564 | (5,066) | 26,699 |
| Goodwill amortization | (2,164) | (2,164) | | 858 | 858 | 1,550 | | 2,408 |
| Income (loss) before financial items | 372,859 | 307,526 | 65,333 | 984 | 66,317 | 440,214 | (206,256) | 300,275 |
| Financial income (expenses), net | (7,702) | (25,067) | 17,365 | (1,417) | 15,948 | | (15,809) | 139 |
| Nonoperating income (expenses), net | 30,139 | 3,730 | 26,409 | (209) | 26,200 | | 3,730 | 29,930 |
| Income (loss) before taxes on income and profit sharing | 395,296 | 286,189 | 109,107 | (642) | 108,465 | 440,214 | (218,335) | 330,344 |
| Income and social contribution taxes | (91,184) | (70,291) | (20,893) | 433 | (20,460) | | (54,496) | (74,956) |
| Deferred income and social contribution taxes | 43,145 | 35,251 | 7,894 | | 7,894 | | 33,008 | 40,902 |
| Income (loss) before profit sharing and equity in affiliates | 347,257 | 251,149 | 96,108 | (209) | 95,899 | 440,214 | (239,823) | 296,290 |
| Equity in affiliates | 87,056 | 87,056 | | | | | | |
| Profit sharing | (16,318) | (14,656) | (1,662) | | (1,662) | | (11,694) | (13,356) |
| Minority interest | (257,120) | | | | | | 117,766 | (139,354) |
| **NET PRO FORMA INCOME (LOSS) UNDER BRAZILIAN** | **160,875** | **323,549** | **94,446** | **(209)** | **94,237** | **440,214** | **(133,751)** | **143,580** |

**GAAP**

Table of Contents

| PRO FORMA STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2006 PRO FORMA RECONCILIATION TO U.S. GAAP | Historical Information of DPPI and subsidiaries(a) | Historical Information of CBPI and subsidiaries(b) | DPPI (-) CBPI(c) | Adjustments(d) | Historical Information of DPPI Carved-out(e) | Historical Information of CBPI Carved-out(f) | CBPI Other Income (Expenses) of Southern Distribution Business(g) | Acquisition of Southern Distribution Business |
|---|---|---|---|---|---|---|---|---|
| **NET PRO FORMA INCOME (LOSS) UNDER BRAZILIAN GAAP** | **160,875** | **323,549** | **94,446** | **(209)** | **94,237** | **440,214** | **(133,751)** | **143,580** |
| Inflation accounting | (23,505) | (21,276) | (2,229) | | (2,229) | (18,852) | | (21,081) |
| Different criteria for: | | | | | | | | |
| Fair value adjustments relating to accounting for derivative instruments and hedging activities | 748 | 748 | | | | | 446 | 446 |
| Goodwill and business combination | 4,665 | 4,665 | | | | | | |
| Gain on change in equity interest in Max Facil | (85,494) | (58,136) | (27,358) | | (27,358) | (58,136) | | (85,494) |
| Post-employment benefits adjustment | (20,781) | (17,808) | (2,973) | | (2,973) | (1,844) | (11,273) | (16,090) |
| Accounting for asset retirement obligation | 731 | 229 | 502 | | 502 | 184 | | 686 |
| Capitalization of interest costs during construction, net of depreciation | 1,702 | 1,455 | 247 | | 247 | | 868 | 1,115 |
| Fair value of guarantees under FIN 45 | 226 | (482) | 708 | | 708 | | | 708 |
| Accounting for refunds | 2,346 | 2,346 | | | | 2,218 | | 2,218 |
| U.S. GAAP adjustments on net equity and net income of affiliates | (11,733) | (11,733) | | | | | | |
| Deferred tax effects | 13,269 | 11,997 | 1,272 | | 1,272 | 6,221 | | 7,493 |
| Minority interest | 69,508 | | 69,508 | (69,508) | | | | |
| **NET PRO FORMA INCOME (LOSS) UNDER U.S. GAAP** | **112,557** | **235,554** | **134,123** | **(69,717)** | **64,406** | **370,005** | **(143,710)** | **33,580** |

---

a) Reflects DPPI s consolidated statement of income for the year ended December 31, 2006. Since DPPI controls CBPI, the latter is consolidated by DPPI. See page F-172 for DPPI s consolidated financial statements.

b) Reflects CBPI s consolidated statement of income for the year ended December 31, 2006. See page F-212 for CBPI s consolidated financial statements.

c) Reflects DPPI s statement of income for the year ended December 31, 2006, excluding CBPI.

d) Reflects the reversal of intercompany eliminations that had already been booked in DPPI s consolidated statement of income for the year ended December 31, 2006. The principal eliminating items refer to sales of fuels between CBPI and DPPI and freight services provided by a subsidiary of CBPI to DPPI.

e) Reflects DPPI s carved-out statement of income for the year ended December 2006, which reflects the company s fuel and lubricants operations. See page F-462 for the carve out financial statements of DPPI.

f) Reflects CBPI carved-out abbreviated statement of revenues and direct expenses for the year ended December 31, 2006, which relates to the company s fuel and lubricants operations in the South and Southeast regions of Brazil. See page F-497 for CBPI s abbreviated financial statements.

g) Reflects other income and expenses for the carved-out business of CBPI for the year ended December 31, 2006. To estimate sales, general and administrative expenses and profit sharing we used the proportion of such items from April 1, 2007 to June 30, 2007, which corresponds to the period from the acquisition onward, between the Southern Distribution Business to the total of CBPI. For financial expenses we used a proportion of operating profit. For income taxes we adopted the overall income tax rate of CBPI in 2006. For deferred taxes we used our best judgment to separate factors that affect the tax base of the Southern Distribution Business. Minority interest reflects the minorities of CBPI in the aforementioned adjustments.

**Table of Contents**

**ACQUISITION OF OIL REFINING BUSINESS**

| PRO FORMA STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2006 | Historical Information of RIPI and subsidiaries(a) | (-) RPI s Results relating to the Petrochemical Businesses and Southern Distribution Business(b) | Historical Information of RIPI Oil Refining Business(c) | Acquisition of Oil Refining Business(d) |
|---|---|---|---|---|
| Net revenue from sales and/or services | 4,191,357 | (3,759,222) | 432,135 | 144,031 |
| Cost of sales and/or services | (3,379,553) | 2,973,968 | (405,585) | (135,181) |
| Gross profit | 811,804 | (785,254) | 26,550 | 8,850 |
| Operating (expenses) income: | | | | |
| Selling expenses | (191,881) | 188,600 | (3,281) | (1,094) |
| General and administrative expenses | (155,424) | 129,468 | (25,956) | (8,651) |
| Other operating income | 8,204 | (7,715) | 489 | 163 |
| Income (loss) before financial items | 472,703 | (474,901) | (2,198) | (732) |
| Financial income (expenses), net | (86,349) | 82,926 | (3,423) | (1,141) |
| Nonoperating income (expenses), net | (34,160) | 34,164 | 4 | 1 |
| Income (loss) before taxes on income and profit sharing | 352,194 | (357,811) | (5,617) | (1,872) |
| Income and social contribution taxes | (104,108) | 100,626 | (3,482) | (1,161) |
| Deferred income and social contribution taxes | 22,678 | (22,678) | | |
| Income (loss) before profit sharing and equity in affiliates | 270,764 | (279,863) | (9,099) | (3,033) |
| Equity in affiliates | 24,324 | (24,324) | | |
| Profit sharing | (7,867) | 7,797 | (70) | (23) |
| Minority interest | (122,981) | 122,981 | | |
| **NET PRO FORMA INCOME (LOSS) UNDER BRAZILIAN GAAP** | **164,240** | **(173,409)** | **(9,169)** | **(3,056)** |
| **PRO FORMA RECONCILIATION TO U.S. GAAP** | | | | |
| **NET PRO FORMA INCOME (LOSS) UNDER BRAZILIAN GAAP** | **164,240** | **(173,409)** | **(9,169)** | **(3,056)** |
| Reversal of revaluation adjustments | | | | |
| Inflation accounting | (2,673) | 2,499 | (174) | (58) |
| Fair value adjustments relating purchase accounting of a business acquired | | | | |
| Different criteria for: | | | | |
| Deferred charges | (3,954) | 3,954 | | |
| Other individually insignificant adjustments | (3,973) | 3,973 | | |
| Post-employment benefits adjustment | (5,822) | 3,522 | (2,300) | (767) |
| Fair value of guarantees under FIN 45 | 96 | | 96 | 32 |
| IPQ s business acquisition for IQ on 1998 | 21,437 | (21,437) | | |

| | | | | |
|---|---|---|---|---|
| COPESUL s business acquisition for IPQ on 2000 | (1,199) | 1,199 | | |
| IPQ s business acquisition for IQ on 2003 | 6,041 | (6,041) | | |
| IPQ s business acquisition for IQ on 2006 | 63,969 | (63,969) | | |
| Different criteria for investments in affiliated companies (DPPI) Reversal of equity pick-up | (7,316) | 7,316 | | |
| U.S GAAP adjustments on net income of COPESUL | 11,772 | (11,772) | | |
| Valuation allowance for deferred taxes | (76,245) | 76,245 | | |
| U.S GAAP adjustments on net income of CBPI | (3,526) | 3,526 | | |
| Accounting for warrants purchased by the Company | (38,493) | 38,493 | | |
| Deferred tax effects | (2,279) | | 810 | 270 |
| Minority interest | 13,827 | (13,827) | | |
| **NET PRO FORMA INCOME (LOSS) UNDER U.S. GAAP** | **135,902** | **(149,728)** | **(10,737)** | **(3,579)** |

a) Reflects RIPI s and Subsidiaries statement of income for the year ended December 31, 2006, which includes the consolidation of the petrochemical business and equity in DPPI. See page F-129 for RIPI s consolidated financial statements.

Table of Contents

b) Reflects the elimination of results obtained from the petrochemical and fuel and lubricant distribution businesses for the year ended December 31, 2006.

c) Reflects the statement of income of RPI s oil refining business for the year ended December 31, 2006. See page F-438 for RIPI s carve-out financial statements.

d) Refers to the portion of 33.33% of RPI s oil refining business acquired by Ultrapar.

Table of Contents

**UNAUDITED PRO FORMA STATEMENT OF INCOME**

**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2007 (Amounts in thousands of Brazilian reais, except per share data)**

The following is our unaudited pro forma statement of income for the six-month period ended June 30, 2007:

| PRO FORMA STATEMENT OF INCOME FOR THE PERIOD ENDED JUNE 30, 2007 | Historical Information of Ultrapar and subsidiaries(a) | Results of Oil Refining and Southern Distribution Businesses First quarter 2007(b) | Total Ultrapar | Pro forma adjustments before the Share Exchange(c) | Notes | Pro Forma before Share Exchange | Pro forma adjustments related to the Share Exchange(d) | Notes | Pro Forma after Share Exchange |
|---|---|---|---|---|---|---|---|---|---|
| Net revenue from sales and/or services | 7,355,235 | 4,609,028 | 11,981,743 | | | 11,981,743 | | | 11,981,743 |
| Cost of sales and/or services | (6,655,116) | (4,355,938) | (11,028,534) | | | (11,028,534) | | | (11,028,534) |
| Gross profit | 700,119 | 253,090 | 953,209 | | | 953,209 | | | 953,209 |
| Operating (expenses) income: | | | | | | | | | |
| Selling expenses | (177,781) | (80,844) | (258,625) | | | (258,625) | | | (258,625) |
| General and administrative expenses | (314,347) | (79,300) | (393,647) | (15,115) | 3(i) | (408,762) | | | (408,762) |
| Other operating income | 4,077 | 3,329 | 7,406 | | | 7,406 | | | 7,406 |
| Income before financial items | 212,068 | 96,275 | 308,343 | (15,115) | | 293,228 | | | 293,228 |
| Financial income (expenses), net | (35,137) | (16,665) | (51,802) | (35,358) | 3(ii) | (87,160) | | | (87,160) |
| Nonoperating income (expenses), net | (1,945) | 6,300 | 4,355 | | | 4,355 | | | 4,355 |
| Income before taxes on income and profit sharing | 174,986 | 85,910 | 260,896 | (50,472) | | 210,424 | | | 210,424 |
| Income and social contribution taxes | (77,347) | (19,085) | (96,432) | | | (96,432) | | | (96,432) |
| Deferred income and social contribution taxes | 21,966 | (8,077) | 13,889 | 17,161 | 3(iv) | 31,050 | | | 31,050 |
| Benefit of tax holidays | 6,084 | | 6,084 | | | 6,084 | | | 6,084 |
| Income before profit sharing and equity in affiliates | 125,689 | 58,748 | 184,437 | (33,312) | | 151,125 | | | 151,125 |
| Equity in affiliates | (129) | (93) | (222) | | | (222) | | | (222) |
| Profit sharing | (2,816) | | (2,816) | | | (2,816) | | | (2,816) |
| Minority interest | (48,174) | (30,908) | (79,082) | 4,185 | 3(v) | (74,897) | 73,176 | 3(v) | (1,721) |
| **NET PRO FORMA INCOME UNDER BRAZILIAN GAAP** | **74,570** | **27,747** | **102,317** | **(29,127)** | | **73,190** | **73,176** | | **146,366** |

**Table of Contents**

| **PRO FORMA STATEMENT OF INCOME FOR THE PERIOD ENDED JUNE 30, 2007** | **Historical Information of Ultrapar and subsidiaries(a)** | **Results of Oil Refining and Southern Distribution Businesses First quarter 2007(b)** | **Total Ultrapar** | **Pro forma adjustments before the Share Exchange(c)** | **Notes** | **Pro Forma before Share Exchange** | **Pro forma adjustments related to the Share Exchange(d)** | **Notes** | **Pro Forma after Share Exchange** |
|---|---|---|---|---|---|---|---|---|---|
| **Outstanding shares as of June 30, 2007 (in thousands)** | **81,325.409** | | | | | | | | **136,030.357** |
| **Brazilian GAAP pro forma earnings (loss) per share** | **0.92** | | | | | | | | **1.08** |
| **PRO FORMA RECONCILIATION TO U.S. GAAP** | | | | | | | | | |
| **NET PRO FORMA INCOME UNDER BRAZILIAN GAAP** | **74,570** | **27,747** | **102,317** | **(29,127)** | | **73,190** | **73,176** | | **146,366** |
| Reversal of revaluation adjustments: | | | | | | | | | |
| Depreciation of property, plant and equipment | 1,370 | | 1,370 | | | 1,370 | | | 1,370 |
| Deferred tax effects | (181) | | (181) | | | (181) | | | (181) |
| Inflation accounting: | | | | | | | | | |
| Property, plant and equipment incremental depreciation | (2,885) | (2,175) | (5,060) | | | (5,060) | | | (5,060) |
| Inventories and other nonmonetary assets | 113 | | 113 | | | 113 | | | 113 |
| Deferred tax effects | 1,046 | 842 | 1,888 | | | 1,888 | | | 1,888 |
| Different criteria for: | | | | | | | | | |
| Cancellation of subsidiaries treasury stock | 535 | | 535 | | | 535 | | | 535 |
| Deferred charges expensed: | | | | | | | | | |
| Cost | (27,585) | | (27,585) | | | (27,585) | | | (27,585) |
| Amortization | 24,492 | | 24,492 | | | 24,492 | | | 24,492 |
| Depreciation of interest costs capitalized during construction | (214) | 107 | (107) | | | (107) | | | (107) |
| Reversal of goodwill amortization | 2,624 | | 2,624 | 15,115 | 3(i) | 17,739 | | | 17,739 |
| Fair value adjustments relating to accounting for derivative instruments and hedging activities | 586 | | 586 | | | 586 | | | 586 |
| Translation adjustments Oxiteno Mexico | (2,817) | | (2,817) | | | (2,817) | | | (2,817) |
| Assets Retirement Obligation FAS 143 Assets | 480 | 480 | 960 | | | 960 | | | 960 |
| Assets Retirement Obligation FAS 143 Liabilities | (618) | (618) | (1,236) | | | (1,236) | | | (1,236) |
| Pension Plan | (2,162) | (2,162) | (4,324) | | | (4,324) | | | (4,324) |
| Other individually insignificant adjustments | 2,288 | 183 | 2,471 | | | 2,471 | | | 2,471 |

38

Table of Contents

| PRO FORMA STATEMENT OF INCOME FOR THE PERIOD ENDED JUNE 30, 2007 | Historical Information of Ultrapar and subsidiaries(a) | Results of Oil Refining and Southern Distribution Businesses First quarter 2007(b) | Total Ultrapar | Pro forma adjustments before the Share Exchange(c) | Notes | Pro Forma before Share Exchange | Pro forma adjustments related to the Share Exchange(d) | Notes | Pro Forma after Share Exchange |
|---|---|---|---|---|---|---|---|---|---|
| Deferred tax effects | 611 | 968 | 1,579 | (5,139) | 3(iv) | (3,560) | | 3(iv) | (3,560) |
| Fair value adjustments relating to business combinations | (773) | | (773) | | | (773) | | | (773) |
| Deferred tax effects | 263 | | 263 | | | 263 | | | 263 |
| Fair value adjustments relating to acquisition of minority interest in Oxiteno S.A. Indústria e Comércio | 2,243 | | 2,243 | | | 2,243 | | | 2,243 |
| Deferred tax effects | (462) | | (462) | | | (462) | | | (462) |
| Fair value adjustments relating to the acquisition of SPGás Distribuidora de Gás Ltda. | 742 | | 742 | | | 742 | | | 742 |
| Deferred tax effects | (252) | | (252) | | | (252) | | | (252) |
| Fair value adjustments relating to the acquisition of Oxiteno Mexico | 84 | | 84 | | | 84 | | | 84 |
| Deferred tax effects | (28) | | (28) | | | (28) | | | (28) |
| Fair value adjustments relating to acquisition of minority interest in Companhia Ultragaz S.A | (275) | | (275) | | | (275) | | | (275) |
| Deferred tax effects | 94 | | 94 | | | 94 | | | 94 |
| Accounting for uncertain income tax position FIN 48 | (7,129) | (122) | (7,251) | | | (7,251) | | | (7,251) |
| Adjustments relating to the acquisition of Ipiranga: | | | | | | | | | |
| Fair value adjustments | (3,736) | | (3,736) | (126) | 3(iii) | (3,862) | (16,424) | 3(iii) | (20,286) |
| Deferred tax effects | 1,270 | | 1,270 | 43 | 3(iv) | 1,313 | 5,584 | 3(iv) | 6,897 |
| Reversal of goodwill amortization | 11,126 | | 11,126 | | | 11,126 | | | 11,126 |
| Minority interest | 2,539 | | 2,539 | 381 | 3(v) | 2,920 | (2,920) | 3(v) | |
| Accounting for refunds | 529 | 529 | 1,058 | | | 1,058 | | | 1,058 |
| Deferred tax effects | (180) | (180) | (360) | | | (360) | | | (360) |
| **NET PRO FORMA INCOME UNDER U.S. GAAP** | **78,308** | **25,599** | **103,907** | **(18,853)** | | **85,054** | **59,416** | | **144,470** |
| **U.S. GAAP weighted average number of shares outstanding (in thousands)** | **81,021.201** | | | | | | | | **135,726.150** |
| **Basic and diluted U.S. GAAP pro forma earnings (loss) per share** | **0.97** | | | | | | | | **1.06** |

(a) Reflects Ultrapar s statement of income for the six-month period ended June 30, 2007, which includes the consolidation of the Southern Distribution Business and Ultrapar s portion of the oil refining business which occured on April 1, 2007.

(b) Reflects the pro forma results of the Southern Distribution Business and Ultrapar s portion of the oil refining business acquired for the three-month period ended March 31, 2007, assuming that the acquisition had occurred on January 1, 2006, as detailed in Results of Oil Refining and Southern Distribution

Businesses First quarter 2007 table below.

(c) Reflects the pro forma adjustments before the Share Exchange, which are described below in Note 3.

(d) Reflects the pro forma adjustments relating to the Share Exchange, which are described below in Note 3.

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

Table of Contents

**RESULTS OF OIL REFINING AND SOUTHERN**

**DISTRIBUTION BUSINESSES FIRST QUARTER 2007**

| PRO FORMA STATEMENT OF INCOME FOR THE PERIOD ENDED JUNE 30, 2007 | Historical Information of Distribuidora de Produtos de Petróleo Ipiranga S.A. and Subsidiaries(a) | Historical Information of Refinaria de Petróleo Ipiranga S.A.(b) | Adjustments(c) | Notes | Results of Oil Refining and South and Southern Distribution Businesses First quarter 2007 |
|---|---|---|---|---|---|
| Net revenue from sales and/or services | 12.799.366 | 1.403.898 | (9.594.236) | | 4.609.028 |
| Cost of sales and/or services | (12.135.174) | (1.140.349) | 8.919.585 | | (4.355.938) |
| Gross profit | 664.192 | 263.549 | (674.651) | | 253.090 |
| Operating (expenses) income: | | | | | |
| Selling expenses | (219.019) | (60.081) | 198.256 | | (80.844) |
| General and administrative expenses | (250.111) | (46.098) | 216.909 | | (79.300) |
| Other operating income | 6.876 | (6.180) | 2.633 | | 3.329 |
| Income before financial items | 201,938 | 151.190 | (256.853) | | 96.275 |
| Financial income (expenses), net | 8.368 | (2.584) | (22.449) | | (16.665) |
| Nonoperating income (expenses), net | 6.741 | (444) | 3 | | 6.300 |
| Income before taxes on income and profit sharing | 217.047 | 148.162 | (279.299) | | 85.910 |
| Income and social contribution taxes | (53.821) | (40.829) | 75.565 | | (19.085) |
| Deferred income and social contribution taxes | (14.444) | (1.090) | 7.457 | | (8.077) |
| Income before profit sharing and equity in affiliates | 148.782 | 106.243 | (196.277) | | 58.748 |
| Equity in affiliates | 66.074 | 69.110 | (135.277) | | (93) |
| Profit sharing | (3.541) | (1.713) | 5.254 | | |
| Minority interest | (141.898) | (40.728) | 151.718 | | (30.908) |
| **NET PRO FORMA INCOME UNDER BRAZILIAN GAAP** | **69.417** | **132.912** | **(174.582)** | | **27.747** |
| **PRO FORMA RECONCILIATION TO U.S. GAAP** | | | | | |
| **NET PRO FORMA INCOME UNDER BRAZILIAN GAAP** | **69.417** | **132.912** | **(174.582)** | | **27.747** |
| Inflation accounting: | | | | | |
| Property, plant and equipment incremental depreciation | (2.844) | (1.336) | 2.005 | | (2.175) |
| Deferred tax effects | 968 | 454 | (580) | | 842 |
| Minority interests | 1.001 | 379 | (1.380) | | |

Table of Contents

| PRO FORMA STATEMENT OF INCOME FOR THE PERIOD ENDED JUNE 30, 2007 | Historical Information of Distribuidora de Produtos de Petróleo Ipiranga S.A. and Subsidiaries(a) | Historical Information of Refinaria de Petróleo Ipiranga S.A.(b) | Adjustments(c) | Notes | Results of Oil Refining and Southern Distribution Businesses First quarter 2007 |
|---|---|---|---|---|---|
| Different criteria for: | | | | | |
| Deferred charges expensed: | | | | | |
| Cost | | | | | |
| Amortization | | 1.047 | (1.047) | | |
| Capitalization (Depreciation) of interest costs capitalized during construction | 589 | | (482) | | 107 |
| Assets Retirement Obligation FAS 143 Assets | | | 480 | | 480 |
| Assets Retirement Obligation FAS 143 Liabilities | (1.612) | | 994 | | (618) |
| Pension Plan | (6.028) | (1.655) | 5.521 | | (2.162) |
| Other individually insignificant adjustments | 396 | 1.325 | (1.538) | | 183 |
| Deferred tax effects | 2.266 | (245) | (1.053) | | 968 |
| Minority interests | 2.861 | (327) | (2.534) | | |
| Fair value adjustments relating to business combinations | 2.333 | (19.583) | 17.250 | c.1 | |
| Deferred tax effects | 85 | 9.434 | (9.519) | c.1 | |
| Minority interests | (1.911) | 4.244 | (2.333) | c.1 | |
| Accounting for uncertain income tax position FIN 48 | (261) | | 139 | | (122) |
| Minority interests | 200 | | (200) | | |
| Accounting for refunds | 1.179 | | (650) | | 529 |
| Deferred tax effects | (401) | | 221 | | (180) |
| Minority interest | (615) | | 615 | | |
| USGAAP adjustments on net equity and net income of affiliates | (41.630) | (202.191) | 243.821 | c.2 | |
| Minority interest | 32.883 | 160.767 | (193.650) | c.2 | |
| Valuation allowance for deferred taxes | | (8.416) | 8.416 | | |
| Minority interest | | 3.865 | (3.865) | | |
| Accounting for convertible debentures issued by IQ and warrants purchased by the Company | | (46.067) | 46.067 | c.3 | |
| Deferred tax effects | | 15.663 | (15.663) | c.3 | |
| Minority interest | | 12.609 | (12.609) | c.3 | |
| **NET PRO FORMA INCOME UNDER U.S. GAAP** | **58.876** | **62.879** | **(253.008)** | | **29.895** |

a) Reflects DPPI s consolidated statement of income for the six-month period ended June 30, 2007. Since DPPI controls CBPI, the latter is consolidated by DPPI. See page F-287 for DPPI s consolidated financial statements.

b) Reflects RIPI and Subsidiaries statement of income for the six-month period ended June 30, 2007. As a result of the terms of the shareholders agreement, since the date of the acquisition, Ipiranga Química and its subsidiaries are no longer consolidated in RIPI s financial statements, but rather, the investments in such subsidiaries are accounted for using the equity method. See page F-129 to RIPI s consolidated financial statements.

c) Adjustments column reflects exclusion of (i) the entire petrochemical business and two-thirds of the Ipiranga Group s oil refining business that will be allocated to Braskem and Petrobras; (ii) the Ipiranga Group s fuel distribution business in the North, Northeast and Center-West regions of Brazil which will be allocated to Petrobras; (iii) three-month period relating to the second-quarter of the Ipiranga Group s fuel distribution business in the South and Southeast regions of Brazil and of one-third of the oil refining operation which are already recorded in Ultrapar and subsidiaries financial statements since April 1, 2007.

Additional adjustments are principally represented as follows:

c.1) Elimination of the fair value recorded in previous business combinations of the Ipiranga Group which occurred before the acquisition by Ultrapar, Braskem and Petrobras.

c.2) Elimination of the equity recorded in the historical financial statements related to the equity interest in companies that were not acquired by Ultrapar.

c.3) Warrant recorded at RIPI is related to the right to subscribe shares of IQ. According to the investment agreement this warrant will be transferred to Braskem and consequently no rights will remain with RIPI.

**Notes to the Unaudited Pro Forma Financial Information**

(Amounts in thousand of Brazilian *reais*, except where otherwise indicated)

1. Basis of Presentation

Our unaudited pro forma balance sheet as of June 30, 2007 was prepared as if the transactions mentioned in steps 2 and 4 above had occurred on June 30, 2007. Our unaudited pro forma statements of operations for the year ended December 31, 2006 and for the six month period ended June 30, 2007 were prepared as if all transactions mentioned above had occurred on January 1, 2006.

Our unaudited pro forma financial information has been prepared based on assumptions that we consider to be appropriate and should be read in conjunction with our financial statements included elsewhere in this document.

The unaudited pro forma financial information has been derived from, and should be read in conjunction with, the historical consolidated financial statements of Ultrapar, including notes thereto. The material pre-acquisition contingencies are disclosed in Note 20 to the interim financial statements of Ultrapar as of June 30, 2007. These consolidated financial statement are included elsewhere in this prospectus.

The unaudited pro forma financial information is presented for illustrative purposes only and is not necessarily indicative of the operating results that would have been achieved had the acquisition been completed as of the dates indicated above or of results that may be attained in the future.

2. Pro Forma Adjustments for the Balance Sheet as of June 30, 2007

Under Brazilian GAAP, the goodwill and corresponding equity acquired are demonstrated below:

i) *Acquisition described in step 2 above.* For Brazilian GAAP purposes, the consolidated balance sheet of Ipiranga is already included in the consolidated figures of Ultrapar and subsidiaries. Therefore, the acquisition of voting shares in the amount of R$163,120, resulted in a goodwill totaling R$105,920, which is recorded under deferred charges. The acquisition was funded through the issuance of debentures totaling R$214,000, and consequently, an increase in cash totaling R$50,880 was recorded.

| | |
|---|---|
| Amount relating to the acquisition of voting shares | 163,120 |
| Book value of the interest acquired in RIPI, DPPI and CBPI as of June 30, 2007, net of the assets to be transferred to Petrobras and Braskem | (57,200) |
| Estimated goodwill relating to the acquisition of voting shares | 105,920 |

ii) *Acquisition described in step 4 above.* For Brazilian GAAP purposes, the consolidated balance sheet of Ipiranga is already included in the consolidated figures of Ultrapar and subsidiaries. Therefore, the acquisition of shares in the amount of R$1,007,728, resulted in negative goodwill totaling R$15,967, which is recorded under deferred charges. Additionally, Ultrapar will acquire the shares of Ipiranga in step 4 on behalf of Petrobras and Braskem, through the issuance of preferred shares, for the amount of R$1,739,743, which is recorded as accounts receivables. Ultrapar will pay this acquisition through the issuance of its own preferred shares totaling R$2,747,471.

| | |
|---|---|
| Amount relating to the acquisition of the remaining shares | 1,007,728 |
| Book value of the interest acquired of RIPI, DPPI and CBPI as of June 30, 2007, net of the assets to be transferred to Petrobras and Braskem | (1,023,695) |
| Estimated negative goodwill relating to the acquisition of shares | (15,967) |

Under U.S. GAAP, the goodwill and corresponding equity acquired are discussed below:

iii) For the acquisition described in step 2 above, see below the computations performed:

| | |
|---|---|
| Amount relating to the acquisition of voting shares | 163,120 |
| Total fair value of interest acquired in RIPI, DPPI and CBPI as of June 30, 2007, net of the assets to be transferred to Petrobras and Braskem | (82,324) |
| Estimated goodwill relating to the acquisition of voting shares | 80,796 |
| Goodwill recognized under Brazilian GAAP | 105,920 |
| Goodwill difference between U.S. GAAP and accounting practices adopted in Brazil | (25,124) |
| Proportional Fair value of assets acquired in step 2, substantially related to Property, plant and equipment and intangibles | 39,388 |
| Deferred Income Tax (Effective Rate 34%) | (13,392) |

iv) For the acquisition described in step 4 above, there was excess of assigned value of identifiable assets over the cost of Ipiranga (negative goodwill). The negative goodwill was allocated as a pro rata reduction of the amounts that would have been assigned to the assets acquired, therefore reducing the fair value assigned to the property, plant, equipment and intangibles acquired. See below the computations performed:

| | |
|---|---|
| Amount relating to the acquisition of the remaining shares | 1,007,728 |
| Additional capital increase (See note (v)) | 58,893 |
| Value of interest acquired in RIPI, DPPI and CBPI as of June 30, 2007, net of the assets to be transferred to Petrobras and Braskem | (1,506,112) |
| Estimated negative goodwill relating to the acquisition of remaining shares | (439,491) |
| Recognition of deferred income tax (effective rate 34%) | (226,405) |
| Total negative goodwill | (665,896) |
| Proportional fair value of assets acquired in step 4, substantially related to Property, plant and equipment and intangibles | 770,588 |
| Fair Value recognized in the pro forma financial statements | 104,692 |
| Deferred Income Tax (Effective Rate 34%) | (35,595) |

43

Table of Contents

v) Under Brazilian GAAP, the capital increase reflects the price of the shares as defined in the Investment Agreement. For U.S. GAAP purposes, the capital increase corresponds to the average price of the securities at BOVESPA stock exchange, taking into account the closing prices two days before and two days after the acquisition date. The difference was recorded as additional paid-in-capital. See below the computations performed:

| | |
|---|---|
| Preferred shares issued | 54.704.948 |
| Average price of the securities at BOVESPA R$ | 51,30 |
| Acquisition cost under U.S. GAAP | 2.806.364 |
| Acquisition cost under BR GAAP (see note 2 (ii)) | 2.747.471 |
| Additional paid in capital | 58,893 |

vi) Minority interest in the acquisition described in step 2 was calculated as follows:

| | |
|---|---|
| Minority interest according to the Brazilian GAAP | 1,023,695 |
| Minority interest according to the U.S. GAAP | 997,537 |
| Minority interest under Historical U.S. GAAP as of June 30, 2007, considering the acquisitions described in steps 1 and 2 | 26,158 |
| Minority interest under Historical U.S. GAAP as of June 30, 2007, considering only the acquisition described in step 1 above | 27,030 |
| Pro forma adjustment | (872) |

vii) No minority interest will remain in RIPI, DPPI, and CBPI after the Share Exchange.

viii) Offering of unsecured debentures

To finance part of the Ipiranga Group acquisition, on April 11, 2007 Ultrapar completed the offering of unsecured debentures in the aggregate principal amount of R$890 million, of which R$676 million were used to purchase the control of the Ipiranga Group and R$214 million were used to acquire the minority common shares outstanding. The debentures have a term of one year, and a coupon rate of 102.5% of the CDI.

For purposes of the unaudited pro forma financial information, the debentures issued to finance the acquisition of the minority common shares were considered issued as of June 30, 2007 for the balance sheet, and as of January 1, 2006 for the statement of income.

This adjustment is presented in the pro forma adjustments before the Share Exchange column.

Table of Contents

3. Pro forma adjustments for the statements of income for the year ended December 31, 2006 and for the six-month period ended June 30, 2007

i) Under Brazilian GAAP, the acquisition of the Southern Distribution Business and the third part of oil refining business are recorded based on the historical values of their assets and liabilities and the difference between the historical carrying value of net assets and the purchase price is recorded as goodwill. See below the computations performed relating to the goodwill under Brazilian GAAP:

| | |
|---|---|
| Amount relating to the acquisition of voting shares in March 2007 | 676,432 |
| Book value of interest acquired in RIPI, DPPI and CBPI as of March 31, 2007, net of the assets to be transferred to Petrobras and Braskem | (251,752) |
| Goodwill relating to the acquisition of voting shares in March/2007 (a) | 424,680 |
| Amount relating to the acquisition of voting shares | 163,120 |
| Book value of interest acquired in RIPI, DPPI and CBPI as of June 30, 2007, net of the assets to be transferred to Petrobras and Braskem | (57,200) |
| Estimated goodwill relating to the acquisition of voting shares (b) | 105,920 |
| Amount relating to the acquisition of remaining shares | 1,007,728 |
| Book value of interest acquired in RIPI, DPPI and CBPI as of June 30, 2007, net of the assets to be transferred to Petrobras and Braskem | (1,023,695) |
| Estimated negative goodwill relating to the acquisition of remaining shares (c) | (15,967) |
| Total pro forma goodwill under Brazilian GAAP (a + b + c) | 514,633 |
| Estimated annual amortization of goodwill included in the statement of income for the year ended December 31, 2006, considering that the goodwill will be amortized in 10 years | 51,463 |
| Estimated amortization of goodwill for the six-month period ended June 30, 2007 | 25,732 |
| Amortization already recorded for three-months period ended June 30, 2007 | (10,617) |
| Pro forma adjustment as included in the pro forma adjustments before share exchange column | 15,115 |

45

Table of Contents

ii) To finance part of the Ipiranga Group acquisition, on April 11, 2007 Ultrapar completed the offering of unsecured debentures in the aggregate principal amount of R$890 million, of which R$676 million were used to purchase the control of the Ipiranga Group and R$214 million were used to acquire the minority common shares outstanding. See below the computation relating to the interest expenses included in the pro forma statements of income:

| | |
|---|---|
| Debentures issued for the acquisition described in step 1 | 676,000 |
| Debentures issued for the acquisition described in step 2 | 214,000 |
| Total debentures | 890,000 |
| 102,5% of CDI, considering CDI average rate in 2006 of 14,76% | 15,13% |
| Interest expense included in the pro forma for the year ended December 31, 2006 | (134,648) |
| 102,5% of CDI, considering CDI average rate in 2007 of 12,5%, for the six-month period ended June 30, 2007 | 6,41% |
| Interest expense included for the six-month period ended June 30, 2007 | 57,008 |
| Interest expense already recorded in 2007 | (21,650) |
| Interest expense included in the pro forma for the six-month period ended June 30, 2007 | 35,358 |
| Sensitivity analysis | |
| Impact of 1/8 percent variance in the interest rate tied to CDI in 2006 | 0,125% |
| Estimated impact on income in case of changes on interest rate in 2006 | 1,112 |
| Impact of 1/8 percent variance in the interest rate tied to CDI in 2007 | 0.062% |
| Estimated impact on income in case of changes on interest rate in 2007 | 556 |

iii) Under the purchase method, fair value adjustments (Brazilian GAAP X U.S. GAAP) were identified and should be amortized as follows:

| | |
|---|---|
| Shareholder s equity under U.S. GAAP at the acquisition date | 1,262,040 |
| Fair value adjustments of assets acquired | 986.802 |
| Deferred income tax (34%) | (335,513) |
| Shareholder s equity adjusted at fair value | 1,913,329 |

Fair value adjustments of assets acquired are composed as follows:

| | |
|---|---|
| Fair Value adjustment of property, plant and equipment acquired | 478.802 |
| Fair Value of Intangibles | |
| Registered Trademark Acquired (unamortized intangible) | 413.000 |
| Franchise agreements | 95.000 |
| Total Fair Value adjustment of assets acquired | 986.802 |
| Weighted average annual depreciation rate | 6,21% |
| Depreciation of fair value relating to property, plant and equipment acquired | (29.715) |
| Annual amortization of intangibles acquired | (10.857) |
| Total realization of fair value adjustment for the year ended December 31, 2006 | (40.572) |
| Total realization of fair value adjustment for the year ended December 31, 2006 before share exchange | (7,724) |
| Total realization of fair value adjustment for the year ended December 31, 2006 related to share exchange | (32,848) |
| | (3,862) |

| | |
|---|---|
| Total realization of fair value adjustment for the six month period ended June 30, 2007 before share exchange | |
| Realization of fair value already recorded in Ultrapar Financial Statements | 3,736 |
| Total realization of fair value adjustment for the six month period ended June 30, 2007 before share exchange, net | (126) |
| Total realization of fair value adjustment for the six month period ended June 30, 2007 related to share exchange | (16.424) |

**Table of Contents**

iv) *Deferred income tax effects*

In preparing our unaudited pro forma financial information for the year ended December 31, 2006 and as of and for the six months period ended June 30, 2007, we have assumed that the goodwill amortization expense is deductible for purposes of calculation of income tax and social contribution.

See below the computations performed for the year ended December 31, 2006:

| | |
|---|---|
| Pro forma adjustments for the year ended December 31, 2006 under Brazilian GAAP | |
| Goodwill amortization before share exchange (note 3(i)) | (51,463) |
| Interest expense in connection with the issuance of debentures (note 3(ii)) | (134,648) |
| Total pro forma adjustments before share exchange | (186,111) |
| Income taxes effective rate | 34% |
| Pro forma deferred income tax before share exchange | 63,278 |
| Pro forma adjustments for the year ended December 31, 2006 under U.S. GAAP | |
| Fair value adjustments relating to purchase accounting of business acquired before share exchange (note 3(iii)) | (7,724) |
| Reversal of goodwill amortization under Brazilian GAAP | 51,463 |
| Total pro forma adjustments before share exchange | 43,739 |
| Income taxes effective rate | 34% |
| Pro forma deferred income tax before share exchange under | (14,871) |
| Fair value adjustments relating to purchase accounting of business acquired related to share exchange (note 3(iii)) | (32,848) |
| Income taxes effective rate | 34% |
| Pro forma deferred income tax related to share exchange under | 11,168 |

See below the computations performed for the six-month period ended June 30, 2007:

| | |
|---|---|
| Pro forma adjustments for the six-month period ended June 30, 2007 under Brazilian GAAP | |
| Goodwill amortization before share exchange (note 3(i)) | (15,115) |
| Interest expense in connection with the issuance of debentures (note 3(ii) | (35,358) |
| Total pro forma adjustments before share exchange | (50,473) |
| Income taxes effective rate | 34% |
| Pro forma deferred income tax before share exchange under | 17,161 |
| Pro forma adjustments for the six-month period ended June 30, 2007 under U.S. GAAP | |
| Fair value adjustments relating to purchase accounting of business acquired before share exchange (note 3(iii)) | (126) |
| Income taxes effective rate | 34% |
| Pro forma deferred income tax before share exchange under | 43 |
| Reversal of goodwill amortization under Brazilian GAAP | 15,115 |
| Income taxes effective rate | 34% |
| Pro forma deferred income tax before share exchange under | (5,139) |
| Fair value adjustments relating to purchase accounting of business acquired related to share exchange (note 3(iii)) | (16,424) |

| | |
|---|---|
| Income taxes effective rate | 34% |
| Pro forma deferred income tax related to share exchange under | 5,584 |

v) No minority interest will remain in DPPI, CBPI and RIPI after the Share Exchange.

Table of Contents

## COMPARATIVE PER SHARE FINANCIAL DATA

The following table sets forth for the Ultrapar, RIPI, DPPI and CBPI preferred shares certain historical, pro forma and pro forma-equivalent per share financial information. The pro forma and pro forma-equivalent per share information gives effect to the Transaction as if the Share Exchange had been effective on January 1, 2006, in the case of the basic earnings, diluted earnings and dividends data. The pro forma data in the tables assume that the Transaction is accounted for using the purchase method of accounting and represents a current estimate based on available information of the Combined Company s results of operations. The information in the following table is based on, and should be read together with, the financial information included in this prospectus and in our 2006 Form 20-F, which is included as Annex A hereto.

The Transaction is anticipated to provide Ultrapar with financial benefits that include reduced operating expenses and revenue enhancement opportunities. While the pro forma information is helpful in illustrating Ultrapar s financial performance under one set of assumptions, it does not reflect the impact of possible revenue enhancements, expense efficiencies, asset dispositions and share repurchases, among other factors, that may result as a consequence of the Transaction and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of Ultrapar following the Transaction would have been had the companies been combined during these periods. Following the closing of the SPA on April 18, 2007, whereby Ultrapar acquired a controlling interest in the Target Companies, Ultrapar has included in its consolidated financial statements the portion of the Target Companies financial results that Ultrapar will retain following completion of the Transaction.

| | Six-month period ended June 30, 2007 | | Year Ended December 31, 2006 | |
|---|---|---|---|---|
| | (under BR GAAP) | (under U.S. GAAP) | (under BR GAAP) | (under U.S. GAAP) |
| **Ultrapar Historical (per preferred share)** | | | | |
| Basic earnings | R$0.92 | R$0.97 | R$3.55 | R$3.46 |
| Diluted earnings | | R$0.97 | | R$3.46 |
| Dividends, gross | | | R$1.78 | R$1.78 |
| Book value | R$24.44 | R$23.80 | R$23.77 | R$23.02 |
| **Ultrapar Pro Forma (per preferred share)** | | | | |
| Basic earnings | R$1.08 | R$1.09 | R$3.22 | R$2.45 |
| Diluted earnings | | R$1.09 | | R$2.48 |
| Dividends, gross | | | R$1.78 | R$1.78 |
| Book value | R$34.81 | R$34.86 | R$33.73 | R$33.80 |
| **RIPI Historical (per preferred share)** | | | | |
| Basic earnings | R$4.63 | R$2.19 | R$5.55 | R$4.74 |
| Diluted earnings | | R$2.19 | | R$4.33 |
| Dividends, gross | | | R$0.62 | R$0.62 |
| Book value | R$23.99 | R$32.35 | R$19.41 | R$26.11 |

Table of Contents

| | Six-month period ended June 30, 2007 (under BR GAAP) | (under U.S. GAAP) | Year Ended December 31, 2006 (under BR GAAP) | (under U.S. GAAP) |
|---|---|---|---|---|
| **Pro Forma RIPI Equivalents (per preferred share) (1)** | | | | |
| Basic earnings | R$0.73 | R$0.77 | R$2.57 | R$1.95 |
| Diluted earnings | | R$0.77 | | R$2.76 |
| Dividends, gross | | | R$1.42 | R$1.42 |
| Book value | R$27.79 | R$27.84 | R$26.94 | R$26.99 |
| **DPPI Historical (per preferred share)** | | | | |
| Basic earnings | R$2.24 | R$1.90 | R$5.03 | R$3.63 |
| Diluted earnings | | R$1.90 | | R$3.63 |
| Dividends, gross | | | R$2.10 | R$2.10 |
| Book value | R$27.29 | R$28.30 | R$25.12 | R$26.53 |
| **Pro Forma DPPI Equivalents (per preferred share) (2)** | | | | |
| Basic earnings | R$0.59 | R$0.62 | R$2.06 | R$1.57 |
| Diluted earnings | | R$0.62 | | R$2.22 |
| Dividends, gross | | | R$1.19 | R$1.14 |
| Book value | R$22.29 | R$22.33 | R$21.60 | R$21.65 |
| **CBPI Historical (per preferred share)** | | | | |
| Basic earnings | R$1.75 | R$1.32 | R$3.05 | R$2.29 |
| Diluted earnings | | R$1.32 | | R$2.29 |
| Dividends, gross | | | R$1.16 | R$1.16 |
| Book value | R$16.37 | R$17.40 | R$14.67 | R$16.22 |
| **Pro Forma CBPI Equivalents (per preferred share) (3)** | | | | |
| Basic earnings | R$0.38 | R$0.41 | R$1.34 | R$1.45 |
| Diluted earnings | | R$0.41 | | R$1.45 |
| Dividends, gross | | | R$0.74 | R$0.74 |
| Book value | R$14.57 | R$14.59 | R$14.12 | R$14.15 |

(1) RIPI equivalent pro forma combined share amounts are calculated by multiplying the Ultrapar pro forma combined per share amounts by the exchange ratio of 0.79850, representing the number Ultrapar shares that RIPI stockholders will receive in the Share Exchange for each share of RIPI common stock.

(2) DPPI equivalent pro forma combined share amounts are calculated by multiplying the Ultrapar pro forma combined per share amounts by the exchange ratio of 0.64048, representing the number Ultrapar shares that DPPI stockholders will receive in the Share Exchange for each share of DPPI common stock.

(3) CBPI equivalent pro forma combined share amounts are calculated by multiplying the Ultrapar pro forma combined per share amounts by the exchange ratio of 0.41846, representing the number Ultrapar shares that CBPI stockholders will receive in the Share Exchange for each share of CBPI common stock.

**Table of Contents**

## COMPARATIVE MARKET PRICE AND DIVIDEND INFORMATION

### Share and Dividend Information

***Trading History of Ultrapar s Preferred Shares***

Our preferred shares are listed on the BOVESPA stock exchange under the ticker symbol UGPA4 and in the form of ADSs on the NYSE under the ticker symbol UGP . You will not receive any Ultrapar ADSs in connection with the Share Exchange.

The following table sets forth the high and low closing sales prices for Ultrapar s preferred shares on the BOVESPA stock exchange for the periods indicated.

| | São Paulo Stock Exchange | | |
|---|---|---|---|
| | High | Low | Volume(1) |
| | (in *reais* per preferred share) | | |
| 2002 | 26.40 | 18.10 | 40,360 |
| 2003 | 37.70 | 21.95 | 39,398 |
| 2004 | 53.50 | 27.10 | 71,265 |
| 2005 | 48.60 | 31.70 | 79,784 |
| 2006 | 49.66 | 31.77 | 64,070 |
| 2007 (through November 9, 2007) | 75.40 | 49.29 | 120,353 |
| First quarter 2005 | 48.60 | 42.00 | 81,615 |
| Second quarter 2005 | 45.90 | 40.00 | 95,090 |
| Third quarter 2005 | 41.70 | 35.00 | 78,689 |
| Fourth quarter 2005 | 39.00 | 31.70 | 64,515 |
| First quarter 2006 | 39.20 | 31.80 | 73,065 |
| Second quarter 2006 | 39.40 | 33.61 | 58,656 |
| Third quarter 2006 | 39.19 | 31.77 | 55,730 |
| Fourth quarter 2006 | 49.66 | 38.00 | 69,264 |
| First quarter 2007 | 60.90 | 49.29 | 124,716 |
| Second quarter 2007 | 65.31 | 58.89 | 132,400 |
| Third quarter 2007 | 71.05 | 61.00 | 111,152 |
| Fourth quarter 2007 (through November 9, 2007) | 75.40 | 66.50 | 104,871 |
| March 2007 | 60.90 | 49.29 | 142,736 |
| April 2007 | 65.31 | 60.80 | 146,885 |
| May 2007 | 63.70 | 59.13 | 128,200 |
| June 2007 | 64.65 | 58.89 | 122,535 |
| July 2007 | 67.29 | 61.25 | 120,967 |
| August 2007 | 67.87 | 61.00 | 78,735 |
| September 2007 | 71.05 | 65.15 | 139,547 |
| October 2007 | 75.40 | 70.29 | 111,091 |
| November 2007 (through November 9, 2007) | 68.05 | 66.50 | 82,067 |

(1) Average daily trading volume in number of shares.

On November 9, 2007, the last reported closing sale price of Ultrapar s preferred shares on BOVESPA stock exchange was R$66.90 (US$38.25) per share.

The following table sets forth the dividends per share distributed by us with respect to our preferred shares in the past two years. We declare and pay dividends and/or interest attributed to shareholders equity, pursuant to Brazilian corporate law and our bylaws. Our board of directors may approve the distribution of dividends and/or

50

interest attributed to shareholders equity, calculated based on our annual or semi-annual financial statements or on financial statements relating to shorter periods. The amount of any distributions will depend on a series of factors, such as our financial condition, prospects, macroeconomic conditions, tariff adjustments, regulatory changes, growth strategies and other issues our board of directors and our shareholders may consider relevant. For 2006 and 2005, we declared dividends to our shareholders (both common and preferred) in the amounts of R$144 million and R$157 million, corresponding to 51% and 53% of our net income for each period, respectively.

| Year declared | *Reais* per preferred share | US$ per preferred share(1) |
|---|---|---|
| 2005 | 1.94 | 0.83 |
| 2006 | 1.78 | 0.83 |

(1) The amounts in *reais* have been converted into dollars using the exchange rates at each payment date.

Holders of our preferred shares are entitled to receive dividends declared by us solely from the date of the subscription and/or acquisition of such shares.

As of November 9, 2007, the most recent date for which it was practicable to obtain this information, there were approximately 1,850 registered holders of Ultrapar preferred shares.

***Trading History of RIPI s Preferred Shares***

RIPI s preferred shares are listed on BOVESPA stock exchange under the symbol RIPI4.

The following table sets forth the high and low closing sales prices for RIPI s preferred shares on the BOVESPA stock exchange for the periods indicated.

| | BOVESPA stock exchange (*reais* per preferred share) | |
|---|---|---|
| | High | Low |
| 2002 | 8.50 | 2.55 |
| 2003 | 10.35 | 1.93 |
| 2004 | 22.75 | 8.08 |
| 2005 | 29.50 | 20.13 |
| 2006 | 37.99 | 22.55 |
| 2007 (through November 9, 2007) | 57.00 | 36.20 |
| First quarter 2005 | 29.50 | 20.13 |
| Second quarter 2005 | 29.50 | 22.76 |
| Third quarter 2005 | 27.10 | 22.16 |
| Fourth quarter 2005 | 26.85 | 21.30 |
| First Quarter 2006 | 27.60 | 22.55 |
| Second Quarter 2006 | 31.50 | 24.50 |
| Third Quarter 2006 | 34.50 | 28.90 |
| Fourth Quarter 2006 | 37.99 | 35.00 |
| First Quarter 2007 | 47.50 | 36.20 |
| Second Quarter 2007 | 49.40 | 43.98 |
| Third Quarter 2007 | 52.20 | 43.80 |
| Fourth Quarter 2007 (through November 9, 2007) | 57.00 | 52.80 |

51

Table of Contents

| | BOVESPA stock exchange (*reais* per preferred share) | |
|---|---|---|
| | **High** | **Low** |
| March 2007 | 47.50 | 38.40 |
| April 2007 | 48.20 | 45.80 |
| May 2007 | 47.91 | 43.98 |
| June 2007 | 49.40 | 45.30 |
| July 2007 | 49.80 | 46.49 |
| August 2007 | 50.60 | 43.80 |
| September 2007 | 52.20 | 49.25 |
| October 2007 | 57.00 | 54.20 |
| November 2007 (through November 9, 2007) | 54.70 | 52.80 |

*Source:* BOVESPA stock exchange.

On November 9, 2007, the last reported closing sale price of RIPI s preferred shares on the BOVESPA stock exchange was R$53.20 (US$30.42) per share.

The following table sets forth interest on shareholder s equity paid by RIPI with respect to its preferred shares in the past two years. For 2006 and 2005, RIPI paid interest on shareholder s equity to its preferred shareholders in the amounts of R$10 million and R$12 million, net of taxes, corresponding to 6% and 8% of its net income for each period, respectively.

| **Year declared** | ***Reais* per preferred share** | **US$ per preferred share(1)** |
|---|---|---|
| 2005 | 1.1724 | 0.5219 |
| 2006 | 0.4818 | 0.2523 |

(1) The amounts in *reais* have been converted into dollars using the exchange rates at each payment date.

As of November 9, 2007, the most recent date for which it was practicable to obtain this information, there were approximately 1,550 registered holders of RIPI preferred shares, of which 26 are domiciled in the United States, representing 14.7% of the total preferred shares.

***Trading History of DPPI s Preferred Shares***

DPPI s preferred shares are listed on BOVESPA stock exchange under the symbol DPPI4.

The following table sets forth the high and low closing sales prices for DPPI s preferred shares on the BOVESPA stock exchange for the periods indicated.

| | BOVESPA stock exchange (*reais* per preferred share) | |
|---|---|---|
| | **High** | **Low** |
| 2002 | 13.50 | 9.00 |
| 2003 | 12.75 | 7.00 |
| 2004 | 20.50 | 12.00 |
| 2005 | 22.10 | 16.01 |
| 2006 | 27.50 | 19.56 |

| | | |
|---|---|---|
| 2007 (through November 9, 2007) | 48.80 | 26.25 |

52

Table of Contents

| | BOVESPA stock exchange (*reais* per preferred share) | |
|---|---|---|
| | High | Low |
| First Quarter 2005 | 22.10 | 19.75 |
| Second Quarter 2005 | 20.10 | 16.50 |
| Third Quarter 2005 | 20.50 | 16.01 |
| Fourth Quarter 2005 | 20.25 | 18.00 |
| First Quarter 2006 | 24.85 | 19.56 |
| Second Quarter 2006 | 25.99 | 23.00 |
| Third Quarter 2006 | 25.20 | 22.00 |
| Fourth Quarter 2006 | 27.50 | 22.72 |
| First Quarter 2007 | 38.01 | 26.25 |
| Second Quarter 2007 | 40.52 | 36.47 |
| Third Quarter 2007 | 45.30 | 35.50 |
| Fourth Quarter 2007 (through November 9, 2007) | 48.80 | 43.99 |
| March 2007 | 38.01 | 30.66 |
| April 2007 | 40.38 | 36.80 |
| May 2007 | 40.00 | 36.47 |
| June 2007 | 40.52 | 36.71 |
| July 2007 | 42.00 | 38.20 |
| August 2007 | 41.59 | 35.50 |
| September 2007 | 45.30 | 40.00 |
| October 2007 | 48.80 | 45.98 |
| November 2007 (through November 9, 2007) | 46.31 | 43.99 |

*Source: BOVESPA stock exchange.*

On November 9, 2007, last reported closing sale price of DPPI s preferred shares on the BOVESPA stock exchange was R$44.50 (US$25.44) per share.

The following table sets forth the interest on shareholder s equity per share paid by DPPI with respect to its preferred shares in the past two years. For 2006 and 2005, DPPI paid interest on shareholder s equity to its preferred shareholders in the amounts of R$39 million and R$42 million, net of taxes, corresponding to 24% and 25% of its net income for each period, respectively.

| Year declared | *Reais* per preferred share | US$ per preferred share(1) |
|---|---|---|
| 2005 | 3.97 | 1.82 |
| 2006 | 1.83 | 0.84 |

(1) The amounts in *reais* have been converted into dollars using the exchange rates at each payment date.

As of November 9, 2007, the most recent date for which it was practicable to obtain this information, there were approximately 1,800 registered holders of DPPI preferred shares, of which 22 are domiciled in the United States, representing 7.7% of the total preferred shares.

Table of Contents

***Trading History of CBPI s Preferred Shares***

CBPI s preferred shares are listed on BOVESPA stock exchange under the symbol PTIP4

The following table sets forth the high and low closing sales prices for CBPI s preferred shares on the BOVESPA stock exchange for the periods indicated.

| | **BOVESPA stock exchange (*reais* per preferred share)** | |
|---|---|---|
| | **High** | **Low** |
| 2002 | 7.75 | 3.49 |
| 2003 | 7.15 | 3.31 |
| 2004 | 13.64 | 5.55 |
| 2005 | 17.50 | 10.08 |
| 2006 | 19.89 | 14.41 |
| 2007 (through November 9, 2007) | 31.38 | 17.75 |
| First Quarter 2005 | 17.50 | 13.50 |
| Second Quarter 2005 | 13.95 | 10.08 |
| Third Quarter 2005 | 13.65 | 10.25 |
| Fourth Quarter 2005 | 14.50 | 11.51 |
| First Quarter 2006 | 17.15 | 14.41 |
| Second Quarter 2006 | 19.13 | 16.00 |
| Third Quarter 2006 | 18.52 | 16.05 |
| Fourth Quarter 2006 | 19.89 | 17.20 |
| First Quarter 2007 | 25.15 | 17.75 |
| Second Quarter 2007 | 26.31 | 23.51 |
| Third Quarter 2007 | 29.39 | 23.70 |
| Fourth Quarter 2007 (through November 9, 2007) | 31.38 | 28.22 |
| March 2007 | 25.15 | 20.56 |
| April 2007 | 26.00 | 24.40 |
| May 2007 | 26.31 | 23.51 |
| June 2007 | 26.30 | 23.97 |
| July 2007 | 27.41 | 24.03 |
| August 2007 | 26.75 | 23.70 |
| September 2007 | 29.39 | 25.81 |
| October 2007 | 31.38 | 30.20 |
| November 2007 (through November 9, 2007) | 30.05 | 28.22 |

*Source: BOVESPA stock exchange.*

On November 9, 2007, the last reported closing sale price of CBPI s preferred shares on the BOVESPA stock exchange was R$29.75 (US$17.01) per share.

The following table sets forth the interest on shareholder s equity per share paid by CBPI with respect to its preferred shares in the past two years. For 2006 and 2005, CBPI paid interest on shareholder s equity to its preferred shareholders in the amounts of R$70 million and R$79 million, net of taxes, corresponding to 22% and 24% of its net income for each period, respectively.

| **Year declared** | ***Reais* per preferred** | **US$ per preferred** |
|---|---|---|

| | share | share(1) |
|---|---|---|
| 2005 | 2.25 | 0.95 |
| 2006 | 1.00 | 0.46 |

(1) The amounts in *reais* have been converted into dollars using the exchange rates at each payment date.

Table of Contents

As of November 9, 2007, the most recent date for which it was practicable to obtain this information, there were approximately 6,000 registered holders of CBPI preferred shares, of which 61 are domiciled in the United States, representing 21.0% of the total preferred shares.

**Market Information**

The following table represents the closing sales prices of Ultrapar preferred shares and RIPI, DPPI and CBPI preferred shares (in *reais* and translated into U.S. dollars) on November 9, 2007, the last practicable date prior to the date of this document. The table also presents the equivalent value of the Share Exchange consideration per share of RIPI, DPPI and CBPI preferred stock on such date, calculated by multiplying the closing price of Ultrapar preferred shares on such date by the exchange ratio of 0.79850, 0.64048 and 0.41846, respectively, representing the number of Ultrapar preferred shares that RIPI, DPPI and CBPI preferred shareholders will receive in the Share Exchange for each share of RIPI, DPPI and CBPI preferred stock. Based on the closing price of RIPI, DPPI and CBPI preferred shares and Ultrapar preferred shares on the BOVESPA as of the close of business on November 9, 2007, the consideration to be paid to RIPI, DPPI and CBPI preferred shareholders in the Share Exchange represented an approximate 0.4% premium and 3.7% and 5.9% discount over the price of RIPI, DPPI and CBPI preferred shares on such date, respectively.

| Date | Ultrapar Preferred Shares *(reais)* | Exchange Rate ($/R$) | Ultrapar Preferred Shares (U.S. dollars) | RIPI Preferred Shares (U.S. dollars) | Equivalent Per Share Value of RIPI Preferred Stock Exchange for Ultrapar Preferred Shares | DPPI Preferred Shares (U.S. dollars) | Equivalent Per Share Value of DPPI Preferred Stock Exchange for Ultrapar Preferred Shares | CBPI Preferred Shares (U.S. dollars) | Equivalent Per Share Value of CBPI Preferred Stock Exchange for Ultrapar Preferred Shares |
|---|---|---|---|---|---|---|---|---|---|
| November 9, 2007 | 66.90 | 1.749 | 38.25 | 30.42 | 30.54 | 25.44 | 24.50 | 17.01 | 16.01 |

**The information included in this prospectus concerning the trading history of Ultrapar s preferred shares and RIPI, DPPI and CBPI s preferred shares is presented solely for informational purposes. This information should not be viewed as indicative of future sales prices for either Ultrapar s preferred shares or RIPI, DPPI or CBPI s preferred shares on the BOVESPA stock exchange. You are urged to obtain current market quotations prior to making any decision with respect to the Share Exchange**. The market price of Ultrapar, RIPI, DPPI and CBPI preferred shares will fluctuate between the date of this document and the completion of the Share Exchange. No assurance can be given concerning the market price of Ultrapar, RIPI, DPPI or CBPI preferred shares before or after the effective date of the Share Exchange.

Following the Share Exchange, Ultrapar preferred shares will continue to be traded on the BOVESPA stock exchange under the ticker symbol UGPA4 .

Table of Contents

## EXCHANGE RATES

The following tables show, for the periods indicated, information concerning the exchange rate between the U.S. dollar and the *real*. This information is provided solely for your information and Ultrapar, RIPI, DPPI and CBPI do not represent that *reais* could be converted into U.S. dollars at these rates or at any other rate. These rates are not the rates used by Ultrapar, RIPI, DPPI or CBPI in the preparation of their consolidated financial statements included in this document.

On November 9, 2007, the exchange rate for *reais* into U.S. dollars was 1.749 to US$1.00, based on the commercial selling rate as reported by the Central Bank. The following table sets forth information on prevailing commercial foreign exchange selling rates for the periods indicated, as published by the Central Bank on its electronic information system, SISBACEN, using PTAX 800, Option 5.

| **Annual Data (Year Ended December 31,)** | **Average(1)** |
|---|---|
| 2002 | 2.998 |
| 2003 | 3.060 |
| 2004 | 2.917 |
| 2005 | 2.412 |
| 2006 | 2.177 |
| 2007 (through November 9, 2007) | 1.941 |

(1) Average of the foreign exchange rates on the last day of each month in the period.

| **Recent Monthly Data** | **High** | **Low** |
|---|---|---|
| November 2006 | 2.187 | 2.135 |
| December 2006 | 2.169 | 2.138 |
| January 2007 | 2.156 | 2.125 |
| February 2007 | 2.118 | 2.077 |
| March 2007 | 2.139 | 2.050 |
| April 2007 | 2.048 | 2.023 |
| May 2007 | 2.031 | 1.929 |
| June 2007 | 1.964 | 1.905 |
| July 2007 | 1.918 | 1.845 |
| August 2007 | 2.112 | 1.873 |
| September 2007 | 1.964 | 1.839 |
| October 2007 | 1.828 | 1.744 |
| November 2007 (through November 9, 2007) | 1.756 | 1.733 |

Table of Contents

## RISK FACTORS

*In addition to general investment risks and the other information contained in this document, including the matters described under the caption Cautionary Statement Regarding Forward-Looking Statements and the matters discussed under the caption Risk Factors included the 2006 Form 20-F, which is included as Annex A to this document, you should carefully consider the following factors in deciding whether to exercise appraisal rights or take no action and receive Ultrapar preferred shares in connection with the Share Exchange.*

**The Share Exchange might not be completed and an alternative corporate reorganization of the Ipiranga businesses might be sought.**

Minority shareholders might not agree with the exchange ratio under the Share Exchange and might challenge the assumptions underlying the valuation methodologies included in the valuation reports described in this prospectus. Such shareholders have challenged the Deutsche Bank valuation report by filing complaints with the CVM and may also challenge the Share Exchange at the CVM or in Brazilian courts. Such complaints may cause interruptions and delays in the Share Exchange and in the completion of the Transaction as envisioned by Ultrapar. The complaints filed with the CVM to date focused on the level of disclosure and certain of the projections, assumptions and comparable companies used by Deutsche Bank in its valuation report. Deutsche Bank amended its report to comply with requests for additional explanatory disclosure from the CVM. No changes were made to the quantitative information included in this report as a result of the complaints or the CVM review. The final copy of the report is included as an exhibit to the registration statement of which this prospectus forms a part.

We can provide no assurance that additional complaints will not be lodged with the CVM relating to the valuation reports or the Share Exchange. According to the Investment Agreement, a significant delay in the completion of the Transaction as originally planned entitles the parties to implement an alternative corporate reorganization of the Ipiranga businesses which would include, among other things, spin-offs of CBPI, DPPI and RIPI. See The Transaction. The alternative corporate reorganization selected may not provide you with the same economic benefits, as a holder of RIPI, DPPI or CBPI preferred shares, as you would receive in the Share Exchange.

**The integration by Ultrapar of the operations of the Target Companies that will remain with Ultrapar may present significant challenges.**

There is a significant degree of difficulty inherent in the process of integrating Ultrapar s businesses with those of the Target Companies which will remain with Ultrapar following completion of the Transaction. These difficulties include:

- the need to consolidate organizations with headquarters located in different cities;
- the challenge of integrating the business cultures of the Target Companies with that of Ultrapar; and
- the need to retain key officers and personnel of the Target Companies.

The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of one or more of Ultrapar and the Target Companies businesses. Ultrapar s senior management team may be required to devote considerable amounts of time to this integration process, which will decrease the time they will have to manage the business of Ultrapar, service existing customers, attract new customers and develop new products or strategies. If Ultrapar s senior management is not able to effectively manage the integration process, or if any significant business activities are interrupted as a result of the integration process, Ultrapar s business could suffer. Ultrapar and the Target Companies cannot assure you that they will successfully or cost-effectively integrate the Target Companies and Ultrapar s existing businesses. The failure to do so could have a material adverse effect on Ultrapar s business, financial condition and results of operations following completion of the Transaction.

Table of Contents

**The Ultrapar securities you receive in the Share Exchange will represent an investment in a fundamentally different business from that in which you originally invested.**

You will receive Ultrapar preferred shares for your preferred shares of RIPI, DPPI or CBPI in the Share Exchange. The Target Companies will be combined with Ultrapar following completion of the Transaction. This combined entity will operate in sectors where RIPI, DPPI and CBPI have not historically conducted their businesses and will be a fundamentally different company from RIPI, DPPI and CBPI, with different risks and potential liabilities.

**The market price of Ultrapar preferred shares after the Share Exchange may be affected by factors different from those that currently affect the preferred shares of Ultrapar, RIPI, DPPI or CBPI.**

The businesses of Ultrapar, RIPI, DPPI and CBPI differ in some respects, and, accordingly, the results of operations of the Combined Company following consummation of the Share Exchange and the market price of Ultrapar shares following the Share Exchange may be affected by factors different from those currently affecting the individual results of operations of each of Ultrapar, RIPI, DPPI or CBPI. For a discussion of the businesses of Ultrapar, RIPI, DPPI and CBPI and of certain factors to consider in connection with those businesses, see Information About the Companies on page 100 and the documents included as annexes to this document and referred to under Where You Can Find More Information on page 208.

**The market price of Ultrapar RIPI, DPPI and CBPI s preferred shares is uncertain.**

The exchange ratio in the Share Exchange is fixed, and there is no mechanism to adjust the exchange ratio in the event that the market price of the Ultrapar preferred shares declines. The trading market for RIPI, DPPI and CBPI preferred shares after the Share Exchange is approved by the requisite shareholders meetings may be severely impaired or disrupted. As a result, until the Share Exchange closes and you receive Ultrapar preferred shares, the liquidity of the RIPI, DPPI and CBPI preferred shares may decline and their volatility may increase. This could result in substantial fluctuations in the trading price for RIPI, DPPI and CBPI preferred shares.

**The market price of Ultrapar, RIPI, DPPI and CBPI s preferred shares may be adversely affected by arbitrage activities occurring prior to the completion of the Share Exchange.**

The market price of RIPI, DPPI and CBPI preferred shares and Ultrapar preferred shares may be adversely affected by arbitrage activities occurring prior to the completion of the Share Exchange. These sales, or the prospects of such sales in the future, could adversely affect the market price for, and the ability to sell in the market, shares of RIPI, DPPI and CBPI preferred stock before the Share Exchange is completed and Ultrapar preferred shares before and after the Share Exchange is completed.

**As a result of the Transaction, Ultrapar will assume certain liabilities of the Target Companies and will assume all the risks relating to those liabilities.**

You should be aware that because Ultrapar will assume certain liabilities of the Target Companies as a result of the Transaction, certain existing known or unknown financial obligations, legal liabilities or other contingent liabilities or risks of the Target Companies will become the responsibility of Ultrapar. These liabilities could cause Ultrapar to be required to make payments, incur charges or take other actions that could adversely affect Ultrapar s financial position and results of operations and the price of Ultrapar s preferred shares.

In connection with the Transaction, Ultrapar assumed R$459 million in net liabilities as of June 30, 2007, consisting of:

- R$641 million in gross financial debt, primarily consisting of R$350 million in debentures, with a 5-year term, paying interest at a rate of 103.8% of the CDI per year, and approximately R$113 million in notes due in 2008, paying interest at a rate of 9.875% per year;

- R$153 million related to pension funds and other contingencies; and

R$334 million in cash, cash equivalents and receivables from related parties.

Table of Contents

**If regulatory agencies impose conditions on approval of the Transaction, the anticipated benefits of the Transaction could be diminished.**

While no governmental approvals are currently required in order to complete the transaction, if regulators were to impose any requirements for approval, Ultrapar and the Target Companies would vigorously pursue any such governmental approvals. If any such approvals were withheld, the benefits of the Transaction could be delayed, possibly for a significant period of time after the Acquiring Companies have approved the Transaction. In addition, if governmental agencies conditioned their approval of the Transaction on the imposition of conditions, Ultrapar s operating results or the value of Ultrapar s preferred stock could be adversely affected. Anticipated benefits of the Transaction that might not be realized include loss of revenue.

The Brazilian antitrust authority, the *Conselho Administrativo de Defesa Econômica CADE*, is reviewing the Transaction and has the authority, following completion of the Transaction, to require one or more of the Acquiring Companies to dispose of assets acquired in the Transaction. While we believe it is unlikely that we will be required to divest any of the assets we acquire in the Transaction because these assets relate to industries in which we have not historically operated, there can be no assurance that this will not be the case. If we were required to divest certain of the Ipiranga Group assets we have acquired, we could fail to obtain all our objectives for the Transaction and our business, results of operations and financial condition could be materially adversely affected.

Table of Contents

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This document contains, including in the annexes hereto, a number of forward-looking statements, including statements about the financial conditions, results of operations, earnings outlook and prospects of Ultrapar, RIPI, DPPI and CBPI and may include statements for the period following the completion of the Transaction. Forward-looking statements are typically identified by words such as plan, believe, expect, anticipate, intend, outlook, estimate, forecast, project and other similar words and expressions. These statements appear in a number of pl this prospectus and include, but are not limited to, statements regarding our intent, belief or current expectations with respect to:

- strategy for marketing and operational expansion;
- capital expenditures forecasts;
- development of additional sources of revenue; and
- the completion of the Transaction, according to the steps and the timetable discussed in this prospectus.

The forward-looking statements involve certain risks and uncertainties. The ability of either Ultrapar, RIPI, DPPI or CBPI to predict results or the actual effects of its plans and strategies, or those of the Combined Company, is subject to inherent uncertainty. Factors that may cause actual results or earnings to differ materially from such forward-looking statements include those set forth below under Risk Factors and in the 2006 Form 20-F, which is attached hereto as Annex A, as well as, among others, the following:

- general economic and business conditions, including the price of crude oil and other commodities, refining margins and prevailing foreign exchange rates;
- competition;
- ability to produce and deliver products on a timely basis;
- ability to anticipate trends in the industries in which it operates, including changes in capacity and industry price movements;
- changes in official regulations;
- receipt of official authorizations and licenses;
- political, economic and social events in Brazil;
- access to sources of financing and our level of debt;

- ability to integrate acquisitions;
- regulatory issues relating to acquisitions; and
- availability of tax benefits.

Because these forward-looking statements are subject to assumptions and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. You are cautioned not to place undue reliance on these statements, which speak only as of the date of this document or the date of any document included as an annex to this prospectus.

All subsequent written forward-looking statements concerning the Transaction or other matters addressed in this document and attributable to Ultrapar, RIPI, DPPI, CBPI or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this document. Except to the extent required by applicable law or regulation, Ultrapar, RIPI, DPPI and CBPI undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events.

Table of Contents

## THE TRANSACTION

*The following is a description of the material terms of the Transaction. While Ultrapar, RIPI, DPPI and CBPI believe that the following description covers the material terms of the Transaction, the description may not contain all the information that is important to you. Ultrapar, RIPI, DPPI and CBPI encourage you to carefully read this entire document, including the annexes hereto, and the Transaction Agreements included as exhibits to the registration statement of which this prospectus forms a part, for a complete understanding of the Transaction.*

### Background of the Transaction

Ultrapar s board of directors has from time to time engaged Ultrapar s senior management in strategic discussions and has considered ways to continue growing and enhancing Ultrapar s performance and prospects in light of competitive and other relevant developments. Ultrapar s growth strategy has focused on organic expansion and acquisition opportunities in the businesses in which it operates or in complementary ones.

In September 2006, Ultrapar hired Estáter Assessoria Financeira Ltda. to advise and help it to evaluate the Target Companies, conduct the discussions with the Key Shareholders, structure the Transaction and prepare a binding offer. We also hired Machado, Meyer, Sendacz e Opice Advogados as our Brazilian legal counsel and Davis Polk & Wardwell as our U.S. legal counsel. In parallel, we engaged in conversations with Braskem and Petrobras that led to the execution of the Investment Agreement based upon such companies interests in keeping the Ipiranga Group s Petrochemical Business and part of its fuel distribution business.

The price established for the acquisition of the RIPI, DPPI and CBPI shares was the result of a complex negotiation process. The negotiation was particularly complex due to the large number of parties involved. On the one hand, there were three purchasing parties Ultrapar, Petrobras and Braskem each of which was interested in different parts of Grupo Ipiranga s businesses; and on the other hand, there were 67 individuals as selling shareholders, each of whom owned different interests in each of the three Target Companies. Each one of these parties had its own vision of the Ipiranga Group s businesses, of the value of the assets being acquired and, most importantly, had an independent right to decide whether or not to enter into the SPA.

As a result, the price established for the acquisition of the RIPI, DPPI and CBPI shares does not represent the vision of one party or group of parties, but rather reflects a series of compromises necessary for all of the parties to reach a mutually satisfactory agreement.

On March 15, 2007, Ultrapar s board of directors approved (i) a binding offer for the purchase of the shares of the Target Companies owned by the Key Shareholders and (ii) the execution by Ultrapar s executive officers of all documents related to the Transaction.

The offer was presented to the Key Shareholders on March 17, 2007 and accepted on March 18, 2007. The Share Purchase Agreement and other related documents were executed on March 18, 2007, and the Transaction was announced in press releases issued by Ultrapar, Braskem, Petrobras, and the Target Companies on March 19, 2007.

On November 9, 2007, the management of Ultrapar and each of the Target Companies entered into the Protocol and Justifications, in which they each agreed to recommend to their respective boards of directors that such boards approve the Share Exchange and call meetings of shareholders required for the common shareholders of each company to approve the Share Exchange. The Protocol and Justifications describe the material reasons each of the management of Ultrapar and the Target Companies determined that it was in the best interests of each of their respective companies to recommend to the respective boards of directors that they approve the Share Exchange. See Transaction Agreements Protocol and Justifications for more information regarding these agreements and the matters described therein.

Table of Contents

On November 12, 2007, the boards of directors of Ultrapar and each of the Target Companies approved the Share Exchange and resolved to call shareholders meetings for the common shareholders of the respective companies to approve the Share Exchange. On November 12, 2007, following their approval of the Share Exchange, the boards of directors of Ultrapar and each of the Target Companies published announcements calling meetings of the common shareholders of each company for December 18, 2007.

**Ultrapar s Reasons for the Transaction**

***Introduction***

Through the Transaction, Ultrapar is participating in an important step in the reorganization and consolidation of sectors that are fundamental to the growth of the Brazilian economy. Ultrapar believes the division of the Ipiranga Group s assets among Ultrapar, Braskem and Petrobras will benefit the Brazilian economy because the Acquiring Companies will be in a position to provide focus, specialized management and strategic alignment to their respective assets. In addition, we believe that the Acquiring Companies will be able to make higher levels of investments in the Ipiranga Group assets they acquire and therefore develop their businesses to a greater extent than under the former owners, thereby stimulating growth in these key areas of the Brazilian economy.

The Ipiranga Group, one of Brazil s largest and most well-established corporate conglomerates, operated in the same segments as Petrobras, Ultrapar and Braskem. In 2006, the Ipiranga Group was Brazil s second-largest fuel distributor, with a network of 4,240 service stations. It also had a significant share of the petrochemical market, with the production of 650,000 tons of petrochemical resins through IPQ, and shared joint control with Braskem of Copesul, a petrochemical company that produces basic petrochemicals, such as ethylene, from naphtha, located in the southern petrochemical complex, in the state of Rio Grande do Sul. The consolidated net revenues of the Ipiranga Group in 2006 amounted to R$31 billion and net income amounted to R$534 million.

Following the Transaction, Ultrapar, already the largest LPG distributor in Brazil, became the second-largest group in the fuel distribution business in Brazil, with approximately 15% market share. Ultrapar believes that fuel distribution is a natural extension of LPG distribution because it has similar profitability drivers: logistics efficiency, management of a dealer network and leveraging a renowned brand. In addition, Ultrapar believes that the fuel distribution business presents attractive growth prospects in light of increased fuel consumption in Brazil in the past several years, principally due to increased national income and availability of credit.

***Operational growth already the leader in LPG market, Ultrapar became the second largest fuel distribution company in Brazil, with a market share of approximately 15%***

The acquisition of the Ipiranga Group allowed Ultrapar to expand its operations in the oil-based fuel distribution business. Operating in Brazil since 1937, Ultragaz introduced LPG for domestic cooking and has become the Brazilian market leader in LPG, with a 24% market share, according to Sindigas - *Sindicato Nacional das Empresas Distribuidoras de Gás Liqüefeito de Petróleo* (the National Association of Liquid Petroleum Gas Distributors). As a result of Ultragaz leadership position and the worldwide LPG market s maturity, Ultrapar feels that increasing its portfolio of products is important and fuel distribution is a natural extension of its LPG business. After closing of the SPA, in addition to being Brazil s leading LPG distributor, Ultrapar has become Brazil s second largest distributor of fuels and lubricants, with a market share of approximately 15%, based on information provided by ANP - *Agência Nacional de Petróleo* (the National Oil Agency).

***Larger operating scale and administrative benefits***

Ipiranga s fuel distribution business has a strong operational track record with a solid business model and operating performance. Ipiranga s volume sold per station (throughput) increased by an average of 8% from 2002-2005, while in this same period the market average of volume per station decreased by 5%, according to ANP. However, Ipiranga was burdened by a complex shareholder structure that led to delays in decision making and high administrative costs due to the need to maintain a large administrative structure supporting its

Table of Contents

controlling shareholders. In addition to reducing administrative expenses, we believe there are other opportunities to benefit from the Transaction, such as in procurement, from the complementary client portfolios of Ipiranga and Ultragaz and by leveraging businesses related to ethanol trade and logistics that involve Ipiranga, Oxiteno and Ultracargo.

***Combination of efficiencies, logistics and resale management know-how***

We believe that our expertise in logistics efficiency and the management of our dealer network that we have applied at Ultragaz will be complemented by Ipiranga s know-how for maximizing efficiency and profitability.

***Ultrapar will have two major brands for oil by-products distribution***

Ipiranga is considered one of the most respected brands in Brazil and Ultragaz similarly has high brand recognition. We believe such brands are associated with quality, safety and efficiency. These brands reputations, combined with Ultrapar s ability to invest, positions Ultrapar to benefit from growth opportunities through the supply of high-quality products and services and the introduction of new services and distribution channels.

***Accelerate investments in the growth of Ipiranga s operations***

*Strengthening for future expansion*. Ultrapar intends to use its efficient decision-making processes together with its solid financial position to leverage investment in Ipiranga and to thereby accelerate expansion through organic growth and acquisitions, in order to strengthen its market share in the regions in which it operates and to expand further into the rest of Brazil.

*Potential growth in Brazilian consumption*. Recent economic indicators, including from IBGE - *Instituto Brasileiro de Geografia e Estatística*, or the Brazilian Institute of Geography and Statistics, have shown a decrease in Brazilian unemployment from 10% in September 2006 to 9% in September 2007. IBGE indicators have also shown an improvement in Brazilian GDP, which increased by 5% in the first half of 2007, compared to the same period in 2006. These factors, together with greater credit availability, as indicated by the 25% increase in the total amount of credit in the Brazilian financial system in the eight-month period ended August 2007, compared to the same period in 2006, according to the Brazilian Central Bank, have resulted in record levels of vehicle sales in the first half of 2007, which increased 25.7% in terms of new vehicles registered compared to the same period in 2006. Despite record car sales, however, Brazil s current fleet is small compared to other Latin American countries, with 8 inhabitants per vehicle, whereas Argentina and Mexico have 5 inhabitants per vehicle, according to ANFAVEA - *Associação Nacional dos Fabricantes Veículos Automotores* (Brazilian Association of Vehicle Producers).

Based on the current expansion in the economy and recent increases in the availability of credit, together with the low ratio of inhabitants per vehicle, Ultrapar believes the outlook for increased Brazilian fuel consumption is positive in the near-term.

*Potential growth in the biofuel market.* A highlight of the Brazilian automotive sector in 2007 was an increase in the number of flex-fuel vehicles, which run on engines adapted to function using either gasoline or ethanol, or any combination of the two. Currently flex-fuel vehicles account for approximately 11% of Brazil s fleet, with the potential to increase to more than 50% in the next 5 years, according to Anfavea s forecast (Agência Nacional dos Fabricantes de Veículos Automotores).

*Consistently strong financial position.* Ultrapar has a consistent track record of growth focused on fiscal discipline. In part as a result of its solid financial position, Standard & Poor s assigned the company a credit rating of brAA+ on a national scale (equivalent to Brazilian sovereign risk) and BB+ on a global scale, one grade below investment grade, which ratings were reassigned after the announcement of the Transaction. Ultrapar s strong financial position allows it to increase its investments without compromising its solid financial position.

Table of Contents

In connection with the Transaction, we increased our debt in order to acquire the Ipiranga Group securities owned by the Key Shareholders. Following completion of the Transaction and our receipt of funds from Petrobras and Braskem as payment for the Target Company assets distributed to each company, we expect to repay our debt incurred in connection with the Transaction.

**The Key Shareholders Reasons for the Transaction**

Ultrapar acquired a controlling interest in the common shares of the Target Companies in connection with the SPA. We believe the Key Shareholders agreed to enter into the SPA and sell their controlling interest in the Target Companies to Ultrapar because they considered the price offered for their securities to be attractive and they had an interest in monetizing their shareholdings.

**Description of the Transaction**

***Overview***

On March 19, 2007, Ultrapar, Petrobras and Braskem announced their intent to acquire the Ipiranga Group and that on March 18, 2007, Ultrapar entered into, and Petrobras and Braskem acknowledged, a Share Purchase Agreement, or the SPA, with the Key Shareholders of the principal companies comprising the Ipiranga Group: RIPI, DPPI and CBPI. As discussed further below, in connection with the Transaction, Ultrapar is acting on its own behalf and on behalf of Petrobras and Braskem pursuant to the Transaction Agreements. See Transaction Agreements.

To finance part of the Ipiranga Group acquisition, we issued unsecured debentures in the aggregate principal amount of R$889 million, in two series. The first series, in the aggregate amount of R$675 million, was issued on April 11, 2007. The second series, in the aggregate amount of R$214 million, was issued on October 22, 2007. The debentures have a term of one year, and a coupon rate of 102.5% of the interbank deposit certificates index, or CDI.

After the completion of the Transaction, the businesses of the Ipiranga Group will be divided among Petrobras, Ultrapar and Braskem. Ultrapar will retain the fuel and lubricant distribution businesses located in the South and Southeast regions of Brazil, as well as the logistics and chemical business of Ipiranga Group; Petrobras will receive the fuel and lubricant distribution businesses located in the North, Northeast and Central West regions of Brazil; and Petrobras and Braskem will receive the petrochemical business, in the proportion of 60% for Braskem and 40% for Petrobras. RIPI s oil refining operations will be shared equally among Petrobras, Ultrapar and Braskem.

Before the Transaction there was no corporate relationship among Ultrapar, Braskem and Petrobras. Petrobras and Braskem, however, are principal suppliers to Ultrapar s subsidiaries Ultragaz and Oxiteno: Petrobras supplies LPG to Ultragaz and Braskem is one of the principal suppliers of ethylene to Oxiteno. Considering the type and size of the different businesses operated by the Ipiranga Group and in light of the interests of Petrobras and Braskem to expand in the petrochemical sector, as well as Petrobras desire to expand its fuel distribution business in Brazil, Ultrapar, Petrobras and Braskem decided to undertake the Transaction together.

***Phases of the Transaction***

The Transaction is divided into five phases: (1) the acquisition by Ultrapar of the RIPI, DPPI and CBPI shares held by the Key Shareholders, which closed on April 18, 2007; (2) the mandatory tender offers (pursuant to tag along rights held by common minority shareholders under Brazilian Corporate Law and CVM rules) for the acquisition of the remaining common shares of RIPI, DPPI, CBPI and IPQ, or the Mandatory Tender Offers, which were completed on November 8, 2007; (3) the tender offer by Braskem for the delisting of Copesul s common shares from the BOVESPA, or the Public Tender Offer, which occurred on October 17, 2007; (4) exchange of the remaining common and preferred shares of RIPI, DPPI and CBPI for preferred shares of Ultrapar, or the Share Exchange; and (5) separation of the Target Companies assets, or the Separation of Assets. The completion of the Transaction is expected to occur in the fourth quarter of 2007.

**Table of Contents**

*Phase 1 Acquisition of the shares of the Key Shareholders*. On April 18, 2007, pursuant to the SPA, Ultrapar acquired, from the Key Shareholders, shares issued by RIPI, DPPI and CBPI, as described below. The total consideration paid for this acquisition was R$2.1 billion, of which R$0.7 billion was effectively paid by Ultrapar.

| | RIPI | | | DPPI | | | CBPI | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number of Shares | % of Total Capital | Price per Share paid under SPA | Number of Shares | % of Total Capital | Price per Share paid under SPA | Number of Shares | % of Total Capital | Price per Share paid under SPA |
| Common Shares pursuant to the Target Companies Shareholders Agreement | 5,746,232 | 19.41% | 132.85 | 5,449,388 | 17.03% | 140.08671 | n.a. | n.a. | n.a. |
| Common shares not pursuant to the Target Companies Shareholders Agreement | 861,751 | 2.91% | 106.28 | 1,960,604 | 6.13% | 112.06 | 1,344,497 | 1.27% | 58.10 |
| Preferred shares | 2,277,269 | 7.69% | 38.29 | 2,239,899 | 7.00% | 29.57 | 402 | 0.00% | 20.55 |
| Total shares | 8,885,252 | 30.02% | | 9,649,891 | 30.16% | | 1,344,899 | 1.27% | |

Common shares held by the Key Shareholders who are approximately 67 individuals that controlled the Ipiranga Group through shareholders agreements that were not included in the Key Shareholders common shares subject to the shareholders agreements, were acquired at a price equal to 80% of the purchase price of the common shares subject to the shareholders agreements. Preferred shares held by the Key Shareholders were purchased based on such shares market price on the BOVESPA.

*Phase 2 Mandatory Tender Offers for the common shares of RIPI, DPPI, CBPI and IPQ*. As a result of the change of control of RIPI, DPPI and CBPI, under Art. 254-A of Law No. 6,404/76 and CVM Rule Nº 361, Ultrapar filed on May 2, 2007 with the CVM a request to register the Mandatory Tender Offers. Under Brazilian law, the price per share we are required to offer in the Mandatory Tender Offers must equal at least 80% of the price paid to the Key Shareholders. On September 14, 2007, the CVM approved the registration of the Mandatory Tender Offers for RIPI and DPPI s common shares. On the same date, in connection with its review of the registration of the Mandatory Tender Offer for CBPI s common shares, the CVM, through the Securities Registry Department, or SRE, determined that Ultrapar must carry out the Mandatory Tender Offer for CBPI s common shares at a price of R$64.43 per common share, and not R$58.10, which was the price per share originally offered by Ultrapar. The SRE stated that it believed R$64.43 per share was the appropriate price to offer the remaining holders of CBPI common shares. The increase in the per share purchase price requested by the SRE increased the expected total cost of the CBPI Mandatory Tender Offer from R$175 million to R$194 million. The SRE s decision was subject to appeal. However, in light of our obligation to avoid excessive delays in completing the Transaction and our focus on not delaying payments to CBPI s minority common shareholders, we decided not to appeal the decision and adopted the price of R$64.43 per CBPI common share for the CBPI Mandatory Tender Offer. The registration of the CBPI Mandatory Tender Offer was approved on October 5, 2007.

The notices for the Mandatory Tender Offers for RIPI and DPPI were published on September 20, 2007, and the auctions for the purchases of the shares took place on October 22, 2007. Ultrapar acquired 2,771,761 common shares of RIPI, or 82% of the shares under the offer, and 1,274,718 common shares of DPPI, or 77% of the shares under the offer, in the respective auctions. Ultrapar extended the period for acquiring RIPI and DIPI common shares through November 8, 2007, and maintained the same terms as originally offered, for those shareholders not able to register their shares for the auctions prior to the original deadline. Ultrapar acquired 97,712 common shares of DPPI and 203,132 common shares of RIPI during this extended period, which together with the shares acquired during the original auction period amounted to 1,372,430 shares of DPPI, or 82% of the shares under the offer, and 2,974,893 shares of RIPI, or 88% of the shares under the offer.

The notice for the Mandatory Tender Offer for CBPI was published on October 9, 2007, and the auction for the purchase of the shares took place on November 8, 2007. Ultrapar acquired 1,574,486 common shares of CBPI, or 52% of the shares under the offer.

The total consideration paid under the Mandatory Tender Offers for DPPI, RIPI and CBPI common shares was R$576 million, of which R$161 million was paid by Ultrapar following reimbursements received from Petrobras and Braskem. The table below presents the per share and total amounts paid in the Mandatory Tender Offers, as well as the per share amounts adjusted pursuant to the Brazilian law requirement that the per share prices must be restated by the variation in the *Taxa Referencial*, or the Reference Rate or TR, (365 days basis) calculated on a pro-rata basis from auction dates to the relevant auction s financial settlement date.

| Company | Price per share | Price per share (TR adjusted) | Total (R$ million) |
|---|---|---|---|
| CBPI | 64.43 | 64.91 | 102.2 |
| DPPI | 112.07 | 112.88 | 154.9 |
| RIPI | 106.28 | 107.05 | 318.5 |

Under Brazilian law, Braskem and Petrobras would ordinarily have been required to carry out a mandatory tender offer for the purchase of common shares held by the minority shareholders of IPQ. However, given the small number of minority shareholders of IPQ, the CVM waived the requirement for a mandatory tender offer. Accordingly, Braskem and Petrobras negotiated directly with the minority shareholders of IPQ and purchased their common shares on June 28, 2007, without a formal tender offer. In connection with these direct purchases, 2,427,807,049 shares were purchased from minority shareholders, representing 7.61% of the capital stock of IPQ, at R$0.05 per share, or R$118 million for all shares acquired.

*Phase 3 Public Tender Offer for the delisting of Copesul s common shares from the BOVESPA*. In April 2007, Braskem filed a request with the CVM for the registration of the Public Tender Offer for the delisting of Copesul s common shares, under Art. 4, § 4, of Law No. 6,404/76 and CVM Rule No. 361. Such tender offer took place on October 5, 2007 at a per share price of R$38.02, totaling to R$1.3 billion. Braskem purchased 34,040,927 shares, which corresponds to 99% of the total shares registered for the auction of the offer. The minimum percentage of shares required to be purchased for the delisting of Copesul was 67%. The delisting of Copesul s common shares occurred on October 17, 2007.

*Phase 4 Share Exchange*. After the conclusion of the Mandatory Tender Offers, Ultrapar expects to carry out the Share Exchange, under Art. 252 and 264 of Law No. 6,404/76, in which it will exchange its preferred shares for the remaining outstanding common and preferred shares of DPPI, CBPI and RIPI, including your preferred shares. Following the completion of the Share Exchange, RIPI, DPPI and CBPI will become wholly owned subsidiaries of Ultrapar. The table below presents the exchange ratios applicable to the Share Exchange, expressed in terms of Ultrapar preferred shares per one Target Company preferred share.

| Merger of Shares Companies | Exchange Ratio |
|---|---|
| CBPI | 0.41846 |
| DPPI | 0.64048 |
| RIPI | 0.79850 |

According to articles 224, 225 and 252 of Brazilian Corporate Law, prior to the extraordinary shareholders meetings that will approve the Share Exchange, each of RIPI, DPPI and CBPI must enter into a Protocol and Justification with Ultrapar. The Board of Officers of Ultrapar, RIPI, DPPI and CBPI approved their respective Protocol and Justification at their respective meetings held on November 9, 2007 and the three Protocol and

**Table of Contents**

Justifications were signed by officers of such companies on that same date. The Protocol and Justifications were approved by the boards of directors of Ultrapar, RIPI, CBPI and DPPI at their meetings held on November 12, 2007 and will be submitted for approval by such companies shareholders at the shareholders meetings called to approve the Share Exchange. The Protocol and Justifications signed between Ultrapar and each of RIPI, DPPI and CBPI are included as exhibits to the registration statement of which this prospectus forms a part.

For comparison purposes, we present below the per share consideration to be paid for each preferred share of each Target Company according to the applicable exchange ratio and based on the closing price of Ultrapar s preferred shares on March 16, 2007, which is the date on which the exchange ratios were determined.

We note that the per share consideration offered in the Share Exchange differs from the per share purchase price offered in the Mandatory Tender Offers. The difference is principally attributable to the fact that under Brazilian law, following a change of control, common shares held by minority shareholders have the right to participate in a mandatory tender offer in which they must be offered at least 80% of the consideration paid to the controlling common shareholders. No similar right for preferred shareholders exists under Brazilian law.

| Company | Exchange ratio | Exchange ratio Consideration | Phase 2 price per share |
|---|---|---|---|
| Ultrapar | N/A | 49.29 | N/A |
| RPI | 0.79850 | 39.36 | 106.28 |
| DPPI | 0.64048 | 31.57 | 112.07 |
| CBPI | 0.41846 | 20.63 | 64.43 |

Ultrapar s capital structure before and after phase 4 will be as follows:

| | Before | After |
|---|---|---|
| Common Shares | 49.4 | 49.4 |
| Preferred Shares | 31.9 | 86.6 |
| Total | 81.3 | 136.0 |
| % Common | 61% | 36% |
| % Preferred | 39% | 64% |

Ultrapar will issue approximately 55 million preferred shares to complete the Share Exchange. If any holder of the preferred and common shares of Ultrapar, RIPI and DPPI and/or holders of common shares of CBPI dissents from the applicable Share Exchange transaction, the shareholder will have the right to withdraw as an Ultrapar, RIPI, DPPI or CBPI shareholder, as applicable. Under Brazilian law, because the CBPI preferred shares trade as part of a recognized stock exchange index, holders of CBPI preferred shares are not entitled to withdraw as shareholders of CBPI through the mechanism available to the common shareholders of CBPI and the common and preferred shareholders of RIPI and DPPI. The shareholder rights relevant to the Share Exchange are as follows:

*Ultrapar Shares*. Ultrapar s bylaws will be amended in order to reflect the increase in paid-in capital and the issuance of new preferred shares. The new preferred shares to be issued will confer on their holders the same rights and privileges that are available to Ultrapar s existing preferred shareholders. Ultrapar s preferred shares confer the right to receive the same price as that paid to Ultrapar s controlling shareholders in the event that a change of control transaction were to occur (constituting tag along rights of 100%).

*Right of Withdrawal from Ultrapar*. Under the terms of Art. 252, § 1 of Law No. 6,404/76, the holders of the preferred and common shares issued by Ultrapar who dissent from the Share Exchange will have the right to withdraw as shareholders of Ultrapar.

*Right of Withdrawal from the Target Companies*. Under Art. 252 § 2 and 264, § 3, of Law No. 6,404/76, the holders of common and preferred shares of RIPI and DPPI and holders of common shares of CBPI who dissent from the Share Exchange will have the right to withdraw as shareholders of such companies. See Appraisal Rights.

*Phase 5 Separation of Assets*. After the completion of the Share Exchange, Ultrapar will carry out the Separation of Assets through a series of corporate restructurings designed to divide the former Ipiranga Group assets among itself and the other Acquiring Companies, as indicated in the diagram below:

**Transaction Agreements**

In March 2007, Ultrapar entered into a series of agreements which govern the Transaction and the relationship among Ultrapar, Petrobras and Braskem during the period in which the Transaction is being completed. In addition, on November 9, 2007, Ultrapar and each of the Target Companies entered into the Protocol and Justifications, in which they each agreed to recommend to their respective boards of directors that the boards of directors approve the Share Exchange. The brief summaries of these agreements, which we refer to as the Transaction Agreements, included below are qualified in their entireties by reference to the more extensive summaries and translations of the Transaction Agreements, which are included as exhibits to the registration statement of which this prospectus forms a part.

***Investment Agreement***

The Investment Agreement executed by Ultrapar, Petrobras and Braskem on March 18, 2007 and amended on April 18, 2007 regulates the relationship among the companies and is the principal Transaction Agreement.

Under the Investment Agreement, Ultrapar is acting as a commission agent, under Articles 693 through 709 of the Brazilian Civil Code, for Petrobras and Braskem for the purpose of completing the acquisition of RIPI and CBPI s petrochemical business and of the Oil Refining Operations, and for Petrobras for the acquisition of CBPI s Northern Distribution Business. The following is a brief summary of the material terms of the Investment Agreement:

*Commission*. Ultrapar is acting as a commission agent for Petrobras and Braskem, under Articles 693 through 709 of the Brazilian Civil Code. The object of the commission is (A) the execution of the Transaction by Ultrapar on behalf of Petrobras of the Northern Distribution Business, as well as the execution of the Transaction, on behalf of Braskem and Petrobras, of the Petrochemical Business; (B) the transfer to Braskem and Petrobras of the Petrochemical Business and to Petrobras of the Northern Distribution Business; and (C) the transfer to each of Petrobras and Braskem of one-third of the oil refining operations. Braskem and Petrobras shall pay Ultrapar a commission on the date of the transfer of the Northern Distribution Business and the Petrochemical Business in the amount of R$5,000,000.00.

*Price to Be Paid for the Petrochemical Business*. The price to be paid for the Petrochemical Business is R$2.5 billion, and shall be paid by Braskem and Petrobras to Ultrapar in three installments, as follows: (a) a first installment of R$0.7 billion paid by Braskem and R$0.4 billion by Petrobras, (b) a second installment of R$0.3 billion paid by Braskem and R$0.2 billion by Petrobras and (c) a third installment of R$0.6 billion paid by Braskem and R$0.4 billion by Petrobras.

*Price to Be Paid for the Northern Distribution Business*. The price to be paid for the Northern Distribution Business is R$1.1 billion, and shall be paid by Petrobras to Ultrapar in three installments, as follows: (a) a first installment of R$0.3 billion, (b) a second installment of R$0.1 billion and (c) a third installment of R$0.7 billion.

*Date of Asset Transfer.* The Northern Distribution Business, the Petrochemical Business and the two one-third interests in the oil refining operations will be delivered after Ultrapar receives the three installments indicated above, which is expected to occur after the completion of the conditions regarding transfer of the assets.

*Payment Dates.* Braskem and Petrobras must pay Ultrapar each installment of the price of the Northern Distribution Business and the Petrochemical Business on the following dates, respectively: (a) April, 18, 2007, (b) the date of financial settlement by Ultrapar of the Mandatory Tender Offers and (c) the date of the effective transfer of the Northern Distribution Business to Petrobras and the Petrochemical Business to Braskem and Petrobras.

*Guarantees.* Ultrapar has pledged the following:

In favor of Braskem and Petrobras, in the proportions of 60% and 40%, respectively, all the common shares and 50% of the preferred shares issued by RIPI and acquired from the Key Shareholders. The shares issued by RIPI acquired in the Mandatory Tender Offers will also be pledged in favor of Braskem and Petrobras, in the same proportion. After the exchange offer for the shares of RIPI, Ultrapar must ensure that the pledge of RIPI s shares will be substituted by the pledge of IQ s shares.

In favor of Petrobras, 31% of the common shares and 78% of the preferred shares of DPPI that it acquired from the Key Shareholders, as well as 100% of the common shares of CBPI that it acquired from the Key Shareholders. After the Mandatory Tender Offers, Ultrapar will pledge, in substitution for 1,482,751 common shares issued by DPPI, 3,013,903 common shares issued by CBPI that will be acquired, assuming that all the common shares issued by CBPI will be acquired in the Mandatory Tender Offers.

*Transfer of the Assets.* After the completion of the asset separation, Ultrapar shall transfer (A) the Petrochemical Business to Braskem, through the transfer of the common shares representing 60% of IQ s capital, and to Petrobras, through the transfer of common shares representing 40% of IQ s capital, (B) the Northern Distribution Business, through the transfer to Petrobras of all the shares of the Company spun-off from CBPI and then holding the Northern Distribution Business and (C) one-third of the oil refining operations to each of Braskem and Petrobras, through the transfer of one-third of the capital stake of RIPI to each of such companies.

*Delays or Justified Impediments to the Transfer of Assets.* The commission is irrevocable; thus, in the event the transfer of the Northern Distribution Business and/or the Petrochemical Business (A) is in any way restricted or suspended, due to legal, judicial or administrative order, and remains restricted for a period of more than 120 days, or (B) has not occurred by April 18, 2008, an alternative reorganization will be implemented that, among other things, spins off CBPI, DPPI and RIPI, in order to separate the

Northern Distribution Business and the Petrochemical Business into the spun-off companies, the shares of these spun-off companies being subsequently transferred to Petrobras and Braskem, as applicable.

**Table of Contents**

***Share Purchase Agreement***

On March 18, 2007, Ultrapar, with the consent of Petrobras and Braskem, and the Key Shareholders entered into the SPA, which sets forth the terms and conditions regarding Ultrapar s acquisition of a controlling stake in the Ipiranga Group. The SPA closed on April 18, 2007.

The total consideration paid by Ultrapar (for itself and on behalf of the other Acquiring Companies) to the Key Shareholders for their controlling interests in the Ipiranga Group companies was R$2,071,107,581.25. Pursuant to the SPA, the Key Shareholders sold 6,607,983 common shares and 2,277,269 preferred shares issued by RIPI; 7,409,992 common shares and 2,239,899 preferred shares issued by DPPI; and 1,344,497 common shares and 402 preferred shares in CBPI. Of these shares, 5,746,232 common shares issued by RIPI and 5,449,388 common shares issued by DPPI were subject to the provisions of the RIPI shareholder agreement of February 23, 1994 and the DPPI shareholder agreement of October 27, 1981, respectively.

The purchase price assigns the following values to each share: (i) R$132.85184 for each RIPI common share bound by the RIPI shareholder agreement; (ii) R$106.28147 for each RIPI common share not bound by the RIPI shareholder agreement; (iii) R$38.93 for each RIPI preferred share; (iv) R$140.08671 for each DPPI common share bound by the DPPI shareholder agreement; (v) R$112.06937 for each DPPI common share not bound by the DPPI shareholder agreement; (vi) R$29.57 for each DPPI preferred share; (vii) R$58.10 for each CBPI common share; and (viii) R$20.55 for each CBPI preferred share.

The parties enumerated a series of conditions precedent to the closing of the purchase, including the waiver of the right of first refusal by the owners of all common shares to acquire shares representing control of any of the Target Companies and the absence of any laws prohibiting the purchase and sale. Furthermore, prior to closing, the sellers were required to refrain from carrying out a variety of acts, including alterations to bylaws, corporate policies, dividends, or board member remuneration, mergers, encumbrance, transfer, or disposal of assets, creation of new corporate commitments, and amendments to old contracts and agreements, among others. In addition, the sellers would take all steps reasonably requested by the purchaser in order to facilitate the transfer of management. They were also required to allow the purchaser access to information that might be necessary for such purpose.

The purchaser and intervenors agreed to submit for approval the transactions set forth to CADE, to pay the costs associated with such submission, and also to file a request to register a public offering to acquire shares with voting rights issued by the Target Companies, with the CVM. The sellers, however, further entered into a covenant of non-competition, whereby they were bound, for five years hence, not to control or participate in any body or organization that participated in business activities directly or indirectly related to a specific subset of activities, or to set up ventures or partnerships that act in the same area of business as the Target Companies, or to approach any of the Target Company s employees in an attempt to offer them employment or to encourage them to breach their labor agreements with the Target Companies.

***Shareholders Agreements***

The parties to the SPA also entered into shareholders agreements, pursuant to which during the period in which the Transaction was being completed: (i) the distribution business other than the Northern Distribution Business will be controlled and managed by Ultrapar, (ii) the Petrochemical Business will be controlled and managed by Braskem and Petrobras, in the respective proportions of 60% and 40%, (iii) the Northern Distribution Business will be controlled and managed by Petrobras and (iv) the assets related to RIPI s oil refinery business will be controlled and managed jointly by Petrobras, Ultrapar and Braskem.

*Target Companies Shareholders Agreement*. On April 18, 2007, Ultrapar, Petrobras and Braskem entered into the Target Companies Shareholders Agreement, which governs the relationship among Ultrapar, Petrobras and Braskem regarding how the Target Companies IQ and IPQ s businesses will be managed prior to the completion of the Transaction, except for the matters regulated by the RIPI Shareholders Agreement.

Table of Contents

*RIPI Shareholders Agreement*. On April 18, 2007, Ultrapar, Braskem and Petrobras entered into the RIPI Shareholders Agreement, which governs the relationship among Ultrapar, Petrobras and Braskem regarding how RIPI s oil refining operations will be managed prior to the completion of the Transaction.

***Braskem/Petrobras Asset Security Agreement***

On April 18, 2007, Ultrapar, Braskem and Petrobras entered the Braskem/Petrobras Asset Security Agreement, whereby Ultrapar pledged to Braskem and Petrobras, in the proportions of 60% and 40%, respectively, all of its common shares and 50% of the RIPI preferred shares it acquired from the Key Shareholders. The shares issued by RIPI acquired in the Mandatory Tender Offers will also be pledged in favor of Braskem and Petrobras, in the same proportions. After the exchange offer of the shares of RIPI, Ultrapar must ensure that the pledge of RIPI s shares will be substituted by a pledge of IQ s shares.

***Petrobras Asset Security Agreement***

On April 18, 2007, Ultrapar and Petrobras entered into the Petrobras Asset Security Agreement, whereby Ultrapar pledged in favor of Petrobras, 31% of the common shares and 78% of the preferred shares of DPPI that it acquired from the Key Shareholders, as well as 100% of the common shares of CBPI that it acquired from the Key Shareholders. After the Mandatory Tender Offers, Ultrapar will pledge, in substitution for 1,482,751 common shares issued by DPPI, 3,013,903 common shares issued by CBPI that will be acquired, assuming that all the common shares issued by CBPI will be acquired in the Mandatory Tender Offers.

***Protocol and Justifications***

On November 9, 2007, the managements of Ultrapar and each of the Target Companies entered into Protocol and Justifications. The Protocol and Justifications describe the reasons each company s management determined that the Share Exchange was in the best interests of their respective company. The boards of directors of each company approved their respective Protocol and Justification on November 12, 2007. In addition, on the same date, the boards of directors of each of Ultrapar and the Target Companies called meetings of the common shareholders of each company to approve the Share Exchange and the Protocol and Justifications.

**Deutsche Bank Valuation Report**

***General***

Ultrapar retained Deutsche Bank to deliver a valuation report in connection with the Share Exchange in accordance with Brazilian securities law. The report prepared by Deutsche Bank was delivered to Ultrapar on April 4, 2007. The original Deutsche Bank valuation report was filed with the CVM and was the subject of several requests from the CVM for additional explanatory disclosure to be included in the report. These requests did not relate to the quantitative information included in the report. Revisions to the valuation report were prepared to address these CVM requests. The final copy of the Deutsche Bank valuation report is included as an exhibit to the registration statement of which this prospectus forms a part.

You should consider the following when reading the summary of the Deutsche Bank valuation report below:

- The report was prepared in compliance with the requirements imposed by Brazilian securities law, in particular CVM Rule No. 361, and was not prepared with a view toward complying with the published guidelines of the SEC or the American Institute of Certified Public Accountants with respect to prospective financial information.

- The full text of Deutsche Bank s report, which sets forth, among other things, the assumptions made, matters considered and limits on the review undertaken by Deutsche Bank in connection with the report, is included as an exhibit to the registration statement of which this prospectus forms a part.

Table of Contents

RIPI, DPPI and CBPI preferred shareholders are urged to read the report in its entirety. The summary of the report set forth in this prospectus is qualified in its entirety by reference to the full text of the report.

The report and its conclusions are not recommendations by Deutsche Bank as to whether RIPI, DPPI and CBPI preferred shareholders should take any action in connection with the Share Exchange or the Transaction. The report is not a fairness opinion as such is understood under U.S. law or a recommendation to shareholders relating to the exchange ratio to be offered to the RIPI, DPPI and CBPI preferred shareholders. Brazilian law does not require an opinion from an investment bank that the consideration offered in a merger or acquisition is fair. Brazilian law also does not require that a valuation report be used to determine the price to be paid in a merger or acquisition or that any party to a merger or acquisition obtain the opinion of a third party that the price paid in such merger or acquisition is fair. The Deutsche Bank report was prepared in connection with Brazilian legal requirements relating to third-party independent valuation reports used in connection with merger and acquisition transactions. All shareholders should conduct their own analysis of the Transaction and should rely on their own financial, tax and legal advisors and not Deutsche Bank s report in evaluating whether to take any action in connection with the Share Exchange or the Transaction.

Deutsche Bank discussed orally with the management of the Ipiranga Group certain non-public information regarding the Ipiranga Group in order to confirm the assumptions Deutsche Bank used in the preparation of its report. This discussion included a description of the Ipiranga Group s operations and strategy, certain financial analyses, balance sheet information, production capacity information, investment requirements, the prospects of the Ipiranga Group and the operations of the combined company following the Transaction. In addition, Deutsche Bank has (i) reviewed the reported prices and trading activity for the stock of Ultrapar, RIPI, DPPI and CBPI, (ii) compared certain financial and stock market information for Ultrapar and the Ipiranga Group with similar information for certain other companies whose securities are publicly traded, (iii) reviewed the financial terms of certain recent business combinations which it deemed comparable in whole or in part, (iv) reviewed the terms of the agreements governing the Transaction, and (v) performed such other studies and analyses and considered such other factors as it deemed appropriate.

Deutsche Bank has not assumed responsibility for independent verification of, and has not independently verified, any information, whether publicly available or furnished to it, concerning Ultrapar or the Ipiranga Group, including, without limitation, any financial information, forecasts or projections considered in connection with the preparation of its valuation report. Accordingly, for purposes of its report, Deutsche Bank has assumed and relied upon the accuracy and completeness of all such information and Deutsche Bank has not conducted a physical inspection of any of the properties or assets, and has not prepared or obtained any independent evaluation or appraisal of any of the assets or liabilities, of Ultrapar or any member of the Ipiranga Group.

Any valuations, financial and other forecasts and/or estimates or projections and other assumptions contained in the valuation report (including, without limitation, regarding financial and operating performance), were prepared or derived from information (whether oral or in writing) supplied solely by the respective managements of Ultrapar, the Ipiranga Group and Braskem or derived from other public sources, without any independent verification by Deutsche Bank, and involve numerous and significant subjective determinations and assumptions by Ultrapar, the Ipiranga Group and Braskem, which may not be correct. As a result, actual results may vary materially from those shown in the valuation report. In addition, with respect to any such information made available to Deutsche Bank and used in its analyses, Deutsche Bank has assumed that such information has been reasonably prepared on bases reflecting the best currently available estimates and judgments of the respective managements of Ultrapar, the Ipiranga Group and Braskem as to the matters covered thereby.

In preparing its valuation report, neither Deutsche Bank nor any of its affiliates or representatives make any express or implied representation or warranty, or express any view, as to the accuracy, reasonableness, completeness or achievability of any such financial and other forecasts and/or estimates or projections, or as to the determinations or assumptions on which they are based. Deutsche Bank s report is necessarily based upon economic, market and other conditions as in effect on, and the information made available to it as of, the date of the report.

Deutsche Bank has also assumed that all material governmental, regulatory or other approvals and consents required in connection with the consummation of the Transaction will be obtained and that in connection with obtaining any necessary governmental, regulatory or other approvals and consents, or any amendments, modifications or waivers to any agreements, instruments or orders to which either Ultrapar or the Ipiranga Group is a party or is subject or by which it is bound, no limitations, restrictions or conditions will be imposed or amendments, modifications or waivers made that would have a material adverse effect on Ultrapar or the Ipiranga Group or materially reduce the contemplated benefits of the Transaction to Ultrapar.

Ultrapar did not provide specific instructions to, place any limitations on the scope of the investigation by, or request any procedures or factors be considered by, Deutsche Bank in performing its analyses or preparing the valuation report.

The report was based on the information available as of the date of the report, and the views expressed are subject to change based upon a number of factors, including market conditions and Ultrapar s and the Ipiranga Group s business and prospects.

***Valuation Methodology Summary***

Deutsche Bank conducted valuations of Ultrapar and the Ipiranga Group in accordance with the mandatory criteria of the CVM. In accordance with CVM Rule No. 361, Deutsche Bank prepared its valuations using the following methodologies and assumptions:

*Economic value.* The economic value analysis is based on a discounted cash flow analysis for certain business lines and a comparable multiples analysis for other business lines, each as further described below. The economic valuation analysis was based on publicly available information and discussions with management of Ultrapar and the Ipiranga Group and Braskem.

*Market value.* Deutsche Bank s market value valuation analysis, which was based on average share prices weighted by traded volume during the twelve-month period ended March 16, 2007 (the last trading day before the announcement of the Transaction).

*Book value.* Deutsche Bank s book value valuation analysis was based on the book value of the shares of Ultrapar, RIPI, DPPI and CBPI as reflected in their respective audited financial statements as of December 31, 2006.

Among the different valuation methodologies presented in the valuation report, Deutsche Bank believes that the economic value analysis based on discounted cash flow and comparable multiples is the most applicable methodology for valuing Ultrapar, RIPI, DPPI and CBPI.

CVM Rule No. 361/02 requires that one of three basic methodologies be used in preparation of a valuation report: economic value, market value or book value. Deutsche Bank believes that the economic value analysis based on discounted cash flow ( DCF ) is the most appropriate methodology for valuing Ultrapar, RIPI, DPPI and CBPI because the DCF analysis takes into consideration the future unlevered free cash flows of such companies and accounts for the time value of money by calculating the present value of the future cash flows, providing a more detailed picture of the investment to be valued by allowing the evaluator to consider a larger amount of information and a longer timeframe in its analysis. For certain business lines and subsidiaries of the Ipiranga Group, representing less than 10% of Ipiranga Group s consolidated value, Deutsche Bank believes that an economic value analysis based on comparable multiples is the most appropriate methodology for valuing

Table of Contents

these business lines and subsidiaries because it better reflects updated company and comparable transactions values for such businesses considering the specific characteristics of their respective industries. The preparation of projections for those companies and the use of a DCF valuation would be imprecise and would not improve the quality of the analysis.

*Discounted Cash Flow Analysis*

Deutsche Bank performed a DCF analysis to value Ultrapar, the operating assets of DPPI, or DPPI Opco, the operating assets of CBPI, or CBPI Opco, Copesul, which is a subsidiary of IPQ, which is in turn a subsidiary of Ipiranga Química S.A., or IQ. All of IQ s outstanding shares are held either by RIPI or CBPI. A DCF analysis is a method of evaluating the value of an asset by estimating the future unlevered free cash flows of such asset and taking into consideration the time value of money by calculating the present value, i.e. the current value of future cash flows, of these estimated cash flows. Deutsche Bank calculated the DCF values for each of Ultrapar, DPPI Opco., CBPI Opco., Copesul and IPQ as the sum of the net present value of (i) the estimated future cash flow that such business line will generate for the years 2007 through 2016 and (ii) the value of such business line at the end of such period (the Terminal Value ).

In addition, in performing the DCF analyses, Deutsche Bank made several assumptions including, but not limited to, the following:

- The base date for the DCF analyses is December 31, 2006.

- Projections were prepared in nominal Brazilian *reais*, and each of the annual cash flows were converted to U.S. Dollars based on the average exchange rate for the year.

- An exchange rate of 2.1385 R$/US$ is used as of December 31, 2006 to convert the net present value in U.S. Dollars to Brazilian *reais*.

- The weighted average cost of capital is in nominal U.S. dollars.

- Cash flow is generated in the middle of the year (in June) for purposes of discounting cash flows to present value.

- The Terminal Values were calculated based on Gordon s growth formula and include adjustments to capital expenditures, depreciation, tax rates and net operating working capital.

- The perpetuity cash flows of petrochemical companies have been adjusted for mid-cycle.

74

**Table of Contents**

The following table sets forth a summary of the results of the DCF analyses performed for each of Ultrapar, DPPI Opco, CBPI Opco, Copesul and IPQ.

**Companies valued by discounted cash flow DCF**

| Company | Description | TEV (R$ million) | g[1] | WACC |
|---|---|---|---|---|
| CBPI Opco | A distributor of fuel to retail gas stations and industrial sites. In 2006, volume of core products was 11.6 billion $m^3$ | 2,421 | 3.0% | 12.2% |
| DPPI Opco | A distributor of fuels to retail gas stations and industrial sites. In 2006, volume of core products was 1.8 billion $m^3$ | 566 | 3.0% | 12.3% |
| Copesul | A petrochemical company that produces basic petrochemicals, such as ethylene, from naphtha, with volume of 2.96 million tons in 2006 | 5,635 | 0.0% | 11.2% |
| IPQ | A 2nd generation producer of high-end petrochemicals. Volume sold in 2006 was 636,100 tons | 1,452 | 0.0% | 11.8% |
| Ultrapar | A distributor of liquefied petroleum gas (LPG), 2nd generation producer of petrochemicals, and a logistics provider for special products | 5,879 | 3.0% | 10.6% |

Notes: (1) Perpetual growth rate in US Dollar real terms.
TEV means Total Enterprise Value, which is total value of the business line calculated based on economic value of shareholders equity plus net debt as defined in the valuation report.
WACC Weighed average cost of capital

*Comparable Public Company Analysis*

Deutsche Bank performed a comparable public company analysis for the operating assets of RIPI; RIPI Opco; Empresa Carioca de Produtos Químicos S.A., or EMCA, AM/PM Comestíveis, or AM/PM, IASA and ISA-SUL, each of which are subsidiaries of CBPI. For these business lines, the comparable multiples analysis involved comparing certain financial information and commonly used valuation measurements for the applicable business line to corresponding information and measurements for a publicly traded company or a group of publicly traded companies in the same industry. The comparable public company analyses were conducted on a comparison of multiples for earnings before interest, taxes, depreciation and amortization, or EBITDA, for 2006, except for certain petrochemical business lines for which a normalized average EBITDA (based on a three to five-year period) was used. The companies comprising each comparison group were chosen primarily because Deutsche Bank believed they share similar business characteristics to the respective business lines based on operational and financial metrics. However, none of the companies selected is identical or directly comparable to any of the analyzed business lines. Other companies may have been considered but not deemed relevant because their size, operations, target customers, product offerings, financial and operating metrics or other characteristics differ substantially from the analyzed business lines. The companies were selected based on their similarities to the businesses developed by each of the Ipiranga Group Companies, with special attention to value drivers, growth potential and margins. Deutsche Bank used comparable transactions when they were available, and reviewed trading public companies that most closely replicated the business of the company being assessed. Deutsche Bank excluded from the sample companies or transactions that were not sufficiently comparable to the company being assessed. RIPI Opco was valued based on comparisons with Alon USA, Delek US Holdings and Frontier Oil. IQ and IASA were valued based on precedent transaction multiples as set forth in Apendix II of the Deutsche Bank Valuation Report. EMCA was valued based on commodity and specialty listed companies multiples as set forth in Apendix II of the Deutsche Bank Valuation Report. AM/PM was valued based on Pao de Acucar CBD s trading multiples. Isa-Sul was valued based on the implied multiple derived from the DCF valuation of DPPI.

**Table of Contents**

*Comparable Precedent Transaction Analysis*

Deutsche Bank conducted an analysis of selected precedent transactions in determining its valuation of Ipiranga Asfaltos S.A. or IASA. In such cases, Deutsche Bank reviewed the financial terms, to the extent publicly available, of numerous mergers and acquisition transactions involving companies in the same industries. The precedent transaction analyses were conducted on a comparison of multiples for earnings before interest, taxes, depreciation and amortization for the last twelve months (LTM) prior to a given transaction.

Deutsche Bank reviewed various precedent transactions and, based on qualitative judgments and complex considerations concerning differences between the characteristics of these transactions and the characteristics of the acquired company, selected the transactions that were considered most comparable to IQ and IASA. Deutsche Bank calculated various financial multiples based on certain publicly available information for each of the comparable transactions and compared them to corresponding financial multiples for IQ and IASA. Deutsche Bank has also analyzed Isa-Sul Administração e Participação Ltda., a subsidiary of DPPI, whose operations are similar to DPPI Opco. For this reason, Deutsche Bank used the multiple of value derived from the DCF valuation on DPPI Opco and applied to Isa-Sul.

The following table sets forth a summary of the results of the comparable multiples analyses.

**Companies valued by multiples**

| Business Line | Description / Methodology | TEV (R$mm) | TEV/ 06 EBITDA |
|---|---|---|---|
| RIPI Opco | A refinery that has operated on a break even basis (sometimes given special tax incentives by the State)<br>Valuation based on comparable public company analysis | 9 | 6.5x |
| IQ | A chemical products distributor with over 5,000 clients in 50 different markets<br>Valuation based on comparable precedent transaction analysis | 176 | 8.6x |
| EMCA | A producer of specialty petrochemicals; consolidated by CBPI SA<br>Valuation based on comparable public company analysis | 18 | 6.3x |
| IASA | A producer of asphalt and pavement surface products<br>Valuation based on comparable precedent transaction analysis | 89 | 6.8x |
| AM/PM Comestíveis | A retail convenience store chain attached to DPPI and CBPI gas stations, consolidated by CBPI<br>Valuation based on comparable public company analysis | 236 | 7.5x |
| Isa-Sul Administração e Part. Ltda. | A subsidiary that owns 152 and operates 15 of the gas stations in DPPI s region<br>Valuation based on the same multiple as DPPI-Opco implied by the DCF | 140 | 8.8x |

Note: TEV means Total Enterprise Value, which is total value of the business line calculated based on economic value of shareholders equity plus net debt as defined in the valuation report.

***Summary Valuation Analysis***

Set forth below are summaries of the share price valuations with respect to Ultrapar, RIPI, DPPI and CBPI as indicated by the valuation report. Each share price valuation under the economic value analysis shows a mid-point amount and a plus or minus 5% range as permitted by CVM Rule No. 361.

*Ultrapar*

The table entitled Economic Value of Ultrapar summarizes the economic value of Ultrapar shares as indicated by the valuation report. For purposes of the table, Step 1 refers to the acquisition by Ultrapar of a

76

Table of Contents

controlling interest in the common shares of each of RIPI, DPPI and CBPI (completed on April 18, 2007), and Step 2 refers to the completion of mandatory tag-along cash tender offers by Ultrapar for the remaining outstanding common shares of each of RIPI, DPPI and CBPI.

After completing Step 1 and Step 2, Ultrapar would have acquired shares equivalent to 41.3% of RIPI, 35.4% of DPPI, and 4.1% of CBPI. These stakes are equivalent to 41.3% of RIPI Opco, 38.5% of the distribution business of DPPI, and 16.9% of the distribution business of CBPI if all common shares of RIPI, DPPI and CBPI were acquired in the mandatory tender offers.

**Value of the assets acquired by Ultrapar in Steps 1 and 2**

| *(R$ million)* | | **TEV(5)** | **Equity** |
|---|---|---|---|
| **Assets acquired by Ultrapar** | | **591** | **497** |
| RIPI Opco(1) | 41.3% | 1 | (10) |
| DPPI distribution(2) | 38.5% | 272 | 290 |
| CPBI distribution(3) | 16.9% | 315 | 217 |
| CBPI EMCA(4) | 16.9% | 3 | 0 |

(1) Includes 1/3 of the refinery.
(2) Includes ISA-Sul.
(3) Includes CBPI distribution and the AM/PM convenience stores in the South and Southeast.
(3) Assumes that Petrobras will pay with cash for 100% of its stake and will assume no debt from CBPI.
(4) EMCA will be 100% owned by Ultrapar.
(5) Represents Ultrapar's stake in the acquired assets.

Therefore, prior to the Share Exchange, Ultrapar will have acquired assets worth 497 million Brazilian *reais* equity value, for which Ultrapar paid 876 million Brazilian *reais* according to the investment agreement among Ultrapar, Braskem and Petrobras.

The economic valuation presented above was considered by Deutsche Bank the most appropriate methodology for valuing Ultrapar s shares. As required by the CVM Rule No. 361, Deutsche Bank also presented in the valuation report Ultrapar s book value of R$23.86 per share as of December 31, 2006, and a market value based on the weighted average share price from March 15, 2006 to March 16, 2007 of R$43.08 per preferred share with respect to Ultrapar. Since Ultrapar s common shares did not trade for the 12 months ending March 16, 2007, no market value analysis was performed with respect to those shares.

**Table of Contents**

*RIPI*

The following table summarizes the economic value of RIPI shares as indicated by the valuation report.

The economic valuation presented above was considered by Deutsche Bank the most appropriate methodology for valuing RIPI s shares. As required by the CVM Rule No. 361, Deutsche Bank also presented in the valuation report RIPI s book value of R$19.50 per share as of December 31, 2006, and a market value based on the weighted average share price from March 15, 2006 to March 16, 2007 of R$32.75 per preferred share and R$45.81 per common share with respect to RIPI.

*DPPI*

The following table summarizes the economic value of DPPI shares as indicated by the valuation report.

The economic valuation presented above was considered by Deutsche Bank the most appropriate methodology for valuing DPPI s shares. As required by CVM Rule No. 361, Deutsche Bank also presented in the valuation report DPPI s book value of R$25.13 per share as of December 31, 2006, and a market value based on the weighted average share price from March 15, 2006 to March 16, 2007 of R$24.99 per preferred share and R$41.69 per common share with respect to DPPI.

Table of Contents

*CBPI*

The following table summarizes the economic value of CBPI shares as indicated by the valuation report.

The economic valuation presented above was considered by Deutsche Bank the most appropriate methodology for valuing CBPI s shares. As required by CVM Rule No. 361, Deutsche Bank also presented in the valuation report CBPI s book value of R$14.68 per share as of December 31, 2006, and a market value based on the weighted average share price from March 15, 2006 to March 16, 2007 of R$18.32 per preferred share and R$21.72 per common share with respect to CBPI.

***Conclusions***

**Share price range based on the economic value (R$ per share)**

| | -5% | Mid-range | +5% |
|---|---|---|---|
| CBPI | 26.97 | 28.39 | 29.81 |
| DPPI | 41.11 | 43.28 | 45.44 |
| RIPI | 51.63 | 54.35 | 57.06 |
| Ultrapar | 64.48 | 67.87 | 71.26 |

Note: 10% range in compliance with CVM Rule No. 361.

***Other Considerations***

The foregoing summary describes certain analyses and factors that Deutsche Bank conducted in connection with the preparation of its report, but is not a comprehensive description of all analyses performed and factors considered by Deutsche Bank in connection with preparing the report. RIPI, DPPI and CBPI preferred shareholders are urged to read the full text of the report, which is included as an exhibit to the registration statement of which this prospectus forms a part. The report is not readily susceptible to summary description. Deutsche Bank believes that its report must be considered as a whole and that considering any portion of such analyses and of the factors considered without considering all analyses or factors could create a misleading view of the process underlying the report.

Table of Contents

In conducting its analyses and preparing its report, Deutsche Bank utilized a variety of generally accepted valuation methods. The analyses were prepared solely for the purpose of enabling Deutsche Bank to prepare and issue the valuation report and do not purport to be appraisals or necessarily reflect the prices at which businesses or securities actually may be sold, nor do they take into account any element of value that may arise from the accomplishment or expectation of the proposed Transaction.

Ultrapar selected Deutsche Bank to prepare the valuation report based on Deutsche Bank s qualifications, expertise, reputation and experience in mergers and acquisitions and related transactions. Deutsche Bank and its affiliates are experienced in advising and valuing Brazilian publicly listed companies. Ultrapar has retained Deutsche Bank pursuant to an engagement letter dated March 18, 2007. Deutsche Bank will receive U.S. $3,000,000 net of taxes for delivering the valuation report upon consummation of the Share Exchange. In addition to the fees payable to Deutsche Bank pursuant to the engagement letter and irrespective of whether the Share Exchange is consummated, Ultrapar has agreed to reimburse Deutsche Bank for reasonable fees and disbursements of Deutsche Bank s counsel and all of Deutsche Bank s reasonable travel and other out-of-pocket expenses incurred in connection with the preparation and delivery of the valuation report or otherwise arising out of the retention of Deutsche Bank under the engagement letter. The expenses related to Deutsche Bank s counsel, in excess of US$ 40,000.00, are subject to the prior written approval of Ultrapar. Ultrapar has also agreed to indemnify Deutsche Bank and certain related persons to the full extent lawful against certain liabilities arising out of its engagement or the Share Exchange.

Deutsche Bank is an internationally recognized investment banking firm experienced in providing advice in connection with mergers and acquisitions and related transactions. Deutsche Bank is an affiliate of Deutsche Bank AG. As of the date of the report, Deutsche Bank and its affiliates owned equity and debt securities of Braskem and Petrobras. Deutsche Bank has also provided advisory services to Petrobras. Deutsche Bank and its affiliates may actively trade securities of Ultrapar, Braskem, Petrobras and/or any member of the Ipiranga Group for their own account or the account of their customers and, accordingly, may from time to time hold a long or short position in such securities.

**Apsis Valuation Report**

Apsis Consultoria Empresarial Ltda., or Apsis, has been engaged by Ultrapar and the Target Companies to conduct a valuation analysis for the purpose of appraising the equity of both Ultrapar and the Ipiranga Group. Apsis valuation analysis has been used to determine the liquidation values of Ultrapar and the Target Companies shares. These values will be used in connection with the appraisal rights available to RIPI and DPPI preferred shareholders.

We have included below a summary of Apsis s valuation report. We intend to include the full report as an exhibit to the registration statement of which this prospectus forms a part.

***General***

In connection with the selection of financial advisors for the Share Exchange, Ultrapar and the Ipiranga Group received recommendations for Apsis Consultoria Empresarial Ltda., or Apsis. Apsis was requested to submit a proposal with respect to the fees and services to be provided in connection with the proposed transaction. Apsis was selected on the basis of its experience and expertise and the strength of its proposal. Subsequent to its selection, the Board of Directors of both Ultrapar and the Ipiranga Group ratified the appointment of Apsis.

Apsis was selected and retained as Ultrapar and Ipiranga s financial advisor to render a valuation report solely for the purpose of appraising the market price of the equity of both Ultrapar and the Ipiranga Group, under the same criteria and on the same dates, for the purposes of Article 264 of Brazilian Corporate Law, based upon and subject to the considerations and limitations set forth in the valuation report. The valuation report prepared

Table of Contents

by Apsis is subject to the assumptions and considerations described in such valuation report. Apsis advisory services and valuation report were presented to the board of directors of each of Ultrapar and the Ipiranga Group on November 12, 2007 for use in consideration of the Share Exchange. The valuation report is not to be used by any other person or for any other purpose, and is not intended to be and does not constitute a recommendation to any shareholder as to how such shareholder should vote on any matters relating to the merger of shares. Apsis did not make a recommendation with respect to the exchange ratio, which was determined through discussions between the parties to the Share Exchange.

***Summary of Apsis Valuation Report***

The Apsis valuation report was rendered to the Board of directors of both Ultrapar and the Ipiranga Group on November 12, 2007. This summary of the Apsis valuation report is qualified in its entirety by reference to the full text of the report.

Apsis was contracted by Ultrapar and Ipiranga Group to calculate the exchange ratios of RIPI, DPPI and CBPI shares not owned by Ultrapar, for Ultrapar shares, with the appraisal of the equity of both Ultrapar and the Ipiranga Group, under the same criteria and on the same dates, and at market price, for the purposes of Article 264 of Brazilian Corporate Law.

The report shows the assets and liabilities of Ultrapar and the Ipiranga Group at adjusted book net equity values for the Ipiranga Group and Ultrapar to reflect market values based on the assets approach.

In rendering its valuation report, Apsis held discussions with representatives of both Ultrapar and the Ipiranga Group concerning the nature of their assets and liabilities, in order to calculate the market value and adjust the book net equity of each of RIPI, DPPI and CBPI and Ultrapar. Apsis also performed technical visits in order to inspect the property, plant and equipment listed by Ultrapar, RIPI, DPPI and CBPI and their respective operating subsidiaries.

The Apsis valuation report was also based on the financial statements of Ultrapar and the Ipiranga Group as of September 30, 2007.

The managements of each of Ultrapar and the Ipiranga Group have advised Apsis that the financial information of each of Ultrapar, RIPI, DPPI and CBPI, respectively, as of September 30, 2007, was prepared in accordance with Brazilian Corporate Law. Ultrapar and the Ipiranga Group have directed Apsis to rely on such financial information, and Apsis has not performed an independent verification of such financial information and does not assume responsibility therefor.

In addition, in preparing its valuation report, Apsis assumed and relied on the accuracy, completeness and reasonableness of all financial and other information and data supplied or otherwise made available to it, discussed with or reviewed by or for it, or publicly available. In addition, Apsis assumed an obligation to conduct a physical inspection of the properties and facilities of Ultrapar, RIPI, DPPI and CBPI and their respective subsidiaries.

For the purpose of its valuation analyses, Apsis did not take into account tax-related effects that Ipiranga s shareholders may experience in connection with the Share Exchange, or any fees and expenses that may be incurred in connection with the settlement of that transaction.

Apsis valuation report is necessarily based on information available to it and financial, stock market and other conditions and circumstances existing and disclosed to Apsis as of the date of the valuation report.

Apsis has no obligation to update or otherwise revise its valuation report should any future events or conditions affect its valuation analyses or conclusions.

Table of Contents

The scope of Apsis valuation analyses was limited to the appraisal of the equity of each of Ultrapar, RIPI, DPPI and CBPI under the same criteria and on the same dates, and at market prices, for the purposes of Article 264 of Brazilian Corporate Law and did not address, among others:

- treatment given to different classes of shares of each of Ultrapar, RIPI, DPPI and CBPI, as the case may be;

- any other transaction relating to the shares of Ultrapar, RIPI, DPPI and CBPI, as the case may be;

- Ipiranga s underlying business decision to effect the Share Exchange, and

- the prices at which RIPI, DPPI and CBPI or Ultrapar securities, as the case may be, may actually be sold.

**Apsis valuation report is not intended to be and does not constitute a recommendation or opinion to Ultrapar or the Ipiranga Group, nor does it constitute a recommendation or opinion to any shareholder of Ultrapar or the Ipiranga Group, as to any matters relating to the Share Exchange.**

Below is a summary of the material analyses undertaken by Apsis in connection with the rendering of its valuation report. The summary includes information presented in tabular format. **In order to fully understand the methodologies used by Apsis, the table must be read together with the text of the summary. The tables alone do not constitute a complete description of the analyses.**

Using the financial statements provided by management of each of Ultrapar, RIPI, DPPI and CBPI, Apsis performed adjustments on the book value of their assets and liabilities, based on the assets approach net equity at market value. This methodology comes from Brazilian GAAP, where the financial statements are prepared based on the historical cost principle, i.e. the acquisition cost. Based on this and basic accounting principles, the methodology used presumes book value of a company s assets minus the book value of its liabilities is equal to the book value of its net equity. This methodology first considers the book value of the assets and liabilities, and requires adjustments to a few of these items, so as to reflect their likely liquidation values. The result of this method may give an initial base to estimate a company s value, and a useful base to compare the results of other methodologies. The asset approach attempts to determine a company s value by adjusting the book values (net balance) to their respective fair market values. The assets and liabilities deemed relevant are evaluated by their fair market value, comparing this value to its book value (net balance).

The general appraisal criteria used to adjust the assets subject to appraisal at market price are detailed in Apsis complete report.

The adjustments discussed above, duly analyzed, are added to book net equity value to determine a company s market value by the assets approach. The fair market value of a company will be the net equity, based on adjustments found for the appraised assets and liabilities.

**Table of Contents**

The table below shows the market value of RIPI s net equity, including the respective adjustments of the principal accounts:

| RELEVANT ACCOUNTS | | BOOK VALUE | IN MILLION OF REAIS<br>MARKET VALUE | ADJUSTMENT |
|---|---|---|---|---|
| **ASSETS** | | **976.73** | **1,350.10** | **373.37** |
| **SHORT TERM ASSETS** | | **143.14** | **141.40** | **(1.74)** |
| **LONG TERM ASSETS** | | **0.42** | **0.42** | **0.00** |
| **PERMANENT ASSETS** | | **833.17** | **1,208.28** | **375.11** |
| Investments | | 798.10 | 1,086.39 | 288.29 |
| DPPI | 7.65% | 69.58 | 82.13 | 12.55 |
| CBP I | 11.42% | 210.10 | 257.85 | 47.75 |
| IQ | 58.53% | 518.03 | 746.01 | 227.98 |
| Outros | | 0.39 | 0.39 | 0.00 |
| Fixed Assets | | 35.08 | 121.89 | 86.82 |
| Equipment | | 17.45 | 88.05 | 70.59 |
| Building | | 2.29 | 19.95 | 17.67 |
| Land | | 11.46 | 10.02 | (1.44) |
| Improvements in third part properties | | 0 .00 | 0.00 | 0.00 |
| Constructions in progress | | 3 .80 | 3.80 | 0.00 |
| Vehicles | | 0.04 | 0.04 | 0.00 |
| Others | | 0.03 | 0.03 | 0.00 |
| **LIABILITIES** | | **976.73** | **1,350.10** | **(373.37)** |
| **SHORT TERM LIABILITIES** | | **107.83** | **136.62** | **(28.79)** |
| **LONG TERM LIABILITIES** | | **99.40** | **99.80** | **(0.40)** |
| **NET EQUITY** | | **769.50** | **1,113.68** | **(344.18)** |
| **Net Adjustment at Market** | | | **344.18** | |

83

Table of Contents

**VALUE OF RIPI SHARES**

| 29,600,000 shares | | SHARE VALUE PER SHARE |
|---|---|---|
| Book equity value | R$ | 25.996726 |
| Adjustment per share | R$ | 11.627578 |
| Equity amount adjusted at market value | R$ | 37.624304 |

The table below shows DPPI s net equity at market price, including the respective adjustments of the principal accounts:

| RELEVANT ACCOUNTS | | BOOK VALUE | IN MILLION OF REAIS MARKET VALUE | ADJUSTMENT |
|---|---|---|---|---|
| **ASSETS** | | **1,017.74** | **1,215.18** | **197.44** |
| **SHORT TERM ASSETS** | | **332.98** | **321.27** | **(11.71)** |
| **LONG TERM ASSETS** | | **88.20** | **88.20** | **0.00** |
| **PERMANENT ASSETS** | | **596.56** | **805.71** | **209.16** |
| Investments | | 474. 86 | 609.72 | 134.86 |
| CBPI | 21.01% | 386. 62 | 474.38 | 87.76 |
| ISA-SUL | 100.00% | 57. 32 | 102.67 | 45.35 |
| COFAL | 100.00% | 1. 13 | 2.89 | 1.76 |
| MAX IFACIL | 16.00% | 29. 66 | 29.66 | 0.00 |
| Others | | 0. 12 | 0.12 | 0.00 |
| Fixed Assets | | 121. 70 | 195.99 | 74.29 |
| Equipment | | 53. 74 | 77.51 | 23.77 |
| Building | | 18. 37 | 38.45 | 20.08 |
| Land | | 12. 97 | 43.42 | 30.44 |
| Improvements in third part properties | | 18. 87 | 18.87 | 0.00 |
| Constructions in progress | | 9. 22 | 9.22 | 0.00 |
| Vehicles | | 1. 33 | 1.33 | 0.00 |
| Others | | 7. 20 | 7.20 | 0.00 |
| **LIABILITIES** | | **1,017.74** | **1,215.18** | **(197.44)** |
| **SHORT TERM LIABILITIES** | | **73.72** | **88.55** | **(14.83)** |
| **LONG TERM LIABILITIES** | | **34.05** | **53.00** | **(18.95)** |
| **NET EQUITY** | | **909.97** | **1,073.63** | **(163.66)** |
| **Net Adjustments at Market** | | | **163.66** | |

**VALUE OF DPPI SHARES**

| 32,000,000 shares | SHARE VALUE PER SHARE |
|---|---|

| | | |
|---|---|---|
| Book equity value | R$ | 28.436606 |
| Adjustment per share | R$ | 5.114296 |
| Equity amount adjusted at market value | R$ | 33.550902 |

84

Table of Contents

The table below shows CBPI s net equity at market price, including the respective adjustments of the principal accounts:

| RELEVANT ACCOUNTS | | BOOK VALUE | IN MILLION OF REAIS MARKET VALUE | ADJUSTMENT |
|---|---|---|---|---|
| **ASSETS** | | **3,123.50** | **3,787.39** | **663.89** |
| **SHORT TERM ASSETS** | | **1,711.57** | **1,713.60** | **2.03** |
| **LONG TERM ASSETS** | | **216.93** | **216.93** | **0.00** |
| **PERMANENT ASSETS** | | **1,195.00** | **1,856.86** | **661.86** |
| Investments | | 573.45 | 846.89 | 273.44 |
| IQ | 41.47% | 346.54 | 528.57 | 182.03 |
| TSB | 20.00% | 6.99 | 6.99 | 0.00 |
| IASA | 100.00% | 32.02 | 49.63 | 17.61 |
| TROPICAL | 100.00% | 14.98 | 11.43 | (3.55) |
| EMCA | 100.00% | 18.92 | 39.53 | 20.61 |
| AM PM | 100.00% | 81.50 | 138.24 | 56.74 |
| ITL | 100.00% | 0.05 | 0.05 | 0.00 |
| ICIE | 100.00% | 0.03 | 0.03 | 0.00 |
| MAX-FACI L | 34.00% | 63.03 | 63.03 | 0.00 |
| IMOBILIARIA | 100.00% | 7.99 | 7.99 | 0.00 |
| Others | | 1.40 | 1.40 | 0.00 |
| Fixed Assets | | 621.55 | 1,009.97 | 388.42 |
| Equipment | | 360.77 | 485.28 | 124.51 |
| Building | | 84.35 | 194.58 | 110.23 |
| Land | | 96.28 | 249.96 | 153.68 |
| Improvements in third part properties | | 24.98 | 24.98 | 0.00 |
| Constructions in progress | | 46.45 | 46.45 | 0.00 |
| Vehicles | | 8.72 | 8.72 | 0.00 |
| Others | | 0.00 | 0.00 | 0.00 |
| **LIABILITIES** | | **3,123.50** | **3,787.39** | **(663.89)** |
| **SHORT TERM LIABILITIES** | | **814.41** | **888.88** | **(74.47)** |
| **LONG TERM LIABILITIES** | | **469.22** | **640.62** | **(171.40)** |
| **NET EQUITY** | | **1,839.87** | **2,257.89** | **(418.01)** |
| **Net Adjustments at Market** | | | **418.01** | |

**VALUE OF CBPI SHARES**

| **105,952,000 shares** | | **SHARE VALUE PER SHARE** |
|---|---|---|
| Book equity value | R$ | 17.365169 |
| Adjustment per share | R$ | 3.945308 |
| Equity amount adjusted at market value | R$ | 21.310477 |

**Table of Contents**

The table below shows Ultrapar s net equity at market price, including the respective adjustments of the principal accounts:

| | | | IN MILLION OF REAIS | |
|---|---|---|---|---|
| **RELEVANT ACCOUNTS** | | **BOOK VALUE** | **MARKET VALUE** | **ADJUSTMENTS** |
| **ASSETS** | | **3,284.24** | **5,503.34** | **2,219.11** |
| **SHORT TERM LIABILITIES** | | **114. 14** | **112.85** | **(1.29)** |
| **LONG TERM LIABILITIES** | | **125. 25** | **125.25** | **0.00** |
| **PERMANENT ASSETS** | | **3,044.85** | **5,265.25** | **2,220.40** |
| Investments | | 3,032.08 | 5,252.48 | 2,220.40 |
| Ultracargo | 100.00% | 216.54 | 499.84 | 283.30 |
| Ultragaz Part | 100.00% | 425.04 | 1,134.64 | 709.60 |
| Imaven | 100.00% | 49.56 | 63.83 | 14.27 |
| Oxiteno S.A | 99.99% | 1,505.16 | 3,161.23 | 1,656.07 |
| DPPI SUL | 37.55% | 196.53 | 225.03 | 28.50 |
| CBPI SUL | 15.27% | 134.22 | 164.14 | 29.91 |
| RPI REFINO 1/3 | 40.28% | 0.25 | 3.72 | 3.46 |
| Goodwill/Discount | | 504.71 | 0.00 | (504.71) |
| Others | | 0.06 | 0.06 | 0.00 |
| Deferred Assets | | 12.77 | 12.77 | 0.00 |
| **LIABILITIES** | | **3,284.24** | **5,503.34** | **(2,219.11)** |
| **SHORT TERM ASSETS** | | **1,268.83** | **1,268.39** | **0.44** |
| **LONG TERM ASSETS** | | **0. 46** | **0.46** | **0.00** |
| **NET EQUITY** | | **2,014.96** | **4,234.50** | **(2,219.55)** |
| **Net Adjustments at Market** | | | **2,219.55** | |

**VALUE OF ULTRAPAR SHARES**

| **81,325,409 shares** | | **SHARE VALUE PER SHARE** |
|---|---|---|
| Book equity value | R$ | 24.776467 |
| Adjustment per share | R$ | 27.292162 |
| Equity amount adjusted at market value | R$ | 52.068629 |

After adjusting the net equity of RIPI, CBPI and DPPI and Ultrapar at market values, the following tables show the calculation of the exchange ratios:

**EXCHANGE RATIOS CALCULATION**

**RIPI SHARE EXCHANGE**

| **NET EQUITY AT MARKET** |
|---|

| | Ultrapar | RIPI |
|---|---|---|
| NET EQUITY AT MARKET (IN MILLIONS OF *REAIS*) | R$ 4,235 | R$ 1,114 |
| TOTAL SHARES | 81,325,409 | 29,600,000 |
| PER THOUSAND OF SHARES (IN *REAIS*) | R$ 52.068629 | R$ 37.624304 |
| **EXCHANGE RATIO** | **0.722591** | **1.000000** |

Note: Amount of Ultrapar shares for one RPI share

86

Table of Contents

**DPPI SHARE EXCHANGE**

| NET EQUITY AT MARKET | | |
|---|---|---|
| | **Ultrapar** | **DPPI** |
| NET EQUITY AT MARKET (IN MILLIONS OF *REAIS*) | R$ 4,235 | R$ 1,074 |
| TOTAL SHARES | 81,325,409 | 32,000,000 |
| PER THOUSAND OF SHARES (IN *REAIS*) | R$ 52.068629 | R$ 33.550902 |
| **EXCHANGE RATIO** | **0.644359** | **1.000000** |

Note: Amount of Ultrapar shares for one DPPI share

**CBPI SHARE EXCHANGE**

| NET EQUITY AT MARKET | | |
|---|---|---|
| | **Ultrapar** | **CPPI** |
| NET EQUITY AT MARKET (IN MILLIONS OF *REAIS*) | R$ 4,235 | R$ 2,258 |
| TOTAL SHARES | 81,325,409 | 105,952,000 |
| PER THOUSAND OF SHARES (IN *REAIS*) | R$ 52.068629 | R$ 21.310477 |
| **EXCHANGE RATIO** | **0.409277** | **1.000000** |

Note: Amount of Ultrapar shares for one CBPI share

The preceding discussion is a summary of the materials furnished by Apsis to the board of directors of both Ultrapar and the Ipiranga Group, but it does not purport to be a complete description of the analyses performed by Apsis. The preparation of the valuation report is a complex process involving technical judgments and is not necessarily adequately represented by partial analyses or summary description. Accordingly, Apsis believes that its analyses, and the summary set forth above, must be considered as a whole, and that selecting portions of the analyses, without considering all of the analyses and factors, could create a misleading or incomplete view of the processes underlying the analyses conducted by Apsis and its valuation report.

In its analyses, Apsis made numerous assumptions with respect to Ultrapar, RIPI, DPPI and CBPI, their respective subsidiaries, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Ultrapar, the Ipiranga Group and Apsis. Any estimates contained in Apsis analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by these analyses. Estimates of the values of Ultrapar and the Ipiranga Group do not purport to be appraisals or necessarily to reflect the prices at which Ultrapar and the Ipiranga Group may actually be sold. Because these estimates are inherently subject to uncertainty, none of Ultrapar, RPI, DPPI, CBPI, Apsis, their respective affiliates or any other person assumes responsibility if future results or actual values differ materially from the estimates.

Apsis qualifications to render the valuation report arise from its extensive experience as an internationally recognized consulting company engaged in, among others, the valuation of companies and other businesses and their securities in Brazil and elsewhere in connection with mergers and acquisitions, restructurings, leveraged buyouts, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes.

**Credit Suisse Valuation Report**

In connection with the Share Exchange, the managements of each of the Target Companies engaged Credit Suisse to provide a valuation report covering the matters addressed by Deutsche Bank in its valuation report.

Table of Contents

We intend to include a summary of the Credit Suisse valuation report in this prospectus and the full text of the report as an exhibit to the registration statement of which this prospectus forms a part.

**Regulatory Approvals Required for the Transaction**

***Regulatory Approvals in the United States***

Ultrapar, RIPI, DPPI and CBPI are not aware of any governmental approvals that are required for completion of the Transaction. It is presently contemplated that if any governmental approvals are required, those approvals will be sought. There can be no assurance, however, that any additional approvals will be obtained.

***Regulatory Approvals in Brazil***

The Transaction was submitted to the Brazilian antitrust authority, *Conselho Administrativo de Defesa Econômica CADE*, which is currently reviewing the Transaction and its potential consequences on competition in the relevant Brazilian industries. Approval of the Transaction by CADE, however, is not required prior to the completion of the Transaction. However, if, following the completion of the Transaction, CADE determines that the Transaction or part of the Transaction has a material adverse effect on competition in Brazil, it may require that Ultrapar, Braskem or Petrobras divest all or part of the assets acquired in the Transaction. In light of the fact that the assets we are acquiring in the Transaction relate to the industries in which we have not historically operated, we do not believe that we will be required to divest any such assets as a result of the review of the Transaction by the Brazilian antitrust regulator.

**Board of Directors and Executive Officers of the Combined Company**

Upon completion of the Transaction, the board of directors and executive officers of Ultrapar are expected to remain the same. See our 2006 Form 20-F for further information concerning the board of directors and executive officers of Ultrapar.

**Appraisal Rights**

RIPI, DPPI and Ultrapar preferred shareholders are entitled to appraisal rights in connection with the Share Exchange with respect to the shares of each of their respective companies. For the purposes of Brazilian Corporate Law (*Lei das Sociedades Anônimas*), the Share Exchange constitutes a stock merger (*incorporação de ações*), whereby all shares of a target company are transferred to an acquiring company. The shareholders of the target company receive shares in the acquiring company in exchange for their shares in the target company. The result of the stock merger is that the target company becomes a wholly owned subsidiary of the acquiring company, and the shareholders of the target company become shareholders of the acquiring company.

In order for a stock merger to be carried out, general meetings of the shareholders of both the target and acquiring companies must be held and the shareholders of the two companies must approve the stock merger. Only holders of common shares have the right to vote at shareholders meetings. Preferred shareholders do not have the right to vote. In accordance with Brazilian Corporate Law a stock merger becomes mandatory for all shareholders, even the preferred shareholders who do not have the right to vote, if approved at the relevant shareholders meeting. When the Share Exchange is approved, shareholders who dissent from the decision have the right to exercise appraisal rights against their company, according to the Brazilian Corporate Law.

Holders of DPPI preferred shares who exercise their appraisal rights may choose to receive an amount per share based on either book value, or liquidation value because the exchange ratio calculated with reference to liquidation value is more favorable to DPPI shareholders than the exchange ratio offered by Ultrapar (which was calculated based on economic value). RIPI shareholders may exercise their appraisal rights based on book value

Table of Contents

only. Book values to be paid to RIPI and DPPI shareholders will be R$19.50 per RIPI share and R$25.13 per DPPI share and are based on RIPI s balance sheet as of December 31, 2006 and DPPI s balance sheet as of December 31, 2006, respectively. Liquidation value is R$33.55 per DPPI share, based on the valuation report prepared by Apsis.

In a stock merger transaction, the appraisal rights can only be exercised after the approval of the stock merger and, consequently, after the general meeting of shareholders has been held. Appraisal rights may be exercised in the 30 days following publication of the resolution by the shareholders in a general meeting approving the transaction that triggers the appraisal rights.

Preferred shareholders of RIPI and DPPI are entitled under Brazilian Corporate Law to request that they be provided with book value information for their respective preferred shares updated to a date that is within 60 days of the date of the relevant shareholder meeting. Ultrapar has engaged KPMG to issue a report confirming the book value applicable to RIPI and DPPI preferred shares as of September 30, 2007, which is based on these companies interim financial information included in this prospectus. Ultrapar intends to attach a copy of this report as an exhibit to the registration statement of which this prospectus forms a part.

Shareholders who vote in favor of approving the Share Exchange at the shareholders meeting do not have appraisal rights. Appraisal rights are reserved to those who voted against the Share Exchange, those who did not vote (including preferred shareholders) and those who did not attend the shareholders meeting.

Shareholders exercise their appraisal rights by sending a written notice to RIPI, DPPI or Ultrapar as applicable, informing the relevant company that they intend to exercise appraisal rights. Upon receipt of the notice, the relevant company is bound to buy the shares, and the shareholder is bound to sell them, unless the relevant company decides to reconsider the Share Exchange, as explained below.

Once the 30-day period for exercise of appraisal rights has expired, the shareholders no longer have any right to compel the relevant company to purchase their shares and the relevant company will proceed to determine how many shareholders exercised appraisal rights.

The Brazilian Corporate Law gives Ultrapar, RIPI, DPPI and CBPI a period of 10 days to call a new general shareholders meeting to reconsider the resolution that approved the Share Exchange if any of Ultrapar, RIPI, DPPI and CBPI believes that the total amount to be paid to the shareholders who exercised their appraisal rights could adversely affect their company s financial situation. If the shareholders in a general meeting reverse their earlier decision, Ultrapar, RIPI, DPPI and CBPI as the case may be, is released from the obligation to pay the appraisal amount.

Table of Contents

## ACCOUNTING TREATMENT

The following should be read in conjunction with the Unaudited pro forma Financial Statements, The Transaction and the consolidated financial statements included in this prospectus, including in the annexes attached hereto. The several steps of the Transaction will be accounted for under Brazilian GAAP and U.S. GAAP as set forth below.

**Closing of the Share Purchase Agreement**

In connection with the Share Purchase Agreement, which closed on April 18, 2007, Ultrapar acquired a controlling interest in the common shares of each of RIPI, DPPI and CBPI. On the same date, Ultrapar, Braskem and Petrobras executed two shareholders agreements, one for RIPI, and the other for DPPI, CBPI, ICQ and IPQ, which established the rights and obligations among Ultrapar, Petrobras and Braskem relating to the management and control of RIPI, DPPI and CBPI during the period in which the Transaction is being completed. These agreements were signed in order to ensure that (i) Ultrapar fulfills its obligations owed to Petrobras and Braskem, including those established under the Investment Agreement, and (ii) Petrobras and Braskem are each entitled to manage, during the period in which the Transaction is being completed, the assets of RIPI, DPPI and CBPI that each such company will receive in the separation of assets that will occur in connection with the completion of the Transaction. For the closing of the SPA Ultrapar received funds from Braskem and Petrobras which were recorded as a liability, with an offsetting asset, since the net assets acquired for Braskem and Petrobras under the commission agreement are not controlled by, and will not remain with, Ultrapar. As a result, for the portion of the Target Companies net assets that will be transferred to Braskem and Petrobras, the net effect in Ultrapar s financial statements under Brazilian GAAP and U.S. GAAP is zero. For the portion of the Target Companies net assets that will remain with Ultrapar, the difference between the price paid for them and their Brazilian GAAP book value was recorded as goodwill and is being amortized over 10 years. Under U.S. GAAP we adopted the purchase method of accounting for a step acquisition under the provisions of SFAS 141 Business Combination . Goodwill was recognized based on the excess of Ultrapar s acquisition cost over the net amounts assigned to the fair value of assets acquired and liabilities assumed. Goodwill is subject to annual impairment tests.

**Mandatory Tender Offers**

In connection with the Mandatory Tender Offers by Ultrapar for the remaining outstanding common shares of each of the Target Companies, the funds received from Braskem and Petrobras were recorded as a liability, with an offsetting asset, since the net assets acquired for Braskem and Petrobras under the commission agreement are not controlled by, and will not remain with, Ultrapar. As a result, for the portion of the Target Companies net assets that will be transferred to Braskem and Petrobras, the net effect in Ultrapar s financial statements under Brazilian GAAP and U.S. GAAP is zero. For the portion of the Target Companies net assets that will remain with Ultrapar, the difference between the price paid for them and their Brazilian GAAP book value is recorded as goodwill, to be amortized over a 10 year period. Under U.S. GAAP we adopted the purchase method of accounting for a step acquisition under the provisions of SFAS 141 Business Combination . Goodwill is recognized based on the excess of Ultrapar s acquisition cost over the net amounts assigned to the fair value of assets acquired and liabilities assumed. Goodwill is subject to annual impairment tests.

**Share Exchange**

In connection with the Share Exchange, we will execute a capital increase, corresponding to the number of new Ultrapar preferred shares that will be required to be issued in order to exchange all of the Target Companies outstanding common and preferred shares for our preferred shares. Under Brazilian GAAP, we intend to register this capital increase in an amount established in the Transaction Agreements. For U.S. GAAP, we intend to value the new Ultrapar shares based on the market price of the securities over a reasonable period of time before and after the terms of the acquisition were agreed to and announced, in accordance with paragraph 22 of SFAS 141 Business Combination . The capital increase will correspond to an increase in the investment by Ultrapar in the

Table of Contents

Target Companies. The portion of the investment that corresponds to the net assets to be transferred to Braskem and Petrobras will be added to the previous steps amounts that pertain to the two companies. For the portion of the investment that corresponds to the net assets that will remain with Ultrapar, the difference between the value of this investment and its Brazilian GAAP book value will be recorded as goodwill and be amortized over 10 years. Under U.S. GAAP, we will adopt the purchase method of accounting for a step acquisition under the provisions of SFAS 141 Business Combination . Goodwill will be recognized based on the excess of Ultrapar s acquisition cost over the net amounts assigned to the fair value of assets acquired and liabilities assumed. Goodwill is subject to annual impairment tests.

**Split-up of Assets**

In connection with the final phase of the Transaction, there will be a split-up of the Southern Distribution Business, Northern Distribution Business and the Petrochemical Business and subsequent transfer of the Petrochemical Business to Braskem and Petrobras, the Northern Distribution Business to Petrobras and one third ownership in RIPI to each of Braskem and Petrobras. In order to transfer the relevant assets to Petrobras and Braskem, the Target Companies will effect a spin-off of such assets and transfer them to Ultrapar. Ultrapar will then transfer those assets to Braskem and Petrobras in exchange for the funds received in steps 1 and 2 and will receive cash from Braskem and Petrobras for the portion of assets acquired by Ultrapar in the Share Exchange. In light of the accounting of each of the previous steps, we do not expect any significant gains or losses to be recorded under Brazilian GAAP and U.S. GAAP as a result of this step.

Table of Contents

## MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

In the opinion of Davis Polk & Wardwell, the following are the material U.S. federal income tax consequences to holders who exchange preferred shares of RIPI, DPPI or CBPI for our preferred shares pursuant to the Share Exchange, and the material U.S. federal income tax consequences of holding and disposing of our preferred shares. This discussion applies only to U.S. Holders (as defined below) that hold preferred shares of RIPI, DPPI or CBPI and that will hold our preferred shares as a result of the Share Exchange as capital assets.

This discussion does not describe all of the tax consequences that may be relevant to a holder in light of the holder s particular circumstances or to holders subject to special rules, such as:

- certain financial institutions;
- insurance companies;
- dealers in securities;
- persons holding preferred shares of RIPI, DPPI or CBPI or our new preferred shares as part of a hedge, straddle , integrated transaction or similar transactions;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes;
- persons subject to the alternative minimum tax;
- tax-exempt organizations; or
- persons that own or are deemed to own ten percent or more of our voting stock.

This discussion is based on the U.S. Internal Revenue Code of 1986, as amended, or the Code , administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, all as currently in effect. These laws are subject to change, possibly on a retroactive basis. Please consult your own tax advisor concerning the U.S. federal, state, local and foreign tax consequences of purchasing, owning and disposing of preferred shares in your particular circumstances.

As used herein, the term U.S. Holder means a beneficial owner of preferred shares of RIPI, DPPI or CBPI, that is, for U.S. federal tax purposes:

- an individual citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States or any political subdivision thereof; or

an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

**The Share Exchange**

A U.S. Holder will recognize gain or loss on the exchange of preferred shares of RIPI, DPPI or CBPI for our preferred shares in an amount equal to the difference between the fair market value of our preferred shares received and the U.S. Holder s tax basis in the preferred shares of RIPI, DPPI or CBPI exchanged. In general, such gain or loss will be treated as long-term capital gain or loss if the shares exchanged have been held for more than one year at the time of exchange. For U.S. federal income tax purposes, any gain or loss realized by a U.S. Holder will be treated as U.S. source gain or loss.

As a consequence of the exchange, a U.S. Holder s adjusted basis in our preferred shares will be equal to the fair market value of our preferred shares on the date the U.S. Holder made the exchange, and the holding period of our preferred shares received will begin on the day immediately following such date.

An exchanging U.S. shareholder may have different consequences if RIPI, DPPI or CBPI, as the case may be, is or was a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for any taxable year during which such U.S. Holder held the exchanged shares. Because PFIC status depends on the composition of a company s assets and income from time to time and because the relevant taxable periods for conducting this analysis may be different for each holder, we have not undertaken to determine whether any of RPI, DPPI, or CBPI is or was a PFIC for any taxable year. Exchanging U.S. Holders are urged to consult with their own tax advisors regarding the PFIC status of RPI, DPPI, or CBPI, as the case may be, for the periods during which they have held their shares and as to the U.S. federal income tax consequences to them of exchanging their shares if RPI, DPPI, or CBPI, as the case may be, is or was a PFIC.

**Ownership of Our Preferred Shares**

*Taxation of distributions.* Distributions paid with respect to preferred shares will be includable in the income of a U.S. Holder as ordinary dividend income to the extent paid out of current or accumulated earnings and profits of Ultrapar, as determined for U.S. federal income tax purposes. As discussed in the following two sentences, although the matter is not free from doubt, under current law, dividends paid to non-corporate U.S. Holders on preferred shares in taxable years beginning before January 1, 2011, will generally be taxable at a maximum rate of 15%, provided that certain holding period and other requirements are satisfied. Current law requires that to qualify for the lower 15% rate, dividends must be paid in respect of stock that is readily tradable on a securities exchange in the United States. Notwithstanding the fact that our ADSs are currently listed on the New York Stock Exchange, it is possible that the Internal Revenue Service could argue that dividends paid in respect of our preferred shares do not qualify for the lower 15% rate. U.S. Holders should consult their own tax advisors regarding the availability of this lower tax rate in their particular circumstances. For purposes of these rules, the amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution. In addition, the taxable amount of any distribution will include the amount of Brazilian tax withheld on the amount distributed, if any, and the amount of a distribution paid in reais will be measured by reference to the exchange rate for converting reais into U.S. dollars in effect on the date the distribution is received by the U.S. Holder. The U.S. Holder may have foreign currency gain or loss if the amount of such dividend is not converted into U.S. dollars on the date of its receipt.

Dividends paid by us generally will be treated as foreign source dividend income to U.S. Holders and will not be eligible for the dividends received deduction. Subject to certain limitations, Brazilian withholding tax, if any, paid in connection with any distribution with respect to preferred shares may be claimed as a credit against the U.S. federal income tax liability of a U.S. Holder if such U.S. Holder elects for that year to credit all foreign income taxes; otherwise, such Brazilian withholding tax may be taken as a deduction. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. U.S. Holders should consult their own tax advisors concerning the availability and utilization of the foreign tax credit.

*Sale and other disposition of our preferred shares.* Gain or loss realized by a U.S. Holder upon the sale, exchange or other disposition of a preferred share will be subject to U.S. federal income tax as U.S. source capital gain or loss in an amount equal to the difference between the amount realized on the disposition of the preferred share and the U.S. Holder s tax basis in the preferred share. The gain or loss will be long-term capital gain or loss if the U.S. Holder s holding period in the preferred share exceeds one year. If a Brazilian income tax is imposed on the sale or disposition of preferred shares, and the U.S. Holder does not receive significant foreign source income from other sources, the U.S. Holder may not be able effectively to credit such Brazilian tax against its U.S. tax liability. U.S. Holders should consult their tax advisors regarding the U.S. federal tax treatment of capital gains, which may be taxed at lower rates than ordinary income for individuals, and losses, the deductibility of which is subject to limitations.

*Passive foreign investment company.* Special U.S. tax rules apply to U.S. Holders that own shares in a PFIC. In general, we will be classified as a PFIC in a particular taxable year if either:

- 75% or more of our gross income consists of passive income, such as dividends, interest, rents and royalties; or

- 50% or more of our assets, by value, determined on the basis of a quarterly average, consists of assets that produce, or are held for the production of, passive income.

Based on a review of our income and assets, we believe that we are not a PFIC for U.S. federal income tax purposes and we do not expect to be a PFIC in the foreseeable future. However, since PFIC status depends upon the composition of a company s income and assets and the market value of its assets (including, among others, goodwill and less than 25 percent owned equity investments) from time to time, there can be no assurance that we will not be considered a PFIC for any taxable year.

If we are treated as a PFIC in any taxable year during which a U.S. Holder owns preferred shares, gain recognized by such U.S. Holder on the sale or other disposition of the preferred shares will be allocated ratably over the U.S. Holder s holding period for the preferred shares. The amounts allocated to the taxable year of the sale or other exchange and to any year before we become a PFIC will be taxable as ordinary income. The amount allocated to each other taxable year will be subject to tax at the highest rate in effect for that year for individuals or corporations, as appropriate, and an interest charge will be imposed on the amount allocated to such taxable year. Further, any distribution in respect of the preferred shares in excess of 125 percent of the average of the annual distributions on preferred shares received by the U.S. Holder during the preceding three years or the U.S. Holder s holding period, whichever is shorter, will be subject to taxation as described above. Certain elections may be available (including a mark-to-market election) to U.S. persons that may mitigate the adverse consequences resulting from PFIC status.

In addition, if we are treated as a PFIC in a taxable year in which we pay a dividend or the prior taxable year, the 15% dividend rate discussed above with respect to dividends paid to non-corporate holders will not apply in that year or the next year.

*U.S. backup withholding and information reporting.* Payment of dividends and other proceeds in connection with the preferred shares made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting and may be subject to backup withholding unless the U.S. Holder (i) is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact, or (ii) in the case of backup withholding, provides a taxpayer identification number on a properly completed Internal Revenue Service Form W-9 or a substitute form and certifies that no loss of exemption from backup withholding has occurred. The amount of any backup withholding is creditable against the U.S. Holder s federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is furnished to the Internal Revenue Service.

Table of Contents

## BRAZILIAN TAX CONSEQUENCES

The following discussion is based on Brazilian law and practice as applied and interpreted as of the date of this prospectus, which are subject to change at any time. There is currently no treaty for the avoidance of double taxation between Brazil and the United States.

The following discussion mainly summarizes the principal Brazilian tax consequences of the transactions described in this prospectus to a U.S. holder not deemed to be domiciled in Brazil for Brazilian tax purposes (a U.S. holder ). This discussion does not address all possible Brazilian tax consequences relating to the Exchange of Shares and does not address all the Brazilian tax considerations that may be applicable to any particular non-Brazilian holder. You should consult your own tax advisor regarding taxes that may arise in connection with the Exchange of Shares.

Despite the lack of specific provisions in Brazilian tax legislation with respect to the Share Exchange, there are good legal grounds to sustain that the exchange by a U.S. person or entity of preferred shares that are registered as a foreign portfolio investment under Resolution 2,689/00 of the National Monetary Council Regulations, or Resolution 2,689/00, or are registered as a foreign direct investment under Law 4,131/62 would not be subject to income tax pursuant to Brazilian law. However, the exercise of appraisal rights is a taxable transaction.

**Taxation on Gains Share Exchange**

There are good legal grounds to sustain that the exchange of shares would not be subject to income tax pursuant to Brazilian law. Nevertheless, in case these arguments do not prevail, the following rule will apply to calculate the taxable gains:

- Gains that may be realized through the exchange of RIPI, DPPI or CBPI shares for Ultrapar shares (e.g., cases of foreign direct investment under Law 4,131/62) could be subject to tax at a rate of 15%, unless the investor is established in a tax haven, in which case the applicable rate would be 25%. This rule would apply even in case of an investment made under Resolution 2,689/00, since the exchange of shares would be considered as a transaction carried out off of a stock exchange. These gains would be measured by the difference between the transaction cost of RIPI, DPPI or CBPI shares and the amount attributed to the received Ultrapar shares upon the exchange of shares. Both amounts should be considered in Brazilian currency without any correction for inflation as of 1996. Although there is a controversy surrounding this issue, there are arguments to sustain that the transaction cost of foreign investments should be indexed in foreign currency.

**Taxation on Gains Exercise of Appraisal Rights**

Gains that may be realized through the exercise of appraisal rights would be subject to tax at a rate of 15%, unless the investor is established in a tax haven, in which case the applicable rate would be 25%. This rule would apply even in case of an investment made under Resolution 2,689/00, since the exercise of appraisal rights would be considered as a transaction carried out off of a stock exchange. Both amounts should be treated as being in Brazilian currency without any correction for inflation as of 1996. Although there is a controversy surrounding this issue, there are arguments to sustain that the transaction cost of foreign investments should be indexed in foreign currency.

**Taxation on Gains Future Disposals of Ultrapar s Shares**

In case of future disposal of the preferred shares received upon the exchange of shares, potential gains realized by U.S. or non-resident holders would be taxed in Brazil, as follows:

- In case of disposal to another U.S. holder or non-Brazilian holder, Brazilian income tax would apply, as of February 2004, at 15 %, except if the beneficiary is located in a low-tax jurisdiction, in which case the applicable rate would be of 25 %. There may be arguments to challenge the imposition of the

Brazilian tax on this transaction. Nevertheless, because the provision is very recent and has not been tested before Brazilian courts, we may not predict whether this discussion will prevail in the future;

In case of transactions carried on the Brazilian stock exchanges by investors who entered the country under Resolution 2,689/00 of the National Monetary Council Regulations, a tax exemption would apply and gains would not be taxed in Brazil, except if the investor is domiciled in a tax haven, in which case the applicable rate would be of 15%;

In case of transactions carried outside of the Brazilian stock exchange by investors under Resolution 2,689/00, the applicable withholding tax rate would be 15%, except if the investor is located in a low-tax jurisdiction, in which case the applicable rate would be 25%;

In case of transactions carried on, or out of, the Brazilian stock exchange by investors that are not under Resolution 2,689/00 (Law 4,131/62 regime), the applicable withholding tax would be 15%, except if the transaction is carried out of the Brazilian stock exchange and the beneficiary is located in a tax haven, in which case the applicable rate would be 25%.

There can be no assurance that the current preferential treatment for U.S. and non-Brazilian holders of shares under Resolution 2,689/00 will be maintained.

Gain on the disposal of shares is measured by the difference between the amount in Brazilian currency realized on the sale or exchange and the Transaction cost of the shares sold, measured in Brazilian currency, without any correction for inflation as of 1996. Although there is a controversy surrounding this issue, there are arguments to sustain that the Transaction cost of foreign investments should be indexed in the currency of that foreign country.

*Shareholders Compensation*

Taxation of dividends and interest on capital will be the same for RIPI, DPPI and CBPI shareholders.

(A) Taxation of Dividends. Dividends paid by Ultrapar in cash or in kind out of profits generated on or after January 1, 1996 to a non-Brazilian holder in respect of preferred shares will not be subject to Brazilian withholding tax.

(B) Distributions of Interest on Capital. Brazilian corporations may make payments to shareholders characterized as interest on capital as an alternative to making dividend distributions. The rate of interest may not be higher than the federal government s long-term interest rate, or the TJLP, as determined by the Central Bank from time to time. The total amount distributed as interest on capital may not exceed the greater of (i) 50% of net income (before taking the distribution and any deductions for income taxes into account) for the year in respect of which the payment is made or (ii) 50% of retained earnings for the year prior to the year in respect of which the payment is made. Payments of interest on capital are approved by the shareholders on the basis of recommendations of the company s board of directors. Usually the board of directors approves the payment of interest on capital, subject to ratification by the general meeting.

Distributions of interest on capital paid to Brazilian and non-Brazilian holders of common shares and preferred shares are deductible by Ultrapar for Brazilian corporate tax purposes, within the limits referred above. Payments to non-Brazilian holders are subject to Brazilian withholding tax at the rate of 15%. If the recipient of the payment is domiciled in a tax haven jurisdiction (i.e., a country that does not impose any income tax or that imposes tax at a rate of less than 20%), the rate will be 25%. The tax treatment of interest on capital at the recipient level varies according to such recipient s jurisdiction. You should consult with your own tax advisor regarding the tax treatment applicable to you.

Amounts paid as interest on capital (net of applicable withholding tax) may be treated as payments in respect of the dividends Ultrapar is obligated to distribute to its shareholders in accordance with its by-laws and the Brazilian Corporate Law. Distributions of interest on capital in respect of common shares and preferred shares may be converted into U.S. dollars and remitted outside of Brazil, subject to applicable exchange controls.

Table of Contents

No assurance can be given that the board of directors of Ultrapar will recommend that future distributions of profits will be made by means of interest on capital. Whether the board of directors of Ultrapar will recommend the distribution of profits by means of interest on capital or dividends will depend on Ultrapar s tax position and corporate/tax legislation in force on the date of the recommendations.

**Other Brazilian Taxes**

The exchange of shares will not trigger any Brazilian inheritance, gift or succession taxes (Imposto sobre Transmissão Causa Mortis e Doações ITCMD) or Contribution on Financial Transfers (Contribuição Provisória sobre Movimentação Financeira CPMF) or Tax on Financial Transactions (Imposto sobre Operações Financeiras IOF), except in case of exercise of appraisal rights, in which case CPMF may apply. Some Brazilian states impose ITCMD on gifts or bequests by individuals or entities not domiciled or residing in Brazil to individuals or entities domiciled or residing within such states.

Law No. 8,894, dated as of June 21, 1994, created the IOF, which may be imposed on any transaction involving bonds and securities, even if the transaction includes Brazilian stock, futures or commodities exchanges, or exchange as well as currency transactions.

The rate of IOF with respect to transactions involving shares is currently zero, although the executive branch may increase the rate up to 1.5% per day of the terms of the securities, but only with respect to future transactions.

The current applicable rate for almost all foreign currency exchange transactions is also zero. Notwithstanding this, the Ministry of Finance may increase the rate at any time, up to 25%. However, it may only do so with respect to future transactions.

CPMF is a tax imposed on bank account debits at a rate of 0.38%. Although the CPMF is set to expire on December 31, 2007, the Brazilian Federal Government may extend it, as it already has done several times, or transform the CPMF into a permanent tax. The burden of the CPMF tax is borne by the holder of the bank account (in this case, Ultrapar) and the responsibility for the CPMF tax collection is of the financial institution that carries out the relevant financial transaction.

Table of Contents

## EXTRAORDINARY SHAREHOLDERS MEETINGS OF RIPI, DPPI, CBPI AND ULTRAPAR

***RIPI Will Hold its Extraordinary Shareholder Meeting on December 18, 2007***

The RIPI extraordinary shareholder meeting will be held on December 18, 2007 at 9:00 a.m. (São Paulo time) at RIPI s headquarters, located at Rua Engenheiro Heitor Amaro Barcellos, 551, City of Rio Grande, State of Rio Grande do Sul, Brazil. At the extraordinary shareholder meeting, RIPI s common shareholders will be asked:

- to approve all the conditions of the Share Exchange pursuant to the Investment Agreement;
- to approve the Share Exchange; and
- to transact any other business as may properly be brought before the RIPI extraordinary shareholder meeting or any adjournment or postponement of the RIPI extraordinary shareholder meeting.

You may not vote at the RIPI extraordinary shareholder meeting as a holder of RIPI preferred stock, although you may attend.

***DPPI Will Hold its Extraordinary Shareholder Meeting on December 18, 2007***

The DPPI extraordinary shareholder meeting will be held on December 18, 2007 at 9:00 a.m. (São Paulo time) at DPPI s headquarters, located at Avenida Dolores Alcaraz Caldas, 90, City of Porto Alegre, State of Rio Grande do Sul, Brazil. At the extraordinary shareholder meeting, DPPI s common shareholders will be asked:

- to approve all the conditions of the Share Exchange pursuant to the Investment Agreement;
- to approve the Share Exchange; and
- to transact any other business as may properly be brought before the DPPI extraordinary shareholder meeting or any adjournment or postponement of the DPPI extraordinary shareholder meeting.

You may not vote at the DPPI extraordinary shareholder meeting as a holder of DPPI preferred stock, although you may attend.

***CBPI Will Hold its Extraordinary Shareholder Meeting on December 18, 2007***

The CBPI extraordinary shareholder meeting will be held on December 18, 2007 at 5:00 p.m. (São Paulo time) at CBPI s headquarters, located at Rua Francisco Eugênio, 329 , City of Rio de Janeiro, State of Rio de Janeiro, Brazil. At the extraordinary shareholder meeting, CBPI s common shareholders will be asked:

- to approve all the conditions of the Share Exchange pursuant to the Investment Agreement;
- to approve the Share Exchange; and

to transact any other business as may properly be brought before the CBPI extraordinary shareholder meeting or any adjournment or postponement of the CBPI extraordinary shareholder meeting.

You may not vote at the CBPI extraordinary shareholder meeting as a holder of CBPI preferred stock, although you may attend.

Table of Contents

***Ultrapar Will Hold its Extraordinary Shareholder Meeting on December 18, 2007***

The Ultrapar extraordinary shareholder meeting will be held on December 18, 2007 at 7:00 p.m. (São Paulo time) at its headquarters at Avenida Brigadeiro Luis Antônio 1343, 9 floor, City of São Paulo, State of São Paulo, Brazil. At the extraordinary shareholder meeting, Ultrapar common shareholders will be asked:

to approve all the conditions of the Share Exchange pursuant to the Investment Agreement;

to approve the Share Exchange;

to approve a capital increase in connection with the Share Exchange; and

to transact any other business as may properly be brought before the Ultrapar extraordinary shareholder meeting or any adjournment or postponement of the Ultrapar extraordinary shareholder meeting.

Table of Contents

## INFORMATION ABOUT THE COMPANIES

### Ultrapar

Ultrapar Participações S.A., or Ultrapar, is a *sociedade anônima* incorporated under the laws of the Federative Republic of Brazil. We have a significant market presence in the business areas in which we operate. We are the leader in LPG distribution in Brazil through Ultragaz, with a 24% market share, and one of the largest independent distributors in the world in terms of volume sold. We deliver LPG to an estimated 10 million households using our own vehicle fleet and also through approximately 4,000 independent retailers. We are the largest producer in South America of ethylene oxide and its principal derivatives, with an extensive business in the domestic and international markets. Through Ultracargo, we are a leading provider of integrated logistics for special bulk cargo in Brazil. We offer integrated multimodal transportation, loading and unloading services and the management of third-party fleets. Our high storage capacity, together with the strategic location of our assets, facilitates product movement along an integrated multimodal logistics system. With the acquisition of Ipiranga s fuel distribution business in the south and southeast regions of Brazil, we became the second largest Brazilian fuel distributor with approximately 15% market share. In 2006, we estimate that the Target Operations net sales in the fuel distribution business amounted to approximately R$19 billion.

Additional information about Ultrapar and its subsidiaries is included in our 2006 Form 20-F, which is included as an annex to this document. See Where You Can Find More Information on page 208.

***Ratio of Earnings to Combined Fixed Charges and Preference Securities***

The following table sets forth our ratio of earnings to combined fixed charges and preference securities for the periods indicated:

| | As of June 30, | | As of December 31, | | | | |
|---|---|---|---|---|---|---|---|
| | 2007 | 2006 | 2002 | 2003 | 2004 | 2005 | 2006 |
| Ratio of earnings to combined fixed charges and preference securities (1) | 2.18 | 3.27 | 4.11 | 5.38 | 9.00 | 4.17 | 3.29 |

(1) For the purpose of calculating the ratio of earnings to combined fixed charges and preference securities, earnings consist of income from continuing operations before taxation and minority interests plus fixed charges and after deduction of the unremitted pre-tax income of companies accounted for by the equity method. Combined fixed charges and preference dividends consist of total interest expense, including or excluding interest on deposits as appropriate, and the proportion of rental expense deemed representative of the interest factor. Combined fixed charges and preference dividends include dividends and interest paid on the preferred shares.

### The Ipiranga Group

The Ipiranga Group operated Brazil s second-largest fuel distributor, with a network of approximately 4,200 service stations and a 19% market share as of December 31, 2006. Ipiranga also had a significant presence in the petrochemicals market, with the production of 650,000 tons of petrochemical resins a year and an oil refinery business in southern Brazil. The Ipiranga Group conducted its refinery business through RIPI, its fuel distribution business through CBPI and DPPI and its petrochemical business through IQ and IPQ and held a 29.5% interest in Copesul (with Braskem owning another 29.5%), which is Brazil s second-largest producer of petrochemicals.

***RIPI***

RIPI is an oil refinery in the state of Rio Grande do Sul, in the Southern region of Brazil. As of December 31, 2006, RIPI s nominal capacity was 17,000 barrels per day, and its principal products include gasoline, diesel, naphtha, fuel oil, LPG and kerosene. During 2006, RIPI faced difficulties in keeping its operations at full capacity, due to an increase in international oil prices, to which its costs are linked, without a

Table of Contents

corresponding increase in oil derivatives prices in Brazil. This led RIPI to suspend its operations for five months during the year. In 2006, the average production of the refinery was 7,158 barrels per day, which represented 42% of the refinery s nominal capacity, and RIPI s market share reached 0.4% of the Brazilian market, according to ANP data. RIPI s principal executive offices are located at Rua Engenheiro Heitor Amaro Barcellos, 551, City of Rio Grande, State of Rio Grande do Sul, Brazil.

***DPPI***

DPPI is engaged in the distribution and marketing of petroleum products, fuel alcohol and vehicular natural gas in the State of Rio Grand do Sul and the western portion of the State of Santa Catarina, Brazil. DPPI is also the controlling entity of CBPI, the company responsible for the fuels distribution business of the Ipiranga Group in the remaining Brazilian territory. DPPI s share of the Brazilian fuels market is 2.6%. A substantial portion of DPPI net sales is derived from the sale of diesel and gasoline. DPPI s principal executive offices are located at Avenida Dolores Alcaraz Caldas, 90, City of Porto Alegre, State of Rio Grande do Sul, Brazil.

***CBPI***

CBPI is engaged in the distribution and marketing of petroleum products, fuel alcohol and vehicular natural gas in Brazil, with the exception of those regions in which DPPI operates and the States of Roraima and Amapá. CBPI is controlled by DPPI. CBPI s share of the Brazilian fuels market was 16.9 % as of December 31, 2006. In addition to selling gasoline and fuel alcohol, CBPI also sells diesel, vehicular natural gas, fuel oil, kerosene and lubricants. Together with DPPI, CBPI forms Brazil s second-largest fuel distributor, with a network of approximately 4,200 service stations and a 19% market share as of December 31, 2006. CBPI s principal executive offices are located at Rua Francisco Eugênio, 329, City of Rio de Janeiro, State of Rio de Janeiro, Brazil.

The following diagram shows the corporate structure of the Ipiranga Group prior to the completion of the Transaction:

Table of Contents

## ULTRAPAR MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULT OF OPERATIONS

### A. Operating Results

*The following discussion is based on and should be read in conjunction with Ultrapar s consolidated financial statements for the nine-month periods ended September 30, 2007 and 2006 and the six-month periods ended June 30, 2007 and 2006, as well as their respective notes, included in this prospectus, the sections Other Information and Selected Consolidated Historical Financial Data of Ultrapar and other financial information presented elsewhere in this prospectus.*

*Following the closing of our acquisition of Ipiranga on April 18, 2007, the second and third quarters of 2007 were the only time periods for which the operating results of Ipiranga that are discussed below were consolidated with ours. Accordingly, this discussion does not include period-to-period comparisons of Ipiranga s contributions to our operating results for the nine-month period ended September 30, 2007 or the six-month period ended June 30, 2007 to the corresponding periods of 2006.*

*This section contains discussions regarding estimates and forward-looking statements that involve risks and uncertainties. Ultrapar s actual results may differ significantly from those discussed in these estimates and forward looking statements as a result of various factors, including, without limitation, those described in Cautionary Statement Regarding Forward-Looking Statements and Risk Factors.*

### Overview

Our principal businesses are:

- the LPG distribution business, conducted by our wholly-owned subsidiary Ultragaz;
- the fuel distribution business, conducted by our subsidiaries DPPI and CBPI, which we acquired through our acquisition of the controlling stake of the Ipiranga Group and which through the Southern Distribution Business made us the second largest Brazilian fuel distributor with an approximate 15% market share. See The Transaction ;
- chemical and petrochemical businesses, conducted by our wholly owned subsidiary Oxiteno; and
- logistics services for special bulk cargo, conducted by our wholly owned subsidiary Ultracargo.

Ultragaz sells LPG to the residential, commercial and industrial market segments. Ipiranga distributes fuels in the Southeast and South of Brazil. Oxiteno produces ethylene oxide and its principal derivatives, and is also a significant producer of specialty chemicals, manufacturing approximately 700 products used in various industrial sectors such as polyethylene terephthalate, or PET, packaging, polyester, textiles, paints, cosmetics and detergents. Ultracargo operates a fleet of trucks specialized in the transport of products that require special handling and maintains storage facilities at railroad junctions and port terminals.

### Brazilian economic background

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

***Gross domestic product***. In the first half of 2007, Brazilian GDP grew by 4.8%, compared to the same period in 2006. This growth was mainly influenced by the improved performance of the industrial sector as a result of lower interest rates, greater credit availability and expansion in the Brazilian population income.

***Inflation and currency fluctuations***. Our cash operating expenses are substantially in *reais* and tend to increase with inflation. However, a significant portion of our costs of sales and services rendered are linked to the

Table of Contents

U.S. dollar and are not substantially affected by the Brazilian inflation rate. In addition, some of our *real*-denominated debt is indexed to take into account the effects of inflation. In the first semester of 2007, the *real* appreciated by 10% against the U.S. dollar and the inflation rate for the period was 1.5%, as measured by the IGP-M.

The principal foreign exchange risk we face arises from certain U.S. dollar denominated costs and expenses. Although a substantial part of our debt is dollar-denominated, it is currently hedged against currency devaluation through the use of various derivative instruments or matching investments in the same currency. Additionally, a significant part of our raw materials is also denominated or indexed to the U.S. dollar. A large part of our sales is denominated in *reais*, although prices in the chemical business are benchmarked to prices prevailing in the international markets and denominated in U.S. dollars. Hence, we are exposed to foreign exchange rate risks which could negatively impact our businesses, financial situation and operating results as well as our capacity to service our debt.

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

| | **Six-month period ended June 30,** | |
|---|---|---|
| **Index** | **2007** | **2006** |
| General Price Index IGP-M | 1.5% | 1.4% |
| Devaluation (appreciation) of the *real* against the U.S. dollar | (9.9)% | (7.5)% |

We manage the foreign exchange risk associated with the scheduled payments under the terms of our U.S. dollar indebtedness by investing in U.S. dollar-denominated securities and foreign currency/interest swap contracts, under which we pay variable interest in *reais* based on the interbank certificate of deposit rate, or CDI, and receive fixed interest in U.S. currency. As of June 30, 2007 our total obligations denominated in foreign currency were R$970.0 million, including pre-export finance contracts and import payables. At the same date our total asset position in foreign currency was R$799.4 million, composed of investments indexed to U.S. dollars and swap instruments used to manage fluctuations of exchange rates and foreign currency receivables exposures.

***Interest rate***

Interest rates in Brazil have been historically high, but the monetary authorities have gathered success in diminishing it in a consistent manner during recent years. In 2003, there was a significant monetary tightening in which the basic rate was elevated to 26% per year, as a reply to the inflation bubble of the previous year. However, the interest rate was rapidly diminished yet during 2003 to 16%. Between 2004 and mid-2005, there was another tightening, as a reply to a quick inflation acceleration and to heating in the trade area. Now, once the inflation has been controlled, the basic rate was reduced to 11.25% per year on September 2007. The main interest rate risk in Ultrapar arises from the possibility of incurring losses due to interest rate fluctuations that increase interest expenses on loans and financing.

| **Index** | **Six-month period ended June 30, 2007** | **Year ended December 31, 2006** | **2005** | **2004** |
|---|---|---|---|---|
| Interest rate Selic | 6% | 15% | 19% | 16% |

Table of Contents

**Results of operations**

The following discussion of our results of operations is based on the financial information derived from our consolidated financial statements prepared in accordance with Brazilian GAAP.

***Nine-month period ended September 30, 2007 compared to the nine-month period ended September 30, 2006***

The following table shows a summary of our results of operations for the periods ended September 30, 2007 and 2006:

| | Period ended September 30, 2007 | Percentage of net sales and services | Period ended September 30, 2006 | Percentage of net sales and services | Percent change |
|---|---|---|---|---|---|
| | (in millions of *reais*, except percentages) | | | | |
| Net sales and services | 13,518.0 | 100% | 3,590.3 | 100% | 277% |
| Cost of sales and services | (12,339.3) | 91% | (2,889.3) | 80% | 327% |
| **Gross profit** | 1,178.7 | 9% | 701.0 | 20% | 68% |
| Selling, general and administrative expenses | (834.6) | 6% | (441.8) | 12% | 89% |
| Other operating income (expense), net | 4.9 | 0% | 1.8 | 0% | 172% |
| **Operating income before financial items** | 349.0 | 3% | 261.0 | 7% | 34% |
| Financial income (expense), net | (65.2) | 0% | 31.9 | 1% | (304%) |
| Non-operating income (expense), net | (2.9) | 0% | (20.9) | 1% | (86%) |
| Income and social contribution taxes | (77.2) | 1% | (35.4) | 1% | 118% |
| Minority interest/equity in earnings of affiliates | (100.0) | 1% | (2.9) | 0% | 3348% |
| Profit sharing | (4.5) | 0% | 0 | 0% | |
| **Net income** | **99.2** | **1%** | **233.7** | **7%** | **(58%)** |

*Net sales and services*. Net sales and services for the nine-month period ended September 30, 2007 increased by 277% to R$13,518.0 million from R$3,590.3 million for the nine-month period ended September 30, 2006.

The following table illustrates the change in sales in each of our segments:

| | Period ended September 30, 2007 | 2006 | Percent change |
|---|---|---|---|
| | (in millions of *reais*) | | |
| Ultragaz | 2,342.4 | 2,292.3 | 2% |
| Ipiranga | 9,836.3 | | |
| Oxiteno | 1,205.1 | 1,162.4 | 4% |
| Ultracargo | 170.6 | 172.1 | (1)% |

Ultragaz net sales and services increased by 2% to R$2,342.4 million for the nine-month period ended September 30, 2007 compared to R$2,292.3 million for the nine-month period ended September 30, 2006. The increase in net sales was driven by the 2% growth in sales volume, mainly in the bulk segment, which grew by 6% in the period.

Ipiranga s net sales amounted to R$9,836.3 million in the second and third quarters of 2007.

Oxiteno s net sales and services increased by 4% to R$1,205.1 million for the nine-month period ended September 30, 2007 compared to R$1,162.4 million for the nine-month period ended September 30, 2006. The

Table of Contents

increase in Oxiteno s net sales and services was mainly due to (i) the 10% growth in sales volume and (ii) the improvement in sales mix, with increased proportion of specialty chemicals volume of 75% in 2007, compared to 73% in 2006, which are higher value added products, and sales in the domestic market, which have higher prices. These effects were partially offset by the 8% appreciation in the Brazilian *real* against the U.S. Dollar.

Ultracargo s net sales and services decreased by 1% to R$170.6 million for the nine-month period ended September 30, 2007, compared to R$172.1 million for the nine-month period ended September 30, 2006. Although the effective storage levels were 17% higher than in 2007, the total kilometrage traveled was 25% lower than that in 2006 due to a restructuring of the Company s customer portfolio in the transport segment, which focused on services with a higher aggregate value.

*Cost of sales and services*. Cost of sales and services increased by 327% to R$12,339.3 million for the nine-month period ended September 30, 2007, compared to R$2,889.3 million for the nine-month period ended September 30, 2006.

Ultragaz cost of sales and services increased by 3% to R$1,981.8 million for the nine-month period ended September 30, 2007 compared to R$1,919.2 million for the nine-month period ended September 30, 2006, mainly due to higher sales volume.

Ipiranga s cost of sales and services amounted to R$ 9,315.4 million in the second and third quarters of 2007.

Oxiteno s cost of sales and services increased by 9% to R$976.7 million for the nine-month period ended September 30, 2007 compared to R$896.7 million for the nine-month period ended September 30, 2006. This increase was mainly due to an increase in the dollar cost of ethylene of 14%, its main raw material, and a 10% increase in sales volume, which were partially offset by the 8% appreciation of the *real* against the U.S. dollar.

Ultracargo s cost of sales and services decreased by 6% to R$104.0 million for the nine-month period ended September 30, 2007 from R$110.1 million for the nine-month period ended September 30, 2006. This decrease was a result of the reduction in the company s transport operations.

*Gross profit*. Gross profit increased by 68% to R$1,178.7 million for the nine-month period ended September 30, 2007 compared to R$701.0 million for the nine-month period ended September 30, 2006. Ultragaz gross profit was R$360.6 million for the nine-month period ended September 30, 2007, a 3% decrease compared to R$373.1 million for the nine-month period ended September 30, 2006. Ipiranga s gross profit was R$520.9 million in the second and third quarters of 2007. Oxiteno s gross profit was R$228.4 million for the nine-month period ended September 30, 2007, a 14% decrease compared to R$265.7 million for the nine-month period ended September 30, 2006. Ultracargo s gross profit was R$66.6 million for the nine-month period ended September 30, 2007, a 7% increase compared with R$62.0 million for the nine-month period ended September 30, 2006.

*Selling, general and administrative expenses*. Our selling, general and administrative expenses increased by 89% to R$834.6 million for the nine-month period ended September 30, 2007 from R$441.8 million for the nine-month period ended September 30, 2006.

Ultragaz selling, general and administrative expenses increased by 6% to R$250.0 million for the nine-month period ended September 30, 2007 compared to R$236.3 million for the nine-month period ended September 30, 2006. This increase reflects (i) an increase in personnel expenses as a result of annual collective wage agreements (5%) and expansion in the size of the workforce compatible with the company s new commercial structure (3%); and (ii) higher expenses with advertising and marketing (R$4.9 million).

Table of Contents

Ipiranga s selling, general and administrative expenses amounted to R$ 354.3 million in the second and third quarters of 2007, the only time periods for which Ipiranga s results have been consolidated with ours following our acquisition of the Ipiranga Group that closed on April 18, 2007.

Oxiteno s selling, general and administrative expenses increased by 3% to R$160.0 million for the nine-month period ended September 30, 2007 compared to R$155.5 million for the nine-month period ended September 30, 2006, principally due to (i) an increase in volume sold of 10% and (ii) an increase in expenses at Oxiteno Mexico, mainly freight, which presented a 25% increase in volume sold.

Ultracargo s selling, general and administrative expenses decreased by 5% to R$51.1 million for the nine-month period ended September 30, 2007 compared to R$53.6 million for the nine-month period ended September 30, 2006, principally due to downsizing in the workforce as a result of the reduction in transport operations.

*Operating income before financial items*. Operating income before financial items increased by 34% to R$349.0 million for the nine-month period ended September 30, 2007 compared to R$261.0 million for the nine-month period ended September 30, 2006. Ultragaz operating income before financial items for the nine-month period ended September 30, 2007 was R$111.1 million, a 19% decrease compared to R$137.3 million compared to the nine-month period ended September 30, 2006. Ipiranga s operating income before financial items for the second and third quarters of 2007, was R$169.1 million. Oxiteno s operating income before financial items was R$69.7 million for the nine-month period ended September 30, 2007, a 37% decrease compared to R$111.4 million for the nine-month period ended September 30, 2006. Ultracargo s operating income before financial items was R$16.2 million for the nine-month period ended September 30, 2007, a 91% increase compared to the R$8.5 million for the nine-month period ended September 30, 2006.

*Financial income (expense), net*. We reported net financial expense of R$65.2 million for the nine-month period ended September 30, 2007, compared to a net financial income of R$31.9 million for the nine-month period ended September 30, 2006. The financial result for the nine months ended September 30, 2006 benefited from an extraordinary gain of R$43 million, due to the favorable outcomes of lawsuits related to the levying of PIS and COFINS taxes on financial revenues. In addition, the financial result for the nine months ended September 30, 2007 reflects Ultrapar s increase in net debt as a result of the payment related to the acquisition of the controlling stake of Ipiranga. Ultrapar s net debt position was R$1,278.2 million for the nine months ended September 30, 2007, compared to a net cash position of R$142.1 million for the same period of 2006.

*Non-operating income (expense), net.* We reported a net non-operating expense of R$2.9 million for the nine-month period ended September 30, 2007 compared to a net non-operating expense of R$20.9 million for the nine-month period ended September 30, 2006. This net expense is primarily attributable to (i) the write-off of deferred assets related to projects analysis of approximately R$12 million, (ii) the result on the scrapping of LPG cylinders (R$3 million) and (iii) loss provision in the investment in a subsidiary (R$2 million).

*Income and social contribution taxes.* Income and social contribution taxes expenses amounted to R$77.2 million for the nine-month period ended September 30, 2007, an increase of 118% from R$35.4 million for the nine-month period ended September 30, 2006. This increase is primarily due to higher pre-tax profit as a result of the consolidation of Ipiranga s results. In December 2006, the income tax exemption of Oxiteno s unit at Camaçari expired and a request was filed with the ADENE (Northeast Development Agency), which is responsible for the management of this incentive program, for a 75% reduction in income tax until 2016, which was deferred on May 25, 2007. On July 3, 2007, the report issued by ADENE was sent to the federal tax authorities for approval, which must occur within 120 days.

*Minority interest/equity in earnings of affiliates*. Minority interest and equity in earnings of affiliates increased to R$100.0 million for the nine-month period ended September 30, 2007, compared to R$2.9 million for the nine-month period ended September 30, 2006, reflecting the stake held by minority shareholders in Ipiranga. As of September 30, 2007, Ultrapar held 11.52% of CBPI s capital and 32.45% of DPPI s capital.

Table of Contents

*Net income*. As a result of the foregoing, net income for the nine-month period ended September 30, 2007 was R$99.2 million, a decrease of 58% compared to R$233.7 million for the nine-month period ended September 30, 2006.

***Six-month period ended June 30, 2007 compared to the six-month period ended June 30, 2006***

*Initial Considerations.* In April 2007 we acquired the controlling stake of certain companies of the Ipiranga Group, becoming owners of (i) the fuel and lubricant distribution businesses in the South and Southeast of Brazil, together with related activities, (ii) EMCA Empresa Carioca de Produtos Químicos, a producer of white mineral oils and special fluids, and (iii) a stake in the refinery operations. Ultrapar s figures in 2Q07 already consolidate the results from the acquired businesses as from the acquisition date. The references to Ipiranga correspond to the fuel and lubricant distribution businesses acquired in the South and Southeast of Brazil and related activities, as well as EMCA.

The following table shows a summary of our results of operations for the periods ended June 30, 2007 and 2006:

| | Six-month period ended June 30, 2007 | Percentage of net sales and services | Six-month period ended June 30, 2006 | Percentage of net sales and services | Percent change |
|---|---|---|---|---|---|
| | (in millions of *reais*, except percentages) | | | | |
| Net sales and services | 7,355.2 | 100% | 2,295.1 | 100% | 220% |
| Cost of sales and services | (6,655.1) | 90% | (1,859.4) | 81% | 258% |
| **Gross profit** | 700.1 | 10% | 435.7 | 19% | 61% |
| Selling, general and administrative expenses | (492.1) | 7% | (287.7) | 13% | 71% |
| Other operating income (expense), net | 4.1 | 0% | 1.1 | 0% | 273% |
| **Operating income before financial items** | 212.1 | 3% | 149.1 | 6% | 42% |
| Financial income (expense), net | (35.2) | 0% | 34.8 | 2% | (201%) |
| Non-operating income (expense), net | (1.9) | 0% | (13.2) | 1% | (86%) |
| Income and social contribution taxes | (49.3) | 1% | (24.1) | 1% | (105%) |
| Minority interest/equity in earnings of affiliates | (48.3) | 1% | (1.7) | 0% | 2,741% |
| Profit sharing | (2.8) | 0% | | | |
| **Net income** | **74.6** | **1%** | **144.9** | **6%** | **(49)%** |

*Net sales and services*. Net sales and services for the six-month period ended June 30, 2007 increased by 220% to R$7,355.2 million from R$2,295.1 million for the six-month period ended June 30, 2006.

The following table illustrates the change in sales in each of our segments:

| | Six-month period ended June 30, 2007 | 2006 | Percent change |
|---|---|---|---|
| | (in millions of *reais*) | | |
| Ultragaz | 1,533.0 | 1,475.3 | 4% |
| Ipiranga | 4,958.8 | | |
| Oxiteno | 783.9 | 727.8 | 8% |
| Ultracargo | 111.3 | 116.8 | (5)% |

Ultragaz net sales and services increased by 4% to R$1,533.0 million for the six-month period ended June 30, 2007 compared to R$1,475.3 million for the six-month period ended June 30, 2006. The increase in net sales was driven by the 3% growth in sales volume, mainly in the bulk segment, which grew by 7% in the period.

**Table of Contents**

Ipiranga s net sales amounted to R$4,958.8 in the second quarter of 2007.

Oxiteno s net sales and services increased by 8% to R$783.9 million for the six-month period ended June 30, 2007 compared to R$727.8 million for the six-month period ended June 30, 2006. The increase in Oxiteno s net sales and services was mainly due to (i) the 11% growth in sales volume and (ii) the improvement in sales mix, with increased proportion of specialty chemicals volume of 75% in 2007, compared to 72% in 2006, which are higher added value products, and sales in the domestic market. These effects were partially offset by the 7% appreciation in the Brazilian Real against the U.S. dollar.

Ultracargo s net sales and services decreased by 5% to R$111.3 million for the six-month period ended June 30, 2007, compared to R$116.8 million for the six-month period ended June 30, 2006. Although the effective storage levels were 17% higher than in 2007, the total kilometrage traveled was 28% lower than that in 2006 due to a restructuring of the company s customer portfolio in the transport segment, which focused on services with a higher aggregate value.

*Cost of sales and services*. Cost of sales and services increased by 258% to R$6,655.1 million for the six-month period ended June 30, 2007, compared to R$1,859.4 million for the six-month period ended June 30, 2006.

Ultragaz cost of sales and services increased by 3% to R$1,288.0 million for the six-month period ended June 30, 2007 compared to R$1,245.9 million for the six-month period ended June 30, 2006, mainly due to higher sales volume.

Ipiranga s cost of sales and services amounted to R$4,702.4 million in the second quarter of 2007.

Oxiteno s cost of sales and services increased by 12% to R$630.4 million for the six-month period ended June 30, 2007 compared to R$564.0 million for the six-month period ended June 30, 2006. This increase was mainly due to an increase in the dollar cost of ethylene of 16%, its main raw material, and an 11% increase in sales volume, which were partly offset by the 7% appreciation of the *real* against the U.S. dollar.

Ultracargo s cost of sales and services decreased by 9% to R$67.5 million for the six-month period ended June 30, 2007 from R$74.5 million for the six-month period ended June 30, 2006. This decrease was a result of the reduction in the company s transport operations.

*Gross profit*. Gross profit increased by 61% to R$700.1 million for the six-month period ended June 30, 2007 compared to R$435.7 million for the six-month period ended June 30, 2006. Ultragaz gross profit was R$245.0 million for the six-month period ended June 30, 2007, a 7% increase compared to R$229.4 million for the six-month period ended June 30, 2006. Ipiranga s gross profit was R$256.4 million in the second quarter of 2007. Oxiteno s gross profit was R$153.5 million for the six-month period ended June 30, 2007, a 6% decrease compared to R$163.8 million for the six-month period ended June 30, 2006. Ultracargo s gross profit was R$43.8 million for the six-month period ended June 30, 2007, a 4% increase compared with R$42.3 million for the six-month period ended June 30, 2006.

*Selling, general and administrative expenses*. Our selling, general and administrative expenses increased by 71% to R$492.1 million for the six-month period ended June 30, 2007 from R$287.7 million for the six-month period ended June 30, 2006.

Ultragaz selling, general and administrative expenses increased by 9% to R$166.7 million for the six-month period ended June 30, 2007 compared to R$153.6 million for the six-month period ended June 30, 2006. This increase reflects (i) an increase in personnel expenses as a result of annual collective wage agreements (5%) and expansion in the size of the workforce compatible with the company s new commercial structure (5%); and (ii) higher expenses with advertising and marketing (R$2.5 million).

Table of Contents

Ipiranga s selling, general and administrative expenses amounted to R$174.8 in the second quarter of 2007.

Oxiteno s selling, general and administrative expenses increased by 7% to R$107.7 million for the six-month period ended June 30, 2007 compared to R$100.4 million for the six-month period ended June 30, 2006, principally due to (i) an increase in volume sold of 11% and (ii) an increase in expenses at Oxiteno Mexico, mainly freight, which presented a 24% increase in volume sold in the first half of 2007 compared to 2006.

Ultracargo s selling, general and administrative expenses decreased by 7% to R$33.7 million for the six-month period ended June 30, 2007 compared to R$36.1 million for the six-month period ended June 30, 2006, principally due to downsizing in the workforce as a result of the reduction in transport operations.

*Operating income before financial items*. Operating income before financial items increased by 42% to R$212.1 million for the six-month period ended June 30, 2007 compared to R$149.1 million for the six-month period ended June 30, 2006. Ultragaz operating income before financial items for the six-month period ended June 30, 2007 was R$78.8 million, a 3% increase compared to R$76.4 million compared to the six-month period ended June 30, 2006. Ipiranga s operating income before financial items in the second quarter of 2007, was R$84.2 million. Oxiteno s operating income before financial items was R$46.1 million for the six-month period ended June 30, 2007, a 28% decrease compared to R$64.0 million for the six-month period ended June 30, 2006. Ultracargo s operating income before financial items was R$10.8 million for the six-month period ended June 30, 2007, a 74% increase compared to the R$6.2 million for the six-month period ended June 30, 2006.

*Financial income (expense), net*. We reported net financial expense of R$35.2 million for the six-month period ended June 30, 2007, compared to a net financial income of R$34.8 million for the six-month period ended June 30, 2006. The financial result in the first semester of 2006 was benefited from an extraordinary gain of R$43 million, due to the winning of lawsuits related to the levying of PIS and COFINS taxes on financial revenues. In addition, the financial result in the first half of 2007 reflects Ultrapar s increase in net debt as a result of the payment related to the acquisition of the controlling stake of Ipiranga. Ultrapar ended the semester with a net debt position of R$1,176.3 million, compared to a net cash position of R$162.1 million as of June 30, 2006.

*Non-operating income (expense), net*. We reported a net non-operating expense of R$1.9 million for the six-month period ended June 30, 2007 compared to a net non-operating expense of R$13.2 million for the six-month period ended June 30, 2006. This net expense as of June 30, 2006 is primarily attributable to (i) the write-off of deferred assets related to projects analysis of approximately R$6 million and (ii) the result on the sale of property, plant and equipment (R$2 million) and scraping of bottles (R$3 million).

*Income and social contribution taxes*. Income and social contribution taxes expenses amounted to R$49.3 million for the six-month period ended June 30, 2007, an increase of 105% from R$24.1 million for the six-month period ended June 30, 2006. This increase is primarily due to higher pre-tax profit as a result of the aggregation of Ipiranga s results. In December 31, 2006, the income tax exemption enjoyed by Oxiteno s unit at Camaçari expired and a request was filed with ADENE (Northeast Development Agency), responsible to manage this incentive program, asking for a 75% reduction in income tax until 2016, which was deferred on May 25, 2007. On July 3, 2007, the report issued by ADENE was sent to the Federal Tax Authorities for approval, which has a time limit of 120 days to occur.

*Minority interest/equity in earnings of affiliates*. Minority interest and equity in earnings of affiliates increased to R$48.3 million for the six-month period ended June 30, 2007, compared to R$1.7 million for the six-month period ended June 30, 2006, reflecting the stake held by minority shareholders in Ipiranga. As of June 30, 2007, Ultrapar held 11.52% of CBPI capital and 32.45% of DPPI capital.

*Net income*. As a result of the foregoing, net income for the six-month period ended June 30, 2007 was R$74.6 million, a decrease of 49% compared to R$144.9 million for the six-month period ended June 30, 2006.

Table of Contents

**B. Liquidity and Capital Resources**

Our principal sources of liquidity are cash generated from operations and financing. We believe that these sources will continue to be 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.

From time to time, we examine the opportunities for acquisitions and investments. We consider different types of investments, either direct or through subsidiaries, joint ventures, or affiliated companies. We finance such investments using cash generated from our operations, through funding raised in the capital markets, through capital increases or through a combination of these methods.

**Sources and Uses of Funds**

Net cash flow from operations was R$181.2 million and R$138.3 million for the six months ended June 30, 2007 and 2006, respectively. Our cash flow from operations increased by R$42.9 million in the six months ended June 30, 2007 compared to 2006, mainly reflecting the increase in our operation results due to the acquisition of Ipiranga. Net cash flow from financing activities amounted to R$645.2 million and R$(136.3) million for the six months ended June 30, 2007 and 2006, respectively, reflecting an increase in 2007 due to the issuance of R$675 million in debentures in April, 2007 to finance the acquisition of shares from Ipiranga s Key Shareholders.

Investing activities used net cash of R$398.1 million and R$619.9 million for the six months ended June 30, 2007 and 2006, respectively. The decrease of R$221.8 million in the investing activities comes from a reduction of R$570.6 in short term investments, partially offset by the increase in acquisitions of property, plant and equipment and additions to intangible assets and deferred charges.

As of June 2007, Ultrapar had R$785.0 million in cash, cash equivalents, derivatives, short- and long-term investments. Ultrapar will spend approximately R$3.9 billion over the next five years to meet the long-term contractual obligations described in Tabular Disclosure of Contractual Obligations . Ultrapar expects to meet these cash requirements through a combination of cash generated from operating activities, cash generated by financing activities and the reimbursement from Petrobras and Braskem of approximately R$1.7 billion after the Share Exchange.

Table of Contents

**Indebtedness**

As of June 30, 2007, our consolidated short and long-term debt was as follows:

| Indebtedness | Currency | Interest Rate(1) | Principal amount of outstanding and accrued interest through June 30, |
|---|---|---|---|
| **Foreign currency-denominated loans:** | | | |
| Syndicated loan | US$ | 5.05% | 115.7 |
| Notes due in 2008 | US$ | 9.88% | 112.5 |
| Notes due in 2015 | US$ | 7.25% | 482.5 |
| Notes due in 2020 | US$ | 9.00% | 115.9 |
| Export prepayment(2) | US$ | 6.20% | 6.7 |
| Advances on Foreign Exchange Contracts | US$ | 5.20% to 6.20% | 36.8 |
| BNDES National Bank for Economic and Social Development | UMBNDES(ii) | 4.50% to 10.38% | 9.0 |
| BNDES National Bank for Economic and Social Development | US$ | 7.68% to 10.83% | 10.6 |
| Financing of Inventories and Property Plant & Equipment | MX$(i) | TIIE(i) +1.1% to 2.0% | 22.7 |
| Financing of Inventories and Property Plant & Equipment | US$ | LIBOR + from 1.5% to 1.75% | 3.2 |
| Import financing (REFINIMP) | US$ | 6.8% | 2.0 |
| Import financing (FINIMP) | US$ | LIBOR + 0.23% | 5.2 |
| Working capital loan | MX$(i) | TIIE(i) + 1.0% | 6.4 |
| Working capital loan | US$ | From 7.12 to 8.55 | 2.6 |
| Foreign Financing | US$ | LIBOR + 2.0% | 23.6 |
| ***Real*-denominated loans:** | | | |
| BNDES National Bank for Economic and Social Development | R$ | TJLP(iii) + 1.8% to 4.85% | 199.7 |
| BNDES National Bank for Economic and Social Development | R$ | IGPM(iv) + 6.5% | 4.7 |
| FINEP Research and Projects Financing | R$ | TJLP(iii) (2.0)% to 5.0% | 67.3 |
| FINAME Financing for Machines and Equipment | R$ | TJLP(iii) + 2.5% to 5.10% | 73.8 |
| Debentures | R$ | 102.5% of CDI(v) | 312.1 |
| Debentures | R$ | 102.5% of CDI(v) | 692.7 |
| Debentures | R$ | 103.8% of CDI(v) | 360.5 |
| BNB | R$ | 9.8% to 11.5% | 44.2 |
| Financial Institutions | R$ | 100% of CDI(v) | 91.4 |
| Debit balance | R$ | Free of charge | 15.0 |
| Other | R$ | | 0.3 |
| **Total loans** | R$ | | 2,817.1 |
| Unrealized losses on swaps transactions | | | 67.4 |
| **Total** | | | 2,884.5 |

(i) MX$ = Mexican pesos, TIIE = Mexican break-even interbank interest rate.
(ii) UMBNDES = BNDES monetary unit. This is a basket of currencies representing the composition of BNDES debt in foreign currency, 93% of which is linked to the U.S. dollar.
(iii) TJLP = Brazilian long-term interest rate.
(iv) IGP-M = general market price index, is a measure of Brazilian inflation calculated by the Getúlio Vargas Foundation.

(v) CDI = Brazilian Interbank deposit rate.

Table of Contents

Our consolidated debt as of June 30, 2007 had the following maturity schedule:

| Maturity | Amount (in millions of *reais*) |
|---|---|
| July 01, 2007 to June 30, 2008 | 1,385.4 |
| July 1, 2008 to June 30, 2009 | 433.0 |
| July 1, 2009 to June 30, 2010 | 219.1 |
| July 1, 2010 to June 30, 2011 | 164.2 |
| July 1, 2011 to June 30, 2012 | 36.2 |
| Thereafter | 646.6 |
| Total | 2,884.5 |

As of June 30, 2007, R$74.4 million of our consolidated debt was secured by property, plant and equipment and R$4.7 million was secured by shares of affiliated companies and by guarantees provided by minority shareholders. Other loans are collateralized by guarantees issued by us and by the future flow of exports. The Company is responsible for securities and guarantees offered on behalf of its subsidiaries, amounting to R$979.2 million as of June 30, 2007.

**Investments**

***Equity investments***

The table below shows our investments in shareholding stakes for the periods ended June 30, 2007 and 2006.

| Company | Six-month period ended June 30, 2007 | 2006 |
|---|---|---|
| Ultragaz | | |
| Ipiranga | | |
| Oxiteno | | |
| Ultracargo | 8.1 | |
| Others(1) | 697.4 | |
| Total | 705.5 | |

(1) Includes share repurchase program included in our consolidated statement of cash flows under Cash flows from financing activities Other, and the amount related to the acquisition of the controlling stake in Ipiranga.

113

Table of Contents

***Investments in permanent assets and deferred charges***

The following table sets forth our investments in permanent assets and deferred charges for the six-month periods ended June 30, 2007 and 2006.

| | Six-month period ended June 30, | |
|---|---|---|
| | 2007 | 2006 |
| Ultragaz | 56.5 | 51.2 |
| Ipiranga(1) | 32.0 | |
| Oxiteno | 205.9 | 66.3 |
| Ultracargo | 22.4 | 21.1 |
| Others(2) | 13.4 | 0.3 |
| Total capital expenditures | 330.2 | 138.9 |
| Disposals | (10.5) | (3.7) |
| Total capital expenditures, net of disposals | 319.7 | 135.3 |

(1) Includes customer financing, net of its amortization and leasing.
(2) Includes expenditures related to maintenance of our headquarters which is performed by our wholly owned subsidiary Imaven Imóveis e Agropecuária Ltda.

At Ultragaz, our investments were mainly in the renewal of existing cylinders and tanks, as well as in the expansion of the overall business.

At Ipiranga, R$30 million was allocated mainly towards the renovation and operational improvement of the company s service stations and distribution facilities and for the expansion of NGV service stations. Of the total amount invested, R$16 million referred to the addition of property, plant and equipment (PP&E) and deferred charges, net of disposals, R$6 million referred to the financing operations for the company s clients (financing operations for the company s clients are reported as the working capital on the Statement of Cash Flows), net of repayment, and R$7 million referred to assets acquired through leasing operations.

At Oxiteno, investments were basically concentrated on production capacity expansion projects, particularly in the building of the fatty alcohol plant, expansion of specialty chemical production capacity and expansion of the ethylene oxide production capacity at Mauá.

At Ultracargo investments were primarily allocated towards the expansion of the Aratu terminal for the storage of palm oil and the maintenance of its operational bases.

**U.S. GAAP reconciliation**

Our net income under Brazilian GAAP was R$74.6 million and R$144.9 million for the six-month periods ended June 30, 2007 and 2006, respectively. Under U.S. GAAP, we had net income of R$78.3 million and R$143.7 for the six-month periods ended June 30, 2007 and 2006, respectively.

Our shareholders equity under Brazilian GAAP as of June 30, 2007 was R$1,987.4 million. Under U.S. GAAP, we had shareholders equity of R$1,935.9 million as of June 30, 2007.

The principal differences between Brazilian GAAP and U.S. GAAP that affect our net income and shareholders equity relate to the treatment of the following items:

capitalized interest;

fixed assets revaluation reversal;

reversal of deferred charges;

Table of Contents

- restatement of property, plant and equipment to adjust for the effects of inflation between January 1, 1996 and June 30, 1997, and its respective depreciation, not required by Brazilian GAAP;
- differences in equity accounting;
- differences in goodwill accounting;
- securities available for sale;
- purchase value adjustments relating to business combinations (including the 2002 corporate restructuring);
- fair value adjustments of derivatives; and
- deferred tax effects on the foregoing adjustments.

See Note 24 to our consolidated financial statements for a description of the differences above as they relate to us and a reconciliation to U.S. GAAP of net income and total shareholders equity.

**C. Research and Development, Patents and Licenses, etc.**

Oxiteno carries on a wide range of research and development activities, principally related to the application of specialty chemicals and improvements in production processes. As of June 30, 2007, 123 employees of Oxiteno were engaged in research and development and engineering activities. Oxiteno s research and development expenditures in the first half of 2007 was R$9.1 million.

**D. Trend Information**

***LPG business***

Since 2003, LPG prices charged to LPG distributors in Brazil have been stable, despite increases in oil and LPG prices in the international markets. However, appreciation of the *real* compared to the U.S. dollar has partially offset the increase in international LPG prices, decreasing the discrepancy between LPG prices in Brazil and in the international markets. We cannot guarantee that this trend will continue. Any sharp increase in LPG prices charged to LPG distributors could have an impact on Ultragaz s results, should it not be able to pass on such cost increase to its customers.

In 2006, the Bolivian Federal Government announced the nationalization of its reserves of natural gas, for which one of our products, LPG, is a suitable substitute in the bulk segment. This announcement created uncertainties related to the supply of natural gas in Brazil given that a significant portion of the natural gas consumed in Brazil is supplied by Bolivia. Uncertainties regarding natural gas supply in Brazil have positively influenced the Brazilian LPG market such that bulk clients have begun to reconsider switching from using LPG to using natural gas as an energy source. A shortage in natural gas supply in Brazil could have a positive influence on Brazilian LPG market demand, thus increasing the volume Ultragaz sells in the future, but we cannot guarantee that this trend will continue.

***Chemical and petrochemical business***

Oxiteno s revenues in 2007 were negatively impacted by the appreciation of the *real* against the U.S. dollar that has persisted since 2003, as a large portion of Oxiteno s product prices are linked to the U.S. dollar. See Exchange Rates . We cannot guarantee that this trend will continue. The continuation of a significant appreciation of the *real* compared to the U.S. dollar could have a negative impact on Oxiteno s revenues in the future.

Oxiteno s main raw material is the ethylene, which is produced from naphtha in Brazil. Naphtha prices in Brazil fluctuate with oil prices, which recently sharply increased in the international markets and impacted Oxiteno s costs. We cannot predict whether oil and ethylene prices will continue to increase. An increase in ethylene prices could have a negative impact on Oxiteno s results of operations if Oxiteno is not able to pass on cost increases to its customers.

Table of Contents

*Fuel distribution business*

See DPPI Management s Discussion and Analysis of Financial Condition and Results of Operations Trend Information and CBPI Management s Discussion and Analysis of Financial Condition and Results of Operations Trend Information .

**E. Off Balance Sheet Arrangements**

Our subsidiaries have provided guarantees to financial institutions related to amounts owed to those institutions by certain of their customers (vendor financing). The guarantees have a term of up to 210 days and are equal to the terms of the related financing arrangements. There are no recourse provisions or collateral that would enable the Company or its subsidiaries to recover any amounts paid to the financial institutions under these agreements. In the event such payments are made, the subsidiaries may recover such amounts paid directly from their customers. At June 30, 2007, the maximum potential payment under these guarantees totaled R$20.0 million, which represented a R$14.9 million decrease from December 31, 2006. As of June 30, 2007, the Company and its subsidiaries have not incurred any loss nor recorded any liability related to these guarantees.

**F. Tabular Disclosure of Contractual Obligations**

The following table summarizes our contractual obligations, as of June 30, 2007:

| | Payment due by period | | | | |
|---|---|---|---|---|---|
| **Contractual obligations(1)** | **Total** | **Up to 1 year** | **Between 1 and 3 years** | **Between 3 and 5 years** | **More than 5 years** |
| | (in millions of *reais*) | | | | |
| Financing | 2,884.5 | 1,385.4 | 652.1 | 200.4 | 646.6 |
| Estimated interest payments on financing(1)(2) | 747.4 | 129.1 | 165.9 | 125.6 | 326.8 |
| Estimated planned funding of pension and other postretirement benefit obligations(3) | 173.0 | 5.2 | 11.3 | 12.4 | 144.1 |
| Purchase obligations(4) | 3,960.8 | 214.1 | 463.9 | 511.5 | 2,771.3 |
| Operating leases(5) | 91.4 | 5.6 | 11.2 | 11.2 | 63.4 |
| **Total contractual obligations** | **7,857.1** | **1,739.4** | **1,304.4** | **861.1** | **3,952.2** |

(1) The figures in this table do not include any contractual obligations assumed in connection with the Transaction.

(2) Includes estimated interest payments on our short- and long-term debt.

(3) The estimated interest payment amount was calculated based on macro-economic assumptions including, on average for the period, principally (i) a 12% CDI interest rate, (ii) a 3% variation in the *reais* to U.S. dollar exchange rate, (iii) a 3% inflation rate, and (iv) a 6% TJLP rate. See Item 5.B. Operating and Financial Review and Prospect Liquidity and Capital Resources Indebtedness and Note 14 to our consolidated financial statements for more information about the maturity of our debt and applicable interest rates. See Note 19 and Note 25 (i) to our consolidated financial statements for more information on the maturity and the fair value of our swap agreements. See Note 24 (b) to our consolidated financial statements for more information relating to our estimated planned funding of pensions and other post-retirement benefit obligations. See Note 18 to Ultrapar s unaudited consolidated interim financial statements for more information relating to Ultrapar s estimated planned funding of pensions and other post-retirement benefit obligations.

(4) Purchase obligations relate to a long-term contract with Braskem under which we are committed to purchase a minimum quantity of ethylene annually. In the event that this commitment is not met, we are required to pay a fine of a maximum of 40% of the annual ethylene volume, multiplied by the price of ethylene. This contract does not establish the price of ethylene and for this reason the amount in *reais* is based on the purchase price as at June 30, 2007. On August 16, 2006, Oxiteno signed a memorandum of understanding,

Table of Contents

altering the ethylene supply contract with Braskem S.A. described above. The memorandum of understanding regulates new conditions of ethylene supply through 2021, and in 2007 and 2008, Oxiteno will receive an increased volume of ethylene, with the minimum quantity in tons increasing to 180 thousand and 190 thousand, respectively. The new condition provided for in the memorandum of understanding is reflected in the minimum purchase commitments discussed in the table above.

(5) Our subsidiary company Terminal Químico de Aratu S.A. Indústria e Comércio has contracts with CODEBA Companhia Docas do Estado da Bahia, and Complexo Industrial Portuário Governador Eraldo Gueiros, in connection with its port facilities in Aratu and Suape, respectively. Such contracts establish a minimum cargo movement of products of 1,000,000 tons per year in Aratu, effective through 2022 and 250,000 tons per year in Suape, effective through 2027. If the annual movement is less than the minimum contractual movement, the subsidiary is liable to pay the difference between the effective movement and the minimum contractual movement based on the port tariff rates on the date established for payment. As of June 30, 2007, these rates were R$4.59 for Aratu and R$3.97 for Suape. The Company has been in compliance with the minimum movement of products since the inception of the contracts.

## RIPI MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion is based on and should be read in conjunction with RIPI s unaudited interim financial information for the nine-month periods ended September 30, 2007 and 2006 and the six-month periods ended June 30, 2007 and 2006 and the audited consolidated financial statements for the years ended December 31, 2006, 2005 and 2004, as well as their respective notes, included in this prospectus, and the sections Other Information and Selected Historical Financial Data of RIPI and other financial information presented elsewhere in this prospectus.*

*Under the terms of the Transaction Agreements executed by Ultrapar, Braskem and Petrobras, Braskem controls the petrochemical business of the former Ipiranga Group, represented by IQ, IPQ and IPQ s stake in Copesul. Thus RIPI is no longer consolidating the Petrochemical Business under its Brazilian GAAP financial statements since Ultrapar acquired the shares held by the Key Shareholders. See The Transaction Description of the Transaction and Financial Information .*

*This section contains discussions regarding estimates and forward-looking statements that involve risks and uncertainties. RIPI s actual results may differ significantly from those discussed in these estimates and forward-looking statements as a result of various factors, including, without limitation, those described in Cautionary Statement Regarding Forward-Looking Statements and Risk Factors.*

### A. Operating Results

#### Overview

RIPI operates an oil refinery located in the Southern region of Brazil, with the capacity to process 17 thousand barrels per day, which, in December 2006, corresponded to 0.4% of the total refining capacity in Brazil, according to ANP data. RIPI sells oil byproducts such as gasoline, diesel, and naphtha, among others.

Petrobras is the main oil refining company in Brazil, with integrated operations in the oil and oil-based products chain ranging from the exploration and production of oil and natural gas to distribution to end consumers. As of December 2006, Petrobras was responsible for 92.9% of the total refining capacity in Brazil. Thus, Petrobras supplies a major portion of the Brazilian oil derivatives markets and has a large influence over these product prices in Brazil.

Until 2005, the prices of certain oil byproducts, especially gasoline and diesel, were being periodically updated by Petrobras to minimize discrepancies between Brazilian and international prices. Petrobras has not updated these prices since September 2005. International oil prices have been influenced by the increase in worldwide demand for oil and political instability in producing countries, which has led to an increase in average oil prices from US$44 per barrel in January 2005 to US$62 per barrel in December 2006 and US$71 per barrel in June 2007, based on the price of Brent Crude Oil, one of the major worldwide classifications of oil. These combined factors have caused an inconsistency between international oil prices and oil byproduct prices in Brazil. We can not predict if or when gasoline and diesel prices in Brazil will be adjusted to international prices.

RIPI s economic performance in oil refining in 2005 and 2006 reflected difficulties caused by the incompatibility between oil prices in the international market and certain oil byproduct prices in Brazil since RIPI s cost of raw materials follows international prices, while its selling prices follow the Brazilian market prices. In order to minimize operating losses and as happened in most part of 2005, Refinaria Ipiranga s management interrupted the production from June to October of 2006 but has been consistent since then.

As part of the actions to ensure continuity of operations of Refinaria de Petróleo Ipiranga S.A., RIPI s management intensified contacts and negotiations with the regulatory agencies of the industry, Brazilian Federal Government and the Rio Grande do Sul State Government. In July 2006, RIPI and the Rio Grande do Sul State

118

Government started to study the possibility of producing petrochemical naphtha in order to have an alternative that allowed the operational continuity of RIPI and an increase in tax collection for Rio Grande do Sul State. Naphtha prices in Brazil are indexed to international prices, which are highly correlated to international oil prices. Based on this, RIPI s management believes that by selling petrochemical naphtha, it would be able to maintain reasonable operating margins.

On November 1, 2006, Decree No. 44,714 was published in the Official Gazette of Rio Grande do Sul State, permitting the use, as a deemed tax credit, of up to 8.5% of the ICMS (state VAT) levied on petrochemical naphtha produced in facilities located in the Southern region of Rio Grande do Sul State and sold in the same state, according to the agreement signed in November 27, 2006.

Therefore, operations were resumed according to the agreement signed with Rio Grande do Sul State Government. As a consequence of the initiatives taken, RIPI s economic performance in the first half of 2007 reflected the operational continuity of the oil refinery during the period. In addition, despite the increase in oil prices in the first half of 2007 compared to 2006, RIPI s results improved due to higher volumes and prices of naphtha sold and the Brazilian currency appreciation against the U.S. dollar, which partially offset the increase in oil prices.

**Brazilian Economic Background**

Since RIPI s operating businesses are located substantially in Brazil, RIPI is significantly affected by Brazil s economic and social conditions, including, but not limited to, gross domestic product, or GDP, interest rates, the domestic rate of inflation and exchange rate fluctuations.

***Gross domestic product***

As government became more confident regarding inflation trends, interest rates were lowered, and Brazilian GDP grew by 4.9% in 2004. However, in order to meet inflation targets, the Central Bank increased interest rates again in 2005, and GDP growth decreased to 2.3% in the year ended December 31, 2005. During 2006, the Brazilian economy presented the same trend shown in the previous year and GDP grew by 2.9%. In the first half of 2007, Brazilian GDP grew by 4.8%, compared to the same period in 2006. This growth was mainly influenced by the improved performance of the industrial sector as a result of lower interest rates, greater credit availability and expansion in Brazilian household income.

***Inflation and currency fluctuations***

RIPI s cash operating expenses are substantially in *reais* and tend to increase with inflation. In 2004, the *real* appreciated further against the U.S. dollar and IGP-M for the year was 12.4%. In 2005, 2006 and the first half of 2007 , the *real* continued to appreciate against the U.S. dollar, which, together with the increased average interest rates, resulted in an inflation rate of 1.2%, 3.9% and 1.5%, respectively, as measured by the IGP-M. Future governmental actions, including actions to adjust the value of the *real* in relation to the dollar, may increase inflation.

The principal foreign exchange risk RIPI faces arises from certain U.S. dollar-denominated debt. On June 30, 2007 the exchange rate exposure amounted to US$51,748. Hence, RIPI is exposed to foreign exchange rate risks which could negatively impact RIPI s businesses, financial situation and operating results as well as the capacity to service its debt. See Note 22 to RIPI s consolidated financial statements.

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

| | Six-month period ended June 30, | | Year ended December 31, | | |
|---|---|---|---|---|---|
| **Index** | **2007** | **2006** | **2006** | **2005** | **2004** |
| General Price Index IGP-M | 1.5% | 1.4% | 3.9% | 1.2% | 12.4% |
| Devaluation (appreciation) of the *real* against the U.S. dollar | (9.9)% | (7.5)% | (8.7)% | (11.8)% | (8.1)% |

Table of Contents

*Interest rate*

Interest rates in Brazil has been historically high, but the monetary authorities have gathered success in diminishing it in a consistent manner during recent years. In 2003, there was a significant monetary tightening in which the basic rate was elevated to 26% per year, as a reply to the inflation bubble of the previous year. However, the interest rate was rapidly diminished yet during 2003 to 16%. Between 2004 and mid-2005, there was another tightening, as a reply to a quick inflation acceleration and to heating in the trade area. Now, once the inflation has been controlled, the basic rate was reduced to 11.25% per year on September 2007. The main interest rate risk in RIPI arises from the possibility of incurring losses due to interest rate fluctuations that increase interest expenses on loans and financing.

| Index | Six-month period ended June 30, 2007 | Year ended December 31, 2006 | 2005 | 2004 |
|---|---|---|---|---|
| Interest rate Selic | 6% | 15% | 19% | 16% |

**Critical Accounting Policies and Estimates**

The presentation of RIPI s financial condition and results of operations requires its management to make judgments regarding the effects of matters that are inherently uncertain on the carrying value of its assets and liabilities and that may affect the reported amount of them as well as its revenues and expenses. Actual results may differ from those estimated under different variables, assumptions or conditions, even though RIPI s management believes that its accounting estimates are reasonable. The following paragraphs review the critical accounting estimates that management considers most important for understanding RIPI s financial condition, results of operations and cash flows. An accounting estimate is considered a critical accounting estimate if it meets the following criteria:

- The accounting estimate requires management to make assumptions about matters that were highly uncertain at the time the accounting estimate was made; and

- Different estimates that management reasonably could have used for the accounting estimate in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, would have a material impact on our financial condition, results of operations or cash flows.

We have identified the following five of RIPI s accounting policies that can be considered critical.

*Allowance for doubtful accounts*

We maintain allowances for doubtful accounts for estimated losses resulting from the subsequent inability of RIPI s customers to make required payments. The allowance for doubtful accounts is recorded in an amount RIPI consider sufficient to cover any probable losses on realization of its accounts receivable from its customers, as well as other receivables, and is included in RIPI s results of operations as selling expenses; no adjustment is made to net sales and services revenue. In order to establish the allowance for doubtful accounts, RIPI s management constantly evaluates the amount and characteristics of its accounts receivable. When significant delays occur and the likelihood of receiving these payments decreases, a provision is made. In case receivables in arrears are guaranteed or there are reasonable grounds to believe they will be paid, no provision is made. If the financial conditions of RIPI s customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances would be required in future periods. However, because RIPI cannot predict with certainty the future financial stability of its customers, RIPI cannot guarantee that its reserves will continue to be adequate. Actual credit losses may be greater than the allowance RIPI has established, which could have a significant impact on our selling expenses. See Note 22(b) to RIPI s financial statements for additional information about our credit risk.

*Deferred Taxes*

RIPI recognizes deferred tax assets and liabilities which do not expire, arising from tax-loss carryforwards, temporary add-backs, revaluation of property, plant and equipment and other procedures. RIPI periodically

120

**Table of Contents**

reviews the deferred tax assets for recoverability and establishes a valuation allowance, as required, based on historical taxable income, projected future taxable income, and the expected timing of the reversals of existing temporary differences. In the event RIPI or one of its subsidiaries operates at a loss or is unable to generate sufficient future taxable income, or if there is a material change in the actual effective tax rates or time period within which the underlying temporary differences become taxable or deductible, RIPI evaluates the need to establish a valuation allowance against all or a significant portion of its deferred tax assets, resulting in an increase in its effective tax rate, thereby decreasing net income. If RIPI determines that it can realize a deferred tax in excess of its net recorded amount, it decreases the valuation allowance, thereby increasing net income. Significant management judgment is required in determining any valuation allowance. The principal uncertainty relates to the likelihood of future taxable income from the subsidiary that generated the deferred tax asset. A change in RIPI s projections of profitability could result in the need to record a valuation allowance against deferred tax assets, resulting in a negative impact of future results. See Note 11(a) to RIPI s unaudited interim consolidated financial statements for additional information on deferred taxes.

***Contingent liabilities***

RIPI is currently involved in certain legal and administrative proceedings that arise from its normal course of business as described in Note 17 to RIPI s financial statements. We believe that the extent to which these contingencies are recognized in RIPI s financial statements is adequate. It is RIPI s policy to record accrued liabilities in respect of contingencies that can be reasonably estimated and could have a material adverse impact on the results of RIPI s operations or its financial condition and that are probable to occur in the opinion of its management, based on information available to RIPI including information obtained from its legal advisors. Future results of operations for any particular quarterly or annual period could be materially affected by changes in RIPI s assumptions, by the effectiveness of its strategies relating to these proceedings, by future developments in each matter being discussed or by changes in approach, such as a change in settlement strategy in dealing with these matters.

***Pension and other post-retirement benefits***

The determination of the expense and liability relating to RIPI s pension plan and certain insurance benefits for RIPI s employees and their dependents involves the use of actuarial assumptions. These include estimates of future mortality, withdrawal, changes in compensation and the discount rate used to reflect the time value of money as well as the rate of return on plan assets. These assumptions are reviewed at least annually and may differ materially from actual results due to changing market and economic conditions, regulatory events, judicial ruling, higher or lower withdrawal rates or longer or shorter life spans of participants. In case actual results differ from the assumptions adopted, there may be a significant impact on the amount of pension liability and post-retirement health care and expenses RIPI records. See Note 19 to RIPI s financial statements for additional information on provision for post-employment benefits.

***Provision for losses on investments***

RIPI recognizes a provision for losses on investments related to investments in non-consolidated affiliates which i) have reported negative stockholders equity in their financial statements prepared in accordance with Brazilian GAAP and ii) have outstanding loans which RIPI has guaranteed. In such cases RIPI first reduces the value of the investment to zero, and subsequently provide for its portion of negative equity. The amount of losses recognized by RIPI and related payments made on behalf of the non-consolidated affiliate, if any, will depend upon the future results of such affiliate during the period the guarantee is outstanding.

Table of Contents

**Results of Operations**

The following discussion of RIPI s results of operations is based on the financial information derived from its consolidated financial statements prepared in accordance with Brazilian GAAP that are included in this prospectus.

The following table shows a summary of our results of operations for the periods ended September 30, 2007 and 2006:

| | Period ended September 30, 2007 | Percentage of net sales and services | Period ended September 30, 2006 | Percentage of net sales and services | Percent change |
|---|---|---|---|---|---|
| | | (in millions of reais, except percentages) | | | |
| Net sales and services | 611.5 | 100% | 313.5 | 100% | 95% |
| Cost of sales and services | (573.9) | 94% | (292.9) | 93% | 96% |
| **Gross profit** | **37.5** | **6%** | **20.6** | **7%** | **82%** |
| Selling, general and administrative expenses | (23.6) | 4% | (21.3) | 7% | 11% |
| Other operating income (expense), net | 0.0 | 0% | 0.5 | 0% | |
| **Operating income before financial items** | **13.9** | **2%** | **(0.2)** | **0%** | |
| Financial income (expense), net | (7.2) | 1% | (2.3) | 1% | 206% |
| Non-operating income (expense), net | 0.4 | 0% | | 0% | |
| Income and social contribution taxes | | 0% | (1.0) | 0% | |
| Minority interest/equity in earnings of affiliates | 185.0 | 30% | 131.1 | 42% | 41% |
| Profit sharing | | 0% | (0.1) | 0% | |
| **Net income** | **192.2** | **31%** | **127.4** | **41%** | **51%** |

*Net sales and services*. Net sales of refining business operated by RIPI increased 95% to R$611.5 million for the nine months ended September 30, 2007 from R$313.5 million for the same period of 2006. This increase in net sales comes from higher sales volume of more than 85% (as the refinery was not fully operating in the nine months of 2006), following the agreement with the Rio Grande do Sul tax authorities in November 2006, which allowed for more stability of operating margins.

*Cost of sales and services*. The refining business operated by RIPI increased its cost of sales by 96% to R$573.9 million for the nine months ended September 30, 2007 from R$292.9 million for the same period of 2006, in line with sales growth.

*Gross profit*. Gross profit increased by 82% to R$37.5 million for the nine months ended September 30, 2007 compared to R$20.6 million for the nine months ended September 30, 2006.

*Selling, general and administrative expenses*. The refining business operated by RIPI increased expenses by 11% to R$23.6 million for the nine months ended September 30, 2007 from R$21.3 million for the same period of 2006. This increase reflects (i) higher freight expenses due to an increase in volume sold and (ii) an increase in provisions for labor contingencies.

*Other operating income*. The refining business operated by RIPI had no other operating income in the nine months ended September 30, 2007, compared to R$0.5 million income in the same period of 2006.

*Operating income before financial items*. The refining business operated by RIPI increased its operating income by R$14.1 million to R$13.9 million for the nine months ended September 30, 2007 from R$0.2 million loss for the same period of 2006, mostly as a result of increase in the gross profit.

122

Table of Contents

*Financial income (expense), net*. The refining business operated by RIPI increased its net financial expense by 206% to R$7.2 million for the nine months ended September 30, 2007 from R$2.3 million for the same period of 2006. This increase of R$4.9 million was primarily driven by an increase in net debt position, mainly derived from a new debt raised to finance RIPI s working capital.

*Non-operating income (expense), net*. The refining business operated by RIPI recorded a non-operating gain of R$0.4 million for the nine months ended September 30, 2007, compared to zero for the same period of 2006, primarily due to the sale of fixed assets in 2007.

*Equity in earnings of affiliates*. Equity in earnings of affiliates for the period ended September 30, 2007 amounted to a gain of R$185.0 million, compared to a gain of R$131.1 million for the nine months ended September 30, 2006. This increase is mainly due to the fact that the results of the chemicals and petrochemicals businesses operated by the affiliate IQ and its subsidiaries presented an improvement in their operations.

*Income and social contribution taxes*. The refining business operated by RIPI registered an income and social contribution tax expense of zero for the nine months ended September 30, 2007, compared to an expense of R$1.0 million for the same period of 2006, primarily due to the benefit of the payment of interest on capital in 2007.

*Profit sharing*. Profit sharing for the refining business operated by RIPI remained constant at zero for the nine months ended September 30, 2007, compared to R$0.1 million in the same period of 2006.

*Net income*. As a result of the foregoing, net income for the period ended September 30, 2007 increased by 51%, to R$192.2 million from R$127.4 million for the nine months ended September 30, 2006.

***Six-month period ended June 30, 2007 compared to the six-month period ended June 30, 2006***

The following table shows a summary of RIPI s results of operations for the six-month period ended June 30, 2007 and 2006:

| | **Six-month period ended June 30, 2007** | **Percentage of net sales and services** | **Six-month period ended June 30, 2006** | **Percentage of net sales and services** | **Percent change** |
|---|---|---|---|---|---|
| | | **(in millions of *reais*, except percentages)** | | | |
| Net Sales and Services | 1,403.9 | 100% | 2,039.7 | 100% | (31)% |
| Cost of sales and services | (1,140.3) | 81% | (1,670.8) | 82% | (32)% |
| **Gross profit** | 263.6 | 19% | 368.9 | 18% | (29)% |
| Selling, general and administrative expenses | (106.2) | 8% | (163.0) | 8% | (35)% |
| Other operating income (expense), net | (6.2) | 0% | 10.5 | 1% | (159)% |
| **Operating income before financial items** | 151.2 | 11% | 216.4 | 11% | (30)% |
| Financial income (expense), net | (2.6) | 0% | (29.6) | 1% | (91)% |
| Non-operating income (expense), net | (0.5) | 0% | (1.3) | 0% | (62)% |
| Equity in earnings of affiliates | 69.1 | 5% | 10.3 | 1% | 571% |
| Income and social contribution taxes | (41.9) | 3% | (33.3) | 2% | 26% |
| Profit sharing | (1.7) | 0% | (2.9) | 0% | (41)% |
| Minority interest | (40.7) | 3% | (66.4) | 3% | (39)% |
| **Net income** | **132.9** | **9%** | **93.2** | **5%** | **43%** |

*Net sales and services*. Net sales and services for the six-month period ended June 30, 2007 decreased by 31%, to R$1,403.9 million from R$2,039.7 million in the six months ended June 30, 2006. This was due to the end of the consolidation of the chemical and petrochemical businesses from the acquisition onwards. The

Table of Contents

refining business operated by RIPI increased 40% in comparison to R$420.8 million for the six months ended June 30, 2007 from R$300.2 million in the same period of 2006. This increase in net sales is derived from a higher sales volume of naphtha and diesel of more than 21% (as the refinery was not fully operating in the first half of 2006), following the agreement with the Rio Grande do Sul tax authorities in November 2006, which allowed the operational continuity of RIPI in 2007.

*Cost of sales and services.* Cost of sales and services for the period ended June 30, 2007 decreased by 32%, to R$1,140.4 million from R$1,670.8 million in the semester ended June 30, 2006. This was due to the end of the consolidation of the chemical and petrochemical businesses from the acquisition onwards. The refining business operated by RIPI increased 40% to R$392.2 million for the six months ended June 30, 2007 from R$279.3 million for the same period of 2006, in line with sales growth.

*Gross profit.* Gross profit for the period ended June 30, 2007 decreased by 29%, to R$263.5 million from R$368.9 million for the six months ended June 30, 2006. This was due to the end of the consolidation of the chemical and petrochemical businesses from the acquisition onwards. The refining business operated by RIPI increased 37% to R$28.6 million for the six months ended June 30, 2007 from R$20.9 million for the same period of 2006.

*Selling, general and administrative expenses.* Selling, general and administrative expenses for the period ended June 30, 2007 decreased by 35%, to R$106.1 million from R$163.0 million for the semester ended June 30, 2006. This was due to the end of the consolidation of the chemical and petrochemical businesses from the acquisition onwards. The refining business operated by RIPI increased 23% in the comparison between semesters, to R$17.6 million in the six months ended June 30, 2007 from R$14.3 million in the same period of 2006. This increase reflects (i) higher freight expenses due to an increase in volume sold and (ii) an increase in provisions for labor contingencies.

*Other operating income.* Other operating income for the period ended June 30, 2007 presented an expense of R$6.2 million compared to a gain of R$10.5 million in the semester ended June 30, 2006. This was mainly due to the increase in provisions for contingencies recorded by IPQ for the six-month period ended June 30, 2007 amounting to R$3.2 million, and to the reversal of the provision for contingencies recorded by Copesul which positively impacted June 30, 2006 figures in an amount of R$6.6 million. The refining business operated by RIPI had no other operating results for the six months ended June 30, 2007, compared to R$0.5 million income for the same period of 2006.

*Operating income before financial items.* Operating income before financial items for the period ended June 30, 2007 decreased by 30%, to R$151.2 million from R$216.4 million for the six months ended June 30, 2006. This was due to the end of the consolidation of the chemical and petrochemical businesses from the acquisition onwards. The refining business operated by RIPI increased 55% to R$10.9 million for the six months ended June 30, 2007 from R$7.1 million for the same period of 2006, in line with gross profit growth.

*Financial income (expense), net.* Financial expense for the period ended June 30, 2007 decreased by 91%, to R$2.6 million from R$29.6 million for the semester ended June 30, 2006. This is due to the end of the consolidation of the chemical and petrochemical businesses from the acquisition onwards. The refining business operated by RIPI decreased its net financial expense by 52% to R$1.0 million for the six months ended June 30, 2007 from R$2.0 million for the same period of 2006. This improvement was primarily driven by a decrease in indebtedness and the effect of the *real* s appreciation on dollar-denominated debt.

*Non-operating income (expense), net.* Non-operating expense for the six-month period ended June 30, 2007 decreased by 62%, to R$0.5 million from R$1.3 million for the six months ended June 30, 2006. The refining business operated by RIPI registered a non-operating gain of R$0.4 million for the six-months ended June 30, 2007, compared to zero for the same period of 2006, primarily due to the sale of fixed assets in 2007.

Table of Contents

*Equity in earnings of affiliates.* Equity in earnings of affiliates for the six-month period ended June 30, 2007 amounted to a gain of R$69.1 million, compared to a gain of R$10.3 million for the semester ended June 30, 2006. This is mainly due to the fact that the results of the chemicals and petrochemicals businesses operated by the affiliate IQ and its subsidiaries began being accounted for through the equity method in April 2007, in light of the change of control brought about by the Transaction. Until the end of the first quarter of 2007, IQ and its subsidiaries were consolidated by RIPI. In spite of the change in presentation, overall the chemical and petrochemical business presented an improvement in its operations.

*Income and social contribution taxes*. Income and social contribution taxes for the six-month period ended June 30, 2007 increased by 26%, to R$41.9 million from R$33.3 million for the six months ended June 30, 2006. This increase is mainly related to an improvement in Copesul s gross profit due to a higher level of exports sales. The refining business operated by RIPI recorded an income and social contribution tax expense of zero in the six months ended June 30, 2007, compared to an expense of R$2.7 million in the same period of 2006, primarily due to the benefit of the payment of interest on capital in 2007.

*Profit sharing.* Profit sharing for the six-month period ended June 30, 2007 decreased by 41%, to R$1.7 million from R$2.9 million for the six months ended June 30, 2006. This is due to the end of the consolidation of the chemical and petrochemical businesses from the acquisition onwards. The refining business operated by RIPI remained stable in comparison, with zero profit sharing accrued for the six months ended June 30, 2007, compared to R$0.1 million for the same period of 2006.

*Minority Interest.* Minority interest for the six-month period ended June 30, 2007 decreased by 39% to R$40.7 million from R$66.4 million, due to the unconsolidation of IQ and IPQ, RIPI s affiliates, from RIPI s financial statements.

*Net income.* As a result of the foregoing, net income for the six-month period ended June 30, 2007 increased by 43%, to R$132.9 million from R$93.2 million in the six months ended June 30, 2006.

***Year ended December 31, 2006 compared to the year ended December 31, 2005.***

The following table shows a summary of RIPI s results of operations for the years ended December 31, 2006 and 2005:

| | Year ended December 31, 2006 | Percentage of net sales and services | Year ended December 31, 2005 | Percentage of net sales and services | Percent change |
|---|---|---|---|---|---|
| | (in millions of *reais*, except percentages) | | | | |
| Net sales and services | 4,191.4 | 100% | 3,612.7 | 100% | 16% |
| Cost of sales and services | (3,379.6) | 81% | (2,872.8) | 80% | 18% |
| **Gross profit** | 811.8 | 19% | 739.9 | 20% | 10% |
| Selling, general and administrative expenses | (347.3) | 8% | (304.8) | 8% | 14% |
| Other operating income (expense), net | 8.2 | 0% | 26.6 | 1% | (69)% |
| **Operating income before financial items** | 472.7 | 11% | 461.7 | 13% | 2% |
| Financial income (expense), net | (86.4) | 2% | (134.5) | 4% | (36)% |
| Non-operating income (expense), net | (34.1) | 1% | 1.2 | 0% | |
| Equity in earnings of affiliates | 24.3 | 1% | 30.4 | 1% | (20)% |
| Income and social contribution taxes | (81.4) | 2% | (100.2) | 3% | (19)% |
| Profit sharing | (7.9) | 0% | (7.1) | 0% | 12% |
| Minority Interest | (123.0) | 3% | (113.2) | 3% | 9% |
| **Net income** | **164.2** | **4%** | **138.3** | **4%** | **19%** |

Table of Contents

*Net sales and services*. Net sales and services for the year ended December 31, 2006 increased by 16% to R$4,191.4 million from R$3,612.7 million for the year ended December 31, 2005. The increase in net sales was mostly driven by increase in sales volume and higher prices practiced in consequence of oil and derivative products price increases in the international market.

*Cost of sales and services*. Cost of sales and services increased by 18% to R$3,379.6 million for the year ended December 31, 2006, compared to R$2,872.8 million for the year ended December 31, 2005, mainly due to an increase in the cost of raw materials and growth in sales volumes.

*Gross profit*. Gross profit increased by 10% to R$811.8 million for the year ended December 31, 2006 compared to R$739.9 million for the year ended December 31, 2005.

*Selling, general and administrative expenses*. Selling, general and administrative expenses increased by 14% to R$347.3 million for the year ended December 31, 2006 from R$304.8 million for the year ended December 31, 2005. This increase reflects (i) higher freight expenses due to the increase in volume sold, and (ii) salary increases as a result of the annual collective wage agreement.

*Other operating income*. Other operating income decreased by 69% to R$8.2 million for the year ended December 31, 2006, compared to R$26.6 million for the year ended December 31, 2005, mainly due to positive actuarial effects on RIPI s pension fund in 2005. See Note 19 to RIPI s consolidated financial statements.

*Operating income before financial items*. Operating income before financial items increased by 2% to R$472.7 million for the year ended December 31, 2006 compared to R$461.7 million for the year ended December 31, 2005.

*Financial income (expense), net*. Reported net financial expense was R$86.4 million for the year ended December 31, 2006, compared to a net financial expense of R$134.5 million for the year ended December 31, 2005. The R$48.2 million improvement in financial expense was principally due to a decrease in interest expenses.

*Non-operating income (expense), net*. Reported net non-operating expense was R$34.1 million for the year ended December 31, 2006 compared to a net non-operating income of R$1.2 million for the year ended December 31, 2005. The decrease of R$35 million on non-operating income is primarily attributable to a loss on change in ownership percentage in the affiliate IPQ Ipiranga Petroquímica S.A.

*Equity in earnings of affiliates.* Equity in earnings of affiliates amounted to R$24.3 million for the year ended December 31, 2006, a 20% decrease compared to the year ended December 31, 2005. The decrease is mainly due to higher goodwill amortization.

*Income and social contribution taxes*. Income and social contribution tax expenses amounted to R$81.4 million for the year ended December 31, 2006, a decrease of 19% from R$100.2 million for the year ended December 31, 2005. This decrease is primarily due to the tax effect on the positive actuarial effects on its pension fund in 2005.

*Profit sharing*. Profit sharing was R$7.9 million for the year ended December 31, 2006, compared to R$7.1 million for the year ended December 31, 2005.

*Minority interest*. Minority interest was R$123.0 million for the year ended December 31, 2006, compared to R$113.2 million for the year ended December 31, 2005. Such increase is due to improvements in the results of the affiliate IQ Ipiranga Química S.A.

*Net income*. As a result of the foregoing, net income for the year ended December 31, 2006 was R$164.2 million, an increase of 19% compared to R$138.3 million for the year ended December 31, 2005.

Table of Contents

***Year ended December 31, 2005 compared to the year ended December 31, 2004.***

The following table shows a summary of RIPI s results of operations for the years ended December 31, 2005 and 2004:

| | Year ended December 31, 2005 | Percentage of net sales and services | Year ended December 31, 2004 | Percentage of net sales and services | Percent change |
|---|---|---|---|---|---|
| | (in millions of *reais*, except percentages) | | | | |
| Net sales and services | 3,612.7 | 100% | 3,747.0 | 100% | (4)% |
| Cost of sales and services | (2,872.8) | 80% | (2,897.3) | 77% | (1)% |
| **Gross profit** | 739.9 | 20% | 849.7 | 23% | (13)% |
| Selling, general and administrative expenses | (304.9) | 8% | (303.3) | 8% | 1% |
| Other operating income (expense), net | 26.5 | 1% | 11.9 | 0% | 122% |
| **Operating income before financial items** | 461.5 | 13% | 558.4 | 15% | (17)% |
| Financial income (expense), net | (134.5) | 4% | (111.0) | 3% | 21% |
| Non-operating income (expense), net | 1.2 | 0% | (0.2) | 0% | |
| Equity in earnings of affiliates | 30.5 | 1% | 19.8 | 1% | 54% |
| Income and social contribution taxes | (100.2) | 3% | (68.4) | 2% | 46% |
| Profit sharing | (7.1) | 0% | (6.4) | 0% | 10% |
| Minority Interest | (113.2) | 3% | (176.4) | 5% | (36)% |
| **Net income** | **138.3** | **4%** | **215.9** | **6%** | **(36)%** |

*Net sales and services*. Net sales and services for the year ended December 31, 2005 decreased to R$3,612.7 million from R$3,747.0 million for the year ended December 31, 2004. The decrease in net sales was mainly driven by a decrease in sales volume and due to an 11% appreciation in the Brazilian *real* against U.S Dollar in 2005 compared to 2004.

*Cost of sales and services*. Cost of sales and services decreased by 1% to R$2,872.8 million for the year ended December 31, 2005, compared to R$2,897.3 million for the year ended December 31, 2004, mainly due to a decrease in sales volume partially offset by an increase in the cost of raw materials.

*Gross profit*. Gross profit decreased by 13% to R$739.9 million for the year ended December 31, 2005 from R$849.7 million for the year ended December 31, 2004.

*Selling, general and administrative expenses*. Selling, general and administrative expenses increased by 1% to R$304.9 million for the year ended December 31, 2005 from R$303.3 million for the year ended December 31, 2004.

*Other operating income*. Other operating income increased to R$26.5 million for the year ended December 31, 2005, compared to R$11.9 million for the year ended December 31, 2004, mainly due to positive actuarial effects on its pension fund in 2005. See Note 19 to RIPI s consolidated financial statements.

*Operating income before financial items*. Operating income before financial items decreased by 17% to R$461.5 million for the year ended December 31, 2005 from R$558.4 million for the year ended December 31, 2004.

*Financial income (expense), net*. Reported net financial expense amounted to R$134.5 million for the year ended December 31, 2005, an increase of 21% compared to a net financial expense of R$111.0 million for the year ended December 31, 2004. The R$23.5 million increase was principally due to an increase in interest expenses.

*Non-operating income (expense), net*. Net non-operating income was R$1.2 million for the year ended December 31, 2005 compared to a net non-operating expense of R$0.2 million for the year ended December 31, 2004.

Table of Contents

*Equity in earnings of affiliates*. Equity in earnings of affiliates amounted to R$30.5 million for the year ended December 31, 2005, a 54% increase compared to the year ended December 31, 2004. Such increase is mainly due to lower goodwill amortization at subsidiary IQ Ipiranga Química S.A.

*Income and social contribution taxes*. Income and social contribution tax expenses amounted to R$100.2 million for the year ended December 31, 2005, an increase of 46% from R$68.4 million for the year ended December 31, 2004. This increase is primarily due to the tax effect on the positive actuarial effects on its pension fund in 2005.

*Profit sharing*. Profit sharing was R$7.1 million for the year ended December 31, 2005, compared to R$6.4 million for the year ended December 31, 2004.

*Minority interest*. Minority interest was R$113.2 million for the year ended December 31, 2005, compared to R$176.4 million for the year ended December 31, 2004. Such decrease derives from the result of the affiliate IQ Ipiranga Química S.A.

*Net income*. As a result of the foregoing, net income for the year ended December 31, 2005 was R$138.3 million, a decrease of 36% compared to R$215.9 million in 2004.

**B. Liquidity and Capital Resources**

RIPI s principal sources of liquidity are cash generated from operations and financing. RIPI believes that these sources will continue to be sufficient to satisfy its current funding requirements, which include, but are not limited to, working capital, capital expenditures, amortization of debt and payment of dividends or interest on equity.

**Sources and Uses of Funds**

Net cash flow from operations was R$101.2 million and R$116.6 million for the six months ended June 2007 and 2006, respectively. RIPI s cash flow from operations decreased R$15.4 million due to end of consolidation of the chemical and petrochemical businesses from the acquisition of the Ipiranga Group onwards. The refining business net cash flow from operations decreased by R$50.8 million mainly because of higher investment in working capital, as RIPI s refinery was not fully operating in the first half of 2006. Net cash flow from financing activities amounted to R$(821.0) million and R$(29.6) million in the first half of 2007 and 2006, respectively. Cash consumed by financing activities in the first half of 2007 decreased R$792 million compared to the same period in 2006 due to end of consolidation of the chemical and petrochemical businesses from the acquisitions onwards. Cash used by the refining operations related to financing activities increased R$ 51.7 million due to higher volume of debt contracted in the first semester of 2007 compared to 2006.

Investing activities generated net cash of R$625.7 million and used R$49.3 million in the first six months ended June 30, 2007 and 2006, respectively. The higher level of cash generated by investing activities in the first half of 2007 compared to 2006 was due to end of consolidation of the chemical and petrochemical businesses from the acquisition of the Ipiranga Group onwards. For the refining business operated by RIPI, cash used by investing activities increased R$0.1 million.

As of June 30 2007, RIPI had R$7.5 million in cash, cash equivalents, derivatives and short- and long-term investments. RIPI will spend approximately R$63.0 million over the next five years to meet its long-term contractual obligations described in Tabular Disclosure of Contractual Obligations . RIPI expects 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 its current indebtedness as it becomes due.

Table of Contents

Net cash flow from operations was R$18.7 million, R$509.3 million and R$349.8 million for 2006, 2005 and 2004, respectively. RIPI s cash flow from operations decreased by R$490.6 million in 2006 compared to 2005 and increased by R$159.5 million in 2005 compared to 2004, mainly reflecting the changes in working capital. Net cash flow from financing activities amounted to R$61.6 million, R$(396.7) million and R$(424.2) million in the years ended December 31, 2006, 2005 and 2004, respectively. The cash flow from financing activities in 2006 increased by R$458.4 million compared to 2005, due to the higher level of new loans obtained and the lower level of amortization of loans and financings in 2006. Cash used by financing activities in 2005 decreased by R$27.4 million compared to 2004.

Investing activities used net cash of R$(76.7) million, R$(119.6) million and R$(68.1) million in the years ended December 31, 2006, 2005 and 2004, respectively. The higher level of cash used by investing activities in 2005 compared to 2006 and 2004 was principally due to additions to investment in related parties. See Note 8 to RIPI s consolidated financial statements. Acquisitions of property, plant and equipment and additions to intangible assets and deferred charges used R$91.8 million, R$68.5 million and R$67.2 million in 2006, 2005 and 2004, respectively. For the year ended December 31, 2006, investing activities were mainly composed of expansion of products and services offer, maintenance of competitiveness and investments in life and environmental safeguards.

As of December 2006, RIPI had R$120.0 million in cash, cash equivalents, derivatives and short-and long-term investments.

**Indebtedness**

As of June 30, 2007, RIPI s short- and long-term debt was as follows:

| Indebtedness | Currency | Index | Principal amount of outstanding and accrued interest through June 30, 2007 |
|---|---|---|---|
| **Foreign currency-denominated loans:** | | | |
| FINIMP financing for importation | US$ | LIBOR + US$ 0.125 +0.15 | 51.7 |
| **Total loans** | | | 51.7 |
| Unrealized losses on swaps transactions | | | |
| **Total** | US$ | | 51.7 |

RIPI s debt as of June 30, 2007 had the following maturity schedule:

| Maturity | Amount (in millions of *reais*) |
|---|---|
| July 1, 2007 to June 30, 2008 | 51.7 |
| **Total** | 51.7 |

**Table of Contents**

As of December 31, 2006, RIPI s consolidated short- and long-term debt was as follows:

| Indebtedness | Currency | Index | Effective Rate | Principal amount of outstanding and accrued interest through December 31, 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|
| | | | | (in millions of *reais*) | | |
| **Foreign currency-denominated loans:** | | | | | | |
| Industrial expansion | US$ | Basket of currencies | 9.3% | 3.1 | 12.8 | 351.8 |
| Working capital (foreign exchange contracts and prepayments) | US$ | Monthly, quarterly and annual LIBOR | 6.6% | 907.0 | 713.5 | 757.7 |
| Restricted export drafts | US$ | | | (149.8) | (136.1) | (183.4) |
| ***Real*-denominated loans:** | | | | | | |
| Industrial expansion | R$ | TJLP(1) | 10.6% | 44.0 | 39.6 | 38.0 |
| Investment acquisition | R$ | IGPM(2) | 6.5% | 9.9 | 36.4 | 70.1 |
| Working capital | R$ | CDI | 13.4% | 8.3 | 69.2 | 39.5 |
| **Total loans** | R$ | | | 822.5 | 735.4 | 1,073.7 |
| Unrealized losses on swaps transactions | R$ | | | 6.7 | 1.5 | 2.4 |
| **Total** | R$ | | | 829.2 | 736.9 | 1,076.1 |

(1) TJLP (Long-Term Interest Rate) is a nominal rate of interest established quarterly. On December 31, 2006, TJLP was fixed at 6.85% p.a. Interest rate only as of 2006.

(2) IGPM is the General Market Price Index in Brazil. Net of linked operations.

RIPI s consolidated debt as of December 31, 2006 had the following maturity schedule:

| Maturity | Amount (in millions of *reais*) |
|---|---|
| January 1, 2007 to December 31, 2007 | 209.0 |
| January 1, 2008 to December 31, 2008 | 109.6 |
| January 1, 2009 to December 31, 2009 | 141.4 |
| January 1, 2010 to December 31, 2010 | 130.6 |
| After 2011 | 238.7 |
| Total | 829.2 |

By using its own funds of approximately US$56 million and funds obtained in the domestic financial market, the indirect subsidiary Ipiranga Petroquímica S.A. (IPQ) paid in advance its debt to International Finance Corporation (IFC), Kreditanstalt für Wiederaufbau (KfW), Deutsche Entwicklungsgesellschaft (DEG) and foreign banks participating in the B Loan , or B Loan Banks, in the amount of approximately US$136 million. With these payments made on June 15, 2005, IPQ is compliant with all restrictive covenants contained in all agreements signed with IFC, KfW, DEG and B Loan Banks, and obtained better conditions related to maturities and costs of funds obtained from the financial market. On August 28, 2005, IPQ signed a long-term loan pre-agreement in the amount of US$150 million, structured by IFC, which can be fully or partially withdrawn, as needed. Until the date of the financial statements, it was not necessary to use this amount.

RIPI provides collaterals and guarantees for some loan operations conducted directly or indirectly by affiliates and subsidiaries. As of June 30, 2007, December 31, 2006 and 2005, amounts referring to these operations were R$90.7 million, R$90.9 million and R$119.8 million, respectively. See Note 20 to RIPI s financial statements.

Table of Contents

**Investments**

***Equity investments***

The table below shows RIPI investments in shareholding stakes for the six-month period ended June 30, 2007 and years ended December 31, 2006, 2005 and 2004.

| Company | Six-month period ended June 30, 2007 | Year ended December 31, 2006 | 2005 | 2004 |
|---|---|---|---|---|
| | | (in millions of *reais*) | | |
| Total investments in shareholding stakes | | 61.0 | 35.9 | 0.5 |

***Investments in permanent assets and deferred charges***

The following table sets forth RIPI s investments in permanent assets and deferred charges for the six-month period ended June 30, 2007 and years ended December 31, 2006, 2005 and 2004.

| | Six-month period ended June 30, 2007 | Year ended December 31, 2006 | 2005 | 2004 |
|---|---|---|---|---|
| | | (in millions of *reais*) | | |
| Refinaria de Petróleo Ipiranga S.A. | 0.3 | 0.3 | 0.5 | 6.3 |
| Subsidiaries | | 91.6 | 68.0 | 60.9 |
| Total capital expenditures | 0.3 | 91.8 | 68.5 | 67.2 |
| Disposals | | (0.4) | (1.5) | (0.8) |
| Total capital expenditures, net of disposals | 0.3 | 91.4 | 67.0 | 66.5 |

RIPI s investment strategy for 2006, 2005, and 2004, included its subsidiaries strategies.

Copesul investment strategy has been focused on keeping its competitiveness and supplying its working capital by the maintenance of its minimum level of inventories. It also involves investments in life and environmental safeguards, expansion of products and services offer and improvements in technology. The investment plan for 2007 maintains the strategies related to expansion of products and services offered, maintenance of competitiveness and investments in life and environmental safeguards. RIPI owns shares of Copesul representing 29.5% of the total and voting share capital of Copesul.

IPQ s investment strategy has been to make improvements related to safety, environmental safeguards, expansion of the production capacity and betterments to increase the productivity and quality in the production process. Through its subsidiary IQ, RIPI owns shares of IPQ representing 58.53% of the total and voting share capital of IPQ.

**U.S. GAAP Reconciliation**

RIPI s net income under Brazilian GAAP was R$132.9 million, R$164.2 million and R$138.3 million for the six-month period ended June 30, 2007 and for the years ended December 31, 2006 and 2005, respectively. Under U.S. GAAP, RIPI had net income of R$62.9 million, R$135.9 million and R$336.9 million for the six-month period ended June 30, 2007 and for the years ended December 31, 2006 and 2005, respectively.

RIPI s shareholders equity under Brazilian GAAP as of June 30, 2007, December 31, 2006 and December 31, 2005 was R$710.2 million, R$574.6 million and R$428.4 million, respectively. Under U.S. GAAP, RIPI had shareholders equity of R$927.1 million, R$770.1 million and R$650.8 million, respectively, as of June 30, 2007, December 31, 2006 and December 31, 2005.

Table of Contents

The principal differences between Brazilian GAAP and U.S. GAAP that affect RIPI s net income and shareholders equity relate to the treatment of the following items:

- adjustments for inflation of property, plant and equipment;
- pension and other post-employment benefits adjustment;
- gain on percentage variation of capital share;
- accounting for deferred taxes;
- differences in equity accounting;
- accounting for convertible debentures;
- goodwill, acquisitions and business combinations;
- securities available for sale;
- fair-value adjustments of derivatives; and
- deferred tax effects on the foregoing adjustments.

See Note 25 to RIPI s financial statements for a description of the differences above as they relate to RIPI and a reconciliation to U.S. GAAP of net income and total shareholders equity.

**C. Research and Development, Patents and Licenses, etc.**

RIPI subsidiaries own the register of a few brands.

Copesul owns a logotype as an emblem and COPESUL as a nominative brand. Both are registered as company properties in the *Certificado de Registro de Marca* (Brands Register Certificate) from *Instituto Nacional de Propriedade Industrial* (National Institute of Industrial Property) by number 819827266 and expire within 10 years after 20/07/1999.

Ipiranga Petroquímica S.A. owns the register of Ipiranga Mista, TopClub Programa IPQ de Relacionamento and Maxifilme which expiration dates are being brought into agreement.

IPQ investments in research and development are approximately US$1.5 million/year. IPQ owns a pilot plant and development laboratories to support R&D strategy.

**D. Trend Information**

*Crude oil prices*

International oil prices increased at a record rate in 2006 and the nine-month period ended September 2007. The main factors driving this price increase include:

- the substantial growth in demand for oil products, with little impact resulting from the oil price increase;
- increased pressure on oil production and refining facilities; and
- conflicts in the Middle East.

*Oil products prices*

Until 2005, the prices of certain oil by-products, especially gasoline and diesel, were being periodically updated by Petrobras to reduce the differences between prices in Brazil and prices prevailing in the international markets. However, since September 2005, these prices have not been updated by Petrobras. On the other hand, oil prices in the international markets have been influenced by the increase in worldwide demand for oil and the instability in producing countries, which led to an increase of the average oil prices from US$44 per barrel in

Table of Contents

January 2005 to US$62 per barrel in December 2006 and US$71 per barrel in June 2007, based on the price of Brent Crude Oil. This combination of factors caused an incompatibility between oil prices in the international markets and oil by-products prices in Brazil. We can not predict if and when gasoline and diesel prices will be adjusted to prices in the international markets.

In July 2006, RIPI and the Rio Grande do Sul State Government started to study the possibility of producing petrochemical naphtha in order to have an alternative that allowed both the operational continuity of Refinaria Ipiranga and an increase in tax collection for Rio Grande do Sul State. This agreement was signed in November, 2006. Naphtha prices in Brazil are referenced to international prices, which are highly correlated to international oil prices. Should petrochemical naphtha prices not follow international oil price rises in the future, the Company believes this could have a negative impact on RIPI s profitability.

**E. Off Balance Sheet Arrangements**

Companhia Petroquimica do Sul (Copesul) and Ipiranga Petroquimica S.A. (IPQ), two of RIPI s subsidiaries, have provided guarantees to financial institutions related to amounts owed to those institutions by certain of their customers (vendor financing). Guarantees have an average term of 38 days in Copesul and 33 days in IPQ and, in both cases, are equal to the terms of the related financing arrangements. There exists no recourse provision that would enable RIPI or its subsidiaries to recover any amount paid to the financial institutions under these guarantees. In the event that the financial institutions exercise these guarantees, RIPI is entitled to recover the amount paid directly from its customers under the vendor contracts. At December 31, 2006, the maximum potential payment under these guarantees totaled R$616.5 million (total amount, not representing our stake in those companies), which represented a R$144.9 million increase over December 31, 2005. At December 31, 2006, in accordance with Brazilian GAAP, we did not record any liability on our consolidated financial statements related to these guarantees.

**F. Tabular Disclosure of Contractual Obligations**

The following table summarizes RIPI s contractual obligations, as of June 30, 2007:

| | | Payment due by period | | | |
|---|---|---|---|---|---|
| **Contractual obligations** | **Total** | **Up to 1 year** | **Between 1 and 3 years** | **Between 3 and 5 years** | **More than 5 years** |
| | | | **(in millions of *reais*)** | | |
| Financing | **51.7** | 51.7 | | | |
| Estimated interest payments on financing(1)(2) | **0.1** | 0.1 | | | |
| Estimated planned funding of pension and other post-retirement benefit obligations(3) | **62.8** | 2.1 | 4.5 | 5.0 | 51.1 |
| Operating lease obligations | | | | | |
| **Total contractual obligations** | **114.6** | **53.9** | **4.5** | **5.0** | **51.1** |

(1) The estimated interest payment amount was calculated based on macro-economic assumptions including, on average for the period, principally (i) a 12% CDI interest rate, (ii) a 3% variation in the *reais* to U.S. dollar exchange rate, (iii) a 3% inflation rate, and (iv) a 6% TJLP rate. See Liquidity and Capital Resources Indebtedness and Note 14 to RIPI s unaudited consolidated interim financial statements for more information about the maturity of RIPI s debt and applicable interest rates. See Note 14 and Note 23 to RIPI s unaudited consolidated interim financial statements for more information on the maturity and the fair value of RIPI s swap agreements.

(2) Includes estimated interest payments on RIPI s short- and long-term debt.

(3) See Note 18 to RIPI s unaudited consolidated interim financial statements for more information relating to RIPI s estimated planned funding of pensions and other post-retirement benefit obligations.

Table of Contents

## DPPI MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion is based on and should be read in conjunction with DPPI s unaudited consolidated interim financial information for the nine-month periods ended September 30, 2007 and 2006 and the six month periods ended June 30, 2007 and 2006 and the audited consolidated financial statements for the years ended December 31, 2006, 2005 and 2004, as well as their respective notes, included in this prospectus, and the sections Other Information and Selected Consolidated Historical Financial Data of DPPI and other financial information presented elsewhere in this prospectus.*

*This section contains discussions regarding estimates and forward-looking statements that involve risks and uncertainties. DPPI s actual results may differ significantly from those discussed in these estimates and forward-looking statements as a result of various factors, including, without limitation, those described in Cautionary Statement Regarding Forward-Looking Statements and Risk Factors.*

### A. Operating Results

### Brazilian Economic Background

Since all of DPPI s operating businesses are located in Brazil, it is significantly affected by Brazil s economic and social conditions, including, but not limited to, gross domestic product, or GDP, Brazilian population income, credit availability, interest rates, the domestic rate of inflation and exchange rate fluctuations.

***Gross domestic product***

As government became more confident regarding inflation trends, interest rates were lowered, and Brazilian GDP grew by 4.9% in 2004. However, in order to meet inflation targets, the Central Bank increased interest rates again in 2005, and GDP growth decreased to 2.3% in the year ended December 31, 2005. During 2006, the Brazilian economy presented the same trend shown in the previous year and GDP grew by 2.9%. DPPI s operations, especially sales of fuels, are significantly impacted by Brazilian GDP growth. In addition, the level of Brazilian population income, which often bears a relation to GDP performance, also affects the sales of fuels. In the first half of 2007, Brazilian GDP grew by 4.8%, compared to the same period in 2006. This growth was mainly influenced by the improved performance of the industrial sector as a result of lower interest rates, greater credit availability and increases in average household income in Brazil.

***Inflation and currency fluctuations***

DPPI s cash operating expenses are substantially in *reais* and tend to fluctuate with inflation. In 2004, the *real* appreciated against the U.S. dollar and the IGP-M for the year was 12.4%. In 2005, 2006 and the first half of 2007 the *real* continued to appreciate against the U.S. dollar, which, together with the increased average interest rates, resulted in an inflation rates of 1.2%, 3.9% and 1.5% respectively, as measured by the IGP-M. Future governmental actions, including actions to adjust the value of the *real* in relation to the U.S. dollar, may increase inflation.

The principal foreign exchange risk DPPI faces arises from certain U.S. dollar-denominated debt. On June 30, 2007, the exchange rate exposure amounted to US$62.5 million. Hence, DPPI s exposed to foreign exchange rate risks which could negatively impact its businesses, financial situation and operating results as well as its capacity to service its debt. See Note 21 to DPPI s consolidated financial statements.

Table of Contents

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

| Index | Six-month period ended June 30, 2007 | Six-month period ended June 30, 2006 | Year ended December 31, 2006 | Year ended December 31, 2005 | Year ended December 31, 2004 |
|---|---|---|---|---|---|
| General Price Index IGP-M | 1.5% | 1.4% | 3.9% | 1.2% | 12.4% |
| Devaluation (appreciation) of the *real* against the U.S. dollar | (9.9)% | (7.5)% | (8.7)% | (11.8)% | (8.1)% |

***Interest rate and credit availability***

Interest rate in Brazil has been historically high, but the monetary authorities have gathered success in diminishing it in a consistent manner during recent years. In 2003, there was a significant monetary tightening in which the basic rate was elevated to 26% per year, as a reply to the inflation bubble of the previous year. However, the interest rate was rapidly diminished yet during 2003 to 16%. Between 2004 and mid-2005, there was another tightening, as a reply to a quick inflation acceleration and to heating in the trade area. Now, once the inflation has been controlled, the basic rate was reduced to 11.25% per year in September 2007. The unemployment rate in Brazil dropped from a 12% level to 10% in the past two years. Despite the relatively high unemployment rate, the average worker income has been constantly increasing since the end of 2003. The greater availability of credit derived from the lower interest rate and the improvement in Brazilian population income largely explain the increase in internal demand, including the record levels of vehicle sales in the first half of 2007, amounting to 1,082 million vehicles registered, including cars, trucks and buses. This is a 25.7% increase compared to the first half of 2006, according to figures published by the National Vehicle Registry (Renavam). This growth has been having a positive influence on demand for fuels.

The main interest rate risk DPPI faces derives from interest rate fluctuations that might increase its interest expenses on loans and financing. DPPI continuously monitors interest rates in the market in order to evaluate the need for hedging against the volatility of these rates.

| Index | Six-month period ended June 30, 2007 | Year ended December 31, 2006 | Year ended December 31, 2005 | Year ended December 31, 2004 |
|---|---|---|---|---|
| Interest rate Selic | 6% | 15% | 19% | 16% |

**Critical Accounting Policies and Estimates**

The presentation of DPPI s financial condition and results of operations require its management to make judgments regarding the effects of matters that are inherently uncertain on the carrying value of its assets and liabilities and may affect the reported amount of them as well as its revenues and expenses. Actual results may differ from those estimated under different variables, assumptions or conditions, even though DPPI s management believes that its accounting estimates are reasonable. The following paragraphs review the critical accounting estimates that management considers most important for understanding DPPI s financial condition, results of operations and cash flows. An accounting estimate is considered a critical accounting estimate if it meets the following criteria:

- The accounting estimate requires management to make assumptions about matters that were highly uncertain at the time the accounting estimate was made; and

- Different estimates that management reasonably could have used for the accounting estimate in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, would have a material impact on our financial condition, results of operations or cash flows.

We have identified the following five accounting policies of DPPI that can be considered critical.

***Allowance for doubtful accounts***

DPPI maintains allowances for doubtful accounts for estimated losses resulting from the subsequent inability of its customers to make required payments. The allowance for doubtful accounts is recorded in an amount DPPI consider sufficient to cover any probable losses on realization of its accounts receivable from its customers, as well as other receivables, and is included as selling expenses; no adjustment is made to net sales and services revenue. In order to establish the allowance for doubtful accounts, DPPI s management constantly evaluates the amount and characteristics of its accounts receivable. When significant delays occur and the likelihood of receiving these payments decreases, a provision is made. In case receivables in arrears are guaranteed or there are reasonable grounds to believe they will be paid, no provision is made. If the financial conditions of DPPI s customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances would be required in future periods. However, because DPPI cannot predict with certainty the future financial stability of its customers, it cannot guarantee that its reserves will continue to be adequate. Actual credit losses may be greater than the allowance we have established, which could have a significant impact on its selling expenses. See Note 21(b) to DPPI s consolidated financial statements for additional information about DPPI s credit risk.

***Deferred Taxes***

DPPI recognizes deferred tax assets and liabilities which do not expire, arising from tax loss carry forwards, temporary add-backs, revaluation of property, plant and equipment and other procedures. DPPI periodically review the deferred tax assets for recoverability and establish a valuation allowance, as required, based on historical taxable income, projected future taxable income, and the expected timing of the reversals of existing temporary differences. In the event DPPI or one of its subsidiaries operates at a loss or is unable to generate sufficient future taxable income, or if there is a material change in the actual effective tax rates or time period within which the underlying temporary differences become taxable or deductible, DPPI evaluate the need to establish a valuation allowance against all or a significant portion of its deferred tax assets, resulting in an increase in its effective tax rate, thereby decreasing net income. If DPPI determines that it can realize a deferred tax in excess of its net recorded amount, DPPI decreases the valuation allowance, thereby increasing net income. Significant management judgment is required in determining any valuation allowance. The principal uncertainty relates to the likelihood of future taxable income from the subsidiary that generated the deferred tax asset. A change in DPPI s projections of profitability could result in the need to record a valuation allowance against deferred tax assets, resulting in a negative impact of future results. See Note 10(a) to DPPI s consolidated financial statements for additional information on deferred taxes.

***Contingent liabilities***

DPPI is currently involved in certain legal and administrative proceedings that arise from its normal course of business as described in Note 16 to DPPI s consolidated financial statements. DPPI believes that the extent to which these contingencies are recognized in DPPI s consolidated financial statements is adequate. It is DPPI s policy to record accrued liabilities in regard to contingencies that can be reasonably estimated and could have a material adverse impact on the result of its operations or its financial condition and that are probable to occur in the opinion of DPPI s management, based on information available to it, including information obtained from its legal advisors. Future results of operations for any particular quarterly or annual period could be materially affected by changes in DPPI s assumptions, by the effectiveness of its strategies relating to these proceedings, by future developments in each matter being discussed or by changes in approach, such as a change in settlement strategy in dealing with these matters.

***Pension and other post-retirement benefits***

The determination of the expense and liability relating to DPPI s pension plan and certain insurance benefits for DPPI s employees and their dependents involves the use of actuarial assumptions. These include estimates of future mortality, withdrawal, changes in compensation and the discount rate used to reflect the time value of money, as well as the rate of return on plan assets. These assumptions are reviewed at least annually and may

**Table of Contents**

differ materially from actual results due to changing market and economic conditions, regulatory events, judicial ruling, higher or lower withdrawal rates or longer or shorter life spans of participants. In case actual results differ from the assumptions adopted, there may be a significant impact on the amount of pension liability and post-retirement health care and expenses DPPI records. See Note 18 to DPPI s consolidated financial statements for additional information on provision for post-employment benefits.

***Provision for losses on investments***

DPPI recognizes a provision for losses on investments related to investments in non-consolidated affiliates which i) have reported negative stockholders equity in their financial statements prepared in accordance with Brazilian GAAP and ii) have outstanding loans which DPPI has guaranteed. In such cases, DPPI first reduces the value of the investment to zero, and subsequently provides for its portion of negative equity. The amount of losses recognized by DPPI and related payments made on behalf of the non-consolidated affiliate, if any, will depend upon the future results of such affiliate during the period the guarantee is outstanding.

**Results of Operations**

The following discussion of DPPI s results of operations is based on the financial information derived from DPPI s consolidated financial statements prepared in accordance with Brazilian GAAP.

The following table shows a summary of our results of operations for the nine-month periods ended September 30, 2007 and 2006:

| | Period ended September 30, 2007 | Percentage of net sales and services | Period ended September 30, 2006 | Percentage of net sales and services | Percent change |
|---|---|---|---|---|---|
| | (in millions of *reais*, except percentages) | | | | |
| Net sales and services | 19,408.3 | 100% | 19,040.0 | 100% | 2% |
| Cost of sales and services | (18,389.0) | 95% | (18,104.8) | 95% | 2% |
| **Gross profit** | 1,019.3 | 5% | 935.2 | 5% | 9% |
| Selling, general and administrative expenses | (708.9) | 4% | (691.0) | 4% | 3% |
| Other operating income (expense), net | 7.5 | 0% | 11.5 | 0% | (35)% |
| **Operating income before financial items** | 317.9 | 2% | 255.7 | 1% | 24% |
| Financial income (expense), net | 18.5 | 0% | (5.6) | 0% | 432% |
| Non-operating income (expense), net | 6.5 | 0% | 30.4 | 0% | (79)% |
| Equity in earnings of affiliates and Goodwill amortization | 99.7 | 1% | 65.5 | 0% | 52% |
| Income and social contribution taxes | (106.1) | 1% | (37.9) | 0% | 180% |
| Profit sharing | (5.6) | 0% | (4.4) | 0% | 28% |
| Minority Interest | (224.9) | 1% | (184.4) | 1% | 22% |
| **Net income** | **105.9** | **1%** | **119.4** | **1%** | **(11)%** |

*Net sales and services*. Net sales and services for the nine-month period ended September 30, 2007 increased by 2% to R$19,408.3 million from R$19,040.0 million for the nine-month period ended September 30, 2006. The increase in net sales and services was driven by a 5% growth in the sales volume, particularly the ethanol and diesel volumes, partially offset by a 3% decrease in average prices.

*Cost of sales and services*. Cost of sales and services increased by 2% to R$18,389.0 million for the nine-month period ended September 30, 2007, compared to R$18,104.8 million for the nine-month period ended September 30, 2006, mainly due to volume growth, which was partially offset by the cost reduction of ethanol given the harvest season in 2007.

137

Table of Contents

*Gross profit*. Gross profit increased by 9% to R$1,019.3 million for the nine-month period ended September 30, 2007 compared to R$935.2 million for the nine-month period ended September 30, 2006.

*Selling, general and administrative expenses*. Selling, general and administrative expenses increased by 3% to R$708.9 million for the nine-month period ended September 30, 2007 from R$691.0 million for the nine- month period ended September 30, 2006. This increase reflects (i) non-recurring expenses as a result of laying off the corporate staff that supported the Key Shareholders (ii) higher freight expenses and (iii) higher marketing expenses.

*Other operating income*. Other operating income decreased by 35% to R$7.5 million for the nine-month period ended September 30, 2007, compared to R$11.5 million for the nine-month period ended September 30, 2006, mainly due to a reclassification in ISA-Sul, DPPI s subsidiary, whereby revenues were transferred from other operating income to Net Sales.

*Operating income before financial items*. Operating income before financial items increased by 24% to R$317.9 million for the nine-month period ended September 30, 2007 compared to R$255.7 million for the nine-month period ended September 30, 2006.

*Financial income (expense), net*. DPPI reported net financial income of R$18.5 million for the nine-month period ended September 30, 2007, compared to a net financial expense of R$5.6 million for the nine-month period ended September 30, 2006. The R$24.1 million increase in net financial result was principally due to the effects of the *real* appreciation over dollar-denominated loans.

*Non-operating income (expense), net*. DPPI reported net non-operating income of R$6.5 million for the nine-month period ended September 30, 2007 compared to a net non-operating income of R$30.4 million for the nine-month period ended September 30, 2006. This decrease reflects capital gains related to the subsidiary Maxfacil in 2006.

*Equity in earnings of affiliates and Goodwill amortization.* Equity in earnings of affiliates amounted to R$99.7 million for the nine-month period ended September 30, 2007, a 52% increase compared to the nine-month period ended September 30, 2006. The increase is mainly due to an increase in the results of operations of its affiliate IQ  Ipiranga Química S.A.

*Income and social contribution taxes*. Income and social contribution taxes expenses amounted to R$106.1 million for the nine-month period ended September 30, 2007, an increase of 180% from R$37.9 million for the nine-month period ended September 30, 2006. This increase is primarily due to higher pre-tax profit in 2007 and interest on equity paid in the 2006.

*Profit sharing*. Profit sharing was R$5.6 million for the nine-month period ended September 30, 2007, compared to R$4.4 million for the nine-month period ended September 30, 2006.

*Minority interest*. Minority interest amounted to R$224.9 million for the nine-month period ended September 30, 2007, compared to R$184.4 million for the nine-month period ended September 30, 2006, due to the increase in CBPI s results.

*Net income*. As a result of the aforementioned, net income for the nine-month period ended September 30, 2007 was R$105.9 million, a 11% decrease compared to R$119.4 million for the nine-month period ended September 30, 2006.

Table of Contents

***Six-month period ended June 30, 2007 compared to the six-month period ended June 30, 2006.***

The following table shows a summary of DPPI s results of operations for the six-month periods ended June 30, 2007 and 2006:

| | Six-month period ended June 30, 2007 | Percentage of net sales and services | Six-month period ended June 30, 2006 | Percentage of net sales and services | Percent change |
|---|---|---|---|---|---|
| | (in millions of *reais*, except percentages) | | | | |
| Net sales and services | 12,799.4 | 100% | 12,405.2 | 100% | 3% |
| Cost of sales and services | (12,135.2) | 95% | (11,785.8) | 95% | 3% |
| **Gross profit** | 664.2 | 5% | 619.4 | 5% | 7% |
| Selling, general and administrative expenses | (469.1) | 4% | (453.7) | 4% | 3% |
| Other operating income (expense), net | 6.9 | 0% | 7.9 | 0% | (13)% |
| **Operating income before financial items** | 201.9 | 2% | 173.6 | 1% | 16% |
| Financial income (expense), net | 8.4 | 0% | 1.9 | 0% | 351% |
| Non-operating income (expense), net | 6.7 | 0% | 6.9 | 0% | (3)% |
| Equity in earnings of affiliates and Goodwill amortization | 66.1 | 1% | 45.2 | 0% | 46% |
| Income and social contribution taxes | (68.3) | 1% | (33.8) | 0% | 102% |
| Profit sharing | (3.5) | 0% | (4.3) | 0% | (18)% |
| Minority interest | (141.9) | 1% | (122.9) | 1% | 15% |
| **Net income** | **69.4** | **1%** | **66.5** | **1%** | **4%** |

*Net sales and services*. Net sales and services for the semester ended June 30, 2007 increased by 3% to R$12,799.4 million from R$12,405.2 million for the semester ended June 30, 2006. The increase in net sales and services was mostly driven by the 5% growth in sales volume, particularly the ethanol and diesel volumes.

*Cost of sales and services*. Cost of sales and services increased by 3% to R$12,135.2 million for the semester ended June 30, 2007, compared to R$11,785.8 million for the semester ended June 30, 2006, mainly due to volume growth which was partially offset by a reduction in the cost of ethanol given the harvest season.

*Gross profit*. Gross profit increased by 7% to R$664.2 million for the semester ended June 30, 2007 compared to R$619.4 million for the semester ended June 30, 2006.

*Selling, general and administrative expenses*. Selling, general and administrative expenses increased by 3% to R$469.1 million for the semester ended June 30, 2007 from R$453.7 million for the semester ended June 30, 2006. This increase reflects (i) non-recurring expenses as a result of laying off the corporate staff that supported the Key Shareholders (R$8 million) (ii) higher freight expenses and (R$5 million) (iii) higher marketing expenses (R$2 million).

*Other operating income*. Other operating income decreased by 13% to R$6.9 million for the semester ended June 30, 2007, compared to R$7.9 million for the semester ended June 30, 2006.

*Operating income before financial items*. Operating income before financial items increased by 16% to R$201.9 million for the semester ended June 30, 2007 compared to R$173.6 million for the semester ended June 30, 2006.

*Financial income (expense), net*. DPPI reported net financial income of R$8.4 million for the semester ended June 30, 2007, compared to a net financial income of R$1.9 million for the semester ended June 30, 2006. The R$6.5 million increase in financial income was principally due to the effects of the *real* appreciation over the dollar-denominated loans.

Table of Contents

*Non-operating income (expense), net*. Reported net non-operating income was R$6.7 million for the semester ended June 30, 2007 compared to a net non-operating income of R$6.9 million for the semester ended June 30, 2006. The decrease of non-operating income is primarily attributable to sale of fixed assets (vehicles) in 2006.

*Equity in earnings of affiliates and goodwill amortization.* Equity in earnings of affiliates amounted to R$66.1 million for the semester ended June 30, 2007, a 46% increase compared to the semester ended June 30, 2006. The increase is mainly due to an increase in the results of operations of the affiliate IQ Ipiranga Química S.A. and Isa-Sul.

*Income and social contribution taxes*. Income and social contribution taxes expenses amounted to R$68.3 million for the semester ended June 30, 2007, an increase of 102% from R$33.8 million for the semester ended June 30, 2006. This increase is primarily due to higher pre-tax profit in 2007 and interest on equity paid in 2006.

*Profit sharing*. Profit sharing was R$3.5 million for the semester ended June 30, 2007, compared to R$4.3 million for the semester ended June 30, 2006.

*Minority interest*. Minority interest amounted to R$141.9 million for the semester ended June 30, 2007, compared to R$122.9 million for the semester ended June 30, 2006, due to the increase in CBPI s results.

*Net income*. As a result of the aforementioned, net income for the semester ended June 30, 2007 was R$69.4 million, a 4% increase compared to R$66.5 million for the semester ended June 30, 2006.

***Year ended December 31, 2006 compared to the year ended December 31, 2005.***

The following table shows a summary of DPPI s results of operations for the years ended December 31, 2006 and 2005:

| | **Year ended December 31, 2006** | **Percentage of net sales and services** | **Year ended December 31, 2005** | **Percentage of net sales and services** | **Percent change** |
|---|---|---|---|---|---|
| | **(in millions of *reais*, except percentages)** | | | | |
| Net sales and services | 25,714.7 | 100% | 22,757.5 | 100% | 13% |
| Cost of sales and services | (24,430.5) | 95% | (21,533.9) | 95% | 13% |
| **Gross profit** | 1,284.3 | 5% | 1,223.6 | 5% | 5% |
| Selling, general and administrative expenses | (932.4) | 4% | (881.1) | 4% | 6% |
| Other operating income (expense), net | 23.2 | 0% | 62.7 | 0% | (63)% |
| **Operating income before financial items** | 375.0 | 1% | 405.1 | 2% | (7)% |
| Financial income (expense), net | (7.7) | 0% | 40.7 | 0% | (119)% |
| Non-operating income (expense), net | 30.1 | 0% | 26.6 | 0% | 13% |
| Equity in earnings of affiliates/Goodwill amortization/ Provision for loss on investments | 84.9 | 0% | 72.4 | 0% | 17% |
| Income and social contribution taxes | (48.0) | 0% | (99.7) | 0% | (52)% |
| Profit sharing | (16.3) | 0% | (16.7) | 0% | (2)% |
| Minority interest | (257.1) | 1% | (258.8) | 1% | (1)% |
| **Net income** | **160.9** | **1%** | **169.8** | **1%** | **(5)%** |

*Net sales and services*. Net sales and services for the year ended December 31, 2006 increased by 13% to R$25,714.7 million from R$22,757.5 million for the year ended December 31, 2005. The increase in net sales was mostly driven by 2% growth in sales volume and pricing adjustments in consequence of the higher refinery costs.

[Table of Contents](#)

*Cost of sales and services*. Cost of sales and services increased by 13% to R$24,430.5 million for the year ended December 31, 2006, compared to R$21,533.9 million for the year ended December 31, 2005, mainly due to increase in the cost of raw materials and growth in sales volumes.

*Gross profit*. Gross profit increased by 5% to R$1,284.3 million for the year ended December 31, 2006, compared to R$1,223.6 million for the year ended December 31, 2005.

*Selling, general and administrative expenses*. Selling, general and administrative expenses increased by 6% to R$932.4 million for the year ended December 31, 2006 from R$881.1 million for the year ended December 31, 2005. This increase reflects (i) salary increases as a result of the annual collective wage agreement, (ii) freight and other variable expenses due to higher volumes and sales, (iii) marketing and maintenance expenses and (iv) increase in depreciation due to the investments realized.

*Other operating income*. Other operating income decreased by 63% to R$23.2 million for the year ended December 31, 2006, compared to R$62.7 million for the year ended December 31, 2005, mainly due to positive actuarial effects on its pension fund in 2005. See Note 18 to DPPI s consolidated financial statements.

*Operating income before financial items*. Operating income before financial items decreased by 7% to R$375.0 million for the year ended December 31, 2006, compared to R$405.1 million for the year ended December 31, 2005.

*Financial income (expense), net*. Reported net financial expense was R$7.7 million for the year ended December 31, 2006, compared to a net financial income of R$40.7 million for the year ended December 31, 2005. The R$48.4 million increase in financial expense was principally due to the interest expenses on a R$350 million debenture issued by CBPI on 2006.

*Non-operating income (expense), net*. Reported net non-operating income was R$30.1 million for the year ended December 31, 2006, compared to a net non-operating income of R$26.6 million for the year ended December 31, 2005.

*Equity in earnings of affiliates/Goodwill amortization/ Provision for loss on investments.* Equity in earnings of affiliates amounted to R$84.9 million for the year ended December 31, 2006, a 17% increase compared to the year ended December 31, 2005. The increase is mainly due to an increase in the results of operations of the affiliate IQ Ipiranga Química S.A.

*Income and social contribution taxes*. Income and social contribution tax expenses amounted to R$48.0 million for the year ended December 31, 2006, a decrease of 52% from R$99.7 million for the year ended December 31, 2005. This decrease is primarily due to a lower pre-tax profit and the increase in non-taxable income.

*Profit sharing*. Profit sharing was R$16.3 million for the year ended December 31, 2006, compared to R$16.7 million for the year ended December 31, 2005.

*Minority interest*. Minority interest was R$257.1 million for the year ended December 31, 2006, compared to R$258.8 million for the year ended December 31, 2005.

*Net income*. As a result of the aforementioned, net income for the year ended December 31, 2006 was R$160.9 million, a decrease of 5% compared to R$169.8 million for the year ended December 31, 2005.

Table of Contents

***Year ended December 31, 2005 compared to the year ended December 31, 2004.***

The following table shows a summary of DPPI s results of operations for the years ended December 31, 2005 and 2004:

| | Year ended December 31, 2005 | Percentage of net sales and services | Year ended December 31, 2004 | Percentage of net sales and services | Percent change |
|---|---|---|---|---|---|
| | (in millions of *reais*, except percentages) | | | | |
| Net sales and services | 22,757.5 | 100% | 19,111.6 | 100% | 19% |
| Cost of sales and services | (21,533.9) | 95% | (18,009.9) | 94% | 20% |
| **Gross profit** | 1,223.6 | 5% | 1,101.8 | 6% | 11% |
| Selling, general and administrative expenses | (881.1) | 4% | (772.8) | 4% | 14% |
| Other operating income (expense), net | 62.7 | 0% | 12.7 | 0% | 394% |
| **Operating income before financial items** | 405.1 | 2% | 341.7 | 2% | 19% |
| Financial income (expense), net | 40.7 | 0% | 15.3 | 0% | 167% |
| Non-operating income (expense), net | 26.6 | 0% | (11.1) | 0% | (340)% |
| Equity in earnings of affiliates/Goodwill amortization/ Provision for loss on investments | 72.4 | 0% | 127.8 | 1% | (43)% |
| Income and social contribution taxes | (99.7) | 0% | (70.4) | 0% | 42% |
| Profit sharing | (16.7) | 0% | (12.7) | 0% | 32% |
| Minority Interest | (258.8) | 1% | (252.6) | 1% | 2% |
| **Net income** | **169.8** | **1%** | **138.0** | **1%** | **23%** |

*Net sales and services*. Net sales and services for the year ended December 31, 2005 increased by 19% to R$22,757.5 million from R$19,111.6 million for the year ended December 31, 2004. The increase in net sales was driven by 3% growth in sales volume and pricing adjustments in consequence of higher refinery costs.

*Cost of sales and services*. Cost of sales and services increased by 20% to R$21,533.9 million for the year ended December 31, 2005, compared to R$18,009.9 million for the year ended December 31, 2004, mainly due to an increases in the cost of raw materials and growth in sales volumes.

*Gross profit*. Gross profit increased by 11% to R$1,223.6 million for the year ended December 31, 2005 from R$1,101.8 million for the year ended December 31, 2004.

*Selling, general and administrative expenses*. Selling, general and administrative expenses increased by 14% to R$881.1 million for the year ended December 31, 2005 from R$772.8 million for the year ended December 31, 2004. This increase reflects (i) salary increases as a result of the annual collective wage agreement, (ii) freight and other variable expenses due to higher volumes and sales, and (iii) increase in marketing and maintenance expenses.

*Other operating income*. Other operating income increased to R$62.7 million for the year ended December 31, 2005, compared to R$12.7 million for the year ended December 31, 2004, mainly due to positive actuarial effects on its pension fund. See Note 18 to DPPI s consolidated financial statement.

*Operating income before financial items*. Operating income before financial items increased by 19% to R$405.1 million for the year ended December 31, 2005 from R$341.7 million for the year ended December 31, 2004.

*Financial income (expense), net*. Reported net financial income amounted to R$40.7 million for the year ended December 31, 2005, compared to a net financial income of R$15.3 million for the year ended December 31, 2004. The R$25.4 million improvement was mainly due to the effect of the exchange rate fluctuations on DPPI dollar-denominated financial instruments.

*Non-operating income (expense), net*. Net non-operating income was R$26.6 million for the year ended December 31, 2005 compared to a net non-operating expense of R$11.1 million for the year ended December 31,

2004. The improvement in non-operating income derives substantially from gains related to the sale by DPPI to RIPI of subscription warrants in the amount of R$29 million. See Note 7 to DPPI s consolidated financial statements.

*Equity in earnings of affiliates/Goodwill amortization/ Provision for loss on investments.* Equity in earnings of affiliates amounted to R$72.4 million for the year ended December 31, 2005, a 43% decrease compared to the year ended December 31, 2004. Such decrease is mainly due to a reversal of a provision for loss on the investment in Ipiranga Petroquímica S.A. in 2004 due to an increase in the results of operation in this affiliate.

*Income and social contribution taxes*. Income and social contribution tax expenses amounted to R$99.7 million for the year ended December 31, 2005, an increase of 42% from R$70.4 million for the year ended December 31, 2004. This increase is primarily due to higher pre-tax profit.

*Profit sharing*. Profit sharing was R$16.7 million for the year ended December 31, 2005, compared to R$12.7 million for the year ended December 31, 2005, reflecting the improvement in the company s operational result.

*Minority interest*. Minority interest was R$258.8 million for the year ended December 31, 2006, compared to R$252.6 million for the year ended December 31, 2005.

*Net income*. As a result of the aforementioned, net income for the year ended December 31, 2005 was R$169.8 million, an increase of 23% compared to R$138.0 million in 2004.

**B. Liquidity and Capital Resources**

DPPI s principal sources of liquidity are cash generated from operations and financing. DPPI believes that these sources will continue to be 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 or interest on equity.

**Sources and Uses of Funds**

Net cash flow from operations was R$158.3 million and R$(87.0) million for the six months ended June 2007 and 2006, respectively. DPPI s cash flow from operations increased R$245.3 million mostly because of a reduction in investment in working capital for the first half of 2007. Net cash flow from financing activities amounted to R$(99.8) million and R$47.9 million for the first half of 2007 and 2006, respectively. Cash used for financing activities for the first half of 2007 decreased R$147.6 million compared to the same period in 2006, as a result of higher new loans and financing obtained in the first half of 2006.

Investing activities used net cash of R$(20.7) million and R$8.6 million for the first six months ended June 30, 2007 and 2006, respectively. The higher level of cash used by investing activities for the first half of 2007 compared to 2006 was principally due to the amortization of debentures in the first semester of 2006 issued by its affiliate IQ.

As of June 30 2007, DPPI had R$242.9 million in cash, cash equivalents, derivatives, short- and long-term investments. DPPI will spend approximately R$890.8 million over the next five years to meet long-term contractual obligations described in Tabular Disclosure of Contractual Obligations . DPPI expects 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 its current indebtedness as it becomes due.

Net cash flow from operations was R$229.9 million, R$156.9 million and R$289.9 million for 2006, 2005 and 2004, respectively. DPPI s cash flow from operations increased by R$72.9 million in 2006, compared to 2005 and decreased by R$132.9 million in 2005 compared to 2004, mainly reflecting the cash generated by the

Table of Contents

increase in other liabilities in 2004. Net cash flow from financing activities amounted to R$(177.8) million, R$(31.3) million and R$(344.4) million in the years ended December 31, 2006, 2005 and 2004, respectively. The cash consumed by financing activities in 2006 increased by R$146.5 million compared to 2005, mainly due to a lower level of net cash raised. Cash consumed by financing activities in 2005 decreased by R$313.0 million compared to 2004, due to a higher level of net cash raised from new loans.

Investing activities generated net cash of R$11.3 million in the year ended December 31,2006, and consumed R$(203.3) million and R$(142.9) million in the years ended December 31, 2005 and 2004, respectively. The increase in cash flow generated from investing activities in 2006 compared to 2005 was principally due to proceeds from debentures issued by related parties and held by DPPI and CBPI, which were partially redeemed in 2006. Acquisitions of property, plant and equipment and additions to intangible assets and deferred charges consumed R$178.6 million, R$159.1 million and R$149.6 million in 2006, 2005 and 2004, respectively. For the year ended December 31, 2006, amounts under investing activities were allocated mainly in the renovation and operational improvement of the company s service stations and distribution facilities and on the expansion of NGV service stations.

As of December 2006, DPPI had R$201.4 million in cash, cash equivalents and long-term investments. DPPI will spend approximately R$1.0 billion in the next five years to meet long-term contractual obligations as described in the Tabular Disclosure of Contractual Obligations. DPPI expects 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 its indebtedness as it becomes due.

**Indebtedness**

As of June 30, 2007, DPPI s consolidated short- and long-term debt was as follows:

| Indebtedness | Currency | Interest Rate(1) | Principal amount of outstanding and accrued interest through June 30, 2007 | December 31, 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|
| | | | (in millions of *reais*) | | | |
| **Foreign currency-denominated loans:** | | | | | | |
| Purchase financing | US$ | Exchange variations US$ + 1.0% to 1.4% p.a. | | 41.1 | 278.3 | 66.8 |
| Global Notes(a) | US$ | Exchange variations US$ + 9.875% p.a. | 112.5 | 124.9 | 320.7 | 370.1 |
| Subsidiaries | | Exchange variations US$ + interest of 5.6% to 6.8% p.a. CDI up to 104% | 12.9 | | | |
| ***Real*-denominated loans:** | | | | | | |
| Property and equipment acquisition | R$ | TJLP² plus interest of 3.8% to 5.1% p.a. | 33.1 | 37.7 | 35.5 | 24.9 |
| Debentures(b) | R$ | 103.8% of CDI | 360.5 | 361.4 | | |
| Subsidiaries | R$ | CDI up to 105.5% to 106.5% | 49.2 | 41.2 | | |
| Working capital | R$ | CDI up to 100.0% | 42.0 | 132.2 | 80.1 | 80.5 |
| Financial institutions | R$ | CDI up to 100.0% | 64.0 | | | |
| **Total** | | | 674.3 | 738.5 | 714.6 | 542.3 |

(1) Interest rate only as of June, 2007.

(2) TJLP (Long-Term Interest Rate) is a nominal interest rate established by Brazilian National Monetary Council (CMN) on a quarterly basis. On June 30, 2007, TJLP was fixed at 6.5% p.a.

(3) On August 1, 2003, CBPI issued US$135 million in notes in the international markets. On August 1, 2005, when interest increased from 7.875% per year to 9.875% per year, some of the holders decided to early

Table of Contents

redeem its notes in the amount of US$1,285 or R$3,072. In 2006, the subsidiary made an offer to repurchase to the bondholders as a result of which there was a partial redemption in the amount of US$79,574 or R$164,877.

(4) On April 18, 2006, CBPI registered with the Brazilian Securities Commission (CVM) a public offering of 35,000 debentures, of a single series, nonconvertible, with face value of R$10 each, and issued on April 1, 2006, in the amount of R$350,000. The debentures mature on April 1, 2011 with principal repaid in three annual installments. They pay interest, from the issuance date, on their unit face value, of 103.80% of the *Taxa DI over extra grupo*, or the daily average rate of interbank deposits, disclosed by the Clearinghouse for the Custody and Financial Settlement of Securities (CETIP). Interest is payable every 6 months from the issuance date of the debentures.

DPPI s consolidated debt as of June 30, 2007 had the following maturity schedule:

| **Maturity** | **Amount (in millions of *reais*)** |
|---|---|
| July 1, 2007 to June 30, 2008 | 89.8 |
| July 1, 2008 to June 30, 2009 | 214.3 |
| July 1, 2009 to June 30, 2010 | 130.5 |
| July 1, 2010 to June 30, 2011 | 121.9 |
| July 1, 2011 to June 30, 2012 | 117.8 |
| Total | 674.3 |

DPPI provides collaterals and guarantees for some loan operations conducted directly or indirectly by affiliates and subsidiaries. As of June 30, 2007, December 31, 2006 and December 31, 2005, amounts referring to these operations were R$187.2 million, R$227.3 million and R$187.0 million, respectively. See Note 20 to DPPI s consolidated financial statements.

**Investments**

***Equity investments***

The table below shows DPPI s investments in shareholding stakes for the six-month period ended June 30, 2007 and the years ended December 31, 2006, 2005 and 2004.

| | **Six-month period ended June 30,** | **Year ended December 31,** | | |
|---|---|---|---|---|
| | **2007** | **2006** | **2005** | **2004** |
| | **(in millions of *reais*)** | | | |
| Investments in shareholding stakes | 3.7 | 3.9 | 8.8 | 19.7 |

***Investments in permanent assets and deferred charges***

The following table sets forth DPPI s investments for the six-month period ended June 30, 2007 and the years ended December 31, 2006, 2005 and 2004.

| | **Six-month period ended June 30,** | **Year ended December 31,** | | |
|---|---|---|---|---|
| | **2007** | **2006** | **2005** | **2004** |
| | **(in millions of *reais*)** | | | |
| Distribuidora de Produtos de Petróleo Ipiranga S.A. | 19.4 | 52.2 | 55.3 | 33.7 |
| Subsidiaries | 115.4 | 337.7 | 303.4 | 298.9 |

| | | | | |
|---|---|---|---|---|
| Total capital expenditures | 134.8 | 389.9 | 358.6 | 332.7 |
| Disposals | (79.4) | (200.8) | (143.6) | (161.1) |
| Total capital expenditures, net of disposals(1) | 55.4 | 189.1 | 215.0 | 171.6 |

(1) Includes customer financing, net of its amortization and leasing operations.

DPPI s investment strategy has been to make improvements related to its retail service stations network and terminals. During the six-month period ended June 30, 2007 and the years ended December 31, 2006, 2005 and 2004, investments focused on enhancing environmental safeguard, increasing convenience stores list of services and products offered, and expanding the availability of NGV (Compressed natural gas) on DPPI s network.

The investment plan for 2007 has a total budget of R$178.5 million, consisting of (i) modernization and expansion of our service stations network, (ii) modernization and expansion of DPPI s convenience stores network and (iii) renovation of exclusivity contracts with some of DPPI s retail dealers.

**U.S. GAAP Reconciliation**

DPPI s net income under Brazilian GAAP amounted to R$69.4 million and R$66.5 million for the six-month period ended June 30, 2007 and 2006, respectively, and R$160.9 million and R$169.8 million for the years ended December 31, 2006 and 2005, respectively. Under U.S. GAAP, DPPI presented net income of R$58.9 million and R$56.8 for the six month-period ended June 30, 2007 and 2006, respectively, and R$112.6 million and R$99.2 million for the years ended December 31, 2006 and 2005, respectively.

DPPI s shareholders equity under Brazilian GAAP as of June 30, 2007, December 31, 2006 and December 31, 2005 was R$873.4 million, R$804.0 million and R$708.4 million, respectively. Under U.S. GAAP, DPPI shareholders equity was R$901.4 million, R$843.9 million and R$758.5 million as of as of June 30, 2007, December 31, 2006 and December 31, 2005, respectively.

The principal differences between Brazilian GAAP and U.S. GAAP that affect DPPI s net income and shareholders equity relate to the treatment of the following items:

- adjustment for inflation of property, plant and equipment;
- post-employment benefits adjustment;
- gain on percentage variation of capital share;
- differences in goodwill accounting;
- fair-value adjustments of derivatives;
- accounting for deferred taxes;
- accounting for convertible debentures; and
- deferred tax effects on the foregoing adjustments.

See Note 25 to DPPI s consolidated financial statements for a description of the differences above as they relate to DPPI and a reconciliation to U.S. GAAP of net income and total shareholders equity.

**C. Research and Development, Patents and Licenses, etc.**

DPPI owns the registers of its brands including Ipiranga , Corrida Premiada and Posto 24 Horas . The company also owns the registers of DPPISA, Ipicil, Ipiflex, Ipilube, Ipitur, Isa, Marina 2T Plus and several other brands. Through its controlled company CBPI, DPPI also owns the register of RodoRede, Jet OIl, Atlantic, F1 Master, F1 Super, Ipiranga 4x4, Lub Fácil, Sintex, Moldax, Rede Nota Dez, Ipitrust, GP Super and several other brands. The register of these brands expires between 2007 and 2016, and the renovation of these registers is part of DPPI s and CBPI s annual activities.

One of DPPI s indirectly controlled companies, AM/PM Comestíveis Ltda., is the master franchisee of AM/PM brand in Brazil. Costs and terms of brand usage are governed by the agreement signed between AM/PM Internacional Co. and AM/PM Comestíveis Ltda.

Table of Contents

### D. Trend Information

*Brazilian consumption of fuels*

Recent economic indicators, published by IBGE - *Instituto Brasileiro de Geografia e Estatística* (Brazilian Institute of Geography and Statistics), have shown a decrease in the unemployment levels from 10% in September 2006 to 9% in the September 2007. IBGE indicators have also shown an improvement in the Brazilian economy, as GDP increased by 5% in the first half of 2007 compared to the same period in 2006. This, together with greater credit availability, as shown by the 25% increase in the total stock of credit in the Brazilian financial system in the eight-month period ended August, 2007 as compared to the same period in 2006, according to Brazilian Central Bank data, has resulted in record levels of vehicle sales in the first half of 2007 (growth of 25.7% in the number of new vehicles registered as compared to 2006) and consequently an increased demand for fuel. Despite record car sales, however, Brazil s current fleet is small compared to other Latin American countries, with 8 inhabitants per vehicle, whereas Argentina and Mexico have 5 inhabitants per vehicle, according to ANFAVEA - *Associação Nacional dos Fabricantes Veículos Automotores* (Brazilian Association of Vehicle Producers).

Based on the current expansion in the economy and credit availability, together with the low ratio of inhabitants per vehicle, Ultrapar believes the outlook for increased Brazilian fuel consumption is positive for the coming years. The increase in fuel consumption could have a positive effect on the future volume sold by the company.

*Oil products prices*

Until 2005, the prices of certain oil byproducts, especially gasoline and diesel, were being periodically updated by Petrobras to reduce the differences between prices in Brazil and prices prevailing in the international markets. However, since September 2005, these prices have not been updated by Petrobras. On the other hand, oil prices in the international markets have been influenced by the increase in worldwide demand for oil and the instability in producing countries, which led to an increase of the average oil prices from US$44 per barrel in January 2005 to US$62 per barrel in December 2006 and US$71 per barrel in June 2007, based on the price for Brent Crude Oil, one of the major worldwide classifications of oil. This combination of factors caused an incompatibility between oil prices in the international markets and oil byproducts prices in Brazil. We can not predict if and when gasoline and diesel prices will be adjusted to prices in the international markets. The adjustment in the gasoline and diesel prices to international prices could have an impact on the company s profitability in the future.

### E. Tabular Disclosure of Contractual Obligations

The following table summarizes DPPI s contractual obligations, as of June 30, 2007:

| | | Payment due by period | | | |
|---|---|---|---|---|---|
| **Contractual obligations - DPPI** | **Total** | **Up to 1 year** | **Between 1 and 3 years** | **Between 3 and 5 years** | **More than 5 years** |
| | | **(in millions of *reais*)** | | | |
| Financing | 674.3 | 89.8 | 344.8 | 239.7 | 0 |
| Estimated interest payments on financing(1)(2) | 167.5 | 58.7 | 94.4 | 14.4 | 0 |
| Estimated planned funding of pension and other postretirement benefit obligations(3) | 212.7 | 8.3 | 17.8 | 19.6 | 167.1 |
| Operating lease obligations(4) | 5.4 | 0.7 | 1.3 | 1.3 | 2.0 |
| **Total contractual obligations** | **1,059.9** | **157.5** | **458.3** | **275.0** | **169.1** |

(1) The estimated interest payment amount was calculated based on macro-economic assumptions including, on average for the period, principally (i) a 12% CDI interest rate, (ii) a 3% variation in the *reais* to U.S. dollar

exchange rate, (iii) a 3% inflation rate, and (iv) an 6% TJLP rate. See Liquidity and Capital Resources Indebtedness and Note 14 to DPPI s consolidated financial statements for more information about the maturity of DPPI s debt and applicable interest rates.

(2) Includes estimated interest payments on our short- and long-term debt.

(3) See Note 18 to DPPI s consolidated financial statements for more information relating to DPPI estimated planned funding of pensions and other post-retirement benefit obligations.

(4) Includes the franchise contract with AM/PM, under which DPPI and/or its subsidiaries are entitled to pay minimum royalty fees through 2015.

Table of Contents

## CBPI MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion is based on and should be read in conjunction with CBPI s unaudited interim consolidated financial information for the nine-month periods ended September 30, 2007 and 2006 and the six-month period ended June 30, 2007 and 2006 and the audited consolidated financial statements for the years ended December 31, 2006, 2005 and 2004, as well as their respective notes, included in this prospectus, and the sections Other Information and Selected Consolidated Historical Financial Data of CBPI and other financial information presented elsewhere in this prospectus.*

*This section contains discussions regarding estimates and forward-looking statements that involve risks and uncertainties. CBPI s actual results may differ significantly from those discussed in these estimates and forward-looking statements as a result of various factors, including, without limitation, those described in Cautionary Statement Regarding Forward-Looking Statements and Risk Factors.*

### A. Operating Results

### Brazilian Economic Background

Since all of CBPI s operating businesses are located in Brazil, we are significantly affected by Brazil s economic and social conditions, including, but not limited to, gross domestic product, or GDP, Brazilian population income, credit availability, interest rates, the domestic rate of inflation and exchange rate fluctuations.

***Gross domestic product***

As the government became more confident regarding inflation trends, interest rates were lowered, and Brazilian GDP grew by 4.9% in 2004. However, in order to meet inflation targets, the Central Bank increased interest rates again in 2005, and GDP growth decreased to 2.3% in the year ended December 31, 2005. During 2006, the Brazilian economy presented the same trend shown in the previous year and GDP grew by 2.9%. In the first half of 2007, Brazilian GDP grew by 4.8%, compared to the same period in 2006. This growth was mainly influenced by the improved performance of the industrial sector as a result of lower interest rates, greater credit availability and expansion in the Brazilian population income. CBPI s operations, especially sales of fuels, are significantly impacted by Brazilian GDP growth. In addition, the level of Brazilian population income, which often bears a relation to GDP performance, also affect the sales of fuels.

***Inflation and currency fluctuations***

CBPI s cash operating expenses are substantially in *reais* and tend to fluctuate with inflation. In 2004, the *real* appreciated against the U.S. dollar and the IGP-M for the year was 12.4%. In 2005, 2006 and the first half of 2007, the *real* continued to appreciate against the U.S. dollar, which, together with increased average interest rates, resulted in inflation rates of 1.2%, 3.9% and 1.5%, respectively, as measured by the IGP-M. Future governmental actions, including adjustments to the value of the *real* in relation to the U.S. dollar, may increase inflation.

The principal foreign exchange risk CBPI faces arises from certain U.S. dollar-denominated debt. On June 30, 2007, exchange rate exposure totaled US$64.1 million. Hence, CBPI is exposed to foreign exchange rate risks which could negatively impact its businesses, financial situation and operating results, as well as its capacity to service its debt. See Note 21 to CBPI s consolidated financial statements.

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

| | Six month period ended June 30, | | Year ended December 31, | | |
|---|---|---|---|---|---|
| **Index** | **2007** | **2006** | **2006** | **2005** | **2004** |
| General Price Index IGP-M | 1.5% | 1.4% | 3.9% | 1.2% | 12.4% |
| Devaluation (appreciation) of the *real* against the U.S. dollar | (9.9)% | (7.5)% | (8.7)% | (11.8)% | (8.1)% |

Table of Contents

***Interest rate and credit availability***

Interest rates in Brazil have been historically high, but monetary authorities there have had success in controlling them in a consistent manner during recent years. In 2003, there was a significant monetary tightening in which the basic rate was increased to 26% per year, as a response to the inflation bubble of the previous year. However, the rate dropped further during 2003 to 16%. Between 2004 and mid-2005, there was another tightening of rates, as a reply to a quick acceleration of inflation. Now, as inflation has been controlled, the basic rate was reduced to 11.25% per year in September 2007. The unemployment rate in Brazil dropped from 12% to 10% in the past two years. Despite the relatively high unemployment rate, the average worker s income has been constantly increasing since the end of 2003. The greater availability of credit due to lower interest rates and improvement in Brazilian population income largely explain the increase in internal demand, including the record levels of vehicle sales in the first half of 2007, amounting to 1.082 million vehicles registered, including cars, trucks and buses. This is a 25.7% increase compared to the first half of 2006, according to figures published by the National Vehicle Registry (Renavam). This growth has been having a positive influence on demand for fuels.

The main interest rate risk CBPI faces derives from interest rate fluctuations that might increase its interest expenses on loans and financing. CBPI continuously monitors interest rates in the market in order to evaluate the need for hedging against the volatility of these rates.

| Index | Six-month period ended June 30, 2007 | 2006 | Year ended December 31, 2005 | 2004 |
|---|---|---|---|---|
| Interest rate Selic | 6% | 15% | 19% | 16% |

**Critical Accounting Policies and Estimates**

The presentation of CBPI s financial condition and results of operations requires its management to make judgments regarding the effects of matters that are inherently uncertain on the carrying value of its assets and liabilities that may affect the reported amount of such assets as well as our revenues and expenses. Actual results may differ from those estimated under different variables, assumptions or conditions, even though CBPI s management believes that its accounting estimates are reasonable. The following paragraphs review the critical accounting estimates that management considers most important for understanding CBPI s financial condition, results of operations and cash flows. An accounting estimate is considered a critical accounting estimate if it meets the following criteria:

- The accounting estimate requires management to make assumptions about matters that were highly uncertain at the time the accounting estimate was made; and
- Different estimates that management reasonably could have used for the accounting estimate in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, would have a material impact on our financial condition, results of operations or cash flows.

We have identified the following five of CBPI s accounting policies that can be considered critical.

***Allowance for doubtful accounts***

CBPI maintains allowances for doubtful accounts for estimated losses resulting from the subsequent inability of its customers to make required payments. An allowance for doubtful accounts is recorded in an amount CBPI considers sufficient to cover any probable losses on realization of its accounts receivable from its customers, as well as other receivables, and is included as selling expenses; no adjustment is made to net sales and services revenue. In order to establish the allowance for doubtful accounts, CBPI s management constantly evaluates the amount and characteristics of its accounts receivable. When significant delays occur and the likelihood of receiving these payments decreases, a provision is made. In case receivables in arrears are guaranteed or there are reasonable grounds to believe they will be paid, no provision is made. If the financial conditions of CBPI s customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances would be required in future periods. However, because CBPI cannot predict with certainty the future financial stability of its customers, CBPI cannot guarantee that its reserves will continue to be adequate. Actual credit losses may be greater than the allowance CBPI has established, which could have a significant impact on its selling expenses. See Note 21(b) to CBPI s consolidated financial statements for additional information about credit risk.

***Deferred Taxes***

CBPI recognizes deferred tax assets and liabilities which do not expire, arising from tax loss carry-forwards, temporary add-backs, revaluation of property, plant and equipment and other procedures. CBPI periodically reviews the deferred tax assets for recoverability and establishes a valuation allowance, as required, based on historical taxable income, projected future taxable income, and the expected timing of the reversals of existing temporary differences. In the event CBPI or one of its subsidiaries operates at a loss or is unable to generate sufficient future taxable income, or if there is a material change in the actual effective tax rates or time period within which the underlying temporary differences become taxable or deductible, CBPI evaluates the need to establish a valuation allowance against all or a significant portion of its deferred tax assets, resulting in an increase in its effective tax rate, thereby decreasing net income. If CBPI determines that it can realize a deferred tax in excess of its net recorded amount, CBPI decreases the valuation allowance, thereby increasing net income. Significant management judgment is required in determining any valuation allowance. The principal uncertainty relates to the likelihood of future taxable income from the subsidiary that generated the deferred tax asset. A change in CBPI s projections of profitability could result in the need to record a valuation allowance against deferred tax assets, resulting in a negative impact on future results. See Note 10(a) to CBPI s consolidated financial statements for additional information on taxes.

***Contingent liabilities***

CBPI is currently involved in certain legal and administrative proceedings that arise from its normal course of business as described in Note 16 to CBPI s consolidated financial statements. CBPI believes that the extent to which these contingencies are recognized in CBPI s consolidated financial statements is adequate. It is CBPI s policy to record accrued liabilities in regard to contingencies that can be reasonably estimated and could have a material adverse impact on the results of CBPI s operations or its financial condition and that are probable to occur in the opinion of its management, based on information available to CBPI, including information obtained from its legal advisors. Future results of operations for any particular quarterly or annual period could be materially affected by changes in CBPI s assumptions, by the effectiveness of CBPI s strategies relating to these proceedings, by future developments in each matter being discussed or by changes in approach, such as a change in settlement strategy in dealing with these matters.

***Pension and other post-retirement benefits***

The determination of the expense and liability relating to CBPI s pension plan and certain insurance benefits for CBPI s employees and their dependents involves the use of actuarial assumptions. These include estimates of future mortality, withdrawal, changes in compensation and the discount rate used to reflect the time value of money, as well as the rate of return on plan assets. These assumptions are reviewed at least annually and may differ materially from actual results due to changing market and economic conditions, regulatory events, judicial rulings, higher or lower withdrawal rates or longer or shorter life spans of participants. In case actual results differ from the assumptions adopted, there may be a significant impact on the amount of pension liability and post-retirement health care and expenses CBPI records. See Note 18 to CBPI s consolidated financial statements for additional information on provision for post-employment benefits.

***Provision for losses on investments***

CBPI recognizes a provision for losses on investments related to investments in non-consolidated affiliates which (i) have reported negative stockholders equity in their financial statements prepared in accordance with

Table of Contents

Brazilian GAAP and (ii) have outstanding loans which CBPI has guaranteed. In such cases, CBPI first reduces the value of the investment to zero, and subsequently provide for its portion of negative equity. The amount of losses recognized by CBPI and related payments made on behalf of the non-consolidated affiliate, if any, will depend upon the future results of such affiliate during the period the guarantee is outstanding.

**Results of Operations**

The following discussion of CBPI s results of operations is based on the financial information derived from CBPI s consolidated financial statements prepared in accordance with Brazilian GAAP.

The following table shows a summary of our results of operations for the nine-month periods ended September 30, 2007 and 2006:

| | Period ended September 30, 2007 | Percentage of net sales and services | Period ended September 30, 2006 | Percentage of net sales and services | Percent change |
|---|---|---|---|---|---|
| | | (in millions of reais, except percentages) | | | |
| Net sales and services | 16,914.9 | 100% | 16,454.3 | 100% | 3% |
| Cost of sales and services | (16,054.5) | 95% | (15,662.3) | 95% | 3% |
| **Gross profit** | **860.4** | **5%** | **791.9** | **5%** | **9%** |
| Selling, general and administrative expenses | (602.8) | 4% | (586.8) | 4% | 3% |
| Other operating income (expense), net | 8.4 | 0% | 8.0 | 0% | 5% |
| **Operating income before financial items** | **266.0** | **2%** | **213.1** | **1%** | **25%** |
| Financial income (expense), net | 3.4 | 0% | (19.8) | 0% | |
| Non-operating income (expense), net | 6.6 | 0% | 3.2 | 0% | 106% |
| Equity in earnings of affiliates and Goodwill amortization | 99.7 | 1% | 65.5 | 0% | 52% |
| Income and social contribution taxes | (86.4) | 1% | (25.9) | 0% | 233% |
| Profit sharing | (4.6) | 0% | (3.5) | 0% | 32% |
| **Net income** | **284.7** | **2%** | **232.5** | **1%** | **22%** |

*Net sales and services*. Net sales and services for the nine-month period ended September 30, 2007 increased by 3% to R$16,914.9 million from R$16,454.3 million for the nine-month period ended September 30, 2006. The increase in net sales was driven by a 6% growth in sales volume, particularly in ethanol and diesel volumes, partially offset by a 3% decrease in average prices.

*Cost of sales and services*. Cost of sales and services increased by 3% to R$16,054.5 million for the nine-month period ended September 30, 2007, compared to R$15,662.3 million for the nine-month period ended September 30, 2006, mainly due to volume growth, which was partially offset by the cost reduction of ethanol given the harvest season in 2007.

*Gross profit*. Gross profit increased by 9% to R$860.4 million for the nine-month period ended September 30, 2007 compared to R$791.9 million for the nine-month period ended September 30, 2006.

*Selling, general and administrative expenses*. Selling, general and administrative expenses increased by 3% to R$602.8 million for the nine-month period ended September 30, 2007 from R$586.8 million for the nine-month period ended September 30, 2006. This increase reflects (i) non-recurring expenses as a result of laying off the corporate staff that supported the Key Shareholders, (ii) higher freight expenses and (iii) higher marketing expenses.

*Other operating income*. Other operating income increased by 5% to R$8.4 million for the nine-month period ended September 30, 2007, compared to R$8.0 million for the nine-month period ended September 30, 2006.

Table of Contents

*Operating income before financial items*. Operating income before financial items increased by 25% to R$266.0 million for the nine-month period ended September 30, 2007 compared to R$213.1 million for the nine-month period ended September 30, 2006.

*Financial income (expense), net*. CBPI reported net financial income of R$3.4 million for the nine-month period ended September 30, 2007, compared to a net financial expense of R$19.8 million for the nine-month period ended September 30, 2006. The R$23.2 million improvement in net financial result was principally due to the effects of the *real* appreciation over the dollar-denominated loans.

*Non-operating income (expense), net*. CBPI reported a net non-operating income of R$6.6 million for the nine-month period ended September 30, 2007 compared to a net non-operating income of R$3.2 million for the nine-month period ended September 30, 2006. The increase of R$3.4 million on non-operating income is primarily attributable to reversal of a permanent assets loss provision in 2007.

*Equity in earnings of affiliates and goodwill amortization*. Equity in earnings of affiliates amounted to R$99.7 million for the nine-month period ended September 30, 2007, a 52% increase compared to the nine-month period ended September 30, 2006. The increase is mainly due to an increase in the results of operation in the affiliate IQ.

*Income and social contribution taxes*. Income and social contribution taxes expenses amounted to R$86.4 million for the nine-month period ended September 30, 2007, an increase of 233% from R$25.9 million for the nine-month period ended September 30, 2006. This increase is primarily due to higher pre-tax income in 2007 and interest on equity paid in 2006.

*Profit sharing*. Profit sharing was R$4.6 million for the nine-month period ended September 30, 2007, compared to R$3.5 million for the nine-month period ended September 30, 2006. This increase is due to better results in 2007.

*Net income*. As a result of the foregoing, net income for the nine-month period ended September 30, 2007 was R$284.7 million, an increase of 22% compared to R$232.5 million for the nine-month period ended September 30, 2006.

***Six-month period ended June 30, 2007 compared to the six-month period ended June 30, 2006***

The following table shows a summary of CBPI s results of operations for the six-month period ended June 30, 2007:

| | Semester ended June 30, 2007 | Percentage of net sales and services | Semester ended June 30, 2006 | Percentage of net sales and services | Percent change |
|---|---|---|---|---|---|
| | (in millions of reais, except percentages) | | | | |
| Net sales and services | 11,128.1 | 100% | 10,677.5 | 100% | 4% |
| Cost of sales and services | (10,571.3) | 95% | (10,154.0) | 95% | 4% |
| **Gross profit** | 556.8 | 5% | 523.5 | 5% | 6% |
| Selling, general and administrative expenses | (397.0) | 4% | (388.6) | 4% | 2% |
| Other operating income (expense), net | 5.2 | 0% | 5.0 | 0% | 3% |
| **Operating income before financial items** | 165.0 | 1% | 139.9 | 1% | 18% |
| Financial income (expense), net | (0.1) | 0% | (8.1) | 0% | 90% |
| Non-operating income (expense), net | 6.4 | 0% | 6.9 | 0% | (7)% |
| Equity in earnings of affiliates and Goodwill amortization | 66.1 | 1% | 45.2 | 0% | 46% |
| Income and social contribution taxes | (54.3) | 0% | (25.7) | 0% | 111% |
| Profit sharing | (2.8) | 0% | (3.4) | 0% | (17)% |
| **Net income** | **179.6** | **2%** | **154.7** | **1%** | **16%** |

Table of Contents

*Net sales and services*. Net sales and services for the semester ended June 30, 2007 increased by 4% to R$11,128.1 million from R$10,677.5 million for the semester ended June 30, 2006. The increase in net sales was driven by a 5% growth in sales volume, particularly in ethanol and diesel volumes.

*Cost of sales and services*. Cost of sales and services increased by 4% to R$10,571.3 million for the semester ended June 30, 2007, compared to R$10,154.0 million for the semester ended June 30, 2006, mainly due to volume growth, which was partially offset by the cost reduction of ethanol given the harvest season in 2007.

*Gross profit*. Gross profit increased by 6% to R$556.8 million for the semester ended June 30, 2007 compared to R$523.5 million for the semester ended June 30, 2006.

*Selling, general and administrative expenses*. Selling, general and administrative expenses increased by 2% to R$397.0 million for the semester ended June 30, 2007 from R$388.6 million for the semester ended June 30, 2006. This increase reflects (i) non-recurring expenses as a result of laying off the corporate staff that supported the Key Shareholders (R$6 million) and (ii) higher freight expenses (R$5 million).

*Other operating income*. Other operating income increased by 3% to R$5.2 million for the semester ended June 30, 2007, compared to R$5.0 million for the semester ended June 30, 2006.

*Operating income before financial items*. Operating income before financial items increased by 18% to R$165.0 million for the semester ended June 30, 2007 compared to R$139.9 million for the semester ended June 30, 2006.

*Financial income (expense), net*. CBPI reported net financial expense of R$0.1 million for the semester ended June 30, 2007, compared to a net financial expense of R$8.1 million for the semester ended June 30, 2006. The R$8.0 million decrease in financial expense was principally due to the effects of the *real* appreciation over the dollar-denominated loans.

*Non-operating income (expense), net*. CBPI reported a net non-operating income of R$6.4 million for the semester ended June 30, 2007 compared to a net non-operating income of R$6.9 million for the semester ended June 30, 2006. The decrease of R$0.5 million on non-operating income is primarily attributable to sale of fixed assets (vehicles) in 2006.

*Equity in earnings of affiliates and goodwill amortization*. Equity in earnings of affiliates amounted to R$66.1 million for the semester ended June 30, 2007, a 46% increase compared to the semester ended June 30, 2006. The increase is mainly due to an increase in the results of operation in the affiliate IQ.

*Income and social contribution taxes*. Income and social contribution taxes expenses amounted to R$54.3 million for the semester ended June 30, 2007, an increase of 111% from R$25.7 million for the semester ended June 30, 2006. This increase is primarily due to higher pre-tax income in 2007 and interest on equity paid in 2006.

*Profit sharing*. Profit sharing was R$2.8 million for the semester ended June 30, 2007, compared to R$3.4 million for the semester ended June 30, 2006, the reduction is the result of the profit sharing payment to former executive officers in 2006.

*Net income*. As a result of the foregoing, net income for the semester ended June 30, 2007 was R$179.6 million, an increase of 16% compared to R$154.7 million for the semester ended June 30, 2006.

**Table of Contents**

***Year ended December 31, 2006 compared to year ended December 31, 2005.***

The following table shows a summary of our results of operations for the years ended December 31, 2006 and 2005:

| | Year ended December 31, 2006 | Percentage of net sales and services | Year ended December 31, 2005 | Percentage of net sales and services | Percent change |
|---|---|---|---|---|---|
| | (in millions of *reais*, except percentages) | | | | |
| Net sales and services | 22,225.1 | 100% | 19,476.5 | 100% | 14% |
| Cost of sales and services | (21,143.0) | 95% | (18,450.1) | 95% | 15% |
| **Gross profit** | 1,082.1 | 5% | 1,026.4 | 5% | 5% |
| Selling, general and administrative expenses | (791.9) | 4% | (758.9) | 4% | 4% |
| Other operating income (expense), net | 19.5 | 0% | 49.7 | 0% | (61)% |
| **Operating income before financial items** | 309.7 | 1% | 317.3 | 2% | (2)% |
| Financial income (expense), net | (25.1) | 0% | 22.2 | 0% | |
| Non-operating income (expense), net | 3.7 | 0% | (2.9) | 0% | |
| Equity in earnings of affiliates/Goodwill amortization | 84.9 | 0% | 72.4 | 0% | 17% |
| Income and social contribution taxes | (35.0) | 0% | (69.2) | 0% | (49)% |
| Profit sharing | (14.7) | 0% | (14.4) | 0% | 2% |
| **Net income** | **323.5** | **1%** | **325.5** | **2%** | **(1)%** |

*Net sales and services*. Net sales and services for the year ended December 31, 2006 increased by 14% to R$22,225.1 million from R$19,476.5 million for the year ended December 31, 2005. The increase in net sales was driven by a 3% growth in sales volume and pricing adjustments of 10% in consequence of higher refinery costs.

*Cost of sales and services*. Cost of sales and services increased by 15% to R$21,143.0 million for the year ended December 31, 2006, compared to R$18,450.1 million for the year ended December 31, 2005, mainly due to an increase of 11% in the cost of raw materials and the growth in sales volume.

*Gross profit*. Gross profit increased by 5% to R$1,082.1 million for the year ended December 31, 2006, compared to R$1,026.4 million for the year ended December 31, 2005.

*Selling, general and administrative expenses*. Selling, general and administrative expenses increased by 4% to R$791.9 million for the year ended December 31, 2006 from R$758.9 million for the year ended December 31, 2005. This increase reflects (i) salary increases as a result of the annual collective wage agreement, (ii) freight (R$17.1 million) and other variable expenses (R$11.1 million) due to higher volumes and sales and (iii) increase in depreciation due to investments realized.

*Other operating income*. Other operating income decreased by 61% to R$19.5 million for the year ended December 31, 2006, compared to R$49.7 million for the year ended December 31, 2005 mainly due to positive actuarial effects on its pension fund in 2005. See Note 18 to CBPI s consolidated financial statement.

*Operating income before financial items*. Operating income before financial items decreased by 2% to R$309.7 million for the year ended December 31, 2006 compared to R$317.3 million for the year ended December 31, 2005.

*Financial income (expense), net*. CBPI reported net financial expense of R$25.1 million for the year ended December 31, 2006, compared to a net financial income of R$22.2 million for the year ended December 31, 2005. The R$47.3 million increase in financial expense was principally due to the interest expenses on a R$350 million debenture issued in 2006.

Table of Contents

*Non-operating income (expense), net*. CBPI reported a net non-operating income of R$3.7 million for the year ended December 31, 2006, compared to a net non-operating expense of R$2.9 million for the year ended December 31, 2005. The improvement of R$6.6 million on non-operating income is primarily attributable to reversal of a permanent assets loss provision and capital gains related to the subsidiary Maxfácil, which was partially offset by Termogaúcha s write-off.

*Equity in earnings of affiliates/Goodwill amortization*. Equity in earnings of affiliates amounted to R$84.9 million for the year ended December 31, 2006, a 17% increase compared to the year ended December 31, 2005. The increase is mainly due to an increase in the results of operations of the affiliate IQ Ipiranga Química S.A.

*Income and social contribution taxes*. Income and social contribution tax expenses amounted to R$35.0 million for the year ended December 31, 2006, a decrease of 49% from R$69.2 million for the year ended December 31, 2005. This decrease is primarily due to a lower pre-tax profit and the increase in non-taxable income.

*Profit sharing*. Profit sharing was R$14.7 million for the year ended December 31, 2006, compared to R$14.4 million for the year ended December 31, 2005.

*Net income*. As a result of the aforementioned, net income for the year ended December 31, 2006 was R$323.5 million, a decrease of 1% compared to R$325.5 million for the year ended December 31, 2005.

***Year ended December 31, 2005 compared to year ended December 31, 2004.***

The following table shows a summary of CBPI s results of operations for the years ended December 31, 2005 and 2004:

| | Year ended December 31, 2005 | Percentage of net sales and services | Year ended December 31, 2004 | Percentage of net sales and services | Percent change |
|---|---|---|---|---|---|
| | | (in millions of reais, except percentages) | | | |
| Net sales and services | 19,476.5 | 100% | 16,248.3 | 100% | 20% |
| Cost of sales and services | (18,450.1) | 95% | (15,336.5) | 94% | 20% |
| **Gross profit** | 1,026.4 | 5% | 911.8 | 6% | 13% |
| Selling, general and administrative expenses | (758.9) | 4% | (659.5) | 4% | 15% |
| Other operating income (expense), net | 49.7 | 0% | 5.6 | 0% | |
| **Operating income before financial items** | 317.3 | 2% | 257.9 | 2% | 23% |
| Financial income (expense), net | 22.2 | 0% | 6.3 | 0% | 251% |
| Non-operating income (expense), net | (2.9) | 0% | (12.4) | 0% | 77% |
| Equity in earnings of affiliates/Goodwill amortization/ Provision for loss on investments | 72.4 | 0% | 127.8 | 1% | (43)% |
| Income and social contribution taxes | (69.2) | 0% | (51.2) | 0% | 35% |
| Profit sharing | (14.4) | 0% | (10.6) | 0% | 36% |
| **Net income** | **325.5** | **2%** | **317.9** | **2%** | **2%** |

*Net sales and services*. Net sales and services for the year ended December 31, 2005 increased by 20% to R$19,476.5 million from R$16,248.3 million for the year ended December 31, 2004. The increase in net sales was driven by a 4% growth in sales volume and pricing adjustments in consequence of price increases of 16% occurred during the second semester of 2004 and in September 2005.

Table of Contents

*Cost of sales and services*. Cost of sales and services increased by 20% to R$18,450.1 million for the year ended December 31, 2005 compared to R$15,336.5 million for the year ended December 31, 2004, mainly due to the increase of 17% in the cost of raw materials and the growth in sales volume.

*Gross profit*. Gross profit increased by 13% to R$1,026.4 million for the year ended December 31, 2005 from R$911.8 million for the year ended December 31, 2004.

*Selling, general and administrative expenses*. Selling, general and administrative expenses increased by 15% to R$758.9 million for the year ended December 31, 2005 from R$659.5 million for the year ended December 31, 2004. This increase reflects (i) salary increases as a result of the annual collective wage agreement and (ii) freight and other variable expenses due to higher volumes and sales.

*Other operating income*. Other operating income increased to R$49.7 million for the year ended December 31, 2005, compared to R$5.6 million for the year ended December 31, 2004 mainly due to positive actuarial effects on its pension fund. See Note 18 to CBPI s consolidated financial statement.

*Operating income before financial items*. Operating income before financial items increased by 23% to R$317.3 million for the year ended December 31, 2005 from R$257.9 million for the year ended December 31, 2004.

*Financial income (expense), net*. CBPI reported net financial income of R$22.2 million for the year ended December 31, 2005, compared to a net financial income of R$6.3 million for the year ended December 31, 2004. The R$15.9 million improvement was principally due to the effect of exchange rates on CBPI dollar-denominated financial instruments.

*Non-operating income (expense), net*. CBPI reported a net non-operating expense of R$2.9 million for the year ended December 31, 2005 compared to a net non-operating expense of R$12.4 million for the year ended December 31, 2004. The decrease in net expense is primarily attributable to a permanent asset loss provision in 2004.

*Equity in earnings of affiliates/Goodwill amortization/ Provision for loss on investments*. Equity in earnings of affiliates amounted to R$72.4 million for the year ended December 31, 2005, a 43% decrease compared to the year ended December 31, 2004. Such decrease is mainly due to a reversal of a provision on loss in our investment in Ipiranga Petroquímica S.A. in 2004 due to an increase in the results of operation in this affiliate in 2005.

*Income and social contribution taxes*. Income and social contribution tax expenses amounted to R$69.2 million for the year ended December 31, 2005, an increase of 35% from R$51.2 million for the year ended December 31, 2004. This increase is primarily due to higher profit.

*Profit sharing*. Profit sharing was R$14.4 million for the year ended December 31, 2005, compared to R$10.6 million for the year ended December 31, 2005, reflecting the improvement in CBPI s operational result.

*Net income*. As a result of the aforementioned, net income for the year ended December 31, 2005 was R$325.5 million, an increase of 2% compared to R$317.9 million in 2004.

**B. Liquidity and Capital Resources**

CBPI s principal sources of liquidity are cash generated from operations and financing. CBPI believes that these sources will continue to be sufficient to satisfy CBPI s current funding requirements, which include, but are not limited to, working capital, capital expenditures, amortization of debt and payment of dividends or interest on equity.

Table of Contents

**Sources and Uses of Funds**

Net cash flow from operations was R$96.8 million and R$(87.1) million for the six months ended June 2007 and 2006, respectively. CBPI s cash flow from operations increased R$183.9 million mostly because of a reduction in investments in working capital in the first half of 2007. Net cash flow from financing activities amounted to R$(62.0) million and R$97.0 million for the first half of 2007 and 2006, respectively. Cash used by financing activities for the first half of 2007 decreased R$159.1 million compared to the same period in 2006, as a result of higher new loans and financing obtained in the first half of 2006.

Investing activities used net cash of R$(38.4) million and R$(19.2) million for the six months ended June 30, 2007 and 2006, respectively. The higher level of cash used by investing activities for the first half of 2007 compared to 2006 was principally due to the amortization of debentures in the first semester of 2006 issued by IQ.

As of June 30 2007, CBPI had R$146.6 million in cash, cash equivalents, derivatives, short- and long-term investments. CBPI will spend approximately R$838.0 million over the next five years to meet long-term contractual obligations described in Tabular Disclosure of Contractual Obligations . CBPI expects 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 its current indebtedness as it becomes due.

Net cash flow from operations was R$196.2 million, R$99.4 million and R$194.0 million for 2006, 2005 and 2004, respectively. CBPI s cash flow from operations increased by R$96.8 million in 2006, compared to 2005 and decreased by R$94.6 million in 2005 compared to 2004, mainly reflecting the variations in working capital and the increase in the operational results. Net cash flow from financing activities amounted to R$(44.0) million, R$(47.2) million and R$(241.4) million in the years ended December 31, 2006, 2005 and 2004, respectively. The cash flow from financing activities in 2006 compared to 2005 remained practically stable. The decrease in cash consumed from financing in 2005, compared to 2004, was mainly due to a higher level of new loans and financings obtained in 2005.

Net cash flow from investing activities amounted to R$(82.9) million, R$(133.8) million and R$(134.9) million for the years ended December 31, 2006, 2005 and 2004, respectively. The decrease in cash consumed from investing activities in 2006 compared to 2005 was principally attributed to the proceeds from debentures issued by related parties and held by CBPI, which were partially redeemed in 2006. Acquisitions of property, plant and equipment and additions to intangible assets and deferred charges consumed R$149.8 million, R$131.1 million and R$132.4 million in 2006, 2005 and 2004, respectively. For the year ended December 31, 2006, funds comprehended in investing activities were allocated mainly in the renovation and operational improvement of the Company s service stations and distribution facilities and on the expansion of NGV service stations.

As of December 2006, CBPI had R$147.7 million in cash, cash equivalents, and short- and long-term investments. CBPI will spend approximately R$1.0 billion in the next five years to meet long-term contractual obligations described in Tabular Disclosure of Contractual Obligations . CBPI expects 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 its indebtedness as it becomes due.

**Table of Contents**

**Indebtedness**

As of June 30, 2007, CBPI s consolidated short- and long-term debt was as follows:

| Indebtedness | Currency | Interest Rate(1) | Principal amount of outstanding and accrued interest through June 30, 2007 | December 31, 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|
| | | | (in millions of *reais*) | | | |
| **Foreign currency-denominated loans:** | | | | | | |
| Compror | US$ | Exchange variations US$ + 1.0% p.a. up to + 1.3% p.a. | | | 154.9 | |
| | ¥ | Exchange variations Ienes + 1.4% p.a. | | | | |
| Global Notes(3) | US$ | Exchange variations US$ + 9.875% p.a. | 112.5 | 124.9 | 320.7 | 370.1 |
| Subsidiaries | US$ | Exchange variations US$ + 5.6% p.a. up to 6,0% + exchange variations + 8,2% up to 8.6% p.a/ Libor + 1.5 and Libor +1.8 | 12.8 | 15.0 | 9.5 | 18.7 |
| ***Real*-denominated loans:** | | | | | | |
| BNDES-National Bank for Economic and Social Development | R$ | From TJLP(2) + 4.4% p.a. up to TJLP + 5.1% p.a.<br>80% TJLP + 20% of currencies portfolio + 4.5% p.a. | 25.4 | 29.0 | 28.8 | 19.4 |
| Debentures(4) | R$ | 103.8% of the CDI | 360.5 | 361.4 | | |
| Financial Institutions | R$ | 100.0% of the CDI | 64.0 | 60.4 | | |
| Debtor Balance | R$ | | 14.6 | 46.0 | 12.9 | |
| Subsidiaries | R$ | From TJLP + 1.7% p.a. up to TJLP + 4.5% p.a.<br>105.5% up to 106.5 % of the CDI | 49.2 | 41.2 | 43.3 | 30.8 |
| **Total** | | | 639.1 | 677.9 | 570.1 | 439.0 |

(1) Interest rate only as of June, 2007.

(2) TJLP (Long-Term Interest Rate) is a nominal interest rate established by Brazilian National Monetary Council (CMN) on a quarterly basis. On June 30, 2007, TJLP was fixed at 6.5% p.a.

(3) On August 1, 2003, CBPI issued US$135 million in notes in the international markets. On August 1, 2005, when interest increased from 7.875% per year to 9.875% per year, some of the holders decided to early redeem its notes in the amount of US$1,285 or R$3,072. In 2006, the subsidiary made an offer to repurchase to the bondholders as a result of which there was a partial redemption in the amount of US$79,574 or R$164,877.

(4) On April 18, 2006, CBPI registered with the Brazilian Securities Commission (CVM) a public offering of 35,000 debentures, of a single series, nonconvertible, with face value of R$10 each, and issued on April 1, 2006, in the amount of R$350,000. The debentures mature on April 1, 2011 with principal repaid in three annual installments. They pay interest, from the issuance date, on their unit face value, of

103.80% of the daily average rate of interbank deposits, disclosed by the Clearinghouse for the Custody and Financial Settlement of Securities (CETIP). Interest is payable every 6 months from the issuance date of the debentures.

Table of Contents

CBPI s consolidated debt as of June 30, 2007 had the following maturity schedule:

| Maturity | Amount (in millions of *reais*) |
|---|---|
| July 1, 2007 to June 30, 2008 | 87.3 |
| July 1, 2008 to June 30, 2009 | 185.3 |
| July 1, 2009 to June 30, 2010 | 128.4 |
| July 1, 2010 to June 30, 2011 | 120.7 |
| July 1, 2011 to June 30, 2012 | 117.4 |
| Total | 639.1 |

CBPI provides collateral and guarantees for some loan operations conducted directly or indirectly by affiliates and subsidiaries. As of June 30, 2007, December 31, 2006 and 2005, amounts referring to these operations were R$182.1 million, R$203.5 million and R$110.5 million, respectively. See Note 20 to CBPI s consolidated financial statements.

**Investments**

***Equity investments***

The table below shows CBPI s investments in shareholding stakes for the six-month period ended June 30, 2007 and for the years ended December 31, 2006, 2005 and 2004.

| Company | Six-month period ended June 30, 2007 | Year ended December 31, 2006 | 2005 | 2004 |
|---|---|---|---|---|
| | | (in millions of *reais*) | | |
| Investments in shareholding stakes | 3.7 | 3.8 | 8.1 | 19.7 |

***Investments in permanent assets and deferred charges***

The following table sets forth CBPI s investments in permanent assets and deferred charges for the six-month period ended June 30, 2007 and for the years ended December 31, 2006, 2005 and 2004.

| | Six-month period ended June 30, 2007 | Year ended December 31, 2006 | 2005 | 2004 |
|---|---|---|---|---|
| | | (in millions of *reais*) | | |
| Cia Brasileira de Petroleo Ipiranga | 107.9 | 315.9 | 281.7 | 263.4 |
| Subsidiaries | 7.4 | 18.0 | 19.3 | 35.0 |
| Total capital expenditures | 115.3 | 333.9 | 301.0 | 298.4 |
| Disposals | (68.0) | (164.4) | (145.1) | (132.0) |
| Total capital expenditures, net of disposals(1) | 47.3 | 169.5 | 155.9 | 166.4 |

(1) Includes customer financing, net of its amortization and leasing

CBPI s investment strategy has been to make improvements related to its retail service stations network and terminals. During the period ended June 30, 2007 and the years ended December 31, 2006, 2005 and 2004, investments focused on enhancing environmental safeguards, increasing convenience stores list of services and products offered and expanding the availability of NGV (natural gas vehicular) on its network.

The investment plan for 2007 has a total budget of R$145.4 million, consisting of (i) modernization and expansion of CBPI service stations network, (ii) modernization and expansion of CBPI s convenience stores network and (iii) renovation of exclusivity contracts with some of CBPI s retail dealers.

Table of Contents

**U.S. GAAP Reconciliation**

CBPI s net income under Brazilian GAAP was R$179.6 million and R$154.7 million for the six-month period ended June 30, 2007 and 2006, respectively and R$323.5 million and R$325.5 million for the years ended December 31, 2006 and 2005, respectively. Under U.S. GAAP, CBPI s net income amounted to R$136.1 million and R$110.5 million for the six-month period ended June 30, 2007 and 2006 and R$235.5 million and R$387.4 million for the years ended December 31, 2006 and 2005, respectively.

CBPI s shareholders equity under Brazilian GAAP as of June 30, 2007, December 31, 2006 and December 31, 2005 was R$1,734.8 million, R$1,555.2 million and R$1,350.3 million, respectively. Under U.S. GAAP, CBPI s shareholders equity was R$1,823.9 million, R$1,693.8 million and R$1,519.8 million as of as of June 30, 2007, December 31, 2006 and December 31, 2005, respectively.

The principal differences between Brazilian GAAP and U.S. GAAP that affect CBPI s net income and shareholders equity relate to the treatment of the following items:

- adjustments for inflation of property, plant and equipment;
- pension and other post-employment benefits adjustment;
- gain on percentage variation of capital share;
- accounting for deferred tax;
- differences in equity accounting;
- asset retirement obligations;
- goodwill and business combination;
- securities available for sale;
- accounting for convertible debentures;
- fair-value adjustments of derivatives; and
- deferred tax effects on the foregoing adjustments.

See Note 25 to CBPI s consolidated financial statements for a description of the differences above as they relate to CBPI and a reconciliation to U.S. GAAP of net income and total shareholders equity.

**C. Research and Development, Patents and Licenses, etc.**

CBPI and its parent company, Distribuidora de Produtos de Petróleo Ipiranga S.A., own the register of the brands used in their distribution business, including Ipiranga , Rodo Rede and Jet Oil . The register of Gasolina Original Ipiranga (Original Ipiranga Gasoline) has been requested to Brazilian authorities. The company also owns the register of Atlantic, F1 Master, F1 Super, Ipiranga 4x4, Lub Fácil, Sintex, Moldax, Rede Nota Dez, Ipitrust, GP Super and several other brands. The register of these brands expires between 2007 and 2016, and renovating these registers is part of companies annual activities. CBPI also owns a supplying pump fuel patent and others patents. One of its controlled companies, AM/PM Comestíveis Ltda., is the master franchisee of AM/PM brand in Brazil. Costs and terms of brand usage are governed by the agreement signed between AM/PM Internacional Co. and AM/PM Comestíveis Ltda.

**D. Trend Information**

*Brazilian consumption of fuels*

Recent economic indicators, published by IBGE - *Instituto Brasileiro de Geografia e Estatística* (Brazilian Institute of Geography and Statistics), have shown a decrease in the unemployment levels from 10% in September 2006 to 9% in the September 2007. IBGE indicators have also shown an improvement in the Brazilian economy, as GDP increased by 5% in the first half of 2007 compared to the same period in 2006. This, together with greater credit availability, as shown by the 25% increase in the total stock of credit in the Brazilian financial

**Table of Contents**

system in the eight-month period ended August, 2007 as compared to the same period in 2006, according to Brazilian Central Bank data, has resulted in record levels of vehicle sales in the first half of 2007 (growth of 25.7% in the number of new vehicles registered as compared to 2006) and consequently an increased demand for fuel. Despite record car sales, however, Brazil s current fleet is small compared to other Latin American countries, with 8 inhabitants per vehicle, whereas Argentina and Mexico have 5 inhabitants per vehicle, according to ANFAVEA - *Associação Nacional dos Fabricantes Veículos Automotores* (Brazilian Association of Vehicle Producers).

Based on the current expansion in the economy and credit availability, together with the low ratio of inhabitants per vehicle, Ultrapar believes the outlook for increased Brazilian fuel consumption is positive for the coming years. The increase in fuel consumption could have a positive effect on the future volume sold by the company.

*Oil products prices*

Until 2005, the prices of certain oil byproducts, especially gasoline and diesel, were being periodically updated by Petrobras to reduce the differences between prices in Brazil and prices prevailing in the international markets. However, since September 2005, these prices have not been updated by Petrobras. On the other hand, oil prices in the international markets have been influenced by the increase in worldwide demand for oil and the instability in producing countries, which led to an increase of the average oil prices from US$44 per barrel in January 2005 to US$62 per barrel in December 2006 and US$71 per barrel in June 2007, based on the price of Brent Crude Oil, one of the major worldwide classifications of oil. This combination of factors caused an incompatibility between oil prices in the international markets and oil byproducts prices in Brazil. We can not predict if and when gasoline and diesel prices will be adjusted to prices in the international markets. The adjustment in the gasoline and diesel prices to international prices could have an impact on the company s profitability in the future.

**F. Tabular Disclosure of Contractual Obligations**

The following table summarizes CBPI s contractual obligations, as of June 30, 2007:

| | | | **Payment due by period** | | |
|---|---|---|---|---|---|
| **Contractual obligations** | **Total** | **Up to 1 year** | **Between 1 and 3 years** | **Between 3 and 5 years** | **More than 5 years** |
| | | | **(in millions of *reais*)** | | |
| Financing | 639.1 | 87.3 | 313.7 | 238.1 | 0 |
| Estimated interest payments on financing(1)(2) | 159.8 | 58.1 | 87.4 | 14.3 | 0 |
| Estimated planned funding of pension and other postretirement benefit obligations(3) | 162.3 | 6.5 | 13.9 | 15.4 | 126.6 |
| Operating lease obligations(4) | 5.4 | 0.7 | 1.3 | 1.3 | 2.0 |
| **Total contractual obligations** | **966.6** | **152.6** | **416.3** | **269.1** | **128.6** |

(1) The estimated interest payment amount was calculated based on macro-economic assumptions including, on average for the period, principally (i) a 12% CDI interest rate, (ii) a 3% variation in the *reais* to U.S. dollar exchange rate, (iii) a 3% inflation rate, and (iv) an 6% TJLP rate. See Liquidity and Capital Resources Indebtedness and Note 14 to CBPI consolidated financial statements for more information about the maturity of CBPI s debt and applicable interest rates.

(2) Includes estimated interest payments on CBPI s short- and long-term debt.

(3) See Note 18 to CBPI s consolidated financial statements for more information relating to CBPI s estimated planned funding of pensions and other post-retirement benefit obligations.

(4)

Includes the franchise contract with AM/PM, under which CBPI and/or its subsidiaries are entitled to pay minimum royalty fees through 2015.

Table of Contents

**RIPI PREFERRED STOCK OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS**

Set forth below is information concerning the preferred share ownership of each director and executive officer of RIPI and all directors and executive officers as a group. As of November 9, 2007, no person was known to RIPI to be the beneficial owner of more than five percent (5%) of RIPI s outstanding shares of preferred stock.

| Name | Preferred shares beneficially owned at November 9, 2007 | percent of class |
|---|---|---|
| **Board of Directors** | | |
| João Adolfo Oderich | | 0% |
| Flávio do Couto Bezerra Cavalcanti | | 0% |
| Eduardo de Toledo | | 0% |
| Carlos José Fadigas de Souza Filho | | 0% |
| Roberto Lopes Pontes Simões | | 0% |
| Francisco Pais | | 0% |
| José Afonso Alves Castanheira | | 0% |
| **Executive Officers Who Are Not Also Directors of RIPI** | | |
| Elizabeth Surreaux Ribeiro Tellechea | | 0% |
| Sérgio Roberto Weyne Ferreira da Costa | 2 | 0%* |
| Eduardo Teixeira Neto | | 0% |

* Less than one percent (1%)

Table of Contents

## DPPI PREFERRED STOCK OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

Set forth below is information concerning the preferred share ownership of each director and executive officer of DPPI and all directors and executive officers as a group. As of November 9, 2007, no person was known to DPPI to be the beneficial owner of more than five percent (5%) of DPPI s outstanding shares of preferred stock.

| Name | Preferred shares beneficially owned at November 9, 2007 | percent of class |
|---|---|---|
| **Board of Directors** | | |
| Pedro Wongtschowski | | 0% |
| André Covre | | 0% |
| Eduardo de Toledo | | 0% |
| Jose Roberto Opice | | 0% |
| Roberto Kutschat Neto | | 0% |
| Jose Afonso Alves Castanheira | 1 | 0%* |
| **Executive Officers who are not also Directors of DPPI** | | |
| Leocadio de Almeida Antunes Filho | 1,000 | 0%* |
| Sergio Roberto Weyne Ferreira Da Costa | 2 | 0%* |
| Jose Augusto Dutra Nogueira | | 0% |
| Ricardo Cavalho Maia | | 0% |
| Jose Manuel Alves Borges | | 0% |

* Less than one percent (1%)

164

Table of Contents

### CBPI PREFERRED STOCK OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

Set forth below is information concerning the preferred share ownership of each director and executive officer of CBPI and all directors and executive officers as a group. As of November 9, 2007, no person was known to CBPI to be the beneficial owner of more than five percent (5%) of CBPI s outstanding shares of preferred stock.

| Name | Preferred shares beneficially owned at November 9, 2007 | percent of class |
|---|---|---|
| **Board of Directors** | | |
| Pedro Wongtschowski | | 0% |
| Maria das Graças Silva Foster | | 0% |
| Eduardo de Toledo | | 0% |
| José Roberto Opice | | 0% |
| André Covre | | 0% |
| Luiz Carlos Teixeira | | 0% |
| **Executive Officers Who Are Not Also Directors of CBPI** | | |
| Leocadio de Almeida Antunes Filho | 15,000 | 0%* |
| Ricardo Carvalho Maia | | 0% |
| José Manuel Alves Borges | | 0% |
| José Augusto Dutra Nogueira | | 0% |
| Sérgio Roberto Weyne Ferreira Da Costa | | 0% |
| Daniel Lima Oliveira | | 0% |
| Sadi Leite Ribeiro Filho | | 0% |
| Carlos Eduardo G. de Meirelles Leite | | 0% |

* Less than one percent (1%)

165

## COMPARISON OF YOUR RIGHTS AS A HOLDER OF RIPI, DPPI OR CBPI PREFERRED SHARES AND YOUR RIGHTS AS A POTENTIAL HOLDER OF ULTRAPAR PREFERRED SHARES

Ultrapar, RIPI, DPPI and CBPI are companies organized under the laws of the Federative Republic of Brazil and are governed by the Brazilian Corporate Law. The rights of holders of Ultrapar, RIPI, DPPI and CBPI preferred shares are governed by Brazilian law and by Ultrapar, RIPI, DPPI and CBPI s bylaws, respectively. Upon completion of the Share Exchange, to the extent you will become a preferred shareholder of Ultrapar, your rights will be governed by Brazilian law and Ultrapar s bylaws. See Description of Ultrapar Preferred Shares for more information about Ultrapar preferred shares.

The following discussion of the material differences between the rights of Ultrapar preferred shareholders and RIPI, DPPI and CBPI preferred shareholders is only a summary and does not purport to be a complete description of these differences. The following discussion is qualified in its entirety by reference to the Brazilian Corporate Law, as well as the full text of Ultrapar RIPI, DPPI and CBPI s respective bylaws, which are filed with the SEC in the case of Ultrapar and the CVM in the case of Ultrapar, RIPI, DPPI and CBPI. For information on how you can obtain copies of these documents, see Where You Can Find More Information on page 208.

| ULTRAPAR | RIPI / DPPI/CBPI |
|---|---|
| **CORPORATE GOVERNANCE** | |
| Ultrapar s bylaws and the Brazilian Corporate Law, as amended from time to time, govern the rights of holders of Ultrapar common and preferred shares. | RIPI, DPPI and CBPI s bylaws and the Brazilian Corporate Law, as amended from time to time, govern the rights of holders of RIPI, DPPI and CBPI common and preferred shares, respectively. |
| **AUTHORIZED CAPITAL STOCK** | |
| *Capital Stock*. As of November 9, 2007, Ultrapar s capital stock was R$946.034.662,97, fully subscribed and paid in, comprised of 81,325,409 shares, without par value, of which 49,429,897 are common shares and 31,895,512 are preferred shares. | *Capital Stock*. As of November 9, 2007, RIPI s capital stock was R$475,000,000.00, comprised of 29,600,000 shares, without par value, of which 9,982,404 are common shares and 19,617,596 are preferred shares. |
| | As of November 9, 2007, DPPI s capital stock was R$615,000,000.00, comprised of 32,000,000 shares, without par value, of which 10,706,368 are common shares and 21,293,632 are preferred shares. |
| | As of November 9, 2007, CBPI s capital stock was R$1,030,000,000.00, comprised of 105,952,000 shares, without par value, of which 35,409,306 are common shares and 70,542,694 are preferred shares. |
| **VOTING RIGHTS; ACTION BY WRITTEN CONSENT** | |
| *Voting Rights*. The holders of Ultrapar common stock are entitled to one vote per share on all matters presented to stockholders. Preferred stock only vote on specific matters determined by Brazilian Corporate Law. | *Voting Rights*. The holders of RIPI, DPPI and CBPI common stock are entitled to one vote per share on all matters presented to stockholders. Preferred stock only vote on specific matters determined by Brazilian Corporate Law. |

**Table of Contents**

| ULTRAPAR | RIPI / DPPI/CBPI |
|---|---|
| Brazilian Corporate Law provides that non-voting shares, such as preferred shares, may acquire voting rights if the Company fails to distribute fixed or minimum dividends in connection with such shares for three consecutive fiscal years and will retain such voting rights until the distribution of such fixed or minimum dividends. Because Ultrapar s preferred shares are not entitled to the payment of any fixed or minimum dividend, holders of Ultrapar preferred shares cannot acquire voting rights as a result of Ultrapar s failure to distribute dividends. | Brazilian Corporate Law provides that non-voting shares, such as preferred shares, may acquire voting rights if the Company fails to distribute fixed or minimum dividends in connection with such shares for three consecutive fiscal years and will retain such voting rights until the distribution of such fixed or minimum dividends. Because RIPI, DPPI and CBPI s preferred shares are not entitled to the payment of any fixed or minimum dividend, holders of such preferred shares cannot acquire voting rights as a result of failure to distribute dividends. |
| *Action by Written Consent*. Ultrapar s bylaws and the Brazilian Corporate Law do not permit shareholder action without a meeting. | *Action by Written Consent*. RIPI, DPPI and CBPI s bylaws and the Brazilian Corporate Law do not permit shareholder action without a meeting. |

**AMENDMENT TO THE BYLAWS**

| ULTRAPAR | RIPI / DPPI/CBPI |
|---|---|
| Ultrapar s bylaws may be altered, amended, added to or repealed by a resolution duly adopted by a majority at a general shareholders meeting, subject to certain quorum and voting requirements established by the Brazilian Corporate Law. As a general rule, the affirmative vote of shareholders representing at least the majority of the issued and outstanding common shares present in person or represented by proxy at a shareholders meeting is required to ratify any proposed action, and abstentions are not taken into account. However, according to Brazilian Corporate Law, the affirmative vote of shareholders representing one-half of the issued and outstanding voting capital is required to: | RIPI, DPPI and CBPI s bylaws may be altered, amended, added to or repealed by a resolution duly adopted by a majority at a general shareholders meeting, subject to certain quorum and voting requirements established by the Brazilian Corporate Law. As a general rule, the affirmative vote of shareholders representing at least the majority of the issued and outstanding common shares present in person or represented by proxy at a shareholders meeting is required to ratify any proposed action, and abstentions are not taken into account. However, according to Brazilian Corporate Law, the affirmative vote of shareholders representing one-half of the issued and outstanding voting capital is required to: |
| modify a preference, privilege or condition of redemption or amortization conferred on one or more classes of preferred shares, or create a new class with greater privileges than the existing classes of preferred shares; | modify a preference, privilege or condition of redemption or amortization conferred on one or more classes of preferred shares, or create a new class with greater privileges than the existing classes of preferred shares; |
| reduce the percentage of mandatory dividends; | reduce the percentage of mandatory dividends; |
| change the corporate purpose; | change the corporate purpose; |
| merge into or with another company; | merge into or with another company; |
| spin off a portion of the assets or liabilities; | |

approve participation in a group of companies;

Table of Contents

| ULTRAPAR | RIPI / DPPI/CBPI |
|---|---|
| **AMENDMENT TO THE BYLAWS** | |
| | spin off a portion of the assets or liabilities; |
| apply for cancellation of any voluntary liquidation; and | approve participation in a group of companies; |
| approve dissolution. | apply for cancellation of any voluntary liquidation; and |
| | approve dissolution. |
| **RIGHT TO DIVIDENDS** | |
| Ultrapar shareholders have the right to participate in any dividend payment in proportion to the paid-in capital corresponding to their shares. There is no difference in the dividends paid to common and preferred shareholders of Ultrapar. | RIPI, DPPI and CBPI shareholders have the right to participate in any dividend payment in proportion to the paid-in capital corresponding to their shares. Preferred shareholders of DPPI, RIPI and CBPI have the right to receive dividends 10% higher then those paid to the common stock shareholders of such companies. In addition, CBPI shareholders have priority to receive a dividend of 1% over CBPI s profits calculated according to the terms of its bylaws. |
| **APPRAISAL RIGHTS** | |
| Under Brazilian Corporate Law, appraisal rights are exceptional rights that may be exercised by shareholders only in extraordinary situations resulting from significant decisions taken at general shareholders meetings. Appraisal rights can only be exercised in the 30 day period following the shareholder meeting in which the significant decision was taken. According to Brazilian corporate law, the appraisal rights of Ultrapar s shareholders may be exercised in the following circumstances: | Under Brazilian Corporate Law, appraisal rights are exceptional rights that may be exercised by shareholders only in extraordinary situations resulting from significant decisions taken at general shareholders meetings. Appraisal rights can only be exercised in the 30 day period following the shareholder meeting in which the significant decision was taken. |
| | According to Brazilian corporate law, the appraisal rights of RIPI, DPPI and CBPI s shareholders may be exercised in the following circumstances: |
| modification of a preference, privilege or condition of redemption or amortization conferred on one or more classes of preferred shares, or creation of a new class with greater privileges than the existing classes of preferred shares; | modification of a preference, privilege or condition of redemption or amortization conferred on one or more classes of preferred shares, or creation of a new class with greater privileges than the existing classes of preferred shares; |

| | |
|---|---|
| reduction in the percentage of mandatory dividends; | reduction in the percentage of mandatory dividends; |
| change in corporate purpose; | change in corporate purpose; |
| merger (*fusão or incorporação*) with another company; | merger (*fusão or incorporação*) with another company; |

168

Table of Contents

| ULTRAPAR | RIPI / DPPI/CBPI |
|---|---|
| **APPRAISAL RIGHTS** | |
| Ultrapar s participation in a group of companies; | RIPI, DPPI or CBPI s participation in a group of companies; |
| change in corporate form; and | change in corporate form; and |
| merger of all Ultrapar s shares into another Brazilian company, so that Ultrapar become a wholly owned subsidiary of such company. | merger of all RIPI, DPPI or CBPI s shares into another Brazilian company, so that such companies become wholly owned subsidiary of such another company. |

In the event that the shareholders approve any resolution in connection with the items marked above, the appraisal right may be exercised only if the shares fail to satisfy certain liquidity tests at the time of the meeting.

| ULTRAPAR | RIPI / DPPI/CBPI |
|---|---|
| Brazilian Corporate Law further provides that any resolution regarding Ultrapar s spin-off would only entitle shareholders to withdraw from Ultrapar s company if the spin-off: | Brazilian Corporate Law further provides that any resolution regarding a spin-off would only entitle shareholders to withdraw from the company if the spin-off: |
| causes a change in the purpose of the Company, except if the equity is spun off to a company whose primary activities are consistent with Ultrapar s corporate purpose; | causes a change in the purpose of the company, except if the equity is spun off to a company whose primary activities are consistent with RIPI, DPPI and CBPI s corporate purpose; |
| reduces Ultrapar s mandatory dividends; or | reduces mandatory dividends; or |
| causes us to join a group of companies. | causes us to join a group of companies. |
| **PREEMPTIVE RIGHTS** | |
| Pursuant to the Brazilian Corporate Law, any shareholder has, except in certain circumstances, a general preemptive right to subscribe for new shares in a capital increase in proportion to the number of shares it holds. These preemptive rights may be abolished under certain circumstances determined under Brazilian Corporate Law. | Pursuant to the Brazilian Corporate Law, any shareholder has, except in certain circumstances, a general preemptive right to subscribe for new shares in a capital increase in proportion to the number of shares it holds. These preemptive rights may be abolished under certain circumstances determined under Brazilian Corporate Law. |
| **ATTENDANCE AND VOTING AT MEETINGS OF STOCKHOLDERS** | |
| Every stockholder of record as of the applicable record date has the right to attend the shareholder meeting. Only holders of common shares have the right to vote at shareholders meetings. Preferred shareholders only have the right to vote in special occasions. | Every stockholder of record as of the applicable record date has the right to attend the shareholder meeting. Only holders of common shares have the right to vote at shareholders meetings. Preferred shareholders only have the right to vote in special occasions. |

**Table of Contents**

| ULTRAPAR | RIPI / DPPI/CBPI |
|---|---|
| **EXTRAORDINARY MEETINGS OF STOCKHOLDERS** | |
| Extraordinary general shareholders meetings of Ultrapar may be called from time to time by Ultrapar board of directors at its discretion. An extraordinary shareholders meeting may also be called by the Fiscal Council on specific situations; by any shareholder when the board of directors delays calling a shareholders meeting for more then 60 days when required by law or the bylaws; by shareholders representing at least five per cent of Ultrapar share capital. | Extraordinary general shareholders meetings of RIPI, DPPI and CBPI may be called from time to time by RIPI, DPPI or CBPI board of directors at its discretion. An extraordinary shareholders meeting may also be called by the Fiscal Council on specific situations; by any shareholder when the board of directors delays calling a shareholders meeting for more then 60 days when required by law or the bylaws; by shareholders representing at least five per cent of RIPI, DPPI or CBPI share capital. |
| Shareholders representing at least five percent of Ultrapar share capital have the right to request that the board of directors call an extraordinary general shareholders meeting to vote on any matters indicated in such request, as long as they present the basis for such request. | Shareholders representing at least five percent of RIPI, DPPI or CBPI share capital have the right to request that the board of directors call an extraordinary general shareholders meeting to vote on any matters indicated in such request, as long as they present the basis for such request. |
| Brazilian Corporate Law also provides that holders of Ultrapar s preferred shares are entitled to vote as a special class in shareholders meetings called to decide upon changes to the preferences or rights attributed to Ultrapar s preferred shares and upon the creation of a new class of preferred shares that has either priority or preference over Ultrapar s existing preferred shares or the increase of an existing class of preferred shares disproportionately relative to the other classes. The approval of such proposals depends not only on the affirmative vote of shareholders holding the majority of Ultrapar s common shares, but also a prior approval or ratification by shareholders holding the majority of Ultrapar s preferred shares. | Brazilian Corporate Law also provides that holders of RIPI, DPPI and CBPI s preferred shares are entitled to vote as a special class in shareholders meetings called to decide upon changes to the preferences or rights attributed to RIPI, DPPI or CBPI s preferred shares and upon the creation of a new class of preferred shares that has either priority or preference over RIPI, DPPI or CBPI s existing preferred shares or the increase of an existing class of preferred shares disproportionately relative to the other classes. The approval of such proposals depends not only on the affirmative vote of shareholders holding the majority of RIPI, DPPI or CBPI s common shares, but also a prior approval or ratification by shareholders holding the majority of RIPI, DPPI or CBPI s preferred shares. |
| **SHAREHOLDER SUITS** | |
| Corporate action for liability against directors of a company will usually be brought by the company itself if shareholders of the company pass a resolution to that effect at a shareholders meeting. Such a resolution may be presented and voted on even if it not on the agenda. Any shareholder can file the corporate action if not done by the company in 3 months from the shareholders meeting decision. | Corporate action for liability against directors of a company will usually be brought by the company itself if shareholders of the company pass a resolution to that effect at a shareholders meeting. Such a resolution may be presented and voted on even if it not on the agenda. Any shareholder can file the corporate action if not done by the company in 3 months from the shareholders meeting decision. |
| Under Brazilian Corporate Law, however, shareholders representing at least five percent of the share capital of the company may jointly initiate a corporate action for liability against one or more directors to recover any damages incurred by the company as a result of the directors liability, if the shareholders meeting votes against the corporate action for liability. | Under Brazilian Corporate Law, however, shareholders representing at least five percent of the share capital of the company may jointly initiate a corporate action for liability against one or more directors to recover any damages incurred by the company as a result of the directors liability, if the shareholders meeting votes against the corporate action for liability. |

170

Table of Contents

| ULTRAPAR | RIPI / DPPI/CBPI |
|---|---|
| **BOARD OF DIRECTORS** | |
| **Size and Election of Board of Directors** | |
| According to Ultrapar s bylaws, Ultrapar s board of directors consists of a minimum of four and a maximum of seven members. The exact number of directors is defined in a shareholders meeting by the majority vote of the holders of Ultrapar s common shares. Brazilian corporate law allows the adoption of a multiple vote process, by request of shareholders representing at least 10% of Ultrapar s voting share capital. Ultrapar s directors are elected by Ultrapar s shareholders in Ultrapar s annual shareholders meeting for a one-year term. The Ultrapar board of directors currently consist of 7 members.<br><br>Brazilian Corporate Law requires that each director own at least one share of Ultrapar. There is no mandatory retirement age for directors. | The RIPI board of directors currently consists of 7 directors. RIPI s bylaws provide that the number of directors will not be fewer than six nor more than eight. Each director is elected for a three-year term and a reelection is permitted.<br><br>The DPPI board of directors currently consists of 6 directors. DPPI s bylaws provide that the number of directors will not be fewer than five nor more than seven. Each director is elected for a three-year term and a reelection is permitted.<br><br>The CBPI board of directors currently consists of 7 directors. CBPI s bylaws provide that the number of directors will not be fewer than six nor more than eight. Each director is elected for a three-year term and a reelection is permitted.<br><br>The exact number of directors is defined in a shareholders meeting by the majority vote of the holders of the respective company common shares.<br><br>Brazilian corporate law allows the adoption of a multiple vote process, by request of shareholders representing at least 10% of RIPI, DPPI and CBPI s voting share capital.<br><br>Brazilian corporate law requires that each director own at least one share of RIPI, DPPI or CBPI. There is no mandatory retirement age for directors. |
| **Removal** | |
| Directors may be removed by adoption of a shareholders resolution by majority vote at the ordinary or an extraordinary general shareholders meeting at any time. | Directors may be removed by adoption of a shareholders resolution by majority vote at the ordinary or an extraordinary general shareholders meeting at any time. |
| **Vacancies** | |
| Directors are appointed by shareholders at a general shareholders meeting. A vacancy will be filled by a Director elected by the shareholders at the next general shareholders meeting. | In the event of a vacancy of a board member of any of these companies, the board of directors will appoint a shareholder to fill such vacancy for the remaining of the mandate. If the vacant |

member is a person appointed by the minority shareholders, an extraordinary shareholders meeting shall be called for a new member to be voted.

171

**Table of Contents**

| ULTRAPAR | RIPI / DPPI/CBPI |
|---|---|
| **Director Liability** | |
| According to Brazilian Corporate Law, Directors are not individually liable for any obligations assumed by Ultrapar or as a result of regular management acts. Directors are, however, liable to Ultrapar, Ultrapar shareholders and creditors of Ultrapar for any damage that they may cause by acts or omissions that violate law or Ultrapar s bylaws, or for acts performed with negligence and in breach of good faith. Directors are not jointly liable for acts caused by other Directors, except if they have participated of such act or if they had knowledge about the practice of such act. The Directors will be jointly liable for damages originated by the non-compliance with the duties determined by law to run the company s business, except if the company by-laws establishes that such duty was specific to one Director. | According to Brazilian Corporate Law, Directors are not individually liable for any obligations assumed by RIPI, DPPI and CBPI as a result of regular management acts. Directors are, however, liable to such companies, such companies shareholders and creditors for any damage that they may cause by acts or omissions that violate law or such companies bylaws, or for acts performed with negligence and in breach of good faith. Directors are not jointly liable for acts caused by other Directors, except if they have participated of such act or if they had knowledge about the practice of such act. The Directors will be jointly liable for damages originated by the non-compliance with the duties determined by law to run the company s business, except if the company by-laws establishes that such duty was specific to one Director. |
| **Mandatory Tender Offer / Tag Along Rights** | |
| Brazilian Corporate Law and CVM rules determine that upon the sale of a controlling interest in a publicly listed company, the purchaser will have to file a mandatory cash tender offer with the CVM to acquire all the remaining outstanding common shares of the target entity for at least 80% of the price paid for the common shares of the controlling block. | Brazilian Corporate Law and CVM rules determine that upon the sale of a controlling interest in a publicly listed company, the purchaser will have to file a mandatory cash tender offer with the CVM to acquire all the remaining outstanding common shares of the target entity for at least 80% of the price paid for the common shares of the controlling block. |
| Ultrapar s bylaws provide that any person who purchases control of Ultrapar s company must carry out a tender offer for the remaining shares, common and preferred, at the same price and on the same payment conditions, adjusted between such person and Ultrapar s controlling shareholders. | The offer must be made on the São Paulo Stock Exchange. |
| The offer must be made on both the São Paulo Stock Exchange and the New York Stock Exchange. | |

Table of Contents

| ULTRAPAR | RIPI/DPPI/CBPI |
|---|---|
| Ultrapar Directors must carry out the duties associated with their positions on the board of directors in accordance with the Brazilian Corporate Law and Ultrapar s bylaws: | RIPI, DPPI and CBPI Directors must carry out the duties associated with their positions on the board of directors in accordance with the Brazilian Corporate Law and their respective bylaws. |
| Ultrapar s bylaws establish that the board of directors has the following responsibilities: | RIPI, DPPI and CBPI s bylaws establish that their respective boards of directors have the following responsibilities: |
| a) to set general business policy; | a) to set general business policy; |
| b) to call shareholders meetings; | b) to call shareholders meetings; |
| c) to elect and remove from office the officers and establish their individual duties and compensation, while the shareholders decide their overall remuneration; | c) to elect and remove from office the officers and set their individual duties; |
| d) to oversee management; at any time to examine Ultrapar s books and records; to request information concerning any agreement or relating to any other acts to be undertaken by the company; | d) to oversee management; at any time to examine the company s books and records; request information concerning any agreement or relating to any other acts to be undertaken by the company; |
| e) to provide opinion on the management report and on the Board of Officers accounts; | e) to provide opinion on the management report and on the Board of Officers accounts; |
| f) to choose and remove the independent auditors nominated by the audit committee; | f) to choose and remove the independent auditors; |
| g) to approve increases in the subscribed capital and the form under which it shall occur, up to the amount of authorized capital; | g) to submit to shareholders an increase in the subscribed capital; |
| | h) to authorize the acquisition or disposal of permanent assets, the encumbrance of real estate property, or the offer of collateral or personal guarantees to third parties; |

| | |
|---|---|
| h) to propose to shareholders the winding-up, merger or consolidation of Ultrapar; | i) to provide an opinion on any act or agreement not contemplated in the annual budget; and |
| i) to choose the chief executive officer; | j) to authorize the acquisition of the relevant company s shares to be kept in treasury or canceled. |
| j) to submit to the shareholders meeting for approval the allocation of the adjusted net profit for each fiscal year; | |
| k) to approve the distribution of semi-annual or interim dividends; | |
| l) to approve investments in other companies; | |
| m) to appoint among the officers an investor relations officer. | |
| n) to grant stock options; and | |
| o) to approve the issuance, for public subscription, of commercial paper by the company. | |

**Table of Contents**

| ULTRAPAR | RIPI/DPPI/CBPI |
|---|---|
| The prior approval of the board of directors shall also be required for the performance of any act that might result in an acquisition, disposal, swap or encumbrance of real estate property, an offer of collateral or personal guarantees, the taking out of loans or a waiver of rights, in each case the amount of which would be in excess of three percent of Ultrapar s net worth. | |
| By a resolution of the board of directors, Ultrapar may acquire its own shares to be kept in treasury or canceled up to the amount of the profit and reserve balance, except for the legal reserve, without any decrease in the capital stock. | |
| According to Brazilian Corporate Law, directors are prohibited from: | According to Brazilian Corporate Law, directors are prohibited from: |
| performing any act using corporate assets to the detriment of the company; | performing any act using corporate assets to the detriment of the company; |
| by virtue of his or her position, receiving any type of direct or indirect personal advantage from third parties without authorization in the bylaws or from the shareholders; | by virtue of his or her position, receiving any type of direct or indirect personal advantage from third parties without authorization in the bylaws or from the shareholders; |
| taking part in any corporate transaction in which he or she has an interest that conflicts with an interest of the company, or in the decisions made by other directors on the matter; and | taking part in any corporate transaction in which he or she has an interest that conflicts with an interest of the company, or in the decisions made by other directors on the matter; and |
| without prior authorization from the shareholders or the board of directors, lending funds or assets of the company, or using the company s assets, services or credits, for his or her own or a third party s benefit, or for a company s benefit in which he or she has interest. | without prior authorization from shareholders or the board of directors, lending funds or assets of the company, or using the company s assets, services or credits, for his or her own or a third party s benefit, or for a company s benefit in which he or she has interest. |

**OFFICERS**

The Board of Officers of Ultrapar is elected by the board of directors for a one-year term. The Officers may be reelected. The Ultrapar Board of Officers currently consists of 5 members. Ultrapar s bylaws provide that the number of directors will not be fewer than four nor more than six. Decisions shall be taken by a majority of votes. The Board of Officers is responsible to conduct the day-to-day operations of Ultrapar, observing the general business policy set out by the board of directors.

The Board of Officers of each of RIPI, DPPI and CBPI is elected by its respective board of directors for a three-year term. The Officers may be reelected. RIPI, DPPI and CBPI Board of Officers currently consist of 3, 5 and 7 members respectively. All such company s bylaws provide that the number of directors will not be fewer than three nor more than ten. Decisions shall be taken by a majority of votes. The Board of Officers is responsible to conduct the day-to-day operations of such companies, observing the general business policy set out by the board of directors.

Table of Contents

| ULTRAPAR | RIPI / DPPI/CBPI |
|---|---|
| **FISCAL COUNCIL / AUDIT COMMITTEE** | |
| Brazilian Corporate Law requires Ultrapar to establish a Fiscal Council. Ultrapar Fiscal Council also acts as an audit committee pursuant to the requirements of the Sarbanes-Oxley Act. Ultrapar Fiscal Council is constituted of five members and their respective alternate members. The Fiscal Council is a separate corporate body independent of Ultrapar management and Ultrapar external independent registered public accounting firm. The members of Ultrapar Fiscal Council are elected by Ultrapar shareholders at the annual general shareholders meeting for one-year term and are eligible for reelection. | Brazilian Corporate Law requires RIPI, DPPI and CBPI to establish a Fiscal Council. The Fiscal Council of each of RIPI, DPPI and CBPI are constituted of three members and their respective alternate members. The Fiscal Council is a separate corporate body independent of the management and of the external independent registered public accounting firm. The members of the Fiscal Councils are elected by each of RIPI, DPPI and CBPI s shareholders at the annual general shareholders meeting for one-year term and are eligible for reelection. |

175

Table of Contents

## DESCRIPTION OF ULTRAPAR PREFERRED SHARES

### Our Issued Capital Stock

Ultrapar s capital stock is R$946,034,662.97, fully subscribed and paid in, comprised of 81,325,409 shares, without par value, of which 49,429,897 are common shares and 31,895,512 are preferred shares. As of November 9, 2007, Ultrapar and its affiliates held 6,617 common shares and 827,147 preferred shares in treasury.

Ultrapar s bylaws authorize Ultrapar s board of directors to increase Ultrapar s share capital up to the limit of R$1.5 billion by issuing either common or preferred shares. Any capital increase that exceeds such amount requires an amendment to Ultrapar s bylaws, which must be approved by shareholders at a shareholders meeting. Pursuant to Brazilian corporate law and Ultrapar s bylaws, the number of preferred shares may not exceed two-thirds of Ultrapar s issued capital stock.

On February 2, 2005, Ultrapar s board of directors approved the increase of Ultrapar s capital stock, pursuant to a partial capitalization of reserves, and the issuance of 10,453,690,324 new preferred shares distributed to Ultrapar s shareholders as a result of a stock dividend. Following this stock dividend, Ultrapar shareholders approved on July 20, 2005 the reverse split of its shares at the ratio of one thousand (1,000) shares of each type to one (1) share of such type and a change in the ratio of ADSs traded on the New York Stock Exchange, where one (1) ADS represented one (1) preferred share.

### Preferred Share Rights

In accordance with Ultrapar s bylaws, Ultrapar s preferred shares do not entitle their holders to voting rights in the shareholders meetings, except for specific events determined by Brazilian corporate law.

Brazilian corporate law provides that non-voting shares, such as preferred shares, may acquire voting rights if the Company fails to distribute fixed or minimum dividends in connection with such shares for three consecutive fiscal years and will retain such voting rights until the distribution of such fixed or minimum dividends.

Because Ultrapar s preferred shares are not entitled to the payment of any fixed or minimum dividend, holders of Ultrapar s preferred shares cannot acquire voting rights as a result of Ultrapar s failure to distribute dividends.

Brazilian corporate law also provides that holders of Ultrapar s preferred shares are entitled to vote as a special class in shareholders meetings called to decide upon changes to the preferences or rights attributed to Ultrapar s preferred shares and upon the creation of a new class of preferred shares that has either priority or preference over Ultrapar s existing preferred shares or the increase of an existing class of preferred shares disproportionately relative to the other classes. The approval of such proposals depends not only on the affirmative vote of shareholders holding the majority of Ultrapar s common shares, but also a prior approval or ratification by shareholders holding the majority of Ultrapar s preferred shares.

According to Brazilian corporate law, (i) Ultrapar s shareholders that jointly hold non-voting preferred shares, or shares with restricted voting rights, that represent, at least, 10% of Ultrapar s total capital stock, and (ii) holders of common shares that are not controlling shareholders, and who represent, at least, 15% of Ultrapar s total voting stock, will have the right to elect one member of Ultrapar s board of directors.

In case Ultrapar s non-controlling shareholders do not achieve the aforementioned percentage, they may combine their participation and, if they hold jointly, at least, 10% of Ultrapar s total capital, they may elect a member of Ultrapar s board of directors. Only shareholders that prove they have held the shares for at least three continuous months may exercise such rights.

Table of Contents

Upon Ultrapar s liquidation, holders of preferred shares shall have priority in relation to holders of common shares in respect of their return on capital, without any premium. The holders of Ultrapar s preferred shares have the right to receive the same amount of dividends per share to which the holders of Ultrapar s common shares are entitled. See Comparative Market Price and Dividend Information.

Ultrapar s preferred shares have tag along rights, which enable their holders to, upon the sale of a controlling interest in us, receive 100% of the price paid per common share of the controlling block. On March 22, 2000, Ultrapar s controlling shareholders entered into a shareholders agreement designed to ensure the equal treatment of all non-controlling shareholders in the event of any change in control. Pursuant to the agreement, the provisions of which have been incorporated in Ultrapar s bylaws, any transfer of Ultrapar s control, either directly or indirectly, may only be executed in conjunction with a public tender offer by the acquiring entity to purchase the shares of all minority shareholders under the same price and payment terms as those offered to the controlling shareholders. The agreement provides that there will be no discount or price differentiation between the shares in the public tender offer and those being sold by the controlling shareholders. The offer must be made on both the São Paulo Stock Exchange and the New York Stock Exchange.

**Preemptive Rights**

Ultrapar s shareholders have the preemptive right to subscribe for new shares issued by us in case of any capital increase, in proportion to their shareholdings. Ultrapar s shareholders also have the preemptive right to subscribe for any convertible debentures, and rights to acquire Ultrapar s shares and subscription warrants that Ultrapar may issue. According to Brazilian corporate law, a period of at least 30 days following the publication of notice of the capital increase is allowed for the exercise of the preemptive right, except if otherwise determined by the bylaws or the shareholders meeting.

According to Brazilian corporate law, capital increases that do not change the proportion between the existing classes and types of shares entitle the shareholders to exercise their preemptive rights solely with respect to shares of equal class and type as the shares each of them already holds. Notwithstanding that, if the Company issues shares that cause changes to the existing proportion of classes and types of shares, then the shareholders may exercise their preemptive rights with respect to shares of equal class and type as the shares they already hold and, only if necessary to maintain their participation in the total capital stock, may subscribe for other classes or types of shares.

According to Brazilian corporate law and Ultrapar s bylaws, Ultrapar s board of directors is authorized to exclude preemptive rights for the issuance of new shares, convertible debentures and subscription warrants if the distribution of those shares is effected through stock exchanges or public subscription. In addition, Brazilian corporate law establishes that the grant and exercise of stock options under stock option plans are not subject to preemptive rights.

**Conversion Rights**

In accordance with Ultrapar s bylaws, Ultrapar s common shares may be converted into Ultrapar s preferred shares, upon the request of the shareholder that requested such conversions, and subsequent to approval by a general shareholders meeting, and also subject to the limitations established by Brazilian corporate law.

In addition, according to the Shareholders Agreement of Ultrapar signed in 2004, shareholders of the controlling entity of Ultrapar, Ultra S.A. Participações, or Ultra , may request the exchange of their Ultra common or preferred shares into Ultrapar s preferred shares, provided that Ultra continues as the holder of 51% of Ultrapar s common shares and that the existing limit for the proportion of Ultrapar s capital stock, corresponding to a ratio of one-third of common shares to two-thirds of preferred shares, is not exceeded.

Table of Contents

**Corporate Purpose**

As per Ultrapar s bylaws, Ultrapar s corporate purpose is to use Ultrapar s capital in commerce, industry, agriculture and as service providers, upon the subscription or acquisition of shares or quotas issued by companies.

**Shareholders Meetings**

At Ultrapar s shareholders meetings, shareholders are generally empowered to take any action relating to Ultrapar s corporate purpose and to pass such resolutions as they deem necessary. Shareholders at the annual shareholders meeting have the exclusive power to approve Ultrapar s financial statements and to determine the allocation of Ultrapar s net income and the distribution of dividends with respect to the fiscal year ended immediately prior to such shareholders meeting. The election of Ultrapar s directors typically takes place at the annual shareholders meeting, although under Brazilian corporate law it may also occur at an extraordinary shareholders meeting. Members of Ultrapar s fiscal council may be elected at any shareholders meeting.

An extraordinary shareholders meeting may be held at any time or concurrently with the annual shareholders meeting. The following actions, among others, may be taken only at an extraordinary shareholders meeting:

- amendment of Ultrapar s bylaws;
- delisting of the Company as a publicly held company with the CVM;
- authorization to issue debentures;
- suspension of the rights of a shareholder who has violated Brazilian corporate law or Ultrapar s bylaws;
- acceptance or rejection of the valuation of in-kind contributions offered by a shareholder in consideration for issuance of shares of Ultrapar s capital stock;
- approval of Ultrapar s transformation into a *sociedade limitada* or any other corporate form;
- approval of Ultrapar s merger with another company (*incorporação or fusão*) or a spin-off (*cisão*);
- approval of Ultrapar s dissolution or liquidation, and the appointment and dismissal of the respective liquidator and review of the reports prepared by him or her and by the acting fiscal council during such liquidation; and
- authorization to petition for Ultrapar s bankruptcy or request the compulsory rescheduling of Ultrapar s debts.

According to Brazilian corporate law, neither a company s bylaws nor actions taken at a shareholders meeting may deprive a shareholder of some specific rights, such as:

- the right to participate in the distribution of profits;

the right to participate equally and ratably in any remaining residual assets in the event of liquidation of the Company;

the right to preemptive rights in the event of subscription of shares, convertible debentures or subscription warrants, except in some specific circumstances under the Brazilian law described in Preemptive Rights ;

the right to withdraw from the Company in the cases specified in Brazilian corporate law; and

the right to supervise, pursuant to Brazilian corporate law, the management of the Company.

Table of Contents

*Quorum*

Generally, Brazilian corporate law provides that a quorum at a shareholders meeting consists of shareholders representing at least 25% of a company s issued and outstanding voting capital on the first call and, if that quorum is not reached, any percentage on the second call. If the shareholders are called to amend Ultrapar s bylaws, a quorum at a shareholders meeting consists of shareholders representing at least two-thirds of Ultrapar s issued and outstanding voting capital on the first call and any percentage on the second call.

As a general rule, the affirmative vote of shareholders representing at least the majority of Ultrapar s issued and outstanding common shares present in person or represented by proxy at a shareholders meeting is required to ratify any proposed action, and abstentions are not taken into account. However, the affirmative vote of shareholders representing one-half of Ultrapar s issued and outstanding voting capital is required to:

- modify a preference, privilege or condition of redemption or amortization conferred on one or more classes of preferred shares, or create a new class with greater privileges than the existing classes of preferred shares;
- reduce the percentage of mandatory dividends;
- change Ultrapar s corporate purpose;
- merge us into or with another company;
- spin off a portion of Ultrapar s assets or liabilities;
- approve Ultrapar s participation in a group of companies;
- apply for cancellation of any voluntary liquidation; and
- approve Ultrapar s dissolution.

*Notice of Ultrapar s shareholders meetings*

Notice of Ultrapar s shareholders meetings must be published at least three times in the *Diário Oficial da União* or the *Diário Oficial do Estado*, the official newspaper of the state where Ultrapar s headquarters are located and another newspaper widely published, currently *Valor Econômico*. The first notice must be published no later than 15 days before the date of the meeting on the first call, and no later than eight days before the date of the meeting on the second call. However, in certain circumstances, the CVM may require that the first notice be published 30 days in advance of the meeting.

*Conditions of admission*

Shareholders attending a shareholders meeting must produce proof of their status as shareholders and proof that they hold the shares they intend to vote.

A shareholder may be represented at a shareholders meeting by a proxy appointed less than a year before, which must be a shareholder, a corporation officer, a lawyer or a financial institution. Investment funds must be represented by their administrator.

**Appraisal Rights and Redemption**

*Appraisal rights*

Any of Ultrapar s shareholders who dissent from certain actions taken by Ultrapar s shareholders in a shareholders meeting have the right to withdraw from Ultrapar and to receive the value of their shares.

According to Brazilian corporate law and Ultrapar s bylaws, the appraisal rights of Ultrapar s shareholders may be exercised in the following circumstances:

- modification of a preference, privilege or condition of redemption or amortization conferred on one or more classes of preferred shares, or creation of a new class with greater privileges than the existing classes of preferred shares;
- reduction in the percentage of mandatory dividends;
- change in Ultrapar s corporate purpose;
- merger (*fusão or incorporação*) with another company if Ultrapar is not the surviving entity;
- Ultrapar s participation in a group of companies;
- change in Ultrapar s corporate form;
- merger of all Ultrapar s shares into another Brazilian company, so that Ultrapar becomes a wholly owned subsidiary of such company; and
- acquisition of the shareholding control of another company for a price that exceeds certain limits provided by law.

Brazilian corporate law further provides that any resolution regarding Ultrapar s spin-off would only entitle shareholders to withdraw from Ultrapar s company if the spin-off:

- causes a change in the purpose of the Company, except if the equity is spun off to a company whose primary activities are consistent with Ultrapar s corporate purpose;
- reduces Ultrapar s mandatory dividends; or
- causes us to join a group of companies.

In cases where Ultrapar modifies a preference, privilege or condition of redemption or amortization conferred on one or more classes of preferred shares, or creates a new class with greater privileges than the existing classes of preferred shares, the decision will be effective only upon the prior approval or ratification by holders of preferred shares negatively affected by this action at a special meeting of the holders of preferred shares. In these cases, only such holders of the shares negatively affected by this action are entitled to withdraw.

In cases where Ultrapar:

- merges with another company in circumstances in which Ultrapar is not the surviving company; or

participates in a group of companies,
Ultrapar s shareholders will not be entitled to withdraw if their respective shares (i) are liquid, defined as being part of a traded stock exchange index, and (ii) are widely held, such that the controlling shareholder or companies it controls hold less than 50% of such class or type of shares relating to the withdrawal right.

Ultrapar s shareholders shall have appraisal rights in case Ultrapar implements a merger or spin-off and the resulting company does not obtain its register as a publicly held company or does not cause its shares to be permitted to trade in the secondary market within 120 days after the shareholders meeting that approves such transaction.

The right to withdraw expires 30 days after publication of the minutes of the relevant shareholders meeting. Ultrapar is entitled to reconsider any action giving rise to withdrawal rights for 10 days after the expiration of those rights if the redemption of shares of dissenting shareholders would jeopardize Ultrapar s financial stability.

In case of exercise of appraisal rights, Ultrapar s shareholders are entitled to receive book value for their shares, based on the last balance sheet approved by the shareholders. If the resolution giving rise to the rights is

Table of Contents

made later than 60 days after the date of the last approved balance sheet, a shareholder may demand that his or her shares be valued according to a new balance sheet dated less than 60 days before the resolution date. In this case, Ultrapar must immediately pay 80% of the book value of the shares according to the most recent balance sheet approved by Ultrapar s shareholders, and the balance must be paid within 120 days after the date of the resolution of the relevant shareholders meeting.

*Redemption*

In accordance with Brazilian corporate law, Ultrapar s shares may be redeemed upon the decision of Ultrapar s shareholders. If the shares to be redeemed do not involve the totality of a certain class or type of shares, they must be chosen by lottery.

**Board of Directors**

According to Ultrapar s bylaws, Ultrapar s board of directors consists of a minimum of four and a maximum of seven members. The exact number of directors is defined in a shareholders meeting by the majority vote of the holders of Ultrapar s common shares. Brazilian corporate law allows the adoption of a multiple vote process, by request of shareholders representing at least 10% of Ultrapar s voting share capital. Ultrapar s directors are elected by Ultrapar s shareholders at Ultrapar s annual shareholders meeting for a one-year term.

Brazilian corporate law requires that each director own at least one share of Ultrapar s company. There is no mandatory retirement age for directors.

**Transactions in Which Directors Have an Interest**

Brazilian corporate law prohibits a director from:

- performing any act of generosity using corporate assets to the detriment of the corporation;
- by virtue of his or her position, receiving any type of direct or indirect personal advantage from third parties without authorization in the bylaws or from a shareholders meeting;
- taking part in any corporate transaction in which he or she has an interest that conflicts with an interest of the corporation, or in the decisions made by other directors on the matter; and
- without prior authorization from Shareholders Meeting or the board of directors, lending funds or assets of the company, or using the company s assets, services or credits, for his or her own or a third party s benefit, or for a company s benefit in which he or she has an interest.

The compensation of directors is determined at the annual shareholders meetings.

**Anti-Takeover Effects of Certain Provisions of Ultrapar s Bylaws**

Some provisions of Ultrapar s bylaws may have the effect of discouraging, delaying or preventing hostile takeovers of Ultrapar s company. Ultrapar s bylaws provide that any person who purchases control of Ultrapar s company must carry out a tender offer for the remaining shares, at the same price and on the same payment conditions, adjusted between such person and Ultrapar s controlling shareholders. This requirement is intended to protect minority shareholders.

Table of Contents

**Restrictions on Certain Transactions by Controlling Shareholders, Directors, Officers and Members of the Fiscal Council**

Ultrapar s direct or indirect controlling shareholders, directors and executive officers and members of Ultrapar s fiscal council, who are considered insiders under Brazilian securities regulation, must abstain from trading in Ultrapar s securities, including derivatives based on Ultrapar s securities, among others, as follows:

- before the public disclosure of any material act or fact with respect to Ultrapar s business;
- if Ultrapar intends to merge with another company, consolidate, spin off part or all of Ultrapar s assets or reorganize;
- during the 15-day period before the disclosure of Ultrapar s quarterly and annual financial statements; or
- with respect only to Ultrapar s controlling shareholders, directors and executive directors, in the event of acquisition or sale of Ultrapar s shares by us or the transaction or sale of Ultrapar s shares by any of Ultrapar s controlled or affiliated companies or any other company under Ultrapar s common control.

**Purchases by Us of Shares of Ultrapar s Capital Stock**

Ultrapar s bylaws entitle Ultrapar s board of directors to approve the transaction of Ultrapar s own shares. The decision to acquire Ultrapar s shares, or maintain the acquired shares in treasury or cancel them, may not, among other things:

- result in the reduction of Ultrapar s share capital;
- require the use of resources greater than Ultrapar s accumulated profits and available reserves;
- create, directly or indirectly, any artificial demand, supply or share price condition or use any unfair practice as a result of any action or omission;
- involve non-equitable practices; or
- be used for the transaction of shares held by Ultrapar s controlling shareholders.

Ultrapar may not keep in treasury more than 10% of the float of each class of Ultrapar s shares, including the shares held by subsidiaries and affiliates.

Any acquisition by us of Ultrapar s shares must be made on a stock exchange, except where the shares are registered for negotiation only in the over-the-counter market and cannot be made in a private transaction.

**Disclosure Requirements**

As a publicly held corporation, Ultrapar is subject to the reporting requirements established by Brazilian corporate law and the CVM.

As a result of the issuance of Ultrapar s ADSs, Ultrapar is required to furnish to the SEC certain information, which Ultrapar files with the CVM, translated into English.

In addition to the provisions of the CVM and the SEC, the Company has also implemented a disclosure and trading policy regarding the procedures to be followed (i) for announcing material information or facts relating to Ultrapar and (ii) with respect to the trading of securities issued by the Company while material information is pending disclosure.

*Disclosure of information*

Brazilian securities regulations require that a publicly held corporation provide the CVM and the relevant stock exchanges where its shares are traded with periodic information that includes annual information statements, quarterly financial statements, quarterly management reports and reports of the independent auditors. Brazilian securities regulations also require public companies to file with the CVM shareholders agreements and notices and minutes of shareholders meetings.

*Disclosure of trading by insiders*

Brazilian securities regulation requires Ultrapar s controlling shareholders, management, members of Ultrapar s fiscal council and any other technical or consultant body to disclose to the CVM and BOVESPA the number and type of securities issued by us, Ultrapar s subsidiaries and Ultrapar s controlling companies that are held by them or by persons closely related to them. The information regarding the transaction of such securities (amount, price and date of acquisition) must be provided to us within 10 days of the end of the month in which they were traded.

*Disclosure of material developments*

Under Brazilian securities regulations, Ultrapar must disclose any material development related to Ultrapar s business to the CVM and BOVESPA. Ultrapar is also required to publish a notice of that material development. A development is deemed material if it has an impact on the price of Ultrapar s securities, the decision of investors to hold, purchase or sell Ultrapar s securities, or the decision of investors to exercise any rights as holders of any of Ultrapar s securities.

**Registry of Ultrapar s Preferred Shares**

Ultrapar s preferred shares are held in book-entry form with Banco Itaú S.A. The transfer of Ultrapar s preferred shares is carried out by means of an entry by Banco Itaú S.A. in its registries as a debit in the account of the seller and a credit in the account of the buyer, with the presentation of a written order of the transferor or a judicial authorization or order to effect such transfers.

**Delisting as a Public Company**

Ultrapar s delisting as a public company must be preceded by a tender offer by Ultrapar s controlling shareholders or ourselves for the transaction of all Ultrapar s then outstanding shares, subject to the conditions below:

- the price offered for the shares in the public offering must be the fair value of those shares, as established by Brazilian corporate law;

- shareholders holding more than two-thirds of Ultrapar s free float shares shall have expressly agreed to Ultrapar s decision to become a private company or accepted the offer.

According to Brazilian corporate law, a fair price shall be at least be equal to Ultrapar s valuation, as determined by one or more of the following valuation methods: book value, net book value assessed by market price, discounted cash flow, multiples, price of Ultrapar s shares in the market or any other valuation method accepted by the CVM. The price under such tender offer may be revised if challenged within 15 days of its publication by holders of at least 10% of Ultrapar s outstanding shares, by means of a request sent to Ultrapar s management that an extraordinary shareholders meeting be called to decide whether to request a new valuation under the same or a different valuation method. Ultrapar s shareholders that request a new valuation and those who approve such request shall reimburse us for incurred costs if the new valuation is lower than the challenged valuation. However, if the second valuation is higher, the offeror will have the option to continue the offer with the new price or quit the offer.

Table of Contents

## DESCRIPTION OF RIPI PREFERRED SHARES

### RIPI s Issued Capital Stock

RIPI s capital stock is R$475,000,000.00, fully subscribed and paid in, comprised of 29,600,000 shares, without par value, of which 9,982,404 are common shares and 19,617,596 are preferred shares. As of November 9, 2007, RIPI held no common shares or preferred shares in treasury.

### Preferred Share Rights

In accordance with RIPI s bylaws, RIPI s preferred shares do not entitle their holders to voting rights in the shareholders meetings, except for specific events determined by Brazilian corporate law.

Brazilian corporate law provides that non-voting shares, such as preferred shares, may acquire voting rights if the Company fails to distribute fixed or minimum dividends in connection with such shares for three consecutive fiscal years and will retain such voting rights until the distribution of such fixed or minimum dividends.

Because RIPI s preferred shares are not entitled to the payment of any fixed or minimum dividend, holders of RIPI s preferred shares cannot acquire voting rights as a result of RIPI s failure to distribute dividends.

Brazilian corporate law also provides that holders of RIPI s preferred shares are entitled to vote as a special class in shareholders meetings called to decide upon changes to the preferences or rights attributed to RIPI s preferred shares and upon the creation of a new class of preferred shares that has either priority or preference over RIPI s existing preferred shares or the increase of an existing class of preferred shares disproportionately relative to the other classes. The approval of such proposals depends not only on the affirmative vote of shareholders holding the majority of RIPI s common shares, but also a prior approval or ratification by shareholders holding the majority of RIPI s preferred shares.

According to Brazilian corporate law, (i) RIPI s shareholders that jointly hold non-voting preferred shares, or shares with restricted voting rights, that represent, at least, 10% of RIPI s total capital stock, and (ii) holders of common shares, that are not controlling shareholders, and who represent, at least, 15% of RIPI s total voting stock, will have the right to elect one member of RIPI s board of directors.

In case RIPI s non-controlling shareholders do not achieve the aforementioned percentage, they may combine their participation and, if they hold jointly, at least, 10% of RIPI s total capital, they may elect a member of RIPI s board of directors. Only shareholders that prove they have held the shares for at least three continuous months may exercise such rights.

Upon RIPI s liquidation, holders of preferred shares shall have the priority in relation to holders of common shares to their return on capital, without any premium. RIPI shareholders have the right to participate in any dividend payment or stock dividend distribution in proportion to the paid-in capital corresponding to their shares. Preferred shareholders of RIPI have the right to receive dividends 10% higher then those paid to the common stock shareholders of such companies. See Comparative Market Price and Dividend Information.

### Preemptive Rights

RIPI s shareholders have the preemptive right to subscribe for new shares issued by us in case of any capital increase, in the proportion to their shareholdings. RIPI s shareholders also have the preemptive right to subscribe for any convertible debentures, and rights to acquire RIPI s shares and subscription warrants that RIPI may issue. According to Brazilian corporate law, a period of at least 30 days following the publication of notice of the capital increase is allowed for the exercise of the preemptive right, except if otherwise determined by the bylaws or the shareholders meeting.

Table of Contents

According to Brazilian corporate law, capital increases that do not change the proportion between the existing classes and types of shares entitle the shareholders to exercise their preemptive rights solely with respect to shares of equal class and type as the shares each of them already holds. Notwithstanding that, if the Company issues shares that cause changes to the existing proportion of classes and types of shares, then the shareholders may exercise their preemptive rights with respect to shares of equal class and type as the shares they already hold and, only if necessary to maintain its participation in the total capital stock, may subscribe for other classes or types of shares.

**Corporate Purpose**

As per RIPI s bylaws, RIPI s corporate purpose is to operate and exploit an oil refinery in the city of Rio Grande, warehousing of fuels; import, export and commercialization of oil products raw materials for industrial purposes and exploitation of chemical products, except pharmaceuticals.

**Shareholders Meetings**

At RIPI s shareholders meetings, shareholders are generally empowered to take any action relating to RIPI s corporate purpose and to pass such resolutions as they deem necessary. Shareholders at the annual shareholders meeting have the exclusive power to approve RIPI s financial statements and to determine the allocation of RIPI s net income and the distribution of dividends with respect to the fiscal year ended immediately prior to the shareholders meeting. The election of RIPI s directors typically takes place at the annual shareholders meeting, although under Brazilian corporate law it may also occur at an extraordinary shareholders meeting. Members of RIPI s fiscal council may be elected at any shareholders meeting.

An extraordinary shareholders meeting may be held at any time or concurrently with the annual shareholders meeting. The following actions, among others, may be taken only at an extraordinary shareholders meeting:

- amendment of RIPI s bylaws;
- delisting of the Company as a publicly held company with the CVM;
- authorization to issue debentures;
- suspension of the rights of a shareholder who has violated Brazilian corporate law or RIPI s bylaws;
- acceptance or rejection of the valuation of in-kind contributions offered by a shareholder in consideration for issuance of shares of RIPI s capital stock;
- approval of RIPI s transformation into a *sociedade limitada* or any other corporate form;
- approval of RIPI s merger with another company (*incorporação or fusão*) or a spin-off (*cisão*);
- approval of RIPI s dissolution or liquidation, and the appointment and dismissal of the respective liquidator and review of the reports prepared by him or her and by the acting fiscal council during such liquidation; and
- authorization to petition for RIPI s bankruptcy or request the compulsory rescheduling of RIPI s debts.

According to Brazilian corporate law, neither a company s bylaws nor actions taken at a shareholders meeting may deprive a shareholder of some specific rights, such as:

- the right to participate in the distribution of profits;
- the right to participate equally and ratably in any remaining residual assets in the event of liquidation of RIPI;

185

**Table of Contents**

- the right to preemptive rights in the event of subscription of shares, convertible debentures or subscription warrants, except in some specific circumstances under the Brazilian law;
- the right to withdraw from RIPI in the cases specified in Brazilian corporate law, and
- the right to supervise, pursuant to Brazilian corporate law, the management of the company.

*Quorum*. Generally, Brazilian corporate law provides that a quorum at a shareholders meeting consists of shareholders representing at least 25% of a company s issued and outstanding voting capital on the first call and, if that quorum is not reached, any percentage on the second call. If the shareholders are called to amend RIPI s bylaws, a quorum at a shareholders meeting consists of shareholders representing at least two-thirds of RIPI s issued and outstanding voting capital on the first call and any percentage on the second call.

As a general rule, the affirmative vote of shareholders representing at least the majority of RIPI s issued and outstanding common shares present in person or represented by proxy at a shareholders meeting is required to ratify any proposed action, and abstentions are not taken into account. However, the affirmative vote of shareholders representing one-half of RIPI s issued and outstanding voting capital is required to:

- modify a preference, privilege or condition of redemption or amortization conferred on one or more classes of preferred shares, or create a new class with greater privileges than the existing classes of preferred shares;
- reduce the percentage of mandatory dividends;
- change RIPI s corporate purpose;
- merge us into or with another company;
- spin off a portion of RIPI s assets or liabilities;
- approve RIPI s participation in a group of companies;
- apply for cancellation of any voluntary liquidation; and
- approve RIPI s dissolution.

*Notice of RIPI s shareholders meetings*. Notice of RIPI s shareholders meetings must be published at least three times in the *Diário Oficial da União* or the *Diário Oficial do Estado*, the official newspaper of the state where RIPI s headquarters are located and another newspaper widely published, currently RIPI publishes in the Estado de São Paulo and in a local newspaper called *Agora*. The first notice must be published no later than 15 days before the date of the meeting on the first call, and no later than eight days before the date of the meeting on the second call. However, in certain circumstances, the CVM may require that the first notice be published 30 days in advance of the meeting.

*Conditions of admission*. Shareholders attending a shareholders meeting must produce proof of their status as shareholders and proof that they hold the shares they intend to vote.

A shareholder may be represented at a shareholders meeting by a proxy appointed less than a year before, which must be a shareholder, a corporation officer, a lawyer or a financial institution. Investment funds must be represented by their administrator.

**Appraisal Rights And Redemption**

*Appraisal rights*. Any of RIPI s shareholders who dissent from certain actions taken by RIPI s shareholders in a shareholders meeting have the right to withdraw from RIPI s company and to receive the value of their shares.

**Table of Contents**

According to Brazilian corporate law, the appraisal rights of RIPI s shareholders may be exercised in the following circumstances:

- modification of a preference, privilege or condition of redemption or amortization conferred on one or more classes of preferred shares, or creation of a new class with greater privileges than the existing classes of preferred shares;
- reduction in the percentage of mandatory dividends;
- change in RIPI s corporate purpose;
- merger (*fusão or incorporação*) with another company if RIPI is not the surviving entity;
- RIPI s participation in a group of companies;
- change in RIPI s corporate form;
- merger of all RIPI s shares into another Brazilian company, so that RIPI become a wholly owned subsidiary of such company; and
- acquisition of the shareholding control of another company for a price that exceeds certain limits provided by law.

Brazilian corporate law further provides that any resolution regarding RIPI s spin-off would only entitle shareholders to withdraw from RIPI s company if the spin-off:

- causes a change in the purpose of RIPI, except if the equity is spun off to a company whose primary activities are consistent with RIPI s corporate purpose;
- reduces RIPI s mandatory dividends; or
- causes RIPI to join a group of companies.

In cases where RIPI modify a preference, privilege or condition of redemption or amortization conferred on one or more classes of preferred shares, or create a new class with greater privileges than the existing classes of preferred shares, the decision will be effective only upon the prior approval or ratification by holders of preferred shares negatively affected by this action at a special meeting of the holders of preferred shares. In these cases, only such holders of the shares negatively affected by this action are entitled to withdraw.

In cases where RIPI:

- merge with another company in circumstances in which RIPI is not the surviving company; or participate in a group of companies,

RIPI s shareholders will not be entitled to withdraw if their respective shares (i) are liquid, defined as being part of a traded stock exchange index, and (ii) are widely held, such that the controlling shareholder or companies it controls hold less than 50% of such class or type of shares relating to the withdrawal right.

RIPI s shareholders shall have appraisal rights in case RIPI implement a merger or spin-off and the resulting company does not obtain its register as a publicly held company or does not cause its shares to be permitted to trade in the secondary market within 120 days from the shareholders meeting that approves such transaction.

The right to withdraw expires 30 days after publication of the minutes of the relevant shareholders meeting. RIPI is entitled to reconsider any action giving rise to withdrawal rights for 10 days after the expiration of those rights if the redemption of shares of dissenting shareholders would jeopardize RIPI s financial stability.

In case of exercise of appraisal rights, RIPI s shareholders are entitled to receive book value for the shares, based on the last balance sheet approved by the shareholders. If the resolution giving rise to the rights is made

**Table of Contents**

later than 60 days after the date of the last approved balance sheet, the shareholder may demand that his or her shares be valued according to a new balance sheet dated less than 60 days before the resolution date. In this case, RIPI must immediately pay 80% of the book value of the shares according to the most recent balance sheet approved by RIPI s shareholders, and the balance must be paid within 120 days after the date of the resolution of the relevant shareholders meeting.

*Redemption*. In accordance with Brazilian corporate law, RIPI s shares may be redeemed upon the decision of RIPI s shareholders meeting. If the shares to be redeemed do not involve the totality of a certain class or type of shares, they must be chosen by lottery.

**Board of Directors**

According to RIPI s bylaws, RIPI board of directors currently consists of 7 directors. RIPI s bylaws provide that the number of directors will not be fewer than six nor more than eight. Each director is elected for a three-year term and a reelection is permitted. The exact number of directors is defined in a shareholders meeting by the majority vote of the holders of RIPI s common shares. Brazilian corporate law allows the adoption of a multiple vote process, by request of shareholders representing at least 10% of RIPI s voting share capital.

Brazilian corporate law requires that each director own at least one share of RIPI s company. There is no mandatory retirement age for directors.

**Transactions in which Directors Have an Interest**

Brazilian corporate law prohibits a director from:

- performing any act of generosity using corporate assets to the detriment of the corporation;

- by virtue of his or her position, receiving any type of direct or indirect personal advantage from third parties without authorization in the bylaws or from a shareholders meeting;

- taking part in any corporate transaction in which he or she has an interest that conflicts with an interest of the corporation, or in the decisions made by other directors on the matter; and

- without prior authorization at a shareholders meeting or from the board of directors, lending funds or assets of the company, or using the company s assets, services or credits, at his or her own or a third party s benefit, or at a company s benefit in which he or she has interest.

The compensation of directors is determined at the annual shareholders meetings.

**Restrictions on Certain Transactions by Controlling Shareholders, Directors, Officers and Members of the Fiscal Council**

RIPI s direct or indirect controlling shareholders, directors, executive officers and members of RIPI s fiscal council, who are considered insiders under Brazilian securities regulation, must abstain from trading in RIPI s securities, including derivatives based on RIPI s securities, as follows, among others:

- before the public disclosure of any material act or fact with respect to RIPI s business;

- if RIPI intend to merge with another company, consolidate, spin off part or all of RIPI s assets or reorganize;

during the 15-day period before the disclosure of RIPI s quarterly and annual financial statements; or

with respect only to RIPI s controlling shareholders, directors and executive directors, in the event of acquisition or sale of RIPI s shares by RIPI or the transaction or sale of RIPI s shares by any of RIPI s controlled or affiliated companies or any other company under RIPI s common control.

Table of Contents

**Purchases by RIPI of Shares of RIPI s Capital Stock**

RIPI s bylaws entitle RIPI s board of directors to approve the transaction of RIPI s own shares. The decision to acquire RIPI s shares, or maintain the acquired shares in treasury or cancel them, may not, among other things:

- result in the reduction of RIPI s share capital;
- require the use of resources greater than RIPI s accumulated profits and the available reserves;
- create, directly or indirectly, any artificial demand, supply or share price condition or use any unfair practice as a result of any action or omission;
- involve non-equitable practices; or
- be used for the transaction of shares held by RIPI s controlling shareholders.

RIPI may not keep in treasury more than 10% of the float of each class of RIPI s shares, including the shares held by subsidiaries and affiliates.

Any acquisition by RIPI of its own shares must be made on a stock exchange, except where the shares are registered for negotiation only in the over-the-counter market and cannot be made in a private transaction.

**Disclosure Requirements**

As a publicly held corporation, RIPI is subject to the reporting requirements established by Brazilian corporate law and the CVM.

*Disclosure of information*. Brazilian securities regulations require that a publicly held corporation provide the CVM and the relevant stock exchanges where its shares are traded with periodic information that includes annual information statements, quarterly financial statements, quarterly management reports and reports of the independent auditors. Brazilian securities regulations also require public companies to file with the CVM shareholders agreements and notices and minutes of shareholders meetings.

*Disclosure of trading by insiders*. Brazilian securities regulation requires RIPI s controlling shareholders, management, members of RIPI s fiscal council and any other technical or consultant body to disclose to the CVM and BOVESPA the number and type of securities issued by RIPI, RIPI s subsidiaries and RIPI s controlling companies that are held by them or by persons closely related to them. The information regarding the transaction of such securities (amount, price and date of acquisition) must be provided to us within 10 days of the end of the month in which they were traded.

*Disclosure of material developments*. Under Brazilian securities regulations, RIPI must disclose any material development related to RIPI s business to the CVM and BOVESPA. RIPI is also required to publish a notice of that material development. A development is deemed material if it has an impact on the price of RIPI s securities, the decision of investors to hold, purchase or sell RIPI s securities, or the decision of investors to exercise any rights as holders of any of RIPI s securities.

**Registry of RIPI s Preferred Shares**

RIPI s preferred shares are held in book-entry form with Banco Itaú S.A. The transfer of RIPI s preferred shares is carried out by means of an entry by Banco Itaú S.A. in its registries as a debit in the account of the seller and a credit in the account of the buyer, with the presentation of a written order of the transferor or a judicial authorization or order to effect such transfers.

Table of Contents

**Delisting as a Public Company**

RIPI s delisting as a public company must be preceded by a tender offer by RIPI s controlling shareholders or ourselves for the transaction of all RIPI s then outstanding shares, subject to the conditions below:

- the price offered for the shares in the public offering must be the fair value of those shares, as established in Brazilian corporate law;

- shareholders holding more than two-thirds of RIPI s free float shares shall have expressly agreed to RIPI s decision to become a private company or accepted the offer.

According to Brazilian corporate law, a fair price shall be at least be equal to RIPI s valuation, as determined by one or more of the following valuation methods: book value, net book value assessed by market price, discounted cash flow, multiples, price of RIPI s shares in the market or any other valuation method accepted by the CVM. The price under such tender offer may be revised if challenged within 15 days of its publication by holders of at least 10% of RIPI s outstanding shares, by means of a request sent to RIPI s management that an extraordinary shareholders meeting be called to decide whether to request a new valuation under the same or a different valuation method. RIPI s shareholders that request a new valuation and those who approve such request shall reimburse us for incurred costs if the new valuation is lower than the challenged valuation. However, if the second valuation is higher, the offeror will have the option to continue the offer with the new price or quit the offer.

Table of Contents

## DESCRIPTION OF DPPI PREFERRED SHARES

**DPPI s Issued Capital Stock**

DPPI s capital stock is R$615,000,000.00, fully subscribed and paid in, comprised of 32,000,000 shares, without par value, of which 10,706,368 are common shares and 21,293,632 are preferred shares. As of November 9, 2007, DPPI held no common shares or preferred shares in treasury.

**Preferred Share Rights**

In accordance with DPPI s bylaws, DPPI s preferred shares do not entitle their holders to voting rights in the shareholders meetings, except for specific events determined by Brazilian corporate law.

Brazilian corporate law provides that non-voting shares, such as preferred shares, may acquire voting rights if the Company fails to distribute fixed or minimum dividends in connection with such shares for three consecutive fiscal years and will retain such voting rights until the distribution of such fixed or minimum dividends.

Because DPPI s preferred shares are not entitled to the payment of any fixed or minimum dividend, holders of DPPI s preferred shares cannot acquire voting rights as a result of DPPI s failure to distribute dividends.

Brazilian corporate law also provides that holders of DPPI s preferred shares are entitled to vote as a special class in shareholders meetings called to decide upon changes to the preferences or rights attributed to DPPI s preferred shares and upon the creation of a new class of preferred shares that has either priority or preference over DPPI s existing preferred shares or the increase of an existing class of preferred shares disproportionately relative to the other classes. The approval of such proposals depends not only on the affirmative vote of shareholders holding the majority of DPPI s common shares, but also a prior approval or ratification by shareholders holding the majority of DPPI s preferred shares.

According to Brazilian corporate law, (i) DPPI s shareholders that jointly hold non-voting preferred shares, or shares with restricted voting rights, that represent, at least, 10% of DPPI s total capital stock, and (ii) holders of common shares, that are not controlling shareholders, and who represent, at least, 15% of DPPI s total voting stock, will have the right to elect one member of DPPI s board of directors.

In case DPPI s non-controlling shareholders do not achieve the aforementioned percentage, they may combine their participation and, if they hold jointly, at least, 10% of DPPI s total capital, they may elect a member of DPPI s board of directors. Only shareholders that prove they have held the shares for at least three continuous months may exercise such rights.

Upon DPPI s liquidation, holders of preferred shares shall have the priority in relation to holders of common shares to their return on capital, without any premium. DPPI shareholders have the right to participate in any dividend payment or stock dividend distribution in proportion to the paid-in capital corresponding to their shares. Preferred shareholders of DPPI have the right to receive dividends 10% higher then those paid to the common stock shareholders of such companies. See Comparative Market Price and Dividend Information.

**Preemptive Rights**

DPPI s shareholders have the preemptive right to subscribe for new shares issued by us in case of any capital increase, in the proportion to their shareholdings. DPPI s shareholders also have the preemptive right to subscribe for any convertible debentures, and rights to acquire DPPI s shares and subscription warrants that DPPI may issue. According to Brazilian corporate law, a period of at least 30 days following the publication of notice of the capital increase is allowed for the exercise of the preemptive right, except if otherwise determined by the bylaws or the shareholders meeting.

Table of Contents

According to Brazilian corporate law, capital increases that do not change the proportion between the existing classes and types of shares entitle the shareholders to exercise their preemptive rights solely with respect to shares of equal class and type as the shares each of them already holds. Notwithstanding that, if the Company issues shares that cause changes to the existing proportion of classes and types of shares, then the shareholders may exercise their preemptive rights with respect to shares of equal class and type as the shares they already hold and, only if necessary to maintain its participation in the total capital stock, may subscribe for other classes or types of shares.

**Corporate Purpose**

As per DPPI s bylaws, DPPI s corporate purpose is to operate and exploit an oil refinery in the city of Rio Grande, warehousing of fuels; import, export and commercialization of oil products raw materials for industrial purposes and exploitation of chemical products, except pharmaceuticals.

**Shareholders Meetings**

At DPPI s shareholders meetings, shareholders are generally empowered to take any action relating to DPPI s corporate purpose and to pass such resolutions as they deem necessary. Shareholders at the annual shareholders meeting have the exclusive power to approve DPPI s financial statements and to determine the allocation of DPPI s net income and the distribution of dividends with respect to the fiscal year ended immediately prior to the shareholders meeting. The election of DPPI s directors typically takes place at the annual shareholders meeting, although under Brazilian corporate law it may also occur at an extraordinary shareholders meeting. Members of DPPI s fiscal council may be elected at any shareholders meeting.

An extraordinary shareholders meeting may be held at any time or concurrently with the annual shareholders meeting. The following actions, among others, may be taken only at an extraordinary shareholders meeting:

- amendment of DPPI s bylaws;
- delisting of the Company as a publicly held company with the CVM;
- authorization to issue debentures;
- suspension of the rights of a shareholder who has violated Brazilian corporate law or DPPI s bylaws;
- acceptance or rejection of the valuation of in-kind contributions offered by a shareholder in consideration for issuance of shares of DPPI s capital stock;
- approval of DPPI s transformation into a *sociedade limitada* or any other corporate form;
- approval of DPPI s merger with another company (*incorporação or fusão*) or a spin-off (*cisão*);
- approval of DPPI s dissolution or liquidation, and the appointment and dismissal of the respective liquidator and review of the reports prepared by him or her and by the acting fiscal council during such liquidation; and
- authorization to petition for DPPI s bankruptcy or request the compulsory rescheduling of DPPI s debts.

According to Brazilian corporate law, neither a company s bylaws nor actions taken at a shareholders meeting may deprive a shareholder of some specific rights, such as:

- the right to participate in the distribution of profits;
- the right to participate equally and ratably in any remaining residual assets in the event of liquidation of DPPI;
- the right to preemptive rights in the event of subscription of shares, convertible debentures or subscription warrants, except in some specific circumstances under the Brazilian law;

Table of Contents

- the right to withdraw from DPPI in the cases specified in Brazilian corporate law, and
- the right to supervise, pursuant to Brazilian corporate law, the management of the company.

*Quorum*. Generally, Brazilian corporate law provides that a quorum at a shareholders meeting consists of shareholders representing at least 25% of a company s issued and outstanding voting capital on the first call and, if that quorum is not reached, any percentage on the second call. If the shareholders are called to amend DPPI s bylaws, a quorum at a shareholders meeting consists of shareholders representing at least two-thirds of DPPI s issued and outstanding voting capital on the first call and any percentage on the second call.

As a general rule, the affirmative vote of shareholders representing at least the majority of DPPI s issued and outstanding common shares present in person or represented by proxy at a shareholders meeting is required to ratify any proposed action, and abstentions are not taken into account. However, the affirmative vote of shareholders representing one-half of DPPI s issued and outstanding voting capital is required to:

- modify a preference, privilege or condition of redemption or amortization conferred on one or more classes of preferred shares, or create a new class with greater privileges than the existing classes of preferred shares;
- reduce the percentage of mandatory dividends;
- change DPPI s corporate purpose;
- merge us into or with another company;
- spin off a portion of DPPI s assets or liabilities;
- approve DPPI s participation in a group of companies;
- apply for cancellation of any voluntary liquidation; and
- approve DPPI s dissolution.

*Notice of DPPI s shareholders meetings*. Notice of DPPI s shareholders meetings must be published at least three times in the *Diário Oficial da União* or the *Diário Oficial do Estado*, the official newspaper of the state where DPPI s headquarters are located and another newspaper widely published, currently DPPI publishes in the Estado de São Paulo and in a local newspaper called *Jornal do Comércio of Porto Alegre*. The first notice must be published no later than 15 days before the date of the meeting on the first call, and no later than eight days before the date of the meeting on the second call. However, in certain circumstances, the CVM may require that the first notice be published 30 days in advance of the meeting.

*Conditions of admission*. Shareholders attending a shareholders meeting must produce proof of their status as shareholders and proof that they hold the shares they intend to vote.

A shareholder may be represented at a shareholders meeting by a proxy appointed less than a year before, which must be a shareholder, a corporation officer, a lawyer or a financial institution. Investment funds must be represented by their administrator.

**Appraisal Rights And Redemption**

*Appraisal rights*. Any of DPPI s shareholders who dissent from certain actions taken by DPPI s shareholders in a shareholders meeting have the right to withdraw from DPPI s company and to receive the value of their shares.

According to Brazilian corporate law, the appraisal rights of DPPI s shareholders may be exercised in the following circumstances:

modification of a preference, privilege or condition of redemption or amortization conferred on one or more classes of preferred shares, or creation of a new class with greater privileges than the existing classes of preferred shares;

- reduction in the percentage of mandatory dividends;
- change in DPPI s corporate purpose;
- merger (*fusão or incorporação*) with another company if DPPI is not the surviving entity;
- DPPI s participation in a group of companies;
- change in DPPI s corporate form;
- merger of all DPPI s shares into another Brazilian company, so that DPPI become a wholly owned subsidiary of such company; and
- acquisition of the shareholding control of another company for a price that exceeds certain limits provided by law.

Brazilian corporate law further provides that any resolution regarding DPPI s spin-off would only entitle shareholders to withdraw from DPPI s company if the spin-off:

- causes a change in the purpose of DPPI, except if the equity is spun off to a company whose primary activities are consistent with DPPI s corporate purpose;
- reduces DPPI s mandatory dividends; or
- causes DPPI to join a group of companies.

In cases where DPPI modify a preference, privilege or condition of redemption or amortization conferred on one or more classes of preferred shares, or create a new class with greater privileges than the existing classes of preferred shares, the decision will be effective only upon the prior approval or ratification by holders of preferred shares negatively affected by this action at a special meeting of the holders of preferred shares. In these cases, only such holders of the shares negatively affected by this action are entitled to withdraw.

In cases where DPPI:

- merge with another company in circumstances in which DPPI is not the surviving company; or
- participate in a group of companies,

DPPI s shareholders will not be entitled to withdraw if their respective shares (i) are liquid, defined as being part of a traded stock exchange index, and (ii) are widely held, such that the controlling shareholder or companies it controls hold less than 50% of such class or type of shares relating to the withdrawal right.

DPPI s shareholders shall have appraisal rights in case DPPI implement a merger or spin-off and the resulting company does not obtain its register as a publicly held company or does not cause its shares to be permitted to trade in the secondary market within 120 days from the shareholders meeting that approves such transaction.

The right to withdraw expires 30 days after publication of the minutes of the relevant shareholders meeting. DPPI is entitled to reconsider any action giving rise to withdrawal rights for 10 days after the expiration of those rights if the redemption of shares of dissenting shareholders would jeopardize DPPI s financial stability.

In case of exercise of appraisal rights, DPPI s shareholders are entitled to receive book value for the shares, based on the last balance sheet approved by the shareholders. If the resolution giving rise to the rights is made later than 60 days after the date of the last approved balance sheet, the shareholder may demand that his or her shares be valued according to a new balance sheet dated less than 60 days before the resolution date. In this case, DPPI must immediately pay 80% of the book value of the shares according to the most recent balance sheet approved by DPPI s shareholders, and the balance must be paid within 120 days after the date of the resolution of the relevant shareholders meeting.

*Redemption*. In accordance with Brazilian corporate law, DPPI s shares may be redeemed upon the decision of DPPI s shareholders meeting. If the shares to be redeemed do not involve the totality of a certain class or type of shares, they must be chosen by lottery.

Table of Contents

**Board of Directors**

According to DPPI s bylaws, the DPPI board of directors currently consists of 6 directors. DPPI s bylaws provide that the number of directors will not be fewer than five nor more than seven. Each director is elected for a three-year term and a reelection is permitted. The exact number of directors is defined in a shareholders meeting by the majority vote of the holders of DPPI s common shares. Brazilian corporate law allows the adoption of a multiple vote process, by request of shareholders representing at least 10% of DPPI s voting share capital.

Brazilian corporate law requires that each director own at least one share of DPPI s company. There is no mandatory retirement age for directors.

**Transactions in which Directors Have an Interest**

Brazilian corporate law prohibits a director from:

- performing any act of generosity using corporate assets to the detriment of the corporation;
- by virtue of his or her position, receiving any type of direct or indirect personal advantage from third parties without authorization in the bylaws or from a shareholders meeting;
- taking part in any corporate transaction in which he or she has an interest that conflicts with an interest of the corporation, or in the decisions made by other directors on the matter; and
- without prior authorization from Shareholders Meeting or the board of directors, lending funds or assets of the company, or using the company s assets, services or credits, at his or her own or a third party s benefit, or at a company s benefit in which he or she has interest.

The compensation of directors is determined at the annual shareholders meetings.

**Restrictions on Certain Transactions by Controlling Shareholders, Directors, Officers and Members of the Fiscal Council**

DPPI s direct or indirect controlling shareholders, directors, executive officers and members of DPPI s fiscal council, who are considered insiders under Brazilian securities regulation, must abstain from trading in DPPI s securities, including derivatives based on DPPI s securities, as follows, among others:

- before the public disclosure of any material act or fact with respect to DPPI s business;
- if DPPI intend to merge with another company, consolidate, spin off part or all of DPPI s assets or reorganize;
- during the 15-day period before the disclosure of DPPI s quarterly and annual financial statements; or
- with respect only to DPPI s controlling shareholders, directors and executive directors, in the event of acquisition or sale of DPPI s shares by DPPI or the transaction or sale of DPPI s shares by any of DPPI s controlled or affiliated companies or any other company under DPPI s common control.

**Purchases by DPPI of Shares of DPPI s Capital Stock**

DPPI s bylaws entitle DPPI s board of directors to approve the transaction of DPPI s own shares. The decision to acquire DPPI s shares, or maintain the acquired shares in treasury or cancel them, may not, among other things:

- result in the reduction of DPPI s share capital;
- require the use of resources greater than DPPI s accumulated profits and the available reserves;
- create, directly or indirectly, any artificial demand, supply or share price condition or use any unfair practice as a result of any action or omission;
- involve non-equitable practices; or
- be used for the transaction of shares held by DPPI s controlling shareholders.

195

Table of Contents

DPPI may not keep in treasury more than 10% of the float of each class of DPPI s shares, including the shares held by subsidiaries and affiliates.

Any acquisition by DPPI of its own shares must be made on a stock exchange, except where the shares are registered for negotiation only in the over-the-counter market and cannot be made in a private transaction.

**Disclosure Requirements**

As a publicly held corporation, DPPI is subject to the reporting requirements established by Brazilian corporate law and the CVM.

*Disclosure of information*. Brazilian securities regulations require that a publicly held corporation provide the CVM and the relevant stock exchanges where its shares are traded with periodic information that includes annual information statements, quarterly financial statements, quarterly management reports and reports of the independent auditors. Brazilian securities regulations also require public companies to file with the CVM shareholders agreements and notices and minutes of shareholders meetings.

*Disclosure of trading by insiders*. Brazilian securities regulation requires DPPI s controlling shareholders, management, members of DPPI s fiscal council and any other technical or consultant body to disclose to the CVM and BOVESPA the number and type of securities issued by DPPI, DPPI s subsidiaries and DPPI s controlling companies that are held by them or by persons closely related to them. The information regarding the transaction of such securities (amount, price and date of acquisition) must be provided to us within 10 days of the end of the month in which they were traded.

*Disclosure of material developments*. Under Brazilian securities regulations, DPPI must disclose any material development related to DPPI s business to the CVM and BOVESPA. DPPI is also required to publish a notice of that material development. A development is deemed material if it has an impact on the price of DPPI s securities, the decision of investors to hold, purchase or sell DPPI s securities, or the decision of investors to exercise any rights as holders of any of DPPI s securities.

**Registry of DPPI s Preferred Shares**

DPPI s preferred shares are held in book-entry form with Banco Itaú S.A. The transfer of DPPI s preferred shares is carried out by means of an entry by Banco Itaú S.A. in its registries as a debit in the account of the seller and a credit in the account of the buyer, with the presentation of a written order of the transferor or a judicial authorization or order to effect such transfers.

**Delisting as a Public Company**

DPPI s delisting as a public company must be preceded by a tender offer by DPPI s controlling shareholders or ourselves for the transaction of all DPPI s then outstanding shares, subject to the conditions below:

- the price offered for the shares in the public offering must be the fair value of those shares, as established in Brazilian corporate law;

- shareholders holding more than two-thirds of DPPI s free float shares shall have expressly agreed to DPPI s decision to become a private company or accepted the offer.

According to Brazilian corporate law, a fair price shall be at least be equal to DPPI s valuation, as determined by one or more of the following valuation methods: book value, net book value assessed by market price, discounted cash flow, multiples, price of DPPI s shares in the market or any other valuation method accepted by the CVM. The price under such tender offer may be revised if challenged within 15 days of its publication by holders of at least 10% of DPPI s outstanding shares, by means of a request sent to DPPI s management that an extraordinary shareholders meeting be called to decide whether to request a new valuation under the same or a different valuation method. DPPI s shareholders that request a new valuation and those who approve such request shall reimburse us for incurred costs if the new valuation is lower than the challenged valuation. However, if the second valuation is higher, the offeror will have the option to continue the offer with the new price or quit the offer.

196

Table of Contents

## DESCRIPTION OF CBPI PREFERRED SHARES

### CBPI s Issued Capital Stock

CBPI s capital stock is R$ R$1,030,000,000.00, fully subscribed and paid in, comprised of 105,952,000 shares, without par value, of which 35,409,306 are common shares and 70,542,694 are preferred shares. As of November 9, 2007, CBPI held no common shares or preferred shares in treasury.

### Preferred Share Rights

In accordance with CBPI s bylaws, CBPI s preferred shares do not entitle their holders to voting rights in the shareholders meetings, except for specific events determined by Brazilian corporate law.

Brazilian corporate law provides that non-voting shares, such as preferred shares, may acquire voting rights if the Company fails to distribute fixed or minimum dividends in connection with such shares for three consecutive fiscal years and will retain such voting rights until the distribution of such fixed or minimum dividends.

Because CBPI s preferred shares are not entitled to the payment of any fixed or minimum dividend, holders of CBPI s preferred shares cannot acquire voting rights as a result of CBPI s failure to distribute dividends.

Brazilian corporate law also provides that holders of CBPI s preferred shares are entitled to vote as a special class in shareholders meetings called to decide upon changes to the preferences or rights attributed to CBPI s preferred shares and upon the creation of a new class of preferred shares that has either priority or preference over CBPI s existing preferred shares or the increase of an existing class of preferred shares disproportionately relative to the other classes. The approval of such proposals depends not only on the affirmative vote of shareholders holding the majority of CBPI s common shares, but also a prior approval or ratification by shareholders holding the majority of CBPI s preferred shares.

According to Brazilian corporate law, (i) CBPI s shareholders that jointly hold non-voting preferred shares, or shares with restricted voting rights, that represent, at least, 10% of CBPI s total capital stock, and (ii) holders of common shares, that are not controlling shareholders, and who represent, at least, 15% of CBPI s total voting stock, will have the right to elect one member of CBPI s board of directors.

In case CBPI s non-controlling shareholders do not achieve the aforementioned percentage, they may combine their participation and, if they hold jointly, at least, 10% of DPPI s total capital, they may elect a member of DPPI s board of directors. Only shareholders that prove they have held the shares for at least three continuous months may exercise such rights.

Upon DPPI s liquidation, holders of preferred shares shall have the priority in relation to holders of common shares to their return on capital, without any premium. DPPI shareholders have the right to participate in any dividend payment or stock dividend distribution in proportion to the paid-in capital corresponding to their shares. Preferred shareholders of DPPI have the right to receive dividends 10% higher then those paid to the common stock shareholders of such companies. See Comparative Market Price and Dividend Information.

### Preemptive Rights

CBPI s shareholders have the preemptive right to subscribe for new shares issued by us in case of any capital increase, in the proportion to their shareholdings. CBPI s shareholders also have the preemptive right to subscribe for any convertible debentures, and rights to acquire CBPI s shares and subscription warrants that CBPI may issue. According to Brazilian corporate law, a period of at least 30 days following the publication of notice of the capital increase is allowed for the exercise of the preemptive right, except if otherwise determined by the bylaws or the shareholders meeting.

Table of Contents

According to Brazilian corporate law, capital increases that do not change the proportion between the existing classes and types of shares entitle the shareholders to exercise their preemptive rights solely with respect to shares of equal class and type as the shares each of them already holds. Notwithstanding that, if the Company issues shares that cause changes to the existing proportion of classes and types of shares, then the shareholders may exercise their preemptive rights with respect to shares of equal class and type as the shares they already hold and, only if necessary to maintain its participation in the total capital stock, may subscribe for other classes or types of shares.

**Corporate Purpose**

As per CBPI s bylaws, CBPI s corporate purpose is to operate and exploit an oil refinery in the city of Rio Grande, warehousing of fuels; import, export and commercialization of oil products raw materials for industrial purposes and exploitation of chemical products, except pharmaceuticals.

**Shareholders Meetings**

At CBPI s shareholders meetings, shareholders are generally empowered to take any action relating to CBPI s corporate purpose and to pass such resolutions as they deem necessary. Shareholders at the annual shareholders meeting have the exclusive power to approve DPPI s financial statements and to determine the allocation of DPPI s net income and the distribution of dividends with respect to the fiscal year ended immediately prior to the shareholders meeting. The election of DPPI s directors typically takes place at the annual shareholders meeting, although under Brazilian corporate law it may also occur at an extraordinary shareholders meeting. Members of CBPI s fiscal council may be elected at any shareholders meeting.

An extraordinary shareholders meeting may be held at any time or concurrently with the annual shareholders meeting. The following actions, among others, may be taken only at an extraordinary shareholders meeting:

- amendment of CBPI s bylaws;
- delisting of the Company as a publicly held company with the CVM;
- authorization to issue debentures;
- suspension of the rights of a shareholder who has violated Brazilian corporate law or CBPI s bylaws;
- acceptance or rejection of the valuation of in-kind contributions offered by a shareholder in consideration for issuance of shares of CBPI s capital stock;
- approval of CBPI s transformation into a *sociedade limitada* or any other corporate form;
- approval of CBPI s merger with another company (*incorporação or fusão*) or a spin-off (*cisão*);
- approval of CBPI s dissolution or liquidation, and the appointment and dismissal of the respective liquidator and review of the reports prepared by him or her and by the acting fiscal council during such liquidation; and
- authorization to petition for CBPI s bankruptcy or request the compulsory rescheduling of CBPI s debts.

According to Brazilian corporate law, neither a company s bylaws nor actions taken at a shareholders meeting may deprive a shareholder of some specific rights, such as:

- the right to participate in the distribution of profits;
- the right to participate equally and ratably in any remaining residual assets in the event of liquidation of CBPI;

198

- the right to preemptive rights in the event of subscription of shares, convertible debentures or subscription warrants, except in some specific circumstances under the Brazilian law;

- the right to withdraw from CBPI in the cases specified in Brazilian corporate law, and

- the right to supervise, pursuant to Brazilian corporate law, the management of the company.

*Quorum*. Generally, Brazilian corporate law provides that a quorum at a shareholders meeting consists of shareholders representing at least 25% of a company s issued and outstanding voting capital on the first call and, if that quorum is not reached, any percentage on the second call. If the shareholders are called to amend CBPI s bylaws, a quorum at a shareholders meeting consists of shareholders representing at least two-thirds of CBPI s issued and outstanding voting capital on the first call and any percentage on the second call.

As a general rule, the affirmative vote of shareholders representing at least the majority of CBPI s issued and outstanding common shares present in person or represented by proxy at a shareholders meeting is required to ratify any proposed action, and abstentions are not taken into account. However, the affirmative vote of shareholders representing one-half of CBPI s issued and outstanding voting capital is required to:

- modify a preference, privilege or condition of redemption or amortization conferred on one or more classes of preferred shares, or create a new class with greater privileges than the existing classes of preferred shares;

- reduce the percentage of mandatory dividends;

- change CBPI s corporate purpose;

- merge us into or with another company;

- spin off a portion of CBPI s assets or liabilities;

- approve CBPI s participation in a group of companies;

- apply for cancellation of any voluntary liquidation; and

- approve CBPI s dissolution.

*Notice of CBPI s shareholders meetings*. Notice of CBPI s shareholders meetings must be published at least three times in the *Diário Oficial da União* or the *Diário Oficial do Estado*, the official newspaper of the state where CBPI s headquarters are located and another newspaper widely published, currently CBPI publishes in the Estado de São Paulo and in Valor Econômico. The first notice must be published no later than 15 days before the date of the meeting on the first call, and no later than eight days before the date of the meeting on the second call. However, in certain circumstances, the CVM may require that the first notice be published 30 days in advance of the meeting.

*Conditions of admission*. Shareholders attending a shareholders meeting must produce proof of their status as shareholders and proof that they hold the shares they intend to vote.

A shareholder may be represented at a shareholders meeting by a proxy appointed less than a year before, which must be a shareholder, a corporation officer, a lawyer or a financial institution. Investment funds must be represented by their administrator.

**Appraisal Rights And Redemption**

*Appraisal rights*. Any of CBPI s shareholders who dissent from certain actions taken by CBPI s shareholders in a shareholders meeting have the right to withdraw from CBPI s company and to receive the value of their shares.

Table of Contents

According to Brazilian corporate law, the appraisal rights of CBPI s shareholders may be exercised in the following circumstances:

- modification of a preference, privilege or condition of redemption or amortization conferred on one or more classes of preferred shares, or creation of a new class with greater privileges than the existing classes of preferred shares;
- reduction in the percentage of mandatory dividends;
- change in CBPI s corporate purpose;
- merger (*fusão or incorporação*) with another company if CBPI is not the surviving entity;
- CBPI s participation in a group of companies;
- change in CBPI s corporate form;
- merger of all CBPI s shares into another Brazilian company, so that CBPI become a wholly owned subsidiary of such company; and
- acquisition of the shareholding control of another company for a price that exceeds certain limits provided by law.

Brazilian corporate law further provides that any resolution regarding CBPI s spin-off would only entitle shareholders to withdraw from CBPI s company if the spin-off:

- causes a change in the purpose of CBPI, except if the equity is spun off to a company whose primary activities are consistent with CBPI s corporate purpose;
- reduces CBPI s mandatory dividends; or
- causes CBPI to join a group of companies.

In cases where CBPI modify a preference, privilege or condition of redemption or amortization conferred on one or more classes of preferred shares, or create a new class with greater privileges than the existing classes of preferred shares, the decision will be effective only upon the prior approval or ratification by holders of preferred shares negatively affected by this action at a special meeting of the holders of preferred shares. In these cases, only such holders of the shares negatively affected by this action are entitled to withdraw.

In cases where CBPI:

- merge with another company in circumstances in which CBPI is not the surviving company; or participate in a group of companies,

CBPI s shareholders will not be entitled to withdraw if their respective shares (i) are liquid, defined as being part of a traded stock exchange index, and (ii) are widely held, such that the controlling shareholder or companies it controls hold less than 50% of such class or type of shares relating to the withdrawal right.

CBPI s shareholders shall have appraisal rights in case CBPI implement a merger or spin-off and the resulting company does not obtain its register as a publicly held company or does not cause its shares to be permitted to trade in the secondary market within 120 days from the shareholders meeting that approves such transaction.

The right to withdraw expires 30 days after publication of the minutes of the relevant shareholders meeting. CBPI is entitled to reconsider any action giving rise to withdrawal rights for 10 days after the expiration of those rights if the redemption of shares of dissenting shareholders would jeopardize CBPI s financial stability.

Table of Contents

In case of exercise of appraisal rights, CBPI s shareholders are entitled to receive book value for the shares, based on the last balance sheet approved by the shareholders. If the resolution giving rise to the rights is made later than 60 days after the date of the last approved balance sheet, the shareholder may demand that his or her shares be valued according to a new balance sheet dated less than 60 days before the resolution date. In this case, CBPI must immediately pay 80% of the book value of the shares according to the most recent balance sheet approved by CBPI s shareholders, and the balance must be paid within 120 days after the date of the resolution of the relevant shareholders meeting.

*Redemption*. In accordance with Brazilian corporate law, CBPI s shares may be redeemed upon the decision of CBPI s shareholders meeting. If the shares to be redeemed do not involve the totality of a certain class or type of shares, they must be chosen by lottery.

**Board of Directors**

According to CBPI s bylaws, the CBPI board of directors currently consists of 7 directors. CBPI s bylaws provide that the number of directors will not be fewer than six nor more than eight. Each director is elected for a three-year term and a reelection is permitted. The exact number of directors is defined in a shareholders meeting by the majority vote of the holders of CBPI s common shares. Brazilian corporate law allows the adoption of a multiple vote process, by request of shareholders representing at least 10% of CBPI s voting share capital.

Brazilian corporate law requires that each director own at least one share of CBPI s company. There is no mandatory retirement age for directors.

**Transactions in which Directors Have an Interest**

Brazilian corporate law prohibits a director from:

- performing any act of generosity using corporate assets to the detriment of the corporation;
- by virtue of his or her position, receiving any type of direct or indirect personal advantage from third parties without authorization in the bylaws or from a shareholders meeting;
- taking part in any corporate transaction in which he or she has an interest that conflicts with an interest of the corporation, or in the decisions made by other directors on the matter; and
- without prior authorization from Shareholders Meeting or the board of directors, lending funds or assets of the company, or using the company s assets, services or credits, at his or her own or a third party s benefit, or at a company s benefit in which he or she has interest.

The compensation of directors is determined at the annual shareholders meetings.

**Restrictions on Certain Transactions by Controlling Shareholders, Directors, Officers and Members of the Fiscal Council**

CBPI s direct or indirect controlling shareholders, directors, executive officers and members of CBPI s fiscal council, who are considered insiders under Brazilian securities regulation, must abstain from trading in CBPI s securities, including derivatives based on CBPI s securities, as follows, among others:

- before the public disclosure of any material act or fact with respect to CBPI s business;
- if CBPI intend to merge with another company, consolidate, spin off part or all of CBPI s assets or reorganize;

during the 15-day period before the disclosure of CBPI s quarterly and annual financial statements; or

with respect only to CBPI s controlling shareholders, directors and executive directors, in the event of acquisition or sale of CBPI s shares by CBPI or the transaction or sale of CBPI s shares by any of CBPI s controlled or affiliated companies or any other company under CBPI s common control.

Table of Contents

**Purchases by CBPI of Shares of CBPI s Capital Stock**

CBPI s bylaws entitle CBPI s board of directors to approve the transaction of CBPI s own shares. The decision to acquire CBPI s shares, or maintain the acquired shares in treasury or cancel them, may not, among other things:

- result in the reduction of CBPI s share capital;
- require the use of resources greater than CBPI s accumulated profits and the available reserves;
- create, directly or indirectly, any artificial demand, supply or share price condition or use any unfair practice as a result of any action or omission;
- involve non-equitable practices; or
- be used for the transaction of shares held by CBPI s controlling shareholders.

CBPI may not keep in treasury more than 10% of the float of each class of CBPI s shares, including the shares held by subsidiaries and affiliates.

Any acquisition by CBPI of its own shares must be made on a stock exchange, except where the shares are registered for negotiation only in the over-the-counter market and cannot be made in a private transaction.

**Disclosure Requirements**

As a publicly held corporation, CBPI is subject to the reporting requirements established by Brazilian corporate law and the CVM.

*Disclosure of information*. Brazilian securities regulations require that a publicly held corporation provide the CVM and the relevant stock exchanges where its shares are traded with periodic information that includes annual information statements, quarterly financial statements, quarterly management reports and reports of the independent auditors. Brazilian securities regulations also require public companies to file with the CVM shareholders agreements and notices and minutes of shareholders meetings.

*Disclosure of trading by insiders*. Brazilian securities regulation requires CBPI s controlling shareholders, management, members of CBPI s fiscal council and any other technical or consultant body to disclose to the CVM and BOVESPA the number and type of securities issued by CBPI, CBPI s subsidiaries and CBPI s controlling companies that are held by them or by persons closely related to them. The information regarding the transaction of such securities (amount, price and date of acquisition) must be provided to us within 10 days of the end of the month in which they were traded.

*Disclosure of material developments*. Under Brazilian securities regulations, CBPI must disclose any material development related to CBPI s business to the CVM and BOVESPA. CBPI is also required to publish a notice of that material development. A development is deemed material if it has an impact on the price of CBPI s securities, the decision of investors to hold, purchase or sell CBPI s securities, or the decision of investors to exercise any rights as holders of any of CBPI s securities.

**Registry of CBPI s Preferred Shares**

CBPI s preferred shares are held in book-entry form with Banco Itaú S.A. The transfer of CBPI s preferred shares is carried out by means of an entry by Banco Itaú S.A. in its registries as a debit in the account of the seller and a credit in the account of the buyer, with the presentation of a written order of the transferor or a judicial authorization or order to effect such transfers.

202

Table of Contents

**Delisting as a Public Company**

CBPI s delisting as a public company must be preceded by a tender offer by CBPI s controlling shareholders or ourselves for the transaction of all CBPI s then outstanding shares, subject to the conditions below:

- the price offered for the shares in the public offering must be the fair value of those shares, as established in Brazilian corporate law;
- shareholders holding more than two-thirds of CBPI s free float shares shall have expressly agreed to CBPI s decision to become a private company or accepted the offer.

According to Brazilian corporate law, a fair price shall be at least be equal to CBPI s valuation, as determined by one or more of the following valuation methods: book value, net book value assessed by market price, discounted cash flow, multiples, price of CBPI s shares in the market or any other valuation method accepted by the CVM. The price under such tender offer may be revised if challenged within 15 days of its publication by holders of at least 10% of CBPI s outstanding shares, by means of a request sent to CBPI s management that an extraordinary shareholders meeting be called to decide whether to request a new valuation under the same or a different valuation method. CBPI s shareholders that request a new valuation and those who approve such request shall reimburse us for incurred costs if the new valuation is lower than the challenged valuation. However, if the second valuation is higher, the offeror will have the option to continue the offer with the new price or quit the offer.

Table of Contents

## ULTRAPAR MARKET ACTIVITIES INVOLVING ULTRAPAR PREFERRED SHARES

Since the announcement of the Transaction, Ultrapar and certain of its affiliates have engaged, and intend to continue to engage, in various activities involving Ultrapar preferred shares outside the United States.

In August 2006, the board of directors approved a share repurchase program with a 12-month term under which we can acquire our own preferred shares at market price and hold them in treasury for subsequent sale or cancellation. The maximum number of shares that may be repurchased is 2,723,106 shares.

On August 8, 2007 the board of directors of Ultrapar approved the renewal of this share repurchase program. The maximum number of shares that may be repurchased is 2,362,131 shares and remains in force for one year with the possibility of renewal. The total shares repurchased from January 1, 2007 through November 9, 2007 under these programs, were preferred shares, as follows:

| **Period** | **Total number of shares repurchased** | **Average price per share in *reais*** | **Total number of shares repurchased as part of publicly announced plans or programs** | **Maximum number of shares that may yet be repurchased under the plans or program** |
|---|---|---|---|---|
| January 1, 2007 January 31, 2007 | | | | 2,362,131 |
| February 1, 2007 February 28, 2007 | | | | 2,362,131 |
| March 1, 2007 March 31, 2007 | 45,000 | 53.12 | 45,000 | 2,317,131 |
| April 1, 2007 April 30, 2007 | 56,900 | 61.07 | 56,900 | 2,260,231 |
| May 1, 2007 May 31, 2007 | 160,600 | 59.80 | 160,600 | 2,099,631 |
| June 1, 2007 June 30, 2007 | 92,400 | 59.21 | 92,400 | 2,007,231 |
| July 1, 2007 July 31, 2007 | 34,500 | 62.95 | 34,500 | 1,972,731 |
| August 1, 2007 August 31, 2007 | 29,100 | 59.52 | 29,100 | 1,943,631 |
| September 1, 2007 September 30, 2007 | | | | 1,943,631 |
| October 1, 2007 October 30, 2007 | | | | 1,943,631 |
| November 1, 2007 November 9, 2007 | | | | 1,943,631 |
| Total shares repurchased during 2007 | 418,500 | 59.36 | 418,500 | 1,943,631 |

Table of Contents

## RIPI MARKET ACTIVITIES INVOLVING RIPI PREFERRED SHARES

Since the announcement of the Transaction, RIPI has not engaged in any activities involving its preferred shares.

## DPPI MARKET ACTIVITIES INVOLVING DPPI PREFERRED SHARES

Since the announcement of the Transaction, DPPI has not engaged in any activities involving its preferred shares.

## CBPI MARKET ACTIVITIES INVOLVING CBPI PREFERRED SHARES

Since the announcement of the Transaction, CBPI has not engaged in any activity involving its preferred shares.

Table of Contents

## LEGAL MATTERS AND EXPERTS

### Legal Matters

Certain matters of U.S. law have been passed upon for us by Davis Polk & Wardwell, New York, New York.

Certain matters of Brazilian law have been passed upon for us by Machado, Meyer, Sendacz e Opice Advogados, São Paulo, Brazil.

### Experts

Ultrapar s consolidated financial statements as of December 31, 2006 and 2005 and for the three years ended December 31, 2006 and management s report on the effectiveness of internal control over financial reporting as of December 31, 2006 included in the 2006 Form 20-F, which is included as Annex A hereto, have been audited by Deloitte Touche Tohmatsu Auditores Independentes, an independent registered public accounting firm, as stated in their reports which are included in Annex A hereto (which reports (1) express an unqualified opinion on the consolidated financial statements and include an explanatory paragraph referring to the inclusion of an additional note to the consolidated financial statements presenting the nature and effect of the differences between accounting practices adopted in Brazil and accounting principles generally accepted in the United States of America (U.S. GAAP) as they relate to the Company, (2) express an unqualified opinion on management s assessment regarding the effectiveness of internal control over financial reporting, and (3) express an unqualified opinion on the effectiveness of internal control over financial reporting), and have been so included in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

The financial statements of Refinaria de Petróleo Ipiranga S.A as of December 31, 2006 and 2005 and for each of the three years in the period ended December 31, 2006 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers Auditores Independentes, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The financial statements of Distribuidora de Produtos de Petróleo Ipiranga S.A. as of December 31, 2006 and 2005 and for each of the three years in the period ended December 31, 2006 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers Auditores Independentes, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The financial statements of Companhia Brasileira de Petróleo Ipiranga and Subsidiaries S.A. as of December 31, 2006 and 2005 and for each of the three years in the period ended December 31, 2006 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers Auditores Independentes, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The financial statements of the Oil Refining Business of Refinaria de Petróleo Ipiranga S.A. as of December 31, 2006 and 2005 and for each of the three years in the period ended December 31, 2006 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers Auditores Independentes, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The financial statements of the South Fuel and Lubricant Distribution Business of Distribuidora de Produtos de Petróleo Ipiranga S.A. as of December 31, 2006 and 2005 and for each of the three years in the period ended December 31, 2006 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers Auditores Independentes, independent accountants, given on the authority of said firm as experts in auditing and accounting.

Table of Contents

The statement of assets and liabilities assumed and the statement of revenues and direct expenses of the South and Southeast Fuel and Lubricant Distribution Business of Companhia Brasileira de Petróleo Ipiranga as of December 31, 2006 and 2005 and for each of the three years in the period ended December 31, 2006 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers Auditores Independentes, independent accountants, given on the authority of said firm as experts in auditing and accounting.

Neither the Company s independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained in this prospectus (including the annexes thereto) or the Registration Statement of which this prospectus forms a part, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

The reports of PricewaterhouseCoopers Auditores Independentes included in this prospectus relate to the historical financial information of CBPI, DPPI, and RIPI and they do not extend to the prospective financial information and should not be read to do so.

**Enforceability of Civil Liabilities Under U.S. Securities Laws**

Ultrapar is a limited liability company (*sociedade anónima*) organized under the laws of the Federative Republic of Brazil. Substantially all of the directors and executive officers of Ultrapar, and certain of the experts named in this document, are not residents of the United States and all or a substantial portion of Ultrapar s assets and directors and officers are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons with respect to matters arising under the Securities Act or to enforce against them judgments of courts of the United States predicated upon civil liability under the Securities Act. Ultrapar is advised by its Brazilian legal counsel that there is doubt as to the enforceability in Brazil in original actions or in actions for enforcement of judgments of U.S. courts of liabilities predicated solely upon the securities laws of the United States. Ultrapar has submitted to the non-exclusive jurisdiction of New York state and U.S. federal courts sitting in New York City for the purpose of any suit, action or proceeding arising out of the Transaction Agreements and has appointed National Registered Agents, Inc. as its agent in New York City to accept service of process in any such action.

Table of Contents

## WHERE YOU CAN FIND MORE INFORMATION

**Ultrapar**

Ultrapar files annual reports on Form 20-F and furnishes periodic reports on Form 6-K to the SEC. If you are an Ultrapar shareholder, we may have sent you some of the documents included as annexes hereto, but you can obtain any of them through us or the SEC. You may read and copy any materials we have filed with the SEC at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at http://www.sec.gov. Ultrapar s SEC filings are also available to the public from commercial document retrieval services.

Ultrapar has filed a registration statement on Form F-4 to register with the SEC the Ultrapar preferred shares to be delivered to holders of RIPI, DPPI and CBPI preferred shares in the Share Exchange. This prospectus is a part of that registration statement and constitutes a prospectus of Ultrapar. As allowed by SEC rules, this prospectus does not contain all the information you can find in the registration statement or the exhibits to the registration statement.

Ultrapar is subject to the reporting requirements under the Exchange Act applicable to foreign private issuers. Ultrapar is not required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. Ultrapar is required to (i) file its annual report on Form 20-F with the SEC within six months after the end of each fiscal year and (ii) furnish reports on Form 6-K to the SEC regarding certain information required to be publicly disclosed by Ultrapar in Brazil or filed with the CVM, or distributed or required to be distributed by Ultrapar to its shareholders. Ultrapar is not required to file periodic reports on Form 10-Q or Form 8-K and is not required to file financial statements prepared in accordance with U.S. GAAP (although it is required to reconcile its financial statements to U.S. GAAP). In addition, Ultrapar is exempt from certain rules under the Exchange Act, including the proxy rules, which impose certain disclosure and procedural requirements for proxy solicitations under Section 14 of the Exchange Act, and is not required to comply with Regulation FD, which addresses certain restrictions on the selective disclosure of material information. Among other matters, Ultrapar s officers, directors and principal shareholders are also exempt from the reporting and short-swing profit recovery provisions of Section 16 of the Exchange Act.

Ultrapar makes available free of charge through its website accessible at www.ultra.com.br all of Ultrapar s reports and other information filed with or furnished to the SEC. With the exception of the reports specifically included as annexes to this document as described under Documents Included as Annexes, material contained on or accessible through Ultrapar s website is not incorporated into this document. You may also request a copy of Ultrapar s filings at no cost, by writing or calling Ultrapar at the following address:

**Ultrapar Participações S.A.**

Av. Brigadeiro Luis Antônio, 1343, 8º Andar

São Paulo, SP, Brazil 01317-910

Attention: Investor Relations Department

Telephone: 55-11-3177-7014

Fax: 55-11-3177-6107

Ultrapar is also subject to the informational requirements of the CVM and the BOVESPA and files reports and other information relating to its business, financial condition and other matters with the CVM and Brazilian stock exchanges. You may read these reports, statements and other information at the public reference facilities maintained in Rio de Janeiro or São Paulo. Some Ultrapar filings with the CVM are also available at the website maintained by the CVM at *http://www.cvm.gov.br*.

Table of Contents

**RIPI**

RIPI is subject to the informational requirements of the CVM and the BOVESPA and files reports and other information relating to its business, financial condition and other matters with the CVM and Brazilian stock exchanges. You may read these reports, statements and other information at the public reference facilities maintained in Rio de Janeiro or São Paulo. Some RIPI filings with the CVM are also available at the website maintained by the CVM at *http://www.cvm.gov.br*.

RIPI also makes available free of charge through its website accessible at www.ipiranga.cvm.br all of RIPI s reports and other information filed with or furnished to the CVM. Material contained on or accessible through RIPI s website is not incorporated into this document. You may also request a copy of RIPI s filings at no cost, by writing or calling RIPI at the following address:

**Refinaria Petróleo Ipiranga S.A.**

Rua Engenheiro Heitor Amaro Barcellos, 551

CEP: 96202-900 Rio Grande RS Brazil

Telephone: 55-53-3233-8001

Fax: 55-53-3233-8014

Attention: Investor Relations Department

**DPPI**

DPPI is subject to the informational requirements of the CVM and the BOVESPA and files reports and other information relating to its business, financial condition and other matters with the CVM and Brazilian stock exchanges. You may read these reports, statements and other information at the public reference facilities maintained in Rio de Janeiro or São Paulo. Some DPPI filings with the CVM are also available at the website maintained by the CVM at *http://ww.cvm.gov.br*.

DPPI also makes available free of charge through its website accessible at www.ipiranga.cvm.br all of DPPI s reports and other information filed with or furnished to the CVM. Material contained on or accessible through DPPI s website is not incorporated into this document. You may also request a copy of DPPI s filings at no cost, by writing or calling RIPI at the following address:

**Distribuidora de Produtos de Petróleo Ipiranga S.A.**

Av. Dolores Alcaraz Caldas, 90 Praia de Belas

CEP: 90110-180 Porto Alegre RS Brazil

Telephone 55-51-3216-4355

Fax: 55-51-3224-0501

Attention: Investor Relations Department

**CBPI**

CBPI is subject to the informational requirements of the CVM and the BOVESPA and files reports and other information relating to its business, financial condition and other matters with the CVM and Brazilian stock exchanges. You may read these reports, statements and other information at the public reference facilities maintained in Rio de Janeiro or São Paulo. Some CBPI filings with the CVM are also available at the website maintained by the CVM at *http://ww.cvm.gov.br*.

Table of Contents

CBPI also makes available free of charge through its website accessible at www.ipiranga.com.br all of CBPI s reports and other information filed with or furnished to the CVM. Material contained on or accessible through CBPI s website is not incorporated into this document. You may also request a copy of CBPI s filings at no cost, by writing or calling RIPI at the following address:

**Companhia Brasileira de Petróleo Ipiranga S.A.**
Rua Francisco Eugênio, 329 São Cristovão
CEP: 20941-900 Rio de Janeiro RJ
Telephone: 55-21-2574-5363/5267
Fax: 55-21-3224-6493
Attention: Investor Relations Department

This document includes the web addresses of the SEC, the CVM, Ultrapar, RIPI, CBPI and CBPI as inactive textual references only. Except for the documents specifically included as annexes to this document, information on those websites is not part of this document.

**Documents Included as Annexes**

This document includes as annexes certain information that Ultrapar has filed with or furnished to the SEC. The information included in the annexes to the prospectus is considered to be part of this document.

Ultrapar has supplied all information contained in, or annexed to, this document relating to Ultrapar, RIPI, DPPI and CBPI.

**None of Ultrapar, RIPI, DPPI or CBPI has authorized anyone to give any information or make any representation about the Share Exchange or their companies that is different from, or in addition to, that contained in this document or included as annexes hereto. Therefore, if anyone does give you information of this sort, you should not rely on it. If you are in a jurisdiction where offers to exchange or sell, or solicitations of offers to exchange or purchase, the securities offered by this document or the solicitation of proxies is unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this document does not extend to you. The information contained in this document speaks only as of the date of this document unless the information specifically indicates that another date applies.**

Table of Contents

**EXHIBIT INDEX**

| | |
|---|---|
| 2.1 | The Investment Agreement entered into by and among Ultrapar, Petrobras and Braskem dated March 18, 2007, as amended by the Amendment to Investment Agreement entered into by and among Ultrapar, Petrobras and Braskem dated April 18, 2007 (incorporated by reference to Exhibit 4.4 to Ultrapar s 2006 Form 20-F filed with the SEC on June 7, 2007). |
| 2.2 | Share Purchase Agreement entered into by and among Ultrapar, Petrobras, Braskem and the Key Shareholders of RIPI, DPPI and CBPI, dated April 18, 2007 (incorporated by reference to Exhibit 4.5 to Ultrapar s 2006 Form 20-F filed with the SEC on June 7, 2007). |
| 2.3 | Braskem/Petrobras Asset Security Agreement entered into by and among Ultrapar, Petrobras and Braskem, dated April 18, 2007 (incorporated by reference to Exhibit 4.6 to Ultrapar s 2006 Form 20-F filed with the SEC on June 7, 2007). |
| 2.4 | Petrobras Asset Security Agreement entered into by and among Ultrapar, Petrobras and Braskem, dated April 18, 2007 (incorporated by reference to Exhibit 4.7 to Ultrapar s 2006 Form 20-F filed with the SEC on June 7, 2007). |
| 3.1 | Bylaws of Ultrapar, as amended on April 27, 2006 (incorporated by reference to Exhibit 1.1 to the Form 20-F of Ultrapar Participações S.A. filed on June 7, 2007). |
| 4.1 | Shareholders Agreement dated March 22, 2000 (incorporated by reference to Exhibit 2.1 to the Form 20-F of Ultrapar Participações S.A. filed on June 7, 2007). |
| 4.2 | Shareholders Agreement dated September 22, 2004 (incorporated by reference to Exhibit 10.3 to Form F-1 of Ultrapar Participações S.A. filed on February 2, 2005). |
| 4.3 | Indenture in respect of the 1st issue of simple, non-convertible debentures, unsecured and without special privileges, in a single series, for public distribution, dated of February 16, 2005 (incorporated by reference our report on Form 6-K filed on March 1, 2005). |
| 4.4 | Indenture, dated as of December 20, 2005, among LPG International Inc., as Issuer, Ultrapar Participações S.A. and Oxiteno S.A. Indústria e Comércio, as Guarantors, JPMorgan Chase Bank, N.A., as Trustee, Transfer Agent and Registrar, J.P. Morgan Trust Bank LTD., as Principal Payment Agent and J.P. Morgan Bank Luxembourg S.A., as Luxembourg Paying Agent, Luxembourg Transfer Agent and Luxembourg Listing Agent (incorporated by reference to Exhibit 2.2 to Form 20-F of Ultrapar Participações S.A. filed on May 5, 2006). |
| 4.5 | Amendment dated as of March 31, 2006 to the Indenture dated as of December 20, 2005 (incorporated by reference to Exhibit 2.3 to Form 20-F of Ultrapar Participações S.A. filed on May 5, 2006). |
| 4.6 | Indenture regarding first tranche of the issuance of debentures in Brazil totaling R$675 million in connection with the Ipiranga Acquisition (incorporated by reference to Exhibit 2.6 to the Form 20-F of Ultrapar Participações S.A. filed on June 7, 2007). |
| 4.7 | Target Companies Shareholders Agreement entered into by and among Ultrapar, Petrobras and Braskem, dated April 18, 2007 (incorporated by reference to Exhibit 2.7 to the Form 20-F of Ultrapar Participações S.A. filed on June 7, 2007). |
| 4.8 | RIPI Shareholders Agreement entered into by and among Ultrapar, Petrobras and Braskem, dated April 18, 2007 (incorporated by reference to Exhibit 2.8 to the Form 20-F of Ultrapar Participações S.A. filed on June 7, 2007). |
| 4.9 | *Protocolo e Justificação do Incorporação de Ações* (Protocol and Justification of the Share Exchange) between Ultrapar and RIPI, dated November 9, 2007. |
| 4.10 | *Protocolo e Justificação do Incorporação de Ações* (Protocol and Justification of the Share Exchange) between Ultrapar and DPPI, dated November 9, 2007. |

| | |
|---|---|
| 4.11 | *Protocolo e Justificação do Incorporação de Ações* (Protocol and Justification of the Share Exchange) between Ultrapar and CBPI, dated November 9, 2007. |
| 5.1 | Form of opinion of Machado, Meyer, Sendacz e Opice Advogados. |
| 8.1 | Form of opinion of Davis Polk & Wardwell as to tax matters. |
| 8.2 | Form of opinion of Machado, Meyer, Sendacz e Opice Advogados as to tax matters. |
| 10.1 | Share Sale and Purchase Agreement related to the sale and purchase of the entire share capital of Shell Gás (LPG) Brasil S.A. (incorporated by reference to Exhibit 10.2 to Form F-1 of Ultrapar Participações S.A. filed on February 2, 2005). |
| 10.2 | Form of agreement between Ultragaz and independent dealers (incorporated by reference to Exhibit 10.4 to Form F-1 of Ultrapar Participações S.A. filed on February 2, 2005). |
| 10.3 | Take or pay agreement between Tequimar and CODEBA (incorporated by reference to Exhibit 10.5 to Form F-1 of Ultrapar Participações S.A. filed on February 2, 2005). |
| 11.1 | Statement regarding computation of per share earnings (incorporated by reference to Note 24(v) in the financial statements included in Ultrapar s Annual Report on Form 20-F filed with the SEC on June 7, 2007). |
| 21.1 | List of subsidiaries of Ultrapar (incorporated by reference to Exhibit 8.1 to Ultrapar s Annual Report on Form 20-F filed with the SEC on June 7, 2007). |
| 23.1 | Consent of Deloitte Touche Tohmatsu Auditores Independentes regarding use in this Registration Statement of its report dated January 31, 2007 relating to the financial statements of Ultrapar Participações S.A. |
| 23.2 | Consent of PricewaterhouseCoopers Auditores Independentes regarding use in this Registration Statement of its report relating to the financial statements of Refinaria de Petróleo Ipiranga S.A. |
| 23.3 | Consent of PricewaterhouseCoopers Auditores Independentes regarding use in this Registration Statement of its report relating to the financial statements of Distribuidora de Produtos de Petróleo Ipiranga S.A. |
| 23.4 | Consent of PricewaterhouseCoopers Auditores Independentes regarding use in this Registration Statement of its report relating to the financial statements of Companhia Brasileira de Petróleo Ipiranga S.A. |
| 23.5 | Consent of PricewaterhouseCoopers Auditores Independentes regarding use in this Registration Statement of its report relating to the carve-out financial statements of the Oil Refining Business of Refinaria de Petróleo Ipiranga S.A. |
| 23.6 | Consent of PricewaterhouseCoopers Auditores Independentes regarding use in this Registration Statement of its report relating to the carve-out financial statements of the South Fuel and Lubricants Distribution Business of Distribuidora de Produtos de Petróleo Ipiranga S.A. |
| 23.7 | Consent of PricewaterhouseCoopers Auditores Independentes regarding use in this Registration Statement of its report relating to the statement of assets acquired and liabilities assumed and the statement of revenues and direct expenses of South and Southeast Fuel and Lubricant Distribution Business of Companhia Brasileira de Petróleo Ipiranga S.A. |
| 23.8 | Consent of Deutsche Bank Securities Inc. regarding use in this Registration Statement of its valuation report dated September 27, 2007 relating to the proposed share exchange transaction wherein the preferred shares of Companhia Brasileira de Petróleo Ipiranga, Distribuidora de Produtos de Petróleo Ipiranga S.A. and Refinaria de Petróleo Ipiranga S.A. will be exchanged for preferred shares of Ultrapar. |

| | |
|---|---|
| 23.9 | Consent of Apsis Consultoria Empresarial S/C Ltda. |
| 99.1 | Valuation Report by Deutsche Bank Securities Inc. dated April 4, 2007 (incorporated by reference to Ultrapar s current report on Form 6-K filed with the SEC on April 16, 2007). |
| 99.2 | Valuation Report by Apsis Consultoria Empresarial S/C Ltda. (to be filed by amendment). |

Table of Contents

## INDEX TO FINANCIAL STATEMENTS

Table of Contents

**Table of Contents**

# *Ultrapar Participações S.A. and Subsidiaries*

*Interim Financial Statements as of and for the six-month period ended on June 30, 2007 (unaudited), as of and for the six-month period ended on June 30, 2006 (unaudited) and December 31, 2006*

Table of Contents

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2007 AND DECEMBER 31, 2006**

**(In millions of Brazilian reais R$)**

| | Note | June 30, 2007 (unaudited) | December 31, 2006 |
|---|---|---|---|
| **ASSETS** | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 4 | 785.0 | 385.1 |
| Short-term investments | 5 | 804.3 | 737.3 |
| Trade accounts receivable, net | 6 | 1,260.9 | 360.0 |
| Inventories | 7 | 540.4 | 217.2 |
| Recoverable taxes | 8 | 193.6 | 117.8 |
| Deferred income and social contribution taxes | 22a | 74.5 | 27.3 |
| Other | | 31.3 | 6.1 |
| Prepaid expenses | 9 | 20.5 | 8.6 |
| | | 3,710.5 | 1,859.4 |
| NON-CURRENT | | | |
| LONG-TERM ASSETS | | | |
| Long-term investments | 5 | 118.9 | 548.0 |
| Trade accounts receivable, net | 6 | 157.6 | 19.2 |
| Related companies | 21 | 42.1 | 7.4 |
| Deferred income and social contribution taxes | 22a | 109.7 | 58.2 |
| Recoverable taxes | 8 | 72.4 | 65.3 |
| Escrow deposits | | 25.1 | 14.3 |
| Other | | 8.2 | 1.2 |
| Prepaid expenses | 9 | 29.1 | 13.2 |
| | | 563.1 | 726.8 |
| PERMANENT ASSETS | | | |
| Investments: | | | |
| Affiliated companies | 10 | 12.3 | 5.3 |
| Other | | 26.6 | 25.5 |
| Property, plant and equipment, net | 11 | 1,998.4 | 1,111.8 |
| Intangible assets, net | 12 | 68.0 | 61.0 |
| Deferred charges, net | 13 | 543.8 | 112.3 |
| | | 2,649.1 | 1,315.9 |
| TOTAL | | 6,922.7 | 3,902.1 |

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

Table of Contents

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2007 AND DECEMBER 31, 2006**

**(In millions of Brazilian reais R$)**

| | Note | June 30, 2007 (unaudited) | December 31, 2006 |
|---|---|---|---|
| **LIABILITIES AND STOCKHOLDERS EQUITY** | | | |
| CURRENT LIABILITIES | | | |
| Loans and financing | 14 | 370.1 | 155.1 |
| Debentures | 14 | 1,015.3 | 12.8 |
| Suppliers | | 450.7 | 112.5 |
| Payroll and related charges | | 105.3 | 81.2 |
| Taxes payable | | 51.6 | 16.9 |
| Dividends payable | | 39.6 | 101.4 |
| Income and social contribution taxes | | 36.3 | 1.0 |
| Post-retirement benefits | 24b | 7.2 | |
| Provision for contingencies | 20a | 11.8 | |
| Deferred income and social contribution taxes | 22a | 0.2 | 0.2 |
| Other | | 30.1 | 2.7 |
| | | 2,118.2 | 483.8 |
| NON-CURRENT | | | |
| LONG-TERM LIABILITIES | | | |
| Loans and financing | 14 | 1,149.1 | 1,081.8 |
| Debentures | 14 | 350.0 | 300.0 |
| Related companies | 21 | 4.7 | 4.7 |
| Deferred income and social contribution taxes | 22a | 26.5 | 26.0 |
| Other taxes and contributions contingent liabilities | 20a | 88.0 | 36.5 |
| Post-retirement benefits | 24b | 71.7 | |
| Other | | 11.4 | 2.7 |
| | | 1,701.4 | 1,451.7 |
| MINORITY INTEREST | | 1,115.7 | 33.1 |
| SHAREHOLDERS EQUITY | | | |
| Capital | 15a | 946.0 | 946.0 |
| Capital reserve | 15c | 0.7 | 0.6 |
| Revaluation reserve | 15d | 12.3 | 13.0 |
| Profit reserves | 15e | 983.2 | 983.2 |
| Treasury shares | 15b | (30.0) | (9.3) |
| Retained earnings | | 75.2 | |
| | | 1,987.4 | 1,933.5 |
| TOTAL | | 6,922.7 | 3,902.1 |

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

Table of Contents

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**

**FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2007 AND 2006**

**(In millions of Brazilian reais R$, except for earnings per share)**

| | Note | June 30, 2007 | June 30, 2006 |
|---|---|---|---|
| GROSS SALES AND SERVICES | 3q | 7,726.0 | 2,499.7 |
| Deductions | | (370.8) | (204.6) |
| NET SALES AND SERVICES | | 7,355.2 | 2,295.1 |
| Cost of sales and services | 3r | (6,655.1) | (1,859.4) |
| GROSS PROFIT | | 700.1 | 435.7 |
| OPERATING (EXPENSES) INCOME | | | |
| Selling | | (177.8) | (93.6) |
| General and administrative | | (214.3) | (130.3) |
| Management compensation | | (2.6) | (2.6) |
| Depreciation and amortization | | (97.4) | (61.1) |
| Other operating income, net | | 4.1 | 1.0 |
| | | (488.0) | (286.6) |
| OPERATING INCOME BEFORE FINANCIAL ITEMS | | 212.1 | 149.1 |
| Financial income (expenses), net | 16 | (35.1) | 34.9 |
| Nonoperating expenses, net | 17 | (2.0) | (13.2) |
| | | (37.1) | 21.7 |
| INCOME BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES, EQUITY IN GAIN OF AFFILIATED COMPANIES, EMPLOYEES STATUTORY INTEREST AND MINORITY INTEREST | | 175.0 | 170.8 |
| INCOME AND SOCIAL CONTRIBUTION TAXES | | | |
| Current | 22b | (77.4) | (66.2) |
| Deferred | 22b | 22.0 | 11.2 |
| Benefit of tax holidays | 22b | 6.1 | 30.8 |
| | | (49.3) | (24.2) |
| INCOME BEFORE EQUITY IN GAIN OF AFFILIATED COMPANIES, EMPLOYEES STATUTORY INTEREST AND MINORITY INTEREST | | 125.7 | 146.6 |
| Equity in (loss) gain of affiliated companies | 10 | (0.1) | 0.6 |
| Employees statutory interest | | (2.8) | |
| Minority interest | | (48.2) | (2.3) |
| NET INCOME | | 74.6 | 144.9 |
| EARNINGS PER SHARE (BASED ON ANNUAL WEIGHTED AVERAGE OF SHARES OUTSTANDING) R$ | | 0.92 | 1.79 |

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

Table of Contents

**ULTRAPAR PARTICIPAÇÕES S.A.**

**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY**

**FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2007 AND 2006 AND FOR THE YEAR ENDED DECEMBER 31, 2006**

**(In millions of Brazilian reais R$)**

| | | | | | | Profit reserves | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Capital | Capital reserve | Revaluation reserve of subsidiary and affiliated companies | Legal | Retention of profits | Unrealized profits | Retained earnings | Treasury shares | Total |
| BALANCES AT DECEMBER 31, 2005 | | 946.0 | 0.3 | 15.0 | 76.7 | 657.5 | 103.3 | | (8.7) | 1,790.1 |
| Sale of treasury shares | | | 0.1 | | | | | | 0.3 | 0.4 |
| Realization of revaluation reserve | | | | (0.8) | | | | 0.8 | | |
| Income and social contribution taxes on realization of revaluation reserve of subsidiaries | | | | | | | | (0.2) | | (0.2) |
| Net income | | | | | | | | 144.9 | | 144.9 |
| Reversal of allowance for factory maintenance shutdown by the subsidiary, net of income taxes | | | | | | | | 6.3 | | 6.3 |
| BALANCES AT JUNE 30, 2006 | | 946.0 | 0.4 | 14.2 | 76.7 | 657.5 | 103.3 | 151.8 | (8.4) | 1,941.5 |
| Acquisition of treasury shares | | | | | | | | | (1.1) | (1.1) |
| Sale of treasury shares | | | 0.2 | | | | | | 0.2 | 0.4 |
| Realization of revaluation reserve | | | | (1.2) | | | | 1.2 | | |
| Income and social contribution taxes on realization of revaluation reserve of subsidiaries | | | | | | | | (0.3) | | (0.3) |
| Retention of realization of profit reserve net of income and social contribution taxes | | | | | | 1.6 | | (1.6) | | |
| Net income | | | | | | | | 137.2 | | 137.2 |
| Appropriation of net income: | | | | | | | | | | |
| Legal reserve | | | | | 14.3 | | | (14.3) | | |
| Interim dividends (R$0.89 per thousand common and preferred share) | | | | | | | | (72.0) | | (72.0) |
| Proposed dividends payable (R$0.89 per thousand common and preferred share) | | | | | | | (68.2) | (4.0) | | (72.2) |
| Reserve for unrealized profits | | | | | | | 61.0 | (61.0) | | |
| Retention of profit reserves | | | | | | 137.0 | | (137.0) | | |
| BALANCES AT DECEMBER 31, 2006 | | 946.0 | 0.6 | 13.0 | 91.0 | 796.1 | 96.1 | (0.0) | (9.3) | 1,933.5 |
| Acquisition of treasury shares | 15 b | | | | | | | | (20.9) | (20.9) |
| Sale of treasury shares | 15 b | | 0.1 | | | | | | 0.2 | 0.3 |
| Realization of revaluation reserve | 15 d | | | (0.7) | | | | 0.7 | | |
| Income and social contribution taxes on realization of revaluation reserve of subsidiaries | 15 d | | | | | | | (0.1) | | (0.1) |
| Net income | | | | | | | | 74.6 | | 74.6 |
| BALANCES AT JUNE 30, 2007 | | 946.0 | 0.7 | 12.3 | 91.0 | 796.1 | 96.1 | 75.2 | (30.0) | 1,987.4 |

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

Table of Contents

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION**

**FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2007 AND 2006**

**(In millions of Brazilian reais R$)**

| | June 30, 2007 | June 30, 2006 |
|---|---|---|
| SOURCES OF FUNDS | | |
| Operations: | | |
| Net income | 74.6 | 144.9 |
| Items not affecting working capital: | | |
| Equity in losses of affiliated companies | 0.1 | (0.6) |
| Depreciation and amortization | 131.2 | 93.5 |
| PIS and COFINS credit on depreciation | 1.3 | 1.1 |
| Long-term interest and monetary variations | (78.9) | (69.7) |
| Deferred income and social contribution taxes | (6.5) | (11.6) |
| Minority interest | 48.2 | 2.3 |
| Net book value of permanent assets written off | 13.5 | 12.7 |
| Other long-term taxes | 23.6 | (10.8) |
| Usufruct | 0.3 | 0.3 |
| Reversal of provision for probable losses on permanent assets | (2.8) | 2.4 |
| Reversal of allowance for factory maintenance shutdown by subsidiary, net of income taxes | | 6.3 |
| | 204.6 | 170.8 |
| Third parties: | | |
| Increase in long-term liabilities | 7.6 | 3.3 |
| Decrease in long-term assets | 584.1 | 44.2 |
| Dividends received | 2.2 | |
| Net working capital acquired from subsidiaries | 948.6 | |
| Long-term financing and debentures | 87.5 | 38.6 |
| | 1,630.0 | 86.1 |
| Total sources | 1,834.6 | 256.9 |
| USES OF FUNDS | | |
| Permanent assets: | | |
| Acquisition of investments | 684.5 | |
| Acquisition of property, plant and equipment | 271.5 | 93.8 |
| Acquisition of intangible | 3.5 | 7.8 |
| Acquisition of deferred charges | 41.8 | 37.3 |
| | 1,001.3 | 138.9 |
| Dividends and interest on capital | | |
| Transfer from long-term to current liabilities | 478.0 | 53.4 |
| Decrease in long-term liabilities | 31.3 | 8.3 |
| Increase in long-term assets | 86.3 | 44.0 |
| Acquisition of treasury shares | 20.9 | |
| Acquisition of shares from minority shareholders | 0.1 | |
| Taxes on realization of revaluation reserve | | 0.1 |
| | 616.6 | 105.8 |

| | | |
|---|---|---|
| Total uses | 1,617.9 | 244.7 |
| INCREASE (DECREASE) IN WORKING CAPITAL | 216.7 | 12.2 |
| REPRESENTED BY | | |
| Current assets: | | |
| At end of year | 3,710.5 | 1,794.2 |
| At beginning of year | 1,859.4 | 1,936.3 |
| | 1,851.1 | (142.1) |
| Current liabilities: | | |
| At end of year | 2,118.2 | 334.0 |
| At beginning of year | 483.8 | 488.3 |
| | 1,634.4 | (154.3) |
| INCREASE (DECREASE) IN WORKING CAPITAL | 216.7 | 12.2 |

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

Table of Contents

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF AND FOR THE SIX-MONTH PERIOD ENDED ON JUNE 30, 2007 AND 2006**

**(Amounts in millions of Brazilian reais R$, unless otherwise stated)**

## 1. Operations

Ultrapar Participações S.A. (the Company or Ultrapar ) is a holding company with headquarters in the city of São Paulo, organized under the laws of the Federative Republic of Brazil, which, through its operating subsidiaries, is engaged in the distribution of Liquefied Petroleum Gas (LPG) (Ultragaz), the production and sale of chemicals (Oxiteno), and logistic services of chemicals and fuels (Ultracargo). After acquisition of certain operation of the Ipiranga Group, in April 2007, the Company became engaged in the distribution of fuels/lubricants and related products in the South and Southeast Regions of Brazil. The Company also became engaged in oil refining through its interest in Refinaria de Petróleo Ipiranga S.A.

## 2. Presentation of the interim financial statements and significant accounting policies

These interim financial statements were prepared in accordance with accounting practices adopted in Brazil. They have been translated into English from the original interim financial statements issued in Portuguese. In addition, certain terminology changes have been made and the notes to the interim financial statements have been adjusted to conform more closely to reporting practices prevailing in the United States of America.

## 3. Summary of significant accounting policies

The accounting practices adopted in Brazil to record transactions and prepare the interim financial statements comply with those prescribed by Brazilian corporate law and specific standards established by the Brazilian Securities Commission (CVM), which differ in certain respects from accounting principles generally accepted in the United States of America (U.S. GAAP). See Note 25 for further discussions of these differences and a reconciliation of shareholders equity and net income under both sets of principles.

The following is a summary of significant accounting policies followed in the preparation of the financial statements:

### a) Consolidation principles

The consolidated interim financial statements include the accounts of the Company and all of the subsidiaries in which the Company directly or indirectly controls more than 50% of the voting share capital, as listed below. Intercompany investments, asset and liability balances, income and expenses, as well as the effects arising from significant intercompany transactions, have been eliminated. Minority interest in subsidiaries is presented separately in the interim financial statements.

Table of Contents

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**(Amounts in millions of Brazilian reais R$, unless otherwise stated)**

| | Ownership % (unaudited) June 30, | | | |
|---|---|---|---|---|
| | 2007 | | 2006 | |
| | Direct | Indirect | Direct | Indirect |
| Ultragaz Participações Ltda. | 100 | | 100 | |
| SPGás Distribuidora de Gás Ltda. | | 99 | | 99 |
| Companhia Ultragaz S.A. | | 99 | | 99 |
| Bahiana Distribuidora de Gás Ltda. | | 100 | | 100 |
| Utingás Armazenadora S.A. | | 56 | | 56 |
| LPG International Inc. | | 100 | | 100 |
| Ultracargo Operações Logísticas e Participações Ltda. | 100 | | 100 | |
| Melamina Ultra S.A. Indústria Química | | 99 | | 99 |
| Transultra Armazenamento e Transporte Especializado Ltda. | | 100 | | 100 |
| Petrolog Serviços e Armazéns Gerais Ltda. | | 100 | | |
| Terminal Químico de Aratu S.A. Tequimar | | 99 | | 99 |
| Oxiteno S.A. Indústria e Comércio | 100 | | 100 | |
| Oxiteno Nordeste S.A. Indústria e Comércio | | 99 | | 99 |
| Oxiteno Argentina Sociedad de Responsabilidad Ltda. | | 99 | | |
| Oleoquímica Indústria e Comércio de Produtos Químicos Ltda. | | 100 | | 100 |
| Barrington S.L. | | 100 | | 100 |
| Oxiteno México S.A. de C.V. | | 100 | | 100 |
| Oxiteno Servicios Corporativos S.A. de C.V. | | 100 | | 100 |
| Oxiteno Servicios Industriales S.A. de C.V. | | 100 | | 100 |
| Oxiteno International Corp. | | 100 | | 100 |
| Oxiteno Overseas Corp. | | 100 | | 100 |
| Imaven Imóveis e Agropecuária Ltda. | 100 | | 100 | |
| Distribuidora de Produtos de Petróleo Ipiranga S.A. | 32 | | | |
| Companhia Brasileira de Petróleo Ipiranga (*) | 1 | 11 | | |
| am/pm Comestíveis Ltda. (*) | | 11 | | |
| Centro de Conveniências Millennium Ltda. (*) | | 11 | | |
| Empresa Carioca de Produtos Químicos S.A. | | 11 | | |
| Ipiranga Comercial Importadora e Exportadora Ltda. | | 11 | | |
| Ipiranga Trading Limited | | 11 | | |
| Tropical Transportes Ipiranga Ltda. | | 11 | | |
| Ipiranga Imobiliária Ltda. | | 11 | | |
| Ipiranga Logística Ltda. | | 11 | | |
| Maxfácil Participações S.A. (**) | | 9 | | |
| Isa-Sul Administração e Participações Ltda. | | 32 | | |
| Comercial Farroupilha Ltda. | | 32 | | |
| Ipiranga Administração de Bens Móveis Ltda. | | 32 | | |
| Refinaria de Petróleo Ipiranga S.A. (***) | 10 | | | |

(*) As informed in the Material Event of March 19, 2007 and the Market Announcement of April 19, 2007, distribution of fuels/lubricants and related products of these companies are divided between Ultrapar (South and Southeast Regions of Brazil) and Petrobras (North, Northeast and Center West Regions of Brazil).

(**) Joint control among DPPI (16%), CBPI (34%) and União de Bancos Brasileiro S.A. UNIBANCO (50%).

(***) Oil refinery operations of Refinaria de Petróleo Ipiranga S.A. are equally shared among Petrobras, Ultrapar and Braskem, and the subsidiary was proportionality consolidated in these interim financial statements in accordance with Article 32 of CVM Instruction No. 247/96.

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**(Amounts in millions of Brazilian reais R$, unless otherwise stated)**

On April 18, 2007, the Company, together with Petróleo Brasileiro S.A. ( Petrobras ) and Braskem S.A. ( Braskem ), acquired the controlling interest of Ipiranga Group, as informed in Material Event published on April 19, 2007. Under the terms of the Acquisition Agreement signed by the three buyers, the Company acted as commission agent of Braskem and Petrobras, and for itself for the acquisition of the fuels/lubricants distribution and related products businesses located in the South and Southeast Regions of Brazil and Empresa Carioca de Produtos Químicos S.A. ( Ipiranga ), maintaining the brand Ipiranga. Petrobras holds the control of fuel distribution and lubricant businesses located in the North, Northeast and Center West Regions of Brazil ( North Distribution Assets ), and Braskem holds control of the petrochemical assets, represented by Ipiranga Química S.A., Ipiranga Petroquímica S.A. (IPQ) and the ownership in Copesul Companhia Petroquímica do Sul (Copesul) ( Petrochemical Assets ).

The transaction is structured in 5 stages:

(i) acquisition of Ipiranga Group controlling interest (occurred on April 18, 2007);

(ii) tag along offering for the purchase of common shares issued by Companhia Brasileira de Petróleo Ipiranga (CBPI), Refinaria de Petróleo Ipiranga S.A. (RPI) and Distribuidora de Produtos de Petróleo Ipiranga S.A. (DPPI), which registration order was filed with CVM on May 2nd, 2007;

(iii) offer by Braskem for the delisting of Copesul from the São Paulo Stock Exchange (BOVESPA);

(iv) merger of shares issued by CBPI, RPI and DPPI into Ultrapar; and

(v) segregation of assets among Ultrapar, Petrobras and Braskem.

The conclusion of the transaction is forecasted to occur in the fourth quarter of 2007. In the first stage, the Company spent the net amount of R$ 676.4, Petrobras R$ 742.7 and Braskem R$ 651.9. Based on the initial balance sheet of March 31, 2007, the Company recorded a goodwill in the amount of R$ 424.7 in the first stage of the transaction, which is being amortized over 10 years starting in April 2007, based on the expected future profitability of Ipiranga.

The assets, liabilities and income of Ipiranga are reflect in the Company s interim financial statements since April, 2007, with minority interest presented separately in the consolidated interim financial statements. As the Company acted as commission agent for Braskem and Petrobras, the assets acquired in for them were recorded as reduction of the amounts received in the same first stage of the transaction, not producing any effect in the Company s consolidated interim financial statements. The assets related to the operations of RPI s oil refinery ( Refinery ) were proportionally consolidated in the Company s interim financial statements, since their control is shared with Petrobras and Braskem.

As a result of the acquiring structure described above, the ownership percentages described in the chart above, reflect the total ownership percentage acquired by Ultrapar in those Company and RPI, DPPI and CBPI financial statements herein consolidated by Ultrapar only reflect the Ipiranga assets and liabilities acquired by Ultrapar. These assets and liabilities could be summarized based on the Investors' Memorandum, as corresponding to (i) one-third of the interest acquired in RPI s oil refining activities (which exclude RPI shareholdings in IQ, DPPI and CBPI) and (ii) the totality of the interest acquired in DPPI (less a proportional of DPPI s interest in CBPI, that corresponds to the latter s fuel distribution assets and liabilities in the North and Northeast Regions of Brazil).

On April 30, 2007 the subsidiary Transultra Armazenamento e Transporte Especializado Ltda. acquired the company Petrolog Serviços e Armazéns Gerais Ltda. for the amount of R$ 8.1, recording goodwill in the amount of R$ 6.5, amortized in 10 years, based on its expected future profitability.

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**(Amounts in millions of Brazilian reais R$, unless otherwise stated)**

On August 3, 2006, the subsidiaries Oxiteno S.A. Indústria e Comércio and Oxiteno Nordeste S.A. Indústria e Comércio formed the subsidiary Oxiteno Argentina Sociedad de Responsabilidad Ltda., which operates as a commercial representation office.

**b) Cash and cash equivalents**

Cash and cash equivalents comprise highly-liquid temporary cash investments (with original maturities of three months or less and which are readily convertible to cash).

**c) Short-term investments**

Short-term investments are stated at cost plus accrued income earned (on a pro rata temporis basis), which approximates their market values.

**d) Trade accounts receivable**

Trade accounts receivable are stated at estimated net realizable values. The allowance for doubtful accounts is based on estimated losses and is considered by management to be sufficient to cover probable losses on accounts receivable.

**e) Inventories**

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

**f) Long-term investments**

Long-term investments are stated at cost plus accrued income earned (on a pro rata temporis basis), which approximates their market values.

**g) Investments in affiliated companies**

Investments in operating companies not controlled by the Company, but over which it has significant influence, are accounted for using the equity method (see Note 10).

**h) Other investments**

Other investments are recorded at cost less provision for losses, if expected to be other than temporary.

**i) Property, plant and equipment**

Property, plant and equipment are stated at historical cost of acquisition, process or construction, monetarily restated through December 31, 1995, including financial charges incurred on constructions in progress and revaluation adjustments based on appraisal reports issued by independent appraisers, in accordance with item 68, letter b), of CVM Resolution No. 183/95, as well as costs related to the maintenance of significant assets during scheduled factory maintenance operations, less accumulated depreciation. Revaluation increases are credited to the revaluation reserve component of shareholders equity and subsequently transferred to retained earnings as the related assets are depreciated or disposed of.

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**(Amounts in millions of Brazilian reais R$, unless otherwise stated)**

Depreciation is calculated on a straight-line basis at the annual rates described in Note 11, and is based on the estimated useful lives of the corresponding assets.

**j) Intangible assets**

Stated at acquisition cost, less an allowance for losses, should the losses not be considered temporary, as shown in Note 12.

**k) Deferred charges**

Deferred charges consist mainly of costs incurred in the installation of Company equipment at customers facilities amortized over the terms of the LPG supply contracts with these customers, project expenses and goodwill arising from acquisition of subsidiaries, as stated in Note 13.

**l) Income and social contribution taxes on income**

Income and social contribution taxes (the latter of which is a federally mandated tax based on income) are accrued on taxable income at the applicable rates.

The accrual for income tax includes the effects of tax holidays, where applicable. Deferred income and social contribution taxes on temporary differences are recognized in accordance with CVM Resolution No. 273/98, as mentioned in Note 22.

**m) Provision for contingencies**

The provision for contingencies is recorded for contingent risks with an estimated probable loss, based on the opinion of the internal and external legal advisors and administrators. Amounts are recorded based on the estimated costs and results of proceedings (see Note 20.a).

**n) Actuarial commitment with post-retirement benefits**

Actuarial commitments with the post-retirement benefits plan granted and to be granted to employees, retired employees and pensioners of Ipiranga/Refinery (net of plan assets) are provided for based on the actuarial calculation prepared by an independent actuary in accordance with the projected credit unit method, as mentioned in Note 24.b).

**o) Compensated absences**

The liability for future compensation for employee vacations is fully accrued as earned.

**p) Assets and liabilities denominated in foreign currency or subject to indexation**

Assets and liabilities denominated in foreign currencies are translated into Brazilian reais at the exchange rate reported by the Brazilian Central Bank (BACEN) at each balance sheet date. Transaction gains and losses are recognized in income.

Assets and liabilities denominated in reais and contractually or legally subject to indexation are restated to the balance sheet date by applying the corresponding index, with related gains and losses recognized in income.

Table of Contents

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**(Amounts in millions of Brazilian reais R$, unless otherwise stated)**

**q) Revenues and expenses**

Revenues from sales are recognized when products are delivered to the customer or services are performed, and the transfer of risks, rights and obligations associated with the ownership of products takes place. Expenses are recognized on the accrual basis. Advertising expenses, which are expensed as incurred, amounted to R$ 16.5 and R$ 1.6 for the six-month period ended June 30, 2007 and 2006, respectively. Shipping and handling costs, classified as selling expenses and expensed as incurred, amounted to R$ 96.9 and R$ 31.3 for the six-month period ended June 30, 2007 and 2006, respectively.

**r) Cost of sales and services**

Cost of sales and services provided includes raw materials (mainly fuels/lubricants, LPG and chemicals) and production, distribution, storage and filling costs.

**s) Earnings per share**

Earnings per share are calculated based on the annual weighted average of shares outstanding during each of the years presented, giving retroactive effect to stock splits. Stock dividends are not included in such retroactive earnings per share calculation. See Note 15.

**t) Use of estimates**

The preparation of interim financial statements in accordance with accounting practices adopted in Brazil requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet dates and the reported amounts of revenues, costs and expenses for the period presented. Although these estimates are based on management s best available knowledge of current and expected future events, actual results could differ from those estimates.

**u) Basis for translation of the interim financial statements of foreign subsidiaries**

The interim financial statements of foreign subsidiaries are translated into Brazilian reais at the current exchange rate in effect at the balance sheet date. The criteria for preparation of the interim financial statements have been adapted to conform to accounting practices adopted in Brazil.

**4. Cash and cash equivalents**

Cash equivalents consist of investments, contracted with banks of good standing, mostly represented by certificates of deposit and funds linked to the Brazilian interbank certificates of deposit (CDI) rate, and are stated at cost plus accrued income on a pro rata temporis basis. The increase in foreign investments is due to Money Market Funds in the amount of R$ 293.7, held by the subsidiary Oxiteno Overseas Corp.

| | **June 30, 2007 (unaudited)** | **December 31, 2006** |
|---|---|---|
| Cash | 47.1 | 32.0 |
| Certificates of deposit and funds in Brazil | 423.3 | 303.6 |
| Foreign investments | 314.6 | 49.5 |
| Total | 785.0 | 385.1 |

Table of Contents

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**(Amounts in millions of Brazilian reais R$, unless otherwise stated)**

**5. Short and long-term investments**

Short-term investments relate to the amount invested by the indirect subsidiary Oxiteno Overseas Corp. in debt securities of U.S. corporations and to notes issued by the Austrian Government. As of June 30, 2007, funds in the amount of R$ 248.6 (R$ 553.1 as of December 31, 2006), raised through notes issued by the subsidiary of LPG International Inc. were invested in certificates of deposit (Dual Currency Deposits) denominated in U.S. dollars issued by foreign banks of good standing. The decrease in the Dual Currency Deposits balance was due to their maturity in June 2007. Dual Currency Deposits are investments whose yield can be in US dollars or Brazilian reais, depending on the U.S. dollar rate as of the maturity date. If the U.S. dollar rate is lower than the strike rate on the maturity date, the yield of this operation will be in US dollars plus interest of 7.5% per year; otherwise, it will be in Brazilian reais plus average interest of 16.2% per year. The subsidiary records the investment at the lower of the two alternative yields, which until June 30, 2007 was represented by the US dollar. Up to June 30, 2007 the exchange rate always remained below the strike rate. Long-term investments are mainly represented by a debt security of an European corporation denominated in U.S. dollars, bearing interest of six-month LIBOR plus interest of 3.25% per annum and maturing on September 27, 2009.

In April 2006, subsidiary Oxiteno Overseas Corp., owner of notes in the amount of US$ 60 million issued by Companhia Ultragaz S.A. in the international market in 1997 (Original Notes), sold these Original Notes to a foreign financial institution. Concurrently, subsidiary Oxiteno Overseas Corp. acquired from this financial institution a credit linked note backed by the Original Notes. This transaction provides a financial gain for the Company corresponding to the difference between the interest rate paid for the credit linked note and the Original Notes, as mentioned in Note 14.b).

| | June 30, 2007 (unaudited) | December 31, 2006 |
|---|---|---|
| Short - term investment | 804.3 | 737.3 |
| Long - term investment | 118.9 | 548.0 |
| | 923.2 | 1,285.3 |

**6. Trade accounts receivable, net**

| | June 30, 2007 (unaudited) | December 31, 2006 |
|---|---|---|
| Domestic customers Ipiranga / Refinery | 802.3 | |
| Other domestic customers | 377.9 | 375.5 |
| Financing to customers | 263.2 | |
| Foreign customers | 89.9 | 76.4 |
| ( ) Advances on foreign exchange contracts | (57.6) | (50.9) |
| ( ) Allowance for doubtful accounts | (57.2) | (21.8) |
| | 1,418.5 | 379.2 |
| Current portion | 1,260.9 | 360.0 |
| Noncurrent portion | 157.6 | 19.2 |

Financing to customers is directed to the reimbursement of reforms and modernizations of gas stations, acquisition of products and market development of Ipiranga.

Table of Contents

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**(Amounts in millions of Brazilian reais R$, unless otherwise stated)**

The changes in the allowance for doubtful accounts are shown below:

| | |
|---|---|
| Balance as of December 31, 2006 | 21.8 |
| Initial balance of Ipiranga / Refinery | 41.2 |
| Additions recorded in selling expenses | 7.2 |
| Deductions write-off of trade accounts receivable | (13.0) |
| Balance as of June 30, 2007 | 57.2 |

Allowance for doubtful accounts in the amount of R$ 36.7 and R$ 12.0 are recorded in current trade accounts receivable as of June 30, 2007 and December 31, 2006, and R$ 20.5 and R$ 9.8 are recorded in long-term trade accounts receivable as of June 30, 2007 and December 31, 2006, respectively.

**7. Inventories**

| | June 30, 2007 (unaudited) | | | December 31, 2006 | | |
|---|---|---|---|---|---|---|
| | Cost | Provision for losses | Net | Cost | Provision for losses | Net |
| Finished products | 147.2 | (3.1) | 144.1 | 98.7 | (1.5) | 97.2 |
| Work in process | 1.1 | | 1.1 | 0.6 | | 0.6 |
| Raw materials | 81.4 | | 81.4 | 65.6 | (0.1) | 65.5 |
| Liquefied Petroleum Gas (LPG) | 20.5 | | 20.5 | 23.4 | | 23.4 |
| Fuel, lubricants and grease | 230.4 | (0.4) | 230.0 | | | |
| Supplies and cylinders for resale | 44.5 | (1.3) | 43.2 | 20.9 | (0.5) | 20.4 |
| Advances to suppliers | 20.1 | | 20.1 | 10.1 | | 10.1 |
| Total | 545.2 | (4.8) | 540.4 | 219.3 | (2.1) | 217.2 |

The changes in the provision for losses on inventories are shown below:

| | |
|---|---|
| Balance as of December 31, 2006 | 2.1 |
| Additions | 2.7 |
| Balance as of June 30, 2007 | 4.8 |

**8. Recoverable taxes**

Represented, substantially, by credit balances of ICMS (State Value Added Tax VAT), PIS and COFINS (taxes on revenue), and income and social contribution taxes.

| | June 30, 2007 (unaudited) | December 31, 2006 |
|---|---|---|
| Income and social contribution taxes | 107.6 | 75.3 |
| ICMS | 155.4 | 101.0 |
| Provision for losses ICMS (*) | (40.9) | (31.4) |
| PIS and COFINS | 19.9 | 28.4 |
| VAT of subsidiary Oxiteno MéxicoS.A. de C.V. | 15.4 | 8.5 |
| Manufacturing Tax IPI | 7.4 | |
| Other | 1.2 | 1.3 |
| Total | 266.0 | 183.1 |
| Current portion | 193.6 | 117.8 |
| Noncurrent portion | 72.4 | 65.3 |

F-17

Table of Contents

ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES

(Amounts in millions of Brazilian reais R$, unless otherwise stated)

(*) The provision refers to balances that the Company s subsidiaries estimate not being able to recover in the future.
The changes in the provision for losses on ICMS are shown below:

| | |
|---|---|
| Balance as of December 31, 2006 | 31.4 |
| Initial balance of Ipiranga / Refinery | 6.0 |
| Additions | 5.4 |
| Deductions write-off | (1.9) |
| Balance as of June 30, 2007 | 40.9 |

The increase in the balance of income and social contribution tax credits is mainly due to the acquisition of Ipiranga.

The increase in the balance of ICMS is due to the credit additions by Ipiranga and also the increase in ICMS credits of the Camaçari (Bahia State) plant of the subsidiary Oxiteno Nordeste S.A. Indústria e Comércio, which was affected by measures taken by Bahia State Authorities, that made it difficult to utilize credits for import payment or to transfer them to third parties. The total balance of credits from the Camaçari plant corresponds to R$ 66.3 as of June 30, 2007 (R$ 50.2 as of December 31, 2006) of which R$ 27.6 have already been reviewed by the tax authorities and are awaiting release by the state finance department of Bahia for commercialization. In addition to these credits, the subsidiary s management is working on a series of measures for realization of the plant s ICMS balance. The allowance for loss of the plant s credits was recognized on the basis of the maximum discount expected on their commercialization. The PIS and COFINS credits are being utilized to offset other federal taxes, mainly income and social contribution taxes on income.

**9. Prepaid expenses**

| | June 30, 2007 (unaudited) | December 31, 2006 |
|---|---|---|
| Rents | 20.4 | 3.6 |
| Marketing | 5.5 | |
| Expenses with bond issuances | 12.7 | 12.1 |
| Insurance premium | 3.4 | 2.7 |
| Taxes, mainly Municipal Real Estate Tax IPTU Vehicle Tax IPVA | 2.1 | 0.2 |
| Other prepaid expenses | 5.5 | 3.2 |
| | 49.6 | 21.8 |
| Current portion | 20.5 | 8.6 |
| Noncurrent portion | 29.1 | 13.2 |

Table of Contents

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**(Amounts in millions of Brazilian reais R$, unless otherwise stated)**

**10. Investments in affiliated companies**

A summary of financial information for the Company s equity investments is as follows:

| | June 30, 2007 (unaudited) | | |
|---|---|---|---|
| | Transportadora Sulbrasileira de Gás S.A. | Oxicap Indústria de Gases Ltda. | Química da Bahia Indústria e Comércio S.A. |
| Number of shares or quotas held | 80,500,000 | 156 | 1,493,120 |
| Net equity R$ | 28.5 | 6.3 | 7.1 |
| Net income for the period R$ | (0.4) | (0.4) | 0.2 |
| Ownership interest % | 25.00 | 25.00 | 50.00 |

| | June 30, 2007 (unaudited) | | | |
|---|---|---|---|---|
| | Transportadora Sulbrasileira de Gás S.A. | Oxicap Indústria de Gases Ltda. | Química da Bahia Indústria e Comércio S.A. | Total |
| Changes in investments: | | | | |
| Balance at December 31, 2006 | | 1.8 | 3.5 | 5.3 |
| Acquisition of Ipiranga | 7.2 | | | 7.2 |
| Payback of Advance for Future Capital Increase | | (0.1) | | (0.1) |
| Equity pick-up | (0.1) | (0.1) | 0.1 | (0.1) |
| Balance at end of period | 7.1 | 1.6 | 3.6 | 12.3 |

| | December 31, 2006 | |
|---|---|---|
| | Oxicap Indústria de Gases Ltda. | Química da Bahia Indústria e Comércio S.A. |
| Number of shares or quotas held | 156 | 1,493,120 |
| Net equity as of December 31, 2006 R$ | 7.2 | 6.9 |
| Ownership interest % | 25.00 | 50.00 |

| | June 30, 2006 (unaudited) | |
|---|---|---|
| | Oxicap Indústria de Gases Ltda. | Química da Bahia Indústria e Comércio S.A. |
| Net income for the period as of June 30, 2006 R$ | (0.1) | 1.3 |

| | June 30, 2006 (unaudited) | | |
|---|---|---|---|
| | Oxicap Indústria de | Química da Bahia | Total |

| | Gases Ltda. | Indústria e Comércio S.A. | |
|---|---|---|---|
| Changes in investments: | | | |
| Balance at December 31, 2005 | 1.4 | 2.8 | 4.2 |
| Equity pick-up | | 0.6 | 0.6 |
| Balance at end of period | 1.4 | 3.4 | 4.8 |

Table of Contents

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**(Amounts in millions of Brazilian reais R$, unless otherwise stated)**

| | December 31, 2006 | | |
|---|---|---|---|
| | Oxicap Indústria de Gases Ltda. | Química da Bahia Indústria e Comércio S.A. | Total |
| Changes in investments: | | | |
| Balance at beginning of year | 1.4 | 2.8 | 4.2 |
| Equity pick-up | 0.3 | 0.7 | 1.0 |
| Stock redemption received | 0.1 | | 0.1 |
| Balance at end of year | 1.8 | 3.5 | 5.3 |

In the consolidated interim financial statements, the investment of subsidiary Oxiteno S.A. Indústria e Comércio in the affiliated company Oxicap Indústria de Gases Ltda. is carried under the equity method based on the affiliate s financial statements as of May 31, 2007. Other subsidiaries are valued based on the interim financial statements as of June 30, 2007.

**11. Property, plant and equipment, net**

| | Annual depreciation average rates - % | June 30, 2007 (unaudited) | | | December 31, 2006 |
|---|---|---|---|---|---|
| | | Cost, Including revaluation | Accumulated depreciation | Net amount | Net amount |
| Land | | 177.5 | | 177.5 | 46.7 |
| Buildings | 4 | 591.1 | (266.9) | 324.2 | 204.2 |
| Leasehold improvements | 4 | 182.3 | (67.3) | 115.0 | 68.5 |
| Machinery and equipment | 8 | 1,007.6 | (544.3) | 463.3 | 458.2 |
| Equipment and fixtures for the distribution of fuels / lubricants | 10 | 740.1 | (436.2) | 303.9 | |
| Gas tanks and cylinders for LPG | 10 | 281.7 | (171.0) | 110.7 | 114.5 |
| Vehicles | 21 | 213.7 | (157.9) | 55.8 | 35.6 |
| Furniture and fixtures | 10 | 57.5 | (32.9) | 24.6 | 15.0 |
| Construction in progress | | 302.2 | | 302.2 | 107.0 |
| Advances to suppliers | | 84.5 | | 84.5 | 49.2 |
| Imports in transit | | 5.1 | | 5.1 | 0.5 |
| IT equipment | 20 | 139.6 | (108.1) | 31.5 | 12.4 |
| Other | | 0.2 | (0.1) | 0.1 | |
| Total | | 3,783.1 | (1,784.7) | 1,998.4 | 1,111.8 |

Property, plant and equipment include net capitalized interest cost of R$ 4.0 and R$ 4.3 as of June 30, 2007 and December 31, 2006, respectively.

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**(Amounts in millions of Brazilian reais R$, unless otherwise stated)**

The subsidiaries recorded, in previous years, revaluation of property, plant and equipment items. The revaluation balances are shown below:

| | June 30, 2007 (unaudited) | | | December 31, 2006 |
|---|---|---|---|---|
| | Revaluation | Accumulated depreciation | Net book value | Net book value |
| Land | 16.1 | | 16.1 | 15.5 |
| Buildings | 43.8 | (34.9) | 8.9 | 9.8 |
| Machinery and equipment | 31.8 | (30.8) | 1.0 | 1.1 |
| Gas tanks and cylinders | 48.9 | (48.9) | | |
| Vehicles | 0.7 | (0.7) | | |
| | 141.3 | (115.3) | 26.0 | 26.4 |

The depreciation of these revaluations in the amount of R$ 0.9 (R$ 1.0 as of June 30, 2006) was recorded in the statements of income. The amount of deferred taxes on revaluation totals R$ 7.1 (R$ 7.5 as of December 31, 2006), of which R$ 0.7 (R$ 0.9 as of December 31, 2006) is recorded as non-current liabilities, as shown in Note 22.a), and R$ 6.3 (R$ 6.6 as of December 31, 2006) is accrued in the same period in which certain subsidiaries realize the revaluation reserve, since these revaluations occurred prior to the issuance of CVM Resolution No. 183/95.

Construction in progress refers substantially to construction of the fatty alcohols plant of the subsidiary Oleoquímica Indústria e Comércio de Produtos Químicos Ltda. in the amount of R$ 141.5, and the new alkoxylation plant of subsidiary Oxiteno S.A. Indústria e Comércio in the amount of R$ 40.1, as well as expansions and renovations of subsidiaries plants, the construction and modernization of gas stations and terminals for distribution of fuel of subsidiaries Companhia Brasileira de Petróleo Ipiranga and Distribuidora de Petróleo Ipiranga S.A., in the amount of R$ 38.9.

Advances to suppliers refer basically to purchases of equipment for the fatty alcohols plant of subsidiary Oleoquímica Indústria e Comércio de Produtos Químicos Ltda.

**12. Intangible assets, net**

| | Annual amortization average rates - % | June 30, 2007 (unaudited) | | | December 31, 2006 |
|---|---|---|---|---|---|
| | | Cost | Accumulated amortization | Net book value | Net book value |
| Software | 20 | 105.2 | (72.5) | 32.7 | 24.6 |
| Commercial property rights | 3 | 16.3 | (1.9) | 14.4 | 14.6 |
| Goodwill | 20 | 15.4 | (10.3) | 5.1 | 6.1 |
| Technology | 20 | 20.5 | (5.2) | 15.3 | 15.2 |
| Other | 10 | 1.4 | (0.9) | 0.5 | 0.5 |
| | | 158.8 | (90.8) | 68.0 | 61.0 |

Aggregate amortization expense for the above intangible assets amounted to R$ 6.1 (R$ 5.6 as of June 30, 2006).

Table of Contents

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**(Amounts in millions of Brazilian reais R$, unless otherwise stated)**

The estimated aggregate amortization expense for the next five years is as follows:

| | |
|---|---|
| Until 1 year | 15.3 |
| From 1 to 2 years | 11.8 |
| From 2 to 3 years | 9.4 |
| From 3 to 4 years | 7.8 |
| From 4 to 5 years | 5.4 |
| Thereafter | 18.3 |
| Total | 68.0 |

Commercial property rights, refer mainly to those described below:

On July 11, 2002, the indirect subsidiary Terminal Químico de Aratu S.A. Tequimar signed a contract with CODEBA Companhia Docas do Estado da Bahia for use of the site on which it operates its Aratu Terminal for 20 years, renewable for another 20 years. The amount of R$ 12.0 paid by Tequimar is being amortized from August, 2002 to July 2042.

Further, subsidiary Terminal Químico de Aratu S.A. Tequimar has a 20-year lease of an area adjacent to the Santos harbor which allows it to build, operate and exploit the terminal, intended for the distribution of liquid bulk renewable for another 20 years. The price paid by Tequimar was R$ 4.3 and is being amortized from August 2005 until December 2022.

**13. Deferred charges, net**

| | Annual amortization rates - % | June 30, 2007 (unaudited) Cost | Accumulated amortization | Net book value | December 31, 2006 Net book value |
|---|---|---|---|---|---|
| Expenses with studies and projects | 20 | 67.6 | (14.8) | 52.8 | 39.7 |
| Pre-operating expenses | 12 | 6.7 | (2.9) | 3.8 | 4.6 |
| Installation of Ultrasystem equipment at customers facilities | 33 | 175.0 | (113.6) | 61.4 | 61.0 |
| Goodwill | 10 | 439.6 | (14.8) | 424.8 | 6.0 |
| Other | 20 | 2.4 | (1.4) | 1.0 | 1.0 |
| | | 691.3 | (147.5) | 543.8 | 112.3 |

Expenses with studies and projects include, mainly, the LPG distribution structure review project and expenses for the Rio de Janeiro Petrochemical Complex (COMPERJ) project.

Goodwill related to the share acquisitions of Petrolog Serviços e Armazéns Gerais Ltda. in the amount of R$ 6.5, and for Ipiranga in the amount of R$ 424.7 are being amortized in 10 years (see Note 3).

Table of Contents

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**(Amounts in millions of Brazilian reais R$, unless otherwise stated)**

## 14. Loans, financing and debentures

### a) Composition

| Description | June 30, 2007 (unaudited) | December 31, 2006 | Index/ Currency | Annual interest rate 2007 - % | Maturity |
|---|---|---|---|---|---|
| Foreign currency: | | | | | |
| Syndicated loan (b) | 115.7 | 128.5 | US$ | 5.05 | 2008 |
| Notes in the foreign market (b) | 115.9 | 128.7 | US$ | 9.00 | 2020 |
| Notes in the foreign market (c) | 482.5 | 535.6 | US$ | 7.25 | 2015 |
| Notes in the foreign market (d) | 112.5 | | US$ | 9.88 | 2008 |
| Working capital loan | 6.4 | 1.4 | MX$ + TIIE(i) | 1.0 | 2008 |
| Working capital loan | 2.6 | | US$ | From 7.12 to 8.55 | 2007 |
| Foreign financing | 23.6 | 26.1 | US$ + LIBOR | 2.0 | 2009 |
| Financing for inventories and property additions | 22.7 | 14.4 | MX$ + TIIE(i) | From 1.1 to 2.0 | From 2009 to 2014 |
| Financing for inventories and property additions | 3.2 | | US$ + LIBOR | From 1.5 to 1.75 | 2009 |
| Import financing (REFINIMP) | 2.0 | | US$ | 6.8 | 2007 |
| Import financing (FINIMP) | 5.2 | | US$ + LIBOR | 0.23 | 2007 |
| Advances on foreign exchange contracts | 36.8 | 1.3 | US$ | From 5.20 to 6.20 | <149 days |
| National Bank for Economic and Social Development (BNDES) | 9.0 | 12.9 | UMBNDES(ii) | From 4.50 to 10.38 | From 2007 to 2011 |
| National Bank for Economic and Social Development (BNDES) | 10.6 | 10.1 | US$ | From 7.68 to 10.83 | From 2010 to 2013 |
| Export prepayments | 6.7 | 11.1 | US$ | 6.2 | 2008 |
| Subtotal | 955.4 | 870.1 | | | |
| Unrealized losses on swap transactions | 67.4 | 52.3 | | | |
| Subtotal | 1,022.8 | 922.4 | | | |
| Local currency: | | | | | |
| National Bank for Economic and Social Development (BNDES) | 199.7 | 199.9 | TJLP(iii) | From 1.80 to 4.85 | From 2007 to 2013 |
| National Bank for Economic and Social Development (BNDES) | 4.7 | 7.0 | IGP-M(iv) | 6.5 | 2008 |
| Government Agency for Machinery and Equipment Financing (FINAME) | 73.8 | 40.7 | TJLP(iii) | From 2.5 to 5.10 | From 2007 to 2011 |
| Research and projects financing (FINEP) | 67.3 | 46.9 | TJLP(iii) | From (2.0) to 5.0 | From 2009 to 2014 |
| Debentures (e.1) | 312.1 | 312.8 | CDI(v) | 102.5 | 2008 |
| Debentures (e.2) | 692.7 | | CDI(v) | 102.5 | 2008 |
| Debentures (e.3) | 360.5 | | CDI(v) | 103.8 | 2011 |
| Banco do Nordeste do Brasil | 44.2 | 19.8 | | From 9.78 to 11. 5 | 2018 |
| Financial institutions | 91.4 | | CDI(v) | 100 | 2008 |
| Debit balance | 15.0 | | | Free of charge | 2007 |

| | | |
|---|---|---|
| Other | 0.3 | 0.2 |
| Subtotal | 1,861.7 | 627.3 |
| Total financing and debentures | 2,884.5 | 1,549.7 |
| Current liabilities | (1,385.4) | (167.9) |
| Long-term liabilities | 1,499.1 | 1,381.8 |

Table of Contents

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**(Amounts in millions of Brazilian reais R$, unless otherwise stated)**

(i) MX$ = Mexican pesos, TIIE = Mexican break-even interbank interest rate.
(ii) UMBNDES = BNDES monetary unit. This is a basket of currencies representing the composition of BNDES debt in foreign currency, 93% of which is linked to the U.S. dollar.
(iii) TJLP = long-term interest rate.
(iv) IGP-M = general market price index, is a measure of Brazilian inflation calculated by the Getúlio Vargas Foundation.
(v) CDI = Interbank deposit rate

Annual maturities of long-term financing

| | June 30, 2007 (unaudited) |
|---|---|
| From 1 to 2 years | 433.0 |
| From 2 to 3 years | 219.1 |
| From 3 to 4 years | 164.2 |
| From 4 to 5 years | 36.2 |
| Thereafter | 646.6 |
| Total | 1,499.1 |

**b) Notes in the foreign market and syndicated loan**

In June 1997, the subsidiary Companhia Ultragaz S.A. issued US$ 60 million in notes, (Original Notes) maturing in 2005. In June 2005, maturity was extended to June 2020 with put/call options in June 2008.

In June 2005, the subsidiary Oxiteno Overseas Corp. acquired the full amount of Original Notes issued by Companhia Ultragaz S.A., with funds from a syndicated loan in the amount of US$ 60 million with maturity in June 2008 and interest rate of 5.05% per year. The syndicated loan was guaranteed by the Company and the subsidiary Oxiteno S.A. Indústria e Comércio.

In April 2006, the subsidiary Oxiteno Overseas Corp. sold the Original Notes to a financial institution. Concurrently, the subsidiary acquired from this financial institution a credit linked note backed by the Original Notes, as mentioned in Note 5, thus obtaining an additional return on this investment. The transaction matures in 2020, and the subsidiary as well as the financial institution may redeem it early, although the subsidiary has only an annual option of redemption (purchase) in or after June 2008. In the event of insolvency of the financial institution, Companhia Ultragaz S.A. would be required to settle the Original Notes, although Oxiteno Overseas Corp. would continue to be creditor of the credit linked note. Thus, the Company does not eliminate the Original Notes in its consolidated financial statements.

**c) Notes in the foreign market**

In December 2005, the subsidiary LPG International Inc. issued notes in the amount of US$ 250 million, maturing in December 2015, with annual interest rate of 7.25% paid semiannually, with the first payment scheduled for June 2006. The issue price was 98.75% of the notes face value, which represented a total yield for investors of 7.429% per annum upon issuance. The notes were guaranteed by the Company and by Oxiteno S.A.- Indústria e Comércio.

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**(Amounts in millions of Brazilian reais R$, unless otherwise stated)**

As a result of the issuance of notes and the syndicated loan, the Company and its subsidiaries mentioned previously are subject to covenants that limit, among other things:

Transactions with shareholders that hold amounts of 5% or more of any class of Capital Stock of the Company, except upon fair and reasonable terms no less favorable to the Company than could be obtained in a comparable arm s-length transaction with a third party.

Obligation of having Board of Directors resolution for transactions with related parties higher than US$ 15 million (excepting transactions by the Company with subsidiaries and between subsidiaries).

Restriction of disposal of the totality or near totality of the assets of Company and subsidiaries.

Restriction of encumbrances on assets in excess of US$ 150 million or 15% of the value of consolidated tangible assets.

Maintenance of financial ratio, between consolidated net debt and consolidated EBITDA (Earning Before Interest, Taxes, Depreciation and Amortization), less than or equal to 3.5.

Maintenance of financial ratio, between consolidated EBITDA and consolidated net financial expenses higher than or equal to 1.5.

The restrictions imposed on the Company and its subsidiaries are usual in transactions of this nature and have not limited their ability to conduct their business to date.

The Company is in compliance with all covenants at June 30, 2007.

**d) Notes in the foreign market**

On August 1, 2003, subsidiary Companhia de Petróleo Ipiranga issued US$ 135 millions in notes in the international market. On August 1, 2005, when the interest levied increased from 7.875% per year to 9.875% per year, these securities were partly redeemed in the amount of US$ 1.3 million or R$ 3.1 millions. In 2006, partial redemption was performed in the amount of US$ 79.6 millions or R$ 164.9 millions, which represented the acceptance of CBPI s repurchase offer to the note holders.

**e) Debentures**

e.1) On March 1, 2005, the Company issued single series of 30,000 nonconvertible debentures, whose main features are:

| | |
|---|---|
| Nominal unit value: | R$ 10.000 (ten thousands reais). |
| Final maturity: | March 1, 2008. |
| Nominal value payment: | Lump sum at final maturity. |
| Yield: | 102.5% of CDI. |

| | |
|---|---|
| Yield payment: | Semiannually, beginning March 1, 2005. |
| Repricing: | None. |

The debentures are subject to commitments that restrict, among other things, certain operations of merger or spin-off, as well as the disposal of operating assets that would result in a reduction of more than 25% of consolidated net sales, and include the obligation to maintain a consolidated net debt to consolidated EBITDA ratio less than or equal to 3.5. None of these commitments have restricted the ability of Company and its subsidiaries to conduct business.

Table of Contents

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**(Amounts in millions of Brazilian reais R$, unless otherwise stated)**

e.2) On April 11, 2007, the Company issued debentures in the amount of R$ 889.0, of which a first series was received on April 18, 2007, in the total amount of R$ 675.0 with maturity on April 11, 2008 and semiannual yield of 102.5% of CDI, and the second series in the amount of R$ 214.0 to be issued (see Note 26 Subsequent Event).

| | |
|---|---|
| Nominal unit value: | R$ 675.000.000 (six hundred seventy five millions reais). |
| Final maturity: | April 11, 2008 |
| Nominal value payment: | Lump sum at final maturity |
| Yield: | 102.5% of CDI |
| Yield payment: | Semiannually, beginning October11, 2007 |
| Repricing: | None |

e.3) On April 18, 2006, subsidiary Companhia Brasileira de Petróleo Ipiranga registered in the Brazilian Securities and Exchange Commission CVM, the public distribution of 35,000 debentures, single series, non-convertible into shares and non-preferred (chirographary) whose main features are:

| | |
|---|---|
| Nominal unit value: | R$ 10.000 (ten thousands reais). |
| Final maturity: | April 1, 2011 |
| Nominal value payment: | three quotas in 2009, 2010 and 2011 |
| Yield: | 103.8% of CDI |
| Yield payment: | Semiannually, beginning April 1, 2006 |

The Company and its subsidiaries have in some loans, financing and debentures (Syndicated loan, Notes in the foreign market and Debentures) clauses of cross default which oblige the Company to pay the contracted debt in case of default of any other debts in the amount equal or higher than US$ 10 millions. As of June 30, 2007 no default has occurred in relation to the Company s debt.

**f) Collateral**

A portion of the financing is collateralized by liens on property, plant and equipment, shares of investee and guarantees provided by the Company and its subsidiaries and by minority shareholders, as shown below:

| | **June 30, 2007 (unaudited)** | **December 31, 2006** |
|---|---|---|
| Amount of financing secured by: | | |
| Property, plant and equipment | 74.4 | 42.7 |
| Shares of investee minority and shareholders guarantees | 4.7 | 7.0 |
| Total | 79.1 | 49.7 |

Other loans are collateralized by guarantees issued by Company and by the future flow of exports. The Company is responsible for sureties and guarantees offered on behalf of its subsidiaries, amounting to R$ 979.2 (R$ 1,073.1 as of December 31, 2006).

Certain subsidiaries have issued guarantees to financial institutions related to amounts owed to those institutions by certain of their customers (vendor financing). There are no recourse provisions or collaterals that would enable the Company or its subsidiaries to recover any amounts paid to the financial institutions under these agreements. In the event such payments are made, the subsidiaries may recover such amounts paid directly

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**(Amounts in millions of Brazilian reais R$, unless otherwise stated)**

from their customers. Maximum future payments related to these guarantees amount to R$ 20.0 (R$ 34.9 as of December 31, 2006), with terms of up to 210 days. As of June 30, 2007, the Company and its subsidiaries have not incurred any loss nor recorded any liability related these guarantees.

**15. Shareholders equity**

**a) Capital**

The Company is a listed corporation with shares traded on the São Paulo and New York Stock Exchanges. Subscribed and paid-up capital is represented by 81,325,409 shares without par value, comprised of 49,429,897 common shares and 31,895,512 preferred shares.

As of June 30, 2007, 10,701,954 preferred shares were outstanding abroad, in the form of American Depositary Receipts ADRs.

The Extraordinary Shareholders Meeting held on July 20, 2005 approved reverse stock split, attributing 1 (one) share in substitution for every 1,000 (thousand) existing shares. Likewise, each American Depositary Share ADS, previously representative of a lot of 1,000 (thousand) preferred shares, became representative of 1 (one) preferred share.

Preferred shares are not convertible into common shares, do not entail voting rights, and have priority in capital redemption, without premium, in the event of liquidation of the Company.

At the beginning of 2000, the Company granted, through a shareholders agreement, tag-along rights, which assure to minority shareholders identical conditions to those negotiated by the controlling shareholders in case of disposal of shareholding control of the Company. The tag-along rights guarantee 100% of the offer price for all types of shares issued by the Company. On May 18, 2004, the Company included the tag-along rights in its bylaws.

The Company is authorized to increase its capital, regardless of amendment to the bylaws, through a resolution of the Board of Directors, until it reaches R$ 1,500,000, by means of issuance of common or preferred shares, without keeping the existing ratio, observing the limit of 2/3 of preferred shares, to the total of the shares issued.

**b) Treasury shares**

The Company acquired its own shares at market prices, without capital reduction, for holding in treasury and subsequent disposal or cancellation, in accordance with the provisions of Brazilian Securities Commission (CVM) Instructions No. 10 of February 14, 1980 and No. 268 of November 13, 1997.

During the first semester of 2007, 354,900 preferred shares were acquired at the average cost of R$ 59.01 per share regarding to the share repurchase program approved in the Board of Director s Meeting of August 02, 2006.

As of June 30, 2007, the Company and its subsidiaries held 763,547 preferred shares (516,597 preferred shares, net of shares provided to certain executives of these subsidiaries as described in Note 23) and 6,617 common shares in treasury, which had been acquired at the average cost of R$ 49.17 (whole Brazilian reais) and R$ 19.30 (whole Brazilian reais) per share, respectively. The average acquisition cost, was adjusted to reflect the stock dividends and reverse stock split.

Table of Contents

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**(Amounts in millions of Brazilian reais R$, unless otherwise stated)**

The market price of preferred shares issued by the Company as of June 30, 2007 on the BOVESPA (São Paulo Stock Exchange) was R$ 64.39.

**c) Capital reserve**

The capital reserve in the amount of R$ 0.7 reflects the goodwill of the sale of shares at market price to be held in treasury in the Company s subsidiaries, at the average price of R$ 36.00 (whole Brazilian reais) per share. These shares were provided to certain executives of these subsidiaries as described in Note 23.

**d) Revaluation reserve**

This reserve reflects the revaluation write-up of assets of subsidiaries and is realized based upon depreciation, write-off or disposal of revalued assets, including the related tax effects.

In some cases, taxes on the revaluation reserve of certain subsidiaries are recognized only upon the realization of this reserve since the revaluations occurred prior to the publication of CVM Resolution No.183/95, as mentioned in Note 11.

**e) Profit reserves**

**Legal reserve**

Under Brazilian corporate law, the Company is required to appropriate 5% of annual earnings to a legal reserve, until the balance reaches 20% of capital stock. This reserve may be used to increase capital or absorb losses, but may not be distributed as dividends.

**Reserve for retention of profits**

This reserve is supported by the investment program, in conformity with article 196 of Brazilian corporate law, and includes both a portion of net income and the realization of the revaluation reserve.

**Unrealized profit reserve**

This reserve is established in conformity with article 197 of Brazilian corporate law, based on the equity pick-up in subsidiaries and affiliated companies. The realization of this reserve usually occurs on receipt of dividends, sale and write-off of investments.

**f) Dividends and appropriation of net income (Company)**

According to the Company s bylaws, shareholders are entitled to a minimum annual dividend of 50% of adjusted net income, calculated under the terms of accounting practices adopted in Brazil.

Table of Contents

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**(Amounts in millions of Brazilian reais R$, unless otherwise stated)**

## 16. Financial income (expenses), net

| | June 30, 2007 (unaudited) | June 30, 2006 (unaudited) |
|---|---|---|
| Financial income: | | |
| Interest on cash and cash equivalents, short and long-term investments | 72.5 | 83.7 |
| Interest on trade accounts receivables | 6.6 | 2.9 |
| Monetary and exchange variation income | (11.1) | (13.8) |
| Other income | 0.9 | 1.0 |
| | 68.9 | 73.8 |
| Financial expense: | | |
| Interest on financing | (45.8) | (42.7) |
| Interest on debentures | (45.1) | (24.0) |
| Bank charges | (8.7) | (6.5) |
| Monetary and exchange variation expenses | 23.7 | 15.1 |
| Financial results from currency swap transactions | (9.1) | (11.7) |
| CPMF/IOF/other financial expenses | (12.0) | 33.5 |
| Other expenses | (7.0) | (2.6) |
| | (104.0) | (38.9) |
| Financial income (expenses), net | (35.1) | 34.9 |

## 17. Nonoperating income (expenses), net

Composed mainly of R$ 1.5 as of June 30, 2007 (R$ 6.7 as of June 30, 2006) in write-off of deferred assets related to studies and projects, and R$ 0.5 as of June 30, 2007 (R$ 6.5 as of June 30, 2006) of result on the sale of property, plant and equipment, mainly gas cylinders and vehicles.

## 18. Segment information

The Company has four relevant segments: gas, chemical, logistics and distribution. The gas segment distributes LPG to residential, commercial and industrial consumers mainly in the South, Southeast and Northeast regions of Brazil. The chemical segment primarily produces ethylene oxide and byproducts, which are raw materials for the textiles, foods, cosmetics, detergents, agricultural chemicals, paints and varnishes industries, among other. Operations in the logistics segment include storage and transportation, mainly in the Southeast and Northeast regions of Brazil. The distribution segment operates in distribution of fuels, lubricants and related products in the South and Southeast regions of Brazil. Reportable segments are strategic business units that provide different products and services. Intersegment sales are transacted at prices that are freely negotiated and approximate those that could be obtained with third parties.

Table of Contents

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**(Amounts in millions of Brazilian reais R$, unless otherwise stated)**

The principal financial information about each of the Company s reportable segments is as follows:

| | June 30, 2007 (unaudited) | | | | | | June 30, 2006 (unaudited) |
|---|---|---|---|---|---|---|---|
| | **Ultragaz** | **Oxiteno** | **Ultracargo** | **Ipiranga** | **Other** | **Consolidated** | **Consolidated** |
| Net sales, net of intercompany transactions | 1,532.4 | 783.9 | 88.4 | 4,947.4 | 3.1 | 7,355.2 | 2,295.1 |
| Operating income before financial items and equity in subsidiary and affiliated companies | 78.8 | 46.1 | 10.8 | 84.2 | (7.8) | 212.1 | 149.1 |

| | June 30, 2007 (unaudited) | | | | | | December 31, 2006 |
|---|---|---|---|---|---|---|---|
| | **Ultragaz** | **Oxiteno** | **Ultracargo** | **Ipiranga** | **Other** | **Consolidated** | **Consolidated** |
| Total assets, net of related parties | 957.4 | 2,478.1 | 353.3 | 2,563.1 | 570.8 | 6,922.7 | 3,902.1 |

In the table above, the column other is composed mainly by parent company Ultrapar Participações S.A., that recorded the goodwill on the acquisition of Ipiranga, and by the participation in the oil refining business.

Disclosures of segments in accordance with U.S. GAAP are made in Note 25.V.h).

**19. Risks and financial instruments**

The main risk factors to which the Company and its subsidiaries are exposed reflect strategic-operating and economic-financial aspects. Strategic-operating risks (such as behavior of demand, competition, technological innovation and significant structural changes in industry, among others) are addressed by the Company s management model. Economic-financial risks mainly reflect customer default and macroeconomic variables, such as exchange and interest rates, as well as the characteristics of the financial instruments used by the Company. These risks are managed through control policies, specific strategies and the determination of limits, as follows:

Customer default These risks are managed by specific policies for accepting customers and analyzing credit and are mitigated by diversification of sales. As of June 30, 2007, Oxiteno S.A. Indústria e Comércio and its subsidiaries maintained R$ 1.4 (as of December 31, 2006 R$ 1.6) and the subsidiaries of Ultragaz Participações Ltda, maintained R$ 13.5 (as of December 31, 2006 R$ 20.0) and Ipiranga / Refinery maintained R$ 41.9 as an allowance for doubtful accounts.

Interest rates The Company and its subsidiaries adopt conservative policies to obtain and invest funds and to minimize the cost of capital. The temporary cash investments of the Company and its subsidiaries are comprised substantially of transactions linked to the CDI, as described in Note 4. A portion of the financial assets is intended for foreign currency hedges, as mentioned below. Borrowings are mainly originated from the BNDES, debentures and foreign currency financing are disclosed in Note 14.

Exchange rate The Company s subsidiaries use foreign currency swap instruments (mainly US$ and CDI) available in the financial market to cover assets and liabilities in foreign currency, so as to reduce the exchange rate variation effects on their results. Such swap instruments have amounts, periods and indexes equivalent to the assets and liabilities in foreign currency to which they are linked. The

Table of Contents

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**(Amounts in millions of Brazilian reais R$, unless otherwise stated)**

following summary shows assets and liabilities in foreign currency, translated into Brazilian reais at June 30, 2007 and December 31, 2006 at the corresponding year end exchange rates:

| | June 30, 2007 (unaudited) | December 31, 2006 |
|---|---|---|
| Assets: | | |
| Investments abroad and swap instruments | 63.3 | 94.4 |
| Foreign cash and cash equivalents abroad | 315.7 | 50.4 |
| Short and long-term investments in foreign currency | 388.2 | 726.9 |
| Receivables from foreign customers, net of advances on foreign exchange contracts and allowance for losses | 32.2 | 25.4 |
| Total | 799.4 | 897.1 |
| Liabilities: | | |
| Foreign currency financing | 955.4 | 870.1 |
| Import transactions payables | 14.6 | 30.9 |
| Total | 970.0 | 901.0 |
| Net asset (liability) position | (170.6) | (3.9) |

The exchange rate variation related to cash and cash equivalents, short and long-term investments in foreign currencies was recorded as financial expense in the consolidated statement of income for June 30, 2007, in the amount of R$ 13.0 (financial expense of R$ 14.3 as of June 30, 2006).

Market value of financial instruments

Market value of financial instruments as of June 30, 2007 and December 31, 2006 are as follows:

| | June 30, 2007 (unaudited) | | December 31, 2006 | |
|---|---|---|---|---|
| | Book value | Market value | Book value | Market value |
| Financial assets: | | | | |
| Cash and cash equivalents | 785.0 | 785.0 | 385.1 | 385.1 |
| Short-term investments | 804.3 | 818.7 | 737.3 | 734.6 |
| Long-term investments | 118.9 | 120.3 | 548.0 | 564.4 |
| | 1,708.2 | 1,724.0 | 1,670.4 | 1,684.1 |
| Financial liabilities: | | | | |
| Current and long-term financing and swaps | 1,519.2 | 1,545.4 | 1,236.9 | 1,265.3 |
| Current and long-term debentures | 1,365.3 | 1,365.2 | 312.8 | 312.7 |

| | | | | |
|---|---|---|---|---|
| | 2,884.5 | 2,910.6 | 1,549.7 | 1,578.0 |
| Investment: | | | | |
| Investments in affiliated companies | 26.6 | 33.0 | 25.5 | 29.0 |

The market value of financial instruments was obtained through the commonly used marking to market methodology, which consists of carrying the balances of the instruments until the maturity at the respective contracted rates, discounting them to present value at market rates as of June 30, 2007 and December 31, 2006. The market value of investments in affiliated companies is based on the share price trading on the BOVESPA São Paulo Stock Exchange.

Table of Contents

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**(Amounts in millions of Brazilian reais R$, unless otherwise stated)**

## 20. Contingencies and commitments

### a) Labor, civil and tax lawsuits

The Petrochemical Industry Labor Union, of which the employees of Oxiteno Nordeste S.A. Indústria e Comércio are members, filed a lawsuit against the subsidiary in 1990, demanding compliance with the adjustments established in collective labor agreement, in lieu of the salary policies effectively followed. At the same time, the employers association proposed a collective bargaining for the interpretation and clarification of the fourth clause of the agreement. Based on the opinion of its legal counsel, who analyzed the last decision of the Federal Supreme Court (STF) on the collective bargaining, as well as the status of the individual lawsuit of the subsidiary, management believes that an accrual for a potential loss is not necessary as of June 30, 2007.

The subsidiaries Companhia Ultragaz S.A. and SPGás Distribuidora de Gás Ltda. are parties to an administrative proceeding at the SDE (Economic Law Department), linked to CADE (Administrative Council for Economic Defense), under the allegation of anticompetitive practice in certain municipalities of the State of Minas Gerais in 2001. In September 2005, the SDE issued a technical notice recommending to CADE a ruling against the companies involved in this proceeding. In their defense, the subsidiaries arguments, among others, are that: (i) under the terms of the notice issued by the Company s chief executive officer on July 4, 2000, the subsidiaries employees were forbidden to discuss with third parties matters related to prices; and (ii) no consistent proof was attached to the proceeding s records. In view of the arguments presented, the fact that the technical notice has no binding effect on CADE s decision, and their legal counsel s opinion, the subsidiaries did not record a provision for this issue. Should CADE s decision be unfavorable, the subsidiaries could still discuss the issue at the judicial level.

The subsidiary Companhia Ultragaz S.A. is a defendant in lawsuits relating to damages caused by an explosion in 1996 in a shopping mall in the city of Osasco, State of São Paulo. Such lawsuits involve: (i) individual suits filed by victims of the explosion claiming damages from Ultragaz for the loss of economic benefit and for pain and suffering, (ii) reimbursement of expenses from management of the shopping mall and its insurance company, and (iii) a class action lawsuit seeking indemnification for material damages and pain and suffering for all the victims injured and deceased. The subsidiary believes that it has presented evidence that defective gas pipes in the shopping mall caused the accident and that Ultragaz s on-site LPG storage facilities did not contribute to the explosion. Of the 58 lawsuits judged so far, a favorable judgment was obtained for 57, and out of these 19 have already been dismissed; only 1 had an unfavorable decision, which is still subject to appeal, and whose amount, should the decision be upheld, is R$ 0.017. Three lawsuits have not yet been judged. The subsidiary has insurance coverage for these lawsuits, and the uninsured contingent amount is R$ 23.6 as of June 30, 2007. The Company has not recorded any provision for this amount, since it believes the probability of loss is remote.

The Company and its subsidiaries obtained injunctions to pay PIS and COFINS (taxes on revenues) without the changes introduced by Law No. 9718/98 in its original version. The ongoing questioning refers to the levy of these taxes on sources of income other than revenues. Recently the STF has decided the matter favorable to the taxpayer. Although it is a precedent, the effect of this decision does not automatically apply to all the companies, since they have to await judgment of their own lawsuit. In the first semester of 2007 final decisions were rendered for the Company and its subsidiaries which reversed the accrual previously recorded, in the amount of R$ 12.8 (in the first semester of 2006 R$ 17.2 of accrual reversal and R$ 26.2 of recovery of amounts paid in previous periods), net of attorney s fees, as financial income in the statement of income for the period. The Company has other subsidiaries whose lawsuits have not yet been judged in the amount of R$ 28.9, net of attorney s fees.

Table of Contents

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**(Amounts in millions of Brazilian reais R$, unless otherwise stated)**

The Company s subsidiary Oxiteno S.A. Indústria e Comércio accrued R$ 9.2 (R$ 8.9 as of December 31, 2006) for ICMS tax assessments being judged at lower-level administrative courts. The subsidiary is currently awaiting decision on the appeal.

The Company s subsidiary Utingás Armazenadora S.A. has challenged in court ISS (Service Tax) tax assessments issued by the municipal government of Santo André. Legal counsel of the subsidiary classifies the risk as low, since a significant portion of the lower-court decisions was favorable to the subsidiary. The argument defended by the subsidiary is supported by the opinion of a renowned tax specialist. The unprovisioned updated amount of the contingency as of June 30, 2007 is R$ 39.0 (R$ 33.4 as of December 31, 2006).

On October 07, 2005, the subsidiaries of Ultragaz Participações Ltda. filed for and obtained an injunction to support the offset of PIS and COFINS credits against other federal taxes administered by the Federal Revenue Service (SRF), notably corporate income tax and social contribution taxes. According to the injunction obtained, the subsidiaries have been making escrow deposits for these debits in the amount of R$ 55.9 as of June 30, 2007 (R$ 32.3 as of December 31, 2006) and recognizing the corresponding liability for this purpose.

Subsidiaries Ultragaz Participações Ltda, Cia. Ultragaz S.A., Utingás Armazenadora S.A., Terminal Químico de Aratu S.A. Tequimar, Transultra Armazenamento e Transporte Especializado Ltda. and Ultracargo Operações Logísticas e Participações Ltda., hold judicial measures petitioning the full and immediate utilization of supplementary monetary adjustment based on the Consumer Price Index (IPC) / National Treasury Bonds (BTN) for 1990 (Law No. 8.200/91), and hold accruals in the amount of R$ 13.1 as a possible contingency, in case of unfavorable outcome of such lawsuits.

On December 29, 2006, the subsidiaries Oxiteno S.A Indústria e Comércio, Oxiteno Nordeste S.A Indústria e Comércio, Companhia Ultragaz S.A. and Transultra Armazenamento e Transporte Especializado Ltda filed for an injunction seeking the deduction of ICMS from PIS and COFINS tax basis. Oxiteno Nordeste S.A Indústria e Comércio received an injunction and is paying the amounts into judicial deposits, as well as recording the respective accrual in the amount of R$ 4.9 as of June 30, 2007; the others subsidiaries did not receive similar injunction and are waiting the judgment of an appeal to Regional Federal Court TRF of the 3rd Region.

The Company and some subsidiaries filed a request for an injunction seeking not to be subject to the legislation that restricted the offset of corporate income tax (IRPJ) and social contribution (CSLL) tax loss carryforwards computed through December 31, 1994 to 30% of income for the year. There are good precedents for these discussions when it is proven that there was only a postponement of payment of IRPJ and CSLL to the following years, as is the case of the Company s subsidiaries, and legal counsel understands that the chances of success of the challenge in the judicial sphere is possible. As of June 30, 2007, the contingency is estimated at R$ 6.5.

Regarding Ipiranga / Refinery, the main provisions for contingencies refer to: (a) requirements for the reversal of ICMS credits on transportation services taken during the freight reimbursement system established by DNC (currently National Agency for Petroleum ANP), in the amount of R$ 6.9; (b) requirements for the reversal of ICMS credits in the State of Minas Gerais, on interstate outflows carried under Article 33 of ICMS Agreement 66/88, which allowed the maintenance of credits and which was suspended by an injunction conceded by the Supreme Court STF, in the amount of R$ 26.9; (c) reversal of the deduction of unconditional discounts from the ICMS calculation basis, in the State of Minas Gerais, as a result of tax substitution, in the amount of R$ 15.4; (d) litigation based on clauses of contracts with clients; (e) claims made by former employees and outsourced personnel regarding salary related amounts.

Table of Contents

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**(Amounts in millions of Brazilian reais R$, unless otherwise stated)**

The main tax contingencies of Ipiranga / Refinery which present risks evaluated as possible, and which, based in this evaluation, have not been accrued for in the interim financial statements, refer to ICMS, in the total amount of R$ 107.7 and relate, mainly to: (a) requirements for the reversal of credits on interstate outflows; (b) requirements of ICMS on the purchases of basic oils; (c) demands to reverse credits related with interstate transport services operations; (d) demands to reverse credits derived from excess taxation generated on the purchase of products in the petroleum refinery under the tax substitution system; (e) demands to reverse credits in operations with alcohol (anhydrous fuel alcohol) in the State of São Paulo; (f) tax assessment resulting from operations of alcohol loan devolutions (anhydrous fuel alcohol). In addition, subsidiary Distribuidora de Produtos de Petróleo Ipiranga S.A. DPPI and its subsidiaries have tax assessments concerning non-homologation of IPI credits originated in acquisitions of products whose subsequent sales had no taxation. The non-accrued contingent amount as of June 30, 2007, is R$ 15.2.

The Company and its subsidiaries have other ongoing administrative and judicial proceedings. Legal counsel classified the risks on these proceedings as possible and/or remote and, therefore, no reserves for potential losses on these proceedings have been recorded. The Company and its subsidiaries also have litigations that aims at recovery of taxes and contributions, that have not been registered in the interim financial statements due to their contingent nature.

Accruals and escrow deposits are summarized below:

| **Provisions** | **Balance in 12/31/2006** | **Initial balance of Ipiranga / Refinery** | **Additions** | **Write-offs** | **Interest** | **Balance in 06/30/2007 (unaudited)** |
|---|---|---|---|---|---|---|
| Income and social contribution taxes | 36.0 | | 38.6 | | 3.0 | 77.6 |
| PIS and COFINS on other revenues | 14.4 | | | (12.7) | 0.2 | 1.9 |
| PIS on rendering of services | 0.3 | | | | | 0.3 |
| ICMS | 15.8 | 50.2 | 4.9 | (6.8) | 1.0 | 65.1 |
| INSS | 2.2 | | | | 0.2 | 2.4 |
| Other | | 0.9 | 0.8 | (0.3) | 0.4 | 1.8 |
| Civil lawsuits | | 5.2 | 0.5 | (0.4) | (0.3) | 5.0 |
| Labor claims | | 13.4 | 0.4 | (0.4) | | 13.4 |
| (-) Escrow deposits | (32.2) | (7.1) | (26.1) | | (2.3) | (67.7) |
| Total | 36.5 | 62.6 | 19.1 | (20.6) | 2.2 | 99.8 |

**b) Take or pay commitments**

The Company s subsidiary Terminal Químico de Aratu S.A. Tequimar has contracts with CODEBA and Complexo Industrial Portuário Governador Eraldo Gueiros, in connection with their port facilities in Aratu and Suape, respectively. Such contracts establish minimum cargo movement of 1,000,000 tons per year for Aratu, effective through 2022, and 250,000 tons per year for Suape, effective through 2027. If annual movement is less than the established minimum, the subsidiary is required to pay the difference between the actual movement and the minimum contractual movement using the port rates in effect at the date of payment. As of June 30, 2007, such rates were R$ 4.59 and R$ 3.97 per ton for Aratu and Suape, respectively. The subsidiary has met the minimum cargo movement limits since inception of the contracts. At June 30, 2007, future minimum lease payments under these operating leases are: R$ 5.6 in 2007, R$ 5.6 in 2008, R$ 5.6 in 2009, R$ 5.6 in 2010, R$ 5.6 in 2011 and thereafter R$ 63.4. A substantial part of these leases are paid directly to the port authorities by Tequimar s customers. The part of such lease expenses paid by Tequimar amounted to R$ 0.8 as of June 30, 2007 and R$ 1.1 as of June 30, 2006.

Table of Contents

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**(Amounts in millions of Brazilian reais R$, unless otherwise stated)**

The Company s subsidiary Oxiteno Nordeste S.A. Indústria e Comércio has a supply contract with Braskem S.A., that establishes a minimum annual consumption level of ethylene per year. The minimum purchase commitment and the actual demand for the six-month periods ended June 30, 2007 and 2006, expressed in tons of ethylene, are summarized below. Should the minimum purchase commitment not be met, the subsidiary would be liable for a fine of 40% of the current ethylene price for the quantity not purchased.

| | Minimum purchase Commitment | | Actual demand (unaudited) | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| In tons of ethylene | 180,000 | 137,900 | 96,221 | 90,968 |

At June 30, 2007, future minimum purchase commitments under this contract, based on the price prevailing at that date, are: R$ 214.1 in 2007, R$ 226.0 in 2008, R$ 237.9 in 2009, R$ 249.8 in 2010, R$ 261.7 in 2011 and R$ 2,771.3 between 2012 and 2021. Total purchases made under this contract were R$ 340.9 as of June 30, 2007 and R$ 299.4 as of June 30, 2006.

On August 16, 2006 the subsidiary signed a memorandum of understanding, altering the ethylene supply contract with Braskem S.A. described above. The memorandum of understanding regulates new conditions of ethylene supply through 2021, and in 2007 and 2008 the subsidiary will have an additional volume of ethylene, with the minimum quantity in tons increasing to 180 thousand and 190 thousand, respectively. The new condition provided for in the memorandum of understanding are reflected in future minimum purchase commitments mentioned above.

**c) Insurance coverage for subsidiaries**

The Company has insurance policies to cover various risks, including loss and damage from fire, lightning, explosion of any nature, windstorm, plane crash and electrical damage, among others, protecting the plants and other branches of all subsidiaries except Ipiranga / Refinery, with coverage amounting to US$ 404 million.

For the plants of Oxiteno S.A. Indústria e Comércio, Oxiteno Nordeste S.A. Indústria e Comércio and Oxiteno MéxicoS.A. de C.V., there is also a loss of income insurance against losses from potential accidents related to their assets, with coverage amounting to US$ 242 million.

A civil liability insurance program covers the Company and its subsidiaries, with global coverage of US$ 200 million, for losses and damages from accidents caused by third parties, related to the commercial and industrial operations and/or distribution and sale of products and services.

Group life insurance, personal accident insurance, health insurance, and domestic and international transportation insurance are also contracted.

Ipiranga / Refinery have an insurance and risk management program which provides coverage for all their insurable assets, as well as coverage against risks resulting from the interruption of production, by means of an operating risk policy negotiated with the national and international insurance market, through the Brazilian Reinsurance Institute.

The coverage and limits insured by the policies are based on a detailed study of risks and losses, prepared by local insurance consultants. Management considers the type of insurance contracted sufficient to cover possible claims, in view of the nature of the activities of the companies.

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**(Amounts in millions of Brazilian reais R$, unless otherwise stated)**

The main coverages are related to operating risks, loss of profits, multiple industrial perils, multiple office risks, named perils pools and civil liability.

**21. Related companies**

The balances and transactions with related parties are as follows:

| | June 30, 2007 (unaudited) | | | |
|---|---|---|---|---|
| | Loans | | Trade accounts | |
| | Assets | Liabilities | Receivable | Payable |
| Química da Bahia Indústria e Comércio S.A. | | 3.6 | | |
| Serma Associação dos Usuários de Equipamentos de Processamentos de Dados e Serviços Correlatos | 9.9 | | | |
| Petroquímica União S.A. | | | | 0.4 |
| Oxicap Indústria de Gases Ltda. | | | | 0.8 |
| Liquigás Distribuidora S.A | | | 0.2 | |
| Petróleo Brasileiro S.A. Petrobras | | | 7.6 | 194.2 |
| Copagaz Distribuidora de Gás S.A. | | | 0.1 | |
| Braskem S.A. | | | | 6.3 |
| SHV Gás Brasil Ltda. | | | 0.2 | |
| Plenogás Distribuidora de Gás S.A. | | 0.9 | | |
| Refinaria de Petróleo Ipiranga S.A. (*) | 32.2 | | | 4.8 |
| Other | | 0.2 | | |
| Total at June 30, 2007 | 42.1 | 4.7 | 8.1 | 206.5 |
| Total at December 31, 2006 | 7.4 | 4.7 | 0.4 | 13.8 |

(*) The loan with Refinaria de Petróleo Ipiranga S.A., refers to the acquisition of subscription rights from Distribuidora de Produtos de Petróleo Ipiranga S.A., with maturity on October 3, 2007. The amount in the table above refers to the receivable that was not eliminated on consolidation, given that RPI s consolidation is proportional (1/3 according to CVM 247 Instruction).

With exception of the loans with Química da Bahia Indústria e Comércio S.A. and Refinaria de Petróleo Ipiranga S.A., loans are not subject to financial charges.

| | Six-month period ended June 30, 2007 (unaudited) | | |
|---|---|---|---|
| | Transactions | | Financial |
| | Sales | Purchases | expenses |
| Petroquímica União S.A. | 0.1 | 61.7 | |
| Oxicap Indústria de Gases Ltda. | | 5.0 | |
| Liquigás Distribuidora S.A. | 1.9 | | |
| Química da Bahia Indústria e Comércio S.A. | | | (0.1) |

| | | | |
|---|---|---|---|
| Petróleo Brasileiro S.A. Petrobras | | 4,744.0 | |
| Copagaz Distribuidora de Gás Ltda. | 0.5 | | |
| Braskem S.A. | 25.3 | 340.9 | |
| SHV Gás Brasil Ltda. | 0.8 | | |
| Refinaria de Petróleo Ipiranga S.A. (**) | 0.2 | 149.4 | 0.7 |
| Other | 0.4 | | |
| Total | 29.2 | 5,301.0 | 0.6 |
| Total six-month period ended June 30, 2006 (unaudited) | 28.8 | 1,341.0 | (0.1) |

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**(Amounts in millions of Brazilian reais R$, unless otherwise stated)**

(**) Purchase and sales transactions refer substantially to fuel supplies of RPI to DPPI. The amount in the table above refers to the transactions that were not eliminated on consolidation, given that RPI s consolidation is proportional.

Purchase and sale transactions refer, substantially, to purchases of raw materials, other materials and storage and transportation services, carried out at market prices and conditions.

## 22. Income and social contribution taxes

### a) Deferred income and social contribution taxes

The Company and its subsidiaries recognize tax assets and liabilities, which do not expire, arising from tax loss carryforwards, temporary add-backs, revaluation of property, plant and equipment and other procedures. Tax credits are based on the continuing profitability from operations. Deferred income and social contribution taxes are presented in the following principal categories:

| | June 30, 2007 (unaudited) | December 31, 2006 |
|---|---|---|
| Assets: | | |
| Deferred income and social contribution taxes on: | | |
| Provision for losses in assets | 42.0 | 20.4 |
| Provision for contingencies | 38.1 | 13.3 |
| Provision for post-retirement benefits (see Note 24.b) | 25.0 | |
| Other provisions | 36.8 | 25.8 |
| Income and social contribution on tax loss carryforwards | 42.3 | 26.0 |
| Total | 184.2 | 85.5 |
| Current portion | 74.5 | 27.3 |
| Noncurrent portion | 109.7 | 58.2 |
| Liabilities: | | |
| Deferred income and social contribution taxes on: | | |
| Revaluation of property, plant and equipment | 0.7 | 0.9 |
| Accelerated depreciation | 0.2 | |
| Income earned abroad | 25.8 | 25.3 |
| Total | 26.7 | 26.2 |
| Current portion | 0.2 | 0.2 |
| Noncurrent portion | 26.5 | 26.0 |

The estimated recovery of deferred income and social contribution tax assets is shown below:

| | |
|---|---|
| Until 1 year | 74.5 |
| From 1 to 2 years | 38.0 |
| From 2 to 3 years | 30.4 |
| From 3 to 4 years | 24.6 |
| From 5 to 7 years | 9.1 |

| | |
|---|---|
| From 8 to 10 years | 7.6 |
| | 184.2 |

Table of Contents

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**(Amounts in millions of Brazilian reais R$, unless otherwise stated)**

**b) Reconciliation of income and social contribution taxes to statutory tax rates**

| | June 30, 2007 (unaudited) | June 30, 2006 (unaudited) |
|---|---|---|
| Income before taxes, equity in subsidiaries and affiliated companies and minority interest | 172.1 | 170.8 |
| Official tax rates % | 34.0 | 34.0 |
| Income and social contribution taxes at official rates | (58.5) | (58.1) |
| Adjustments to the effective tax rate: | | |
| Operating provisions and nondeductible expenses/nontaxable income | | 1.7 |
| Adjustments to estimated income | 3.0 | 0.9 |
| Employees Meal Program (PAT) | 0.3 | 0.5 |
| Other adjustments | (0.2) | |
| Income and social contribution taxes before tax benefits | (55.4) | (55.0) |
| Benefits of tax holidays ADENE | 6.1 | 30.8 |
| Income and social contribution taxes per statement of income | (49.3) | (24.2) |
| Current | (77.4) | (66.2) |
| Deferred | 22.0 | 11.2 |
| Benefits of tax holidays ADENE | 6.1 | 30.8 |

**c) Tax loss carryforwards**

Tax loss carryforwards may be used to offset up to 30% of future taxable income and do not expire.

**d) Tax exemption**

The following indirect subsidiaries have partial or total exemption from income tax in connection with a government program for the development of the Northeast Region of Brazil:

| Subsidiary | Unit | Incentive - % | Expiration date |
|---|---|---|---|
| Oxiteno Nordeste S.A. Indústria e Comércio (*) | Camaçari plant | 100 | 2006 |
| Bahiana Distribuidora de Gás Ltda. | Mataripe plant | 75 | 2013 |
| | Suape plant | 100 | 2007 |
| | Ilhéus plant | 25 | 2008 |
| | Aracaju plant | 25 | 2008 |
| | Caucaia plant | 75 | 2012 |
| Terminal Químico de Aratu S.A. Tequimar | Aratu Terminal | 75 | 2012 |
| | Suape Terminal | 75 | 2015 |

(*)

In December 2006, this plant s exemption expired and a request was filed with ADENE (Northeast Development Agency), the agency in charge of managing this incentive program, seeking a 75% income tax reduction until 2016, which was granted on May 25, 2007. On July 3, 2007, the benefit analysis report issued by ADENE was directed to the Federal Revenue Service to be ratified in up to 120 days, that expired on October 31, 2007. Thus the subsidiary will record in October of 2007 the reduction value in its results, with retroactive effect to January 1, 2007, in the amount of R$ 15.4.

ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES

(Amounts in millions of Brazilian reais R$, unless otherwise stated)

## 23. Share compensation plan

The Extraordinary Shareholders Meeting held on November 26, 2003 approved a compensation plan for management of the Company and its subsidiaries, which provides for: (i) the initial grant of usufruct of shares issued by the Company and held in treasury by the subsidiaries in which the beneficiaries are employed, and (ii) the transfer of the beneficial ownership of the shares after ten years of the initial concession provided that the professional relationship between the beneficiary and the Company and its subsidiaries is not interrupted. The total value granted to executives until June 30, 2007, including taxes, was R$ 12.3 (R$ 12.3 as of December 31, 2006). Such value is being amortized over a period of ten years and the amortization related to the six-month period ended June 30, 2007, in the amount of R$ 0.6 (R$ 0.4 as of June 30, 2006), was recorded as an operating expense for the period.

## 24. Employee benefits and private pension plan

### a) ULTRAPREV Associação de Previdência Complementar

In August 2001, the Company and its subsidiaries (except subsidiaries recently acquired from the Ipiranga Group) began to offer their employees a defined contribution pension plan, managed by Ultraprev Associação de Previdência Complementar. Under the terms of the plan, the basic contribution of each participating employee is defined annually by the participant between 0% and 11%, of his/her salary. The sponsoring companies provide a matching contribution to the basic contribution. As participants retire, they may opt to receive monthly: (i) a percentage varying between 0.5% and 1.0% of the fund accumulated in his/her name at Ultraprev, or (ii) a fixed-monthly amount that will extinguish the fund accumulated in his/her name in a period between 5 and 25 years. As such, neither the Company nor its subsidiaries assume responsibility for guaranteeing amounts or periods of receipt for the participants that retire. As of June 30, 2007, the Company and its subsidiaries contributed R$ 1.7 (R$ 1.7 as of June 30, 2006) to Ultraprev, which was charged to income for the year. The total number of employee participants as of June 30, 2007 was 5,606, with 12 participants retired to date. Additionally, Ultraprev has 1 active participant and 31 former employees receiving benefits according to the policies of a previous plan.

### b) Fundação Francisco Martins Bastos

The subsidiaries Distribuidora de Produtos de Petróleo Ipiranga S.A., Companhia Brasileira de Petróleo Ipiranga and Refinaria de Petróleo Ipiranga S.A., together with other companies which formed the Ipiranga Group, are sponsors of Fundação Francisco Martins Bastos, which provides a defined benefit plan to their employees.

The accumulated amount of contribution to the plan by Ipiranga / Refinery in the quarter ended as of June 30, 2007 was R$ 1.3.

The recorded net liabilities of Ipiranga / Refinery as of June 30, 2007 were R$ 78.9, of which R$ 7.2 in current liabilities and R$ 71.7 in noncurrent liabilities.

The actuarial liability as of June 30, 2007 reflects the report elaborated by the independent actuary Towers Perrin Forster & Crosby Ltda on May 31, 2007, which has kept the biometric premises and the rates used in the subsidiaries financial statements of December 31, 2006.

Table of Contents

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**(Amounts in millions of Brazilian reais R$, unless otherwise stated)**

## 25. SUMMARY AND RECONCILIATION OF THE DIFFERENCES BETWEEN ACCOUNTING PRACTICES ADOPTED IN BRAZIL AND ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA (U.S. GAAP)

### I Description of GAAP differences

The consolidated interim financial statements of the Company are prepared in accordance with accounting practices adopted in Brazil, which comply with those prescribed by Brazilian corporate law and specific standards established by the Brazilian Securities Commission (CVM). Note 3 to the consolidated interim financial statements summarizes the accounting policies adopted by the Company. Accounting policies, which differ significantly from U.S. GAAP, are summarized below.

**a) Inflation accounting**

The Company, as described in Note 3.i), accounts for the effects of inflation in its consolidated financial statements through December 31, 1995. Under U.S. GAAP, Brazil was considered to be a highly inflationary economy until July 1, 1997, and the effect of inflation was recognized until December 31, 1997.

In determining amounts under U.S. GAAP, the effects of inflation for the years ended December 31, 1996 and 1997 were determined using the Índice Geral de Preços -Disponibilidade Interna IGP-DI index, which is widely-accepted and respected index published monthly by the Fundação Getúlio Vargas.

Through December 31, 1995, the Company used indexes established by the government to restate balances and transactions for purposes of its corporate law financial statements. Such indexes do not necessarily represent changes in general price levels, as would be required under U.S. GAAP.

Because the Company s management believes that the Índice Geral de Preços Disponibilidade Interna IGP-DI is an appropriate and consistent measure of the general price inflation in Brazil and because of its availability, for U.S. GAAP purposes the Company adopted the IGP-DI for restatement of its financial statements through December 31, 1995, replacing the government mandated index. This procedure is consistent with the recommendation by the Brazilian Task Force (organized under the AICPA International Practices Task Force to review the issue of the appropriate index to be used for preparing price-level adjusted financial statements of Brazilian companies filing with the SEC) of using the IGP-M or IGP-DI for such purposes. Thus, all nonmonetary assets and liabilities were restated using the IGP-DI since the inception of the Company, through December 31, 1997.

**b) Reversal of fixed asset revaluations and related deferred tax liabilities**

For U.S. GAAP reconciliation purposes, the revaluation of fixed assets and the related deferred income tax effects recorded in the financial statements prepared in accordance with accounting practices adopted in Brazil have been eliminated in order to present fixed assets at historical cost less accumulated depreciation. Accordingly, the depreciation on such revaluation charged to income has also been eliminated for U.S. GAAP reconciliation purposes.

**c) Deferred charges**

Accounting practices adopted in Brazil permit the deferral of research and development costs and of pre-operating expenses incurred in the construction or expansion of a new facility until the facility begins commercial operations. Deferred charges are amortized over a period of five to ten years.

Table of Contents

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**(Amounts in millions of Brazilian reais R$, unless otherwise stated)**

For U.S. GAAP reconciliation purposes, such amounts do not meet the conditions established for deferral and, accordingly, have been charged to income and the related amortization under accounting practices adopted in Brazil has been reversed.

**d) Investments in affiliated companies**

As from 1996, Brazilian corporate law allows certain less than 20% owned affiliated companies in which an investor owns more than 10% of voting stock to be accounted for under the equity method. In addition, certain more than 20% and less than 50% owned affiliated companies deemed not significant in relation to their parent company are accounted at cost.

For U.S. GAAP reconciliation purposes, less than 20% owned affiliated companies have been accounted for on the basis of cost and more than 20% and less than 50% owned affiliated companies have been accounted for on the equity method for all years presented.

Brazilian corporate law allows certain jointly controlled corporate entities to be consolidated in a pro rata basis. U.S. GAAP requires these entities to be reported under the equity method. The Company s investment in Refining is consolidated using the pro rata method for Brazilian GAAP purposes.

**e) Capitalization of interest in relation to construction in progress**

Under accounting practices adopted in Brazil, prior to January 1, 1996 the Company was not required to capitalize the interest cost of borrowed funds as part of the cost of the related asset. Under U.S. GAAP, capitalization of borrowed funds during construction of major facilities is recognized as part of the cost of the related assets.

Under U.S. GAAP, interest on construction-period financing denominated in foreign currencies is capitalized using contractual interest rates, exclusive of foreign exchange or monetary correction gains or losses. Interest on construction-period financing denominated in Brazilian reais is capitalized.

**f) Acquisitions and business combinations**

Under accounting practices adopted in Brazil, assets and liabilities of acquired entities are reflected at book values. Goodwill is represented by the excess of purchase price paid over the book value of net assets and is amortized on a straight-line basis over the periods estimated to be benefited.

Under U.S. GAAP, business combinations are accounted for by the purchase method utilizing fair values. Goodwill is not amortized and should be tested for impairment. An impairment test of goodwill is performed annually or more frequently if events or changes in circumstances indicate that the goodwill might be impaired. Such impairment test is performed utilizing a two-step method. The first step compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, the second step is performed to measure the amount of impairment loss, if any. The second step compares the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. If the implied fair value of reporting unit goodwill is lower than the carrying amount of such goodwill, an impairment loss is recognized.

Under Brazilian corporate law, purchases by subsidiaries of their own stock from minority shareholders are initially recorded at cost. Upon cancellation of these shares, the difference between cost and the related book value of the subsidiary s shareholders equity is recorded by the parent company and in the consolidated financial

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**(Amounts in millions of Brazilian reais R$, unless otherwise stated)**

statements as a capital gain or loss. Direct purchases by the parent company of the subsidiaries stock from minority shareholders are recorded at cost, with the difference between cost and the related book value of the subsidiaries shareholders equity recorded as positive or negative goodwill by the parent company and in the consolidated financial statements.

Under U.S. GAAP, purchases of treasury stock by subsidiaries from minority shareholders and direct purchases by the parent company of the subsidiaries stock from minority shareholders are recorded as step acquisitions under the purchase method, with assignment of the purchase price to the underlying assets and liabilities based on their fair values and recording of goodwill to the extent that the purchase price exceeds the proportionate amount of the net fair value of the assets and liabilities. No gain or loss is recognized upon either purchase or cancellation of the shares.

**Acquisition of Ipiranga**

As mentioned in Note 3, on April 18, 2007, the Company acquired the controlling interest of Ipiranga and 10% of Refinery. The results of Ipiranga and Refinery have been included in the consolidated financial statements since April 2007. Following the transaction, Ultrapar, already the largest LPG distributor in Brazil, became the second largest group in the fuel distribution business in Brazil, with approximately 15% market share. Ultrapar believes that fuel distribution is a natural extension of LPG distribution because it has similar profitability drivers: logistics efficiency, management of a dealer network and leveraging of a renowned brand.

The cost of acquisition was R$ 688.3, including the purchase price amounting to R$ 676.4 and other direct costs amounting to R$ 11.9. Of the total cost of acquisition, R$ 128.6 relate to DPPI, R$ 558.0 relate to CBPI and R$ 1.7 were allocated to RPI.

Under U.S. GAAP, the Company recorded the acquisition based on the fair value of the assets acquired and liabilities assumed and determined goodwill in accordance with the purchase method of accounting prescribed by Statement of Financial Accounting Standards ( SFAS ) 141, Business Combinations . This allocation is completed and resulted in the identification of goodwill as shown below.

F-42

Table of Contents

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**(Amounts in millions of Brazilian reais R$, unless otherwise stated)**

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

| | R$ |
|---|---|
| Current assets | 1,394.3 |
| Noncurrent assets | 410.0 |
| Property, plant and equipment | 868.8 |
| Intangible assets | 76.7 |
| Goodwill | 329.2 |
| Total assets acquired and goodwill | 3,079.0 |
| Current liabilities | 496.6 |
| Noncurrent liabilities | 884.1 |
| Minority interest in subsidiaries | 1,010.0 |
| Net assets | 688.3 |
| Goodwill recorded under accounting practices adopted in Brazil | 424.7 |
| Other direct costs recorded as deferred charges for accounting practices adopted in Brazil | 11.9 |
| Goodwill difference between U.S. GAAP and accounting practices adopted in Brazil (see the shareholders equity reconciliation) | (107.4) |
| Goodwill recorded under U.S. GAAP | 329.2 |
| Intangible assets: | |
| Trademark acquired Ipiranga | 62.4 |
| Franchise agreement am/pm | 14.3 |
| | 76.7 |

Of the R$ 76.7 of acquired intangible assets, R$ 62.4 was assigned to a registered trademark that is not subject to amortization. The remaining R$ 14.3 of acquired intangible assets have a useful life of approximately 8 years.

The R$ 329.2 of goodwill was assigned to the distribution of fuels/lubricants segment. The goodwill of R$ 424.7 under Brazilian GAAP is expected to be deductible for tax purposes.

The following summary presents the Company s unaudited pro forma consolidated results of operations for the periods ended June 30, 2007 and 2006, in accordance with accounting practices adopted in Brazil, as if the distribution of fuels/lubricants acquisition had been completed at the beginning of each period. 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 dates, nor is it necessarily indicative of future operating results:

| **Amounts under accounting practices adopted in Brazil** | **2007** | **2006** |
|---|---|---|
| Net sales and services | 11,981.7 | 11,597.7 |
| Operating income before financial items | 314.2 | 323.4 |
| Net income | 83.2 | 160.7 |
| Net earnings per thousand shares whole R$ | 1.03 | 1.98 |

Table of Contents

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**(Amounts in millions of Brazilian reais R$, unless otherwise stated)**

**Acquisition of Petrolog**

As mentioned in Note 3, on April 30, 2007 the Company acquired, through its subsidiary Transultra Armazenamento e Transporte Especializado Ltda., the company Petrolog Serviços e Armazéns Gerais Ltda. for the amount of R$ 8.1, recording goodwill in the amount of R$ 6.5, amortized in 10 years, based on its expected of future profitability. The Company has not identified any significant differences between accounting practices adopted in Brazil and U.S.GAAP in relation to this acquisition.

**g) Earnings per share**

Under accounting practices adopted in Brazil, it is permitted to determine earnings per share based upon the weighted average number of shares outstanding during each year that earnings are reported. Subsequent changes in the Company s share capital, such as stock dividends, are not retroactively reflected in the disclosure of number of shares outstanding and in the calculation of earnings per share under accounting practices adopted in Brazil, except for the reverse stock split.

Under U.S. GAAP, earnings per share are determined based upon the weighted average number of shares outstanding during the period, giving retroactive effect to stock dividends and stock splits. Nonvested shares granted to certain executives of the Company as disclosed in Note 25.I.k) are not included in the computation of basic earnings per share even though the shares are legally issued, since such shares are considered contingently returnable because if the executives do not render the requisite service, the shares are returned to the Company. These nonvested shares are included in diluted earnings per share applying the treasury stock method. The calculation of earnings per share under U.S. GAAP is shown in Note 25.V.a).

The Extraordinary Stockholders Meeting held on July 20, 2005 approved a reverse stock split of the Company s shares, attributing 1 (one) share in substitution for every 1,000 (thousand) existing shares. Likewise, each American Depositary Share ADS, previously representative of a lot of 1,000 (thousand) preferred shares, became representative of 1 (one) preferred share.

**h) Available-for-sale securities**

**Equity securities**

Under accounting practices adopted in Brazil, available-for-sale equity securities are generally carried at cost, less provision charged to the statement of income if a loss in value is considered to be other than temporary.

For U.S. GAAP reconciliation purposes, the available-for-sale equity security has been recorded at estimated fair value, and the resulting accumulated adjustment, in the amount of R$ 6.0 (positive) and R$ 3.3 (positive) as of June 30, 2007 and as of June 30, 2006, respectively, net of deferred tax effect, when applicable, has been recognized as a separate component of shareholders equity until realization. The estimated fair values of the equity security carried by the Company are R$ 25.1 and R$ 22.2 as of June 30, 2007 and as of December 31, 2006, respectively. During the years presented, no equity security classified under U.S. GAAP as available-for-sale was disposed of.

**Debt securities**

Under accounting practices adopted in Brazil, available-for-sale debt securities are generally carried at cost, plus interest income earned less provisions, when applicable, charged to the statement of income to reduce its carrying value to market value.

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**(Amounts in millions of Brazilian reais R$, unless otherwise stated)**

For U.S. GAAP reconciliation purposes, available-for-sale debt securities have been recorded at estimated fair value, and the resulting accumulated adjustment, in the amount of R$ 10.4 positive as of June 30, 2007 (R$ 9.0 positive as of December 31, 2006), has been recognized as a separate component of shareholders equity, net of deferred tax effects and minority interest, when applicable, until realization.

As of June 30, 2007 and as of December 31, 2006, the fair values of available-for-sale debt securities amounted to R$ 492.6 and R$ 871.8, respectively, and the gross unrealized gains amount to R$ 15.8 as of June 30, 2007 and R$ 13.7 as of December 31, 2006. As of June 30, 2006, the fair values of available-for-sale debt securities amounted to R$ 846.0 and the gross unrealized gains amount to R$ 18.5.

As of June 30, 2007 , the amount of R$ 365.1 of available-for-sale debt securities mature within one year and R$ 111.7 mature between one and two years.

For the six-month period ended June 30, 2007, the Company sold debt securities for R$ 453.0 (R$ 92.7 as of June 30, 2006), generating a gross realized loss of R$ 24.0 (R$ 1.1 June 30, 2006), recorded in the statement of income. The cost of such securities was based on specific identification.

As of June 30, 2007 , the amount of R$ 439.2 of held to maturity debt securities mature within one year and R$ 7.2 mature in 2018. Under accounting practices adopted in Brazil and for U.S. GAAP, held to maturity debt securities are treated similarly.

**i) Accounting for derivative financial instruments**

In the Company s interim financial statements prepared in accordance with accounting practices adopted in Brazil derivative financial instruments are recorded at net settlement price as determined on each balance sheet date.

Under U.S. GAAP, effective January 1, 2001, all derivative financial instruments must be reported at fair value on each balance sheet date and classified as a derivative asset or liability. Also under U.S. GAAP, the requirements for a derivative instrument to qualify for hedge accounting and deferral of gains and losses are more restrictive than under Brazilian corporate law. The Company has not accounted for any derivative instrument following hedge accounting.

**Table of Contents**

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**(Amounts in millions of Brazilian reais R$, unless otherwise stated)**

The following table provides a detail of our derivative financial instruments outstanding at the end of each period for which income statement is being presented.

**June 30, 2007 (unaudited)**

| Description | Notional amount: Receive currency | Notional amount: Pay currency | Receiving side Interest rate | Paying side Interest rate | Fair value: Book value Gain (loss) | Fair value: U.S. GAAP Gain (loss) | Adjustment Gain (loss) |
|---|---|---|---|---|---|---|---|
| Swap | US$54.7 | R$132.2 | 5.1% fixed | 101.7% to 102.0% of CDI variable | (61.9) | (64.7) | (2.8) |
| Zero Cost Collar | US$13.0 | MXN143.7 | | Below MXN/US$ 11.1140 | (0.7) | (0.7) | |
| Swap | US$1.4 | R$2.8 | | 35.7% of CDI variable | (0.0) | (0.0) | (0.0) |
| Swap | R$46.1 | US$23.2 | 38.7 to 49.9% of CDI variable | | 1.3 | 2.1 | 0.8 |
| Swap | R$11.9 | US$6.0 | 39.8 to 52.0% of CDI variable | | 0.3 | 0.5 | 0.2 |
| Swap | R$38.6 | US$19.4 | 87.3 to 95.4% of CDI variable | 5.3% fixed | 1.2 | 2.2 | 1.0 |
| Swap | R$19.4 | US$10.0 | 87.9 to 93.0% of CDI variable | 5.3% fixed | 0.1 | 0.4 | 0.3 |
| Swap | US$ 2.8 | R$8.2 | 6.2% fixed | 90.6% of CDI variable | (7.7) | (7.8) | (0.1) |
| Total | | | | | (67.4) | (68.0) | (0.6) |

**December 31, 2006**

| Description | Notional amount: Receive currency | Notional amount: Pay currency | Receiving side Interest rate | Paying side Interest rate | Fair value: Book value Gain (loss) | Fair value: U.S. GAAP Gain (loss) | Adjustment Gain (loss) |
|---|---|---|---|---|---|---|---|
| Swap | US$56.0 | R$135.5 | 5.1% fixed | 101.7% to 102.0% of CDI variable | (42.8) | (45.1) | (2.3) |
| Zero Cost Collar | US$13.0 | MXN 143.6 | | Below MXN 11.1140 | (0.4) | (0.4) | |
| Swap | US$7.7 | R$16.7 | | 41.0 to 61.0% of CDI variable | (0.2) | (0.3) | (0.1) |
| Swap | R$28.3 | US$13.2 | 51.5 to 58.6% of CDI variable | | 0.3 | 0.5 | 0.2 |
| Swap | R$12.8 | US$6.0 | 51.1 to 61.0% of CDI variable | | 0.1 | 0.2 | 0.1 |
| Swap | R$44.9 | US$20.9 | 96.4 to 105.0% of CDI variable | 5.3% fixed | 0.5 | 1.0 | 0.5 |
| Swap | R$17.9 | US$8.4 | 98.3 to 101.0% of CDI variable | 5.3% fixed | 0.1 | 0.4 | 0.3 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Swap | US$4.3 | R$12.6 | 6.2% fixed | 93.0% of CDI | variable | (9.9) | (9.8) | 0.1 |
| Total | | | | | | (52.3) | (53.5) | (1.2) |

Table of Contents

**j) Income and social contribution FIN 48**

On January 1, 2007 for U.S. GAAP purposes, the Company adopted Financial Accounting Board Interpretation No.48 (FIN 48) Accounting for Uncertainty in Income Taxes . This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of tax position taken, or expected to be taken, in a tax return. This interpretation also provides a guidance on derecognition, classification, interest and penalties, accounting in interim periods disclosure. The effect of first applying the provision of this interpretation in the amount of R$ 12.9 is recognized in shareholder s equity and R$ 7.1 (expenses) in net income reconciliation.

The Company files its tax returns on income and social contribution taxes as prescribed by the tax laws. The Company is subject to examination by fiscal authorities up to 5 years.

**k) Accounting for share compensation plan**

As mentioned in Note 23, the Company has approved a share compensation plan on November 26, 2003.

The table below summarizes the information related to the shares granted to the Company s executives:

| Grant date | Restricted shares granted | Fair value of shares (whole Brazilian reais) | Total compensation costs, including tax | Accumulated recognized compensation costs | Unrecognized compensation costs |
|---|---|---|---|---|---|
| | (*) | | | | |
| November 9, 2006 | 51,800 | 46.50 | 3.3 | (0.2) | 3.1 |
| December 14, 2005 | 28,400 | 32.83 | 1.3 | (0.2) | 1.1 |
| October 4, 2004 | 47,150 | 40.78 | 2.7 | (0.7) | 2.0 |
| December 17, 2003 | 119,600 | 30.32 | 5.0 | (1.8) | 3.2 |
| | 246,950 | | 12.3 | (2.9) | 9.4 |

(*) Retroactively adjusted for the stock dividend and reverse stock split as mentioned in Note 25.I.g).

Those shares were granted at no cost to the Company s executives. The grant-date fair values were determined based on the market value of these shares on the BOVESPA. These executives have the right to receive dividends on these shares provided that the professional relationship between them and the Company and its subsidiaries is not interrupted. These shares will cliff vest after ten years of the initial award. As of June 30, 2007, none of these shares granted to the executives were forfeited. As of June 30, 2007, the total compensation cost related to nonvested awards not yet recognized amounts to R$ 9.4, and 7.9 years is the weighted-average period over which this compensation cost is expected to be recognized.

Under accounting practices adopted in Brazil, the Company records compensation costs from its share compensation plan similarly to the requirements of SFAS 123 (R) Share-Based Payment , using the fair value of the award. Compensation cost is charged to earnings on a straight-line basis. The fair value of the award equals its intrinsic value at the grant date.

No adjustments are included in the U.S. GAAP reconciliation related to the Company s stock compensation plan since the Company applies SFAS 123 (R) Share-Based Payment to account for the plan for U.S. GAAP purposes.

For U.S. GAAP purposes, dividends declared under these unvested restricted shares are accounted for initially as a charge to retained earnings. If the restricted shares do not vest, all previously declared dividends associated with the restricted shares are reversed from retained earnings and charged to compensation expense. As of June 30, 2007, accumulated dividends declared under all unvested restricted shares outstanding amounted to R$ 0.9 (R$ 0.9 as of December 31, 2006).

**l) Fair value of guarantees under FIN 45**

Under accounting practices adopted in Brazil, the Company is not required to record any liability related to guarantees given to third parties unless contingent obligations to make future payments under the guarantees are probable.

Under accounting practices adopted in Brazil, as of June 30, 2007, the Company has not recorded any liability related to these guarantees, as disclosed in Note 14.

Under U.S. GAAP, the Company recognizes, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing guarantees in accordance with FIN 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others . In the event that, at inception of the guarantee, the Company is required to recognize a liability under SFAS 5, Accounting for Contingencies , the liability initially recognized would be the greater of: (a) the amount of fair value of the value of the obligation undertaken in issuing guarantee, or (b) the contingent liability amount required to be recognized at inception of the guarantee by applying SFAS 5.

Under U.S. GAAP, as of June 30, 2007 and December 31, 2006 the Company recorded a liability in the amount of R$ 1.8 and R$ 0.8, respectively, related to these guarantees based on their fair value. The respective offsetting entry of this liability was recorded as an expense. The net effect of this matter in the income statement as per U.S. GAAP is R$ 0.5 (income) and R$ 0.2 (income), per the six-month period ended on June 30, 2007 and 2006, respectively, at the time those guarantees were issued. The Company reduces the liability (by a credit to earnings) as it is released from risk under the guarantees.

**m) Translation adjustments Oxiteno México**

Under accounting practices adopted in Brazil, assets and liabilities of foreign subsidiaries are translated into Brazilian reais at the exchange rate in effect at the end of the reporting period, and revenues, expenses, gains and losses are translated into Brazilian reais at the exchange rates prevailing in the end of each month. The net translation gain or loss is reported, net of tax, in the statement of income as Other operating income (loss) .

Under U.S. GAAP, the functional currency of Oxiteno MéxicoS.A. de C.V. ( Oxiteno México ), recently renamed Oxiteno México is the Mexican Peso. As a consequence, the financial statements of Oxiteno México are translated into Brazilian reais in accordance with the criteria set forth in Statement of Financial Accounting Standards No. 52 ( SFAS 52 ). Under these criteria, assets and liabilities are translated into Brazilian reais at the exchange rate in effect at the end of the reporting period, and revenues, expenses, gains and losses are translated into Brazilian reais at the average rates prevailing during the respective months. The net translation gain or loss resulting from this translation process is excluded from income and is presented as cumulative translation adjustments (CTA) in Other comprehensive income (loss) as a separate component of shareholders equity.

As a result of this difference, the net translation gain or loss, net of tax, reported in the statement of income under accounting practices adopted in Brazil in the amount of R$ 1.9 (gain) for the six-month period ended June 30, 2007 (R$ 1.1 (loss) as of June 30, 2006) was reclassified to Accumulated other comprehensive income (loss) in shareholders equity under U.S. GAAP. Such difference has no total shareholders equity effect.

**n) Classification of export notes**

Certain subsidiaries of the Company have discounted certain export notes under recourse financing arrangements with financial institutions operating in Brazil. If the original debtors fail to pay their obligations when due, these subsidiaries would be required to repay the financed amounts. Under accounting practices adopted in Brazil, such transactions are classified as a reduction of accounts receivable as mentioned in Note 6. Under U.S. GAAP, these transactions are recorded gross as accounts receivable and bank loans. As a consequence, current assets and liabilities under U.S. GAAP would be increased by R$ 57.6 and R$ 50.9 at June 30, 2007 and December 31, 2006, respectively. This U.S. GAAP difference has no net income or equity effect.

Table of Contents

**o) Operating income**

Under accounting practices adopted in Brazil, nonoperating income (expenses) includes certain items that would be classified within operating income for U.S. GAAP purposes. These items amounted to R$ 2.1 (loss) and R$ 10.8 (loss) for the six-month period ended June 30, 2007 and 2006, respectively, and are composed as follows:

| | June 30, 2007 (unaudited) | June 30, 2006 (unaudited) |
|---|---|---|
| Total net nonoperating expenses, reported under accounting practices adopted in Brazil | (2.0) | (13.2) |
| Operating items under U.S. GAAP: | | |
| Loss on disposals of fixed assets | 0.7 | 4.1 |
| Expenses related to studies and projects | 1.5 | 6.7 |
| Net nonoperating income (expenses), under U.S. GAAP (gain (loss) on disposal of investments) | 0.2 | (2.4) |

**p) Escrow deposits**

Under accounting practices adopted in Brazil, the balances of escrow deposits are offset against these under the heading Other taxes and contributions contingent liabilities in non-current liabilities (as shown in the table of Note 20 a). Under U.S. GAAP, these balances are recorded gross as escrow deposits and other taxes and contributions contingent liabilities. As a consequence, non-current assets and liabilities under U.S. GAAP would be increased by R$ 67.7 and R$ 32.2 at June 30, 2007 and December 31, 2006, respectively. This U.S. GAAP difference has no net income or equity effect.

**q) Accounting for asset retirement obligation**

Under Brazilian GAAP, the Company expenses the amounts to be incurred when certain assets are retired, when incurred.

Under U.S. GAAP, the Company adopts SFAS No. 143 Accounting for Asset Retirement Obligations ( SFAS 143 ). Asset retirement obligations correspond to the legally required obligation to remove fuel tanks upon retirement. Under SFAS 143, the fair value of asset retirement obligations are recorded as liabilities on a discounted basis when they are incurred, which is typically at the time the related assets are installed. Amounts recorded for the related assets will be increased by the amount of these obligations and depreciated over the related useful lives of such assets. Over time, the amounts recognized as liabilities will be accreted for the change in their present value until the related assets are retired or sold.

**r) Financial statement note disclosures**

Under accounting practices adopted in Brazil, a certain set of information is required to be disclosed in the notes to interim financial statements. The additional disclosures required by U.S. GAAP, which are relevant to the accompanying interim financial statements, are included herein.

**s) New pronouncements**

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB No. 115 which permits companies to choose to measure many financial instruments and certain other items at fair value in order to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This statement is effective for the Company s fiscal year ending January 31, 2009. The Company is currently assessing the impact of this statement on its consolidated financial statements.

**t) Pension and other post-employment benefits**

**t.1) Pension benefits**

Pension benefit obligations for Brazilian GAAP should be accounted for following CVM Instruction 371/2000, which requires the mandatory application of Brazilian Accounting Standard IBRACON NPC 26.

**Table of Contents**

Under IBRACON NPC 26 the Company has accounted for the plan administered by FFMB (and to which several Petróleo Ipiranga companies contribute) by recognizing a percentage attributed to the Company of the funded status and of the cost of the plan.

Under U.S. GAAP, considering that the financial information of the Company does not consolidate all the sponsors of the FFMB and such financial information does not represent the financial statements of the parent company of the Petróleo Ipiranga companies, the Company has accounted for its participation in the pension plan administered by FFMB as if it were a multi-employer plan.

As a result, the reconciliation presents: (a) the reversal of the pension plan asset/liability recognized for Brazilian GAAP as of each reporting date and the reversal of the related pension cost, and (b) the recognition as expense of the contribution due to the plan over the corresponding period.

**t.2) Other post-retirement benefits**

As explained in Note 18, the accompanying financial statements account for other post-retirement benefits following IBRACON NPC 26. Other post-retirement benefits are unfunded and are the sole responsibility of each Petróleo Ipiranga company. Under IBRACON NPC 26 actuarial gains and losses are deferred and recognized in income over the estimated remaining service period of the employees to the extent that those actuarial gains and losses exceed 10% of the higher of the plan assets and the projected benefit obligation.

Under U.S. GAAP such benefits are accounted for following SFAS No. 106 Employers' Accounting for Postretirement Benefits Other Than Pensions and, as from December 31, 2006, following SFAS 158 Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106 and 132(R) . Under SFAS 158 the funded status of the other postretirement benefits must be recognized as a liability with an offsetting amount in accumulated other comprehensive income. As required by SFAS 158, provisions of SFAS 158 were applied effective on December 31, 2006.

Although projected benefit obligations are the same under Brazilian GAAP and U.S. GAAP, differences arise in the amounts recorded in the financial statements as result of: (i) that, for periods before implementation of SFAS 158, the amount of unrealized gains and losses for U.S. GAAP and BR GAAP differ as result of the fact that for BR GAAP purposes other post-retirement benefits are being accounted for under NPA 26 as from January 1, 2001 and after implementation of SFAS 158 unrealized gains and losses for U.S. GAAP are recognized against other comprehensive income, and (ii) the recognition as from December 31, 2006, as a liability for U.S. GAAP purposes of the funded status against accumulated other comprehensive income.

The projected benefit obligation as of June 30, 2007 has been determined based on the employees that will be transferred to Company as a result of the fuel and lubricant business acquired. The fair value of the plan assets is determined based on the proportion of the contribution made by each Ipiranga s group companies, as the plan is a multi-employer benefit plan. Should changes occur to the plan status, these will be adjusted to goodwill.

**u) Accounting for refunds**

The Company and its subsidiary CBPI offer to certain of their customers refunds in cash if they meet a specified cumulative volume of sales over a specified period of time. Under Brazilian GAAP, the refund is recognized as an expense when the cumulative volume of sales has been met. Such refunds are offered to a reduced group of customers and have begun to be offered recently.

Under U.S. GAAP, EITF 01-9, Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor s Products) , a Company should recognize a liability based on a systematic and rational allocation of the cost of honoring the commitment in each of the underlying transactions that result in progress toward earning the refund. Considering the reduced customers to which the refund is offered and the reduced historical experience, the Company believes that it cannot reasonably estimate the ultimate amount that will be earned by customers. As a result, under U.S. GAAP a liability is recognized for the maximum potential amount of the refund.

Table of Contents

**II - Reconciliation of the differences between U.S. GAAP and accounting practices adopted in Brazil in net income**

| | Note 25.I. | June 30, 2007 (unaudited) | June 30, 2006 (unaudited) |
|---|---|---|---|
| Net income as reported under accounting practices adopted in Brazil | | 74.6 | 144.9 |
| Reversal of revaluation adjustments: | b) | | |
| Depreciation of property, plant and equipment | | 1.4 | 1.4 |
| Deferred tax effects | | (0.2) | (0.2) |
| | | 1.2 | 1.2 |
| Inflation accounting: | a) | | |
| Property, plant and equipment incremental depreciation | | (2.9) | (1.8) |
| Other nonmonetary assets | | 0.1 | (0.4) |
| | | (2.8) | (2.2) |
| Deferred tax effects | | 1.0 | 0.7 |
| | | (1.8) | (1.5) |
| Different criteria for: | | | |
| Cancellation of subsidiaries treasury stock | f) | 0.5 | 0.5 |
| Deferred charges expensed: | c) | | |
| Cost | | (27.6) | (32.1) |
| Amortization | | 24.5 | 22.4 |
| Depreciation of interest costs capitalized during construction | e) | (0.2) | (0.2) |
| Reversal of goodwill amortization | f) | 2.6 | 2.4 |
| Fair value adjustments relating to accounting for derivative instruments and hedging activities | i) | 0.6 | 0.4 |
| Asset Retirement Obligation SFAS 143 depreciation of assets | q) | 0.5 | |
| Asset Retirement Obligation SFAS 143 increase in liabilities | q) | (0.6) | |
| Pension Plan | t) | (2.2) | |
| Translation adjustments Oxiteno México | m) | (2.8) | 1.7 |
| Accounting for refunds | u) | 0.5 | |
| Other individually insignificant adjustments | d), l) | 2.3 | 1.3 |
| | | (1.9) | (3.6) |
| Deferred tax effects | | 0.6 | 1.2 |
| | | (1.3) | (2.4) |
| Fair value adjustments relating to business combinations | f) | (0.8) | (0.8) |
| Deferred tax effects | | 0.3 | 0.3 |
| | | (0.5) | (0.5) |
| Fair value adjustments relating to acquisition of minority interest in Oxiteno S.A. Indústria e Comércio | f) | 2.2 | 2.2 |
| Deferred tax effects | | (0.5) | (0.5) |
| | | 1.7 | 1.7 |
| Fair value adjustments relating to the acquisition of SPGás Distribuidora de Gás Ltda. | f) | 0.7 | 0.7 |

| | | |
|---|---|---|
| Deferred tax effects | (0.3) | (0.3) |
| | 0.4 | 0.4 |

| | Note 25.I. | June 30, 2007 (unaudited) | June 30, 2006 (unaudited) |
|---|---|---|---|
| Fair value adjustments relating to the acquisition of Oxiteno México S.A. de C.V. | f) | 0.1 | 0.1 |
| Deferred tax effects | | | |
| | | 0.1 | 0.1 |
| Fair value adjustments relating to acquisition of minority interest in Companhia Ultragaz S.A | f) | (0.3) | (0.3) |
| Deferred tax effects | | 0.1 | 0.1 |
| | | (0.2) | (0.2) |
| Fair value adjustments relating to the acquisition of Ipiranga and Refinery | f) | (3.6) | |
| Deferred tax effects | | 1.2 | |
| Reversal of goodwill amortization | | 11.1 | |
| Minority interests | | 2.5 | |
| | | 11.2 | |
| Income and social contribution taxes FIN 48 | j) | (7.1) | |
| Net income under U.S. GAAP | | 78.3 | 143.7 |
| Basic and diluted earnings per share under U.S. GAAP (in accordance with SFAS 128) R$: | g) | 0.97 | 1.77 |
| Basic and diluted earnings per common share(*) | | | |
| Basic and diluted earnings per preferred share(*) | | | |

(*) The calculation of basic and diluted earnings per share is summarized in Note 25.V.a.

Table of Contents

**III - Reconciliation of the differences between U.S. GAAP and accounting practices adopted in Brazil in shareholders equity**

| | Note 25.I. | June 30, 2007 (unaudited) | December 31, 2006 |
|---|---|---|---|
| Shareholders equity as reported under accounting practices adopted in Brazil | | 1,987.4 | 1,933.5 |
| Reversal of revaluation adjustments: | b) | | |
| Property, plant and equipment | | (25.9) | (27.3) |
| Deferred tax effects | | 0.7 | 0.9 |
| Minority interests | | 0.5 | 0.5 |
| | | (24.7) | (25.9) |
| Inflation accounting: | a) | | |
| Property, plant and equipment | | 56.2 | 21.7 |
| Other nonmonetary assets | | 2.9 | 2.8 |
| | | 59.1 | 24.5 |
| Deferred tax effects | | (20.1) | (8.3) |
| Minority interests | | (0.2) | (0.2) |
| | | 38.8 | 16.0 |
| Different criteria for: | | | |
| Cancellation of subsidiaries treasury stock | f) | (1.6) | (2.1) |
| Deferred charges: | c) | | |
| Cost | | (232.6) | (205.0) |
| Accumulated amortization | | 132.6 | 108.1 |
| Capitalization of interest costs during construction: | e) | | |
| Cost | | 22.8 | 12.8 |
| Accumulated amortization | | (12.7) | (12.5) |
| Reversal of goodwill amortization of SPGás acquisition under BR GAAP | f) | 18.7 | 16.3 |
| Reversal of net goodwill generated in the acquisition of Companhia Ultragaz S.A. shares from minority shareholders under BR GAAP | f) | (0.9) | (1.1) |
| Fair value adjustments relating to accounting for derivative instruments | i) | (0.6) | (1.2) |
| Asset Retirement Obligation SFAS 143 Assets | q) | 23.1 | |
| Asset Retirement Obligation SFAS 143 Liabilities | q) | (88.3) | |
| Pension Plan | t) | (5.7) | |
| Accounting for refunds | u) | (5.3) | |
| Other individually insignificant adjustments | d), l) | (0.1) | 0.2 |
| | | (150.6) | (84.5) |
| Deferred tax effects | | 51.4 | 27.6 |
| Minority interests | | 0.6 | 0.6 |
| | | (98.6) | (56.3) |
| Fair value adjustments relating to business combinations: | f) | 0.7 | 1.5 |
| Deferred tax effect | | (0.2) | (0.5) |
| | | 0.5 | 1.0 |

Table of Contents

| | Note 25.I. | June 30, 2007 (unaudited) | December 31, 2006 |
|---|---|---|---|
| Fair value adjustments relating to acquisition of minority interest in Oxiteno S.A. Indústria e Comércio | f) | (20.4) | (22.6) |
| Deferred tax effects | | 4.1 | 4.6 |
| | | (16.3) | (18.0) |
| Adjustments relating to the acquisition of Ipiranga and Refinery : | f) | | |
| Fair value adjustments | | 161.9 | |
| Deferred tax effects | | (54.1) | |
| Goodwill difference between U.S. GAAP and accounting practices adopted in Brazil | | (99.3) | |
| Minority interest | | 27.0 | |
| | | 35.5 | |
| Adjustments relating to the acquisition of SPGás Distribuidora de Gás Ltda.: | f) | | |
| Fair value adjustments | | (4.8) | (5.5) |
| Deferred tax effects | | 1.6 | 1.9 |
| Goodwill difference between U.S. GAAP and accounting practices adopted in Brazil | | 14.4 | 14.4 |
| Minority interest | | (0.2) | (0.2) |
| | | 11.0 | 10.6 |
| Adjustments relating to the acquisition of Oxiteno MéxicoS.A. de C.V.: | f) | | |
| Fair value adjustments | | (1.7) | (1.8) |
| Deferred tax effects | | 0.6 | 0.6 |
| Goodwill difference between U.S. GAAP and accounting practices adopted in Brazil | | 0.7 | 0.7 |
| | | (0.4) | (0.5) |
| Fair value adjustments relating to acquisition of minority interest in Companhia Ultragaz S.A. | f) | 3.5 | 3.8 |
| Deferred tax effects | | (1.2) | (1.3) |
| | | 2.3 | 2.5 |
| Available-for-sale equity securities (temporary unrealized gain) | h) | 4.4 | 1.5 |
| Deferred tax effects | | (1.5) | (0.5) |
| | | 2.9 | 1.0 |
| Available-for-sale debt securities (temporary unrealized gain) | h) | 15.8 | 13.7 |
| Deferred tax effects | | (5.4) | (4.7) |
| | | 10.4 | 9.0 |
| Income and social contribution taxes FIN 48 | j) | (12.9) | |
| Shareholders equity under U.S. GAAP | | 1,935.9 | 1,872.9 |

Table of Contents

**IV - Statement of changes in shareholders equity in accordance with U.S. GAAP**

| | June 30, 2007 (unaudited) | December 31, 2006 | June 30, 2006 (unaudited) |
|---|---|---|---|
| Shareholders equity under U.S. GAAP as of beginning of the year | 1,872.9 | 1,730.2 | 1,730.2 |
| Additional paid-in capital | 0.4 | 0.7 | 0.3 |
| Net income | 78.3 | 280.5 | 143.7 |
| Dividends and interest on own capital | | (144.2) | |
| Acquisition of treasury shares | (20.9) | (1.1) | |
| Unrealized gains (losses) on available-for-sale equity securities, net of tax Note 25.I.h) | 1.9 | (1.0) | (1.8) |
| Unrealized gains (losses) on available-for-sale debt securities, net of tax Note 25.I.h) | 1.4 | 9.0 | 18.5 |
| Translation adjustment Oxiteno México net of tax Note 25.I.m) | 1.9 | (1.2) | (1.1) |
| Shareholders equity under U.S. GAAP as of the end of the period | 1,935.9 | 1,872.9 | 1,889.8 |

| | June 30, 2007 (unaudited) | December 31, 2006 | June 30, 2006 (unaudited) |
|---|---|---|---|
| Comprehensive income (under SFAS 130): | | | |
| Net income | 78.3 | 280.5 | 143.7 |
| Unrealized gains (losses) on available-for-sale equity securities, net of tax Note 25.I.h) | 1.9 | (1.0) | (1.8) |
| Unrealized gains (losses) on available-for-sale debt securities, net of tax Note 25.I.h) | 1.4 | 9.0 | 18.5 |
| Translation adjustment Oxiteno México net of tax Note 25.I.m) | 1.9 | (1.2) | (1.1) |
| Total comprehensive income | 83.5 | 287.3 | 159.3 |
| Accumulated other comprehensive income as of the end of the period | 18.3 | 13.1 | 21.9 |
| Thereof: | | | |
| Available for sale equity securities, net of tax Note 25.I.h) | 6.0 | 4.1 | 3.3 |
| Available for sale debt securities, net of tax Note 25.I.h) | 10.4 | 9.0 | 18.5 |
| Cumulative Translation adjustment Oxiteno México, net of tax Note 25.I.m) | 1.9 | | 0.1 |
| | 18.3 | 13.1 | 21.9 |

**V - Additional disclosures required by U.S. GAAP**

**a) Earnings per share**

The following table provides a reconciliation of the numerators and denominators used in computing earnings per share as required by SFAS 128. The calculation of earnings per share as summarized below is retroactively adjusted for the stock dividend and reverse stock split as mentioned in Note 25.I.g). As discussed in Notes 23 and 25.I.k), the Company has a share compensation plan. For all periods presented, the impact of this share compensation plan on diluted earnings per share was minimal and, consequently, the Company has not presented a separate calculation of the diluted earnings per share amount.

| | June 30, 2007 (unaudited) | June 30, 2006 (unaudited) |
|---|---|---|
| Undistributed income | 78.3 | 143.7 |

| | | |
|---|---|---|
| Net income under U.S. GAAP | 78.3 | 143.7 |
| Weighted average shares outstanding (in thousands) | 81,021.2 | 81,131.5 |
| Basic and diluted earnings per share whole R$ | 0.97 | 1.77 |

Table of Contents

**b) Concentrations of credit risk**

Financial instruments which potentially subject the Company to credit risk are cash and cash equivalents, financial investments and trade receivables. Based on the factors described below, the Company considers the risk of counterparty default to be minimal.

The Company manages its credit risk with respect to cash equivalents and financial investments by investing only in liquid instruments with highly-rated financial institutions. In addition, investments are diversified in several institutions, and credit limits are established for each individual institution.

Credit risk from accounts receivable is managed following specific criteria for each of the segments in which the Company operates, as follows:

**Chemical segment (Oxiteno)**

Oxiteno s customers of commodity chemicals are principally chemical companies, surface coating producers and polyester resin producers, while customers of specialty chemicals comprise a variety of industrial and commercial enterprises. No single customer or group accounts for more than 10% of total revenue. Management believes that by distributing its products to a variety of markets it is able to protect itself, to a certain extent, from the effects of negative trends in any particular market. Oxiteno acts as a member of a Credit Committee of the Brazilian chemical manufacturers which meets monthly to review the financial position of clients showing past-due accounts.

Historically, the Company has not experienced significant losses on trade receivables.

**Gas segment (Ultragaz)**

Ultragaz sells its products to the residential, commercial and industrial markets.

Sales to the residential market are carried out directly by Ultragaz using cash terms, from which no significant credit risk exists, or through outside distributors. Credit risk in sales to outside distributors is reduced due to the large customer base, the ongoing control procedures that monitor the creditworthiness of distributors, and by short payment terms (22 days on average) that permit continuous monitoring of distributors compliance.

Sales to the commercial and industrial markets are usually made to customers that have signed a credit agreement with the Company and have provided guarantees or collateral. Periodic monitoring of these accounts is performed by specific staff with the support of financial information systems.

No single customer or group accounts for more than 10% of total revenue.

Historically, the Company has not experienced significant losses on trade receivables.

**Logistic segment (Ultracargo)**

The main customers of Ultracargo are chemical companies. The average-term payment is 33 days.

Historically, the Company has not experienced significant losses on trade receivables.

**Distribution segment (Ipiranga)**

Ipiranga engages in distribution of fuels/lubricants and related products.

Credit risk in sales is reduced due to the large customer base and by short payment terms (12 days on average). Periodic monitoring of these accounts is performed by specific staff with the support of financial information systems.

Table of Contents

No single customer or group accounts for more than 10% of total revenue.

Historically, the Company has not experienced significant losses on trade receivables.

**Company is dependent on few major suppliers**

The Company is dependent on third-party manufacturers for all of its supply of ethylene, fuels/lubricants and LPG. As of June 30, 2007 and as of June 30, 2006, products purchased from the Company s three largest suppliers accounted for approximately 77% and 72% of cost of sales and services, respectively. The Company is dependent on the ability of its suppliers to provide products on a timely basis and on favorable pricing terms. The loss of certain principal suppliers or a significant reduction in product availability from principal suppliers could have a material adverse effect on the Company. The Company believes that its relationship with its suppliers is satisfactory.

**c) Impairment of long-lived assets**

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

No impairment has been recorded in the consolidated interim financial statements as of June 30, 2007.

**d) Impairment of goodwill**

Under U.S. GAAP financial statements, goodwill consists of the excess of the cost paid for the acquisitions of SPGás, Oxiteno México, Petrolog and Ipiranga over the net of the fair value assigned to assets acquired and liabilities assumed of these companies.

The Company has recorded the following amounts of goodwill under the U.S. GAAP financial statements:

| Description | June 30, 2007 (unaudited) | December 31, 2006 |
|---|---|---|
| Gas segment (Ultragaz): | | |
| Goodwill on the acquisition of SPGás | 39.9 | 39.9 |
| Chemical segment (Oxiteno): | | |
| Goodwill on the acquisition of Oxiteno México | 2.6 | 2.6 |
| Cargo segment (Ultracargo): | | |
| Goodwill on the acquisition of Petrolog | 6.5 | |
| Distribution segment (Ultrapar): | | |
| Goodwill on the acquisition of Ipiranga | 329.2 | |

As mentioned in Note 25.I.f), goodwill is not amortized and is annually tested for impairment.

**e) Fair value of financial instruments**

The fair values of accounts receivables and trade suppliers approximate their book values. The fair value of financial assets and financial liabilities, including cash and cash equivalents, short and long-term investments, financing, debentures and swap instruments are disclosed in Note 19.

Table of Contents

**f) Environmental issues**

The Company and its subsidiaries are subject to federal, state and local laws and regulations relating to the environment. These laws generally provide for control of air and effluent emissions and require responsible parties to undertake remediation of hazardous waste disposal sites. Civil penalties may be imposed for noncompliance. The Company provides for remediation costs and penalties when a loss is probable and the amount is reasonably determinable. It is not presently possible to estimate the amount of all remediation costs that might be incurred or penalties that may be imposed; however, management does not presently expect that such costs and penalties will have a material effect on the Company s consolidated financial position or results of operations. Recurring costs associated with managing hazardous substances and pollution in on-going operations, mainly composed of costs for treatment of effluents and for incinerations, amounted to R$ 6.7 and R$ 1.8 for the six-month period ended June 30, 2007 and 2006, respectively. Capital expenditures to limit or monitor hazardous substances and pollutants amounted to R$ 4.0 and R$ 2.8, for the six-month period ended June 30, 2007 and June 30, 2006, respectively.

The Company s subsidiary Ultracargo Operações Logísticas e Participações Ltda. has controlled environmental liabilities in two of its terminals, situated in Santos and Paulínia, which are in monitoring and remediation phase, respectively.

We have no historical mandated expenditures to remediate previously contaminated sites, and other infrequent or non-recurring clean-up expenditures that can be anticipated but which are not required in the present circumstances.

**g) Statement of cash flows**

Accounting practices adopted in Brazil do not require the presentation of a statement of cash flows as required by U.S. GAAP. Changes in working capital are presented in the statement of changes in financial position. U.S. GAAP requires the presentation of a statement of cash flows describing the Company s cash flows from operating, financing and investing activities. Statements of cash flows derived from the information based on accounting practices adopted in Brazil are as follows:

Table of Contents

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2007 AND 2006**

**(In millions of Brazilian reais R$)**

| | June 30, 2007 | June 30, 2006 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | 74.6 | 144.9 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation and amortization | 131.2 | 93.5 |
| PIS and COFINS credit on depreciation | 1.3 | 1.1 |
| Loss on disposals of permanent assets | 3.0 | 9.2 |
| Interest, monetary and exchange variation (gains) | (37.4) | (53.1) |
| Allowance (reversal of provision) for losses on permanent assets | (2.8) | 2.4 |
| Equity in losses of affiliated companies | 0.1 | (0.6) |
| Deferred income and social contribution taxes | (22.7) | (11.2) |
| Minority interest | 48.2 | 2.3 |
| Dividends received | 2.2 | |
| Other | 0.3 | 6.8 |
| Decrease (increase) in operating assets: | | |
| Trade accounts receivable | (16.0) | (14.4) |
| Recoverable taxes | (24.2) | (23.2) |
| Inventories | (6.1) | (5.5) |
| Prepaid expenses | 0.1 | (0.4) |
| Other | (19.5) | 0.3 |
| Increase (decrease) in operating liabilities: | | |
| Suppliers | 31.9 | (0.9) |
| Salaries and related charges | (6.4) | 0.8 |
| Taxes | 4.8 | 4.7 |
| Income and social contribution taxes | 18.4 | 4.8 |
| Provision for contingencies | 1.1 | (12.5) |
| Other | (0.9) | (10.7) |
| Net cash provided by operating activities | 181.2 | 138.3 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Additions to short-term investments | (7.1) | (577.7) |
| Proceeds from sales of short-term investments | 453.0 | 92.7 |
| Purchase of Ipiranga, net of cash acquired | (532.1) | |
| Additions to escrow deposits | (5.5) | 0.3 |
| Additions to property, plant and equipment | (271.5) | (93.8) |
| Additions to intangible assets | (3.5) | (7.8) |
| Additions to deferred charges | (41.8) | (37.3) |
| Proceeds from sales of property, plant and equipment | 10.5 | 3.7 |
| Other | (0.1) | |
| Net cash used in investing activities | (398.1) | (619.9) |

F-59

Table of Contents

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2007 AND 2006**

**(In millions of Brazilian reais R$) (Continuation)**

| | June 30, 2007 | June 30, 2006 |
|---|---|---|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Short-term debt, net | 649.5 | (88.1) |
| Loans, Financing and Debentures: | | |
| Issuances | 87.5 | 38.4 |
| Repayments | (3.4) | 2.5 |
| Loans from affiliated companies: | | |
| Issuances | 6.9 | 2.7 |
| Repayments | (10.5) | (4.3) |
| Dividends paid | (63.9) | (87.5) |
| Acquisition of treasury shares | (20.9) | |
| Net cash provided by (used in) financing activities | 645.2 | (136.3) |
| Effect of exchange rate changes on cash and cash equivalents | (28.4) | (6.6) |
| Net increase (decrease) in cash and cash equivalents | 399.9 | (624.5) |
| Cash and cash equivalents at the beginning of the period | 385.1 | 1,114.2 |
| Cash and cash equivalents at the end of the period | 785.0 | 489.7 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash paid during the year for: | | |
| Interest, net of amounts capitalized | 47.1 | 43.7 |
| Income taxes | 29.8 | 6.6 |

F-60

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

**h) Segment information**

Financial information about each of the Company s reportable segments based on records in accordance with accounting practices adopted in Brazil is as follows:

| | June 30, 2007 (unaudited) | June 30, 2006 (unaudited) |
|---|---|---|
| Net revenue from sales to unassociated companies: | | |
| Gas | 1,532.4 | 1,474.9 |
| Distribution of fuels/lubricants | 4,947.4 | |
| Chemical(1) | 783.9 | 727.7 |
| Logistics | 88.4 | 92.5 |
| Other(2) | 3.1 | |
| | 7,355.2 | 2,295.1 |
| Intersegment: | | |
| Gas | 0.6 | 0.5 |
| Distribution of fuels/lubricants | | |
| Chemical | | 0.1 |
| Logistics | 22.9 | 24.4 |
| Other(2) | 20.5 | 3.2 |
| Elimination | 44.0 | 28.2 |
| Net revenues: | | |
| Gas | 1,533.0 | 1,475.4 |
| Distribution of fuels/lubricants | 4,947.4 | |
| Chemical | 783.9 | 727.8 |
| Logistics | 111.3 | 116.9 |
| Other(2) | 23.6 | 3.2 |
| Elimination | (44.0) | (28.2) |
| | 7,355.2 | 2,295.1 |
| Operating profit before financial items: | | |
| Gas | 78.8 | 76.4 |
| Distribution of fuels/lubricants | 84.2 | |
| Chemical | 46.1 | 64.0 |
| Logistics | 10.8 | 6.2 |
| Other(2) | (7.8) | 2.5 |
| | 212.1 | 149.1 |
| Financial income (expenses), net | (35.1) | 34.9 |
| Nonoperating expenses, net | (2.0) | (13.2) |
| Income before income and social contribution taxes, equity in gain of affiliated companies and minority interest | 175.0 | 170.8 |

| | | |
|---|---|---|
| Equity in gain of affiliated companies and minority interest | (48.3) | (1.7) |
| Employees statutory interest | (2.8) | |
| Income before taxes | 123.9 | 169.1 |

(1) Net revenue from sales to unassociated companies of the chemical segment includes the amounts of R$ 224.2 and R$ 212.1 for the six-month period ended June 30, 2007 and 2006, respectively, related to Glycols. Historically Glycols is the only one of our chemical products families that represents more than 10% of total sales. As of June 30, 2007 and 2006, glycols represented 3.0% and 9.2% of total sales, respectively. An important portion of our products could be classified as a commodity and a specialty chemical, depending on the use of such products by our customers. As a consequence we consider that an exact split of sales between commodity and specialty chemicals would be impractical.

(2) In the table above, the other is composed mainly by parent company Ultrapar Participações S.A., by Imaven Imóveis e Agropecuária Ltda and by the participation in the oil refining business.

**Table of Contents**

Ultrapar Participações S.A. and Subsidiaries

| | June 30, 2007 (unaudited) | December 31, 2006 |
|---|---|---|
| Additions to property, plant and equipment and intangible assets according to: | | |
| Accounting practices adopted in Brazil: | | |
| Gas | 32.0 | 62.3 |
| Distribution of fuels/lubricants | 18.7 | |
| Chemical | 201.9 | 160.2 |
| Logistics | 20.9 | 41.0 |
| Other(1) | 1.5 | 1.2 |
| | 275.0 | 264.7 |
| U.S. GAAP: | | |
| Gas | 32.0 | 62.3 |
| Distribution of fuels/lubricants | 18.7 | |
| Chemical | 201.9 | 160.2 |
| Logistics | 20.9 | 41.0 |
| Other(1) | 1.5 | 1.2 |
| | 275.0 | 264.7 |

| | June 30, 2007 (unaudited) | June 30, 2006 (unaudited) |
|---|---|---|
| Depreciation and amortization charges according to: | | |
| Accounting practices adopted in Brazil: | | |
| Gas | 59.5 | 56.5 |
| Distribution of fuels/lubricants | 23.7 | |
| Chemical | 23.9 | 22.6 |
| Logistics | 12.6 | 14.0 |
| Other(1) | 11.5 | 0.4 |
| | 131.2 | 93.5 |
| U.S. GAAP: | | |
| Gas | 33.2 | 33.5 |
| Distribution of fuels/lubricants | 35.8 | |
| Chemical | 23.2 | 22.3 |
| Logistics | 13.7 | 16.1 |
| Other(1) | 1.1 | 0.1 |
| | 107.0 | 72.0 |

**Table of Contents**

Ultrapar Participações S.A. and Subsidiaries

| | June 30, 2007 (unaudited) | December 31, 2006 |
| --- | --- | --- |
| Identifiable assets accounting practices adopted in Brazil: | | |
| Gas | 957.4 | 961.4 |
| Distribution of fuels/lubricants | 2,563.1 | |
| Chemical | 2,478.1 | 2,307.8 |
| Logistics | 353.3 | 310.1 |
| Other(1). | 570.8 | 322.8 |
| | 6,922.7 | 3,902.1 |
| Identifiable assets U.S. GAAP: | | |
| Gas | 914.3 | 916.3 |
| Distribution of fuels/lubricants | 2,692.9 | |
| Chemical | 2,616.2 | 2,299.3 |
| Logistics | 354.8 | 311.2 |
| Other(1) | 550.4 | 316.7 |
| | 6,924.2 | 3,843.5 |

(1) In the table above, the other is composed by parent company Ultrapar Participações S.A., by Imaven Imóveis e Agropecuária Ltda and by the participation in the oil refining business.

Additional information about business segments can be found in Note 18.

| | June 30, 2007 (unaudited) | December 31, 2006 |
| --- | --- | --- |
| Investments in equity investees accounting practices adopted in Brazil: | | |
| Ipiranga | 7.1 | |
| Chemical | 5.2 | 5.3 |

See Note 10 for details of investment in equity investees.

Table of Contents

**i) Financial information for subsidiary guarantors and non-guarantor subsidiaries**

Ultrapar Participações S.A. (Company) and Oxiteno S.A. (a wholly-owned subsidiary of Ultrapar Participações) are guarantors of LPG International Inc. s obligations in connection with the issuance of registered notes. The guarantees are full and unconditional and are joint and several. We are presenting, pursuant to Rule 3 10 of Regulation S-X, condensed consolidating financial statements, according to accounting practices adopted in Brazil, of the guarantors and other Ultrapar subsidiaries, as follow:

**Consolidated Balance Sheets**

**as of June 30, 2007 (unaudited)**

| ASSETS | LPG Issuer | Ultrapar - Parent Company Guarantor | Oxiteno - Wholly Owned Guarantor Subsidiary | Total Guarantors | Non - Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| CURRENT ASSETS | | | | | | | |
| Cash and cash equivalents | 0.8 | 68.0 | 15.8 | 83.8 | 700.4 | | 785.0 |
| Short-term investments | | | | | 804.3 | | 804.3 |
| Trade accounts receivable, net | | | 72.8 | 72.8 | 1,252.8 | (64.7) | 1,260.9 |
| Inventories | | | 78.5 | 78.5 | 462.3 | (0.4) | 540.4 |
| Recoverable taxes | | 9.8 | 12.3 | 22.1 | 171.1 | 0.4 | 193.6 |
| Deferred income and social contribution taxes | | 0.1 | 3.3 | 3.4 | 71.1 | | 74.5 |
| Dividends receivable | | | 21.3 | 21.3 | | (21.3) | |
| Other | | 0.5 | 2.0 | 2.5 | 29.5 | (0.7) | 31.3 |
| Prepaid expenses | 1.0 | 2.0 | 1.4 | 3.4 | 17.0 | (0.9) | 20.5 |
| **TOTAL CURRENT ASSETS** | **1.8** | **80.4** | **207.4** | **287.8** | **3,508.5** | **(87.6)** | **3,710.5** |
| NON-CURRENT ASSETS | | | | | | | |
| Long-term investments | | | | | 118.9 | | 118.9 |
| Trade accounts receivable, net | | | 0.5 | 0.5 | 157.1 | | 157.6 |
| Related companies | 482.6 | 85.5 | 2.2 | 87.7 | 380.1 | (908.3) | 42.1 |
| Deferred income and social contribution taxes | | 13.5 | 10.0 | 23.5 | 86.2 | | 109.7 |
| Recoverable taxes | | 18.6 | 34.7 | 53.3 | 19.1 | | 72.4 |
| Escrow deposits | | 0.2 | 2.5 | 2.7 | 22.4 | | 25.1 |
| Other | | | | | 8.2 | | 8.2 |
| Prepaid expenses | 7.1 | | 2.1 | 2.1 | 25.8 | (5.9) | 29.1 |
| **TOTAL LONG TERM ASSETS** | **489.7** | **117.8** | **52.0** | **169.8** | **817.8** | **(914.2)** | **563.1** |
| PERMANENT ASSETS | | | | | | | |
| Investments: | | | | | | | |
| Subsidiary and affiliated companies | | 2,829.3 | 1,292.8 | 4,122.1 | 10.7 | (4,120.5) | 12.3 |
| Other | | | | | 26.6 | | 26.6 |
| Property, plant and equipment, net | | | 254.4 | 254.4 | 1,744.6 | (0.6) | 1,998.4 |
| Intangible assets, net | | | 11.6 | 11.6 | 56.4 | | 68.0 |
| Deferred charges, net | | 11.6 | 13.9 | 25.5 | 103.5 | 414.8 | 543.8 |
| **TOTAL PERMANENT ASSETS** | | **2,840.9** | **1,572.7** | **4,413.6** | **1,941.8** | **(3,706.3)** | **2,649.1** |
| **TOTAL ASSETS UNDER ACCOUNTING PRACTICES ADOPTED IN BRAZIL** | **491.5** | **3,039.1** | **1,832.1** | **4,871.2** | **6,268.1** | **(4,708.1)** | **6,922.7** |

**Consolidated Balance Sheets**

**as of June 30, 2007 (unaudited)**

| RECONCILIATION TO U.S.GAAP | LPG Issuer | Ultrapar - Parent Company Guarantor | Oxiteno - Wholly Owned Guarantor Subsidiary | Total Guarantors | Non - Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| Reversal of revaluation adjustments | | | (1.2) | (1.2) | (24.7) | | (25.9) |
| Inflation accounting | | | 6.9 | 6.9 | 52.2 | | 59.1 |
| Different criteria for: | | | | | | | |
| Deferred charges | | (11.9) | (13.9) | (25.8) | (74.2) | | (100.0) |
| Capitalization of interest costs during construction | | | | | 10.1 | | 10.1 |
| Reversal of goodwill amortization of SPGás acquisition under BR GAAP | | | | | 18.7 | | 18.7 |
| Reversal of goodwill amortization of Companhia Ultragaz S.A. shares from minority shareholders | | | | | (0.9) | | (0.9) |
| Other individually insignificant adjustments | | 0.1 | (0.1) | (0.0) | 1.7 | | 1.7 |
| Fair value adjustments relating to business combinations | | (0.5) | 1.3 | 0.8 | (0.1) | | 0.7 |
| Fair value adjustments relating to acquisition of minority interest in Oxiteno S.A. Indústria e Comércio | | (20.4) | | (20.4) | | | (20.4) |
| Fair value adjustments relating to the acquisition of SPGás Distribuidora de Gás Ltda. | | | | | 9.6 | | 9.6 |
| Fair value adjustments relating to the acquisition of Canamex Químicos S.A. de C.V. | | | | | (1.0) | | (1.0) |
| Fair value adjustments relating to acquisition of minority interest in Companhia Ultragaz S.A | | | | | 3.5 | | 3.5 |
| Available-for-sale equity securities (temporary unrealized gain) | | | 4.4 | 4.4 | | | 4.4 |
| Available-for-sale debt securities (temporary unrealized gain) | | | | | 15.8 | | 15.8 |
| Fair value adjustments relating to the acquisition of Ipiranga | | | | | 62.6 | | 62.6 |
| Assets Retirement Obligation Assets | | | | | 23.1 | | 23.1 |
| Deferred tax effects | | 2.7 | 0.5 | 3.2 | (62.8) | | (59.6) |
| Equity on U.S. GAAP adjustment | | (23.8) | 1.8 | (22.0) | | 22.0 | |
| **TOTAL ASSETS UNDER U.S.GAAP** | **491.5** | **2,985.3** | **1,831.8** | **4,817.1** | **6,301.7** | **(4,686.1)** | **6,924.2** |

**Table of Contents**

**Consolidated Balance Sheets**

**as of June 30, 2007 (unaudited)**

| LIABILITIES | LPG Issuer | Ultrapar - Parent Company Guarantor | Oxiteno - Wholly Owned Guarantor Subsidiary | Total Guarantors | Non - Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| CURRENT LIABILITIES | | | | | | | |
| Loans and financing | 1.0 | | 37.7 | 37.7 | 331.4 | | 370.1 |
| Debentures | | 1,004.8 | | 1,004.8 | 10.5 | | 1,015.3 |
| Suppliers | | 1.0 | 68.1 | 69.1 | 443.3 | (61.7) | 450.7 |
| Payroll and related charges | | 0.1 | 13.8 | 13.9 | 91.4 | | 105.3 |
| Taxes payable | | 0.1 | 0.9 | 1.0 | 50.6 | | 51.6 |
| Dividends payable | | 35.6 | 0.1 | 35.7 | 25.1 | (21.2) | 39.6 |
| Income and social contribution taxes | | | | | 36.3 | | 36.3 |
| Post-retirement benefits | | | | | 7.2 | | 7.2 |
| Provision for contingencies | | | | | 11.8 | | 11.8 |
| Deferred income and social contribution taxes | | | 0.1 | 0.1 | 0.1 | | 0.2 |
| Other | | 2.8 | 1.8 | 4.6 | 26.1 | (0.6) | 30.1 |
| **TOTAL CURRENT LIABILITIES** | **1.0** | **1,044.4** | **122.5** | **1,166.9** | **1,033.8** | **(83.5)** | **2,118.2** |
| NON-CURRENT | | | | | | | |
| LONG-TERM LIABILITIES | | | | | | | |
| Loans and financing | 481.5 | | 61.8 | 61.8 | 605.8 | | 1,149.1 |
| Debentures | | | | | 350.0 | | 350.0 |
| Related companies | | 0.5 | 127.8 | 128.3 | 784.7 | (908.3) | 4.7 |
| Deferred income and social contribution taxes | | | 25.1 | 25.1 | 1.4 | | 26.5 |
| Other taxes and contributions contingent liabilities | | | 9.2 | 9.2 | 78.8 | | 88.0 |
| Post-retirement benefits | | | | | 71.7 | | 71.7 |
| Other | | | 0.5 | 0.5 | 10.9 | | 11.4 |
| **TOTAL LONG-TERM LIABILITIES** | **481.5** | **0.5** | **224.4** | **224.9** | **1,903.3** | **(908.3)** | **1,701.4** |
| **MINORITY INTEREST** | | | | | **711.3** | **404.4** | **1,115.7** |
| **SHAREHOLDERS' EQUITY** | | | | | | | |
| Capital | | 946.0 | 720.3 | 1,666.3 | 1,526.1 | (2,246.4) | 946.0 |
| Capital reserve | | 3.0 | | 3.0 | 40.4 | (42.7) | 0.7 |
| Revaluation reserve | | 12.3 | 1.3 | 13.6 | 20.0 | (21.3) | 12.3 |
| Profit reserves | 9.0 | 983.2 | 720.3 | 1,703.5 | 588.6 | (1,317.9) | 983.2 |
| Treasury shares | | (25.5) | | (25.5) | (0.1) | (4.4) | (30.0) |
| Retained earnings | | 75.2 | 43.3 | 118.5 | 444.7 | (488.0) | 75.2 |
| **TOTAL SHAREHOLDERS EQUITY UNDER ACCOUNTING PRACTICES** | **9.0** | **1,994.2** | **1,485.2** | **3,479.4** | **2,619.7** | **(4,120.7)** | **1,987.4** |

**ADOPTED IN BRAZIL**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **TOTAL LIABILITIES AND SHAREHOLDERS EQUITY UNDER ACCOUNTING PRACTICES ADOPTED IN BRAZIL** | **491.5** | **3,039.1** | **1,832.1** | **4,871.2** | **6,268.1** | **(4,708.1)** | **6,922.7** |

Table of Contents

**Consolidated Balance Sheets**

**as of June 30, 2007 (unaudited)**

| **LIABILITIES** | **LPG Issuer** | **Ultrapar - Parent Company Guarantor** | **Oxiteno - Wholly Owned Guarantor Subsidiary** | **Total Guarantors** | **Non - Guarantor Subsidiaries** | **Eliminations** | **Consolidated** |
|---|---|---|---|---|---|---|---|
| **SHAREHOLDERS EQUITY RECONCILIATION TO U.S.GAAP** | | | | | | | |
| Reversal of revaluation adjustments | | | (1.2) | (1.2) | (24.7) | | (25.9) |
| Inflation accounting | | | 6.9 | 6.9 | 52.2 | | 59.1 |
| Different criteria for: | | | | | | | |
| Cancellation of subsidiaries treasury stock | | | | | (1.6) | | (1.6) |
| Deferred charges | | 0.1 | (13.9) | (13.8) | (86.2) | | (100.0) |
| Capitalization of interest costs during construction | | | | | 10.1 | | 10.1 |
| Reversal of goodwill amortization of SPGás acquisition under BR GAAP | | | | | 18.7 | | 18.7 |
| Reversal of goodwill amortization of Companhia Ultragaz S.A. shares from minority shareholders | | | | | (0.9) | | (0.9) |
| Fair value adjustments relating to accounting for derivative instruments and headging activities | | | 1.3 | 1.3 | (1.9) | | (0.6) |
| Other individually insignificant adjustments | | 0.1 | (0.2) | (0.1) | 0.0 | | (0.1) |
| Fair value adjustments relating to business combinations | | (0.5) | 1.3 | 0.8 | (0.1) | | 0.7 |
| Fair value adjustments relating to acquisition of minority interest in Oxiteno S.A. Indústria e Comércio | | (20.4) | | (20.4) | | | (20.4) |
| Fair value adjustments relating to the acquisition of SPGás Distribuidora de Gás Ltda. | | | | | 9.6 | | 9.6 |
| Fair value adjustments relating to the acquisition of Canamex Químicos S.A. de C.V. | | | | | (1.0) | | (1.0) |
| Fair value adjustments relating to acquisition of minority interest in Companhia Ultragaz S.A | | | | | 3.5 | | 3.5 |
| Available-for-sale equity securities (temporary unrealized gain) | | | 4.4 | 4.4 | | | 4.4 |
| Available-for-sale debt securities (temporary unrealized gain) | | | | | 15.8 | | 15.8 |
| Fair value adjustments relating to the acquisition of Ipiranga/Refinary | | | | | 62.6 | | 62.6 |
| Assets Retirement Obligation Assets | | | | | 23.1 | | 23.1 |
| Assets Retirement Obligation Liabilities | | | | | | | (88.3) |
| Pension Plan | | | | | | | (5.7) |
| FIN 48 | | (7.0) | | | | | (12.9) |
| Accounting for refunds | | | | | | | (5.3) |
| Deferred tax effects | | 5.1 | 0.4 | 5.5 | (29.6) | | (24.1) |
| Minority Interest | | | | | 27.7 | | 27.7 |
| Equity on U.S.GAAP adjustment | | (23.8) | 1.8 | (22.0) | | 22.0 | |
| | **9.0** | **1,945.3** | **1,486.0** | **3,438.3** | **2,699.5** | **(4,098.7)** | **1,935.9** |

**TOTAL SHAREHOLDERS EQUITY UNDER U.S.GAAP**

F-67

Table of Contents

**Consolidated Statements of Income**

**for the period ended June 30, 2007 (unaudited)**

| | LPG Issuer | Ultrapar - Parent Company Guarantor | Oxiteno - Wholly Owned Guarantor Subsidiary | Total Guarantors | Non - Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| GROSS SALES AND SERVICES | | | 382.1 | 382.1 | 7,543.1 | (199.2) | 7,726.0 |
| Deductions | | | (90.0) | (90.0) | (312.2) | 31.4 | (370.8) |
| **NET SALES AND SERVICES** | | | **292.1** | **292.1** | **7,230.9** | **(167.8)** | **7,355.2** |
| Cost of sales and services | | | (261.9) | (261.9) | (6,557.3) | 164.1 | (6,655.1) |
| **GROSS PROFIT** | | | **30.2** | **30.2** | **673.6** | **(3.7)** | **700.1** |
| **OPERATING (EXPENSES) INCOME** | | **(11.0)** | **(57.3)** | **(68.3)** | **(423.0)** | **3.3** | **(488.0)** |
| Selling | | | (13.4) | (13.4) | (164.7) | 0.3 | (177.8) |
| General and administrative | | (0.1) | (41.1) | (41.2) | (178.8) | 3.1 | (216.9) |
| Depreciation and amortization | | (10.9) | (3.7) | (14.6) | (82.8) | | (97.4) |
| Other operating income, net | | | 0.9 | 0.9 | 3.3 | (0.1) | 4.1 |
| **OPERATING INCOME (LOSS) BEFORE FINANCIAL ITEMS** | | **(11.0)** | **(27.1)** | **(38.1)** | **250.6** | **(0.4)** | **212.1** |
| Financial income (expenses), net | 0.2 | (22.0) | 2.5 | (19.5) | (7.1) | (8.7) | (35.1) |
| Nonoperating income (expenses), net | | | | | (2.0) | | (2.0) |
| **INCOME (LOSS) BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES, EQUITY IN GAIN (LOSSES) OF AFFILIATED COMPANIES AND MINORITY INTEREST** | **0.2** | **(33.0)** | **(24.6)** | **(57.6)** | **241.5** | **(9.1)** | **175.0** |
| **INCOME AND SOCIAL CONTRIBUTION TAXES** | | **10.5** | | **10.5** | **(60.0)** | **0.2** | **(49.3)** |
| Current | | | | | (77.4) | | (77.4) |
| Deferred | | 10.5 | | 10.5 | 11.5 | | 22.0 |
| Benefit of tax holidays | | | | | 5.9 | 0.2 | 6.1 |
| **INCOME (LOSS) BEFORE EQUITY IN GAIN (LOSSES) OF AFFILIATED COMPANIES AND MINORITY INTEREST** | **0.2** | **(22.5)** | **(24.6)** | **(47.1)** | **181.5** | **(8.9)** | **125.7** |
| Equity in losses of affiliated companies | | 97.1 | 67.5 | 164.6 | (0.1) | (164.6) | (0.1) |
| Employees statutory interest | | | | | (2.8) | | (2.8) |
| Minority interest | | | | | (34.8) | (13.4) | (48.2) |
| **NET INCOME (LOSS) UNDER ACCOUNTING PRACTICES** | **0.2** | **74.6** | **42.9** | **117.5** | **143.8** | **(186.9)** | **74.6** |

| | | | |
|---|---|---|---|
| **ADOPTED IN BRAZIL** | | | |
| | 0.0 | 0.0 | 0.0 |

Table of Contents

**Consolidated Statements of Income**

**for the period ended June 30, 2007 (unaudited)**

| | **LPG Issuer** | **Ultrapar - Parent Company Guarantor** | **Oxiteno -Wholly Owned Guarantor Subsidiary** | **Total Guarantors** | **Non - Guarantor Subsidiaries** | **Eliminations** | **Consolidated** |
|---|---|---|---|---|---|---|---|
| RECONCILIATION TO U.S.GAAP | | | | | | | |
| Reversal of revaluation adjustments | | | 0.4 | 0.4 | 1.0 | | 1.4 |
| Inflation accounting | | | (0.2) | (0.2) | (2.6) | | (2.8) |
| Different criteria for: | | | | | | | |
| Cancellation of subsidiaries' treasury stock | | | | | 0.5 | | 0.5 |
| Deferred charges | | 0.2 | (2.9) | (2.7) | (0.4) | | (3.1) |
| Depreciation of interest costs capitalized during construction | | | | | (0.2) | | (0.2) |
| Reversal of goodwill amortization | | 0.5 | | 0.5 | 13.2 | | 13.7 |
| Fair value adjustments relating to accounting for derivative instruments and headging activities | | | 0.4 | 0.4 | 0.2 | | 0.6 |
| Translation adjustments Canamex | | | | | (2.8) | | (2.8) |
| Other individually insignificant adjustments | | | | | 2.4 | | 2.4 |
| Assets Retirement Obligation Assets | | | | | 0.5 | | 0.5 |
| Assets Retirement Obligation Liabilities | | | | | (0.6) | | (0.6) |
| Fair value adjustments relating to business combinations | | 0.5 | (1.3) | (0.8) | | | (0.8) |
| Fair value adjustments relating to acquisition of minority interest in Oxiteno S.A. Indústria e Comércio | | 2.2 | | 2.2 | | | 2.2 |
| Fair value adjustments relating to the acquisition of SPGás Distribuidora de Gás Ltda. | | | | | 0.7 | | 0.7 |
| Fair value adjustments relating to the acquisition of Canamex Químicos S.A. de C.V. | | | | | 0.1 | | 0.1 |
| Fair value adjustments relating to acquisition of minority interest in Companhia Ultragaz S.A | | | | | (0.3) | | (0.3) |
| Fair value adjustments relating to acquisition of Ipiranga/Refinary | | | | | (3.6) | | (3.6) |
| FIN48 | | (7.0) | | (7.0) | (0.1) | | (7.1) |
| Accounting for refunds | | | | | 0.5 | | 0.5 |
| Pension Plan | | | | | (2.2) | | (2.2) |
| Deferred tax effects | | 0.2 | 1.3 | 1.5 | 0.6 | | 2.1 |
| Minority Interest | | | | | 2.5 | | 2.5 |
| Equity on U.S.GAAP adjustment | | 13.1 | (1.1) | 11.9 | | (11.9) | |
| **NET INCOME (LOSS) UNDER USGAAP** | **0.2** | **84.3** | **39.5** | **123.7** | **153.2** | **(198.8)** | **78.3** |

F-69

Table of Contents

**Consolidated Statements of Cash Flows**

**for the period ended June 30, 2007 (unaudited)**

| | LPG Issuer | Ultrapar - Parent Company Guarantor | Oxiteno -Wolly Owned Guarantor Subsidiary | Total Guarantors | Non - Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | |
| Net income | 0.2 | 74.6 | 42.9 | 117.5 | 143.8 | (186.9) | 74.6 |
| Adjustments to reconcile net income to cash provided by operating activities: | | | | | | | |
| Depreciation and amortization | | 10.8 | 10.6 | 21.4 | 109.9 | (0.1) | 131.2 |
| PIS and COFINS credit on depreciation | | | 0.2 | 0.2 | 1.1 | | 1.3 |
| Loss on disposals of permanent assets | | | 0.2 | 0.2 | 2.8 | | 3.0 |
| Interest, monetary and exchange variation (gains) | 16.1 | 36.2 | 3.1 | 39.3 | (116.8) | 24.0 | (37.4) |
| Allowance (reversal of provision) for losses on permanent assets | | | | | (2.8) | | (2.8) |
| Equity in income (losses) of affiliated companies | | (97.1) | (67.5) | (164.6) | 0.1 | 164.6 | 0.1 |
| Deferred income and social contribution taxes | | (10.4) | (1.2) | (11.6) | (11.1) | | (22.7) |
| Minority interest | | | | | 34.8 | 13.4 | 48.2 |
| Dividends received | | | | | 2.0 | 0.2 | 2.2 |
| Other | | | | | 0.3 | | 0.3 |
| Decrease (increase) in operating assets: | | | | | | | |
| Trade accounts receivable | | | 3.6 | 3.6 | (23.0) | 3.4 | (16.0) |
| Recoverable taxes | | (1.8) | (4.9) | (6.7) | (17.6) | 0.1 | (24.2) |
| Inventories | | | (9.2) | (9.2) | 2.3 | 0.8 | (6.1) |
| Prepaid expenses | 0.1 | (1.2) | (0.6) | (1.8) | 2.2 | (0.4) | 0.1 |
| Dividends received | | 12.9 | 174.9 | 187.8 | 40.9 | (228.7) | |
| Other | | (0.1) | (0.2) | (0.3) | (18.9) | (0.3) | (19.5) |
| Increase (decrease) in operating liabilities: | | | | | | | |
| Suppliers | | 0.6 | 11.5 | 12.1 | 23.8 | (4.0) | 31.9 |
| Salaries and related charges | | | (5.0) | (5.0) | (1.4) | | (6.4) |
| Taxes | | | 0.3 | 0.3 | 4.5 | | 4.8 |
| Income and social contribution taxes | | (9.4) | 0.3 | (9.1) | 27.5 | | 18.4 |
| Other | 1.1 | 2.9 | 1.3 | 4.2 | (5.4) | 0.3 | 0.2 |
| Net cash (used in) provided by operating activities | **17.5** | **18.0** | **160.3** | **178.3** | **199.0** | **(213.6)** | **181.2** |

Table of Contents

**Consolidated Statements of Cash Flows**

**for the period ended June 30, 2007 (unaudited)**

| | LPG Issuer | Ultrapar - Parent Company Guarantor | Oxiteno -Wolly Owned Guarantor Subsidiary | Total Guarantors | Non - Guarantor Subsidiaries | Oxiteno -Wolly Owned Guarantor Subsidiary | Consolidated |
|---|---|---|---|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | |
| Additions to short-term investments | | | | | (122.7) | 115.6 | (7.1) |
| Proceeds from sales of short-term investments | | | | | 453.0 | | 453.0 |
| Purchase of Ipiranga, net of cash acquired | | (676.4) | (98.9) | (775.3) | 101.1 | 142.1 | (532.1) |
| Escrow deposits | | | (2.0) | (2.0) | (3.5) | | (5.5) |
| Additions to property, plant and equipment | | | (40.9) | (40.9) | (230.6) | | (271.5) |
| Additions to intangible assets | | | (0.6) | (0.6) | (2.9) | | (3.5) |
| Additions to deferred charges | | (11.9) | (2.5) | (14.4) | (27.4) | | (41.8) |
| Proceeds from sales of property, plant and equipment | | | 0.2 | 0.2 | 10.3 | | 10.5 |
| Other | | | | | (0.1) | | (0.1) |
| Net cash (used in) provided by investing activities | | **(688.3)** | **(144.7)** | **(833.0)** | **177.2** | **257.7** | **(398.1)** |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | |
| Short-term debt, net | (17.5) | 655.8 | (7.2) | 648.6 | 18.4 | | 649.5 |
| Long term financings and debentures: | | | | | | | |
| Issuances | | | 24.8 | 24.8 | 62.7 | | 87.5 |
| Repayments | | | | | (3.4) | | (3.4) |
| Loans from affiliated companies: | | | | | | | |
| Issuances | | 75.2 | 126.1 | 201.3 | 308.9 | (503.3) | 6.9 |
| Repayments | | (190.1) | (146.6) | (336.7) | (177.1) | 503.3 | (10.5) |
| Dividends paid | | (61.1) | (43.2) | (104.3) | (163.4) | 203.8 | (63.9) |
| Capital increase | | | 43.2 | 43.2 | 73.9 | (117.1) | |
| Acquisition of treasury shares | | (20.9) | | (20.9) | | | (20.9) |
| Net cash provided by (used in) financing activities | **(17.5)** | **458.9** | **(2.9)** | **456.0** | **120.0** | **86.7** | **645.2** |
| Effect of exchange rate changes on cash and cash equivalents | | | | | (28.4) | | (28.4) |
| Net increase (decrease) in cash and cash equivalents | | (211.4) | 12.7 | (198.7) | 467.8 | 130.8 | 399.9 |
| Cash and cash equivalents at the beginning of the year | 0.8 | 279.4 | 3.1 | 282.5 | 105.8 | (4.0) | 385.1 |
| Cash and cash equivalents at the end of the year | 0.8 | 68.0 | 15.8 | 83.8 | 573.6 | 126.8 | 785.0 |

**Table of Contents**

**Consolidated Balance Sheets**

**as of December 31, 2006**

| ASSETS | LPG Issuer | Ultrapar - Parent Company Guarantor | Oxiteno -Wholly Owned Guarantor Subsidiary | Total Guarantors | Non - Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| CURRENT ASSETS | | | | | | | |
| Cash and cash equivalents | 0.8 | 234.6 | 3.1 | 237.7 | 146.6 | | 385.1 |
| Short-term investments | | 44.8 | | 44.8 | 692.5 | | 737.3 |
| Trade accounts receivable, net | | | 76.5 | 76.5 | 343.5 | (60.0) | 360.0 |
| Inventories | | | 69.4 | 69.4 | 148.2 | (0.4) | 217.2 |
| Recoverable taxes | | 8.0 | 7.4 | 15.4 | 102.4 | | 117.8 |
| Deferred income and social contribution taxes | | 0.1 | 2.1 | 2.2 | 25.1 | | 27.3 |
| Dividends receivable | | 53.8 | 146.1 | 199.9 | | (199.9) | |
| Other | | 0.3 | 1.7 | 2.0 | 5.1 | (1.0) | 6.1 |
| Prepaid expenses | 1.1 | 0.6 | 0.8 | 1.4 | 7.0 | (0.9) | 8.6 |
| **TOTAL CURRENT ASSETS** | **1.9** | **342.2** | **307.1** | **649.3** | **1,470.4** | **(262.2)** | **1,859.4** |
| NON-CURRENT ASSETS | | | | | | | |
| Long-term investments | | | | | 548.0 | | 548.0 |
| Trade accounts receivable, net | | | 0.5 | 0.5 | 18.7 | | 19.2 |
| Related companies | 535.3 | 3.5 | | 3.5 | 500.5 | (1,031.9) | 7.4 |
| Deferred income and social contribution taxes | | 3.1 | 10.2 | 13.3 | 44.9 | | 58.2 |
| Recoverable taxes | | 18.7 | 34.7 | 53.4 | 11.9 | | 65.3 |
| Escrow deposits | | 0.2 | 0.6 | 0.8 | 13.5 | | 14.3 |
| Other | | | | | 1.2 | | 1.2 |
| Prepaid expenses | 8.2 | 0.2 | 2.2 | 2.4 | 8.9 | (6.3) | 13.2 |
| **TOTAL LONG TERM ASSETS** | **543.5** | **25.7** | **48.2** | **73.9** | **1,147.6** | **(1,038.2)** | **726.8** |
| PERMANENT ASSETS | | | | | | | |
| Investments: | | | | | | | |
| Subsidiary and affiliated companies | | 2,025.5 | 1,157.4 | 3,182.9 | 3.5 | (3,181.1) | 5.3 |
| Other | | | 19.1 | 19.1 | 6.4 | | 25.5 |
| Property, plant and equipment, net | | | 223.4 | 223.4 | 889.1 | (0.7) | 1,111.8 |
| Intangible assets, net | | | 12.1 | 12.1 | 48.9 | | 61.0 |
| Deferred charges, net | | | 11.5 | 11.5 | 100.8 | | 112.3 |
| **TOTAL PERMANENT ASSETS** | | **2,025.5** | **1,423.5** | **3,449.0** | **1,048.7** | **(3,181.8)** | **1,315.9** |
| **TOTAL ASSETS UNDER ACCOUNTING PRACTICES ADOPTED IN BRAZIL** | **545.4** | **2,393.4** | **1,778.8** | **4,172.2** | **3,666.7** | **(4,482.2)** | **3,902.1** |

**Table of Contents**

**Consolidated Balance Sheets**

**as of December 31, 2006**

| **RECONCILIATION TO U.S. GAAP** | **LPG Issuer** | **Ultrapar - Parent Company Guarantor** | **Oxiteno - Wholly Owned Guarantor Subsidiary** | **Total Guarantors** | **Non - Guarantor Subsidiaries** | **Eliminations** | **Consolidated** |
|---|---|---|---|---|---|---|---|
| Reversal of revaluation adjustments | | | (1.7) | (1.7) | (25.6) | | (27.3) |
| Inflation accounting | | | 7.0 | 7.0 | 17.5 | | 24.5 |
| Different criteria for: | | | | | | | |
| Deferred charges | | | (11.0) | (11.0) | (85.9) | | (96.9) |
| Capitalization of interest costs during construction | | | | | 0.3 | | 0.3 |
| Reversal of goodwill amortization of SPGás acquisition under BR GAAP | | | | | 16.3 | | 16.3 |
| Reversal of goodwill amortization of Companhia Ultragaz S.A. shares from minority stockholders | | | | | (1.1) | | (1.1) |
| Other individually insignificant adjustments | | 0.0 | | 0.0 | 1.0 | | 1.0 |
| Fair value adjustments relating to business combinations | | (1.1) | 2.6 | 1.5 | | | 1.5 |
| Fair value adjustments relating to acquisition of minority interest in Oxiteno S.A. Indústria e Comércio | | (22.6) | | (22.6) | | | (22.6) |
| Fair value adjustments relating to the acquisition of SPGás Distribuidora de Gás Ltda. | | | | | 8.9 | | 8.9 |
| Fair value adjustments relating to the acquisition of Canamex Químicos S.A. de C.V. | | | | | (1.1) | | (1.1) |
| Fair value adjustments relating to acquisition of minority interest in Companhia Ultragaz S.A | | | | | 3.8 | | 3.8 |
| Available-for-sale equity securities (temporary unrealized gain) | | | 1.5 | 1.5 | | | 1.5 |
| Available-for-sale debt securities (temporary unrealized gain) | | | | | 13.7 | | 13.7 |
| Deferred tax effects | | 5.0 | 0.4 | 5.4 | 13.5 | | 18.9 |
| Equity on U.S. GAAP adjustment | | (38.5) | 0.7 | (37.8) | | 37.8 | |
| **TOTAL ASSETS UNDER U.S. GAAP** | **545.4** | **2,336.2** | **1,778.3** | **4,114.5** | **3,628.0** | **(4,444.4)** | **3,843.5** |

Table of Contents

**Consolidated Balance Sheets**

**as of December 31, 2006**

| LIABILITIES | LPG Issuer | Ultrapar - Parent Company Guarantor | Oxiteno - Wholly Owned Guarantor Subsidiary | Total Guarantors | Non - Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| CURRENT LIABILITIES | | | | | | | |
| Loans and financing | 1.1 | | 27.6 | 27.6 | 126.4 | | 155.1 |
| Debentures | | 12.8 | | 12.8 | | | 12.8 |
| Suppliers | | 0.4 | 56.6 | 57.0 | 112.7 | (57.2) | 112.5 |
| Payroll and related charges | | | 18.9 | 18.9 | 62.3 | | 81.2 |
| Taxes payable | | | 0.6 | 0.6 | 16.3 | | 16.9 |
| Dividends payable | | 96.7 | 43.3 | 140.0 | 161.3 | (199.9) | 101.4 |
| Income and social contribution taxes | | | | | 1.0 | | 1.0 |
| Deferred income and social contribution taxes | | | 0.1 | 0.1 | 0.1 | | 0.2 |
| Other | | | 0.5 | 0.5 | 3.0 | (0.8) | 2.7 |
| **TOTAL CURRENT LIABILITIES** | **1.1** | **109.9** | **147.6** | **257.5** | **483.1** | **(257.9)** | **483.8** |
| NON-CURRENT | | | | | | | |
| LONG-TERM LIABILITIES | | | | | | | |
| Loans and financing | 534.5 | | 51.8 | 51.8 | 495.5 | | 1,081.8 |
| Debentures | | 300.0 | | 300.0 | | | 300.0 |
| Related companies | | 33.5 | 146.1 | 179.6 | 857.0 | (1,031.9) | 4.7 |
| Deferred income and social contribution taxes | | | 24.7 | 24.7 | 1.3 | | 26.0 |
| Other taxes and contributions contingent liabilities | | 9.4 | 8.9 | 18.3 | 18.2 | | 36.5 |
| Other | | | 0.6 | 0.6 | 2.1 | | 2.7 |
| **TOTAL LONG-TERM LIABILITIES** | **534.5** | **342.9** | **232.1** | **575.0** | **1,374.1** | **(1,031.9)** | **1,451.7** |
| **MINORITY INTEREST** | | | | | **51.4** | **(18.3)** | **33.1** |
| **SHAREHOLDERS EQUITY** | | | | | | | |
| Capital | | 946.0 | 644.4 | 1,590.4 | 890.2 | (1,534.6) | 946.0 |
| Capital reserve | | 3.0 | | 3.0 | 95.6 | (98.0) | 0.6 |
| Revaluation reserve | | 13.0 | 1.7 | 14.7 | 20.2 | (21.9) | 13.0 |
| Profit reserves | 9.8 | 983.2 | 753.0 | 1,736.2 | 450.6 | (1,213.4) | 983.2 |
| Treasury shares | | (4.6) | | (4.6) | 0.0 | (4.7) | (9.3) |
| Retained earnings | | | | | 301.5 | (301.5) | |
| **TOTAL SHAREHOLDERS' EQUITY UNDER ACCOUNTING PRACTICES ADOPTED IN BRAZIL** | **9.8** | **1,940.6** | **1,399.1** | **3,339.7** | **1,758.1** | **(3,174.1)** | **1,933.5** |
| | **545.4** | **2,393.4** | **1,778.8** | **4,172.2** | **3,666.7** | **(4,482.2)** | **3,902.1** |

**TOTAL LIABILITIES AND SHAREHOLDERS EQUITY UNDER ACCOUNTING PRACTICES ADOPTED IN BRAZIL**

Table of Contents

**Consolidated Balance Sheets**

**as of December 31, 2006**

| SHAREHOLDERS EQUITY RECONCILIATION TO U.S. GAAP | LPG Issuer | Ultrapar - Parent Company Guarantor | Oxiteno - Wholly Owned Guarantor Subsidiary | Total Guarantors | Non - Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| Reversal of revaluation adjustments | | | (1.7) | (1.7) | (25.6) | | (27.3) |
| Inflation accounting | | | 7.0 | 7.0 | 17.5 | | 24.5 |
| Different criteria for: | | | | | | | |
| Cancellation of subsidiaries' treasury stock | | | | | (2.1) | | (2.1) |
| Deferred charges | | | (11.0) | (11.0) | (85.9) | | (96.9) |
| Capitalization of interest costs during construction | | | | | 0.3 | | 0.3 |
| Reversal of goodwill amortization of SPGás acquisition under BR GAAP | | | | | 16.3 | | 16.3 |
| Reversal of goodwill amortization of Companhia Ultragaz S.A. shares from minority stockholders | | | | | (1.1) | | (1.1) |
| Fair value adjustments relating to accounting for derivative instruments and headging activities | | | 0.8 | 0.8 | (2.0) | | (1.2) |
| Other individually insignificant adjustments | | 0.0 | (0.2) | (0.2) | 0.4 | | 0.2 |
| Fair value adjustments relating to business combinations | | (1.1) | 2.6 | 1.5 | | | 1.5 |
| Fair value adjustments relating to acquisition of minority interest in Oxiteno S.A. Indústria e Comércio | | (22.6) | | (22.6) | | | (22.6) |
| Fair value adjustments relating to the acquisition of SPGás Distribuidora de Gás Ltda. | | | | | 8.9 | | 8.9 |
| Fair value adjustments relating to the acquisition of Canamex Químicos S.A. de C.V. | | | | | (1.1) | | (1.1) |
| Fair value adjustments relating to acquisition of minority interest in Companhia Ultragaz S.A | | | | | 3.8 | | 3.8 |
| Available-for-sale equity securities (temporary unrealized gain) | | | 1.5 | 1.5 | | | 1.5 |
| Available-for-sale debt securities (temporary unrealized gain) | | | | | 13.7 | | 13.7 |
| Deferred tax effects | | 5.0 | 0.4 | 5.4 | 14.9 | | 20.3 |
| Minority Interest | | | | | 0.7 | | 0.7 |
| Equity on U.S.GAAP adjustment | | (38.5) | 0.7 | (37.8) | | 37.8 | |
| **TOTAL SHAREHOLDERS' EQUITY UNDER U.S. GAAP** | **9.8** | **1,883.4** | **1,399.2** | **3,282.6** | **1,716.7** | **(3,136.3)** | **1,872.9** |

**Table of Contents**

**Consolidated Statements of Income**

**for the period ended June 30, 2006 (unaudited)**

| | LPG Issuer | Ultrapar - Parent Company Guarantor | Oxiteno -Wholly Owned Guarantor Subsidiary | Total Guarantors | Non - Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| GROSS SALES AND SERVICES | | | 341.5 | 341.5 | 2,312.7 | (154.5) | 2,499.7 |
| Deductions | | | (80.8) | (80.8) | (152.8) | 29.0 | (204.6) |
| **NET SALES AND SERVICES** | | | **260.7** | **260.7** | **2,159.9** | **(125.5)** | **2,295.1** |
| Cost of sales and services | | | (232.8) | (232.8) | (1,748.9) | 122.3 | (1,859.4) |
| **GROSS PROFIT** | | | **27.9** | **27.9** | **411.0** | **(3.2)** | **435.7** |
| **OPERATING (EXPENSES) INCOME** | **(0.2)** | **(0.4)** | **(57.1)** | **(57.5)** | **(232.0)** | **3.1** | **(286.6)** |
| Selling | | | (10.8) | (10.8) | (82.8) | | (93.6) |
| General and administrative | (0.2) | (0.4) | (43.5) | (43.9) | (92.0) | 3.2 | (132.9) |
| Depreciation and amortization | | | (3.4) | (3.4) | (57.7) | | (61.1) |
| Other operating income, net | | | 0.6 | 0.6 | 0.5 | (0.1) | 1.0 |
| **OPERATING INCOME (LOSS) BEFORE FINANCIAL ITEMS** | **(0.2)** | **(0.4)** | **(29.2)** | **(29.6)** | **179.0** | **(0.1)** | **149.1** |
| Financial income (expenses), net | 0.2 | 3.7 | 4.5 | 8.2 | 26.5 | | 34.9 |
| Nonoperating income (expenses), net | (1.7) | | (2.6) | (2.6) | (8.9) | | (13.2) |
| **INCOME (LOSS) BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES, EQUITY IN GAIN (LOSSES) OF AFFILIATED COMPANIES AND MINORITY INTEREST** | **(1.7)** | **3.3** | **(27.3)** | **(24.0)** | **196.6** | **(0.1)** | **170.8** |
| **INCOME AND SOCIAL CONTRIBUTION TAXES** | | **(6.0)** | **9.2** | **3.2** | **(53.9)** | **26.5** | **(24.2)** |
| Current | | (6.1) | 9.2 | 3.1 | (69.3) | | (66.2) |
| Deferred | | 0.1 | | 0.1 | 11.1 | | 11.2 |
| Benefit of tax holidays | | | | | 4.3 | 26.5 | 30.8 |
| **INCOME (LOSS) BEFORE EQUITY IN GAIN (LOSSES) OF AFFILIATED COMPANIES AND MINORITY INTEREST** | **(1.7)** | **(2.7)** | **(18.1)** | **(20.8)** | **142.7** | **26.4** | **146.6** |
| Equity in losses of affiliated companies | | 153.9 | 120.5 | 274.4 | 0.6 | (274.4) | 0.6 |
| Minority interest | | | | | (3.5) | 1.2 | (2.3) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **NET INCOME (LOSS) UNDER ACCOUNTING PRACTICES ADOPTED IN BRAZIL** | **(1.7)** | **151.2** | **102.4** | **253.6** | **139.8** | **(246.8)** | **144.9** |

Table of Contents

**Consolidated Statements of Income**

**for the period ended June 30, 2006 (unaudited)**

| | LPG Issuer | Ultrapar - Parent Company Guarantor | Oxiteno -Wholly Owned Guarantor Subsidiary | Total Guarantors | Non - Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| **RECONCILIATION TO U.S. GAAP** | | | | | | | |
| Reversal of revaluation adjustments | | | 0.5 | 0.5 | 0.9 | | 1.4 |
| Inflation accounting | | | (0.3) | (0.3) | (1.9) | | (2.2) |
| Different criteria for: | | | | | | | |
| Cancellation of subsidiaries treasury stock | | | | | 0.5 | | 0.5 |
| Deferred charges | | | (5.6) | (5.6) | (4.1) | | (9.7) |
| Depreciation of interest costs capitalized during construction | | | | | (0.2) | | (0.2) |
| Reversal of goodwill amortization | | | | | 2.4 | | 2.4 |
| Fair value adjustments relating to accounting for derivative instruments and headging activities | | | (0.8) | (0.8) | 1.2 | | 0.4 |
| Translation adjustments Canamex | | | | | 1.7 | | 1.7 |
| Other individually insignificant adjustments | | 0.1 | (0.1) | | 1.3 | | 1.3 |
| Fair value adjustment relating short term investment | | | | | | | |
| Fair value adjustment relating long term investment | | | | | | | |
| Fair value adjustments relating to business combinations | | 0.5 | (1.3) | (0.8) | | | (0.8) |
| Fair value adjustments relating to acquisition of minority interest in Oxiteno S.A. Indústria e Comércio | | 2.2 | | 2.2 | | | 2.2 |
| Fair value adjustments relating to the acquisition of SPGás Distribuidora de Gás Ltda. | | | | | 0.7 | | 0.7 |
| Fair value adjustments relating to the acquisition of Canamex Químicos S.A. de C.V. | | | | | 0.1 | | 0.1 |
| Fair value adjustments relating to acquisition of minority interest in Companhia Ultragaz S.A | | | | | (0.3) | | (0.3) |
| Expenses of public offering of shares | | | | | | | |
| Deferred tax effects | | (0.6) | 2.6 | 2.0 | (0.7) | | 1.3 |
| Minority Interest | | | | | | | |
| Equity on U.S.GAAP adjustment | | (3.3) | 0.8 | (2.6) | | 2.6 | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **NET INCOME (LOSS) UNDER U.S. GAAP** | **(1.7)** | **150.1** | **98.2** | **248.2** | **141.4** | **(244.2)** | **143.7** |

**Table of Contents**

**Consolidated Statements of Cash Flows**

**for the period ended June 30, 2006 (unaudited)**

| | LPG Issuer | Ultrapar - Parent Company Guarantor | Oxiteno -Wolly Owned Guarantor Subsidiary | Total Guarantors | Non - Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | |
| Net income | (1.7) | 151.2 | 102.4 | 253.6 | 139.8 | (246.8) | 144.9 |
| Adjustments to reconcile net income to cash provided by operating activities: | | | | | | | |
| Depreciation and amortization | | | 9.7 | 9.7 | 83.9 | (0.1) | 93.5 |
| PIS and COFINS credit on depreciation | | | | | 1.1 | | 1.1 |
| Loss on disposals of permanent assets | | | 2.6 | 2.6 | 6.6 | | 9.2 |
| Interest, monetary and exchange variation (gains) | 19.2 | 24.0 | 3.3 | 27.3 | (108.9) | 9.3 | (53.1) |
| Allowance (reversal of provision) for losses on permanent assets | | | | | 2.4 | | 2.4 |
| Equity in income (losses) of affiliated companies | | (153.9) | (120.5) | (274.4) | (0.5) | 274.3 | (0.6) |
| Benefit of tax holidays | | | | | 26.3 | (26.3) | |
| Deferred income and social contribution taxes | | (0.1) | (9.2) | (9.3) | (1.9) | | (11.2) |
| Minority interest | | | | | 3.5 | (1.2) | 2.3 |
| Other | | | | | (0.1) | 0.1 | |
| Reversal of allowance for factory maintenance shutdown | | | 1.2 | 1.2 | 5.6 | | 6.8 |
| Decrease (increase) in operating assets: | | | | | | | |
| Trade accounts receivable | | | (8.3) | (8.3) | (59.3) | 53.2 | (14.4) |
| Recoverable taxes | | (1.7) | (1.6) | (3.3) | (20.0) | 0.1 | (23.2) |
| Inventories | | | 3.3 | 3.3 | (9.6) | 0.8 | (5.5) |
| Prepaid expenses | | 0.2 | (0.8) | (0.6) | 0.5 | (0.3) | (0.4) |
| Dividends received | | 75.5 | 48.1 | 123.6 | | (123.6) | |
| Other | | 0.4 | 0.1 | 0.5 | (0.3) | 0.1 | 0.3 |
| Increase (decrease) in operating liabilities: | | | | | | | |
| Suppliers | | | 51.9 | 51.9 | 1.1 | (53.9) | (0.9) |
| Salaries and related charges | | | (2.7) | (2.7) | 3.5 | | 0.8 |
| Taxes | | | 0.7 | 0.7 | 4.0 | | 4.7 |
| Income and social contribution taxes | | 0.4 | 0.5 | 0.9 | 3.9 | | 4.8 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Other | 0.4 | | (1.6) | (1.6) | (21.9) | (0.1) | (23.2) |
| Net cash (used in) provided by operating activities | **17.9** | **96.0** | **79.1** | **175.1** | **59.7** | **(114.4)** | **138.3** |

Table of Contents

**Consolidated Statements of Cash Flows**

**for the period ended June 30, 2006 (unaudited)**

| | LPG Issuer | Ultrapar - Parent Company Guarantor | Oxiteno -Wolly Owned Guarantor Subsidiary | Total Guarantors | Non - Guarantor Subsidiaries | Oxiteno -Wolly Owned Guarantor Subsidiary | Consolidated |
|---|---|---|---|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | |
| Additions to short-term investments | | | | | (577.7) | | (577.7) |
| Proceeds from sales of short-term investments | | | | | 92.7 | | 92.7 |
| Escrow deposits | | (0.2) | | (0.2) | 0.5 | | 0.3 |
| Additions to investments | | | (1.1) | (1.1) | (0.1) | 1.2 | |
| Additions to property, plant and equipment | | | (21.6) | (21.6) | (72.2) | | (93.8) |
| Additions to intangible assets | | | (4.7) | (4.7) | (3.1) | | (7.8) |
| Additions to deferred charges | | | (8.3) | (8.3) | (29.0) | | (37.3) |
| Proceeds from sales of property, plant and equipment | | | 0.1 | 0.1 | 3.6 | | 3.7 |
| Net cash (used in) provided by investing activities | | **(0.2)** | **(35.6)** | **(35.8)** | **(585.3)** | **1.2** | **(619.9)** |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | |
| Short-term debt, net | (20.4) | (26.5) | (18.4) | (44.9) | (26.7) | 3.9 | (88.1) |
| Long term financings and debentures: | | | | | | | |
| Issuances | | | 13.2 | 13.2 | 25.2 | | 38.4 |
| Repayments | | | | | 2.5 | | 2.5 |
| Loans from affiliated companies: | | | | | | | |
| Issuances | | 45.6 | 39.8 | 85.4 | 109.2 | (191.9) | 2.7 |
| Repayments | | (8.7) | (12.9) | (21.6) | (174.6) | 191.9 | (4.3) |
| Dividends paid | | (86.8) | (64.5) | (151.3) | (59.9) | 123.7 | (87.5) |
| Capital increase | | | | | 1.1 | (1.1) | |
| Net cash provided by (used in) financing activities | **(20.4)** | **(76.4)** | **(42.8)** | **(119.2)** | **(123.2)** | **126.5** | **(136.3)** |
| Effect of exchange rate changes on cash and cash equivalents | | | | | (6.6) | | (6.6) |
| Net increase (decrease) in cash and cash equivalents | (2.5) | 19.4 | 0.7 | 20.1 | (655.4) | 13.3 | (624.5) |
| Cash and cash equivalents at the beginning of the year | 2.5 | 359.7 | 4.7 | 364.4 | 747.8 | (0.5) | 1,114.2 |
| Cash and cash equivalents at the end of the year | 0.0 | 379.1 | 5.4 | 384.5 | 92.4 | 12.8 | 489.7 |

Table of Contents

Ultrapar Participações S.A. and Subsidiaries

**j) Geographical area information**

All long-lived assets are located in Brazil, except for long-lived assets located in Mexico, in the amount of R$ 32.6, as of June 30, 2007 (R$ 26.5 as of December 31, 2006).

The Company generates revenues from operations in Brazil and, as from December 2003, from Mexico, as well as from exports of products to clients located in foreign countries as shown below:

| | June 30, 2007 (unaudited) | June 30, 2006 |
|---|---|---|
| Gross sales: | | |
| Brazil | 7,531.1 | 2,281.5 |
| Latin America, other than Brazil | 116.3 | 107.5 |
| Far East | 32.1 | 37.1 |
| Europe | 31.8 | 38.1 |
| North America | 3.8 | 24.7 |
| Other | 10.9 | 10.8 |
| Total | 7,726.0 | 2,499.7 |

**k) Research and development expenses**

Total research and development expenses amounted to R$ 9.1 and R$ 8.8 for the six-month period ended June 30, 2007 and 2006, respectively.

**l) Employee severance fund and termination payments**

The Company is required to contribute 8% of each employee s gross pay to an account maintained in the employee s name in the Government Severance Indemnity Fund (FGTS). No other contributions to the FGTS are required. Additionally, effective September 2001, the Company is required to pay an additional tax equal to 0.5% of gross pay. Contributions are expensed as incurred.

Under Brazilian law, the Company is also required to pay termination benefits to employees who have been dismissed. The amount of the benefit is calculated as 40% of the accumulated contributions made by the Company to the FGTS during the employee s period of service. Additionally, effective September 2001, the Company is required to pay a social tax of 10% of these accumulated contributions.

The Company does not accrue for these termination costs before a decision to terminate has been made, since the benefits are neither probable nor reasonably estimable. Actual termination costs paid on dismissal totaled R$ 9.6 and R$ 3.5 for the six-month period ended June 30, 2007 and 2006, respectively.

**Table of Contents**

Ultrapar Participações S.A. and Subsidiaries

**m) Changes in number of shares**

The following table presents changes in number of shares issued, held in treasury and outstanding for the six month period ended June 30, 2007:

| | Shares issued | | | Treasury shares | | | Outstanding shares | | |
|---|---|---|---|---|---|---|---|---|---|
| | Common (in thousands) | Preferred (in thousands) | Total (in thousands) | Common (in thousands) | Preferred (in thousands) | Total (in thousands) | Common (in thousands) | Preferred (in thousands) | Total (in thousands) |
| Shares at December 31, 2006 | 49,430 | 31,895 | 81,325 | 6 | 162 | 168 | 49,424 | 31,733 | 81,157 |
| Acquisition of treasury shares | | | | | 355 | 355 | | (355) | (355) |
| Shares granted to executives | | | | | | | | | |
| Shares at June 30, 2007 (unaudited) | 49,430 | 31,895 | 81,325 | 6 | 517 | 523 | 49,424 | 31,378 | 80,802 |

**n) Aggregate transaction gains and losses**

Total aggregate transaction gains and losses included in financial income or expense amounted to R$ 16.1 (gain) and R$ 15.6 (gain) for the six month period ended June 30, 2007 and 2006, respectively.

**26. Subsequent event**

**i) Ipiranga acquisition- Tag alongs**

As mentioned in Note 3, in April of 2007 Ultrapar acquired the control of certain companies of Ipiranga Group. The acquisition process is structured in four stages. The first one was concluded in April 18 with the transfer of control. Currently the second stage of the process is being finished, which corresponds to the tag along public offering (OPA) by Refinaria de Petróleo Ipiranga S.A. (RPI), Distribuidora de Produtos de Petróleo Ipiranga S.A. (DPPI) and Companhia Brasileira de Petróleo Ipiranga (CBPI). In October 22, the public offering of DPPI and RPI were carried out. The auction of CBPI is foreseen for November 8, 2007.

**ii) ADENE exemption**

In December 2006, the Camaçari plant s tax exemption of subsidiary Oxiteno Nordeste S.A. Indústria e Comércio expired, as shown in Note 22.c). The subsidiary filed a request with ADENE (Northeast Development Agency), the agency in charge of managing this incentive program, seeking a 75% income tax reduction until 2016, which was granted on May 25, 2007. On July 3, 2007, the benefit analysis report issued by ADENE was directed to the Federal Revenue Service to be ratified in up to 120 days, that expired on October 31, 2007. Thus the subsidiary will record in October of 2007 the reduction value in its results, with retroactive effect to January 1, 2007, in the amount of R$ 15.4.

Table of Contents

# *Ultrapar Participações S.A.*

*Interim Financial Information for the nine-*

*month period Ended September 30, 2007*

*and Independent Accountants  Review*

*Report*

*(A free translation of the original report in Portuguese as published in Brazil containing interim financial information prepared in accordance with accounting practices adopted in Brazil)*

Table of Contents

ULTRAPAR PARTICIPAÇÕES S.A.

**IDENTIFICATION**

**01.01 CAPITAL COMPOSITION**

| Number of shares (Thousands) | Current quarter 09/30/2007 | Prior quarter 06/30/2007 | Same quarter in prior year 09/30/2006 |
|---|---|---|---|
| **Paid-up Capital** | | | |
| 1 - Common | 49,430 | 49,430 | 49,430 |
| 2 - Preferred | 31,895 | 31,895 | 31,895 |
| 3 - Total | 81,325 | 81,325 | 81,325 |
| **Treasury Stock** | | | |
| 4 - Common | 7 | 7 | 7 |
| 5 - Preferred | 580 | 516 | 213 |
| 6 - Total | 587 | 523 | 220 |

**01.02 DIVIDENDS APPROVED AND/OR PAID DURING AND AFTER THE QUARTER**

| 1 - ITEM | 2 - EVENT | 3 - APPROVAL | 4 - REVENUE | 5 - BEGINNING OF PAYMENT | 7 - TYPE OF SHARE | 8 - AMOUNT PER SHARE |
|---|---|---|---|---|---|---|

**01.03 SUBSCRIBED CAPITAL AND ALTERATIONS IN THE CURRENT YEAR**

| 1 - ITEM | 2 - DATE OF ALTERATION | 3 - AMOUNT OF THE CAPITAL (IN THOUSANDS OF REAIS) | 4 - AMOUNT OF THE ALTERATION (IN THOUSANDS OF REAIS) | 5 - NATURE OF ALTERATION | 7 - NUMBER OF SHARES ISSUED (THOUSAND) | 8 - SHARE PRICE ON ISSUE DATE (IN REAIS) |
|---|---|---|---|---|---|---|

F-83

Table of Contents

(A free translation of the original report in Portuguese as published in Brazil)

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**BALANCE SHEETS AS OF SEPTEMBER 30, 2007 AND JUNE 30, 2007 (unaudited)**

(In thousands of Brazilian reais R$)

| | | Parent Company | | Consolidated | |
|---|---|---|---|---|---|
| | **Notes** | **09/30/2007** | **06/30/2007** | **09/30/2007** | **06/30/2007** |
| **ASSETS** | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and banks | | 552 | 297 | 81,958 | 47,069 |
| Temporary cash investments | 4 | 50,693 | 67,739 | 1,445,992 | 1,474,828 |
| Trade accounts receivable | 5 | | | 1,294,301 | 1,260,910 |
| Inventories | 6 | | | 566,380 | 540,443 |
| Recoverable taxes | 7 | 10,156 | 9,840 | 215,041 | 193,599 |
| Deferred income and social contribution taxes | 9a. | 117 | 122 | 78,568 | 74,504 |
| Prepaid expenses | 10 | 1,294 | 1,908 | 17,840 | 20,474 |
| Other | | 458 | 451 | 25,293 | 31,277 |
| Total current assets | | 63,270 | 80,357 | 3,725,373 | 3,643,104 |
| NONCURRENT ASSETS | | | | | |
| Long-term investments | 4 | | | 119,487 | 118,946 |
| Trade accounts receivable | 5 | | | 165,803 | 157,647 |
| Related companies | 8 | 79,866 | 85,481 | 43,111 | 42,148 |
| Deferred income and social contribution taxes | 9a. | 26,641 | 13,484 | 128,856 | 109,707 |
| Recoverable taxes | 7 | 18,540 | 18,595 | 75,389 | 72,437 |
| Escrow deposits | | 193 | 193 | 27,456 | 25,100 |
| Prepaid expenses | 10 | 11 | 45 | 30,448 | 29,077 |
| Other | | | | 8,198 | 8,173 |
| Total long-term assets | | 125,251 | 117,798 | 598,748 | 563,235 |
| Permanent assets | | | | | |
| Investments: | | | | | |
| Subsidiary | 11a. | 2,467,566 | 2,417,390 | | |
| Goodwill | | 401,320 | 411,825 | | |
| Affiliated companies | 11b. | | | 12,157 | 12,242 |
| Other | | 60 | 60 | 34,026 | 26,615 |
| Property, plant and equipment | 12 | | | 2,112,085 | 1,998,374 |
| Intangible | 13 | | | 67,897 | 67,967 |
| Deferred charges | 14 | 12,771 | 11,644 | 538,619 | 543,840 |
| Total permanent assets | | 2,881,717 | 2,840,919 | 2,764,784 | 2,649,038 |
| Total noncurrent assets | | 3,006,968 | 2,958,717 | 3,363,532 | 3,212,273 |
| TOTAL ASSETS | | 3,070,238 | 3,039,074 | 7,088,905 | 6,855,377 |

The accompanying notes are integral part of these interim financial information

Table of Contents

(A free translation of the original report in Portuguese as published in Brazil)

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**BALANCE SHEETS AS OF SEPTEMBER 30, 2007 AND JUNE 30, 2007 (unaudited)**

(In thousands of Brazilian reais R$)

| | | Parent Company | | Consolidated | |
|---|---|---|---|---|---|
| | **Notes** | **09/30/2007** | **06/30/2007** | **09/30/2007** | **06/30/2007** |
| **LIABILITIES** | | | | | |
| CURRENT LIABILITIES | | | | | |
| Loans and financing | 15 | | | 564,886 | 302,728 |
| Debentures | 15 | 1,014,789 | 1,004,752 | 1,017,181 | 1,015,263 |
| Suppliers | | 501 | 970 | 453,714 | 450,745 |
| Salaries and related charges | | 88 | 78 | 120,807 | 105,302 |
| Taxes payable | | 43 | 52 | 45,303 | 51,608 |
| Dividends payable | | 36,456 | 35,581 | 40,532 | 39,611 |
| Income and social contribution taxes | | | | 65,237 | 36,343 |
| Post-retirement benefits | 23b. | | | 6,828 | 7,240 |
| Provision for contingencies | 21a. | | | 9,745 | 11,749 |
| Deferred income and social contribution taxes | 9a | | | 176 | 208 |
| Other | | 2,949 | 2,949 | 41,944 | 30,008 |
| Total current liabilities | | 1,054,826 | 1,044,382 | 2,366,353 | 2,050,805 |
| NONCURRENT | | | | | |
| Long-term liabilities | | | | | |
| Loans and financing | 15 | | | 993,541 | 1,149,132 |
| Debentures | 15 | | | 350,000 | 350,000 |
| Related companies | 8 | 456 | 456 | 4,723 | 4,723 |
| Deferred income and social contribution taxes | 9a. | | | 26,681 | 26,514 |
| Provision for contingencies | 21a. | | | 89,699 | 88,002 |
| Post-retirement benefits | 23b. | | | 67,776 | 71,691 |
| Other | | | | 14,378 | 11,343 |
| Total noncurrent liabilities | | 456 | 456 | 1,546,798 | 1,701,405 |
| MINORITY INTEREST | | | | 1,167,330 | 1,115,685 |
| SHAREHOLDERS EQUITY | | | | | |
| Capital | 16a. | 946,034 | 946,034 | 946,034 | 946,034 |
| Capital reserve | 16c. | 3,026 | 3,026 | 777 | 702 |
| Revaluation reserve | 16d. | 11,975 | 12,310 | 11,975 | 12,310 |
| Profit reserves | 16e.,16f. | 983,230 | 983,230 | 983,230 | 983,230 |
| Treasury shares | 16b. | (29,434) | (25,530) | (33,717) | (29,960) |
| Retained earnings | | 100,125 | 75,166 | 100,125 | 75,166 |
| Total shareholders equity | | 2,014,956 | 1,994,236 | 2,008,424 | 1,987,482 |
| Total minority interest and shareholders equity | | 2,014,956 | 1,994,236 | 3,175,754 | 3,103,167 |
| TOTAL LIABILITIES AND SHAREHOLDERS EQUITY | | 3,070,238 | 3,039,074 | 7,088,905 | 6,855,377 |

The accompanying notes are integral part of these interim financial information

Table of Contents

(A free translation of the original report in Portuguese as published in Brazil)

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**STATEMENTS OF INCOME**

**FOR THE QUARTERS ENDED SEPTEMBER 30, 2007 AND 2006 (unaudited)**

(In thousands of Brazilian reais R$, except for earnings per share)

| | | Parent Company | | Consolidated | |
|---|---|---|---|---|---|
| | Notes | 09/30/07 | 09/30/06 | 09/30/07 | 09/30/06 |
| GROSS SALES AND SERVICES | 2a. | | | 6,413,498 | 1,415,025 |
| Deductions | | | | (250,751) | (119,831) |
| NET SALES AND SERVICES | | | | 6,162,747 | 1,295,194 |
| Cost of sales and services | 2a. | | | (5,684,189) | (1,029,861) |
| GROSS PROFIT | | | | 478,558 | 265,333 |
| EQUITY IN SUBSIDIARIES AND AFFILIATED COMPANIES | 11a., 11b. | 50,222 | 88,301 | (85) | 49 |
| OPERATING (EXPENSES) INCOME | | (10,687) | 71 | (341,592) | (153,391) |
| Selling | | | | (139,579) | (51,303) |
| General and administrative | | 98 | 70 | (136,917) | (70,562) |
| Management compensation | | | | (1,512) | (1,459) |
| Depreciation and amortization | | (10,781) | | (64,409) | (30,785) |
| Other operating income, net | | (4) | 1 | 825 | 718 |
| INCOME FROM OPERATIONS BEFORE FINANCIAL ITEMS | | 39,535 | 88,372 | 136,881 | 111,991 |
| Financial income (expenses), net | | (28,015) | 722 | (30,081) | (2,944) |
| Financial income | 19 | 1,830 | 12,400 | 42,176 | 43,444 |
| Financial expenses | 19 | (29,845) | (11,678) | (72,257) | (46,388) |
| INCOME FROM OPERATIONS | | 11,520 | 89,094 | 106,800 | 109,047 |
| Nonoperating (expenses) income, net | 17 | | | (962) | (7,677) |
| INCOME BEFORE TAXES ON INCOME AND MINORITY INTEREST | | 11,520 | 89,094 | 105,838 | 101,370 |
| INCOME AND SOCIAL CONTRIBUTION TAXES | | 13,151 | (264) | (27,890) | (11,185) |
| Current | 9b. | | (318) | (51,038) | (35,506) |
| Benefit of tax holidays ADENE | 9b., 9c. | | | 3,402 | 15,352 |
| Deferred | 9b. | 13,151 | 54 | 19,746 | 8,969 |
| INCOME BEFORE MINORITY INTEREST | | 24,671 | 88,830 | 77,948 | 90,185 |
| Employees statutory interest | | | | (1,635) | |
| Minority interest | | | | (51,642) | (1,355) |
| NET INCOME | | 24,671 | 88,830 | 24,671 | 88,830 |

| | | | | |
|---|---|---|---|---|
| EARNINGS PER SHARE R$ | 0.30577 | 1.09525 | 0.30557 | 1.09525 |

The accompanying notes are integral part of these interim financial information

Table of Contents

(A free translation of the original report in Portuguese as published in Brazil)

**ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**STATEMENTS OF INCOME**

**FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2007 AND 2006 (unaudited)**

(In thousands of Brazilian reais R$, except for earnings per share)

| | | Parent Company | | Consolidated | |
|---|---|---|---|---|---|
| | **Notes** | **09/30/07** | **09/30/06** | **09/30/07** | **09/30/06** |
| GROSS SALES AND SERVICES | 2a. | | | 14,139,495 | 3,914,718 |
| Deductions | | | | (621,513) | (324,445) |
| NET SALES AND SERVICES | | | | 13,517,982 | 3,590,273 |
| Cost of sales and services | 2a. | | | (12,339,305) | (2,889,278) |
| GROSS PROFIT | | | | 1,178,677 | 700,995 |
| EQUITY IN SUBSIDIARIES AND AFFILIATED COMPANIES | 11a., 11b. | 147,267 | 242,171 | (214) | 696 |
| OPERATING (EXPENSES) INCOME | | (21,618) | (335) | (829,643) | (439,996) |
| Selling | | | | (317,360) | (144,859) |
| General and administrative | | 17 | (335) | (351,234) | (200,901) |
| Management compensation | | | | (4,124) | (4,105) |
| Depreciation and amortization | | (21,632) | | (161,827) | (91,925) |
| Other operating income, net | | (3) | | 4,902 | 1,794 |
| INCOME FROM OPERATIONS BEFORE FINANCIAL ITEMS | | 125,649 | 241,836 | 348,820 | 261,695 |
| Financial income (expenses), net | | (49,996) | 4,528 | (65,218) | 31,952 |
| Financial income | 19 | 10,621 | 40,680 | 111,041 | 117,261 |
| Financial expenses | 19 | (60,617) | (36,152) | (176,259) | (85,309) |
| INCOME FROM OPERATIONS | | 75,653 | 246,364 | 283,602 | 293,647 |
| Nonoperating (expenses) income, net | 17 | | | (2,907) | (20,911) |
| INCOME BEFORE TAXES ON INCOME AND MINORITY INTEREST | | 75,653 | 246,364 | 280,695 | 272,736 |
| INCOME AND SOCIAL CONTRIBUTION TAXES | | 23,588 | (6,332) | (77,187) | (35,370) |
| Current | 9b. | | (6,468) | (128,385) | (101,692) |
| Benefit of tax holidays ADENE | 9b., 9c. | | | 9,486 | 46,105 |
| Deferred | 9b. | 23,588 | 136 | 41,712 | 20,217 |
| INCOME BEFORE MINORITY INTEREST | | 99,241 | 240,032 | 203,508 | 237,366 |
| Employees statutory interest | | | | (4,451) | |
| Minority interest | | | | (99,816) | (3,643) |
| NET INCOME | | 99,241 | 240,032 | 99,241 | 233,723 |

| | | | | |
|---|---|---|---|---|
| EARNINGS PER SHARE R$ | 1.22917 | 2.95952 | 1.22917 | 2.88173 |

The accompanying notes are integral part of these interim financial information

(Amounts in thousands of Brazilian reais R$, unless otherwise stated)

**1. Operations**

Ultrapar Participações S.A. (the Company ), with headquarters in the city of São Paulo, invests in commercial and industrial activities, including subscription or purchase of shares of other companies with similar activities.

Through its subsidiaries, the Company is engaged in the distribution of liquefied petroleum gas LPG (Ultragaz), production and sale of chemicals (Oxiteno), and services in integrated logistics solution for special bulk (Ultracargo). After acquisition of the Ipiranga Group, in April 2007, the Company became engaged in the distribution of fuels/lubricants and related products in the South and Southeast Regions of Brazil. The Company also became engaged in oil refining ( Refinery ) through its stake in Refinaria de Petróleo Ipiranga S.A.

**2. Presentation of interim financial information and significant accounting practices**

The accounting practices adopted by Ultrapar and its subsidiaries to record transactions and for the preparation of the Interim Financial Information ITR are those established by accounting practices derived from the Brazilian Corporation Law and the Brazilian Securities Commission (CVM).

**a) Results of operations**

Determined on the accrual basis of accounting. Revenues from sales and respective costs are recognized when the products are delivered to the customers or services are performed, and the transfer of risks, rights and obligations associated with the ownership of products takes place.

**b) Current and noncurrent assets**

Temporary cash and long-term investments are stated at cost, plus accrued income (on a pro rata temporis basis), which approximate their market value. Temporary cash investments include the results from hedges, as described in Notes 4 and 20, that management intends to hold to maturity.

The allowance for doubtful accounts is recorded based on estimated losses and is considered sufficient by management to cover potential losses on accounts receivable.

Inventories are stated at the lower of average cost of acquisition or production, that do not overcome the market value.

Other assets are stated at the lower of cost or realizable values, including, when applicable, accrued income and monetary and exchange variation incurred or net of allowances for losses.

**c) Investments**

Significant investments in subsidiaries and affiliated companies are recorded under the equity method, as shown in Note 11.

Other investments are stated at acquisition cost, net of allowances for losses, should the losses not be considered temporary.

Table of Contents

**d) Property, plant and equipment**

Stated at acquisition or construction cost, including financial charges incurred on constructions in progress and include revaluation write-ups based on appraisal reports issued by independent appraisers, in accordance with item 68, letter b), of CVM Resolution No. 183/95, as well as costs related to the maintenance of significant assets during scheduled factory maintenance operations.

Depreciation is calculated on a straight-line basis at the annual rates described in Note 12, and is based on the economic useful live of the assets.

Leasehold improvements in gas stations are depreciated over the effective contract terms or the useful life of the assets, if shorter.

**e) Intangible**

Stated at acquisition cost, net of allowance for losses, should the losses not be considered temporary, as shown in Note 13.

**f) Deferred charges**

Deferred charges comprise costs incurred in the installation of Company and its subsidiaries equipment at customers facilities amortized over the terms of the LPG supply contracts with these customers, project expenses and goodwill on acquisition of subsidiaries, as stated in Note 14.

**g) Current and noncurrent liabilities**

Stated at known or estimated amounts including, when applicable, accrued charges, monetary and exchange rate variations incurred until the interim financial information date.

**h) Income and social contribution taxes on income**

Income and social contribution taxes, current and deferred (according to CVM Resolution No. 273/98) are measured on the basis of effective rates and include the benefit of tax holidays, as mentioned in Note 9.b).

**i) Provision for contingencies**

The provision for contingencies is recorded for contingent risks with an estimated probable loss, based on the opinion of the internal and external legal advisors and administrators. Amounts are recorded based on the estimated costs and results of proceedings (see Note 21.a).

**j) Actuarial commitment with post-retirement benefits**

Actuarial commitments with the post-retirement benefits plan granted and to be granted to employees, retired employees and pensioners (net of plan assets) are provided for based on the actuarial calculation prepared by an independent actuary in accordance with the projected credit unit method, as mentioned in Note 23.b).

**k) Basis for translation of the interim financial information of foreign subsidiaries**

The interim financial information of foreign subsidiaries are translated into Brazilian reais at the current exchange rate in effect at the date of the interim financial information ITR. The criteria for preparation of the interim financial information have been adapted to conform to accounting practices derived from the Brazilian Corporation Law.

Table of Contents

**l) Cash flow statement**

The Company is presenting the statement of cash flow as supplementary information, prepared in accordance with Accounting Standards and Procedures No. 20 (NPC) issued by IBRACON Brazilian Institute of Independent Auditors.

**m) Use of estimates**

The preparation of interim financial information in accordance with accounting practices derived from the Brazilian Corporation Law requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet dates and the reported amounts of revenues, costs and expenses for the years presented. Although these estimates are based on management s best available knowledge of current and expected future events, actual results could differ from those estimates.

Table of Contents

### 3. Consolidation principles

The consolidated interim financial information have been prepared in accordance with the basic consolidation principles established by accounting practices adopted in Brazil and by the Brazilian Securities Commission (CVM), and include the following direct and indirect subsidiaries:

| | Ownership interest - % | | | |
|---|---|---|---|---|
| | 09/30/2007 | | 06/30/2007 | |
| | Direct | Indirect | Direct | Indirect |
| Ultragaz Participações Ltda. | 100 | | 100 | |
| SPGás Distribuidora de Gás Ltda. | | 99 | | 99 |
| Companhia Ultragaz S.A. | | 99 | | 99 |
| Bahiana Distribuidora de Gás Ltda. | | 100 | | 100 |
| Utingás Armazenadora S.A. | | 56 | | 56 |
| LPG International Inc. | | 100 | | 100 |
| Ultracargo Operações Logísticas e Participações Ltda. | 100 | | 100 | |
| Transultra Armazenamento e Transporte Especializado Ltda. | | 100 | | 100 |
| Petrolog Serviços e Armazéns Gerais Ltda. | | 100 | | 100 |
| Terminal Químico de Aratu S.A. Tequimar | | 99 | | 99 |
| Melamina Ultra S.A. Indústria Química | | 99 | | 99 |
| Oxiteno S.A. Indústria e Comércio | 100 | | 100 | |
| Oxiteno Nordeste S.A. Indústria e Comércio | | 99 | | 99 |
| Oxiteno Argentina Sociedad de Responsabilidad Ltda. | | 99 | | 99 |
| Oleoquímica Indústria e Comércio de Produtos Químicos Ltda. | | 100 | | 100 |
| Barrington S.L. | | 100 | | 100 |
| Oxiteno México S.A. de C.V. | | 100 | | 100 |
| Oxiteno Servicios Corporativos S.A. de C.V. | | 100 | | 100 |
| Oxiteno Servicios Industriales S.A. de C.V. | | 100 | | 100 |
| Oxiteno International Corp. | | 100 | | 100 |
| Oxiteno Overseas Corp. | | 100 | | 100 |
| Oxiteno Andina, C.A. | | 100 | | |
| Imaven Imóveis e Agropecuária Ltda. | 100 | | 100 | |
| Distribuidora de Produtos de Petróleo Ipiranga S.A. | 32 | | 32 | |
| Companhia Brasileira de Petróleo Ipiranga(*) | 1 | 11 | 1 | 11 |
| am/pm Comestíveis Ltda.(*) | | 11 | | 11 |
| Centro de Conveniências Millennium Ltda.(*) | | 11 | | 11 |
| Empresa Carioca de Produtos Químicos S.A. | | 11 | | 11 |
| Ipiranga Comercial Importadora e Exportadora Ltda. | | 11 | | 11 |
| Ipiranga Trading Limited | | 11 | | 11 |
| Tropical Transportes Ipiranga Ltda. | | 11 | | 11 |
| Ipiranga Imobiliária Ltda. | | 11 | | 11 |
| Ipiranga Logística Ltda. | | 11 | | 11 |
| Maxfácil Participações S.A.(**) | | 9 | | 9 |
| Isa-Sul Administração e Participações Ltda. | | 32 | | 32 |
| Comercial Farroupilha Ltda. | | 32 | | 32 |
| Ipiranga Administração de Bens Móveis Ltda. | | 32 | | 32 |
| Refinaria de Petróleo Ipiranga S.A.(***) | 10 | | 10 | |

(*) As informed in the Material Event of March 19, 2007 and the Market Announcement of April 19, 2007, distribution of fuels/lubricants and related products of these companies are divided between Ultrapar (South and Southeast Regions of Brazil) and Petrobras (North, Northeast and Center West Regions of Brazil).

Table of Contents

(**) Joint control among DPPI (16%), CBPI (34%) and União de Bancos Brasileiro S.A. UNIBANCO (50%).

(***) Oil refinery operations of Refinaria de Petróleo Ipiranga S.A. are equally shared among Petrobras, Ultrapar and Braskem, and the subsidiary was proportionality consolidated in these interim financial information in accordance with Article 32 of CVM Instruction No. 247/96.

On April 18, 2007 the Company, together with Petróleo Brasileiro S.A. ( Petrobras ) and Braskem S.A. ( Braskem ), acquired the controlling interest of Ipiranga Group, as informed in Material Event published on April 19, 2007. Under the terms of the Acquisition Agreement signed by the three buyers, the Company acted as commission agent of Braskem and Petrobras, and for itself for the acquisition of the fuels/lubricants distribution and related products businesses located in the South and Southeast Regions of Brazil and Empresa Carioca de Produtos Químicos S.A. ( Ipiranga ), maintaining the brand Ipiranga. Petrobras holds the control of fuel distribution and lubricant businesses located in the North, Northeast and Center West Regions of Brazil ( North Distribution Assets ), and Braskem holds control of the petrochemical assets, represented by Ipiranga Química S.A., Ipiranga Petroquímica S.A. (IPQ) and the ownership in Copesul Companhia Petroquímica do Sul (Copesul) ( Petrochemical Assets ).

The transaction is structured in 4 stages:

(i) acquisition of Ipiranga Group controlling interest (occurred on April 18, 2007);

(ii) tag along offering for the purchase of common shares issued by Companhia Brasileira de Petróleo Ipiranga (CBPI), Refinaria de Petróleo Ipiranga S.A. (RPI) and Distribuidora de Produtos de Petróleo Ipiranga S.A. (DPPI), which registration order was filed with CVM on May 2nd, 2007;

(iii) merger of shares issued by CBPI, RPI and DPPI into Ultrapar; and

(iv) segregation of assets among Ultrapar, Petrobras and Braskem.

The conclusion of the transaction is forecasted to occur in the fourth quarter of 2007. In the first stage, the Company spent the net amount of R$ 676,432, Petrobras R$ 742,747 and Braskem R$ 651,928. Based on the initial balance sheet of March 31, 2007, the Company recorded a goodwill in the amount of R$ 424,680 in the first stage of the transaction, which is being amortized over 10 years starting in April 2007, based on the expected future profitability of Ipiranga.

The assets, liabilities and income of Ipiranga are reflect in the Company s interim financial information since April, 2007, with minority interest presented separately in the consolidated interim financial information. As the Company acted as commission agent for Braskem and Petrobras, the assets acquired in for them were recorded as reduction of the amounts received in the same first stage of the transaction, not producing any effect in the Company s interim financial information. The assets related to the operations of RPI s oil refinery were proportionally consolidated in the Company s interim financial information, since their control is shared equally with Petrobras and Braskem.

On April 30, 2007, the subsidiary Transultra Armazenamento e Transporte Especializado Ltda. acquired the company Petrolog Serviços e Armazéns Gerais Ltda. for the amount of R$ 8,083, recording goodwill in the amount of R$ 6,507, amortized in 10 years, based on its expected of future profitability.

On September 13, 2007, the subsidiary Barrington S.L. acquired the company Arch Química Andina, C.A. in Venezuela in amount of US$ 7,631 equivalent R$ 14,972, that after acquisition started to call Oxiteno Andina, C.A., recording goodwill in the amount of R$ 164, amortized in 10 years, based on its expected of future profitability.

Upon consolidation, intercompany investments, accounts, transactions and profits were eliminated. Minority interest in subsidiaries is presented separately in the interim financial information.

Table of Contents

**4. Temporary cash and long-term investments**

These investments, contracted with leading banks, are substantially composed of: (i) private securities issued by leading banks and fixed-income funds, all linked to the interbank deposit rate (CDI); (ii) abroad, in cash investments, in notes issued by the Austrian Government in Brazilian reais and linked to the interbank deposit rate (CDI), and in Dual Currency Deposits; and (iii) currency hedge transaction. Such investments are stated at cost plus accrued income on a pro rata temporis basis.

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 09/30/2007 | 06/30/2007 | 09/30/2007 | 06/30/2007 |
| Austrian notes | | | 415,237 | 439,197 |
| Dual Currency Deposits(a) | | | 468,503 | 248,613 |
| Foreign investments(b)(c) | | | 197,078 | 454,144 |
| Securities and fixed-income funds in Brazil | 50,693 | 67,739 | 563,865 | 519,190 |
| Net expenses on hedge transaction(d) | | | (79,204) | (67,370) |
| Total | 50,693 | 67,739 | 1,565,479 | 1,593,774 |
| Current portion | 50,693 | 67,739 | 1,445,992 | 1,474,828 |
| Noncurrent portion | | | 119,487 | 118,946 |

(a) Dual Currency Deposits are investments of the subsidiary Oxiteno Overseas Corp., whose yield can be in US dollars or Brazilian reais, depending on the US dollar rate as of the maturity date. If the US dollar rate is lower than the strike rate on the maturity date, the yield of this operation will be in US dollars plus interest of 7.3% per year; otherwise, it will be in Brazilian reais plus average interest of 13.7% per year. The subsidiary records the investment at the lower of the two alternative yields, which until September 30, 2007 was represented by the US dollar. Up to September 30, 2007 the exchange rate has always remained below the strike rate.

(b) Investments made by the subsidiaries Oxiteno Overseas Corp., Oxiteno International Corp., LPG International Inc. and Oxiteno México S.A. de C.V. in fixed-income funds, certificates of deposit and investment grade corporate securities.

(c) In April 2006, subsidiary Oxiteno Overseas Corp., owner of notes in the amount of US$ 60 million issued by Companhia Ultragaz S.A. in the international market in 1997 (Original Notes), sold these Original Notes to a foreign financial institution. Concurrently, subsidiary Oxiteno Overseas Corp. acquired from this financial institution a credit linked note backed by the Original Notes. This transaction provides a financial gain for the Company corresponding to the difference between the interest rate paid for the credit linked note and the Original Notes, as mentioned in Note 15.b).

(d) Accumulated gain or loss (see Note 20).

**5. Trade accounts receivable (consolidated)**

| | 09/30/2007 | 06/30/2007 |
|---|---|---|
| Domestic customers Ipiranga / Refinery | 817,010 | 802,374 |
| Other domestic customers | 377,667 | 377,920 |
| Financing to customers | 284,580 | 263,197 |
| Foreign customers | 125,576 | 89,941 |
| (-) Advances on foreign exchange contracts | (85,002) | (57,632) |
| (-) Allowance for doubtful accounts | (59,727) | (57,243) |

| | | |
|---|---|---|
| | 1,460,104 | 1,418,557 |
| Current portion | 1,294,301 | 1,260,910 |
| Noncurrent portion | 165,803 | 157,647 |

Financing to customers are directed to the reimbursement of reforms and modernizations of gas stations, acquisition of products and market development of fuel and lubricant distribution.

The changes in the allowance for doubtful accounts are shown below:

| | |
|---|---|
| Balance at June 30, 2007 | 57,243 |
| Addition recorded as selling expenses | 5,685 |
| Utilization | (3,201) |
| Balance at September 30, 2007 | 59,727 |

**6. Inventories (consolidated)**

| | 09/30/2007 | | | 06/30/2007 | | |
|---|---|---|---|---|---|---|
| | Cost | Provision for losses | Net | Cost | Provision for losses | Net |
| Finished products | 153,083 | (3,658) | 149,425 | 147,247 | (3,152) | 144,095 |
| Work in process | 2,536 | | 2,536 | 1,114 | | 1,114 |
| Raw materials | 77,624 | (35) | 77,589 | 81,398 | (37) | 81,361 |
| Liquefied petroleum gas (LPG) | 24,674 | | 24,674 | 20,491 | | 20,491 |
| Fuel, lubricants and grease | 248,566 | (428) | 248,138 | 230,389 | (375) | 230,014 |
| Supplies and cylinders for resale | 35,783 | (2,891) | 32,892 | 44,512 | (1,261) | 43,251 |
| Advances to suppliers | 31,126 | | 31,126 | 20,117 | | 20,117 |
| | 573,392 | (7,012) | 566,380 | 545,268 | (4,825) | 540,443 |

The changes in the provision for losses on inventories are shown below:

| | |
|---|---|
| Balance at June 30, 2007 | 4,825 |
| Additions | 2,988 |
| Reversal | (801) |
| Balance at September 30, 2007 | 7,012 |

**7. Recoverable taxes**

Represented substantially by credit balances of ICMS (state Value Added Tax VAT), PIS and COFINS (taxes on revenue), and income and social contribution taxes.

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 09/30/2007 | 06/30/2007 | 09/30/2007 | 06/30/2007 |
| Income and social contribution taxes | 28,635 | 28,373 | 124,562 | 107,571 |
| ICMS | | | 166,968 | 155,427 |
| Provision for losses ICMS(*) | | | (42,963) | (40,909) |
| PIS and COFINS | 21 | 21 | 24,792 | 19,882 |
| VAT of subsidiary Oxiteno México S.A. de C.V. | | | 7,677 | 15,420 |

| | | | | |
|---|---|---|---|---|
| Manufacturing Tax IPI | | | 7,043 | 7,439 |
| Other | 40 | 41 | 2,351 | 1,206 |
| Total | 28,696 | 28,435 | 290,430 | 266,036 |
| Current portion | 10,156 | 9,840 | 215,041 | 193,599 |
| Noncurrent portion | 18,540 | 18,595 | 75,389 | 72,437 |

(*) The provision refers to credit balances that the subsidiaries estimate they will not be able to offset in the future.

**Table of Contents**

The changes in the provision for losses on ICMS are shown below:

| | |
|---|---|
| Balance at June 30, 2007 | 40,909 |
| Addition | 5,398 |
| Reversal | (3,344) |
| Balance at September 30, 2007 | 42,963 |

The increase in the balance of income and social contribution tax credits is mainly due to the inclusion of Ipiranga.

The increase in the balance of ICMS is due to the credits addition by Ipiranga and the increase in ICMS credits of the Camaçari (Bahia State) plant of the subsidiary Oxiteno Nordeste S.A Indústria e Comércio, due to measures taken by the Bahia State, which made it difficult to utilize credits for import payment or to transfer them to third parties. The total balance of credits from this plant corresponds to R$ 76,036 as of September 30, 2007 (R$ 66,334 as of June 30, 2007), of which R$ 37,337 have already been reviewed by the tax authorities and are awaiting release by the state finance department of Bahia for commercialization. In addition to these credits, the subsidiary s management is working on a series of additional measures for consumption of the plant s ICMS balance. The allowance for loss of the plant s credits was recognized on the basis of the maximum discount expected on their commercialization. The PIS and COFINS credits are being utilized to offset other federal taxes, mainly income and social contribution taxes on income.

**8. Related companies**

| | Parent Company | |
|---|---|---|
| | Loan | |
| | Asset | Liability |
| Oxiteno S.A. Indústria e Comércio | 72,103 | |
| Ultragaz Participações Ltda. | 7,763 | |
| Melamina Ultra S.A. Indústria Química | | 456 |
| Total at September 30, 2007 | 79,866 | 456 |
| Total at June 30, 2007 | 85,481 | 456 |

| | Consolidated | | | |
|---|---|---|---|---|
| | Loans | | Trade accounts | |
| | Asset | Liability | Receivable | Payable |
| Química da Bahia Indústria e Comércio S.A. | | 3,641 | | |
| Serma Associação dos Usuários de Equipamentos de Processamentos de Dados e Serviços Correlatos | 9,948 | | | |
| Petroquímica União S.A. | | | | 2,359 |
| Oxicap Indústria de Gases Ltda. | | | | 1,141 |
| Liquigás Distribuidora S.A. | | | 203 | |
| Petróleo Brasileiro S.A. Petrobras | | | 5,717 | 187,056 |
| Copagaz Distribuidora de Gás S.A. | | | 63 | |
| Braskem S.A. | | | | 10,323 |
| SHV Gás Brasil Ltda. | | | 53 | |
| Plenogás Distribuidora de Gás S.A. | | 871 | | |
| Refinaria de Petróleo Ipiranga S.A.(*) | 33,163 | | 31 | 10,339 |
| Other | | 211 | 34 | |

| | | | | |
|---|---|---|---|---|
| Total at September 30, 2007 | 43,111 | 4,723 | 6,101 | 211,218 |
| Total at June 30, 2007 | 42,148 | 4,723 | 8,117 | 206,548 |

Table of Contents

(*) The loan with Refinaria de Petróleo Ipiranga S.A., refers to the acquisition of subscription rights from Distribuidora de Produtos de Petróleo Ipiranga S.A., with maturity on October 3, 2007. The amount in the table above refers to the loan amounts that were not eliminated on consolidation, given that RPI s consolidation is proportional and DPPI s is full.

| | Consolidated | | |
|---|---|---|---|
| | Operations | | Financial |
| | Sales | Purchases | expenses |
| Petroquímica União S.A. | 134 | 98,095 | |
| Oxicap Indústria de Gases Ltda. | | 7,972 | |
| Liquigás Distribuidora S.A. | 2,902 | | |
| Química da Bahia Indústria e Comércio S.A. | | | (110) |
| Petróleo Brasileiro S.A. Petrobras | 28 | 8,973,925 | |
| Copagaz Distribuidora de Gás S.A. | 972 | | |
| Braskem S.A. | 26,035 | 515,314 | |
| SHV Gás Brasil Ltda. | 1,214 | | |
| Refinaria de Petróleo Ipiranga S.A.(**) | 411 | 299,501 | 1,529 |
| Other | 576 | | |
| Total at September 30, 2007 | 32,272 | 9,894,807 | 1,419 |
| Total at September 30, 2006 | 42,899 | 2,070,985 | (232) |

(**) Purchase and sales transactions refer substantially to fuel supplies of RPI to DPPI. The amount in the table above refers to the amounts that were not eliminated on consolidation, given that RPI s consolidation is proportional and DPPI s is full.

Purchase and sale transactions refer substantially to purchases of raw materials, other materials and transportation and storage services, carried out at market prices and conditions.

Table of Contents

### 9. Income and social contribution taxes

#### a) Deferred income and social contribution taxes

The Company and its subsidiaries recognize tax assets and liabilities, which do not expire, arising from tax loss carryforwards, temporary add-backs, revaluation of property, plant and equipment, and other procedures. The tax credits are based on continuing profitability from operations. Deferred income and social contribution taxes are presented in the following principal categories:

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 09/30/2007 | 06/30/2007 | 09/30/2007 | 06/30/2007 |
| Assets: | | | | |
| Deferred income and social contribution taxes on: | | | | |
| Provision for loss of assets | | | 43,787 | 42,023 |
| Provision for contingencies | | | 40,651 | 38,076 |
| Provision for post-retirement benefits (see Note 23.b) | | | 24,949 | 24,974 |
| Other provisions | 117 | 122 | 40,316 | 36,840 |
| Income and social contribution tax loss carryforwards | 26,641 | 13,484 | 57,721 | 42,298 |
| Total | 26,758 | 13,606 | 207,424 | 184,211 |
| Current portion | 117 | 122 | 78,568 | 74,504 |
| Noncurrent portion | 26,641 | 13,484 | 128,856 | 109,707 |
| Liabilities: | | | | |
| Deferred income and social contribution taxes on: | | | | |
| Revaluation of property, plant and equipment | | | 634 | 684 |
| Accelerated depreciation | | | 173 | 180 |
| Income earned abroad | | | 26,050 | 25,858 |
| Total | | | 26,857 | 26,722 |
| Current portion | | | 176 | 208 |
| Noncurrent portion | | | 26,681 | 26,514 |

The estimated recovery of deferred income and social contribution tax assets is shown below:

| | Parent Company | Consolidated |
|---|---|---|
| Until 1 year | 117 | 78,568 |
| From 1 to 2 years | 13,011 | 47,808 |
| From 2 to 3 years | 6,850 | 26,350 |
| From 3 to 4 years | 6,780 | 31,422 |
| From 5 to 7 years | | 15,438 |
| From 8 to 10 years | | 7,838 |
| | 26,758 | 207,424 |

Table of Contents

**b) Conciliation of income and social contribution taxes in the statements of income**

Income and social contribution taxes are reconciled to official tax rates as follows:

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | **09/30/2007** | **09/30/2006** | **09/30/2007** | **09/30/2006** |
| Income before taxes, equity in subsidiary and affiliated companies and minority interest | (71,614) | 4,193 | 276,458 | 272,040 |
| Official tax rates - % | 34 | 34 | 34 | 34 |
| Income and social contribution taxes at official rates | 24,349 | (1,426) | (93,996) | (92,494) |
| Adjustments to the effective tax rate: | | | | |
| Operating provisions and nondeductible expenses/nontaxable income | | (13) | 774 | 8,599 |
| Adjustments to estimated income | | | 5,933 | 1,360 |
| Interest on capital | (761) | (4,893) | | |
| Workers meal program (PAT) | | | 987 | 649 |
| Other | | | (371) | 411 |
| Income and social contribution taxes before benefit of tax holidays | 23,588 | (6,332) | (86,673) | (81,475) |
| Benefit of tax holidays ADENE | | | 9,486 | 46,105 |
| Income and social contribution taxes in the statements of income | 23,588 | (6,332) | (77,187) | (35,370) |
| Current | | (6,468) | (128,385) | (101,692) |
| Deferred | 23,588 | 136 | 41,712 | 20,217 |
| Benefit of tax holidays ADENE | | | 9,486 | 46,105 |

**c) Tax exemption**

The following subsidiaries have partial or total exemption from income tax in connection with a government program for the development of the Northeast Region of Brazil:

| **Subsidiary** | **Plants** | **Incentive - %** | **Expiration date** |
|---|---|---|---|
| Oxiteno Nordeste S.A. Indústria e Comércio(*) | Camaçari plant | 100 | 2006 |
| Bahiana Distribuidora de Gás Ltda. | Mataripe plant | 75 | 2013 |
| | Suape plant | 100 | 2007 |
| | Ilhéus plant | 25 | 2008 |
| | Aracaju plant | 25 | 2008 |
| | Caucaia plant | 75 | 2012 |
| Terminal Químico de Aratu S.A. Tequimar | Aratu Terminal | 75 | 2012 |
| | Suape Terminal | 75 | 2015 |

(*) In December 2006, this plant s exemption expired and a request was filed with ADENE (Northeast Development Agency), the agency in charge of managing this incentive program, seeking a 75% income tax reduction until 2016, which was granted on May 25, 2007. On July 3, 2007, the benefit analysis report issued by ADENE was directed to the Federal Revenue Service to be ratified in up to 120 days that expired on October 31, 2007. Thus the subsidiary will record in October of 2007 the reduction value in its results, with retroactive effect to January 1, 2007, in amount of R$ 15,418.

Table of Contents

**10. Prepaid expenses (consolidated)**

| | 09/30/2007 | 06/30/2007 |
|---|---|---|
| Rents | 24,109 | 20,391 |
| Marketing | 5,377 | 5,453 |
| Expenses with bond issuances | 8,932 | 12,683 |
| Insurance premium | 2,212 | 3,373 |
| Taxes, mainly Municipal Real Estate Tax IPTU Vehicle Tax IPVA | 3,713 | 2,113 |
| Other prepaid expenses | 3,945 | 5,538 |
| | 48,288 | 49,551 |
| Current portion | 17,840 | 20,474 |
| Noncurrent portion | 30,448 | 29,077 |

**11. Investments**

**a) Subsidiaries of the Company**

| | Investments | | Equity method | |
|---|---|---|---|---|
| | 09/30/2007 | 06/30/2007 | 09/30/2007 | 09/30/2006 |
| Ultragaz Participações Ltda. | 425,040 | 408,923 | 51,158 | 86,039 |
| Ultracargo Operações Logísticas e Participações Ltda. | 216,538 | 213,403 | 10,245 | 2,770 |
| Imaven Imóveis e Agropecuária Ltda. | 49,560 | 48,394 | 3,487 | 3,420 |
| Oxiteno S.A. Indústria e Comércio | 1,505,160 | 1,485,072 | 62,861 | 149,942 |
| Distribuidora de Produtos de Petróleo Ipiranga S.A. | 169,834 | 165,145 | 9,200 | |
| Companhia Brasileira de Petróleo Ipiranga | 101,243 | 95,944 | 10,125 | |
| Refinaria de Petróleo Ipiranga S.A. (joint subsidiary) | 191 | 509 | 191 | |
| | 2,467,566 | 2,417,390 | 147,267 | 242,171 |

**b) Affiliated Companies (consolidated)**

| | Investments | | Equity method | |
|---|---|---|---|---|
| | 09/30/2007 | 06/30/2007 | 09/30/2007 | 09/30/2006 |
| Química da Bahia Indústria e Comércio S.A. | 3,540 | 3,551 | 65 | 641 |
| Oxicap Indústria de Gases Ltda. | 1,627 | 1,573 | (44) | 55 |
| Transportadora Sulbrasileira de Gás S.A. | 6,990 | 7,118 | (235) | |
| | 12,157 | 12,242 | (214) | 696 |

In the consolidated interim financial information, the investment of subsidiary Oxiteno S.A. Indústria e Comércio in the affiliated company Oxicap Indústria de Gases Ltda. is carried under the equity method based on the affiliate s interim financial information as of August 31, 2007. Other subsidiaries are valued based on the interim financial information as of September 30, 2007.

**Table of Contents**

**12. Property, plant and equipment (consolidated)**

| | Annual depreciation average rates - % | 09/30/2007 Revalued cost | Accumulated depreciation | Allowance for realization | Net book value | 06/30/2007 Net book value |
|---|---|---|---|---|---|---|
| Land | | 180,415 | | (197) | 180,218 | 177,464 |
| Buildings | 4 | 616,008 | (286,705) | | 329,303 | 324,187 |
| Leasehold improvements | 4 | 188,884 | (69,836) | | 119,048 | 114,971 |
| Machinery and equipment | 8 | 1,062,301 | (538,805) | (655) | 522,841 | 463,259 |
| Equipment and fixtures for the distribution of fuels / lubricants | 10 | 748,047 | (447,983) | | 300,064 | 303,906 |
| Gas tanks and cylinders for LPG | 10 | 281,606 | (174,729) | | 106,877 | 110,741 |
| Vehicles | 21 | 223,383 | (167,052) | | 56,331 | 55,794 |
| Furniture and fixtures | 10 | 58,653 | (33,472) | | 25,181 | 24,570 |
| Construction in progress | | 343,017 | | | 343,017 | 302,236 |
| Advances to suppliers | | 84,247 | | | 84,247 | 84,548 |
| Imports in transit | | 13,253 | | | 13,253 | 5,140 |
| IT equipment | 20 | 141,887 | (110,526) | | 31,361 | 31,490 |
| Other | | 450 | (106) | | 344 | 68 |
| | | 3,942,151 | (1,829,214) | (852) | 2,112,085 | 1,998,374 |

The changes in the provision for losses on property, plant and equipment are shown below:

| | |
|---|---|
| Balance at June 30, 2007 | 1,029 |
| Write off | (177) |
| Balance at September 30, 2007 | 852 |

Construction in progress refers substantially to construction of the fatty alcohols plant of subsidiary Oleoquímica Indústria e Comércio de Produtos Químicos Ltda. in the amount of R$ 220,197, as well as expansions and renovations of the subsidiaries plants, the construction and modernization of gas stations and terminals for distribution of fuel of subsidiaries Companhia Brasileira de Petróleo Ipiranga and Distribuidora de Petróleo Ipiranga S.A., in the amount of R$ 42,898.

Advances to suppliers refer basically to purchase of equipment for the fatty alcohols plant of subsidiary Oleoquímica Indústria e Comércio de Produtos Químicos Ltda.

The subsidiaries recorded, in previous years, revaluation of property, plant and equipment items. The revaluation balances are shown below:

| | 09/30/2007 Revaluation | Accumulated depreciation | Net book value | 06/30/2007 Net book value |
|---|---|---|---|---|
| Land | 16,088 | | 16,088 | 16,088 |
| Buildings | 43,866 | (35,296) | 8,570 | 8,946 |
| Machinery and equipment | 31,738 | (30,815) | 923 | 972 |

| | | | | |
|---|---|---|---|---|
| Gas tanks and cylinders | 48,873 | (48,873) | | |
| Vehicles | 661 | (661) | | |
| | 141,226 | (115,645) | 25,581 | 26,006 |

Table of Contents

The depreciation of theses revaluations in the amount of R$ 1,292 as of September 30, 2007 (R$ 1,424 as of September 30, 2006) was recorded in the statements of income. The amount of deferred taxes on revaluations totals R$ 6,909 as of September 30, 2007 (R$ 7,072 as of June 30, 2007), of which R$ 634 as of September 30, 2007 (R$ 684 as of June 30, 2007) is recorded as noncurrent liabilities, as shown in Note 9.a), and R$ 6,275 as of September 30, 2007 (R$ 6,388 as of June 30, 2007) is accrued in the same period in which certain subsidiaries realize the revaluation reserve, since these revaluations occurred prior to the issuance of CVM Resolution No. 183/95.

**13. Intangible assets (consolidated)**

| | Annual amortization average rate - % | 09/30/2007 Cost | Accumulated amortization | Provision for losses | Net book value | 06/30/2007 Net book value |
|---|---|---|---|---|---|---|
| Software | 20 | 109,472 | (76,125) | | 33,347 | 32,689 |
| Commercial property rights | 3 | 16,334 | (2,083) | | 14,251 | 14,388 |
| Goodwill | 20 | 15,466 | (10,817) | | 4,649 | 5,138 |
| Technology | 20 | 20,374 | (5,198) | | 15,176 | 15,323 |
| Other | 10 | 1,431 | (121) | (836) | 474 | 429 |
| | | 163,077 | (94,344) | (836) | 67,897 | 67,967 |

The changes in the provision for losses on intangibles are shown below:

| | |
|---|---|
| Balance at June 30, 2007 | 836 |
| Addition | |
| Balance at September 30, 2007 | 836 |

Commercial property rights, mainly those described below:

On July 11, 2002, subsidiary Terminal Químico de Aratu S.A. Tequimar signed a contract with CODEBA Companhia Docas do Estado da Bahia for use of the site where the Aratu Terminal is located for another 20 years, renewable for the same period. The price paid by Tequimar amounted to R$ 12,000 and is being amortized from August 2002 to July 2042.

Further, subsidiary Terminal Químico de Aratu S.A. Tequimar has a lease agreement for an area adjacent to the Port of Santos for 20 years, effective December 2002 and renewable for another 20 years, for building and operating a terminal for receiving, tanking, handling and distribution of bulk liquids. The price paid by Tequimar was R$ 4,334 and is being amortized from August 2005 until December 2022.

**14. Deferred charges (consolidated)**

| | Annual amortization average | 09/30/2007 Cost | Accumulated amortization | Net book value | 06/30/2007 Net book value |
|---|---|---|---|---|---|

| | rates - % | | | | |
|---|---|---|---|---|---|
| Expenses with studies and projects | 20 | 72,885 | (16,828) | 56,057 | 52,839 |
| Pre-operating expenses | 12 | 6,728 | (3,129) | 3,599 | 3,779 |
| Installation of Ultrasystem equipment at customers facilities | 33 | 188,428 | (123,583) | 64,845 | 61,399 |
| Goodwill | 10 | 439,795 | (26,680) | 413,115 | 424,845 |
| Other | 20 | 2,445 | (1,442) | 1,003 | 978 |
| | | 710,281 | (171,662) | 538,619 | 543,840 |

**Table of Contents**

Expenses on studies and projects include, mainly, the LPG distribution structure review project and expenses for the Rio de Janeiro Petrochemical Complex (COMPERJ) project.

Goodwill related to the share acquisitions of Petrolog Serviços e Armazéns Gerais Ltda. in the amount of R$ 6,507, and for Ipiranga in the amount of R$ 424,680 are being amortized in 120 months (see Note 3).

**15. Loans, financing and debentures (consolidated)**

**a) Composition**

| Description | 09/30/2007 | 06/30/2007 | Index/currency | Annual Interest rate 2007 - % | Maturity |
|---|---|---|---|---|---|
| Foreign currency: | | | | | |
| Syndicated loan | 111,897 | 115,718 | US$ | 5.05 | 2008 |
| Notes in the foreign market(b) | 113,148 | 115,919 | US$ | 9.0 | 2020 |
| Notes in the foreign market(c) | 468,983 | 482,520 | US$ | 7.25 | 2015 |
| Notes in the foreign market(d) | 105,543 | 112,506 | US$ | 9.88 | 2008 |
| Working capital loan | 6,442 | 6,391 | MX$ + TIIE(i) | 1.0 | 2008 |
| Working capital loan | | 2,575 | US$ | 7.12 to 8.55 | 2007 |
| Foreign financing | 22,080 | 23,561 | US$ + LIBOR | 2.0 | 2009 |
| Inventories and property, plant and equipment financing | 20,765 | 22,656 | MX$ + TIIE(i) | From 1.1 to 2.0 | From 2009 to 2014 |
| Inventories and property, plant and equipment financing | 10,077 | 3,233 | US$ + LIBOR | From 1.0 to 1.5 | From 2009 to 2010 |
| Import financing (REFINIMP) | 6,673 | 1,946 | US$ | 7.4 | 2007 |
| Import financing (FINIMP) | | 5,178 | US$ + LIBOR | 0.23 | 2007 |
| Advances on foreign exchange contracts | 53,820 | 36,824 | US$ | From 5.79 to 6.30 | < 260 days |
| National Bank for Economic and Social Development (BNDES) | 7,298 | 9,020 | UMBNDES(ii) | From 8.49 to 10.75 | From 2007 to 2011 |
| National Bank for Economic and Social Development (BNDES) | 13,277 | 10,631 | US$ | From 7.54 to 10.69 | From 2010 to 2013 |
| Export prepayments, net of linked operations | 6,502 | 6,695 | US$ | 6.2 | 2008 |
| Subtotal | 946,505 | 955,373 | | | |
| Local currency: | | | | | |
| National Bank for Economic and Social Development (BNDES) | 233,700 | 199,712 | TJLP(iii) | From 1.80 to 4.85 | From 2007 to 2013 |
| National Bank for Economic and Social Development (BNDES) | 2,390 | 4,736 | IGP-M(iv) | 6.5 | 2008 |
| Government Agency for Machinery and Equipment Financing (FINAME) | 67,801 | 73,792 | TJLP(iii) | From 2.7 to 5.1 | From 2007 to 2011 |
| Research and projects financing (FINEP) | 64,448 | 67,300 | TJLP(iii) | From (2.0) to 5.0 | From 2009 to 2014 |
| Debentures (e.1) | 302,332 | 312,073 | CDI | 102.5 | 2008 |
| Debentures (e.2) | 712,457 | 692,679 | CDI | 102.5 | 2008 |
| Debentures (e.3) | 352,392 | 360,511 | CDI | 103.8 | 2011 |
| Banco do Nordeste do Brasil | 94,807 | 44,168 | | From 9.78 to 11.50 | 2018 |
| Financial institutions | 146,660 | 91,429 | CDI | 100 | 2008 |
| Debit balance | 186 | 15,004 | | Free of charge | 2007 |
| Other | 1,930 | 346 | CDI | 107 | 2007 |
| Subtotal | 1,979,103 | 1,861,750 | | | |

| | | |
|---|---|---|
| Total financing and debentures | 2,925,608 | 2,817,123 |
| Current liabilities | (1,582,067) | (1,317,991) |
| Non current liabilities | 1,343,541 | 1,499,132 |

(i) MX$ = Mexican peso; TIIE = Mexican break-even interbank interest rate.

(ii) UMBNDES = BNDES monetary unit. This is a basket of currencies representing the composition of the BNDES debt in foreign currency, 93%, of which is linked to the U.S. dollar.

(iii) TJLP = fixed by the CMN (National Monetary Council); TJLP is the basic cost of BNDES financing.

(iv) IGP-M = General Market Price Index, is a measure of Brazilian inflation calculated by the Getúlio Vargas Foundation.
The long-term portion matures as follows:

| | 09/30/2007 | 06/30/2007 |
|---|---|---|
| From 1 to 2 years | 238,496 | 433,009 |
| From 2 to 3 years | 222,508 | 219,069 |
| From 3 to 4 years | 179,230 | 164,239 |
| From 4 to 5 years | 50,817 | 36,197 |
| Over 5 years | 652,490 | 646,618 |
| | 1,343,541 | 1,499,132 |

**b) Notes in the foreign market**

In June 1997, the subsidiary Companhia Ultragaz S.A. issued US$ 60 million in notes, (Original Notes), maturing in 2005. In June 2005, maturity was extended to June 2020, with put/call options in June 2008.

In June 2005, the subsidiary Oxiteno Overseas Corp. acquired the full amount of Original Notes, with funds from a syndicated loan in the amount of US$ 60 million with maturity in June 2008 and interest rate of 5.05% per year. The syndicated loan was guaranteed by the Company and the subsidiary Oxiteno S.A. Indústria e Comércio.

In April 2006, subsidiary Oxiteno Overseas Corp. sold the Original Notes to a financial institution. Concurrently, the subsidiary acquired from this financial institution a credit linked note backed by the Original Notes, as mentioned in Note 4, thus obtaining an additional return on this investment. The transaction matures in 2020, and the subsidiary as well as the financial institution may redeem it early, although the subsidiary has only an annual option of redemption (purchase) in or after June 2008. In the event of insolvency of the financial institution, Companhia Ultragaz S.A. would be required to settle the Original Notes, although Oxiteno Overseas Corp. would continue to be the creditor of the credit linked note. Thus, the Company stopped eliminating the Original Notes in its interim financial information.

**c) Notes in the foreign market**

In December 2005, the subsidiary LPG International Inc. issued notes in the amount of US$ 250 million, maturing in December 2015, with annual interest rate of 7.25% paid semiannually, with the first payment scheduled for June 2006. The issue price was 98.75% of the notes face value, which represented a total yield for investors of 7.429% per year upon issuance. The notes were guaranteed by the Company and by Oxiteno S.A. Indústria e Comércio.

As a result of the issuance of notes and the syndicated loan, the Company and its subsidiaries mentioned above are subject to covenants that limit, among other things:

Limitation of transactions with shareholders that hold amounts of 5% or more of any class of Capital Stock of the Company, except upon fair and reasonable terms no less favorable to the Company than could be obtained in a comparable arm s-length transaction with a third party;

Obligation of having Board of Directors resolution for transactions with related parties higher than US$ 15 million (excepting transactions by the Company with subsidiaries and between subsidiaries);

Table of Contents

Restriction of disposal of the totality or near totality of the assets of Company and subsidiaries;

Restriction of encumbrances on assets in excess of US$ 150 million or 15% of the value of consolidated tangible assets;

Maintenance of financial ratio, between consolidated net debt and consolidated EBITDA (Earning Before Interest, Taxes, Depreciation and Amortization), less than or equal to 3.5; and

Maintenance of financial ratio, between consolidated EBITDA and consolidated net financial expenses higher than or equal to 1.5.

The restrictions imposed on the Company and its subsidiaries are usual in transactions of this nature and have not limited their ability to conduct their businesses to date.

**d) Notes in the foreign market**

On August 1, 2003, subsidiary Companhia de Petróleo Ipiranga issued US$ 135 millions in notes in the international market. On August 1, 2005, when the interest levied increased from 7.875% per year to 9.875% per year, these securities were partly redeemed in the amount of US$ 1.3 million or R$ 3.1 millions. In 2006, partial redemption was performed in the amount of US$ 79.6 millions or R$ 164.9 millions, which represented the acceptance of CBPI s repurchase offer to the note holders.

**e) Debentures**

e.1) On March 1, 2005, the Company issued a single series of 30,000 nonconvertible debentures, whose main features are:

| | |
|---|---|
| Nominal unit value: | R$ 10,000.00 |
| Final maturity: | March 1, 2008 |
| Nominal value payment: | Lump sum at final maturity |
| Yield: | 102.5% of CDI |
| Yield payment: | Semiannually, beginning March 1, 2005 |
| Repricing: | None |

The debentures are subject to commitments that restrict, among other things, certain operations of merger or spin-off, as well as the disposal of operating assets that would result in a reduction of more than 25% of consolidated net sales, and also included the obligation to maintain a consolidated net debt to consolidated EBITDA ratio less than or equal to 3.5. Thus far, none of these commitments have restricted the ability of the Company and its subsidiaries to conduct business.

Table of Contents

e.2) On April 11, 2007, the Company issued debentures in the amount of R$ 889,000, of which a first series was received on April 18, 2007, in the total amount of R$ 675,000 with maturity on April 11, 2008 and semiannual yield of 102.5% of CDI, and the second series in the amount of R$ 214,000 to be issued.

| | |
|---|---|
| Nominal unit value: | R$ 675,000,000.00 |
| Final maturity: | April 11, 2008 |
| Nominal value payment: | Lump sum at final maturity |
| Yield: | 102.5% of CDI |
| Yield payment: | Semiannually, beginning October11, 2007 |
| Repricing: | None |

e.3) On April 18, 2006, subsidiary Companhia Brasileira de Petróleo Ipiranga registered in the Brazilian Securities and Exchange Commission CVM, the public distribution of 35,000 debentures, single series, non-convertible into shares and non-preferred (chirographary) whose main features are:

| | |
|---|---|
| Nominal unit value: | R$ 10,000.00 |
| Final maturity: | April 1, 2011 |
| Nominal value payment: | three quotas in 2009, 2010 and 2011 |
| Yield: | 103.8% of CDI |
| Yield payment: | Semiannually, beginning April 1, 2006 |

**f) Collateral**

A portion of the financing is collateralized by liens on property, plant and equipment, shares, promissory notes and guarantees provided by the Company and its subsidiaries, as shown below:

| | 09/30/2007 | 06/30/2007 |
|---|---|---|
| Amount of financing secured by: | | |
| Property, plant and equipment | 67,897 | 74,403 |
| Shares of affiliated companies and minority stockholders guarantees | 2,390 | 4,736 |
| | 70,287 | 79,139 |

Other loans are collateralized by guarantees issued by the Company and by the future flow of exports. The Company is responsible for sureties and guarantees offered on behalf of its subsidiaries, amounting to R$ 1,001,629 as of September 30, 2007 (R$ 979,182 as of June 30, 2007).

Certain subsidiaries have issued guarantees to financial institutions related to amounts owed to those institutions by some of their customers (vendor financing). In the event any subsidiary is required to make a payment under the guarantees, the subsidiary may recover such amounts paid directly from its customers through commercial collection. Maximum future payments related to these guarantees amount to R$ 23,537 as of September 30, 2007 (R$ 20,043 as of June 30, 2007), with terms of up to 210 days. As of September 30, 2007, the Company and its subsidiaries have not incurred any loss nor recorded any liability related to these guarantees.

Table of Contents

**16. Shareholders equity**

**a) Capital**

The Company is a listed corporation with shares traded on the São Paulo and New York Stock Exchanges. Subscribed and paid-up capital is represented by 81,325,409 shares without par value, comprised of 49,429,897 common and 31,895,512 preferred shares.

As of September 30, 2007, 9,992,004 preferred shares were outstanding abroad, in the form of American Depositary Receipts ADRs.

Preferred shares are not convertible into common shares, do not entail voting rights, and have priority in capital redemption, without premium, in the event of liquidation of the Company.

At the beginning of 2000, the Company granted, through a shareholders agreement, tag-along rights, which assure to minority stockholders identical conditions to those negotiated by the controlling shareholders in case of disposal of shareholding control of the Company.

The Company is authorized to increase its capital, regardless of amendment to the bylaws, through a resolution of the Board of Directors, until it reaches R$ 1,500,000, by means of issuance of common or preferred shares, without keeping the existing ratio, observed the limit of 2/3 of preferred shares to the total shares issued.

**b) Treasury shares**

The Company acquired its own shares at market prices, without capital reduction, for holding in treasury and subsequent disposal or cancellation, in accordance with the provisions of Brazilian Securities Commission (CVM) Instructions No. 10, of February 14, 1980, and No. 268, of November 13, 1997.

During the period of 2007, 418,500 preferred shares were acquired at the average cost of R$ 59.37 per share regarding to the share repurchase program approved in the Board of Director s Meeting of August 02, 2006.

As of September 30, 2007, the Company s interim financial information record 580,197 preferred shares and 6,617 common shares in treasury, which were acquired at the average cost of R$ 50.51 and R$ 19.30 per share, respectively. The consolidated financial information record 827,147 preferred shares and 6,617 common shares in treasury, which were acquired at the average cost of R$ 42.52 and R$ 19.30 per share, respectively.

The market price of preferred shares issued by the Company as of June 30, 2007 on the São Paulo Stock Exchange (BOVESPA) was R$ 71.05.

**c) Capital reserve**

The capital reserve in the amount of R$ 3,026 reflects the goodwill on the disposal of shares at market price to be held in treasury in the Company s subsidiaries, at the average price of R$ 36.00 per share. Executives of these subsidiaries were given the usufruct opportunity to have such shares, as described in Note 22.

**d) Revaluation reserve**

This reserve reflects the revaluation write-up of assets of subsidiaries and is realized based upon depreciation, write-off or disposal of revalued assets, including the related tax effects.

In some cases, taxes on the revaluation reserve of certain subsidiaries are recognized only upon the realization of this reserve, since the revaluations occurred prior to the publication of CVM Resolution No. 183/95, as mentioned in Note 12.

Table of Contents

**e) Retention of profits reserve**

This reserve is supported by the investment program, in conformity with article 196 of Brazilian corporate law, and includes both a portion of net income and the realization of the revaluation reserve.

**f) Realizable profits reserve**

This reserve is established in conformity with article 197 of Brazilian corporate law, based on the equity in subsidiaries and affiliated companies. Realization of the reserve usually occurs upon receipt of dividends, disposal and write-off of investments.

**g) Conciliation of shareholders equity Company and consolidated**

| | 09/30/2007 | 06/30/2007 |
|---|---|---|
| Shareholders equity Company | 2,014,956 | 1,994,236 |
| Treasury shares held by subsidiaries, net of realization | (4,283) | (4,430) |
| Capital reserve arising from sale of treasury shares to subsidiaries, net of realization | (2,249) | (2,324) |
| Shareholders equity consolidated | 2,008,424 | 1,987,482 |

**h) Reconciliation of net income Parent Company and consolidated**

The reconciliation of net income, Parent Company and consolidated, shows the effect of the reversal of the allowance for scheduled factory maintenance of some subsidiaries, net of income and social contribution taxes, recorded in retained earnings, in accordance with CVM Resolution No. 489/05 and Technical Interpretation No. 01/06 by IBRACON, as follows:

| | 09/30/2006 |
|---|---|
| Net income Parent Company | 240,032 |
| Reversal of allowance for factory maintenance by the subsidiary Oxiteno S.A. Indústria e Comércio | (796) |
| Reversal of allowance for factory maintenance by the subsidiary Oxiteno Nordeste S.A. Indústria e Comércio | (5,513) |
| Net income consolidated | 233,723 |

**17. Nonoperating expenses, net (consolidated)**

Composed mainly of R$ 1,532 as of September 30, 2007 (R$ 12,871 as of September 30, 2006) in write-off of deferred assets related to studies and projects, and R$ 1,375 as of September 30, 2007 (R$ 8,040 as of September 30, 2006) of result on the sale of property, plant and equipment, mainly gas cylinders and vehicles.

**18. Segment information**

The Company has four relevant segments: gas, chemicals, logistics and distribution. The gas segment distributes LPG to retail, commercial and industrial consumers mainly in the South, Southeast and Northeast Regions of Brazil. The chemicals segment primarily produces ethylene oxide and by products, which are raw materials for the textiles, foods, cosmetics, detergents, agricultural chemicals, paints and varnishes industries, among other. Operations in the logistics segment include storage and transportation, mainly in the Southeast and Northeast Regions of Brazil. The distribution segment operates in distribution of fuels, lubricants and related products in the South and Southeast Regions of Brazil. Reportable segments are strategic business units that offer different products and services. Intersegment sales are transacted at prices approximating those that could be obtained with third parties.

The main financial information about each of the Company s reportable segments is presented as follows:

| | 09/30/2007 | | | | | | 09/30/2006 |
|---|---|---|---|---|---|---|---|
| | **Ultragaz** | **Oxiteno** | **Ultracargo** | **Ipiranga** | **Other** | **Consolidated** | **Consolidated** |
| Net sales, net of related-party transactions | 2,341,146 | 1,205,060 | 137,380 | 9,824,876 | 9,520 | 13,517,982 | 3,590,273 |
| Income from operations before financial income (expenses) and equity in subsidiary and affiliated companies | 111,052 | 69,551 | 16,278 | 168,975 | (16,822) | 349,034 | 260,999 |
| Total assets, net of related parties | 852,135 | 2,627,607 | 376,700 | 2,676,003 | 556,460 | 7,088,905 | 3,734,709 |

In the table above, the column other is composed mainly by parent company Ultrapar Participações S.A., that recorded the goodwill on the acquisition of Ipiranga, and by the participation in the oil refining business.

**19. Financial income and expenses, net (consolidated)**

| | **09/30/2007** | **09/30/2006** |
|---|---|---|
| Financial income: | | |
| Interest on temporary cash investments and noncurrent investments | 108,579 | 124,565 |
| Interest on trade accounts receivable | 12,706 | 3,831 |
| Monetary and exchange variation income | (11,514) | (12,546) |
| Other income | 1,270 | 1,411 |
| | 111,041 | 117,261 |
| Financial expenses: | | |
| Interest on loans and financing | (71,663) | (64,885) |
| Interest on debentures | (84,026) | (35,108) |
| Bank charges | (13,409) | (9,825) |
| Monetary and exchange variations expenses | 37,127 | 14,707 |
| Financial results from currency hedge transactions | (17,139) | (14,441) |
| CPMF/IOF/other financial expenses (see Note 21 a) | (16,202) | 28,300 |
| Other expenses | (10,947) | (4,057) |
| | (176,259) | (85,309) |
| Financial (expenses) income, net | (65,218) | 31,952 |

**20. Risks and financial instruments (consolidated)**

The main risk factors to which the Company and its subsidiaries are exposed reflect strategic/operating and economic/financial aspects. Strategic/operating risks (such as behavior of demand, competition, technological innovation, and significant structural changes in industry, among others) are addressed by the Company s management model. Economic/financial risks mainly reflect customer default, macroeconomic variables, such as exchange and interest rates, as well as the characteristics of the financial instruments used by the Company. These risks are managed through control policies, specific strategies and the determination of limits, as follows:

Customer default These risks are managed by specific policies for accepting customers and analyzing credit, and are mitigated by diversification of sales. As of September 30, 2007, Oxiteno S.A. Indústria e

Table of Contents

Comércio and its subsidiaries maintained R$ 1,433 (R$ 1,374 as of June 30, 2007), the subsidiaries of Ultragaz Participações Ltda. maintained R$ 14,955 (R$ 13,531 as of June 30, 2007), and Ipiranga / Refinery maintained R$ 42,921 (R$ 41,920 as of June 30, 2007) as an allowance for doubtful accounts.

Interest rates The Company and its subsidiaries adopt conservative policies to obtain and invest funds and to minimize the cost of capital. Temporary cash investments of the Company and its subsidiaries are comprised mainly of transactions linked to the CDI, as described in Note 4. A portion of the financial assets is intended for foreign currency hedges, as mentioned below. Borrowings are mainly originated from the BNDES, debentures and foreign currency financing, as mentioned in Note 15.

Exchange rate The Company s subsidiaries use hedge instruments (mainly CDI and US$) available in the financial market to cover assets and liabilities in foreign currency, so as to reduce the exchange variation effects on their results. Such hedges have amounts, periods and indexes substantially equivalent to the assets and liabilities in foreign currency to which they are linked. Shown below are the assets and liabilities in foreign currency, translated into Brazilian reais at September 30, 2007 and June 30, 2007:

| | 09/30/2007 | 06/30/2007 |
|---|---|---|
| Assets: | | |
| Investments abroad and hedges | 201,647 | 63,339 |
| Foreign cash and cash equivalents | 5,098 | 1,150 |
| Temporary cash and long-term investments in foreign currency | 665,581 | 702,757 |
| Receivables from foreign customers, net of advances on exchange contracts and allowance for loss | 40,449 | 32,178 |
| | 912,775 | 799,424 |
| Liabilities: | | |
| Foreign currency financing | 946,505 | 955,373 |
| Import payables | (8,436) | 14,646 |
| | 938,069 | 970,019 |
| Net asset position | (25,294) | (170,595) |

The exchange rate variation related to cash and banks, investments, temporary cash investments, and long-term cash investments of foreign subsidiaries was recorded as financial expense in the consolidated financial information of income for September 30, 2007, in the amount of R$ 19,423 (financial expense of R$ 12,660 as of September 30, 2006).

Market value of financial instruments

Market value of financial instruments as of September 30, 2007 and June 30, 2007 are as follows:

| | 09/30/2007 | | 06/30/2007 | |
|---|---|---|---|---|
| | Book value | Market value | Book value | Market value |
| Financial assets: | | | | |
| Cash and banks | 81,958 | 81,958 | 47,069 | 47,069 |
| Temporary cash investments | 1,445,992 | 1,459,976 | 1,474,828 | 1,488,616 |
| Noncurrent investments | 119,487 | 120,806 | 118,946 | 120,286 |
| | 1,647,437 | 1,662,740 | 1,640,843 | 1,655,971 |

| | | | | |
|---|---|---|---|---|
| Financial liabilities: | | | | |
| Current and long-term loans | 1,558,427 | 1,581,578 | 1,451,860 | 1,477,397 |
| Current and long-term debentures | 1,367,181 | 1,367,089 | 1,365,263 | 1,365,234 |
| | 2,925,608 | 2,948,667 | 2,817,123 | 2,842,631 |
| Investment- | | | | |
| Investments in affiliated companies | 34,026 | 47,970 | 26,615 | 33,036 |

Table of Contents

The market value of financial instruments was obtained through the commonly used marking to market methodology, which consists of carrying the balances of the instruments until the maturity at the respective contracted rates, discounting them to present value at market rates as of September 30, 2007 and June 30, 2007. The market value of investment in affiliated company is based on the share price trading on the São Paulo Stock Exchange (BOVESPA).

**21. Contingencies and commitments (consolidated)**

**a) Labor, civil and tax lawsuits**

The Petrochemical Industry Labor Union, of which the employees of Oxiteno Nordeste S.A. Indústria e Comércio are members, filed an action against the subsidiary in 1990, demanding compliance with the adjustments established in a collective labor agreement, in lieu of the salary policies effectively followed. At the same time, the employers association proposed a collective bargaining for the interpretation and clarification of the fourth clause of the agreement. Based on the opinion of its legal counsel, who analyzed the last decision of the Federal Supreme Court (STF) on the collective bargaining, as well as the status of the individual lawsuit of the subsidiary, management believes that a reserve is not necessary as of September 30, 2007.

The subsidiaries Companhia Ultragaz S.A. and SPGás Distribuidora de Gás Ltda. are parties to an administrative proceeding at CADE (Administrative Council for Economic Defense), under the allegation of anticompetitive practice in municipalities of a region of the State of Minas Gerais in 2001. In September 2005, the SDE (Economic Law Department) issued a technical notice recommending to CADE a ruling against the companies involved in this proceeding. In their defense, the subsidiaries arguments, among others, are that: (i) under the terms of the notice issued by the Company s chief executive officer on July 4, 2000, the subsidiaries employees were forbidden to discuss with third parties matters related to prices; and (ii) no consistent evidence was attached to the proceeding s records. In view of the arguments presented, the fact that the technical notice has no binding effect on CADE s decision, and their legal counsel s opinion, the subsidiaries did not record a provision for this issue. Should CADE s decision be unfavorable, the subsidiaries can still discuss the issue at the judicial level.

The subsidiary Companhia Ultragaz S.A. is a defendant in lawsuits relating to damages caused by an explosion in 1996 in a shopping mall in the city of Osasco, State of São Paulo. Such lawsuits involve: (i) individual suits filed by victims of the explosion claiming damages from Ultragaz for the loss of economic benefit and for pain and suffering; (ii) lawsuit for reimbursement of expenses by the administration company of the shopping mall and its insurance company; and (iii) class action suit seeking indemnification for property damage and pain and suffering for all the victims injured and deceased. The subsidiary believes that it has presented evidence that defective gas pipes in the shopping mall caused the accident and that Ultragaz s on-site LPG storage facilities did not contribute to the explosion. Of the 58 lawsuits judged thus far, a favorable judgment was obtained for 57, and of these 20 have already been dismissed; only 1 had an unfavorable decision, which is still subject to appeal, and whose amount, should the decision be upheld, is R$ 17. Three lawsuits have not yet been judged. The subsidiary has insurance coverage for these lawsuits, and the uninsured contingent amount is R$ 23,595. The Company has not recorded any provision for this amount, since it believes the probability of loss is remote.

The Company and its subsidiaries obtained injunctions to pay PIS and COFINS (taxes on revenues) without the changes introduced by Law No. 9718/98 in its original version. The ongoing questioning refers to the levy of these taxes on sources other than revenues. Recently the STF has decided the matter favorable to the taxpayer. Although it is a precedent, the effect of this decision does not automatically apply to all companies, since they must await judgment of their own lawsuits. In the first semester of 2007, final decisions were rendered for the Company and its subsidiaries which reversed the accrual previously recorded, in the amount of R$ 12,759 (in the first semester of 2006 R$ 17,217 of accrual reversal and R$ 26,225 of recovery of amounts paid in previous periods), net of attorney s fees. The Company has other subsidiaries whose lawsuits have not yet been judged. Should there be final favorable outcomes for the subsidiaries in all lawsuits still not judged, the Company estimates that the total positive effect in income before income and social contribution taxes should reach R$ 29,300, net of attorney s fees.

Table of Contents

Subsidiary Oxiteno S.A. Indústria e Comércio accrued R$ 9,360 as of September 30, 2007 (R$ 9,212 as of June 30, 2007) for ICMS tax assessments being judged at a lower-level and appeal-level administrative courts. The subsidiary is currently awaiting decision on the appeal.

Subsidiary Utingás Armazenadora S.A. has challenged in court ISS (Service Tax) tax assessments issued by the municipal government of Santo André. Legal counsel of the subsidiary classifies the risk as low, since a significant portion of the lower-court decisions was favorable to the subsidiary. The thesis defended by the subsidiary is supported by the opinion of a renowned tax specialist. The unprovisioned updated amount of the contingency as of September 30, 2007 is R$ 40,777 (R$ 39,028 as of June 30, 2007).

On October 7, 2005, the subsidiaries of Ultragaz Participações Ltda. filed for and obtained an injunction to support the offset of PIS and COFINS credits against other federal taxes administered by the Federal Revenue Service (SRF), notably corporate income tax and social contribution taxes. According to the injunction obtained, the subsidiaries have been making judicial deposits for these debits in the amount of R$ 68,920 as of September 30, 2007 (R$ 55,858 as of June 30, 2007) and recognizing the corresponding liability for this purpose.

Subsidiaries Ultragaz Participações Ltda, Cia. Ultragaz S.A., Utingás Armazenadora S.A., Terminal Químico de Aratu S.A. Tequimar, Transultra Armazenamento e Transporte Especializado Ltda. and Ultracargo Operações Logísticas e Participações Ltda., hold judicial measures petitioning the full and immediate utilization of supplementary monetary adjustment based on the Consumer Price Index (IPC) / National Treasury Bonds (BTN) for 1990 (Law No. 8.200/91), and hold accruals in the amount of R$ 13,347 (R$ 13,098 as of June 30, 2007) as a possible contingency, in case of unfavorable outcome of such lawsuits.

On December 29, 2006, the subsidiaries Oxiteno S.A Indústria e Comércio, Oxiteno Nordeste S.A Indústria e Comércio, Companhia Ultragaz S.A. and Transultra Armazenamento e Transporte Especializado Ltda filed for an injunction seeking the deduction of ICMS from the PIS and COFINS tax basis. Oxiteno Nordeste S.A. Indústria e Comércio received an injunction and is paying the amounts into judicial deposits, as well as recording the respective accrual in the amount of R$ 7,487 (R$ 4,933 as of June 30, 2007); the others subsidiaries did not receive similar injunction and are waiting the judgment of an appeal to Regional Federal Court TRF of the 3rd Region.

The Company and some subsidiaries filed a request for an injunction seeking not to be subject to the legislation that restricted the offset of corporate income tax (IRPJ) and social contribution (CSLL) tax loss carryforwards computed through December 31, 1994 to 30% of income for the year. There are good precedents for these discussions when it is proven that there was only a postponement of payment of IRPJ and CSLL to the following years, as is the case of the Company s subsidiaries, and legal counsel understands that the chances of success of the challenge in the judicial sphere is possible. The contingency is estimated at R$ 6,562.

Regarding Ipiranga / Refinery, the main provisions for contingencies refer to: (a) requirements for the reversal of ICMS credits on transportation services taken during the freight reimbursement system established by DNC (currently National Agency for Petroleum ANP), in the amount of R$ 7,590; (b) requirements for the reversal of ICMS credits in the State of Minas Gerais, on interstate outflows carried under Article 33 of ICMS Agreement 66/88, which allowed the maintenance of credits and which was suspended by an injunction conceded by the Supreme Court STF, in the amount of R$ 27,158; (c) reversal of the deduction of unconditional discounts from the ICMS calculation basis, in the State of Minas Gerais, as a result of tax substitution, in the amount of R$ 15,538; (d) litigation based on clauses of contracts with clients; (e) claims made by former employees and outsourced personnel regarding salary related amounts.

The main tax contingencies of Ipiranga / Refinery which present risks evaluated as possible, and which, based in this evaluation, have not been accrued for in the interim financial information, refer to ICMS, in the total amount of R$ 110,605 and relate, mainly to: (a) requirements for the reversal of credits on interstate outflows; (b) requirements of ICMS on the purchases of basic oils; (c) demands to reverse credits related with interstate

F-111

transport services operations; (d) demands to reverse credits derived from excess taxation generated on the purchase of products in the petroleum refinery under the tax substitution system; (e) demands to reverse credits in operations with alcohol (anhydrous fuel alcohol) in the State of São Paulo; (f) tax assessment resulting from operations of alcohol loan devolutions (anhydrous fuel alcohol). In addition, subsidiary Distribuidora de Produtos de Petróleo Ipiranga S.A.- DPPI and its subsidiaries have tax assessments concerning non-homologation of IPI credits originated in acquisitions of products whose subsequent sales had no taxation. The non-accrued contingent amount as of September 30, 2007, is R$ 20,734.

The Company and its subsidiaries have other ongoing administrative and judicial proceedings; legal counsel classified the risks on these proceedings as possible and/or remote and, therefore, no reserves for potential losses on these proceedings have been recorded. The Company and its subsidiaries also have litigations that aims at recovery of taxes and contributions, that have not been registered in the interim financial information due to their contingent nature.

Judicial deposits and provisions are summarized below:

| Provisions | Balance in 06/30/2007 | Additions | Write-off | Interest | Balance in 09/30/2007 |
|---|---|---|---|---|---|
| Income and social contribution taxes | 77,560 | 10,385 | | 1,842 | 89,787 |
| PIS and COFINS on other revenues | 1,896 | 7,345 | | 170 | 9,411 |
| PIS on rendering of services | 291 | | | 3 | 294 |
| ICMS | 65,122 | | (4,933) | 596 | 60,785 |
| INSS | 2,375 | | (35) | 57 | 2,397 |
| Other | 1,776 | 50 | | 63 | 1,889 |
| Civil lawsuits | 4,985 | 140 | (298) | 260 | 5,087 |
| Labor claims | 13,432 | 934 | (2,008) | 485 | 12,843 |
| (-) Judicial deposits | (67,686) | (14,001) | | (1,362) | (83,049) |
| Total | 99,751 | 4,853 | (7,274) | 2,114 | 99,444 |

**b) Contracts**

Subsidiary Terminal Químico de Aratu S.A. Tequimar has contracts with CODEBA and Complexo Industrial Portuário Governador Eraldo Gueiros, in connection with their port facilities in Aratu and Suape, respectively. Such contracts establish minimum cargo movement of 1,000,000 tons per year for Aratu, effective through 2022, and 250,000 tons per year for Suape, effective through 2027. If annual movement is less than the minimum required, the subsidiary is required to pay the difference between the actual movement and the minimum contractual movement, using the port rates in effect at the date established for payment. As of September 30, 2007, such rates were R$ 4.59 and R$ 3.97 per ton for Aratu and Suape, respectively. The subsidiary has met the minimum cargo movement limits since inception of the contracts.

Subsidiary Oxiteno Nordeste S.A. Indústria e Comércio has a supply contract with Braskem S.A, that establishes a minimum consumption level of ethylene per year. The minimum purchase commitment and the actual demand for the period ended June 30, 2007 and 2006, expressed in tons of ethylene, are summarized below. Should the minimum purchase commitment not be met, the subsidiary would be liable for a fine of 40% of the current ethylene price for the quantity not purchased.

| | Minimum purchase commitment | | Actual demand | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| In tons of ethylene | 180,000 | 137,900 | 145,569 | 137,361 |

On August 16, 2006, the subsidiary signed a memorandum of understanding, altering the ethylene supply contract with Braskem S.A. described above. The memorandum of understanding regulates new conditions of

F-112

ethylene supply through 2021, and in 2007 and 2008 the subsidiary is having access to an additional volume of ethylene, with the minimum quantity in tons increasing to 180 thousand and 190 thousand, respectively.

**c) Insurance coverage for subsidiaries**

The Company has insurance policies to cover various risks, including loss and damage from fire, lightning, explosion of any nature, windstorm, plane crash and electrical damage, among others, protecting the plants and other branches of all subsidiaries except Ipiranga / Refinery, with coverage amounting to US$404 million.

For the plants of Oxiteno S.A. Indústria e Comércio, Oxiteno Nordeste S.A. Indústria e Comércio and Oxiteno México S.A. de C.V., there is also loss of income insurance against losses from potential accidents related to their assets, with coverage amounting to US$242 million.

A civil liability insurance program covers the Company and its subsidiaries, with global coverage of US$ 200 millions, for losses and damage from accidents caused to third parties, related to the commercial and industrial operations and/or distribution and sale of products and services.

Group life insurance, personal accident insurance, health insurance, and domestic and international transportation insurance are also contracted.

Ipiranga / Refinery have an insurance and risk management program which provides coverage for all their insurable assets, as well as coverage against risks resulting from the interruption of production, by means of an operating risk policy negotiated with the national and international insurance market, through the Brazilian Reinsurance Institute.

The coverage and limits insured by the policies are based on a detailed study of risks and losses, prepared by local insurance consultants. Management considers the type of insurance contracted sufficient to cover possible claims, in view of the nature of the activities of the companies.

The main coverages are related to operating risks, loss of profits, multiple industrial perils, multiple office risks, named perils pools and civil liability.

**22. Share compensation plan (consolidated)**

The Extraordinary Shareholders Meeting held on November 26, 2003 approved a compensation plan for management of the Company and its subsidiaries, which provides for: (i) the initial grant of usufruct of shares issued by the Company and held in treasury by the subsidiaries in which the beneficiaries are employed; and (ii) the transfer of the beneficial ownership of the shares after ten years from the initial grant, provided that the professional relationship between the beneficiary and the Company and its subsidiaries is not interrupted. The total amount granted to executives until September 30, 2007, including taxes, was R$ 12,263 (R$ 12,263 as of June 30, 2007). This amount is being amortized over a period of ten years and the amortization related as of September 30, 2007 in the amount of R$ 921 (R$ 669 as of September 30, 2006), was recorded as an operating expense for the period.

**23. Employee benefits and private pension plan (consolidated)**

**a) ULTRAPREV Associação de Previdência Complementar**

In August 2001, the Company and its subsidiaries (except subsidiaries recently acquired from the Ipiranga Group) began to provide a defined contribution pension plan to their employees. This plan is managed by Ultraprev Associação de Previdência Complementar. Under the terms of the plan, the basic contribution of each participating employee is defined annually by the participant between 0% and 11%, of his/her salary. The

F-113

Table of Contents

sponsoring companies provide a matching contribution in an identical amount as the basic contribution. As participants retire, they have the option to receive monthly: (i) a percentage varying between 0.5% and 1.0% of the fund accumulated in their name in Ultraprev; or (ii) a fixed-monthly amount that will deplete the fund accumulated in the participant s name in a period of 5 to 25 years. Accordingly, neither the Company nor its subsidiaries assume responsibility for guaranteeing the levels of amounts or periods of receipt of the retirement benefit. As of September 30, 2007, the Company and its subsidiaries contributed R$ 2,560 (R$ 2,517 as of September 30, 2006) to Ultraprev, which was charged to income for the period. The total number of participating employees as of September 30, 2007 was 5,477, with 13 participants retired to date. Additionally, Ultraprev has 1 active participant and 31 former employees receiving defined benefits according to the policies of a previous plan.

**b) Fundação Francisco Martins Bastos**

The subsidiaries Distribuidora de Produtos de Petróleo Ipiranga S.A., Companhia Brasileira de Petróleo Ipiranga and Refinaria de Petróleo Ipiranga S.A., together with other companies which formed the Ipiranga Group, are sponsors of Fundação Francisco Martins Bastos, which provides a defined benefit plan to their employees.

The accumulated amount of contribution to the plan by Ipiranga / Refinery in the quarter ended as of September 30, 2007 was R$ 2,327.

The recorded net liabilities of Ipiranga / Refinery as of September 30, 2007 were R$ 74,604, of which R$ 6,828 in current liabilities and R$ 67,776 in noncurrent liabilities.

These complementary retirement benefits were elaborated in actuarial evaluation by the independent actuary Towers Perrin Forster & Crosby Ltda.

The actuarial liability as of September 30, 2007 reflects the report elaborated by the independent actuary on May 31, 2007, which has kept the biometric premises and the rates used in the subsidiaries financial statements of December 31, 2006.

**Table of Contents**

**24. Supplementary statement of cash flow indirect method**

Prepared in accordance with Accounting Standard and Procedure (NPC) No. 20 issued by IBRACON (Brazilian Institute of Independent Auditors).

| | PARENT COMPANY | |
|---|---|---|
| | 09/30/2007 | 09/30/2006 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net income | 99,241 | 240,032 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation and Amortization | 21,632 | |
| Equity in subsidiaries and affiliated companies | (147,267) | (242,171) |
| Foreign exchange and indexation gains | 64,732 | 35,108 |
| Deferred income and social contribution taxes | (23,588) | (136) |
| Dividends received by direct subsidiaries | 12,872 | 87,693 |
| (Increase) decrease in current assets: | | |
| Recoverable taxes | (2,197) | (6,379) |
| Other | (117) | 401 |
| Prepaid expenses | (734) | (24) |
| Increase (decrease) in current liabilities: | | |
| Suppliers | 137 | (154) |
| Salaries and related charges | 29 | 4 |
| Taxes | 9 | 54 |
| Other | 2,948 | (1) |
| (Increase) decrease in long-term assets: | | |
| Recoverable taxes | 199 | 2,259 |
| Judicial deposits | | 237 |
| Prepaid expenses | 176 | |
| Increase (decrease) in long-term liabilities: | | |
| Other taxes | (9,389) | 548 |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | **18,683** | **117,471** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Investments acquired | (676,432) | |
| Additions to deferred charges | (13,281) | |
| Acquisition of treasury shares | (24,845) | (1,124) |
| **NET CASH USED IN INVESTING ACTIVITIES** | **(714,558)** | **(1,124)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Loans, financing and debentures: | | |
| Issuances | 675,000 | |
| Amortization | (37,739) | (49,886) |
| Dividends paid | (60,201) | (149,222) |
| Related companies | (109,326) | 18,846 |
| **NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES** | **467,734** | **(180,262)** |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **(228,141)** | **(63,915)** |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 279,386 | 359,716 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 51,245 | 295,801 |

| | | |
|---|---|---|
| **SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION** | | |
| Interest paid from financing activities | 37,739 | 49,886 |

**Table of Contents**

| | CONSOLIDATED | |
|---|---|---|
| | **09/30/2007** | **09/30/2006** |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net income | 99,241 | 233,723 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Equity in subsidiaries and affiliated companies | 214 | (696) |
| Depreciation and amortization | 213,915 | 139,825 |
| PIS and COFINS credits on depreciation | 2,017 | 1,597 |
| Foreign exchange and indexation gains (losses) | 32,786 | 11,843 |
| Deferred income and social contribution taxes | (45,956) | (15,861) |
| Minority interest | 99,816 | 3,643 |
| Proceeds from disposals of permanent assets | 3,470 | 16,742 |
| Allowance for probable losses on permanent assets | (2,755) | 2,604 |
| Reversal of allowance for factory shutdown, net of taxes | | 6,309 |
| Other | 504 | 540 |
| Dividends received | 2,238 | |
| (Increase) decrease in current assets: | | |
| Trade accounts receivable | (42,550) | (47,468) |
| Inventories | (16,802) | 23,422 |
| Recoverable taxes | (40,558) | (39,871) |
| Other | (10,203) | (394) |
| Prepaid expenses | 6,576 | 3,062 |
| Increase (decrease) in current liabilities: | | |
| Suppliers | 18,234 | (9,789) |
| Salaries and related charges | 8,461 | 13,238 |
| Taxes | (1,482) | 9,387 |
| Income and social contribution taxes | 47,175 | 698 |
| Other | 2,918 | (10,145) |
| (Increase) decrease in long-term assets: | | |
| Recoverable taxes | (7,104) | (979) |
| Judicial deposits | (7,812) | 211 |
| Trade accounts receivable | (6,637) | (145) |
| Other | (1,836) | (779) |
| Prepaid expenses | (4,019) | (103) |
| Increase (decrease) in long-term liabilities: | | |
| Provision for contingencies | 1,994 | (14,536) |
| Other | 255 | (633) |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | **352,100** | **325,445** |

Table of Contents

| | CONSOLIDATED | |
|---|---|---|
| | 09/30/2007 | 09/30/2006 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Transfer of financial application from long term to short term | 515,140 | |
| Cash investments in long-term, net of redemption | (3,817) | (7,193) |
| Acquisition of investment | (707,233) | |
| Acquisition of acquired companies cash | 159,992 | |
| Additions to property, plant and equipment | (442,614) | (156,486) |
| Additions to deferred charges | (63,476) | (58,886) |
| Additions to intangible | (4,648) | (9,934) |
| Proceeds from sales of permanent assets | 14,734 | 13,071 |
| Acquisition of minority interest | (53) | (28) |
| Acquisition of treasury shares | (24,845) | (1,124) |
| **NET CASH USED IN INVESTING ACTIVITIES** | **(556,820)** | **(220,580)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Loans, financing and debentures: | | |
| Issuances | 1,363,693 | 295,495 |
| Amortization | (633,534) | (438,099) |
| Dividends paid | (63,004) | (149,913) |
| Related companies | (4,561) | (1,983) |
| **NET CASH USED IN FINANCING ACTIVITIES** | **662,594** | **(294,500)** |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **457,874** | **(189,635)** |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 1,070,076 | 1,250,924 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 1,527,950 | 1,061,289 |
| **SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION** | | |
| Interest paid on loans and financing | 99,376 | 74,466 |
| Income and social contribution taxes paid in the period | 60,938 | 24,002 |

**25. Subsequent events**

**i) Ipiranga acquisition Tag alongs**

As mentioned in Note 3, in April of 2007, Ultrapar acquired the control of certain companies of Ipiranga Group. The acquisition process was structured in four phases. The first phase was concluded on April 18 with the transfer of control of the Ipiranga Group. The second phase of the acquisition, which comprises mandatory tender offers (tag along) by Ultrapar for the common shares of Refinaria de Petróleo Ipiranga S.A. (RPI), Distribuidora de Produtos de Petróleo Ipiranga S.A. (DPPI) and Companhia Brasileira de Petróleo Ipiranga (CBPI), is scheduled to be completed shortly. RPI and DPPI tender offers were carried on October 22, 2007. Ultrapar acquired 1,274,718 shares of DPPI, equivalent to 77% of the shares subject to such tender offer and 2,771,781 shares of RPI, equivalent to 82% of the shares subject to such tender offer. The total disbursement in the RPI and DPPI tender offers was R$ 441 million. Of this amount Ultrapar was responsible for a disbursement of R$ 122 millions, financed through the issuance of a second series of nonconvertible debentures, yielding 102.5% of CDI and maturing in one year from the issuance (see Note 15.e.2). The mandatory tender offer for CBPI common shares is scheduled to happen on November 8, 2007. The maximum disbursement by Ultrapar in the CBPI tender offer will be R$ 54 millions, of a total amount of R$ 194 millions.

Table of Contents

**ii) ADENE exemption**

In December 2006, Oxiteno Nordeste S.A. Indústria e Comércio Camaçari plant s tax exemption expired, as shown in Note 9.c). The subsidiary has requested ADENE (Northeast Development Agency), the agency in charge of managing this incentive program, a 75% income tax reduction until 2016, which was granted on May 25, 2007. On July 3, 2007, the benefit analysis report issued by ADENE was directed to the Federal Revenue Service to be ratified. Such ratification should have occurred in 120 days from the date the request was filed. Such term expired on October 31, 2007. Therefore the subsidiary will record in October of 2007 a reduction in its results, with retroactive effect to January 1, 2007, in an amount of R$ 15,418.

**OTHER INFORMATION CONSIDERED MATERIAL BY THE COMPANY**

Shares directly or indirectly owned by the controlling shareholders, members of the Board of Directors, Executive Officers and members of the Fiscal Council as of September 30, 2007

| | Sep-30-07 | | |
|---|---|---|---|
| | **Common** | **Preferred** | **Total** |
| Controlling Shareholders | 33,748,059 | 293,732 | 34,041,791 |
| Board of Directors(1) | 46 | 6 | 52 |
| Officers(2) | | 191,750 | 191,750 |
| Fiscal Council | | 1,071 | 1,071 |

Note: (1) Shares owned by members of the Board of Directors which were not included in Controlling Shareholders position. Should the member not be part of the controlling group, only its direct ownership is included.

(2) Shares owned by Officers which were not included in Controlling Shareholders and Board of Directors positions

Shares directly or indirectly owned by the controlling shareholders, members of the Board of Directors, Executive Officers and members of the Fiscal Council Last 12 Months

| | Sep-30-07 | | | Sep-30-06 | | |
|---|---|---|---|---|---|---|
| | **Common** | **Preferred** | **Total** | **Common** | **Preferred** | **Total** |
| Controlling Shareholders | 33,748,059 | 293,732 | 34,041,791 | 33,748,059 | 885,979 | 34,634,038 |
| Board of Directors(1) | 46 | 6 | 52 | 46 | 6 | 52 |
| Officers(2) | | 191,750 | 191,750 | | 139,950 | 139,950 |
| Fiscal Council | | 1,071 | 1,071 | | 1,071 | 1,071 |

Note: (1) Shares which were not included in Controlling Shareholders position

(2) Shares which were not included in Controlling Shareholders and Board of Directors positions

Total free float and its percentage of total shares as of September 30, 2007

| | **Common** | **Preferred** | **Total** |
|---|---|---|---|
| Total Shares | 49,429,897 | 31,895,512 | 81,325,409 |
| (-) Shares held in treasury | 6,617 | 580,197 | 586,814 |
| (-) Shares owned by Controlling Shareholders | 33,748,059 | 293,732 | 34,041,791 |
| (-) Shares owned by Management | 46 | 191,756 | 191,802 |
| (-) Shares owned by affiliates(*) | | 55,200 | 55,200 |

| | | | |
|---|---|---|---|
| Free-float | 15,675,175 | 30,774,627 | 46,449,802 |
| **% Free-float / Total Shares** | **31.71%** | **96.49%** | **57.12%** |

* Subsidiaries

The Company s shareholders that holds more than 5% of voting or non-voting capital, up to the individual level, and breakdown of their shareholdings as of September 30, 2007

| ULTRAPAR PARTICIPAÇÕES S.A | Common | % | Preferred | % | Total | % |
|---|---|---|---|---|---|---|
| Ultra S.A. Participações | 32,646,696 | 66.05% | 12 | 0.00% | 32,646,708 | 40.14% |
| Parth Investments Company(1) | 9,311,730 | 18.84% | 1,396,759 | 4.38% | 10,708,489 | 13.17% |
| Monteiro Aranha S.A.(2) | 5,212,637 | 10.55% | 1,011,888 | 3.17% | 6,224,525 | 7.65% |
| Shares held in treasury | 6,617 | 0.01% | 580,197 | 1.82% | 586,814 | 0.72% |
| Dodge & Cox, Inc.(3) | | | 6,819,785 | 21.38% | 6,819,785 | 8.39% |
| Others | 2,252,217 | 4.56% | 22,086,871 | 69.25% | 24,339,088 | 29.93% |
| **TOTAL** | **49,429,897** | **100.00%** | **31,895,512** | **100.00%** | **81,325,409** | **100.00%** |

(1) Company headquartered outside of Brazil

(2) Brazilian public listed company

(3) Institutions headquartered outside of Brazil

| ULTRA S.A. PARTICIPAÇÕES | Common | % | Preferred | % | Total | % |
|---|---|---|---|---|---|---|
| Fábio Igel | 12,065,160 | 19.09% | 4,954,685 | 19.55% | 17,019,845 | 19.22% |
| Paulo Guilherme Aguiar Cunha | 11,974,109 | 18.95% | | 0.00% | 11,974,109 | 13.52% |
| Ana Maria Villela Igel | 2,570,136 | 4.07% | 9,208,690 | 36.34% | 11,778,826 | 13.30% |
| Christy Participações Ltda. | 6,425,199 | 10.17% | 4,990,444 | 19.69% | 11,415,643 | 12.89% |
| Joyce Igel de Castro Andrade | 7,071,343 | 11.19% | 2,062,989 | 8.14% | 9,134,332 | 10.32% |
| Márcia Igel Joppert | 7,758,967 | 12.28% | 2,062,988 | 8.14% | 9,821,955 | 11.09% |
| Rogério Igel | 7,311,004 | 11.57% | 1,615,027 | 6.37% | 8,926,031 | 10.08% |
| Lucio de Castro Andrade Filho | 3,775,470 | 5.97% | | 0.00% | 3,775,470 | 4.26% |
| Others | 4,250,660 | 6.73% | 448,063 | 1.77% | 4,698,723 | 5.31% |
| **TOTAL** | **63,202,048** | **100.00%** | **25,342,886** | **100.00%** | **88,544,934** | **100.00%** |

Others: other individuals, none of them holding more than 5%

| CHRISTY PARTICIPAÇÕES LTDA. | Capital Stock | % |
|---|---|---|
| Maria da Conceição Coutinho Beltrão | 3,066 | 34.90% |
| Hélio Marcos Coutinho Beltrão | 1,906 | 21.70% |
| Cristiana Coutinho Beltrão | 1,906 | 21.70% |
| Maria Coutinho Beltrão | 1,906 | 21.70% |
| **TOTAL** | **8,784** | **100.00%** |

**Table of Contents**

ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES

**INVESTMENTS IN SUBSIDIARIES AND/OR AFFILIATES**

| 1 - Item | 2 - Company name | 3 - Corporate taxpayer number (CNPJ) | 4 - Classification | 5 - % of ownership interest in investee | 6 - % of investor s stakeholders equity | 7 - Type of company | 8 - Number of shares held in the current quarter (in thousands) | 9 - Number of shares held in the prior quarter (in thousands) |
|---|---|---|---|---|---|---|---|---|
| 01 | Ultracargo Oper. Log. e Part. Ltda. | 34.266.973/0001-99 | Closely-held subsidiary | 100.00 | 10.09 | Commercial, industrial and other | 2,461 | 2,461 |
| 02 | Ultragaz Participações Ltda. | 57.651.960/0001-39 | Closely-held subsidiary | 100.00 | 19.85 | Commercial, industrial and other | 4,336 | 4,336 |
| 03 | Imaven Imóveis e Agropecuária Ltda. | 61.604.112/0001-46 | Closely-held subsidiary | 100.00 | 2.30 | Commercial, industrial and other | 27,734 | 27,734 |
| 04 | Oxiteno S.A. Indústria e Comércio | 62.545.686/0001-53 | Closely-held subsidiary | 100.00 | 70.21 | Commercial, industrial and other | 35,102 | 35,102 |
| 05 | Oxiteno Nordeste S.A. Indústria e Comércio | 14.109.664/0001-06 | Investee of subsidiary/affiliated company | 99.42 | 49.82 | Commercial, industrial and other | 6,898 | 6,898 |
| 06 | Terminal Químico de Aratu S.A. Tequimar | 14.688.220/0001-64 | Investee of subsidiary/affiliated company | 99.44 | 5.48 | Commercial, industrial and other | 12,540 | 12,540 |
| 07 | Transultra Armaz. e Transp. Espec. Ltda. | 60.959.889/0001-60 | Investee of subsidiary/affiliated company | 100.00 | 3.59 | Commercial, industrial and other | 34,999 | 34,999 |
| 08 | Companhia Ultragaz S.A. | 61.602.199/0001-12 | Investee of subsidiary/affiliated company | 98.56 | 21.61 | Commercial, industrial and other | 799,931 | 799,929 |
| 09 | SPGás Distribuidora de Gás Ltda. | 65.828.550/0001-49 | Investee of subsidiary/affiliated company | 100.00 | 26.05 | Commercial, industrial and other | 1,314 | 1,314 |
| 10 | Bahiana Distribuidora de Gás Ltda. | 46.395.687/0001-02 | Investee of subsidiary/affiliated company | 100.00 | 6.53 | Commercial, industrial and other | 24 | 24 |
| 11 | Utingás Armazenadora S.A. | 61.916.920/0001-49 | Investee of subsidiary/affiliated company | 55.99 | 1.49 | Commercial, industrial and other | 2,800 | 2,800 |
| 12 | Oxiteno México S.A. de C.V. | | Investee of subsidiary/affiliated company | 100.00 | 1.32 | Commercial, industrial and other | 122,048 | 122,048 |
| 13 | Cia. Brasileira de Petróleo Ipiranga | 33.069.766/0001-81 | Open-held subsidiary | 11.52 | 4.65 | Commercial, industrial and other | 12,206 | 12,206 |
| 14 | Distrib. Produtos Petróleo Ipiranga S.A. | 92.689.256/0001-76 | Open-held subsidiary | 32.45 | 7.89 | Commercial, industrial and other | 10,384 | 10,384 |
| 15 | Am/pm Comestíveis Ltda. | 40.299.810/0001-05 | Investee of subsidiary/affiliated company | 11.00 | 2.89 | Commercial, industrial and other | 6,369 | 6,369 |
| 16 | Centro de Conveniências Millennium Ltda. | 03.546.544/0001-41 | Investee of subsidiary/affiliated company | 11.00 | 0.08 | Commercial, industrial and other | 135 | 135 |
| 17 | Empresa Carioca de Produtos Químicos S.A. | 33.346.586/0001-08 | Investee of subsidiary/affiliated company | 11.00 | 0.89 | Commercial, industrial and other | 22,963 | 22,963 |
| 18 | Ipiranga Com. Import. e Export. Ltda. | 05.378.404/0001-37 | Investee of subsidiary/affiliated company | 11.00 | 0.00 | Commercial, industrial and other | 15 | 15 |
| 19 | Ipiranga Trading Limited | | Investee of subsidiary/affiliated company | 11.00 | 0.00 | Commercial, industrial and other | 6 | 6 |
| 20 | Tropical Transportes Ipiranga Ltda. | 42.310.177/0001-34 | Investee of subsidiary/affiliated company | 11.00 | 0.70 | Commercial, industrial and other | 29 | 29 |
| 21 | Ipiranga Imobiliária Ltda. | 07.319.798/0001-88 | Investee of subsidiary/affiliated company | 11.00 | 0.37 | Commercial, industrial and other | 488 | 488 |
| 22 | Ipiranga Logística Ltda. | 08.017.542/0001-89 | Investee of subsidiary/affiliated company | 11.00 | 0.03 | Commercial, industrial and other | 1 | 1 |
| 23 | Maxfácil Participações S.A. | 08.077.294/0001-61 | Investee of subsidiary/affiliated company | 9.00 | 4.34 | Commercial, industrial and other | 2 | 2 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 24 | Isa-Sul Administração e Participação Ltda. | 89.548.606/0001-70 | Investee of subsidiary/affiliated company | 32.00 | 2.69 | Commercial, industrial and other | 15,209 | 15,209 |
| 25 | Comercial Farroupilha Ltda. | 92.766.484/0001-00 | Investee of subsidiary/affiliated company | 32.00 | 0.05 | Commercial, industrial and other | 2,920 | 2,920 |
| 26 | Ipiranga Adm. de Bens Móveis Ltda. | 08.056.984/0001-34 | Investee of subsidiary/affiliated company | 32.00 | 0.00 | Commercial, industrial and other | 3 | 3 |
| 27 | Refinaria de Petróleo Ipiranga S.A. | 94.845.674/0001-30 | Investee of subsidiary/affiliated company | 10.02 | -0.13 | Commercial, industrial and other | 2,962 | 2,962 |
| 28 | Oxiteno Andina, C.A. | | Investee of subsidiary/affiliated | 100.00 | 0,69 | Commercial, industrial and other | 12.076 | 12.076 |

Note: This information is an integral part of the interim financial information as required by the CVM.

F-120

Table of Contents

ULTRAPAR PARTICIPAÇÕES S.A. AND SUBSIDIARIES

**CHARACTERISTICS OF DEBENTURES**

| | | |
|---|---|---|
| 1 | ITEM | 01 |
| 2 | ORDER NUMBER | SINGLE |
| 3 | REGISTRATION NUMBER IN THE CVM | CVM/SRE/DEB/2005/015 |
| 4 | REGISTRATION DATE | 04/06/2005 |
| 5 | SERIES ISSUED | UN |
| 6 | ISSUE TYPE | SINGLE |
| 7 | ISSUE NATURE | PUBLIC |
| 8 | ISSUE DATE | 03/01/2005 |
| 9 | MATURITY DATE | 03/01/2008 |
| 10 | DEBENTURE TYPE | NO PREFERENCE |
| 11 | YIELD | 102.5% of the CDI |
| 12 | PREMIUM/DISCOUNT | |
| 13 | PAR VALUE (REAIS) | 10,000.00 |
| 14 | ISSUED AMOUNT (IN THOUSANDS OF REAIS) | 302,332 |
| 15 | ISSUED SECURITIES (UNIT) | 30,000 |
| 16 | OUTSTANDING SECURITIES (UNIT) | 30,000 |
| 17 | SECURITIES HELD IN TREASURY (UNIT) | 0 |
| 18 | REDEEMED SECURITIES (UNIT) | 0 |
| 19 | CONVERTED SECURITIES (UNIT) | 0 |
| 20 | UNPLACED SECURITIES (UNIT) | 0 |
| 21 | LAST RESET DATE | |
| 22 | NEXT EVENT DATE | 03/01/2008 |

**CHARACTERISTICS OF DEBENTURES**

| | | |
|---|---|---|
| 1 | ITEM | 02 |
| 2 | ORDER NUMBER | 2nd |
| 3 | REGISTRATION NUMBER IN THE CVM | AUTOMATIC EXEMPTION |
| 4 | REGISTRATION DATE | 04/18/2007 |
| 5 | SERIES ISSUED | 1st |
| 6 | ISSUE TYPE | SINGLE |
| 7 | ISSUE NATURE | PUBLIC |
| 8 | ISSUE DATE | 04/11/2007 |
| 9 | MATURITY DATE | 04/11/2008 |
| 10 | DEBENTURE TYPE | SUBORDINATE |
| 11 | YIELD | 102.5% of the CDI |
| 12 | PREMIUM/DISCOUNT | |
| 13 | PAR VALUE (REAIS) | 675,000,000.00 |
| 14 | ISSUED AMOUNT (IN THOUSANDS OF REAIS) | 712,457 |
| 15 | ISSUED SECURITIES (UNIT) | 1 |
| 16 | OUTSTANDING SECURITIES (UNIT) | 1 |
| 17 | SECURITIES HELD IN TREASURY (UNIT) | 0 |
| 18 | REDEEMED SECURITIES (UNIT) | 0 |
| 19 | CONVERTED SECURITIES (UNIT) | 0 |
| 20 | UNPLACED SECURITIES (UNIT) | 0 |
| 21 | LAST RESET DATE | |
| 22 | NEXT EVENT DATE | 10/11/2007 |

Table of Contents

# ULTRAPAR PARTICIPAÇÕES S.A

## MD&A ANALYSIS OF CONSOLIDATED EARNINGS

Third Quarter 2007

**(1) Key Indicators Consolidated:**

| (R$ million) | 3Q07 | 3Q06 | 2Q07 | Change 3Q07 vs. 3Q06 | Change 3Q07 vs. 2Q07 | 9M 07 | 9M06 | Change 9M07 vs. 9M06 |
|---|---|---|---|---|---|---|---|---|
| **Net sales and services** | 6,162.8 | 1,295.2 | 6,181.1 | 376% | (0)% | 13,518.0 | 3,590.3 | 277% |
| Cost of sales and services | (5,684.2) | (1,029.9) | (5,704.2) | 452% | (0)% | (12,339.3) | (2,889.3) | 327% |
| **Gross Profit** | 478.6 | 265.3 | 476.9 | 80% | 0% | 1,178.7 | 701.0 | 68% |
| Selling, general and administrative expenses | (342.5) | (154.1) | (336.3) | 122% | 2% | (834.6) | (441.8) | 89% |
| Other operating income (expense), net | 0.8 | 0.7 | 4.2 | 14% | (81)% | 4.9 | 1.8 | 172% |
| **Income from operations before financial items** | 136.9 | 111.9 | 144.8 | 22% | (5)% | 349.0 | 261.0 | 34% |
| Financial (expense) income, net | (30.0) | (2.9) | (27.3) | 934% | 10% | (65.2) | 31.9 | (304)% |
| Equity in subsidiaries and affiliated companies | (0.1) | 0.1 | | (200)% | 0% | (0.2) | 0.7 | (129)% |
| Nonoperating income (expense), net | (1.0) | (7.7) | (1.1) | (87)% | (9)% | (2.9) | (20.9) | (86)% |
| **Income before taxes and social contribution** | 105.8 | 101.4 | 116.4 | 4% | (9)% | 280.7 | 272.7 | 3% |
| Income and social contribution taxes | (31.3) | (26.6) | (32.0) | 18% | (2)% | (86.7) | (81.5) | 6% |
| Benefit of tax holidays | 3.4 | 15.3 | 3.3 | (78)% | 3% | 9.5 | 46.1 | (79)% |
| Employees statutory interest | (1.7) | | (2.8) | 0% | (39)% | (4.5) | | 0% |
| Minority interest | (51.6) | (1.3) | (47.5) | 3.869% | 9% | (99.8) | (3.6) | 2.672% |
| **Net income** | 24.6 | 88.8 | 37.4 | (72)% | (34)% | 99.2 | 233.7 | (58)% |
| **EBITDA** | 218.1 | 158.2 | 225.3 | 38% | (3)% | 558.5 | 400.8 | 39% |
| **Volume LPG sales** | 411 | 408 | 402 | 1% | 2% | 1,181 | 1,156 | 2% |
| **Volume Fuels sales** | 2,860 | 2,705 | 2,753 | 6% | 4% | 8,187 | 7,827 | 5% |
| **Volume Chemicals sales** | 162 | 149 | 147 | 8% | 10% | 453 | 413 | 10% |

***Initial Considerations:*** *In April 2007 we acquired the controlling stake of certain companies of the Ipiranga Group, becoming owners of (i) the fuel and lubricant distribution businesses in the South and Southeast of Brazil, together with related activities, (ii) EMCA Empresa Carioca de Produtos Químicos, a producer of white mineral oils and special fluids, and (iii) a stake in the refinery operations. Ultrapar s figures in 2Q07 already consolidate the results from the acquired businesses. The references to Ipiranga correspond to the fuel and lubricant distribution businesses acquired in the South and Southeast, related activities, as well as EMCA. Except where otherwise mentioned, the figures for Ultrapar referring to periods prior to 2Q07 do not include the acquired operations. Unaudited figures have been prepared relating Ipiranga for periods prior to 2Q07 ( Pro-forma Ipiranga ), with the sole purpose of providing a comparison base to facilitate the analysis of the*

Table of Contents

*company s performance. With the same purpose, when indicated, certain Ultrapar figures referring to quarters prior to 2Q07 include the operations acquired ( Pro-forma Ultrapar ).*

**(2) Performance Analysis:**

*Net Sales and Services* Ultrapar s net sales and services amounted to R$ 6,162.8 million in 3Q07, 376% up on the net sales in 3Q06, due to Ipiranga´s acquisition, and in line with sales in 2Q07. Compared with pro-forma figures for Ultrapar in 3Q06, net sales were almost unchanged. In 9M07 Ultrapar s net sales amounted to R$ 13,518.0 million, up 277% compared to 9M06, as a result of the addition of Ipiranga revenues from 2Q07 on.

Ultragaz: The Brazilian LPG market expanded by 2% in 3Q07 when compared to 3Q06, reflecting the improvement in Brazilian economy and the increase in Brazilian population income, a slower growth pace in comparison to the first six months of the year, when market expanded by 3%. Ultragaz s sales volume totalled 411,000 tons, a 1% growth over the volume sold in 3Q06. Ultragaz sales in the bulk gas segment showed a 4% increase (5,000 tons) in 3Q07, compared to 3Q06, as a consequence of winning new clients as well as the improved Brazilian economic scenario. In the bottled segment Ultragaz´s volume sold remained stable in comparison to 3Q06, in 279,000 tons. Compared to 2Q07, sales volume at Ultragaz rose by 2% due to seasonally stronger sales between the periods. In 9M07 Ultragaz reported total sales volume of 1,181,000 tons, 2% higher than in the same period in 2006. Net sales and services at Ultragaz amounted to R$ 809.4 million in 3Q07, down 1% compared to 3Q06, as a consequence of the increased competition in the LPG market in this third quarter. Compared to 2Q07, net sales showed an increase of 1%, basically as a consequence of the seasonal increase in sales volume. In 9M07, Ultragaz s net sales amounted to R$ 2,342.4 million, up 2% compared to 9M06.

Ipiranga: The expansion in the vehicles market and the improvements made to legislation and inspection implemented in the sector, for example ANP resolution Nº 07, the implementation of CODIF/Passe Fiscal and the addition of colorant to anhydrous ethanol, all had a positive influence on Ipiranga s sales volume, which amounted to 2,860,000 cubic metres in 3Q07, up 6% compared to 3Q06 pro-forma figures. Main highlights in 3Q07 were (i) the volume of gasoline, ethanol and NGV (natural gas for vehicles), which showed a 12% increase (110,000 cubic metres) as a result of the expansion in Brazil s vehicle fleet, particularly of flex-fuel vehicles, the improvements implemented in the sector and the investments made by the company in the expansion of its NGV service stations network and (ii) the volume of diesel, which increased by 2% in the period (39,000 cubic metres), as a consequence of increased economic activity. Compared to 2Q07, Ipiranga showed a 4% increase in sales volume (107,000 cubic metres), reflecting the seasonal variation between the periods and the 30% increase (58,000 cubic meters) in ethanol sales, the latter related to improvements made to legislation in the sector and the record sugarcane harvest in 2007. In 9M07 pro-forma Ipiranga s total sales amounted to 8,187,000 cubic metres, 5% higher than in the same period in 2006. Net sales at Ipiranga amounted to R$ 4,877.5 million in 3Q07, stable when compared to Ipiranga pro-forma net sales in 3Q06, but down 2% when compared to 2Q07. Despite the increase in sales volume net sales were impacted by the variation in the prices of anhydrous and hydrated ethanol, as a consequence of the record Brazilian sugarcane harvest in 2007, as well as the reduction in the rate of ICMS (Brazilian value added tax) in the state of Rio Grande do Sul. In 9M07 pro-forma, net sales for Ipiranga totalled R$ 14,382.3 million, a 2% increase compared to the pro-forma net sales figures for Ipiranga in 9M06.

Oxiteno: Total sales volume at Oxiteno in 3Q07 amounted to 162,000 tons, up 8% (12,000 tons) and 10% (15,000 tons) on 3Q06 and 2Q07, respectively, due to the increase in specialty chemicals sales volume in the domestic market, which were 15% and 9% higher than the volumes in 3Q06 and 2Q07, respectively, as a result of investments made in production capacity expansions. Increase in specialty chemicals sales volume took place in almost all segments, with particularly strong growth in the cosmetics & detergents, paints & varnishes and agrochemicals segments. Volume sales growth was also derived from gains in market share through the development of new products. Sales of commodities were down 73% (18,000 tons) and 70% (16,000 tons) when compared to 3Q06 and 2Q07, respectively, as a result of the interruption in operations of two PET industrial plants in Brazil, leading to a 5% and 7% drop in total Oxiteno sales volume to the domestic market compared to

Table of Contents

3Q06 and 2Q07. Volume sold outside Brazil amounted to 58,000 tons, up 45% (18,000 tons) and 64% (23,000 tons) compared to 3Q06 and 2Q07, respectively, basically as a result of higher glycol exports and to a lesser extent to the increase in sales by Oxiteno Mexico and the acquisition of Oxiteno Andina. For 9M07 Oxiteno reported total sales volume of 453,000 tons, up 10% on the same period in 2006. Oxiteno s net sales amounted to R$ 421.2 million in 3Q07, down 3% compared to 3Q06. The 8% increase in volume sold and the increased proportion of specialty chemicals were offset by the appreciation of 12% of the Brazilian Real against the US Dollar. In addition revenues in 3Q06 were benefited by an extraordinary gain of R$ 3.3 million, as a result of technology sales. Compared to 2Q07, net sales were up 9% as a consequence of the 10% increase in sales volume the 3% appreciation of the Brazilian Real was partially offset by the increase in average prices in US dollars. Net sales in 9M07 amounted to R$ 1,205.1 million, a 4% increase when compared to 9M06.

Ultracargo: In 3Q07, average storage volumes at Ultracargo, as measured in cubic metres, were 18% higher than in 3Q06, basically due to the expansion of the Suape and Aratu terminals, and the increase in operations at the Santos Intermodal Terminal TIS. When compared to 2Q07 average storage volume presented a 6% increase as a result of the expansion at the Aratu terminal and a higher capacity utilization at TIS. Total kilometrage travelled was down 17% compared to 3Q06, basically as a consequence of Ultracargo s decision to concentrate its operations on the provision of differentiated services. Compared to 2Q07, total kilometrage travelled remained practically unchanged. In 9M07, Ultracargo recorded an overall increase of 17% in average storage volume, as measured in cubic metres, and a 25% reduction in total kilometrage travelled. Ultracargo reported net revenue of R$ 59.3 million in 3Q07, up 7% and 1% compared to 3Q06 and 2Q07, as a consequence of (i) the expansion in storage operations at the Suape, Aratu and Santos terminals and (ii) the new internal logistics operations, with Petrolog acquisition in 2Q07, and the winning of new clients in this segment. In 9M07, Ultracargo s net revenues totalled R$ 170.6 million, unchanged compared to the same period in 2006.

*Cost of Sales and Services:* Ultrapar s cost of sales and services amounted to R$ 5,684.2 million in 3Q07, up 452% on 3Q06, basically due to the acquisition of Ipiranga, and in line with 2Q07 figures. Compared to pro-forma figures for Ultrapar in 3Q06 cost of sales and services would have remained stable. In 9M07 Ultrapar s cost of sales and services amounted to R$ 12,339.3 million, a 327% increase compared to 9M06, as a result of the additional costs of Ipiranga operations from 2Q07.

Ultragaz: Costs of products sold at Ultragaz amounted to R$ 693.8 million in 3Q07, up 3% and 4% compared to 3Q06 and 2Q07, respectively, basically due to (i) increased sales volume; (ii) higher costs associated with bringing UltraSystem up to new safety standards, (iii) higher costs associated to the maintenance of LPG bottles and (iv) inflationary effects on costs mainly related to personnel and freight costs. In 9M07 Ultragaz s cost of products sold amounted to R$ 1,981.8 million, a 3% increase compared to 9M06.

Ipiranga: Ipiranga s cost of products sold amounted to R$ 4,613.0 million in 3Q07, unchanged compared to the Ipiranga Pro-forma in 3Q06. Despite the increase in volume sold, costs remained unchanged as a consequence of the reduction in the cost of ethanol, due to the record sugarcane harvest in 2007 and due to the reduction in the rate of ICMS tax in the state of Rio Grande do Sul. Compared to 2Q07, Ipiranga s cost of products sold was down 2%, due to the drop in the cost of ethanol. In 9M07, on a pro-forma basis, Ipiranga s cost of products sold amounted to R$ 13,613.7 million, up 2% compared to pro-forma figures for 9M06.

Oxiteno: Oxiteno s cost of sales in 3Q07 amounted to R$ 346.3 million, a 4% increase compared to 3Q06 basically as a consequence of the 8% rise in volume sold and higher unit costs, particularly the increase in the unit cost of ethylene in US dollars, partially offset by the 12% appreciation in the Brazilian Real. Compared to 2Q07, there was a 9% increase in Oxiteno s cost of sales and services basically as a consequence of increased sales volume. In 9M07 Oxiteno s cost of sales and services totalled R$ 976.7 million, 9% higher than the figure reported in 9M06.

Ultracargo: The cost of services provided by Ultracargo in 3Q07 amounted to R$ 36.5 million, up 3% compared to the same quarter in 2006, and up 6% compared to 2Q07, basically as a consequence of an increase in the storage and internal logistics operations. In 9M07 cost of services provided by the company amounted to R$ 104.0 million, down 6% compared to 9M06, basically because of the reduction in transport operations.

*Gross Profit*: In 3Q07 Ultrapar reported a gross profit of R$ 478.6 million, 80% higher than 3Q06, as a result of adding Ipiranga s gross profit from 2Q07 and unchanged comparing to 2Q07. In 9M07 Ultrapar gross profit amounted to R$ 1,178.7 million, a 68% increase compared to 9M06.

*Sales, General and Administrative Expenses*: Ultrapar s sales, general and administrative expenses amounted to R$ 342.5 million in 3Q07, 122% higher than that reported in 3Q06, as a consequence of the consolidation of Ipiranga s figures. Compared to 2Q07, sales, general and administrative expenses increased by 2%. Compared to pro-forma figures for Ultrapar in 3Q06, sales, general and administrative expenses would have remained unchanged. For the first nine months of the year, Ultrapar s sales, general and administrative expenses totalled R$ 834.6 million, up 89% compared to the same period in 2006, as a result of the consolidation of Ipiranga s figures from 2Q07 onwards.

Ultragaz: Ultragaz s sales, general and administrative expenses amounted to R$ 83.3 million in 3Q07, remaining flat in relation to 3Q06, basically due to operational improvements implemented and lower profit-sharing payments, which offset increases resulting from salary increases, as a consequence of annual collective wage agreements, and increased marketing expenses. Compared to 2Q07, sales, general and administrative expenses increased by R$ 2.7 million, or 3%, basically a result of the 2% increase in volume sold and of expenses related to Ultragaz s 70th anniversary institutional campaign. In 9M07, sales, general and administrative expenses amounted to R$ 250.0 million.

Ipiranga: Sales, general and administrative expenses at Ipiranga amounted to R$ 179.4 million in 3Q07, up 2% and 3% compared to 3Q06 pro-forma and 2Q07, principally as a consequence of (i) higher marketing expenses related to projects such as Cartão Ipiranga Carbono Zero (Free Carbon Credit Card), 3,000 tanks, Clube VIP and Clube do Milhão, and (ii) the increase in volume sold, principally impacting freight expenses. In 9M07 pro-forma sales, general and administrative expenses totalled R$ 530.7 million, up 4% on the pro-forma figures for 9M06.

Oxiteno: Oxiteno s sales, general and administrative expenses totalled R$ 52.3 million in 3Q07, 5% lower than in 3Q06, as a consequence of (i) R$ 1.8 million in extraordinary expenses incurred in 3Q06 mainly related to the sale of technology, and (ii) lower profit-sharing expenses. Compared to 2Q07, there was a 1% drop in sales, general and administrative expenses, principally due to the reduction in commission expenses paid to sales agents abroad, due to the opening of sales offices in the US and Argentina, and a reduction in the administrative staff. In 9M07, general expenses totalled R$ 160.0 million, up 3% compared to 9M06.

Ultracargo: Sales, general and administrative expenses at Ultracargo totalled R$ 17.4 million in 3Q07, unchanged on 3Q06 and 2Q07, due to a reduction in expenses in the transport segment, offset by an increase in expenses related to storage and internal logistics operations. In 9M07, sales, general and administrative expenses amounted to R$ 51.1 million, down 5% compared to 9M06.

*Income from Operations before Financial Items:* Ultrapar reported an income from operations before financial items of R$ 136.9 million in 3Q07, 22% higher than the income from operations before financial items in 3Q06, basically as a result of the Ipiranga acquisition and 5% lower than 2Q07. Income from operations before financial items in 9M07 amounted to R$ 349.0 million, a 34% increase over 9M06.

*Financial Income (Expenses), Net*: Ultrapar s presented net financial expenses of R$ 30.0 million in 3Q07, compared to net financial expenses of R$ 2.9 million in 3Q06. Financial result in 3Q07 reflects the increase in Ultrapar s net debt as a consequence of the first payment related to Ipiranga acquisition. The company ended the quarter with net debt position of R$ 1,278.2 million, compared to a net cash (net of debt) position of R$ 142.1 million in 3Q06.

**Table of Contents**

*Non operating Income (Expenses), Net*: In 3Q07 Ultrapar reported non operating expenses, net, of R$ 1.1 million, basically composed by net expenses of R$ 0.9 million as a result of cylinders scraping and net expenses of R$ 7.7 million in 3Q06 from project analyses (R$5.5 million) and provision for losses on permanent assets (R$2.0 million).

*Income and Social Contribution / Benefit of Tax Holidays:* Ultrapar reported income tax and social contribution expenses, net of benefit of tax holidays of R$ 27.9 million in 3Q07, 147% higher compared to 3Q06. Compared to 2Q07, income tax and social contribution expenses increased by 3% as a result of higher results. In December 2006, the income tax exemption enjoyed by Oxiteno s unit at Camaçari expired and a request was filed with the ADENE (Northeast Development Agency), responsible for the management of this incentive program, asking for a 75% reduction in income tax until 2016, which was deferred on May 25, 2007. On July 3, 2007, the report issued by ADENE was sent to the Federal Tax Authorities for approval. On October 31, 2007 the time limit for approval by the Federal Tax Authorities expired, the company becoming automatically entitled to receive the full benefit of the requested reduction from that date, being this benefit applicable retroactively on the results reported from January 1, 2007 on. However, at the end of this quarter, no tax reduction has been considered for Oxiteno s unit at Camaçari. Should the tax benefit had been obtained since January 1, 2007, total expense with income tax and social contribution would have been reduced by R$ 15.4 million, R$ 7.0 million referring to the tax benefit in 3Q07.

*Net Income*: Ultrapar s net consolidated earnings in 3Q07 amounted to R$ 24.6 million, 72% lower than the net earnings reported in 3Q06 and 34% lower than the figure reported in 2Q07, basically because of the effects related to financial results, tax incentives and minority interests, which totaled R$ 52 million in the period, as a result of minority interest on Ipiranga.

*EBITDA:* Ultrapar reported earnings before interest, taxes, depreciation and amortization (EBITDA) of R$ 218.1 million in 3Q07, an increase of 38% compared to 3Q06, but down 3% compared to 2Q07. Compared to pro-forma figures for Ultrapar in 3Q06, EBITDA would have shown a 6% decrease. In 9M07 Ultrapar s EBITDA amounted to R$ 558.5 million, up 39% on 9M06, as a result of the consolidation of Ipiranga s EBITDA from 2Q07.

Ultragaz: Ultragaz reported EBITDA of R$ 62.0 million in 3Q07, down 30% compared to 3Q06, and down 20% on 2Q07, the result of a temporary increase in the level of competition in the LPG market in 3Q07, combined with inflationary effects on distribution costs, higher costs associated with UltraSystem to bring it up to new safety standards and higher costs associated to the maintenance of LPG bottles. In the first nine months of 2007 Ultragaz s EBITDA amounted to R$ 200.3 million, 10% lower than in the same period in 2006.

Ipiranga: Ipiranga reported EBITDA of R$ 106.1 million in 3Q07, up 40% compared to the pro-forma figure for 3Q06 basically as a result of increased sales volume, the improvements in legislation and inspection enforcement measures implemented in the sector, as well as the effects derived from the record levels of sugarcane harvest in 2007. Compared to 2Q07, EBITDA remained practically unchanged the increase in gross profit was offset by a concentration of expenses in advertising and marketing in 3Q07. In 9M07 Ipiranga s pro-forma EBITDA amounted to R$ 307.9 million, up 23% on pro-forma figures for 9M06.

Oxiteno: EBITDA at Oxiteno totalled R$ 35.5 million in 3Q07, down 40% compared to 3Q06, basically due to the appreciation in the Brazilian Real, and the increase in raw material costs, particularly ethylene. Compared to 2Q07, EBITDA was up 27%, basically as a result of increased sales volume. In addition to the increase in EBITDA quarter-on-quarter, Oxiteno reported growth in EBITDA margin per ton, increasing from US$ 96/ton in 2Q07 to US$ 115/ton in 3Q07. For 9M07 Pro-forma, EBITDA at Oxiteno totalled R$ 105.6 million, 27% lower than that reported in 9M06.

Ultracargo: Ultracargo reported EBITDA of R$ 12.4 million, up 43% on 3Q06, and in line with 2Q07, the result of increased operations in storage and internal logistics segments. In 9M07 Ultracargo s EBITDA amounted to R$ 35.9 million, up 24% compared to 9M06.

Table of Contents

**EBITDA**

| R$ million | 3Q07 | 3Q06 | 2Q07 | Change 3Q07 X 3Q06 | Change 3Q07 X 2Q07 | 9M07 | 9M06 | Change 9M07 X 9M06 |
|---|---|---|---|---|---|---|---|---|
| Ultrapar | 218.1 | 158.2 | 225.3 | 38% | (3)% | 558.5 | 400.8 | 39% |
| Ultragaz | 62.0 | 89.2 | 77.9 | (30)% | (20)% | 200.3 | 222.1 | 5% |
| Ipiranga | 106.1 | 75.6 | 105.1 | 40% | 1% | 307.9 | 250.0 | 23% |
| Oxiteno | 35.5 | 58.8 | 28.0 | (40)% | 27% | 105.6 | 145.5 | (27)% |
| Ultracargo | 12.4 | 8.7 | 12.4 | 43% | 0% | 35.9 | 28.9 | 24% |

*We hereby inform that. in accordance with the requirements of CVM Resolution 381/03, our independent auditors KPMG Auditores Independentes have not performed during this first nine months of 2007 any service other than the external audit of the financial statements of Ultrapar and affiliated companies and subsidiaries. We also inform that there is no expectation, for the current year, for KPMG to perform any other service amounting to more than 5% of the auditing cost.*

# *Refinaria de Petróleo Ipiranga S.A. and Subsidiaries*

*Financial Statements for the Years Ended*

*December 31, 2006, 2005 and 2004*

Table of Contents

**Report of Independent Auditors**

To the Board of Directors

and Shareholders of

Refinaria de Petróleo Ipiranga S.A.

We have audited the accompanying consolidated balance sheets of Refinaria de Petróleo Ipiranga S.A. and its subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, of changes in financial position and of changes in shareholders´ equity for the years ended December 31, 2006, 2005 and 2004. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Refinaria de Petróleo Ipiranga S.A. and its subsidiaries at December 31, 2006 and 2005, and the results of their operations and their changes in financial position for the years ended December 31, 2006, 2005 and 2004 in conformity with accounting practices adopted in Brazil.

Our audits were performed for the purpose of issuing an opinion on the financial statements referred to in the first paragraph, prepared in conformity with accounting practices adopted in Brazil. The consolidated statement of cash flows, which provides supplemental information about the Company and its subsidiaries, is not a required component of the financial statements. We also applied the audit procedures described above to the statement of cash flows for the years ended December 31, 2006, 2005 and 2004 and, in our opinion, it is fairly stated in all material respects in relation to the financial statements taken as a whole.

Accounting practices adopted in Brazil vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 25 to the consolidated financial statements.

PricewaterhouseCoopers Auditores Independentes

Porto Alegre, Brazil

September 28, 2007, except with respect to Note 25

as to which the date is November 9, 2007

**Table of Contents**

***REFINARIA DE PETRÓLEO IPIRANGA S.A. AND SUBSIDIARIES***

**CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2006 AND 2005**

**(In thousands of Brazilian reais R$)**

| ASSETS | **2006** | **2005** |
|---|---|---|
| CURRENT ASSETS | | |
| Cash and cash equivalents | 91,827 | 91,283 |
| Short term investments | 9,480 | 14,317 |
| Derivatives | 18,889 | 15,550 |
| Trade accounts receivable | 634,035 | 374,579 |
| ( ) Allowance for doubtful accounts | (34,722) | (51,749) |
| ( ) Restricted export drafts | (149,758) | (136,139) |
| Receivables from related parties | 23,460 | 11,232 |
| Recoverable taxes | 92,574 | 89,396 |
| Deferred income and social contribution taxes | 10,534 | 24,905 |
| Dividends/Interest on capital receivable from affiliates | 70,599 | |
| Inventories | 476,884 | 414,808 |
| Other current assets | 13,164 | 20,202 |
| Prepaid expenses | 10,877 | 7,471 |
| | 1,267,843 | 875,855 |
| NONCURRENT ASSETS | | |
| Long-term assets | | |
| Restricted temporary cash investments | 237 | 293 |
| Trade accounts receivable | 17,818 | 15,737 |
| ( ) Allowance for doubtful accounts | (15,054) | (15,575) |
| Recoverable taxes | 151,265 | 130,842 |
| Deferred income and social contribution taxes | 140,726 | 109,668 |
| Related companies | | 98 |
| Other long-term assets | 9,852 | 10,781 |
| Judicial deposits | 8,900 | 8,185 |
| Prepaid expenses | 1,324 | 1,835 |
| Permanent assets | | |
| Investments in affiliates | 239,065 | 208,359 |
| Warrants | 28,989 | 28,989 |
| Goodwill on subsidiaries | 62,284 | 93,376 |
| Other investments | 4,358 | 3,964 |
| Property, plant and equipment, net | 999,361 | 1,017,663 |
| Deferred charges, net | 18,213 | 16,295 |
| | 1,667,338 | 1,630,510 |
| TOTAL | 2,935,181 | 2,506,365 |

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

F-130

Table of Contents

*REFINARIA DE PETRÓLEO IPIRANGA S.A. AND SUBSIDIARIES*

**CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2006 AND 2005**

**(In thousands of Brazilian reais R$)**

| LIABILITIES AND SHAREHOLDERS EQUITY | 2006 | 2005 |
|---|---|---|
| CURRENT LIABILITIES | | |
| Loans and financing | 202,278 | 332,401 |
| Derivatives | 6,704 | 1,543 |
| Trade accounts payable | 706,564 | 510,483 |
| Taxes payable | 59,018 | 38,272 |
| Deferred income and social contribution taxes | 8,721 | 20,605 |
| Dividends payable and interest on capital | 94,485 | 22,363 |
| Other taxes and contribution contingent liabilities | 10,014 | 1,629 |
| Provision for pension and post-employment benefits | 4,086 | 4,191 |
| Payables to related parties | 33,575 | 16,427 |
| Debentures payable to related parties | 23,593 | |
| Payable for the acquisition of warrants | 33,818 | |
| Payroll and related charges payable | 39,355 | 32,743 |
| Other current liabilities | 27,450 | 42,453 |
| | 1,249,661 | 1,023,110 |
| NONCURRENT LIABILITIES | | |
| Loans and financing | 620,279 | 402,971 |
| Other taxes and contribution contingent liabilities | 11,818 | 3,766 |
| Provision for pension and post-employment benefits | 47,267 | 49,735 |
| Debentures payable to related parties | 77,747 | 306,985 |
| Payable for the acquisition of warrants | | 29,396 |
| Taxes payable | 41,130 | 16,622 |
| Deferred income and social contribution taxes | 29,412 | 15,700 |
| Other long-term liabilities | 3,753 | 15,572 |
| | 831,406 | 840,747 |
| MINORITY INTEREST | 279,486 | 214,108 |
| SHAREHOLDERS EQUITY | | |
| Capital | 365,000 | 180,000 |
| Revaluation reserve | 6,186 | 6,186 |
| Profit reserves | 203,442 | 242,214 |
| | 574,628 | 428,400 |
| TOTAL | 2,935,181 | 2,506,365 |

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

Table of Contents

***REFINARIA DE PETRÓLEO IPIRANGA S.A. AND SUBSIDIARIES***

**CONSOLIDATED STATEMENTS OF INCOME**

**FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004**

**(In thousands of Brazilian reais R$)**

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| GROSS SALES AND SERVICES | 5,619,861 | 4,998,141 | 5,176,898 |
| Taxes, discounts and returns | (1,428,504) | (1,385,401) | (1,429,889) |
| NET SALES AND SERVICES | 4,191,357 | 3,612,740 | 3,747,009 |
| Cost of sales and services | (3,379,553) | (2,872,802) | (2,897,271) |
| GROSS PROFIT | 811,804 | 739,938 | 849,738 |
| OPERATING (EXPENSES) INCOME | | | |
| Selling | (191,881) | (163,630) | (182,278) |
| General and administrative | (155,424) | (141,258) | (120,983) |
| Other operating income, net | 8,204 | 26,488 | 11,926 |
| | (339,101) | (278,400) | (291,335) |
| OPERATING INCOME BEFORE FINANCIAL ITEMS | 472,703 | 461,538 | 558,403 |
| Financial income (expenses), net | (86,349) | (134,482) | (110,998) |
| Nonoperating expenses, net | (34,160) | 1,227 | (183) |
| | (120,509) | (133,255) | (111,181) |
| INCOME BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES, EQUITY IN AFFILIATES, PROFIT SHARING AND MINORITY INTEREST | 352,194 | 328,283 | 447,222 |
| INCOME AND SOCIAL CONTRIBUTION TAXES | | | |
| Current | (104,108) | (80,981) | (132,249) |
| Deferred | 22,678 | (19,200) | 63,864 |
| | (81,430) | (100,181) | (68,385) |
| INCOME BEFORE EQUITY IN AFFILIATES, PROFIT SHARING AND MINORITY INTEREST | 270,764 | 228,102 | 378,837 |
| Equity in affiliates and goodwill amortization | 24,324 | 30,451 | 19,831 |
| Profit sharing | (7,867) | (7,054) | (6,417) |
| Minority interest | (122,981) | (113,204) | (176,365) |
| NET INCOME | 164,240 | 138,295 | 215,886 |

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

Table of Contents

*REFINARIA DE PETRÓLEO IPIRANGA S.A. AND SUBSIDIARIES*

**CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION**

**FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004**

**(In thousands of Brazilian reais R$)**

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| SOURCES OF FUNDS | | | |
| From operations | | | |
| Net income | 164,240 | 138,295 | 215,886 |
| Items not affecting working capital | | | |
| Minority interest | 122,981 | 113,204 | 176,365 |
| Provision for pension and post-employment benefits | (2,468) | (12,970) | (1,416) |
| Allowance for doubtful accounts | (521) | (3,204) | 18,779 |
| Depreciation and amortization | 82,867 | 89,268 | 87,349 |
| Net book value of permanent assets written off or sold | 32,168 | 3,261 | 804 |
| Equity in affiliates | (48,594) | (49,496) | (46,257) |
| Goodwill amortization | 24,270 | 19,045 | 26,426 |
| Monetary and exchange variation and Interest on long-term liabilities | (13,125) | (715) | (47,390) |
| Monetary and exchange variation and Interest on long-term assets | (6,678) | 888 | (6,690) |
| Reversal of provision for loss on investments | | (485) | |
| Monetary and exchange variation on permanent assets | 72 | 1 | 41 |
| (Recognition) reversal of deferred income and social contribution taxes | (22,678) | 19,200 | (63,864) |
| Provision for contingencies | 8,052 | 1,295 | |
| Loss on change in interest in affiliate | 32,964 | | |
| Others | 5,376 | (35,497) | 10,600 |
| | 378,926 | 282,090 | 370,633 |
| From shareholders | 188 | | |
| | 188 | | |
| From third parties: | | | |
| Increase in long-term liabilities | | 52,154 | |
| Long-term loans | 384,140 | 244,637 | 391,869 |
| Interest on capital received | 17,889 | 19,787 | 16,321 |
| Decrease in long-term assets | | | 65,785 |
| Tax incentives | 2 | | |
| | 402,031 | 316,578 | 473,975 |
| Total of sources | 781,145 | 598,668 | 844,608 |
| USES OF FUNDS | | | |
| Investments | 394 | 35,944 | 524 |
| Property, plant and equipment | 85,347 | 66,919 | 65,574 |
| Increase in noncurrent assets | 14,947 | 47,952 | 46,846 |
| Transfer of loans from long-term to current liabilities | 153,707 | 379,126 | |
| Decrease in long-term liabilities | 5,188 | | 641,146 |
| Dividends and interest on capital paid | 17,889 | 19,787 | 16,321 |
| Minority interest in dividends and interest on capital received | 13,068 | 2,935 | 1,663 |
| Deferred charges | 6,555 | 1,557 | |
| Return of capital to shareholders of Ipiranga Petroquímica S.A. | 17,287 | | |
| Repurchase of shares of Ipiranga Petroquímica S.A. | 60,569 | | |
| Collection of debentures from related parties | 240,757 | | |
| Total of uses | 615,708 | 554,220 | 772,074 |

| | | | |
|---|---|---|---|
| INCREASE IN WORKING CAPITAL | 165,437 | 44,448 | 72,534 |
| REPRESENTED BY | | | |
| Current assets: | | | |
| At end of year | 1,267,843 | 875,855 | 1,042,937 |
| At beginning of year | 875,855 | 1,042,937 | 1,021,264 |
| INCREASE (DECREASE) | 391.988 | (167,082) | 21,673 |
| Current liabilities: | | | |
| At end of year | 1,249,661 | 1,023,110 | 1,234,640 |
| At beginning of year | 1,023,110 | 1,234,640 | 1,285,501 |
| INCREASE (DECREASE) | 226,551 | (211,530) | (50,861) |
| INCREASE IN WORKING CAPITAL | 165,437 | 44,448 | 72,534 |

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

Table of Contents

*REFINARIA DE PETRÓLEO IPIRANGA S.A AND SUBSIDIARIES*

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY**

**FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004**

**(In thousands of Brazilian reais R$)**

| | Capital | Revaluation reserve | Profit reserves | Retained earnings (accumulated deficit) | Total shareholders equity |
|---|---|---|---|---|---|
| BALANCE AS OF DECEMBER 31, 2003 | 180,000 | 6,186 | | (75,859) | 110,327 |
| Net income | | | | 215,886 | 215,886 |
| Distribution of net income to: | | | | | |
| Legal reserve | | | 7,189 | (7,189) | |
| Unrealized profit reserve | | | 27,374 | (27,374) | |
| Statutory reserves | | | 89,143 | (89,143) | |
| Interest on capital | | | | (10,416) | (10,416) |
| Dividends | | | | (5,905) | (5,905) |
| BALANCE AS OF DECEMBER 31, 2004 | 180,000 | 6,186 | 123,706 | | 309,892 |
| Net income | | | | 138,295 | 138,295 |
| Distribution of net income to: | | | | | |
| Legal reserve | | | 6,866 | (6,866) | |
| Unrealized profit reserve | | | 19,165 | (19,165) | |
| Statutory reserves | | | 92,477 | (92,477) | |
| Interest on capital | | | | (19,787) | (19,787) |
| BALANCE AS OF DECEMBER 31, 2005 | 180,000 | 6,186 | 242,214 | | 428,400 |
| Capitalization of reserves | 185,000 | | (185,000) | | |
| Net income | | | | 164,240 | 164,240 |
| Distribution of net income to: | | | | | |
| Legal reserve | | | 8,201 | (8,201) | |
| Unrealized profit reserve | | | 28,960 | (28,960) | |
| Statutory reserves | | | 109,067 | (109,067) | |
| Interest on capital | | | | (17,889) | (17,889) |
| Other | | | | (123) | (123) |
| BALANCE AS OF DECEMBER 31, 2006 | 365,000 | 6,186 | 203,442 | | (574,628) |

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

Table of Contents

**REFINARIA DE PETRÓLEO IPIRANGA S.A. AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS**

**ENDED DECEMBER 31, 2006, 2005 AND 2004**

**(Amounts in thousands of Brazilian reais R$, unless otherwise stated)**

**1 Operations**

Refinaria de Petróleo Ipiranga S.A. (the Company ) is a public company whose shares are traded on the São Paulo Stock Exchange (BOVESPA) and is controlled by members of the Bastos, Mello, Ormazabal, Tellechea and Gouvêa Vieira families.

The Company is primarily engaged in oil refining and sale of its by-products and is a holding company for subsidiaries engaged in the chemical business which represent a significant portion of its consolidated business.

The Company s economic performance in oil refining in 2006 continued to reflect difficulties caused by the incompatibility between oil prices in the international market and by-products prices in Brazil, in the prior year. In order to minimize operating losses management interrupted production for a significant part of 2005 and from June to October 2006.

As part of the actions to ensure continuity of the oil refining operations, Company s management intensified contacts and negotiations with the regulatory agencies of the oil industry, with the Federal Government and with the Rio Grande do Sul State Government. In July 2006, the Company and the Rio Grande do Sul State Government began studying the possibility of producing petrochemical naphtha in order to have an alternative that would allow the operational continuity of the oil refining operations and to increase tax collection for Rio Grande do Sul State.

On November 1, 2006, Decree No. 44,714 was published in the Official Gazette of the Rio Grande do Sul State, permitting to use, as deemed tax credit, up to 8.5% of the ICMS (State VAT) levied on petrochemical naphtha produced in facilities located in the southern region of the Rio Grande do Sul State and sold in the same State, according to the Agreement signed on November 27, 2006.

As a result, operations were resumed according to the Agreement signed with the Rio Grande do Sul State Government and management believes that, from now on, there may be better conditions to continue operations as a result of the alternative structured with the State Government and/or through more consistent domestic price policies, within market conditions.

**2 Presentation of consolidated financial statements**

The consolidated financial statements were prepared in accordance with accounting practices adopted in Brazil (Brazilian GAAP).

The financial statements presented herein are different from the ones prepared by the Company for statutory purposes because they do not include the holding company s stand-alone financial statements, have been adjusted with respect to the financial statements for statutory purposes to include in Note 25 a reconciliation of net equity and net income between the amounts under Brazilian GAAP and generally accepted accounting principles in the United States of America (U.S. GAAP) and have also been adjusted to present certain additional disclosures to facilitate its understanding by readers not familiar with Brazilian GAAP.

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates include, but are not limited to, estimates relating to the useful lives of property, plant and equipment, accounting for contingencies and provisions for income taxes, among others. Actual results could differ in relation to these estimates.

Table of Contents

**3 Summary of significant accounting practices**

Accounting practices adopted in Brazil (Brazilian GAAP) to record transactions and prepare the consolidated financial statements comply with those prescribed by Brazilian corporate law and specific standards established by the Brazilian Securities Commission (CVM), which differ in certain respects from the U.S. GAAP. See Note 25 for a discussion of these differences and a reconciliation of consolidated shareholders equity and consolidated net income between Brazilian GAAP and U.S. GAAP.

The following is a summary of significant accounting policies followed in the preparation of the accompanying financial statements:

**(a) Cash and cash equivalents**

Cash and cash equivalents comprise highly-liquid temporary cash investments (with maturities of 3 months or less when acquired and readily convertible to cash).

**(b) Short-term investments and derivatives**

Short-term investments correspond to temporary investments. Derivative instruments included swap transactions and options which are cost plus accrued income or expense based on the contractual rates included in each agreement.

**(c) Allowance for doubtful accounts**

The Company s management has individual customer credit information, which is used to asses customers ability to pay. The allowance is recorded in an amount considered sufficient to cover probable losses on realization of accounts receivable.

**(d) Restricted export drafts**

Correspond to receivables from exports to customers that have been transferred to financial institutions as repayment of export pre-financing or post-financing obtained.

**(e) Inventories**

Stated at the lower of average acquisition or production cost or estimated net realizable value.

**(f) Investments in affiliates and goodwill**

Accounted following the equity method with a corresponding entry to operating income.

Goodwill on the acquisition of subsidiaries is amortized over 10 years, the estimated period of realization.

**(g) Property, plant and equipment**

Stated at acquisition or construction cost, monetarily restated through December 1995. Depreciation is calculated following the straight-line method based on the estimated economic useful lives of the assets.

**(h) Loans and financing**

Stated at the amount of principal, plus financial charges incurred, on a pro rata basis, through the balance sheet date. Foreign currency-denominated loans were converted into Brazilian reais at the exchange rates prevailing at the balance sheet date.

Table of Contents

**(i) Income and social contribution taxes**

Tax expense is calculated based on the income tax rate of 15% plus a 10% surtax and social contribution tax rate of 9%.

**(j) Deferred income and social contribution taxes**

Calculated on temporary differences and on tax loss carryforwards using the income tax and social contribution tax rates effective for the period in which the tax effects are expected to be realized.

Deferred income and social contribution tax assets are only recognized up to the amount that is likely to be realized within the next ten years as established by CVM Instruction No. 371/02.

**(k) Provision for contingencies**

Recorded for contingencies whose likelihood of loss is probable, based on the opinion of management and inside and outside legal counsel. The provision is recorded based on the estimated losses upon final resolution of lawsuits.

**(l) Pension and other post-employment benefit obligations**

Pension and other post-employment benefits liabilities to employees, retirees and pensioners (net of the assets of the benefit plan) are recorded based on the actuarial calculation prepared by an independent actuary, using the Projected Unit Credit Method.

**(m) Other assets and liabilities**

Other assets and liabilities, classified as current and long term, are stated at realizable or estimated settlement amounts. These assets and liabilities are stated at cost or realizable value and known or estimated amounts, respectively, including, when applicable, interest and monetary and exchange variations.

**(n) Interest on capital**

Interest on capital can be paid by Brazilian companies in lieu of, or in addition to, mandatory dividend stipulated by the respective company s bylaws. Interest on capital is calculated within the limits established by Law No. 9,249/95 for a maximum amount computed as the TJLP (long-term interest rate) applied on the respective shareholders equity.

Interest on capital received from affiliates is recorded as a receivable. Interest on capital payable, since it represents in essence dividends, is recorded as a reduction in Retained earnings .

**(o) Results of operations**

Revenue from sale of products is recognized when significant risks and benefits related to the product ownership pass to customer. Revenue from sale of services is recognized when services are provided. Other income, expenses and costs are recognized when incurred and/or realized. The result includes interest and monetary and exchange variations, at official indexes and rates, applicable to current and long-term assets and liabilities and, when applicable, the effects of adjustments of assets to its net realizable value.

Table of Contents

**4 Consolidation criteria**

The consolidated financial statements have been prepared in accordance with the consolidation principles established by Brazilian GAAP and include the accounts of the Company and the following subsidiaries:

| | | Ownership interest % | | | |
|---|---|---|---|---|---|
| | Country of | 2006 | | 2005 | |
| | incorporation | Direct | Indirect | Direct | Indirect |
| Ipiranga Química S.A. | Brazil | 58.5269 | | 58.5269 | |
| Through Ipiranga Química S.A.: | | | | | |
| Ipiranga Petroquímica S.A.*** | Brazil | | 92.3863 | | 88.4800 |
| Isatec Pesquisa, Desenvolvimento e Análises Químicas Ltda. | Brazil | | 100.0000 | | 100.0000 |
| Forlab Chitec S.A. Comércio Internacional | Brazil | | | | 100.0000 |
| Ipiranga Química Armazéns Gerais Ltda. | Brazil | | 99.8500 | | 99.8500 |
| Through Ipiranga Petroquímica S.A.: | | | | | |
| IPQ Petroquímica Chile S.A. | Chile | | 100.0000 | | 100.0000 |
| Ipiranga Petroquímica Chile Ltda. | Chile | | 100.0000 | | 100.0000 |
| Ipiranga S.A. (Argentina) | Argentina | | 100.0000 | | 100.0000 |
| Natal Trading Ltd. | BVI* | | 100.0000 | | 100.0000 |
| COPESUL Companhia Petroquímica do Sul(**) | Brazil | | 29.4600 | | 29.4600 |

(*) BVI British Virgin Islands.

(**) COPESUL is a jointly-controlled entity under Brazilian GAAP and accordingly is proportionately consolidated.

(***) On December 26, 2006, Ipiranga Petroquímica repurchased all its shares held up to such date by the minority shareholder International Finance Corporation IFC and those shares were cancelled. As a result the interest of shareholders other than IFC in Ipiranga Petroquímica increased. The interest of Ipiranga Química increased from 88.4800% to 92.32863%.

The following practices were adopted in the preparation of the consolidated financial statements:

(a) Intercompany balances, transactions and unrealized profits have been eliminated.

(b) Minority interest in fully-consolidated subsidiaries is presented in a separate caption.

(c) Assets and liabilities, and revenues and expenses of the jointly-controled entity COPESUL were included in the consolidated financial statements in proportion to the investor s interest in the investee s capital, pursuant to CVM Instruction No. 247/96. The consolidated balance sheet and statement of income of COPESUL are presented, on a condensed basis, in Note 25 I e).

**5 Short-term investments**

| | 2006 | 2005 |
|---|---|---|
| Treasury bills (LTF) | 3,926 | 3,406 |
| Investment funds | 3,528 | 3,873 |
| Non-convertible debentures and other debt instruments | | 4,434 |
| Time deposits | 2,263 | |
| Receivables investment funds | | 2,897 |
| | 9,717 | 14,610 |
| ( ) Current | 9,480 | 14,317 |

| | | |
|---|---|---|
| Long term (restricted balance) | 237 | 293 |

Table of Contents

## 6 Derivatives

COPESUL entered into operations involving options with respect to U.S. dollars called box options as commented below. Its purpose has been to invest cash resources at rates higher than other available investment options. The Company also entered into swap operations which were entered into by Fundo de Investimento Financeiro Multimercado Copesul, a fund consolidated by COPESUL, whose custodian and manager is Banco Santander Brasil S.A.

Swaps correspond to cross-currency interest rate swaps by which the Company pays a fixed interest rate and receives a variable rate based on the Interbank Deposit Certificates (CDI) rate.

| | Amounts receivable | |
|---|---|---|
| | 2006 | 2005 |
| Swap transactions receivable | 7,842 | 693 |
| Swap with anticipatory breach | | 120 |
| Box options | 11,047 | 14,737 |
| Total | 18,889 | 15,550 |

| | Amounts payable | |
|---|---|---|
| | 2006 | 2005 |
| Options payable | | 880 |
| Swap transactions payable | 6,704 | 663 |
| Total (Note 15) | 6,704 | 1,543 |

Box options are combined operations that involve both the purchase and the sale of options in US dollars for the same maturity at a certain price, so that, regardless of the future U.S. dollar rate, the Company knows in advance the net result of such operations providing what the Company views as a fixed return over its investment. The value paid for the options, called premium, corresponds to the amount invested by the Company and the sum redeemed will be the premium plus a pre-fixed rate of return.

## 7 Trade accounts receivable

| | 2006 | 2005 |
|---|---|---|
| Domestic market | | |
| Trade notes receivable | 436,299 | 280,520 |
| Foreign market | | |
| Receivables | 215,554 | 109,796 |
| | 651,853 | 390,316 |
| ( ) Current | 634,035 | 374,579 |
| Long term | 17,818 | 15,737 |

Table of Contents

## 8 Related-party transactions

Intercompany transactions are conducted under price and term conditions similar to those adopted for transactions with unrelated parties and are as follows:

| | December 31, 2006 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Companies | Trade accounts receivable (current) | Trade accounts receivable (long term) | Trade accounts payable (current) | Payable for warrants purchased (current)(b)(*) | Debentures (a)(c)(**) | Sales | Purchases | Financial income (expenses) |
| Distribuidora de Produtos de Petróleo Ipiranga S.A. | 3,647 | | 737 | 33,818 | 58,794 | 492,086 | 877 | (23,969) |
| Companhia Brasileira de Petróleo Ipiranga | 660 | | 1,456 | | 42,546 | 10,663 | 13,935 | (14,740) |
| Ipiranga Asfaltos S.A. | 76 | | | | | 1,908 | | |
| Empresa Carioca de Produtos Químicos S.A. | 27 | | 143 | | | 203 | 2,312 | |
| Tropical Transportes Ipiranga Ltda. | 4 | | 226 | | | 8 | 4,843 | |
| COPESUL Companhia Petroquímica do Sul | 3,042 | | 13,306 | | | 66,191 | 1,355,896 | 284 |
| Braskem S.A | 11,484 | | 719 | | | 810,995 | 15,195 | |
| Petróleo Brasileiro S.A Petrobras | 35 | | 11,000 | | | 35 | 378,612 | |
| Refinaria Alberto Pasqualini S.A. | 1,162 | | 5,768 | | | 22,766 | 195,312 | |
| Other | 3,323 | | 220 | | | 3,677 | 2,820 | |
| Total as of December 31, 2006 | 23,460 | | 33,575 | 33,818 | 101,340 | 1,408,532 | 1,969,802 | (38,425) |

| | December 31, 2005 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Companies | Trade accounts receivable (current) | Trade accounts receivable (long term) | Trade accounts payable (current) | Payable for warrants purchased (long-term)(b) | Debentures(a) | Sales | Purchases | Financial income (expenses) |
| Distribuidora de Produtos de Petróleo Ipiranga S.A. | 375 | 2 | 1,042 | 29,396 | 178,117 | 386,908 | 2,049 | (30,947) |
| Companhia Brasileira de Petróleo Ipiranga | 1,070 | 53 | 359 | | 128,868 | 13,319 | 4,000 | (21,608) |
| Ipiranga Asfaltos S.A. | 10 | | | | | 1,491 | | |
| Empresa Carioca de Produtos Químicos S.A. | | | 44 | | | | 1,232 | |
| Tropical Transportes Ipiranga Ltda. | 2 | | 224 | | | 2 | 134 | |
| COPESUL Companhia Petroquímica do Sul | 529 | 14 | 14,162 | | | 10,157 | 104,157 | |
| Braskem S.A | 5,881 | | 151 | | | 758,102 | 19,431 | 685 |
| Refinaria Alberto Pasqualini S.A. | 3,308 | | 125 | | | 14,936 | 265,846 | |
| Other | 57 | 29 | 320 | | | 10,957 | 327,846 | 2,319 |
| Total as of December 31, 2005 | 11,232 | 98 | 16,427 | 29,396 | 306,985 | 1,195,872 | 724,695 | (49,551) |

Table of Contents

(*) As of December 31, 2005, the amount was recorded as noncurrent long-term liabilities and was reclassified to current liabilities as of December 31, 2006 considering its maturity date.

(**) The balances of R$ 13,688 and R$ 9,905 of debentures due to Distribuidora de Produtos de Petróleo Ipiranga S.A. and Companhia Brasileira de Petróleo Ipiranga, respectively, were reclassified to current liabilities in 2006 due to their expected payment during 2007.

(a) Debentures issued by Ipiranga Química in 2003

The Extraordinary Shareholders Meeting of Ipiranga Química S.A. held on May 26, 2003 approved the issuance of two series of private convertible debentures, consisting of 11,000 Series A debentures, with face value of R$ 10 each, amounting to R$ 110,000, and 80,000 Series B debentures, with face value of R$ 1 each, amounting to R$ 80,000.

Both series of debentures mature on June 1, 2008.

On June 12, 2003, Distribuidora de Produtos de Petróleo Ipiranga S.A. fully subscribed the Series A debentures and Companhia Brasileira de Petróleo Ipiranga. fully subscribed the Series B debentures.

The subscribed debentures pay interest based on the CDI interest rate, plus spread subject to renegotiation every 6 months (for Series A) and every 5 months (for Series B) as established by the indenture dated June 1, 2003.

The spread for Series A debentures, for the most part of 2005, was 1.5% per year, and changed to 1.0% per year on December 1, 2005 remaining the same in 2006 . The spread for Series B debentures was 1.0% per year in 2005.

The Board of Directors of Ipiranga Química S.A., at the meetings held on May 2, 2006 and December 28, 2006, decided that the funds received through equity pick-up by the interest held by Ipiranga Química S.A. in Ipiranga Petroquímica S.A. should be fully used in the partial redemption of its debentures.

Debentures are convertible into common shares of Ipiranga Química S.A. at any time after their issuance and until their maturity or redemption at the option of the holder.

The conversion price is a fixed amount established in the indenture of the debentures. However, the quantity of common shares to be received upon conversion will be higher than the amount determined as face value of the debentures divided by the conversion price if they are converted before June 1, 2007. The quantity of additional shares to be received will be 25% if converted up to June 1, 2004, 18.2177% if converted before June 1, 2005, 11.8034% if converted before June 1, 2006 and 5.7371% if converted before June 1, 2007.

(b) Modification of terms of the debentures and purchase of warrants by the Company

Pursuant to a Memorandum of Understanding signed on October 3, 2005, Distribuidora de Produtos de Petróleo Ipiranga S.A., Companhia Brasileira de Petróleo Ipiranga and the Company agreed to hold an Extraordinary Shareholders Meeting of Ipiranga Química S.A. to approve a change in the type of debentures, issued by Ipiranga Química S.A. on June 1, 2003.

The changes approved on the meeting held on October 6, 2005 were: (i) to change the debentures from convertible to nonconvertible without making any other change in the terms or conditions of the debentures, and (ii) to issue of warrants to the holders of the debentures, without any charge, replacing the conversion right established for the debentures; the terms of the warrants allow their holder to purchase common shares of Ipiranga Química in exactly the same terms than the conversion features originally included in the debentures.

Contemporaneously, the parties agreed that Distribuidora de Produtos de Petróleo Ipiranga S.A. would sell for R$ 29.0 million the warrants obtained to the Company. The amount for the purchase of the warrants is payable on October 3, 2007, and carries interest at the CDI interest rate.

Upon acquisition of the warrants, the Company recognized the cost of R$ 29.0 million as an asset within Permanent Assets and the corresponding payable to Distribuidora de Produtos de Petróleo Ipiranga S.A. The warrant is recorded at cost by the Company.

Table of Contents

(c) Early partial redemption of the debentures in 2006

The Board of Directors of Ipiranga Química S.A., at the meetings held on May 2, 2006 and December 28, 2006, decided to make an early partial redemption of its debentures, issued on June 1, 2003, considering the financial cost that this debt has been generating for Ipiranga Química S.A.

Funds used to pay for the redemption were received by Ipiranga Química S.A. from its investee Ipiranga Petroquímica S.A. resulting from a reduction in capital approved by it on April 28, 2006 and from distribution of dividends.

Out of the outstanding balance of debentures of R$ 307.0 million, R$ 240.8 million was early redeemed in 2006.

**9 Inventories**

| | **2006** | **2005** |
|---|---|---|
| Finished products | 175,798 | 169,887 |
| Work in process | 15,802 | 7,523 |
| Raw materials | 101,602 | 127,323 |
| Indirect materials, packaging and storeroom supplies | 67,881 | 71,900 |
| Products and raw materials held by third parties | 45,776 | |
| Imports in transit | 10,250 | 11,701 |
| Goods in transit | 59,775 | 26,474 |
| | 476,884 | 414,808 |

**10 Recoverable taxes**

| | **2006** | **2005** |
|---|---|---|
| Income and social contribution taxes | 9,032 | 56,294 |
| IRRF (withholding income tax) | 13,757 | 7,933 |
| ICMS (State VAT) | 164,478 | 113,784 |
| IPI (Federal VAT) | 2,199 | 2,182 |
| ILL (tax on net income) | 15,821 | 15,138 |
| PIS/COFINS (taxes on revenue) | 18,815 | 15,286 |
| State income tax additional | 8,170 | 9,472 |
| Other | 11,567 | 149 |
| | 243,839 | 220,238 |
| ( ) Current | 92,574 | 89,396 |
| Long term | 151,265 | 130,842 |

**11 Income and social contribution taxes**

**(a) Deferred**

Considering the uncertainties with respect to future taxable income, as mentioned in Note 1, management maintained the decision of not recording any deferred income and social contribution tax assets as of December 31, 2006 for the oil refining business, and reversed the amounts recorded as of December 31, 2004, in the amount of R$ 14,192.

**Table of Contents**

On January 1, 2003, the subsidiary Ipiranga Petroquímica S.A. (IPQ) changed the criteria to tax unrealized foreign exchange gains and losses from the accrual basis to the cash basis. Considering the foreign currency exposure of IPQ, the foreign exchange variation significantly influenced the determination of taxable income in prior periods.

Considering the change in the taxation criteria and also considering the then existing economic scenario, the exposure of IPQ to several international market conditions, as well as the operating and business cycles of the petrochemical industry (which has presented significant changes in profit margins in periods which are shorter than most of other industry segments), IPQ management concluded that income projections for periods longer than 3 years may have uncertainty concerning the realization of its assumptions.

As a result of the above, as of December 31, 2004 and 2005 IPQ limited the amounts of deferred tax assets recognized to the amount considered probable to be recovered which was determined to be the amounts to be realized over the subsequent 3 years based on projections of taxable income as of each respective date.

As of December 31, 2006, due to the improvement of macroeconomic condition in Brazil and more accurate projections of the domestic and foreign market variables in the petrochemical industry, management of IPQ reviewed the initial estimate and decided to recognize as deferred tax assets an amount equal to the amounts expected to be realized over the subsequent 10 years based on projections of taxable income.

Recognition of deferred taxes is based on several factors including history of profitability of subsidiaries and budgets, approved by management, which estimates future income for the realization of this asset.

Deferred tax assets and liabilities are as follows:

| | 2006 | 2005 |
|---|---|---|
| **Assets** | | |
| Income tax loss carryforwards | 842,361 | 872,469 |
| Goodwill on purchase of shares by IPQ | 12,504 | |
| Taxes on exports | 2,011 | |
| Offsets preliminary injunction | | 70,590 |
| Provision for pension and post-employment benefits | 11,604 | 53,926 |
| Allowance for doubtful accounts | 35,767 | 67,324 |
| Social contribution tax loss carryforwards | 81,182 | |
| Other provisions | 24,128 | 55,596 |
| Tax basis | 1,009,557 | 1,119,905 |
| Statutory rate | 34% | 34% |
| Deferred income and social contribution assets, gross | 321,210 | 380,768 |
| ( ) Amounts expected to be realized over 10 years (2005 -over 3 years) | (169,950) | (246,195) |
| Deferred income and social contribution taxes, net | 151,260 | 134,573 |
| ( ) Current | 10,534 | 24,905 |
| Long term | 140,726 | 109,668 |
| **Liabilities** | | |
| Foreign exchange taxed on a cash basis | 109,972 | 106,778 |
| Other | 2,184 | |
| | 112,156 | 106,778 |
| Statutory rate | 34% | 34% |
| Deferred income and social contribution liabilities | 38,133 | 36,305 |

| | | |
|---|---|---|
| ( ) Current | 8,721 | 20,605 |
| Long term | 29,412 | 15,700 |

Table of Contents

**(c) Estimated realization of deferred tax assets and liabilities**

The realization of tax credits and debts is based on future taxable income projections limited to the 10 years after each balance sheet date, as follows:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | **2006** | **2005** | **2006** | **2005** |
| 2006 | | 24,905 | | 20,605 |
| 2007 | 10,534 | 56,525 | 8,721 | 7,513 |
| 2008 | 19,103 | 47,405 | 7,548 | 8,187 |
| 2009 | 5,952 | 3,419 | 5,391 | |
| 2010 to 2016 | 115,671 | 2,319 | 16,473 | |
| | 151,260 | 134,573 | 38,133 | 36,305 |

**(d) Reconciliation of effective income tax and social contribution tax rate**

| | **2006** | **2005** | **2004** |
|---|---|---|---|
| Income before taxes, equity in affiliates, profit sharing and minority interest | 352,194 | 328,283 | 447,222 |
| Additions and deductions: | | | |
| Offsets preliminary injuction | | | 63,062 |
| Interest on capital received by the Company and its subsidiaries | 43,579 | 16,802 | 16,321 |
| Interest on capital paid by the Company and its subsidiaries | (49,831) | (10,416) | |
| Allowance for doubtful accounts | | (13,791) | 21,889 |
| Realized foreign exchange gains | | (29,220) | (58,747) |
| Non-deductible provisions | (27,680) | (29,937) | (10,293) |
| Loss on change in interest in affiliates | 32,964 | | |
| Other | (37,850) | (23,542) | (5,461) |
| Use of tax loss carryforwards | (7,176) | | (85,025) |
| Tax basis | 306,200 | 238,179 | 388,968 |
| Statutory rate | 34% | 34% | 34% |
| Current income and social contribution taxes | (104,108) | (80,981) | (132,249) |
| Offsets preliminary injuction | | | 63,062 |
| Recognition (reversal) of provision for pension and other post-employment benefits | (899) | (15,536) | 1,718 |
| Allowance for doubtful accounts | 1,287 | (13,791) | 21,889 |
| Unrealized foreign exchange gains | (56,963) | (75,832) | (221,118) |
| Other | 5,134 | 60,424 | 81,952 |
| Tax basis | (51,441) | (44,735) | (52,497) |
| Statutory rate | 34% | 34% | 34% |
| Deferred income and social contribution taxes, gross | (17,490) | (15,210) | (17,849) |
| ( ) Reversal of expected realization | | (14,192) | |
| ( ) Additional deferred tax assets recognized | 40,168 | 10,202 | 81,713 |
| Deferred income and social contribution taxes, net | 22,678 | (19,200) | 63,864 |

Table of Contents

## 12 Investments in affiliates

The investees Companhia Brasileira de Petróleo Ipiranga (CBPI) and Distribuidora de Produtos de Petróleo Ipiranga S.A. (DPPI) are both engaged in the distribution of petroleum and related products.

| | CBPI | DPPI | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| **Investment data** | | | | | |
| Number of shares held (in thousands): | | | | | |
| Common voting shares | 8,786,744 | 1,632,758 | | | |
| Preferred non-voting shares | 3,331,992 | 814,058 | | | |
| Direct interest (%): | | | | | |
| In voting capital | 24.8148 | 15.2503 | | | |
| In total capital | 11.4191 | 7.6463 | | | |
| Shareholders equity of the investee | 1,555,165 | 804,029 | | | |
| Net income of the investee | 323,549 | 160,876 | | | |
| **Changes in investment during the years presented** | | | | | |
| Beginning balance | 154,196 | 54,163 | 208,359 | 178,650 | 148,714 |
| Equity in affiliates | 36,449 | 12,146 | 48,595 | 49,496 | 46,257 |
| Dividends and interest on capital distributed | (13,059) | (4,830) | (17,889) | (19,787) | (16,321) |
| Ending balance | 177,586 | 61,479 | 239,065 | 208,359 | 178,650 |

## 13 Property, plant and equipment

| | Annual depreciation rates % | 2006 | 2005 |
|---|---|---|---|
| Land | | 27,550 | 27,550 |
| Buildings and improvements | 4 | 133,026 | 138,861 |
| Operating machine, equipment and installations | 10 | 750,106 | 781,377 |
| Furniture and fixtures | 10 | 3,295 | 3,232 |
| Computers and peripherals | 20 | 7,162 | 7,092 |
| Vehicles | 20 | 1,682 | 1,695 |
| Construction in progress | | 62,157 | 55,092 |
| Other | 10 | 14,383 | 2,764 |
| | | 999,361 | 1,017,663 |

Land includes the amount of R$ 6,186 related to a revaluation performed in 1983.

## 14 Deferred charges

| | Annual amortization rates % | 2006 Net | 2005 Net |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Software preoperating and industrial expansion expenses | 10 | 12,016 | 16,295 |
| Goodwill on acquisition of investment | 10 | 6,197 | |
| | | 18,213 | 16,295 |

Table of Contents

**15 Loans and financing**

| | 2006 | | 2005 | | | | |
|---|---|---|---|---|---|---|---|
| **Characteristics** | **Current** | **Longterm** | **Current** | **Longterm** | **Interest rate based on** | **Effective rate** | **Guarantees** |
| **Local currency** | | | | | | | |
| Industrial expansion | 11,688 | 32,351 | 10,191 | 29,389 | TJLP | 10.55% | COPESUL industrial plant, guarantee of RPI |
| Investment acquisition | 9,891 | | 26,927 | 9,426 | IGP-M | 6.49% | COPESUL shares |
| Working capital | 8,303 | | 69,215 | | CDI | 13.42% | Promissory notes, export credit note and sales |
| | 29,882 | 32,351 | 106,333 | 38,815 | | | |
| **Foreign currency** | | | | | | | |
| Industrial expansion | 427 | 2,693 | 10,929 | 1,900 | Basket of currencies | 9.32% | COPESUL industrial plant |
| Working capital (foreign exchange contracts and prepayments) | 321,727 | 585,235 | 351,278 | 362,256 | Monthly, quarterly and annual LIBOR | 6.64% | Promissory notes, guarantees provided by CBPI the Company and DPPI and exports |
| Restricted export drafts | (149,758) | | (136,139) | | | | |
| | 172,396 | 587,928 | 226,068 | 364,156 | | | |
| **Swap transactions** | 6,704 | | 1,543 | | | | |
| Total | 208,982 | 620,279 | 333,944 | 402,971 | | | |

RPI Refinaria de Petróleo Ipiranga S.A.

The long-term portion matures as follows:

| | **2006** | **2005** |
|---|---|---|
| **Maturities** | | |
| 2007 | | 142,741 |
| 2008 | 109,578 | 120,563 |
| 2009 | 141,408 | 85,587 |
| 2010 | 130,640 | 54,080 |
| After 2011 | 238,653 | |
| | 620,279 | 402,971 |

On June 15, 2005, through the use of available funds and funds obtained in the domestic financial market, IPQ paid in advance its debt to IFC, Kreditanstalt für Wiederaufbau (KfW), Deutsche Entwicklungsgesellschaft (DEG) and foreign banks participating in the B Loan ( B Loan Banks ), in the amount of approximately US$ 136 million. With these payments made on June IPQ was released from the restrictive covenants contained in all agreements signed with IFC, KfW, DEG and B Loan Banks, as well as obtaining better terms in the funds obtained from the domestic financial market. On August 28, 2005, IPQ signed a long-term loan pre-agreement in the amount of US$ 150 million, structured by IFC, which can be fully or partially withdrawn, as needed. Until the date of the financial statements, no amounts were withdrawn.

Table of Contents

### 16 Taxes payable

| | 2006 | 2005 |
|---|---|---|
| Income tax | 16,440 | 8,153 |
| Social contribution tax | 6 | 29 |
| PIS/COFINS | 36,817 | 2,851 |
| IPI | 7,243 | 5,395 |
| IPI-PAES (tax debt refinancing program) | 9,228 | 9,789 |
| ICMS | 15,726 | 11,615 |
| CIDE (economic intervention contribution) | 9,402 | 11,527 |
| Other | 5,286 | 5,535 |
| Total | 100,148 | 54,894 |
| ( ) Current | 59,018 | 38,272 |
| Long term | 41,130 | 16,622 |

The amount recorded in long-term liabilities refers to the provision for CIDE which can be paid using PIS and COFINS credits, in accordance with article 8 of Law No. 10,336/01.

### 17 Contingencies

#### (a) Probable losses

A provision was recognized to cover probable losses estimated by management, supported by the internal and external legal counsel, arising from the following lawsuits:

| | 2006 | 2005 |
|---|---|---|
| Tax lawsuits | 9,517 | 1,441 |
| Civil lawsuits | 695 | 1,062 |
| Labor lawsuits | 11,620 | 2,892 |
| Total | 21,832 | 5,395 |
| ( ) Current | 10,014 | 1,629 |
| Long term | 11,818 | 3,766 |

**Tax lawsuits**

1) Tax lawsuits of Refinaria de Petróleo Ipiranga S.A. refer mainly to: (1) claim by the INSS (National Institute of Social Security) of additional contribution on the SAT (Occupational Accident Insurance), and (2) assessment issued by the INSS related to presentation of the GFIP (FGTS (severance pay fund) Payment and Social Security Information Form) with incomplete data about taxable events contained in the payroll.

2) Tax lawsuits of Ipiranga Química S.A. refer to the tax deficiency notice issued by the Bahia State alleging an error in the recording of tax documents and in the determination of ICMS tax basis lack of evidence of storage of products intended to be shipped to the

Manaus Free Trade Zone and the non-taxation of consignment sale.

3) Tax lawsuits of IPQ included in this classification refer to IRRF (withholding income tax) levied on dividends received from the subsidiary in 1994 and 1995 for which the Company formalized a refund request to the Federal Revenue Service (SRF) since at that time there were no objective conditions for offset since: (i) dividends were no longer subject to taxation beginning January 1, 1996, and (ii) it was not possible to pay dividends up to calendar year 2004 due to accumulated deficit. The SRF, by means

Table of Contents

of Regulatory Instruction No. 12/99, regulated the matter and started to allow the offset of said IRRF against tax payable on interest on capital paid by the IPQ to its shareholders. Based on income for 2005 and 2006, IPQ paid interest on capital to its shareholders and offset, in 2006, the prepaid IRRF tax asset against the IRRF levied on interest on capital. Considering that the IRRF asset was considered contingent, IPQ s management, on a conservative basis, recognized a provision for contingencies related to the amount of IRRF subject to offset and, simultaneously, maintains the discussion about the matter at the administrative level.

**Labor lawsuits**

Corresponds to lawsuits filed by former employees and outsourced professionals of the Company and IPQ, Ipiranga Química S.A. and the jointly-controlled entity COPESUL which refer basically to salary equalization and overtime.

**(b) Possible losses**

Lawsuits for which management assessed the probability of loss as possible , based on the opinion of its legal counsel, are not accrued in the financial statements and are composed of:

| | **2006** | **2005** |
|---|---|---|
| Tax lawsuits | 56,166 | 58,929 |
| Civil lawsuits | 185 | 295 |
| Labor lawsuits | 4,874 | 5,733 |
| Total | 61,225 | 64,957 |

**Tax lawsuits**

1) Tax lawsuits of Refinaria de Petróleo Ipiranga S.A. included in this classification refer mainly to: (1) collection action due to the lack of payment of fees of the securities market, (2) notice to pay amounts arising from disallowance of deductions of salary premium for education considered incorrect, based on a supposedly lack of information to the FNDE (National Fund for the Development of Education), and (3) voluntary reporting through which PIS and COFINS (taxes on revenue) due were paid, with interest, but without fines.

2) Tax lawsuits of Ipiranga Química S.A. refer mainly to: (1) requirement of ICMS (State VAT) for sales made in the International Painting Convention in disagreement with the special regime granted, and (2) tax deficiency notice arising from the tax reclassification of imported product, requirement of IPI (federal VAT) and II (import tax).

3) Tax lawsuits of IPQ refer mainly to: (1) requirement of reversal of deemed IPI credits to refund PIS/COFINS on exported products, (2) tax deficiency notice arising from adjustments of the amount stated upon import of petrochemical plants, relating to the levy of import tax and IPI (federal VAT) on license for plants and transfer of know how, and (3) tax deficiency notice arising from the tax reclassification of imported product, requirement of IPI and II , whose amount was partially reduced due to a decision favorable to the administrative rejection filed, and the corresponding amount was transferred to contingent liabilities assessed as remote losses.

**Labor lawsuits**

Corresponds to lawsuits filed by former employees and outsourced professionals of the Company and its subsidiaries IPQ and Ipiranga Química S.A. referring to payroll charges and overtime.

Table of Contents

**(c) Contingent assets**

The Company and its subsidiaries filed judicial and/or administrative proceedings with Federal and State tax authorities to recover taxes unduly paid or overpaid. These proceedings, when concluded, may represent income that, due to its contingent nature, are not recorded in the financial statements as of December 31, 2006, 2005 and 2004.

Due to the progress of lawsuits and based on their legal counsel s opinion, the companies management assessed the likelihood of a favorable outcome in the aforementioned lawsuits as probable or possible, depending on the specific circumstances. As of December 31, 2006 said lawsuits may be summarized as follows:

| | 2006 | 2005 |
|---|---|---|
| **Federal level** | | |
| FINSOCIAL (taxes on revenue) increase in tax basis | | 2,294 |
| PIS/COFINS (taxes on revenue) increase in tax basis | 12,232 | 11,333 |
| Maintenance of IPI credits on acquisition of products subject to zero rate(*) | 578,410 | 513,184 |
| | **590,642** | **526,811** |
| **State level** | | |
| State income surfax(AIRE) | **2,810** | **2,697** |

(*) The purpose of this lawsuit is the recognition of the right to credits for IPI levied on inputs acquired and used in the manufacture of end products subject to IPI.

**18 Employee and management profit sharing**

Profit sharing is calculated based on net income for the year, after deducting accumulated deficit, if any, and provision for income and social contribution taxes, and is distributed as follows:

**(a) Employee profit sharing**

Calculated based on 3% of net income, which will be computed excluding income from investments in companies (recorded in the individual statement of income of the Company as equity in subsidiaries and affiliates), amortization of goodwill or negative goodwill, sale or write-off of investments in companies and, finally, interest paid or received by the Company as interest on capital.

**(b) Management profit sharing**

Calculated, at year end, as 10% of income after deducting employee profit sharing and cannot exceed the annual global compensation established at the Shareholders Meeting.

**19 Provision for pension and other post-employment benefits**

**(a) Pension benefits provided by Fundação Francisco Martin Bastos**

The Company, together with other Petróleo Ipiranga companies, sponsors Fundação Francisco Martins Bastos (FFMB), a closed pension entity that manages and operates pension plans for the employees of Petróleo Ipiranga companies.

FFMB Benefit Plan was created in 1993. Initially, only the basic benefit was established (a defined benefit plan) and in July 1998 the supplementary benefit (structured as a defined contribution plan in the phase of capitalization of estimated benefits) was implemented, whose contribution is computed as percentages over variable compensation, if any. The pension plan is funded by the sponsors and participants.

Table of Contents

On August 31, 2005, the SPC (Secretariat for Pension Plan), through Official Letter No. 1003/SPC/DETEC/CGAT, approved the new Ruling of FFMB Benefit Plan. New regulations were introduced related to portability, deferred proportional benefit, self-sponsorship and redemption provided for in CGPC (Supplemental Pension Management Council) Resolution No. 6 of October 30, 2003, as well as changes in the calculation of benefits, the introduction of new GAM-83 life expectancy table and change in the actuarial method from unit credit to projected unit credit became effective as actuarial adjustments.

The main changes in the calculations of benefits, approved in the new regulation, refer to the adjustment of the employee salary, gradual elimination of bonus for length of service credited for the purpose of calculating benefits and the increase in the percentage of reduction of the early retirement basic benefit .

These changes reduced the plan s total cost for the sponsors by 36%, as defined by the actuary based on the percentage of the participants payroll for 2006.

In 2006, SPC, by means of CGPC Resolution No. 18, of March 28, 2006, established new technical/actuarial parameters for private pension plan entities. Therefore, the minimum life expectancy table that was adopted is AT-1983, increasing the life expectancy of active participants by approximately 2 years.

In the year ended December 31, 2006, the Company made contributions to the benefit plan in the amounts of R$ 426 for the basic benefit plan and R$ 4 for the supplementary benefit plan (R$ 813 and R$ 271, respectively, in 2005). The amounts related to the FFMB Benefit Plan were calculated on an annual basis by independent actuaries and are recognized in the financial statements according to CVM Resolution No. 371/00.

**(b) Other post-employment benefits**

According to CVM Resolution No. 371/00, the Company, in addition to the pension plan, recognizes a provision for other post-employment benefits related to bonus for length of service, FGTS (severance pay fund), health care plan and life insurance for eligible retirees. Other post-employment benefits are unfunded and are provided directly by the Company and each of its subsidiaries of the Petróleo Ipiranga Group.

**(c) Information about pension and other post-employment benefits**

The reconciliation of pension and other post-employment benefit liabilities as of December 31 is as follows:

| | **2006** | **2005** |
|---|---|---|
| Present value of funded obligations | (238,314) | (202,553) |
| Present value of unfunded obligations | (48,294) | (44,519) |
| Fair value of plan assets | 228,979 | 192,726 |
| Unrecognized actuarial (gains) losses | 3,627 | (3,266) |
| Unrecorded actuarial liabilitiy | 2,649 | 3,686 |
| Net post-employment benefit liabilities | (51,353) | (53,926) |
| Current | (4,086) | (4,191) |
| Long-term | (47,267) | (49,735) |

The portion of actuarial gains or losses to be recognized as income or expense is the amount of unrecognized gains and losses that exceed, in each year, the higher of the following amounts:

(i) 10% of the present value of the total actuarial obligation of the defined benefit; and
(ii) 10% of the fair value of plan assets.

The portion that exceeds the limits is annually amortized dividing its amount by the remaining average length service estimated for the plan s participants.

**Table of Contents**

The amounts recognized in the statements of income are as follows:

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| Cost of current service | (3,637) | (3,502) | (3,430) |
| Cost of interest | (15,751) | (15,273) | (14,832) |
| Expected return on assets | 14,589 | 11,622 | 8,422 |
| Amortization of actuarial (gain) losses | (157) | 137 | (671) |
| Employees contributions | 1,140 | 1,415 | 1,736 |
| Adjustment of actuarial liability | (521) | (521) | |
| Total expenses | (4,337) | (6,122) | (8,775) |

Changes in net post-employment benefit liabilities may be shown as follows:

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| Net liabilitiy at beginning of year | (53,926) | (69,462) | (67,744) |
| Expenses | (4,337) | (6,122) | (8,775) |
| Company s contributions | 2,649 | 3,461 | 4,522 |
| Benefits paid | 3,020 | 3,070 | 2,535 |
| Reduction effect | 1,241 | 14,873 | |
| Adjustment to present value of obligations | | 254 | |
| Net liabilitiy at end of year | (51,353) | (53,926) | (69,462) |

The main actuarial assumptions applied are as follows:

Discount rate of actuarial obligation at present value 10.8% per year.

Expected long-term rate of return on assets 13.2% per year.

Projected average salary growth rate 6.6% per year.

Inflation rate (long-term) 4.5% per year.

Medical services growth rate 7.6% per year.

Biometric assumptions used:

Mortality table AT 1983 basic rated down by 10%(*)

Turnover table adjusted Towers Perrin

Disabled mortality table RRB 1983

Disability table amended RRB 1944 rated

(*) For life insurance benefit, the CSO-80 mortality table was used.

Table of Contents

**20 Shareholders equity**

**(a) Capital**

As of December 31, 2006, capital is represented by 29,600,000 shares without par value, of which 9,982,404 are common shares and 19,617,596 are preferred shares. In 2005, capital was represented by 14,800,000 shares.

Preferred shares have no voting rights, are entitled to dividends 10% higher than those paid on common shares, and have priority in the distribution of dividends and in the reimbursement of capital in the event of liquidation.

The Extraordinary Shareholders Meeting held on April 26, 2006 approved an increase in the Company s capital from R$ 180,000 to R$ 365,000, through the capitalization of profit reserves, with the issuance of 14,800,000 new shares, of which 4,991,202 are common shares and 9,808,798 are preferred shares, distributed for free to shareholders at a ratio of one new share for each share of the same type they held on the date of the meeting.

**(b) Reserves**

| | 2006 | 2005 |
|---|---|---|
| **Revaluation reserve** | | |
| Own assets | 6,186 | 6,186 |
| | | |
| **Profit reserves** | | |
| Legal | 18,876 | 14,055 |
| For payment of dividends | | 90,810 |
| For working capital and conservation and improvement of installations | 109,067 | 90,810 |
| Unrealized profit: | | |
| 2004 | 27,374 | 27,374 |
| 2005 | 19,165 | 19,165 |
| 2006 | 28,960 | |
| | | |
| | 203,442 | 242,214 |

The Extraordinary Shareholders Meeting held on April 26, 2006 approved amendment to article 34 of the bylaws so that the Company has only one profit reserve, named Reserve for Working Capital and Conservation and Improvement of Installations . With this amendment, the Company s bylaws establish that the balance of the Retained earnings account shall be allocated to the Reserve for Working Capital and Conservation and Improvement of Installations , after distribution of dividends, up to the limit of the capital. The increase in the Company s capital of R$ 185,000, approved at said Extraordinary Shareholders Meeting, was made by capitalizing the following profit reserves: total balance of the Reserve for Payment of Dividends , in the amount of R$ 90,810, total balance of the then existing Reserve for Conservation and Improvement of Installations , in the amount of R$ 90,810, and part of the balance of Legal Reserve , in the amount of R$ 3,380.

**(c) Distribution of dividends**

Shareholders are annually entitled to receive mandatory minimum dividends, corresponding to 30% of net income, after allocation of 5% to the legal reserve. Preferred shareholders are entitled to receive dividends or interest on capital 10% higher than those paid on common shares. Said dividends are calculated based on article 202 of Law No. 6.404/76.

Table of Contents

**(d) Computation of interest on capital and dividends**

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| Net income of Refinaria de Petróleo Ipiranga S.A. (stand-alone individual financial statements) | 164,013 | 137,312 | 217,628 |
| Absorption of accumulated deficit | | | (73,842) |
| Distribution to legal reserve (5%) | (8,201) | (6,866) | (7,189) |
| Calculation basis for dividends | 155,812 | 130,446 | 136,597 |
| Mandatory minimum dividends | 46,745 | 41,728 | 43,695 |
| Realized profit during the year (corresponding to interest on capital and dividends received from affiliates) | (17,889) | (19,787) | (16,321) |
| Amount to be allocated to unrealized profit reserve to be paid as dividends once realized(*) | 28,856 | 21,941 | 27,374 |
| Interest on capital: | | | |
| Gross amount | 17,889 | 19,787 | 10,416 |
| Net amount | 15,206 | 16,819 | 8,854 |
| Dividends (exempt from income tax) | | | 5,905 |
| Total distributed (interest on capital and dividends) | 17,889 | 19,787 | 16,321 |

(*) Refers to the unrealized profit for the year, in accordance with article 197, paragraph 1, item I, of the corporate law, and article 35, item III, of the bylaws. This reserve corresponds to equity in income of subsidiaries and affiliates, which has not yet been realized.

Interest on capital, in the amount of R$ 17,889 (2005 R$ 19,787), was calculated according to the limits established by Law No. 9,249/95 and generated tax benefits of R$ 6,082 (2005 R$ 6,728).

**21 Collaterals and guarantees**

The Company provides collaterals and guarantees for some loan operations conducted directly or indirectly by certain subsidiaries and other related parties.

As of December 31, 2006 and 2005 amounts referring to the operations guaranteed by the Company are as follows:

| Guarantor | Borrower | 2006 | 2005 | Maturity |
|---|---|---|---|---|
| REFINARIA | DPPI | **646** | **1,344** | 2010 |
| REFINARIA | EMCA | **1,326** | **1,654** | 2009 |
| | | | 50,344 | 2006 |
| | | 44,555 | | 2007 |
| | | 112 | 188 | 2008 |
| REFINARIA | IASA | **44,667** | **50,532** | |
| | | | 33,423 | 2006 |
| | | 24,014 | | 2007 |
| | | 5,392 | 8,836 | 2008 |
| | | 228 | 325 | 2009 |
| REFINARIA | IQ | **29,634** | **42,584** | |
| REFINARIA | IPQ | **14,633** | **23,671** | 2007 |
| | | **90,906** | **119,785** | |

REFINARIA Refinaria de Petróleo Ipiranga S.A.

DPPI Distribuidora de Produtos de Petróleo Ipiranga S.A. (1)

Table of Contents

EMCA Empresa Carioca de Produtos Químicos S.A. (3)

IASA Ipiranga Asfaltos S.A. (3)

IQ Ipiranga Química S.A. (2)

IPQ Ipiranga Petroquímica S.A. (2)

(1) A company controlled by members of the same families that control the Company
(2) Entity consolidated by the Company
(3) Entities controlled, directly or indirectly, by DPPI

**22 Financial instruments**

In accordance with CVM Instruction No. 235/95, the Company and its subsidiaries estimated the fair value of their financial instruments, using available market information and appropriate estimation methodologies. However, both the interpretation of market data and the selection of estimation methodologies require reasonable judgment and estimates to determine the most adequate realizable value. Accordingly, the estimates presented are not necessarily indicative of the amounts that could be obtained in active market trading. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair values.

The Company and its subsidiaries conduct transactions involving financial instruments, all of which are recorded in balance sheet accounts, and are intended to meet their needs and reduce the exposure to credit, market, and currency risks. Management of these risks is performed by establishing strategies and control systems and setting position limits.

The main risks affecting the Company s business are as follows:

**(a) Currency risk**

This risk arises from the possibility of the Company incurring material losses because of exchange rate fluctuations, which may affect the balances of foreign currency-denominated loans and financing.

The exposure to fluctuations in exchange rates is as follows:

| **Amounts in US$ thousand** | **2006** | **2005** |
|---|---|---|
| Loans and financing | (355,624) | (268,259) |
| Swap transactions | (3,136) | (659) |
| Other payables | (11,425) | (8,799) |
| Assets | 56,835 | 40,649 |
| Hedge instruments | | 18,374 |
| Net exposure | (313,350) | (218,694) |

**(b) Credit risk**

This is the risk of the Company incurring losses due to customers failure to pay accounts and financing. The Company reduces this risk by means of a credit policy and by obtaining collaterals for supply agreements signed with its customers for significant balances.

**(c) Price risk**

The oil refining activity is subject to this risk when variations in the price of petroleum in the market are not transferred to petroleum products. To reduce this risk, the Company has been seeking alternatives with the Federal Government and Petrobras as further described in Note 1.

Table of Contents

**(d) Financial income (expenses)**

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| **Financial income:** | | | |
| Interest | 14,293 | 16,793 | 35,104 |
| Monetary variation | 15,572 | 3,840 | 5,878 |
| Exchange variation | (1,925) | 80,653 | 86,938 |
| Gains on derivatives held by Investment fund of COPESUL (Note 6) | 92,680 | 33,238 | 98,705 |
| Monetary correction on PASEP tax credit | 8,950 | | |
| Other financial income | 23,449 | 12,399 | 44,754 |
| | **153,019** | **146,923** | **271,379** |
| **Financial expenses:** | | | |
| Interest and charges due | (132,612) | (167,263) | (166,723) |
| Interest on debenture | (35,113) | (52,089) | (36,623) |
| Monetary variation | (6,068) | (2,684) | (11,469) |
| Exchange variation | 53,927 | 761 | 5,688 |
| Losses on derivatives held by investment fund of COPESUL (Note 6) | (83,521) | (25,065) | (114,732) |
| Other financial expenses | (35,981) | (35,065) | (58,518) |
| | **(239,368)** | **(281,405)** | **(382,377)** |
| **Financial expenses, net** | **(86,349)** | **(134,482)** | **(110,998)** |

**23 Insurance**

The Petróleo Ipiranga companies have an insurance and risk management program that allows coverage and protection for their insurable assets, including insurance coverage for risks of disruption of production, by means of an operational risk policy with domestic and foreign insurance companies through the Brazilian Reinsurance Institute (IRB).

The insurance coverages and limits are based on a detailed study of risks and losses performed by local insurance brokers, and the insurance contracted is considered sufficient to cover possible losses, considering the nature of the companies activities.

The main insurance coverages are for operational risks, loss of profits, industrial and office multiperils, named risk-pools and civil liability.

**24 Subsequent events**

**Acquisition of Ipiranga**

On April 18, 2007, Ultrapar Participações S.A. for itself, and also as a commission agent of Braskem S.A. and Petróleo Brasileiro S.A. Petrobras, acquired for R$2,113,107, from the controlling shareholders of the Petróleo Ipiranga companies, 66.2% common shares and 13.9% preferred shares issued by the Company, 69.2% common shares and 13.5% preferred shares issued by Distribuidora de Produtos de Petróleo Ipiranga S.A. ( DPPI ), and 3.8% common shares and 0.4% preferred shares issued by Companhia Brasileira de Petróleo Ipiranga ( CBPI ). Of the total amount, Braskem and Petrobras paid R$1,394,675 under the terms of the commission among the parties.

Under the terms of the agreement among Ultrapar, Braskem and Petrobras, once all steps of the transaction mentioned below are finalized, Ultrapar will hold the distribution of fuel and lubricants in the Southern and Southeastern regions of Brazil ( South Distribution Assets ); Petrobras will hold the distribution of fuel and

F-155

lubricants in the Northern, Northeastern and Central-Western Regions ( North Distribution Assets ); and Brasken and Petrobras will hold 60% and 40%, respectively, of the petrochemical assets, represented by Ipiranga Química S.A., its subsidiary IPQ and by the interest of the latter in COPESUL ( Petrochemical Assets ). Assets related to oil petroleum refining held by RPI will be equally shared by Petrobras, Ultrapar and Braskem.

In the same agreement the parties established that Ultrapar is responsible for conducting a corporate restructuring in the companies acquired to separate the assets assigned to each acquiring company. The stages are as follows:

a) Public Tag Along Offering to acquire common shares issued by RPI, DPPI, CBPI and IPQ held by other shareholders;

b) Merger into Ultrapar of the common shares issued by RPI, DPPI and CBPI;

c) Segregation of assets by means of: (i) capital reduction of RPI and CBPI to transfer the Petrochemical Assets directly to Ultrapar, for subsequent transfer to Braskem and Petrobras, under the terms of the commission, and (ii) spin-off of CBPI to transfer the North Distribution Assets to a company controlled by Petrobras.

On April 17, 2007, CADE (Economic Defense Council) issued an Injunction to maintain conditions that would allow to revert the asset acquisition by Braskem and Petrobras, as described in the Significant Event Notice published on April 18, 2007. The provisions related to Petrochemical Assets were reviewed on April 25, 2007 in the decision approved by CADE, with signature by Braskem of agreement for protection of reversibility of operation (APRO).

With said changes, CADE acknowledges the maintenance of the minority interest of Petrobras in COPESUL after the acquisition. In relation to fuel distribution, CADE granted 10 days so that Petrobras and Ultrapar present an alternative corporate governance model that preserves competition within the industry.

**25 SUMMARY AND RECONCILIATION OF THE DIFFERENCES BETWEEN ACCOUNTING PRACTICES ADOPTED IN BRAZIL AND GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN THE UNITED STATES OF AMERICA**

**I Narrative description of GAAP differences**

The consolidated financial statements of the Company are prepared in accordance with Brazilian GAAP. Accounting policies, which differ significantly from U.S. GAAP, are summarized below:

**a) Inflation accounting**

Under Brazilian GAAP, the Company accounts for the effects of inflation in its financial statements prepared in accordance with Brazilian GAAP through December 31, 1995. Through December 31, 1995, the Company used for this remeasurement the Fiscal Reference Unit (UFIR), the index established by the tax authorities for preparation of financial statements under Brazilian Corporate Law as well as the index selected by the CVM.

The reconciliation presents the effect of adjusting property, plant and equipment for U.S. GAAP purposes through December 31, 1997. Under U.S. GAAP, management of the Company considers that Brazil was considered to be a highly inflationary economy until December 31, 1997 and, as such, property, plant and equipment should be adjusted for inflation through such date.

In determining amounts under U.S. GAAP, the effects of inflation for the years ended December 31, 1996 and 1997 were determined using the Índice Geral de Preços Disponibilidade Interna IGP-DI index, which is a widely-accepted and respected index published monthly by the Fundação Getúlio Vargas.

Table of Contents

Because the Company s management believes that the IGP-DI is an appropriate and consistent measure of the general price inflation in Brazil and because of its availability, for U.S. GAAP purposes the Company adopted the IGP-DI for restatement of its financial statements also for periods through December 31, 1995, replacing the Government mandated index. As a result, property, plant and equipment have been monetarily adjusted for inflation using the IGP-DI since its acquisition through December 31, 1997.

**b) Reversal of fixed asset revaluation**

For U.S. GAAP reconciliation purposes, the revaluation of land recorded in the financial statements prepared in accordance with Brazilian GAAP have been eliminated in order to present fixed assets at historical cost less accumulated depreciation.

**c) Deferred charges**

Brazilian GAAP permits the deferral of pre-operating and industrial expansion expenses incurred in the construction or expansion of a new facility until the facility begins commercial operations. Deferred charges are amortized over 10 years and are recorded under deferred charges and other current assets.

For U.S. GAAP reconciliation purposes, they have been charged to income and the related amortization under Brazilian GAAP has been reversed for U.S. GAAP purposes.

**d) Investments in affiliated companies**

The Company accounts under Brazilian GAAP for its investments in CBPI and DPPI following the equity method of accounting. Brazilian corporate law allows certain less than 20% owned affiliated companies in which an investor owns more than 10% of voting stock to be accounted for under the equity method.

For U.S. GAAP reconciliation purposes, the investment in DPPI on which the Company has a less than 20% voting interest, is not accounted following the equity method. Shares in DPPI, a publicly traded company, are considered available-for-sale securities.

In the reconciliation of equity, a reconciling item is recognized to adjust the investment in CBPI to its cost and subsequently to adjust, against other comprehensive income, the difference between cost and the fair value of the shares of DPPI based on its quoted market price as of each date. In the reconciliation of net income, equity in income of DPPI recorded under Brazilian GAAP is eliminated and gains are recorded for dividends received.

**e) Differences between Brazilian GAAP and U.S. GAAP of COPESUL**

As discussed in Note 4, under Brazilian GAAP the Company proportionally consolidates COPESUL for all periods presented, in which its subsidiary IPQ holds an indirect interest of 29.46%.

Under U.S. GAAP, proportional consolidation is generally not appropriate except in certain specific circumstances.

Under U.S. GAAP the investment in COPESUL would be accounted for using the equity method of accounting. This is a presentational difference that does not affect the net income or shareholders equity as determined under U.S. GAAP.

The following table presents the amounts proportionally consolidated in the financial statements of the Company in Brazilian GAAP with respect to COPESUL:

| | As of December 31, 2006 | 2005 |
|---|---|---|
| Current assets | 200,887 | 144,492 |
| Noncurrents assets | 192,125 | 204,073 |
| **Total assets** | 393,012 | 348,565 |
| Current Liabilities | 133,978 | 110,719 |
| Long-term liabilities and shareholders equity | 259,034 | 237,846 |
| **Total liabilities and shareholder s equity** | 393,012 | 348,565 |

| | As of December 31, 2006 | 2005 |
|---|---|---|
| Operating revenues | 1,298,038 | 1,170,592 |
| Operating income | 131,588 | 114,064 |
| Cash flow by operating activities | 143,217 | 106,417 |
| Cash flow used in investing activities | (24,215) | 1,912 |
| Cash flow provided by financing activities | (104,984) | (118,206) |

See item (h) below with respect to difference in net equity and net income of COPESUL between Brazilian GAAP and U.S. GAAP.

**f) Goodwill, acquisitions and business combinations**

Under Brazilian GAAP, assets and liabilities of entities acquired are reflected at book value. Goodwill is determined as the difference between the purchase price paid over the book value of net assets acquired. Goodwill is amortized on a straight-line basis over the periods estimated to be benefited, not exceeding ten years.

The most significant business combinations entered into by the Company are:

In 1998 the subsidiary Ipiranga Química S.A. acquired an additional 46% interest in IPQ for a total purchase price of R$174,806 resulting in goodwill at the date of the transaction of R$ 113,062 under Brazilian GAAP. As a result of this acquisition, Ipiranga Química S.A. increased its interest in IPQ to 54.08%.

In May 2003, Ipiranga Química S.A. made a capital contribution to IPQ. Under Brazilian GAAP, such transaction has generated goodwill at the date of the transaction in the amount of R$ 67,401 and resulted in an increase of its interest in IPQ to 88.48%.

In December 2006, IPQ redeemed the shares held by International Finance Corporation IFC which were canceled. As per the cancellation of shares, the Company increased its indirect interest in IPQ to 92.39% and recorded a loss in the amount of R$ 32,964, as per Brazilian GAAP since the purchase price per share paid to redeem the shares exceeded the book value per share. No goodwill was recorded under Brazilian GAAP for this transaction.

The Company acquired of all outstanding shares of Forlab Chitec S.A. Comércio Internacional ( Forlab ) that resulted in goodwill of R$ 6,823 recorded as Goodwill as of December 31, 2005 and reclassified to Deferred Charges upon merger of Forlab into the

Company.

Table of Contents

No significant difference resulted from the acquisition of Forlab between Brazilian GAAP and U.S. GAAP.

During 2000, IPQ acquired additional interests of 1.85% in COPESUL that resulted in the recognition of goodwill of R$ 11,989 which is fully amortized in all the periods presented. No goodwill resulted from this acquisition under U.S. GAAP.

Goodwill, net of accumulated amortization, as of December 31, 2006 and 2005 under Brazilian GAAP is composed as follows:

| | As of December 31, | |
|---|---|---|
| | **2006** | **2005** |
| Goodwill related to: | | |
| IPQ | 62,284 | 93,376 |
| Forlab | 6,197 | |
| Total | 68,481 | 93,376 |

Under U.S. GAAP, business combinations are accounted for following the purchase method of accounting. Under the purchase method assets and liabilities of the business acquired are recorded, to the extent of the percentage acquired, using fair values. Goodwill is determined as the difference between purchase price consideration and the fair value of assets acquired and liabilities assumed. If there is an excess of the fair value of net assets acquired over the purchase price such amount is used to reduce the carrying value of long-term assets. As from January 1, 2002 goodwill is not amortized but tested, at least annually, for impairment.

The reconciliation of net equity between Brazilian GAAP and U.S. GAAP presents, for each business combination: (i) the reversal of the balance of goodwill recorded under Brazilian GAAP at each balance sheet date, (ii) the recognition for U.S. GAAP purposes of the difference resulting from adjusting assets and liabilities of the entity acquired at fair value, most significantly property, plant and equipment and the equity investment of IPQ in COPESUL (iii) the recognition of resulting goodwill under U.S. GAAP, and (iv) the related deferred taxes.

The reconciliation of net income between Brazilian GAAP and US GAAP presents: (i) the reversal of goodwill amortization recorded under Brazilian GAAP, (ii) the recognition in income of adjustments of assets and liability at fair value, mostly depreciation of property, plant and equipment and equity in COPESUL and (iii) the related deferred tax effects.

**g) Pension and other post-employment benefits**

**g.1) Pension benefits**

Pension benefit obligations for Brazilian GAAP should be accounted for following CVM Instruction No. 371/00, which requires the mandatory application of Brazilian Accounting Standard IBRACON NPC 26. Under IBRACON NPC 26 the Company has accounted for the plan administered by FFMB (and to which several Petróleo Ipiranga companies contribute) by recognizing a percentage attributed to the Company of the funded status and of the cost of the plan.

Under U.S. GAAP, considering that the financial information of the Company does not consolidate all the sponsors of the FFMB Benefit Plan and such financial information does not represent the financial statements of the parent company of the Petróleo Ipiranga companies, the Company has accounted for its participation in the pension plan administered by FFMB as if it were a multi-employer plan.

As a result, the reconciliation presents: (a) the reversal of the pension plan asset/liability recognized for Brazilian GAAP as of each reporting date and the reversal of the related pension cost, and (b) the recognition as expense of the contribution due to the plan over the corresponding period.

**g.2) Other post-retirement benefits**

As explained in Note 18, the accompanying financial statements account for other post-retirement benefits following IBRACON NPC 26. Other post-retirement benefits are unfunded and are the sole responsibility of each Petróleo Ipiranga company. Under IBRACON NPC 26 actuarial gains and losses are deferred and recognized in income over the estimated remaining service period of the employees to the extent that those actuarial gains and losses exceed 10% of the higher of the plan assets and the projected benefit obligation.

Under U.S. GAAP such benefits are accounted for following SFAS No. 106, Employers Accounting for Post-retirement Benefits Other Than Pensions , and, as from December 31, 2006, following SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Post-retirement Plans an amendment of FASB Statements Nos. 87, 88, 106 and 132(R) . Under SFAS No. 158 the funded status of the other post-retirement benefits must be recognized as a liability with an offsetting amount in accumulated other comprehensive income. As required by SFAS No. 158, provisions of SFAS No. 158 were applied on a prospective basis as from December 31, 2006.

Although projected benefit obligations are the same under Brazilian GAAP and U.S. GAAP, differences arise in the amounts recorded in the financial statements as a result of: (i) the date of initial measurement of funded status is different for Brazilian GAAP and U.S. GAAP and that under Brazilian GAAP there is no requirement to recognize an additional minimum liability, and (ii) the recognition as from December 31, 2006 as a liability for U.S. GAAP purposes of the funded status against accumulated other comprehensive income.

**h) U.S. GAAP adjustments on net equity and net income of affiliates**

**h.1) COPESUL**

COPESUL Companhia Petroquímica do Sul is accounted for using proportional consolidation under Brazilian GAAP.

Under U.S. GAAP, the investment in COPESUL would be accounted for using the equity method of accounting.

Differences between net equity and net income of COPESUL between Brazilian and U.S. GAAP correspond mainly to: inflation accounting, reversal for U.S. GAAP of revaluation of property, plant and equipment, capitalization of interest on property, plant and equipment, accounting for pension benefits, accounting for deferred charges, recognition of tax incentives, accounting for derivative financial instruments, and accounting for the provision for programmed maintenance.

The net effects of those adjustments are presented in the reconciliation to U.S. GAAP.

**h.2) CBPI**

CBPI is accounted under the equity method under Brazilian GAAP and would also be accounted following the equity method under U.S. GAAP.

Differences between net equity and net income of CBPI between Brazilian and U.S. GAAP correspond mainly to: inflation accounting, capitalization of interest on property, plant and equipment, accounting for pension and other post-employment benefits, asset retirement obligation, derivative financial instruments, goodwill and business combinations, and gain on change in interest in subsidiaries.

The net effects of those adjustments are presented in the reconciliation to U.S. GAAP.

**i) Fair value of guarantees under FIN 45**

Under Brazilian GAAP, the Company is not required to record any liability related to guarantees given to third parties unless contingent obligations to make future payments under the guarantees are probable.

Table of Contents

Under Brazilian GAAP, as of December 31, 2006, the Company has not recorded any liability related to these guarantees.

Under U.S. GAAP, the Company recognizes, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing guarantees in accordance with FIN 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others . In the event that, at inception of the guarantee, the Company is required to recognize a liability under SFAS No. 5, Accounting for Contingencies , the liability initially recognized would be the greater of: (a) the amount of fair value of the value of the obligation undertaken in issuing guarantee, or (b) the contingent liability amount required to be recognized at inception of the guarantee by applying SFAS No. 5.

Guarantees granted include those disclosed in Note 21 as well as guarantees provided to financial institutions that finance sales to selected customers under the vendor program. Under the vendor program the Company is the secondary obligor to the financial institutions.

**j) Valuation allowance for deferred taxes**

Under Brazilian GAAP, deferred income tax is recognized based on the amount of future expected taxes to be paid. Deferred income tax assets related to deductible temporary differences (expenses that are accrued but not deductible until future periods) or tax loss carryforwards are recognized when there is a reasonable certainty that the Company will generate profits against which it can offset such an asset. A valuation allowance is recorded when it is probable that such deferred tax assets will be realized limited to the amount expected to be realized in the following 10 years.

Under U.S. GAAP, deferred income tax assets related to deductible temporary differences or tax loss carryforwards are recognized and, if necessary, a valuation allowance is recorded if it is more likely than not that such assets will not be realized.

As of result of such differences as of December 31, 2005 and 2006 the amount of deferred tax asset recognized under Brazilian GAAP for the subsidiary IPQ was less the total amount of deferred tax assets resulting in having a partial valuation allowance over deferred tax assets.

Under U.S. GAAP a prescriptive time limit (such as the 10 years existing in U.S. GAAP) does not exist and management considers more likely than not that as of December 31, 2005 and 2006 all deferred tax assets will be realized. For that reason the reconciliation of shareholders equity presents a reversal of the partial valuation allowance recognized under Brazilian GAAP in the amounts of R$ 169,950 as of December 31, 2006 and R$ 246,195 as of December 31, 2005.

As of December 31, 2004, IPQ has presented taxable income during the most recent two fiscal years and has modified its tax regime for foreign exchange gains and losses, which allows for recognition of deferred tax assets under Brazilian GAAP. However, considering that, as of such date, the cumulative taxable income for the last three fiscal years is negative, management concluded that a full valuation allowance is appropriate under U.S. GAAP as of December 31, 2004. Such difference in criteria resulted in an decrease in shareholders equity under U.S. GAAP as of December 31, 2004 of R$ 163,376.

**k) Accounting for convertible debentures issued by IQ and warrants purchased by the Company**

**k.1) Accounting for convertible debentures issued by IQ**

Under Brazilian GAAP, convertible debentures issued by Ipiranga Química S.A. described in Note 8 are accounted for as a single instrument at its cost plus accrued interest following the contractual terms.

Under U.S. GAAP the Company has concluded that the non-detachable conversion option included in the convertible debentures issued by IQ does not meet the definition of a derivative under SFAS 133 Accounting for

Table of Contents

Derivative Instruments and Hedging Activities, as amended and interpreted . Considering that the Company estimates that the conversion option does not have, as of the date of issuance, a intrinsic value, the total amount of the proceeds has been allocated to the convertible debenture. This has resulted in no difference between Brazilian GAAP and U.S. GAAP with respect to the accounting of the convertible debenture issued by IQ until the modification of its terms.

**k.2) Accounting for the modification of terms of the debentures and issuance of warrants**

In October 2005, a modification was introduced in the terms of the debentures such that they were modified from convertible to non-convertible; no other term of the debentures has been modified. At the same moment, IQ issued to the holders of the debentures, detachable warrants which allow the holders of the warrants to acquire shares of IQ in the exact same terms as the previously existing non-detachable conversion option included in the debentures.

Under Brazilian GAAP, warrants are not separately recorded under Brazilian GAAP. The modification of the terms of the debentures and the issuance of warrants in October 2005 did not have any impact in the accounting for the debentures (which were originally convertible and in October 2005 were modified to non-convertible) under Brazilian GAAP which continued to be accounted for at its cost plus accrued interest and warrants issued by IQ are not accounted for. For U.S. GAAP purposes, the Company has concluded that the elimination of the conversion feature previously included in the debentures results in a substantial modification under EITF 06-06 Debtor s Accounting for a Modification (or Exchange) of Convertible Debt Instruments . The Company has concluded that the warrant does not qualify to be accounted for as equity and should be accounted for as liability.

Upon modification the Company recognized a liability for the estimated fair value of the warrant as of the date of modification and recognized a discount, for the same amount, on the non-convertible debenture issued at such time. The discount is recognized as expense over the period until the stated settlement date of the non-convertible debenture. Warrants are subsequently recognized at fair value.

The U.S. GAAP reconciliation as of dates after October 2005 includes a reconciling item for the recognition of the discount on the modified debt and for the fair value of the warrant liability.

**k.3) Accounting for the purchase of warrants by the Company**

Contemporaneously with the modification of the terms of the debenture and the issuance of warrants, the Company acquired the warrants received by DPPI for R$ 29 million. The Company accounts for the warrants issued by its subsidiary IQ at its cost. Warrants issued by IQ and held by the Company are eliminated on consolidation.

**Table of Contents**

**II - Reconciliation of the differences between U.S. GAAP and Brazilian GAAP in net income**

| | Note 25.I. | 2006 | 2005 |
|---|---|---|---|
| **Net income as reported under Brazilian GAAP** | | **164,240** | **138,295** |
| Different criteria for deferred charges | (c) | (3,954) | 3,764 |
| Deferred tax effects | | 1,344 | (1,280) |
| Minority interests | | 1,020 | (1,115) |
| | | (1,590) | 1,369 |
| Business combinations and goodwill: | (f) | | |
| Acquisition of interest in IPQ by IQ 1998 | | | |
| Reversal of amortization of goodwill under Brazilian GAAP | | 16,331 | 11,388 |
| Realization of adjustment to fair value allocated to assets of IPQ | | (621) | (621) |
| Deferred tax effects | | 211 | 211 |
| Equity in income of COPESUL Realization of adjustment to fair value | | 5,727 | 5,727 |
| Deferred tax effect over tax deductible goodwill | | (5,553) | (3,872) |
| Minority interests | | (6,675) | (5,322) |
| | | 9,420 | 7,511 |
| Acquisition of additional interest in COPESUL 2000 Equity in income of COPESUL | | (1,199) | 1,199 |
| Deferred tax effects | | 408 | (408) |
| Minority interests | | 363 | (363) |
| | | (428) | 428 |
| Acquisition of interest in IPQ by IQ 2003 | | | |
| Reversal of amortization of goodwill under Brazilian GAAP | | 7,939 | 5,536 |
| Realization of adjustments to fair value allocated to assets of IPQ | | (180) | (180) |
| Deferred tax effects | | 61 | 61 |
| Equity in income of COPESUL realization of adjustment to fair value | | 981 | 981 |
| Deferred tax effect over tax deductible goodwill | | (2,699) | (1,882) |
| Minority interests | | (2,531) | (1,873) |
| | | 3,571 | 2,643 |
| Acquisition of interest in IPQ by IQ 2006 | | | |
| Fair value allocated to assets of IPO | | 807 | |
| Deferred tax effects | | (274) | |
| Fair value allocated to investment of IPQ in COPESUL | | 48,201 | |
| Deferred tax effect | | (15,770) | |
| Goodwill under USGAAP | | 14,961 | |
| Minority interests | | (19,875) | |
| | | 28,050 | |
| Different criteria for investments in affiliated companies (DPPI ) | (d) | (7,316) | (7,592) |
| Pension and other post-retirement benefits | (g) | | |
| Reversal of pension and other post-retirement expense under Brazilian GAAP | | (3,118) | (18,212) |
| Deferred tax effects | | 1,060 | 6,192 |
| Minority interests | | 919 | 4,706 |
| Recognition of net periodic pension cost for other post-retirement benefits under USGAAP | | (2,704) | (2,090) |

| | | |
|---|---|---|
| Deferred tax effects | 920 | 711 |
| Minority interests | 107 | 275 |
| | (2,816) | (8,418) |

**Table of Contents**

| | Note 25.I. | 2006 | 2005 |
|---|---|---|---|
| Inflation accounting Depreciation on property, plant and equipment | (a) | (2,673) | (2,673) |
| Deferred tax effects | | 909 | 909 |
| Minority interests | | 757 | 757 |
| | | (1,007) | (1,007) |
| U.S. GAAP adjustments on net income of COPESUL | (h.1) | 11,772 | (24,506) |
| Minority interests | | (5,406) | 11,254 |
| | | 6,366 | (13,252) |
| Valuation allowance for deferred taxes | (j) | (76,245) | 409,571 |
| Minority interests | | 33,408 | (186,043) |
| | | (42,837) | 223,528 |
| U.S. GAAP adjustments on net income of CBPI | (h.2) | (3,526) | 6,268 |
| Fair value of guarantees under FIN 45 | (i) | 96 | 20 |
| Deferred tax effects | | (33) | (7) |
| | | 63 | 13 |
| Accounting for convertible debentures issued by IQ and warrants purchased by the Company | (k) | | |
| Accrual of discount on debt | | (37,773) | (4,554) |
| Change in fair value of warrant liability of IQ after modification of debt corresponding exclusively to the warrants hold by CBPI | | (720) | (24,354) |
| | | (38,493) | (28,908) |
| Deferred tax effects | | 13,087 | 9,828 |
| Minority interests | | 10,536 | 7,912 |
| | | (14,870) | (11,167) |
| Others | | (3,973) | (4,764) |
| Deferred tax effects | | 1,351 | 1,620 |
| Minority interests | | 1,204 | 1,444 |
| | | (1,418) | (1,700) |
| **Net income under U.S. GAAP** | | **135,902** | **336,919** |

F-164

Table of Contents

**III - Reconciliation of the differences between U.S. GAAP and Brazilian GAAP in shareholders equity**

| | Note 25.I. | 2006 | 2005 |
|---|---|---|---|
| **Stockholders equity as reported under Brazilian GAAP** | | **574,628** | **428,400** |
| Reversal of fixed asset revaluation | (b) | (6,186) | (6,186) |
| Different criteria for deferred charges | (c) | (15,217) | (11,263) |
| Deferred tax effects | | 5,174 | 3,829 |
| Minority interests | | 4,427 | 3,407 |
| | | (5,616) | (4,027) |
| Business combinations and goodwill: | (f) | | |
| Acquisition of interest in IPQ by IQ 1998 | | | |
| Reversal of goodwill under Brazilian GAAP | | (17,721) | (34,052) |
| Fair value allocated to assets of IPQ | | 1,674 | 2,294 |
| Deferred tax effects | | (569) | (780) |
| Fair value allocated to investment of IPQ in COPESUL | | (11,457) | (17,184) |
| Goodwill under U.S. GAAP | | 110,901 | 110,901 |
| Goodwill amortization under U.S. GAAP up to 2001 | | (29,621) | (29,621) |
| Deferred tax over tax deductible goodwill | | (22,407) | (16,854) |
| Minority interests | | (12,773) | (6,098) |
| | | 18,027 | 8,606 |
| Acquisition of additional interest in COPESUL 2000 Fair value allocated to assets of COPESUL | | 4,796 | 5,995 |
| Deferred tax effects | | (1,631) | (2,038) |
| Minority interests | | (1,454) | (1,817) |
| | | 1,711 | 2,140 |
| Acquisition of interest in IPQ by IQ 2003 | | | |
| Reversal of goodwill under Brazilian GAAP | | (44,563) | (52,502) |
| Fair value allocated to assets of IPQ | | 1,353 | 1,533 |
| Deferred tax effects | | (460) | (521) |
| Fair value allocated to investment of IPQ in COPESUL | | (6,706) | (7,688) |
| Goodwill under U.S. GAAP | | 140,022 | 140,022 |
| Deferred tax over tax deductible goodwill | | (7,765) | (5,066) |
| Minority interests | | (33,956) | (31,425) |
| | | 47,925 | 44,353 |
| Acquisition of interest in IPQ by IQ 2006 | | | |
| Fair value allocated to assets of IPQ | | 807 | |
| Deferred tax effects | | (274) | |
| Fair value allocated to investment of IPQ in COPESUL | | 48,201 | |
| Deferred tax effect | | (15,770) | |
| Goodwill under USGAAP | | 14,961 | |
| Minority interests | | (19,875) | |
| | | 28,050 | |
| Different criteria for investments in affiliated companies (DPPI) Adjustment to cost | | (20,225) | (12,909) |
| Difference between cost and quoted market value | | 30,115 | 24,682 |

| | | |
|---|---|---|
| Deferred tax effects | (10,239) | (8,392) |
| | (349) | 3,381 |

**Table of Contents**

| | Note 25.I. | 2006 | 2005 |
|---|---|---|---|
| Pension and other post-employment benefits: | (g) | | |
| Reversal of pension and other post-retirement liabilities recorded under Brazilian GAAP | | 46,568 | 49,686 |
| Deferred tax effects | | (15,833) | (16,893) |
| Minority interests | | (2,067) | (2,986) |
| Recognition of other post-retirement liabilities under US GAAP | | (39,963) | (37,259) |
| Deferred tax effects | | 13,588 | 12,668 |
| Minority interests | | 1,804 | 1,697 |
| Effects on other comprehensive income due to additional minimum liabilities | | | (1,849) |
| Deferred tax effects | | | 629 |
| Minority interests | | | 465 |
| Effect of adoption of SFAS 158 on the endings balance of accumulated other comprehensive income | | (5,913) | |
| Deferred tax effects | | 2,010 | |
| Minority interests | | 993 | |
| | | 1,187 | 6,158 |
| Inflation accounting Property, plant and equipment | (a) | 16,172 | 18,845 |
| Deferred tax effects | | (5,499) | (6,407) |
| Minority interests | | (4,119) | (4,877) |
| | | 6,554 | 7,561 |
| U.S GAAP adjustments on net equity of COPESUL | (h.1) | 43,005 | 31,233 |
| Minority interests | | (19,750) | (14,344) |
| | | 23,255 | 16,889 |
| Valuation allowance for deferred taxes | (j) | 169,950 | 246,195 |
| Minority interests | | (78,048) | (111,456) |
| | | 91,902 | 134,739 |
| U.S GAAP adjustments on net equity of CBPI | (h.2) | 15,830 | 19,356 |
| Fair value of guarantees under FIN 45 | (i) | (394) | (490) |
| Deferred tax effects | | 134 | 167 |
| | | (260) | (323) |
| Accounting for convertible debentures issued by IQ and warrants purchased by the Company | k) | | |
| Discount on non-convertible debentures upon modification of its terms | | 50,090 | 50,090 |
| Accrual of discount on debt | | (42,326) | (4,554) |
| Warrant liability at fair value as of the date of modification of its terms | | (50,090) | (50,090) |
| Change in fair value of warrant liability of IQ after modification of debt corresponding exclusively to the warrants hold by CBPI | | (25,074) | (24,354) |
| | | (67,400) | (28,908) |
| Deferred tax effects | | 22,916 | 9,828 |
| Minority interests | | 18,448 | 7,912 |
| | | (26,036) | (11,168) |

**Table of Contents**

| | Note 25.I. | 2006 | 2005 |
|---|---|---|---|
| Others | | (1,435) | 2,539 |
| Deferred tax effects | | 488 | (863) |
| Minority interests | | 435 | (769) |
| | | (512) | 907 |
| **Shareholders equity under U.S. GAAP** | | **770,110** | **650,785** |

**IV - Statement of changes in shareholders equity in accordance with U.S. GAAP**

| | 2006 | 2005 |
|---|---|---|
| Shareholders equity under U.S. GAAP as of beginning of the year | 650,785 | 329,567 |
| Net income | 135,902 | 336,919 |
| Dividends and interest on capital | (17,889) | (19,787) |
| Other comprehensive income (loss) Additional minimum liability | | (580) |
| Adjustment to accumulated other comprehensive income Effect of adoption of FASB 58 | (2,155) | |
| Unrealized gains on available-for-sale equity securities | 3,587 | 4,666 |
| Other | (120) | |
| Shareholders equity under U.S. GAAP as of the end of the year | 770,110 | 650,785 |
| Comprehensive income (under SFAS 130): | | |
| Net income | 135,902 | 336,919 |
| Other comprehensive income (loss) Additional minimum liability, interests | | (580) |
| Unrealized gains (losses) on available-for-sale equity securities | 3,587 | 4,666 |
| Total comprehensive income | 139,489 | 341,005 |

**V - Additional disclosures**

**a) Earnings per share**

Under Brazilian GAAP, net income per share is calculated by dividing net income by the number of shares outstanding at each balance sheet date. In these consolidated financial statements, information is disclosed per lot of one thousand shares, because this is the minimum number of shares that can be traded on the Brazilian stock exchanges.

Under U.S. GAAP, earnings per share are retroactively restated to reflect in all periods presented the effect of stock dividends. As disclosed in Note 20 in April 2006 the Company approved a stock dividend and earnings per share have been retroactively restated to reflect the effect of such stock dividend.

Since preferred and common shareholders have different dividends rights (see Note 20), basic earnings per share have been calculated using the two-class method for U.S. GAAP purposes.

Table of Contents

The following table provides a reconciliation of the numerators and denominators used in computing earnings per share as required by SFAS No. 128:

| | December 31, 2006 | | |
|---|---|---|---|
| | Common | Preferred | Total |
| Undistributed net income | 37,325 | 80,688 | 118,013 |
| Distributed Dividends | 5,658 | 12,231 | 17,889 |
| Numerator | 42,983 | 92,919 | 135,902 |
| Weighted average under USGAAP (per thousand shares) Basic | 9,982 | 19,618 | 29,600 |
| Basic earnings per share | 4.3059 | 4.7365 | |

| | December 31, 2006 | | |
|---|---|---|---|
| | Common | Preferred | Total |
| Undistributed net income | 37,325 | 80,688 | 118,013 |
| Adjusted for convertible securities of subsidiary | (3,686) | (7,969) | (11,655) |
| Adjusted undistributed dividends | 33,639 | 72,719 | 106,358 |
| Distributed Dividends | 5,658 | 12,231 | 17,889 |
| Numerator | 39,297 | 84,950 | 124,247 |
| Weighted average under USGAAP (per thousand shares) Diluted | 9,982 | 19,618 | 29,600 |
| Diluted earnings per share | 3.9366 | 4.3303 | |

| | December 31, 2005 | | |
|---|---|---|---|
| | Common | Preferred | Total |
| Undistributed net income | 100,303 | 216,829 | 317,132 |
| Distributed Dividends | 6,258 | 13,529 | 19,787 |
| Numerator | 106,561 | 230,358 | 336,919 |
| Weighted average under USGAAP (per thousand shares) Basic | 9,982 | 19,618 | 29,600 |
| Basic earnings per share | 10.6749 | 11.7424 | |

| | December 31, 2005 | | |
|---|---|---|---|
| | Common | Preferred | Total |
| Undistributed net income | 100,303 | 216,829 | 317,132 |
| Adjusted for convertible securities of subsidiary | (16,873) | (36,476) | (53,349) |
| Adjusted undistributed dividends | 83,430 | 180,353 | 263,783 |
| Distributed Dividends | 6,258 | 13,529 | 19,787 |
| Numerator | 89,688 | 193,882 | 283,570 |
| Weighted average under USGAAP (per thousand shares) Diluted | 9,982 | 19,618 | 29,600 |
| Diluted earnings per share | 8.9846 | 9.8831 | |

Table of Contents

**b) Statement of cash flows**

Brazilian GAAP does not require the presentation of a statement of cash flows as required by U.S. GAAP. Changes in working capital are presented in the statement of changes in financial position. U.S. GAAP requires the presentation of a statement of cash flows describing the Company s cash flows from operating, financing and investing activities. Statements of cash flows derived from the information based on Brazilian GAAP are as follows:

**Refinaria de Petróleo Ipiranga S.A. and Subsidiaries**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004**

**(In thousands of Brazilian reais R$, unless otherwise stated)**

| | **2006** | **2005** | **2004** |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net Income | 164,240 | 138,295 | 215,886 |
| Minority Interest | 122,981 | 113,204 | 176,365 |
| Adjustment to reconcile net income to cash provided by operating activities: | | | |
| Equity in affiliates | (48,594) | (49,496) | (46,257) |
| Goodwill amortization | 24,270 | 19,045 | 26,426 |
| Depreciation and amortization | 82,867 | 89,268 | 87,349 |
| Net loss on permanent assets written off or sold | 32,168 | 3,261 | 804 |
| Deferred income and social contribution taxes | (22,678) | 19,200 | (63,864) |
| Provision for contingencies | 16,437 | 1,653 | 928 |
| Provision for pension and other post-employment benefits | (2,573) | (15,536) | |
| Allowance for doubtful accounts | (17,548) | (13,791) | 20,558 |
| Provision for losses on permanent investments | | (485) | |
| Provision for programmed maintenance | | 14,115 | |
| Loss on change in interest in affiliates | 32,964 | | |
| Exchange/monetary variation and interest on assets | 7,568 | 2,574 | 43,257 |
| Exchange/monetary variation and interest on liabilities | 36,098 | 31,539 | |
| Interest on capital and dividends received from subsidiaries | 17,889 | 19,787 | 16,321 |
| Purchases of short-term investment | (50,481) | (73,013) | (344,285) |
| Sales and redemptions of short-term investment | 55,277 | 78,595 | 317,390 |
| (Increase) decrease in accounts receivable | (261,537) | 276,721 | (236,913) |
| (Increase) decrease in accounts receivable from related parties | (12,130) | (271) | 152,899 |
| (Increase) decrease on inventories | (62,076) | (29,356) | (136,138) |
| Increase (decrease) on suppliers | 196,081 | 33,873 | 114,866 |
| Accrued interest | (78,082) | 54,010 | 33,792 |
| Increase (decrease) on accounts payable to related parties | 21,570 | 44,246 | (141,421) |
| (Increase) decrease on other asset/liabilities | (236,013) | (241,819) | 111,857 |
| **Cash flows from operating activities** | **18,698** | **509,319** | **349,820** |
| Cash flows from investing activities | | | |
| Cash payments for derivative instruments | 15,550 | (15,224) | (326) |
| Additions to investment | (394) | (35,944) | (524) |
| Additions to property, plant and equipment | (85,275) | (66,919) | (65,574) |
| Additions to deferred charges | (6,555) | (1,557) | (1,663) |
| Cash flows from investing activities | (76,674) | (119,644) | (68,087) |

**Table of Contents**

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| Cash flows from financing activities | | | |
| New loans and financing obtained | 1,389,119 | 1,167,475 | 926,480 |
| Amortization of loans and financing | (1,218,690) | (1,587,314) | (1,244,732) |
| Loans to related parties | | 45,281 | |
| Loans repaid from related parties | | | (89,603) |
| Capital reduction of IPQ | (17,287) | | |
| Repurchase of shares by IPQ | (60,569) | | |
| Dividends and interest on capital paid | (17,889) | (19,787) | (16,321) |
| Dividends and interest on capital paid to minorities | (13,068) | (2,395) | |
| Cash flow from financing activities | 61,616 | (396,740) | (424,176) |
| Effect of exchange rate changes on cash and cash equivalents | (3,096) | (1,912) | (1,780) |
| Net increase (decrease) in cash and cash equivalents | 549 | (8,977) | (144,223) |
| Cash and cash equivalents | | | |
| At the beginning of the year | 91,283 | 100,260 | 244,483 |
| At the end of the year | 91,827 | 91,283 | 160,260 |
| Net increase (decrease) in cash and cash equivalents | 549 | (8,977) | (144,223) |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | | |
| Cash paid during the year for: | | | |
| Interest, net of amounts capitalized | 145,853 | 49,485 | 61,655 |
| Income taxes | 14,336 | 50,502 | 50,254 |
| Non cash investing and financing activities | | | |
| Dividends receivable from the subsidiary used to settle debt with shareholders | 66,412 | 55,801 | 30,152 |

F-170

# *Distribuidora de Produtos de Petróleo Ipiranga S.A. and Subsidiaries*

*Financial Statements for the Years Ended*

*December 31, 2006, 2005 and 2004*

F-171

Table of Contents

**Report of Independent Auditors**

To the Board of Directors

and Shareholders of

Distribuidora de Produtos de

Petróleo Ipiranga S.A.

We have audited the accompanying consolidated balance sheets of Distribuidora de Produtos de Petróleo Ipiranga S.A. and its subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, of changes in financial position and of changes in shareholders equity for the years ended December 31, 2006, 2005 and 2004. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Distribuidora de Produtos de Petróleo Ipiranga S.A. and its subsidiaries at December 31, 2006 and 2005, and the results of their operations and their changes in financial position for the years ended December 31, 2006, 2005 and 2004 in conformity with accounting practices adopted in Brazil.

Our audits were performed for the purpose of issuing an opinion on the financial statements referred to in the first paragraph, prepared in conformity with accounting practices adopted in Brazil. The consolidated statement of cash flows, which provides supplemental information about the Company and its subsidiaries, is not a required component of the financial statements. We also applied the audit procedures described above to the statement of cash flows for the years ended December 31, 2006, 2005 and 2004 and, in our opinion, it is fairly stated in all material respects in relation to the financial statements taken as a whole.

Accounting practices adopted in Brazil vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 25 to the consolidated financial statements.

PricewaterhouseCoopers Auditores Independentes

Porto Alegre, Brazil

September 28, 2007, except with respect to note 25 to which the date is November 9, 2007

Table of Contents

***DISTRIBUIDORA DE PRODUTOS DE PETRÓLEO IPIRANGA S.A. AND SUBSIDIARIES***

**BALANCE SHEETS AS OF DECEMBER 31, 2006 AND 2005**

**(In thousands of Brazilian reais R$)**

| ASSETS | 2006 | 2005 |
|---|---|---|
| CURRENT ASSETS | | |
| Cash and cash equivalents | 116,318 | 52,945 |
| Trade accounts receivable | 1,266,759 | 1,201,238 |
| ( ) Allowance for doubtful accounts | (50,639) | (48,747) |
| Related companies | 61,221 | 2,084 |
| Recoverable taxes | 70,016 | 43,084 |
| Deferred income and social contribution taxes | 55,554 | 33,017 |
| Inventories | 494,628 | 437,416 |
| Other current assets | 16,350 | 15,209 |
| Prepaid expenses | 9,617 | 7,404 |
| | 2,039,824 | 1,743,650 |
| NONCURRENT ASSETS | | |
| Long-term assets: | | |
| Restricted temporary investments | 85,043 | |
| Trade accounts receivable | 198,069 | 176,515 |
| ( ) Allowance for doubtful accounts | (11,170) | (9,502) |
| Recoverable taxes | 2,985 | 9,472 |
| Deferred income and social contribution taxes | 47,534 | 51,948 |
| Related companies | 77,748 | 336,381 |
| Other long-term assets | 12,611 | 10,741 |
| Escrow deposits | 37,187 | 39,584 |
| Prepaid expenses | 14,326 | 14,386 |
| Investments: | | |
| Investments in affiliates | 250,348 | 250,545 |
| Other investments | 1,232 | 1,512 |
| Property, plant and equipment, net | 899,262 | 843,280 |
| Deferred charges, net | 554 | 1,234 |
| | 1,615,729 | 1,726,096 |
| TOTAL | 3,655,553 | 3,469,746 |

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

**Table of Contents**

***DISTRIBUIDORA DE PRODUTOS DE PETRÓLEO IPIRANGA S.A. AND SUBSIDIARIES***

**BALANCE SHEETS AS OF DECEMBER 31, 2006 AND 2005**

**(In thousands of Brazilian reais R$)**

| LIABILITIES AND SHAREHOLDERS EQUITY | 2006 | 2005 |
|---|---|---|
| CURRENT LIABILITIES | | |
| Loans and financing | 143,622 | 289,746 |
| Trade accounts payable | 508,887 | 567,269 |
| Taxes payable | 55,772 | 78,887 |
| Provision for contingencies | 35,397 | 38,119 |
| Provision for pension and post-employment benefits | 7,234 | 3,378 |
| Payables to related companies | 4,455 | 1,966 |
| Payroll and related charges payable | 109,388 | 113,931 |
| Other current liabilities | 19,865 | 21,321 |
| | 884,620 | 1,114,617 |
| NONCURRENT LIABILITIES | | |
| Loans and financing | 594,821 | 424,826 |
| Accrual for contingencies | 59,017 | 57,021 |
| Provision for pension and post-employment benefits | 77,415 | 90,006 |
| Deferred income taxes and social contribution | 628 | 716 |
| Other long-term liabilities | 6,651 | 7,606 |
| | 738,532 | 580,175 |
| MINORITY INTEREST | 1,228,372 | 1,066,592 |
| SHAREHOLDERS EQUITY | | |
| Capital | 555,000 | 305,000 |
| Capital reserve | 50 | 50 |
| Legal reserve | 59,921 | 51,877 |
| Statutory reserve | 189,058 | 351,435 |
| | 804,029 | 708,362 |
| TOTAL | 3,655,553 | 3,469,746 |

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

Table of Contents

***DISTRIBUIDORA DE PRODUTOS DE PETRÓLEO IPIRANGA S.A. AND SUBSIDIARIES***

**STATEMENTS OF INCOME**

**FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004**

**(In thousands of Brazilian reais R$)**

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| GROSS SALES AND SERVICES | 26,360,777 | 23,471,694 | 19,698,228 |
| Taxes, discounts and returns | (646,049) | (714,191) | (586,601) |
| NET SALES AND SERVICES | 25,714,728 | 22,757,503 | 19,111,627 |
| Cost of sales and services | (24,430,465) | (21,533,931) | (18,009,862) |
| GROSS PROFIT | 1,284,263 | 1,223,572 | 1,101,765 |
| OPERATING (EXPENSES) INCOME | | | |
| Selling expenses | (439,641) | (376,569) | (341,753) |
| General and administrative expenses | (492,762) | (504,577) | (431,049) |
| Other operating income | 23,163 | 62,699 | 12,690 |
| Reversal of provision for loss on investments | | | 73,578 |
| Goodwill amortization | (2,164) | (4,026) | (20,491) |
| | (911,404) | (822,473) | (707,025) |
| OPERATING INCOME BEFORE FINANCIAL ITEMS | 372,859 | 401,099 | 394,740 |
| Financial income (expenses), net | (7,702) | 40,748 | 15,278 |
| Nonoperating income (expenses), net | 30,139 | 26,623 | (11,080) |
| | 22,437 | 67,371 | 4,198 |
| INCOME BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES, EQUITY IN AFFILIATES, PROFIT SHARING AND MINORITY INTEREST | 395,296 | 468,470 | 398,938 |
| INCOME AND SOCIAL CONTRIBUTION TAXES | | | |
| Current | (91,184) | (120,023) | (89,101) |
| Deferred | 43,145 | 20,349 | 18,692 |
| | (48,039) | (99,674) | (70,409) |
| INCOME BEFORE EQUITY IN AFFILIATES, PROFIT SHARING AND MINORITY INTEREST | 347,257 | 368,796 | 328,529 |
| Equity in affiliates | 87,056 | 76,463 | 74,715 |
| Profit sharing | (16,318) | (16,656) | (12,653) |
| Minority interest | (257,120) | (258,815) | (252,550) |
| NET INCOME | 160,875 | 169,788 | 138,041 |

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

Table of Contents

**DISTRIBUIDORA DE PRODUTOS DE PETRÓLEO IPIRANGA S.A. AND SUBSIDIARIES**

**STATEMENTS OF CHANGES IN FINANCIAL POSITION**

**FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004**

**(In thousands of Brazilian reais R$)**

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| SOURCES OF FUNDS | | | |
| From operations: | | | |
| Net income | 160,875 | 169,788 | 138,041 |
| Items not affecting working capital: | | | |
| Depreciation and amortization | 110,213 | 100,978 | 96,339 |
| Net book value of permanent assets written off or sold | 37,495 | 21,836 | 49,853 |
| Equity in affiliates | (87,056) | (76,463) | (74,715) |
| Deferred income and social contribution taxes | (43,145) | (20,349) | (18,692) |
| Increase in (reversal of) provision for pension and other post-employment benefits | (12,591) | (35,556) | 10,057 |
| Monetary and exchange variations on long-term assets | (43,756) | (53,032) | (41,880) |
| Monetary and exchange variations on long-term liabilities | (20,749) | (35,408) | (22,593) |
| Allowance for doubtful accounts | 1,668 | 2,498 | |
| Goodwill amortization | 2,164 | 4,026 | 20,491 |
| Reversal of provision for losses on permanent assets | | | (73,578) |
| Provision for losses on investment in Termogaúcha | 64,541 | | |
| Provision for loss on tax incentive | 280 | 337 | |
| Increase in (reversal of) reserve for contingencies | 1,996 | 36,267 | (25,127) |
| | 171,935 | 114,922 | 58,196 |
| From shareholders- | | | |
| Minority interest | 257,120 | 258,815 | 252,550 |
| | 257,120 | 258,815 | 252,550 |
| From third parties: | | | |
| Decrease in long-term assets | 32,991 | | |
| Long-term loans | 452,544 | 81,708 | 22,627 |
| Repayment of debentures from related parties | 240,757 | | |
| Transfer of debentures to short-term | 57,411 | | |
| Capital reserve tax incentive minority shareholders | | 474 | |
| Capital reserve tax incentives | | 50 | |
| | 783,703 | 82,232 | 22,627 |
| Total os sources | 1,212,758 | 455,969 | 333,373 |
| USES OF FUNDS | | | |
| Investments | 3,848 | 8,737 | 19,710 |
| Investments from shareholders | 4 | 15 | |
| Property and equipment | 176,878 | 158,443 | 149,000 |
| Deferred charges | 1,736 | 611 | 567 |
| Investment in restricted temporary investment | 80,822 | | |
| Dividends and interest on capital | 65,208 | 70,543 | 55,980 |
| Minority interest on dividends and interest on capital | 95,336 | 106,309 | 88,873 |
| Debentures from related parties | | 28,989 | |
| Transfer of loans from long-term to current liabilities | 261,800 | 30,941 | 51,283 |
| Escrow deposits | | 5,202 | 19,551 |
| Increase in long-term assets | | 5,617 | 5,108 |
| Decrease in long-term liabilities | 955 | 12,395 | 6,088 |

| | | | |
|---|---|---|---|
| Amortization of long-term loans | | | 53,692 |
| Total of uses | 686,587 | 427,802 | 449,852 |
| INCREASE (DECREASE) IN WORKING CAPITAL | 526,171 | 28,167 | (116,479) |
| REPRESENTED BY | | | |
| Current assets: | | | |
| At end of year | 2,039,824 | 1,743,650 | 1,625,624 |
| At beginning of year | 1,743,650 | 1,625,624 | 1,571,001 |
| INCREASE | 296,174 | 118,026 | 54,623 |
| Current liabilities: | | | |
| At end of year | 884,620 | 1,114,617 | 1,024,758 |
| At beginning of year | 1,114,617 | 1,024,758 | 853,656 |
| INCREASE (DECREASE) | (229,997) | 89,859 | 171,102 |
| INCREASE (DECREASE) IN WORKING CAPITAL | 526,171 | 28,167 | (116,479) |

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

F-176

Table of Contents

***DISTRIBUIDORA DE PRODUTOS DE PETRÓLEO IPIRANGA S.A. AND SUBSIDIARIES***

**STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY**

**FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004**

**(In thousands of Brazilian reais R$)**

| | Capital | Capital reserve | Profit reserves | Retained earnings | Total shareholders equity |
|---|---|---|---|---|---|
| BALANCES AS OF DECEMBER 31, 2003 | 240,000 | 120 | 286,886 | | 527,006 |
| Capitalization of reserves | 25,000 | | (25,000) | | |
| Net income | | | | 138,041 | 138,041 |
| Distribution of net income to: | | | | | |
| Legal reserve | | | 6,901 | (6,901) | |
| Statutory reserves | | | 75,160 | (75,160) | |
| Dividends | | | | (4,268) | (4,268) |
| Interest on capital | | | | (51,712) | (51,712) |
| BALANCES AS OF DECEMBER 31, 2004 | 265,000 | 120 | 343,947 | | 609,067 |
| Capitalization of reserves | 40,000 | (120) | (39,880) | | |
| Net income | | | | 169,788 | 169,788 |
| Distribution of net income to: | | | | | |
| Legal reserve | | | 8,489 | (8,489) | |
| Statutory reserves | | | 90,756 | (90,756) | |
| Interest on capital | | | | (59,383) | (59,383) |
| Proposed dividends | | | | (11,160) | (11,160) |
| TAX INCENTIVE | | 50 | | | 50 |
| BALANCES AS OF DECEMBER 31, 2005 | 305,000 | 50 | 403,312 | | 708,362 |
| Capitalization of reserves | 250,000 | | (250,000) | | |
| Net income | | | | 160,875 | 160,875 |
| Distribution of net income to: | | | | | |
| Legal reserve | | | 8,044 | (8,044) | |
| Statutory reserves | | | 87,623 | (87,623) | |
| Interest on capital | | | | (55,761) | (55,761) |
| Dividends | | | | (9,447) | (9,447) |
| BALANCES AS OF DECEMBER 31, 2006 | 555,000 | 50 | 248,979 | | 804,029 |

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

Table of Contents

*DISTRIBUIDORA DE PRODUTOS DE PETRÓLEO IPIRANGA S.A. AND SUBSIDIARIES*

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004**

**(Amounts in thousands of Brazilian reais R$, unless otherwise stated)**

## 1 Operations

Distribuidora de Produtos de Petróleo Ipiranga S.A. (the Company ) is a public company whose shares are traded on the São Paulo Stock Exchange (BOVESPA), and is controlled by members of the Bastos, Mello, Ormazabal, Tellechea and Gouvêa Vieira families.

The Company, and its subsidiaries are engaged in the distribution of petroleum and related products, convenience stores and also holds non-controlling interests in companies engaged in the chemical and petrochemical business.

## 2 Presentation of consolidated financial statements

These financial statements were prepared in accordance with accounting practices adopted in Brazil (Brazilian GAAP). The financial statements presented herein are different from the ones prepared by the Company for statutory purposes because they do not include the holding company s stand-alone financial statements, have been adjusted with respect to the financial statements for statutory purposes to include in Note 25 a reconciliation of net equity and net income between the amounts under Brazilian GAAP and generally accepted accounting principles in the United States of America (U.S. GAAP) and have also been adjusted to present certain additional disclosures to facilitate its understanding by readers not familiar with Brazilian GAAP.

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates include, but are not limited to, estimates relating to the useful lives of property, plant and equipment, accounting for contingencies and provisions for income taxes among others. Actual results could differ in relation to these estimates.

## 3 Summary of significant accounting practices

The accounting practices adopted in Brazil ( Brazilian GAAP ) to record transactions and prepare the consolidated financial statements comply with those prescribed by Brazilian corporate law and specific standards established by the Brazilian Securities Commission (CVM), which differ in certain respects from U.S. GAAP. See Note 25 for further discussions of these differences and a reconciliation of shareholders equity and consolidated net income between Brazilian GAAP and U.S. GAAP.

The following is a summary of significant accounting policies followed in the preparation of the accompanying consolidated financial statements:

### (a) Cash and cash equivalents

Cash and cash equivalents comprise highly-liquid temporary cash investments (with maturities of 3 months or less when acquired and readily convertible to cash).

### (b) Allowance for doubtful accounts

The Company has individual customer credit information, which is used to assess customer ability to pay. The allowance is recorded in an amount considered sufficient by management to cover probable losses on realization of accounts receivable.

Table of Contents

**(c) Inventories**

Stated at the lower of average acquisition or production cost or net realizable value.

**(d) Investments in affiliates and goodwill**

Accounted following the equity method with a corresponding entry to operating income.

Goodwill on the acquisition of subsidiaries is amortized over 10 years, the estimated period of realization.

**(e) Property, plant and equipment**

Stated at acquisition or construction cost, monetarily adjusted through December 31, 1995. Depreciation is calculated following the straight-line method based on the estimated economic useful lives of the assets. Leasehold improvements are depreciated over the term of the agreement or the economic useful lives of the assets, whichever is shorter.

**(f) Loans and financing**

Stated at the amount of principal, plus financial charges incurred on a pro rata basis through the balance sheet date. Foreign currency-denominated loans were converted into Brazilian reais at the exchange rates prevailing at the balance sheet date.

**(g) Income and social contribution taxes**

Tax expense is calculated based on the income tax rate of 15% plus a 10% surtax and social contribution tax rate of 9%.

**(h) Deferred income and social contribution taxes**

Calculated on temporary differences and on tax loss carryforwards using the income tax and social contribution tax rates effective for the period in which the tax effects are expected to be realized.

Deferred income and social contribution tax assets are only recognized up to the amount that is likely to be realized within the next 10 years as established by CVM Instruction No. 371/02.

**(i) Provision for contingencies**

Recorded for contingent risks whose likelihood of loss is probable, based on the opinion of management and inside and outside legal counsel. The provision is recorded based on the estimated losses upon the final resolution of lawsuits.

**(j) Interest on capital**

Interest on capital can be paid by Brazilian companies in lieu of, or in addition to, mandatory dividend stipulated by the respective company s bylaws. Interest on capital is calculated within the limits established by Law No. 9,249/95 for a maximum amount computed as the TJLP (long-term interest rate) applied on the respective shareholders equity.

Interest on capital received from affiliates is recorded as a receivable. Interest on capital payable, since it represents in essence dividends, is recorded as a reduction in Retained earnings .

Table of Contents

**(k) Pension and other post-employment benefits**

Pension and other post-employment benefit liabilities to employees, retirees and pensioners (net of the assets of the plans) are recorded based on the actuarial calculation prepared by an independent actuary, using the Projected Unit Credit Method.

**(l) Other assets and liabilities**

Other assets and liabilities, classified as current and long term, are stated at realizable or estimated settlement amounts. These assets and liabilities are stated at cost or realizable value and known or estimated amounts, respectively, including, when applicable, interest and monetary and exchange variations.

**(m) Results of operations**

Revenue from sale of products is recognized when significant risks and benefits related to the product ownership pass to customer. Other income, expenses and costs are recognized when incurred and/or realized. The result includes interest and monetary and exchange variations, at contractual indexes or official rates, applicable to current and long-term assets and liabilities and, when applicable, the effects of adjustments of assets to its net realizable value.

Sales incentives are generally recognized as expenses and include, but are not limited to, discounts and rebates. Volume-based incentives payable in cash include amounts paid in advance with the commitment of the customer to reach specified minimum volumes over a certain period of time and incentives payable only after the minimum volumes have been met in a defined period of time. Volume-based incentives paid in advance are recognized as asset and subsequently recorded as cost of revenues in the statement of revenues and direct expenses over the period of the commitment of minimum sales. Volume-based incentives payable only after meeting the minimum volume are recognized as expense at the moment when the target volume has been achieved.

**4 Consolidation criteria**

The consolidated financial statements have been prepared in accordance with the consolidation principles established by Brazilian GAAP and include the accounts of the Company and the following subsidiaries:

| | | Ownership interest % | | | |
|---|---|---|---|---|---|
| | | 2006 | | 2005 | |
| | Location | Direct | Indirect | Direct | Indirect |
| Companhia Brasileira de Petróleo Ipiranga ( CBPI )(*) | Brazil | 21.0134 | | 21.0132 | |
| Isa-Sul Administração e Participações Ltda. | Brazil | 99.9995 | | 99.9999 | |
| Comercial Farroupilha Ltda. | Brazil | 99.9998 | 0.0002 | 99.9998 | 0.0002 |
| Ipiranga Asfaltos S.A. | Brazil | 0.0083 | 99.9917 | 0.0063 | 99.9937 |
| Tropical Transportes Ipiranga Ltda. | Brazil | 0.0032 | 99.9968 | 0.0065 | 99.9935 |
| Ipiranga Comercial Importadora e Exportadora Ltda. | Brazil | 1.0000 | 99.0000 | 1.0000 | 99.0000 |
| Ipiranga Imobiliária Ltda. | Brazil | 0.0001 | 99.9999 | 1.0000 | 99.0000 |
| *am/pm* Comestíveis Ltda. | Brazil | 0.0001 | 99.9999 | 0.0001 | 99.9999 |
| Empresa Carioca de Produtos Químicos S.A. | Brazil | | 99.9980 | | 99.9980 |
| Ipiranga Logística Ltda.(***) | Brazil | 1.0000 | 99.0000 | | |
| Maxfácil Participações S.A. ( Maxfácil )(** / ***) | Brazil | 16.0000 | 34.0000 | | |
| Ipiranga Administração de Bens Móveis Ltda(***). | Brazil | 99.9900 | 0.0100 | | |
| Ipiranga Trading Ltd. | British Virgin Islands | | 100.0000 | | 100.0000 |

Table of Contents

(*) The Company holds 22,264 thousand common shares of the total 35,409 thousand common shares of Companhia Brasileira de Petróleo Ipiranga, corresponding to 62.88% of the voting capital.

(**) The subsidiary CBPI holds a 34% interest totalling an interest of 50% in these consolidated financial statements, and União de Bancos Brasileiros S.A. UNIBANCO holds another 50% interest. Maxfácil was incorporated by the Company and CBPI, which contributed a nominal amount of capital. Subsequently, UNIBANCO contributed in cash the amount of R$ 171 million for a 50% interest resulting in the recognition by the Company of a gain in change of interest of R$ 85,494. Maxfácil is a joint-venture whose business purpose is to offer financial services to the customers and distributors of Ipiranga products for a period of 10 years.

(***) Incorporated during 2006.

The following practices were adopted in the preparation of the consolidated financial statements:

(a) Intercompany balances, transactions and unrealized profits have been eliminated; and

(b) Minority interest in fully-consolidated subsidiaries is presented in a separated caption.

**5 Cash and cash equivalents**

| | **2006** | **2005** |
|---|---|---|
| Cash and banks | 31,365 | 45,602 |
| Bank Deposit Certificates (CDBs) | 69,924 | 5,470 |
| Debt securities | 10,841 | 1,873 |
| Sale and repurchase agreements(*) | 89,231 | |
| | 201,361 | 52,945 |
| ( ) Current | 116,318 | 52,945 |
| Long term | 85,043 | |

(*) Sale and repurchase agreements of debentures carrying interest at 100% of the Interbank Deposit Certificates (CDI).

**6 Trade accounts receivable**

| | **2006** | **2005** |
|---|---|---|
| Domestic market: | | |
| Trade notes receivable | 1,110,095 | 1,048,426 |
| Customer financing | 346,776 | 323,178 |
| Foreign market Receivables | 7,957 | 6,149 |
| | 1,464,828 | 1,377,753 |
| ( ) Current | 1,266,759 | 1,201,238 |
| Long term | 198,069 | 176,515 |

Long-term portion is mainly represented by customer financing. Under customer financing, cash loans are provided to gas stations using the Ipiranga brand. Such loans are generally used by the gas stations to finance renovation and modernization of fuel stations, as well as for working capital including acquisition of products and investing in marketing. Customer financing carries interest of 1% per month.

F-181

Table of Contents

**7 Related-party transactions**

Intercompany transactions are conducted under price and term conditions similar to those adopted for transactions with unrelated parties and are as follows:

| Companies | Trade accounts receivable (current) | Debentures and receivable from the sale of warrants to related parties (current) | Debentures and receivable from the sale of warrants to related parties (long term) | Trade accounts payable (current) | Sales | Purchases | Financial income |
|---|---|---|---|---|---|---|---|
| Refinaria de Petróleo Ipiranga S.A. | 166 | 33,818(c) | | 2,777 | 182 | 494,666(d) | 3,657 |
| Ipiranga Química S.A. | 2,111 | 23,593(a)/(b) | 77,748(a)/(b) | 471 | 19,842 | 5,797 | 35,114 |
| Ipiranga Petroquímica S.A. | 428 | | | 68 | 681 | 5,275 | |
| Ipiranga Petroquímica Chile Ltda. | 593 | | | | 2,769 | | |
| Ipiranga S.A. | 56 | | | | 1,168 | | |
| COPESUL Companhia Petroquímica do Sul | 8 | | | 101 | 84 | 15,008 | |
| Other | 448 | | | 1,038 | 475 | 7,227 | |
| Total as of December 31, 2006 | 3,810 | 57,411 | 77,748 | 4,455 | 25,201 | 527,973 | 38,771 |
| Refinaria de Petróleo Ipiranga S.A. | 129 | | 29,396(c) | 120 | 167 | 388.585(d) | (134) |
| Ipiranga Química S.A. | 845 | | 306,985(a)(b) | 500 | 7.955 | 5.059 | 52.164 |
| Ipiranga Petroquímica S.A. | 109 | | | 235 | 381 | 7.091 | |
| Ipiranga Petroquímica Chile Ltda. | 851 | | | | 2.536 | | |
| Ipiranga S.A. | 73 | | | | 1.302 | | |
| COPESUL Companhia Petroquímica do Sul | 36 | | | 400 | 195 | 17.176 | |
| Other | 41 | | | 711 | 133 | 3.176 | |
| Total as of December 31, 2005 | 2,084 | | 336,381 | 1,966 | 12,669 | 421,087 | 52,030 |
| Refinaria de Petróleo Ipiranga S.A. | | | | | 1,575 | 629,546(d) | (669) |
| Ipiranga Química S.A. | | | | | 3,358 | 4,346 | 38,271 |
| Ipiranga Petroquímica S.A. | | | | | 260 | 6,460 | 43 |
| Ipiranga Petroquímica Chile Ltda. | | | | | 3,507 | | |
| Ipiranga S.A. | | | | | 2,421 | | |
| COPESUL Companhia Petroquímica do Sul | | | | | 41 | 12,385 | |
| Other | | | | | | 2,281 | |
| Total as of December 31, 2004 | | | | | 11,162 | 655,018 | 37,645 |

(a) Debentures issued by Ipiranga Química in 2003

The Extraordinary Shareholders Meeting of Ipiranga Química S.A. ( IQ ) held on May 26, 2003 approved the issuance of two series of private convertible debentures, consisting of 11,000 Series A debentures, with face value of R$ 10 each, amounting to R$ 110,000, and 80,000 Series B debentures, with face value of R$ 1 each, amounting to R$ 80,000. Both series of debentures mature on June 1, 2008.

Table of Contents

On June 12, 2003, the Company fully subscribed the Series A and its subsidiary CBPI fully subscribed the Series B.

The subscribed debentures pay interest based on the CDI interest rate, plus spread subject to renegotiation every 6 months (for Series A) and every 5 months (for Series B) as established by the indenture dated June 1, 2003.

The spread for Series A debentures, for the most part of 2005, was 1.5% per year, and changed to 1.0% per year on December 1, 2005, remaining the same for 2006. The spread for Series B debentures was 1.0% per year in 2005 remaining the same for 2006.

Debentures are convertible into common shares of Ipiranga Química S.A. at any time after its issuance and until its maturity or redemption at the option of the holder.

The conversion price is a fixed amount established in the indenture of the debentures. However, the quantity of common shares to be received upon conversion will be higher than the amount determined as the face value of the debentures divided by the conversion price if they are converted before June 1, 2007. The quantity of additional shares to be received will be 25% if converted up to June 1, 2004, 18.2177% if converted before June 1, 2005, 11.8034% if converted before June 1, 2006 and 5.7371% if converted before June 1, 2007.

(b) Early partial redemption of the debentures in 2006

The shareholders meetings of Ipiranga Petroquímica S.A. ( IPQ , a subsidiary of IQ) held on April 28, 2006 approved the payment of supplementary dividends and a capital reduction, scheduled for June 13, 2006 and July 31, 2006, respectively. Considering that IQ, due to its interest in IPQ, received funds on said dates, the Board of Directors of IQ, at a meeting held on May 2, 2006 resolved that IQ would partially early redeem its debentures, which were issued on June 1, 2003 due to the financial cost of this debt.

As a result, in 2006, IQ partially amortized 71.6% of the Series A debentures, subscribed by the Company, in the amount of R$ 135,695 and of 71.6% of the Series B debentures, subscribed by CBPI, in the amount of R$ 101,062 (there was no amortization in 2005).

(c) Modification of terms of the debentures and sale of warrants by the Company

Pursuant to a Memorandum of Understanding signed on October 3, 2005, the Company, CBPI and Refinaria de Petróleo Ipiranga S.A. (the controlling shareholder of IQ) agreed to hold an Extraordinary Shareholders Meeting of IQ to approve a change in the type of debentures issued by IQ on June 1, 2003.

The changes approved on the meeting held on October 6, 2005 were: (i) to change the debentures from convertible to nonconvertible without making any other change in the terms or conditions of the debentures, and (ii) the issuance of warrants to the holders of the debentures, without any charge, replacing the conversion right established for the debentures; the terms of the warrants allow their holder to purchase common shares of IQ in exactly the same terms than the conversion features originally included in the debentures.

Subsequently, on December 1, 2005, a Sale Agreement was signed whereby the Company sold for R$ 29.0 million to Refinaria de Petróleo Ipiranga S.A. the warrants it has obtained. The amount for the sale of the warrants is payable on October 3, 2007, and carries interest at the CDI interest rate.

The Company recognized income on the sale of warrants in the amount of R$ 29 million.

(d) The acquisition of goods from Refinaria de Petróleo Ipiranga S.A. includes taxes calculated based on tax substitution, which are not income for Refinaria de Petróleo Ipiranga S.A.

Table of Contents

## 8 Inventories

| | 2006 | 2005 |
|---|---|---|
| Fuel | 406,320 | 369,570 |
| Lubricants and greases | 39,965 | 31,201 |
| Raw materials, packaging and storeroom | 48,343 | 36,645 |
| | 494,628 | 437,416 |

## 9 Recoverable taxes

| | 2006 | 2005 |
|---|---|---|
| Income tax | 21,452 | 14,658 |
| Social contribution tax | 5,472 | 5,459 |
| ICMS (State VAT) | 37,921 | 26,172 |
| IPI (Federal VAT) | 6,510 | 4,161 |
| Other | 1,646 | 2,106 |
| | 73,001 | 52,556 |
| ( ) Current | 70,016 | 43,084 |
| Long term | 2,985 | 9,472 |

## 10 Income and social contribution taxes

### (a) Deferred

Deferred tax assets are recognized based on the Company s history of profitability, supported by budgets, approved by management, which estimate future income for the realization of this asset over a period not exceeding 10 years.

Deferred tax assets and liabilities are as follows:

| | 2006 | 2005 |
|---|---|---|
| **Assets** | | |
| Provision for pension and other post-employment benefits | 82,859 | 91,181 |
| Provision for contingencies | 92,391 | 93,815 |
| Provision for variable compensation | 35,998 | 41,205 |
| Provision for loss on investment in Termogaúcha Usina Termelétrica S.A. (Note 12) | 64,541 | |
| Provision for loss on taxes recoverable | 6,035 | |
| Provision for loss on property, plant and equipment | | 10,318 |
| Other provisions | 21,377 | 13,378 |
| Tax basis | 303,201 | 249,897 |
| Statutory rate | 34% | 34% |
| Deferred income and social contribution taxes | 103,088 | 84,965 |

| | | |
|---|---|---|
| ( ) Current | 55,554 | 33,017 |
| Long term | 47,534 | 51,948 |
| **Long-term liabilities** | | |
| Property, plant and equipment accelerated depreciation | 2,513 | 2,865 |
| Statutory rate | 25% | 25% |
| Deferred income tax | 628 | 716 |

F-184

Table of Contents

**(b) Estimated realization of deferred tax assets**

The realization of tax credits and debts is based on future taxable income projections limited to the 10 years after each balance sheet date, as follows:

| | 2006 | 2005 |
|---|---|---|
| 2006 | | 33,017 |
| 2007 | 55,554 | 21,747 |
| 2008 | 23,355 | 3,270 |
| 2009 | 2,870 | 3,154 |
| 2010 | 2,477 | 3,307 |
| 2011 to 2013 | 8,489 | 11,419 |
| 2014 to 2016 | 10,343 | 9,051 |
| | 103,088 | 84,965 |

**(c) Reconciliation of effective income tax and social contribution tax rate**

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| **Reconciliation of current income and social contribution taxes:** | | | |
| Income before income taxes, profit sharing and minority interest | 395,296 | 468,470 | 398,938 |
| Additions and deductions: | | | |
| Goodwill amortization | 2,164 | 4,026 | 20,491 |
| Gain on change in equity interest | (85,494) | | |
| Reversal of provision for loss on investments | | | (73,578) |
| Profit sharing | (16,318) | (16,656) | (12,653) |
| Interest on capital | (141,115) | (149,940) | (126,521) |
| Temporary additions and deductions as detailed below | 126,897 | 59,850 | 54,976 |
| Other additions and deductions | (13,242) | (12,741) | 409 |
| Tax basis | 268,188 | 353,009 | 262,062 |
| Statutory rate | 34% | 34% | 34% |
| **Current income and social contribution taxes** | (91,184) | (120,023) | (89,101) |
| **Reconciliation of deferred income and social contribution taxes** | | | |
| Provision for variable compensation | 36,119 | 44,418 | 28,070 |
| Provision for loss on taxes recoverable | 6,035 | | |
| Recognition (reversal) of provision for contingencies | 3,417 | 46,482 | 6,171 |
| Recognition (reversal) of provision for pension and other post-employment benefits | (8,322) | (44,081) | 1,286 |
| Provision for loss on short-term investment | | | 7,226 |
| Provision for loss on investments | 64,541 | | |
| Other temporarily non-deductible provisions | 25,107 | 13,031 | 12,223 |
| Tax basis | 126,897 | 59,850 | 54,976 |
| Statutory rate | 34% | 34% | 34% |
| **Deferred income and social contribution taxes** | 43,145 | 20,349 | 18,692 |

Table of Contents

**11 Prepaid expenses**

| | 2006 | 2005 |
|---|---|---|
| Lease contracts | 16,841 | 16,744 |
| Prepaid insurance | 589 | 516 |
| Other prepaid expenses | 6,513 | 4,530 |
| | 23,943 | 21,790 |
| ( ) Current | 9,617 | 7,404 |
| Long term | 14,326 | 14,386 |

Long-term portion refers substantially to prepaid lease contracts.

**12 Investments in affiliates**

**Termogaúcha Usina Termelétrica S.A.** (in liquidation) Entity created for the purpose of installing and operating a thermoelectric power plant in the South Petrochemical Complex, in the city of Triunfo, Rio Grande do Sul State.

Ipiranga Química S.A. ( IQ ): distributor of chemical products and parent company of IPQ.

**Transportadora Sulbrasileira de Gás S.A. ( TSB** ): Entity responsible for the construction and operation of a gas pipeline between the cities of Uruguaiana and Porto Alegre, Rio Grande do Sul State.

**Ipiranga Química Armazéns Gerais Ltda. ( IQAG** ): chemical product warehouse located in the city of Guarulhos, in the São Paulo State.

| | Termogaúcha(i) | IQ(ii) | TSB(iii) | IQAG | 2006 | Total 2005 | 2004 |
|---|---|---|---|---|---|---|---|
| Investment data for calculation of equity in subsidiaries: | | | | | | | |
| Number of shares: | | | | | | | |
| Common shares (in millions) | 3,401 | 436,074 | 80 | | | | |
| Shares (in thousands) | | | | 10 | | | |
| Ownership interest | | | | 0.1500 | | | |
| Capital % | 26.2311 | 41.4731 | 20.0000 | | | | |
| Voting capital % | 26.2311 | 41.4731 | 20.0000 | 0.1500 | | | |
| Number of shares held | | | | | | | |
| Common shares (millions) | 892 | 180,854 | 16 | | | | |
| Shareholders equity of the investee | 340,077 | 599,127 | 29,336 | 537 | | | |
| Net income (loss) of the investee | | 220,861 | (1,375) | (504) | | | |
| Changes in investments during the years presented: | | | | | | | |
| Beginning balance | 85,359 | 156,878 | 8,306 | | 250,545 | 170,019 | 96,087 |
| Capital increase | 3,850 | | | | 3,850 | 8,089 | 19,710 |
| Goodwill amortization | | | (2,164) | | (2,164) | (4,026) | (20,491) |
| Provision for impairment | (64,541) | | | | (64,541) | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Distribution of cash to shareholders | (24,396) | | | (24,396) | | |
| Equity in affiliates | | 87,331 | (275) | 87,056 | 76,463 | 74,715 |
| Ending balance | 272 | 244,209 | 5,867 | 250,348 | 250,545 | 170,021 |

Table of Contents

(i) Impairment on investement in Termogaúcha and liquidation

At the Extraordinary Shareholders Meeting held on September 12, 2006, the shareholders of Termogaúcha approved its liquidation, considering the conditions of natural gas supply and higher costs of maintenance, preservation and storage of the already acquired generating equipment. The Company recorded a provision for impairment in the equity investee of R$ 64,541. On the same date, the Annual and Extraordinary Shareholders Meeting approved a capital increase in Termogaúcha and the subsidiary CBPI paid R$ 3,850, corresponding to several advances for future capital increase, which were previously recorded in long-term assets.

On December 14, 2006, a new Extraordinary Shareholders Meeting of Termogaúcha approved the distribution of cash (resulting from the liquidation process) to the shareholders, under article 215 of the Brazilian corporate law. The subsidiary CBPI received R$ 24,396.

(ii) At the Extraordinary Shareholders Meeting held on November 16, 2006, the name of Ipiranga Comercial Química S.A. changed to Ipiranga Química S.A.

(iii) During 2006 the Company recognized a full impairment on the goodwill of TSB for R$ 2,164.

**13 Property, plant and equipment**

| | | | 2006 | | 2005 |
|---|---|---|---|---|---|
| | **Annual depreciation rates %** | **Cost** | **Accumulated depreciation** | **Net** | **Net** |
| Land | | 157,205 | | 157,205 | 160,037 |
| Buildings and constructions | 4 | 285,932 | (136,731) | 149,201 | 146,630 |
| Distribution equipment and installations | 10 | 1,089,597 | (655,011) | 434,586 | 396,548 |
| Furniture and fixtures and vehicles | 16.5 | 113,645 | (74,719) | 38,926 | 33,327 |
| Leasehold improvements (1) | 6.2 | 90,606 | (46,295) | 44,311 | 35,212 |
| Construction in progress | | 59,943 | | 59,943 | 48,844 |
| Advances to suppliers | | 11,353 | | 11,353 | 20,847 |
| Other | | 8,386 | (4,649) | 3,737 | 1,835 |
| | | 1,816,667 | (917,405) | 899,262 | 843,280 |

(1) Leasehold improvements are depreciated over the term of the agreement or the useful life of the asset, whichever is shorter.

**14 Loans and financing**

| | 2006 | | 2005 | | | | |
|---|---|---|---|---|---|---|---|
| **Characteristics** | **Current** | **Long term** | **Current** | **Long term** | **Interest rated based on** | **Additional charges** | **Guarantees** |
| ***Local currency*** | | | | | | | |
| Property and equipment acquisition | 11,060 | 26,613 | 6,730 | 28,726 | TJLP(*) | Plus interest of 4.0% to 5.1% p.a. | Guarantees and liens |
| Debentures (b) | 11,355 | 350,000 | | | CDI(**) | 103.8% of CDI | No guarantees |
| Subsidiaries | 32,661 | 8,552 | | | | | |
| Working capital | 46,000 | 86,245 | 75,228 | 4,910 | CDI(**) | up to 106.5% | Debentures acquired by subsidiary |

| | | | |
|---|---|---|---|
| 101,076 | 471,410 | 81,958 | 33,636 |

| Characteristics | 2006 Current | 2006 Long term | 2005 Current | 2005 Long term | Interest rated based on | Additional charges | Guarantees |
|---|---|---|---|---|---|---|---|
| ***Foreign currency*** | | | | | | | |
| Purchase financing | 37,611 | 3,469 | 200,058 | 78,203 | | Plus interest of 1.0% to 1.4% p.a. | Guarantees, promissory note and liens |
| Notes (a) | 4,935 | 119,942 | 7,730 | 312,987 | | Plus interest of 9.875% p.a. | No guarantees |
| **Total consolidated** | 143,622 | 594,821 | 289,746 | 424,826 | | | |

(*) TJLP Long-term interest rate

(**) CDI Interbank Deposit Rate

(a) On August 1, 2003, CBPI issued US$ 135 million in notes in the international markets. On August 1, 2005, when interest increased from 7.875% per year to 9.875% per year, some of the holders decided to early redeem its notes in the amount of US$ 1,285 or R$ 3,072. In 2006, the subsidiary made an offer to repurchase to the bondholders as a result of which there was a partial redemption in the amount of US$ 79,574 or R$ 164,877.

(b) On April 18, 2006, CBPI registered with the Brazilian Securities Commission (CVM) a public offering of 35,000 debentures, of a single series, nonconvertible, with face value of R$ 10 each, and issued on April 1, 2006, in the amount of R$ 350,000. The debentures mature on April 1, 2011 with principal repaid in three annual installments. They pay interest, from the issuance date, on their unit face value, of 103.80% of the daily average rate of interbank deposits ( Taxa DI over extra grupo ), disclosed by the Clearinghouse for the Custody and Financial Settlement of Securities (CETIP). Interest is payable every 6 months from the issuance date of the debentures.

The long-term portion matures as follows:

| | 2006 | 2005 |
|---|---|---|
| 2007 | | 90,762 |
| 2008 | 221,835 | 324,462 |
| 2009 | 128,178 | 7,874 |
| 2010 | 126,085 | 1,728 |
| 2011 | 118,723 | |
| | 594,821 | 424,826 |

**15 Taxes payable**

| | 2006 | 2005 |
|---|---|---|
| Income tax | 10,237 | 15,397 |
| Social contribution tax | 3,467 | 4,939 |
| PIS (tax on revenue) | 1,830 | 2,078 |
| COFINS (tax on revenue) | 8,596 | 9,528 |
| ICMS (State VAT) | 29,296 | 45,204 |
| Other | 2,346 | 1,741 |
| | 55,772 | 78,887 |

F-188

Table of Contents

## 16 Contingencies

### (a) Probable losses

A provision was recognized to cover probable losses estimated by management, supported by external and internal legal counsel, arising from the following lawsuits:

| | 2006 | 2005 |
|---|---|---|
| Tax lawsuits | 76,079 | 72,317 |
| Civil lawsuits | 5,759 | 10,723 |
| Labor lawsuits | 12,576 | 12,100 |
| Total | 94,414 | 95,140 |
| ( ) Current | 35,397 | 38,119 |
| Long term | 59,017 | 57,021 |

**Civil lawsuits**

1) As of December 31, 2006, the only accrued civil lawsuit of the Company involved an indemnity claim. The reduction in provision for civil contingencies in 2006 is due mainly to the conclusion of lawsuits filed against the Company seeking repossession of a property of the Company and a claim of damages. In December 2006 property returned to the Company and the courts decided that no damages would be paid by the Company and the lawsuits were concluded. Another factor that led to the decrease refers to the revaluation of the likelihood of loss of the damage claim, considering the consolidation of previous court decisions favorable to the position of the Company.

2) As of December 31, 2006 and 2005, civil lawsuits of the subsidiries are mostly related to lease and supply agreements entered into with customers and indemnity claims arising from these agreements and civil liability.

**Labor lawsuits**

Labor lawsuits of the Company and its subsidiaries refer mainly to lawsuits filed by former employees and outsourced professionals claiming payroll charges, such as overtime, hazardous duty premium, etc.

**Tax lawsuits**

Tax lawsuits of the subsidiaries referred mainly to: (1) requirement of reversal of credits for ICMS on the provision of proper transportation services during the period the system of freight reimbursement by DNC (currently National Oil, Natural Gas and Biofuel Agency ANP) was in effect and, although the freight reimbursements have always been made by DNC without the ICMS amount, previous court decisions have been unfavorable to the Company s arguments; (2) requirement of ICMS/Tax Substitution on interstate sales to end consumers under ICMS Agreement No. 105/92, subsequently amended by Agreement No. 112/93, in which the STF (Federal Supreme Court) resolved the matter, defining that the ICMS on fuel belongs to the State that consumes the fuel, even if the fuel is sold to the end consumer; (3) requirement of reversal of credits for ICMS, in Minas Gerais State, on interstate shipments made pursuant to article 33 of ICMS Agreement No. 66/88, which allowed the maintenance of the credit and which was suspended by an injunction granted by the STF; and (4) assessments due to undue deduction of discounts from the ICMS tax basis, in Minas Gerais State, owed on a tax substitution basis.

F-189

Table of Contents

**(b) Possible losses**

Lawsuits for which management assessed the probability of loss as possible , based on the opinion of its internal and external legal counsel, are not accrued in the financial statements and are composed of:

| | 2006 | 2005 |
|---|---|---|
| Tax lawsuits | 253,629 | 185,638 |
| Civil lawsuits | 69,687 | 57,931 |
| Labor lawsuits | 15,083 | 22,688 |
| Total | 338,399 | 266,257 |

**Tax lawsuits**

a) Tax lawsuits of the Company included in this classification refer mainly to: (1) requirement of reversal of credits for ICMS on operations with anhydrous alcohol in São Paulo State; (2) requirement of reversal of credits for ICMS accumulated credit, supposedly transferred to third parties at amounts higher than that allowed by São Paulo State legislation; (3) requirement of IRRF (withholding income tax) on payment of interest on capital made to pension plan entities; (4) requirement of ICMS by Mato Grosso State, on the acquisition of fuel ethanol by the Company s branch in São Paulo State, intended to be sold in Rio Grande do Sul State, due to non-compliance with accessory obligations provided for in ICMS Agreement No. 54/02; (5) requirement of INSS (social security contribution) supposedly due by third parties and service providers engaged who did not present clear evidence of payment of their obligations, causing the Company to be jointly liable for this tax; and (6) non-approval of the offset of IPI credits recorded on the receiving of inputs subject to taxation whose subsequent shipments were tax immune.

2) Tax lawsuits of the subsidiaries of the Company included in this classification refer mainly to: (1) requirement of reversal of credits for ICMS, except in Minas Gerais State, on interstate shipments, made pursuant to article 33 of ICMS Agreement No. 66/88, which allowed the maintenance of the credit and was suspended by an injunction granted by the STF; (2) requirement of ICMS and reversals of credits due to the acquisition of base oils, whose interstate shipments were not subject to taxation based on a non-levy constitutional standard; (3) requirement of reversal of credits for ICMS on the provision of transportation services related to interstate operations not subject to taxation due to a non-levy constitutional standard; (4) requirement of reversal of credits for ICMS arising from excess taxation on the acquisition of products in oil refinery under the tax substitution regime, recorded due to the non-occurrence of one of the sale phases provided for as deemed taxable event, in direct sales to end consumers; and (5) requirement of ICMS on sales to fishing industry customers from Pará State, who are tax-exempt, due to a possible lack of authorization by SEFAZ/PA (Finance Department of Pará State). The lawsuits under analysis are at various administrative and judicial levels, including the taking of evidence and consolidation of previous court decisions from higher courts.

**Civil lawsuits**

1) Civil lawsuits of the Company and its subsidiaries are mostly related to indemnity claims arising from lease and supply agreements, commercial and service agreements entered into by the Company.

**Labor lawsuits**

1)

Labor lawsuits of the Company and its subsidiaries refer to lawsuits filed by former employees and outsourced professionals claiming specific payroll benefits, lawsuits filed by former employees, outsourced professionals and employees of gas stations that are customers of the Company, related to payroll charges, such as overtime, hazardous duty premium, etc., which are in progress at the stage of providing evidence, without a decision having been reached.

Table of Contents

**(c) Contingent assets**

The Company and its subsidiaries filed judicial and/or administrative proceedings with Federal and State tax authorities to recover taxes unduly paid or overpaid. These proceedings, when concluded, may represent income that, due to its contingent nature, is not recorded in the financial statements.

Due to the progress of lawsuits and based on their legal counsel s opinion, the companies management assessed the likelihood of a favorable outcome in the aforementioned lawsuits as probable or possible, depending on the specific circumstances. As of December 31, 2006 said lawsuits may be summarized as follows:

| | |
|---|---|
| **Federal level** | |
| Corporate income tax rate increase | 7,087 |
| FGTS (severance pay fund) refund of tax | 263 |
| National Telecommunication Fund | 2,077 |
| PIS/COFINS (taxes on revenue) increase in tax basis | 34,747 |
| | 44,174 |
| **State level** | |
| State income surtax (AIRE) | 13,483 |

**17 Employee and management profit sharing**

Profit sharing is calculated based on net income for the year, after deducting accumulated deficit, if any, and provision for income and social contribution taxes, and is distributed as follows:

**(a) Employee profit sharing**

Calculated based on 3% of net income from operations, which will be computed excluding income from investments in companies (recorded in the stand-alone individual statements of income of the Company as equity in subsidiaries and affiliates), amortization of goodwill or negative goodwill, sale or write-off of investments in companies and, finally, interest paid or received by the Company as interest on capital.

**(b) Management profit sharing**

At the discretion of the Board of Directors, management profit sharing will be calculated based on up to 10% of income after deducting employee profit sharing and cannot exceed the annual global compensation established at the Shareholders Meeting.

**18 Provision for pension and other post-employment benefits**

**(a) Pension benefits provided by Fundação Francisco Martin Bastos**

The Company, together with other Petróleo Ipiranga companies, sponsors Fundação Francisco Martins Bastos (FFMB), a closed pension entity that manages and operates pension plans for the employees of Petróleo Ipiranga companies.

FFMB Benefit Plan was created in 1993. Initially, only the basic benefit was established (a defined benefit plan) and in July 1998 the supplementary benefit (structured as a defined contribution plan in the phase of capitalization of estimated benefits) was implemented, whose contribution is computed as a percentage over variable compensation. The pension plan is funded by the sponsors and participants.

Table of Contents

On August 31, 2005, the SPC (Secretariat for Pension Plan), through Official Letter No. 1003/SPC/DETEC/CGAT, approved the new Ruling of FFMB Benefit Plan. New regulations were introduced related to portability, deferred proportional benefit, self-sponsorship and redemption provided for in CGPC (Supplemental Pension Management Council) Resolution No. 6, of October 30, 2003, as well as changes in the calculation of benefits, new GAM-83 life expectancy table and change in the actuarial method from unit credit to projected unit credit became effective as actuarial adjustments.

The main changes in the calculations of benefits, approved in the new regulation, refer to the adjustment of the employee salary, gradual elimination of bonus for length of service credited for the purpose of calculating benefits and the increase in the percentage of reduction of the early retirement basic benefit.

These changes reduced the plan s total cost for the sponsors by 36%, as defined by the actuary based on the percentage of the participants payroll for 2006.

In 2006, SPC, by means of CGPC Resolution No. 18, of March 28, 2006, established new technical/actuarial parameters for private pension plan entities. Therefore, the minimum life expectancy table that was adopted is AT-1983, increasing the life expectancy of active participants by approximately 2 years.

In the year ended December 31, 2006, the Company made contributions to the FFMB Benefit Plan in the amounts of R$ 672 for the basic benefit plan and R$ 247 for the supplementary benefit plan (R$ 1,126 and R$ 295, respectively, in 2005). The amounts related to supplementary benefits and pension plan were calculated on an annual basis by independent actuaries and are recognized in the financial statements according to CVM Resolution No. 371/00.

**(b) Other post-employment benefits**

According to CVM Resolution No. 371/00, the Company, in addition to the pension plan, recognizes a provision for other post-employment benefits related to bonus for length of service, FGTS (severance pay fund), health-care plan and life insurance for eligible retirees. Other post-employment benefits are unfunded and are provided directly by the Company and each of its subsidiaries of the Petróleo Ipiranga Group.

The reconciliation of pension and other post-employment benefit liabilities as of December 31 is as follows:

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| Present value of funded obligations | (395,979) | (349,200) | (362,177) |
| Present value of unfunded obligations | (95,322) | (88,554) | (77,282) |
| Fair value of plan assets | 408,468 | 340,653 | 295,905 |
| Unrecognized actuarial gains (losses) | (1,816) | 3,717 | 4,256 |
| Net post-employment benefit liabilities | (84,649) | (93,384) | (139,298) |
| ( ) Current | (7,234) | (3,378) | (13,736) |
| Long term | (77,415) | (90,006) | (125,562) |

The portion of actuarial gains or losses to be recognized as income or expense is the amount of unrecognized gains and losses that exceed, in each year, the higher of the following amounts:

(i) 10% of the present value of the total actuarial obligation of the defined benefit; and

(ii) 10% of the fair value of plan assets.

The portion that exceeds such limits will be annually amortized dividing its amount by the remaining average length service estimated for the plan s participants.

The amounts recognized in the statements of income are as follows:

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| Cost of current service | (10,156) | (9,613) | (9,380) |
| Cost of interest | (48,115) | (47,195) | (45,001) |
| Expected return on assets | 52,725 | 43,196 | 32,072 |
| Amortization of actuarial gain (losses) | (727) | (335) | (504) |
| Employees contributions | 3,271 | 4,007 | 4,544 |
| Total expenses in the year | (3,002) | (9,940) | (18,269) |

Changes in net pension and other post-employment benefit liabilities may be shown as follows:

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| Net liability at beginning of year | (93,384) | (139,298) | (138,260) |
| Expenses in the year | (3,002) | (9,940) | (18,269) |
| Company s contributions in the year | 6,799 | 9,766 | 14,714 |
| Benefits paid in the year | 1,064 | 5,201 | 2,517 |
| Adjustment to the present value of obligations/other adjustments | 3,874 | 40,887 | |
| Net liability at end of year | (84,649) | (93,384) | (139,298) |

The main actuarial assumptions applied are as follows:

Discount rate of actuarial obligation at present value 10.8% per year

Expected long-term rate of return on assets 13.2% per year

Projected average salary growth rate 6.6% per year

Inflation rate (long term) 4.5% per year

Medical services growth rate 7.6% per year

Biometric assumptions used:

Mortality table AT 1983 basic rated down by 10%(*)

Turnover table adjusted Towers Perrin

Disabled mortality table RRB 1983

Disability table amended RRB 1944 rated

(*) For life insurance benefit, the CSO-80 mortality table was used

**19 Shareholders equity**

**(a) Capital**

The Extraordinary Shareholders Meeting held on April 27, 2006 resolved to increase the Company s capital from R$ 305,000 to R$ 555,000, by capitalizing profit reserves, with the issuance of 16,000,000 new shares, of which 5,353,184 are common shares and 10,646,816 are preferred shares, distributed for free to shareholders at a ratio of one new share for each share of the same type they held on the date of this meeting. As a result, capital is

Table of Contents

represented by 32,000,000 shares without par value, of which 10,706,368 are common shares and 21,293,632 are preferred shares. On April 29, 2005, according to the Extraordinary Shareholders Meeting, a capital increase of R$ 40,000 was approved, also through the capitalization of reserves, without the issuance of new shares.

Preferred shares have no voting rights and are entitled to dividends 10% higher than those paid on common shares and have priority in the distribution of dividends and in the reimbursement of capital in the event of liquidation of the Company.

**(b) Reserves**

The Extraordinary Shareholders Meeting held on April 27, 2006 approved amendment to article 34 of the bylaws so that the Company has only one profit reserve, named Reserve for Working Capital and Conservation and Improvement of Installations . With this amendment, the Company s bylaws establish that the balance of the retained earnings account shall be allocated to the Reserve for Working Capital and Conservation and Improvement of Installations , after distribution of dividends, up to the limit of the capital. The increase in the Company s capital of R$ 250,000, approved at said Extraordinary Shareholders Meeting, was made by capitalizing the following Profit Reserves: total balance of the Reserve for Dividends, in the amount of R$ 225,350, and part of the balance of the Reserve for Conservation and Improvement of Installations, in the amount of R$ 24,650.

**(c) Distribution of dividends**

Shareholders are annually entitled to receive mandatory minimum dividends, corresponding to 30% of net income, after allocation of 5% to the legal reserve. Preferred shareholders are entitled to receive dividends or interest on capital 10% higher than those paid on common shares.

**(d) Interest on capital and dividends**

Interest on capital, in the amount of R$ 55,761 (2005 R$ 59,383 / 2004 R$ 51,712), was calculated according to the limits established by Law No. 9,249/95 and generated tax benefits of R$ 18,959 (2005 R$ 20,190 / 2004 R$ 17,582 ).

In addition, dividends in the amount of R$ 9,447 were paid on December 27, 2006.

Interest on capital and dividends are calculated as follows:

| | **2006** | **2005** | **2004** |
|---|---|---|---|
| Net income of Distribuidora de Produtos de Petróleo Ipiranga S.A. (stand-alone individual financial statements) | 160,875 | 169,788 | 138,041 |
| Legal reserve (5%) | (8,044) | (8,489) | (6,901) |
| **Calculation basis for dividends** | 152,831 | 161,299 | 131,140 |
| Total interest on capital | 55,761 | 59,383 | 51,712 |
| Total interest on capital, net of withholding income tax (IRRF) | 47,397 | 50,475 | 43,955 |
| Dividends | 9,447 | 11,160 | 4,268 |
| Total distributed (dividends and interest on capital, (net of IRRF) | 56,844 | 61,635 | 48,223 |

F-194

Table of Contents

**20 Collaterals and guarantees**

The Company provides collaterals and guarantees for some loan operations conducted directly or indirectly by certain subsidiaries, affiliates and other related parties.

As of December 31, 2006 and 2005 amounts referring to these operations are as follows:

| Guarantor | Borrower | 2006 | 2005 | Maturity |
|---|---|---|---|---|
| DPPI | CBPI (2) | 3,931 | 3,054 | 2009 |
| DPPI | IQ (3) | 1,547 | 533 | 2010 |
| DPPI | IQAG (3) | 619 | 648 | 2010 |
| DPPI | IPQ (3) | 17,688 | 72,299 | 2007 |
| CBPI | EMCA (2) | | 9,872 | 2006 |
| CBPI | EMCA (2) | 11,763 | | 2007 |
| CBPI | IASA (2) | | 20,036 | 2006 |
| CBPI | IASA (2) | 19,719 | 65 | 2007 |
| CBPI | IPQ (3) | 40,500 | 75,350 | 2008 |
| CBPI | RPI (1) | 120,000 | | 2007 |
| CBPI | Tropical (2) | | 409 | 2006 |
| CBPI | Tropical (2) | 1,618 | 3,186 | 2007 |
| CBPI | Tropical (2) | 2,041 | | 2008 |
| CBPI | Tropical (2) | 7,874 | 1,543 | 2010 |
| | | 227,300 | 186,995 | |

IQAG Ipiranga Química Armazéns Gerais Ltda.

EMCA Empresa Carioca de Produtos Químicos S.A.

IASA Ipiranga Asfaltos S.A.

RPI Refinaria de Petróleo Ipiranga S.A.

Tropical Tropical Transportes Ipiranga Ltda.

(1) A company controlled by members of the same families that control the Company
(2) Entity consolidated by the Company
(3) Entity equity accounted by the Company following the equity method

**21 Financial instruments**

In accordance with CVM Instruction No. 235/95, the Company and its subsidiaries estimated the fair value of their financial instruments, using available market information and appropriate estimation methodologies. However, both the interpretation of market data and the selection of estimation methodologies require reasonable judgment and estimates to determine the most adequate realizable value. Accordingly, the estimates presented are not necessarily indicative of the amounts that could be obtained in active market trading. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair values.

The Company and its subsidiaries conduct transactions involving financial instruments, all of which are recorded in balance sheet accounts, and are intended to meet their needs and reduce the exposure to credit, market, and currency risks. Management of these risks is performed by establishing strategies and control systems and setting position limits.

Table of Contents

The main risks affecting the Company s business are as follows:

**(a) Currency risk**

This risk arises from the possibility of the Company incurring material losses because of exchange rate fluctuations, which may affect the balances of foreign currency-denominated loans and financing.

The exposure to fluctuations in exchange rates is as follows:

| **Amounts in US$ thousand** | **2006** | **2005** |
|---|---|---|
| Loans and financing | 76,173 | 224,130 |
| Swap transactions | (10,759) | (80,876) |
| Net exposure | 65,414 | 143,254 |
| **Amounts in ¥ thousand** | | |
| Loans and financing | | 3,464,393 |
| Swap transactions | | (3,464,393) |
| Net exposure | | |

Rates as of December 31, 2006 = R$ 2.1380/US$

**(b) Credit risk**

This is the risk of the Company incurring losses due to customers failure to pay accounts and financing. The Company reduces this risk by means of a credit policy and by obtaining collaterals for supply agreements signed with its customers for significant balances.

**(c) Interest rate risk**

This risk arises from the possibility of the Company incurring losses due to interest rate fluctuations that increase interest expenses on loans and financing.

The Company continuously monitors the market interest rates in order to evaluate the need for hedging against the volatility of these rates.

**(d) Financial income (expenses)**

| | **2006** | **2005** | **2004** |
|---|---|---|---|
| **Financial income** | | | |
| Interest and monetary variation | 90,290 | 108,937 | 105,191 |
| Exchange variation | 203 | 34,323 | 32,590 |
| Other income | 1,675 | 634 | 1,104 |
| | 92,168 | 143,894 | 138,885 |
| **Financial expenses** | | | |
| Interest and monetary variation | (88,852) | (61,770) | (60,582) |
| Exchange variation | 47,566 | (3,261) | (2,089) |
| Losses on swap transactions | (32,786) | (29,294) | (42,588) |

| | | | |
|---|---|---|---|
| Other expenses | (25,798) | (8,821) | (18,348) |
| | (99,870) | (103,146) | (123,607) |
| **Financial income (expenses), net** | (7,702) | 40,748 | 15,278 |

Table of Contents

**22 Nonoperating income (expenses)**

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| **Nonoperating income** | | | |
| Gain on sale of warrants issued by related parties (Note 7.c) | | 28,989 | |
| Gain on change in equity interest (Note 4) | 85,494 | | |
| Gain on sale of property and equipment | 13,654 | 9,474 | 14,191 |
| Other | 6,085 | 2,557 | |
| | 105,233 | 41,020 | 14,191 |
| **Nonoperating expenses** | | | |
| Provision for impairment on investment (Note 12) | (64,541) | | (190) |
| Loss on sale and write-off of property and equipment | (8,765) | (11,226) | (14,860) |
| Provision for loss on property, plant and equipment | | | (10,221) |
| Other | (1,788) | (3,171) | |
| | (75,094) | (14,397) | (25,271) |
| | 30,139 | 26,623 | (11,080) |

**23 Insurance**

The Petróleo Ipiranga companies have an insurance and risk management program that allows coverage and protection for all their insurable assets, including insurance coverage for risks of disruption of production, by means of an operational risk policy traded in the domestic and foreign insurance markets through the Brazilian Reinsurance Institute (IRB).

The insurance coverages and limits are based on a detailed study of risks and losses performed by local insurance brokers, and the insurance contracted is considered sufficient to cover possible losses, considering the nature of the companies activities.

The main insurance coverages are for operational risks, loss of profits, industrial and office multiperils, named risk-pools and civil liability.

**24 Subsequent events**

**Acquisition of Ipiranga**

On April 18, 2007, Ultrapar Participações S.A. for itself, and also as a commission agent of Braskem S.A. and Petróleo Brasileiro S.A. Petrobras, acquired for R$ 2,113,107, from the controlling shareholders of the Petróleo Ipiranga companies, 66.2% common shares and 13.9% preferred shares issued by RPI, 69.2% common shares and 13.5% preferred shares issued by the Company, and 3.8% common shares and 0.4% preferred shares issued by CBPI. Of the total amount, Braskem and Petrobras paid R$ 1,394,675 under the terms of the commission among the parties.

Under the terms of the agreement among Ultrapar, Braskem and Petrobras, once all steps of the transaction mentioned below are finalized, Ultrapar will hold the distribution of fuel and lubricants in the Southern and Southeastern regions ( South Distribution Assets ); Petrobras will hold the distribution of fuel and lubricants in the Northern, Northeastern and Central-Western Regions ( North Distribution Assets ); and Braskem and Petrobras will hold 60% and 40%, respectively, the petrochemical assets, represented by Ipiranga Química S.A. ( IQ ), its subsidiary Ipiranga Petroquímica SA (IPQ) and by the interest of the latter in COPESUL Companhia Petroquímica do Sul (COPESUL) ( Petrochemical Assets ). Assets related to oil refining held by RPI will be equally shared by Petrobras, Ultrapar and Braskem.

Table of Contents

In the same agreement the parties established that Ultrapar is responsible for conducting a corporate restructuring in the companies acquired to separate the assets assigned to each acquiring company. The stages are as follows:

a) Public Tag Along Offering to acquire common shares issued by RPI, DPPI, CBPI and IPQ held by other shareholders;

b) Merger into Ultrapar of the preferred and any remaining common shares issued by RPI, DPPI and CBPI;

c) Segregation of assets by means of: (i) capital reduction of RPI and CBPI to transfer the Petrochemical Assets directly to Ultrapar, for subsequent transfer to Braskem and Petrobras, under the terms of the commission, and (ii) spin-off of CBPI to transfer the North Distribution Assets to a company controlled by Petrobras.

On April 17, 2007, CADE (Economic Defense Council) issued an Injunction to maintain conditions that would allow to revert of the asset acquisition by Braskem and Petrobras, as described in the Significant Event Notice published on April 18, 2007. The provisions related to Petrochemical Assets were reviewed on April 25, 2007 in the decision approved by CADE, with signature by Braskem of agreement for protection of reversibility of operation (APRO).

With said changes, CADE acknowledges the maintenance of the minority interest of Petrobras in COPESUL after the acquisition. In relation to fuel distribution, CADE granted 10 days so that Petrobras and Ultrapar present an alternative corporate governance model that preserves competition within the industry.

## 25 SUMMARY AND RECONCILIATION OF THE DIFFERENCES BETWEEN ACCOUNTING PRACTICES ADOPTED IN BRAZIL AND GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN THE UNITED STATES OF AMERICA

### I - Narrative description of GAAP differences

The consolidated financial statements of the Company are prepared in accordance with Brazilian GAAP. Accounting policies, which differ significantly from U.S. GAAP, are summarized below.

**(a) Inflation accounting**

Under Brazilian GAAP, the Company accounts for the effects of inflation in its financial statements prepared in accordance with Brazilian GAAP through December 31, 1995. Through December 31, 1995, the Company used for this remeasurement the Fiscal Reference Unit (UFIR), the index established by the tax authorities for preparation of financial statements under Brazilian corporate law as well as the index selected by the CVM.

The reconciliation presents the effect of adjusting property, plant and equipment for U.S. GAAP purposes through December 31, 1997. Under U.S. GAAP, management of the Company considers that Brazil was considered to be a highly inflationary economy until December 31, 1997 and, as such, property, plant and equipment should be adjusted for inflation through such date.

In determining amounts under U.S. GAAP, the effects of inflation for the years ended December 31, 1996 and 1997 were determined using the Índice Geral de Preços Disponibilidade Interna IGP-DI index, which is a widely-accepted and respected index published monthly by the Fundação Getúlio Vargas.

Because the Company s management believes that the IGP-DI is an appropriate and consistent measure of the general price inflation in Brazil and because of its availability, for U.S. GAAP purposes the Company adopted the IGP-DI for restatement of its financial statements also for periods through December 31, 1995, replacing the Government mandated index. As a result, property, plant and equipment have been monetarily adjusted for inflation using the IGP-DI since its acquisition through December 31, 1997.

**(b) Capitalization of interest in relation to construction in progress**

Under Brazilian GAAP, prior to 1996 the Company was not required to capitalize the interest cost of borrowed funds as part of the cost of the related asset. Under U.S. GAAP, capitalization of borrowed funds during construction of major facilities is recognized as part of the cost of the related assets.

Under U.S. GAAP, interest on construction-period financing denominated in foreign currencies is capitalized using contractual interest rates excluding foreign exchange gains or losses.

**(c) Pension and other post-employment benefits**

**(c.1) Pension benefits**

Pension benefit obligations for Brazilian GAAP should be accounted for following CVM Instruction No. 371/00, which requires the mandatory application of Brazilian Accounting Standard IBRACON NPC 26. Under IBRACON NPC 26 the Company has accounted for the plan administered by FFMB (and to which several Petróleo Ipiranga companies contribute) by recognizing a percentage attributed to the Company of the funded status and of the cost of the plan.

Under U.S. GAAP, considering that the financial information of the Company does not consolidate all the sponsors of the FFMB Benefit Plan and such financial information does not represent the financial statements of the parent company of the Petróleo Ipiranga companies, the Company has accounted for its participation in the pension plan administered by FFMB as if it were a multi-employer plan.

As a result, the reconciliation presents: (a) the reversal of the pension plan asset/liability recognized for Brazilian GAAP as of each reporting date and the reversal of the related pension cost, and (b) the recognition as expense of the contribution due to the plan over the corresponding period.

**(c.2) Other post-retirement benefits**

As explained in Note 18, the accompanying financial statements account for other post-retirement benefits following IBRACON NPC 26. Other post-retirement benefits are unfunded and are the sole responsibility of each Petróleo Ipiranga company. Under IBRACON NPC 26 actuarial gains and losses are deferred and recognized in income over the estimated remaining service period of the employees to the extent that those actuarial gains and losses exceed 10% of the higher of the plan assets and the projected benefit obligation.

Under U.S. GAAP such benefits are accounted for following SFAS No. 106, Employers Accounting for Post-retirement Benefits Other Than Pensions , and, as from December 31, 2006, following SFAS 158 Employers Accounting for Defined Benefit Pension and Other Post-retirement Plans an amendment of FASB Statements No. 87, 88, 106 and 132(R) . Under SFAS No.158, the funded status of the other post-retirement benefits must be recognized as a liability with an offsetting amount in accumulated other comprehensive income. As required by SFAS No. 158, provisions of SFAS No.158 were applied on a prospective basis as from December 31, 2006.

Table of Contents

Although projected benefit obligations are the same under Brazilian GAAP and U.S. GAAP, differences arise in the amounts recorded in the financial statements as a result of: (i) that the date of initial measurement of funded status is different for Brazilian GAAP and U.S. GAAP and that under Brazilian GAAP there is no requirement to recognize an additional minimum liability, and (ii) the recognition as from December 31, 2006 as a liability for U.S. GAAP purposes of the funded status against accumulated other comprehensive income.

**(d) Tax incentives**

Under Brazilian GAAP, tax incentives are accounted for directly as an increase in a capital reserve account in shareholders equity. The Company records the taxes as expense in the consolidated statement of income for the amounts that would be due absent the benefit, and recognizes a reduction in the tax payable against the capital reserve.

For U.S. GAAP reconciliation purposes the amount of those incentives is recognized as reduction of the tax expense directly in the statement of income.

**(e) Accounting for derivative financial instruments**

As mentioned in Note 21, the Company has entered into swap transactions. Under Brazilian GAAP swaps are valued at their accrued amount determined as the difference between the amount receivable and the amount payable under the swap. The amounts receivable and payable are computed as their respective notional amount plus accrued charges based on their contractual terms.

Under U.S. GAAP, SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities , establishes accounting and reporting standards requiring that all derivative instruments be recorded in the balance sheet as either an asset or a liability measured at its fair value. Changes in the derivative s fair value are recognized in earnings unless specific hedge accounting criteria are met. The Company has not accounted for any derivative instrument following hedge accounting.

The reconciliation presents the differences resulting from valuing the swaps at its fair value under U.S. GAAP as opposed to valuing them at the accrued amount used under Brazilian GAAP. As of December 31, 2006 no significant difference was identified between the accrued amount and the fair value.

**(f) Fair value of guarantees under FIN 45**

Under Brazilian GAAP, the Company is not required to record any liability related to guarantees given to third parties unless contingent obligations to make future payments under the guarantees are considered probable.

The Company has not recorded any liability related to these guarantees under Brazilian GAAP as of any of the dates presented.

Under U.S. GAAP, the Company recognizes, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing guarantees in accordance with FIN 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others . In the event that, at inception of the guarantee, the Company is required to recognize a liability under SFAS No. 5, Accounting for Contingencies , the liability initially recognized would be the greater of: (a) the amount of fair value of the value of the obligation undertaken in issuing guarantee, or (b) the contingent liability amount required to be recognized at inception of the guarantee by applying SFAS No. 5.

Guarantees granted include those disclosed in Note 20 as well as guarantees provided to financial institutions that finance sales to selected customers under the vendor program. Under the vendor program the Company is the secondary obligor to the financial institutions.

Table of Contents

The reconciliation presents the effect of recognizing a liability for the fair value of these guarantees and the related effect in the statement of income.

**(g) Accounting for asset retirement obligation**

Under Brazilian GAAP, the Company s practice is to expense amounts relating to retirement of certain assets as incurred.

Under U.S. GAAP, the Company adopts SFAS No. 143, Accounting for Asset Retirement Obligations . Asset retirement obligations correspond to the legally required obligation to remove fuel tanks upon retirement. Under SFAS No. 143, the fair value of asset retirement obligations are recorded as liabilities on a discounted basis when they are incurred, which is typically at the time the related assets are installed. Amounts recorded for the related assets will be increased by the amount of these obligations and depreciated over the related useful lives of such assets. Over time, the amounts recognized as liabilities will be accreted for the change in their present value until the related assets are retired or sold.

**(h) Gain on change in equity interest in Maxfácil**

In December 2006, the business recognized a capital gain, in the amount of R$ 85,494, regarding to the gain on change in equity interest in Maxfácil as described in Note 2.

The gain has been determined as a result of Maxfácil having issued new shares to UNIBANCO at a price higher than the carrying amount per share of the investment recorded by the Company in Maxfácil.

Under U.S. GAAP, considering that Maxfácil is a newly formed entity, the Company believes it does not meet the criteria for gain recognition established in SAB Topic 5-H.

The reconciliation presents the effect of reverting for U.S. GAAP the capital gain recognized under Brazilian GAAP.

**(i) Provision for dividends and interest on capital**

Under Brazilian GAAP, at each balance sheet date the Board of Directors is required to propose a dividend distribution which, if not yet paid during the year, is accrued as a liability in the financial statements.

Under U.S. GAAP, since proposed dividends in excess of the mandatory minimum dividend required to be paid by the bylaws may be ratified or modified at the annual Shareholders Meeting, such proposed dividends in excess of the mandatory minimum dividends are not considered declared at the balance sheet date and therefore are not accrued. However, dividends accrued or interest on own capital already paid is considered declared for U.S. GAAP purposes. Dividends declared as of December 31, 2004 exceeded mandatory minimum dividends and for that reason the provision for dividends recorded under Brazilian GAAP in excess of mandatory minimum dividends is being reverted in the reconciliation to U.S. GAAP.

At December 31, 2006 and 2005 all dividends declared for the year were paid before year-end.

**(j) U.S. GAAP adjustments on net equity and net income of affiliates**

The investments in Termogaúcha Usina Termelétrica S.A., IQ, TSB and IQAG are accounted for under the equity method under Brazilian GAAP.

Such investment would also be accounted for following the equity method under U.S. GAAP.

Differences between net equity and net income of the affiliates correspond mainly to: accounting for deferred charges, accounting for business combination and goodwill, accounting for pension benefits, revaluation of property, plant and equipment, capitalization of interest on property, plant and equipment, recognition of tax incentives, accounting for derivative financial instruments, accounting for dividends and interest on capital, and accounting for the provision for programmed maintenance.

The net effects of those adjustments are presented in the reconciliation to U.S. GAAP.

**(k) Accounting for convertible debentures issued by Ipiranga Química S.A. and warrants purchased by the Company**

**k.1) Accounting for convertible debentures issued by IQ**

Under Brazilian GAAP, convertible debentures issued by IQ described in Note 7 are accounted for as a single instrument at its cost plus accrued interest following the contractual terms.

Under U.S. GAAP the Company has concluded that the non-detachable conversion option included in the convertible debentures issued by IPQ does not meet the definition of a derivative under SFAS 133 Accounting for Derivative Instruments and Hedging Activities, as amended and interpreted . The Company accounted for the convertible debentures in accordance with FAS 115 Accounting for Certain Investments in Debt and Equity Securities and classified the instrument as a trading security. At the date of issuance, the total amount of the proceeds equals the fair value of the instrument so there is no GAAP difference at initial recording.

However, the convertible debenture was marked to market at every reporting period with charges to the statements of income for US GAAP purposes, creating a difference in valuation of the convertible instrument held by DPPI under US GAAP of R$ 29 million and of the convertible instrument held by the subsidiary, CBPI, in the amount of R$21 million at the date of the modification of the terms.

**k.2) Accounting for the modification of terms of the debentures, issuance of warrants and sale of warrants by the Company**

In October 2005, a modification was introduced in the terms of the debentures such that they were modified from convertible to non-convertible; no other term of the debentures has been modified. At the same moment, IQ issued to the holders of the debentures, detachable warrants which allow the holders of the warrants to acquire shares of IQ in the exact same terms as the previously existing non-detachable conversion option included in the debentures.

Under Brazilian GAAP, warrants are not separately recorded. The modification of the terms of the debentures and the issuance of warrants in October 2005 did not have any impact in the accounting for the debentures (which were originally convertible and in October 2005 were modified to non-convertible) under Brazilian GAAP which continued to be accounted for at its cost plus accrued interest and warrants issued by IQ are not accounted for.

For U.S. GAAP purposes, the Company has also classified the new debt instrument received as a trading security under FAS 115. In addition, the Company has concluded that the fair value of the warrant and non-convertible debenture received approximates the fair value of the convertible debenture prior to modification. Therefore, upon modification the Company recorded the warrant and debt at their fair values with no gain or loss recognized.

Contemporaneously with the modification of the terms of the debenture and the issuance of warrants, the Company sold the warrants received to RPI for R$ 29 million. This amount approximates the fair value of the

Table of Contents

warrants at the date of modification of the convertible debentures and issuance of warrants, so no gain or loss was recorded by the Company upon sale under U.S. GAAP. Under Brazilian GAAP no value was recognized for the warrant received and therefore, a gain for the sales price of R$ 29 million was recognized.

After the modification, the Company continued to mark to market the non-convertible debt instruments with charges to the statements of income. The warrant held by its subsidiary, CBPI, does not meet the definition of a derivative under SFAS 133, so it is accounted for under the cost method.

The U.S. GAAP reconciliation reflects the difference in the mark to market of the convertible debt instrument through the date of modification, and of the non-convertible debt instrument after the modification, compared to the amortized cost value recorded for Brazilian GAAP purposes.

**(l) Accounting for refunds**

The Company and its subsidiary CBPI offer to certain of its customers refunds in cash if they meet a specified cumulative volume of sales over a specified period. Under Brazilian GAAP, the refund is recognized as an expense when the cumulative volume of sales has been met. Such refunds are offered to a reduced group of customers and have begun to be offered recently.

Under U.S. GAAP, EITF 01-9, Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor s Products) , a Company should recognize a liability based on a systematic and rational allocation of the cost of honoring the commitment in each of the underlying transactions that result in progress toward earning the refund. Considering the reduced customers to which the refund is offered and the reduced historical experience, the Company believes that it cannot reasonably estimate the ultimate amount that will be earned by customers. As a result, under U.S. GAAP a liability is recognized for the maximum potential amount of the refund.

**(m) Goodwill and business combinations**

Under Brazilian GAAP assets and liabilities of entities acquired are reflected at book value. Goodwill is determined as the excess of purchase price paid over the book value of net assets acquired. Goodwill is amortized on a straight-line basis over the periods estimated to be benefited limited to 10 years.

In July 1998, the subsidiary CBPI made a capital contribution to IQ. Under Brazilian GAAP, such transaction generated a goodwill at the date of the transaction in the amount of R$ 49,393 and resulted in obtaining an interest in IQ of 41.47%.

Goodwill under Brazilian GAAP was totally amortized as of December 31, 2006 and 2005.

Under U.S. GAAP, business combinations are accounted for following the purchase method. Under the purchase method assets and liabilities of the business acquired are recorded, to the extent of the percentage acquired, using fair values. Goodwill is determined as the difference between purchase price consideration and the fair value of assets acquired and liabilities assumed. If there is an excess of the fair value of net assets acquired over the purchase price such amount is used to reduce the carrying value of long-term assets. As from January 1, 2002 goodwill is not amortized but is tested, at least annually, for impairment.

The reconciliation of net equity between Brazilian GAAP and U.S. GAAP presents: (i) the reversal of the balance of goodwill recorded under Brazilian GAAP at each balance sheet date, (ii) the recognition for U.S. GAAP purposes of the difference resulting from adjusting assets and liabilities of the entity acquired at fair value, most significantly property, plant and equipment and investment in equity investees, (iii) the recognition of resulting goodwill under U.S. GAAP, and (iv) the related deferred taxes.

**Table of Contents**

The reconciliation of net income between Brazilian GAAP and U.S. GAAP presents: (i) the reversal of goodwill amortization recorded under Brazilian GAAP, (ii) the recognition in income of adjustments of assets and liability at fair value, mostly depreciation of property, plant and equipment and equity in investees, and (iii) the related deferred tax effects.

**II - Reconciliation of the differences between U.S. GAAP and Brazilian GAAP in net income**

| | Note 25.I. | 2006 | 2005 |
|---|---|---|---|
| Net income as reported under Brazilian GAAP | | 160,875 | 169,788 |
| Inflation accounting: Depreciation of property, plant and equipment | a) | (23,505) | (26,576) |
| Deferred tax effects | | 7,992 | 9,036 |
| Minority interests | | 11,092 | 12,377 |
| | | (4,421) | (5,163) |
| Pension and other Post-employment benefits: | c) | | |
| Reversal of pension and other post-retirement expense recognized under Brazilian GAAP | | (8,735) | (45,914) |
| Recognition of net periodic pension cost for other post-retirement benefits under US GAAP | | (12,046) | (7,222) |
| Deferred tax effects | | 7,065 | 18,065 |
| Minority interests | | 9,284 | 24,268 |
| | | (4,432) | (10,803) |
| Accounting for asset retirement obligation | g) | 731 | (1,116) |
| Deferred tax effects | | (249) | 380 |
| Minority interests | | (119) | (620) |
| | | 363 | (1,356) |
| Capitalization of interest costs during construction Property, plant and equipment | b) | 1,702 | 1,475 |
| Deferred tax effects | | (579) | (501) |
| Minority interests | | (758) | (453) |
| | | 365 | 521 |
| Fair value of guarantees under FIN 45 | f) | 226 | 5,392 |
| Deferred tax effects | | (77) | (1,834) |
| Minority interests | | 251 | (1,563) |
| | | 400 | 1,995 |
| Accounting for derivative financial instruments | e) | 748 | (6,604) |
| Deferred tax effects | | (254) | 2,245 |
| Minority interests | | (390) | 3,443 |
| | | 104 | (916) |

**Table of Contents**

| | Note 25.I. | 2006 | 2005 |
|---|---|---|---|
| Gain on change in equity interest in Maxfácil | h) | (85,494) | |
| Minority interests | | 45,922 | |
| | | (39,572) | |
| Tax incentives | d) | | 650 |
| Minority interests | | | (474) |
| | | | 176 |
| Accounting for refunds | l) | 2,346 | 1,650 |
| Deferred tax effects | | (798) | (561) |
| Minority interests | | (1,223) | (860) |
| | | 325 | 229 |
| Goodwill and business combination | m) | | |
| Reversal of amortization of goodwill under Brazilian GAAP | | | 4,026 |
| Fair value allocated to assets of IPQ Depreciation | | (498) | (497) |
| Deferred tax effects | | 169 | 169 |
| Fair value allocated to investment of IPQ in COPESUL Equity in income | | 5,163 | 5,164 |
| Deferred tax over tax deductible goodwill | | | (1,369) |
| Minority interests | | (3,819) | (5,918) |
| | | 1,015 | 1,575 |
| Accounting for convertible debentures issued by IQ and warrants received by the Company | k) | | |
| Change in fair value of convertible debentures from January 1, 2005 to date of modification (October 2005) | | | (153,770) |
| Derecognition of warrant sold to RPI | | | (28,999) |
| | | | (182,769) |
| Deferred tax effects | | | 62,141 |
| Minority interests | | | 33,754 |
| | | | (86,874) |
| U.S. GAAP adjustments on net equity and net income of affiliates | j) | (11,733) | 142,938 |
| Minority interests | | 9,268 | (112,907) |
| | | (2,465) | 30,031 |
| Net income under U.S. GAAP | | 112,557 | 99,203 |

F-205

**Table of Contents**

**III - Reconciliation of the differences between U.S. GAAP and Brazilian GAAP in shareholders equity**

| | Note 25.I. | 2006 | 2005 |
|---|---|---|---|
| Shareholders equity as reported under Brazilian GAAP | | 804,029 | 708,362 |
| Inflation accounting: Property, plant and equipment | a) | 42,816 | 66,321 |
| Deferred tax effects | | (14,557) | (22,549) |
| Minority interests | | (7,339) | (18,431) |
| | | 20,920 | 25,341 |
| Pension and other post-employment benefits: | c) | | |
| Reversal of pension and other post-retirement liabilities recognized under Brazilian GAAP | | 84,649 | 93,384 |
| Recognition of other post-retirement liabilities under US GAAP | | (82,828) | (70,782) |
| Deferred tax effects | | (620) | (7,685) |
| Minority interests | | 3,636 | (5,648) |
| Effects on other comprehensive income due to additional minimum liability | | | (1,020) |
| Deferred tax effects | | | 347 |
| Minority interests | | | 299 |
| Effect of adoption of SFAS 158 on the ending balance of accumulated other comprehensive income | | (4,519) | |
| Deferred tax effects | | 1,537 | |
| Minority interests | | 1,102 | |
| | | 2,957 | 8,895 |
| Accounting for asset retirement obligation | g) | (100,779) | (101,510) |
| Deferred tax effects | | 34,264 | 34,513 |
| Minority interests | | 41,508 | 41,628 |
| | | (25,007) | (25,369) |
| Capitalization of interest costs during construction | b) | 11,465 | 9,763 |
| Deferred tax effects | | (3,898) | (3,320) |
| Minority interests | | (4,652) | (3,893) |
| | | 2,915 | 2,550 |
| Fair value of guarantees under FIN 45 | f) | (1,615) | (1,841) |
| Deferred tax effects | | 549 | 626 |
| Minority interests | | 723 | 472 |
| | | (343) | (743) |
| Accounting for derivative financial instruments | e) | | (748) |
| Deferred tax effects | | | 254 |
| Minority interests | | | 390 |
| | | | (104) |
| Accounting for refunds | l) | (7,298) | (9,644) |
| Deferred tax effects | | 2,481 | 3,279 |
| Minority interests | | 3,805 | 5,028 |

| | | |
|---|---|---|
| | (1,012) | (1,337) |

Table of Contents

| | Note 25.I. | 2006 | 2005 |
|---|---|---|---|
| Goodwill and business combination | | | |
| Reversal of goodwill under Brazilian GAAP | | | |
| Fair value alocated to assets of IPQ net of depreciation | m) | 1,340 | 1,838 |
| Deferred tax effects | | (456) | (625) |
| Fair value alocated to investment of IPQ in COPESUL | | (10,330) | (15,493) |
| Recognition of goodwill under U.S. GAAP | | 90,331 | 90,331 |
| Amortization of goodwill up to 2001 | | (24,127) | (24,127) |
| Deferred tax over tax deductible goodwill | | (12,302) | (12,302) |
| Minority interests | | (35,116) | (31,297) |
| | | 9,340 | 8,325 |
| Accounting for convertible debentures issued by IQ and warrants received by the Company | k) | | |
| Fair value of the difference between cost and fair value of convertible debenture as of December 31, 2004 | | 203,860 | 203,860 |
| Change in fair value of convertible debentures from January 1, 2005 to date of modification (October 2005) | | (153,770) | (153,770) |
| Derecognition of warrant sold to RPI | | (28,999) | (28,999) |
| | | 21,091 | 21,091 |
| Deferred tax effects | | (7,171) | (7,171) |
| Minority interests | | (10,995) | (10,995) |
| | | 2,925 | 2,925 |
| U.S. GAAP adjustments on net equity and net income of affiliates | j) | 129,337 | 141,071 |
| Minority interests | | (102,163) | (111,432) |
| | | 27,174 | 29,639 |
| Shareholders equity under U.S. GAAP | | 843,898 | 758,484 |

**IV - Statement of changes in shareholders equity in accordance with U.S. GAAP**

| | 2006 | 2005 |
|---|---|---|
| Shareholders equity under U.S. GAAP as of beginning of the year | 758,484 | 740,488 |
| Net income | 112,557 | 99,203 |
| Gain on change in equity interest in Maxfácil (Note 25.I.h) | 39,572 | |
| Dividends and interest on capital | (65,208) | (70,543) |
| Dividends proposed in 2004 and declared in 2005 | | (10,164) |
| Effects on other comprehensive income due to additional minimum liability | | (374) |
| Effect of adoption of SFAS 158 on accumulated other comprehensive income | (1,507) | |
| Other | | (126) |
| Shareholders equity under U.S. GAAP as of the end of the year | 843,898 | 758,484 |

| | | |
|---|---|---|
| Comprehensive income (under SFAS 130): | | |
| Net income | 112,557 | 99,203 |
| Effects on other comprehensive income due to additional minimum liability | | (374) |

| | | |
|---|---|---|
| Total comprehensive income | 112,557 | 98,829 |

Table of Contents

**V - Additional disclosures**

**(a) Earnings per share**

Under Brazilian GAAP, net income per share is calculated by dividing net income by the number of shares outstanding at the balance sheet date. In these consolidated financial statements, information is disclosed per lot of one thousand shares, because this is the minimum number of shares that can be traded on the Brazilian stock exchanges.

Under U.S. GAAP earnings per share are retroactively restated to reflect in all periods presented the effect of stock dividends. As disclosed in Note 19 in April 2006 the Company approved a stock dividend and earnings per share have been retroactively restated to reflect the effect of such stock dividend.

Since the preferred and common shareholders have different dividend rights (see Note 19), basic earnings per share have been calculated using the two-class method for U.S. GAAP purposes. The following table provides a reconciliation of the numerators and denominators used in computing earnings per share as required by SFAS No. 128:

| | For the year ended December 31, 2006 | | |
|---|---|---|---|
| | **Common** | **Preferred** | **Total** |
| Undistributed net income | 14,853 | 32,496 | 47,349 |
| Distributed net income (dividends and interest on capital) | 20,456 | 44,752 | 65,208 |
| Numerator | 35,309 | 77,248 | 112,557 |
| Weighted average shares outstanding (per thousand shares) basic and diluted (retroactively restated) | 10,706 | 21,294 | 32,000 |
| Basic and diluted earnings per share | 3.2979 | 3.6278 | |

| | For the year ended December 31, 2005 | | |
|---|---|---|---|
| | **Common** | **Preferred** | **Total** |
| Undistributed net income | 8,991 | 19,669 | 28,660 |
| Distributed net income (dividends and interest on capital) | 22,129 | 48,414 | 70,543 |
| Numerator | 31,120 | 68,083 | 99,203 |
| Weighted average shares outstanding (per thousand shares) basic and diluted (retroactively restated) | 10,706 | 21,294 | 32,000 |
| Basic and diluted earnings per share | 2.9067 | 3.1973 | |

Table of Contents

**(b) Statement of cash flows**

Brazilian GAAP does not require the presentation of a statement of cash flows as required by U.S. GAAP. Changes in working capital are presented in the statement of changes in financial position. U.S. GAAP requires the presentation of a statement of cash flows describing the Company s cash flows from operating, financing and investing activities. Statements of cash flows derived from the information based on Brazilian GAAP are as follows:

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004**

**(In thousands of Brazilian reais R$, unless otherwise stated)**

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net income | 160,875 | 169,788 | 138,041 |
| Minority interest | 257,120 | 258,815 | 252,550 |
| Adjustment to reconcile net income to cash provided by operating activities: | | | |
| Equity in affiliates | (87,056) | (76,463) | (74,715) |
| Change in investments | 2,164 | 4,026 | 20,491 |
| Depreciation and amortization | 110,213 | 100,978 | 96,339 |
| Net loss (gain) on permanent assets written off or sold | (4,889) | 1,752 | 669 |
| Reversal of provision for losses on permanent assets | | | (73,578) |
| Provision for losses on investment in Termogaúcha | 64,541 | | |
| Provision for loss on tax incentives | 280 | 337 | |
| Deferred income and social contribution taxes | (43,145) | (20,349) | (18,692) |
| Provision (reversal of provision) for contingencies | (726) | 41,809 | (5,943) |
| Provision (reversal of provision) for pension and other post-employment benefits | (8,735) | (45,914) | 1,038 |
| Allowance for doubtful accounts | 3,560 | 9,545 | 7,005 |
| Exchange/montery variation and interest on assets | (59,912) | (67,058) | (56,148) |
| Exchange/montery variation and interest on liabilities | 42,761 | (26,015) | 61,326 |
| (Increase) decrease in accounts receivable | (62,401) | (134,848) | (169,564) |
| (Increase) decrease in accounts receivable from related parties | 1,726 | 2,834 | 46,032 |
| (Increase) decrease on inventories | (57,212) | (32,762) | (114,474) |
| Increase (decrease) on suppliers | (58,382) | 17,574 | 109,179 |
| Accrued interest | (1,586) | 4,173 | (8,956) |
| Increase (decrease) on accounts payables to related parties | (2,489) | (34,094) | (14,571) |
| (Increase) decrease on other assets | (218) | 33,177 | 11,004 |
| Increase (decrease) on other liabilities | (28,975) | (45,154) | 102,405 |
| (Increase) decrease on escrow deposits | 2,397 | (5,202) | (19,551) |
| Cash flow from operating activities | 229,911 | 156,949 | 289,887 |
| **Cash flow from investing activities** | | | |
| Additions to investment | (3,848) | (8,737) | (19,710) |
| Additions of minority investment | (4) | (15) | |
| Additions to property, plant and equipment | (176,878) | (158,443) | (149,000) |
| Additions to deferred charges | (1,736) | (611) | (567) |
| Repayment of debentures from related parties | 240,757 | | |
| Loans to customers | (210,744) | (199,578) | (183,103) |
| Loans repaid from customers | 202,201 | 144,036 | 160,265 |
| Sales of permanent assets | 42,384 | 20,084 | 49,184 |
| Investment in restricted temporary investments | (80,822) | | |

| | | | |
|---|---|---|---|
| Cash flow from investing activities | 11,310 | (203,264) | (142,931) |

Table of Contents

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| **Cash flow from financing activities** | | | |
| New loans and financing obtained | 1,262,231 | 653,760 | 218,126 |
| Amortization of loans and financing | (1,279,535) | (508,765) | (417,624) |
| Dividends and interest on capital paid to minorities of consolidated subsidiaries | (95,336) | (106,309) | (88,873) |
| Dividends and interest on capital paid | (65,208) | (70,543) | (55,980) |
| Others | | 524 | |
| Cash flow from financing activities | (177,848) | (31,333) | (344,351) |
| Net increase (decrease) in cash and cash equivalents | 63,373 | (77,648) | (197,395) |
| Current cash and cash equivalents: | | | |
| At the beginning of the year | 52,945 | 130,593 | 327,988 |
| At the end of the year | 116,318 | 52,945 | 130,593 |
| Increase (decrease) in cash and cash equivalents | 63,373 | (77,648) | (197,395) |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | | |
| Cash paid during the year for: | | | |
| Interest, net of amounts capitalized | 68,189 | 48,312 | 43,300 |
| Income taxes | 49,381 | 83,944 | 75,996 |

Table of Contents

# *Companhia Brasileira de Petróleo Ipiranga and Subsidiaries*

*Financial Statements for the Years Ended*

*December 31, 2006, 2005 and 2004*

F-211

Table of Contents

**Report of Independent Auditors**

To the Board of Directors

and Shareholders of

Companhia Brasileira de Petróleo Ipiranga

We have audited the accompanying consolidated balance sheets of Companhia Brasileira de Petróleo Ipiranga and its subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, of changes in financial position and of changes in shareholders equity for the years ended December 31, 2006, 2005 and 2004. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Companhia Brasileira de Petróleo Ipiranga and its subsidiaries at December 31, 2006 and 2005, and the results of their operations and their changes in financial position for the years ended December 31, 2006, 2005 and 2004 in conformity with accounting practices adopted in Brazil.

Our audits were performed for the purpose of issuing an opinion on the financial statements referred to in the first paragraph, prepared in conformity with accounting practices adopted in Brazil. The consolidated statement of cash flows, which provides supplemental information about the Company and its subsidiaries, is not a required component of the financial statements. We also applied the audit procedures described above to the statement of cash flows for the years ended December 31, 2006, 2005 and 2004 and, in our opinion, it is fairly stated in all material respects in relation to the financial statements taken as a whole.

Accounting practices adopted in Brazil vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 25 to the consolidated financial statements.

PricewaterhouseCoopers Auditores Independentes

Rio de Janeiro, Brazil

September 28, 2007, except with respect to Note 25 as to which the date is November 9, 2007

Table of Contents

**COMPANHIA BRASILEIRA DE PETRÓLEO IPIRANGA AND SUBSIDIARIES**

**BALANCE SHEETS AS OF DECEMBER 31, 2006 AND 2005**

**(In thousands of Brazilian reais - R$)**

| | 2006 | 2005 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 89,902 | 20,623 |
| Trade accounts receivable | 1,101,168 | 1,033,354 |
| (-) Allowance for doubtful accounts | (50,639) | (48,747) |
| Related companies receivables | 5,825 | 4,430 |
| Debentures from related companies | 9,905 | |
| Recoverable taxes | 54,967 | 40,440 |
| Deferred income and social contribution taxes | 50,838 | 29,137 |
| Inventories | 425,578 | 384,765 |
| Other current assets | 12,257 | 12,264 |
| Prepaid expenses | 6,541 | 5,561 |
| | 1,706,342 | 1,481,827 |
| NONCURRENT ASSETS | | |
| Long-term assets: | | |
| Restricted Temporary investments | 57,829 | |
| Trade accounts receivable | 159,631 | 139,362 |
| Recoverable taxes | 2,985 | 3,437 |
| Deferred income and social contribution taxes | 36,151 | 42,123 |
| Debentures from related companies | 32,642 | 128,868 |
| Other long-term assets | 12,470 | 10,401 |
| Escrow deposits | 32,822 | 34,720 |
| Prepaid expenses | 11,125 | 11,074 |
| Investments: | | |
| Investments in affiliates | 250,348 | 250,545 |
| Other investments | 791 | 1,071 |
| Property, plant and equipment, net | 718,613 | 671,642 |
| Deferred charges, net | 554 | 1,234 |
| | 1,315,961 | 1,294,477 |
| TOTAL ASSETS | 3,022,303 | 2,776,304 |

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

Table of Contents

**COMPANHIA BRASILEIRA DE PETRÓLEO IPIRANGA AND SUBSIDIARIES**

**BALANCE SHEETS AS OF DECEMBER 31, 2006 AND 2005 (Continued)**

**(In thousands of Brazilian reais - R$)**

| | 2006 | 2005 |
|---|---|---|
| LIABILITIES AND SHAREHOLDERS EQUITY | | |
| CURRENT LIABILITIES | | |
| Loans and financing | 103,877 | 228,317 |
| Trade accounts payable | 473,348 | 508,073 |
| Taxes payable | 50,561 | 68,612 |
| Provision for contingencies | 32,354 | 33,753 |
| Provision for pension and post-employment benefits | 4,822 | 1,701 |
| Related companies payables | 1,107 | 1,110 |
| Payroll and related charges payable | 57,450 | 57,190 |
| Profit sharing | 11,257 | 10,651 |
| Debentures | 11,355 | |
| Other current liabilities | 42,539 | 51,236 |
| | 788,670 | 960,643 |
| NONCURRENT LIABILITIES | | |
| Related companies payables | 1,052 | |
| Loans and financing | 212,601 | 341,770 |
| Provision for contingencies | 59,017 | 57,021 |
| Provision for pension and post-employment benefits | 48,649 | 59,755 |
| Deferred income taxes and social contribution | 628 | 716 |
| Other long-term liabilities | 6,517 | 6,054 |
| Debentures | 350,000 | |
| | 678,464 | 465,316 |
| MINORITY INTEREST | 4 | 3 |
| SHAREHOLDERS EQUITY | | |
| Capital | 1,025,000 | 580,000 |
| Capital reserve | 600 | 600 |
| Profit reserves | 529,565 | 769,742 |
| | 1,555,165 | 1,350,342 |
| TOTAL LIABILITIES AND SHAREHOLDERS EQUITY | 3,022,303 | 2,776,304 |

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

Table of Contents

**COMPANHIA BRASILEIRA DE PETRÓLEO IPIRANGA AND SUBSIDIARIES**

**STATEMENTS OF INCOME**

**FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004**

**(In thousands of Brazilian reais - R$)**

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| GROSS SALES AND SERVICES | 22,783,003 | 20,104,465 | 16,769,080 |
| Taxes, discounts and returns | (557,882) | (627,964) | (520,733) |
| NET SALES AND SERVICES | 22,225,121 | 19,476,501 | 16,248,347 |
| Cost of sales and services | (21,143,026) | (18,450,054) | (15,336,536) |
| GROSS PROFIT | 1,082,095 | 1,026,447 | 911,811 |
| OPERATING (EXPENSES) INCOME | | | |
| Selling expenses | (365,646) | (312,694) | (285,090) |
| General and administrative expenses | (426,290) | (446,158) | (374,369) |
| Other operating income | 19,531 | 49,683 | 5,582 |
| Reversal of provision for loss on investments | | | 73,578 |
| Goodwill amortization | (2,164) | (4,026) | (20,491) |
| | (774,569) | (713,195) | (600,790) |
| OPERATING INCOME BEFORE FINANCIAL ITEMS | 307,526 | 313,252 | 311,021 |
| Financial income (expenses), net | (25,067) | 22,220 | 6,337 |
| Nonoperating income (expenses), net | 3,730 | (2,869) | (12,429) |
| | (21,337) | 19,351 | (6,092) |
| INCOME BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES, EQUITY IN AFFILIATES AND PROFIT SHARING | 286,189 | 332,603 | 304,929 |
| INCOME AND SOCIAL CONTRIBUTION TAXES | | | |
| Current | (70,291) | (88,219) | (66,069) |
| Deferred | 35,251 | 19,015 | 14,902 |
| | (35,040) | (69,204) | (51,167) |
| INCOME BEFORE EQUITY IN AFFILIATES AND PROFIT SHARING | 251,149 | 263,399 | 253,762 |
| Equity in affiliates | 87,056 | 76,463 | 74,715 |
| Profit sharing | (14,656) | (14,385) | (10,586) |
| NET INCOME | 323,549 | 325,477 | 317,891 |

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

F-215

Table of Contents

**COMPANHIA BRASILEIRA DE PETRÓLEO IPIRANGA AND SUBSIDIARIES**

**STATEMENTS OF CHANGES IN FINANCIAL POSITION**

**FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004**

**(In thousands of Brazilian reais - R$)**

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| SOURCES OF FUNDS | | | |
| From operations: | | | |
| Net income | 323,549 | 325,477 | 317,891 |
| Items not affecting working capital: | | | |
| Depreciation and amortization | 91,915 | 84,392 | 80,714 |
| Net book value of permanent assets written-off or sold | 36,038 | 19,346 | 48,155 |
| Equity in subsidiaries | (87,056) | (76,463) | (74,715) |
| Monetary and exchange variations on long-term assets | (18,438) | (22,144) | (19,650) |
| Monetary and exchange variations on long-term liabilities | (26,616) | (41,743) | (30,418) |
| Amortization of goodwill | 2,164 | 4,026 | 20,491 |
| Reversal of provision for loss on investments | | | (73,578) |
| Provision for impairment on investments (Note 12(i)) | 64,541 | | |
| Provision for loss on tax incentive investments | 280 | 337 | 192 |
| | 386,377 | 293,228 | 269,082 |
| From third parties: | | | |
| Long-term loans | 423,945 | 21,090 | 7,843 |
| Repayment of debentures from related companies | 101,062 | | |
| Transfer of debentures from long-term to current assets | 9,905 | | |
| | 534,912 | 21,090 | 7,843 |
| Total of sources | 921,289 | 314,318 | 276,925 |
| USES OF FUNDS | | | |
| Investments | 3,848 | 8,087 | 19,710 |
| Property and equipment | 148,112 | 130,463 | 131,880 |
| Deferred charges | 1,736 | 611 | 567 |
| Investment in restricted temporary investments | 54,958 | | |
| Dividends and interest on capital paid | 118,727 | 132,382 | 110,677 |
| Increase in long-term assets | 13,329 | 28,682 | 33,793 |
| Decrease in long-term liabilities | 7,595 | 8,591 | 20,847 |
| Transfer of loans from long-term to current liabilities | 176,496 | 9,281 | 8,844 |
| Amortization of long-term loans | | | 53,692 |
| Total of uses | 524,801 | 318,097 | 380,010 |
| INCREASE (DECREASE) IN WORKING CAPITAL | 396,488 | (3,779) | (103,085) |
| REPRESENTED BY | | | |
| Current assets: | | | |
| At end of year | 1,706,342 | 1,481,827 | 1,383,175 |
| At beginning of year | 1,481,827 | 1,383,175 | 1,343,697 |

| | | | |
|---|---|---|---|
| INCREASE | 224,515 | 98,652 | 39,478 |
| Current liabilities: | | | |
| At end of year | 788,670 | 960,643 | 858,212 |
| At beginning of year | 960,643 | 858,212 | 715,649 |
| INCREASE (DECREASE) | (171,973) | 102,431 | 142,563 |
| INCREASE (DECREASE) IN WORKING CAPITAL | 396,488 | (3,779) | (103,085) |

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

**Table of Contents**

**COMPANHIA BRASILEIRA DE PETRÓLEO IPIRANGA AND SUBSIDIARIES**

**STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY**

**FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004**

**(In thousands of Brazilian reais - R$)**

| | Capital | Capital reserve investment incentives | Premium on issuance of shares | Legal reserve | Profit reserve | Retained earnings | Total shareholders equity |
|---|---|---|---|---|---|---|---|
| BALANCES AS OF DECEMBER 31, 2003 | 450,000 | 20,360 | 108,806 | 58,548 | 311,720 | | 949,434 |
| Capitalization of reserves | | | | | | | |
| Net income | | | | | | 317,891 | 317,891 |
| Distribution of net income to: | | | | | | | |
| Legal reserve | | | | 15,894 | | (15,894) | |
| Statutory reserves | | | | | 191,320 | (191,320) | |
| Dividends | | | | | | (17,516) | (17,516) |
| Interest on capital | | | | | | (93,161) | (93,161) |
| BALANCES AS OF DECEMBER 31, 2004 | 450,000 | 20,360 | 108,806 | 74,442 | 503,040 | | 1,156,648 |
| Capitalization of reserves | 130,000 | (20,360) | (108,806) | | (834) | | |
| Fiscal incentives | | 600 | | | | | 600 |
| Net income | | | | | | 325,477 | 325,477 |
| Distribution of net income to: | | | | | | | |
| Legal reserve | | | | 16,275 | | (16,275) | |
| Statutory reserves | | | | | 176,820 | (176,820) | |
| Interest on capital | | | | | | (112,771) | (112,771) |
| Dividends | | | | | | (19,611) | (19,611) |
| Other | | | | | | | |
| BALANCES AS OF DECEMBER 31, 2005 | 580,000 | 600 | | 90,716 | 679,026 | | 1,350,342 |
| Capitalization of reserves | 445,000 | | | | (445,000) | | |
| Net income | | | | | | 323,549 | 323,549 |
| Distribution of net income to: | | | | | | | |
| Legal reserve | | | | 16,176 | | (16,176) | |
| Statutory reserves | | | | | 188,646 | (188,646) | |
| Interest on capital | | | | | | (106,296) | (106,296) |
| Dividends | | | | | | (12,431) | (12,431) |
| BALANCES AS OF DECEMBER 31, 2006 | 1,025,000 | 600 | | 106,893 | 422,672 | | 1,555,165 |

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

Table of Contents

**COMPANHIA BRASILEIRA DE PETRÓLEO IPIRANGA AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED**

**DECEMBER 31, 2006, 2005 AND 2004**

**(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)**

## 1 Operations

Companhia Brasileira de Petróleo Ipiranga (the Company ) and subsidiaries is a public company whose shares are traded on the São Paulo Stock Exchange (BOVESPA) and is controlled by members of the Bastos, Mello, Ormazabal, Tellechea and Gouvêa Vieira families.

The Company and its subsidiaries and affiliated companies are primarily engaged in the distribution of oil derivatives and related products, transportation, convenience stores and petrochemical industry and also hold non-controlling interests in companies engaged in the chemical and petrochemical business.

## 2 Presentation of consolidated financial statements

These financial statements were prepared in accordance with accounting practices adopted in Brazil (Brazilian GAAP), based on the corporate law and on the standards established by the Brazilian Securities Commission (CVM).

In order to improve the information provided to the market, the Company is including the statements of cash flows (parent company and consolidated) as an additional information in accordance with the determinations of the NPC 20 of IBRACON Brazilian Institute of Independent Auditors.

The financial statements presented herein are different from the ones prepared by the Company for statutory purposes because they do not include the holding company s stand-alone financial statements, have been adjusted with respect to the financial statements for statutory purposes to include in Note 25 a reconciliation of net equity and net income between the amounts under Brazilian GAAP Brazil and accounting principles generally accepted in the United States of America (U.S. GAAP) and have also been adjusted to present certain additional disclosures to facilitate its understanding by readers not familiar with accounting practices adopted in Brazil.

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates include, but are not limited to, estimates relating to the useful lives of property, plant and equipment, accounting for contingencies and provisions for income taxes, among others. Actual results could differ in relation to these estimates.

## 3 Summary of significant accounting practices

The accounting practices adopted in Brazil ( Brazilian GAAP ) to record transactions and prepare the consolidated financial statements comply with those prescribed by Brazilian corporate law and specific standards established by the Brazilian Securities Commission (CVM), which differ in certain respects from U.S. GAAP. See Note 25 for further discussions of these differences and a reconciliation of shareholders equity and consolidated net income between Brazilian GAAP and U.S. GAAP.

The following is a summary of significant accounting policies followed in the preparation of the accompanying consolidated financial statements:

### (a) Cash and cash equivalents

Cash and cash equivalents comprise highly-liquid temporary cash investments (with maturities of 3 months or less when acquired and readily convertible to cash).

Financial investments are stated at cost plus contracted remuneration, proportionally recognized up to the date of the financial statement date. Carrying amounts approximates fair value as of all dates presented.

**(b) Allowance for doubtful accounts**

The Company has individual customer credit information, which is used to assess customer ability to pay. The allowance is recorded in an amount considered sufficient by management to cover probable losses on realization of accounts receivable.

**(c) Inventories**

Stated at the lower of average acquisition or production cost or net realizable value.

**(d) Investments in affiliates and goodwill**

Accounted following the equity method with a corresponding entry to operating income.

Goodwill on the acquisition of subsidiaries is amortized over 10 years, the estimated period of realization.

**(e) Property, plant and equipment**

Stated at acquisition or construction cost, monetarily adjusted through December 31, 1995. Depreciation is calculated following the straight-line method based on the estimated economic useful lives of the assets. Leasehold improvements are depreciated over the term of the agreement or the economic useful lives of the assets, whichever is shorter.

**(f) Loans and financing**

Stated at the amount of principal, plus financial charges incurred on a pro rata basis through the balance sheet date. Foreign currency-denominated loans were converted into Brazilian reais at the exchange rates prevailing at the balance sheet date.

**(g) Income and social contribution taxes**

Tax expense is calculated based on the income tax rate of 15% plus a 10% surtax and social contribution tax rate of 9%.

**(h) Deferred income and social contribution taxes**

Calculated on temporary differences and on tax loss carryforwards using the income tax and social contribution tax rates effective for the period in which the tax effects are expected to be realized.

Deferred income and social contribution tax assets are only recognized up to the amount that is likely to be realized within the next 10 years as established by CVM Instruction No. 371/02.

**(i) Provision for contingencies**

Recorded for contingent risks whose likelihood of loss is probable, based on the opinion of management and inside and outside legal counsel. The provision is recorded based on the estimated losses upon the final resolution of lawsuits.

Table of Contents

**(j) Interest on capital**

Interest on capital can be paid by Brazilian companies in lieu of, or in addition to, mandatory dividend stipulated by the respective company s bylaws. Interest on capital is calculated within the limits established by Law No. 9,249/95 for a maximum amount computed as the TJLP (long term interest rate) applied on the respective shareholders equity.

Interest on capital received from affiliates is recorded as a receivable. Interest on capital payable, since it represents in essence dividends, is recorded as a reduction in Retained earnings .

**(k) Pension and other post-employment benefits**

Pension and other post-employment benefits liabilities to employees, retirees and pensioners (net of the assets of the plans) are recorded based on the actuarial calculation prepared by an independent actuary, using the Projected Unit Credit Method.

**(l) Other assets and liabilities**

Other assets and liabilities, classified as current and long term, are stated at realizable or estimated settlement amounts. These assets and liabilities are stated at cost or realizable value and known or estimated amounts, respectively, including, when applicable, interest and monetary and exchange variations.

**(m) Results of operations**

Revenue from sale of products is recognized when significant risks and benefits related to the product ownership pass to customer. Other income, expenses and costs are recognized when incurred and/or realized. The result includes interest and monetary and exchange variations, at contractual indexes or official rates, applicable to current and long-term assets and liabilities and, when applicable, the effects of adjustments of assets to its net realizable value.

Sales incentives are generally recognized as expenses and include, but are not limited to, discounts and rebates. Volume-based incentives payable in cash include amounts paid in advance with the commitment of the customer to reach specified minimum volumes over a certain period of time and incentives payable only after the minimum volumes have been met in a defined period of time. Volume-based incentives paid in advance are recognized as asset and subsequently recorded as cost of revenues in the statement of revenues and direct expenses over the period of the commitment of minimum sales. Volume-based incentives payable only after meeting the minimum volume are recognized as expense at the moment when the target volume has been achieved.

Table of Contents

F-221

**4 Consolidation criteria**

The consolidated financial statements have been prepared in accordance with the consolidation principles established by Brazilian GAAP and include the accounts of the Company and the following subsidiaries:

| Consolidated subsidiaries | Location | Shareholding % |
|---|---|---|
| am/pm Comestíveis Ltda. | Brazil | 99.99999 |
| Empresa Carioca de Produtos Químicos S.A. | Brazil | 99.99800 |
| Ipiranga Asfaltos S.A. | Brazil | 99.99175 |
| Ipiranga Comercial Importadora e Exportadora Ltda. | Brazil | 99.00000 |
| Ipiranga Trading Ltda. | British Virgin Islands | 100.00000 |
| Tropical Transportes Ipiranga Ltda. | Brazil | 99.99685 |
| Ipiranga Imobiliária Ltda. | Brazil | 99.99998 |
| Ipiranga Logística Ltda. | Brazil | 99.00000 |
| Maxfácil Participações S.A. (*) | Brazil | 34.00000 |

(*) Shared control with Distribuidora de Petróleo Ipiranga S.A. ( DPPI ) which holds a 16.0% interest and with União de Bancos Brasileiros S.A. UNIBANCO which holds 50.0%. Change in Ipiranga Participações Societárias S.A. s corporate name. Maxfácil was incorporated by the Company and DPPI. Subsequently, UNIBANCO contributed in cash the amount of R$ 171 million for a 50.0% interest resulting in the recognition by the Company of a gain in change of interest of R$ 58,136. Maxfácil is a joint-venture which business purpose is to offer financial services to the customers and distributors of Ipiranga products for a period of 10 years.

The following practices were adopted in the preparation of the consolidated financial statements:

(a) Intercompany balances and transactions and unrealized profits have been eliminated; and

(b) Minority interest in fully-consolidated subsidiaries is presented in a separated caption.

**5 Cash and cash equivalents**

| | 2006 | 2005 |
|---|---|---|
| Cash and banks | 9,639 | 13,749 |
| Certificates of Deposit (CDBs) | 69,924 | 1,873 |
| Debt securities | 7,491 | 5,001 |
| Sale and repurchase agreements (*) | 60,677 | |
| | 147,731 | 20,623 |
| (-) Current | 89,902 | 20,623 |
| Long term | 57,829 | |

(*) Sale and repurchase agreements of debentures carrying interest at 100% of the CDI.

**Table of Contents**

F-222

**6 Trade accounts receivable**

| | 2006 | 2005 |
|---|---|---|
| Domestic market: | | |
| Trade notes receivable | 964,352 | 895,941 |
| Customer financing | 292,905 | 273,405 |
| | 1,257,257 | 1,169,346 |
| Foreign market- Receivables | 3,542 | 3,370 |
| | 1,260,799 | 1,172,716 |
| (-) Current | 1,101,168 | 1,033,354 |
| Long term | 159,631 | 139,362 |

Long-term portion is mainly represented by customer financing. Under customer financing, cash loans are provided to gas stations using the Ipiranga brand. Such loans are generally used by the gas stations to finance renovation and modernization of fuel stations, as well as for working capital including acquisition of products and investing in marketing. Customer financing are generally for periods up to 10 years and carry interest of 1% per month.

**7 Related-party transactions**

Intercompany transactions are conducted under price and period conditions similar to those adopted for transactions with unrelated parties and are as follows:

| Companies | Trade accounts receivable (current) | Debentures and receivable from the sale of warrants from related parties (current) | Debentures and receivable from the sale of warrants from related parties (long term) | Trade accounts payable | Sales | Purchases | Financial income |
|---|---|---|---|---|---|---|---|
| Distribuidora de Produtos de Petróleo Ipiranga S.A. | 3,327 | | | 1,456 | 68,136 | 12,138 | |
| Ipiranga Química S.A. | 2,100 | 9,905(a) | 32,642(a) | 433 | 19,837 | 5,262 | 14,741 |
| Ipiranga Petroquímica S.A. | 328 | | | | 584 | 3,770 | |
| Refinaria de Petróleo Ipiranga S.A. | 11 | | | | 121 | 1,274 | 15 |
| Others | 59 | | | 270 | | 154 | |
| **Total as of December 31, 2006** | **5,825** | **9,905** | **32,642** | **2,159** | **88,678** | **22,598** | **14,756** |
| Distribuidora de Produtos de Petróleo Ipiranga S.A. | 3,468 | | | 369 | 47,077 | 3,723 | |
| Ipiranga Química S.A. | 838 | | 128.868 | 458 | 7,952 | 4,533 | 21,684 |
| Ipiranga Petroquímica S.A. | 81 | | | 110 | 261 | 6,500 | |
| Refinaria de Petróleo Ipiranga S.A. | 4 | | | 2 | 123 | 838 | |
| Others | 39 | | | 171 | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Total as of December 31, 2005** | **4,430** | **128,868** | **1,110** | **55,413** | **15,594** | **21,684** |
| Distribuidora de Produtos de Petróleo Ipiranga S.A. | | | | 40,020 | 41,115 | |
| Ipiranga Química S.A. | | | | 3,297 | 3,951 | 16,041 |
| Ipiranga Petroquímica S.A. | | | | 126 | 5,861 | (414) |
| Refinaria de Petróleo Ipiranga S.A. | | | | 1,535 | 15,724 | |
| **Total as of December 31, 2004** | | | | **44,978** | **66,651** | **15,627** |

*(a) Debentures issued by Ipiranga Química in 2003*

The Extraordinary Shareholders Meeting of Ipiranga Química S.A. held on May 26, 2003 approved the issuance of two series of private convertible debentures, consisting of 11,000 Series A debentures, with face value of R$ 10 each, amounting to R$ 110,000, and 80,000 Series B debentures, with face value of R$ 1 each, amounting to R$ 80,000. Both series of debentures mature on June 1, 2008.

On June 12, 2003, DPPI fully subscribed the Series A and the Company fully subscribed the Series B.

The subscribed debentures pay interest based on the CDI interest rate, plus spread subject to renegotiation every 6 months (for Series A) and every 5 months (for Series B) as established by the indenture dated June 1, 2003.

The spread for Series A debentures, for the most part of 2005, was 1.5% per year, and changed to 1.0% per year on December 1, 2005, remaining the same for 2006. The spread for Series B debentures was 1.0% per year in 2005 remaining the same for 2006.

Debentures are convertible into common shares of Ipiranga Química S.A. at any time after its issuance and until its maturity or redemption at the option of the holder.

The conversion price is a fixed amount established in the Indenture of the debentures. However, the quantity of common shares to be received upon conversion will be higher than the amount determined as face value of the debentures divided by the conversion price if they are converted before June 1, 2007. The quantity of additional shares to be received will be 25% if converted up to June 1, 2004, 18.2177% if converted before June 1, 2005, 11.8034% if converted before June 1, 2006 and 5.7371% if converted before June 1, 2007.

*(b) Early partial redemption of the debentures in 2006*

The shareholders meetings of Ipiranga Petroquímica S.A. ( IPQ , a subsidiary of IQ) held on April 28, 2006 approved the payment of supplementary dividends and a capital reduction, scheduled for June 13, 2006 and July 31, 2006, respectively. Considering that IQ, due to its interest in IPQ, received funds on said dates, the Board of Directors of IQ, at a meeting held on May 2, 2006, resolved that IQ would partially early redeem its debentures, which were issued on June 1, 2003 due to the financial cost of this debt.

As a result, in 2006, IQ partially amortized 71.6% of the Series B debentures, subscribed by CBPI, in the amount of R$ 101,062 thousand (there was no amortization in 2005).

*(c) Modification of terms of the debentures and sale of warrants by the Company*

Pursuant to a Memorandum of Understanding signed on October 3, 2005, the Company, DPPI and Refinaria de Petróleo Ipiranga S.A. (the controlling shareholder of IQ) agreed to hold an Extraordinary Shareholders Meeting of IQ to approve a change in the type of debentures, issued by IQ on June 1, 2003.

The changes approved on the meeting held on October 6, 2005 were: (i) to change the debentures from convertible to nonconvertible without making any other change in the terms or conditions of the debentures, and (ii) the issuance of warrants to the holders of the debentures, without any charge, replacing the conversion right established for the debentures; the terms of the warrants allow their holder to purchase common shares of IQ in exactly the same terms than the conversion features originally included in the debentures.

Subsequently, on December 1, 2005, a Sale Agreement was signed whereby DPPI sold for R$ 29 million to Refinaria de Petróleo Ipiranga S.A. the warrants it has obtained. The amount for the sale of the warrants is payable on October 3, 2007, and carries interest at the CDI interest rate.

Table of Contents

F-224

**8 Inventories**

| | 2006 | 2005 |
|---|---|---|
| Fuel | 299,215 | 321,614 |
| Lubricants and greases | 35,279 | 26,511 |
| Raw materials, packaging and storeroom | 27,155 | 23,040 |
| Advances to suppliers | 63,929 | 13,600 |
| | 425,578 | 384,765 |

**9 Recoverable taxes**

| | 2006 | 2005 |
|---|---|---|
| Income tax | 10,426 | 14,658 |
| Social contribution tax | 3,939 | 5,459 |
| ICMS (State VAT) | 36,262 | 18,711 |
| IPI (Federal VAT) | 5,931 | 4,134 |
| Other | 1,394 | 915 |
| | 57,952 | 43,877 |
| (-) Current | 54,967 | 40,440 |
| Long term | 2,985 | 3,437 |

**10 Income and social contribution taxes**

**(a) Deferred**

Deferred tax assets are recognized based on the Company s history of profitability, supported by budgets, approved by management, which estimate future income for the realization of this asset over a period not exceeding 10 years.

Deferred tax assets and liabilities are as follows:

| | 2006 | 2005 |
|---|---|---|
| **Assets** | | |
| Provision for pension and other post-employment benefits | 53,471 | 61,462 |
| Provision for contingencies | 91,371 | 90,774 |
| Provision for variable compensation | 30,465 | 36,785 |
| Provision for loss on investment in Termogaúcha Usina Termelétrica S.A. (Note 12) | 64,541 | |
| Provision for loss on property and equipment | | 10,318 |
| Other provisions | 16,003 | 10,248 |
| Tax basis | 255,851 | 209,587 |
| Statutory rate | 34% | 34% |

| | | |
|---|---|---|
| Deferred income and social contribution taxes | 86,989 | 71,260 |
| (-) Current | 50,838 | 29,137 |
| Long term | 36,151 | 42,123 |
| **Long-term liabilities** | | |
| Property, plant and equipment accelerated depreciation | 2,513 | 2,866 |
| Statutory rate | 25% | 25% |
| Deferred income tax | 628 | 716 |

Table of Contents

**(b) Estimated realization of deferred tax assets**

The realization of tax credits and debts is based on future taxable income projections limited to the 10 years after each balance sheet date, as follows:

| | 2006 | 2005 |
|---|---|---|
| 2006 | | 29,137 |
| 2007 | 50,838 | 20,934 |
| 2008 | 20,525 | 2,398 |
| 2009 | 2,038 | 2,219 |
| 2010 | 1,586 | 2,305 |
| 2011 to 2013 | 5,422 | 7,958 |
| 2014 to 2016 | 6,580 | 6,309 |
| | 86,989 | 71,260 |

**(c) Reconciliation of effective income tax and social contribution tax rate**

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| **Reconciliation of current income and social contribution taxes** | | | |
| Income before income taxes, profit sharing and minority interest | 286,189 | 332,603 | 304,929 |
| Additions and deductions: | | | |
| Goodwill amortization | 2,164 | 4,026 | 20,491 |
| Gain on change in equity interest | (58,136) | | |
| Profit sharing | (14,656) | (14,385) | (10,586) |
| Interest on capital | (106,296) | (112,771) | (93,161) |
| Provision for variable compensation | 30,465 | 36,785 | 23,371 |
| Provision for loss on investments | 64,541 | | (73.578) |
| Provision for contingencies | 5,050 | 45,635 | 5,262 |
| Reversion for post-employment benefits | (7,579) | (38,624) | 701 |
| Marketing | 6,427 | 7,606 | |
| Other additions and deductions | | 21 | 18,322 |
| Tax basis | 208,169 | 260,896 | 195,751 |
| Statutory rate | 34% | 34% | 34% |
| **Current income and social contribution taxes** | (70,777) | (88,705) | (66,555) |
| Additional in IRPJ (corporate income tax) rate | 486 | 486 | 486 |
| **Current income and social contribution taxes** | (70,291) | (88,219) | (66,069) |
| **Reconciliation of deferred income and social contribution taxes** | | | |
| Provision for variable compensation | 30,465 | 36,785 | 23,371 |
| Recognition (reversal) of reserve for contingencies | 5,050 | 45,635 | 5,262 |
| Recognition (reversal) of provision for post-employment benefits | (7,579) | (38,624) | 701 |
| Provision for loss on investments | 64,541 | | |
| Other temporarily non-deductible provisions | 11,203 | 12,131 | 14,496 |
| Tax basis | 103,680 | 55,927 | 43,830 |
| Statutory rate | 34% | 34% | 34% |

| | | | |
|---|---|---|---|
| **Deferred income and social contribution taxes** | 35,251 | 19,015 | 14,902 |

Table of Contents



## 11 Prepaid expenses

| | 2006 | 2005 |
|---|---|---|
| Lease contracts | 13,058 | 12,918 |
| Marketing | 1,339 | |
| Prepaid insurance | 530 | 461 |
| Other prepaid expenses | 2,739 | 3,256 |
| | 17,666 | 16,635 |
| (-) Current | 6,541 | 5,561 |
| Long term | 11,125 | 11,074 |

Long-term portion refers substantially to prepaid lease contracts.

## 12 Investments in affiliates

**Ipiranga Química S.A. (IQ)**: distributor of chemical products and parent company of IPQ Ipiranga Petroquímica S.A. (IPQ) In the Extraordinary General Meeting held on November 16, 2006 Ipiranga Comercial Química S.A. (ICQ) had its corporate name changed to Ipiranga Química S.A.

**Transportadora Sulbrasileira de Gás S.A. ( TSB )**: Entity responsible for the construction and operation of a gas pipeline between the cities of Uruguaiana and Porto Alegre, in the Rio Grande do Sul State.

**Termogaúcha Usina Termelétrica S.A.** (in liquidation) Entity created for the purpose of installing and operating a thermoelectric power plant in the South Petrochemical Complex, in the city of Triunfo, Rio Grande do Sul State.

F-227

| | IQ (ii) | Termogaúcha (i) | TSB (iii) | 2006 | 2005 |
|---|---|---|---|---|---|
| **Information on investment for the purpose of calculating the equity results** | | | | | |
| Total of shares/quotas-Ordinary stock | 180,853,642 | 892,060 | 16,100 | | |
| Percentage interest: | | | | | |
| Capital | 41.47311 | 26.23113 | 20.00000 | | |
| Elector capital | 41.47311 | 26.23113 | 20.00000 | | |
| Capital | 294,533 | 328,300 | 80,500 | | |
| Shareholders equity of the investee | 599,127 | 340,077 | 29,336 | | |
| Net income (loss) of the investee | 220,861 | | (1,375) | | |
| **Changes in investments during the years presented** | | | | | |
| Beginning balance | 156,878 | 85,359 | 8,306 | 250,545 | 170,019 |
| Capital increase | | 3,850 | | 3,850 | 8,089 |
| Provision for impairment | | (64,541) | | (64,541) | |
| Distribution of cash to shareholders | | (24,396) | | (24,396) | |
| Goodwill amortization | | | (2,164) | (2,164) | (4,026) |
| Equity in affiliates | 87,331 | | (275) | 87,056 | 76,463 |
| **Ending balances** | 244,209 | 272 | 5,867 | 250,348 | 250,545 |

(i) Impairment on investment in Termogaúcha and liquidation

At the Extraordinary Shareholders Meeting held on September 12, 2006, the shareholders of Termogaúcha approved its liquidation, considering the conditions of natural gas supply and higher costs of maintenance, preservation and storage of the already acquired generating equipment. The Company recorded a provision for impairment in the equity investee of R$ 64,541. On the same date, the Annual and Extraordinary Shareholders Meeting approved a capital increase in Termogaúcha and the subsidiary CBPI paid R$ 3,850, corresponding to several advances for future capital increase, which were previously recorded in long-term assets.

On December 14, 2006, a new Extraordinary Shareholders Meeting of Termogaúcha approved the distribution of cash (resulting from the liquidation process) to the shareholders, under article 215 of the Brazilian corporate law. CBPI received R$ 24,396.

(ii) At the Extraordinary Shareholders Meeting held on November 16, 2006, the name of Ipiranga Comercial Química S.A. changed to Ipiranga Química S.A.

(iii) During 2006 the Company recognized a full impairment on the goodwill of TSB for R$ 2,164.

**13 Property, plant and equipment**

| | Annual depreciation rates % | Cost | 2006 Accumulated depreciation | Net | 2005 Net |
|---|---|---|---|---|---|
| Land | | 124,973 | | 124,973 | 127,193 |
| Buildings and constructions | 4 | 206,672 | (106,908) | 99,765 | 97,353 |
| Distribution equipment and installations | 11.19 | 948,650 | (572,131) | 376,520 | 340,366 |
| Furniture and fixtures and vehicles | 12.95 | 77,367 | (50,073) | 27,294 | 21,517 |
| Leasehold improvements (1) | 6.2 | 61,062 | (34,668) | 26,394 | 22,363 |
| Construction in progress | | 50,908 | | 50,908 | 40,463 |

| | | | | |
|---|---|---|---|---|
| Advances to suppliers | 9,024 | | 9,024 | 20,552 |
| Other | 8,385 | (4,649) | 3,735 | 1,835 |
| | 1,487,041 | (768,429) | 718,613 | 671,642 |

F-228

(1) Leasehold improvements are depreciated over the term of the agreement or the useful life of the asset, whichever is shorter.

**14 Loans and financing**

| | 2006 | | 2005 | | | | |
|---|---|---|---|---|---|---|---|
| **Characteristics** | **Current** | **Long term** | **Current** | **Long term** | **Interest rate based on** | **Additional charges** | **Guarantees** |
| **Local currency** | | | | | | | |
| BNDES | 8,762 | 20,267 | 4,971 | 23,873 | TJLP | From TJLP + 4.4% p.a. up to TJLP + 5.1% p.a. / 80% TJLP + 20% of currencies portfolio + 4.5% p.a. | Assets/DPPI guarantees |
| Debentures (b) | 11,355 | 350,000 | | | CDI | 103.8% of the CDI | No guarantees |
| Financial Institutions | | 60,371 | | | CDI | 100.0% of the CDI | Debentures acquired by the subsidiary |
| Debtor balance | 46,000 | | 12,868 | | | No charges | No guarantees |
| Subsidiaries | 32,661 | 8,552 | 38,357 | 4,910 | TJLP | From TJLP + 1.7% p.a. up to TJLP +4.5% p.a. 106.4% up to 106.5 % of the CDI | Assets/CBPI and Repisa guarantees |
| | 98,778 | 439,190 | 56,196 | 28,783 | | | |
| **Foreign currency** | | | | | | | |
| Compror | | | 154,940 | | | Exchange variations US$ + 1.0% p.a. up to + 1.3% p.a. Exchange variations Ienes + 1.4% p.a. | Promissory note |
| Notes (a) | 4,935 | 119,942 | 7,730 | 312,987 | | Exchange variations US$ + 9.875% p.a. | No guarantees |
| Subsidiaries | 11,519 | 3,469 | 9,451 | | | From v.c. + 6.0% p.a. up to + v.c. + 8.2% p.a. | CBPI guarantees |
| | 16,454 | 123,411 | 172,121 | 312,987 | | | |
| **Total consolidated** | 115,232 | 562,601 | 228,317 | 341,770 | | | |

BNDES National Bank for Economic and Social Development

TJLP Long-term interest rate

CDI Interbank Deposit Rate

REPISA Refinavria de Petróleo Ipiranga S.A.

(a) On August 1, 2003, the Company issued US$ 135 million in notes in the international market. On August 1, 2005, when interest increased from 7.875% per year to 9.875% per year some of the holders decided to early redeem its notes in the amount of US$ 1,285 or R$ 3,072. In 2006, there was a partial redemption in the amount of US$ 79,574 or R$ 164,811, which represents the acceptance of the repurchase offer made by the Company to the bondholders.

Table of Contents



(b) On April 18, 2006, the Company registered with the Brazilian Securities Commission (CVM) a public offering of 35,000 debentures, of a single series, nonconvertible, with face value of R$ 10 each, and issued on April 1, 2006, in the amount of R$ 350,000. The debentures mature on April 1, 2011 with principal repaid in three annual instalments. They pay interest, from the issuance date, on their unit face value, of 103.80% of the daily average rate of interbank deposits ( Taxa DI over extra grupo ), disclosed by the Clearinghouse for the Custody and Financial Settlement of Securities ( CETIP ). Interest is payable every 6 months from the issuance date of the debentures.

The long-term portion matures as follows:

| | 2006 | 2005 |
|---|---|---|
| 2007 | | 10,706 |
| 2008 | 193,710 | 323,047 |
| 2009 | 126,187 | 6,774 |
| 2010 | 124,716 | 1,243 |
| 2011 | 117,988 | |
| | 562,601 | 341,770 |

**15 Taxes payable**

| | 2006 | 2005 |
|---|---|---|
| Income tax | 9,286 | 10,041 |
| Social contribution tax | 3,214 | 3,326 |
| PIS (tax on revenue) | 1,628 | 1,900 |
| COFINS (tax on revenue) | 7,532 | 8,703 |
| ICMS (State VAT) | 28,167 | 43,559 |
| Other | 734 | 1,083 |
| | 50,561 | 68,612 |

**16 Contingencies**

**(a) Probable losses**

A provision was recognized to cover probable losses estimated by management, supported by external and internal legal counsel, arising from the following lawsuits:

| | 2006 | 2005 |
|---|---|---|
| Tax lawsuits | 75,828 | 72,066 |
| Civil lawsuits | 5,659 | 8,000 |
| Labor lawsuits | 9,884 | 10,708 |
| Total | 91,371 | 90,774 |
| (-) Current | 32,354 | 33,753 |
| Long term | 59,017 | 57,021 |

F-230

**Civil lawsuits**

As of December 31, 2006 and 2005, civil lawsuits of the Company s subsidiaries are mostly related to clauses of lease and supply agreements entered into with customers and indemnity claims arising from these agreements and civil liability.

**Labor lawsuits**

Labor lawsuits of the Company and its subsidiaries refer mainly to lawsuits filed by former employees and outsourced professionals claiming payroll charges, such as overtime, hazardous duty premium, etc.

**Tax lawsuits**

Tax lawsuits referred mainly to: (1) requirement of reversal of credits for ICMS on the provision of proper transportation services during the period the system of freight reimbursement by DNC (currently National Oil, Natural Gas and Biofuel Agency ANP) was in effect and, although the freight reimbursements have always been made by DNC without the ICMS amount, previous court decisions have been unfavorable to the Company s arguments; (2) requirement of ICMS/Tax Substitution on interstate sales to end consumers under ICMS Agreement No. 105/92, subsequently amended by Agreement No. 112/93, in which the STF (Federal Supreme Court) resolved the matter, defining that the ICMS on fuel belongs to the State that consumes the fuel, even if the fuel is sold to the end consumer; (3) requirement of reversal of credits for ICMS, in Minas Gerais State, on interstate shipments made pursuant to article 33 of ICMS Agreement No. 66/88, which allowed the maintenance of the credit and which was suspended by an injunction granted by the STF; and (4) assessments due to undue deduction of discounts from the ICMS tax basis, in Minas Gerais State, owed on a tax substitution basis.

**(b) Possible losses**

Lawsuits for which management assessed the probability of loss as possible , based on the opinion of its internal and external legal counsel, are not accrued in the financial statements and are composed of:

| | **2006** | **2005** |
|---|---|---|
| Tax lawsuits | 225,806 | 178,226 |
| Civil lawsuits | 69,143 | 57,387 |
| Labor lawsuits | 14,400 | 21,975 |
| Total | 309,349 | 257,588 |

**Tax lawsuits**

Tax lawsuits of the Company included in this classification were principally related with: (1) requirements for the reversal of ICMS credits, except in the Minas Gerais State, upon interstate outflows, as defined in the article 33 of ICMS Agreement 66/88, which allowed the maintenance of credit and which was suspended by an injunction conceded by the STF; (2) assessment for ICMS and reversals of credits of the tax due on the purchases of basic oils, interstate shipments which were not taxed, based on a constitutional rule of non-incidence; (3) demands to reverse ICMS credits related with the provision of transport services related to interstate operations which were not taxed, based on a constitutional rule of non-incidence; (4) demands to reverse ICMS credits derived from excess taxation generated on the purchase of products in the Petroleum Refinery under the tax substitution system, appropriated on the basis of the non-occurrence of one of the commercialization stages defined as the presumed originator, in direct sales to clients which were the final consumers; and (5) demands for ICMS payment on the sales to

Pará s clients in the fishing sector that benefit from tax exemption due to a presumed lack of authorization of SEFAZ/PA. These suits are at different stages, in the administrative and judicial sphere, such as production of proof and of jurisprudence consolidation in the higher courts.

**Civil lawsuits**

Civil lawsuits of the Company and its subsidiaries are mostly related to clauses of lease and supply agreements entered into with customers and indemnity claims arising from these agreements and civil liability.

**Labor lawsuits**

Labor lawsuits of the Company and its subsidiaries refer to lawsuits filed by former employees and outsourced professionals claiming specific payroll benefits, lawsuits filed by former employees, outsourced professionals and employees of gas stations that are customers of the Company, related to payroll charges, such as overtime, hazardous duty premium, etc., which are in progress at the stage of providing evidence, without a decision having been reached.

**(c) Contingent assets**

The Company and its subsidiaries filed judicial and/or administrative proceedings with Federal and State tax authorities to recover taxes unduly paid or overpaid. These proceedings, when concluded, may represent income that, due to its contingent nature, is not recorded in the financial statements as of December 31, 2006.

Due to the progress of lawsuits and based on their legal counsel s opinion, the companies management assessed the likelihood of a favorable outcome in the aforementioned lawsuits as probable or possible, depending on the specific circumstances. As of December 31, 2006 said lawsuits may be summarized as follows:

| | |
|---|---|
| **Federal level** | |
| Corporate income tax rate increase | 7,087 |
| FGTS (severance pay fund) refund of tax | 263 |
| National Telecommunication Fund | 2,077 |
| PIS/COFINS (taxes on revenue) increase in tax basis | 26,828 |
| | 36,255 |
| **State level** | |
| State income surtax (AIRE) | 12,390 |

**17 Employee and management profit sharing**

Profit sharing is calculated based on net income for the year, after deducting accumulated deficit, if any, and provision for income and social contribution taxes, and is distributed as follows:

**(a) Employee profit sharing**

Calculated based on 3% of net income from operations, which will be computed excluding income from investments in companies (recorded in the stand-alone individual statements of income of the Company as equity in subsidiaries and affiliates), amortization of goodwill or negative goodwill, sale or write-off of investments in companies and, finally, interest paid or received by the Company as interest on capital.

**(b) Management profit sharing**

At the discretion of the Board of Directors, management profit sharing will be calculated based on up to 10% of income after deducting employee profit sharing and cannot exceed the annual global compensation established at the Shareholders Meeting.

## 18 Provision for pension and other post-employment benefits

### (a) Pension benefits provided by Fundação Francisco Martin Bastos

The Company, together with other Petróleo Ipiranga companies, sponsors Fundação Francisco Martins Bastos (FFMB), a closed pension entity that manages and operates pension plans for the employees of Petróleo Ipiranga companies.

FFMB Benefit Plan was created in 1993. Initially, only the basic benefit was established (a defined benefit plan) and in July 1998 the supplementary benefit (structured as a defined contribution plan in the phase of capitalization of estimated benefits) was implemented, whose contribution is computed as a percentage over variable compensation. The pension plan is funded by the sponsors and participants.

On August 31, 2005, the SPC (Secretariat for Pension Plan), through Official Letter No. 1003/SPC/DETEC/CGAT, approved the new Ruling of FFMB Benefit Plan. New regulations were introduced related to portability, deferred proportional benefit, self-sponsorship and redemption provided for in CGPC (Supplemental Pension Management Council) Resolution No. 6 of October 30, 2003, as well as changes in the calculation of benefits, new GAM-83 life expectancy table and change in the actuarial method from unit credit to projected unit credit became effective as actuarial adjustments.

The main changes in the calculations of benefits, approved in the new regulation, refer to the adjustment of the employee salary, gradual elimination of bonus for length of service credited for the purpose of calculating benefits and the increase in the percentage of reduction of the early retirement basic benefit.

These changes reduced the plan s total cost for the sponsors by 36%, as defined by the actuary based on the percentage of the participants payroll for 2006.

In 2006, SPC, by means of CGPC Resolution No. 18, of March 28, 2006, established new technical/actuarial parameters for private pension plan entities. Therefore, the minimum life expectancy table that was adopted is AT-1983, increasing the life expectancy of active participants by approximately 2 years.

### (b) Other post-employment benefits

According to CVM Resolution No. 371/00, the Company, in addition to the pension plan, recognizes a provision for other post-employment benefits related to bonus for length of service, FGTS (severance pay fund), health-care plan and life insurance for eligible retirees. Other post-employment benefits are unfunded and are provided directly by the Company and each of its subsidiaries of the Petróleo Ipiranga Group.

The reconciliation of pension and other post-employment benefit liabilities as of December 31 is as follows:

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| Present value of funded obligations | (351,258) | (308,875) | (311,194) |
| Present value of unfunded obligations | (68,049) | (63,843) | (56,539) |
| Fair value of plan assets | 362,335 | 301,316 | 254,243 |
| Unrecognized actuarial gains (losses) | 3,501 | 9,946 | 11,727 |
| Net post-employment benefit liabilities | (53,471) | (61,456) | (101,763) |
| (-) Current | 4,822 | 1,701 | 11,097 |
| Long term | (48,649) | (59,755) | (90,666) |

Table of Contents

F-233

The portion of actuarial gains or losses to be recognized as income or expense is the amount of unrecognized gains and losses that exceed, in each year, the higher of the following amounts:

(i) 10% of the present value of the total actuarial obligation of the defined benefit; and
(ii) 10% of the fair value of plan assets.

The portion that exceeds such limits will be annually amortized dividing its amount by the remaining average length service estimated for the plan s participants.

The amounts recognized in the statements of income are as follows:

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| Cost of current service | 8,967 | 8,501 | 8,189 |
| Cost of interest | 40,878 | 40,332 | 37,927 |
| Expected return on assets | (46,595) | (38,266) | (27,995) |
| Amortization of actuarial gain (losses) | 963 | 753 | 867 |
| Employees contributions | (2,890) | (3,552) | (3,966) |
| Total expenses in the year | 1,323 | 7,768 | 15,022 |

Changes in net pension and other post-employment benefit liabilities may be shown as follows:

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| Net liability at beginning of year | (61,456) | (101,763) | (101,329) |
| Expenses in the year | (1,323) | (7,768) | (15,022) |
| Company s contributions in the year | 5,938 | 8,513 | 12,858 |
| Benefits paid in the year | 224 | 3,479 | 1,730 |
| Adjustment to the present value of obligations/other adjustments | 3,146 | 36,083 | |
| Net liability at end of year | (53,471) | (61,456) | (101,763) |

The main actuarial assumptions applied are as follows:

Discount rate of actuarial obligation at present value - 10.8% per year

Expected long-term rate of return on assets - 13.2% per year

Projected average salary growth rate - 6.6% per year

Inflation rate (long term) - 4.5% per year

Medical services growth rate - 7.6% per year

Biometric assumptions used:

Mortality table - AT 1983 basic rated down by 10% (*)

Turnover table - adjusted Towers Perrin

Disabled mortality table - RRB 1983

Disability table - amended RRB 1944 rated

(*) For life insurance benefit, the CSO-80 mortality table was used

Table of Contents

**19 Shareholders equity**

**(a) Capital**

At December 31, 2006, the capital is comprised of 105,952,000 (2005 - 52,976,000) shares without a par value, of which 35,409,306 (2005 - 17,704,653) are common and 70,542,694 (2005 - 35,271,347) are preferred shares.

Preferred shares have no voting rights and have priority in the distribution of dividends and in the reimbursement of capital in the event of liquidation of the Company.

**(b) Reserves**

The Extraordinary Shareholders Meeting held on April 28, 2006 approved amendment to article 34 of the bylaws so that the Company has only one profit reserve, named Reserve for Working Capital and Conservation and Improvement of Installations . With this amendment, the Company s bylaws establish that the balance of the retained earnings account shall be allocated to the Reserve for Working Capital and Conservation and Improvement of Installations , after distribution of dividends, up to the limit of the capital.

**(c) Distribution of dividends**

Shareholders are annually entitled to receive mandatory minimum dividends, corresponding to 30% of net income, after allocation of 5% to the legal reserve. Preferred shareholders are entitled to receive dividends or interest on capital 10% higher than those paid on common shares.

**(d) Interest on capital and dividends**

Interest on capital, in the amount of R$ 106,296 (2005 - R$ 112,771 and 2004 - R$ 93,161), was calculated according to the limits established by Law No. 9,249/95.

In addition, dividends in the amount of R$ 12,431 were paid on December 27, 2006.

Interest on capital and dividends are calculated as follows:

| | **2006** | **2005** | **2004** |
|---|---|---|---|
| Net income of the Parent Company | 323,549 | 325,477 | 317,891 |
| Legal reserve (5%) | (16,177) | (16,274) | (15,895) |
| **Calculation basis for dividends** | 307,372 | 309,203 | 301,996 |
| Total interest on capital | 106,296 | 112,771 | 93,161 |
| Total interest on capital, net of withholding income tax (IRRF) | 90,352 | 95,855 | 79,187 |
| Dividends | 12,431 | 19,611 | 17,516 |
| Total distributed dividends and interest on capital (net of IRRF) | 102,783 | 115,466 | 96,703 |

Table of Contents

## 20 Collaterals and guarantees

The Company provides collaterals and guarantees for some loan operations conducted directly or indirectly by certain subsidiaries, affiliates and other related parties.

As of December 31, 2006 and 2005 amounts referring to these operations are as follows:

| | Parent Company and consolidated | | |
|---|---|---|---|
| Guaranteed company | 2006 | 2005 | Maturity |
| | | 9,872 | 2006 |
| | 11,763 | | 2007 |
| EMCA (2) | 11,763 | 9,872 | |
| | | 20,036 | 2006 |
| | 19,719 | 65 | 2007 |
| IASA (2) | 19,719 | 20,101 | |
| IPQ (3) | 40,500 | 75,350 | 2008 |
| REFINARIA (1) | 120,000 | | 2007 |
| | | 409 | 2006 |
| | 1,618 | 3,186 | 2007 |
| | 2,041 | | 2008 |
| | 7,874 | 1,543 | 2010 |
| TROPICAL (2) | 11,533 | 5,138 | |
| | 203,515 | 110,461 | |

IASA - Ipiranga Asfaltos S.A.
IPQ - Ipiranga Petroquímica S.A.
EMCA - Empresa Carioca de Produtos Químicos S.A.
TROPICAL - Tropical Transportes Ipiranga Ltda.
REFINARIA - Refinaria de Petróleo Ipiranga S.A.

(1) A company controlled by members of the same families that control the Company
(2) Entity consolidated by the Company
(3) Entity equity accounted by the Company following the equity method

## 21 Financial instruments

In accordance with CVM Instruction No. 235/95, the Company and its subsidiaries estimated the fair value of their financial instruments, using available market information and appropriate estimation methodologies. However, both the interpretation of market data and the selection of estimation methodologies require reasonable judgment and estimates to determine the most adequate realizable value. Accordingly, the estimates presented are not necessarily indicative of the amounts that could be obtained in active market trading. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair values.

The Company and its subsidiaries conduct transactions involving financial instruments, all of which are recorded in balance sheet accounts, and are intended to meet their needs and reduce the exposure to credit, market, and currency risks. Management of these risks is performed by establishing strategies and control systems and setting position limits.

The main risks affecting the Company s business are as follows:

**(a) Currency risk**

This risk arises from the possibility of the Company incurring material losses because of exchange rate fluctuations, which may affect the balances of foreign currency-denominated loans and financing.

Table of Contents

The exposure to fluctuations in exchange rates is as follows.

| | 2006 | 2005 |
|---|---|---|
| **Amounts in US$ thousand** | | |
| Loans and financing | 65,419 | 180,029 |
| Swap transactions | | (36,775) |
| Net exposure | 65,419 | 143,254 |
| **Amounts in ¥ thousand** | | |
| Loans and financing | | 3,464,393 |
| Swap transactions | | (3,464,393) |
| Net exposure | | |

Rates as of December 31, 2005 = R$ 2.3407/US$ and R$ 0.01983/¥.

Rates as of December 31, 2006 = R$ 2.1380/US$

**(b) Credit risk**

This is the risk of the Company incurring losses due to customers failure to pay accounts and financing. The Company reduces this risk by means of a credit policy and by obtaining collaterals for supply agreements signed with its customers for significant balances.

**(c) Interest rate risk**

This risk arises from the possibility of the Company incurring losses due to interest rate fluctuations that increase interest expenses on loans and financing.

The Company continuously monitors the market interest rates in order to evaluate the need for hedging against the volatility of these rates.

**(d) Financial income (expenses)**

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| **Financial income** | | | |
| Interest and monetary variation | 56,543 | 64,215 | 74,124 |
| Exchange variation | 98 | 3,179 | 32,560 |
| Other income | 501 | 406 | 444 |
| | 57,142 | 67,800 | 107,128 |
| **Financial expenses** | | | |
| Interest and monetary variation | (72,297) | (36,483) | (43,823) |
| Exchange variation | 47,851 | 28,368 | (1,676) |
| Losses on swap transactions | (32,786) | (29,294) | (42,588) |
| Taxes (*) | (4,570) | (5,692) | (10,041) |
| Early retrieval of premium Notes | (14,222) | | |
| Other expenses | (6,185) | (2,479) | (2,663) |
| | (82,209) | (45,580) | (100,791) |

| | | | |
|---|---|---|---|
| **Financial income (expenses), net** | (25,067) | 22,220 | 6,337 |

(*) This refers to IOF and IR on foreign payments.

Table of Contents

## 22 Nonoperating income (expenses)

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| **Nonoperating income** | | | |
| Gain on change in equity interest (Note 4) | 58,136 | | |
| Gain on sale of property and equipment | 12,941 | 7,938 | 11,836 |
| Other | 6,085 | 2,557 | |
| | 77,162 | 10,495 | 11,836 |
| **Nonoperating expenses** | | | |
| Provision for impairment on investment (Note 12) | (64,541) | | (190) |
| Loss on sale and write-off of property and equipment | (17,421) | (9,985) | (13,854) |
| Reversion (provision) for losses in property, plant and equipment exploration right | 10,318 | (208) | |
| Provision for loss on property, plant and equipment | | | (10,221) |
| Other | (1,788) | (3,171) | |
| | (73,432) | (13,364) | (24,265) |
| | 3,730 | (2,869) | (12,429) |

## 23 Insurance

The Petróleo Ipiranga companies have an insurance and risk management program that allows coverage and protection for all their insurable assets, including insurance coverage for risks of disruption of production, by means of an operational risk policy traded in the domestic and foreign insurance markets through the Brazilian Reinsurance Institute (IRB).

The insurance coverages and limits are based on a detailed study of risks and losses performed by local insurance brokers, and the insurance contracted is considered sufficient to cover possible losses, considering the nature of the companies activities.

The main insurance coverages are for operational risks, loss of profits, industrial and office multiperils, named risk-pools and civil liability.

## 24 Subsequent events

**Acquisition of Ipiranga**

On April 18, 2007, Ultrapar Participações S.A. for itself, and also as a commission agent of Braskem S.A. and Petróleo Brasileiro S.A. - Petrobras, acquired for R$ 2,113,107, from the controlling shareholders of Petróleo Ipiranga Group, 66.2% common shares and 13.9% preferred shares issued by Refinaria de Petróleo Ipiranga S.A. ( RPI ), 69.2% common shares and 13.5% preferred shares issued by Distribuidora de Produtos de Petróleo Ipiranga S.A. ( DPPI ), and 3.8% common shares and 0.4% preferred shares issued by Companhia Brasileira de Petróleo Ipiranga ( CBPI ). Of the total amount, Braskem and Petrobras paid R$ 1,394,675 under the terms of the commission among the parties.

Under the terms of the agreement among Ultrapar, Braskem and Petrobras, once all steps of the transaction mentioned below are finalized, Ultrapar will hold the distribution of fuel and lubricants in the Southern and Southeastern Regions ( South Distribution Assets ); Petrobras will hold the distribution of fuel and lubricants in the Northern, Northeastern and Central-Western regions ( North Distribution Assets ); and Brasken and Petrobras will hold 60% and 40%, respectively, of the petrochemical assets, represented by Ipiranga Química S.A. ( IQ ), its subsidiary Ipiranga Petroquímica SA ( IPQ ) and by the interest of the latter in Copesul Companhia Petroquímica do Sul ( COPESUL ) ( Petrochemical Assets ). Assets related to oil refining held by RPI will be equally shared by Petrobras, Ultrapar and Braskem.

In the same agreement the parties established that Ultrapar is responsible for conducting a corporate restructuring in the companies acquired to separate the assets assigned to each acquiring company. The stages are as follows:

a) Public Tag Along Offering to acquire common shares issued by RPI, DPPI, CBPI and IPQ held by other shareholders;

b) Merger into Ultrapar of the preferred and any remaining common shares issued by RPI, DPPI and CBPI;

c) Segregation of assets by means of: (i) capital reduction of RPI and CBPI to transfer the Petrochemical Assets directly to Ultrapar, for subsequent transfer to Braskem and Petrobras, under the terms of the commission, and (ii) spin-off of CBPI to transfer the North Distribution Assets to a company controlled by Petrobras.

On April 17, 2007, CADE (Economic Defense Council) issued an Injunction to maintain conditions that would allow to revert the asset acquisition by Braskem and Petrobras, as described in the Significant Event Notice published on April 18, 2007. The provisions related to Petrochemical Assets were reviewed on April 25, 2007 in the decision approved by CADE, with signature by Braskem of agreement for protection of reversibility of operation (APRO).

With said changes, CADE acknowledges the maintenance of the minority interest of Petrobras in COPESUL after the acquisition. In relation to fuel distribution, CADE granted 10 days so that Petrobras and Ultrapar present an alternative corporate governance model that preserves competition within the industry.

**25 SUMMARY AND RECONCILIATION OF THE DIFFERENCES BETWEEN ACCOUNTING PRACTICES ADOPTED IN BRAZIL AND GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN THE UNITED STATES OF AMERICA**

**I - Narrative description of GAAP differences**

The consolidated financial statements of the Company are prepared in accordance with Brazilian GAAP. Accounting policies, which differ significantly from U.S. GAAP, are summarized below.

**(a) Inflation accounting**

Under Brazilian GAAP, the Company accounts for the effects of inflation in its financial statements prepared in accordance with Brazilian GAAP through December 31, 1995. Through December 31, 1995, the Company used for this remeasurement the Fiscal Reference Unit (UFIR), the index established by the tax authorities for preparation of financial statements under Brazilian corporate law as well as the index selected by the CVM.

The reconciliation presents the effect of adjusting property, plant and equipment for U.S. GAAP purposes through December 31, 1997. Under U.S. GAAP, management of the Company considers that Brazil was considered to be a highly inflationary economy until December 31, 1997 and, as such, property, plant and equipment should be adjusted for inflation through such date.

In determining amounts under U.S. GAAP, the effects of inflation for the years ended December 31, 1996 and 1997 were determined using the Índice Geral de Preços - Disponibilidade Interna - IGP-DI index, which is a widely-accepted and respected index published monthly by the Fundação Getúlio Vargas.

Because the Company s management believes that the IGP-DI is an appropriate and consistent measure of the general price inflation in Brazil and because of its availability, for U.S. GAAP purposes the Company adopted the IGP-DI for restatement of its financial statements also for periods through December 31, 1995, replacing the Government mandated index. As a result, property, plant and equipment has been monetarily adjusted for inflation using the IGP-DI since its acquisition through December 31, 1997.

**(b) Capitalization of interest during construction in progress**

Under Brazilian GAAP, prior to 1996 the Company was not required to capitalize the interest cost of borrowed funds as part of the cost of the related asset. Under U.S. GAAP, capitalization of borrowed funds during construction of major facilities is recognized as part of the cost of the related assets.

Under U.S. GAAP, interest on construction-period financing denominated in foreign currencies is capitalized using contractual interest rates excluding foreign exchange gains or losses.

**(c) Pension and other post-employment benefits**

**(c.1) Pension benefits**

Pension benefit obligations for Brazilian GAAP should be accounted for following CVM Instruction No. 371/00, which requires the mandatory application of Brazilian Accounting Standard IBRACON NPC 26. Under IBRACON NPC 26 the Company has accounted for the plan administered by FFMB (and to which several Petróleo Ipiranga companies contribute) by recognizing a percentage attributed to the Company of the funded status and of the cost of the plan.

Under U.S. GAAP, considering that the financial information of the Company does not consolidate all the sponsors of the FFMB and such financial information does not represent the financial statements of the parent company of the Petróleo Ipiranga companies, the Company has accounted for its participation in the pension plan administered by FFMB as if it were a multi-employer plan.

As a result, the reconciliation presents: (a) the reversal of the pension plan asset/liability recognized for Brazilian GAAP as of each reporting date and the reversal of the related pension cost, and (b) the recognition as expense of the contribution due to the plan over the corresponding period.

**(c.2) Other post-retirement benefits**

As explained in Note 18, the accompanying financial statements account for other post-retirement benefits following IBRACON NPC 26. Other post-retirement benefits are unfunded and are the sole responsibility of each Petroleo Ipiranga company. Under IBRACON NPC 26 actuarial gains and losses are deferred and recognized in income over the estimated remaining service period of the employees to the extent that those actuarial gains and losses exceed 10% of the higher of the plan assets and the projected benefit obligation.

Under U.S. GAAP such benefits are accounted for following SFAS No. 106, Employers Accounting for Post-retirement Benefits Other Than Pensions and, as from December 31, 2006, following SFAS No. 158 Employers Accounting for Defined Benefit Pension and Other Post-retirement Plans an amendment of FASB Statements No. 87, 88, 106 and 132(R) . Under SFAS No. 158 the funded status of the other postretirement benefits must be recognized as a liability with an offsetting amount in accumulated other comprehensive income. As required by SFAS No. 158, provisions of SFAS No. 158 were applied on a prospective basis as from December 31, 2006.

Although projected benefit obligations are the same under Brazilian GAAP and U.S. GAAP, differences arise in the amounts recorded in the financial statements as result of: (i) that the date of initial measurement of funded status is different for Brazilian GAAP and U.S. GAAP and that under Brazilian GAAP there is no requirement to recognize an additional minimum liability, and (ii) the recognition, as from December 31, 2006, as a liability for U.S. GAAP purposes, of the funded status against accumulated other comprehensive income.

Table of Contents

**(d) Tax incentives**

Under Brazilian GAAP, tax incentives are accounted for directly as an increase in a capital reserve account in shareholders equity. The Company records the taxes as expense in the consolidated statement of income for the amounts that would be due absent the benefit, and recognizes a reduction in the tax payable against the capital reserve.

For U.S. GAAP reconciliation purposes the amount of those incentives is recognized as reduction of the tax expense directly in the statement of income.

**(e) Accounting for derivative financial instruments**

As mentioned in Note 21, the Company has entered into swap transactions. Under Brazilian GAAP swaps are valued at its accrued amount determined as the difference as the amount receivable and the amount payable under the swap. The amounts receivable and payable are computed as their respective notional amount plus accrued charges based on their contractual terms.

Under U.S. GAAP, SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, established accounting and reporting standards requiring that all derivative instruments be recorded in the balance sheet as either an asset or a liability measured at its fair value. Changes in the derivative s fair value are recognized currently in earnings unless specific hedge accounting criteria are met. The Company has not accounted for any derivative instrument following hedge accounting.

The reconciliation presents the differences resulting from valuing the swaps at fair value under U.S. GAAP as opposed to valuing them at the accrued amount used under Brazilian GAAP. As of December 31, 2006 no significant difference was identified between the accrued amount and the fair value.

**(f) Fair value of guarantees under FIN 45**

Under Brazilian GAAP, the Company is not required to record any liability related to guarantees given to third parties unless contingent obligations to make future payments under the guarantees are considered probable.

The Company has not recorded any liability related to these guarantees under Brazilian GAAP as of any of the dates presented.

Under U.S. GAAP, the Company recognizes, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing guarantees in accordance with FIN 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others . In the event that, at inception of the guarantee, the Company is required to recognize a liability under SFAS No. 5, Accounting for Contingencies , the liability initially recognized would be the greater of: (a) the amount of fair value of the value of the obligation undertaken in issuing guarantee, or (b) the contingent liability amount required to be recognized at inception of the guarantee by applying SFAS No. 5.

Guarantees granted include those disclosed in Note 20 as well as guarantees provided to financial institutions that finance sales to selected customers under the vendor program. Under the vendor program the Company is the secondary obligor to the financial institutions

The reconciliation presents the effect of recognizing a liability for the fair value of these guarantees and the related effect in the statement of income.

**(g) Accounting for asset retirement obligation**

Under Brazilian GAAP, the Company s practice is to expense amounts relating to retirement of certain assets as incurred.

Under U.S. GAAP, the Company adopts SFAS No. 143, Accounting for Asset Retirement Obligations . Asset retirement obligations correspond to the legally required obligation to remove fuel tanks upon retirement. Under SFAS No. 143, the fair value of asset retirement obligations are recorded as liabilities on a discounted basis when they are incurred, which is typically at the time the related assets are installed. Amounts recorded for the related assets will be increased by the amount of these obligations and depreciated over the related useful lives of such assets. Over time, the amounts recognized as liabilities will be accreted for the change in their present value until the related assets are retired or sold.

**(h) Gain on change in equity interest in Maxfácil**

In December 2006, the business recognized a capital gain, in the amount of R$ 58,136, regarding the gain on change in equity interest in Maxfácil as described in Note 4.

The gain has been determined as a result of Maxfácil having issued new shares to UNIBANCO at a price higher than the carrying amount per share of the investment recorded by the Company in Maxfácil.

Under U.S. GAAP, considering that Maxfácil is a newly formed entity, the Company believes it does not meet the criteria for gain recognition established in SAB Topic 5-H.

The reconciliation presents the effect of reverting for U.S. GAAP the capital gain recognized under Brazilian GAAP.

**(i) U.S. GAAP adjustments on net equity and net income of affiliates**

The investments in Termogaúcha - Usina Termelétrica S.A., Ipiranga Química S.A. ( IQ ), and Transportadora Sulbrasileira de Gás S.A. ( TSB ) are accounted under the equity method under Brazilian GAAP.

Such investment would also be accounted for following the equity method under U.S. GAAP.

Differences between net equity and net income of the affiliates correspond mainly to: accounting for deferred charges, accounting for business combination and goodwill, accounting for pension and other post-employment benefits, revaluation of property, plant and equipment, capitalization of interest on property, plant and equipment, recognition of tax incentives, accounting for derivative financial instruments, accounting for dividends and interest on capital, and accounting for the provision for programmed maintenance.

The net effects of those adjustments are presented in the reconciliation to U.S. GAAP.

**(j) Accounting for convertible debentures issued by Ipiranga Química S.A. and related warrants**

**j.1) Accounting for convertible debentures issued by IQ**

Under Brazilian GAAP, convertible debentures issued by IQ described in Note 7 are accounted for as a single instrument at its cost plus accrued interest following the contractual terms.

Under U.S. GAAP the Company has concluded that the non-detachable conversion option included in the convertible debentures issued by IQ does not meet the definition of a derivative under SFAS 133 Accounting for Derivative Instruments and Hedging Activities, as amended and interpreted . The company accounted for the convertible debentures in accordance with FAS 115 Accounting for Certain Investments in Debt and Equity Securities and classified the instrument as a trading security. At the date of issuance, the total amount of the proceeds equals the fair value of the instrument so there is no GAAP difference at initial recording.

However, the convertible debenture was marked to market at every reporting period with charges to the statements of income for US GAAP purposes, creating a difference in valuation of the convertible instrument for US GAAP of R$ 21 million at the date of the modification of the terms.

Table of Contents



**j.2) Accounting for the modification of terms of the debentures and issuance of warrants**

In October 2005, a modification was introduced in the terms of the debentures such that they were modified from convertible to non-convertible; no other terms of the debentures have been modified. At the same moment, IQ issued to the holders of the debentures, detachable warrants which allow the holders of the warrants to acquire shares of IQ in the exact same terms as the previously existing non-detachable conversion option included in the debentures.

Under Brazilian GAAP, warrants are not separately recorded. The modification of the terms of the debentures and the issuance of warrants in October 2005 did not have any impact in the accounting for the debentures (which were originally convertible and in October 2005 were modified to non-convertible) under Brazilian GAAP which continued to be accounted for at its cost plus accrued interest and warrants issued by IQ are not accounted for.

For U.S. GAAP purposes, the Company has also classified the new debt instrument received as a trading security under FAS 115. In addition, the Company has concluded that the fair value of the warrant and non-convertible debenture received approximates the fair value of the convertible debenture prior to modification. Therefore, upon modification the Company recorded the warrant and debt at their fair values with no gain or loss recognized.

After the modification, the Company continued to mark to market the non-convertible debt instrument with charges to the statement of income. The warrant does not meet the definition of a derivative under SFAS 133, so it is accounted for under the cost method.

The US GAAP reconciliation reflects the difference in the mark to market of the convertible debt instrument through the date of modification, and of the non-convertible debt instrument after the modification, compared to the amortized cost value recorded for Brazilian GAAP purposes.

**(k) Accounting for refunds**

The Company and its subsidiary CBPI offer to certain of their customers refunds in cash if they meet a specified cumulative volume of sales over a specified period of time. Under Brazilian GAAP, the refund is recognized as an expense when the cumulative volume of sales has been met. Such refunds are offered to a reduced group of customers and have begun to be offered recently.

Under U.S. GAAP, EITF 01-9, Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor s Products) , a Company should recognize a liability based on a systematic and rational allocation of the cost of honoring the commitment in each of the underlying transactions that result in progress toward earning the refund. Considering the reduced customers to which the refund is offered and the reduced historical experience, the Company believes that it cannot reasonably estimate the ultimate amount that will be earned by customers. As a result, under U.S. GAAP a liability is recognized for the maximum potential amount of the refund.

**(l) Goodwill and business combinations**

Under Brazilian GAAP assets and liabilities of entities acquired are reflected at book values. Goodwill is determined as the excess of purchase price paid over the book value of net assets acquired. Goodwill is amortized on a straight-line basis over the periods estimated to be benefited limited to 10 years.

In July 1998, the Company made a capital contribution to IQ. Under Brazilian GAAP, such transaction generated goodwill at the date of the transaction in the amount of R$ 49,393 and resulted in obtaining an interest in IQ of 41.47%.

Table of Contents

Goodwill under Brazilian GAAP was totally amortized as of December 31, 2006 and 2005.

Under U.S. GAAP, business combinations are accounted for following the purchase method. Under the purchase method assets and liabilities of the business acquired are recorded, to the extent of the percentage acquired, using fair values. Goodwill is determined as the difference between purchase price consideration and the fair value of assets acquired and liabilities assumed. If there is an excess of the fair value of net assets acquired over the purchase price such amount is used to reduce the carrying value of long-term assets. As from January 1, 2002 goodwill is not amortized but is tested, at least annually, for impairment.

The reconciliation of net equity between Brazilian GAAP and U.S. GAAP presents: (i) the reversal of the balance of goodwill recorded under Brazilian GAAP at each balance sheet date, (ii) the recognition for U.S. GAAP purposes of the difference resulting from adjusting assets and liabilities of the entity acquired at fair value, most significantly property, plant and equipment and investment in equity investees, (iii) the recognition of resulting goodwill under U.S. GAAP, and (iv) the related deferred taxes.

The reconciliation of net income between Brazilian GAAP and U.S. GAAP presents: (i) the reversal of goodwill amortization recorded under Brazilian GAAP, (ii) the recognition in income of adjustments of assets and liability at fair value, mostly depreciation of property, plant and equipment and equity in investees, and (iii) the related deferred tax effects.

**m) Provision for dividends and interest on capital**

Under Brazilian GAAP, at each balance sheet date the Board of Directors is required to propose a dividend distribution which, if not yet paid during the year, is accrued as a liability in the financial statements.

Under US GAAP, since proposed dividends in excess of the mandatory minimum dividend required to be paid by by-laws may be ratified or modified at the annual Shareholders Meeting, such proposed dividends in excess of the mandatory minimum dividends are not considered declared at the balance sheet date and therefore are not accrued. However, dividends accrued or interest on own capital already paid is considered declared for US GAAP purposes. Dividends declared as of December 31, 2004 exceeded mandatory minimum dividends and for that reason the provision for dividends recorded under Brazilian GAAP in excess of mandatory minimum dividends is being reverted in the reconciliation to US GAAP.

At December 31, 2006 and 2005 all dividends declared for the year were paid before year-end.

**Table of Contents**

**II- Reconciliation of the differences between U.S. GAAP and Brazilian GAAP in net income**

| | Note 25.I. | 2006 | 2005 |
|---|---|---|---|
| Net income as reported under Brazilian GAAP | | 323,549 | 325,477 |
| Inflation accounting: property, plant and equipment incremental depreciation | (a) | (21,276) | (23,741) |
| Deferred tax effects | | 7,234 | 8,072 |
| | | (14,042) | (15,669) |
| Pension and other post-employment benefits: | (c) | | |
| Reversal of pension and other post-retirement expense recognized under Brazilian GAAP | | (7,985) | (40,307) |
| Recognition of net periodic pension cost for other post-retirement benefits under US GAAP | | (9,823) | (6,241) |
| Deferred tax effects | | 6,055 | 15,825 |
| | | (11,753) | (30,723) |
| Accounting for asset retirement obligation | (g) | 229 | 1,189 |
| Deferred tax effects | | (78) | (404) |
| | | 151 | 785 |
| Capitalization of interest costs during construction | (b) | 1,455 | 869 |
| Deferred tax effects | | (495) | (295) |
| | | 960 | 574 |
| Fair value of guarantees under FIN 45 | (f) | (482) | 2,999 |
| Deferred tax effects | | 164 | (1,020) |
| | | (318) | 1,979 |
| Accounting for derivative financial instruments | (e) | 748 | (6,604) |
| Deferred tax effects | | (254) | 2,245 |
| | | 494 | (4,359) |
| Gain on change in equity interest in Maxfácil | (h) | (58,136) | |
| Tax incentives | (d) | | 600 |
| Accounting for refunds | (k) | 2,346 | 1,650 |
| Deferred tax effects | | (798) | (561) |
| | | 1,548 | 1,089 |
| Goodwill and business combinations: | (l) | | |
| Reversal of amortization of goodwill under Brazilian GAAP | | | 4,026 |
| Fair value allocated to assets of IPQ Amortization | | (498) | (497) |
| Deferred tax effects | | 169 | 169 |
| Fair value allocated to investments of IPQ in Copesul Equity in income | | 5,163 | 5,164 |
| Deferred tax over tax deductible goodwill | | | (1,369) |
| | | 4,834 | 7,493 |

| | | | |
|---|---|---|---|
| Accounting for convertible debentures issued by IQ and warrants received by the Company | (j) | | |
| Change in fair value of convertible debentures from January 1, 2005 to date of modification (October 2005) | | | (64,745) |
| Deferred tax effects | | | 22,013 |
| | | | (42,732) |
| U.S. GAAP adjustments on net equity and net income of affiliates | (i) | (11,733) | 142,938 |
| Net income under U.S. GAAP | | 235,554 | 387,452 |

**Table of Contents**

**III - Reconciliation of the differences between U.S. GAAP and Brazilian GAAP in shareholders equity**

| | Note 25.I. | 2006 | 2005 |
|---|---|---|---|
| Shareholders equity as reported under accounting practices adopted in Brazil | | 1,555,165 | 1,350,342 |
| Inflation accounting: Property, plant and equipment incremental depreciation | (a) | 14,078 | 35,354 |
| Deferred tax effects | | (4,786) | (12,020) |
| | | 9,292 | 23,334 |
| Pension and other post-employment benefits: | (c) | | |
| Reversal of pension and other post-retirement liabilities recognized under Brazilian GAAP | | 53,471 | 61,456 |
| Recognition of other post-retirement liabilities under US GAAP | | (60,445) | (50,622) |
| Deferred tax effects | | 2,371 | (3,684) |
| Effects on other comprehensive income due to additional minimum liability | | | (575) |
| Deferred tax effects | | | 196 |
| Effect of adoption of SFAS 158 on the ending balance of accumulated other comprehensive income | | (2,114) | |
| Deferred tax effects | | 719 | |
| | | (5,998) | 6,771 |
| Accounting for asset retirement obligation | (g) | (79,619) | (79,848) |
| Deferred tax effects | | 27,070 | 27,148 |
| | | (52,549) | (52,700) |
| Capitalization of interest costs during construction | (b) | 8,922 | 7,467 |
| Deferred tax effects | | (3,033) | (2,539) |
| | | 5,889 | 4,928 |
| Fair value of guarantees under FIN 45 | (f) | (1,386) | (904) |
| Deferred tax effects | | 471 | 307 |
| | | (915) | (597) |
| Accounting for derivative financial instruments | (e) | | (748) |
| Deferred tax effects | | | 254 |
| | | | (494) |
| Accounting for refunds | (k) | (7,298) | (9,644) |
| Deferred tax effects | | 2,481 | 3,279 |
| | | (4,817) | (6,365) |
| Goodwill and business combinations: | (l) | | |
| Fair value allocated to assets of IPQ, net of amortization | | 1,340 | 1,838 |
| Deferred tax effects | | (456) | (625) |
| Fair value allocated to investments of IPQ in Copesul | | (10,330) | (15,493) |
| Recognition of goodwill under U.S. GAAP | | 90,331 | 90,331 |
| Amortization of goodwill under U.S. GAAP up to 2001 | | (24,127) | (24,127) |
| Deferred tax over tax deductible goodwill | | (12,302) | (12,302) |

| | | | |
|---|---|---|---|
| | | 44,456 | 39,622 |
| Accounting for convertible debentures issued by IQ and warrants received by the Company | (j) | | |
| Fair value of the difference between cost and fair value of convertible debenture as of December 31, 2004 | | 85,836 | 85,836 |
| Change in fair value convertible debenture from January 1, 2005 to date of modification (October 2005) | | (64,745) | (64,745) |
| Deferred tax effects | | (7,171) | (7,171) |
| | | 13,920 | 13,920 |
| U.S. GAAP adjustments on net equity and net income of affiliates | (i) | 129,337 | 141,071 |
| Shareholders equity under U.S. GAAP | | 1,693,780 | 1,519,832 |

F-245

Table of Contents

**IV - Statement of changes in shareholders equity in accordance with U.S. GAAP**

| | 2006 | 2005 |
|---|---|---|
| Shareholders equity under U.S. GAAP as of beginning of the year | 1,519,832 | 1,271,247 |
| Net income | 235,554 | 387,452 |
| Gain on change in equity interest in Maxfácil | 58,136 | |
| Dividends and interest on own capital | (118,727) | (132,382) |
| Dividends proposed in 2004 in excess of mandatory minimum and declared in 2005 (Note 25.I.m) | | (6,105) |
| Effects on other comprehensive income due to additional minimum liability | | (380) |
| Effect of adoption of SFAS 158 on accumulated other comprehensive income | (1,015) | |
| Shareholders equity under U.S. GAAP as of the end of the year | 1,693,780 | 1,519,832 |
| Comprehensive income (under SFAS 130): | | |
| Net income | 235,554 | 387,452 |
| Effects on other comprehensive income due to additional minimum liability | | (380) |
| Total comprehensive income | 235,554 | 387,072 |

**V - Additional disclosures required by U.S. GAAP**
**(a) Earnings per share**

Under Brazilian GAAP, net income per share is calculated on the number of shares outstanding at the balance sheet date. In these consolidated financial statements, information is disclosed per lot of one thousand shares, because this is the minimum number of shares that can be traded on the Brazilian stock exchanges.

Under U.S. GAAP earnings per share is retroactively restated to reflect in all periods presented the effect of stock dividends. During 2006 a stock split has been approved for one new share per existing share. Earnings per share has been retroactively restated to reflect the effect of such stock dividend.

Since the preferred and common shareholders have different dividends and voting rights (see Note 19), basic earnings per share have been calculated using the two-class method for U.S. GAAP purposes. The following table provides a reconciliation of the numerators and denominators used in computing earnings per share as required by SFAS No. 128:

| | December 31, 2006 | | |
|---|---|---|---|
| | Common | Preferred | Total |
| Undistributed net income | 36,606 | 80,221 | 116,827 |
| Distributed net income (dividends and interest on capital) | 37,202 | 81,525 | 118,727 |
| Numerator | 73,808 | 161,746 | 235,554 |
| Weighted average shares outstanding (per thousand shares) basic and diluted (retroactively restated) | 35,409 | 70,543 | 105,952 |
| Basic and diluted earnings per share | 2.0844 | 2.2929 | |

| | December 31, 2005 | | |
|---|---|---|---|
| | Common | Preferred | Total |
| Undistributed net income | 79,923 | 175,147 | 255,070 |
| Distributed net income (dividends and interest on capital) | 41,480 | 90,902 | 132,382 |

| | | | |
|---|---|---|---|
| Numerator | 121,403 | 266,049 | 387,452 |
| Weighted average shares outstanding (per thousand shares) basic and diluted (retroactively restated) | 35,409 | 70,543 | 105,952 |
| Basic and diluted earnings per share | 3.4286 | 3.7715 | |

Table of Contents



**(b) Statement of cash flows**

**COMPANHIA BRASILEIRA DE PETRÓLEO IPIRANGA AND SUBSIDIARIES**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004**

**(In thousands of Brazilian reais - R$)**

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net income | 323,549 | 325,477 | 317,891 |
| Adjustment to reconcile net income to cash provided by operating activities: | | | |
| Equity in affiliates | (87,056) | (76,463) | (74,715) |
| Amortization of goodwill | 2,164 | 4,026 | 20,491 |
| Depreciation and amortization | 91,915 | 84,392 | 80,714 |
| Net loss on permanent assets written off or sold | 4,480 | 2,047 | 2,018 |
| Deferred income and social contribution taxes | (35,251) | (19,015) | (14,902) |
| Provision (reversal of provision) for contingencies | 597 | 40,867 | (6,941) |
| Provision (reversal of provision) for post-employment benefits | (7,985) | (40,307) | 434 |
| Allowance for doubtful accounts | 1,892 | 7,047 | 5,410 |
| Reversal of provision for loss on investments | | | (73,578) |
| Provision for loss on investments (note 12(i)) | 64,541 | | |
| Provision for loss on tax incentive investments | 280 | 337 | 192 |
| Exchange/montery variation and interest on assets | (30,246) | (33,054) | (30,234) |
| Exchange/montery variation and interest on liabilities | 27,021 | (46,233) | 45,365 |
| Escrow deposits | 1,898 | (2,349) | (18,823) |
| (Increase) decrease in accounts receivable | (68,582) | (144,940) | (146,873) |
| (Increase) decrease in accounts receivable from related companies | (1,395) | 1,939 | 45,308 |
| (Increase) decrease on inventories | (40,813) | (46,543) | (95,844) |
| Increase (decrease) on suppliers | (34,725) | 17,076 | 101,250 |
| Accrued interest | 5,972 | 1,545 | (15,042) |
| Increase (decrease) on accounts payable to related companies | 1,049 | 266 | (8,256) |
| (Increase) decrease on other assets | 2,266 | 17,797 | 9,565 |
| Increase (decrease) on other liabilities | (25,419) | 5,487 | 50,528 |
| Cash flows from operating activities | 196,152 | 99,399 | 193,958 |
| **Cash flows from investing activities** | | | |
| Additions to investment | (3,848) | (8,087) | (19,710) |
| Sales of permanent assets | 31,518 | 17,299 | 46,137 |
| Addition to property and equipment | (148,112) | (130,463) | (131,880) |
| Additions to deferred charges | (1,736) | (611) | (567) |
| Repayment of debentures from related companies | 101,062 | | |
| Loans to customers | (183,701) | (169,889) | (165,980) |
| Loans repaid from customers | 176,875 | 157,906 | 137,110 |
| Investments in restricted temporary investments | (54,958) | | |
| Cash flows from investing activities | (82,900) | (133,845) | (134,890) |

| | | | |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| New loans and financing obtained | 1,207,632 | 534,410 | 185,817 |
| Amortization of loans and financing | (1,132,878) | (407,719) | (358,035) |
| Dividends and interest on capital paid | (118,727) | (173,867) | (69,193) |
| Cash flows from financing activities | (43,973) | (47,176) | (241,411) |
| Net increase (decrease) in cash and cash equivalents | 69,279 | (81,622) | (182,343) |
| Current cash and cash equivalents: | | | |
| At the beginning of the year | 20,623 | 102,245 | 284,588 |
| At the end of the year | 89,902 | 20,623 | 102,245 |
| Net increase (decrease) in cash and cash equivalents | 69,279 | (81,622) | (182,343) |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | | |
| Cash paid during the year for: | | | |
| Interest, net of amounts capitalized | 39,996 | 30,765 | 34,628 |
| Income taxes | 30,085 | 68,086 | 58,196 |
| Non-cash investing and financing activities | | | |

Table of Contents

# *Refinaria de Petróleo*

# *Ipiranga S.A.*

*Unaudited Interim Financial Information for the*

*Six-Month Periods Ended*

*June 30, 2007 and 2006*

F-248

Table of Contents

**REFINARIA DE PETRÓLEO IPIRANGA S.A.**

**UNAUDITED BALANCE SHEET AS OF JUNE 30, 2007 AND**

**CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2006**

**(In thousands of Brazilian reais R$)**

| ASSETS | June 30, 2007 | December 31, 2006 |
|---|---|---|
| CURRENT ASSETS | | |
| Cash and cash equivalents | 7,533 | 91,827 |
| Short term investments | | 9,480 |
| Derivatives | | 18,889 |
| Trade accounts receivable | 961 | 634,035 |
| (-) Allowance for doubtful accounts | | (34,722) |
| (-) Restricted export drafts | | (149,758) |
| Receivables from related parties | 25,064 | 23,460 |
| Recoverable taxes | 21,892 | 92,574 |
| Deferred income and social contribution taxes | | 10,534 |
| Dividends/Interest on capital receivable from affiliates | | 70,599 |
| Inventories | 97,290 | 476,884 |
| Other current assets | 9 | 13,164 |
| Prepaid expenses | 727 | 10,877 |
| | 153,476 | 1,267,843 |
| NONCURRENT ASSETS | | |
| Long-term assets | | |
| Restricted temporary cash investments | | 237 |
| Trade accounts receivable | | 17,818 |
| (-) Allowance for doubtful accounts | | (15,054) |
| Recoverable taxes | | 151,265 |
| Deferred income and social contribution taxes | | 140,726 |
| Other long-term assets | 134 | 9,852 |
| Judicial deposits | 286 | 8,900 |
| Prepaid expenses | | 1,324 |
| PERMANENT ASSETS | | |
| Investments in affiliates | 706,248 | 239,065 |
| Warrants | 28,989 | 28,989 |
| Goodwill on subsidiaries | | 62,284 |
| Other investments | 392 | 4,358 |
| Property, plant and equipment, net | 35,788 | 999,361 |
| Deferred charges, net | | 18,213 |
| | 771,837 | 1,667,338 |
| TOTAL | 925,313 | 2,935,181 |

The accompanying notes are an integral part of this unaudited interim financial information.

Table of Contents

**REFINARIA DE PETRÓLEO IPIRANGA S.A.**

**UNAUDITED BALANCE SHEET AS OF JUNE 30, 2007 AND**

**CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2006**

**(In thousands of Brazilian reais R$)**

| LIABILITIES AND SHAREHOLDERS EQUITY | June 30, 2007 | December 31, 2006 |
|---|---|---|
| CURRENT LIABILITIES | | |
| Loans and financing | 51,748 | 202,278 |
| Derivatives | | 6,704 |
| Trade accounts payable | 1,813 | 706,564 |
| Taxes payable | 8,637 | 59,018 |
| Deferred income and social contribution taxes | | 8,721 |
| Dividends payable and interest on capital | 351 | 94,485 |
| Provision for contingencies | 668 | 10,014 |
| Provision for pension and post-employment benefits | 3,857 | 4,086 |
| Payables to related parties | 44,954 | 33,575 |
| Debentures payable to related parties | | 23,593 |
| Payable for the acquisition of acquisition of warrants | 35,851 | 33,818 |
| Payroll and related charges payable | 1,942 | 39,355 |
| Other current liabilities | 2,328 | 27,450 |
| | 152,149 | 1,249,661 |
| NONCURRENT LIABILITIES | | |
| Loans and financing | | 620,279 |
| Provision for contingencies | 1,124 | 11,818 |
| Provision for pension and post-employment benefits | 36,522 | 47,267 |
| Debentures payable to related parties | | 77,747 |
| Taxes payable | 25,306 | 41,130 |
| Deferred income and social contribution taxes | | 29,412 |
| Other long-term liabilities | | 3,753 |
| | 62,952 | 831,406 |
| MINORITY INTEREST | | 279,486 |
| SHAREHOLDERS EQUITY | | |
| Capital | 475,000 | 365,000 |
| Revaluation reserve | 6,186 | 6,186 |
| Profit reserves | 96,114 | 203,442 |
| Retained earnings | 132,912 | |
| | 710,212 | 574,628 |
| TOTAL | 925,313 | 2,935,181 |

The accompanying notes are an integral part of this unaudited interim financial information.

Table of Contents

**REFINARIA DE PETRÓLEO IPIRANGA S.A.**

**UNAUDITED INTERIM STATEMENTS OF INCOME FOR THE SIX-MONTH PERIOD ENDED**

**JUNE 30, 2007 AND UNAUDITED ITERIM CONSOLIDATED STATEMENTS OF INCOME FOR**

**SIX-MONTHS PERIOD ENDED JUNE 30, 2006**

**(In thousands of Brazilian reais R$)**

| | **2007** | **2006** |
|---|---|---|
| GROSS SALES AND SERVICES | 1,892,267 | 2,805,179 |
| Taxes, discounts and returns | (488,369) | (765,501) |
| NET SALES AND SERVICES | 1,403,898 | 2,039,678 |
| Cost of sales and services | (1,140,349) | (1,670,770) |
| GROSS PROFIT | 263,549 | 368,908 |
| OPERATING (EXPENSES) INCOME | | |
| Selling | (60,081) | (93,081) |
| General and administrative | (46,098) | (69,933) |
| Other operating income, net | (6,180) | 10,537 |
| | (112,359) | (152,477) |
| OPERATING INCOME BEFORE FINANCIAL ITEMS | 151,190 | 216,431 |
| Financial income (expenses), net | (2,584) | (29,601) |
| Nonoperating income (expenses), net | (444) | (1,291) |
| | (3,028) | (30,892) |
| INCOME BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES, EQUITY IN AFFILIATES, PROFIT SHARING AND MINORITY INTEREST | 148,162 | 185,539 |
| INCOME AND SOCIAL CONTRIBUTION TAXES | | |
| Current | (40,829) | (46,967) |
| Deferred | (1,090) | 13,637 |
| | (41,919) | (33,330) |
| INCOME BEFORE EQUITY IN AFFILIATES, PROFIT SHARING AND MINORITY INTEREST | 106,243 | 152,209 |
| Equity in affiliates and goodwill amortization | 69,110 | 10,332 |
| Profit sharing | (1,713) | (2,898) |
| Minority interest | (40,728) | (66,485) |
| NET INCOME | 132,912 | 93,158 |

The accompanying notes are an integral part of this unaudited interim financial information.

Table of Contents

**REFINARIA DE PETRÓLEO IPIRANGA S.A.**

**UNAUDITED INTERIM STATEMENTS OF CHANGES IN FINANCIAL POSITION**

**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2007 AND**

**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF**

**CHANGES IN FINANCIAL POSITION FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2006**

**(In thousands of Brazilian reais R$)**

| | **2007** | **2006** |
|---|---|---|
| SOURCES OF FUNDS | | |
| From operations | | |
| Net income | 132,912 | 93,158 |
| Items not affecting working capital | | |
| Minority interest | (279,486) | 42,293 |
| Provision for pension and post-employment benefits | (10,745) | 1,071 |
| Allowance for doubtful accounts | (15,054) | (1,368) |
| Depreciation and amortization | 24,518 | 35,673 |
| Net book value of permanent assets written off or sold | 28 | 23,595 |
| Equity in affiliates | (69,110) | (10,332) |
| Reversal of deferred income and social contribution taxes | 111,314 | 5,072 |
| Provision for contingencies | (10,694) | (1,923) |
| Others | 2,383 | 187 |
| | (113,934) | 187,426 |
| From third parties: | | |
| Decrease in permanent assets | 957,917 | |
| Increase in long-term liabilities | | 5,355 |
| Interest on capital received | | 14,445 |
| Decrease in long-term assets | 188,976 | |
| | 1,146,893 | 19,800 |
| Total of sources | 1,032,959 | 207,226 |
| USES OF FUNDS | | |
| Investments | 332,211 | 174 |
| Property, plant and equipment | | 45,184 |
| Increase in noncurrent assets | | 8,187 |
| Decrease in long-term liabilities | 717,603 | 238,877 |
| Deferred charges | | 3,950 |
| Total of uses | 1,049,814 | 296,372 |
| INCREASE (DECREASE) IN WORKING CAPITAL | (16,855) | (89,146) |
| REPRESENTED BY | | |
| Current assets: | | |
| At end of year | 153,476 | 995,964 |
| At beginning of year | 1,267,843 | 875,855 |

| | | |
|---|---|---|
| INCREASE | (1,114,367) | 120,109 |
| Current liabilities: | | |
| At end of year | 152,149 | 1,232,365 |
| At beginning of year | 1,249,661 | 1,023,110 |
| INCREASE (DECREASE) | (1,097,512) | 209,255 |
| INCREASE (DECREASE) IN WORKING CAPITAL | (16,855) | (89,146) |

The accompanying notes are an integral part of this unaudited interim financial information.

Table of Contents

**REFINARIA DE PETRÓLEO IPIRANGA S.A.**

**UNAUDITED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY**

**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2007 AND**

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

**(In thousands of Brazilian reais R$)**

| | Capital | Revaluation reserves | Profit reserves | Retained earnings | Total shareholders equity |
|---|---|---|---|---|---|
| BALANCE AS OF DECEMBER 31, 2005 | 180,000 | 6,186 | 242,214 | | 428,400 |
| Capitalization of reserves | 185,000 | | (185,000) | | |
| Net income | | | | 93,158 | 93,158 |
| BALANCE AS OF JUNE 30, 2006 (unaudited) | 365,000 | 6,186 | 57,214 | 93,158 | 521,558 |
| Net income | | | | 71,082 | 71,082 |
| Distribution of net income to: | | | | | |
| Legal reserve | | | 8,201 | (8,201) | |
| Unrealized profit reserve | | | 28,960 | (28,960) | |
| Statutory reserves | | | 109,067 | (109,067) | |
| Interest on capital | | | | (17,889) | (17,889) |
| Other | | | | (123) | (123) |
| BALANCE AS OF DECEMBER 31, 2006 | 365,000 | 6,186 | 203,442 | | 574,628 |
| Capital increase | 110,000 | | (110,000) | | |
| Net income | | | | 132,912 | 132,912 |
| Unrealized profit adjustment | | | 2,672 | | 2,672 |
| BALANCE AS OF JUNE 30, 2007 (unaudited) | 475,000 | 6,186 | 96,114 | 132,912 | 710,212 |

The accompanying notes are an integral part of this unaudited interim financial information.

Table of Contents

**REFINARIA DE PETRÓLEO IPIRANGA S.A.**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION**

**FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2007 AND 2006**

**(Amounts in thousands of Brazilian reais R$, unless otherwise stated)**

## 1. Operations

Refinaria de Petróleo Ipiranga S.A. (the Company ) is a public company whose shares are traded on the São Paulo Stock Exchange (BOVESPA). Until April 18, 2007, the Company was controlled by members of the Bastos, Mello, Ormazabal, Tellechea and Gouvêa Vieira families.

On April 18, 2007, Ultrapar Participações S.A. ( Ultrapar ), for itself and also as commission agent of Petróleo Brasileiro S.A. ( Petrobras ) and Braskem S.A. ( Braskem ), acquired from the controlling shareholders of the Petroleo Ipiranga companies, 66.2% of the common shares and 13.9% of preferred shares issued by the Company, 69.2% of the common shares and 13.5% of the preferred shares issued by Distribuidora de Produtos de Petróleo Ipiranga S.A. ( DPPI ) and 3.8% of the common shares and 0.4% of the preferred shares issued by Companhia Brasileira de Petróleo Ipiranga ( CBPI ).

The Company is primarily engaged in oil refining and sale of its by-products.

## 2. Presentation of financial statements

These consolidated financial statements were prepared in accordance with accounting practices adopted in Brazil (Brazilian GAAP). The financial statements presented herein are different from the ones prepared by the Company for statutory purposes because they do not include the holding Company s stand-alone financial statements as of December 31, 2006, have been adjusted with respect to the financial statements for statutory purposes to include in Note 24 a reconciliation of net equity and net income between the amounts under Brazilian GAAP and generally accepted accounting principles in the United States of America (U.S. GAAP) and have also been adjusted to present certain additional disclosures to facilitate its understanding by readers not familiar with Brazilian GAAP.

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates include, but are not limited to, estimates relating to the useful lives of property, plant and equipment, accounting for contingencies and provisions for income taxes among others. Actual results could differ in relation to these estimates.

## 3. Summary of significant accounting practices

Accounting practices adopted in Brazil (Brazilian GAAP) to record transactions and prepare the financial statements comply with those prescribed by Brazilian corporate law and specific standards established by the Brazilian Securities Commission (CVM), which differ in certain respects from U.S. GAAP. See Note 24 for a discussion of these differences and a reconciliation of consolidated shareholders equity and consolidated net income between Brazilian GAAP and U.S. GAAP.

The following is a summary of significant accounting policies followed in the preparation of the accompanying financial statements:

### a) Cash and cash equivalents

Cash and cash equivalents comprise highly-liquid temporary cash investments (with maturities of three months or less when acquired and readily convertible to cash).

Table of Contents

**b) Short - term investments and derivatives**

Short-term investments correspond to temporary investments. Derivative instruments included swap transactions and options which are recorded at cost plus accrued income or expense based on the contractual rates included in each agreement.

**c) Allowance for doubtful accounts**

The Company s management has individual customer credit information, enabling it to assess customers ability to pay. The allowance is recognized in an amount considered sufficient to cover probable losses on realization of accounts receivables.

**d) Restricted export drafts**

Correspond to receivables from exports to customers that have been transferred to financial institutions as repayment of export pre-financing or post-financing obtained.

**e) Inventories**

Stated at the lower of average acquisition or production cost or market or estimated net realizable value.

**f) Investments in subsidiaries and goodwill**

Accounted following the equity method with a corresponding entry to income.

Goodwill on the acquisition of subsidiaries is amortized over 10 years, the estimated period of realization.

**g) Property, plant and equipment**

Stated at acquisition or construction cost, monetarily restated through December 1995. Depreciation is calculated following the straight-line method based on the estimated economic useful lives of the assets.

**h) Loans and financing**

Stated at the amount of principal, plus financial charges incurred on a pro rata basis through the balance sheet date. Foreign currency-denominated loan were converted into Brazilian reais at the exchange rates prevailing at the balance sheet date.

**i) Income and social contribution taxes**

Tax expense is calculated based on the income tax rate of 15% plus a 10% surtax and social contribution tax rate of 9%.

**j) Deferred income and social contribution taxes**

Calculated on temporary differences and tax loss carryforwards using the income and social contribution tax rates effective for the period in which the tax effects are expected to be realized.

Deferred income and social contribution tax assets are only recognized up to the amount that is likely to be realized within the next ten years as established by CVM Instruction No. 371/02.

Table of Contents

**k) Provision for contingencies**

Recorded for contingent whose likelihood of loss is probable, based on the opinion of management and inside and outside legal counsel. The accrual is recorded based on the estimated costs upon the final resolution of lawsuits.

**l) Provision for other post-employment benefit obligations**

Pension and other post-employment benefits liabilities to employees, retirees and pensioners (net of assets of the benefit plans) are recorded based on the actuarial calculation prepared by an independent actuary, using the Projected Unit Credit Method.

**m) Other assets and liabilities**

Other assets and liabilities, classified as current and noncurrent, are stated at realizable or estimated settlement amounts. These assets and liabilities are stated at cost or realizable value and known or estimated amounts, respectively, including, when applicable, interest and monetary and exchange variations.

**n) Interest on capital**

Interest on capital can be paid by Brazilian companies in lieu of, or in addition to, mandatory dividend stipulated by the respective company s bylaws. Interest on capital is calculated within the limits established by Law No. 9,249/95 for a maximum amount computed as the TJLP (noncurrent interest rate) applied on the respective shareholders equity.

Interest on capital received from affiliates is recorded as a receivable. Interest on capital payable, since it represents in essence dividends, is recorded as a reduction in Retained earnings .

**o) Results of operations**

Revenue from sale of products is recognized when significant risks and benefits related to the product ownership pass to customer. Revenue from sale of services is recognized when services are provided. Other income, expenses and costs are recognized when incurred and/or realized. The result includes interest and monetary and exchange variations, at official indexes and rates, applicable to current and noncurrent assets and liabilities and, when applicable, the effects of adjustments of assets to market or realizable value.

**4. Consolidation criteria**

The consolidated financial statements have been prepared in accordance with the consolidation principles established by Brazilian GAAP and include the accounts of the Company and the following subsidiaries as of December 31, 2006 and as of June 30, 2006 and for the six-months then ended:

| | | Ownership interest | %(****) |
|---|---|---|---|
| | **Location** | **Direct** | **Indirect** |
| Ipiranga Química S.A. | Brazil | 58.5269 | |
| Through Ipiranga Química S.A.: | | | |
| Ipiranga Petroquímica S.A.(***) | Brazil | | 92.3863 |
| Isatec - Pesquisa, Desenvolvimento e Análises Químicas Ltda. | Brazil | | 100.0000 |
| Forlab Chitec S.A. Comércio Internacional | Brazil | | |
| Ipiranga Química Armazéns Gerais Ltda. | Brazil | | 99.8500 |
| Through Ipiranga Petroquímica S.A. | | | |
| IPQ Petroquímica Chile S.A. | Chile | | 100.0000 |
| Ipiranga Petroquímica Chile Ltda. | Chile | | 100.0000 |
| Ipiranga S.A. (Argentina) | Argentina | | 100.0000 |
| Natal Trading Ltd. | BVI(*) | | 100.0000 |
| COPESUL(**) | Brazil | | 29.4600 |

Table of Contents

(*) BVI British Virgin Islands.

(**) COPESUL is a jointly-controlled entity which under Brazilian GAAP is proportionately consolidated.

(***) On December 26, 2006, Ipiranga Petroquímica S.A. ( Ipiranga Petroquímica or IPQ ) repurchased all its shares held up to such date by the minority shareholder International Finance Corporation-IFC and those shares were cancelled. As a result the interest of shareholders other than IFC in Ipiranga Petroquímica increased. The interest of Ipiranga Química S.A. ( Ipiranga Química ) increased from 88.4800% to 92.32863%.

(****) The interest of the Company in such subsidiaries remained the same as of June 30, 2007. However, as further explained below the subsidiaries are not consolidated as from April 18, 2007 but accounted for following the equity method.

The following practices were adopted in the preparation of the consolidated financial statements:

(a) Intercompany balances, transactions and unrealized profit have been eliminated.

(b) Minority interest in subsidiaries is presented in a separated caption.

(c) Assets and liabilities, revenues and expenses of the jointly-controlled entity Copesul were included in the consolidated financial statements in proportion to the investor s interest in the investee s capital, pursuant to CVM Instruction No. 247/96. The consolidated balance sheet as of December 31, 2006 and statement of income for the six-month period ended June 30, 2006 of the jointly-controlled entity Copesul are presented on a condensed basis in note 24 I e).

**Non consolidation of subsidiaries as from April 18, 2007**

As commented in Note 1, on April 18, 2007 Ultrapar together with Braskem and Petrobras, acquired from controlling shareholders of the Petroleo Ipiranga companies 66.2% of common shares and 13.2% of preferred shares of the Company, 69.2% of common shares and 13.5% of preferred shares of DPPI, and 3.8% of common shares and 0.4% of preferred shares of CBPI.

Under the terms of the agreement between Ultrapar, Braskem and Petrobras, once all steps of the transaction mentioned in Note 1 are finalized, Ultrapar will hold the control of the distribution of fuel and lubrificants located in the South and Southeast regions of Brazil ( South Distribution Assets ), Petrobras will hold the control of the distribution of fuel and lubrificants located in the North, Northeast and Center West regions of Brazil ( North Distribution Assets ) and Braskem will and Petrobras will hold 60% and 40%, respectively, of the petrochemical assets, represented by Ipiranga Química, its subsidiary Ipiranga Petroquímica and by the interest of the latter in Copesul Companhia Petroquímica do Sul (Copesul) ( Petrochemical Assets ). Assets related to the oil refining business carried out by the Company will be equally shared by Petrobras, Ultrapar and Braskem.

The Company continues to have a majority voting interest in Ipiranga Química and its subsidiaries which are part of the Petrochemical Assets. However, the Company does no longer have control over its subsidiaries after April 18, 2007. As part of the acquisition a shareholders agreement has been entered into between Ultrapar, Petrobras and Braskem through which, among other provisions, established that as from April 18, 2007 : (i) it is agreed that the Petrochemical Assets will be controlled by Braskem, (ii) Ultrapar will vote the shares of Ipiranga Química owned by the Company following instructions from Braskem, and (iii) Ultrapar will vote for the members of the Board of Ipiranga Quimica appointed by Braskem and Petrobras.

As a result of the terms of the shareholders agreement Ipiranga Química and its subsidiaries are no longer consolidated in the Company s financial statements, but rather, the investments in such subsidiaries are accounted for following the equity method since the date of acquisition.

Table of Contents

**Equity pick-up**

Additionally, according to the terms of the agreement between Ultrapar, Braskem and Petrobras, all results generated by Ipiranga Química and DPPI and CBPI into RPI s equity pick-up, since March 18, 2007, should be transferred, in the case of Ipiranga Química to Braskem and Petrobras , and in the case of DPPI and CBPI to Ultrapar and Petrobras. These transfers should occur upon completion of all steps of the acquisition.

**5. Short term investments**

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Treasury bills (LTF) | | 3,926 |
| Investment funds | | 3,528 |
| Time deposit | | 2,263 |
| | | 9,717 |
| (-) Current | | 9,480 |
| Noncurrent | | 237 |

**6. Derivatives receivable and payable**

Amounts as of December 2006 correspond to operations entered into by COPESUL involving options with respect to U.S. dollars called box options as commented below. Its purpose has been to invest cash resources at rates higher than other available investment options. COPESUL also entered into swap operations which were entered into by Fundo de Investimento Financeiro Multimercado Copesul, a fund consolidated by COPESUL, whose custodian and manager is Banco Santander Brasil S.A.

Swaps correspond to cross-currency interest rate swaps by which the Company pays a fixed interest rate and receives a variable rate based on the Interbank Deposit Certificates (CDI) rate.

| | Amounts Receivable | |
|---|---|---|
| | June 30, 2007 | December 31, 2006 |
| Swap transactions receivable | | 7,842 |
| Box options | | 11,047 |
| Total | | 18,889 |

| | Payables | |
|---|---|---|
| | June 30, 2007 | December 31, 2006 |
| Swap transactions payable | | 6,704 |
| Total | | 6,704 |

Box options are combined operations that involve both the purchase and the sale of options in US dollars for the same maturity at a certain price, so that, regardless of the future U.S. dollar rate, the Company knows in advance the net result of such operations providing what the Company views as a fixed return over its investment. The value paid for the options, called premium, corresponds to the amount invested by the Company and the sum redeemed will be the premium plus a pre-fixed rate of return.

Table of Contents

**7. Trade accounts receivable**

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Domestic market | | |
| Trade notes receivable | 961 | 436,299 |
| Foreign market | | |
| Trade notes receivable | | 215,554 |
| | | 651,853 |
| (-) Current | 961 | 634,035 |
| Noncurrent | | 17,818 |

**8. Related-party transactions**

Intercompany transactions are conducted under price and term conditions similar to those adopted for transactions with unrelated parties and are as follows:

| | June 30, 2007 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Trade accounts receivable (current) | Trade accounts receivable (noncurrent) | Trade accounts payable (current) | Payable for warrants purchased (b) | Debentures | Sales | Purchases | Financial income (expenses) |
| Ipiranga Química S.A. | 2,478 | | | | | 10,500 | | |
| Copesul Companhia Petroquímica do Sul | 7,281 | | 534 | | | 101,077 | 360,728 | (188) |
| Copesul International Trading Inc. | | | 44,270 | | | | 125,358 | |
| Distribuidora de Produtos de Petróleo Ipiranga S.A. | 13,316 | | 25 | 35,851 | | 387,338 | 5,161 | (1,511) |
| Isatec Pesquisa, Desenvolvimento e Análises Químicas Ltda. | 132 | | 49 | | | 132 | 49 | |
| Tropical Transportes Ipiranga Ltda. | | | 6 | | | | 1,616 | |
| Petróleo Brasileiro S.A. | | | 70 | | | | 470 | |
| Petrobrás Distribuidora S.A. | 1,857 | | | | | 12,436 | | |
| Petrobrás Transportes S.A. Transpetro | | | | | | | 8 | |
| PIFCO Petrobras International Finance Co. | | | | | | | 51,289 | |
| Other. | | | | | | 4,062 | 6,605 | |
| Total as of June 30, 2007 | 25,064 | | 44,954 | 35,851 | | 515,545 | 551,284 | (1,699) |
| Total as of June 30, 2006 | | | | | | 439,141 | 169,375 | (26,175) |

**Table of Contents**

| | December 31, 2006 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Trade accounts receivable (current) | Trade accounts receivable (noncurrent) | Trade accounts payable (current) | Payable for warrants purchased (b) | Debentures | Sales | Purchases | Financial income (expenses) |
| Distribuidora de Produtos de Petróleo Ipiranga S.A. | 3,647 | | 737 | 33,818 | 58,794 | 492,086 | 877 | (23,969) |
| Companhia Brasileira de Petróleo Ipiranga | 660 | | 1,456 | | 42,546 | 10,663 | 13,935 | (14,740) |
| Ipiranga Asfaltos S.A. | 76 | | | | | 1,908 | | |
| Empresa Carioca de Produtos Químicos S.A. | 27 | | 143 | | | 203 | 2,312 | |
| Tropical Transportes Ipiranga Ltda. | 4 | | 226 | | | 8 | 4,843 | |
| COPESUL Companhia Petroquímica do Sul | 3,042 | | 13,306 | | | 66,191 | 1,355,896 | 284 |
| Braskem S.A | 11,484 | | 719 | | | 810,995 | 15,195 | |
| Petróleo Brasileiro S.A. | 35 | | 11,000 | | | 35 | 378,612 | |
| Refinaria Alberto Pasqualini S.A. | 1,162 | | 5,768 | | | 22,766 | 195,312 | |
| Other | 3,323 | | 220 | | | 3,677 | 2,820 | |
| Total as of December 31, 2006 | 23,460 | | 33,575 | 33,818 | 101,340 | 1,408,532 | 1,969,802 | (38,425) |

(a) Debentures issued by Ipiranga Química in 2003

The Extraordinary Shareholders Meeting of Ipiranga Química S.A. held on May 26, 2003 approved the issuance of two series of private convertible debentures, consisting of 11,000 Series A debentures, with face value of R$ 10 each, amounting to R$110,000, and 80,000 Series B debentures, with face value of R$1 each, amounting to R$80,000.

Both series of debentures mature on June 1, 2008.

On June 12, 2003,Distribuidora de Produtos de Petróleo Ipiranga S.A. fully subscribed the Series A debentures and Cia Brasileira de Petróleo Ipiranga fully subscribed the Series B debentures.

The subscribed debentures pay interest based on the CDI interest rate, plus spread subject to renegotiation every 6 months (Series A) and every 5 months (Series B) as established by the indenture dated June 1, 2003.

The spread for Series A debentures was 1.5% per year, as from December 1, 2005. The spread for Series B debentures was 1.0%.

Debentures were convertible into common shares of Ipiranga Química S.A. at any time after their issuance and until their maturity or redemption at the option of the holder.

The conversion price was a fixed amount established in the indenture of the debentures. However, the quantity of common shares to be received upon conversion will be higher than the amount determined as face value of the debentures divided by the conversion price. The quantity of additional shares to be received will be 25% if converted up to June 1, 2004, 18.2177% if converted before June 1, 2005, 11.8034% if converted before June 1, 2006 and 5.7371% if converted before June 1, 2007. No conversion has occurred to date.

**Table of Contents**

(b) Modification of terms of the debentures and purchase of warrants by the Company

Pursuant to a Memorandum of Understanding signed on October 3, 2005, Distribuidora de Produtos de Petróleo Ipiranga S.A., Companhia Brasileira de Petróleo Ipiranga and the Company agreed to hold an Extraordinary Shareholders Meeting of Ipiranga Química S.A. to approve a change in the type of debentures, issued by Ipiranga Química S.A. on June 1, 2003.

The changes approved on the meeting held on October 6, 2005 were: (i) to change the debentures from convertible to nonconvertible without making any other change in the terms or conditions of the debentures, and (ii) to issue warrants to the holders of the debentures, without any charge, replacing the conversion right established for the debentures; the terms of the warrants allow their holder to purchase common shares of Ipiranga Química in exactly the same terms than the conversion features originally included in the debentures.

Contemporaneously, the parties agreed that Distribuidora de Produtos de Petróleo Ipiranga S.A. would sell for R$29.0 million the warrants obtained to the Company. The amount for the purchase of the warrants is payable on October 3, 2007, and carries interest at the CDI interest rate.

Upon acquisition of the warrants, the Company recognized the cost of R$29.0 million as an asset within Permanent Assets and the corresponding payable to Distribuidora de Produtos de Petróleo Ipiranga S.A. The warrant is recorded at cost by the Company.

(c) Early partial redemption of the debentures in 2006

The Board of Directors of Ipiranga Química S.A., at the meetings held on May 2, 2006 and December 28, 2006, decided to make an early partial redemption of its debentures, issued on June 1, 2003, considering the financial cost that this debt has been generating for Ipiranga Química S.A.

Funds used to pay for the redemption were received by Ipiranga Química S.A. from its investee Ipiranga Petroquímica S.A. resulting from a reduction in capital approved by it on April 28, 2006 and from distribution of dividends.

Out of the outstanding balance of debentures of R$ 307.0 million, R$ 240.8 million was early redeemed in 2006.

(d) Warrants

However, upon completion of Company s acquisition process , as further described in note 1, these warrants should be fully transferred to Braskem and Petrobras, at no value, based on the terms of the agreement entered into by Ultrapar, Braskem and Petrobras.

**9. Inventories**

| | **June 30, 2007** | **December 31, 2006** |
|---|---|---|
| Finished products | 27,707 | 175,798 |
| Work in process | 6,261 | 15,802 |
| Raw materials | 58,581 | 101,602 |
| Indirect materials, packaging and storeroom supplies | 3,411 | 67,881 |
| Products and raw materials held by third parties | 1,330 | 45,776 |
| Imports in transit | | 10,250 |
| Goods in transit | | 59,775 |
| | 97,290 | 476,884 |

F-261

Table of Contents

**10. Recoverable taxes**

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Income and social contribution taxes | 2,937 | 9,032 |
| IRRF (withholding income tax) | 3 | 13,757 |
| ICMS (state VAT) | | 164,478 |
| IPI (federal VAT) | | 2,199 |
| ILL (tax on net income) | | 15,821 |
| PIS/COFINS (taxes on revenue) | 18,784 | 18,815 |
| State income tax additional | | 8,170 |
| Other | 168 | 11,567 |
| | 21,892 | 243,839 |
| (-) Current | 21,892 | 92,574 |
| Noncurrent | | 151,265 |

**11. Income and social contribution taxes**

**a) Deferred**

Considering the uncertainties with respect to future taxable income, as mentioned in Note 1, management maintained the decision of not recording any deferred income and social contribution tax assets as of June 30, 2007, December 31, 2006 or June 30, 2006 for the oil refining business.

On January 1, 2003, the subsidiary Ipiranga Petroquímica S.A. (IPQ) changed the criteria to tax unrealized foreign exchange gains and losses from the accrual basis to the cash basis. Considering the foreign currency exposure of IPQ, the foreign exchange variation significantly influenced the determination of taxable income in prior periods.

Considering the change in the taxation criteria and also considering the then existing economic scenario, the exposure of IPQ to several international market conditions, as well as the operating and business cycles of the petrochemical industry (which has presented significant changes in profit margins in periods which are shorter than most of other industry segments), IPQ management concluded that income projections for periods longer than 3 years may have uncertainty concerning the realization of its assumptions.

As a result of the above, as of December 31, 2004 and 2005 IPQ limited the amounts of deferred tax assets recognized to the amount considered probable to be recovered which was determined to be the amounts to be realized over the subsequent 3 years based on projections of taxable income as of each respective date.

As of December 31, 2006, due to the improvement of macroeconomic condition in Brazil and more accurate projections of the domestic and foreign market variables in the petrochemical industry, management of IPQ reviewed the initial estimate and decided to recognize as deferred tax assets an amount equal to the amounts expected to be realized over the subsequent 10 years based on projections of taxable income.

Recognition of deferred taxes is based on several factors including history of profitability of subsidiaries and budgets, approved by management, which estimates future income for the realization of this asset.

Table of Contents

Deferred tax assets and liabilities are as follows:

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Assets | | |
| Income tax Tax loss carryfowards | | 277,686 |
| Goodwill on purchase of shares by IPQ | | 12,504 |
| Taxes on exports | | 2,011 |
| Offsets Preliminary injunction | | |
| Provision for pension and other post-employment benefits | | 11,604 |
| Allowance for doubtful accounts | | 35,767 |
| Social contribution Tax loss carryforwards | | 81,182 |
| Other provisions | | 24,128 |
| Tax basis | | 444,882 |
| Statutory rate | | 34% |
| Deferred income and social contribution taxes | | 151,260 |
| (-) Current | | 10,534 |
| Noncurrent | | 140,726 |

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Liabilities | | |
| Foreign exchange gains taxed on a cash basis | | 109,972 |
| Other | | 2,184 |
| | | 112,156 |
| Statutory rate | | 34% |
| Deferred income and social contribution liabilities | | 38,133 |
| (-) Current | | 8,721 |
| Noncurrent | | 29,412 |

**b) Estimated realization of deferred tax assets and liabilities**

The realization of tax credits and debts is based on future taxable income projections limited to the 10 years after each balance sheet date for the following years:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | June 30, 2007 | December 31, 2006 | June 30, 2007 | December 31, 2006 |
| 2007 | | 10,534 | | 8,721 |
| 2008 | | 19,103 | | 7,548 |
| 2009 | | 5,952 | | 5,391 |
| 2010 to 2016 | | 115,671 | | 16,473 |
| | | 151,260 | | 38,133 |

Table of Contents

**c) Reconciliation of effective income tax and social contribution tax rate**

| | June 30, 2007 | June 30, 2006 |
|---|---|---|
| Reconciliation of current income and social contribution tax expenses | | |
| Income before taxes, equity in affiliates, profit sharing and minority interest | 148,162 | 185,539 |
| Additions and deductions | | |
| Equity in subsidiaries, goodwill amortization and provision for loss on investments | (412) | (12,133) |
| Interest on capital received by the Company and its subsidiaries | | 15,359 |
| Interest on capital paid by the Company and its subsidiaries | (17,889) | (19,787) |
| Temporarily nondeductible provisions | 15,606 | 1,071 |
| Foreign exchange taxed on a cash basis | (28,081) | (43,955) |
| Other | 5,039 | 14, 721 |
| Use of tax loss carryforwards | (2,340) | (2,677) |
| Tax basis | 120,085 | 138,138 |
| Statutory rate | 34% | 34% |
| Current income and social contribution taxes | 40,829 | 46,967 |

**12. Investments in affiliates and subsidiaries**

| | IQ | CBPI | DPPI | Total June 30, 2007 | Total December 31, 2006 |
|---|---|---|---|---|---|
| Information on the investees as of June 30, 2007 | | | | | |
| Number of shares | | | | | |
| Common shares (thousand) | 255,220,842 | 8,787 | 1,633 | | |
| Preferred shares (thousand) | | 3,312 | 814 | | |
| Direct interest (%) | | | | | |
| In voting capital | 58.5269 | 24.8148 | 15.2503 | | |
| In capital | 58.5269 | 11.4191 | 7.6463 | | |
| Shareholders equity | 754,118 | 1,734,813 | 873,446 | | |
| Net income | 165,282 | 179,648 | 33,260 | | |
| Changes in investments | | | | | |
| Beginning balance | | 177,586 | 61,479 | 239,065 | 208,359 |
| Accounting for IQ following the equity method as from April 2007 Opening balance | 344,628 | | | 344,628 | |
| Dividends and interest on capital | | | | | (17,889) |
| Equity in subsidiaries | 96,734 | 20,514 | 5,308 | 122,556 | 48,595 |
| | 441,362 | 198,100 | 66,786 | 706,248 | 239,065 |

As indicated in Note 4, the Company does no longer has control with respect to its subsidiaries as of June 30, 2007, accordingly they are no longer consolidated in the Company s financial statements, but rather, such subsidiaries are accounted following the equity method as from April 18, 2007, the date of acquisition.

Table of Contents

**13. Property, plant and equipment**

| | Annual depreciation rates % | June 30, 2007 | December 31, 2006 |
|---|---|---|---|
| Land | | 11,456 | 27,550 |
| Buildings and improvements | 4 | 2,367 | 133,026 |
| Operating machine, equipment and installations | 10 | 17,852 | 750,106 |
| Furniture and fixtures | 10 | 247 | 3,295 |
| Computers and peripherals | 20 | 101 | 7,162 |
| Vehicles | 20 | 46 | 1,682 |
| Construction in progress | | 3,683 | 62,157 |
| Other | 10 | 36 | 14,383 |
| | | 35,788 | 999,361 |

Land includes the amount of R$ 6,186 related to a revaluation performed in 1983.

**14. Loans and financing**

| Characteristics | June 30, 2007 Current | December 31, 2006 Current | December 31, 2006 Noncurrent | Index | Effective rate | Guarantees |
|---|---|---|---|---|---|---|
| *Local currency* | | | | | | |
| Industrial expansion | | 11,688 | 32,351 | TJLP | 10.55% | COPESUL Industrial plant, guarantee of RPI |
| Investment acquisition | | 9,891 | | IGP-M | 6.49 % | COPESUL shares |
| Working capital | | 8,303 | | CDI | 13.42 % | Promissory notes, export credit note and sales |
| | | 29,882 | 32,351 | | | |
| *Foreign currency* | | | | | | |
| Industrial expansion | | 427 | 2,693 | Basket of currencies | 9.32 % | COPESUL Industrial plant |
| Working capital (foreign exchange contracts and prepayments) | | 321,727 | 585,235 | Monthly, quarterly and annual LIBOR | 6.64% | Promissory notes, guarantees |

| | | | | | |
|---|---|---|---|---|---|
| | | | | | provided by CBPI, RPI and DPPI and exports |
| Restricted export drafts | | (149,758) | | | |
| FINIMP financing for Imports | | | | | |
| | 51,748 | | | | Promissory note |
| | | | | LIBOR + US$0.125 + 0.15 | |
| | 51,748 | 172,396 | 587,928 | | |
| *Swap transactions* | | 6,704 | | | |
| Total | 51,748 | 208,982 | 620,279 | | |

F-265

Table of Contents

The noncurrent portion matures as follows:

| Maturities | June 30, 2007 | December 31, 2006 |
|---|---|---|
| 2008 | | 109,578 |
| 2009 | | 141,408 |
| 2010 | | 130,640 |
| After 2011 | | 238,653 |
| | | 620,279 |

On August 28, 2005, IPQ signed a noncurrent loan pre-agreement in the amount of US$ 150 million, structured by IFC, which can be fully or partially withdrawn, as needed. As of the date of these financial statements, no amounts have been withdrawn.

**15. Taxes payable**

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Income tax | 40 | 16,440 |
| Social contribution tax | | 6 |
| PIS/COFINS (taxes on revenue) | 25,521 | 36,817 |
| IPI (federal VAT) | | 7,243 |
| IPI PAES (tax debt refinancing program) | | 9,228 |
| ICMS | 4,257 | 15,726 |
| CIDE (economic intervention contribution) | 4,121 | 9,402 |
| Other | 4 | 5,286 |
| Total | 33,943 | 100,148 |
| (-) Current | 8,637 | 59,018 |
| Noncurrent | 25,306 | 41,130 |

The amount recorded in noncurrent liabilities refers to the provision for CIDE using PIS and COFINS credits, in accordance with article 8 of Law No. 10,336/01.

**16. Contingencies**

**a) Probable losses**

A provision was recognized to cover probable losses estimated by management, supported by legal counsel, arising from the following lawsuits:

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Tax lawsuits | 543 | 9,517 |
| Civil lawsuits | | 695 |
| Labor lawsuits | 1,249 | 11,620 |
| Total | 1,792 | 21,832 |

| | | |
|---|---|---|
| (-) Current | 668 | 10,014 |
| Noncurrent | 1,124 | 11,818 |

Table of Contents

**Tax lawsuits**

1. As of June 30, 2007 and December 31, 2006, the tax lawsuits of Refinaria de Petróleo Ipiranga S.A. refer mainly to: (1) claim by the INSS (National Institute of Social Security) of additional contribution on the SAT (Occupational Accident Insurance), and (2) assessment issued by the INSS related to presentation of the GFIP (FGTS (severance pay fund) Payment and Social Security Information Form) with incomplete data about taxable events contained in the payroll.

2. As of December 31, 2006, tax lawsuit of Ipiranga Química S.A. refers to the tax deficiency notice issued by the Bahia State alleging an error in the recording of tax documents and in the determination of ICMS tax basis lack of evidence of storage of products intended to be shipped to the Manaus Free Trade Zone and the non-taxation of consignment sale.

3. As of December 31, 2006, tax lawsuit of IPQ included in this classification refers to IRRF (withholding income tax) levied on dividends received from a subsidiary in 1994 and 1995 for which the Company formalized a refund request to the Federal Revenue Service (SRF) since at that time there were no objective conditions for offset since: (i) dividends were no longer subject to taxation beginning January 1, 1996, and (ii) it was not possible to pay dividends up to calendar year 2004 due to accumulated deficit. The SRF, by means of Regulatory Instruction No. 12/99, regulated the matter and started to allow the offset of said IRRF against tax payable on interest on capital paid by the IPQ to its shareholders. Based on income for 2005 and 2006, IPQ paid interest on capital to its shareholders and offset, in 2006, the prepaid IRRF tax asset against the IRRF levied on interest on capital. Considering that the IRRF asset was considered contingent, IPQ s management recognized a provision for contingencies related to the amount of IRRF subject to offset and, simultaneously, maintains the discussion about the matter at the administrative level.

**Labor lawsuits**

Corresponds to lawsuits filed by former employees and outsourced professionals of the Company as of June 30, 2007 and December 31, 2006 and of IPQ, Ipiranga Química S.A. and the jointly-controlled entity COPESUL as of December 31, 2006 which refer basically to salary equalization and overtime.

**b) Possible losses**

Lawsuits for which management assessed the probability of loss as possible , based on the opinion of its legal counsel, are not accrued in the financial statements and are composed of:

| | **June 30, 2007** | **December 31, 2006** |
|---|---|---|
| Tax lawsuits | 395 | 56,166 |
| Civil lawsuits | | 185 |
| Labor lawsuits | 182 | 4,874 |
| Total | 577 | 61,225 |

**Tax lawsuits**

1. As of June 30, 2007, the tax lawsuits of Refinaria de Petróleo Ipiranga S.A. included in this classification refer mainly to: (1) collection action due to the lack of payment of fees of the securities market; (2) notice to pay amounts arising from disallowance of deductions of salary premium for education considered incorrect, based on a supposedly lack of information to the FNDE (National Fund for the Development of Education) and (3) voluntary reporting through which PIS and COFINS (taxes on revenue)

due were paid, with interest, but without fine.

Table of Contents

2. As of December 31, 2006, the tax lawsuits of Ipiranga Química S.A. refer mainly to: (1) requirement of ICMS (state VAT) for sales made in the International Painting Convention in disagreement with the special regime granted, and (2) tax deficiency notice arising from the tax reclassification of imported product, requirement of IPI (federal VAT) and II (import tax).

3. As of December 31, 2006, the tax lawsuits of IPQ refer mainly to: (1) requirement of reversal of deemed IPI credits to refund PIS/COFINS on exported products; (2) tax deficiency notice arising from adjustments of the amount stated upon import of petrochemical plants, relating to the levy of import tax and IPI (federal VAT) on license for plants and transfer of know how and (3) tax deficiency notice arising from the tax reclassification of imported product, requirement of IPI and II, whose amount was partially reduced due to a decision favorable to the administrative rejection filed, and the corresponding amount was transferred to contingent liabilities assessed as remote losses.

**Labor lawsuits**

Corresponds to lawsuits filed by former employees and outsourced professionals of the Company as of June 30, 2007 and December 31, 2006 and its subsidiaries IPQ and Ipiranga Química S.A. as of December 31, 2006 referring to payroll charges and overtime.

**c) Contingent assets**

The Company and its subsidiaries filed judicial and/or administrative proceedings with Federal and State tax authorities to recover taxes unduly paid or overpaid. These proceedings, when concluded, may represent income that, due to its contingent nature, is not recorded in the financial statements as of June 30, 2007, December 31, 2006 or June 30, 2006.

Due to the progress of lawsuits and based on their legal counsel s opinion, the companies management assessed the likelihood of a favorable outcome in the aforementioned lawsuits as probable and possible, depending on the specific circumstances. Lawsuits may be summarized as follows:

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Federal level | | |
| PIS/COFINS (taxes on revenue) increase in tax basis | 3,110 | 12,232 |
| Maintenance of IPI credits on acquisition of products subject to zero rate(*) | | 578,410 |
| | 3,110 | 590,642 |
| State level | | |
| State income surtax (AIRE) | 3,421 | 2,810 |

(*) The purpose of this lawsuit is the recognition of the right to IPI credits levied on inputs acquired and used in the manufacture of end products subject to IPI.

**17. Employee and management profit sharing**

Profit sharing is calculated based on income for the year, after deducting accumulated deficit, if any, and provision for income and social contribution taxes, and is distributed as follows:

**a) Employee profit sharing**

Calculated based on 3% of net income, which will be computed excluding income from investments in companies (recorded in the individual statements of income of the Company as equity in subsidiaries and affiliates), amortization of goodwill or negative goodwill, sale or write-off of investments in companies and, additionally, interest paid or received by the Company as interest on capital.

Table of Contents

**b) Management profit sharing**

Calculated, at year end, at 10% of income after deducting employee profit sharing and cannot exceed the annual global compensation established at the Shareholders Meeting.

**18. Provision for pension and other post-employment benefits**

**a) Pension benefits provided by Fundação Francisco Martin Bastos**

The Company, together with other Petróleo Ipiranga companies, sponsors Fundação Francisco Martins Bastos (FFMB), a closed pension entity that manages and operates pension plan for the employees of Petróleo Ipiranga companies.

The value of the Company contribution, for the period ended June 30, 2007, for the pension plan was R$ 161 (R$430 for the six months ended June 30, 2006).

**b) Other post-employment benefits**

According to CVM Resolution No. 371/2000, the Company, in addition to the pension plan, recognizes a provision for other post-employment benefits related to bonus for length of service, FGTS (severance pay fund), health care plan and life insurance for eligible retirees. Other post-employment benefits are unfunded and are provided directly by the Company and each of its subsidiaries of the Petroleo Ipiranga group.

**c) Information about pension and other post-employment benefits**

Net liabilities recorded as of June 30, 2007 are R$40,379, of which R$3,857 are accounted as current liabilities and R$36,522 as noncurrent liabilities (R$4,086 accounted as current liabilities and R$47,267 as noncurrent liabilities as of December 31, 2006).

These additional retirement benefits were calculated in an actuarial evaluation.

Actuarial liabilities on June 30, 2007 maintaining the biometric assumptions and rates disclosed in the financial statements of December 31, 2006.

**19. Shareholders equity**

**a) Capital**

As of June 30, 2007, capital is represented by 29,600,000 shares without par value, of which 9,982,404 are common shares and 19,617,596 are preferred shares.

Preferred shares have no voting right, are entitled to dividends 10% higher than those paid on common shares, and have priority in the reimbursement in the event of liquidation.

Table of Contents

**b) Reserves**

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Revaluation reserve: | | |
| Own assets | 6,186 | 6,186 |
| | | |
| Profit reserves: | | |
| Legal | 17,943 | 18,876 |
| For payment of dividends | | |
| For working capital and conservation and improvement of installations | | 109,067 |
| Unrealized profit: | | |
| 2004 | 27,374 | 27,374 |
| 2005 | 21,941 | 19,165 |
| 2006 | 28,856 | 28,960 |
| | | |
| | 96,114 | 203,442 |

The Extraordinary Shareholders Meeting, held on April 18, 2007, approved the capital increase from R$365 million to R$475 million, incorporating the total of the profit reserve working capital (R$109.067 thousand) and part of the profit reserve legal reserve (R$933 thousand).

The Extraordinary Shareholders Meeting held on April 26, 2006 approved an increase in the Company s capital from R$180,000 to R$365,000, through the capitalization of profit reserves, with the issuance of 14,800,000 new shares, of which 4,991,202 are common shares and 9,808,798 are preferred shares, distributed for free to shareholders at a ratio of one new share for each share of the same type they held on the date of the meeting.

**c) Distribution of dividends**

Shareholders are annually entitled to receive mandatory minimum dividends, corresponding to 30% of net income, after allocation of 5% to the legal reserve. Preferred shareholders are entitled to receive dividends or interest on capital 10% higher than those paid on common shares. Said dividends are calculated based on article 202 of Law No. 6404/76.

**20. Collaterals and guarantees**

The Company provides collaterals and guarantees for some loan operations conducted directly or indirectly by certain subsidiaries and other related parties.

As of June 30, 2007 and December 31, 2006 amounts referring to the operations guaranteed by the Company are as follows:

| Guaranted Company | June 30, 2007 | December 31, 2006 | Maturity |
|---|---|---|---|
| DPPI | 441 | 646 | 2010 |
| EMCA | 940 | 1,326 | 2009 |
| | 56,017 | 44,555 | 2007 |
| | 73 | 112 | 2008 |
| IASA | 56,090 | 44,667 | |
| | 23,072 | 24,014 | 2007 |
| | 3,610 | 5,392 | 2008 |
| | 177 | 228 | 2009 |
| IQ | 26,859 | 29,634 | |
| IPQ | 6,383 | 14,663 | 2007 |
| | 90,713 | 90,906 | |

REFINARIA Refinaria de Petróleo Ipiranga S.A.

DPPI Distribuidora de Produtos de Petróleo Ipiranga S.A. (1)

EMCA Empresa Carioca de Produtos Químicos S.A. (3)

IASA Ipiranga Asfaltos S.A. (3)

IQ Ipiranga Química S.A. (2)

IPQ Ipiranga Petroquímica S.A. (2)

(1) Related-party
(2) Entity consolidated by the Company up to April 18, 2007
(3) Entities controlled, directly or indirectly, by DPPI

**21. Financial instruments**

In accordance with CVM Instruction No. 235/95, the Company and its subsidiaries estimated the fair value of their financial instruments, using available market information and appropriate estimation methodologies. However, both the interpretation of market data and the selection of estimation methodologies require reasonable judgment and estimates to determine the most adequate realizable value. Accordingly, the estimates presented are not necessarily indicative of the amounts that could be obtained in active market trading. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair values. Book values of financial instruments approximate their fair value.

The Company and its subsidiaries conduct transactions involving financial instruments, all of which are recorded in balance sheet accounts, and are intended to meet their needs and reduce the exposure to credit, market, and currency risks. Management of these risks is performed by establishing strategies and control systems and setting position limits.

The main risks affecting the Company s business are as follows:

**a) Currency risk**

This risk arises from the possibility of the Company incurring material losses because of exchange rate fluctuations, which may affect the balances of foreign currency-denominated loans and financing.

Table of Contents

**b) Credit risk**

This is the risk of the Company incurring losses due to customers failure to pay accounts and financing. The Company reduces this risk by means of a credit policy and by obtaining collaterals for supply agreements signed with its customers for significant balances.

**c) Price risk**

The oil refining activity is subject to this risk when variations in the price of petroleum in the market are not transferred to petroleum products. To reduce this risk, the Company has been seeking alternatives with the Federal Government and Petrobras, as futher described in Note 1.

**d) Financial income (expenses)**

| | June 30, 2007 | June 30, 2006 |
|---|---|---|
| Financial income | | |
| Interest | 2,333 | 5,636 |
| Monetary variation | 4,938 | 9,557 |
| Exchange variation | 33,803 | 46,842 |
| Other financial income | 3,654 | 2,499 |
| | 44,728 | 64,534 |
| Financial expenses | | |
| Interest and charges due | (36,494) | (84,841) |
| Monetary variation | (2,246) | (2,705) |
| Exchange variation | (2,041) | (5,936) |
| Other financial expenses | (6,531) | (653) |
| | (47,312) | (94,135) |
| Financial expenses, net | (2,584) | (29,601) |

**22. Insurance**

The Petróleo Ipiranga companies have an insurance and risk management program that allows coverage and protection for all their insurable assets, including insurance coverage for risks of disruption of production, by means of an operational risk policy with the domestic and foreign insurance companies through the Brazilian Reinsurance Institute (IRB).

The insurance coverages and limits are based on a detailed study of risks and losses performed by local insurance brokers, and the insurance contracted is considered sufficient to cover possible losses, considering the nature of the companies activities.

The main insurance coverages are for operational risks, loss of profits, industrial and office multiperils, named risk-pools and civil liability.

**23. Subsequent events**

As mentioned in Note 1, in April of 2007 Ultrapar acquired the control of certain companies of Ipiranga Group. The acquisition process is structured in four stages. The first one was concluded in April 18 with the transfer of control. Currently the second stage of the process is being finished, which corresponds to the tag along public offering (OPA) by Refinaria de Petróleo Ipiranga S.A. (RPI), Distribuidora de Produtos de Petróleo Ipiranga S.A. (DPPI) and Companhia Brasileira de Petróleo Ipiranga (CBPI). In October 22, the public offerings of DPPI and RPI were carried out. The auction of CBPI is foreseen for November 8, 2007.

F-272

Table of Contents

**24. SUMMARY AND RECONCILIATION OF THE DIFFERENCES BETWEEN ACCOUNTING PRACTICES ADOPTED IN BRAZIL AND GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN THE UNITED STATES OF AMERICA**

**I Narrative description of GAAP differences**

The financial statements of the Company are prepared in accordance with Brazilian GAAP. Accounting policies, which differ significantly from U.S. GAAP, are summarized below:

**a) Inflation accounting**

Under Brazilian GAAP, the Company accounts for the effects of inflation in its financial statements prepared in accordance with Brazilian GAAP through December 31, 1995. Through December 31, 1995, the Company used for this remeasurement the Fiscal Reference Unit (UFIR), the index established by the tax authorities for preparation of financial statements under Brazilian Corporate Law as well as the index selected by the CVM.

The reconciliation presents the effect of adjusting property, plant and equipment for U.S. GAAP purposes through December 31, 1997. Under U.S. GAAP, management of the Company considers that Brazil was considered to be a highly inflationary economy until December 31, 1997 and, as such, property, plant and equipment should be adjusted for inflation through such date.

In determining amounts under U.S. GAAP, the effects of inflation for the years ended December 31, 1996 and 1997 were determined using the Índice Geral de Preços-Disponibilidade Interna-IGP-DI index, which is a widely-accepted and respected index published monthly by the Fundação Getúlio Vargas.

Because the Company s management believes that the IGP-DI is an appropriate and consistent measure of the general price inflation in Brazil and because of its availability, for U.S. GAAP purposes the Company adopted the IGP-DI for restatement of its financial statements also for periods through December 31, 1995, replacing the Government mandated index. As a result, property, plant and equipment have been monetarily adjusted for inflation using the IGP-DI since its acquisition through December 31, 1997.

**b) Reversal of fixed asset revaluation**

For U.S. GAAP reconciliation purposes, the revaluation of land recorded in the financial statements prepared in accordance with Brazilian GAAP have been eliminated in order to present fixed assets at historical cost less accumulated depreciation.

**c) Deferred charges**

Brazilian GAAP permits the deferral of pre-operating and industrial expansion expenses incurred in the construction or expansion of a new facility until the facility begins commercial operations. Deferred charges are amortized over 10 years and are recorded under deferred charges and other current assets.

For U.S. GAAP reconciliation purposes, they have been charged to income and the related amortization under Brazilian GAAP has been reversed for U.S. GAAP purposes.

**d) Investments in affiliated companies**

The Company accounts under Brazilian GAAP for its investments in CBPI and DPPI following the equity method of accounting. Brazilian corporate law allows certain less than 20% owned affiliated companies in which an investor owns more than 10% of voting stock to be accounted for under the equity method.

Table of Contents

For U.S. GAAP reconciliation purposes, the investment in DPPI on which the Company has a less than 20% voting interest and no ability to exercise significant influence, is not accounted following the equity method. Shares in DPPI, a publicly traded company, are considered available-for-sale securities.

In the reconciliation of equity, a reconciling item is recognized to adjust the investment in CBPI to its cost and subsequently to adjust, against other comprehensive income, the difference between cost and the fair value of the shares of DPPI based on its quoted market price as of each date. In the reconciliation of net income, equity in income of DPPI recorded under Brazilian GAAP is eliminated and gains are recorded for dividends received.

**e) Differences between Brazilian GAAP and U.S. GAAP of COPESUL**

As discussed in Note 4 under Brazilian GAAP as of June 30, 2006 and December 31, 2006, the Company proportionally consolidated COPESUL, a publicly traded company, in which its subsidiary IPQ holds an interest of 29.46%.

Under U.S. GAAP, proportional consolidation is generally not appropriate except in certain specific circumstances.

Under U.S. GAAP the investment in COPESUL would be accounted for using the equity method of accounting. This is a presentation difference that does not affect the net income or shareholders equity as determined under U.S. GAAP.

The following table presents the amounts proportionally consolidated in the financial statements of the Company in Brazilian GAAP with respect to COPESUL:

| | December 31, 2006 |
|---|---|
| Current assets | 200,887 |
| Noncurrents assets | 192,125 |
| Total assets | 393,012 |
| Current Liabilities | 133,978 |
| Noncurrent liabilities and shareholders equity | 259,034 |
| Total liabilities and shareholder s equity | 393,012 |

| | Six-months ended June 30, 2006 |
|---|---|
| Operating revenues | 469,941 |
| Operating income | 64,569 |
| Cash flow by operating activities | 76,501 |
| Cash flow used in investing activities | (10,626) |
| Cash flow provided by financing activities | (59,848) |

See item (h) below with respect to difference in net equity and net income of COPESUL between Brazilian GAAP and U.S. GAAP.

**f) Goodwill, acquisitions and business combinations**

Under Brazilian GAAP, assets and liabilities of entities acquired are reflected at book value. Goodwill is determined as the difference between the purchase price paid over the book value of net assets acquired. Goodwill is amortized on a straight-line basis over the periods estimated to be benefited, not exceeding ten years.

The most significant business combinations entered into by the Company are:

In 1998 the subsidiary Ipiranga Química S.A. acquired an additional 46% interest in IPQ for a total purchase price of R$174,806 resulting in goodwill at the date of the transaction of R$113,062 under Brazilian GAAP. As a result of this acquisition, Ipiranga Química S.A. increased its interest in IPQ to 54.08%.

In May 2003, Ipiranga Química S.A. made a capital contribution to IPQ. Under Brazilian GAAP, such transaction has generated goodwill at the date of the transaction in the amount of R$ 67,401 and resulted in an increase of its interest in IPQ to 88.48%.

In December 2006, IPQ redeemed the shares held by International Finance Corporation IFC which were canceled. As per the cancellation of shares, the Company increased its indirect interest in IPQ to 92.39% and recorded a loss in the amount of R$32,964, as per Brazilian GAAP since the purchase price per share paid to redeem the shares exceeded the book value per share. No goodwill was recorded under Brazilian GAAP for this transaction.

In 2007 the subsidiary EDSP 67 Participações S.A. acquired an interest of 7,61% in IPQ for a total purchase price of R$117,937 resulting in goodwill at the date of the transaction of R$68,529 under Brazilian GAAP.

The Company acquired of all outstanding shares of Forlab Chitec S.A. Comércio Internacional ( Forlab ) that resulted in goodwill of R$6,823 recorded as Goodwill as of December 31, 2005 and reclassified to Deferred Charges upon merger of Forlab into the Company. No significant difference resulted from the acquisition of Forlab between Brazilian GAAP and U.S. GAAP.

During 2000, IPQ acquired additional interests of 1.85% in COPESUL that resulted in the recognition of goodwill of R$11,989 which is fully amortized in all the periods presented. No goodwill resulted from this acquisition under U.S. GAAP.

Goodwill, net of accumulated amortization, as of June 30, 2007 and as of December 31, 2006 under Brazilian GAAP is composed as follows:

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Goodwill related to: | | |
| IPQ | 117,075 | 62,284 |
| Forlab | 5,856 | 6,197 |
| Total | 122,931 | 68,481 |

Under U.S. GAAP, business combinations are accounted for following the purchase method of accounting. Under the purchase method assets and liabilities of the business acquired are recorded, to the extent of the percentage acquired, using fair values. Goodwill is determined as the difference between purchase price consideration and the fair value of assets acquired and liabilities assumed. If there is an excess of the fair value of net assets acquired over the purchase price such amount is used to reduce the carrying value of noncurrent assets. As from January 1, 2002 goodwill is not amortized but tested, at least annually, for impairment.

The reconciliation of net equity between Brazilian GAAP and U.S. GAAP presents, for each business combination: (i) the reversal of the balance of goodwill recorded under Brazilian GAAP at each balance sheet date, (ii) the recognition for U.S. GAAP purposes of the difference resulting from adjusting assets and liabilities of the entity acquired at fair value, most significantly property, plant and equipment and the equity investment of IPQ in COPESUL (iii) the recognition of resulting goodwill under U.S. GAAP, and (iv) the related deferred taxes.

F-275

The reconciliation of net income between Brazilian GAAP and US GAAP presents: (i) the reversal of goodwill amortization recorded under Brazilian GAAP, (ii) the recognition in income of adjustments of assets and liability at fair value, mostly depreciation of property, plant and equipment and equity in COPESUL and (iii) the related deferred tax effects.

**g) Pension and other post-employment benefits**

**g.1) Pension benefits**

Pension benefit obligations for Brazilian GAAP should be accounted for following CVM Instruction No. 371 /00, which requires the mandatory, application of Brazilian Accounting Standard IBRACON NPC 26. Under IBRACON NPC 26 the Company has accounted for the plan administered by FFMB (and to which several Petróleo Ipiranga companies contribute) by recognizing a percentage attributed to the Company of the funded status and of the cost of the plan.

Under U.S. GAAP, considering that the financial information of the Company does not consolidate all the sponsors of the FFMB Benefit Plan and such financial information does not represent the financial statements of the parent company of the Petróleo Ipiranga companies, the Company has accounted for its participation in the pension plan administered by FFMB as if it were a multi-employer plan.

As a result, the reconciliation presents: (a) the reversal of the pension plan asset/liability recognized for Brazilian GAAP as of each reporting date and the reversal of the related pension cost, and (b) the recognition as expense of the contribution due to the plan over the corresponding period.

**g.2) Other post-retirement benefits**

As explained in Note 18, the accompanying financial statements account for other post-retirement benefits following IBRACON NPC 26. Other post-retirement benefits are unfunded and are the sole responsibility of each Petróleo Ipiranga company. Under IBRACON NPC 26 actuarial gains and losses are deferred and recognized in income over the estimated remaining service period of the employees to the extent that those actuarial gains and losses exceed 10% of the higher of the plan assets and the projected benefit obligation.

Under U.S. GAAP such benefits are accounted for following SFAS No. 106, Employers Accounting for Post-retirement Benefits Other Than Pensions , and, as from December 31, 2006, following SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Post-retirement Plans-an amendment of FASB Statements Nos. 87, 88, 106 and 132(R) . Under SFAS No. 158 the funded status of the other post-retirement benefits must be recognized as a liability with an offsetting amount in accumulated other comprehensive income. As required by SFAS No. 158, provisions of SFAS No. 158 were applied on a prospective basis as from December 31, 2006.

Although projected benefit obligations are the same under Brazilian GAAP and U.S. GAAP, differences arise in the amounts recorded in the financial statements as a result of: (i) the date of initial measurement of funded status is different for Brazilian GAAP and U.S. GAAP and that under Brazilian GAAP there is no requirement to recognize a liability for unfunded plans, and (ii) the recognition as from December 31, 2006 as a liability for U.S. GAAP purposes of the funded status against accumulated other comprehensive income.

**h) U.S. GAAP adjustments on net equity and net income of affiliates**

**h.1) COPESUL**

Until April 18, 2007, COPESUL-Companhia Petroquímica do Sul was accounted for using proportional consolidation under Brazilian GAAP.

Under U.S. GAAP, the investment in COPESUL would be accounted for using the equity method of accounting.

Table of Contents

Differences between net equity and net income of COPESUL between Brazilian and U.S. GAAP correspond mainly to: inflation accounting, reversal for U.S. GAAP of revaluation of property, plant and equipment, capitalization of interest on property, plant and equipment, accounting for pension benefits, accounting for deferred charges, recognition of tax incentives, accounting for derivative financial instruments, and accounting for the provision for programmed maintenance.

The net effects of those adjustments are presented in the reconciliation to U.S. GAAP.

**h.2) CBPI**

CBPI is accounted under the equity method under Brazilian GAAP and would also be accounted following the equity method under U.S. GAAP.

Differences between net equity and net income of CBPI between Brazilian and U.S. GAAP correspond mainly to: inflation accounting, capitalization of interest on property, plant and equipment, accounting for pension and other post-employment benefits, asset retirement obligation, derivative financial instruments, goodwill and business combinations, and gain on change in interest in subsidiaries.

The net effects of those adjustments are presented in the reconciliation to U.S. GAAP.

**i) Fair value of guarantees under FIN 45**

Under Brazilian GAAP, the Company is not required to record any liability related to guarantees given to third parties unless contingent obligations to make future payments under the guarantees are probable.

Under Brazilian GAAP, as of June 30, 2007 and December 31, 2006, the Company has not recorded any liability related to these guarantees.

Under U.S. GAAP, the Company recognizes, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing guarantees in accordance with FIN 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others . In the event that, at inception of the guarantee, the Company is required to recognize a liability under SFAS No. 5, Accounting for Contingencies , the liability initially recognized would be the greater of: (a) the amount of fair value of the value of the obligation undertaken in issuing guarantee, or (b) the contingent liability amount required to be recognized at inception of the guarantee by applying SFAS No. 5.

Guarantees granted include those disclosed in Note 20 as well as guarantees provided to financial institutions that finance sales to selected customers under the vendor program. Under the vendor program the Company is the secondary obligor to the financial institutions.

**j) Valuation allowance for deferred taxes**

Under Brazilian GAAP, deferred income tax is recognized based on the amount of future expected taxes to be paid. Deferred income tax assets related to deductible temporary differences (expenses that are accrued but not deductible until future periods) or tax loss carryforwards are recognized when there is a reasonable certainty that the Company will generate profits against which it can offset such an asset. A valuation allowance is recorded when it is probable that such deferred tax assets will be realized limited to the amount expected to be realized in the following 10 years.

Under U.S. GAAP, deferred income tax assets related to deductible temporary differences or tax loss carryforwards are recognized and, if necessary, a valuation allowance is recorded if it is more likely than not that such assets will not be realized.

As of result of such differences as of June 30, 2007 and December 31, 2006 the amount of deferred tax asset recognized under Brazilian GAAP for the subsidiary IPQ was less the total amount of deferred tax assets resulting in having a partial valuation allowance over deferred tax assets.

Under U.S. GAAP a prescriptive time limit (such as the 10 years existing in U.S. GAAP) does not exist and management considers more likely than not that as of June 30, 2007 and December 31, 2006 all deferred tax assets will be realized. For that reason the reconciliation of shareholders equity presents a reversal of the partial valuation allowance recognized under Brazilian GAAP in the amount of R$ 161,534 as of June 30, 2007 and R$169,950 as of December 31, 2006.

**k) Accounting for convertible debentures issued by IQ and warrants purchased by the Company**

**k.1) Accounting for convertible debentures issued by IQ**

Under Brazilian GAAP, convertible debentures issued by Ipiranga Química S.A. described in Note 8 are accounted for as a single instrument at its cost plus accrued interest following the contractual terms.

Under U.S. GAAP the Company has concluded that the non-detachable conversion option included in the convertible debentures issued by IQ does not meet the definition of a derivative under SFAS 133 Accounting for Derivative Instruments and Hedging Activities, as amended and interpreted . Also , the Company concluded that the conversion option did not have, as of the date of issuance, intrinsic value, therefore, the total amount of the proceeds has been allocated to the convertible debenture. This has resulted in no difference between Brazilian GAAP and U.S. GAAP with respect to the accounting of the convertible debenture issued by IQ until the modification of its terms.

**k.2) Accounting for the modification of terms of the debentures and issuance of warrants**

In October 2005, a modification was introduced in the terms of the debentures such that they were modified from convertible to non-convertible; no other term of the debentures has been modified. At the same moment, IQ issued to the holders of the debentures, detachable warrants which allow the holders of the warrants to acquire shares of IQ in the exact same terms as the previously existing non-detachable conversion option included in the debentures.

Under Brazilian GAAP, warrants are not separately recorded. The modification of the terms of the debentures and the issuance of warrants in October 2005 did not have any impact in the accounting for the debentures (which were originally convertible and in October 2005 were modified to non-convertible) under Brazilian GAAP which continued to be accounted for at its cost plus accrued interest and warrants issued by IQ are not accounted for. For U.S. GAAP purposes, the Company has concluded that the elimination of the conversion feature previously included in the debentures results in a substantial modification under EITF 06-06 Debtor s Accounting for a Modification (or Exchange) of Convertible Debt Instruments . The Company has concluded that the warrant do not qualify to be accounted in equity and should be accounted for as a liability.

For U.S. GAAP, upon modification the Company recognized an asset for the estimated fair value of the warrants as of the date of modification as it cost on the non-convertible debenture issued at such time.

**k.3) Accounting for the purchase of warrants by the Company**

Contemporaneusly with the modification of the terms of the debenture and the issuance of warrants, the Company acquired the warrants received by DPPI for R$29 million. The Company accounts for the warrants issued by its subsidiary IQ as an asset at its cost. Warrants issued by IQ and held by the Company are eliminated in consolidation as of December 31, 2006 and for the six-month period ended June 30, 2006.

Table of Contents

**II - Reconciliation of the differences between U.S. GAAP and Brazilian GAAP in net income**

| | Note 24.I | June 30, 2007 | June 30, 2006 |
|---|---|---|---|
| Net income as reported under Brazilian GAAP | | 132,912 | 93,158 |
| Different criteria for deferred charges | (c) | 1,047 | (5,515) |
| Deferred tax effects | | (356) | 1,875 |
| Minority interests | | (316) | 1,482 |
| | | 375 | (2,158) |
| Business combinations and goodwill: | (f) | | |
| Acquisition of interest in IPQ by IQ 1998 | | | |
| Reversal of amortization of goodwill under Brazilian GAAP | | 8,860 | 8,166 |
| Realization of adjustment to fair value allocated to assets of IPQ | | (310) | (310) |
| Deferred tax effects | | 106 | 106 |
| Equity in income of COPESUL-Realization of adjustment to fair value | | 2,864 | 2,864 |
| Deferred tax effect over tax deductible goodwill | | (3,012) | (2,776) |
| Minority interests | | (3,528) | (3,338) |
| | | 4,980 | 4,712 |
| Acquisition of additional interest in COPESUL 2000-Equity in income of COPESUL | | (1,199) | (599) |
| Deferred tax effects | | 408 | 204 |
| Minority interests | | 363 | 182 |
| | | (428) | (213) |
| Acquisition of interest in IPQ by IQ 2003 | | | |
| Reversal of amortization of goodwill under Brazilian GAAP | | 4,307 | 3,969 |
| Realization of adjustments to fair value allocated to assets of IPQ | | (90) | (90) |
| Deferred tax effects | | 31 | 31 |
| Equity in income of COPESUL realization of adjustment to fair value | | 491 | 491 |
| Deferred tax effect over tax deductible goodwill | | (1,464) | (1,350) |
| Minority interests | | (1,358) | (1,265) |
| | | 1,917 | 1,786 |
| Acquisition of interest in IPQ by IQ 2006 | | | |
| Realization of adjustments to fair value allocated to assets of IPQ | | (36) | |
| Deferred tax effects | | 12 | |
| Equity in income of COPESUL realization of adjustment to fair value | | (4,044) | |
| Deferred tax effects | | 757 | |
| Minority interests | | 1,373 | |
| | | (1,938) | |
| Acquisition of interest in IPQ by EDSP 2007 | | | |
| Reversal of amortization of goodwill under Brazilian GAAP | | (67,958) | |
| Realization of adjustments to fair value allocated to assets of IPQ | | 35,882 | |
| Amortization of goodwill under U.S.GAAP | | 1,650 | |

| | |
|---|---|
| Deferred tax effect over tax deductible goodwill | 12,596 |
| Minority interests | 7,394 |
| | (10,436) |

**Table of Contents**

| | Note 24.I | June 30, 2007 | June 30, 2006 |
|---|---|---|---|
| Different criteria for investments in affiliated companies (DPPI) | (d) | (5,307) | (3,052) |
| Pension and other post-retirement benefits | (g) | | |
| Reversal of pension and other post-retirement expense under Brazilian GAAP | | (286) | 811 |
| Deferred tax effects | | 97 | (276) |
| Minority interests | | 278 | |
| Recognition of net periodic pension cost for other post-retirement benefits under USGAAP | | (1,369) | (1,214) |
| Deferred tax effects | | 465 | 413 |
| Minority interests | | 146 | 54 |
| | | (669) | (212) |
| Inflation accounting-Depreciation on property, plant and equipment | (a) | (1,336) | (1,336) |
| Deferred tax effects | | 454 | 454 |
| Minority interests | | 379 | 379 |
| | | (503) | (503) |
| U.S. GAAP adjustments on net income of COPESUL | (h.1) | (191,232) | (146,243) |
| Minority interests | | 160,767 | 122,945 |
| | | (30,465) | (23,298) |
| Valuation allowance for deferred taxes | (j) | (8,416) | (57,343) |
| Minority interests | | 3,865 | 24,727 |
| | | (4,551) | (32,616) |
| U.S. GAAP adjustments on net income of CBPI | (h.2) | (5,652) | (5,010) |
| Fair value of guarantees under FIN 45 | (i) | (110) | 52 |
| Deferred tax effects | | 37 | (18) |
| | | (73) | 34 |
| Accounting for convertible debentures issued by IQ and warrants purchased by the Company | (k) | | |
| Accrual of discount on debt | | (4,168) | (18,886) |
| Change in fair value of warrant liability of IQ after modification of debt corresponding exclusively to the warrants hold by CBPI | | (41,899) | 21,766 |
| | | (46,067) | 2,880 |
| Deferred tax effects | | 15,663 | (979) |
| Minority interests | | 12,609 | (788) |
| | | (17,795) | 1,113 |
| Other | | 1,435 | (2,538) |
| Deferred tax effects | | (488) | 863 |
| Minority interests | | (435) | 769 |
| | | 512 | (906) |
| Net income under U.S. GAAP | | 62,879 | 32,835 |

**Table of Contents**

**III - Reconciliation of the differences between U.S. GAAP and Brazilian GAAP in shareholders equity**

| | Note 24.I. | June 30, 2007 | December 31, 2006 |
|---|---|---|---|
| Shareholders equity as reported under Brazilian GAAP | | 710,212 | 574,628 |
| Reversal of fixed asset revaluation | (b) | (6,186) | (6,186) |
| Different criteria for deferred charges | (c) | (14,170) | (15,217) |
| Deferred tax effects | | 4,818 | 5,174 |
| Minority interests | | 4,111 | 4,427 |
| | | (5,241) | (5,616) |
| Business combinations and goodwill: | (f) | | |
| Acquisition of interest in IPQ by IQ 1998 | | | |
| Reversal of goodwill under Brazilian GAAP | | (8,860) | (17,721) |
| Fair value allocated to assets of IPQ | | 1,363 | 1,674 |
| Deferred tax effects | | (463) | (569) |
| Fair value allocated to investment of IPQ in COPESUL | | (8,593) | (11,457) |
| Goodwill under U.S. GAAP | | 110,901 | 110,901 |
| Goodwill amortization under U.S. GAAP up to 2001 | | (29,621) | (29,621) |
| Deferred tax over tax deductible goodwill | | (25,420) | (22,407) |
| Minority interests | | (16,300) | (12,773) |
| | | 23,007 | 18,027 |
| Acquisition of additional interest in COPESUL 2000-Fair value allocated to assets of COPESUL | | 3,597 | 4,796 |
| Deferred tax effects | | (1,223) | (1,631) |
| Minority interests | | (1,091) | (1,454) |
| | | 1,283 | 1,711 |
| Acquisition of interest in IPQ by IQ 2003 | | | |
| Reversal of goodwill under Brazilian GAAP | | (40,256) | (44,563) |
| Fair value allocated to assets of IPQ | | 1,263 | 1,353 |
| Deferred tax effects | | (429) | (460) |
| Fair value allocated to investment of IPQ in COPESUL | | (6,216) | (6,706) |
| Goodwill under U.S. GAAP | | 140,022 | 140,022 |
| Deferred tax over tax deductible goodwill | | (9,229) | (7,765) |
| Minority interests | | (35,314) | (33,956) |
| | | 49,841 | 47,925 |
| Acquisition of interest in IPQ by IQ 2006 | | | |
| Fair value allocated to assets of IPQ | | 771 | 807 |
| Deferred tax effects | | (262) | (274) |
| Fair value allocated to investment of IPQ in COPESUL | | 44,156 | 48,201 |
| Deferred tax effects | | (15,013) | (15,770) |
| Goodwill under USGAAP | | 14,961 | 14,961 |
| Minority interests | | (18,501) | (19,875) |
| | | 26,112 | 28,050 |

| | |
|---|---|
| Acquisition of interest in IPQ by EDSP 2007 | |
| Reversal of goodwill under Brazilian GAAP | (67,958) |
| Fair value allocated to assets of IPQ, net of amortization | 35,882 |
| Goodwill under USGAAP | 1,650 |
| Deferred tax over tax deductible goodwill | 12,596 |
| Minority interests | 7,394 |
| | (10,436) |

**Table of Contents**

| | Note 24.I. | June 30, 2007 | December 31, 2006 |
|---|---|---|---|
| Different criteria for investments in affiliated companies (DPPI) Adjustment to cost | | (25,532) | (20,225) |
| Difference between cost and quoted market value | | 168,510 | 30,115 |
| Deferred tax effects | | (57,293) | (10,239) |
| | | 85,685 | (349) |
| Pension and other post-employment benefits: | (g) | | |
| Reversal of pension and other post-retirement liabilities recorded under Brazilian GAAP | | 46,282 | 46,568 |
| Deferred tax effects | | (15,736) | (15,833) |
| Minority interests | | (1,789) | (2,067) |
| Recognition of other post-retirement liabilities under USGAAP | | (41,332) | (39,963) |
| Deferred tax effects | | 14,053 | 13,588 |
| Minority interests | | 1,950 | 1,804 |
| Effect of adoption of SFAS 158 on the ending balance of accumulated other comprehensive income | | (5,913) | (5,913) |
| Deferred tax effects | | 2,010 | 2,010 |
| Minority interests | | 993 | 993 |
| Realization of amounts previously recognized in other comprehensive income through NPPC | | 158 | |
| Deferred tax effects | | (54) | |
| Minority interests | | (30) | |
| Gain or losses arised during the period | | 22 | |
| Deferred tax effects | | (7) | |
| Minority interests | | | |
| | | 607 | 1,187 |
| Inflation accounting-Property, plant and equipment | (a) | 14,836 | 16,172 |
| Deferred tax effects | | (5,044) | (5,499) |
| Minority interests | | (3,741) | (4,119) |
| | | 6,051 | 6,554 |
| U.S GAAP adjustments on net equity of COPESUL | (h.1) | (45,254) | 43,005 |
| Minority interests | | 38,045 | (19,750) |
| | | (7,209) | 23,255 |
| Valuation allowance for deferred taxes | (j) | 161,534 | 169,950 |
| Minority interests | | (74,183) | (78,048) |
| | | 87,351 | 91,902 |
| U.S GAAP adjustments on net equity of CBPI | (h.2) | 10,177 | 15,830 |
| Fair value of guarantees under FIN 45 | (i) | (504) | (394) |
| Deferred tax effects | | 171 | 134 |
| | | (333) | (260) |

Table of Contents

| | Note 24.I. | June 30, 2007 | December 31, 2006 |
|---|---|---|---|
| Accounting for convertible debentures issued by IQ and warrants purchased by the Company | (k) | | |
| Discount on non-convertible debentures upon modification of its terms | | 50,090 | 50,090 |
| Accrual of discount on debt | | (46,494) | (42,326) |
| Warrant liability at fair value as of the date of modification of its terms | | (50,090) | (50,090) |
| Change in fair value of warrant liability of IQ after modification of debt corresponding exclusively to the warrants hold by CBPI | | (66,973) | (25,074) |
| | | (113,467) | (67,400) |
| Deferred tax effects | | 38,579 | 22,916 |
| Minority interests | | 31,056 | 18,448 |
| | | (43,832) | (26,036) |
| Others | | | (1,435) |
| Deferred tax effects | | | 488 |
| Minority interests | | | 435 |
| | | | (512) |
| Shareholders equity under U.S. GAAP | | 927,089 | 770,110 |

**IV Statement of changes in shareholders equity in accordance with U.S. GAAP**

| | June 30, 2007 | December 31, 2006 | June 30, 2006 |
|---|---|---|---|
| Shareholders equity under U.S. GAAP as of beginning of the year | 770,110 | 650,785 | 650,785 |
| Net income | 62,879 | 135,902 | 32,835 |
| Dividends and interest on capital | | (17,889) | |
| Realization of amounts previously recognized in other comprehensive income through NPPC | 74 | | |
| Gain or losses arised during the period | 15 | | |
| Adjustment to accumulated other comprehensive income Additional minimum liability | | | (211) |
| Adjustment to accumulated other comprehensive income Effect of adoption of FASB 158 | | (2,155) | |
| Unrealized gains on available-for-sale equity securities | 91,341 | 3,587 | 15,686 |
| Unrealized profit adjustment | 2,670 | | |
| Other | | (120) | |
| Shareholders equity under U.S. GAAP as of the end of the year | 927,089 | 770,110 | 699,095 |
| Comprehensive income (under SFAS 130): | | | |
| Net income | 62,879 | 135,902 | 32,835 |
| Realization of amounts previously recognized in other comprehensive income through NPPC | 74 | | |
| Gain or losses arised during the period | 15 | | |
| Adjustment to accumulated other comprehensive income Additional minimum liability | | | (211) |
| Unrealized gains (losses) on available-for-sale equity securities | 91,341 | 3,587 | 15,686 |
| Total comprehensive income | 154,309 | 139,489 | 48,310 |

Table of Contents

**V - Additional disclosures required by U.S. GAAP**

**a) Earnings per share**

Under Brazilian GAAP, net income per share is calculated by dividing net income by the number of shares outstanding at each balance sheet date. In these financial statements, information is disclosed per lot of one thousand shares, because this is the minimum number of shares that can be traded on the Brazilian stock exchanges.

Under U.S. GAAP, earnings per share are retroactively restated to reflect in all periods presented the effect of stock dividends. As disclosed in Note 19 in April 2006 the Company approved a stock dividend and earnings per share have been retroactively restated to reflect the effect of such stock dividend.

Since preferred and common shareholders have different dividends rights (see Note 19), basic earnings per share have been calculated using the two-class method for U.S. GAAP purposes.

The following table provides a reconciliation of the numerators and denominators used in computing earnings per share as required by SFAS No. 128:

| | For the period ended June 30, 2007 | | |
|---|---|---|---|
| | **Common** | **Preferred** | **Total** |
| Net income of the period | 19,887 | 42,992 | 62,879 |
| Weighted average under U.S. GAAP (per thousand shares) Basic And Diluted | 9,982 | 19,618 | 29,600 |
| Basic and Diluted earnings per share | 1.9923 | 2.1915 | |

| | For the period ended June 30, 2006 | | |
|---|---|---|---|
| | **Common** | **Preferred** | **Total** |
| Net income of the period | 10,385 | 22,450 | 32,835 |
| Weighted average under U.S.GAAP (per thousand shares) Basic And Diluted | 9,982 | 19,618 | 29,600 |
| Basic and Diluted earnings per share | 1.0403 | 1.1444 | |

**b) Statement of cash flows**

Brazilian GAAP does not require the presentation of a statement of cash flows as required by U.S. GAAP. Changes in working capital are presented in the statement of changes in financial position. U.S. GAAP requires the presentation of a statement of cash flows describing the Company s cash flows from operating, financing and investing activities. Statements of cash flows derived from the information based on Brazilian GAAP are as follows:

Table of Contents

**REFINARIA DE PETRÓLEO IPIRANGA S.A.**

**UNAUDITED INTERIM STATEMENTS OF CASH FLOWS**

**FOR THE SIX- MONTH PERIODS ENDED JUNE 30, 2007 AND 2006**

**(In thousands of Brazilian reais - R$, unless otherwise stated)**

| | Six months ended June 30, 2007 (unaudited) | Six months ended June 30, 2006 (unaudited) |
|---|---|---|
| Net Income | 132,912 | 93,158 |
| Adjustment to reconcile net income to cash from operating activities: | | |
| Minority Interest | (279,486) | 42,293 |
| Equity in affiliates and amortization of goodwill | (69,110) | (10,332) |
| Depreciation and amortization | 24,518 | 35,673 |
| Net loss on permanent assets written off or sold | 28 | 23,595 |
| Deferred income taxes and social contribution | 113,127 | 13,637 |
| Provision for contingencies | (20,040) | (921) |
| Provision for pension and other post-employment benefits | (10,974) | 1,071 |
| Interest on capital and dividends received | | 14,445 |
| Accrued interest | | 30,794 |
| Purchases of short term investment | | (24,214) |
| Sales and redemptions of short term investment | | 20,573 |
| (Increase) decrease in accounts receivables | 451,358 | (62,595) |
| Increase in accounts receivables from related parties | (1,604) | (5,059) |
| Decrease on inventories | 379,594 | 41,479 |
| Increase (decrease) on suppliers | (704,751) | 114,846 |
| Increase (decrease) on accounts payables to related parties | 13,412 | (29,862) |
| Others | 72,255 | (48,869) |
| Cash flow from (used in) operating activities | 101,239 | 116,554 |
| Cash flow from investing activities | | |
| Additions to investment | (332,211) | (174) |
| Additions to property, plant and equipment | 939,028 | (45,184) |
| Additions to deferred charges | 18,889 | (3,950) |
| Cash flow used in investing activities | 625,706 | (49,308) |
| Cash flow from financing activities | | |
| New loans and financing obtained (principal) | 136,200 | 336,269 |
| Amortization of loans and financing (principal) | (913,713) | (476,670) |
| Dividends and interest on capital paid | (43,443) | (22,363) |
| Cash flow from (used in) financing activities | (820,956) | (29,628) |
| Net increase (decrease) in cash and cash equivalents | (94,011) | 37,618 |
| Cash and cash equivalents | | |
| At the beginning of the period | 101,544 | 91,283 |
| At the end of the period | 7,533 | 128,901 |

| | | |
|---|---|---|
| Net increase (decrease) in cash and cash equivalents | (94,011) | 37,618 |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

| | | |
|---|---|---|
| Cash paid during the year for: | | |
| Interest, net of amounts capitalized | | 50,655 |
| Income taxes | 2,934 | 9,769 |

Table of Contents

# *Distribuidora de Produtos de Petróleo Ipiranga S.A.*

# *and Subsidiaries*

*Unaudited Interim Financial Information for the*

*Six-Month Periods Ended*

*June 30, 2007 and 2006*

Table of Contents

**DISTRIBUIDORA DE PRODUTOS DE PETRÓLEO IPIRANGA S.A. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2007 AND DECEMBER 31, 2006**

**(In thousands of Brazilian reais - R$)**

| | June 30, 2007 (Unaudited) | December 31, 2006 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 154,233 | 116,318 |
| Trade accounts receivable | 1,327,412 | 1,266,759 |
| (-) Allowance for doubtful accounts | (57,309) | (50,639) |
| Related companies | 3,043 | 3,810 |
| Debentures from related parties | 114,661 | 57,411 |
| Recoverable taxes | 76,309 | 70,016 |
| Deferred income and social contribution taxes | 41,771 | 55,554 |
| Inventories | 433,059 | 494,628 |
| Other current assets | 23,515 | 16,350 |
| Prepaid expenses | 13,262 | 9,617 |
| | 2,129,956 | 2,039,824 |
| NONCURRENT ASSETS | | |
| Long-term assets | | |
| Restricted temporary investments | 88,640 | 85,043 |
| Trade accounts receivable | 198,185 | 198,069 |
| (-) Allowance for doubtful accounts | (11,937) | (11,170) |
| Recoverable taxes | 2,985 | 2,985 |
| Deferred income and social contribution taxes | 46,722 | 47,534 |
| Related companies | | 77,748 |
| Other long-term assets | 8,387 | 12,611 |
| Escrow deposits | 39,259 | 37,187 |
| Prepaid expenses | 17,742 | 14,326 |
| Investments | | |
| Investments in affiliates | 319,877 | 250,348 |
| Other investments | 1,232 | 1,232 |
| Property, plant and equipment, net | 887,461 | 899,262 |
| Deferred charges, net | 478 | 554 |
| | 1,599,031 | 1,615,729 |
| TOTAL | 3,728,987 | 3,655,553 |

The accompanying notes are an integral part of this unaudited interim financial statements.

Table of Contents

**DISTRIBUIDORA DE PRODUTOS DE PETRÓLEO IPIRANGA S.A. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2007 AND DECEMBER 31, 2006**

**(In thousands of Brazilian reais - R$)**

| | June 30, 2007 (Unaudited) | December 31, 2006 |
|---|---|---|
| LIABILITIES AND SHAREHOLDERS EQUITY | | |
| CURRENT LIABILITIES | | |
| Loans and financing | 89,765 | 143,622 |
| Trade accounts payable | 170,884 | 508,887 |
| Taxes payable | 96,505 | 55,772 |
| Provision for contingencies | 37,268 | 35,397 |
| Provision for pension and post-employment benefits | 7,234 | 7,234 |
| Payables to related companies | 277,954 | 4,455 |
| Payroll and related charges payable | 65,454 | 109,388 |
| Other current liabilities | 15,298 | 19,865 |
| | 760,362 | 884,620 |
| NONCURRENT LIABILITIES | | |
| Loans and financing | 584,452 | 594,821 |
| Provision for contingencies | 58,990 | 59,017 |
| Provision for pension and post-employment benefits | 74,174 | 77,415 |
| Deferred income and social contribution taxes | 583 | 628 |
| Other long-term liabilities | 6,713 | 6,651 |
| | 724,912 | 738,532 |
| MINORITY INTEREST | 1,370,267 | 1,228,372 |
| SHAREHOLDERS EQUITY | | |
| Capital | 615,000 | 555,000 |
| Capital reserve | 50 | 50 |
| Legal reserve | 59,921 | 59,921 |
| Statutory reserve | 198,475 | 189,058 |
| | 873,446 | 804,029 |
| TOTAL | 3,728,987 | 3,655,553 |

The accompanying notes are an integral part of this unaudited interim financial statements.

Table of Contents

**DISTRIBUIDORA DE PRODUTOS DE PETRÓLEO IPIRANGA S.A. AND SUBSIDIARIES**

**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME**

**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2007 AND 2006**

**(In thousands of Brazilian reais - R$)**

| | **2007** | **2006** |
|---|---|---|
| GROSS SALES AND SERVICES | 13,120,812 | 12,747,084 |
| Taxes, discounts and returns | (321,446) | (341,871) |
| NET SALES AND SERVICES | 12,799,366 | 12,405,213 |
| Cost of sales and services | (12,135,174) | (11,785,797) |
| GROSS PROFIT | 664,192 | 619,416 |
| OPERATING (EXPENSES) INCOME, NET | | |
| Selling expenses | (219,019) | (214,940) |
| General and administrative expenses | (250,111) | (238,765) |
| Other operating income, net | 6,876 | 7,867 |
| Goodwill amortization | (2,274) | (2,164) |
| | (464,528) | (448,002) |
| OPERATING INCOME BEFORE FINANCIAL ITEMS | 199,664 | 171,414 |
| Financial income, net | 8,368 | 1,856 |
| Nonoperating income, net | 6,741 | 6,916 |
| | 15,109 | 8,772 |
| INCOME BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES, EQUITY IN AFFILIATES, PROFIT SHARING AND MINORITY INTEREST | 214,773 | 180,186 |
| INCOME AND SOCIAL CONTRIBUTION TAXES | | |
| Current | (53,821) | (44,553) |
| Deferred | (14,444) | 10,760 |
| | (68,265) | (33,793) |
| INCOME BEFORE EQUITY IN AFFILIATES PROFIT SHARINGS AND MINORITY INTEREST | | |
| | 146,508 | 146,393 |
| Equity in subsidiaries | 68,348 | 47,315 |
| Profit sharing | (3,541) | (4,331) |
| Minority interest | (141,898) | (122,920) |
| NET INCOME | 69,417 | 66,457 |

The accompanying notes are an integral part of this unaudited interim financial statements.

Table of Contents

**DISTRIBUIDORA DE PRODUTOS DE PETRÓLEO IPIRANGA S.A. AND SUBSIDIARIES**

**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION**

**FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2007 AND 2006**

**(In thousands of Brazilian reais - R$)**

| | June 30, 2007 | June 30, 2006 |
|---|---|---|
| SOURCES OF FUNDS | | |
| From operations: | | |
| Net income | 69,417 | 66,457 |
| Items not affecting working capital: | 141,899 | 122,920 |
| Depreciation and amortization | 56,361 | 54,406 |
| Net book value of permanent assets written off or sold | 4,107 | 7,172 |
| Equity in affiliates | (68,348) | (47,315) |
| Deferred income and social contribution taxes | 812 | 803 |
| Increase in (reversal of) provision for pension and other post-employment benefits | (3,241) | |
| Monetary and exchange variations on long-term assets | (8,697) | (24,129) |
| Monetary and exchange variations on long-term liabilities | (6,989) | (24,756) |
| Allowance for doubtful accounts | 767 | 1,074 |
| Goodwill amortization | 2,274 | 2,164 |
| Investment in restricted temporary investments | 998 | |
| Provision for loss on tax incentive | | 168 |
| Increase in (reversal of) reserve for contingencies | (840) | 3,151 |
| | 188,520 | 162,115 |
| From third parties: | | |
| Long-term loans | 2,538 | 359,384 |
| Debentures amortization | | 70,031 |
| Transfer of debentures to short-term | 82,689 | 132,714 |
| | 85,227 | 562,129 |
| Total os sources | 273,747 | 724,244 |
| USES OF FUNDS | | |
| Investments | 3,730 | 6 |
| Property and equipment | 48,321 | 65,003 |
| Deferred charges | | 1,007 |
| Dividends and interest on capital | | 26,543 |
| Minority interest on dividends and interest on capital | | 42,649 |
| Transfer of loans from long-term to current liabilities | 5,918 | 195,643 |
| Increase in long-term assets | 408 | 8,256 |
| Decrease in long-term liabilities | 980 | 991 |
| Total of uses | 59,357 | 340,098 |
| INCREASE IN WORKING CAPITAL | 214,390 | 384,146 |
| REPRESENTED BY | | |

| | | |
|---|---|---|
| Current assets: | | |
| At end of year | 2,129,956 | 1,903,697 |
| At beginning of year | 2,039,824 | 1,743,650 |
| INCREASE | 90,132 | 160,047 |
| Current liabilities: | | |
| At end of year | 760,362 | 890,518 |
| At beginning of year | 884,620 | 1,114,617 |
| DECREASE | (124,258) | (224,099) |
| INCREASE IN WORKING CAPITAL | 214,390 | 384,146 |

The accompanying notes are an integral part of this unaudited interim financial statements.

Table of Contents

**DISTRIBUIDORA DE PRODUTOS DE PETRÓLEO IPIRANGA S.A. AND SUBSIDIARIES**

**UNAUDITED INTERIM CONSOLIDATED STATEMENTS**

**OF CHANGES IN SHAREHOLDERS EQUITY**

**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2007 AND 2006**

**AND CONSOLIDATED STATEMENTS**

**OF CHANGES IN SHAREHOLDERS EQUITY FOR THE YEAR ENDED DECEMBER 31, 2006**

**(In thousands of Brazilian reais - R$)**

| | Capital | Capital reserves | Profit reserves | Retained earnings | Total shareholders equity |
|---|---|---|---|---|---|
| BALANCES AS OF DECEMBER 31, 2005 | 305,000 | 50 | 403,312 | | 708,362 |
| Capitalization of reserves | 250,000 | | (250,000) | | |
| Net income | | | | 66,457 | 66,457 |
| Interest on capital | | | | (26,543) | (26,543) |
| BALANCES AS OF JUNE 30, 2006 (unaudited) | 555,000 | 50 | 153,312 | 39,914 | 748,276 |
| Net income | | | | 94,418 | 94,418 |
| Distribution of net income to: | | | | | |
| Legal reserve | | | 8,044 | (8,044) | |
| Statutory reserves | | | 87,623 | (87,623) | |
| Interest on capital | | | | (29,218) | (29,218) |
| Proposed dividends | | | | (9,447) | (9,447) |
| BALANCES AS OF DECEMBER 31, 2006 | 555,000 | 50 | 248,979 | | 804,029 |
| Capital increase | 60,000 | | (60,000) | | |
| Net income | | | | 69,417 | 69,417 |
| BALANCES AS OF JUNE 30, 2007 (unaudited) | 615,000 | 50 | 188,979 | 69,417 | 873,446 |

The accompanying notes are an integral part of this unaudited interim financial statements.

Table of Contents

**DISTRIBUIDORA DE PRODUTOS DE PETRÓLEO IPIRANGA S.A. AND SUBSIDIARIES**

**NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION**

**FOR THE PERIODS ENDED JUNE 30, 2007 AND 2006**

**(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)**

**1. Operations**

Distribuidora de Produtos de Petróleo Ipiranga S.A. (the Company ) is a public company whose shares are traded on the São Paulo Stock Exchange (BOVESPA). Until April 18, 2007, the Company was controlled by members of the Bastos, Mello, Ormazabal, Tellechea and Gouvêa Vieira families.

On April 18, 2007, Ultrapar Participações S.A. ( Ultrapar , for itself and also as commission agent of Petróleo Brasileiro S.A. ( Petrobras ) and Braskem S.A. ( Braskem ), acquired from the controlling shareholders of the Petroleo Ipiranga companies, 66.2% of the common shares and 13.9% of the preferred shares issued by Refinaria de Petróleo Ipiranga S.A. ( RPI ), 69.2% of the common shares and 13.5% of the preferred shares issued by the Company and 3.8% of the common shares and 0.4% of the preferred shares issued by Companhia Brasileira de Petróleo Ipiranga ( CBPI ).

The Company, and its subsidiaries are engaged in the distribution of petroleum and related products, convenience stores and also hold non-controlling interests in companies engaged in the chemical and petrochemical business.

**2. Presentation of consolidated financial statements**

These financial statements were prepared in accordance with accounting practices adopted in Brazil (Brazilian GAAP). The financial statements presented herein are different from the ones prepared by the Company for statutory purposes because they do not include the holding Company s stand-alone financial statements, have been adjusted with respect to the financial statements for statutory purposes to include in Note 25 a reconciliation of net equity and net income between the amounts under Brazilian GAAP and generally accepted accounting principles in the United States of America (U.S. GAAP) and have also been adjusted to present certain additional disclosures to facilitate their understanding by readers not familiar with Brazilian GAAP.

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates include, but are not limited to, estimates relating to the useful lives of property, plant and equipment, accounting for contingencies and provisions for income taxes among others. Actual results could differ in relation to these estimates.

**3. Summary of significant accounting practices**

The accounting practices adopted in Brazil ( Brazilian GAAP ) to record transactions and prepare the consolidated financial statements comply with those prescribed by Brazilian corporate law and specific standards established by the Brazilian Securities Commission (CVM), which differ in certain respects from U.S. GAAP. See Note 25 for further discussions of these differences and a reconciliation of shareholders equity and consolidated net income between Brazilian GAAP and U.S. GAAP.

The following is a summary of significant accounting policies followed in the preparation of the accompanying consolidated financial statements:

**a) Cash and cash equivalents**

Cash and cash equivalents comprise highly-liquid temporary cash investments (with maturities of 3 months or less when acquired and readily convertible to cash).

F-292

Table of Contents

Distribuidora de Produtos de Petróleo Ipiranga S.A. and Subsidiaries

**b) Allowance for doubtful accounts**

The Company has individual customer credit information, which is used to assess customer ability to pay. The allowance is recorded in an amount considered sufficient by management to cover probable losses on the realization of accounts receivable.

**c) Inventories**

Stated at the lower of average acquisition or production cost or net realizable value.

**d) Investments in affiliates and goodwill**

Accounted following the equity method with a corresponding entry to operating income.

Goodwill on the acquisition of subsidiaries is amortized over 10 years based on the estimated period of realization.

**e) Property, plant and equipment**

Stated at acquisition or construction cost, monetarily adjusted through December 31, 1995. Depreciation is calculated following the straight-line method based on the estimated economic useful lives of the assets. Leasehold improvements are depreciated over the term of the agreement or the economic useful lives of the assets, whichever is shorter.

**f) Loans and financing**

Stated at the amount of principal, plus financial charges incurred on a pro rata basis through the balance sheet date. Foreign currency-denominated loans were converted into Brazilian Reais at the exchange rates prevailing at the balance sheet date.

**g) Income and social contribution taxes**

Tax expense is calculated based on the income tax rate of 15% plus a 10% surtax and social contribution tax rate of 9%.

**h) Deferred income and social contribution taxes**

Calculated on temporary differences and on tax loss carryforwards using the income tax and social contribution tax rates effective for the period in which the tax effects are expected to be realized.

Deferred income and social contribution tax assets are only recognized up to the amount that is likely to be realized within the next 10 years, as established by CVM Instruction No. 371/02.

**i) Provision for contingencies**

Recorded for contingent risks whose likelihood of loss is probable, based on the opinion of management, and inside and outside legal counsel. The provision is recorded based on the estimated losses upon the final resolution of lawsuits.

Table of Contents

Distribuidora de Produtos de Petróleo Ipiranga S.A. and Subsidiaries

**j) Interest on capital**

Interest on capital can be paid by Brazilian companies in lieu of, or in addition to, mandatory dividend stipulated by the respective company s bylaws. Interest on capital is calculated within the limits established by Law No. 9,249/95 for a maximum amount computed as the TJLP (long term interest rate) applied on the respective shareholders equity.

Interest on capital received from affiliates is recorded as a receivable. Interest on capital payable, since it represents in essence dividends, is recorded as a reduction in Retained earnings .

**k) Pension and other post-employment benefits**

Pension and other post-employment benefit liabilities to employees, retirees and pensioners (net of the assets of the plans) are recorded based on the actuarial calculation prepared by an independent actuary, using the Projected Unit Credit Method.

**l) Other assets and liabilities**

Other assets and liabilities, classified as current and noncurrent, are stated at realizable or estimated settlement amounts. These assets and liabilities are stated at cost or realizable value and known or estimated amounts, respectively, including, when applicable, interest and monetary and exchange rate variations.

**m) Results of operations**

Revenue from sale of products is recognized when significant risks and benefits related to the product ownership pass to customer. Other income, expenses and costs are recognized when incurred and/or realized. The result includes interest and monetary and exchange rate variations, at contractual indexes or official rates, applicable to current and noncurrent assets and liabilities and, when applicable, the effects of adjustments of assets to their net realizable value.

Sales incentives are generally recognized as expenses and include, but are not limited to, discounts and rebates. Volume-based incentives payable in cash include amounts paid in advance with the commitment of the customer to reach specified minimum volumes over a certain period of time and incentives are payable only after the minimum volumes have been met in a defined period of time. Volume-based incentives paid in advance are recognized as assets and subsequently recorded as cost of revenues in the statement of income over the period of the commitment of minimum sales. Volume-based incentives payable only after meeting the minimum volume are recognized as expense, at the moment when the target volume has been achieved.

Distribuidora de Produtos de Petróleo Ipiranga S.A. and Subsidiaries

**4. Consolidation criteria**

The consolidated financial statements have been prepared in accordance with the consolidation principles established by Brazilian GAAP and include the accounts of the Company and the following subsidiaries as of June 30, 2007 and 2006 and as of December 31, 2006:

| | | Ownership interest % | | | |
|---|---|---|---|---|---|
| | | June 30, 2007 | | December 31, 2006 | |
| | Location | Direct | Indirect | Direct | Indirect |
| Companhia Brasileira de Petróleo Ipiranga ( CBPI )(*) | Brazil | 21.0134 | | 21.0134 | |
| Isa-Sul Administração e Participações Ltda. | Brazil | 99.9995 | | 99.9995 | |
| Comercial Farroupilha Ltda. | Brazil | 99.9998 | 0.0002 | 99.9998 | 0.0002 |
| Ipiranga Asfaltos S.A. | Brazil | 0.0083 | 99.9917 | 0.0083 | 99.9917 |
| Tropical Transportes Ipiranga Ltda. | Brazil | 0.0032 | 99.9968 | 0.0032 | 99.9968 |
| Ipiranga Comercial Importadora e Exportadora Ltda. | Brazil | 1.0000 | 99.0000 | 1.0000 | 99.0000 |
| Ipiranga Imobiliária Ltda. | Brazil | 0.0001 | 99.9999 | 0.0001 | 99.9999 |
| *am/pm* Comestíveis Ltda. | Brazil | 0.0001 | 99.9999 | 0.0001 | 99.9999 |
| Empresa Carioca de Produtos Químicos S.A. | Brazil | | 99.9980 | | 99.9980 |
| Ipiranga Logística Ltda.(***) | Brazil | 1.0000 | 99.0000 | 1.0000 | 99.0000 |
| Maxfácil Participações S.A. ( Maxfácil ) (** / ***) | Brazil | 16.0000 | 34.0000 | 16.0000 | 34.0000 |
| Ipiranga Administração de Bens Móveis Ltda.(***). | Brazil | 99.9900 | 0.0100 | 99.9900 | 0.0100 |
| Ipiranga Trading Ltd. | British Virgin Islands | | 100.0000 | | 100.0000 |

(*) The Company holds 22,264 thousand common shares out of the total 35,409 thousand common shares of Companhia Brasileira de Petróleo Ipiranga, corresponding to 62.88% of the voting capital.

(**) The subsidiary CBPI holds a 34% interest totalling an interest of 50% in these consolidated financial statements, and União de Bancos Brasileiros S.A.-UNIBANCO holds another 50% interest. Maxfácil was incorporated by the Company and CBPI, which contributed a nominal amount of capital. Subsequently, UNIBANCO contributed in cash the amount of R$ 171 million for a 50% interest resulting in the recognition by the Company of a gain in change of interest of R$ 85,494, as of December 31, 2006. Maxfácil is a joint-venture whose business purpose is to offer financial services to the customers and distributors of Ipiranga products for a period of 10 years. Maxfácil is proportionally consolidated.

(***) Incorporated during 2006.

The following practices were adopted in the preparation of the consolidated financial statements:

(a) The Company and its subsidiaries adopt similar accounting practices to record their operations.

(b) Intercompany balances, transactions and unrealized profits have been eliminated; and

(c) Minority interest in fully-consolidated subsidiaries is presented in a separated caption.

Distribuidora de Produtos de Petróleo Ipiranga S.A. and Subsidiaries

**5. Cash and cash equivalents**

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Cash and banks | 20,911 | 31,365 |
| Bank Deposit Certificates (CDBs) | 26,378 | 69,924 |
| Debt securities | 10,744 | 10,841 |
| Sale and repurchase agreements(*) | 181,806 | 89,231 |
| Other | 3,034 | |
| | 242,873 | 201,361 |
| (-) Current | 154,233 | 116,318 |
| Noncurrent | 88,640 | 85,043 |

(*) Sale and repurchase agreements of debentures carrying interest at 100% of the Interbank Deposit Certificates (CDI).

**6. Trade accounts receivable**

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Domestic market: | | |
| Trade notes receivable | 1,176,110 | 1,110,095 |
| Customers financing | 343,231 | 346,776 |
| Foreign market-receivables | 6,256 | 7,957 |
| | 1,525,597 | 1,464,828 |
| (-) Current | 1,327,412 | 1,266,759 |
| Noncurrent | 198,185 | 198,069 |

Noncurrent portion is mainly represented by customers financing. Under customers financing, cash loans are provided to gas stations using the Ipiranga brand. Such loans are generally used by the gas stations to finance renovation and modernization of fuel stations, as well as for working capital including acquisition of products and investing in marketing. Customers financing carries interest of 1% per month.

**Table of Contents**

Distribuidora de Produtos de Petróleo Ipiranga S.A. and Subsidiaries

**7. Related-party transactions**

Intercompany transactions are conducted under price and term conditions similar to those adopted for transactions with unrelated parties and are as follows:

| Companies | Trade accounts receivable (current) | Debentures and receivable from the sale of warrants to related parties (current) | Debentures and receivable from the sale of warrants to related parties (noncurrent) | Trade accounts payable (current) | Sales | Purchases | Financial income |
|---|---|---|---|---|---|---|---|
| Refinaria de Petróleo Ipiranga S.A. | 60 | 35,851 | | 5,398 | 285 | 378,456(d) | 1,579 |
| Ipiranga Química S.A. | 1,832 | 78,810 | | 711 | 13,707 | 3,386 | 5,686 |
| Ipiranga Petroquímica S.A. | 220 | | | 69 | 419 | 749 | |
| Petróleo Brasileiro S.A. | | | | 267,397 | | 8,487,457 | |
| Refinaria Alberto Pasqualini S.A | | | | 2,263 | | 1,027,782 | |
| COPESUL Companhia Petroquímica do Sul | 21 | | | 234 | 17 | 5,127 | |
| Other | 910 | | | 1,882 | | | |
| Total as of June 30, 2007 | 3,043 | 114,661 | | 277,954 | 14,428 | 9,902,957 | 7,265 |
| Refinaria de Petróleo Ipiranga S.A. | 166 | 33,818(c) | | 2,777 | 182 | 494,666(d) | 3,657 |
| Ipiranga Química S.A. | 2,111 | 23,593(a)/(b) | 77,748(a)/(b) | 471 | 19,842 | 5,797 | 35,114 |
| Ipiranga Petroquímica S.A. | 428 | | | 68 | 681 | 5,275 | |
| Ipiranga Petroquímica Chile Ltda. | 593 | | | | 2,769 | | |
| Ipiranga S.A. | 56 | | | | 1,168 | | |
| COPESUL Companhia Petroquímica do Sul | 8 | | | 101 | 84 | 15,008 | |
| Other | 448 | | | 1,038 | 475 | 7,227 | |
| Total as of December 31, 2006 | 3,810 | 57,411 | 77,748 | 4,455 | 25,201 | 527,973 | 38,771 |
| Refinaria de Petróleo Ipiranga S.A. | | | | | 19 | 362,811(d) | 1,715 |
| Ipiranga Química S.A. | | | | | | | 13,999 |
| Ipiranga Petroquímica S.A. | | | | | 811 | 566 | |
| Ipiranga Petroquímica Chile Ltda. | | | | | 1,526 | | |
| COPESUL Companhia Petroquímica do Sul | | | | | 67 | 8,005 | |
| Other | | | | | 1 | 1,487 | |
| Total as of June 30, 2006 | | | | | 2,424 | 372,869 | 15,714 |

**Table of Contents**

Distribuidora de Produtos de Petróleo Ipiranga S.A. and Subsidiaries

(a) Debentures issued by Ipiranga Química in 2003

The Extraordinary Shareholders Meeting of Ipiranga Química S.A. ( IQ ) held on May 26, 2003 approved the issuance of two series of private convertible debentures, consisting of 11,000 Series A debentures, with face value of R$ 10 each, amounting to R$ 110,000, and 80,000 Series B debentures, with face value of R$ 1 each, amounting to R$ 80,000. Both series of debentures mature on June 1, 2008.

On June 12, 2003, the Company fully subscribed the Series A and its subsidiary CBPI fully subscribed the Series B.

The subscribed debentures pay interest based on the CDI interest rate, plus spread subject to renegotiation every 6 months (for Series A) and every 5 months (for Series B) as established by the indenture dated June 1, 2003.

The spread for Series A debentures is 1.0% per year as from December 1, 2005. The spread for Series B debentures is 1.0% per year.

Debentures are convertible into common shares of Ipiranga Química S.A. at any time after its issuance and until its maturity or redemption at the option of the holder.

The conversion price is a fixed amount established in the indenture of the debentures. However, the quantity of common shares to be received upon conversion will be higher than the amount determined as the face value of the debentures divided by the conversion price. No conversion has occurred to date. The quantity of additional shares to be received will be 25% if converted up to June 1, 2004, 18.2177% if converted before June 1, 2005, 11.8034% if converted before June 1, 2006 and 5.7371% if converted before June 1, 2007 no conversion has occurred to date.

In 2007, after partial redemptions performed by IQ as described below, the Company remains with 2,489 nonconvertible debentures. During the period, the interest income over the referred debentures was R$3,299 as of June 30, 2007 (R$13,999 as of June 30, 2006).

(b) Early partial redemption of the debentures in 2006 and 2007

The shareholders meetings of Ipiranga Petroquímica S.A. ( IPQ , a subsidiary of IQ) held on April 28, 2006 approved the payment of supplementary dividends and a capital reduction, scheduled for June 13, 2006 and July 31, 2006, respectively. Considering that IQ, due to its interest in IPQ, received funds on said dates, the Board of Directors of IQ, at a meeting held on May 2, 2006 resolved that IQ would partially early redeem its debentures, which were issued on June 1, 2003 due to the financial cost of this debt.

As a result, in 2006, IQ partially amortized 71.6% of the Series A debentures, subscribed by the Company, in the amount of R$ 135,695 and of 71.6% of the Series B debentures, subscribed by CBPI, in the amount of R$ 101,062 (there was no amortization in 2005). In February 2007, IQ performed a partial redemption of Serie B Debentures subscribed by DPPI in an amount of R$ 12,206.

(c) Modification of terms of the debentures and sale of warrants by the Company

Pursuant to a Memorandum of Understanding signed on October 3, 2005, the Company, CBPI and Refinaria de Petróleo Ipiranga S.A. (the controlling shareholder of IQ) agreed to hold an Extraordinary Shareholders Meeting of IQ to approve a change in the type of debentures issued by IQ on June 1, 2003.

The changes approved on the meeting held on October 6, 2005 were: (i) to change the debentures from convertible to nonconvertible without making any other change in the terms or conditions of the debentures, and (ii) the issuance of warrants to the holders of the debentures, without any charge, replacing the conversion right established for the debentures; the terms of the warrants allow their holder to purchase common shares of IQ in exactly the same terms than the conversion features originally included in the debentures.

Subsequently, on December 1, 2005, a Sale Agreement was signed whereby the Company sold for R$ 29.0 million to Refinaria de Petróleo Ipiranga S.A. the warrants it has obtained. The amount for the sale

Table of Contents

Distribuidora de Produtos de Petróleo Ipiranga S.A. and Subsidiaries

of the warrants is payable on October 3, 2007, and carries interest at the CDI interest rate. During the period, interest income on such receivable amounted to R$1,814 (R$1,943 in the six-month period of 2006).

The Company recognized in 2005 income on the sale of warrants in the amount of R$ 29 million.

(d) The acquisition of goods from Refinaria de Petróleo Ipiranga S.A. includes taxes calculated based on tax substitution, which are not considered income for Refinaria de Petróleo Ipiranga S.A.

(e) Warrants

However, upon completion of Company's acquisition process , as further described in Note 1 , these warrants should be fully transferred to Braskem and Petrobras, at no value, based on the terms of the agreement entered into by Ultrapar, Braskem and Petrobras.

**8. Inventories**

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Fuel | 342,365 | 406,320 |
| Lubricants and greases | 24,604 | 39,965 |
| Raw materials, packaging and storeroom | 66,090 | 48,343 |
| | 433,059 | 494,628 |

**9. Recoverable taxes**

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Income tax | 41,443 | 21,452 |
| Social contribution tax | | 5,472 |
| ICMS (State VAT) | 30,217 | 37,921 |
| IPI (Federal VAT) | 6,936 | 6,510 |
| Other | 698 | 1,646 |
| | 79,294 | 73,001 |
| (-) Current | 76,309 | 70,016 |
| Noncurrent | 2,985 | 2,985 |

**10. Income and social contribution taxes**

**a) Deferred**

Deferred tax assets are recognized based on the Company s history of profitability, supported by budgets, approved by management, which estimate future income for the realization of this asset over a period not exceeding 10 years.

**Table of Contents**

Distribuidora de Produtos de Petróleo Ipiranga S.A. and Subsidiaries

Deferred tax assets and liabilities are as follows:

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| **Assets:** | | |
| Provision for pension and other post-employment benefits | 79,663 | 82,859 |
| Provision for contingencies | 94,256 | 92,391 |
| Provision for variable compensation | 15,402 | 35,998 |
| Provision for loss on investment in Termogaúcha-Usina Termelétrica S.A. (Note 12) | 57,860 | 64,541 |
| Provision for loss on taxes recoverable | 6,035 | 6,035 |
| Provision for loss on property, plant and equipment | | |
| Other provisions | 7,058 | 21,377 |
| Tax basis | 260,274 | 303,201 |
| Statutory rate | 34% | 34% |
| Deferred income and social contribution taxes | 88,493 | 103,088 |
| (-) Current | 41,771 | 55,554 |
| Noncurrent | 46,722 | 47,534 |
| Noncurrent liabilities | | |
| Property, plant and equipment-accelerated depreciation | 2,334 | 2,513 |
| Statutory rate | 25% | 25% |
| Deferred income tax | 583 | 628 |

**b) Estimated realization of deferred tax assets**

The realization of tax credits and debts is based on future taxable income projections limited to 10 years after each balance sheet date, as follows:

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| 2007 | 34,150 | 55,554 |
| 2008 | 14,399 | 23,355 |
| 2009 | 10,173 | 2,870 |
| 2010 | 2,784 | 2,477 |
| 2011 to 2013 | 17,092 | 8,489 |
| 2014 to 2016 | 9,895 | 10,343 |
| | 88,493 | 103,088 |

Table of Contents

Distribuidora de Produtos de Petróleo Ipiranga S.A. and Subsidiaries

**c) Reconciliation of effective income tax and social contribution tax rate**

| | June 30, 2007 | 2006 |
|---|---|---|
| Income before taxes, equity in subsidiary and affiliated companies and minority interest (including expenses with profit sharing) | 211,233 | 175,856 |
| Tax rate | 34% | 34% |
| Income and social contribution taxes at statutory tax rates | 71,819 | 59,791 |
| Adjustments to the effective tax rate: | | |
| Non-deductible expenses | 1,322 | 2,170 |
| Presumed profit adjustment | (4,915) | (3,243) |
| Interest on capital | (11) | (23,525) |
| Workers Meal Program-PAT | (156) | (59) |
| Other | 206 | (1,301) |
| Income and social contribution taxes before tax incentives | (3,554) | (25,958) |
| Tax incentives | | (40) |
| Income and social contribution taxes in the statements of income | 68,265 | 33,793 |
| Current | 53,821 | 44,553 |
| Deferred | 14,444 | (10,760) |

**11. Prepaid expenses**

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Lease contracts | 17,949 | 16,841 |
| Prepaid insurance | 681 | 589 |
| Other prepaid expenses | 12,374 | 6,513 |
| | 31,004 | 23,943 |
| (-) Current | 13,262 | 9,617 |
| Noncurrent | 17,742 | 14,326 |

Noncurrent portion refers substantially to prepaid lease contracts.

**12. Investments in affiliates**

**Termogaúcha Usina Termelétrica S.A.** (in liquidation): Entity created for the purpose of installing and operating a thermoelectric power plant in the South Petrochemical Complex, in the city of Triunfo, Rio Grande do Sul State.

**Ipiranga Química S.A. (IQ):** distributor of chemical products and parent company of IPQ.

**Transportadora Sulbrasileira de Gás S.A. (TSB)**: Entity responsible for the construction and operation of a gas pipeline between the cities of Uruguaiana and Porto Alegre, Rio Grande do Sul State.

**Ipiranga Química Armazéns Gerais Ltda. (IQAG)**: chemical product warehouse located in the city of Guarulhos, in the São Paulo State.

**Table of Contents**

Distribuidora de Produtos de Petróleo Ipiranga S.A. and Subsidiaries

| | Termogaúcha(i) | IQ | TSB(ii) | IQAG | Total June 30, 2007 | Total December 31, 2006 |
|---|---|---|---|---|---|---|
| **Investment data for calculation of equity in subsidiaries:** | | | | | | |
| Number of shares: | | | | | | |
| Common shares (in millions) | 3,401 | 436,074 | 80 | | | |
| Shares (in thousands) | | | | 10 | | |
| Ownership interest | | | | | | |
| Capital % | 26.2311 | 41.4731 | 25.0000 | 0.1500 | | |
| Voting capital % | 26.2311 | 41.4731 | 25.0000 | 0.1500 | | |
| Number of shares held | | | | | | |
| Common shares (millions) | 892 | 180,854 | 20 | | | |
| Shareholders equity of the investee | 1,284 | 754,118 | 28,473 | 537 | | |
| Net income (loss) of the investee | | 165,282 | (863) | (504) | | |
| **Changes in investments during the years presented:** | | | | | | |
| Beginning balance | 270 | 244,209 | 5,867 | 2 | 250,348 | 250,545 |
| Capital increase | 6,681 | | 3,725 | | 10,406 | 3,850 |
| Capital decrease | (6,951) | | | | (6,951) | |
| Goodwill amortization | | | (2,274) | | (2,274) | (2,164) |
| Provision for impairment | | | | | | (64,541) |
| Distribution of cash to shareholders | | | | | | (24,396) |
| Equity in affiliates | | 68,547 | (199) | | 68,348 | 87,056 |
| Ending balance | | 312,756 | 7,119 | 2 | 319,877 | 250,348 |

(i) Impairment on investement in Termogaúcha and liquidation

At the Extraordinary Shareholders Meeting held on September 12, 2006, the shareholders of Termogaúcha approved its liquidation, considering the conditions of natural gas supply and higher costs of maintenance, preservation and storage of the already acquired generating equipment. The Company recorded a provision for impairment in the equity investee of R$ 64,541. On the same date, the Extraordinary Shareholders Meeting approved a capital increase in Termogaúcha and the subsidiary CBPI paid R$ 3,850, corresponding to several advances for future capital increase, which were previously recorded in noncurrent assets.

On December 14, 2006, a new Extraordinary Shareholders Meeting of Termogaúcha approved the distribution of cash (resulting from the liquidation process) to the shareholders, under article 215 of the Brazilian corporate law. The subsidiary CBPI received R$ 24,396.

(ii) During 2006, the Company recognized a full impairment on the goodwill of TSB for R$ 2,164. On April 2007, the subsidiary CBPI acquired an addition 5% of TSB shares, generating a goodwill of R$2.274, which was written off as of June 30, 2007 based on an impairment test.

**Table of Contents**

Distribuidora de Produtos de Petróleo Ipiranga S.A. and Subsidiaries

### 13. Property, plant and equipment

| | Annual depreciation rates % | June 30, 2007 Cost | Accumulated depreciation | Net | December 31, 2006 Net |
|---|---|---|---|---|---|
| Land | | 160,517 | | 160,517 | 157,205 |
| Buildings and constructions | 4 | 291,165 | (141,222) | 149,943 | 149,201 |
| Distribution equipment and installations | 10 | 1,124,884 | (686,639) | 438,245 | 434,586 |
| Furniture and fixtures and vehicles | 16.5 | 113,669 | (77,237) | 36,432 | 38,926 |
| Leasehold improvements(1) | 6.2 | 66,386 | (50,335) | 16,051 | 44,311 |
| Construction in progress(2) | | 76,768 | | 76,768 | 59,943 |
| Advances to suppliers | | 5,749 | | 5,749 | 11,353 |
| Other | | 8,768 | (5,012) | 3,756 | 3,737 |
| | | 1,847,906 | (960,445) | 887,461 | 899,262 |

(1) Leasehold improvements are depreciated over the term of the agreement or the useful life of the asset, whichever is shorter.

(2) Construction in progress refers to the construction and update of gas stations and fuel distribution bases.

### 14. Loans and financing

| Characteristics | June 30, 2007 Current | June 30, 2007 Long term | December 31, 2006 Current | December 31, 2006 Long term | Interest rated based on | Additional charges | Guarantees |
|---|---|---|---|---|---|---|---|
| **Local currency** | | | | | | | |
| Property and equipment acquisition | 11,007 | 22,050 | 11,060 | 26,613 | TJLP(*) | Plus interest of 3.8% to 5.1% p.a. | Guarantees and liens |
| Debentures(b) | 10,511 | 350,000 | 11,355 | 350,000 | CDI(**) | 103.8% of CDI | No guarantees |
| Subsidiaries | 39,460 | 9,787 | 32,661 | 8,552 | TJLP(*)<br>CDI(**) | Plus interest of 1.7% to 4.5% p.a. of TJLP<br>Plus interest of 105,5% to 106,5% of CDI | Guarantees and liens |
| Working capital | 14,557 | 27,429 | 46,000 | 86,245 | CDI(**) | up to 100% | Debentures acquired by subsidiary |
| Financial institutions | | 64,000 | | | CDI(**) | up to 100% | Debentures acquired by subsidiary |
| | 75,535 | 473,266 | 101,076 | 471,410 | | | |

F-303

**Table of Contents**

Distribuidora de Produtos de Petróleo Ipiranga S.A. and Subsidiaries

| Characteristics | June 30, 2007 Current | June 30, 2007 Long term | December 31, 2006 Current | December 31, 2006 Long term | Interest rated based on | Additional charges | Guarantees |
|---|---|---|---|---|---|---|---|
| **Foreign currency** | | | | | | | |
| Purchase financing | | | 37,611 | 3,469 | | Plus interest of 1.0% to 1.4% p.a. | Guarantees, promissory note and liens |
| Subsidiaries | 9,783 | 3,126 | | | CDI(**) | Plus interest of 5.6% to 6.8% p.a.<br>Plus 104% of CDI | CBPI Guarantees |
| Notes(a) | 4,446 | 108,060 | 4,935 | 119,942 | | Plus interest of 9.875% p.a. | No guarantees |
| Total consolidated | 89,765 | 584,452 | 143,622 | 594,821 | | | |

(*) TJLP Noncurrent interest rate

(**) CDI Interbank Deposit Rate

(a) On August 1, 2003, CBPI issued US$ 135 million in notes in the international market. On August 1, 2005, when interest increased from 7.875% per year to 9.875% per year, some of the holders decided to early redeem their notes in the amount of US$ 1,285 or R$ 3,072. In 2006, the subsidiary made an offer to repurchase the notes, as a result of which there was a partial redemption in the amount of US$ 79,574 or R$ 164,877.

(b) On April 18, 2006, CBPI registered with the Brazilian Securities Commission (CVM) a public offering of 35,000 debentures, of a single series, nonconvertible, with face value of R$ 10 each, which was issued on April 1, 2006, in the amount of R$ 350,000. The debentures mature on April 1, 2011 with principal repaid in three annual installments. They pay interest, from the issuance date, on their unit face value, of 103.80% of the daily average rate of interbank deposits ( Taxa DI over extra grupo ), disclosed by the Clearinghouse for the Custody and Financial Settlement of Securities (CETIP). Interest is payable every 6 months from the issuance date of the debentures.

The noncurrent portion matures as follows:

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| 2008 | 214,256 | 221,835 |
| 2009 | 130,494 | 128,178 |
| 2010 | 121,943 | 126,085 |
| 2011 | 117,759 | 118,723 |
| | 584,452 | 594,821 |

**Table of Contents**

Distribuidora de Produtos de Petróleo Ipiranga S.A. and Subsidiaries

**15. Taxes payable**

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Income tax | 39,487 | 10,237 |
| Social contribution tax | 14,061 | 3,467 |
| PIS (tax on revenue) | 1,871 | 1,830 |
| COFINS (tax on revenue) | 8,640 | 8,596 |
| ICMS (State VAT) | 28,957 | 29,296 |
| Other | 3,489 | 2,346 |
| | 96,505 | 55,772 |

**16. Contingencies**

**a) Probable losses**

A provision was recognized to cover probable losses estimated by management, supported by external and internal legal counsel, arising from the following lawsuits:

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Tax lawsuits | 74,032 | 76,079 |
| Civil lawsuits | 6,988 | 5,759 |
| Labor lawsuits | 15,238 | 12,576 |
| Total | 96,258 | 94,414 |
| (-) Current | 37,268 | 35,397 |
| Noncurrent | 58,990 | 59,017 |

**Tax lawsuits**

Tax lawsuits of the subsidiaries referred mainly to: (1) requirement of reversal of credits for ICMS on the provision of proper transportation services during the period the system of freight reimbursement by DNC (currently National Oil, Natural Gas and Biofuel Agency-ANP) was in effect and, although the freight reimbursements have always been made by DNC without the ICMS amount, previous court decisions have been unfavorable to the Company s arguments; (2) requirement of ICMS/Tax Substitution on interstate sales to end consumers under ICMS Agreement No. 105/92, subsequently amended by Agreement No. 112/93, in which the STF (Federal Supreme Court) resolved the matter, defining that the ICMS on fuel belongs to the State that consumes the fuel, even if the fuel is sold to the end consumer; (3) requirement of reversal of credits for ICMS, in Minas Gerais State, on interstate shipments made pursuant to article 33 of ICMS Agreement No. 66/88, which allowed the maintenance of the credit and which was suspended by an injunction granted by the STF; and (4) assessments due to undue deduction of discounts from the ICMS tax basis, in Minas Gerais State, owed on a tax substitution basis.

**Civil lawsuits**

Civil lawsuits of the Company and its subsidiaries are mostly related to lease and supply agreements entered into with customers and indemnity claims arising from these agreements and civil liability.

**Labor lawsuits**

Labor lawsuits of the Company and its subsidiaries refer mainly to lawsuits filed by former employees and outsourced professionals claiming payroll charges, such as overtime, hazardous duty premium, etc.

Table of Contents

Distribuidora de Produtos de Petróleo Ipiranga S.A. and Subsidiaries

**b) Possible losses**

Lawsuits for which management assessed the probability of loss as possible , based on the opinion of its internal and external legal counsel, are not accrued in the financial statements and are composed of:

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Tax lawsuits | 295,565 | 253,629 |
| Civil lawsuits | 74,789 | 69,687 |
| Labor lawsuits | 15,615 | 15,083 |
| Total | 385,969 | 338,399 |

**Tax lawsuits**

Tax lawsuits of the Company and its subsidiaries included in this classification refer mainly to: (1) requirement of reversal of credits for ICMS on operations with anhydrous alcohol in São Paulo State; (2) requirement of reversal of credits for ICMS, supposedly transferred to third parties at amounts higher than that allowed by São Paulo State legislation; (3) requirement of IRRF (withholding income tax) on payment of interest on capital made to pension plan entities; (4) requirement of INSS (social security contribution) supposedly due by third parties and service providers engaged who did not present clear evidence of payment of their obligations, causing the Company to be jointly liable for this tax; (5) non-approval of the offset of IPI credits recorded on the receiving of inputs subject to taxation whose subsequent shipments were tax immune; and (6) assessment due to invoices issued without fisical delivery of the good (anhydrous alcohol) in operations in São Paulo State.

**Civil lawsuits**

Civil lawsuits of the Company and its subsidiaries are mostly related to indemnity claims arising from lease and supply agreements, commercial and service agreements.

**Labor lawsuits**

Labor lawsuits of the Company and its subsidiaries refer to lawsuits filed by former employees and outsourced professionals claiming specific payroll benefits, lawsuits filed by former employees, outsourced professionals and employees of gas stations that are customers of the Company, related to payroll charges, such as overtime, hazardous duty premium, etc., which are in progress at the stage of providing evidence, without a decision having been reached yet.

**c) Contingent assets**

The Company and its subsidiaries filed judicial and/or administrative proceedings with Federal and State tax authorities to recover taxes unduly paid or overpaid. These proceedings, when concluded, may represent income that, due to its contingent nature, is not recorded in the financial statements.

Distribuidora de Produtos de Petróleo Ipiranga S.A. and Subsidiaries

Due to the progress of lawsuits and based on their legal counsel s opinion, the companies management assessed the likelihood of a favorable outcome in the aforementioned lawsuits as probable or possible, depending on the specific circumstances. As of June 30, 2007 and December 31, 2006 said lawsuits may be summarized as follows:

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| **Federal level** | | |
| Corporate income tax-rate increase | 7,241 | 7,087 |
| FGTS (severance pay fund)-refund of tax | 300 | 263 |
| National Telecommunication Fund | 4,927 | 2,077 |
| PIS/COFINS (taxes on revenue)-increase in tax basis | 35,802 | 34,747 |
| | 48,270 | 44,174 |
| **State level** | | |
| State income surtax (AIRE) | 14,354 | 13,483 |

**17. Employee and management profit sharing**

Profit sharing is calculated based on net income for the year, after deducting accumulated deficit, if any, and provision for income and social contribution taxes, and is distributed as follows:

**a) Employee profit sharing**

Calculated based on 3% of net income from operations, which will be computed excluding income from investments in companies (recorded in the stand-alone individual statements of income of the Company as equity in subsidiaries and affiliates), amortization of goodwill or negative goodwill, sale or write-off of investments in companies and, interest paid or received by the Company as interest on capital.

**b) Management profit sharing**

At the discretion of the Board of Directors, management profit sharing will be calculated based on up to 10% of income after deducting employee profit sharing and cannot exceed the annual global compensation established at the Shareholders Meeting.

**18. Provision for pension and other post-employment benefits**

**a) Pension benefits provided by Fundação Francisco Martin Bastos**

The Company, together with other Petróleo Ipiranga companies, sponsors Fundação Francisco Martins Bastos (FFMB), a closed pension entity that manages and operates pension plans for the employees of Petróleo Ipiranga companies.

The accumulated amount of the Company contributions, for the period ending June 30, 2007, for the pension plan was R$ 5,011 (R$5,483 in June 30, 2006).

**b) Other post-employment benefits**

According to CVM Resolution No. 371/2000, the Company, in addition to the pension plan, recognizes a provision for other post-employment benefits related to bonus for length of service, FGTS (severance pay fund), health care plan and life insurance for eligible retirees. Other post-employment benefits are unfunded and are provided directly by the Company and each of its subsidiaries of the Petroleo Ipiranga group.

Distribuidora de Produtos de Petróleo Ipiranga S.A. and Subsidiaries

**c) Information about pension and other post-employment benefits**

Net liabilities recorded as of June 30, 2007, are R$ 81,408, of which R$ 7,234 are accounted as current liabilities and R$ 74,174 as noncurrent liabilities.

Actuarial liabilities on June 30, 2007, reflect the report drawn up by the independent actuary on May 30, 2007, maintaining the biometric assumptions and rates disclosed in the financial statements of December 31, 2006.

**19. Shareholders equity**

**a) Capital**

Capital stock as of June 30, 2007, is represented by 32,000,000 shares without par value, composed of 10,706,368 common shares and 21,293,632 preferred shares.

The Extraordinary Shareholders Meeting, held on April 18, 2007, approved the increase on the capital from R$ 555,000 to R$ 615,000, through capitalization of Profit reserve for working capital (R$60,000).

Preferred shares have no voting rights and are entitled to dividends 10% higher than those paid on common shares and have priority in the distribution of dividends and in the reimbursement of capital, in the event of liquidation of the Company.

**b) Reserves**

The company by law determine that the residual amount in the retained earnings account, after results distributions, shall be transferred to the working capital reserve, until the limit of the capital account. Eventual exceeds will be incorporated by the capital, through Ordinary Management Meeting approvement of financial statements.

**c) Distribution of dividends**

Shareholders are annually entitled to receive mandatory minimum dividends, corresponding to 30% of net income, after allocation of 5% to the legal reserve. Preferred shareholders are entitled to receive dividends or interest on capital 10% higher than those paid on common shares.

**d) Interest on capital and dividends**

Interest on capital, in the amount of R$ 55,761, was calculated as of December, 2006, according to the limits established by Law No. 9,249/95 and generated tax benefits of R$ 18,959. No interest on capital was paid or declared for the period ended June 30, 2007.

In addition, dividends in the amount of R$ 9,447 were paid on December 27, 2006. No dividends was paid or declared for the period ended June 30, 2007.

**20. Collaterals and guarantees**

The Company provides collaterals and guarantees for some loan operations conducted directly or indirectly by certain subsidiaries, affiliates and other related parties.

Distribuidora de Produtos de Petróleo Ipiranga S.A. and Subsidiaries

As of June 30, 2007 and December 31, 2006, amounts referring to these operations are as follows:

| Guaranteed Company | Borrower | June 30, 2007 | December 31, 2006 | Maturity |
|---|---|---|---|---|
| DPPI | CBPI(2) | 3,096 | 3,931 | 2009 |
| DPPI | IQ(3) | 1,512 | 1,547 | 2010 |
| DPPI | IQAG(3) | 531 | 619 | 2010 |
| DPPI | IPQ(3) | | 17,688 | 2007 |
| CBPI | EMCA(2) | 2,246 | | 2008 |
| CBPI | EMCA(2) | 8,738 | 11,763 | 2007 |
| CBPI | Tropical(2) | 7,888 | | 2010 |
| CBPI | IASA(2) | 14,600 | 19,719 | 2007 |
| CBPI | IPQ(3) | 24,380 | 40,500 | 2008 |
| CBPI | RPI(1) | 120,000 | 120,000 | 2007 |
| CBPI | Tropical(2) | 322 | | 2009 |
| CBPI | Tropical(2) | 893 | 1,618 | 2007 |
| CBPI | Tropical(2) | 1,525 | 2,041 | 2008 |
| CBPI | Tropical(2) | 1,491 | 7,874 | 2011 |
| | | 187,222 | 227,300 | |

IQAG Ipiranga Química Armazéns Gerais Ltda.
EMCA Empresa Carioca de Produtos Químicos S.A.
IASA Ipiranga Asfaltos S.A.
RPI Refinaria de Petróleo Ipiranga S.A.
Tropical Tropical Transportes Ipiranga Ltda.

(1) Related-party.

(2) Entity consolidated by the Company.

(3) Entity accounted by the Company following the equity method.

**21. Financial instruments**

In accordance with CVM Instruction No. 235/95, the Company and its subsidiaries estimated the fair value of their financial instruments, using available market information and appropriate estimation methodologies. However, both the interpretation of market data and the selection of estimation methodologies require reasonable judgment and estimates to determine the most adequate realizable value. Accordingly, the estimates presented are not necessarily indicative of the amounts that could be obtained in active market trading. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair values. Book values of financial interests appropriate their fair values.

The Company and its subsidiaries conduct transactions involving financial instruments, all of which are recorded in balance sheet accounts, and are intended to meet their needs and reduce the exposure to credit, market, and currency risks. Management of these risks is performed by establishing strategies and control systems and setting position limits.

The main risks affecting the Company s business are as follows:

**a) Currency risk**

This risk arises from the possibility of the Company incurring material losses because of exchange rate fluctuations, which may affect the balances of foreign currency-denominated loans and financing.

Table of Contents

Distribuidora de Produtos de Petróleo Ipiranga S.A. and Subsidiaries

The exposure to fluctuations in exchange rates is as follows:

| Amounts in US$ thousand | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Loans and financing | 62,519 | 76,173 |
| Swap transactions | | (10,759) |
| Net exposure | 62,519 | 65,414 |

Rates as of June 30, 2007 = R$ 1.9262/US$

Rates as of December 31, 2006 = R$ 2.1380/US$

**b) Credit risk**

This is the risk of the Company incurring losses due to customers failure to pay accounts and financing. The Company reduces this risk by means of a credit policy and by obtaining collaterals for supply agreements signed with its customers for significant balances.

**c) Interest rate risk**

This risk arises from the possibility of the Company incurring losses due to interest rate fluctuations that increase interest expenses on loans and financing.

The Company continuously monitors the market interest rates in order to evaluate the need for hedging against the volatility of these rates.

**d) Financial income (expenses)**

| | June 30, 2007 | June 30, 2006 |
|---|---|---|
| Financial income | | |
| Interest and monetary variation | 37,489 | 49,943 |
| Exchange rate variation | (255) | 68 |
| Other income | 754 | 323 |
| | 37,988 | 50,334 |
| Financial expenses | | |
| Interest and monetary variation | (39,123) | (42,277) |
| Losses on swap transactions | | (27,512) |
| Exchange rate variation | 12,772 | 42,596 |
| Taxes(*) | (1,361) | (2,299) |
| Other expenses | (1,908) | (18,986) |
| | (29,620) | (48,478) |
| Financial income, net | 8,368 | 1,856 |

(*) This refers to IOF and IR on payments abroad.

**Table of Contents**

Distribuidora de Produtos de Petróleo Ipiranga S.A. and Subsidiaries

## 22. Nonoperating income, net

| | June 30, 2007 | June 30, 2006 |
|---|---|---|
| Nonoperating income: | | |
| Gain on sale of property and equipment | 4,407 | 13,055 |
| Reversal of part of provision for impairment on investment | 6,681 | |
| Other | | 16 |
| | 11,088 | 13,071 |
| Nonoperating expenses: | | |
| Provision for investment | | (168) |
| Provision for loss on property, plant and equipment | (4,347) | (5,987) |
| | (4,347) | (6,155) |
| | 6,741 | 6,916 |

## 23. Insurance

The Petróleo Ipiranga companies have an insurance and risk management program that allows coverage and protection for all their insurable assets, including insurance coverage for risks of production disruption by means of an operational risk policy traded in the domestic and foreign insurance markets through the Brazilian Reinsurance Institute (IRB).

The insurance coverages and limits are based on a detailed study of risks and losses performed by local insurance brokers, and the insurance contracted is considered sufficient to cover possible losses, considering the nature of the companies activities.

The main insurance coverages are for operational risks, loss of profits, industrial and office multiperils, named risk-pools and civil liability.

## 24. Subsequent events

**Ipiranga acquisition Tag alongs**

As mentioned in Note 1, in April of 2007 Ultrapar acquired the control of certain companies of Ipiranga Group. The acquisition process is structured in four stages. The first one was concluded in April 18 with the transfer of control. Currently the second stage of the process is being finished, which corresponds to the tag along public offering (OPA) by Refinaria de Petróleo Ipiranga S.A. (RPI), Distribuidora de Produtos de Petróleo Ipiranga S.A. (DPPI) and Companhia Brasileira de Petróleo Ipiranga (CBPI). In October 22, the public offerings of DPPI and RPI were carried out. The auction of CBPI is foreseen for November 8, 2007.

## 25. SUMMARY AND RECONCILIATION OF THE DIFFERENCES BETWEEN ACCOUNTING PRACTICES ADOPTED IN BRAZIL AND GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN THE UNITED STATES OF AMERICA

**I Narrative description of GAAP differences**

The consolidated financial statements of the Company are prepared in accordance with Brazilian GAAP. Accounting policies, which differ significantly from U.S. GAAP, are summarized below.

Distribuidora de Produtos de Petróleo Ipiranga S.A. and Subsidiaries

**a) Inflation accounting**

Under Brazilian GAAP, the Company accounts for the effects of inflation in its financial statements prepared in accordance with Brazilian GAAP through December 31, 1995. Through December 31, 1995, the Company used for this remeasurement the Fiscal Reference Unit (UFIR), the index established by the tax authorities for preparation of financial statements under Brazilian corporate law as well as the index selected by the CVM.

The reconciliation presents the effect of adjusting property, plant and equipment for U.S. GAAP purposes through December 31, 1997. Under U.S. GAAP, management of the Company considers that Brazil was considered to be a highly inflationary economy until December 31, 1997 and, as such, property, plant and equipment should be adjusted for inflation through such date.

In determining amounts under U.S. GAAP, the effects of inflation for the years ended December 31, 1996 and 1997 were determined using the Índice Geral de Preços Disponibilidade Interna IGP-DI index, which is a widely-accepted and respected index published monthly by the fundação Getúlio Vargas.

Because the Company s management believes that the IGP-DI is an appropriate and consistent measure of the general price inflation in Brazil and because of its availability, for U.S. GAAP purposes the Company adopted the IGP-DI for restatement of its financial statements also for periods through December 31, 1995, replacing the Government mandated index. As a result, property, plant and equipment have been monetarily adjusted for inflation using the IGP-DI since its acquisition through December 31, 1997.

**b) Capitalization of interest in relation to construction in progress**

Under Brazilian GAAP, prior to 1996 the Company was not required to capitalize the interest cost of borrowed funds as part of the cost of the related asset. Under U.S. GAAP, capitalization of borrowed funds during construction of major facilities is recognized as part of the cost of the related assets.

Under U.S. GAAP, interest on construction-period financing denominated in foreign currencies is capitalized using contractual interest rates excluding foreign exchange gains or losses.

**c) Pension and other post-employment benefits**

**c.1. Pension benefits**

Pension benefit obligations for Brazilian GAAP should be accounted for following CVM Instruction No. 371/00, which requires the mandatory application of Brazilian Accounting Standard IBRACON NPC 26. Under IBRACON NPC 26 the Company has accounted for the plan administered by FFMB (and to which several Petróleo Ipiranga companies contribute) by recognizing a percentage attributed to the Company of the funded status and of the cost of the plan.

Under U.S. GAAP, considering that the financial information of the Company does not consolidate all the sponsors of the FFMB Benefit Plan and such financial information does not represent the financial statements of the parent company of the Petróleo Ipiranga companies, the Company has accounted for its participation in the pension plan administered by FFMB, as if it were a multi-employer plan.

As a result, the reconciliation presents: (a) the reversal of the pension plan asset/liability recognized for Brazilian GAAP as of each reporting date, and (b) the recognition, as liability,of, the contribution due to the plan over the corresponding period.

Table of Contents

Distribuidora de Produtos de Petróleo Ipiranga S.A. and Subsidiaries

**c.2. Other post-retirement benefits**

As explained in Note 18, the accompanying financial statements account for other post-retirement benefits following IBRACON NPC 26. Other post-retirement benefits are unfunded and are the sole responsibility of each Petróleo Ipiranga company. Under IBRACON NPC 26, actuarial gains and losses are deferred and recognized in income over the estimated remaining service period of the employees to the extent that those actuarial gains and losses exceed 10% of the higher of the plan assets and the projected benefit obligation.

Under U.S. GAAP such benefits are accounted for following SFAS No. 106, Employers Accounting for Post-retirement Benefits Other Than Pensions , and, as from December 31, 2006, following SFAS 158 Employers Accounting for Defined Benefit Pension and Other Post-retirement Plans-an amendment of FASB Statements No. 87, 88, 106 and 132(R) . Under SFAS No.158, the funded status of the other post-retirement benefits must be recognized as a liability with an offsetting amount in accumulated other comprehensive income. As required by SFAS No. 158, provisions of SFAS No.158 were applied on a prospective basis as from December 31, 2006.

Although projected benefit obligations are the same under Brazilian GAAP and U.S. GAAP, differences arise in the amounts recorded in the financial statements as a result of: (i) the date of initial measurement of funded status is different for Brazilian GAAP and U.S. GAAP and under Brazilian GAAP, there is no requirement to recognize a liability for uncovered plans, and (ii) the recognition as from December 31, 2006 as a liability for U.S. GAAP purposes, of the funded status against accumulated other comprehensive income.

**d) Accounting for derivative financial instruments**

As mentioned in Note 21, the Company has entered into swap transactions. Under Brazilian GAAP, swaps are valued at their accrued amount determined as the difference between the amount receivable and the amount payable under the swap. The amounts receivable and payable are computed as their respective notional amount plus accrued charges based on their contractual terms.

Under U.S. GAAP, SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities , establishes accounting and reporting standards requiring that all derivative instruments be recorded in the balance sheet as either an asset or a liability measured at its fair value. Changes in the derivative s fair value are recognized in earnings unless specific hedge accounting criteria are met. The Company has not accounted for any derivative instrument following hedge accounting.

The reconciliation presents the differences resulting from valuing the swaps at its fair value under U.S. GAAP, as opposed to valuing them at the accrued amount used under Brazilian GAAP. As of June 30, 2007 no difference was identified between the accrued amount and the fair value.

**e) Fair value of guarantees under FIN 45**

Under Brazilian GAAP, the Company is not required to record any liability related to guarantees given to third parties unless contingent obligations to make future payments under the guarantees are considered probable.

The Company has not recorded any liability related to these guarantees under Brazilian GAAP as of any of the dates presented.

Under U.S. GAAP, the Company recognizes, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing guarantees in accordance with FIN 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others . In the event that, at inception of the guarantee, the Company is required to recognize a liability under SFAS No. 5,

Table of Contents

Distribuidora de Produtos de Petróleo Ipiranga S.A. and Subsidiaries

Accounting for Contingencies , the liability initially recognized would be the greater of: (a) the amount of fair value of the value of the obligation undertaken in issuing guarantee, or (b) the contingent liability amount required to be recognized at inception of the guarantee by applying SFAS No. 5.

Guarantees granted include those disclosed in Note 20 as well as guarantees provided to financial institutions that finance sales to selected customers under the vendor program. Under the vendor program the Company is the secondary obligor to the financial institutions.

The reconciliation presents the effect of recognizing a liability for the fair value of these guarantees and the related effect in the statement of income.

**f) Accounting for asset retirement obligation**

Under Brazilian GAAP, the Company s practice is to expense amounts relating to retirement of certain assets as incurred.

Under U.S. GAAP, the Company adopts SFAS No. 143, Accounting for Asset Retirement Obligations . Asset retirement obligations correspond to the legally required obligation to remove fuel tanks upon retirement. Under SFAS No. 143, the fair value of asset retirement obligations are recorded as liabilities on a discounted basis when they are incurred, which is typically at the time the related assets are installed. Amounts recorded for the related assets will be increased by the amount of these obligations and depreciated over the related useful lives of such assets. Over time, the amounts recognized as liabilities will be accreted for the change in their present value until the related assets are retired or sold.

**g) Gain on change in equity interest in Maxfácil**

In December 2006, the Company and its subsidiaries recognized a capital gain, in the amount of R$ 85,494, relating to the gain on change in equity interest in Maxfácil as described in Note 4.

The gain was determined as a result of Maxfácil having issued new shares to UNIBANCO at a price higher than the carrying amount per share of the investment recorded by the Company in Maxfácil.

Under U.S. GAAP, considering that Maxfácil is a newly formed entity, the Company believes it does not meet the criteria for gain recognition established in SAB Topic 5-H.

The reconciliation presents the effect of reverting for U.S. GAAP the capital gain recognized under Brazilian GAAP.

**h) Accounting for uncertain income tax position FIN No. 48**

Under Brazilian GAAP, the Company is not required to record any liability related to uncertainty in income taxes, unless contingent obligation to make future payments under income taxes are probable.

Under U.S. GAAP, in June 2006, the Financial Accounting Standards Board ( FASB ) issued FASB Interpretation ( FIN ) No. 48, Accounting for Uncertainty in Income Taxes, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements in accordance with Statement of Financial Accounting Standards ( SFAS ) No. 109, Accounting for Income Taxes . This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN No. 48 was effective for fiscal years beginning after December 15, 2006.

Distribuidora de Produtos de Petróleo Ipiranga S.A. and Subsidiaries

On January 1, 2007, the Company adopted the provisions of FIN No. 48. The cumulative effect of adoption was a R$6.2 million reduction of retained earnings. During the period ended June 30, 2007, an amount of R$261 was recorded in profit and loss as an expense.

**i) U.S. GAAP adjustments on net equity and net income of affiliates**

The investments in Termogaúcha-Usina Termelétrica S.A., IQ, TSB and IQAG are accounted for under the equity method under Brazilian GAAP.

Such investment would also be accounted for following the equity method under U.S. GAAP.

Differences between net equity and net income of the affiliates correspond mainly to: accounting for deferred charges, accounting for business combination and goodwill, accounting for pension benefits, revaluation of property, plant and equipment, capitalization of interest on property, plant and equipment, recognition of tax incentives, accounting for derivative financial instruments, accounting for dividends and interest on capital, and accounting for the provision for programmed maintenance.

The net effects of those adjustments are presented in the reconciliation to U.S. GAAP.

**j) Accounting for convertible debentures issued by Ipiranga Química S.A. and warrants purchased by the Company**

**j.1. Accounting for convertible debentures issued by IQ**

Under Brazilian GAAP, convertible debentures issued by IQ described in Note 7 are accounted for as a single instrument at its cost plus accrued interest following the contractual terms.

Under U.S. GAAP the Company has concluded that the non-detachable conversion option included in the convertible debentures issued by IQ does not meet the definition of a derivative under SFAS 133 Accounting for Derivative Instruments and Hedging Activities, as amended and interpreted . Also , the Company concluded that the conversion option did not have, as of the date of issuance, intrinsic value, therefore, the total amount of the proceeds has been allocated to the convertible debenture. This has resulted in no difference between Brazilian GAAP and U.S. GAAP with respect to the accounting of the convertible debenture issued by IQ until the modification of its terms.

However, the convertible debenture was marked to market at every reporting period with charges to the statements of income for US GAAP purposes, creating a difference in valuation of the convertible instrument for US GAAP of R$ 29 million at the date of the modification of the terms.

**j.2. Accounting for the modification of terms of the debentures, issuance of warrants and sale of warrants by the Company**

In October 2005, a modification was introduced in the terms of the debentures such that they were modified from convertible to non-convertible; no other term of the debentures has been modified. At the same moment, IQ issued to the holders of the debentures, detachable warrants which allow the holders of the warrants to acquire shares of IQ in the exact same terms as the previously existing non-detachable conversion option included in the debentures.

Under Brazilian GAAP, warrants are not separately recorded. The modification of the terms of the debentures and the issuance of warrants in October 2005 did not have any impact in the accounting for the

**Table of Contents**

Distribuidora de Produtos de Petróleo Ipiranga S.A. and Subsidiaries

debentures (which were originally convertible and in October 2005 were modified to non-convertible) under Brazilian GAAP which continued to be accounted for at its cost plus accrued interest and warrants issued by IQ are not accounted for.

For U.S. GAAP purposes, the Company has also classified the new debt instrument received as a trading security under FAS 115. In addition, the Company has concluded that the fair value of the warrant and non-convertible debenture received approximates the fair value of the convertible debenture prior to modification. Therefore, upon modification the Company recorded the warrant and debt at their fair values.

Contemporaneously with the modification of the terms of the debenture and the issuance of warrants, the Company sold the warrants received to RPI for R$ 29 million. This amount approximates the fair value of the warrants at the date of modification of the convertible debentures and issuance of warrants, so no gain or loss was recorded by the Company upon sale under U.S. GAAP. Under Brazilian GAAP no value was recognized for the warrant received and therefore, a gain for the sales price of R$ 29 million was recognized.

The U.S. GAAP reconciliation reflects the difference in the mark to market of the convertible debt instrument through the date of modification, compared to the amortized cost value recorded for Brazilian GAAP purposes. The U.S. GAAP reconciliation also reverses the $29 million gain for the sale of the warrants recognized under Brazilian GAAP.

**k) Accounting for refunds**

The Company and its subsidiary CBPI offer to certain of its customers refunds in cash if they meet a specified cumulative volume of sales over a specified period. Under Brazilian GAAP, the refund is recognized as an expense when the cumulative volume of sales has been met. Such refunds are offered to a reduced group of customers and have begun to be offered recently.

Under U.S. GAAP, EITF 01-9, Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor s Products) , a Company should recognize a reduction in sales and a liability based on a systematic and rational allocation of the cost of honoring the commitment in each of the underlying transactions that result in progress toward earning the refund. Considering the reduced number of customers to which the refund is offered and the reduced historical experience, the Company believes that it cannot reasonably estimate the ultimate amount that will be earned by customers. As a result, under U.S. GAAP a liability is recognized for the maximum potential amount of the refund.

**l) Goodwill and business combinations**

Under Brazilian GAAP assets and liabilities of entities acquired are reflected at book value. Goodwill is determined as the excess of purchase price paid over the book value of net assets acquired. Goodwill is amortized on a straight-line basis over the periods estimated to be benefited limited to 10 years.

In July 1998, the subsidiary CBPI made a capital contribution to IQ. Under Brazilian GAAP, such transaction generated a goodwill at the date of the transaction in the amount of R$ 49,393 and resulted in obtaining an interest in IQ of 41.47%.

Goodwill under Brazilian GAAP was totally amortized as of December 31, 2005.

Under U.S. GAAP, business combinations are accounted for following the purchase method. Under the purchase method assets and liabilities of the business acquired are recorded, to the extent of the percentage acquired, using fair values. Goodwill is determined as the difference between purchase price consideration and

Distribuidora de Produtos de Petróleo Ipiranga S.A. and Subsidiaries

the fair value of assets acquired and liabilities assumed. If there is an excess of the fair value of net assets acquired over the purchase price such amount is used to reduce the carrying value of noncurrent assets. As from January 1, 2002 goodwill is not amortized but is tested, at least annually, for impairment.

The reconciliation of net equity between Brazilian GAAP and U.S. GAAP presents: (i) the reversal of the balance of goodwill recorded under Brazilian GAAP at each balance sheet date, (ii) the recognition for U.S. GAAP purposes of the difference resulting from adjusting assets and liabilities of the entity acquired at fair value, most significantly property, plant and equipment and investment in equity investees, (iii) the recognition of resulting goodwill under U.S. GAAP, and (iv) the related deferred taxes.

The reconciliation of net income between Brazilian GAAP and U.S. GAAP presents: (i) the reversal of goodwill amortization recorded under Brazilian GAAP, (ii) the recognition in income of adjustments of assets and liability at fair value, mostly depreciation of property, plant and equipment and equity in investees, and (iii) the related deferred tax effects.

**II - Reconciliation of the differences between U.S. GAAP and Brazilian GAAP in net income**

| | **Note 25.I.** | **June 30, 2007** | **June 30, 2006** |
|---|---|---|---|
| Net income as reported under Brazilian GAAP | | 69,417 | 66,457 |
| Inflation accounting: property, plant and equipment-incremental depreciation | (a) | (2,844) | (12,371) |
| Deferred tax effects | | 968 | 4,207 |
| Minority interests | | 1,001 | 5,910 |
| | | (875) | (2,254) |
| Pension and other post-employment benefits: | (c) | | |
| Reversal of pension and other post-retirement expense recognized under Brazilian GAAP | | (3,241) | |
| Deferred tax effects | | 1,102 | |
| Minority interests | | 1,954 | |
| Recognition of net periodic pension cost for other post-retirement benefits under US GAAP | | (2,787) | (5,986) |
| Deferred tax effects | | 948 | 2,036 |
| Minority interests | | 857 | 2,556 |
| | | (1,167) | (1,394) |
| Accounting for asset retirement obligation | (f) | (1,612) | 924 |
| Deferred tax effects | | 549 | (314) |
| Minority interests | | 423 | (40) |
| | | (640) | 570 |
| Capitalization of interest costs during construction | (b) | 589 | 726 |
| Deferred tax effects | | (199) | (247) |
| Minority interests | | (272) | (298) |
| | | 118 | 181 |
| Fair value of guarantees under FIN 45 | (e) | 396 | (168) |
| Deferred tax effects | | (134) | 57 |

| | | |
|---|---|---|
| Minority interests | (101) | 346 |
| | 161 | 235 |

**Table of Contents**

Distribuidora de Produtos de Petróleo Ipiranga S.A. and Subsidiaries

| | Note 25.I. | June 30, 2007 | June 30, 2006 |
|---|---|---|---|
| Accounting for derivative financial instruments | (d) | | 748 |
| Deferred tax effects | | | (254) |
| Minority interests | | | (390) |
| | | | 104 |
| Accounting for uncertain income tax position FIN No. 48 | (h) | (261) | |
| Minority interests | | 200 | |
| | | (61) | |
| Accounting for refunds | (k) | 1,179 | 1,173 |
| Deferred tax effects | | (401) | (399) |
| Minority interests | | (615) | (612) |
| | | 163 | 162 |
| Goodwill and business combinations: | (l) | | |
| Fair value allocated to assets of IPQ-Amortization | | (249) | (249) |
| Deferred tax effects | | 85 | 85 |
| Fair value allocated to investments of IPQ in Copesul-Equity in income | | 2,582 | 2,582 |
| Minority interests | | (1,911) | (1,910) |
| | | 507 | 508 |
| U.S. GAAP adjustments on net equity and net income of affiliates | (i) | (41,630) | (37,206) |
| Minority interests | | 32,883 | 29,389 |
| | | (8,747) | (7,817) |
| Net income under U.S. GAAP | | 58,876 | 56,752 |

F-318

Table of Contents

Distribuidora de Produtos de Petróleo Ipiranga S.A. and Subsidiaries

**III - Reconciliation of the differences between U.S. GAAP and Brazilian GAAP in shareholders equity**

| | Note 25.I. | June 30, 2007 | December 31, 2006 |
|---|---|---|---|
| Shareholders equity as reported under accounting practices adopted in Brazil | | 873,446 | 804,029 |
| Inflation accounting: Property, plant and equipment-incremental depreciation | (a) | 39,971 | 42,816 |
| Deferred tax effects | | (13,590) | (14,557) |
| Minority interests | | (6,338) | (7,339) |
| | | 20,043 | 20,920 |
| Pension and other post-employment benefits: | (c) | | |
| Reversal of pension and other post-retirement liabilities recognized under Brazilian GAAP | | 81,408 | 84,649 |
| Deferred tax effects | | (27,679) | (28,781) |
| Minority interests | | (25,922) | (27,876) |
| Recognition of other post-retirement liabilities under US GAAP | | (85,615) | (82,828) |
| Deferred tax effects | | 29,109 | 28,161 |
| Minority interests | | 32,369 | 31,512 |
| Effect of adoption of SFAS 158 on the ending balance of accumulated other comprehensive income | | (4,519) | (4,519) |
| Deferred tax effects | | 1,537 | 1,537 |
| Minority interests | | 1,102 | 1,102 |
| Realization of amounts previously recognized in other comprehensive income through NPPC | | 255 | |
| Deferred tax effects | | (87) | |
| Minority interests | | (83) | |
| Gains or losses arised during the period | | 37 | |
| Deferred tax effects | | (13) | |
| Minority interests | | 6 | |
| | | 1,905 | 2,957 |
| Accounting for asset retirement obligation | (f) | (102,391) | (100,779) |
| Deferred tax effects | | 34,813 | 34,264 |
| Minority interests | | 41,931 | 41,508 |
| | | (25,647) | (25,007) |
| Capitalization of interest costs during construction | (b) | 12,055 | 11,465 |
| Deferred tax effects | | (4,098) | (3,898) |
| Minority interests | | (4,923) | (4,652) |
| | | 3,034 | 2,915 |
| Fair value of guarantees under FIN 45 | (e) | (1,219) | (1,615) |
| Deferred tax effects | | 415 | 549 |
| Minority interests | | 622 | 723 |
| | | (182) | (343) |

| | | |
|---|---|---|
| Accounting for uncertain income tax position FIN No. 48 | (h) | (6,489) |
| Minority interests | | 4,951 |
| | | (1,538) |

**Table of Contents**

Distribuidora de Produtos de Petróleo Ipiranga S.A. and Subsidiaries

| | Note 25.I. | June 30, 2007 | December 31, 2006 |
|---|---|---|---|
| Accounting for refunds | (k) | (6,119) | (7,298) |
| Deferred tax effects | | 2,080 | 2,481 |
| Minority interests | | 3,190 | 3,805 |
| | | (849) | (1,012) |
| Goodwill and business combinations: | (l) | | |
| Fair value allocated to assets of IPQ, net of amortization | | 1,092 | 1,340 |
| Deferred tax effects | | (371) | (456) |
| Fair value allocated to investments of IPQ in Copesul | | (7,748) | (10,330) |
| Recognition of goodwill under U.S. GAAP | | 90,331 | 90,331 |
| Amortization of goodwill under U.S. GAAP up to 2001 | | (24,127) | (24,127) |
| Deferred tax over tax deductible goodwill | | (12,302) | (12,302) |
| Minority interests | | (37,027) | (35,116) |
| | | 9,848 | 9,340 |
| Accounting for convertible debentures issued by IQ and warrants received by the Company | (j) | | |
| Fair value of the difference between cost and fair value of convertible debenture as of December 31, 2004 | | 203,860 | 203,860 |
| Change in fair value convertible debenture from January 1, 2005 to date of modification (October 2005) | | (153,770) | (153,770) |
| Derecognition of warrant sold to RPI | | (28,999) | (28,999) |
| | | 21,091 | 21,091 |
| Deferred tax effects | | (7,171) | (7,171) |
| Minority interests | | (10,995) | (10,995) |
| | | 2,925 | 2,925 |
| U.S. GAAP adjustments on net equity and net income of affiliates | (i) | 87,708 | 129,337 |
| Minority interests | | (69,282) | (102,163) |
| | | 18,426 | 27,174 |
| Shareholders equity under U.S. GAAP | | 901,411 | 843,898 |

**IV - Statement of changes in shareholders equity in accordance with U.S. GAAP**

| | June 30, 2007 | December 31, 2006 | June 30, 2006 |
|---|---|---|---|
| Shareholders equity under U.S. GAAP as of beginning of the year | 843,898 | 758,484 | 758,484 |
| Net income | 58,876 | 112,557 | 56,752 |
| Gain on change in equity interest in Maxfácil | | 39,572 | |
| Dividends and interest on own capital | | (65,208) | (26,543) |
| Adoption on accounting for uncertain income tax position FIN No. 48 | (1,478) | | |
| Realization of amounts previously recognized in other comprehensive income through NPPC | 85 | | |
| Gains or losses arised during the period | 30 | | |
| Effects on other comprehensive income due to additional minimum liability | | | 374 |

| | | | |
|---|---|---|---|
| Effect of adoption of SFAS 158 on accumulated other comprehensive income | | (1,507) | |
| Shareholders equity under U.S. GAAP as of the end of the year | 901,411 | 843,898 | 789,067 |

Table of Contents

Distribuidora de Produtos de Petróleo Ipiranga S.A. and Subsidiaries

| | June 30, 2007 | December 31, 2006 | June 30, 2006 |
|---|---|---|---|
| Comprehensive income (under SFAS 130): | | | |
| Net income | 58,876 | 112,557 | 56,752 |
| Realization of amounts previously recognized in other comprehensive income through NPPC | 85 | | |
| Gains or losses arised during the period | 30 | | |
| Effects on other comprehensive income due to additional minimum liability | | | 374 |
| Total comprehensive income | 58,991 | 112,557 | 57,126 |

**V - Additional disclosures**

**a) Earnings per share**

Under Brazilian GAAP, net income per share is calculated by dividing net income by the number of shares outstanding at the balance sheet date. In these consolidated financial statements, information is disclosed per lot of one thousand shares, because this is the minimum number of shares that can be traded on the Brazilian stock exchanges.

Under U.S. GAAP earnings per share are retroactively restated to reflect in all periods presented the effect of stock dividends. As disclosed in Note 19 in April 2006 the Company approved a stock dividend and earnings per share have been retroactively restated to reflect the effect of such stock dividend.

Since the preferred and common shareholders have different dividend rights (see Note 19), basic earnings per share have been calculated using the two-class method for U.S. GAAP purposes. The following table provides a reconciliation of the numerators and denominators used in computing earnings per share as required by SFAS No. 128:

| | June 30, 2007 | | |
|---|---|---|---|
| | Common | Preferred | Total |
| Net income for the period | 18,469 | 40,407 | 58,876 |
| Weighted average shares outstanding (per thousand shares)-basic and diluted (retroactively restated) | 10,706 | 21,294 | 32,000 |
| Basic and diluted earnings per share | 1.7250 | 1.8976 | |

| | June 30, 2006 | | |
|---|---|---|---|
| | Common | Preferred | Total |
| Undistributed net income | 9,477 | 20,732 | 30,209 |
| Distributed net income (interest on capital) | 8,327 | 18,216 | 26,543 |
| Numerator | 17,804 | 38,948 | 56,752 |
| Weighted average shares outstanding (per thousand shares)-basic and diluted (retroactively restated) | 10,706 | 21,294 | 32,000 |
| Basic and diluted earnings per share | 1,6629 | 1,8291 | |

Table of Contents

Distribuidora de Produtos de Petróleo Ipiranga S.A. and Subsidiaries

**b) Consolidated Statement of cash flows**

Brazilian GAAP does not require the presentation of a statement of cash flows as required by U.S. GAAP. Changes in working capital are presented in the statement of changes in financial position. U.S. GAAP requires the presentation of a statement of cash flows describing the Company s cash flows from operating, financing and investing activities. Statements of cash flows derived from the information based on Brazilian GAAP are as follows:

| | Six months ended June 30, 2007 (unaudited) | Six months ended June 30, 2006 (unaudited) |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net Income | 69,417 | 66,457 |
| Adjustment to reconcile net income to cash provided by operating activities: | | |
| Minority Interest | 141,899 | 122,920 |
| Equity resulting affiliates | (68,348) | (47,315) |
| Goodwill amortization | 2,274 | 2,164 |
| Depreciation and amortization | 56,361 | 54,406 |
| Provision for losses on permanent assets | 4,107 | 7,172 |
| Provision for losses on fiscal incentives | | 168 |
| Deferred income taxes and social contribution | (14,444) | 10,760 |
| Provision for contingencies | 1,844 | 3,193 |
| Reversal of provision for post-employment benefits | (3,274) | |
| Allowance for doubtful accounts | 7,437 | 11,076 |
| Interest, monetary and exchange variation | 20,271 | (13,416) |
| (Increase) decrease in accounts receivables | (66,047) | 23,328 |
| (Increase) decrease in accounts receivables from related parties | 767 | (2,144) |
| (Increase) decrease on inventories | 60,974 | (63,124) |
| Increase on suppliers | (338,003) | (160,405) |
| Increase on accounts payables to related parties | 273,499 | 8,107 |
| (Increase) decrease on other assets | 18,563 | (31,459) |
| Decrease on other liabilities | (8,956) | (78,889) |
| Cash flow from (used in) operating activities | 158,341 | (87,001) |
| **Cash flow from investing activities** | | |
| Additions to escrow deposits | (2,037) | 238 |
| Additions to investment | (3,730) | (6) |
| Additions to property, plant and equipment | (48,321) | (65,003) |
| Additions to deferred charges | | (1,007) |
| Loans to customers | (83,143) | (97,091) |
| Loans repaid from customers | 92,532 | 101,464 |
| Repayment of debentures from related parties | 24,040 | 70,031 |
| Cash flow from (used in) investing activities | (20,659) | 8,626 |
| **Cash flow from financing activities** | | |
| New loans and financing obtained | 182,419 | 945,140 |
| Amortization of loans and financing | (282,186) | (892,357) |
| Dividends and interest on capital paid | | (4,912) |
| Cash flow from (used in) financing activities | (99,767) | 47,871 |

| | | |
|---|---|---|
| Net increase (decrease) in cash and cash equivalents | 37,915 | (30,504) |
| Cash and cash equivalents | | |
| At the beginning of the period | 116,318 | 52,945 |
| At the end of the period | 154,233 | 22,441 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash paid during the year for: | | |
| Interest paid | 11,008 | 37,133 |
| Income taxes | 17,832 | 29,304 |

Table of Contents

# *Companhia Brasileira de Petróleo Ipiranga and Subsidiaries*

*Unaudited Interim Financial Information for the*

*Six-Month Periods Ended*

*June 30, 2007 and 2006*

Table of Contents

**COMPANHIA BRASILEIRA DE PETRÓLEO IPIRANGA AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2007 AND DECEMBER 30, 2006**

**(In thousands of Brazilian reais - R$)**

| | June 30, 2007 (Unaudited) | December 31, 2006 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 86,305 | 89,902 |
| Trade accounts receivable | 1,180,700 | 1,101,168 |
| (-) Allowance for doubtful accounts | (57,309) | (50,639) |
| Related companies receivables | 4,228 | 5,825 |
| Debentures from related companies | 33,099 | 9,905 |
| Recoverable taxes | 64,187 | 54,967 |
| Deferred income and social contribution taxes | 38,537 | 50,838 |
| Inventories | 379,473 | 425,578 |
| Other current assets | 18,926 | 12,257 |
| Prepaid expenses | 10,884 | 6,541 |
| | 1,759,030 | 1,706,342 |
| NONCURRENT ASSETS | | |
| Long-term assets | | |
| Restricted temporary investments | 60,275 | 57,829 |
| Trade accounts receivable | 158,529 | 159,631 |
| Recoverable taxes | 2,985 | 2,985 |
| Deferred income tax and social contribution | 35,177 | 36,151 |
| Debentures from related companies | | 32,642 |
| Other long-term assets | 8,277 | 12,470 |
| Escrow deposits | 34,858 | 32,822 |
| Prepaid expenses | 14,836 | 11,125 |
| Investments | | |
| Investments in affiliates | 319,877 | 250,348 |
| Other investments | 791 | 791 |
| Property, plant and equipment, net | 710,729 | 718,613 |
| Deferred charges, net | 478 | 554 |
| | 1,346,812 | 1,315,961 |
| TOTAL | 3,105,842 | 3,022,303 |

The accompanying notes are an integral part of this unaudited interim financial statements.

**Table of Contents**

**COMPANHIA BRASILEIRA DE PETRÓLEO IPIRANGA AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2007 AND DECEMBER 30, 2006**

**(In thousands of Brazilian reais - R$)**

| | June 30, 2007 (Unaudited) | December 31, 2006 |
|---|---|---|
| LIABILITIES AND SHAREHOLDERS EQUITY | | |
| CURRENT LIABILITIES | | |
| Loans and financing | 76,726 | 103,877 |
| Trade accounts payable | 155,368 | 473,348 |
| Taxes payable | 90,898 | 50,561 |
| Provision for contingencies | 34,570 | 32,354 |
| Provision for pension and post-employment benefits | 4,822 | 4,822 |
| Related companies payable | 268,359 | 1,107 |
| Payroll and related charges payable | 42,763 | 57,450 |
| Profit sharing | 2,811 | 11,257 |
| Debentures | 10,511 | 11,355 |
| Other current liabilities | 21,129 | 42,539 |
| | 707,957 | 788,670 |
| NONCURRENT LIABILITIES | | |
| Related companies payable | 1,052 | 1,052 |
| Loans and financing | 201,869 | 212,601 |
| Provision for contingencies | 58,177 | 59,017 |
| Provision for pension and post-employment benefits | 44,901 | 48,649 |
| Deferred income tax and social contribution | 583 | 628 |
| Other long-term liabilities | 6,484 | 6,517 |
| Debentures | 350,000 | 350,000 |
| | 663,066 | 678,464 |
| MINORITY INTEREST | 6 | 4 |
| SHAREHOLDERS EQUITY | | |
| Capital | 1,030,000 | 1,025,000 |
| Capital reserves | 600 | 600 |
| Profit reserves | 704,213 | 529,565 |
| | 1,734,813 | 1,555,165 |
| TOTAL | 3,105,842 | 3,022,303 |

The accompanying notes are an integral part of this unaudited interim financial statements.

F-325

Table of Contents

**COMPANHIA BRASILEIRA DE PETRÓLEO IPIRANGA AND SUBSIDIARIES**

**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME**

**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2007 AND 2006**

**(In thousands of Brazilian reais - R$)**

| | 2007 | 2006 |
|---|---|---|
| GROSS SALES AND SERVICES | 11,403,120 | 10,977,078 |
| Taxes, discounts and returns | (274,986) | (299,591) |
| NET SALES AND SERVICES | 11,128,134 | 10,677,487 |
| Cost of sales and services | (10,571,305) | (10,154,014) |
| GROSS PROFIT | 556,829 | 523,473 |
| OPERATING (EXPENSES) INCOME, NET | | |
| Selling expenses | (179,734) | (179,794) |
| General and administrative expenses | (217,243) | (208,839) |
| Other operating income, net | 5,155 | 5,025 |
| Goodwill amortization | (2,274) | (2,164) |
| | (394,096) | (385,772) |
| OPERATING INCOME BEFORE FINANCIAL ITEMS | 162,733 | 137,701 |
| Financial expenses, net | (769) | (8,080) |
| Nonoperating income, net | 6,447 | 6,949 |
| | 5,678 | (1,131) |
| INCOME BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES, EQUITY IN AFFILIATES AND PROFIT SHARING | 168,411 | 136,570 |
| INCOME AND SOCIAL CONTRIBUTION TAXES | | |
| Current | (41,183) | (20,070) |
| Deferred | (13,118) | (5,678) |
| | (54,301) | (25,748) |
| INCOME BEFORE EQUITY IN AFFILIATES AND PROFIT SHARING | 114,110 | 110,822 |
| Equity in affiliates | 68,348 | 47,315 |
| Profit sharing | (2,810) | (3,400) |
| NET INCOME | 179,648 | 154,737 |

The accompanying notes are an integral part of this unaudited interim financial statements.

Table of Contents

**COMPANHIA BRASILEIRA DE PETRÓLEO IPIRANGA AND SUBSIDIARIES**

**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION**

**FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2007 AND 2006**

**(In thousands of Brazilian reais - R$)**

| | June 30, 2007 | June 30, 2006 |
|---|---|---|
| SOURCES OF FUNDS | | |
| From operations: | | |
| Net income | 179,648 | 154,737 |
| Items not affecting working capital: | | |
| Depreciation and amortization | 47,088 | 45,207 |
| Net book value of permanent assets written-off or sold | 3,289 | 6,948 |
| Equity in subsidiaries | (68,348) | (47,315) |
| Monetary and exchange variations on long-term assets | (411) | (10,426) |
| Monetary and exchange variations on long-term liabilities | (12,180) | (28,174) |
| Amortization of goodwill | 2,274 | 2,164 |
| Interests assets long term (debentures) | (1,641) | |
| Interests assets long term (financing) | 96 | |
| Interests assets long term (Investment in restricted temporary investments) | (3,443) | |
| Interests liabilities long term | 3,629 | |
| Amortization of Investment in restricted temporary investments | 998 | |
| Provision for impairment on investments (Note 12(i)) | 270 | |
| Provision for loss on tax incentive investments | | 168 |
| | 151,269 | 123,309 |
| From third parties: | | |
| Long-term loans | 2,397 | 357,179 |
| Decrease in long-term assets | 28,886 | |
| Transfer of debentures from long-term to current assets | 34,284 | 55,713 |
| Amortization of long-term loans | | 29,395 |
| Decrease in long-term liabilities | | 4,013 |
| | 65,567 | 446,300 |
| Total of sources | 216,836 | 569,609 |
| USES OF FUNDS | | |
| Investments | 3,725 | 1 |
| Property and equipment | 42,417 | 52,642 |
| Deferred charges | | 1,007 |
| Income tax and interest on capital | | 4,912 |
| Dividends and interest on capital paid | | 48,201 |
| Increase in long-term assets | 28,049 | 5,608 |
| Decrease in long-term liabilities | 4,666 | |
| Transfer of loans from long-term to current liabilities | 4,578 | 171,724 |
| Total of uses | 83,435 | 284,095 |

| | | |
|---|---|---|
| INCREASE IN WORKING CAPITAL | 133,401 | 285,514 |
| | | |
| REPRESENTED BY | | |
| Current assets: | | |
| At end of year | 1,759,030 | 1,584,916 |
| At beginning of year | 1,706,342 | 1,481,827 |
| | | |
| INCREASE | 52,688 | 103,089 |
| | | |
| Current liabilities: | | |
| At end of year | 707,957 | 778,218 |
| At beginning of year | 788,670 | 960,643 |
| | | |
| DECREASE | (80,713) | (182,425) |
| | | |
| INCREASE IN WORKING CAPITAL | 133,401 | 285,514 |

The accompanying notes are an integral part of this unaudited interim financial statements.

Table of Contents

**COMPANHIA BRASILEIRA DE PETRÓLEO IPIRANGA AND SUBSIDIARIES**

**UNAUDITED INTERIM CONSOLIDATED STATEMENTS**

**OF CHANGES IN SHAREHOLDERS EQUITY**

**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2007 AND 2006**

**AND CONSOLIDATED STATEMENTS**

**OF CHANGES IN SHAREHOLDERS EQUITY FOR THE YEAR ENDED DECEMBER 31, 2006**

**(In thousands of Brazilian reais - R$)**

| | Capital | Investment incentives (income tax incentives) | Legal reserve | Profit reserve | Retained earnings | Total shareholders equity |
|---|---|---|---|---|---|---|
| BALANCES AS OF DECEMBER 31, 2005 | 580,000 | 600 | 90,717 | 679,026 | | 1,350,343 |
| Capitalization of reserves | 445,000 | | | (445,000) | | |
| Net income | | | | | 154,737 | 154,737 |
| Interest on capital | | | | | (53,113) | (53,113) |
| BALANCES AS OF JUNE 30, 2006 (unaudited) | 1,025,000 | 600 | 90,717 | 234,026 | 101,624 | 1,451,967 |
| Net income | | | | | 168,812 | 168,812 |
| Distribution of net income to: | | | | | | |
| Legal reserve | | | 16,177 | | (16,177) | |
| Statutory reserves | | | | 188,645 | (188,645) | |
| Interest on capital | | | | | (53,183) | (53,183) |
| Dividends | | | | | (12,431) | (12,431) |
| BALANCES AS OF DECEMBER 31, 2006 | 1,025,000 | 600 | 106,894 | 422,671 | | 1,555,165 |
| Capitalization of reserves | 5,000 | | | (5,000) | | |
| Net income | | | | | 179,648 | 179,648 |
| BALANCES AS OF JUNE 30, 2007 (unaudited) | 1,030,000 | 600 | 106,894 | 417,671 | 179,648 | 1,734,813 |

The accompanying notes are an integral part of this unaudited interim financial statements.

Table of Contents

**COMPANHIA BRASILEIRA DE PETRÓLEO IPIRANGA AND SUBSIDIARIES**

**NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION FOR THE PERIODS ENDED AS OF JUNE 30, 2007 AND 2006**

**(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)**

## 1. Operations

Companhia Brasileira de Petróleo Ipiranga (the Company ) and subsidiaries is a listed company whose shares are traded on the São Paulo Stock Exchange (BOVESPA). Until April 18, 2007, the Company was controlled by members of the Bastos, Mello, Ormazabal, Tellechea and Gouvêa Vieira families.

On April 18, 2007, Ultrapar Participações S.A. ( Ultrapar ), for itself and also as commission agent of Petróleo Brasileiro S.A. ( Petrobras ) and Braskem S.A. ( Braskem ), acquired from the controlling shareholders of the Petroleo Ipiranga companies, 66.2% of the common shares and 13.9% of the preferred shares issued by Refinaria de Petróleo Ipiranga S.A. ( RPI ), 69.2% of the common shares and 13.5% of the preferred shares issued by Distribuidora de Produtos de Petróleo Ipiranga S.A. ( DPPI )and 3.8% of the common shares and 0.4% of the preferred shares issued by the Company.

The Company and its subsidiaries and affiliated companies are primarily engaged in the distribution of oil derivatives and related products, transportation and convenience stores. The Company also holds non-controlling interests in companies engaged in the chemical and petrochemical business.

## 2. Presentation of consolidated financial statements

These financial statements were prepared in accordance with accounting practices adopted in Brazil (Brazilian GAAP). The financial statements presented herein are different from the ones prepared by the Company for statutory purposes because they do not include the holding Company s stand-alone financial statements, have been adjusted with respect to the financial statements for statutory purposes to include in Note 25 a reconciliation of net equity and net income between the amounts under Brazilian GAAP and generally accepted accounting principles in the United States of America (U.S. GAAP) and have also been adjusted to present certain additional disclosures to facilitate their understanding by readers not familiar with Brazilian GAAP.

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates include, but are not limited to, estimates relating to the useful lives of property, plant and equipment, accounting for contingencies and provisions for income taxes, among others. Actual results could differ in relation to these estimates.

## 3. Summary of significant accounting practices

The accounting practices adopted in Brazil ( Brazilian GAAP ) to record transactions and prepare the consolidated financial statements comply with those prescribed by Brazilian corporate law and specific standards established by the Brazilian Securities Commission (CVM), which differ in certain respects from U.S. GAAP. See Note 25 for further discussions of these differences and a reconciliation of shareholders equity and consolidated net income between Brazilian GAAP and U.S. GAAP.

The following is a summary of significant accounting policies followed in the preparation of the accompanying consolidated financial statements:

### a) Cash and cash equivalents

Cash and cash equivalents comprise highly-liquid temporary cash investments (with maturities of 3 months or less when acquired and readily convertible to cash).

Table of Contents

**b) Allowance for doubtful accounts**

The Company has individual customer credit information, which is used to assess customer ability to pay. The allowance is recorded in an amount considered sufficient by management to cover probable losses on realization of accounts receivable.

**c) Inventories**

Stated at the lower of average acquisition or production cost or net realizable value.

**d) Investments in affiliates and goodwill**

Accounted following the equity method with a corresponding entry to operating income.

Goodwill on the acquisition of subsidiaries is amortized over 10 years, based on the estimated period of realization.

**e) Property, plant and equipment**

Stated at acquisition or construction cost, monetarily adjusted through December 31, 1995. Depreciation is calculated following the straight-line method based on the estimated economic useful lives of the assets. Leasehold improvements are depreciated over the term of the agreement or the economic useful lives of the assets, whichever is shorter.

**f) Loans and financing**

Stated at the amount of principal, plus financial charges incurred on a pro rata basis through the balance sheet date. Foreign currency-denominated loans were converted into Brazilian reais at the exchange rates prevailing at the balance sheet date.

**g) Income and social contribution taxes**

Tax expense is calculated based on the income tax rate of 15% plus a 10% surtax and social contribution tax rate of 9%.

**h) Deferred income and social contribution taxes**

Calculated on temporary differences and on tax loss carryforwards using the income tax and social contribution tax rates effective for the period in which the tax effects are expected to be realized.

Deferred income and social contribution tax assets are only recognized up to the amount that is likely to be realized within the next 10 years as established by CVM Instruction No. 371/02.

**i) Provision for contingencies**

Recorded for contingent risks whose likelihood of loss is probable, based on the opinion of management and inside and outside legal counsel. The provision is recorded based on the estimated losses upon the final resolution of lawsuits.

**j) Interest on capital**

Interest on capital can be paid by Brazilian companies in lieu of, or in addition to, mandatory dividend stipulated by the respective company s bylaws. Interest on capital is calculated within the limits established by Law No. 9,249/95 for a maximum amount computed as the TJLP (long term interest rate) applied on the respective shareholders equity.

Interest on capital received from affiliates is recorded as a receivable. Interest on capital payable, since it represents in essence dividends, is recorded as a reduction in Retained earnings .

F-330

Table of Contents

**k) Pension and other post-employment benefits**

Pension and other post-employment benefits liabilities to employees, retirees and pensioners (net of the assets of the plans) are recorded based on the actuarial calculation prepared by an independent actuary, using the Projected Unit Credit Method.

**l) Other assets and liabilities**

Other assets and liabilities, classified as current and noncurrent, are stated at realizable or estimated settlement amounts. These assets and liabilities are stated at cost or realizable value and known or estimated amounts, respectively, including, when applicable, interest and monetary and exchange variations.

**m) Results of operations**

Revenue from sale of products is recognized when significant risks and benefits related to the product ownership pass to customer. Other income, expenses and costs are recognized when incurred and/or realized. The result includes interest and monetary and exchange variations, at contractual indexes or official rates, applicable to current and noncurrent assets and liabilities and, when applicable, the effects of adjustments of assets to their net realizable value.

Sales incentives are generally recognized as expenses and include, but are not limited to, discounts and rebates. Volume-based incentives payable in cash include amounts paid in advance with the commitment of the customer to reach specified minimum volumes over a certain period of time and incentives are payable only after the minimum volumes have been met in a defined period of time. Volume-based incentives paid in advance are recognized as assets and subsequently recorded as cost of revenues over the period of the commitment of minimum sales. Volume-based incentives payable only after meeting the minimum volume are recognized as expense at the moment when the target volume has been achieved.

**4. Consolidation criteria**

The consolidated financial statements have been prepared in accordance with the consolidation principles established by Brazilian GAAP and include the accounts of the Company and the following subsidiaries as of June 30, 2007 and 2006 and as of December 31, 2006:

| | | Shareholding - % | |
|---|---|---|---|
| | | June 30, | December 31, |
| **Consolidated subsidiaries** | **Location** | **2007** | **2006** |
| am/pm Comestíveis Ltda. | Brazil | 99.99999 | 99.99999 |
| Empresa Carioca de Produtos Químicos S.A. | Brazil | 99.99800 | 99.99800 |
| Ipiranga Asfaltos S.A. | Brazil | 99.99175 | 99.99175 |
| Ipiranga Comercial Importadora e Exportadora Ltda. | Brazil | 99.00000 | 99.00000 |
| Ipiranga Trading Ltda. | British Virgin Islands | 100.00000 | 100.00000 |
| Tropical Transportes Ipiranga Ltda. | Brazil | 99.99685 | 99.99685 |
| Ipiranga Imobiliária Ltda. | Brazil | 99.99998 | 99.99998 |
| Ipiranga Logística Ltda. | Brazil | 99.00000 | 99.00000 |
| Maxfácil Participações S.A.(*) | Brazil | 34.00000 | 34.00000 |

(*) Shared control with Distribuidora de Petróleo Ipiranga S.A. ( DPPI ) which holds a 16.0% interest and with União de Bancos Brasileiros S.A. UNIBANCO which holds 50.0%. Change in Ipiranga Participações Societárias S.A. s corporate name. Maxfácil was incorporated by the Company and DPPI. Subsequently, UNIBANCO contributed in cash the amount of R$ 171 million for a 50.0% interest resulting in the

**Table of Contents**

recognition by the Company of a gain in change of interest of R$ 58,136, during December 2006. Maxfácil is a joint-venture which business purpose is to offer financial services to the customers and distributors of Ipiranga products for a period of 10 years.

The following practices were adopted in the preparation of the consolidated financial statements:

a) The Company and its subsidiaries adopt similar accounting practices to record their operations,

b) Intercompany balances and transactions and unrealized profits have been eliminated; and

c) Minority interest in fully-consolidated subsidiaries is presented in a separated caption.

**5. Cash and cash equivalents**

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Cash and banks | 6,081 | 9,639 |
| Certificates of Deposit (CDBs) | 10,707 | 69,924 |
| Debt securities | 9,318 | 7,491 |
| Sale and repurchase agreements(*) | 117,440 | 60,677 |
| Others | 3,034 | |
| | 146,580 | 147,731 |
| (-) Current | 86,305 | 89,902 |
| Noncurrent | 60,275 | 57,829 |

(*) Sale and repurchase agreements of debentures carrying interest at 100% of the Interbank Deposit Certificate (CDI).

**6. Trade accounts receivable**

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Domestic market: | | |
| Trade notes receivable | 1,046,738 | 964,352 |
| Customer financing | 289,228 | 292,905 |
| | 1,335,966 | 1,257,257 |
| Foreign market-Receivables | 3,263 | 3,542 |
| | 1,339,229 | 1,260,799 |
| (-) Current | 1,180,700 | 1,101,168 |
| Noncurrent | 158,529 | 159,631 |

Noncurrent portion is mainly represented by customer financing. Under customer financing, cash loans are provided to gas stations using the Ipiranga brand. Such loans are generally used by the gas stations to finance renovation and modernization of fuel stations, as well as for working capital including acquisition of products and investing in marketing. Customer financing carries interest of 1% per month.

**7. Related-party transactions**

Intercompany transactions are conducted under price and period conditions similar to those adopted for transactions with unrelated parties and are as follows:

| Companies | Trade accounts receivable (current) | Debentures from related parties (current) | Debentures from related parties (noncurrent) | Trade accounts payable | Sales | Purchases | Financial income |
|---|---|---|---|---|---|---|---|
| Distribuidora de Produtos de Petróleo Ipiranga S.A. | 2.150 | | | 1.526 | 22.205 | 9.209 | |
| Ipiranga Química S.A. | 1.718 | 33.099(a) | | 654 | 13.707 | 3.114 | 2.387 |
| Ipiranga Petroquímica S.A. | 196 | | | | 305 | | |
| Refinaria de Petróleo Ipiranga S.A. | 32 | | | | 69 | 1 | |
| Petrobras Petróleo Brasileiro | | | | 265.486 | | 8.473.593 | |
| Others | 132 | | | 1.745 | 1 | 45 | |
| Total as of June 30, 2007 | 4.228 | 33.099 | | 269.411 | 36.287 | 8.485.962 | 2.387 |
| Distribuidora de Produtos de Petróleo Ipiranga S.A. | 3,327 | | | 1,456 | 68,136 | 12,138 | |
| Ipiranga Química S.A. | 2,100 | 9,905(a) | 32,642(a) | 433 | 19,837 | 5,262 | 14,741 |
| Ipiranga Petroquímica S.A. | 328 | | | | 584 | 3,770 | |
| Refinaria de Petróleo Ipiranga S.A. | 11 | | | | 121 | 1,274 | 15 |
| Others | 59 | | | 270 | | 154 | |
| Total as of December 31, 2006 | 5,825 | 9,905 | 32,642 | 2,159 | 88,678 | 22,598 | 14,756 |
| Distribuidora de Produtos de Petróleo Ipiranga S.A. | | | | | 43,019 | 3,873 | |
| Ipiranga Química S.A. | | | | | 7,085 | 2,286 | 10,129 |
| Ipiranga Petroquímica S.A. | | | | | 264 | 3,491 | |
| Refinaria de Petróleo Ipiranga S.A. | | | | | 80 | 1,122 | 14 |
| Others | | | | | | 18 | |
| Total as of June 30, 2006 | | | | | 50,448 | 10,790 | 10,143 |

(a) Debentures issued by Ipiranga Química in 2003

The Extraordinary Shareholders Meeting of Ipiranga Química S.A. held on May 26, 2003 approved the issuance of two series of private convertible debentures, consisting of 11,000 Series A debentures, with face value of R$ 10 each, amounting to R$ 110,000, and 80,000 Series B debentures, with face value of R$ 1 each, amounting to R$ 80,000. Both series of debentures mature on June 1, 2008.

On June 12, 2003, DPPI fully subscribed the Series A and the Company fully subscribed the Series B.

The subscribed debentures pay interest based on the CDI interest rate, plus spread subject to renegotiation every 6 months (for Series A) and every 5 months (for Series B) as established by the indenture dated June 1, 2003. Since March 2007, the remuneration spread of serie B debentures is 1.0% per year.

The spread for Series A debentures is 1.0% per year as from December 1, 2005. The spread for Series B debentures is 1.0% per year in 2005 remaining the same for 2006.

Debentures are convertible into common shares of Ipiranga Química S.A. at any time after its issuance and until its maturity or redemption at the option of the holder.

The conversion price is a fixed amount established in the Indenture of the debentures. However, the quantity of common shares to be received upon conversion will be higher than the amount determined as face value of the debentures divided by the conversion price, no conversion has occurred to date. The quantity of additional shares to be received will be 25% if converted up to June 1, 2004, 18.2177% if converted before June 1, 2005, 11.8034% if converted before June 1, 2006 and 5.7371% if converted before June 1, 2007. No conversion has occurred to date.

(b) Early partial redemption of the debentures in 2006 and 2007

The shareholders meetings of Ipiranga Petroquímica S.A. ( IPQ , a subsidiary of IQ) held on April 28, 2006 approved the payment of supplementary dividends and a capital reduction, scheduled for June 13, 2006 and July 31, 2006, respectively. Considering that IQ, due to its interest in IPQ, received funds on said dates, the Board of Directors of IQ, at a meeting held on May 2, 2006, resolved that IQ would partially redeem its debentures, which were issued on June 1, 2003 due to the financial cost of this debt.

As a result, in 2006, IQ partially amortized 71.6% of the Series B debentures, subscribed by CBPI, in the amount of R$ 101,062 thousand. In February 2007, IQ performed a partial redemption of 5.8% of Serie B Debentures subscribed by CBPI in an amount of R$ 8,827.

(c) Modification of terms of the debentures, issuance of warrants and sale of warrants

Pursuant to a Memorandum of Understanding signed on October 3, 2005, the Company, DPPI and Refinaria de Petróleo Ipiranga S.A. (the controlling shareholder of IQ) agreed to hold an Extraordinary Shareholders Meeting of IQ to approve a change in the type of debentures, issued by IQ on June 1, 2003.

The changes approved on the meeting held on October 6, 2005 were: (i) to change the debentures from convertible to nonconvertible without making any other change in the terms or conditions of the debentures, and (ii) the issuance of warrants to the holders of the debentures, without any charge, replacing the conversion right established for the debentures; the terms of the warrants allow their holder to purchase common shares of IQ in exactly the same terms than the conversion features originally included in the debentures.

(d) Warrants

However, upon completion of Company s acquisition process , as further described in Note 1, these warrants should be fully transferred to Braskem and Petrobras, at no value, based on the terms of the agreement entered into by Ultrapar, Braskem and Petrobras.

**8. Inventories**

| | **June 30, 2007** | **December 31, 2006** |
|---|---|---|
| Fuel | 309,274 | 299,215 |
| Lubricants and greases | 20,877 | 35,279 |
| Raw materials, packaging and storeroom | 45,567 | 27,155 |
| Advances to suppliers | 3,755 | 63,929 |
| | 379,473 | 425,578 |

Table of Contents

### 9. Recoverable taxes

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Income tax | 24,282 | 10,426 |
| Social contribution tax | 8,009 | 3,939 |
| ICMS (State VAT) | 28,070 | 36,262 |
| IPI (Federal VAT) | 6,130 | 5,931 |
| Other | 681 | 1,394 |
| | 67,172 | 57,952 |
| (-) Current | 64,187 | 54,967 |
| Noncurrent | 2,985 | 2,985 |

### 10. Income and social contribution taxes

**a) Deferred**

Deferred tax assets are recognized based on the Company s history of profitability, supported by budgets, approved by management, which estimate future income for the realization of this asset over a period not exceeding 10 years.

Deferred tax assets and liabilities are as follows:

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Assets: | | |
| Provision for pension and other post-employment benefits | 49,434 | 53,471 |
| Provision for contingencies | 91,201 | 91,371 |
| Provision for variable compensation | 13,355 | 30,465 |
| Provision for loss on investment in Termogaúcha Usina Termelétrica S.A. (Note 12) | 57,860 | 64,541 |
| Other provisions | 4,957 | 16,003 |
| Tax basis | 216,807 | 255,851 |
| Statutory rate | 34% | 34% |
| Deferred income and social contribution taxes | 73,714 | 86,989 |
| (-) Current | 38,537 | 50,838 |
| Noncurrent | 35,177 | 36,151 |
| Noncurrent liabilities: | | |
| Property, plant and equipment accelerated depreciation | 2,334 | 2,513 |
| Statutory rate | 25% | 25% |
| Deferred income tax | 583 | 628 |

F-335

Table of Contents

**b) Estimated realization of deferred tax assets**

The realization of tax credits and debts is based on future taxable income projections limited to 10 years after each balance sheet date.

Considering that the deferred tax assets are related mainly to deductible temporary differences, the realization of such deferred tax assets will occur as a result of the settlement of the correspondent liability. Management, based on the estimation of liquidation of the existing claims and considering the nature of each of the provisions, estimates the recovery of these credits as follows:

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| 2007 (from June 30, 2007 to December 31, 2007) | 30,916 | 50,838 |
| 2008 | 11,556 | 20,525 |
| 2009 | 9,326 | 2,038 |
| 2010 | 1,878 | 1,586 |
| 2011 to 2013 | 13,971 | 5,422 |
| 2014 to 2016 | 6,067 | 6,580 |
| | 73,714 | 86,989 |

**c) Reconciliation of effective income tax and social contribution tax rate**

| | June 30, | |
|---|---|---|
| | 2007 | 2006 |
| Reconciliation of income and social contribution taxes in the statements of income: | | |
| Income before taxes, equity in subsidiary and affiliated companies and minority interest (including expenses with profit sharing) | 165.601 | 133.171 |
| Tax rate | 34% | 34% |
| Income and social contribution taxes at tax rates | 56.304 | 45.278 |
| Adjustments to the effective tax rate: | | |
| Non-deductible expenses | 1.216 | 2.055 |
| Presumed profit adjustment | (3.389) | (2.300) |
| Interest on capital | | (18.058) |
| Workers Meal Program PAT | (63) | (59) |
| Other | 233 | (1.128) |
| Income and social contribution taxes before tax incentives | 54.301 | 25.788 |
| Tax incentives | | (40) |
| Income and social contribution taxes in the statements of income | 54.301 | 25.748 |
| Current | 41.183 | 20.070 |
| Deferred | 13.118 | 5.678 |

**11. Prepaid expenses**

| | June 30, 2006 | December 31, 2006 |
|---|---|---|

| | | |
|---|---|---|
| Lease contracts | 14,458 | 13,058 |
| Marketing | 6,360 | 1,339 |
| Prepaid insurance | 544 | 530 |
| Other prepaid expenses | 4,358 | 2,739 |
| | 25,720 | 17,666 |
| (-) Current | 10,884 | 6,541 |
| Noncurrent | 14,836 | 11,125 |

Noncurrent portion refers substantially to prepaid lease contracts.

F-336

Table of Contents

**12. Investments in affiliates**

**Ipiranga Química S.A. (IQ)**: distributor of chemical products and parent company of IPQ Ipiranga Petroquímica S.A. (IPQ).

**Transportadora Sulbrasileira de Gás S.A. ( TSB )**: Entity responsible for the construction and operation of a gas pipeline between the cities of Uruguaiana and Porto Alegre, in the Rio Grande do Sul State.

**Termogaúcha Usina Termelétrica S.A.** (in liquidation) Entity created for the purpose of installing and operating a thermoelectric power plant in the South Petrochemical Complex, in the city of Triunfo, Rio Grande do Sul State.

| | IQ | Termogaúcha(i) | TSB(ii) | June 30, 2007 | December 31, 2006 |
|---|---|---|---|---|---|
| **Information on investment for the purpose of calculating the equity results:** | | | | | |
| Total of shares/quotas-Ordinary stock | 180,853,642 | 892,060 | 20,125 | | |
| Percentage interest (%): | | | | | |
| Capital | 41.47311 | 26.23113 | 25.00000 | | |
| Voting capital | 41.47311 | 26.23113 | 25.00000 | | |
| Capital | 380,372 | 340,077 | 80,500 | | |
| Shareholders equity of the investee | 754,118 | 1,284 | 28,473 | | |
| Net income (loss) of the investee | 165,282 | | (863) | | |
| Changes in investments during the period/year presented: | | | | | |
| Beginning balance | 244,209 | 270 | 5,867 | 250,348 | 250,543 |
| Capital increase | | 6,681 | 3,725 | 10,406 | 3,850 |
| Provision for impairment | | | | | (64,541) |
| Capital decrease | | (6,951) | | (6,951) | |
| Distribution of cash to shareholders | | | | | (24,396) |
| Goodwill amortization | | | (2,274) | (2,274) | (2,164) |
| Equity in affiliates | 68,547 | | (199) | 68,348 | 87,056 |
| Ending balances | 312,756 | | 7,119 | 319,877 | 250,348 |

(i) Impairment on investment in Termogaúcha and liquidation
At the Extraordinary Shareholders Meeting held on September 12, 2006, the shareholders of Termogaúcha approved its liquidation, considering the conditions of natural gas supply and higher costs of maintenance, preservation and storage of the already acquired generating equipment. The Company recorded impairment in the equity investee of R$ 64,541. On the same date, the Extraordinary Shareholders Meeting approved a capital increase in Termogaúcha and the Company paid R$ 3,850, corresponding to several advances for future capital increase, which were previously recorded as noncurrent assets.

On December 14, 2006, a new Extraordinary Shareholders Meeting of Termogaúcha approved the distribution of cash (resulting from the liquidation process) to the shareholders, under article 215 of the Brazilian corporate law. The Company received R$ 24,396.

(ii) During 2006 the Company recognized a full impairment on the goodwill of TSB for R$ 2,164. On April 2007, the subsidiary CDPI acquired an additional 5% of shares in TSB, generating a goodwill of R$2,274, which was written off as of June 30, 2007 based on an impairment test.

Table of Contents

**13. Property, plant and equipment**

| | Annual depreciation rates - % | June 30, 2007 Cost | Accumulated depreciation | Net | December 31, 2006 Net |
|---|---|---|---|---|---|
| Land | | 126,026 | | 126,026 | 124,973 |
| Buildings and constructions | 4 | 212,057 | (110,249) | 101,808 | 99,765 |
| Distribution equipment and installations | 11.19 | 982,240 | (598,825) | 383,415 | 376,520 |
| Furniture and fixtures and vehicles | 12.95 | 78,599 | (52,057) | 26,542 | 27,294 |
| Leasehold improvements(1) | | 65,255 | (37,732) | 27,523 | 26,394 |
| Construction in progress | | 36,012 | | 36,012 | 50,908 |
| Advances to suppliers | | 5,715 | | 5,715 | 9,024 |
| Other | | 8,424 | (4,736) | 3,688 | 3,735 |
| | | 1,514,328 | (803,599) | 710,729 | 718,613 |

(1) Leasehold improvements are depreciated over the term of the agreement or the useful life of the asset, whichever is shorter.

**14. Loans and financing**

| Characteristics | June 30, 2007 Current | June 30, 2007 Long term | December 31, 2006 Current | December 31, 2006 Long term | Interest rated based on | Additional charges | Guarantees |
|---|---|---|---|---|---|---|---|
| Local Currency BNDES | 8,566 | 16,896 | 8,762 | 20,267 | TJLP | From TJLP+4.4% p.a. to TJLP + 5.1%p.a./80% TJLP + 20% basket of currencies + 4.5% p.a. | Assets/ DPPI guarantee |
| Financial institutions | | 64,000 | | 60,371 | CDI | 100% of CDI | Debentures |
| Negative bank accounts | 14,557 | | 46,000 | | None | None I | None |
| Subsidiaries | 39,460 | 9,787 | 32,661 | 8,552 | CDI | From TJLP+1.7% p.a. to TJLP+4.5% p.a./105.5% up to 106.5% of CDI | Assets/ CBPI and Refisa guarantees |
| Total | 62,583 | 90,683 | 87,423 | 89,190 | | | |
| Foreign Currency | | | | | | | |
| Notes(a) | 4,446 | 108,060 | 4,935 | 119,942 | | Exchange variations US$ + 9.875% p.a | None |
| Subsidiaries | 9,697 | 3,126 | 11,519 | 3,469 | | From v.c. + 5.6% p.a. | CBPI |

| | | | | | |
|---|---|---|---|---|---|
| | | | | | up to 6,0%+ v.c. + 8,2% up to 8.6% p.a./Libor + 1.5 and Libor +1.8 |
| | 14,143 | 111,186 | 16,454 | 123,411 | |
| Total | 76,726 | 201,869 | 103,877 | 212,601 | |

BNDES National Bank for Economic and Social Development

Table of Contents

TJLP Noncurrent interest rate

CDI Interbank Deposit Rate

REPISA Refinaria de Petróleo Ipiranga S.A.

(a) On August 1, 2003, the Company issued US$ 135 million in notes in the international market. On August 1, 2005, when interest increased from 7.875% per year to 9.875% per year some of the holders decided to early redeem their notes in the amount of US$ 1,285 or R$ 3,072. In 2006, there was a partial redemption in the amount of US$ 79,574 or R$ 164,811, which represents the acceptance of the repurchase offer made by the Company to the bondholders.

| | June 30, 2007 | | December 31, 2006 | | |
|---|---|---|---|---|---|
| **Debentures** | **Current** | **Noncurrent** | **Current** | **Noncurrent** | **Interest** |
| Debentures 1st emission single series | 10,511 | 350,000 | 11,355 | 350,000 | 103.8% of CDI |

On April 18, 2006, the Company registered with the Brazilian Securities Commission (CVM) a public offering of 35,000 debentures, of a single series, nonconvertible, with face value of R$ 10 each, and issued on April 1, 2006, in the amount of R$ 350,000. The debentures mature on April 1, 2011 with principal repaid in three annual installments. They pay interest, from the issuance date, on their unit face value, of 103.80% of the daily average rate of interbank deposits ( Taxa DI over extra grupo ), disclosed by the Clearing House for the Custody and Financial Settlement of Securities ( CETIP ). Interest is payable every 6 months from the issuance date of the debentures.

The Noncurrent portion of loans and financings and debentures matures as follows:

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| 2008 | 185,316 | 193,710 |
| 2009 | 128,445 | 126,187 |
| 2010 | 120,650 | 124,716 |
| 2011 | 117,458 | 117,988 |
| | 551,869 | 562,601 |

**15. Taxes payable**

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Income tax | 38,473 | 9,286 |
| Social contribution tax | 13,239 | 3,214 |
| PIS (tax on revenue) | 1,638 | 1,628 |
| COFINS (tax on revenue) | 7,558 | 7,532 |
| ICMS (State VAT) | 28,049 | 28,167 |
| Other | 1,941 | 734 |
| | 90,898 | 50,561 |

Table of Contents

**16. Contingencies**

**a) Probable losses**

A provision was recognized to cover probable losses estimated by management, supported by external and internal legal counsel, arising from the following lawsuits:

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| Tax | 73,207 | 75,828 |
| Civil | 6,916 | 5,659 |
| Labour | 12,624 | 9,884 |
| Total | 92,747 | 91,371 |
| (-)Current | 34,570 | 32,354 |
| Noncurrent | 58,177 | 59,017 |

**Tax lawsuits**

Tax lawsuits referred mainly to: (1) requirement of reversal of credits for ICMS on the provision of proper transportation services during the period the system of freight reimbursement by DNC (currently National Oil, Natural Gas and Biofuel Agency ANP) was in effect and, although the freight reimbursements have always been made by DNC without the ICMS amount, previous court decisions have been unfavorable to the Company s arguments; (2) requirement of ICMS/Tax Substitution on interstate sales to end consumers under ICMS Agreement No. 105/92, subsequently amended by Agreement No. 112/93, in which the STF (Federal Supreme Court) resolved the matter, defining that the ICMS on fuel belongs to the State that consumes the fuel, even if the fuel is sold to the end consumer; (3) requirement of reversal of credits for ICMS, in Minas Gerais State, on interstate shipments made pursuant to article 33 of ICMS Agreement No. 66/88, which allowed the maintenance of the credit and which was suspended by an injunction granted by the STF; and (4) assessments due to undue deduction of discounts from the ICMS tax basis, in Minas Gerais State, owed on a tax substitution basis.

**Civil lawsuits**

Civil lawsuits of the Company s subsidiaries are mostly related to clauses of lease and supply agreements entered into with customers and indemnity claims arising from these agreements and civil liability.

**Labor lawsuits**

Labor lawsuits of the Company and its subsidiaries refer mainly to lawsuits filed by former employees and outsourced professionals claiming payroll charges, such as overtime, hazardous duty premium, etc.

**b) Possible losses**

Lawsuits for which management assessed the probability of loss as possible , based on the opinion of its internal and external legal counsel, are not accrued in the financial statements and are composed of:

| | June 30, 2007 | December 31, 2006 |
|---|---|---|

| | | |
|---|---|---|
| Tax lawsuits | 262,731 | 225,806 |
| Civil lawsuits | 74,046 | 69,143 |
| Labor lawsuits | 14,869 | 14,400 |
| Total | 351,646 | 309,349 |

Table of Contents

**Tax lawsuits**

Tax lawsuits of the Company included in this classification were principally related with: (1) requirements for the reversal of ICMS credits, except in the Minas Gerais State, upon interstate outflows, as defined in the article 33 of ICMS Agreement 66/88, which allowed the maintenance of credit and which was suspended by an injunction conceded by the STF; (2) assessment for ICMS and reversals of credits of the tax due on the purchases of basic oils, interstate shipments which were not taxed, based on a constitutional rule of non-incidence; (3) demands to reverse ICMS credits related with the provision of transportation services related to interstate operations which were not taxed, based on a constitutional rule of non-incidence; (4) demands to reverse ICMS credits derived from excess taxation generated on the purchase of products in the Petroleum Refinery under the tax substitution system, appropriated on the basis of the non-occurrence of one of the commercialization stages defined as the presumed originator, in direct sales to customers which were the final consumers; (5) demands for ICMS payment on the sales to Pará s clients in the fishing sector that benefit from tax exemption due to a presumed lack of authorization of SEFAZ/PA; and (6) non-ratification of IPI credit compensation appropriated on entry of taxed inputs whose subsequent shipping was carried out under the protection of immunity. These suits are at different stages, in the administrative and judicial sphere, such as production of proof and of jurisprudence consolidation in the higher courts.

**Civil lawsuits**

Civil lawsuits of the Company and its subsidiaries are mostly related to clauses of lease and supply agreements entered into with customers and indemnity claims arising from these agreements.

**Labor lawsuits**

Labor lawsuits of the Company and its subsidiaries refer to lawsuits filed by former employees and outsourced professionals claiming specific payroll benefits, lawsuits filed by former employees, outsourced professionals and employees of gas stations that are customers of the Company, related to payroll charges, such as overtime, hazardous duty premium, etc., which are in progress at the stage of providing evidence, without a decision having been reached yet.

**c) Contingent assets**

The Company and its subsidiaries filed judicial and/or administrative proceedings with Federal and State tax authorities to recover taxes unduly paid or overpaid. These proceedings, when concluded, may represent income that, due to its contingent nature, is not recorded in the financial statements as of June 30, 2007.

Due to the progress of lawsuits and based on their legal counsel s opinion, the Companies management assessed the likelihood of a favorable outcome in the aforementioned lawsuits as probable or possible, depending on the specific circumstances. As of June 30, 2007 and December 31, 2006 these lawsuits may be summarized as follows:

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| **Federal level:** | | |
| Corporate income tax rate increase | 7,241 | 7,087 |
| FGTS (severance pay fund) refund of tax | 271 | 263 |
| National Telecommunication Fund | 4,927 | 2,077 |
| PIS/COFINS (taxes on revenue) increase in tax basis | 27,642 | 26,828 |
| | 40,081 | 36,255 |
| **State level:** | | |
| State income surtax (AIRE) | 12,660 | 12,390 |

Table of Contents

**17. Employee and management profit sharing**

Profit sharing is calculated based on net income for the year, after deducting accumulated deficit, if any, and provision for income and social contribution taxes, and is distributed as follows:

**a) Employee profit sharing**

Calculated based on 3% of net income from operations, which will be computed excluding income from investments in companies (recorded in the stand-alone individual statements of income of the Company as equity in subsidiaries and affiliates), amortization of goodwill or negative goodwill, sale or write-off of investments in companies and interest paid or received by the Company as interest on capital.

**b) Management profit sharing**

At the discretion of the Board of Directors, management profit sharing will be calculated based on up to 10% of income after deducting employee profit sharing and cannot exceed the annual global compensation established at the Shareholders Meeting.

**18. Provision for pension and other post-employment benefits**

**a) Pension benefits provided by Fundação Francisco Martin Bastos**

The Company, together with other Petróleo Ipiranga companies, sponsors Fundação Francisco Martins Bastos (FFMB), a closed pension entity that manages and operates pension plans for the employees of Petróleo Ipiranga companies.

The accumulated amount of Company contributions, for the period ending June 30, 2007, for the pension plan was R$4,678 (R$5,010 on June 30, 2006).

**b) Other post-employment benefits**

According to CVM Resolution No. 371/2000, the Company, in addition to the pension plan, recognizes a provision for other post-employment benefits related to bonus for length of service, FGTS (severance pay fund), health care plan and life insurance for eligible retirees. Other post-employment benefits are unfunded and are provided directly by the Company and each of its subsidiaries of the Petroleo Ipiranga group.

**c) Information about pension and other post-employment benefits**

Net liabilities recorded as of June 30, 2007, amount to R$49,723, of which R$4,822 are accounted as current liabilities and R$44,901 as noncurrent liabilities.

Actuarial liabilities on June 30, 2007, reflect the report drawn up by the independent actuary on May 30, 2007, maintaining the biometric assumptions and rates disclosed in the financial statements of December 31, 2006.

**19. Shareholders equity**

**a) Capital**

Capital Stock on June 30, 2007 is represented by 105,952,000 shares without par value, composed of 35,409,306 common shares and 70,542,694 preferred shares.

Preferred shares are not entitled to vote and have priority during dividend distribution and capital repayments, in the event of liquidation.

Table of Contents

**b) Reserves**

Company by laws state that the balance of the accumulated profit account after distributions pursuant to Corporation Law, shall be used as reserve working capital and to conserve and improve installations, up to the limit of capital stock. Any excesses shall be incorporated into the capital stock at the Ordinary General Meeting approving the financial statements for the fiscal period.

The Extraordinary Shareholders Meeting held on April 18, 2007 approved a capital increase of R$ 5,000, capitalizing part of the balance of the Reserve for Working Capital and Conservation and Improvement of Installations without issuing new shares.

**c) Distribution of dividends**

Shareholders are annually entitled to receive mandatory minimum dividends, corresponding to 30% of net income, after allocation of 5% to the legal reserve. Preferred shareholders are entitled to receive dividends or interest on capital 10% higher than those paid on common shares.

**d) Interest on capital and dividends**

Interest on capital, in the amount of R$ 106,295, was calculated according to the limits established by Law No. 9,249/95. No interest on capital was paid or declared for the period ended June 30, 2007.

In addition, dividends in the amount of R$ 12,432 were paid on December 27, 2006. No dividends were paid or declared for the period ended June 30, 2007.

**20. Collaterals and guarantees**

The Company provides collaterals and guarantees for some loan operations conducted directly or indirectly by certain subsidiaries, affiliates and other related parties.

As of June 30, 2007 and December 31, 2006 amounts referring to these operations are as follows:

| | Parent Company and consolidated | | |
|---|---|---|---|
| **Guaranteed company** | **June 30, 2007** | **December 31, 2006** | **Maturity** |
| | 8,738 | 11,763 | 2007 |
| | 2,246 | | 2008 |
| EMCA(2) | 10,984 | 11,763 | |
| | | 19,719 | 2007 |
| | 14,600 | | 2008 |
| IASA(2) | 14,600 | 19,719 | |
| IPQ(3) | 24,380 | 40,500 | 2008 |
| REFINARIA(1) | 120,000 | 120,000 | 2007 |
| | 893 | 1,618 | 2007 |
| | 1,525 | 2,041 | 2008 |
| | 322 | | 2009 |
| | 7,888 | 7,874 | 2010 |
| | 1,491 | | 2011 |

| | | |
|---|---|---|
| TROPICAL(2) | 12,119 | 11,533 |
| | 182,083 | 203,515 |

IASA Ipiranga Asfaltos S.A.

IPQ Ipiranga Petroquímica S.A.
EMCA Empresa Carioca de Produtos Químicos S.A.
TROPICAL Tropical Transportes Ipiranga Ltda.
REFINARIA Refinaria de Petróleo Ipiranga S.A.

(1) Related-party.
(2) Entity consolidated by the Company.
(3) Entity accounted by the Company following the equity method.

**21. Financial instruments**

In accordance with CVM Instruction No. 235/95, the Company and its subsidiaries estimated the fair value of their financial instruments, using available market information and appropriate estimation methodologies. However, both the interpretation of market data and the selection of estimation methodologies require reasonable judgment and estimates to determine the most adequate realizable value. Accordingly, the estimates presented are not necessarily indicative of the amounts that could be obtained in active market trading. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair values. Book value of financial interests appropriate their fair value.

The Company and its subsidiaries conduct transactions involving financial instruments, all of which are recorded in balance sheet accounts, and are intended to meet their needs and reduce the exposure to credit, market, and currency risks. Management of these risks is performed by establishing strategies and control systems and setting position limits.

The main risks affecting the Company s business are as follows:

**a) Currency risk**

This risk arises from the possibility of the Company incurring material losses because of exchange rate fluctuations, which may affect the balances of foreign currency-denominated loans and financing.

The exposure to fluctuations in exchange rates is as follows.

| | June 30, 2007 | December 31, 2006 |
|---|---|---|
| **Amounts in US$ thousand:** | | |
| Loans and financing | 64,073 | 65,419 |
| Net exposure | 64,073 | 65,419 |

Rates as of June 30, 2007 = R$ 1.9262/US$

Rates as of December 31, 2006 = R$ 2.1380/US$

**b) Credit risk**

This is the risk of the Company incurring losses due to customers failure to pay accounts and financing. The Company reduces this risk by means of a credit policy and by obtaining collaterals for supply agreements signed with its customers for significant balances.

**c) Interest rate risk**

This risk arises from the possibility of the Company incurring losses due to interest rate fluctuations that increase interest expenses on loans and financing.

Table of Contents

The Company continuously monitors the market interest rates in order to evaluate the need for hedging against the volatility of these rates.

**d) Financial expenses, net**

| | June 30, 2007 | June 30, 2006 |
|---|---|---|
| **Financial income:** | | |
| Interest | 22,158 | 24,312 |
| Monetary rate variation | 3,563 | 4,810 |
| Exchange rate variation | (376) | |
| Other Income | 157 | 69 |
| | 25,502 | 29,191 |
| **Financial expenses:** | | |
| Interest | (36,152) | (30,895) |
| Monetary rate variation | (296) | (614) |
| Losses with swap operations | | (27,512) |
| Exchange rate variation | 13,132 | 42,749 |
| Taxes(*) | (1,361) | (2,299) |
| Early retrieval of premium Notes | | (14,222) |
| Other expenses | (1.594) | (4,478) |
| | (26,271) | (37,271) |
| **Financial expenses, net** | (769) | (8,080) |

(*) IOF and IR on payments abroad.

**22. Nonoperating income, net**

| | June 30, 2007 | June 30, 2006 |
|---|---|---|
| **Nonoperating income:** | | |
| Gain on sale of property and equipment | 3,604 | 12,864 |
| Reversal of part of provision for impairment on investment | 6,681 | |
| Other | | 16 |
| | 10,285 | 12,880 |
| **Nonoperating expenses:** | | |
| Provision for impairment on investment | | (168) |
| Loss on sale and write-off of property and equipment | (3,838) | (5,763) |
| | (3,838) | (5,931) |
| | 6,447 | 6,949 |

**23. Insurance**

The Petróleo Ipiranga companies have an insurance and risk management program that allows coverage and protection for all their insurable assets, including insurance coverage for risks of disruption of production, by means of an operational risk policy traded in the domestic and foreign insurance markets through the Brazilian Reinsurance Institute (IRB).

Table of Contents

The insurance coverages and limits are based on a detailed study of risks and losses performed by local insurance brokers, and the insurance contracted is considered sufficient to cover possible losses, considering the nature of Companies activities.

The main insurance coverages are for operational risks, loss of profits, industrial and office multiperils, named risk-pools and civil liability.

**24. Subsequent events**

**Ipiranga acquisition Tag alongs**

As mentioned in Note 1, in April of 2007 Ultrapar acquired the control of certain companies of Ipiranga Group. The acquisition process is structured in four stages. The first one was concluded in April 18 with the transfer of control. Currently the second stage of the process is being finished, which corresponds to the tag along public offering (OPA) by Refinaria de Petróleo Ipiranga S.A. (RPI), Distribuidora de Produtos de Petróleo Ipiranga S.A. (DPPI) and Companhia Brasileira de Petróleo Ipiranga (CBPI). In October 22, the public offerings of DPPI and RPI were carried out. The auction of CBPI is foreseen for November 8, 2007.

**25. SUMMARY AND RECONCILIATION OF THE DIFFERENCES BETWEEN ACCOUNTING PRACTICES ADOPTED IN BRAZIL AND GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN THE UNITED STATES OF AMERICA**

**I - Narrative description of GAAP differences**

The consolidated financial statements of the Company are prepared in accordance with Brazilian GAAP. Accounting policies, which differ significantly from U.S. GAAP, are summarized below.

**a) Inflation accounting**

Under Brazilian GAAP, the Company accounts for the effects of inflation in its financial statements prepared in accordance with Brazilian GAAP through December 31, 1995. Through December 31, 1995, the Company used for this remeasurement the Fiscal Reference Unit (UFIR), the index established by the tax authorities for preparation of financial statements under Brazilian corporate law as well as the index selected by the CVM.

The reconciliation presents the effect of adjusting property, plant and equipment for U.S. GAAP purposes through December 31, 1997. Under U.S. GAAP, management of the Company considers that Brazil was considered to be a highly inflationary economy until December 31, 1997 and, as such, property, plant and equipment should be adjusted for inflation through such date.

In determining amounts under U.S. GAAP, the effects of inflation for the years ended December 31, 1996 and 1997 were determined using the Índice Geral de Preços Disponibilidade Interna IGP-DI index, which is a widely-accepted and a respected index published on a monthly basis by the Fundação Getúlio Vargas.

Because the Company s management believes that the IGP-DI is an appropriate and consistent measure of the general price inflation in Brazil and because of its availability, for U.S. GAAP purposes the Company adopted the IGP-DI for restatement of its financial statements also for periods through December 31, 1995, replacing the Government mandated index. As a result, property, plant and equipment has been monetarily adjusted for inflation using the IGP-DI since its acquisition through December 31, 1997.

**b) Capitalization of interest during construction in progress**

Under Brazilian GAAP, prior to 1996 the Company was not required to capitalize the interest cost of borrowed funds as part of the cost of the related asset. Under U.S. GAAP, capitalization of borrowed funds during construction of major facilities is recognized as part of the cost of the related assets.

Table of Contents

Under U.S. GAAP, interest on construction-period financing denominated in foreign currencies is capitalized using contractual interest rates excluding foreign exchange gains or losses.

**c) Pension and other post-employment benefits**

**c.1) Pension benefits**

Pension benefit obligations for Brazilian GAAP should be accounted for following CVM Instruction No. 371/00, which requires the mandatory application of Brazilian Accounting Standard IBRACON NPC 26. Under IBRACON NPC 26 the Company has accounted for the plan administered by FFMB (and to which several Petróleo Ipiranga companies contribute) by recognizing a percentage attributed to the Company of the funded status and of the cost of the plan.

Under U.S. GAAP, considering that the financial information of the Company does not consolidate all the sponsors of the FFMB and such financial information does not represent the financial statements of the parent company of the Petróleo Ipiranga companies, the Company has accounted for its participation in the pension plan administered by FFMB as if it was a multi-employer plan.

As a result, the reconciliation presents: (a) the reversal of the pension plan asset/liability recognized for Brazilian GAAP as of each reporting date and the reversal of the related pension cost, and (b) the recognition as liability of the contribution due to the plan over the corresponding period.

**c.2) Other post-retirement benefits**

As explained in Note 18, the accompanying financial statements account for other post-retirement benefits following IBRACON NPC 26. Other post-retirement benefits are unfunded and are the sole responsibility of each Petroleo Ipiranga company. Under IBRACON NPC 26 actuarial gains and losses are deferred and recognized in income over the estimated remaining service period of the employees to the extent that those actuarial gains and losses exceed 10% of the higher of the plan assets and the projected benefit obligation.

Under U.S. GAAP, such benefits are accounted for following SFAS No. 106, Employers Accounting for Post-retirement Benefits Other Than Pensions and, as from December 31, 2006, following SFAS No. 158 Employers Accounting for Defined Benefit Pension and Other Post-retirement Plans an amendment of FASB Statements No. 87, 88, 106 and 132(R) . Under SFAS No. 158, the funded status of the other postretirement benefits must be recognized as a liability with an offsetting amount in accumulated other comprehensive income. As required by SFAS No. 158, provisions of SFAS No. 158 were applied on a prospective basis as from December 31, 2006.

Although projected benefit obligations are the same under Brazilian GAAP and U.S. GAAP, differences arise in the amounts recorded in the financial statements as result of: (i) the date of initial measurement of funded status is different for Brazilian GAAP and U.S. GAAP and that under Brazilian GAAP there is no requirement to recognize a liability for uncovered plans, and (ii) the recognition, as from December 31, 2006, as a liability for U.S. GAAP purposes, of the funded status against accumulated other comprehensive income.

**d) Accounting for derivative financial instruments**

The Company has entered as of December 31, 2005 and during the six months ended June 30, 2006 into swap transactions. Under Brazilian GAAP swaps are valued at its accrued amount determined as the difference as the amount receivable and the amount payable under the swap. The amounts receivable and payable are computed as their respective notional amount plus accrued charges based on their contractual terms.

Under U.S. GAAP, SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, established accounting and reporting standards requiring that all derivative instruments be recorded in the balance sheet as either an asset or a liability measured at its fair value. Changes in the derivative s fair value are recognized currently in earnings unless specific hedge accounting criteria are met. The Company has not accounted for any derivative instrument following hedge accounting.

The reconciliation presents the differences resulting from valuing the swaps at fair value under U.S. GAAP as opposed to valuing them at the accrued amount used under Brazilian GAAP. As of June 30, 2007 no difference was identified between the accrued amount and the fair value.

**e) Fair value of guarantees under FIN 45**

Under Brazilian GAAP, the Company is not required to record any liability related to guarantees given to third parties unless contingent obligations to make future payments under the guarantees are considered probable.

The Company has not recorded any liability related to these guarantees under Brazilian GAAP as of any of the dates presented.

Under U.S. GAAP, the Company recognizes, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing guarantees in accordance with FIN 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others . In the event that, at inception of the guarantee, the Company is required to recognize a liability under SFAS No. 5, Accounting for Contingencies , the liability initially recognized would be the greater of: (a) the amount of fair value of the value of the obligation undertaken in issuing guarantee, or (b) the contingent liability amount required to be recognized at inception of the guarantee by applying SFAS No. 5.

Guarantees granted include those disclosed in Note 20 as well as guarantees provided to financial institutions that finance sales to selected customers under the vendor program. Under the vendor program the Company is the secondary obligor to the financial institutions.

The reconciliation presents the effect of recognizing a liability for the fair value of these guarantees and the related effect in the statement of income.

**f) Accounting for asset retirement obligation**

Under Brazilian GAAP, the Company s practice is to expense amounts relating to retirement of certain assets as incurred.

Under U.S. GAAP, the Company adopts SFAS No. 143, Accounting for Asset Retirement Obligations . Asset retirement obligations correspond to the legally required obligation to remove fuel tanks upon retirement. Under SFAS No. 143, the fair value of asset retirement obligations are recorded as liabilities on a discounted basis when they are incurred, which is typically at the time the related assets are installed. Amounts recorded for the related assets will be increased by the amount of these obligations and depreciated over the related useful lives of such assets. Over time, the amounts recognized as liabilities will be accreted for the change in their present value until the related assets are retired or sold.

**g) Gain on change in equity interest in Maxfácil**

In December 2006, the Company recognized a capital gain, in the amount of R$ 58,136, relating to the gain on change in equity interest in Maxfácil as described in Note 4.

The gain has been determined as a result of Maxfácil having issued new shares to UNIBANCO at a price higher than the carrying amount per share of the investment recorded by the Company in Maxfácil.

Table of Contents

Under U.S. GAAP, considering that Maxfácil is a newly formed entity, the Company believes it does not meet the criteria for gain recognition established in SAB Topic 5-H.

The reconciliation presents the effect of reverting for U.S. GAAP the capital gain recognized under Brazilian GAAP.

**h) U.S. GAAP adjustments on net equity and net income of affiliates**

The investments in Termogaúcha Usina Termelétrica S.A., Ipiranga Química S.A. ( IQ ), and Transportadora Sulbrasileira de Gás S.A. ( TSB ) are accounted under the equity method under Brazilian GAAP.

Such investment would also be accounted for following the equity method under U.S. GAAP.

Differences between net equity and net income of the affiliates correspond mainly to: accounting for deferred charges, accounting for business combination and goodwill, accounting for pension and other post-employment benefits, revaluation of property, plant and equipment, capitalization of interest on property, plant and equipment, recognition of tax incentives, accounting for derivative financial instruments, accounting for dividends and interest on capital, and accounting for the provision for programmed maintenance.

The net effects of those adjustments are presented in the reconciliation to U.S. GAAP.

**i) Accounting for convertible debentures issued by Ipiranga Química S.A. and related warrants**

**i.1) Accounting for convertible debentures issued by IQ**

Under Brazilian GAAP, convertible debentures issued by IQ described in Note 7 are accounted for as a single instrument at its cost plus accrued interest following the contractual terms.

Under U.S. GAAP, the Company has concluded that the non-detachable conversion option included in the convertible debentures issued by IQ does not meet the definition of a derivative under SFAS 133 Accounting for Derivative Instruments and Hedging Activities, as amended and interpreted . Also , the Company concluded that the conversion option did not have, as of the date of issuance, intrinsic value, therefore, the total amount of the proceeds has been allocated to the convertible debenture. This has resulted in no difference between Brazilian GAAP and U.S. GAAP with respect to the accounting of the convertible debenture issued by IQ until the modification of its terms.

However, the convertible debenture was marked-to-market at every reporting period with charges to the statements of income for US GAAP purposes, creating a difference in valuation of the convertible instrument for US GAAP of R$ 21 million at the date of the modification of the terms.

**i.2) Accounting for the modification of terms of the debentures and issuance of warrants**

In October 2005, a modification was introduced in the terms of the debentures such that they were modified from convertible to non-convertible; no other terms of the debentures have been modified. At the same moment, IQ issued to the holders of the debentures, detachable warrants which allow the holders of the warrants to acquire shares of IQ in the exact same terms as the previously existing non-detachable conversion option included in the debentures.

Under Brazilian GAAP, warrants are not separately recorded. The modification of the terms of the debentures and the issuance of warrants in October 2005 did not have any impact in the accounting for the debentures (which were originally convertible and in October 2005 were modified to non-convertible) under Brazilian GAAP which continued to be accounted for at its cost plus accrued interest and warrants issued by IQ are not accounted for.

For U.S. GAAP purposes, the Company has also classified the new debt instrument received as a trading security under FAS 115. In addition, the Company has concluded that the fair value of the warrant and non-convertible debenture received approximates the fair value of the convertible debenture prior to modification. Therefore, upon modification the Company recorded the warrant and debt at their fair values.

The warrant does not meet the definition of a derivative under SFAS 133, so it is accounted for under the cost method.

The US GAAP reconciliation reflects the difference in the mark to market of the convertible debt instrument through the date of modification, compared to the amortized cost value recorded for Brazilian GAAP purposes.

**j) Accounting for refunds**

The Company and its subsidiaries offer, to certain customers, refunds in cash if they meet a specified cumulative volume of sales over a specified period of time. Under Brazilian GAAP, the refund is recognized as an expense when the cumulative volume of sales has been met. Such refunds are offered to a reduced group of customers and have begun to be offered recently.

Under U.S. GAAP, EITF 01-9, Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor s Products) , a Company should recognize as a reduction of sales a liability based on a systematic and rational allocation of the cost of honoring the commitment in each of the underlying transactions that result in progress toward earning the refund. Considering the reduced number of customers to which the refund is offered and the reduced historical experience, the Company believes that it cannot reasonable estimate the ultimate amount that will be earned by customers. As a result, under U.S. GAAP a liability is recognized for the maximum potential amount of the refund.

**k) Goodwill and business combinations**

Under Brazilian GAAP, assets and liabilities of entities acquired are reflected at book values. Goodwill is determined as the excess of purchase price paid over the book value of net assets acquired. Goodwill is amortized on a straight-line basis over the periods estimated to be benefited, limited to 10 years.

In July 1998, the Company made a capital contribution to IQ. Under Brazilian GAAP, such transaction generated goodwill at the date of the transaction in the amount of R$ 49,393 and resulted in obtaining an interest in IQ of 41.47%.

Goodwill under Brazilian GAAP was totally amortized as of December 31, 2005.

Under U.S. GAAP, business combinations are accounted for following the purchase method. Under the purchase method assets and liabilities of the business acquired are recorded, to the extent of the percentage acquired, using fair values. Goodwill is determined as the difference between purchase price consideration and the fair value of assets acquired and liabilities assumed. If there is an excess of the fair value of net assets acquired over the purchase price such amount is used to reduce the carrying value of Noncurrent assets. As from January 1, 2002 goodwill is not amortized but is tested, at least annually, for impairment.

The reconciliation of net equity between Brazilian GAAP and U.S. GAAP presents: (i) the reversal of the balance of goodwill recorded under Brazilian GAAP at each balance sheet date, (ii) the recognition for U.S. GAAP purposes of the difference resulting from adjusting assets and liabilities of the entity acquired at fair value, most significantly property, plant and equipment and investment in equity investees, (iii) the recognition of resulting goodwill under U.S. GAAP, and (iv) the related deferred taxes.

The reconciliation of net income between Brazilian GAAP and U.S. GAAP presents: (i) the reversal of goodwill amortization recorded under Brazilian GAAP, (ii) the recognition in income of adjustments of assets and liability at fair value, mostly depreciation of property, plant and equipment and equity in investees, and (iii) the related deferred tax effects.

Table of Contents

**l) Accounting for uncertain income tax position FIN No. 48**

Under Brazilian GAAP, the Company is not required to record any liability related to uncertainty in income taxes, unless contingent obligation to make future payments under income taxes are probable. In addition, any income tax benefit is recognized only when realized.

Under U.S. GAAP, in June 2006, the Financial Accounting Standards Board ( FASB ) issued FASB Interpretation ( FIN ) No. 48, Accounting for Uncertainty in Income Taxes, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements in accordance with Statement of Financial Accounting Standards ( SFAS ) No. 109, Accounting for Income Taxes. This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN No. 48 was effective for fiscal years beginning after December 15, 2006.

On January 1, 2007, the Company adopted the provisions of FIN No. 48. The cumulative effect of adoption was a R$6.0 million reduction of retained earnings. During the period ended June 30, 2007, an amount of R$253 was recorded in the statement of income as an expense.

**II - Reconciliation of the differences between U.S. GAAP and Brazilian GAAP in net income**

| | **Note 25.I.** | **June 30, 2007** | **June 30, 2006** |
|---|---|---|---|
| Net income as reported under Brazilian GAAP | | 179,648 | 154,737 |
| Inflation accounting: property, plant and equipment-incremental depreciation | (a) | (1,920) | (11,337) |
| Deferred tax effects | | 653 | 3,855 |
| | | (1,267) | (7,482) |
| Pension and other post-employment benefits: | (c) | | |
| Reversal of pension and other post-retirement expense recognized under Brazilian GAAP | | (3,748) | |
| Deferred tax effects | | 1,274 | |
| Recognition of net periodic pension cost for other post-retirement benefits under US GAAP | | (1,644) | (4,902) |
| Deferred tax effects | | 559 | 1,667 |
| | | (3,559) | (3,235) |
| Accounting for asset retirement obligation | (f) | (811) | 76 |
| Deferred tax effects | | 276 | (26) |
| | | (535) | 50 |
| Capitalization of interest costs during construction | (b) | 520 | 573 |
| Deferred tax effects | | (176) | (195) |
| | | 344 | 378 |
| Fair value of guarantees under FIN 45 | (e) | 193 | (664) |
| Deferred tax effects | | (65) | 226 |
| | | 128 | (438) |
| Accounting for derivative financial instruments | (d) | | 748 |
| Deferred tax effects | | | (254) |
| | | | 494 |
| Accounting for uncertain income tax position FIN No. 48 | (l) | (253) | |
| Accounting for refunds | (j) | 1,179 | 1,173 |

| | | | |
|---|---|---|---|
| Deferred tax effects | | (401) | (399) |
| | | 778 | 774 |
| Goodwill and business combinations: | (k) | | |
| Fair value allocated to assets of IPQ-Amortization | | (249) | (249) |
| Deferred tax effects | | 85 | 85 |
| Fair value allocated to investments of IPQ in Copesul-Equity in income | | 2,582 | 2,582 |
| | | 2,418 | 2,418 |
| U.S. GAAP adjustments on net equity and net income of affiliates | (h) | (41,630) | (37,206) |
| Net income under U.S. GAAP | | 136,072 | 110,490 |

**Table of Contents**

**III - Reconciliation of the differences between U.S. GAAP and Brazilian GAAP in shareholders equity**

| | Note 25.I. | June 30, 2007 | December 31, 2006 |
|---|---|---|---|
| Shareholders equity as reported under accounting practices adopted in Brazil | | 1,734,813 | 1,555,165 |
| Inflation accounting: Property, plant and equipment-incremental depreciation | (a) | 12,157 | 14,078 |
| Deferred tax effects | | (4,134) | (4,786) |
| | | 8,023 | 9,292 |
| Pension and other post-employment benefits: | (c) | | |
| Reversal of pension and other post-retirement liabilities recognized under Brazilian GAAP | | 49,723 | 53,471 |
| Recognition of other post-retirement liabilities under US GAAP | | (62,089) | (60,445) |
| Deferred tax effects | | 4,204 | 2,371 |
| Effect of adoption of SFAS 158 on the ending balance of accumulated other comprehensive income | | (2,114) | (2,114) |
| Deferred tax effects | | 719 | 719 |
| Realization of amounts previously recognized in other comprehensive income through NPPC | | 161 | |
| Deferred tax effects | | (55) | |
| Gains or losses arised during the period | | (13) | |
| Deferred tax effects | | 4 | |
| | | (9,460) | (5,998) |
| Accounting for asset retirement obligation | (f) | (80,430) | (79,619) |
| Deferred tax effects | | 27,346 | 27,070 |
| | | (53,084) | (52,549) |
| Capitalization of interest costs during construction | (b) | 9,442 | 8,922 |
| Deferred tax effects | | (3,210) | (3,033) |
| | | 6,232 | 5,889 |
| Fair value of guarantees under FIN 45 | (e) | (1,193) | (1,386) |
| Deferred tax effects | | 406 | 471 |
| | | (787) | (915) |
| Accounting for uncertain income tax position FIN No. 48 | (l) | (6,269) | |
| Accounting for refunds | (j) | (6,119) | (7,298) |
| Deferred tax effects | | 2,080 | 2,481 |
| | | (4,039) | (4,817) |
| Goodwill and business combinations: | (k) | | |
| Fair value allocated to assets of IPQ, net of amortization | | 1,092 | 1,340 |
| Deferred tax effects | | (371) | (456) |
| Fair value allocated to investments of IPQ in Copesul | | (7,748) | (10,330) |
| Recognition of goodwill under U.S. GAAP | | 90,331 | 90,331 |

| | | | |
|---|---|---|---|
| Amortization of goodwill under U.S. GAAP up to 2001 | | (24,127) | (24,127) |
| Deferred tax over tax deductible goodwill | | (12,302) | (12,302) |
| | | 46,875 | 44,456 |
| Accounting for convertible debentures issued by IQ and warrants received by the Company | (i) | | |
| Fair value of the difference between cost and fair value of convertible debenture as of December 31, 2004 | | 85,836 | 85,836 |
| Change in fair value convertible debenture from January 1, 2005 to date of modification (October 2005) | | (64,745) | (64,745) |
| Deferred tax effects | | (7,171) | (7,171) |
| | | 13,920 | 13,920 |
| U.S. GAAP adjustments on net equity and net income of affiliates | (h) | 87,708 | 129,337 |
| Shareholders equity under U.S. GAAP | | 1,823,932 | 1,693,780 |

**Table of Contents**

**IV - Statement of changes in shareholders equity in accordance with U.S. GAAP**

| | June 30, 2007 | December 31, 2006 | June 30, 2006 |
|---|---|---|---|
| Shareholders equity under U.S. GAAP as of beginning of the year | 1,693,780 | 1,519,832 | 1,519,832 |
| Net income | 136,072 | 235,554 | 110,490 |
| Gain on change in equity interest in Maxfácil | | 58,136 | |
| Dividends and interest on own capital | | (118,727) | (53,113) |
| Adoption on accounting for uncertain income tax position FIN No. 48 | (6,017) | | |
| Realization of amounts previously recognized in other comprehensive income through NPPC | 106 | | |
| Gains or losses arised during the period | (9) | | |
| Effects on other comprehensive income due to additional minimum liability | | | 379 |
| Effect of SFAS 158 on accumulated other comprehensive income | | (1,015) | |
| Shareholders equity under U.S. GAAP as of the end of the year | 1,823,932 | 1,693,780 | 1,577,588 |
| Comprehensive income (under SFAS 130): | | | |
| Net income | 136,072 | 219,139 | 110,490 |
| Realization of amounts previously recognized in other comprehensive income through NPPC | 106 | | |
| Gains or losses arised during the period | (9) | | |
| Effects on other comprehensive income due to additional minimum liability | | | 379 |
| Total comprehensive income | 136,169 | 219,139 | 110,869 |

**V - Additional disclosures**

**a) Earnings per share**

Under Brazilian GAAP, net income per share is calculated on the number of shares outstanding at the balance sheet date. In these consolidated financial statements, information is disclosed per lot of one thousand shares, because this is the minimum number of shares that can be traded on the Brazilian stock exchanges.

Under U.S. GAAP earnings per share is retroactively restated to reflect in all periods presented the effect of stock dividends. During 2006 a stock split has been approved for one new share per existing share. Earnings per share has been retroactively restated to reflect the effect of such stock dividend.

Since the preferred and common shareholders have different dividends and voting rights (see Note 19), basic earnings per share have been calculated using the two-class method for U.S. GAAP purposes. The following table provides a reconciliation of the numerators and denominators used in computing earnings per share as required by SFAS No. 128:

| | June 30, 2007 | | |
|---|---|---|---|
| | Common | Preferred | Total |
| Net income for the period | 42,637 | 93,435 | 136,072 |
| Weighted average shares outstanding (per thousand shares) basic and diluted (retroactively restated) | 35,409 | 70,543 | 105,952 |
| Basic and diluted earnings per share | 1.2041 | 1.3245 | |

F-353

Table of Contents

| | June 30, 2006 | | |
|---|---|---|---|
| | Common | Preferred | Total |
| Undistributed net income | 17,978 | 39,399 | 57,377 |
| Distributed net income (dividends and interest on capital) | 16,642 | 36,471 | 53,113 |
| Numerator | 34,620 | 75,870 | 110,490 |
| Weighted average shares outstanding (per thousand shares)-basic and diluted (retroactively restated) | 35,409 | 70,543 | 105,952 |
| Basic and diluted earnings per share | 0.9777 | 1.0755 | |

**b) Consolidated Statement of cash flows**

Brazilian GAAP does not require the presentation of a statement of cash flows as required by U.S. GAAP. U.S. GAAP requires the presentation of a statement of cash flows describing the Company s cash flows from operating, financing and investing activities. Statements of cash flows derived from the information based on Brazilian GAAP are as follows:

| | Six months ended June 30, | |
|---|---|---|
| | 2007 (unaudited) | 2006 (unaudited) |
| **Cash flows from operating activities:** | | |
| Net income | 179,648 | 154,737 |
| Adjustment to reconcile net income to cash know by operating activities: | | |
| Equity in affiliates | (68,348) | (47,315) |
| Amortization of goodwill | 2,274 | 2,164 |
| Depreciation and amortization | 47,088 | 45,207 |
| Net loss on permanent assets written off or sold | 3,559 | 6,948 |
| Provision for losses on fiscal incentives | | 168 |
| Deferred income and social contribution taxes | (13,118) | (5,678) |
| Provision for contingencies | 1,377 | 3,127 |
| Provision for post-employment benefits | (3,748) | |
| Allowance for doubtful accounts | 6,670 | 10,002 |
| Interest, monetary and exchange variation . | 23,178 | (10,113) |
| Decrease in accounts receivable | (82,109) | (11,246) |
| (Increase) decrease in accounts receivable from related companies | 1,597 | (116) |
| (Increase) decrease on inventories | 46,105 | (41,420) |
| Decrease on suppliers | (50,864) | (123,940) |
| Increase on accounts payable to related companies | 137 | 893 |
| (Increase) decrease on other assets | 7,596 | (13,246) |
| Decrease on other liabilities | (4,240) | (57,296) |
| Cash flows from (used in) operating activities | 96,802 | (87,124) |
| **Cash flows from investing activities:** | | |
| Additions to investment | (3,725) | (1) |
| Addition to escrow deposits | (2,037) | 238 |
| Addition to property and equipment | (42,417) | (52,642) |
| Loans to customers (principal) | (70,791) | (84,503) |
| Loans repaid from customers | 80,613 | 89,346 |
| Additions to deferred charges | | (1,007) |
| Amortization of debentures | | 29,395 |
| Cash flows used in investing activities | (38,357) | (19,174) |
| **Cash flows from financing activities:** | | |
| New loans and financing obtained | 178,512 | 942,935 |
| Amortization of loans and financing | (240,554) | (840,998) |
| Dividends and interest on capital paid | | (4,912) |
| Cash flows from (used in) financing activities | (62, 042) | 97,025 |
| Net decrease in cash and cash equivalents | (3,597) | (9,273) |
| Cash and cash equivalents: | | |
| At the beginning of the period | 89,902 | 20,623 |

| | | |
|---|---|---|
| At the end of the period | 86,305 | 11,350 |
| | | |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash paid during the year for: | | |
| Interest paid | 7,194 | 26,044 |
| Income taxes | 15,815 | 11,608 |

F-354

# *Refinaria de Petróleo*

# *Ipiranga S.A.*

*Interim financial information*

*Nine-month period ended*

*September 30, 2007*

*(A translation of the original interim financial information in Portuguese, prepared in accordance with accounting principles derived from the Brazilian Corporation Law and rules of the Brazilian Securities and Exchange Commission (CVM))*

Table of Contents

**Management Report**

**General Commentary**

The performance of Refinaria de Petróleo Ipiranga S.A. in the 3rd quarter of 2007 was affected by variations in the scenario of prices of oil and products. The average prices of oil, already affected by foreign exchange variance, rose 5.1% over the 2nd quarter. The prices of the gasoline, diesel and domestic gas products continued without any restatement since September 2005 and the price of petrochemical naphtha reduced its relativity over the price of Brent oil, from 8.12% in the 2nd quarter to 3.83% in this 3rd quarter.

Refinaria Ipiranga has been operating continuously since October 2006, privileging the production of petrochemical naphtha. The quarter the profile and volume of raw material resulted in a reduction of processing and of the volume of sales. The reduction of activity had a repercussion in the downslide of the gross income, but it was financial expense, due to foreign exchange loss in the payment of oil cargo, that had a negative impact on the result of the activity in this period.

Results of equity interest in the chemical and petrochemical activities and in the distribution of petroleum by-products that had another quarter with a very good performance, contributing positively to the company s net income.

The Net Income of Refinaria de Petróleo Ipiranga S.A. in the 3rd quarter was R$ 59,293 thousand and in YTD from January to September, came to R$ 192,206 thousand.

**Characteristics of the Activity**

**2.1 Oil Scenario**

During the 3rd quarter of 2007 the price of oil, pursuant to the West Texas Intermediate (WTI) reference, attained the maximum level of US$ 83.9 per barrel and BRENT type oil US$ 81.1 per barrel. The very close frontier between supply and demand, the growth of the world economy, the devaluation of the US dollar in relation to the main currencies, and geopolitical risks had a significant effect on the price of oil this quarter. The rise in prices in the 3rd quarter, in relation to the previous quarter, was 17.2% for WTI and 8.0% for BRENT.

**2.2 Foreign Exchange Scenario**

In spite of strong oscillations in the 3rd quarter, the exchange variance was positive for the real in relation to the US dollar. The US dollar upon closing of the 3rd quarter of 2007 was R$ 1.84, with devaluation of 4.5% in relation to the closing dollar of the previous quarter, although in mid-August it had attained R$ 2.11, a level only in the 1st quarter.

Table of Contents

**2.3 Production Level of Activity**

In the 3rd quarter 195 million liters of oil were processes and 181 million liters of by-products sold. The processing capacity utilized in the 3º quarter corresponded to 79% of the nominal capacity of Refinaria Ipiranga. The reduction of 5.9% of the level of processing over the previous quarter, is due to the interruption for maintenance of one of the furnaces and delay in the arrival of raw material.

The processing capacity utilized in the year is 77%.

**2.4 Price of Petroleum By-products**

The price of diesel oil in Brazil remained in line with the international market in this period, yet the price of gasoline and domestic gas ended the 3rd quarter respectively with average shortfalls of 12% and 42%, in relation to the foreign market quotations. Petrochemical naphtha, according to the international market, operated this quarter with 3.8% of BRENT oil, while in the previous quarter this average relativity was 8.1%.

**2.5 Sales**

The trade of petroleum by-products had a reduction of 7.7% in relation to the previous quarter, mainly due to the reduction in sales of petrochemical naphtha, due to the greater difficulty in acquiring condensates and reduction of the oil processing load in the quarter.

The trade of petroleum by-products produced at the Company attained 10% of market share this 3rd quarter, in the state of Rio Grande do Sul. In the YTD this share is 7%.

Table of Contents

**Result of Oil Refining Activity**

**R$ million**

| | 3rd Quarter 2007 | 3rd Quarter 2006 | Var. | Jan-Sep 2007 | Jan-Sep 2006 | Var. |
|---|---|---|---|---|---|---|
| Net revenue | 190.7 | 13.2 | 1345% | 611.5 | 313.4 | 95% |
| Operating income(1) | 3.0 | (7.3) | | 13.9 | (0.2) | |
| Financial results | (6.2) | (0.4) | 1642% | (7.2) | (2.3) | 206% |
| Equity accounting | 62.5 | 41.1 | 52% | 185.0 | 131.1 | 41% |
| Net income | 59.3 | 35.2 | 68% | 192.2 | 127.4 | 51% |

(1) Before financial income, financial expenses and equity accounting.

The result of the activity of Refinaria Ipiranga, in the 3rd quarter of 2007, attained loss of R$ 3,174 thousand. This result is R$ 2,723 thousand higher than the same prior-year quarter.

In the YTD from January to September 2007, the result of the activity attained R$ 7,182 thousand, up R$ 10,826 thousand over the same prior-year period.

EBITDA (earnings before interest, taxes, depreciation and amortization) attained the positive result of R$ 3,883 thousand in the 3rd quarter of 2007, which was R$ 10,249 thousand higher than the same prior-year period.

In the period from January to September 2007 EBITDA accumulated a positive result of R$ 16,584 thousand. R$ 14,073 thousand higher than the same period of 2006.

**Equity in the Earnings of Subsidiaries and Affiliated Companies**

Equity in the Earnings of Subsidiaries and Affiliated Companies, relating to the 3rd quarter, at the Company totaled R$ 62,468 thousand, with R$ 2,793 thousand of its interest of 7.65% in Distribuidora de Produtos de Petróleo Ipiranga, R$ 11,997 thousand of its interest of 11.42% in Companhia Brasileira de Petróleo Ipiranga and R$ 47,678 thousand of its interest of 58.53% in Ipiranga Química, parent company of Ipiranga Petroquímica. This result was R$ 21,335 thousand higher than the same prior-year period.

In the YTD from January to September 2007 Equity in the Earnings of Subsidiary and Affiliated Companies attained R$ 185,024 thousand, presenting positive evolution of R$ 53,958 thousand over the same period of 2006.

**Net income**

Net Income in the 3rd quarter at Refinaria Ipiranga was R$ 59,294 thousand, with the positive result of R$ 62,468 mil originating from Equity in the Earnings of Subsidiaries and Affiliated Companies and the negative result of R$ 3,174 thousand relating to oil refining activity. The result of this quarter presents an increase of R$ 24,058 thousand or 68.3%, over the result of the same prior-year period.

In the YTD from January to September 2007 the Company s Net Income was R$ 192,206 thousand and was R$ 64,784 thousand higher than the same prior-year period.

Table of Contents

## IDENTIFICATION

### 01.01 CAPITAL COMPOSITION

| Number of shares (Thousands) | Current quarter 09/30/2007 | Prior quarter 06/30/2007 | Same quarter in prior year 09/30/2006 |
|---|---|---|---|
| **Paid-up Capital** | | | |
| 1 - Common | 9,982,404 | 9,982,404 | 9,982,404 |
| 2 - Preferred | 19,617,596 | 19,617,596 | 19,617,596 |
| 3 - Total | 29,600,000 | 29,600,000 | 29,600,000 |
| **Treasury Stock** | | | |
| 4 - Common | | | |
| 5 - Preferred | | | |
| 6 - Total | | | |

### 01.02 SUBSCRIBED CAPITAL AND ALTERATIONS IN THE CURRENT YEAR

| 1 - ITEM | 2 - DATE OF ALTERATION | 3 - AMOUNT OF THE CAPITAL (IN THOUSANDS OF REAIS) | 4 - AMOUNT OF THE ALTERATION (IN THOUSANDS OF REAIS) | 5 - NATURE OF ALTERATION | 7 - NUMBER OF SHARES ISSUED (THOUSAND) | 8 - SHARE PRICE ON ISSUE DATE (IN REAIS) |
|---|---|---|---|---|---|---|
| 01 | 04/18/2007 | 475,000 | 110,000 | Profit reserve | | 0,0000000000 |

F-359

Table of Contents

**REFINARIA DE PETRÓLEO IPIRANGA S.A.**

**BALANCE SHEETS**

**SEPTEMBER 30, 2007 AND JUNE 30, 2007**

**(Unaudited)**

**(In thousands of Reais)**

| | Note | September 30, 2007 | June 30, 2007 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 28,616 | 7,533 |
| Trade accounts receivable | 4 | 1,782 | 961 |
| Inventories | 6 | 77,665 | 97,290 |
| Recoverable taxes | 7 | 16,796 | 21,892 |
| Subsidiaries and affiliated companies | 5 | 17,726 | 25,064 |
| Prepaid expenses | | 498 | 727 |
| Other accounts receivable | | 54 | 9 |
| | | 143,137 | 153,476 |
| **Noncurrent assets** | | | |
| **Long-term assets** | | | |
| Judicial deposits | | 286 | 286 |
| Other accounts receivable | | 134 | 134 |
| | | 420 | 420 |
| **Permanent assets** | | | |
| **Investments** | 9 | 798,097 | 735,629 |
| **Property, plant and equipment** | 10 | 35,077 | 35,788 |
| | | 833,174 | 771,417 |
| | | 976,731 | 925,313 |

F-360

Table of Contents

**REFINARIA DE PETRÓLEO IPIRANGA S.A.**

**BALANCE SHEETS**

**SEPTEMBER 30, 2007 AND JUNE 30, 2007**

**(Unaudited)**

**(In thousands of Reais)**

| | Note | September 30, 2007 | June 30, 2007 |
|---|---|---|---|
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Loans and financing | 11 | 84,661 | 51,748 |
| Trade accounts payable | | 394 | 1,813 |
| Salaries and related charges | | 2,194 | 1,942 |
| Taxes payable | 12 | 14,874 | 8,637 |
| Dividends and interest on shareholders equity | | 342 | 351 |
| Subsidiaries and affiliated companies | 5 | 37,671 | 80,805 |
| Provision for post-retirement benefit | 15 | 3,857 | 3,857 |
| Provision for contingencies | 13 | 434 | 668 |
| Other accounts payable | | 241 | 2,328 |
| | | 144,668 | 152,149 |
| **Noncurrent liabilities** | | | |
| **Long-term liabilities** | | | |
| Provision for contingencies | 13 | 664 | 1,124 |
| Provision for post-retirement benefit | 15 | 36,589 | 36,522 |
| Taxes payable | 12 | 25,306 | 25,306 |
| | | 62,559 | 61,828 |
| **Shareholders equity** | 16 | | |
| Capital | | 475,000 | 475,000 |
| Revaluation reserve | | 6,186 | 6,186 |
| Profit reserve | | 96,112 | 96,114 |
| Retained earnings | | 192,206 | 132,912 |
| | | 769,504 | 710,212 |
| | | 976,731 | 924,189 |

Table of Contents

**REFINARIA DE PETRÓLEO IPIRANGA S.A.**

**STATEMENTS OF INCOME**

**THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2007**

**(Unaudited)**

**(In thousands of Reais)**

| | Note | September 30, 2007 | September 30, 2006 |
|---|---|---|---|
| **Revenues** | | | |
| Sale of goods and/or service rendered | | 276,019 | 26,153 |
| **Deductions** | | | |
| Sales taxes, returns and discounts | | (85,351) | (12,911) |
| **Net revenues** | | 190,668 | 13,242 |
| **Cost of goods and services rendered** | | (181,696) | (13,538) |
| **Gross profit** | | 8,972 | (296) |
| **Operating (expenses) income** | | | |
| Selling expenses | | (1,579) | (348) |
| Administrative and general expenses | | (4,391) | (6,623) |
| Financial income | | 2,517 | 707 |
| Financial expenses | | (8,736) | (1,064) |
| Equity in income of subsidiaries and affiliated companies | | 62,468 | 41,133 |
| | | 50,279 | 33,805 |
| **Operating income** | | 59,251 | 33,509 |
| Nonoperating income | | 43 | |
| **Net income before income and social contribution tax** | | 59,294 | 33,509 |
| Income and social contribution taxes | | | 1,727 |
| **Net income for the period** | | 59,294 | 35,236 |
| **Net income per share R$** | | 2.00318 | 1.19041 |
| **Number of shares at period end** | | 29,600,000 | 29,600,000 |

F-362

Table of Contents

**REFINARIA DE PETRÓLEO IPIRANGA S.A.**

**STATEMENTS OF INCOME**

**NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2007**

**(Unaudited)**

**(In thousands of Reais)**

| | Note | September 30, 2007 | September 30, 2006 |
|---|---|---|---|
| **Revenues** | | | |
| Sale of goods and/or service rendered | | 898,574 | 537,069 |
| **Deductions** | | | |
| Sales taxes, returns and discounts | | (287,097) | (223,605) |
| **Net revenues** | | 611,477 | 313,464 |
| **Cost of goods and services rendered** | | (573,945) | (292,881) |
| **Gross profit** | | 37,532 | 20,583 |
| **Operating (expenses) income** | | | |
| Selling expenses | | (6,101) | (1,132) |
| Administrative and general expenses | | (17,494) | (20,155) |
| Financial income | | 6,018 | 3,519 |
| Financial expenses | | (13,199) | (5,867) |
| Equity in income of subsidiaries and affiliated companies | | 185,024 | 131,066 |
| Other operating income (expenses) | | | 489 |
| | | 154,248 | 107,920 |
| **Operating income** | | 191,780 | 128,503 |
| Nonoperating income | | 426 | |
| **Net income before income and social contribution tax and profit sharing** | | 192,206 | 128,503 |
| Income and social contribution taxes | | | (1,011) |
| Employees and directors profit sharing | | | (70) |
| **Net income for the period** | | 192,206 | 127,422 |
| **Net income per share R$** | | 6.49345 | 4.30480 |
| **Number of shares at period end** | | 29,600,000 | 29,600,000 |

F-363

Table of Contents

**REFINARIA DE PETRÓLEO IPIRANGA S.A.**

**OTHER INFORMATION**

**STATEMENTS OF CASH FLOWS**

**NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2007**

**(Unaudited)**

**(In thousands of Reais)**

| | September 30, 2007 | September 30, 2006 |
|---|---|---|
| **Cash flows from operating activities** | | |
| **Net income for the period** | 192,206 | 127,422 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Equity in net income of subsidiaries and associated companies | (185,024) | (131,066) |
| Depreciation and amortization | 2,647 | 2,726 |
| Residual cost on disposal of fixed assets | | 8 |
| Interest on equity reserve | | 7,808 |
| Decrease in accounts receivable | 310 | 2,247 |
| (Decrease) increase in accounts receivable from related parties | (10,962) | 976 |
| Decrease in inventories | 38,368 | 54,061 |
| Decrease in other accounts receivable | 1,684 | 3,459 |
| (Decrease) in trade accounts payable | (89,016) | (57,803) |
| Increase in accounts payable to related parties | 3,039 | 1,647 |
| (Decrease) in other accounts payable | (14,542) | (3,567) |
| **Net cash (used in) provided by operating activities** | (61,290) | 7,918 |
| **Cash flows from investment activities** | | |
| Purchases of property, plant and equipment | (452) | (215) |
| **Net cash (used in) investment activities** | (452) | (215) |
| **Cash flows from financing activities** | | |
| Proceeds from issuance of loans | 351,333 | 19,564 |
| Loans paid | (266,672) | (19,564) |
| **Net cash provided by financing activities** | 84,661 | |
| **Increase in cash and cash equivalents** | 22,919 | 7,703 |
| **Balance of cash and cash equivalents** | | |
| At the beginning of the period | 5,697 | 12,605 |
| At the end of the period | 28,616 | 20,308 |
| **Increase in cash and cash equivalents** | 22,919 | 7,703 |

Table of Contents

**REFINARIA DE PETRÓLEO IPIRANGA S.A.**

**NOTES TO THE INTERIM FINANCIAL INFORMATION**

**NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2007**

**(Unaudited)**

**(In thousands of Reais)**

## 1 Operations

Refinaria de Petróleo Ipiranga S.A. (the Company ) is a public-held company with shares traded on the São Paulo Stock Exchange BOVESPA.

The Company is primarily engaged in oil refining and the sale of its by-products.

## 2 Presentation of the interim financial information

The interim financial information was prepared in accordance with accounting practices derived from the Brazilian Corporation Law and the rules of the Brazilian Securities and Exchange Commission (CVM).

With the objective of improving the information presented to the market, the Company is presenting, as supplementary information, the statement of cash flows.

## 3 Description of significant accounting policies

The main accounting practices adopted by the Company, its subsidiaries and affiliated companies in preparing the interim financial information is described as follows:

### a. Temporary cash investments

Temporary cash investments are recorded at cost plus income accrued up to the interim financial information date, which do not exceed their market value.

### b. Provision for doubtful accounts

The Company s management has individual customer credit information, which is used to evaluate customers ability to make payments. The allowance is recorded for an amount considered sufficient to cover probable losses on realization of accounts receivables.

### c. Inventories

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

### d. Investments in subsidiaries and affiliated companies

Investments in subsidiaries and affiliated companies were valued using the equity method being recorded as operating results. Goodwill on the acquisition of investments is amortized over 10 years, the projected term of realization.

### e. Property, plant and equipment

Property, plant and equipment are stated at the cost of acquisition or construction. Depreciation is calculated using the straight-line method, which takes into account the estimated useful lives of the assets.

Table of Contents

**REFINARIA DE PETRÓLEO IPIRANGA S.A.**

**NOTES TO THE INTERIM FINANCIAL INFORMATION**

**(Unaudited)**

**(In thousands of Reais)**

**f. Financing and loans**

Stated at original amounts plus financial charges incurred pro rata temporis until the interim financial information date. Loans acquired in foreign currency were translated into reais using the spot exchange rate at the interim financial information date.

**g. Income and social contribution taxes**

The income and social contribution taxes are calculated based on the rates of 15% plus a surcharge of 10% and 9% on taxable income for social contribution tax.

**h. Provision for contingencies**

The provision for contingencies is recorded for contingent risks that represent an estimated probable loss, based on the opinion of the internal and external legal advisors and administrators, and is recognized based on the estimated cost for the outcome of the lawsuits.

**i. Actuarial commitment with post-retirement benefits**

Actuarial commitments with the post-employment benefits plan granted and to be granted to employees, retired employees and pensioners (net of plan assets) are provisioned based on the actuarial calculation prepared by an independent actuary in accordance with the projected credit unit method.

**j. Other assets and liabilities**

Other assets and liabilities, classified as current and non-current, are recorded based on the expected timeframe of realization or payment. These other assets and liabilities are stated at known or estimated amounts, plus, when applicable, the corresponding income, charges and monetary and exchange variations incurred up to the balance sheet date.

**k. Interest on equity reserve**

Interest on capital to be received or paid/provisioned is recorded as income or financial expenses, respectively. For presentation purposes of the interim financial information, since it refers mainly to dividends, the amount was reclassified to the investments account and retained earnings, respectively. The interest paid/provisioned is calculated up to the limit estabilished by Law no. 9.249/95, based on the long-term interest rate over the equity, and it will be paid in substitution or to complement the compulsory dividends foreseen in the Company s by-law.

**l. Statement of income**

Revenue from the sale of goods is recognized in the statement of income when the significant risks and rewards of ownership have been transferred to the buyer. Other revenues, expenses and costs are recognized when incurred and/or realized. The income statement includes surplus, charges and monetary and exchange variations, as determined by the contracts and official rates applicable to current and non-current assets and liabilities and, when applicable, the effects of the market value adjustments or realization.

Table of Contents

**REFINARIA DE PETRÓLEO IPIRANGA S.A.**

**NOTES TO THE INTERIM FINANCIAL INFORMATION**

**(Unaudited)**

**(In thousands of Reais)**

**m. Accounting estimates**

The preparation of interim financial information in accordance with accounting practices adopted in Brazil requires that management make estimates and assumptions for the Company and its subsidiaries that affect the reported amounts of assets and liabilities at the balance sheet dates and the reported amounts of revenues, costs and expenses for the years presented. Although these estimates are based on management s best available knowledge of current and expected future events, actual results could differ from these estimates.

**4 Trade account receivable**

| | September 30, 2007 | June 30, 2007 |
|---|---|---|
| Domestic market: | | |
| Trade receivables | 1,782 | 961 |
| | 1,782 | 961 |

**5 Subsidiaries and affiliated companies**

The transactions performed between the Company s subsidiaries and between the Company with other affiliated companies are carried out at market prices and similar conditions to those practiced with third parties and are described as follows:

| Company | Trade account receivables (current) | Bonus (current) | Trade account payables (current) | Sales | Purchases | Financial result |
|---|---|---|---|---|---|---|
| Ipiranga Química S.A. | 3,563 | | | 23,474 | 10 | |
| Copesul Companhia Petroquímica do Sul. | | | 613 | 207,905 | 61,079 | |
| Copesul International Trading Inc. | | | | | 257,035 | |
| Distribuidora de Produtos de Petróleo Ipiranga S.A. | 9,160 | 36,839(a) | 31 | 528,840 | 933 | (2,420) |
| Companhia Brasileira de Petróleo Ipiranga. | 2,329 | | | 17,835 | 26 | |
| Isatec Pesquisa, Desenvolvimento e Análises. Químicas Ltda. | 30 | | 70 | 30 | 160 | |
| Tropical Transportes Ipiranga Ltda. | | | 4 | 2 | 90 | |
| Alberto Pasqualini Refap S.A. | 1,007 | | | 18,354 | | |
| Petróleo Brasileiro S.A. | 854 | | 114 | 1,747 | 18,966 | |
| Petrobrás Distribuidora S.A. | 783 | | | 41,285 | | |
| Petrobrás Transportes S.A. Transpetro. | | | | | 18 | |
| PIFCO Petrobras International Finance Co. | | | | | 103,608 | |
| Total as of September 30, 2007 | 17,726 | 36,839 | 832 | 839,472 | 441,925 | (2,420) |
| Total as of June 30, 2007 | 25,064 | 35,851 | 44,954 | | | |

| | | | |
|---|---|---|---|
| Total as of September 30, 2006 | 398,415 | 88,903 | (2,818) |

Table of Contents

**REFINARIA DE PETRÓLEO IPIRANGA S.A.**

**NOTES TO THE INTERIM FINANCIAL INFORMATION**

**(Unaudited)**

**(In thousands of Reais)**

(a) The Extraordinary General Meeting of Ipiranga Química (IQ), held on May 26, 2003 approved the issuance of two series of private convertible debentures, consisting of 11,000 Series A, with face value of R$ 10 each, amounting to R$ 110,000 and 80,000 Series B debentures, with face value of R$ 1 each, amounting to R$ 80,000. Both series mature on June 1, 2008. On June 12, 2003 the debentures were acquired by DPPI and CBPI, the Series A were fully acquired by DPPI and the series B fully acquired by CBPI. The subscribed debentures pay interest based on the CDI interest rate, plus spread subject to renegotiation every 6 months (for Series A) and every 5 months (for Series B) as established by the indenture dated June 1, 2003. Since March 2007, the remuneration spread of Series B debentures is 1.0% per year.

(b) The Extraordinary General Meeting of Ipiranga Química (IQ) held on October 6, 2005, approved the changes to the type of debentures, issued by IQ on June 1, 2003. The changes approved were: (i) to change the debentures from convertible to nonconvertible without making any other change in the terms or conditions of the debentures, and (ii) the issuance of warrants to the holders of the debentures, without any charge, replacing the conversion right established for the debentures; the terms of the warrants allow their holders to purchase common shares of IQ under exactly the same terms as the conversion features originally included for the debentures. Subsequently, on December 1, 2005, a Sale Agreement was signed whereby DPPI sold for R$ 29 million to Refinaria de Petróleo Ipiranga S.A. the warrants it had obtained. The amount for the sale of the warrants is payable on October 3, 2007, and bears interest at the CDI interest rate.

(c) The acquisition of goods from Refinaria de Petróleo Ipiranga S.A. includes tax obtained from tax substitution, and there is no revenue in Refinaria de Petróleo Ipiranga S.A.

**6 Inventories**

| | September 30, 2007 | June 30, 2007 |
|---|---|---|
| Finished goods | 22,853 | 31,455 |
| Work in process | 16,903 | 6,261 |
| Raw materials | 36,297 | 58,581 |
| Indirect materials, packaging and warehouse | 3,698 | 3,411 |
| Inventories held by third parties | 2,194 | 1,330 |
| Allowance for adjustment to market value | (4,280) | (3,748) |
| | 77,665 | 97,290 |

**7 Recoverable taxes**

| | September 30, 2007 | June 30, 2007 |
|---|---|---|
| Income tax | 2,156 | 2,156 |
| Social contribution tax | 781 | 781 |
| IRRF (withholding income tax) | 4 | 3 |
| PIS e COFINS (taxes on revenues) | 13,683 | 18,784 |

| | | |
|---|---|---|
| Other | 172 | 168 |
| | 16,796 | 21,892 |

Table of Contents

**REFINARIA DE PETRÓLEO IPIRANGA S.A.**

**NOTES TO THE INTERIM FINANCIAL INFORMATION**

**(Unaudited)**

**(In thousands of Reais)**

## 8 Income and social contribution taxes

**a. Deferred**

The Company has the amount of R$ 24,431 for tax credits, to be offset against future taxable income, which is derived from accumulated losses and negative social contribution basis, which will be recognized when effectively realized.

**b. Reconciliation of income and social contribution taxes in the statements of income**

| | September 30, 2007 | September 30, 2006 |
|---|---|---|
| **Reconciliation of income and social contribution taxes in the statements of income** | | |
| Income before taxes, equity in income of subsidiary and affiliated companies and minority interest | 192,206 | 128,503 |
| Additions and deductions | | |
| Equity income in affiliates | (185,024) | (131,066) |
| Interest on equity reserve received by the Company | | 7,808 |
| Interest on equity reserve paid by the Company | (17,889) | (19,787) |
| Reversal of provisions | (3,562) | (1,398) |
| Non-deductible provisions | 8,591 | 20,375 |
| Other | 34 | (188) |
| Offset of tax loss carryforwards | | (1,274) |
| Tax basis | (5,644) | 2,973 |
| Statutory rate | | 34% |
| Income and social contribution taxes Current | | 1,011 |

## 9 Investments

The activities of the Subsidiaries and affiliated companies have been summarized as follows:

**Subsidiaries**

Ipiranga Química S.A. (ICQ): dealer of chemical products and holding company of IPQ IPQ Ipiranga Petroquímica S.A. (it does not have shares negotiated on the São Paulo Stock Exchange).

On April 18, 2007, Ultrapar Participações S.A. ( Ultrapar ), for itself and also as commission agent of Petróleo Brasileiro ( Petrobrás ) and Braskem S.A. ( Braskem ), acquired from the controlling shareholders of Ipiranga Group, 66.2% of the common shares and 13.9% of the preferred shares issued by Refinaria de Petróleo Ipiranga S.A., 69.2% of the common shares and 13.5% of the preferred shares issued by Distribuidora de Produtos de Petróleo Ipiranga S.A. and 3.8% of the common shares and 0.4% of the preferred shares issued by Companhia

Brasileira de Petróleo Ipiranga.

In this agreement between Ultrapar, Braskem and Petrobras, Ultrapar became engaged in the distribution of fuels and lubricants in the South and Southeast Regions of Brazil ( South Distribution Assets ), and Petrobras became engaged in the distribution of fuels and lubricants in the North, Northeast and Center-West ( North Distribution Assets ), and Braskem became engaged in petrochemical assets, represented by Ipiranga Química

Table of Contents

REFINARIA DE PETRÓLEO IPIRANGA S.A.

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Unaudited)

(In thousands of Reais)

S.A., Ipiranga Petroquímica S.A. (IPQ) and for the investment of this Company in Copesul Companhia Petroquímica do Sul (Copesul) ( Petrochemical Assets ).

**Affiliated companies**

**Companhia Brasileira de Petróleo Ipiranga (CBPI):** fuels and lubricants distribution and related products, and also transportation, convenience stores and petrochemical activities;

**Distribuidora de Produtos de Petróleo Ipiranga S.A. (DPPI):** fuels and lubricants distribution and related products, and also transportation, convenience stores and petrochemical activities.

| | IQ | CBPI | DPPI | Total September 30, 2007 | Total June 30, 2007 |
|---|---|---|---|---|---|
| **Information on the investees** | | | | | |
| Number of shares | | | | | |
| Ordinary shares (thousand) | 255,220,842 | 8,787 | 1,633 | | |
| Preferred shares (thousand) | | 3,312 | 814 | | |
| Direct interest (%) | | | | | |
| In voting capital | 58.5269 | 24.8148 | 15.2503 | | |
| In total capital | 58.5269 | 11.4191 | 7.6463 | | |
| Shareholders equity of the investee | 835,581 | 1,839,874 | 909,971 | | |
| Net income of the investee | 246,745 | 284,709 | 105,942 | | |
| **Changes in the investment in the period** | | | | | |
| Balance as of December 31, 2006 | 344,628 | 177,586 | 61,478 | 583,692 | 583,692 |
| Equity in affiliates | 144,412 | 32,511 | 8,101 | 185,024 | 122,556 |
| | 489,040 | 210,097 | 69,759 | 768,716 | 706,248 |
| Bonus | | | | 28,989 | 28,989 |
| Other investments | | | | 392 | 392 |
| | | | | 798,097 | 735,629 |

**10 Property, plant and equipment**

| | Annual depreciation rates - % | Cost | Accumulated depreciation | September 30, 2007 Net | June 30, 2007 Net |
|---|---|---|---|---|---|
| Land | | 11,456 | | 11,456 | 11,456 |
| Buildings | 4 | 10,886 | 8,597 | 2,289 | 2,367 |

| | | | | | |
|---|---|---|---|---|---|
| Operating machines, equipment and installations | 10 | 121,352 | 104,266 | 17,086 | 17,852 |
| Furniture and fixtures | 10 | 2,377 | 2,128 | 249 | 247 |
| Computers and peripherals | 20 | 1,572 | 1,452 | 120 | 101 |
| Vehicles | 20 | 707 | 666 | 41 | 46 |
| Construction in progress | | 3,804 | | 3,804 | 3,683 |
| Other | 10 | 1,099 | 1,067 | 32 | 36 |
| | | 153,253 | 118,176 | 35,077 | 35,788 |

The Parent Company s land includes the amount of R$ 6,186 related to a revaluation performed in 1983.

Table of Contents

**REFINARIA DE PETRÓLEO IPIRANGA S.A.**

**NOTES TO THE INTERIM FINANCIAL INFORMATION**

**(Unaudited)**

**(In thousands of Reais)**

## 11 Loans and financing

| Characteristics | September 30, 2006 Current | June 30, 2007 Current | Interest rate based on | Effective rate | Warranty |
|---|---|---|---|---|---|
| **Local currency** | | | | | |
| Compror | 17,973 | | CDI | 107% CDI | Promissory note |
| Working capital | 66,688 | | CDI | 85% CDI | Promissory note |
| | 84,661 | | | | |
| Foreign currency | | | | | |
| FINIMP Imports financing | | 51,748 | US$ | Libor + 0.125 + 0.15 | Promissory note |
| | 84,661 | 51,748 | | | |

CDI Interbank Deposit Certificate.

## 12 Payable taxes

| | September 30, 2007 | June 30, 2007 |
|---|---|---|
| IRRF | 48 | 40 |
| PIS/COFINS | 26,760 | 25,521 |
| ICMS | 8,215 | 4,257 |
| CIDE (economic intervention contribution) | 5,154 | 4,121 |
| Other | 3 | 4 |
| | 40,180 | 33,943 |
| (-) Current | 14,874 | 8,637 |
| Non-current | 25,306 | 25,306 |

The amount classified to non-current liabilities refers to the provision for CIDE which can be paid using PIS and Cofins credits, in accordance with article 8 of Law No. 10.336/01.

Table of Contents

**REFINARIA DE PETRÓLEO IPIRANGA S.A.**

**NOTES TO THE INTERIM FINANCIAL INFORMATION**

**(Unaudited)**

**(In thousands of Reais)**

## 13 Provision for contingencies

**a. Contingent liabilities Probable**

Based on information from its internal and external legal advisors, management recorded provisions for amounts considered sufficient to cover probable losses from the current actions, as follows:

| | Judicial deposits | | Provision for contingencies | |
|---|---|---|---|---|
| | September 30, 2007 | June 30, 2007 | September 30, 2007 | June 30, 2007 |
| Tax | | | 192 | 543 |
| Labor | 286 | 286 | 906 | 1,249 |
| | 286 | 286 | 1,098 | 1,792 |
| (-) Current | | | 434 | 668 |
| Non-current | | | 664 | 1,124 |

**Additional information:**

**Tax lawsuits**

At September 30, 2007 and June 30, 2007 tax lawsuits were related to: (1) social security contribution assessment related to disclosure of GFIP with incomplete information on the taxable events from the payroll; and (2) tax assessment due to the non-payment of the future market and exchange commission. The decrease refers to the payment of the lawsuit related to SAT, collected by INSS.

**Labor lawsuits**

At September 30, 2007 and June 30, 2007, the Company s labor lawsuits refer mainly to lawsuits filed by former employees and outsourced professionals claiming payroll charges, such as overtime, hazardous duty premium, etc. The decrease presented at the quarter refers mainly to the payment of a labor claim.

**b. Contingent liabilities Possible**

The lawsuits considered as representing possible risk of losses by management, based on internal and external legal advisors, are not provisioned in the interim financial information and comprised of:

| | September 30, 2007 | June 30, 2007 |
|---|---|---|
| Tax | 400 | 395 |
| Civil | 155 | |
| Labor | 243 | 182 |
| Total | 798 | 577 |

**REFINARIA DE PETRÓLEO IPIRANGA S.A.**

**NOTES TO THE INTERIM FINANCIAL INFORMATION**

**(Unaudited)**

**(In thousands of Reais)**

**Additional information:**

**Tax lawsuits**

At September 30, 2007 and June 30, 2007, fiscal lawsuits refer mainly to: (1) tax assessment due to non payment of inspection from stock market; (2) notification to pay amounts originated from deductions of education-allowance incorrectly made, based on the absence of information to the National Fund for Development of Education (FNDE) and (3) voluntary denouncement of incorrect payment of PIS/COFINS without the payment of penalties.

**Labor lawsuits**

At September 30, 2007 and June 30, 2007, labor lawsuits in this classification referred mainly to cases brought by former employees and outsourced personnel, which claim for salary charges.

**c. Contingent assets**

The Company and its subsidiaries have filed administrative and judicial claims at Federal and State courts to recover incorrect payments or overpayment of taxes, charges and contributions, which may, when ended, represents income which, given their contingent nature, have not been recorded in the interim financial information as at September 30, 2007.

As a result of the changes in lawsuits, management, based on its legal counsel, has classified the lawsuit as representing a probable successful outcome. At September 30, 2007, the aforementioned lawsuits have been summarized as follows:

| | |
|---|---|
| **Federal** | |
| PIS/COFINS Increase in tax basis | 3,154 |
| **State** | |
| State income surtax AIRE | 3,453 |

**14 Management and employees interest**

These interests are calculated based on the net income, after the deductions of accumulated losses, if any, and income and social contribution taxes, being calculated in this respective order, as follows:

**a. Employees interest**

Calculated at 3% of net income, which is calculated after excluding all results from investments, recorded in the statements of income as income or expenses of equity in income of affiliated companies, amortization of goodwill (negative or positive), write-off of investments and interest on capital received or paid by the Company during the period.

**b. Management interest**

Calculated at the end of the period, at 10% on net income after employees interest, which can not exceed the global annual remuneration fixed for management in the General Meeting.

Table of Contents

**REFINARIA DE PETRÓLEO IPIRANGA S.A.**

**NOTES TO THE INTERIM FINANCIAL INFORMATION**

**(Unaudited)**

**(In thousands of Reais)**

## 15 Provision for post-retirement benefits

The Company, together with other Petróleo Ipiranga Companies, sponsors Fundação Francisco Martins Bastos, a separate entity offering complementary private pensions, whose retirement supplement plan covers all employees.

The accumulated amount for the Company s contribution, for the period ended September 30, 2007, was R$ 238. (R$ 329 at September 30, 2006)

Net liabilities registered at September 30, 2007, were R$ 40,446, of which R$ 3,857 was recorded as current liabilities and R$ 36,589 as non-current liabilities.

These additional retirement benefits were calculated in an actuarial evaluation conducted by independent actuaries, Towers Perrin Forster & Crosby Ltda.

Actuarial liabilities at September 30, 2007, reflect the appraisal report prepared by the independent actuary on May 30, 2007, maintaining the biometric assumptions and rates disclosed in the financial statements as of December 31, 2006.

## 16 Shareholders equity

### a. Capital

At September 30, 2007, capital comprised 29,600,000 shares with no par value, composed of 9,982,404 common shares and 19,617,596 preferred shares.

Preferred shares have no voting rights and are entitled to dividends 10% higher than those paid on common shares and have priority in the distribution of dividends and in the reimbursement of capital, in the event the Company is liquidated.

### b. Reserves

| | September 30, 2007 | June 30, 2007 |
|---|---|---|
| **Revaluation reserves** | | |
| Own assets | 6,186 | 6,186 |
| **Profit reserves** | | |
| Legal | 17,943 | 17,943 |
| For working capital and conservation and improvement of installations | | |
| Unrealized profits | | |
| Year 2004 | 27,374 | 27,374 |
| Year 2005 | 21,941 | 21,941 |
| Year 2006 | 28,856 | 28,856 |

| | | |
|---|---|---|
| | 96,114 | 96,114 |

The Extraordinary General Meeting, held on April 18, 2007, approved the capital increase from R$ 365 million to R$ 475 million, incorporating the total of the profit reserve working capital and improvement to facilities of R$ 109,067 and part of the profit reserve legal reserve in the amount of R$ 933.

Table of Contents

**REFINARIA DE PETRÓLEO IPIRANGA S.A.**

**NOTES TO THE INTERIM FINANCIAL INFORMATION**

**(Unaudited)**

**(In thousands of Reais)**

**c. Distribution of dividends**

Shareholders are guaranteed an annual distribution of minimum mandatory dividends corresponding to 30% of the net profit for the fiscal period, after 5% has been set aside for the legal reserve. Shareholders holding preferred shares are entitled to receive dividends or interest on own capital 10% higher than those holding common shares. The aforementioned dividends are calculated in accordance with Article 202 of Law 6.404/76.

**d. Interest on equity reserve**

The Ordinary General Meeting, held on April 18, 2007, approved the payment after June 15, 2007, of interest on equity reserve related to the 2006 year-end, related to the part of realized net income, based on the share position held by the shareholder s at that date. The amount of interest on capital approved per share has been summarized as follows:

| | Common | Preferred |
|---|---|---|
| Gross amount | 0.5668 | 0.6235 |
| Net amount | 0.4818 | 0.5300 |

**17 Sureties and warranties provided**

In the normal course of business, the Company issues sureties, warranties and pledges on certain fund-raising transactions carried out by affiliates and direct or indirect subsidiaries.

At September 30, 2007, the values referring to these transaction guarantees by DPPI were as follows:

| Guaranteed | September 30, 2007 | June 30, 2007 | Maturity |
|---|---|---|---|
| DPPI | 341 | 441 | 2010 |
| EMCA | 759 | 940 | 2009 |
| | 32,450 | 56,017 | 2007 |
| | 53 | 73 | 2008 |
| IASA | 32,503 | 56,090 | |
| | 14,500 | 23,072 | 2007 |
| | 10,915 | 3,610 | 2008 |
| | 152 | 177 | 2009 |
| IQ | 25,567 | 26,859 | |
| IPQ | | 6,383 | 2007 |
| | 59,170 | 90,713 | |

DPPI Distribuidora de Produtos de Petróleo Ipiranga S.A.

EMCA Empresa Carioca de Produtos Químicos S.A.

IASA Ipiranga Asfaltos S.A.

IQ Ipiranga Química S.A.

IPQ Ipiranga Petroquímica S.A.

REFINARIA Refinaria de Petróleo Ipiranga S.A.

Table of Contents

**REFINARIA DE PETRÓLEO IPIRANGA S.A.**

**NOTES TO THE INTERIM FINANCIAL INFORMATION**

**(Unaudited)**

**(In thousands of Reais)**

**18 Financial instruments**

Considering the terms of CVM Instruction 235/95, the Company and its subsidiaries conducted an evaluation of current book assets and liabilities in relation to their market values, based on information available and appropriate evaluation methodologies. The market values of the Company s main financial instruments are close to their book values. However, the interpretation of market data and the selection of evaluation methods require considerable judgment and reasonable estimates to produce the most appropriate realization value. As a result, the estimates presented do not necessarily indicate the amounts that may be realized in the current market. The use of different market assumptions and/or estimate methodologies may have a material effect on the estimated market values.

The Company and its subsidiaries take part in transactions that involve financial instruments, registered in equity accounts, used to meet requirements and reduce exposure to credit, market and currency risks. Administration of these risks is carried out by defining strategies, establishing control systems and defining position limits.

The Company s assets and liabilities were evaluated to fair-value on the balance date. The result of this evaluation did not result in the need to make adjustments to those amounts disclosed in the interim financial information.

The main bases for the financial instruments affecting the Company s businesses are listed below:

**a. Currency risk**

This risk arises from the possibility of the Company incurring significant losses due to the fluctuations in exchange rates which may affect foreign currency loan and finance balances.

**b. Credit risk**

The risk of the Company incurring losses following defaults on customer financing and accounts receivable. In order to reduce this type of risk, the Company has a policy for granting credit and executes supply agreements with its customers obtaining real guarantees for significant balances.

**c. Price risk**

The oil refining activity is subject to this risk when variations in the price of petroleum in the market are not transferred to petroleum products. To reduce this risk, the Company has been seeking alternatives with the Federal Government and Petrobrás.

**d. Interest rate risk**

This risk arises from the possibility of the Company incurring losses due to interest rate fluctuations that increase financial expenses on loans and financing raised on the markets. The Company continuously monitors market interest rates in order to evaluate the need for hedging against interest rate volatility.

Table of Contents

**REFINARIA DE PETRÓLEO IPIRANGA S.A.**

**NOTES TO THE INTERIM FINANCIAL INFORMATION**

**(Unaudited)**

**(In thousands of Reais)**

**e. Financial result**

| | September 30, 2007 | September 30, 2006 |
|---|---|---|
| **Financial income** | | |
| Interest | 678 | 594 |
| Monetary variation | 217 | 2,078 |
| Exchange rate variation | 4,557 | |
| Other financial income | 566 | 847 |
| | 6,018 | 3,519 |
| **Financial expenses** | | |
| Interest | (2,866) | (15) |
| Monetary variation | (3,021) | (3,387) |
| Exchange rate variation | (5,553) | (2,417) |
| Discounts given | (153) | |
| Other financial income | (1,606) | (48) |
| | (13,199) | (5,867) |
| **Net financial result** | (7,181) | (2,348) |

## 19 Insurance

The Company has an insurance and risk management program that provides coverage and protection for all insurable assets, including insurance coverage for risks arising from suspended production, in an operational risk policy negotiated with national and international insurers through the Brazilian Reinsurance Institute.

Coverage and limits insured in the contracted policies are based on rational studies of risks and losses carried out by local insurance consultants, and the board believes that the type of insurance contracted is sufficient to cover any claims that may occur, in light of the nature of the Company s activities.

Main insurance coverage is related to operating risks, loss of profits, industrial multi-risk, office multi-risk, named risks pools and civil liability.

## 20 Subsequent events

In April, 2007 Ultrapar acquired the control of certain companies from the Ipiranga Group. The acquisition process is structured in four stages. The first stage was concluded on April 18 with the control transference. Currently the second stage of the process is being concluded, which is the accomplishment of tag along public offering (OPA) by Refinaria de Petróleo Ipiranga S.A. (RPI), Distribuidora de Produtos de Petróleo Ipiranga S.A. (DPPI) and Companhia Brasileira de Petróleo Ipiranga S.A. (CBPI). On October 22, the auctions were made through public offering by DPPI and RPI. A total of 1,274,718 shares were acquired by DPPI, equivalent to 77% of the shares offered by the target and 2,771,781 shares by RPI, equivalent to 82% of the shares offered by the target. The auction of OPA by CBPI is anticipated for November 8, 2007.

**Table of Contents**

# *Distribuidora de Produtos de Petróleo Ipiranga S.A.*

*Interim financial information*

*Nine-month period ended*

*September 30, 2007*

*(A translation of the original interim financial information in Portuguese, prepared in accordance with accounting principles derived from the Brazilian Corporation Law and rules of the Brazilian Securities and Exchange Commission (CVM))*

Table of Contents

**Management Report Parent Company**

**(1) Economic Indicators Parent Company**

Distribuidora de Produtos Petróleo Ipiranga S.A. DPPI operates all over the state of Rio Grande do Sul, Western and Southern regions of Santa Catarina in the distribution of fuels and lubricants. In the other areas of the country the sale of petroleum by-products is performed by our subsidiary Companhia Brasileira de Petróleo Ipiranga CBPI.

| (R$ Million) | 3T07 | 3T06 | 2T07 | Variation 3T07 x 3T06 | Variation 3T07 x 2T07 | 9M07 | 9M06 | Variation 9M07 x 9M06 |
|---|---|---|---|---|---|---|---|---|
| Net sales | 826.6 | 869.8 | 845.7 | -5% | -2% | 2,519.7 | 2,635.2 | -4% |
| Cost of goods | (780.5) | (824.3) | (797.3) | -5% | -2% | (2,371.7) | (2,493.7) | -5% |
| Gross profit | 46.1 | 45.4 | 48.4 | 1% | -5% | 148.0 | 141.5 | 5% |
| Sales, general and administrative expenses | (34.0) | (41.4) | (36.9) | -18% | -8% | (108.3) | (111.8) | -3% |
| Other operating results | (2.0) | 0.8 | 1.0 | -351% | -301% | (0.7) | 3.4 | -120% |
| Operating income | 10.0 | 4.8 | 12.5 | 107% | -20% | 39.0 | 33.1 | 18% |
| Financial Result | 5.0 | 3.7 | 3.1 | 34% | 58% | 12.2 | 13.6 | -10% |
| Equity in income of subsidiaries and associated companies | 27.0 | 20.2 | 23.2 | 33% | 16% | 72.8 | 56.6 | 29% |
| Other nonoperating results | (0.4) | 27.3 | 0.3 | -101% | -242% | (0.1) | 27.3 | -100% |
| **Net income before income and social contribution taxes** | 41.6 | 56.0 | 39.1 | -26% | 6% | 123.9 | 130.6 | -5% |
| Income and social contribution taxes | (4.8) | (3.1) | (5.1) | 54% | -7% | (16.9) | (10.2) | 65% |
| Profit sharing | (0.3) | | (0.7) | | -58% | (1.0) | (0.9) | 11% |
| Net income | 36.5 | 53.0 | 33.3 | -31% | 10% | 105.9 | 119.4 | -11% |
| EBITDA | 13.7 | 8.8 | 15.8 | 56% | -14% | 50.1 | 44.7 | 12% |
| EBITDA Consolidated | 142.0 | 109.5 | 130.6 | 30% | 9% | 396.8 | 333.5 | 19% |

**(2) Performance analysis Parent Company**

| Volume in 000 m3 | 3T07 | 3T06 | 2T07 | Variation 3T07 X 3T06 | Variation 3T07 X 2T07 | 9M07 | 9M06 | Variation 9M07 X 9M06 |
|---|---|---|---|---|---|---|---|---|
| Diesel oil | 233 | 246 | 243 | -5% | -4% | 727 | 763 | -5% |
| Gasoline | 169 | 169 | 169 | 0% | 0% | 502 | 502 | 0% |
| Fuel alcohol | 20 | 11 | 13 | 73% | 57% | 46 | 32 | 46% |
| Natural Gas Vehicular | 6 | 5 | 6 | 31% | 4% | 16 | 13 | 23% |
| Fuel oils and kerosene oil | 8 | 9 | 7 | -17% | 20% | 21 | 28 | -25% |
| Fuels and lubricants | 5 | 4 | 5 | 3% | -3% | 14 | 13 | 7% |
| **Total** | **441** | **444** | **443** | **-1%** | **-1%** | **1,326** | **1,351** | **-2%** |

The total volume of sales in 3Q07 was 441 thousand m³, the same level as 2Q07 and down 1% in relation to 3Q06, due to a more competitive market in diesel oil in the segments of large consumers and TRR in Rio Grande do Sul. This effect was partially offset by the increase of sales observed in hydrated alcohol.

**Net sales**

The net revenue of DPPI totaled R$ 827 million in 3Q07, down 5% in comparison with 3Q06 mainly as a result of the reduction of gasoline and alcohol prices, due to the reduction of the rate of ICMS from 28% to 25%

Table of Contents

in Rio Grande do Sul and of the record sugarcane harvest in 2007, besides the increase of competitiveness in some markets from RS, reducing diesel oil prices.

In 9M07 the net revenue of DPPI amounted to R$ 2,520 million, down 4% in comparison with 9M06.

**Cost of Product Sold (CPV)**

The cost of products sold of DPPI amounted to R$ 781 million in 3Q07, down 5% and 2%, respectively, in relation to 3Q06 and 2Q07, due to the variation in gasoline and alcohol costs referred to above. In 9M07 the cost of products sold of DPPI accumulated R$ 2,372 million, down 5% in comparison with 9M06.

**Gross income**

The gross income of DPPI in 3Q07 recorded growth of 1% over 3Q06, down 5% in comparison with 2Q07. In 9M07 the gross income of DPPI accumulated R$ 148 million, an increase of 5% in comparison with 9M06.

**General, administrative and sales expenses**

The general, administrative and sales expenses of DPPI amounted to R$ 34 million in 3Q07, down 18% in relation to the same prior-year period, mainly on account of a non-recurrent expense of R$ 6.0 million with ICMS in the State of São Paulo in 3Q06. In relation to 2Q07, general, administrative and sales expenses presented a reduction of 8%, resulting from extraordinary expenses in 2Q07 related to the demobilization of the corporate structure that supported the previous controlling shareholders.

In 9M07 general, administrative and sales expenses came to R$ 108 million, 3% lower than the sum in 9M06.

**Financial result**

The increase of R$ 1.3 million in the comparison of 3Q07 with 3Q06, results from higher revenue with a financial investment due to the increase of average cash in the period. In comparison with 2Q07 there was an increase in revenue from financial investments of R$ 1.4 million and in interest of customers of R$ 0.3 million. In 9M07 in relation to 9M06, the reduction of R$ 1.4 million can be explained by the downslide in the revenue from interest due to delinquency of customers.

**Other Nonoperating Results**

The reduction of R$ 27.7 million in 3Q07 in relation to 3Q06 occurred due to the recognition of the gain by variation of the percentage of equity interest in MaxFácil in 2006 (R$ 27.4 million). This same event justifies the variation between 9M07 and 9M06.

**Equity Accounting in Subsidiaries and Affiliated Companies**

Equity in the income of subsidiaries and affiliated companies (EQP) in 3Q07 was R$ 6.8 million higher than 3Q06 basically due to EQP originating from CBPI (+R$ 5.7 million). The same occurred when we compare the 9M07 with 9M06 (+R$ 16.2 million), when CBPI s EQP rose R$ 11.7 million.

**Income and social contribution taxes**

The variation observed between 3Q07 and 3Q06 resulted from the higher taxable income in 2007. In the comparison of 9M07 and 9M06 the distribution of interest on own capital (JCP) stands out in 2Q06.

Table of Contents

**Net income**

The net income of 3Q07 decreased R$ 16.5 million and R$ 3.2 million, when compared with 3Q07 and 2Q07, respectively. In the annual comparison, the result was R$ 13.5 million lower in 9M07 than in 9M06. The profit from the activity of 3Q07 decreased R$ 23.2 million and R$ 0.5 million when compared with 3Q06 and with 2Q07, respectively. In the annual comparison, the result was R$ 29.7 million lower in 9M07 than in 9M06.

**EBITDA**

The parent company s EBITDA in 3Q07 was R$ 4.9 million higher than 3Q06. In relation to the year, the growth of R$ 5.5 million over 9M06 resulted from the increase of gross income. The variation of consolidated EBITDA is justified by the variation of EBITDA of the parent company and by the variation of EBITDA of the subsidiary CBPI.

**(3) Investments Parent Company**

Investments made in 3Q07 add up to R$ 22.6 million (R$ 41.9 million in 9M07). Made in the form of acquisition of fixed assets (R$ 3.8 million in 3Q07 and R$ 9.6 million in 9M07), financing and bonuses to customers (R$ 17.6 million in 3Q07 and R$ 29.9 million in 9M07) and leasing of equipment (R$ 1.2 million in 3Q07 and R$ 2.4 million in 9M07), resources were invested in different sectors of the operating activity, such as:

Filling stations, seeking improvements in customer service, modernization of equipment, environmental protection and improvements at convenience stores.

Expansion of the network of filling stations with Natural Gas Vehicular.

Modernization of the distribution bases aiming at greater productivity and environmental protection.

Refinements relating to information technology.

Deducting divestitures and amortization of financing to customers, the net investment totaled R$ 12.5 million in 3Q07 (R$ 20.9 million in 9M07).

Table of Contents

**Management Report Consolidated**

The consolidated Interim Financial Information of Distribuidora de Produtos de Petróleo Ipiranga S.A., is presented basically, of its financial statements and the subsidiary Companhia Brasileira de Petróleo Ipiranga, publicy-held company, financial statements.

For the understanding of the consolidated performance, due to the aforementioned aspect, we recommend reading the Interim Financial Information of Companhia Brasileira de Petróleo Ipiranga, which is published at CVM and Bovespa.

Table of Contents

**DISTRIBUIDORA DE PRODUTOS DE PETRÓLEO IPIRANGA S.A.**

**BALANCE SHEETS**

**SEPTEMBER 30, 2007 AND JUNE 30, 2007**

**(Unaudited)**

**(In thousands of Reais)**

| | | Parent Company | | Consolidated | |
|---|---|---|---|---|---|
| | Note | September 30, 2007 | June 30, 2007 | September 30, 2007 | June 30, 2007 |
| **Assets** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | | 8,631 | 13,604 | 42,946 | 20,911 |
| Temporary cash investments | | 51,798 | 49,384 | 215,406 | 133,322 |
| Trade accounts receivable | 5 | 149,926 | 141,628 | 1,284,561 | 1,270,103 |
| Debentures and bonus of related parties | 6 | 83,852 | 81,562 | 117,886 | 114,661 |
| Inventories | 7 | 59,909 | 53,062 | 423,636 | 433,059 |
| Recoverable taxes | 8 | 6,702 | 11,976 | 99,886 | 76,309 |
| Deferred income and social contribution taxes | 9 | 3,678 | 3,234 | 43,569 | 41,771 |
| Subsidiary and affiliated companies | 6 | 2,245 | 2,356 | 4,440 | 3,043 |
| Prepaid expenses | 10 | 1,303 | 2,119 | 8,788 | 13,262 |
| Other accounts receivable | | 1,789 | 4,598 | 15,374 | 23,515 |
| | | 369,833 | 363,523 | 2,256,492 | 2,129,956 |
| **Noncurrent assets** | | | | | |
| **Long-term assets** | | | | | |
| Temporary cash investments | | | | 90,226 | 88,640 |
| Trade accounts receivable | 5 | 45,718 | 39,501 | 213,184 | 198,185 |
| Provision for doubtful accounts | | (12,800) | (11,937) | (12,819) | (11,937) |
| Subsidiary and affiliated companies | 6 | 1,052 | 1,052 | | |
| Recoverable taxes | | | | 3,146 | 2,985 |
| Deferred income and social contribution taxes | 9 | 11,992 | 11,545 | 47,186 | 46,722 |
| Judicial deposits | | 1,870 | 3,167 | 11,078 | 11,209 |
| Prepaid expenses | 10 | 2,759 | 2,905 | 18,915 | 17,742 |
| Other accounts receivables | | 762 | 110 | 8,396 | 8,387 |
| | | 51,353 | 46,343 | 379,312 | 361,933 |
| **Permanent assets Investments** | | | | | |
| Subsidiaries | 11 | 474,755 | 451,056 | 353,531 | 319,877 |
| Other investments | | 100 | 418 | 891 | 1,232 |
| | | 474,855 | 451,474 | 354,422 | 321,109 |
| **Property, plant and equipment** | 12 | 121,702 | 122,014 | 884,582 | 887,461 |
| **Deferred charges** | | | | 286 | 478 |
| | | 596,557 | 573,488 | 1,239,004 | 1,208,570 |

| | | | | |
|---|---|---|---|---|
| | 1,017,743 | 983,354 | 3,875,094 | 3,700,937 |

**DISTRIBUIDORA DE PRODUTOS DE PETRÓLEO IPIRANGA S.A.**

**BALANCE SHEETS**

**SEPTEMBER 30, 2007 AND JUNE 30, 2007**

**(Unaudited)**

**(In thousands of Reais)**

| | | Parent Company | | Consolidated | |
|---|---|---|---|---|---|
| | Note | September 30, 2007 | June 30, 2007 | September 30, 2007 | June 30, 2007 |
| **Liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Trade accounts payable | | 15,600 | 15,245 | 187,137 | 170,884 |
| Loans and financing | 13 | 30,546 | 2,441 | 299,166 | 89,765 |
| Salaries and vacation pay | | 3,758 | 3,427 | 36,964 | 46,606 |
| Profit participation | | 303 | 730 | 2,333 | 3,541 |
| Taxes payable | 14 | 2,491 | 2,708 | 131,899 | 96,505 |
| Provision for post-retirement benefits | 16 | 2,309 | 2,309 | 7,234 | 7,234 |
| Provision for variable remuneration | | 2,985 | 2,047 | 21,983 | 15,307 |
| Subsidiary and affiliated companies | 6 | 11,139 | 12,658 | 258,039 | 277,954 |
| Provision for contingences | 15 | 927 | 3,055 | 7,627 | 10,031 |
| Other accounts payable | | 3,663 | 4,785 | 36,865 | 15,298 |
| | | 73,721 | 49,405 | 989,247 | 733,125 |
| **Noncurrent liabilities** | | | | | |
| **Long-term liabilities** | | | | | |
| Loans and financing | 13 | 4,562 | 32,583 | 381,349 | 584,452 |
| Provision for post-retirement benefits | 16 | 27,920 | 27,920 | 74,174 | 74,174 |
| Provision for contingences | 15 | 1,569 | | 60,088 | 58,177 |
| Other | | | | 7,010 | 7,296 |
| | | 34,051 | 60,503 | 522,621 | 724,099 |
| **Minority interest** | | | | 1,453,255 | 1,370,267 |
| **Shareholders equity** | 20 | | | | |
| Capital | | 615,000 | 615,000 | 615,000 | 615,000 |
| Capital reserves | | 50 | 50 | 50 | 50 |
| Profit reserves | | 188,979 | 188,979 | 188,979 | 188,979 |
| Retained earnings | | 105,942 | 69,417 | 105,942 | 69,417 |
| | | 909,971 | 873,446 | 909,971 | 873,446 |
| | | 1,017,743 | 983,354 | 3,875,094 | 3,700,937 |

Table of Contents

**DISTRIBUIDORA DE PRODUTOS DE PETRÓLEO IPIRANGA S.A.**

**STATEMENTS OF INCOME**

**THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2007**

**(Unaudited)**

**(In thousands of Reais, except income per share)**

| | Note | Parent Company September 30, 2007 | Parent Company September 30, 2006 | Consolidated September 30, 2007 | Consolidated September 30, 2006 |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Sale of goods and/or service rendered | | 849,486 | 891,221 | 6,782,587 | 6,784,616 |
| **Deductions** | | | | | |
| Sales taxes, returns and discounts | | (22,896) | (21,447) | (173,633) | (149,872) |
| **Net revenues** | | 826,590 | 869,774 | 6,608,954 | 6,634,744 |
| **Cost of goods and services rendered** | | (780,538) | (824,325) | (6,253,860) | (6,318,972) |
| **Gross profit** | | 46,052 | 45,449 | 355,094 | 315,772 |
| **Operating (expenses) income** | | | | | |
| Selling expenses | | (22,949) | (19,981) | (122,961) | (111,657) |
| Administrative and general expenses | | (11,099) | (21,447) | (116,814) | (125,631) |
| Financial expenses | 19 | (1,368) | (4,008) | 26,288 | 19,024 |
| Financial income | 19 | 6,328 | 7,706 | (16,143) | (26,464) |
| Other operating income (expenses) | | (2,007) | 800 | 625 | 3,677 |
| Equity in income of subsidiaries and affiliated companies | | 26,997 | 20,234 | 33,657 | 20,314 |
| | | (4,098) | (16,696) | (195,348) | (220,737) |
| **Operating loss** | | | | | |
| Nonoperating income (expenses) | | (360) | 27,288 | (258) | 23,521 |
| **Net income before income and social contribution taxes contribuição social e das participações estatutárias and profit sharing** | | 41,594 | 56,041 | 159,488 | 118,556 |
| Income and social contribution taxes | 9 | (4,766) | (3,089) | (37,880) | (4,079) |
| Employees and directors profit sharing | | (303) | | (2,096) | (85) |
| | | | | (82,987) | (61,440) |
| **Net income for the period** | | 36,525 | 52,952 | 36,525 | 52,952 |
| **Net income per share R$** | | 1.14141 | 1.65475 | | |
| **Number of shares at period end** | | 32,000,000 | 32,000,000 | | |

F-385

Table of Contents

**DISTRIBUIDORA DE PRODUTOS DE PETRÓLEO IPIRANGA S.A.**

**STATEMENTS OF INCOME**

**NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2007**

**(Unaudited)**

**(In thousands of Reais, except income per share)**

| | | Parent Company | | Consolidated | |
|---|---|---|---|---|---|
| | Note | September 30, 2007 | September 30, 2006 | September 30, 2007 | September 30, 2006 |
| **Revenues** | | | | | |
| Sale of goods and/or service rendered | | 2,588,095 | 2,698,279 | 19,903,399 | 19,531,700 |
| **Deductions** | | | | | |
| Sales taxes, returns and discounts | | (68,408) | (63,089) | (495,079) | (491,743) |
| **Net revenues** | | 2,519,687 | 2,635,190 | 19,408,320 | 19,039,957 |
| **Cost of goods and services rendered** | | (2,371,690) | (2,493,721) | (18,389,034) | (18,104,769) |
| **Gross profit** | | 147,997 | 141,469 | 1,019,286 | 935,188 |
| **Operating (expenses) income** | | | | | |
| Selling expenses | | (66,093) | (61,477) | (341,980) | (326,597) |
| Administrative and general expenses | | (42,219) | (50,286) | (366,925) | (364,396) |
| Financial expenses | 19 | (4,695) | (15,198) | (45,763) | (47,431) |
| Financial income | 19 | 16,898 | 28,783 | 64,276 | 41,847 |
| Other operating income (expenses) | | (703) | 3,439 | 7,501 | 11,544 |
| Equity in income of subsidiaries and affiliated companies | | 72,824 | 56,592 | 99,731 | 65,465 |
| | | (23,988) | (38,147) | (583,160) | (619,568) |
| **Operating loss** | | | | | |
| Nonoperating income (expenses) | | (113) | 27,259 | 6,483 | 30,437 |
| **Net income before income and social contribution taxes contribuição social e das participações estatutárias and profit sharing** | | 123,896 | 130,581 | 442,609 | 346,057 |
| Income and social contribution taxes | 9 | (16,921) | (10,241) | (106,145) | (37,872) |
| Employees and directors profit sharing | | (1,033) | (931) | (5,637) | (4,416) |
| Minority interest | | | | (224,885) | (184,360) |
| **Net income for the period** | | 105,942 | 119,409 | 105,942 | 119,409 |
| **Net income per share R$** | | 3.31069 | 3.73153 | | |
| **Number of shares at period end** | | 32,000,000 | 32,000,000 | | |

Table of Contents

**DISTRIBUIDORA DE PRODUTOS DE PETRÓLEO IPIRANGA S.A.**

**OTHER INFORMATION**

**STATEMENTS OF CASH FLOWS**

**NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2007**

**(Unaudited)**

**(In thousands of Reais)**

| | Parent Company | |
|---|---|---|
| | September 30, 2007 | September 30, 2006 |
| **Cash flows from operating activities** | | |
| **Net income for the period** | 105,942 | 119,409 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 12,159 | 12,438 |
| Provision for contingencies | 9 | 320 |
| Equity in net income of subsidiaries and affiliated companies | (72,824) | (56,592) |
| Residual cost on disposal of fixed assets | 910 | 21,809 |
| Income and social contribution deferred taxes | 429 | (3,344) |
| Provision for pension and post-employment benefits | 474 | |
| Provision for doubtful accounts | 1,630 | 1,560 |
| Monetary/exchange variation over assets | (4,824) | (23,171) |
| Monetary/exchange variation over liabilities | 2,514 | 13,721 |
| Dividends received from interest on equity reserves in subsidiaries | 6,865 | 10,464 |
| Decrease in accounts receivable | 9,828 | 13,524 |
| Decrease in accounts receivable from related parties | 6,529 | (159) |
| Decrease in inventories | 8,063 | (9,954) |
| (Decrease) in trade account payable | (17,644) | (26,916) |
| Increase in accounts payable to related parties | 3,604 | 123 |
| Decrease in other account receivable | 16,616 | 1,176 |
| (Decrease) in other account payable | (4,201) | (6,027) |
| **Net cash used in operating activities** | 76,079 | 68,381 |
| **Cash flows from investment activities** | | |
| Purchases of investments | (5) | (48,871) |
| Purchases of property, plant and equipment | (9,605) | (18,766) |
| **Net cash (used in) investment activities** | (9,610) | (67,637) |
| **Cash flows from financing activities** | | |
| Proceeds from issuance of loans | 76,029 | 27,652 |
| Principal payments on loans and interests | (104,045) | (120,667) |
| Financing to customers (principal) | (29,906) | (17,440) |
| Payments of customers financing | 20,229 | 18,581 |
| Debentures payment to related parties | 12,206 | 117,644 |
| Interest on equity reserves payment | | (26,543) |
| **Net cash (used in) financing activities** | (25,487) | (773) |

| | | |
|---|---|---|
| **Increase (decrease) in cash and cash equivalents** | 40,982 | (29) |
| | | |
| **Balance of cash and cash equivalents** | | |
| At the beginning of the period | 19,447 | 31,106 |
| At the end of the period | 60,429 | 31,077 |
| | | |
| **Increase (decrease) in cash and cash equivalents** | 40,982 | (29) |

Table of Contents

**IDENTIFICATION**

**01.01 CAPITAL COMPOSITION**

| Number of shares<br>(Thousands) | Current quarter<br>09/30/2007 | Prior quarter<br>06/30/2007 | Same quarter in prior year<br>09/30/2006 |
|---|---|---|---|
| **Paid-up Capital** | | | |
| 1 - Common | 10,706,368 | 10,706,368 | 10,706,368 |
| 2 - Preferred | 21,293,632 | 21,293,632 | 21,293,632 |
| 3 - Total | 32,000,000 | 32,000,000 | 32,000,000 |
| **Treasury Stock** | | | |
| 4 - Common | | | |
| 5 - Preferred | | | |
| 6 - Total | | | |

**01.02 SUBSCRIBED CAPITAL AND ALTERATIONS IN THE CURRENT YEAR**

| 1 - ITEM | 2 - DATE OF ALTERATION | 3 - AMOUNT OF THE CAPITAL (IN THOUSANDS OF REAIS) | 4 - AMOUNT OF THE ALTERATION (IN THOUSANDS OF REAIS) | 5 - NATURE OF ALTERATION | 7 - NUMBER OF SHARES ISSUED (THOUSAND) | 8 - SHARE PRICE ON ISSUE DATE (IN REAIS) |
|---|---|---|---|---|---|---|
| 01 | 04/18/2007 | 615,000 | 60,000 | Profit reserve | 0 | 0,0000000000 |

F-388

Table of Contents

**DISTRIBUIDORA DE PRODUTOS DE PETRÓLEO IPIRANGA S.A.**

**NOTES TO THE INTERIM FINANCIAL INFORMATION**

**NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2007**

**(Unaudited)**

**(In thousands of Reais)**

## 1 Operations

Distribuidora de Produtos de Petróleo Ipiranga S.A. (the Company ) is a publicly-held Company with shares traded on the São Paulo Stock Exchange BOVESPA. Until April 18, 2007, the shareholder control was held by the families Bastos, Mello, Ormazabal, Tellechea and Gouvêa Vieira.

On April 18, 2007, Ultrapar Participações S.A. ( Ultrapar ), for itself and also as commission agent of Petróleo Brasileiro ( Petrobrás ) and Braskem S.A. ( Braskem ), acquired from the controlling shareholders of Ipiranga Group, 66.2% of the common shares and 13.9 % of the preferred shares issued by Refinaria de Petróleo Ipiranga S.A., 69.2% of the common shares and 13.5 % of the preferred shares issued by Distribuidora de Produtos de Petróleo Ipiranga S.A. and 3.8% of the common shares and 0.4 % of the preferred shares issued by Companhia Brasileira de Petróleo Ipiranga.

The Company, its subsidiaries and affiliated companies are engaged in the distribution of fuels, lubricants and related products, convenience stores and also the petrochemical business.

## 2 Presentation of the interim financial information

The interim financial information was prepared in accordance with accounting practices derived from the Brazilian Corporation Law and the rules of the Brazilian Securities and Exchange Commission (CVM).

With the objective of improving the presentation of the information provided to the market, the Company has presented, as supplementary information, the statement of cash flows prepared in accordance with NPC 20 Statement of Cash Flows, issued by IBRACON (Brazilian Institute of Independent Auditors).

## 3 Description of significant accounting policies

The main accounting practices adopted by the Company, its subsidiaries and affiliated companies in preparing the interim financial information are consistent with those adopted for the previous interim financial information and the financial statements as at December 31, 2006, as presented below:

### a. Temporary cash investments

Temporary cash investments are recorded at cost plus income accrued up to the interim financial information date, which do not exceed their market value.

### b. Provision for doubtful accounts

Provision for doubtful accounts was calculated at an amount considered adequate by management to cover any losses arising on collection of accounts receivable.

### c. Inventories

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

Table of Contents

**d. Investments in subsidiaries and affiliated companies**

Investments in subsidiaries and affiliated companies were valued using the equity method being recorded as operating results.

**e. Property, plant and equipment**

Property, plant and equipment are stated at acquisition or construction cost. Depreciation is calculated using the straight-line method, which takes into account the estimated useful lives of the assets. Leasehold improvements are depreciated over the effective contract terms or the useful life of the assets, if shorter.

**f. Loans and financing**

Stated at original amounts plus financial charges incurred pro rata temporis until the interim financial information date. Loans acquired in foreign currency were translated into reais using the spot exchange rate at the interim financial information date.

**g. Income and social contribution taxes**

The income and social contribution taxes, current and deferred (CVM deliberation no. 273/98), are calculated using the effective income and social contribution tax rates, as mentioned in note no. 9.

**h. Provision for contingences**

The provision for contingencies is recorded for contingent risks that represent an estimated probable loss, based on the opinion of the internal and external legal advisors and administrators, and recognized based on the estimated cost from the outcome of the lawsuits.

**i. Actuarial commitment with post-retirement benefits**

Actuarial commitments with the post-retirement benefits plan granted and to be granted to employees, retired employees and pensioners (net of plan assets) are provisioned based on the actuarial calculation prepared by an independent actuary in accordance with the projected credit unit method.

**j. Other assets and liabilities**

Other assets and liabilities, classified as current and non-current, are recorded based on the expected timeframe of realization or payment. These other assets and liabilities are stated at known or estimated amounts, plus, when applicable, the corresponding incomes, charges and monetary and exchange variations incurred up to the balance sheet date.

**k. Statement of income**

Revenue from the sale of goods is recognized in the statement of income when the significant risks and rewards of ownership have been transferred to the buyer. Other revenues, expenses and costs are recognized when incurred and/or realized. The income statement includes surplus, charges and monetary and exchange variations, as determined by the contracts and official rates applicable to current and non-current assets and liabilities and, when applicable, the effects of the market value adjustments or realization.

**l. Accounting estimates**

The preparation of interim financial information in accordance with accounting practices adopted in Brazil requires management to make estimates and assumptions for the Company and its subsidiaries that affect the

Table of Contents

reported amounts of assets and liabilities at the balance sheet dates and the reported amounts of revenues, costs and expenses for the years presented. Although these estimates are based on management s best available knowledge of current and expected future events, actual results could differ from these estimates.

**4 Consolidation criteria**

The consolidated interim financial information was prepared in accordance with basic consolidation principles derived from the Brazilian Corporation Law and the rules of the Brazilian Securities and Exchange Commission (CVM), which comprise Distribuidora de Produtos de Petróleo Ipiranga S.A. (parent company) and the following subsidiaries:

| | Location | Direct | Indirect |
|---|---|---|---|
| Companhia Brasileira de Petróleo Ipiranga(*) | Brazil | 21.0134 | |
| ISA-Sul Administração e Participações Ltda. | Brazil | 99.9995 | |
| Comercial Farroupilha Ltda. | Brazil | 99.9998 | 0.0002 |
| Ipiranga Asfaltos S.A. | Brazil | 0.0083 | 99.9917 |
| Tropical Transporte Ipiranga Ltda. | Brazil | 0.0032 | 99.9968 |
| Ipiranga Comercial Importadora e Exportadora Ltda. | Brazil | 1.0000 | 99.0000 |
| Ipiranga Imobiliária Ltda. | Brazil | 0.0001 | 99.9999 |
| am/pm Comestíveis Ltda. | Brazil | 0.0001 | 99.9999 |
| Empresa Carioca de Produtos Químicos S.A. | Brazil | | 99.9980 |
| Ipiranga Logística Ltda. | Brazil | 1.0000 | 99.0000 |
| Maxfácil Participações S.A(**) | Brazil | 16.0000 | 34.0000 |
| Ipiranga Administração de Bens Móveis Ltda. | Brazil | 99.9900 | 0.0100 |
| Ipiranga Trading Ltd. | British Virgin Island | | 100.0000 |

(*) Of the 35,409 thousand of ordinary shares of Companhia Brasileira de Petróleo Ipiranga, Distribuidora de Produtos de Petróleo Ipiranga S.A. holds 22,264 thousand shares, which correspond to 62.88% of the voting capital.

(**) Shared control with Companhia Brasileira de Petróleo Ipiranga, which holds an investment interest of 34%, and with União de Bancos Brasileiros S.A. UNIBANCO, which holds 50%.

The consolidated financial information was prepared adopting, the following practices:

**a.** The parent company and its subsidiaries adopt uniform accounting practices to record operations and for valuing balance sheet items;

**b.** Elimination of the results of the balance sheet accounts and the results of transactions between the parent company and the subsidiaries have been eliminated; and

**c.** Identification of minority interests in the consolidated financial information.

Table of Contents

**5 Trade accounts receivable**

| | September 30, 2007 | June 30, 2007 |
|---|---|---|
| Domestic market: | | |
| Trade receivables | 129,376 | 125,150 |
| Financing to customers | 62,890 | 52,986 |
| Foreign market: | | |
| Trade receivables | 3,378 | 2,993 |
| | 195,644 | 181,129 |
| (-) Current | 149,926 | 141,628 |
| Non-current | 45,718 | 39,501 |

The non-current amount refers mainly to financing provided to customers for renewal and modernization of gas stations, product acquisition and market development.

**6 Subsidiaries and affiliated companies**

The transactions performed between the Company s subsidiaries and between the Company and other affiliated companies are carried out at market prices and similar conditions to those practiced with third parties and are described as follows:

| Company | Current account receivables | Current Bonus and Debentures | Non-current account receivables | Current account payables | Sales | Purchases | Financial results |
|---|---|---|---|---|---|---|---|
| Companhia Brasileira de Petróleo Ipiranga | 785 | | 1,052 | 846 | 14,048 | 18,436 | |
| Isa-Sul Administração e Participações Ltda. | 144 | | | 558 | 97 | 491 | |
| Ipiranga Petroquímica S.A. | 5 | | | 74 | 136 | 1,029 | |
| Refinaria de Petróleo Ipiranga S.A. | 111 | 36,849(b) | | 3,536 | 225 | 522,970(c) | 2,346 |
| Ipiranga Química S.A. | 10 | 47,003(a) | | 51 | | 426 | 4,817 |
| Comercial Farroupilha Ltda. | 1,073 | | | 32 | 19,672 | 281 | |
| Tropical Transportes Ipiranga Ltda. | 15 | | | 517 | 4 | 13,011 | |
| Copesul-Companhia Petroquímica do Sul | 3 | | | 226 | 25 | 8,145 | |
| Refinaria Alberto Pasqualini S.A. | 75 | | | 2,097 | 783 | 1,589,667 | |
| Petróleo Brasileiro S.A. | | | | 2,644 | | 20,462 | |
| Others | 24 | | | 558 | 1,065 | 4,721 | |
| Total as of September 30, 2007 | 2,245 | 83,852 | 1,052 | 11,139 | 36,055 | 2,179.639 | 7,163 |
| Total as of June 30, 2007 | 2,356 | 81,562 | 1,052 | 12,658 | 24,081 | 1,452,609 | 4,877 |
| Total as of September 30, 2006 | | | | | 14,852 | 1,915,560 | 4,875 |

(a) On June 12, 2003, Distribuidora de Produtos de Petróleo Ipiranga (DPPI) subscribed in full to 11,000 debentures, Series A, for the nominal amount of R$ 10 each, amounting to R$ 110,000, issued by Ipiranga

Table of Contents

Química (IQ). The remuneration for the debentures corresponds to the Interbank Deposit Certificate (CDI), plus spread subject to six-month period. This spread, from December 1, 2005 is set at 1% per year. In 2007, IQ surrender 636 debentures, Series A per R$ 12,206, with R$ 6,360 as principal and R$ 5,846 as interest. On September 30, 2007 after several surrenders by IQ, DPPI remained with 2,489 debentures. For this quarter, the financial income from the remuneration of these debentures amounted to R$ 1,519 (R$ 3,805 at September 30, 2006).

(b) Through the Understanding Protocol signed on October 3, 2005, Distribuidora de Produtos de Petróleo Ipiranga S.A. (DPPI), Companhia Brasileira de Petróleo Ipiranga (CBPI) and Refinaria de Petróleo Ipiranga S.A. (RPI), agreed to hold the Extraordinary General Meeting (AGE) of Ipiranga Química (IQ) which defined the change in the debenture category, issued by IQ on June 2003 from convertible to non-convertible shares and the issuance of subscription bonus to be delivered to DPPI and CBPI, without encumbrance, to substitute the conversion rights.

The aforementioned AGE was held on October 6, 2005 and all of the transactions foreseen in the Understanding Protocol were rendered. On December 1st, 2005 an agreement was signed for the sale and purchase and DPPI sold its subscription bonus to Refinaria de Petróleo Ipiranga S.A., amounting to R$ 29 million and as consequence, kept its participation in IQ. The referred amount will be paid by RPI to DPPI by October 3, 2007, remunerated by the Interbank Deposit Certificates(CDI). For this quarter, the financial income from this transaction amounted to R$ 998. (R$ 1,114 at September 30, 2006)

(c) The acquisitions of goods from Refinaria de Petroleo Ipiranga include taxes charged through taxation substitution, which are not revenues for Refinaria de Petroleo Ipiranga S.A.

**7 Inventories**

| | **September 30, 2007** | **June 30, 2007** |
|---|---|---|
| Fuel | 42,648 | 32,661 |
| Lubricant and grease | 3,823 | 3,633 |
| Raw material, packing and storage | 13,438 | 16,768 |
| | 59,909 | 53,062 |

**8 Recoverable taxes**

| | **September 30, 2007** | **June 30, 2007** |
|---|---|---|
| Income tax | 4,759 | 9,016 |
| Value Added Tax on Sales and Services ICMS | 1,582 | 2,147 |
| Excise Tax IPI | 351 | 806 |
| Other taxes | 10 | 7 |
| | 6,702 | 11,976 |

Table of Contents

## 9 Income and social contribution taxes

### a. Deferred

The register of the deferred tax asset is based upon the Company s past profitability, and considers the Company s budget which projects profitable operations to enable the realization of these credits within a period not exceeding 10 years. The basis for the constitution of these tax assets are as follows:

| | September 30, 2007 | June 30, 2007 |
|---|---|---|
| **Assets** | | |
| Provision for post-retirement benefits | 30,229 | 30,229 |
| Provision for contingencies | 2,602 | 3,055 |
| Provision for variable remuneration | 2,985 | 2,047 |
| Provision for losses on taxes | 5,550 | 6,035 |
| Other provisions | 4,722 | 2,101 |
| Calculation basis | 46,088 | 43,467 |
| Tax rate | 34% | 34% |
| Deferred income and social contribution taxes | 15,670 | 14,779 |
| (-) Current | 3,678 | 3,234 |
| Non-current | 11,992 | 11,545 |

### b. Estimated recovery of deferred income tax and social contribution

The estimated recovery of deferred income and social contribution tax is based on projections of taxable income.

Considering that the fiscal credits relate mainly to temporary differences (provision for contingencies and provision for post-retirement benefits granted and to be granted), the realization of credits will occur with the settlement of the correspondent liability. Management, based on the estimate of the final decision on the existing claims and considering the nature of the provisions which gave rise to such, estimates the recovery of these credits as follows:

| | |
|---|---|
| 2007 | 3,678 |
| 2008 | 3,218 |
| 2009 | 919 |
| 2010 | 906 |
| 2011 to 2013 | 3,121 |
| 2014 to 2016 | 3,828 |
| | 15,670 |

Table of Contents

**c. Reconciliation of income and social contribution taxes in the statements of income**

| | September 30, 2007 | September 30, 2006 |
|---|---|---|
| **Reconciliation of income and social contribution taxes in the statements of income** | | |
| Income before taxes, equity in income of subsidiary and affiliated companies and minority interest | 50,039 | 45,700 |
| Tax rate | 34% | 34% |
| **Income and social contribution taxes at official rates** | 17,013 | 15,538 |
| **Adjustments to the effective tax rate** | | |
| Non-deductible expenses | 124 | 437 |
| Interest on equity reserve | | (5,467) |
| Workers Meal Program PAT | (17) | |
| Cultural projects | (199) | (267) |
| **Income and social contribution taxes in the statements of income** | 16,921 | 10,241 |
| Current | 16,492 | 13,585 |
| Deferred | 429 | (3,344) |

**10 Prepaid expenses**

| | September 30, 2007 | June 30, 2007 |
|---|---|---|
| Rent | 3,345 | 3,491 |
| Advertising | 359 | 742 |
| Insurance | 60 | 137 |
| Other | 298 | 654 |
| | 4,062 | 5,024 |
| (-) Current | 1,303 | 2,119 |
| Non-current | 2,759 | 2,905 |

**11 Investments**

The main activities undertaken by the affiliated companies are as follows:

**CBPI** Companhia Brasileira de Petróleo Ipiranga: distribution of fuels, lubricants and related products;

**Tropical** Tropical Transportes Ipiranga Ltda.: fuel transportation, chemical products, lubricants and general products transportation;

**IASA** Ipiranga Asfaltos S.A.: development, production and distribution of asphalt products;

**COFAL** Comercial Farroupilha Ltda,: franchise of fuel stations, including convenience stores and jet oil automotive units;

**Isa-Sul** Isa-Sul Administração e Participações Ltda.: provide technical, administrative, commercial and marketing assistance for operating franchises of am/pm, and also administration of real estate;

**Maxfácil** Maxfácil Participações S.A.: investments in other companies;

**IABM** Ipiranga Administração de Bens Móveis Ltda.: provide real estate services;

**ILL** Ipiranga Logística Ltda.: provide logistic services,

Table of Contents

| | CBPI | Tropical | IASA | COFAL | Isa-Sul | Maxfácil | Iabm | ILL | Total September 30, 2007 | Total June 30, 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Information on the investees** | | | | | | | | | | |
| Number of shares or quotas owned | | | | | | | | | | |
| Common shares (thousand) | 35,409 | | 16,008 | | | 22 | | | | |
| Preferred shares (thousand) | 70,543 | | | | | | | | | |
| Quotas (thousand) % of | | 254 | | 1,615 | 46,869 | | 10 | 510 | | |
| Capital | 21,0134 | 0,0032 | 0,0083 | 99,9998 | 99,9991 | 16,0000 | 99,9900 | 1,0000 | | |
| Voting capital | 62,8765 | 0,0032 | 0,0083 | 99,9998 | 99,9991 | 16,0000 | 99,9900 | 1,0000 | | |
| Total of shares / quotas (thousand) | 22,264 | | 1 | 1,615 | 46,869 | 4 | 10 | 5 | | |
| Equity | 1,839,874 | 14,976 | 32,024 | 1,135 | 57,323 | 185,371 | 10 | 617 | | |
| Net income for the period | 284,709 | 2,495 | (1,326) | 206 | 11,140 | 10,334 | | 108 | | |
| **Movement of balances** | | | | | | | | | | |
| Balances as of December 31, 2006 | 326,793 | 1 | 1 | 929 | 53,050 | 28,007 | 10 | | 408,791 | 408,791 |
| Additions | | | | | | | | 5 | 5 | 5 |
| Equity in net income of subsidiaries and affiliated companies | 59,827 | | | 205 | 11,139 | 1,653 | | | 72,824 | 45,827 |
| Dividends received/to be received | | | | | (6,865) | | | | (6,865) | (3,567) |
| | 386,620 | 1 | 1 | 1,134 | 57,324 | 29,660 | 10 | 5 | 474,755 | 451,056 |

**12 Property, plant and equipment**

| | Annual depreciation rates % | Cost | Accumulated depreciation | September 30, 2007 Net | June 30, 2007 Net |
|---|---|---|---|---|---|
| Land | | 12,973 | | 12,973 | 12,509 |
| Buildings | 4 | 27,532 | (9,161) | 18,371 | 17,502 |
| Equipment and fixtures for the distribution of fuels / lubricants | 10 | 143,140 | (89,402) | 53,738 | 54,225 |
| Furniture, fixture and vehicles | 16 | 30,338 | (22,142) | 8,196 | 8,866 |
| Leasehold improvements(1) | 6 | 31,973 | (13,102) | 18,871 | 17,734 |
| Construction in progress(2) | | 9,223 | | 9,223 | 11,154 |
| Advances to suppliers | | 330 | | 330 | 24 |
| | | 255,509 | (133,807) | 121,702 | 122,014 |

(1) Leasehold improvements in gas stations are depreciated over the effective contract terms or the useful life of the assets, if shorter.

(2) Construction in progress refers to the construction and update of gas stations and fuel distribution bases.

Table of Contents

## 13 Loans and financing

| Characteristics | September 30, 2007 Current | September 30, 2007 Non current | June 30, 2007 Current | June 30, 2007 Non current | Interest | Guaranties |
|---|---|---|---|---|---|---|
| **Local currency** | | | | | | |
| Finame | 2,354 | 4,562 | 2,441 | 5,154 | TJLP + interest of 3.8% a 5.1% p,a, | Surety and chattel mortgage |
| Banks | 28,192 | | | 27,429 | 100,0% do CDI | Debentures |
| Total | 30,546 | 4,562 | 2,441 | 32,583 | | |

TJLP Long term interest rate

CDI Interbank Deposit Certificate

**(a) Long term maturity**

The non-current amount matures as follows:

| | September 30, 2007 | June 30, 2007 |
|---|---|---|
| Maturity: | | |
| 2008 | 2,197 | 28,940 |
| 2009 | 1,523 | 2,049 |
| 2010 | 842 | 1,564 |
| 2011 | | |
| | 4,562 | 32,553 |

## 14 Taxes payable

| | September 30, 2007 | June 30, 2007 |
|---|---|---|
| Social contribution tax | 137 | 500 |
| PIS | 131 | 116 |
| COFINS | 607 | 529 |
| ICMS | 983 | 897 |
| Other | 633 | 666 |
| | 2,491 | 2,708 |

Table of Contents

**15 Contingences**

**a. Contingent liabilities Probable**

Based on information from its legal advisors, an analysis of the pending legal proceedings, and previous experience with regards to amounts claimed, management recorded provisions for amounts considered sufficient to cover probable losses from the current actions, as follows:

| | Contingencies | | Judicial deposits | | Net | |
|---|---|---|---|---|---|---|
| | **September 30, 2007** | **June 30, 2007** | **September 30, 2007** | **June 30, 2007** | **September 30, 2007** | **June 30, 2007** |
| Tax | 846 | 824 | | | 846 | 824 |
| Civil | 53 | 72 | | | 53 | 72 |
| Labor | 1,703 | 2,159 | 106 | | 1,597 | 2,159 |
| Total | 2,602 | 3,055 | 106 | | 2,496 | 3,055 |
| (-) Current | 927 | 3,055 | | | 927 | 3,055 |
| Non-current | 1,675 | | 106 | | 1,569 | |

***Additional information:***

**Tax lawsuits**

At September 30, 2007 and June 30, 2007, fiscal lawsuits refer mainly to taxation of Value-Added Tax on Sales and Services (ICMS) in the State of Mato Grosso due to the fuel alcohol acquisition at the Company s paulista branch , destined for sale in the State of Rio Grande do Sul state, due to noncompliance with the accessory obligation foreseen in the ICMS Agreement 54/02.

**Labor lawsuits**

At September 30, 2007 and June 30, 2007, labor lawsuits of the Company and its subsidiaries refer mainly to lawsuits filed by former employees and outsourced professionals claiming payroll charges, such as overtime, hazardous duty premium, etc. The decrease presented refers to the calculation review of the lawsuits.

**b. Contingent liabilities Possible**

The lawsuits considered as representing possible risk of losses by management, based on the opinion of the internal and external legal advisors, are not provisioned in the interim financial information and comprise of:

| | **September 30, 2007** | **June 30, 2007** |
|---|---|---|
| Tax | 31,402 | 31,841 |
| Civil | 1,889 | 742 |
| Labor | 4,614 | 726 |
| | 37,905 | 33,309 |

***Additional information:***

**Tax lawsuits**

At September 30, 2007, fiscal lawsuits in this classification related mainly to: (1) demand to revert ICMS credits in operations with anhydrous alcohol in the State of Sao Paulo; (2) demand to revert ICMS credits, supposedly transferred to third parties for amounts in excess of those allowed by the São Paulo state law;

Table of Contents

(3) demand of social security contributions supposedly owned by third parties, services entities, which did not prove clearly its payments; (4) non-homologation of IPI credits originated from manufacturing materials purchases and (5) assessment due to invoices issued without physical delivery of the good (anhydrous alcohol) from transactions of loan returns of products made to plant producer in the State of São Paulo.

**Civil lawsuits**

At September 30, 2007 and June 30, 2007, civil lawsuits were mostly litigation of indemnity due to the lease agreement, commercial and service rendering by the Company. The variation presented refers to the review of the calculation of the lawsuits.

**Labor lawsuits**

At September 30, 2007 and June 30, 2007, labor lawsuits in this classification mostly referred to cases brought by former employees and outsourced personnel, claiming for salary payments. The variation verified for this quarter is due to the review of the calculation of the lawsuits and inclusion of some suits that has not been recorded in internal controls.

**c. Contingent assets**

**Tax lawsuits**

The Company and its subsidiaries have filed administrative and judicial claims at Federal and State courts to recover improper payment or overpayment of taxes, charges and contributions, which may, when ended, represent income which, given its contingent nature, has not been recorded at September 30, 2007 and June 30, 2007 in the interim financial information.

As a result of the changes in lawsuits, management, based on its legal counsel, has classified the lawsuit as having a probable successful outcome. At September 30, 2007 and June 30, 2007, the aforementioned lawsuits have been summarized as follows:

| | September 30, 2007 | June 30, 2007 |
|---|---|---|
| **Federal** | | |
| FGTS Refund of contribution | | 27 |
| PIS/COFINS Increase in tax basis | 8,144 | 8,033 |
| | 8,144 | 8,060 |
| **State** | | |
| State income surtax AIRE | 1,711 | 1,694 |

**16 Provision for post-retirement benefits**

The Company, jointly with other Petróleo Ipiranga Companies, sponsors Fundação Francisco Martins Bastos, a separate entity offering complementary private pensions, whose retirement supplement plan covers all employees.

The accumulated amount of the Company s contribution, for the period ended September 30, 2007, was R$ 498. (R$ 685 at September 30, 2006)

Net liabilities registered on September 30, 2007, was R$ 30,229, of which R$ 2,309 has been recorded as current liabilities and R$ 27,920 as non-current liabilities.

These additional retirement benefits were calculated in an actuarial evaluation conducted by independent actuaries Towers Perrin Forster & Crosby Ltda.

Table of Contents

Actuarial liabilities at September 30, 2007, reflect the appraisal report prepared by the independent actuary on May 30, 2007, maintaining the biometric assumptions and rates disclosed in the financial statements as of December 31, 2006.

**17 Shareholders equity**

**a. Capital**

At September 30, 2007, capital was represented by 32,000,000 shares with no par value, composed of 10,706,368 common shares and 21,293,632 preferred shares.

Preferred shares have no voting rights and are entitled to dividends 10% higher than those paid on common shares and have priority in the distribution of dividends and in the reimbursement of capital, in the event of the Company s liquidation.

The Extraordinary General Meeting, held on April 18, 2007, approved the increase in capital from R$ 555,000 to R$ 615,000, through capitalization of part of the revenue reserve for working capital (R$60,000), with no new shares issue.

**b. Reserves**

The Company s by-laws determine that the residual amount in the retained earnings account, after income distribution, shall be transferred to the working capital reserve, conservation and improvement of facilities, up to the limit of the capital account. Any remaining amounts should be incorporated as part of capital, through Ordinary Stockholders approval of year-end financial statements.

| | September 30, 2007 | June 30, 2007 |
|---|---|---|
| **Capital reserve** | | |
| Subsidy for investments (income tax fiscal incentives) | 50 | 50 |
| | 50 | 50 |
| **Profit reserves** | | |
| Legal | 59,921 | 59,921 |
| Working capital | 129,058 | 129,058 |
| | 188,979 | 188,979 |

**c. Distribution of dividends**

Shareholders are guaranteed an annual distribution of the minimum mandatory dividends corresponding to 30% of the net profit for the fiscal period, after 5% has been set aside for the legal reserve. Shareholders holding preferred shares are entitled to receive dividends or interest on own capital 10% higher than those holding common shares.

**18 Sureties and warranties provided**

In the normal course of business, the Company issues sureties, warranties and pledges on certain fund-raising transactions carried out by affiliates and direct or indirect subsidiaries.

At September 30, 2007, the amounts that refer to these transactions and guaranteed by DPPI are as follows:

| Guarantee | Guaranteed | September 30, 2007 | June 30, 2007 | Maturity |
|---|---|---|---|---|
| DPPI | CBPI | 2,674 | 3,096 | 2009 |
| DPPI | IQ | 1,394 | 1,512 | 2010 |
| DPPI | IQAG | 489 | 531 | 2010 |
| | | 4,557 | 5,139 | |

DPPI Distribuidora de Produtos de Petróleo Ipiranga S.A.

CBPI Companhia Brasileira de Petróleo Ipiranga

IQ Ipiranga Química S.A.

IQAG Ipiranga Química Armazéns Gerais Ltda.

**19 Financial instruments**

Considering the terms of CVM Instruction 235/95, the Company and its subsidiaries conducted an evaluation of current book assets and liabilities in relation to their market values, based on information available and appropriate evaluation methodologies. The Market values of the Company s main financial instruments are close to their book values. However, the interpretation of market data and the selection of evaluation methods require considerable judgment and reasonable estimates to produce the most appropriate realization value. As a result, the estimates presented do not necessarily indicate the amounts that may be realized in the current market. The use of different market assumptions and/or estimate methodologies may have a material effect on the estimated market values.

The Company and its subsidiaries take part in transactions that involve financial instruments, registered in equity accounts, used to meet requirements and reduce exposure to credit, market and currency risks. Administration of these risks is carried out by defining strategies, establishing control systems and defining position limits.

The main bases for the financial instruments affecting the Company s businesses are listed below:

**a. Currency risk**

This risk arises from the possibility of the Company incurring significant losses because of fluctuations in exchange rates which may affect foreign currency loan and finance balances.

**b. Credit risk**

The risk of the Company incurring losses following defaults on customer financing and accounts receivable. In order to reduce this type of risk, the Company has a policy for granting credit and executes supply agreements with its customers obtaining real guarantees for significant balances.

**c. Interest rate risk**

This risk arises from the possibility of the Company incurring losses due to interest rate fluctuations that increase financial expenses on loans and financing raised on the markets. The Company continuously monitors market interest rates in order to evaluate the need for hedging against interest rate volatility.

Table of Contents

**d. Financial result**

| | September 30, 2007 | September 30, 2006 |
|---|---|---|
| **Financial income** | | |
| Interest and monetary variation | 15,723 | 27,876 |
| Exchange rate variation | 71 | 92 |
| Other | 1,104 | 815 |
| | 16,898 | 28,783 |
| **Financial expenses** | | |
| Interest and monetary variation | (3,749) | (14,362) |
| Exchange rate variation | (328) | (218) |
| Other | (618) | (618) |
| | (4,695) | (15,198) |
| Net financial result | 12,203 | 13,585 |

**20 Insurance**

The Company has an insurance and risk management program that provides coverage and protection for all insurable assets, including insurance coverage for risks arising from suspended production, in an operational risk policy negotiated with national and international insurers through the Brazilian Reinsurance Institute.

Coverage and limits insured in the contracted policies are based on rational studies of risks and losses carried out by local insurance consultants, and the board believes that the type of insurance contracted is sufficient to cover any claims that may occur, in light of the nature of the Company s activities.

Main insurance coverage is related to operating risks, loss of profits, industrial multi-risk, office multi-risk, named risks pools and civil liability.

**21 Subsequent events**

As mentioned in Note 1, in April, 2007 Ultrapar acquired the control of certain companies from the Ipiranga Group. The acquisition process is structured in four stages. The first stage was concluded on April 18 with the control transference. Currently the second stage of the process is being concluded, which is the accomplishment of tag along public offering (OPA) by Refinaria de Petróleo Ipiranga S.A. (RPI), Distribuidora de Produtos de Petróleo Ipiranga S.A. (DPPI) and Companhia Brasileira de Petróleo Ipiranga S.A. (CBPI). On October 22, the auctions were made through public offering by DPPI and RPI. A total of 1,274,718 shares were acquired by DPPI, equivalent to 77% of the shares offered by the target and 2,771,781 shares by RPI, equivalent to 82% of the shares offered by the target. The auction of OPA by CBPI is anticipated for November 8, 2007.

Table of Contents

**Investments in Subsidiaries and/or affiliates**

| 1 - Item | 2 - Company name | 3 - Corporate taxpayer number (CNPJ) | 4 - Classification | 5 - % of ownership interest in investee | 6 - % of investor s stakeholders equity | 7 - Type of company | 8 - Number of shares held in the current quarter (in thousands) | 9 - Number of shares held in the prior quarter (in thousands) |
|---|---|---|---|---|---|---|---|---|
| 01 | Cia Brasileira de Petróleo Ipiranga | 33.069.766/0001-81 | Publicy-held subsidiary | 21.01 | 42.49 | Commercial, industrial and other | 22,264,146 | 22,264,146 |

Note: This information is an integral part of the interim financial information as required by the CVM.

F-403

Table of Contents

# *Companhia Brasileira de Petróleo Ipiranga*

*Interim Financial Information*

*Nine-month period ended*

*September 30, 2007*

*(A translation of the original interim financial information in Portuguese, prepared in accordance with accounting principles derived from the Brazilian Corporation Law and rules of the Brazilian Securities and Exchange Commission (CVM))*

F-404

Table of Contents

**Management Report Parent Company**

**(1) Economic Indicators Parent Company**

Companhia Brasileira de Petróleo Ipiranga CBPI operates in the distribution of fuels and lubricants almost all over Brazil, excepting for the states of Roraima, Amapá, Rio Grande do Sul and in the Western and Southern regions of Santa Catarina, whereas the last two states constitute the area of activity of Distribuidora de Produtos de Petróleo Ipiranga DPPI.

| (R$ Milllion) | 3T07 | 3T06 | 2T07 | Variation 3T07 x 3T06 | Variation 3T07 x 2T07 | 9M07 | 9M06 | Variation 9M07 x 9M06 |
|---|---|---|---|---|---|---|---|---|
| Net sales | 5,699.8 | 5,657.4 | 5,573.9 | 1% | 2% | 16,546.0 | 16,120.6 | 3% |
| Cost of goods | (5,418.4) | (5,413.7) | (5,310.8) | 0% | 2% | (15,747.6) | (15,398.3) | 2% |
| Gross profit | 281.5 | 243.7 | 263.1 | 16% | 7% | 798.5 | 722.3 | 11% |
| Sales, general and administrative expenses | (192.3) | (181.5) | (181.7) | 6% | 6% | (560.2) | (539.5) | 4% |
| Other operating results | | | | | | | | |
| Operating income | 89.2 | 62.1 | 81.4 | 44% | 10% | 238.3 | 182.8 | 30% |
| Financial Result | (0.6) | (13.5) | (1.7) | -96% | -65% | (4.9) | (18.8) | -74% |
| Equity in income of subsidiaries and associated companies | 47.1 | 31.4 | 41.5 | 50% | 13% | 129.2 | 90.3 | 43% |
| Other nonoperating results | (0.0) | (6.0) | (0.5) | -100% | -99% | 5.8 | (0.4) | -1514% |
| **Net income before income and social contribution taxes** | 135.7 | 74.1 | 120.8 | 83% | 12% | 368.4 | 253.9 | 45% |
| Income and social contribution taxes | (28.9) | 3.7 | (25.8) | -878% | 12% | (79.1) | (18.0) | 339% |
| Profit sharing | (1.8) | | (2.8) | | | (4.6) | (3.3) | 38% |
| Net income | 105.1 | 77.8 | 92.1 | 35% | 14% | 284.7 | 232.5 | 22% |
| EBITDA | 108.4 | 82.8 | 99.7 | 31% | 9% | 296.9 | 240.4 | 23% |
| EBITDA Consolidated | 122.9 | 96.4 | 110.4 | 27% | 11% | 332.2 | 278.1 | 19% |

**(2) Performance analysis- Parent Company**

| Volume in 000 m3 | 3T07 | 3T06 | 2T07 | Variation 3T07 X 3T06 | Variation 3T07 X 2T07 | 9M07 | 9M06 | Variation 9M07 X 9M06 |
|---|---|---|---|---|---|---|---|---|
| Diesel oil | 2,137 | 2,079 | 2,032 | 3% | 5% | 6,048 | 5,846 | 3% |
| Gasoline | 779 | 805 | 781 | -3% | 0% | 2,336 | 2,368 | -1% |
| Fuel alcohol | 288 | 152 | 224 | 89% | 29% | 724 | 413 | 75% |
| Natural Gas Vehicular | 74 | 69 | 76 | 8% | -2% | 223 | 193 | 15% |
| Fuel oils and kerosene oil | 42 | 41 | 41 | 3% | 4% | 121 | 140 | -14% |
| Fuels and lubricants | 40 | 37 | 38 | 9% | 6% | 112 | 100 | 12% |
| **Total** | **3,360** | **3,183** | **3,191** | **6%** | **5%** | **9,563** | **9,061** | **6%** |

The growth of the market for vehicles and improvements in the legislation and in inspection promoted in the sector throughout 2007, such as ANP Resolution 07, the deployment of CODIF/Passe Fiscal and the addition of dye in anhydride alcohol, had a positive influence to the volume sold by CBPI, which amounted to 3,360 thousand cubic meters in 3Q07. This volume represents an increase of 6% over 3Q06, whereas (i) the volume of

Table of Contents

gasoline, alcohol and natural gas vehicular (GNV) grew 11% (115 thousand cubic meters), leveraged by the fleet expansion, particularly bi-fuel vehicles, by the modifications in the legislation and greater stringency in the supervision of the sector and by investments made in the GNV distribution structure, and (ii) the volume of diesel grew 3% (58 thousand cubic meters), as a consequence of greater economic activity.

In relation to 2Q07 there was an increase of 5% in the volume sold by CBPI, concentrated mainly in the volume of alcohol and diesel. The growth of alcohol is due (i) to the expansion of the fleet of bi-fuel vehicles, (ii) modifications in the legislation and greater stringency in the supervision of the sector and (iii) greater gasoline/alcohol fuel pump price parity related to the record sugarcane harvest. The growth of diesel is explained by the seasonality of the product in this period (quarter with the highest rates of sales of the product in the year) and the better positioning of CBPI for the obtainment of this volume.

**Net sales**

CBPI s net revenue amounted to R$ 5,700 million in 3Q07, up 1% and 2% over 3Q06 and 2Q07, respectively, especially due to the increase of the volume sold, partially offset by the reduction of the price of alcohol, a result of the increased supply due to the record sugarcane harvest. In 9M07 CBPI s net revenue totaled R$ 16,546 million, up 3% in relation to 9M06.

**Cost of Product Sold (CPV)**

The cost of products sold of CBPI came to R$ 5,418 million in 3Q07, maintaining the same level as 3Q06, since the higher volume sold was offsetted by the variation of the cost of alcohol, due to the record sugarcane harvest. In relation to 2Q07, the cost of products sold increased 2%, mainly as a result of the increase of the volume sold. In 9M07 the cost of products sold of CBPI accumulated R$ 15,748 million, up 2% over 9M06.

**Gross income**

CBPI s gross income in 3Q07 recorded growth of 16% or R$ 37.8 million in relation to 3Q06, and 7% or R$ 18.4 million in relation to 2Q07. In 9M07, CBPI s gross income accumulated R$ 798.5 million, up 11% over 9M06.

**General, administrative and sales expenses**

CBPI s general, administrative and sales expenses amounted to R$ 192.3 million in 3Q07, up 6% over 3Q06 and 2Q07, due mainly to higher expenses with delivery freight, mainly resulting from the increase of volume, and advertising and marketing, derived from projects such as Cartão Ipiranga Carbono Zero, 3,000 Tanques, Clube VIP and Clube do Milhão.

In 9M07 general, administrative and sales expenses came to R$ 560.2 million, 4% higher than the sum of 9M06.

**Financial income**

Net financial expense in 3Q07 was R$ 12.9 million lower than the net financial expense of 3Q06, mainly due to the greater valuation of the Real in relation to the US Dollar in 2007, reducing the debt with Global Notes (+R$ 7.1 million) and due to the decrase of the CDI reducing the financial expense with debentures (+R$ 3.0 million).

In the comparison of 9M07 with 9M06, the difference refers mainly to the payment of the redemption premium of Global Notes, in 2Q06, of R$ 14.2 million.

Table of Contents

**Equity Pick-up of Subsidiaries and Affiliated Companies**

Equity in the income of subsidiaries and affiliated companies (EQP) in 3Q07 was up R$ 15.7 million over 3Q06 mainly due to the EQP originating from Ipiranga Química (+R$ 13.8 million).

When we compare 9M07 with 9M06, the growth was R$ 38.9 million, of which R$ 34.5 million refers to the variation of EQP of Ipiranga Química.

**Other Nonoperating Income**

The loss of R$ 6.0 million in 3Q06 refers mainly to the formation of provision for loss on investments of Termogaúcha (-R$ 64.5 MM), partially offset by the gain produced by variation of the percentage of equity interest in Maxfacil (+R$ 58.1 MM).

**Income and social contribution taxes**

Income and Social Contribution Taxes in 3Q06 were affected by the formation of deferred IRPJ and CSLL relating to provision for loss on investments of Termogaúcha, in the amount of R$ 21.9 million, offsetting the expense with current IRPJ and CSLL.

**Net income**

Net income of 3Q07 surpassed 3Q06 by R$ 27.3 million or 35%, and 2Q07 by R$ 13.0 million or -14%, whereas the variation of R$ 11.6 million and R$ 7.4 million in relation to 3Q06 and to 2Q07, respectively, refer to income from the activity. In the YTD comparison, the result was R$ 52.2 million or 22% higher in 9M07 than in 9M06.

**EBITDA**

CBPI s EBITDA in 3Q07 was R$ 25.6 million higher than 3Q06, due mainly (i) to the increase in the volume of sales, (ii) to measures implemented over the course of 2007 for the improvement in the legislation and supervision of the sector of fuels and (iii) to the record harvest of sugarcane. The same occurred in the comparison of 3Q07 with 2Q07 (growth of R$ 8.7 million) and between 9M07 and 9M06 (+ R$ 56.5 million). The variation of consolidated EBITDA is essentially justified by the variation of EBITDA of the parent company.

**(3) Investments Parent Company**

Investments made in 3Q07 add up to R$ 79.3 million (R$ 193.3 million in 9M07). Made in the form of acquisition of fixed assets (R$ 21.4 million in 3Q07 and R$ 60.2 million in 9M07), financing and bonuses to customers (R$ 48.1 million in 3Q07 and R$ 115.1 million in 9M07) and leasing of equipment (R$ 9.8 million in 3Q07 and R$ 18.0 million in 9M07), these resources were invested in different sectors of the operating activity, such as:

- Filling stations, seeking improvements in customer service, modernization of equipment, environmental protection and improvements at convenience stores.

- Expansion of the network of filling stations with Natural Gas Vehicular.

- Modernization of the distribution bases aiming at greater productivity and environmental protection.

- Refinements relating to information technology.

Deducting divestitures and amortization of financing to customers, the net investment totaled R$ 47.7 million in 3Q07 (R$ 97.1 million in 9M07).

Table of Contents

**Management Report Consolidated**

Due to the non significant interest in subsidiaries at the consolidated net result, the main variations are explained at the consolidated management report in the period.

**Management Report Ipiranga Química (Subsidiary)**

**Sales**

The sales volume in the third quarter 2007 was 48,415 tons per cubic meter, representing a 10.1% increase year on year. The main volume reductions are in the aromatic and synthetic product groups, approximately 19%. Sales volumes in the aliphatic, oil, chemical, polymeric, specialties, formula, samples, eco-solvents, santoprene and pharmaceutical product groups rose in volume by approximately 12%. The accumulated sales volumes for the third quarter of 2007 totaled 131,079 tons per cubic meter, up 3.6% year-on-year.

**Finance**

The Company posted negative financial results, because of interest on debentures issued during the Ipiranga Petroquimica S.A. capitalization process.

Financial results of the periods are as follows:

| | 2007 | | | | 2006 | | | |
|---|---|---|---|---|---|---|---|---|
| **In thousands of Reais** | **Q1** | **Q2** | **Q3** | **Accum.** | **Q1** | **Q2** | **Q3** | **Accum.** |
| Interest | (3,194) | (2,912) | (2,923) | (9,029) | (13,100) | (11,397) | (6,479) | (31,246) |
| Exchange-rate variations on loans | (26) | (16) | (504) | (546) | (150) | (186) | (73) | (409) |
| Exchange-rate variations on imports | (298) | (287) | (987) | (1,527) | (272) | (1,490) | (358) | (2,120) |
| Other expenses | (283) | (419) | (295) | (997) | (451) | (275) | (401) | (1,127) |
| **Total expenses** | **(3,800)** | **(3,634)** | **(4,709)** | **(12,144)** | **(13,973)** | **(13,348)** | **(7,581)** | **(34,902)** |
| **Financial income** | **1,332** | **2,301** | **3,189** | **6,822** | **2,394** | **3,176** | **1,947** | **7,517** |
| **Financial losses** | **(2,468)** | **(1,334)** | **(1,520)** | **(5,322)** | **(11,579)** | **(10,172)** | **(5,634)** | **(27,385)** |

**Expenses**

Fixed costs in the third quarter 2007 decreased 1.4% year-on-year, mainly based on the decrease of personnel costs, management fees, trips, maintenance and security, consumables, utilities and CPMF. Total fixed costs accumulated to the third quarter increase 5.7% in relation to the same period in 2006.

**Margin**

The gross margin on net income in the third quarter 2007 was 16%, falling in comparison with the same period 2006, which registered 18.4%. This variation was caused by falling average unit sales prices that slipped 1.2% and an increased average unit cost of 1.7%, as well as a 0.5% fall in operating costs in the product mix. Gross margins in terms of net income accumulated to the third quarter were 16.42%.

Table of Contents

**Loans**

Company loans and financing raised from financial institutions present the following characteristics and conditions as of September 30, 2007 and June 30, 2007:

| | September 2007 | | June 2007 | |
|---|---|---|---|---|
| | **Current** | **Long-term** | **Current** | **Long-term** |
| National currency | | | | |
| Industrial expansion(*) | 3,245 | 1,042 | 3,888 | 1,422 |
| Investment acquisition | | | | |
| Working capital | | | | |
| Foreign currency | | | | |
| Industrial expansion | | | | |
| Working capital | 7,949 | | 10,725 | |
| Attached export withdrawals | **11,194** | **1,042** | **14,613** | **1,422** |
| | 11,194 | 1,042 | 14,613 | 1,422 |

(*) Distribution Center Guarulhos construction.

**Accounts receivable**

At the end of the third quarter 2007, average payment periods were 44 days, 8 days above the target budget by the company for its working capital management.

The company has recorded a provision for credit risks in an amount it considers sufficient to cover possible losses in the realization of its credits.

**Income**

The Company s third-quarter income in 2007 was positive at R$81.5 million, representing 60.3% of net revenues. Positive income to the third quarter was R$246.7 million, representing 63.7% of net revenues.

In the third quarter 2007, income was positively affected by equity accounting on results from the subsidiary Ipiranga Petroquimica S.A. (IPQ) in the amount of R$78.2 million, accumulated at R$242.8 million for the period. This income is net of premium amortization, in the amount of R$6.6 million for the quarter, and accumulated at R$19.8 million in 2007.

On the other hand, financial losses accrued from interest on debentures issued to capitalize IPQ. Amounts arising solely from these company events totaled R$2.6 million in the quarter, and R$8.3 million accumulated to the third quarter 2007.

In the third quarter 2006, positive income totaled R$48.2 million, based mainly on equity accounting results involving profits from the IPQ subsidiary. Positive income accumulated to the third quarter of the preceding year was R$163.5 million. The impact on IQ from equity accounting and premium amortization was R$47.6 million for the quarter, accumulating R$171.4 million in the period, and interest on debentures totaled R$6.7 million in the quarter, accumulating R$30.7 million in the period.

Table of Contents

**COMPANHIA BRASILEIRA DE PETRÓLEO IPIRANGA**

**BALANCE SHEETS**

**SEPTEMBER 30, 2007 AND JUNE 30, 2007**

**(Unaudited)**

**(In thousands of Reais)**

| | | Parent Company | | Consolidated | |
|---|---|---|---|---|---|
| | Note | September 30, 2007 | June 30, 2007 | September 30, 2007 | June 30, 2007 |
| **Assets** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | | 26,389 | 2,229 | 32,920 | 6,081 |
| Temporary cash investments | 5 | 121,685 | 62,707 | 156,834 | 80,224 |
| Trade accounts receivable | 6 | 1,042,128 | 1,025,767 | 1,129,647 | 1,123,391 |
| Subsidiaries and affiliated companies | 7 | 38,158 | 36,770 | 39,346 | 37,327 |
| Inventories | 8 | 340,298 | 358,195 | 363,342 | 379,473 |
| Recoverable taxes | 9 | 87,391 | 59,361 | 92,964 | 64,187 |
| Deferred income and social contribution taxes | 10 | 39,352 | 38,057 | 39,891 | 38,537 |
| Prepaid expenses | 11 | 6,292 | 10,019 | 7,048 | 10,884 |
| Other accounts receivable | | 9,878 | 15,558 | 13,167 | 18,926 |
| | | 1,711,571 | 1,608,663 | 1,875,159 | 1,759,030 |
| **Noncurrent assets** | | | | | |
| **Long-term assets** | | | | | |
| Temporary cash investments | 5 | | | 61,354 | 60,275 |
| Trade accounts receivables | 6 | 156,417 | 151,378 | 167,256 | 158,529 |
| Recoverable taxes | 9 | | | 3,146 | 2,985 |
| Deferred income and social contribution taxes | 10 | 33,006 | 33,025 | 35,194 | 35,177 |
| Judicial deposits | | 3,764 | 3,884 | 7,864 | 6,809 |
| Prepaid expenses | 11 | 16,151 | 12,612 | 16,154 | 14,836 |
| Other accounts receivables | | 7,595 | 8,242 | 7,634 | 8,277 |
| | | 216,933 | 209,141 | 298,602 | 286,888 |
| **Investments** | | | | | |
| Subsidiaries | | 572,658 | 525,653 | 353,532 | 319,877 |
| Other investments | | 791 | 791 | 791 | 791 |
| | | 573,449 | 526,444 | 354,323 | 320,668 |
| **Property, plant and equipment** | | 621,549 | 622,109 | 708,671 | 710,729 |
| **Deferred charges** | | | | 286 | 478 |
| | | 1,194,998 | 1,148,553 | 1,062,994 | 1,031,397 |
| | | 3,123,502 | 2,966,357 | 3,237,041 | 3,077,793 |

Table of Contents

**COMPANHIA BRASILEIRA DE PETRÓLEO IPIRANGA**

**BALANCE SHEETS**

**SEPTEMBER 30, 2007 AND JUNE 30, 2007**

**(Unaudited)**

**(In thousands of Reais)**

| | | Parent Company | | Consolidated | |
|---|---|---|---|---|---|
| | Note | September 30, 2007 | June 30, 2007 | September 30, 2007 | June 30, 2007 |
| **Liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Loans and financing | 14 | 232,436 | 27,569 | 266,912 | 76,726 |
| Debentures | 14 | 2,392 | 10,511 | 2,392 | 10,511 |
| Trade accounts payable | | 130,155 | 121,663 | 171,189 | 155,368 |
| Payable taxes | 15 | 115,822 | 84,027 | 125,863 | 90,898 |
| Salaries and vacation to pay | | 46,534 | 38,352 | 51,775 | 42,763 |
| Subsidiaries and affiliated companies | 7 | 258,371 | 275,798 | 249,970 | 268,359 |
| Profit participation | | 1,794 | 2,811 | 2,030 | 2,811 |
| Provision for post-retirement benefits | | 4,665 | 4,665 | 4,822 | 4,822 |
| Provision for contingences | 16 | 5,276 | 5,318 | 6,452 | 6,521 |
| Other accounts payable | | 16,963 | 17,747 | 27,483 | 21,129 |
| | | 814,408 | 588,461 | 908,888 | 679,908 |
| **Noncurrent liabilities** | | | | | |
| **Long-term liabilities** | | | | | |
| Loans and financing | | 14,805 | 188,956 | 26,787 | 201,869 |
| Debentures | | 350,000 | 350,000 | 350,000 | 350,000 |
| Subsidiaries and affiliated companies | 7 | 1,052 | 1,052 | 1,052 | 1,052 |
| Provision for post-retirement benefits | | 39,345 | 39,345 | 44,901 | 44,901 |
| Provision for contingences | 16 | 57,108 | 56,794 | 58,519 | 58,177 |
| Deferred income and social controbution taxes | 10 | 564 | 583 | 564 | 583 |
| Other accounts payable | | 6,346 | 6,353 | 6,446 | 6,484 |
| | | 469,220 | 643,083 | 488,269 | 663,066 |
| **Minority interest** | | | | 10 | 6 |
| **Shareholders equity** | 18 | | | | |
| Capital | | 1,030,000 | 1,030,000 | 1,030,000 | 1,030,000 |
| Capital reserves | | 600 | 600 | 600 | 600 |
| Profit reserves | | 524,565 | 524,565 | 524,565 | 524,565 |
| Retained earnings | | 284,709 | 179,648 | 284,709 | 179,648 |
| | | 1,839,874 | 1,734,813 | 1,839,874 | 1,734,813 |
| | | 3,123,502 | 2,966,357 | 3,237,041 | 3,077,793 |

F-411

Table of Contents

**COMPANHIA BRASILEIRA DE PETRÓLEO IPIRANGA**

**STATEMENTS OF INCOME**

**THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2007**

**(Unaudited)**

**(In thousands of Reais, except income per share)**

| | Note | Parent Company September 30, 2007 | Parent Company September 30, 2006 | Consolidated September 30, 2007 | Consolidated September 30, 2006 |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Sale of goods and/or service rendered | | 5,819,819 | 5,749,023 | 5,937,043 | 5,904,590 |
| **Deductions** | | | | | |
| Sales taxes, returns and discounts | | (119,988) | (91,652) | (150,240) | (127,809) |
| **Net revenues** | | 5,699,831 | 5,657,371 | 5,786,803 | 5,776,781 |
| **Cost of goods and services rendered** | | (5,418,353) | (5,413,697) | (5,483,195) | (5,508,328) |
| **Gross profit** | | 281,478 | 243,674 | 303,608 | 268,453 |
| **Operating (expenses) income** | | | | | |
| Selling expenses | | (92,674) | (84,078) | (100,438) | (95,400) |
| Administrative and general expenses | | (99,598) | (97,451) | (105,407) | (102,760) |
| Financial income | 20 | (11,742) | (20,298) | (14,786) | (22,446) |
| Financial expenses | 20 | 11,140 | 6,804 | 18,941 | 10,689 |
| Equity in income of subsidiaries and affiliated companies | | 47,107 | 31,415 | 33,657 | 20,314 |
| Other operating income | | | | 3,237 | 2,943 |
| | | (145,767) | (163,608) | (164,796) | (186,660) |
| **Operating income** | | 135,711 | 80,066 | 138,812 | 81,793 |
| Nonoperating (expenses) income | | (6) | (5,988) | 115 | (3,767) |
| **Net income before income and social contribution taxes and profit sharing** | | 135,705 | 74,078 | 138,927 | 78,026 |
| Income and social contribution taxes | 10 | (28,851) | 3,708 | (32,072) | (155) |
| Employee s and management profit sharing | | (1,793) | | (1,793) | (85) |
| Minority interest | | | | (1) | |
| **Net income for the period** | | 105,061 | 77,786 | 105,061 | 77,786 |
| **Net income per share R$** | | 0.99159 | 0.73416 | | |
| **Nunber of shares at period end** | | 105,952,000 | 105,952,000 | | |

Table of Contents

**COMPANHIA BRASILEIRA DE PETRÓLEO IPIRANGA**

**STATEMENTS OF INCOME**

**NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2007**

**(Unaudited)**

**(In thousands of Reais, except income per share)**

| | Note | Parent Company September 30, 2007 | Parent Company September 30, 2006 | Consolidated September 30, 2007 | Consolidated September 30, 2006 |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Sale of goods and/or service rendered | | 16,891,852 | 16,456,047 | 17,340,163 | 16,881,668 |
| **Deductions** | | | | | |
| Sales taxes, returns and discounts | | (345,825) | (335,436) | (425,226) | (427,400) |
| **Net revenues** | | 16,546,027 | 16,120,611 | 16,914,937 | 16,454,268 |
| **Cost of goods and services rendered** | | (15,747,558) | (15,398,330) | (16,054,500) | (15,662,342) |
| **Gross profit** | | 798,469 | 722,281 | 860,437 | 791,926 |
| **Operating (expenses) income** | | | | | |
| Selling expenses | | (255,063) | (244,273) | (280,172) | (275,194) |
| Administrative and general expenses | | (305,089) | (295,213) | (322,650) | (311,599) |
| Financial income | 20 | (35,097) | (25,787) | (41,057) | (32,205) |
| Financial expenses | 20 | 30,209 | 7,008 | 44,443 | 12,368 |
| Equity in income of subsidiaries and affiliated companies | | 129,170 | 90,276 | 99,731 | 65,465 |
| Other operating income | | | | 8,392 | 7,968 |
| | | (435,870) | (467,989) | (491,313) | (533,197) |
| **Operating income** | | 362,599 | 254,292 | 369,124 | 258,729 |
| Nonoperating (expenses) income | | 5,825 | (412) | 6,562 | 3,182 |
| **Net income before income and social contribution taxes and profit sharing** | | 368,424 | 253,880 | 375,686 | 261,911 |
| Income and social contribution taxes | 10 | (79,111) | (18,025) | (86,373) | (25,903) |
| Employee s and management profit sharing | | (4,604) | (3,332) | (4,604) | (3,485) |
| **Net income for the period** | | 284,709 | 232,523 | 284,709 | 232,523 |
| **Net income per share R$** | | 2.68715 | 2.19461 | | |
| **Number of shares at period end** | | 105,952,000 | 105,952,000 | | |

Table of Contents

**IDENTIFICATION**

**01.01 CAPITAL COMPOSITION**

| Number of shares (Thousands) | Current quarter 09/30/2007 | Prior quarter 06/30/2007 | Same quarter in prior year 09/30/2006 |
|---|---|---|---|
| **Paid-up Capital** | | | |
| 1 - Common | 35,409,306 | 35,409,306 | 35,409,306 |
| 2 - Preferred | 70,542,694 | 70,542,694 | 70,542,694 |
| 3 - Total | 105,952,000 | 105,952,000 | 105,952,000 |
| **Treasury Stock** | | | |
| 4 - Common | 0 | 0 | 0 |
| 5 - Preferred | 0 | 0 | 0 |
| 6 - Total | 0 | 0 | 0 |

**01.02 SUBSCRIBED CAPITAL AND ALTERATIONS IN THE CURRENT YEAR**

| 1 - ITEM | 2 - DATE OF ALTERATION | 3 - AMOUNT OF THE CAPITAL (IN THOUSANDS OF REAIS) | 4 - AMOUNT OF THE ALTERATION (IN THOUSANDS OF REAIS) | 5 - NATURE OF ALTERATION | 6 - NUMBER OF SHARES ISSUED (THOUSAND) | 7 - SHARE PRICE ON ISSUE DATE (IN REAIS) |
|---|---|---|---|---|---|---|
| 01 | 04/18/2007 | 1,030,000 | 5,000 | Profit reserve | 0 | 0 |

F-414

**COMPANHIA BRASILEIRA DE PETRÓLEO IPIRANGA**

**NOTES TO THE INTERIM FINANCIAL INFORMATION**

**NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2007**

**(Unaudited)**

**(In thousands of Reais)**

**1 Operations**

Companhia Brasileira de Petróleo Ipiranga (the Company ) is a listed Company with shares traded on the São Paulo Stock Exchange BOVESPA. Until April 18, 2007, the shareholding control was held by the families Bastos, Mello, Ormazabal, Tellechea and Gouvêa Vieira.

On April 18, 2007, Ultrapar Participações S.A. ( Ultrapar ), by itself and also as the commission agent of Petróleo Brasileiro ( Petrobrás ) and Braskem S.A. ( Braskem ), acquired from the controlling shareholders of Ipiranga Petroleum Companies, 66.2% of the common shares and 13.9% of the preferred shares issued by Refinaria de Petróleo Ipiranga S.A. 69.2% of the common shares and 13.5% of the preferred shares issued by Distribuidora de Produtos de Petróleo Ipiranga S.A. and 3.8% of the common shares and 0.4% of the preferred shares issued by Companhia Brasileira de Petróleo Ipiranga.

The Company and its subsidiaries and affiliated companies are engaged in the distribution of petroleum derivatives and related products, transportation, convenience stores and the petrochemical segment.

**2 Presentation of the interim financial information**

The interim financial information was prepared and is being presented in accordance with the rules derived from the Brazilian Corporate Law and the Brazilian Securities Commission CVM.

To improve the presentation of the financial information provided to the market, the Company is presenting as additional information, the statements of cash flow (controlling company and consolidated) in accordance with the criteria established by the NPC 20 of the IBRACON The Brazilian Institute of Independent Auditors.

According to CVM Deliberation n° 489/05, the Company began to classify the judicial deposits as a reduction account against the provision for contingencies.

**3 Description of significant accounting polices**

The main accounting practices adopted by the Company, its subsidiaries and affiliated companies to prepare these interim financial information are consistent with the practices adopted in the previous interim financial information and financial statement on December 31, 2006. The accounting practices are presented below:

**a. Temporary cash investments**

Temporary cash investments are stated at cost, plus income accrued up to the interim financial information date (on a pro rata temporis basis), which does not exceed their market value.

**b. Allowance for doubtful accounts**

The allowance for doubtful accounts was calculated for an amount considered adequate by the Company to cover the estimated losses arising on collection of accounts receivable.

**c. Inventories**

Inventories are stated at the lower of average cost or production cost and the market value or net realizable value.

Table of Contents

**d. Investments in subsidiaries and affiliated companies**

Investments in subsidiaries and affiliated companies are valued using the equity method and the results are recorded as operating result.

**e. Property, plant and equipment**

Property, plant and equipment are stated at acquisition or construction cost. Depreciation is calculated using the straight-line method, which takes into account the estimated useful lives of the assets. Leasehold improvements are depreciated over the remaining period of the contract or the estimated useful lives of the assets, which ever is shorter.

**f. Loans and financing**

Stated at original amounts plus financial charges incurred pro rata temporis until the interim financial information date. Loans in foreign currency were converted into reais by the exchange rate at the interim financial information date.

**g. Income and social contribution taxes**

The income and social contribution taxes, both current and deferred, are calculated based on the rates of 15% plus a surcharge of 10% for income tax and 9% on taxable income for social contribution on net income.

**h. Deferred income and social contribution taxes**

The deferred income and social contribution taxes are calculated based on the rate of income taxes and social contribution for which the Company expects that theses taxes will be recovered. The deferred income and social contribution taxes are only recognized for amounts considered sufficient for future realization.

**i. Provision for contingences**

The provision for contingencies is recorded for contingent risks with expectancy of loss considered as probable, based on the opinion of the Company s internal and external legal advisors, and the amounts are recognized based on the estimated cost from the outcome of the lawsuits.

**j. Actuarial commitment with post-retirement benefits**

Actuarial commitments with the post-retirement benefits plan granted and to be granted to employees, retired employees and pensioners (net of plan assets) are recorded based on the actuarial calculation prepared by an independent actuary in accordance with the projected credit unit method.

**k. Other assets and liabilities**

Other assets and liabilities, classified as current and non-current, are recorded based on the expected timeframe for realization or payment. These other assets and liabilities are stated at known or estimated amounts, plus, when applicable, the corresponding income, charges and monetary and exchange variations incurred up to the balance sheet date.

**l. Statement of income**

Revenue from the sale of goods is recognized in the statement of income when the significant risks and rewards of ownership have been transferred to the buyer. Other revenues, expenses and costs are recognized when incurred and/or realized. The income statement includes surplus, charges and monetary and exchange variations, as determined by the contracts and official rates applicable to current and non current assets and liabilities and, when applicable, the effects of the market value adjustments.

**m. Accounting estimates**

The preparation of the interim financial information in accordance with accounting practices adopted in Brazil requires management to make estimates and assumptions for the Company that affect the reported amounts of assets and liabilities at the balance sheet dates and the reported amounts of revenues, costs and expenses for the years presented. Although these estimates are based on management s best available knowledge of current and expected future events, the actual results could differ from these estimates.

**4 Consolidation criteria**

The consolidated interim financial information has been prepared in accordance with the basic consolidation principles established by the Brazilian Corporate Law and by the Brazilian Securities Commission (CVM), and include the financial information of Companhia Brasileira de Petróleo Ipiranga (CBPI) and the following direct and indirect subsidiaries:

| Consolidated subsidiaries | Location | % of ownership Interest |
|---|---|---|
| am/pm Comestíveis Ltda. | Brazil | 99,99999 |
| Empresa Carioca de Produtos Químicos S.A. | Brazil | 99,99800 |
| Ipiranga Asfaltos S.A. | Brazil | 99,99175 |
| Ipiranga Comercial Importadora e Exportadora Ltda. | Brazil | 99,00000 |
| Ipiranga Trading Ltd. | British Virgin Islands | 100,00000 |
| Tropical Transportes Ipiranga Ltda. | Brazil | 99,99685 |
| Ipiranga Imobiliária Ltda. | Brazil | 99,99998 |
| Ipiranga Logística Ltda. | Brazil | 99,00000 |
| Maxfácil Participações S.A.(*) | Brazil | 34,00000 |

(*) Shared control with Distribuidora de Petróleo Ipiranga S.A. DPPI, which holds an investment interest of 16%, and with União de Bancos Brasileiros S.A. UNIBANCO, which holds 50%.

For purposes of preparing the consolidated financial information, we highlight the following practices:

**a.** The parent company and its subsidiaries adopt uniform accounting practices to record their operations and to value balance sheet items;

**b.** The result of the balance sheet accounts and the result of transactions between the parent company and the subsidiaries are eliminated; and

**c.** The minority interest held in the subsidiaries has disclosed separately.

Table of Contents

**5 Temporary cash investments**

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2007 | June 30, 2007 | September 30, 2007 | June 30, 2007 |
| Bank Deposit Certificate CDB | 25,151 | 10,403 | 25,461 | 10,707 |
| Financial investment funds fixed income | 1,404 | 1,375 | 3,510 | 9,318 |
| Sale and repurchase agreement(*) | 95,130 | 50,929 | 186,309 | 117,440 |
| Other | | | 2,908 | 3,034 |
| | 121,685 | 62,707 | 218,188 | 140,499 |
| (-) Current | 121,685 | 62,707 | 156,834 | 80,224 |
| Non-current | | | 61,354 | 60,275 |

Temporary cash investments pay interest based on the CDI (Interbank Deposit Certificate) interest rate.

(*) Transactions linked to debentures.

**6 Trade accounts receivable**

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2007 | June 30, 2007 | September 30, 2007 | June 30, 2007 |
| Domestic market: | | | | |
| Trade receivables | 945,242 | 936,282 | 1,051,354 | 1,046,738 |
| Financing to customers | 298,267 | 285,157 | 301,083 | 289,228 |
| | 1,243,509 | 1,221,439 | 1,352,437 | 1,335,966 |
| Foreign market: | | | | |
| Trade receivables | | | 2,915 | 3,263 |
| | 1,243,509 | 1,221,439 | 1,355,352 | 1,339,229 |
| (-) Current | 1,087,092 | 1,070,061 | 1,188,096 | 1,180,700 |
| Non-current | 156,417 | 151,378 | 167,256 | 158,529 |

The non-current amount is mainly represented by customer financing. Under customer financing, cash loans are provided to finance renovation and modernization of fuel stations, as well as for working capital including acquisition of products and investing in marketing.

**Table of Contents**

**7 Subsidiary and affiliated companies**

| | Trade accounts receivable | Debentures | Trade accounts payable | Sales | Purchases | Financial result |
|---|---|---|---|---|---|---|
| **(a) Parent Company** | | | | | | |
| am/pm Comestíveis Ltda | | | 1 | | | |
| Empresa Carioca de Produtos Químicos S.A. | 76 | | | 1,909 | | |
| Ipiranga Asfaltos S.A. | 78 | | | 25 | | |
| Centro de Conveniências Millennium Ltda | 424 | | | 13,000 | 3 | |
| Tropical Transportes Ipiranga Ltda, | 226 | | 8,558 | 8 | 92,797 | |
| Distribuidora de Produtos de Petróleo Ipiranga S.A. | 1,149 | | 1,589 | 17,345 | 13,090 | |
| Ipiranga Química S.A. | 1,995 | 34,034(1) | 511 | 13,910 | 4,318 | 3,487 |
| Ipiranga Petroquímica S.A. | 33 | | 74 | | 279 | |
| Refinaria de Petróleo Ipiranga S.A. | | | 564 | | 17,454 | |
| Petrobrás Petróleo Brasileiro | | | 247,272 | | 13,639,146 | |
| Other | 143 | | 854 | 371 | 3,970 | 55 |
| Total as of September 30, 2007 | 4,124 | 34,034 | 259,243 | 46,568 | 13,771,057 | 3,542 |
| Total as of June 30, 2007 | 3,671 | 33,099 | 276,850 | | | |
| Total as of September 30, 2006 | | | | 73,584 | 13,650,039 | 12,897 |
| **(b) Consolidated Companies** | | | | | | |
| Distribuidora de Produtos de Petróleo Ipiranga S.A. | 2,180 | | 1,589 | 30,566 | 13,362 | |
| Ipiranga Química S.A. | 2,897 | 34,034(1) | 668 | 20,535 | 5,038 | 3,487 |
| Ipiranga Petroquímica S.A. | 79 | | 74 | 305 | 279 | |
| Refinaria de Petróleo Ipiranga S.A. | 5 | | 564 | 90 | 17,455 | |
| Petrobrás Petróleo Brasileiro | | | 247,272 | | 13,639,146 | |
| Other | 151 | | 855 | 375 | 4,157 | |
| Total as of September 30, 2007 | 5,312 | 34,034 | 251,022 | 51,871 | 13,679,437 | 3,487 |
| Total as of June 30, 2007 | 4,228 | 33,099 | 269,411 | | | |
| Total as of September 30, 2006 | | | | 69,761 | 13,570,039 | 12,897 |

(1) The Extraordinary General Meeting of Ipiranga Química (IQ), held on May 26, 2003 approved the issuance of two series of private convertible debentures, consisting of 11,000 Series A, with face value of R$ 10 each, amounting R$ 110,000 and 80,000 Series B debentures, with face value of R$ 1 each, amounting to R$ 80,000. Both series mature on June 1, 2008. On June 12, 2003 the debentures were acquired by DPPI and CBPI, the Series A were fully acquired by DPPI and series B fully acquired by CBPI. The subscribed

debentures pay interest based on the CDI interest rate, plus spread subject to renegotiation every 6 months (for Series A) and every 5 months (for Series B), as established by the contract dated June 1, 2003. Since March 2007, the remuneration spread of Series B debentures is 1.0% per year.

The Extraordinary General Meeting of Ipiranga Química (IQ) held on October 6, 2005, approved the change in the type of debentures, issued by IQ on June 1, 2003. The changes approved were: (i) to change the debentures from convertible to non-convertible and the issuance of a subscription bonus to be submitted to

**Table of Contents**

DPPI and CBPI, without any encumbrance, to replace the right of conversion established in the terms for the debentures of both Companies. On December 1, 2005 a sales and purchase contract was signed, whereby DPPI sold for R$ 29 million the referred subscription bonus to Refinaria de Petróleo Ipiranga S.A. consequently the Company maintained its shareholding participation in IQ.

The Extraordinary General Meeting of Ipiranga Petroquímica (IPQ) held on April 28, 2006, approved the payment of complementary dividends and a capital reduction to be realized on June 13, 2006 and July 31, 2006 respectively. Due to the fact that IQ, based on its shareholding interest in IPQ, receives the financial resources on the dates stated above, the Board of Directors from IQ, in meeting realized on May 2, 2006, approved that the Company should invest these financial resources totally in the partial redemption of its debentures, issued on June 1, 2003 and subscribed by DPPI (series A ) and CBPI (series B ), considering the negative impacts that this debt has had on IQ.

On February, 2007, IQ made a partial payment for the debentures acquired by CBPI, amounting to R$ 8,827.

**8 Inventories**

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2007 | June 30, 2007 | September 30, 2007 | June 30, 2007 |
| Fuel | 297,013 | 309,041 | 297,254 | 309,274 |
| Lubricant and grease | 22,305 | 20,770 | 22,432 | 20,877 |
| Raw material, packing and storage | 16,570 | 24,628 | 39,246 | 45,567 |
| Advances for customers | 4,410 | 3,756 | 4,410 | 3,755 |
| | 340,298 | 358,195 | 363,342 | 379,473 |

**9 Recoverable taxes**

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2007 | June 30, 2007 | September 30, 2007 | June 30, 2007 |
| Income tax | 44,929 | 23,165 | 46,558 | 24,282 |
| Social contribution tax | 14,583 | 6,903 | 16,018 | 8,009 |
| ICMS | 21,021 | 22,798 | 26,092 | 28,070 |
| IPI | 6,068 | 6,107 | 6,174 | 6,130 |
| Other | 790 | 388 | 1,268 | 681 |
| | 87,391 | 59,361 | 96,110 | 67,172 |
| (-) Current | 87,391 | 59,361 | 92,964 | 64,187 |
| Non-current | | | 3,146 | 2,985 |

Table of Contents

**10 Income and social contribution taxes**

**a. Deferred**

Deferred tax assets are recognized based on the Company s past history of profits, supported by budgets, approved by management, which estimate future income from the realization of this asset over a period not exceeding 10 years.

Deferred tax assets and liabilities are as follows:

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | September 30, 2007 | June 30, 2007 | September 30, 2007 | June 30, 2007 |
| **Assets** | | | | |
| Provision for post-retirement benefits | 44,010 | 44,010 | 49,434 | 49,434 |
| Provision for contingences | 90,645 | 90,162 | 92,038 | 91,201 |
| Provision for variable compensation | 18,998 | 12,960 | 19,229 | 13,355 |
| Provision for loss on investment | 57,860 | 57,860 | 57,860 | 57,860 |
| Other provisions | 1,305 | 4,074 | 2,276 | 4,957 |
| Tax basis | 212,818 | 209,066 | 220,837 | 216,807 |
| Statutory rate | 34% | 34% | 34% | 34% |
| Deferred income and social contribution taxes | 72,358 | 71,082 | 75,085 | 73,714 |
| (-) Current | 39,352 | 38,057 | 39,891 | 38,537 |
| Non-current | 33,006 | 33,025 | 35,194 | 35,177 |
| **Non-current liabilities** | | | | |
| Accelerated depreciation | 2,258 | 2,334 | 2,258 | 2,334 |
| Statutory rate | 25% | 25% | 25% | 25% |
| Income tax | 564 | 583 | 564 | 583 |

**b. Estimated recovery of deferred income tax and social contribution**

The realization of tax credits and debits, parent company and consolidated, is based on future taxable income projections limited to 10 years.

Considering that the deferred tax assets are related mainly to deductible temporary differences, the realization of these deferred tax assets will occur upon settlement of the corresponding liability. Management, based on estimated liquidation of the existing claims and considering the nature of each of the provisions, estimates the recovery of these credits as follows:

| | Parent Company | Consolidated |
|---|---|---|
| 2007 | 30,347 | 31,145 |
| 2008 | 11,956 | 12,194 |
| 2009 | 9,572 | 9,742 |
| 2010 | 1,703 | 1,881 |
| 2011 to 2013 | 13,447 | 14,054 |
| 2014 to 2016 | 5,333 | 6,069 |

| | | |
|---|---|---|
| | 72,358 | 75,085 |

During the Extraordinary General Meeting, held on October 22, 2007, extinction of the Company Termogaúcha  Usina Termelétrica S.A. was approved. This fact will result in the realization of the deferred income tax in the 4$^{th}$ quarter of 2007, amounting to R$ 19,672.

Table of Contents

**c. Reconciliation of expense**

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | **September 30, 2007** | **June 30, 2007** | **September 30, 2007** | **June 30, 2007** |
| **Reconciliation of income and social contribution taxes in the statements of income** | | | | |
| Income before taxes, equity in subsidiary and affiliated companies and minority interest | 232,376 | 158,108 | 269,077 | 190,797 |
| Statutory rate | 34% | 34% | 34% | 34% |
| **Income and social contribution taxes at tax rate** | **79,008** | **53,757** | **91,486** | **64,871** |
| **Adjustments to the effective tax rate:** | | | | |
| Non-deductible expenses | | | | |
| Presumed profit adjustment | 999 | 2,747 | 1,143 | 2,968 |
| Interest on capital | | (19,766) | | (19,766) |
| Workers Meal Program PAT | | | (5,280) | (3,530) |
| Other | | (18,058) | | (18,058) |
| **Income and social contribution taxes before tax incentives** | (392) | (150) | (398) | (149) |
| Tax incentives | (504) | (505) | (578) | (433) |
| **Income and social contribution taxes in the statements of income** | **79,111** | **18,025** | **86,373** | **25,903** |
| Current | 67,076 | 36,930 | 74,655 | 44,761 |
| Deferred | 12,035 | (18,905) | 11,718 | (18,858) |

**11 Prepaid expenses**

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | **September 30, 2007** | **June 30, 2007** | **September 30, 2007** | **June 30, 2007** |
| Rent | 17,989 | 14,458 | 17,989 | 14,458 |
| Marketing | 3,180 | 6,360 | 3,180 | 6,360 |
| Insurance | 476 | 271 | 687 | 544 |
| Other | 798 | 1,542 | 1,346 | 4,358 |
| (-) Current | 22,443 | 22,631 | 23,202 | 25,720 |
| | 6,292 | 10,019 | 7,048 | 10,884 |
| Non-current | 16,151 | 12,612 | 16,154 | 14,836 |

**12 Investments**

The main activities in affiliated companies are as follows:

**a. Subsidiaries**

**am/pm am/pm Comestíveis Ltda,:** franchise of am/pm convenience store and Jet oil automotive units.

**EMCA Empresa Carioca de Produtos Químicos S.A.:** production and sale of white mineral oils, solid vaseline, fluids and special lubricants.

Table of Contents

**IASA Ipiranga Asfaltos S.A.:** development, production and distribution of asphalt products.

**ICIE Ipiranga Comercial Importadora e Exportadora Ltda,:** import and export of fuel and petroleum.

**ITL Ipiranga Trading Ltd,:** Ipiranga representative in international business.

**TROPICAL Tropical Transportes Ipiranga Ltda,:** Fuel, chemical, lubricants and general products transportation.

**ILL: Ipiranga Logística Ltda,:** Logistic services.

**IPIMOB Ipiranga Imobiliária Ltda,:** General administrator, provide services and management of commercial operations.

**Maxfácil Participações S.A.:** investment in other companies.

| | am/pm | EMCA | IASA | ICIE | ITL | Tropical |
|---|---|---|---|---|---|---|
| **Information on the investees** | | | | | | |
| Number of shares or quotas owned | | | | | | |
| Common shares (thousand) | | | | | | |
| Preferred shares (thousand) | | 199,323 | 16,007 | | | |
| Quotas (thousand) | 55,284 | | | 164 | 50 | 254 |
| % of direct investment | | | | | | |
| Capital | 99,99999 | 99,99800 | 99,99175 | 99,00000 | 100,00000 | 99,99685 |
| Voting capital | 99,99999 | 99,99800 | 99,99175 | 99,00000 | 100,00000 | 99,99685 |
| Capital | 55,284 | 16,185 | 16,008 | 166 | 92 | 8,126 |
| Shareholders equity | 81,504 | 18,921 | 32,025 | 27 | 47 | 14,977 |
| Net income | 19,261 | 1,908 | (1,327) | (25) | (38) | 2,494 |
| Dividends / interest on capital received | 3,500 | 177 | | | | |
| **Changes in investments during the period presented** | | | | | | |
| Balances as of December 31, 2006 | 65,743 | 17,189 | 33,349 | 12 | 87 | 12,482 |
| Capital increase | | | | 39 | | |
| Equity in affiliates | 19,261 | 1,908 | (1,326) | (25) | (38) | 2,494 |
| Dividends received / to be received | (3,500) | (177) | | | | |
| **Balances as of September 30, 2007** | **81,504** | **18,920** | **32,023** | **26** | **49** | **14,976** |

F-423

Table of Contents

| | ILL | IPIMOB | MAXFÁCIL PARTICIP. | Total September 30, 2006 | June 30, 2007 |
|---|---|---|---|---|---|
| **Information on the investees** | | | | | |
| Number of shares or quotas owned | | | | | |
| Common shares (thousand) | | | | | |
| Preferred shares (thousand) | | | 7 | | |
| Quotas (thousand) | 505 | 4,101 | | | |
| % of direct investment | | | | | |
| Capital | 99,00000 | 99,99998 | 34,00000 | | |
| Voting capital | 99,00000 | 99,99998 | 34,00000 | | |
| Capital | 510 | 4,101 | 4,042 | | |
| Shareholders equity | 617 | 7,992 | 63,026 | | |
| Net income | 109 | 3,546 | 3,514 | | |
| Dividends / interest on capital received | | | 456 | | |
| **Changes in investments during the period presented** | | | | | |
| Balances as of December 31, 2006 | 1 | 4,587 | 59,512 | 192,962 | 192,962 |
| Capital increase | 504 | 269 | | 812 | 504 |
| Capital decrease | | (410) | | (410) | |
| Equity in affiliates | 106 | 3,546 | 3,514 | 29,440 | 15,989 |
| Dividends received / to be received | | | | (3,677) | (3,677) |
| **Total** | **611** | **7,992** | **63,026** | **219,127** | **205,778** |

These subsidiaries do not have stocks traded on the Stock Exchange.

**b. Affiliated companies**

**IQ Ipiranga Química S.A.**: distribution of chemical products and parent company of IPQ Ipiranga Petroquímica S.A.

**TSB Transportadora Sulbrasileira de Gás S.A.:** entity responsible for the construction and operation of a gas pipeline between the cities of Uruguaiana and Porto Alegre, in Rio Grando do Sul State.