

## Q1 2006 Earnings Call

### Company Participants

- Fabio Schvartsman, CFO and IR Officer

### Presentation

#### Operator

At this time, we would like to welcome everyone to Ultrapar's First Quarter '06 Results Conference Call. We also have a simultaneous webcast that may be accessed through Ultrapar's website, at [www.ultra.com.br](http://www.ultra.com.br), where the slide presentation is available for download. Please feel free to flip through the slides during the conference call.

Today with us, we have Mr. Fabio Schvartsman, Ultrapar's Chief Finance and Investor Relations Officer. We would like to inform you that this event is being recorded and all participants will be listen-only mode during the company's presentation.

After Ultrapar's remarks are completed, there will be a question and answer session. (Operator Instructions). Before proceeding, let me mention that the forward-looking statements are being made under the safe harbor of the Securities Litigation Reform Act of 1996. Forward-looking statements are based on the beliefs and assumptions of Ultrapar management and on information currently available to the company. They involve risks, uncertainties, and assumptions because they relate to the future events and therefore depend on circumstances that may or may not occur in the future. Investors should also understand that general economic conditions, industry conditions, and other operating factors could also affect the future results of Ultrapar and could cause results to differ materially from those expressed in such forward-looking statements.

Now I'll turn the conference over to Mr. Schvartsman, who will present Ultrapar's results in the quarter and discuss the (inaudible) perspective. Mr. Schvartsman, you may now begin the conference.

#### **Fabio Schvartsman** {BIO 2067677 <GO>}

Thank you. Good morning, to everybody. It's really good to have you all in this call once more, where we are going to discuss the First Quarter of 2006 results of Ultrapar. I would like to start by mentioning that there was EBITDA of the First Quarter of 107 million reais was already an improvement of 33% in relation to the results of the First Quarter of last year. It means that the company is starting to recover in terms of results, in a basis that I consider sustainable. Therefore, I think that the results will continue to evolve from the position that we are now. Before, we had not only a dis-evolution [ph] in EBITDA but we had a 36% growth in earnings, (inaudible) helped by the non-recurring benefit from a taxation credit of (inaudible).

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Well let's discuss each one of our divisions, starting with Ultragaz. Ultragaz delivered an EBITDA of 55 million reais in this quarter. That was a meaningful evolution in relation to the 45 million of the First Quarter of last year, and a very good improvement in comparison to the 34 million of the Fourth Quarter of 2005.

The main reason for this improvement was the revision in the (exploration) sector Ultragaz that we are taking, with the help of McKinsey, and as we have a-- we had a (inaudible) on the last call, start to produce results or effects in this quarter already. This is just the beginning. I think I will comment in the (sequence) how much you can expect to have in the next few quarters or years.

Oxiteno had just 40 million reais of EBITDA. That was much lower than the EBITDA of the First Quarter of 2005. Nevertheless, if you compare it with the last quarter results, you can see that we were able to sustain the same kind of pattern, the same kind of EBITDA, even with the worsening conditions from the Fourth Quarter to the First Quarter. These conditions were basically the currency, the strength of the real, plus the increase in oil prices, plus the prices of the petrochemicals, especially the commodities that we produce, that they-- they didn't move during this period. Therefore, with increasing raw material costs, we had the same prices as (inaudible) market. And with all that happening, we were able to sustain the same level of EBITDA of last year, meaning that Oxiteno has enough tools to manage this situation and to keep the results now, even with this very poor scenario that we are involved.

Ultracargo as well improved in relation to the Fourth Quarter of last year, but had a result below the First Quarter of 2005. The reason for that was basically because we are in the (inaudible) inter-harvest [ph] period for the ethanol industry and for the vegetable oil industry. In that case, meaning that we are using the storage facilities of the terminal De Santos [ph] at very low capacity for the time being, and we had as well some minor problems in the transportation business that were sold recently and therefore, it is (inaudible) improve from now on.

The investments are right on track. We invested 54 billion reais in the First Quarter, mainly an increase in investments of Oxiteno, because especially the (inaudible) plant under construction, and the reduction of investments in Ultracargo, mainly because the conclusion of the investment in the (inaudible).

Well as we always try to do, we are going to give you some guidance regarding the next few months, next quarter, for Ultrapar and some comments on the longer term.

First, starting with Ultragaz, Ultragaz is improving because especially this; we're starting this review in the distribution structure of the gas business. This started last year, the end of last year. And we had some benefits this year, and we think that the EBITDA will improve next quarter; on the same basis, quarter against quarter of the same quarter of the year, that we had in the First Quarter. That is just the beginning, as I said. We are expecting more in the second half, and even more next year. Actually, we are sustaining our expectations of a 50% increase in EBITDA because of this structural review, combining half of it this year and half of it next year.

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On top of that, Ultragaz is now facing the benefits from the LPG business of the crisis of the natural gas from Bolivia. The consequences are mainly two-fold. In the short term, there is a meaningful growth in volume, but this is just a windfall, because it's obviously not sustainable, because it's basically people anticipating a shortage [ph] and building inventories to face any shortage of natural gas that can happen. And this obviously is not going to be sustainable in the long term. But with these clouds now over the natural gas industry in Brazil, we expect that the (inaudible) for Ultragaz will increase. Therefore, the LPG business will have a better long-term performance than it was expected.

This, together with the improvement in the Brazilian economy, that was expected, because of the minimum wage increase, and therefore people with more income power, and therefore we can anticipate that Ultragaz will deliver a very good year in 2005, as we can see now.

In Oxiteno, on the short run, there is nothing very special happening, because of the exchange rate not giving any signs of change. The same with oil prices. The same with the commodity petrochemicals. Therefore, results of Oxiteno will remain under pressure. Nevertheless, we think that with recent standards of performance in the next-- in the last two quarters, that can be sustained and will be sustained, at least from now on. Therefore, (inaudible) the good news-- the good news, there's not going to be any worsening in the situation for Oxiteno, as we can see now.

The benefit for Oxiteno will actually happen next year, with the start up of the (inaudible) plant, a mines [ph] plant that we are building with (inaudible) plants that we are building. And finally, the new (inaudible) plant of Maua, that is under construction as well. Therefore, starting in 2007, there must be a very reasonable improvement in EBITDA of Oxiteno in the same kind of scenario that we have today. Obviously, besides that, you have an improvement in scenario, in the; in the overall economy, this can be even better in terms of performance of Oxiteno.

The cargo business will start to show better results from the De Santos [ph] terminal, and the small problems in the transportation business are now behind us. Therefore, we can expect improvement in results in the cargo business as well.

In the mean time, taking advantage of our strong financial position, we continue to look very carefully for specials, through acquisitions, both international and local, and we continue to analyze very deeply the possibility of making one, eventually two acquisitions, on the short term. We don't have anything specific about that to comment at this point. Therefore, as soon as we have something more concrete, obviously, we will let all of you know.

Thank you. That's what I had to present and now I turn back to you to take any questions that you might have.

## Questions And Answers

## Operator

(Operator Instructions). Mr. Schwartzman, there appears to be no questions coming in at this time.

## A - Fabio Schwartzman {BIO 2067677 <GO>}

That's fine. Let's finish now. I just want to thank you all to listening to this conference call, and we are very glad to see that our results are starting to recover, and therefore I would like to have you all in the next call that will happen after we close the Second Quarter of 2006. Thank you very much. See you later.

## Operator

Thank you. This concludes today's Ultrapar conference call. You may disconnect your lines and have a great day.

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