(Convenience translation into english from the original previously issued in portuguese)

Audited financial statements

Financial Statements for the Years Ended December 31, 2007 and 2006 and Independent Auditor`s Report

KPMG Auditores Independentes

Ultrapar Participações S.A. e Controladas

Independent auditors' report

To
The Board of Directors and Shareholders
Ultrapar Participações S.A.
São Paulo - SP

1. We have examined the accompanying balance sheet of Ultrapar Participações S.A. and the consolidated balance sheet of the Company and its subsidiaries as of December 31, 2007 and the related statement of income, changes in shareholders' equity and changes in financial position for the year then ended, which are the responsibility of its management. Our responsibility is to express an opinion on these financial statements.

2. Our examination was conducted in accordance with auditing standards generally accepted in Brazil and included: (a) planning of the audit work, considering the materiality of the balances, the volume of transactions and the accounting systems and internal accounting controls of the Company and its subsidiaries; (b) verification, on a test basis, of the evidence and records which support the amounts and accounting information disclosed; and (c) evaluation of the most significant accounting policies and estimates adopted by Company management and its subsidiaries, as well as the presentation of the financial statements taken as a whole.

3. In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Ultrapar Participações S.A. and the consolidated financial position of the Company and its subsidiaries as of December 31, 2007, and the results of its operations, changes in its shareholders' equity and changes in its financial position for the year then ended, in conformity with accounting practices adopted in Brazil.

4. Our examination was performed with the objective of expressing an opinion on the financial statements taken as a whole. The statements of cash flows and added value are supplementary to the aforementioned financial statements and have been included to facilitate additional analysis. This supplementary information, not mandatory according to accounting practices accepted in Brazil, was subject to the same audit procedures as applied to the aforementioned financial statements and, in our opinion, are presented fairly, in all material respects, in relation to the financial statements as of December 31, 2007 taken as a whole.

5. The accompanying financial statements of Ultrapar Participações S.A. and its subsidiaries, and the supplementary information of cash flows and added value, as of December 31, 2006, were audited by other independent auditors, who issued an unqualified opinion thereon dated January 31, 2007.

February 11, 2008

KPMG Auditores Independentes
CRC 2SP014428/O-6

PEDRO AUGUSTO MELO
Accountant
CRC 1SP113939/O-8

ALEXANDRE HEINERMANN
Accountant
CRC 1SP228175/O-0

Ultrapar Participações S.A. and Subsidiaries

Balance sheets as of December 31, 2007 and 2006
(In thousands of Brazilian Reais)

		Company		Consolidated	
Assets	Notes	2007	2006	2007	2006
Current					
Cash and banks		629	122	203,057	31,992
Temporary cash investments	4	97,197	279,264	1,419,859	1,038,084
Trade accounts receivable	5	-	-	1,344,432	360,012
Inventories	6	-	-	631,135	217,165
Recoverable taxes	7	34,019	7,959	202,620	117,802
Deferred income and social contribution taxes	9.a	4,202	82	108,964	27,298
Dividends receivable		170,571	53,845	-	-
Other	3.iii and 8	1,752,673	341	1,772,440	6,098
Prepaid expenses	10	653	560	13,195	8,620
Total current assets		2,059,944	342,173	5,695,702	1,807,071
Noncurrent					
Long-term assets					
Long-term investments	4	-	-	120,832	547,978
Trade accounts receivable	5	-	-	176,885	19,248
Related companies	8	41,413	3,540	12,865	7,360
Deferred income and social contribution taxes	9.a	11,287	3,087	119,575	58,201
Recoverable taxes	7	-	18,739	68,652	65,300
Escrow deposits		193	193	31,779	14,332
Other		20	-	8,317	1,265
Prepaid expenses	10	-	187	36,929	13,259
		52,913	25,746	575,834	726,943
Permanent assets					
Investments					
Subsidiary	11.a	4,706,685	2,025,485	-	-
Affiliated companies	11.b	-	-	12,948	5,289
Other		60	60	34,117	25,497
Property, plant and equipment	12	-	-	2,268,885	1,111,775
Intangible	13	-	-	66,894	61,013
Deferred charges	14	-	-	570,124	112,256
		4,706,745	2,025,545	2,952,968	1,315,830
Total non-current assets		4,759,658	2,051,291	3,528,802	2,042,773
Total assets		6,819,602	2,393,464	9,224,504	3,849,844

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

Continued on next page

Liabilities	Notes	Company 2007	Company 2006	Consolidated 2007	Consolidated 2006
Current					
Loans and financing	15	-	-	589,937	102,759
Debentures	15	1,219,332	12,794	1,228,720	12,794
Suppliers		2,103	364	582,683	112,526
Salaries and related charges		88	59	123,207	81,205
Taxes payable		12,310	34	93,885	16,850
Dividends payable		278,127	96,657	285,090	101,376
Income and social contribution taxes		-	-	26,680	986
Deferred income and social contribution taxes	9.a	-	-	123	173
Post-retirement benefits	23.b	-	-	8,768	-
Provision for contingencies	21.a	-	-	14,875	-
Other		2,946	1	55,050	2,722
Total current liabilities		**1,514,906**	**109,909**	**3,009,018**	**431,391**
Noncurrent					
Long-term liabilities					
Loans and financing	15	-	-	1,009,226	1,081,847
Debentures	15	-	300,000	350,000	300,000
Related companies	8	689,955	33,456	4,723	4,738
Deferred income and social contribution taxes	9.a	-	-	1,835	26,029
Provision for contingencies	21.a	4,759	9,389	111,979	36,473
Post-retirement benefits	23.b	-	-	85,164	-
Other		-	-	16,983	2,724
Total noncurrent liabilities		**694,714**	**342,845**	**1,579,910**	**1,451,811**
Minority interest		**-**	**-**	**34,791**	**33,131**
Stockholders' equity					
Capital	16.a	3,696,773	946,034	3,696,773	946,034
Capital reserve	16.c	3,664	3,026	858	550
Revaluation reserve	16.d	11,641	13,009	11,641	13,009
Profit reserves	16.e and16.f	925,423	983,230	925,423	983,230
Treasury shares	16.b	(27,519)	(4,589)	(33,910)	(9,312)
	16.h	**4,609,982**	**1,940,710**	**4,600,785**	**1,933,511**
Total liabilities and shareholders' equity		**6,819,602**	**2,393,464**	**9,224,504**	**3,849,844**

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

Ultrapar Participações S.A. and Subsidiaries

Statements of income for the years ended December 31, 2007 and 2006
(In thousands of Brazilian Reais, except for earnings per share)

		Company		Consolidated	
	Notes	2007	2006	2007	2006
Gross sales and services	2.a	-	-	20,841,121	5,229,910
Taxes on sales and services		-	-	(805,346)	(412,150)
Rebates, discounts and returns		-	-	(114,470)	(23,712)
Net sales and services		-	-	19,921,305	4,794,048
Cost of sales and services	2.a	-	-	(18,224,238)	(3,859,860)
Gross profit		-	-	1,697,067	934,188
Equity in subsidiary and affiliated companies	11.a, 11.b	315,004	291,803	576	965
Operating (expenses) income					
Selling		-	-	(472,590)	(203,320)
General and administrative		(243)	(236)	(512,496)	(273,541)
Management compensation		(1,912)	(1,246)	(9,679)	(5,557)
Depreciation and amortization		(34,032)	-	(228,438)	(122,696)
Other operating income, net		2,516	1,277	12,298	1,317
Income from operations before financial items		281,333	291,598	486,738	331,356
Financial income (expenses), net	19	(86,559)	3,091	(80,712)	1,620
PIS/COFINS/CPMF/IOF/other financial expenses	19	(5,742)	(486)	(38,699)	28,952
Income from operations		189,032	294,203	367,327	361,928
Nonoperating expenses	17	-	(126)	8,808	(18,488)
Income before taxes on income		189,032	294,077	376,135	343,440
Income and social contribution taxes					
Current	9.b	(19,459)	(5,937)	(207,798)	(111,779)
Deferred	9.b	12,320	233	86,681	5,355
Benefit of tax holidays	9.b, 9.c	-	-	35,152	50,332
		(7,139)	(5,704)	(85,965)	(56,092)
Income before minority interest and employees statutory interest		181,893	288,373	290,170	287,348
Employees statutory interest		-	-	(7,318)	-
Minority interest		-	-	(100,959)	(5,284)
Net income	16.i	181,893	288,373	181,893	282,064
Earnings per share (based on annual weighted average) - R$		2.19	3.55		

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

Ultrapar Participações S.A. and Subsidiaries

Statements of changes in shareholders' equity (Company) for the years ended December 31, 2007 and 2006,
(In thousands of Brazilian Reais, except for earnings per share)

					Profit reserves					
	Notes	Capital	Capital reserve	Revaluation reserve of subsidiary and affiliated companies	Legal	Retention of profits	Realizable profits	Retained earnings	Treasury shares	Total
Balances at December 31, 2005		**946,034**	**2,046**	**14,955**	**76,548**	**657,586**	**103,368**	**-**	**(4,894)**	**1,795,643**
Acquisition of treasury shares		-	-	-	-	-	-	-	(1,124)	(1,124)
Sale of treasury shares		-	980	-	-	-	-	-	1,429	2,409
Realization of revaluation reserve	16.d	-	-	(1,946)	-	-	-	1,946	-	-
Income and social contribution taxes on realization of revaluation reserve of subsidiaries	16.d	-	-	-	-	-	-	(391)	-	(391)
Retention of realization of profit reserve net of income and social contribution taxes		-	-	-	-	1,555	-	(1,555)	-	-
Net income		-	-	-	-	-	-	288,373	-	288,373
Appropriation of net income										
Legal reserve		-	-	-	14,419	-	-	(14,419)	-	-
Interim dividends (R$ 0.887398 per share)	16.g	-	-	-	-	-	-	(72,000)	-	(72,000)
Proposed dividends payable (R$ 0.889633 per share)	16.g	-	-	-	-	-	(68,236)	(3,964)	-	(72,200)
Realizable profits reserve	16.f	-	-	-	-	-	61,013	(61,013)	-	-
Reserve for retention of profits	16.e	-	-	-	-	136,977	-	(136,977)	-	-
Balances at December 31, 2006		**946,034**	**3,026**	**13,009**	**90,967**	**796,118**	**96,145**	**-**	**(4,589)**	**1,940,710**
Capital increase due to merger of shares	16.a	2,750,739	-	-	-	-	-	-	-	2,750,739
Acquisition of treasury shares		-	-	-	-	-	-	-	(25,203)	(25,203)
Sale of treasury shares		-	638	-	-	-	-	-	2,273	2,911
Realization of revaluation reserve	16.d	-	-	(1,368)	-	-	-	1,368	-	-
Income and social contribution taxes on realization of revaluation reserve of subsidiaries	16.d	-	-	-	-	-	-	(195)	-	(195)
Retention of realization of profit reserve net of income and social contribution taxes		-	-	-	-	1,173	-	(1,173)	-	-
Net income		-	-	-	-	-	-	181,893	-	181,893
Appropriation of net income										
Legal reservel		-	-	-	9,095	-	-	(9,095)	-	-
Proposed dividends payable (R$ 1.777031 per share)	16.g	-	-	-	-	-	(96,145)	(144,728)	-	(240,873)
Reserve for retention of profits	16.e	-	-	-	-	28,070	-	(28,070)	-	-
Balances at December 31, 2007		**3,696,773**	**3,664**	**11,641**	**100,062**	**825,361**	**-**	**-**	**(27,519)**	**4,609,982**

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

Ultrapar Participações S.A. and Subsidiaries

Statements of changes in financial position for the years ended December 31, 2007 and 2006
(In thousands of Brazilian Reais, except for earnings per share)

		Company		Consolidated	
	Notes	2007	2006	2007	2006
Sources of funds					
From operations					
Net income		181,893	288,373	181,893	282,064
Items not affecting working capital					
Equity in subsidiary and affiliated companies	11.a	(315,004)	(291,803)	(576)	(965)
Depreciation and amortization		34,032	-	300,588	185,829
Credits of PIS and COFINS (taxes on revenue) on depreciation		-	-	2,994	2,117
Long-term interest and monetary variations		-	703	(130,708)	(95,250)
Deferred income and social contribution taxes		(8,200)	(238)	(41,467)	3,291
Minority interest		-	-	100,959	5,284
Net book value of permanent assets written off		-	126	26,219	34,196
Other long-term taxes		7,477	-	81,894	291
Provision (reversal of provision) for probable losses on permanent assets		-	-	(2,755)	3,198
Reversal of provision for factory maintenance shutdowns net of income tax effect		-	-	-	6,309
Other		-	-	1,141	807
		(99,802)	(2,839)	520,182	427,171
From shareholders					
Capital increase due merger of shares	16.a	2,750,739	-	2,750,739	-
Disposal of treasury shares		2,911	2,409	-	-
		2,753,650	2,409	2,750,739	-
From third parties					
Decrease in subsidiary capital	11.a	-	390,947	-	-
Decrease in long-term assets		-	4,241	504,947	-
Proposed dividends and interest on capital (gross)		190,170	68,205	-	-
Increase in long-term liabilities		644,394	-	-	-
Net working capital acquired from subsidiaries		-	-	961,465	-
Long-term financing and debentures		-	-	265,042	143,725
		834,564	463,393	1,731,454	143,725
Total sources		3,488,412	462,963	5,002,375	570,896

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	Notes	Company 2007	Company 2006	Consolidated 2007	Consolidated 2006
Uses of funds					
Permanent assets					
Investments	11.a, 11.b	2,590,593	39,352	1,888,679	142
Property, plant and equipment	12	-	-	658,847	253,040
Intangible assets	13	-	-	6,242	11,661
Deferred charges	14	-	-	63,377	74,907
		2,590,593	39,352	2,617,145	339,750
Dividends and interest on capital		240,873	144,200	239,193	146,087
Transfer from long-term to current liabilities	15	300,000	-	742,157	103,602
Decrease in long-term liabilities		-	370,777	67,425	24,594
Increase in long-term assets		18,969	-	-	27,728
Acquisition of treasury shares	16.b	25,203	1,124	25,203	1,124
Acquisition of shares from minority shareholders		-	-	53	62
Taxes on realization of revaluation reserve		-	-	195	391
		344,172	371,901	835,033	157,501
Total uses		3,175,638	555,453	3,691,371	643,338
Increase (decrease) in working capital		312,774	(92,490)	1,311,004	(72,442)
Represented by					
Current assets					
At end of year		2,059,944	342,173	5,695,702	1,807,071
At beginning of year		342,173	443,047	1,807,071	1,888,302
		1,717,771	(100,874)	3,888,631	(81,231)
Current liabilities					
At end of year		1,514,906	109,909	3,009,018	431,391
At beginning of year		109,909	118,293	431,391	440,180
		1,404,997	(8,384)	2,577,627	(8,789)
Increase (decrease) in working capital		312,774	(92,490)	1,311,004	(72,442)

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

Ultrapar Participações S.A. and Subsidiaries

Supplementary statement of cash flow - Indirect method for the years ended December 31, 2007 and 2006
(In thousands of Brazilian Reais, except for earnings per share)

		Company		Consolidated	
	Notes	2007	2006	2007	2006
Cash flows from operating activities					
Net income		181,893	288,373	181,893	282,064
Adjustments to reconcile net income to cash provided by operating activities					
Equity in losses of affiliated companies	11	(315,004)	(291,803)	(576)	(965)
Depreciation and amortization		34,032	-	300,588	185,829
PIS and COFINS credit on depreciation		-	-	2,994	2,117
Foreign exchange and indexation gains (losses)		98,726	44,826	71,637	27,105
Deferred income and social contribution taxes	9.b	(12,320)	(233)	(92,177)	(5,355)
Minority interest		-	-	100,959	5,284
Loss on disposals of permanent assets		-	126	(7,604)	13,520
Provision (reversal of provision) for probable losses on permanent assets		-	-	(2,755)	3,198
Other		-	-	938	425
Reversal of provision for factory maintenance shutdowns		-	-	-	9,559
Dividends receivable from subsidiaries		10,606	87,662	-	-
(Increase) decrease in current assets					
Trade accounts receivable	5	-	-	(84,695)	(16,684)
Inventories	6	-	-	(64,340)	(25,416)
Recoverable taxes	7	(6,431)	1,025	(24,056)	(54,871)
Other		(647)	81	(5,546)	2,510
Prepaid expenses	10	(93)	(24)	11,221	173
Increase (decrease) in current liabilities					
Suppliers		1,739	84	130,609	21,588
Salaries and related charges		29	18	9,295	15,139
Taxes		12,276	27	45,094	5,518
Income and social contribution taxes		-	-	8,595	348
Other		2,947	(3)	22,892	(10,673)
(Increase) decrease in long-term assets					
Trade accounts receivable	5	-	-	(17,719)	(4)
Recoverable taxes	7	18,739	(7,005)	(367)	(18,523)
Escrow deposits		-	(193)	(4,976)	2,052
Other		(20)	570	(1,933)	(694)
Prepaid expenses	10	187	-	(10,500)	(115)
Increase (decrease) in long-term liabilities					
Provision for contingencies		(4,630)	700	28,058	(18,149)
Other		-	-	(4,981)	(23)

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	Notes	Company 2007	Company 2006	Consolidated 2007	Consolidated 2006
Net cash provided by operating activities		**22,029**	**124,231**	**592,548**	**424,957**
Cash flows from investing activities					
Long-term investments, net of redeem		-	-	509,165	(7,193)
Additions to investments	11	(858,830)	-	(889,625)	(142)
Cash acquisition from subsidiaries		-	-	166,691	-
Additions to property, plant and equipment	12	-	-	(658,847)	(253,040)
Additions to intangible asset	13	-	-	(6,242)	(11,661)
Additions to deferred charges	14	-	-	(63,377)	(74,907)
Proceeds from sales of property, plant and equipment		-	-	33,823	20,677
Acquisition of minority interests		-	-	(53)	(62)
Acquisition of treasury shares	16.b	(25,203)	(1,124)	(25,203)	(1,124)
Sale of treasury shares		2,911	2,409	-	-
Net cash provided by (used in) investing activities		**(881,122)**	**1,285**	**(933,668)**	**(327,452)**
Cash flows from financing activities					
Loans, financing and debentures					
Issuances	15	889,000	-	1,941,845	459,788
Repayments	15	(77,950)	(49,885)	(1,008,588)	(585,350)
Dividends paid		(62,644)	(147,651)	(65,652)	(148,565)
Related companies	8	(70,873)	(8,310)	26,355	(4,226)
Net cash provided by (used in) financing activities		**677,533**	**(205,846)**	**893,960**	**(278,353)**
Net increase (decrease) in cash and cash equivalents		**(181,560)**	**(80,330)**	**552,840**	**(180,848)**
Cash and cash equivalents at the beginning of the year		**279,386**	**359,716**	**1,070,076**	**1,250,924**
Cash and cash equivalents at the end of the year		**97,826**	**279,386**	**1,622,916**	**1,070,076**
Supplemental disclosure of cash flow information					
Interest paid from financing activities		77,950	49,885	160,502	92,501
Income and social contribution taxes paid in the year		-	-	70,645	30,923
Transaction in the period null and void cash					
Capital increase in subsidiaries with receivable dividends	16.a	2,750,739	-	2,750,739	-
Accounting receivable from merger of share concern Petrobras and Braskem assets	3.iii and 8	(1,751,685)	-	(1,751,685)	-
Capital increase due merger of share	11.a	999,054	-	999,054	-
Debt from subsidiaries acquired		673,164	-	676,955	-

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

Ultrapar Participações S.A. and Subsidiaries

Supplementary statement of value added for the years ended December 31, 2007 and 2006
(In thousands of Brazilian Reais, except for earnings per share)

	Notes	Company				Consolidated			
		2007	%	2006	%	2007	%	2006	%
Revenue									
Gross sales and services		-		-		20,841,121		5,229,910	
Rebates, discounts and returns		-		-		(114,470)		(23,712)	
Reversal of allowance for doubtful accounts		-		-		4,140		5,148	
Nonoperating expenses		-		(126)		8,808		(18,488)	
		-		**(126)**		**20,739,599**		**5,192,858**	
Inputs purchased from third parties									
Raw materials consumed		-		-		(1,546,401)		(1,344,890)	
Cost of sales and services		-		-		(16,552,275)		(2,160,340)	
Materials, energy, outside services and other		(2,359)		(2,305)		(869,091)		(608,230)	
Recovery (loss) of assets		5,240		3,960		(682)		7,917	
		2,881		**1,655**		**(18,968,449)**		**(4,105,543)**	
Gross value added		**2,881**		**1,529**		**1,771,150**		**1,087,315**	
Retentions									
Depreciation and amortization		(34,032)		-		(303,582)		(187,946)	
Net value added		**(31,151)**		**1,529**		**1,467,568**		**899,369**	
Value added received from third parties									
Equity in subsidiary and affiliated companies		315,004		291,803		576		965	
Dividends and interest on capital of investment stated at cost		31		31		1,764		1,049	
Financial income		12,683		50,163		150,241		155,931	
		327,718		**341,997**		**152,581**		**157,945**	
Total value added for distribution		**296,567**	**100**	**343,526**	**100**	**1,620,149**	**100**	**1,057,314**	**100**
Distribution of value added									
Payroll and related charges		2,114	1	1,555	1	645,168	40	444,789	42
Taxes		13,317	4	6,526	2	416,799	26	142,808	14
Financial expenses and rental		99,243	33	47,072	13	275,330	17	182,369	17
Dividends and interest on capital		144,728	49	144,200	42	146,289	9	146,087	14
Retained earnings		37,165	13	144,173	42	136,563	8	141,261	13
Value added distributed		**296,567**	**100**	**343,526**	**100**	**1,620,149**	**100**	**1,057,314**	**100**

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

Ultrapar Participações S.A. and Subsidiaries

Notes to the financial statements for the years ended December 31, 2007 and 2006.
(In thousands of Brazilian Reais, 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 the acquisition of certain operations 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 FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING PRACTICES

The accounting practices adopted by Ultrapar and its subsidiaries to record transactions and for the preparation of the financial statements 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 has held and 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 does not exceed market value.

Other assets are stated at the lower of cost or realizable value, 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.

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, reorganizations and projects 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 financial statement date.

h) Income and social contribution taxes on income

Income and social contribution taxes, current and deferred 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 financial statements of foreign subsidiaries

The financial statements of foreign subsidiaries are translated into Brazilian Reais at the current exchange rate in effect at the date of the financial statements. The criteria for preparation of the financial statements have been adapted to conform to accounting practices derived from the Brazilian Corporation Law.

l) Supplementary statements

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 and, the statement of value added prepared in accordance with Brazilian Accounting Standard No. T3.7 - Statement of value added, issued by the Federal Accounting Council, which presents the statement of income from the viewpoint of generation and distribution of wealth.

m) Use of estimates

The preparation of financial statements 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.

3. CONSOLIDATION PRINCIPLES

The consolidated financial statements 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 - %			
	2007		2006	
	Direct	Indirect	Direct	Indirect
Ultragaz Participações Ltda.	**100**	**-**	**100**	**-**
SPGás Distribuidora de Gás Ltda.	-	-	-	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	-	-
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 USA LLC	-	100	-	-
Oxiteno International Corp.	-	100	-	100
Oxiteno Overseas Corp.	-	100	-	100
Oxiteno Andina, C.A.	-	100	-	-
Imaven Imóveis e Agropecuária Ltda.	**100**	**-**	**100**	**-**
UPB Consultoria e Assessoria S.A.	**100**	**-**	**-**	**-**
Ultracargo Terminais Ltda.	**100**	**-**	**-**	**-**
Distribuidora de Produtos de Petróleo Ipiranga S.A.	**100**	**-**	**-**	**-**
Isa-Sul Administração e Participações Ltda.	-	100	-	-
Comercial Farroupilha Ltda.	-	100	-	-
Ipiranga Administração de Bens Móveis Ltda.	-	100	-	-
Maxfácil Participações S.A. (**)	-	16	-	-
Companhia Brasileira de Petróleo Ipiranga (*)	**100**	**-**	**-**	**-**
am/pm Comestíveis Ltda. (*)	-	100	-	-
Centro de Conveniências Millennium Ltda. (*)	-	100	-	-
Empresa Carioca de Produtos Químicos S.A.	-	100	-	-
Ipiranga Comercial Importadora e Exportadora Ltda.	-	100	-	-
Ipiranga Trading Limited	-	100	-	-
Tropical Transportes Ipiranga Ltda.	-	100	-	-
Ipiranga Imobiliária Ltda.	-	100	-	-
Ipiranga Logística Ltda.	-	100	-	-
Maxfácil Participações S.A. (**)	-	34	-	-
Refinaria de Petróleo Ipiranga S.A. (***)	**100**	**-**	**-**	**-**

(*) As informed in the "Material Event" of March 19, 2007 and the "Material Event" of April 18, 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%).
(***) As informed in the "Material Event" of March 19, 2007 and the "Material Event" of April 18, 2007,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 financial statements 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 a controlling interest in the Ipiranga Group, as informed in the "Material Event" published on that date. Under the terms of the Acquisition Agreement signed by the three buyers, the Company acted as a commission agent for Braskem and Petrobras in relation to the acquisition of their assets, 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") (occurred on October 22, 2007 for DPPI and RPI and on November 8, 2007 for CBPI);

(iii) merger of the remaining shares of CBPI, RPI and DPPI into Ultrapar (occurred on December 18, 2007). For this merger of shares, the Company issued 54,770,590 preferred shares (see Note 16.a); and

(iv) segregation of assets among Ultrapar, Petrobras and Braskem.

The assets, liabilities and income of Ipiranga/Refinery have been reflected in the Company's financial statements since April, 2007, with minority interest presented separately in the consolidated financial statements to September, 2007. With the merger of shares, the interest of noncontrolling shareholders in Ipiranga/Refinery was eliminated, and the Company started to consolidate the total income of the companies from October, 2007. As the Company acted as commission agent for Braskem and Petrobras, the assets acquired for them were recorded as a reduction of the amounts received from them in the first and second stages of the transaction, not producing any effect in the Company's financial statements. The balancing accounting entry of the capital increase resulting from the merger of shares referring to the North Distribution Assets and Petrochemical Assets, that will not remain with the Company, was recorded as "Other accounts receivable" in the amount of R$ 1,751,685, to be received from Braskem and Petrobras at the time when the respective assets will be delivery to them. The assets related to the operations of RPI's oil refinery were proportionally consolidated in the Company's financial statements, since their control is shared equally with Petrobras and Braskem.

The goodwill recorded by the Company in the three stages of acquisition totalled of R$ 483,974, amortized over 10 years from each stage date, based on the expectation of future profitability.

On April 30, 2007, the subsidiary Transultra - Armazenamento e Transporte Especializado Ltda. acquired the company Petrolog Serviços e Armazéns Gerais Ltda. for R$ 8,083, recording goodwill of R$ 6,507, amortized over 10 years, based on the expectation of future profitability.

On September 13, 2007, the subsidiary Barrington S.L. acquired the company Arch Química Andina, C.A. in Venezuela for R$ 14,972, and changed its name to Oxiteno Andina, C.A. Goodwill of R$ 164 was recorded, amortized over 10 years, based on the expectation of future profitability.

On October 15, 2007, the subsidiary SPGás Distribuidora de Gás Ltda. was upstream merged with Ultragaz Participações Ltda., with the aim of simplifying the corporate structure.

Upon consolidation, intercompany investments, accounts, transactions and profits were eliminated. Minority interest in subsidiaries is presented separately in the financial statements.

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	
	2007	2006	2007	2006
Austrian notes	-	-	424,213	419,818
Dual currency deposits (a)	-	-	440,920	553,100
Foreign investments (b) (c)	-	-	192,376	223,354
Securities and fixed-income funds in Brazil	97,197	279,264	567,983	442,060
Net expenses on hedge transaction (d)	-	-	(84,801)	(52,270)
Total	**97,197**	**279,264**	**1,540,691**	**1,586,062**
Current portion	97,197	2 79,264	1,419,859	1,038,084
Noncurrent portion	**-**	**-**	**120,832**	**547,978**

(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 7.4% per year; otherwise, it will be in Brazilian Reais plus average interest of 12.6% per year. The subsidiary records the investment at the lower of the two alternative yields, which to December 31, 2007 was represented by the US dollar. To December 31, 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)

	2007	2006
Domestic customers Ipiranga / Refinery	855,073	-
Other domestic customers	394,123	375,464
Financing to customers Ipiranga	298,947	-
Foreign customers	125,231	76,465
(-) Advances on foreign exchange contracts	(89,933)	(50,918)
(-) Allowance for doubtful accounts	(62,124)	(21,751)
	1,521,317	**379,260**
Current portion	1,344,432	360,012
Noncurrent portion	**176,885**	**19,248**

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 in 2006	21,751
Initial balance of Ipiranga / Refinery	41,222
Addition recorded as selling expenses	19,394
Utilization	(20,243)
Balance in 2007	**62,124**

6. INVENTORIES (Consolidated)

	2007			2006		
	Cost	Provision for loses	Net	Cost	Provision for loses	Net
Finished products	143,666	(4,268)	139,398	98,761	(1,528)	97,233
Work in process	1,288	-	1,288	594	-	594
Raw materials	104,764	(58)	104,706	65,502	(114)	65,388
Liquefied petroleum gas (LPG)	24,221	-	24,221	23,410	-	23,410
Fuel, lubricants and grease	264,961	(370)	264,591	-	-	-
Supplies and cylinders for resale	33,742	(2,632)	31,110	20,913	(492)	20,421
Advances to suppliers	65,821	-	65,821	10,119	-	10,119
	638,463	(7,328)	631,135	219,299	(2,134)	217,165

The changes in the provision for losses on inventories are shown below:

Balance in 2006	2,134
Additions	6,511
Write offs	(1,317)
Balance in 2007	7,328

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.

	Parental Company		Consolidated	
	2007	2006	2007	2006
Income and social contribution taxes	33,957	26,636	104,994	75,299
ICMS	-	-	167,672	101,034
Provision for losses - ICMS (*)	-	-	(46,886)	(31,438)
PIS and COFINS	21	21	31,307	28,396
VAT of subsidiaries Oxiteno México S.A. de C.V.and Oxiteno Andina, C.A.	-	-	4,011	8,474
Manufacturing tax - IPI	-	-	8,649	601
Other	41	41	1,525	736
Total	**34,019**	**26,698**	**271,272**	**183,102**
Current portion	34,019	7,959	202,620	117,802
Noncurrent portion	**-**	**18,739**	**68,652**	**65,300**

(*) The provision refers to credit balances that the subsidiaries estimate they will not be able to offset in the future.

The changes in the provision for losses on ICMS are shown below:

Balance in 2006	31,438
Initial balance of Ipiranga / Refinery	6,035
Addition	9,413
Balance in 2007	**46,886**

The increase in the balance of income and social contribution tax credits and IPI is mainly due to the inclusion of Ipiranga.

The increase in the balance of ICMS is due to 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$ 76,845 as of December 31, 2007 (R$ 50,241 in 2006), of which R$ 29,806 have already been reviewed by the tax authorities and are awaiting release by the state finance department of Bahia for use/transfer. 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

			Consolidated						
	Parent company loan		Loans		Trade accounts		Operations		Financial
	Asset	Liability	Asset	Liability	Receivable	Payable	Sales	Purchases	expenses
Companhia Ultragaz S.A.	1,747	-							
Oxiteno S.A. Indústria e Comércio	31,775	-							
Transultra - Armazenamento e Transporte Especializado Ltda.	324	-							
Ultragaz Participações Ltda.	7,567	-							
Melamina Ultra S.A. Indústria Química	-	456							
Distribuidora de Produtos de Petróleo Ipiranga S.A.	-	400,288							
Refinaria de Petróleo Ipiranga S.A.	-	289,211							
Química da Bahia Indústria e Comércio S.A.			-	3,640	-	-	-	-	(110)
Serma Associação dos Usuários de Equipamentos de Processamentos de Dados e Serviços Correlatos			12,865	-	-	-			
Petroquímica União S.A.			-	-	-	5,218	182	139,273	-
Oxicap Indústria de Gases Ltda.			-	-	-	1,105	-	11,228	-
Liquigás Distribuidora S.A.			-	-	228	-	3,489	-	-
Petróleo Brasileiro S.A. - Petrobras			-	-	16,518	197,925	753	13,172,124	-
Copagaz Distribuidora de Gás S.A.			-	-	62	-	1,285	-	-
Braskem S.A.			-	-	-	11,426	26,904	700,639	-
SHV Gás Brasil Ltda.			-	-	50	-	1,412	-	-
Metalúrgica Plus S.A.			-	212	-	-			
Plenogás - Distribuidora de Gás S.A.			-	871	-	-			
Refinaria de Petróleo Ipiranga S.A. (*)			-	-	46	4,315	572	421,468	1,634
Other			-	-	24	-	727	-	-
Total at december 31, 2007	**41,413**	**689,955**	**12,865**	**4,723**	**16.928**	**219,989**	**35,324**	**14,444,732**	**1,524**
Total at december 31, 2006	**3,540**	**33,456**	**7,360**	**4,738**	**399**	**13,768**	**57,133**	**2,796,529**	**(295)**

(*) The balance of receivable, payable, purchase and sale transactions refers substantially to fuel supplies of RPI to DPPI. 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.

The loan balances of DPPI and RPI refer to the purchase of equity from DPPI in CBPI and RPI in DPPI and CBPI, realized to prevent reciprocal participation in the merger of shares. In addition to the operations above, the Company has R$ 1,751,685 to be received from Braskem and Petrobras as a result of the Acquisition Agreement signed between the parties for the Ipiranga Group acquisition (see Note 3).

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, considering suppliers and customers with equal operating capacity.

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	
	2007	2006	2007	2006
Assets				
Deferred income and social contribution taxes on				
Provision for loss of assets	-	-	26,437	20,401
Provision for contingencies	4,116	3,087	48,256	13,334
Provision for post-retirement benefits (see Note 23.b)	-	-	26,753	-
Provision for interest on capital	-	-	45,107	-
Provision for differences of cash basis versus accrual basis	-	-	29,419	16,523
Other provisions	86	82	17,828	9,302
Income and social contribution tax loss carryforwards	11,287	-	34,739	25,939
Total	**15,489**	**3,169**	**228,539**	**85,499**
Current portion	4,202	82	108,964	27,298
Noncurrent portion	**11,287**	**3,087**	**119,575**	**58,201**
Liabilities				
Deferred income and social contribution taxes on				
Revaluation of property, plant and equipment	-	-	611	865
Accelerated depreciation	-	-	168	-
Income earned abroad	-	-	-	24,252
Temporary differences of foreign subsidiaries	-	-	1,179	1,085
Total	**-**	**-**	**1,958**	**26,202**
Current portion	-	-	123	173
Noncurrent portion	**-**	**-**	**1,835**	**26,029**

The estimated recovery of deferred income and social contribution tax assets is shown below:

	Parent Company	Consolidated
Until 1 year	4,202	108,964
From 1 to 2 years	11,287	41,061
From 2 to 3 years	-	26,440
From 3 to 4 years	-	34,991
From 5 to 7 years	-	8,800
From 8 to 10 years	-	8,283
	15,489	228,539

The Company and its subsidiaries have stopped to accrue income and social contribution taxes on income earned abroad for the years prior to 2002, due to the lapsing of the contingency for these years.

b) Reconciliation 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	
	2007	2006	2007	2006
Income before taxes, equity in subsidiary and affiliated companies and minority interest	(125,972)	2,274	368,241	342,475
Official tax rates - %	34	34	34	34
Income and social contribution taxes at official rates	**42,830**	**(773)**	**(125,202)**	**(116,442)**
Adjustments to the effective tax rate:				
Operating provisions and nondeductible expenses/nontaxable income	(4,714)	(38)	(5,543)	7,676
Adjustments to estimated income	-	-	9,606	1,792
Interest on capital	(45,255)	(4,893)	-	-
Workers' meal program (PAT)	-	-	1,679	410
Other	-	-	(1,657)	140
Income and social contribution taxes before benefit of tax holidays	(7,139)	(5,704)	(121,117)	(106,424)
Benefit of tax holidays - ADENE	-	-	35,152	50,332
Income and social contribution taxes in the statements of income	**(7,139)**	**(5,704)**	**(85,965)**	**(56,092)**
Current	(19,459)	(5,937)	(207,798)	(111,779)
Deferred	12,320	233	86,681	5,355
Benefit of tax holidays - ADENE	-	-	35.152	50.332

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	75	2016
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 2007, Suape plant's exemption expired and in the first quarter of 2008 a request will be filed with ADENE (Northeast Development Agency), the agency in charge of managing this incentive program, seeking a 75% income tax reduction until 2017.

10. PREPAID EXPENSES (Consolidated)

	2007	2006
Rents	31,304	2,850
Expenses with bond issuances	10,183	12,806
Insurance premium	1,567	2,771
Other prepaid expenses	7,070	3,452
	50,124	**21,879**
Current portion	13,195	8,620
Noncurrent portion	**36,929**	**13,259**

The increase in the balance of rents is due the inclusion of the Ipiranga operations.

11. INVESTMENTS

a) Subsidiaries of the Company

	2007						
	Ultragaz Participações Ltda. (i)	Ultracargo - Operações Logísticas e Participações Ltda. (i)	Imaven Imóveis e Agropecuária Ltda. (i)	Oxiteno S.A. Indústria e Comércio (i)	Distribuidora de Produtos de Petróleo Ipiranga S.A. (i) (ii)	Companhia Brasileira de Petróleo Ipiranga (i) (ii)	Refinaria de Petróleo Ipiranga S.A. (i) (ii)
Number of shares or quotas held	4,336,062	2,461,346	27,733,974	35,102,127	32,000,000	105,952,000	29,600,000
Net equity adjusted for unrealized profit between subsidiaries - R$	421,491	208,402	50,693	1,539,378	922,752	839,527	274,501
Net income for the year R$	47,654	2,110	4,621	127,413	62,066	55,624	15,516

								2007	2006
Changes in investments	Ultragaz Participações Ltda. (i)	Ultracargo - Operações Logísticas e Participações Ltda. (i)	Imaven Imóveis e Agropecuária Ltda. (i)	Oxiteno S.A. Indústria e Comércio (i)	Distribuidora de Produtos de Petróleo Ipiranga S.A. (i) (ii)	Companhia Brasileira de Petróleo Ipiranga (i) (ii)	Refinaria de Petróleo Ipiranga S.A. (i) (ii)	Total	Total
Balance at beginning of year	374,032	206,292	46,072	1,399,089	-	-	-	2,025,485	2,153,873
Acquisition of shares	-	-	-	-	187,012	123,906	-	310,918	-
Merger of shares (iii)	-	-	-	-	727,451	745,420	279,620	1,752,491	-
Goodwill / cost acquisition	-	-	-	-	308,520	165,863	9,591	483,974	-
Goodwill amortization	-	-	-	-	(21,297)	(12,735)	-	(34,032)	-
Income taxes on revaluation reserves in subsidiaries	(195)	-	-	-	-	-	-	(195)	(391)
Dividends and interest on capital	-	-	-	(30,334)	(53,776)	(85,424)	(20,636)	(190,170)	(68,205)
Equity pick-up	47,654	2,110	4,621	127,413	62,066	55,624	15,516	315,004	291,803
Capital increase (decrease)	-	-	-	43,210	-	-	-	43,210	(351,595)
Balance at end of year	**421,491**	**208,402**	**50,693**	**1,539,378**	**1,209,976**	**992,654**	**284,091**	**4,706,685**	**2,025,485**

(i) Financial statements audited by our independent auditors.
(ii) This information refers to the activities of distribution of fuels/lubricants and related activities (South and Southeast), Empresa Carioca de Produtos Químicos S.A. and oil refining operations of these subsidiaries pertaining to Ultrapar.
(iii) Includes the acquisition to avoid reciprocal participation in the merger of shares (see Notes 3 and 8).

b) AFFILIATED COMPANIES (consolidated)

	2007		
	Transportadora Sulbrasileira de Gás S.A. (i)	Oxicap Indústria de Gases Ltda. (iv)	Química da Bahia Indústria e Comércio S.A. (iv)
Number of shares or quotas held	20,125,000	156	1,493,120
Net equity - R$	29,487	7,180	7,560
Net income for the year - R$	(467)	495	610
Ownership interest - %	25	25	50

				2007	2006
	Transportadora Sulbrasileira de Gás S.A. (i)	Oxicap Indústria de Gases Ltda. (ii)	Química da Bahia Indústria e Comércio S.A. (ii)	Total	Total
Changes in investments					
Balance at beginning of year	-	1,814	3,475	5,289	4,182
Ipiranga acquisition	9,499	-	-	9,499	-
Goodwill write-off	(2,274)	-	-	(2,274)	-
Advance for future capital increase	-	-	-	-	142
Refund advance for future capital increase	-	(142)	-	(142)	-
Equity pick-up	148	123	305	576	965
Balance at end of year	**7,373**	**1,795**	**3,780**	**12,948**	**5,289**

(iv) Financial statements audited by other independent auditors.

In the consolidated 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 November 30, 2007. Other subsidiaries are valued based on the financial statements as of December 31, 2007.

12. PROPERTY, PLANT AND EQUIPMENT (Consolidated)

	Annual depreciation average rates - %	2007 Revalued cost	2007 Accumulated depreciation	2007 Allowance for realization	2007 Net book value	2006 Net book value
Land	-	179,791	-	(197)	179,594	46,676
Buildings	4	624,692	(292,244)	-	332,448	204,237
Leasehold improvements	4	192,419	(72,627)	-	119,792	68,456
Machinery and equipment	8	1,113,853	(579,046)	(468)	534,339	458,265
Equipment and fixtures for the distribution of fuels / lubricants	10	760,741	(459,383)	-	301,358	-
Gas tanks and cylinders for LPG	10	289,263	(178,947)	(1,227)	109,089	114,447
Vehicles	20	221,494	(164,955)	-	56,539	35,622
Furniture and fixtures	10	61,566	(34,949)	-	26,617	14,912
Construction in progress	-	493,036	-	-	493,036	107,034
Advances to suppliers	-	78,567	-	-	78,567	49,231
Imports in transit	-	1,964	-	-	1,964	523
IT equipment	20	147,471	(114,023)	-	33,448	12,372
Other		2,450	(356)	-	2,094	-
		4,167,307	**(1,896,530)**	**(1,892)**	**2,268,885**	**1,111,775**

The changes in the provision for losses on property, plant and equipment are shown below:

Balance in 2006	1,259
Addition	1,600
Write offs	(967)
Balance in 2007	**1,892**

Construction in progress refers substantially to: (i) the construction of the fatty alcohols plant; (ii) the expansions and renovations of the plants; and (iii) the construction and modernization of gas stations and terminals for distribution of fuel of subsidiaries CBPI and DPPI.

Advances to suppliers refer to the 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:

	2007 Revaluation	2007 Accumulated depreciation	2007 Net book value	2006 Net book value
Land	16,296	-	16,296	15,503
Buildings	43,866	(35,671)	8,195	9,771
Machinery and equipment	31,738	(30,863)	875	1,086
Gas tanks and cylinders	48,873	(48,873)	-	-
Vehicles	661	(661)	-	-
	141,434	**(116,068)**	**25,366**	**26,360**

The depreciation of theses revaluations in the amount of R$ 1,715 as of December 31, 2007 (R$ 1,874 as of December 31, 2006) was recorded in the statements of income. The amount of deferred taxes on revaluations totals R$ 6,772 as of December 31, 2007 (R$ 7,491 as of December 31, 2006), of which R$ 611 as of December 31, 2007 (R$ 865 as of December 31, 2006) is recorded as noncurrent liabilities, as shown in Note 9.a), and R$ 6,161 as of December 31, 2007 (R$ 6,626 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.

13. INTANGIBLE ASSETS (Consolidated)

	2007					2006
	Annual amortization average rate - %	Cost	Accumulated amortization	Provision for losses	Net value book	Net value book
Software	20	112,975	(79,851)	-	33,124	24,575
Commercial property rights	3	16,334	(2,221)	-	14,113	14,663
Goodwill	20	15,495	(11,291)	-	4,204	6,138
Technology	20	20,282	(5,294)	-	14,988	15,197
Other	10	1,431	(130)	(836)	465	440
		166,517	**(98,787)**	**(836)**	**66,894**	**61,013**

There were no changes in the provision for losses during the year of 2007.

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 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 to December 2022.

14. DEFERRED CHARGES (Consolidated)

	2007				2006
	Annual amortization average rate - %	Cost	Accumulated amortization	Net book value	Net book value
Expenses with reorganizations and projects	20	63,865	(18,246)	45,619	39,744
Pre-operating expenses	12	6,728	(3,306)	3,422	4,596
Installation of Ultrasystem equipment at customers' facilities	33	196,168	(133,817)	62,351	61,005
Goodwill	10	498,314	(40,982)	457,332	5,950
Other	20	2,930	(1,530)	1,400	961
		768,005	(197,881)	570,124	112,256

Expenses on reorganizations and projects include, mainly, the LPG distribution structure review project and expenses for the Rio de Janeiro Petrochemical Complex (COMPERJ) project.

In 2007, goodwill related to the share acquisitions of Petrolog Serviços e Armazéns Gerais Ltda. of R$ 6,507, for Ipiranga of R$ 483,974 and Oxiteno Andina, C.A. of R$ 164 are being amortized over 10 years (see Note 3).

15. LOANS, FINANCING AND DEBENTURES (Consolidated)

a) Composition

Description	2007	2006	Index/currency	Annual interest rate 2007 - %	Maturity
Foreign currency					
Syndicated loan (b)	106,427	128,460	US$	5.05	2008
Notes in the foreign market (b)	106,597	128,665	US$	9.0	2020
Notes in the foreign market (c)	443,717	535,576	US$	7.25	2015
Notes in the foreign market (d)	106,830	-	US$	9.88	2008
Working capital loan	3,428	1,375	MX$ + TIIE (i)	1.0	2008
Foreign financing	21,656	26,155	US$ + LIBOR	2.0	2009
Inventories and property, plant and equipment financing	19,576	14,445	MX$ + TIIE (i)	From 1.1 to 2.0	From 2009 to 2014
Inventories and property, plant and equipment financing	9,618	-	US$ + LIBOR	From 1.0 to 3.5	From 2009 to 2010
Import financing (FINIMP)	13,226	-	US$	6.54	2008
Advances on foreign exchange contracts	132,143	1,295	US$	From 5.95 to 6.50	< 229 days
National Bank for Economic and Social Development (BNDES)	5,999	12,890	UMBNDES (ii)	10.75	From 2008 to 2011
National Bank for Economic and Social Development (BNDES)	16,018	10,120	US$	From 7.76 to 10.91	From 2010 to 2014
Export prepayments, net of linked operations	3,123	11,100	US$	6.2	2008
Subtotal	**988,358**	**870,081**			
Local currency					
National Bank for Economic and Social Development (BNDES)	256,012	199,890	TJLP (iii)	From 1.80 to 4.85	From 2008 to 2014
National Bank for Economic and Social Development (BNDES)	2,515	7,005	IGP-M (iv)	6.5	2008
Government Agency for Machinery and Equipment Financing (FINAME)	63,050	40,742	TJLP (iii)	From 2.7 to 5.1	From 2008 to 2011
Research and projects financing (FINEP)	61,572	46,881	TJLP (iii)	From (2.0) to 5.0	From 2009 to 2014
Debentures (e.1)	310,473	312,794	CDI	102.5	2008
Debentures (e.2)	359,388	-	CDI	103.8	2011
Debentures (e.3)	908,859	-	CDI	102.5	2008
Banco do Nordeste do Brasil	103,558	19,790	FNE (v)	From 9.78 to 11.50	2018
Financial institutions	123,801	-	CDI	100	From 2008 to 2009
Other	297	217	-	-	-
Subtotal	2,189,525	627,319			
Total financing and debentures	3,177,883	1,497,400			
Current liabilities	1,818,657	115,553			
Non current liabilities	**1,359,226**	**1,381,847**			

(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, 94%, 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.
(v) FNE = Financing of Northeast Fund.

The long-term portion matures as follows:

	2007	2006
From 1 to 2 years	282,353	529,331
From 2 to 3 years	204,021	101,468
From 3 to 4 years	182,136	37,404
From 4 to 5 years	55,687	21,686
Over 5 years	635,029	691,958
	1,359,226	**1,381,847**

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 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 financial statements.

c) Notes in the foreign market

In December 2005, the subsidiary LPG International Inc. issued notes in the amount of
US$ 250 millions, 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);

- 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, the 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 million. In 2006, partial redemption was performed in the amount of US$ 79.6 million or R$ 164.9 million.

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.

e.2) 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

e.3) The Company issued debentures in the amount of R$ 889 million, in two series, to face its share of disbursement in the first and second stages of the acquisition of Ipiranga Group.

	1st serie	2st serie
Nominal unit value:	R$ 675,000,000	R$ 214,000,000
Final maturity:	April 11, 2008	October 22, 2008
Yield payment, semiannually beginning:	October 11, 2007	April 22, 2008
Nominal value payment:		Lump sum at final maturity
Yield:		102.5% of CDI
Repricing:		None

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:

	2007	2006
Amount of financing secured by:		
Property, plant and equipment	63,017	42,667
Shares of affiliated companies and minority shareholders' guarantees	2,514	7,005
	65,531	**49,672**

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$ 986,174 as of December 31, 2007 (R$ 1,073,134 as of December 31, 2006).

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$ 21,609 as of December 31, 2007 (R$ 34,879 as of December 31, 2006), with terms of up to 213 days. As of December 31, 2007, the Company and its subsidiaries have not incurred any loss nor recorded any liability related to these guarantees.

The Company and its subsidiaries have in some loans, financing and debentures, cross default clauses which oblige them to pay the contracted debt in case of default of any other debts in the amount equal or higher than US$ 10 million. As of December 31, 2007 has no default occurred in relation to the Company and its subsidiaries' debt.

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 136,095,999 shares without par value, comprised of 49,429,897 common and 86,666,102 preferred shares.

The table below represents the changes in shares and capital occurred in 2007:

				Total shares
Events	Capital	Common shares	Preferred shares	Total
Balance as of December 31, 2006	946,034	49,429,897	31,895,512	81,325,409
Preferred shares issued in Extraordinary Shareholders' Meeting, occurred on December 18, 2007(see Note 3.iii)	2,750,739	-	54,770,590	-
Balance as of December 31, 2007	**3,696,773**	**49,429,897**	**86,666,102**	**136,095,999**

As of December 31, 2007, 10,397,575 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 noncontrolling shareholders 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$ 4,500,000, 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, 424,500 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 and extended through in the Board of Director's Meeting of August 08, 2007.

As of December 31, 2007, the Company's financial statements record 541,197 preferred shares and 6,617 common shares in treasury, which were acquired at the average cost of R$ 50.61 and R$ 19.30 per share, respectively. The consolidated financial information record 833,147 preferred shares and 6,617 common shares in treasury, which were acquired at the average cost of R$ 42.64 and R$ 19.30 per share, respectively.

The market price of preferred shares issued by the Company as of December 31, 2007 on the São Paulo Stock Exchange (BOVESPA) was R$ 63.00.

c) Capital reserve

The capital reserve in the amount of R$ 3,664 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$ 40.42 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.

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) Dividends and appropriation of net income (Company)

According to the Company's bylaws, the shareholders are entitled to a minimum annual dividend of 50% of adjusted net income, calculated according to the terms of accounting practices adopted in Brazil.

Proposed dividends as stated in the Company's financial statements, subject to approval at the Annual Shareholders' Meeting, are as follows:

	2007
Net income	181,893
Legal reserve	(9,095)
Retention of profits reserve	(28,070)
Dividends balance	144,728
Realization of realizable profits reserve	96,145
Proposed dividends payable (R$ 1.777031 per share)	240,873

h) Conciliation of shareholders' equity - Company and consolidated

	2007	2006
Shareholders' equity - Company	4,609,982	1,940,710
Treasury shares held by subsidiaries, net of realization	(6,391)	(4,723)
Capital reserve arising from sale of treasury shares to subsidiaries, net of realization	(2,806)	(2,476)
Shareholders' equity - consolidated	4,600,785	1,933,511

i) Reconciliation of net income - Parent Company and consolidated

In 2006, the difference between the net income by Parent Company and consolidated, was resulting from the reversal of the allowance for scheduled factory maintenance of Oxiteno S.A. Indústria e Comércio and Oxiteno Nordeste S.A. Indústria e Comércio, 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, in the amount of R$ 6,309.

17. NONOPERATING EXPENSES, NET (CONSOLIDATED)

Composed mainly of R$ 12,651 (income) (R$ 4,818 (expense) in 2006) of result on the sale of property, plant and equipment, mainly gas cylinders, wagon tanks and vehicles, R$ 2,274 goodwill write off by Transportadora Sulbrasileira de Gás, and R$ 1,569 (R$ 13,670 in 2006) of deferred write offs related to projects.

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:

	Ultragaz	Oxiteno	Ultracargo	Ipiranga	Other	2007 Consolidated	2006 Consolidated
Net sales, net of related-party transactions	3,111,213	1,685,731	185,960	14,915,569	22,832	19,921,305	4,794,048
Income from operations before financial income (expenses) and equity in subsidiary and affiliated companies	132,258	106,702	14,629	261,022	(28,449)	486,162	330,391
Total assets, net of related parties	834,097	2,737,275	375,081	2,874,551	2,403,500	9,224,504	3,849,844

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)

	2007	2006
Financial income:		
Interest on temporary cash investments and noncurrent investments	145,063	163,223
Interest on trade accounts receivable	19,181	5,295
Monetary and exchange variation income	(13,089)	(14,408)
Other income	(914)	1,821
	150,241	**155,931**
Financial expenses:		
Interest on loans and financing	(97,278)	(85,477)
Interest on debentures	(123,892)	(44,827)
Bank charges	(18,700)	(14,677)
Monetary and exchange variations expenses	48,283	17,660
Financial results from currency hedge transactions	(24,615)	(18,977)
PIS/COFINS/CPMF/IOF/other financial expenses (see Note 21 a) (*)	(38,699)	28,952
Other expenses	(14,751)	(8,013)
	(269,652)	**(125,359)**
Financial (expenses) income, net	**(119,411)**	**30,572**

(*) In 2006, includes R$ 49,749 referring to the recovery of credits as mentioned in Note 21.a).

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 December 31, 2007, Oxiteno S.A. Indústria e Comércio and its subsidiaries maintained R$ 1,485 (R$ 1,558 in 2006), the subsidiaries of Ultragaz Participações Ltda. maintained R$ 16,735 (R$ 20,020 in 2006), and Ipiranga / Refinery maintained R$ 43,448 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 between 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 December 31, 2007 and 2006:

	2007	2006
Assets:		
Investments abroad and hedges	284,915	94,417
Foreign cash and cash equivalents	7,970	861
Temporary cash and long-term investments in foreign currency	633,296	776,454
Receivables from foreign customers, net of advances on exchange contracts and allowance for loss	35,122	25,352
	961,303	897,084
Liabilities:		
Foreign currency financing	988,358	870,081
Import payables	14,544	30,872
	1,002,902	900,953
Net asset position	(41,599)	(3,869)

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 December 31, 2007, in the amount of R$ 23,954 (financial expense of R$ 15,297 in 2006).

- Market value of financial instruments

Market value of financial instruments as of December 31, 2007 and 2006 are as follows:

	2007		2006	
	Book value	Market value	Book value	Market value
Financial assets:				
Cash and banks	203,057	203,057	31,992	31,992
Temporary cash investments	1,419,859	1,439,158	1,038,084	1,034,144
Noncurrent investments	120,832	121,105	547,978	564,379
	1,743,748	1,763,320	1,618,054	1,630,515
Financial liabilities:				
Current and long-term loans	1,599,163	1,619,770	1,184,606	1,211,849
Current and long-term debentures	1,578,720	1,578,623	312,794	312,748
	3,177,883	3,198,393	1,497,400	1,524,597
Investment:				
Investments in affiliated companies	34,117	47,411	25,497	28,978

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 December 31, 2007 and 2006. 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 December 31, 2007.

The subsidiaries Companhia Ultragaz S.A. and Ultragaz Participações 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 21 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. Six lawsuits have not yet been judged. The subsidiary has insurance coverage for these lawsuits, and the uninsured contingent amount is R$ 22,488. 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. In 2005, the STF 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 2006 - R$ 23,524 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$ 30,399, net of attorney's fees.

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 judgement decisions at the administrative appeal level 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 December 31, 2007 is R$ 42,861 (R$ 33,351 in 2006).

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$ 81,207 as of December 31, 2007 (R$ 32,346 in 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$ 13,571 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$ 10,655; 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. As a result of the position of Supreme Court – STF and based on opinion of our legal counsellor, the provision for contingency was recorded in amount of R$ 6,624.

In 2007, considering the evolution of the recent jurisprudence, the valuation of its legal advisors and the increase of amounts involved in realized operations, the Company and its subsidiaries decided to accrue PIS and COFINS on credits of interest on capital. The total amount accrued as of December 31, 2007 is R$ 20,665.

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$ 6,990; (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$ 27,392; (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$ 15,680; (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 financial statements, refer to ICMS, in the total amount of R$ 113,972 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 December 31, 2007, is R$ 39,570.

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 aim at recovery of taxes and contributions, that have not been registered in the financial statements due to their contingent nature.

Judicial deposits and provisions are summarized below:

Provisions	Balance in 2006	Initial balance of Ipiranga / Refinery acquisition	Additions	Write-off	Interest	Balance in 2007
Income and social contribution taxes	36,030	63	62,722	-	6,790	105,605
PIS and COFINS	14,753	-	30,924	(12,759)	652	33,570
ICMS	15,864	50,229	-	(7,060)	2,070	61,103
INSS	2,172	50	-	(125)	258	2,355
Other	-	847	908	(251)	531	2,035
Civil lawsuits	-	5,224	819	(1,756)	218	4,505
Labor claims	-	13,364	2,051	(2,779)	1,202	13,838
(-) Judicial deposits	(32,346)	(7,093)	(52,764)	1,716	(5,670)	(96,157)
Total	**36,473**	**62,684**	**44,660**	**(23,014)**	**6,051**	**126,854**

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 December 31, 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 December 31, 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.

	In tons of ethylene	
	2007	2006
Minimum purchase commitment	180,000	137,900
Actual demand	197,242	181,496

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 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$ 445 million.

For the plants of Oxiteno S.A. Indústria e Comércio, Oxiteno Nordeste S.A. Indústria e Comércio, Oxiteno México S.A. de C.V. and Oxiteno Andina, C.A., there is also loss of income insurance against losses from potential accidents related to their assets, with coverage amounting to US$ 258 million.

A civil liability insurance program covers the Company and its subsidiaries, with global coverage of US$ 200 million, 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 coverage relates to operating risks, loss of profits, multiple industrial perils, multiple office risks, named perils - pools and civil liability.

d) Lease agreements for distribution of fuels and IT equipment

On December 31, 2007, the subsidiaries CBPI and DPPI had lease agreements mainly related to fuel distribution equipments, such as tanks, gas pump and compressors. The terms of these agreements are between 36 and 48 months.

The property, plant and equipment amount, net of depreciation, and the liability corresponding to these equipments, if they were capitalized, are shown below:

	2007
Property, plant and equipment net of depreciation	19,160
Financing as of December 31, 2007	17,558
Current liabilities	7,654
Non-current liabilities	**9,904**

The future payments assumed in connection with these contracts, totalize approximately:

	2007
2008	7,724
2009	6,456
2010	3,480
2011	16
	17,676

The payments above include the predetermined interest and will be updated by the CDI, until their respective dates.

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 between five and 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 December 31, 2007, including taxes, was R$ 16,279 (R$ 12,263 in 2006). This amount is being amortized over a period from five to ten years and the amortization related as of December 31, 2007 in the amount of R$ 1,260 (R$ 949 in 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 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 December 31, 2007, the Company and its subsidiaries contributed R$ 3,469 (R$ 3,337 in 2006) to Ultraprev, which was charged to income for the period. The total number of participating employees as of December 31, 2007 was 5,522, with 14 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.

FFMB's benefit plan was created in 1993. At first, only the basic benefit was granted (structured in the form of a defined benefit) and in July 1998, the supplementary benefit became effective (in the form of a defined contribution during the stage when programmable benefits are capitalized) with a percentage of contribution applicable on the possible variable remuneration. The cost of the plan is apportioned between the sponsors and participants.

Besides the retirement of eligible employees Ipiranga/Refinery also provide for post-retirement benefits with a bonus for the length of service, severance of the Government Severance Indemnity Fund - FGTS and health insurance plan and life insurance for eligible employees ("supplementary benefits").

Amounts related to the supplementary benefits and pension plan have been determined upon an annual actuarial assessment, carried out by independent actuaries, on December 31, 2007 and are recorded in the financial statements in accordance with CVM Resolution No. 371/2000.

The reconciliation of post-retirement benefits` liabilities at December 31 is as follows:

	Consolidated 2007
Present value of liabilities	(372,236)
Present value of liabilities unprovided	(76,878)
Fair value of assets	417,786
Non-recognized actuarial gains	(62,604)
Liabilities net of post-retirement benefits	(93,932)
(-) Current liabilities	(8,768)
Non-current liabilities	**(85,164)**

The portion of actuarial gains or losses to be recorded as income or deficit is the amount of unrecorded gains or losses which exceed the highest of the limits below, in each year:

i. 10% of the current amount of total actuarial liability of the defined benefit; and

ii. 10% of the fair value of the plan's assets.

The portion which exceeds the limits shall be amortized on an annual basis and the amount will be divided by the estimated remaining average working life for employees taking part in the plan.

Amounts recorded in the Statement of operations are as follows:

	Consolidated 2007
Current services cost	10,005
Interest cost	47,540
Expected return on assets	(46,990)
Amortization of actuarial losses	665
Employee's contribution	(3,115)
Total expenses for the year	**8,105**

The turnover of net liabilities of post-retirement benefits may be summarized as follows:

	Consolidated 2007
Net liability at the beginning of the year	(91,180)
Expenses in the year	(8,105)
Real contributions of the company in the year	5,080
Real benefits paid in the year	4,357
Liability written-off due to sale/effect reduction	(4,084)
Net liability at the end of the year	**(93,932)**

The principal actuarial assumptions adopted are the following:

- Discount rate at present value of actuarial liability - 10.2% p.a.
- Expected long-term return on plan assets - 10.2% p.a.
- Expected salary increase rate - 6.1% p.a.
- Inflation rate (long-term) - 4.0% p.a.
- Growth rate of medical benefits - 7.1% p.a.

Biometric assumptions used:

- Life table - AT 1983 Basic compensation of 10%*
- Turnover table - adjusted Towers Perrin
- Disabled persons' life table - RRB 1983
- Disability entry table - RRB 1944 changed

(*) The CSO-80 life table was used for the life insurance benefit.

24. SUBSEQUENT EVENTS

a) Right of redemption: merger of shares

On January 21, 2008, the period in which minority shareholders could have chosen to withdraw from RPI, DPPI, CBPI and Ultrapar expired. No shareholders have exercised this right.

b) Changes in the Brazilian Corporate Law

On December 28, 2007, Law n. 11.638/07 was issued, modifying certain aspects of the Brazilian Corporate Law (Law n. 6.404, of December 15, 1976). These changes are designed to increase the harmonization of accounting practices adopted in Brazil with the international standards (IFRS) derived from practices issued by the International Accounting Standard Board (IASB).

The Company already reports the Cash Flow Statement and the Statement of Value Added, and is analyzing the impacts of other changes introduced by the new law. Management believes that the main impacts of the new law would consist in the creation of new sub-groups of accounts, the application of new criteria for the valuation and classification of financial instruments and the present value adjustment of long term - and relevant short term - assets and liabilities. The impacts of the changes introduced by the new law will be recognized in the Company´s financial statements during 2008.

Report os Fiscal Council of Ultrapar Participações S.A.

The Fiscal Council (Audit Comitee) of Ultrapar Participações S,A,, in compliance with legal and statutory requirements, has duly examined the Management Report and Financial Statements (company and consolidated figures) referring to the fiscal year ended December 31, 2007, Based on the examinations carried out and taking into account the unqualified report issued by the independent auditor KPMG Auditores Independentes, dated February 11, 2008, including the complementary statements and non mandatory, the Fiscal Council opines that the aforementioned documents, as well as the capital budget for 2007 and the proposal for the destination of earnings in the period, including the distribution of dividends, are in a satisfactory condition to be approved at the Ordinary General Meeting,

São Paulo, February 18, 2007

Flavio César Maia Luz
Member

Mario Probst
Member

John Michael Streithorst
Member

Raul Murgel Braga
Member

Wolfgang Eberhard Rohrbach
Member

Corporate informations / Credits

Ultrapar Participações S.A.
Bovespa: UGPA4 / NYSE: UGP

Investor Relations Department
Av Brigadeiro Luis Antônio 1343 8º andar
Zip Code 01317-910 São Paulo SP Brazil
Phone: 55 11 3177 6695
Fax: 55 11 3177 6107
e-mail: invest@ultra.com.br
www.ultra.com.br

Share Custodian Bank
Banco Itaú S.A.
Superintendência de Serviços de Ações e Debêntures
Av Eng. Armando de Arruda Pereira 707, 9º andar
Zip Code 04344-902 São Paulo SP Brazil
Phone: 55 11 5029 7780

ADR Depositary
The Bank of New York Mellon
Shareholder Relations
P.O. Box 11258
Church Street Station
New York, New York 10286-1258
Telephone: 1-888-BNY-ADRS (1-888-269-2377)
Telephone for International Callers: 1-201-680-6825
E-Mail: shareowner-svcs@bankofny.com

Independent Auditors
Auditoria das Demonstrações Contábeis
KPMG Auditores Independentes
Rua Dr. Renato Paes de Barros, 33
São Paulo SP 04530-904
Phone: 55 11 2183 3000

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Ultrapar - Investor Relations Department
Co-ordination

Report Comunicação
Consultancy and Copywriting

FutureBrand BC&H
Art Direction and Graphic Design Project

Ana Ottoni
Photographs

Lucas Garofalo
Paula Endo
Illustrations

Ashley Huggings
Clarice Abuleac
Revision of the English text

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