ULTRAPAR HOLDINGS INC
Form 6-K
March 23, 2005

Form 6-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report Of Foreign Private Issuer
Pursuant To Rule 13a-16 Or 15d-16 Of
The Securities Exchange Act Of 1934

For the month of March, 2005

Commission File Number: 001-14950

ULTRAPAR HOLDINGS INC.
(Translation of Registrant s Name into English)

Avenida Brigadeiro Luis Antonio, 1343, 9º Andar
São Paulo, SP, Brazil 01317-910
(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F X Form 40-F ___

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes ___ No X

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes ___ No X

Indicate by check mark whether by furnishing the information contained in this Form, the Registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes ___ No X

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

ULTRAPAR HOLDINGS INC.

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ITEM 1

Ultrapar Participações S.A.

Publicly Listed Company
CNPJ N.° 33.256.439/0001-39
Avenida Brigadeiro Luiz Antonio N.º 1.343 9º andar
São Paulo SP

MARKET ANNOUNCEMENT

Ultrapar Participações S.A., headquartered in the City of São Paulo, in the State of São Paulo, at Avenida Brigadeiro Luiz Antonio, N.º 1.343, 9º andar, ("The Company"), Monteiro Aranha S.A., headquartered in the City of Rio de Janeiro, in the State of Rio de Janeiro, at Ladeira de Nossa Senhora n.º 163, registered under CNPJ/MF N.º 33.102.476/0001-92, in conjunction with the Selling Shareholders identified in the Preliminary Prospectus for the Primary and Secondary Public Offering of Preferred Shares issued by Ultrapar Participações S.A., dated [ ] [ ]2005 (Selling Shareholders and Preliminary Prospectus, respectively), Banco UBS S.A. (Lead Underwriter) and Banco Pactual S.A. ("Pactual", in conjunction with the Lead Underwriter, "Underwriters of the Brazilian Offer") hereby announce that it was required on February 2, 2005 the register with the CVM (Brazilian securities comission) the public primary and secondary offering of preferred shares, nominatives, without par value, issued by the Company, free and clear of any liens or encumbrance (Preferred Shares), being 7,869,671,318 (seven billion, eight hundred and sixty-nine million, six hundred and seventy-one thousand, three hundred and eighteen) Preferred Shares, which are the object of the secondary offering and owned by the Selling Shareholders, to be carried out as a global offering with simultaneous distribution in Brazil, on the over-the-counter market (mercado de balcão não organizado) (Brazilian Offer) and abroad, in the form of American Depositary Shares (ADSs), represented by American Depositary Receipts, each *ADS* corresponding to one thousand Preferred Shares (International Offer, and in conjunction with the Brazilian Offer, Global Offer). The Global Offering may be increased by up to 1,180,450,698 (one billion, one hundred and eighty million, four hundred and fifty thousand, six hundred and ninety-eight) new Preferred Shares, being the object of the primary distribution, to be issued by the Company, under the terms described below, totalling 9,050,122,016 (nine billion, fifty million, one hundred and twenty-two thousand, and sixteen) Preferred Shares.

1. The Global Offer

The Global Offer will be coordinated by UBS Securities, LLC (Global Underwriter) and will involve the distribution of Preferred Shares, in the sphere of the Brazilian Offer, including the Preferred Shares to be

acquired by foreign institutional investors, qualified under the terms of Resolution N.º 2,689, January 26, 2000 and subsequent alterations, of the National Monetary Council ("Preferred Shares 2,689", in conjunction with the other Preferred Shares which are the object of the public distribution in Brazil, "Preferred Shares of the Brazilian Offer"), which will be coordinated by the Underwriters of the Brazilian Offer, with the participation of financial institutions authorised to operate in the Brazilian capital markets, contracting by the Underwriters of the Brazilian Offer ("Contracted Underwriters" and "Brokers of the Consortium" and, in conjunction with the Underwriters of the Brazilian Offer, "Institutions Participating in the Brazilian Offer"), in accordance with CVM Instruction N.º 400, of December 29, 2003 ("CVM Instruction 400") and, simultaneously, (b) the distribution of Preferred Shares in the form of *ADSs,* within the sphere of the International Offer ("International Offer of Preferred Shares", and in conjunction with the Brazilian Offer of Preferred Shares, "Global Offering of Preferred Shares"), which will be carried out by

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the Global Underwriter and Pactual Capital Corporation ("Underwriters of the International Offer"), in accordance with the Securities Act of 1933 in the United States of America ("Securities Act") and under the terms of the distribution contract to be signed between the Company, the Selling Shareholders and the Underwriters of the International Offer ("International Agency and Purchase Agreement").

The Preferred Shares of the Brazilian Offer, shall be registered in Brazil with the CVM, in accordance with the procedures set out under CVM Instruction 400. The Preferred Shares 2,689 will be simultaneously registered with the CVM and the Securities and Exchange Commission in the United States of America ("SEC"). The Preferred Shares of the International Offer will be subject to registration with the SEC.

The Preferred Shares in the Brazilian Offer will be placed by the Institutions Participating in the Brazilian Offer, underwritten by the Underwriters of the Brazilian Offer. The Preferred Shares 2,689 will be object of the offering in overseas markets, carried out by the Underwriters of the International Offer, in the capacity as agents of the Underwriters of the Brazilian Offer. The Preferred Shares 2,689 will be placed in Brazil by the Institutions Participating in the Brazilian Offer, on a firm commitment basis by the Underwriters of the Brazilian Offer, and will be settled and paid for in local currency (the Brazilian real), under the terms of Article 19, paragraph 4º, of Law N.º 6,385, of December 7, 1976.

The Preferred Shares of the International Offer will be placed by the Underwriters of the International Offer in overseas markets, on firm commitment basis, under the terms of the Securities Act.

There may be a reallocation of Preferred Shares between the Brazilian Offer and the International Offer as a consequence of the demand seen in Brazil and in international markets during the course of this Global Offer, as envisaged in the Intersyndicate Agreement to be signed between the Underwriters of the Brazilian Offer and the Underwriters of the International Offer ("Intersyndicate Agreement").

The Company will grant the Underwriters of the Brazilian Offer and the Underwriters of the International Offer, an option to subscribe to an additional lot of new Preferred Shares, issued by the Company, equivalent to up to 15% (fifteen per cent) of the total of the Preferred Shares initially offered in the sphere of the Global Offer ("Option"). The Option will be earmarked exclusively for the meeting of any possible excess demand which may occur during the Global Offer and can be exercised within a period of up to 30 (thirty) days, counting from the date of the publishing of the Definitive Prospectus for the Public Primary and Secondary offering of Preferred Shares Issued by the Company (" Definitive Prospectus"). In the case of the Option being wholly exercised, the Company will issue 1,180,450,698 (one billion, one hundred and eighty million, four hundred and fifty thousand six hundred and ninety-eight) new Preferred Shares, which exclude the right of first regresal of the current shareholders of the Company, under the terms of Article 172 of Law N.º 6,404, of December 15, 1976 and subsequent alterations ("Brazilian Corporation Law").

2. The Brazilian Offer

2.1. Distribution Regime

According to the Contrato de Coordenação e Garantia Firme de Subscrição, Aquisição e Colocação de Ações Preferenciais de Emissão da Ultrapar Participações S.A., to be signed between the Selling Shareholders, the Company, the Underwriters of the Brazilian Offer and the CBLC (Brazilian Custody and Settlement Company) (Distribution Contract), the Preferred Shares of the Brazilian Offer will be distributed in Brazil, on the over-the-counter market (mercado de balcão não organizado), on firm commitment basis, not jointly liable, under the terms of CVM Instruction 400, covered by the Underwriters of the Brazilian Offer.

2.2. Participation by Investors

The Participating Institutions of the Brazilian Offer will carry out the distribution of the Preferred Shares of the Brazilian Offer, on a firm commitment basis, not jointly liable, under the terms of CVM Instruction

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400, through two distinct offers, being the retail offer (Retail Offer) and the institutional offer (Institutional Offer).

2.2.1. Retail Offer

Observing the limits described in item 2.3.1 below (Reservation Period), the Retail Offer will be carried out among individuals and corporate investors, and investment clubs resident and domiciled in Brazil, which are not considered institutional investors, who decided to participate in the Retail Offer (Non-institutional Investors), who submit requests to reserve shares by filling out the specific form (Reservation Request), for the purchase of the Preferred Shares of the Brazilian Offer, under the conditions described in item 2.3 below (Distribution Procedure).

2.2.2. Institutional Offer

The Institutional Offer will be carried out among individuals and corporate investors, whose investment amounts exceed the maximum limit established under the Retail Offer, funds and investment clubs, managed portfolios, pension funds, managers of third-party assets registered with the CVM, entities authorised to carry out this type of business by the Brazilian Central Bank, condominiums destined for the investment in portfolios of shares and securities registered with the CVM and/or the Stock Exchange of São Paulo Bovespa (Bovespa), insurance companies, retirement and capitalization funds, and certain other non-residential investors in the Country who invest in Brazil under the norms of Resolution N.º 2,689, of January 26, 2000 and subsequent alterations, of the National Monetary Council, and CVM Instruction N.º 325, of 27 January 2000 (Institutional Investors).

2.3. Distribution Procedure

After the end of the Reservation Period, (defined in item 2.3.1 below), the carrying out of the Bookbuilding Procedure (defined in item 2.3.2 below), the granting of the registration of the Global Offer by the CVM and the publication of the Announcement for the Start of the Public Primary and Secondary Offerring of the Preferred Shares Issued by Ultrapar Participações S.A. (Start Announcement), the placing of the Preferred Shares of the Brazilian Offer will be carried out by the Institutions Participating in the Brazilian Offer, on the over-the-counter market (mercado de balcão não organizado), on a firm commitment basis, under the terms set out under Article 21 of CVM Instruction 400, observing the terms below.

2.3.1. Reservation Period

The period beginning March 30, 2005, ending April 11, 2005, inclusive, will be granted to Non-Institutional Investors, which can be extended at the criteria of the Underwriters of the Brazilian Offer (Reservation Period),

for the carrying out of Reservation Requests under the conditions described below.

Non-institutional investors must carry out their Reservation Requests at any of the offices of the Institutions Participating in the Brazilian Offer, indicated in item 5 below (Additional Information). Non-institutional investors interested in submitting a Reservation Request must carefully read the terms and conditions stipulated in the Reservation Request document, especially that in respect to the procedures for settlement of the Brazilian Offer, and the information contained in the Preliminary Prospectus. An amount of up to 10% (ten per cent) of the total amount of Preferred Shares which are the subject of the Global Offering, without considering the exercising of the Option and any possible increase of up to 20% of the Preferred Shares to be distributed, in accordance with the terms in Paragraph 2 of Article 14 of CVM Instruction 400, shall be earmarked on a priority basis for distribution to Non-institutional Investors.

The Reservation Requests must be submitted by the Non-Institutional Investors, observing the conditions set out in item (a) below, in an irrevocable and irretractable manner, except under those circumstances described in item (h) below, under the following conditions:

(a) Each Non-institutional Investor may submit a Reservation Request, with just one Institution Participating in the Brazilian Offer, without the need to deposit the amount of the investment

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intended, observing the minimum limit of R$1,000.00 (one thousand reais) and the maximum limit of R$300,000.00 (three hundred thousand reais) per Non-institutional Investor, being Non- institutional Investors able to stipulate, in the Reservation Request, the maximum price per Preferred Share, as a condition of implementing their Reservation Requests, as set out under Paragraph 3 of Article 45 of CVM Instruction 400;

(b) It is recommended that Non-institutional Investors verify with their Broker of the Consortium of choice, before submitting a Reservation Request, if, at its exclusive criteria, the broker will require the maintenance of funds in an investment account opened, and/or maintained with the same, for the purposes of guaranteeing the Reservation Request;

(c) Investors who are (i) controlling shareholders or managers of the Company, (ii) controlling shareholders or managers of the Institutions Participating in the Brazilian Offer, or (iii) other persons linked to the Brazilian Offer, as well as their respective spouses and partners, and relations up to two generations, ("Linked Parties") and who are Non-institutional Investors will submit their Reservation Requests by 31 March 2005 ("End of the Advance Subscription Period for the Reservation of Shares by Non-institutional Investors who are Linked Parties"), failure to do so resulting in their Reservation Requests being cancelled. Any Reservation Request submitted by a Non-institutional Investor who is a Linked Party after the End of the Advance Subscription Period for the Reservation of Shares by Non-institutional Investors who are Linked Parties, will be cancelled by the Institution Participating in the Brazilian Offer which may have received the respective Reservation Request, in the event of there being demand in excess of one third of the quantity of Preferred Shares offered, under the terms of Article 55 of CVM Instruction 400;

(d) The Reservation Requests submitted by Non-institutional Investors that stipulate, as a condition of implementing their Reservation Requests, at a maximum price per Preferred Share below that of the Sale Price (as defined in item 2.4 below) stipulated by the Brazilian Offer, will be cancelled by the Institution Participating in the Brazilian Offer, together with the Reservation Request that has been submitted;

(e) Each Institution Participating in the Brazilian Offer, depending on the case, must inform the Non-institutional Investor of the amount of the Preferred Shares of the Brazilian Offer that will be acquired, and the corresponding value of the investment, that the Reservation Request has been taken up, by 4 p.m. of the day after the date of publication of the Start Announcement, either by e- mail, or in its absence by telephone or letter, the payment being limited to the value of the Reservation Request and highlighting the possibility of the subscription being scaled down, as outlined in item (g) below; the investor must make payment of the amount indicated by the Institution Participating in the Brazilian Offer with whom

the Reservation Request was submitted, in immediately available funds, by 10.30 a.m. on the Date of Settlement (defined in item 2.3.3 below). In the event of prompt payment not being made, the Reservation Request will be automatically cancelled by the Institution Participating in the Brazilian Offer with which the Reservation Request was made;

(f) In the case of the total value of the Reservation Requests submitted by Non-institutional Investors being equal less to 10% (ten per cent) of the Preferred Shares of the Global Offer, without considering the exercising of the Option and a possible increase of up to 20% of the Preferred Shares to be distributed, in accordance with the terms of Paragraph 2 of Article 14 of CVM instruction 400, there will not be any scaling down of subscriptions, and all the Non-institutional Investors will receive the full amount of shares requested, any amount being left over after the Non-institutional Investor offer, being earmarked for Institutional Investors;

(g) Should the total of Reservation Requests exceed the amount of 10% (ten percent) of the Preferred Shares of the Global Offer, without considering the exercising of the Option or the possible increase of up to 20% in the Preferred Shares to be distributed, in accordance with that set out in Paragraph 2 of Article 14 of CVM Instruction 400, the Reservation Requests for the Preferred Shares among all the Non-institutional Investors that subscribe to the Retail Offer, will be scaled

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down up to (a) a limit of R$5,000.00 (five thousand reais), inclusive, the criteria of the scaling- down process being to equally divide the Preferred Shares in the Retail Offer among all the Non- institutional Investors, limited to the individual amount of each Reservation Request and to the total value of the Preferred Shares earmarked for the Retail Offer; and (b) once meeting the criteria described in item (a) above, the remaining Preferred Shares earmarked for the Retail Offer, shall be distributed in proportion to the amount stipulated in the Reservation Requests among all the Non-institutional Investors, disregarding, however, in both cases, the fractions of Preferred Shares. Optionally, at the criteria of the Underwriters of the Brazilian Offer, the quantity of Preferred Shares earmarked for the Retail Offer may be increased in order for the excess requests to be wholly or partially met, where in the case of being partially met, the scaling down criteria described above will be applied;

(h) Exclusively, in the hypothetical instance of a significant divergence being observed between the information contained in the Preliminary Prospectus and that information contained in the Definitive Prospectus for the Public Primary and Secondary offering of Preferred Shares Issued by Ultrapar Participações S.A. (Definitive Prospectus) which substantially alters the risk assumed by the Non-institutional Investor, or his/her investment decision, the said Non-institutional Investor may cancel his/her Reservation Request after the start of the Distribution Period (defined in item 2.3.3 below). In this hypothetical instance, the Non-institutional Investor must inform the Institution Participating in the Brazilian Offer receiving the Reservation Request of his/her decision to cancel the request, in accordance with the terms and period stipulated in the Reservation Request; and

(i) in the hypothetical event of the Global Offer not being completed, or in the event of the Distribution Contract being cancelled, the Reservation Requests will be automatically cancelled and each Institution Participating in the Brazilian Offer will inform the Non-institutional Investors, who made the Reservation Request with the said Institution Participating in the Brazilian Offer of the cancelling of the Global Offer, including the publication of a market announcement.

The Underwriters of the Brazilian Offer, with the express consent of the Selling Shareholders and the Company, will formulate a distribution plan for the Preferred Shares of the Brazilian Offer, under the terms of Paragraph 3 of Article 33 of CVM Instruction 400, which takes into account the relationships between the Underwriters of the Brazilian Offer, the Underwriters of the International Offer and the Company with its clients, and other considerations of a commercial or strategic nature referring to the same parties, observing that the Underwriters of the Brazilian Offer must insure that the investment fits the risk profile of their clients, as well as treating the investors in a fair and equitable manner.

The Institutions Participating in the Brazilian Offer will only accept those Reservation Requests made by investors holding an open current-account or investment account maintained with them or by the respective investor.

2.3.2. Institutional Investors

The Preferred Shares of the Brazilian Offer, after meeting the Reservation Requests by Non-institutional Investors as described above, will be distributed among Institutional Investors contacted by the Underwriters of the Brazilian Offer, advance reservations not being accepted on the part of Institutional Investors, there being no minimum or maximum investment limits.

If the number of Preferred Shares of the Brazilian Offer subject to orders received by Institutional Investors during the procedure of collecting the letters of intent ("Bookbuilding Procedure") exceeds the total of Preferred Shares in the Brazilian Offer remaining after meeting the of the Non-institutional Investors' reservations Requests, the requests of those Institutional Investors, who at the criteria of the Selling Shareholders, the Company, and the Underwriters of the Brazilian Offer, best meet the objective of this offer of creating a diverse shareholder base made up of Institutional Investors with different evaluation criteria, based on the prospects, over the long-term, for the Company, its sector of operations and the macro-economic scenario both in Brazil and internationally, will be given priority.

Institutional Investors must carry out their purchases, and in the case of the Option being exercised, subscribe for the Preferred Shares of the Brazilian Offer with payment in cash, in local currency at the time of purchase or subscription.

2.3.3. Distribution Period

The time limit for the distribution of the Preferred Shares of the Brazilian Offer is up to 6 (six) months, counting from the date of publication of the Start Announcement (" Distribution Period").

The physical and financial settlement of the purchase of the Preferred Shares of the Brazilian Offer must be carried out within a period of up to 3 (three) working days, counting from the date of the publication of the Start Announcement ("Date of Settlement").

In the event of the purchase of the Preferred Shares of the Brazilian Offer placed not being totally paid for by the Settlement Date, the Underwriters of the Brazilian Offer will acquire for the Sale Price, set according to the Bookbuilding Procedure, on the Date of Settlement, the entire balance resulting from the difference between the number of Preferred Shares of the Brazilian Offer which are the subject of firm commitment provided by them, and the number of Preferred Shares of the Brazilian Offer, effectively settled in the market, observing the firm commitment limits provided by each Underwriter of the Brazilian Offer. The resale price of the said balance of the Preferred Shares of the Brazilian Offer with the public, with the Underwriters of the Brazilian Offer, during the Distribution Period or up to the date of publication of the Announcement of the Closing of the Public Primary and Secondary Offerring of Preferred Shares Issued by Ultrapar Participações S.A. ("Closing Announcement"), whichever takes place first, shall be the market price of the Preferred Shares, up to the limit of the Sale Price.

2.4. Sale Price

The purchase price per lot of one thousand Preferred Shares or, in the case of the Option being exercised the subscription price per one thousand Preferred Shares (" Sale Price") shall be fixed after (a) the implementing of the Reservation Requests, during the Reservation Period; and (b) the completion of the Bookbuilding Procedure to be carried out in Brazil by the Underwriters of the Brazilian Offer, in accordance with Article 44 of CVM Instruction 400 and, in international markets, by the Underwriters of the International Offer. The Sale Price shall be fixed according to the terms of Article 170, Paragraph 1, Section III of Brazilian Corporation Law, taking as a

parameter (i) the quotation of the Preferred Shares on Bovespa and the *ADSs* on the New York Stock Exchange (NYSE); and (ii) the indications of interest, as a function of demand quality (by volume and price), collected from Institutional Investors.

Under the terms of Article 170, Paragraph 7 of Brazilian Corporation Law, the choice of criteria for the market price for the setting of the Sale Price is properly justified, taking into account that the market value of the Preferred Shares to be sold or, in the case of the Option being exercised, subscribed for, will be measured through the carrying out of the Bookbuilding Procedure, which will reflect the value that the Institutional Investors will present on their letters of intent to buy the Preferred Shares in the context of the Global Offer. Non-institutional Investors who take up the Retail Offer will not take part in the Bookbuilding Procedure and, therefore will not take part in the process of determining the Sale Price. The Sale Price shall be approved by the Boards of Directors of the Company and Monteiro Aranha S.A., as well as the other Selling Shareholders, before granting the Registration of the Global Offer with the CVM.

2.5. Stabilization

Prices stabilization activities may be carried out in the market of the Preferred Shares, in regard to the Sale Price. Stabilization activities may be carried out within a period of up to 30 (thirty) days, counting from the date of the publication of the Start Announcement. To this end, a service contract will be signed for the stabilizing of the price of the Preferred Shares issued by the Company, in accordance with a report submitted for the approval of the CVM and Bovespa. The price stabilization activities for the Preferred

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Shares within the sphere of the Brazilian Offer, will be exercised at the exclusive criteria of the Lead Underwriter.

In addition, a mechanism will be set up to stabilize the price of the Preferred Shares of the International Offer, as described in the item Information about the Offer contained in the Preliminary Prospectus. The price stabilization activities for the Preferred Shares of the International Offer in the international markets will be carried out at the exclusive criteria of the Global Underwriter.

2.6. Rights, Advantages and Restrictions of the Preferred Shares

The Preferred Shares confer on their owners:

(a) priority in the reimbursement of capital, without a premium, in the event of the Company being liquidated;

(b) The right to participate, under the same conditions as those for the common shares, in dividends to be distributed, corresponding, at least, to 50% (fifty percent) of the net earnings in each financial year, adjusted according to Article 202 of Brazilian Corporation Law;

(c) The right to be included in any public offer for the sell-off of control (*tag along rights*), at the same price and under the same conditions as those offered to those shareholders which are part of the controlling block, in the event of the sale of control of the Company, under the terms of the Company Bylaws;

(d) Participation, under the same conditions as for the ordinary shares, in the receipt of bonus shares; and

(e) The right to apportion integral dividends declared by the Company from the date of their issue/sale, and all the other benefits that were conferred to the other holders of the preferred shares, under the terms of Brazilian Corporation Law, and the Company Bylaws, as set out in the Definitive Prospectus.

2.7. Trading on Bovespa

The preferred shares issued by the Company are listed and traded on Bovespa under the ticker code UGPA4 and on the NYSE, in the form of *ADSs*, under the ticker code UGP.

Within a period of 6 (six) months, counting from the publication of the Start Announcement, the Company will be joining one of the levels of the section of Bovespa known as "Differentiated Corporate Governance Practices".

3. Information about the Company

The Company operates in the sectors of LPG distribution, petrochemicals production, and the provision of integrated logistics services. For more information about the Company, including its sector of operations, activities, economic and financial situation, please read the Preliminary Prospectus.

4. DEPOSITING FINANCIAL INSTITUTION FOR THE PREFERRED SHARES

The financial institution contracted to provide registration services for the Preferred Shares is Banco Itaú S.A.

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5. Additional Information

Those investors wishing to obtain more information about the Brazilian Offer, as well as a copy of the Preliminary Prospectus, should contact the offices of the Institutions Participating in the Brazilian Offer, whose addresses are listed below. Additional information about the Brokers of the Consortium, registered with the CBLC, can be obtained on the CBLC's *website*:www.cblc.com.br.

Below is an estimated schedule for the various stages of the Brazilian Offer, listing the main events starting from the publication of this Notice:

Order of events	Events	Set Date (1)
1	Publication of Market Announcement	03/22/2005
	Availability of Preliminary Prospectus	03/22/2005
2	Start of Roadshow	03/22/2005
	Start of BookBuilding Process	03/22/2005
3	Start of Reservation Period	03/30/2005
4	End of Advance Reservation Period for Non-institutional Investors, who are Linked Parties	03/31/2005
5	Closing of Reservation Period for persons not linked to the Global Offer	04/11/2005
6	End of the Roadshow	04/12/2005
7	End of Bookbuilding Process	04/12/2005
	Setting of the Sale Price	04/12/2005
8	Signing of Distribution Contract, International Distribution Contract and Intersyndicate Agreement	04/12/2005
9	Publication of the Start Announcement	04/13/2005
	Start of the Option Exercise Period	04/13/2005
10	Start of Trading for the Shares of the Brazilian Offer	04/14/2004

11	Date of Settlement for the Global Offer	04/18/2005
12	End of the Option Exercise Period	05/13/2005
13	Publication of the Closing Announcement	05/20/2005

(1) all the dates shown are merely indicative, and are subject to alteration and postponement

Listed below are the addresses of the Institutions Participating in the Brazilian Offer, whom investors should contact to obtain additional information about the Brazilian Offer, as well a copy of the Preliminary Prospectus:

Underwriters of the Brazilian Offer:

- Banco UBS S.A.
  Avenida Presidente Juscelino Kubitschek, N.º 50, 6th floor, in the City of São Paulo, in the State of São Paulo; and
  Praia de Botafogo, N.º 228, 16th floor, Ala B, in the City of Rio de Janeiro, in the State of Rio de Janeiro.

- Banco Pactual S.A.
  Avenida Brigadeiro Faria Lima, N.º 3,729, in the City of São Paulo, in the State of São Paulo; and
  Avenida República do Chile, N.º 230, 28th and 29th floors, in the City of Rio de Janeiro, in the State of Rio de Janeiro.

Contracted Underwriters

- Investment Bank Credit Suisse First Boston S.A.
  Avenida Brigadeiro Faria Lima, N.º 3,064, 13th floor, in the City of São Paulo, in the State of São Paulo.

- Banco Itaú BBA S.A.
  Avenida Brigadeiro Faria Lima, N.º 3.400, 3rd to 8th floors, in the City of São Paulo, in the State of São Paulo.

- BES Investimento do Brasil S.A. Investment Bank
  Avenida Brigadeiro Faria Lima, N.º 3.729, 8th floor, in the City of São Paulo, in the State of São Paulo.

- Brokers of the Consortium

Offices of the stockbrokers registered with the CBLC to participate in the Brazilian Offer.

The Preliminary Prospectus will also be available on the following *websites*: www.ultra.com.br, www.monteiroaranha.com.br, www.ubs-brasil.com.br and www.pactual.com.br. In addition to this, the Definitive Prospectus will be available at the headquarters and on the website of the CVM, located at Rua Sete de Setembro, N.º 111, 5th floor, in the City of Rio de Janeiro, in the State of Rio de Janeiro, as well as at Rua Líbero Badaró, N.º 471, 7th floor, in the City of São Paulo, in the State of São Paulo (www.cvm.gov.br) and from Bovespa, located at Rua XV de Novembro, N.º 275, in the city of São Paulo, in the State of São Paulo (www.bovespa.com.br).

The Company, Selling Shareholders and Underwriters of the Brazilian Offer will carry out presentations to investors (roadshows), during the period between the publishing of the Preliminary Prospectus and the date on which the Sale Price is set.

The Preliminary Prospectus contains information that is additional and complementary to the information in this Market Announcement and provides a detailed analysis of the Terms and Conditions of the Global Offer, and its inherent risks. “**READ THE PRELIMINARY PROSPECTUS BEFORE ACCEPTING THE GLOBAL OFFER.**”

This Global Offer is subject to prior approval by the CVM.

A request to register the International Offer has already been submitted to the SEC. The ADSs may not be offered or sold in international markets without this registration taking place or a waiver being granted for such registration.

“Investment in shares represents an investment of risk, once it is an investment of variable income. As such, investors who intend to invest in the Preferred Shares will be subject to the volatility of the capital markets. Notwithstanding, there is no class or category of investor that is prohibited by law from purchasing the Preferred Shares.”

UNDERWRITERS OF THE BRAZILIAN OFFER

Lead Underwriter

CONTRACTED UNDERWRITERS

A registration statement relating to these securities has been filed with the Securities and Exchange Commission but has not yet become effective. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This communication shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ULTRAPAR HOLDINGS INC.

Date: March 22, 2005

By: /s/ Fábio Schvartsman

Name: Fábio Schvartsman
Title: Chief Financial and Investor Relations Officer

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Cash flows from investing activities:

Additions to property and equipment

(5,982) (3,875)

Business purchases and other

(751) (1,387)

Net cash used in investing activities

(6,733) (5,262)

Cash flows from financing activities:

Principal payments under long term obligations	(52)	(7,029)
Proceeds from issuance of common stock	1,131	1,572
Net cash provided by (used in) financing activities	1,079	(5,457)
Effect of foreign exchange on cash	137	108
Net increase (decrease) in cash and cash equivalents	6,137	(2,387)
Cash and cash equivalents at beginning of period	11,065	5,742
Cash and cash equivalents at end of period	$17,202	$3,355

Non-cash activity:

Deferred compensation	$ 5

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

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LIFELINE SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. The information furnished has been prepared from the accounts without audit. In the opinion of the Company, the accompanying consolidated financial statements contain all adjustments necessary, consisting only of those of a normal recurring nature, to present fairly its consolidated financial position as of June 30, 2003 and the consolidated statements of income and cash flows for the three and six months ended June 30, 2003 and 2002.

While the Company believes that the disclosures presented are adequate to make the information not misleading, these statements should be read in conjunction with the consolidated financial statements and the related notes included in the Company s Annual Report on Form 10-K, as filed with the Securities and Exchange Commission on March 27, 2003, for the year ended December 31, 2002.

The results of operations for the six-month period ended June 30, 2003 are not necessarily indicative of the results expected for the full year.

2. Details of certain balance sheet captions are as follows (in thousands):

	June 30, 2003	December 31, 2002
Inventories:		
Purchased parts and assemblies	$ 1,904	$ 1,971
Work-in-process	159	132
Finished goods	4,066	3,354
	$ 6,129	$ 5,457
Property and equipment:		
Equipment	$ 28,652	$ 31,979
Furniture and fixtures	2,879	2,986
Equipment provided to customers	19,784	17,477
Equipment under capital leases	258	322
Leasehold improvements	6,094	5,982
Capital in progress	4,637	1,708
	62,304	60,454
Less: accumulated depreciation and amortization	(28,953)	(29,036)
Total property and equipment, net	$ 33,351	$ 31,418

During 2003, the Company removed from its books approximately $4.9 million of fully depreciated property and equipment and the related accumulated depreciation, which is no longer in use.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. STOCKHOLDERS EQUITY

At December 31, 2002, the Company adopted the disclosure requirements of Statement of Financial Accounting Standards No. 148 (SFAS 148), Accounting for Stock-Based Compensation Transition and Disclosure. SFAS 148 amends Statement of Financial Accounting Standards No. 123 (SFAS 123), Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based compensation and also amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the methods of accounting for stock-based employee compensation and the effect of the method used on reported results. As permitted by SFAS 148 and SFAS 123, the Company continues to apply the accounting provisions of Accounting Principles Board Opinion (APB) No. 25, Accounting for Stock Issued to Employees, and related interpretations, with respect to the measurement of compensation cost for options granted under the Company s stock-based employee compensation plans. No employee compensation expense has been recorded as all options granted had an exercise price equal to the fair market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share for the three and six months ended June 30, 2003 and 2002 as if the fair value based method had been applied to all outstanding and unvested awards in each period.

	For the three months ended June 30,		**For the six months ended June 30,**	
(Dollars in thousands, except per share amounts)	**2003**	**2002**	**2003**	**2002**
Net income, as reported	$ 2,610	$ 1,833	$ 4,428	$ 3,354
Deduct: total stock-based compensation expense determined under the fair value method for all awards, net of tax	(368)	(301)	(735)	(624)
Pro forma net income	$ 2,242	$ 1,532	$ 3,693	$ 2,730
Earnings per share				
Basic as reported	$ 0.40	$ 0.29	$ 0.68	$ 0.52
Basic pro forma	$ 0.34	$ 0.24	$ 0.57	$ 0.43
Diluted as reported	$ 0.38	$ 0.27	$ 0.66	$ 0.50
Diluted pro forma	$ 0.33	$ 0.23	$ 0.55	$ 0.41

For the three and six months ended June 30, 2003, options to purchase 47,850 and 294,030 shares, respectively, at an average exercise price of $26.02 and $24.09 per share, respectively, were not included in the computation of diluted net income per share as their effect would have been anti-dilutive. For the three months ended June 30, 2002, there were no options excluded from the computation of diluted net income per share. For the six months ended June 30, 2002, options to purchase 46,200 shares at an average exercise price of $26.01 were not included in the computation of diluted net income per share as their effect would have been anti-dilutive.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. STOCKHOLDERS EQUITY (continued)

Restricted Stock

In accordance with the terms of a new employment agreement between the Company and its Chief Executive Officer, the Company issued 36,000 shares of restricted stock effective February 13, 2003, in consideration of future services. The shares are subject to vesting at the rate of one-third of such shares at the end of the 36th month following the date of grant, one third at the end of the 48th month following the date of grant, and one-third at the end of the 60th month following the date of grant. The fair market value of the shares was recorded as unearned compensation expense within Stockholders Equity and is being expensed as part of selling, general and administrative expenses from the date of issuance over the vesting period.

4. SEGMENT INFORMATION

The Company operates in one industry segment. Its operations consist of providing personal response services associated with those products it designs, assembles and markets. The Company maintains sales, marketing and monitoring operations in both the United States and Canada.

Geographic Segment Data

Net revenues from customers are based on the location of the customer. Geographic information related to the results of operations for the periods ended June 30, 2003 and 2002 and the financial position as of June 30, 2003 and December 31, 2002 is presented as follows:

(In thousands)

	Three months ended June 30,		Six months ended June 30,	
	2003	**2002**	**2003**	**2002**
Net Sales:				
United States	$ 25,677	$ 24,317	$ 50,058	$ 47,268
Canada	2,892	2,144	5,313	4,052
	$ 28,569	$ 26,461	$ 55,371	$ 51,320

Net Income:				
United States	$ 2,344	$ 1,615	$ 4,014	$ 2,970
Canada	266	218	414	384
	$ 2,610	$ 1,833	$ 4,428	$ 3,354

	June 30, 2003	December 31, 2002
Total Assets:		
United States	$ 83,062	$ 77,317
Canada	8,076	6,343
	$ 91,138	$ 83,660

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. RESTRUCTURING AND NON RECURRING CHARGES

In September 2000, the Company recorded a pre-tax non-recurring charge of approximately $2.7 million for costs it expected to incur to address erroneous low-battery signals in some of its personal help buttons. Included in the non-recurring charge were material and mailing costs for exchanging buttons, providing hospital programs with higher inventory levels for the planned swap, and the cost of installer visits to subscriber homes to replace the buttons.

On May 1, 2003, the Company reached an agreement with one of its former vendors related to the Company s aforementioned erroneous low battery signal. The vendor paid the Company $0.7 million in exchange for a mutual release of claims and the Company recorded this settlement as a restructuring and other non-recurring item. The payment reimburses the Company for some of the costs it incurred in addressing this matter.

The Company utilized the remaining accrued restructuring balance as of June 30, 2003.

6. LONG TERM DEBT

In August 2002, the Company entered into a $15.0 million revolving credit agreement. The agreement has two components, the first of which is the ability to obtain a revolving credit loan with an interest rate based on the London Interbank Offered Rate (LIBOR). The second component is the ability to obtain a revolving credit loan with an interest rate based on the lender s prime interest rate. The Company has the option to elect to convert any outstanding revolving credit loan to a revolving credit loan of the other type. The agreement contains several covenants, including the Company maintaining certain levels of financial performance. These financial covenants include a requirement for a current ratio of at least 1.5 to 1.0 and an operating cash flow to total debt service ratio of no less than 1.75 to 1.0. In addition, there are certain negative covenants that include restrictions on the disposition of the Company s assets, restrictions on the Company s capacity to obtain additional debt financing, and restrictions on its investment portfolio. The agreement also requires the Company to pay a commitment fee of one quarter of one percent (1/4%) per annum on the unused amount of the credit facility. This revolving credit agreement matures in August 2005. As of June 30, 2003 the Company did not have any debt outstanding under this line.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. GOODWILL AND INTANGIBLES

During the first six months of 2003, the Company recorded intangible assets related to provider agreements whereby it agrees to provide monitoring and/or business support services to the customer under a LMS or BMS program in accordance with the terms of the agreement. The Company has historically amortized the acquisition costs over the life of the agreements, which is typically five years.

The Company has obtained the guidance of an independent valuation expert in the determination of assessing the appropriate values of the assets identified in the aforementioned BMS program acquisitions and provider agreements. One of the assets identified was referral sources, which is estimated to have a useful life of up to fifteen years.

Intangible Assets

At June 30, 2003 and December 31, 2002, the majority of the acquired intangible assets were related to provider agreements entered into with customers for conversion to services provided by the Company:

(Dollars in thousands)

	June 30, 2003	December 31, 2002
Gross carrying amount	$ 14,711	$ 13,774
Less: accumulated amortization	(7,699)	(6,409)
Net book value	$ 7,012	$ 7,365

All of the Company s acquired intangible assets, other than goodwill, are subject to amortization. Amortization expense for acquired intangible assets, which is included in cost of services, for the six months ended June 30, 2003 and 2002 was approximately $1,178,000 and $1,033,000 respectively.

Estimated amortization expense for the current fiscal year and the succeeding four years is as follows:

Fiscal Year Ended

December 31,	Amount
2003	$2,341
2004	2,000
2005	1,078
2006	573
2007	415

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. NEWLY ISSUED ACCOUNTING STANDARDS

In July 2002, the FASB issued SFAS No. 146 Accounting for Costs Associated with Exit or Disposal Activities. SFAS 146 replaces Emerging Issues Task Force Issue No. 94-3 Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity. SFAS 146 requires the recognition of costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. The Company does not believe that the adoption of SFAS 146 will have a significant impact on its financial position, results of operations, or cash flows.

On November 25, 2002, the FASB issued FASB Interpretation No. 45 (FIN 45), Guarantor s Accounting and Disclosure for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an interpretation of FASB Statements No. 5, 57, and 107 and Rescission of FASB Interpretation No. 34. FIN 45 clarifies the requirements of FASB Statement No. 5, Accounting for Contingencies (FAS 5), relating to the guarantor s accounting for, and disclosure of, the issuance of certain types of guarantees. FIN 45 requires that, upon issuance of a guarantee, the guarantor must recognize a liability for the fair value of the obligation. FIN 45 is applicable to guarantees that encompass guarantees based on changes in an underlying asset, such as the Company s product warranty, liability or equity security, guarantees that are made on behalf of another entity s performance, certain indemnification agreements and indirect guarantees of the indebtedness of others. The recognition and measurement provisions of FIN 45 are effective prospectively for guarantees issued or modified after December 31, 2002. The disclosure requirements are effective for reporting periods ending after December 15, 2002. The Company is in the process of assessing the impact of FIN 45 recognition and measurement provisions on its consolidated financial statements. The Company does not believe that the adoption of FIN 45 will have a significant impact on its financial statements.

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure. SFAS 148 amends SFAS 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of SFAS 123 to require prominent disclosures about the method of accounting for stock-based employee compensation and the effect of the method used on reported financial results. SFAS 148 amends APB Opinion No. 28, Interim Financial Reporting, to require these disclosures in interim financial information. The Company continues to account for their stock-based employee compensation under APB Opinion 25, but has adopted the new disclosure requirements of SFAS 148.

On January 17, 2003, the FASB issued FASB Interpretation No. 46 (FIN 46), Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51. The primary objective of the interpretation is to provide guidance on the identification of, and financial reporting for, entities over which control is achieved through means other than voting rights; such entities are known as variable-interest entities (VIEs). The Company has assessed the impact of FIN 46 and does not believe FIN 46 to impact the consolidated financial statements of the Company at this time.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. SUBSEQUENT EVENT

In July 2003, the Company completed the acquisition of the assets of the Emergency Response Systems business unit of March Networks Corporation, a privately held developer of broadband IP applications and delivery platforms. The acquisition includes the Emergency Response Systems and Outreach Personal Emergency Response Services of March Networks. The terms of the all cash acquisition includes an earn-out provision. The Company does not expect this acquisition to have a material impact on its results of operations for the year ended December 31, 2003.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

This and other reports, proxy statements, and other communications to stockholders, as well as oral statements by the Company s officers or its agents, may contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, with respect to, among other things, the Company s future revenues, operating income, or earnings per share. Without limiting the foregoing, the words believes, anticipates, plans, expects, and similar expressions are intended to identify forward-looking statements. There are a number of factors of which the Company is aware that may cause the Company s actual results to vary materially from those forecast or projected in any such forward-looking statement. These factors include, without limitation, those set forth below under the caption Certain Factors That May Affect Future Results. The Company s failure to successfully address any of these factors could have a material adverse effect on the Company s future results of operations.

RESULTS OF OPERATIONS

Total revenues for the three and six months ended June 30, 2003 increased approximately 8% to $28.6 million and $55.4 million, respectively as compared to total revenues of $26.5 million and $51.3 million, respectively for the same periods in 2002.

Service revenues grew 15% to $22.2 million for the second quarter of 2003 from $19.2 million for the second quarter of 2002. For the six months ended June 30, 2003, service revenues grew 16% to $43.7 million from $37.6 million for the same period in 2002 and represented approximately 79% of the Company s year-to-date total revenues as compared to 73% for the first six months of 2002. The growth in the Company s service revenues is a result of its effective pricing strategies, the organic growth it experienced in its monitored subscriber base and the conversion of hospital programs to the Company s higher service revenue offerings such as its Business Management Services (BMS) program. Overall, the Company achieved a 5% increase in its monitored subscriber base to 375,000 subscribers as of June 30, 2003 from 356,000 as of June 30, 2002. The Company s ability to sustain the current level of service revenue growth depends on its ability to continue to make improvements in service delivery, expand the market for its personal response services, convert community hospital programs to services provided by the Company and increase its focus on market development. In addition, the Company is developing new subscriber growth opportunities that are intended to increase market penetration and build more awareness of the service the Company provides, thereby facilitating growth in subscribers. The Company believes that the high quality of its services and its commitment to providing caring and rapid response to the at-risk elderly will be factors in meeting its growth objective.

Net product revenues for the second quarter of 2003 decreased 13% to $6.0 million as compared to $6.9 million for the second quarter of 2002. For the six months ended June 30, 2003, net product revenues were $11.1 million, a decrease of 15% from $13.0 million for the same period in 2002. The majority of the decrease for the three and six months ended June 30, 2003 was due to a lower volume of home communicator sales experienced by the Company, reflecting the gradual transition of its healthcare channel to the Company s full service recurring revenue model coupled with capital constraints its hospital customers are encountering when needing to purchase new home communicators. This decline in volume was mitigated in part by growth the Company experienced with sales to its senior living customers. Net product revenue generated by senior living customers

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was approximately $1.9 million for the first six months of 2003 as compared to $1.0 million for the same period in 2002. The Company expects that equipment sales may decline for the year ended December 31, 2003.

Finance and rental income, representing revenue earned from the Company s portfolio of sales-type leases, increased approximately 2% in the second quarter of 2003 to $0.35 million, from $0.34 million for the second quarter of 2002. For the six months ended June 30, 2003, finance and rental income was consistent with the first six months of 2002 at approximately $0.65 million. With the Company s focus on its service offerings it expects finance income to decline in future periods because such income is directly related to product sales.

Cost of services, as a percentage of service revenues, improved 3% to 54% for the quarter ended June 30, 2003 as compared to 57% for the three months ended June 30, 2002. For the six months ended June 30, 2003, cost of services improved to 55% from 57% for the same period in 2002. The improvement is mainly attributable to the Company s goal of making its service offerings more profitable by implementing productivity and process improvements in its call centers, leveraging the capabilities of its CareSystem monitoring platform and effective pricing strategies. On a dollar basis, cost of services increased $2.2 million to $23.8 million for the six months ended June 30, 2003 from $21.6 million from the comparable prior period as a result of the following factors. During the first half of 2003, the company incurred expenditures associated with its new back-up U.S. call monitoring facility, such as rent and building operating costs, that it did not incur during the first six months of 2002. The growth in the number of subscribers serviced under the Company s BMS program resulted in an increase in related expenses applicable to operating this full service offering, such as depreciation of the cost of home communicators provided to those subscribers served under this model as well as certain operational costs including data entry, customer service and information technology operations. The Company continues to focus on improving its service margins.

Cost of product sales as a percentage of net product sales, was 32% for the three and six months ended June 30, 2003 as compared to 34% and 32% for the three and six months ended June 30, 2002, respectively. The Company s improvement was due to the higher average selling price per unit it experienced during the first six months of 2003 coupled with the fact that it had significantly lower sales of its site-monitoring platform, as compared to the first six months of 2002, which has a cost that is higher as a percentage of product sales than the cost of the Company s home communicators. The Company is also experiencing efficiencies created by performing manufacturing assembly functions at its corporate location, that it did not experience during 2002. The Company expects, however, that it may experience an increase in cost of product sales, as a percentage of net product sales for 2003, as a result of an expected increase in sales of emergency call systems to senior living facilities that also has a cost that is higher as a percentage of revenues than the cost of the Company s home communicators.

Selling, general and administrative (SG&A) expenses as a percentage of total revenues were 38% for the second quarter of 2003 as compared to 36% for the second quarter of 2002. SG&A expenses were 37% for the six months ended June 30, 2003 and 2002. SG&A expenditures increased approximately $1.7 million to $20.6 million for the first six months of 2003 from $18.9 million for the same period in 2002, as a result of the following factors. The Company incurred expenditures associated with the start up of its new direct marketing campaigns and other marketing initiatives, such as the Lifeline Academy, a training and development program provided by the Company for its key hospital partners. During the first six months of 2003, the Company also incurred increased

expenses in support of its senior living initiative. The Company expects that SG&A expenses, as a percentage of total revenues will remain relatively consistent as a percentage of total revenues during the remainder of 2003 as it continues with its business initiatives.

Research and development expenses were nearly 2% of total revenues for the three and six months ended June 30, 2003 and 2002. Research and development efforts are focused on ongoing product improvements and developments. The Company expects to maintain these expenses, as a percentage of total revenues, at a relatively consistent level for the remainder of 2003.

On May 1, 2003, the Company reached an agreement with one of its former vendors related to the Company s previously mentioned erroneous low battery signal in some of its personal help buttons. The vendor paid the Company $0.7 million in exchange for a mutual release of claims and the Company recorded this settlement as a restructuring and other non-recurring item. The payment reimburses the Company for some of the costs it incurred in addressing this matter.

The Company s effective tax rate was 40% for the three and six months ended June 30, 2003 and 2002.

LIQUIDITY AND CAPITAL RESOURCES

During the six months ended June 30, 2003, the Company s portfolio of cash and cash equivalents increased approximately $6.1 million to $17.2 million from $11.1 million at December 31, 2002. The majority of the increase is a direct result of cash provided by operating activities of $11.7 million and included an increase in its accounts payable and accrued expenses of $2.0 million, primarily as a result of the timing of expenditures related to its business and marketing initiatives, including its direct marketing campaigns and Lifeline Academy program. Offsetting some of the increase was the purchase of property and equipment of approximately $6.0 million which included purchases for the Company s back-up U.S. call monitoring facility, net payroll related payments of $1.1 million, primarily as a result of the payout of management and sales bonuses relating to the Company s fiscal 2002 results and nearly $0.8 million for acquisitions of distributors of the Company s personal response products and services. The Company also experienced a net inventory increase of approximately $0.7 million but anticipates its inventory balance will begin to decline during 2004 as it completes a full year of manufacturing assembly functions at its corporate location.

In August 2002, the Company entered into a $15.0 million revolving credit agreement. The agreement has two components, the first of which is the ability to obtain a revolving credit loan with an interest rate based on the London Interbank Offered Rate (LIBOR). The second component is the ability to obtain a revolving credit loan with an interest rate based on the lender s prime interest rate. The Company has the option to elect to convert any outstanding revolving credit loan to a revolving credit loan of the other type. The agreement contains several covenants, including the Company maintaining certain levels of financial performance. These financial covenants include a requirement for a current ratio of at least 1.5 to 1.0 and an operating cash flow to total debt service ratio of no less than 1.75 to 1.0. In addition, there are certain negative covenants that include restrictions on the disposition of the Company s assets, restrictions on the Company s capacity to obtain additional debt financing, and restrictions on its investment portfolio. The agreement also requires the Company to pay a commitment fee of one quarter of one percent (1/4%) per annum on the unused amount of the

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credit facility. This revolving credit agreement matures in August 2005. As of June 30, 2003 the Company did not have any debt outstanding under this line.

The following summarizes the Company s existing contractual obligations as of June 30, 2003 and the effect such obligations are expected to have on its liquidity and cash flows in future periods:

(Dollars in thousands)

	2003	2004	2005	2006	2007	Thereafter (1)
Contractual Obligations (2):						
Capital leases	$ 45	$ 6				
Operating leases	720	1,548	$ 1,483	$ 1,382	$ 1,315	$ 7,964
Total Obligations	$ 765	$ 1,554	$ 1,483	$ 1,382	$ 1,315	$ 7,964

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(1) The majority of this amount represents contractual obligations on the Company s corporate facility lease through the year 2013 and its second U.S. call center through 2012.

(2) The table does not include the line of credit, for up to $15 million, which matures in August 2005 and with respect to which no amounts were outstanding at June 30, 2003.

The Company expects that funding requirements for operations and in support of future growth are expected to be met primarily from operating cash flow, existing cash and marketable securities and the availability from time to time under its line of credit. The Company expects these sources will be sufficient to finance the operating cash needs of the Company through the next twelve months. This includes the continued investment in its response center platform, the requirements of its internally funded lease financing program and other investments in support of its current business. The Company may from time to time consider potential strategic acquisitions that may not be able to be financed through these sources. In such an event, the Company may consider appropriate alternative financing vehicles.

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of financial condition and results of operations are based upon the Company s consolidated financial statements. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The Company has identified the following accounting policies as critical to understanding the preparation of its consolidated financial statements and results of operations.

Allowance for doubtful accounts

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. It estimates the allowance based upon historical collection experience, analysis of accounts receivable by aging categories and customer

credit quality. If the financial condition of the Company s customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Goodwill and intangible assets

Acquisition accounting requires extensive use of estimates and judgments to allocate the purchase price to the fair market value of the assets and liabilities purchased. The cost of acquired companies is allocated first to their identifiable assets based on estimated fair values at the date of acquisition. Costs are then allocated to identifiable intangible assets and are generally amortized on a straight-line basis over the estimated useful lives of the assets. The excess of the purchase price over the fair value of identifiable assets acquired, net of liabilities assumed, is recorded as goodwill. During the six months ended June 30, 2003, the Company finalized the acquisition accounting associated with the purchases of distributors of the Company s personal response products and services during the year ended December 31, 2002. The Company used accounting estimates and judgments and the guidance of an independent valuation expert, to determine the fair value of these assets and liabilities. The Company did not record any cost in excess of net asset value (i.e., goodwill) as a result of the acquisition accounting; however, it did record intangible assets related to the associated referral sources and is amortizing these costs over the expected life of the referral source, which is estimated to be fifteen years. Any change in assumptions could either result in a decrease or increase in the estimated life of a referral source. A decrease in estimated life would reduce the Company s net income and an increase in estimated life would increase the Company s net income. Also, a change in assumptions could result in the Company recording non-amortizable goodwill as a result of acquisition accounting.

The Company assesses the impairment of goodwill and other intangibles on an annual basis or, along with long-lived assets, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. It uses an estimate of the future undiscounted net cash flows of the related asset or asset grouping over the remaining life in measuring whether assets are recoverable. Based on the Company s expectation of future undiscounted net cash flows, an impairment loss would be recorded by writing down the assets to their estimated realizable values. Any resulting impairment loss could have a material adverse effect on the Company s results of operations.

Inventories

The Company values its inventories at the lower of cost or market, as determined by the first-in, first-out method. It regularly reviews inventory quantities on hand and records a provision for excess or obsolete inventory based upon its estimated forecast of product demand. If actual future demand is less than the projections made by management, then additional provisions may be required. In connection with the termination of the Company s manufacturing outsourcing arrangement in 2002, the Company increased its inventory. The Company believes that substantially all of this additional inventory will be useable in the ordinary course of business.

Warranty

The Company s products are generally under warranty against defects in material and workmanship. The Company provides an accrual for estimated warranty costs at the time of sale of the related products based upon historical return rates and repair costs at the time of the sale. A significant increase in product return rates could have a material adverse effect on the Company s results of operations.

NEWLY ISSUED ACCOUNTING STANDARDS

In July 2002, the FASB issued SFAS No. 146 Accounting for Costs Associated with Exit or Disposal Activities. SFAS 146 replaces Emerging Issues Task Force Issue No. 94-3 Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity. SFAS 146 requires the recognition of costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. The Company does not believe that the adoption of SFAS 146 will have a significant impact on its financial position, results of operations, or cash flows.

On November 25, 2002, the FASB issued FASB Interpretation No. 45 (FIN 45), Guarantor s Accounting and Disclosure for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an interpretation of FASB Statements No. 5, 57, and 107 and Rescission of FASB Interpretation No. 34. FIN 45 clarifies the requirements of FASB Statement No. 5, Accounting for Contingencies (FAS 5), relating to the guarantor s accounting for, and disclosure of, the issuance of certain types of guarantees. FIN 45 requires that, upon issuance of a guarantee, the guarantor must recognize a liability for the fair value of the obligation. FIN 45 is applicable to guarantees that encompass guarantees based on changes in an underlying asset, such as the Company s product warranty, liability or equity security, guarantees that are made on behalf of another entity s performance, certain indemnification agreements and indirect guarantees of the indebtedness of others. The recognition and measurement provisions of FIN 45 are effective prospectively for guarantees issued or modified after December 31, 2002. The disclosure requirements are effective for reporting periods ending after December 15, 2002. The Company is in the process of assessing the impact of FIN 45 recognition and measurement provisions on its consolidated financial statements and does not believe that its adoption will have a significant impact on the Company s financial statements.

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure. SFAS 148 amends SFAS 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of SFAS 123 to require prominent disclosures about the method of accounting for stock-based employee compensation and the effect of the method used on reported financial results. SFAS 148 amends APB Opinion No. 28, Interim Financial Reporting, to require these disclosures in interim financial information. The Company continues to account for their stock-based employee compensation under APB Opinion 25, but has adopted the new disclosure requirements of SFAS 148.

On January 17, 2003, the FASB issued FASB Interpretation No. 46 (FIN 46), Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51. The primary objective of the interpretation is to provide guidance on the identification of, and financial reporting for, entities over which control is achieved through means other than voting rights; such entities are known as variable-interest entities (VIEs). The Company has assessed the impact of FIN 46 and does not believe FIN 46 to impact the consolidated financial statements of the Company at this time.

CERTAIN FACTORS THAT MAY AFFECT FUTURE RESULTS

The following important factors, among others, could cause actual results to differ materially from those indicated by forward-looking statements made in this Quarterly Report on Form 10-Q and presented elsewhere by management from time to time.

The Company has recently launched a number of marketing initiatives intended to increase its market penetration. These initiatives include a direct marketing campaign, which is targeted primarily toward market development, and a campaign to increase the Company s market among senior living facilities. These sales initiatives will require management attention and financial

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resources, including the incurrence of fixed costs, and the return to the Company from these initiatives could be less than anticipated by the Company.

The Company s results are partially dependent on its ability to develop services and products that keep pace with continuing technological changes, evolving industry standards, changing subscriber preferences and new service and product introductions by the Company s competitors. There can be no assurance that services, products or technologies developed by others will not render the Company s services or products noncompetitive or obsolete.

The Company s ability to continue to increase service revenue is a key factor in its long-term growth, and there can be no assurance that the Company will be able to do so. The Company s service revenue growth is partially dependent on its ability to increase the number of subscribers served by its monitoring centers by an amount which exceeds the number of subscribers lost. The Company s failure to increase service revenue could have a material adverse effect on the Company s business, financial condition, or results of operations.

In order to mitigate the negative effect of a disruption of service of its monitoring services (including as a result of system failures, the disruption of service at its monitoring facility, whether due to telephone or electrical failures, earthquakes, fire, weather or other similar events or for any other reason), the Company recently opened a second U.S. call center, which is also located in Framingham, Massachusetts. There can be no assurance, however, that the second call center will not be affected by the same disruption that affects the corporate headquarters facility.

The Company may expand its operations through the acquisition of additional businesses, such as the recent acquisition of the assets of the Emergency Response Systems business unit of March Networks Corporation, a privately held developer of broadband IP applications and delivery platforms. There can be no assurance that the Company will be able to identify, acquire or profitably manage additional businesses or successfully integrate any acquired businesses into the Company without substantial expenses, delays or other operational or financial problems. In addition, acquisitions may involve a number of special risks, including diversion of management s attention, higher than anticipated integration costs, failure to retain key acquired personnel, unanticipated events, contingent liabilities and amortization of acquired intangible assets. There can be no assurance that the acquired businesses, if any, will achieve anticipated revenues or earnings.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has considered the provisions of Financial Reporting Release No. 48 Disclosure of Accounting Policies for Derivative Financial Instruments and Derivative Commodity Instruments, and Disclosure of Quantitative and Qualitative Information about Market Risk Inherent in Derivative Financial Instruments, Other Financial Instruments and Derivative Commodity Instruments. The Company had no holdings of derivative financial or commodity-based instruments or other market risk sensitive instruments entered into for trading purposes at June 30, 2003. As described in the following paragraphs, the Company believes that it currently has no material exposure to interest rate and foreign currency exchange rate risks in its instruments entered into for other than trading purposes.

Interest rates

The Company s balance sheet periodically includes an outstanding balance associated with a revolving credit facility that is subject to interest rate risk. The Company has the ability to obtain revolving credit loans with an interest rate based on the London Interbank Offered Rate (LIBOR) or revolving credit loans with an interest rate based on the lender s prime interest rate. As a result of these factors, at any given time, a change in interest rates could result in either an increase or decrease in the Company s interest expense. As of June 30, 2003, the Company did not have any outstanding balances associated with its credit facility and therefore its consolidated financial position, results of operations or cash flows would not be affected by near-term changes in interest rates.

Foreign currency exchange rates

The Company s earnings are affected by fluctuations in the value of the U.S. Dollar as compared to the Canadian Dollar, as a result of the sale of its products and services in Canada and translation adjustments associated with the conversion of the Company s Canadian subsidiary into the reporting currency (U.S. Dollar). As such, the Company s exposure to changes in Canadian exchange rates could impact the Company s consolidated financial position, results of operations or cash flows. The Company performed a sensitivity analysis as of June 30, 2003 to assess the potential effect of a 10% increase or decrease in Canadian foreign exchange rates and concluded that short-term changes in Canadian exchange rates would not materially affect the Company s consolidated financial position, results of operations or cash flows. The Company s sensitivity analysis of the effects of changes in foreign currency exchange rates in such magnitude did not factor in a potential change in sales levels or local prices for its services/products as a result of the currency fluctuations or otherwise.

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ITEM 4. CONTROLS AND PROCEDURES

1. *Evaluation of disclosure controls and procedures*. Based on their evaluation of the Company s disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this Quarterly Report on Form 10-Q, the Company s chief executive officer and chief financial officer have concluded that the Company s disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms and are operating in an effective manner.

2. *Changes in internal controls*. During the period covered by this Quarterly Report on Form 10-Q, there were no changes in the Company s internal control over financial reporting (as defined in Rule 13a-15(f)) that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Annual Meeting of Stockholders of the Company was held on May 21, 2003. The stockholders of the Company elected members of the Board of Directors, approved an amendment to the Company s 2000 Stock Incentive Plan and ratified the selection of PricewaterhouseCoopers LLP as the Company s auditors for 2003.

	NUMBER OF SHARES OF COMMON STOCK			
				BROKER
	FOR	AGAINST	ABSTAINED	NON-VOTES
Ellen Feingold	6,008,842			28,278
Ronald Feinstein	5,870,476			166,644
Joseph E. Kasputys, Ph.D.	5,876,114			161,006
Amendment of the Company s 2000 Stock Incentive Plan	3,803,263	1,122,627	39,097	
Ratification of appointment of PricewaterhouseCoopers LLP	5,978,741	53,027	5,352	

The directors whose terms in office continued after the meeting were Everett N. Baldwin, L. Dennis Shapiro, S. Ward Casscells, III, M.D., Carolyn C. Roberts and Gordon C. Vineyard, M.D.

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ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Reports on Form 8-K The Company filed a report on Form 8-K on July 16, 2003 reporting under Item 12 thereof, its results for the quarter ended June 30, 2003.

(b) Exhibits The Exhibits which are filed with this Report or which are incorporated herein by reference are set forth in the Exhibit Index which appears on page 24 hereof

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LIFELINE SYSTEMS, INC.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

August 11, 2003	LIFELINE SYSTEMS, INC.
Date	Registrant
	/s/ RONALD FEINSTEIN
	Ronald Feinstein
	Chief Executive Officer
	/s/ MARK G. BEUCLER
	Mark G. Beucler
	Vice President of Finance, Chief Financial Officer and Treasurer

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EXHIBIT INDEX

The following designated exhibits are, as indicated below, either filed herewith or have heretofore been filed with the Securities and Exchange Commission under the Securities Act of 1933 or the Securities and Exchange Act of 1934 and are referred to and incorporated herein by reference to such filings.

Exhibit No.	Exhibit	SEC Document Reference
31.1	Certification of Principal Executive Officer required by Rule 13a-15(e) or Rule 15d-15(e) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	
31.2	Certification of Principal Financial Officer required by Rule 13a-15(e) or Rule 15d-15(e) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	