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ULTRAPETROL BAHAMAS LTD

Form 6-K

May 15, 2007

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13A-16 OR 15D-16 OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the month of May 2007

Commission File Number: 001-33068

ULTRAPETROL (BAHAMAS) LIMITED  
(Translation of registrant's name into English)

Ocean Centre, Montagu Foreshore  
East Bay St.  
Nassau, Bahamas  
P.O. Box SS-19084  
(Address of principal executive office)

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  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): \_\_\_\_

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a  
Form 6-K if submitted solely to provide an attached annual report to security  
holders.

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): \_\_\_\_

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a  
Form 6-K if submitted to furnish a report or other document that the registrant  
foreign private issuer must furnish and make public under the laws of the  
jurisdiction in which the registrant is incorporated, domiciled or legally  
organized (the registrant's "home country"), or under the rules of the home  
country exchange on which the registrant's securities are traded, as long as the  
report or other document is not a press release, is not required to be and has  
not been distributed to the registrant's security holders, and, if discussing a  
material event, has already been the subject of a Form 6-K submission or other  
Commission filing on EDGAR.

Indicate by check mark whether the registrant by furnishing the information  
contained in this Form is also thereby furnishing the information to the  
Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.  
Yes  No

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

82-\_\_\_\_\_.

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INFORMATION CONTAINED IN THIS FORM 6-K REPORT

Set forth herein are a copy of the Company's report for the three months ended March 31, 2007, containing certain unaudited financial information and a Management's Discussion and Analysis of Financial Condition and Results of Operations.

### ULTRAPETROL (BAHAMAS) LIMITED

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006 (UNAUDITED)

The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements of Ultrapetrol (Bahamas) Limited (the "Company") and subsidiaries for the three months ended March 31, 2007 and 2006 included elsewhere in this report.

#### Our Company

We are an industrial shipping company serving the marine transportation needs of clients in the markets on which we focus. We serve the shipping markets for grain, forest products, minerals, crude oil, petroleum, and refined petroleum products, as well as the offshore oil platform supply market, and the leisure passenger cruise market through our operations in the following four segments of the marine transportation industry.

Our River Business, with approximately 502 barges, is the largest owner and operator of river barges and push boats that transport dry bulk and liquid cargos through the Hidrovia Region of South America, a large area with growing agricultural, forest and mineral related exports.

Our Offshore Supply Business owns and operates vessels that provide critical logistical and transportation services for offshore petroleum exploration and production companies, primarily in the North Sea and the coastal waters of Brazil. Our Offshore Supply Business fleet currently consists of proprietary designed, technologically advanced platform supply vessels, or PSVs. During the first quarter of 2007, we had four PSVs in operation and four under construction. Two PSVs were under construction in Brazil and contracted to be delivered in the second quarter of 2007 and in 2008, respectively. We recently contracted with a shipyard in India to construct two PSVs for delivery commencing in 2009, with an option to build two more.

Our Ocean Business owns and operates eight oceangoing vessels, including three Handysize/small product tankers which we use or intend to use in the South American coastal trade where we have preferential rights and customer relationships, three versatile Suezmax/Oil-Bulk-Ore, or Suezmax OBO, vessels, one Aframax tanker and one semi-integrated tug/barge unit. Our Ocean Business fleet has an aggregate capacity of approximately 651,000 dwt, and our three Suezmax OBOs are capable of carrying either dry bulk or liquid cargos, providing flexibility as dynamics change between these market sectors.

Our Passenger Business fleet consists of two vessels with a total carrying capacity of approximately 1,600 passengers, and operates primarily in the European cruise market.

Our business strategy is to continue to operate as a diversified marine transportation company with an aim to maximize our growth and profitability

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while limiting our exposure to the cyclical behavior of individual sectors of the marine transportation industry.

### Developments in the First Quarter of 2007

On January 2, 2007, we drew down on the initial \$37.5 million of the \$61.3 million facility agreed with DVB (DVB Bank AG) and on March 7, 2007 we completed the drawdown of this facility.

On January 5, 2007, we took delivery of the Alejandrina and paid the 90% balance of the purchase price, or \$15.3 million. She was positioned for employment in the South American cabotage trade where she commenced service in March 2007.

On January 27, 2007, we entered into a \$13.6 million senior secured term loan agreement with Natixis as post delivery finance for the acquisition of the Alejandrina.

On February 21, 2007, we entered into two shipbuilding contracts with a shipyard in India to construct two PSVs with deliveries commencing in 2009, with an option for two more. The price for each new PSV to be built in India is \$21.7 million to be paid in five installments of 20% each prior to delivery.

On March 7, 2007, we executed a Stock Purchase Agreement and other complementary agreements with the Shareholders of Compania Paraguaya de Transporte Fluvial S.A. ("CPTF") and Candies Paraguayan Ventures LLC ("CPV") whereby we purchased 100% of the stock of CPTF and CPV. Through the purchase of these two companies, we acquired ownership of one 4,500 HP pushboat (the Captain Otto Candies ) and twelve Jumbo 2,500 dwt barges (Parana barges) all built in the United States in 1995. The total purchase price paid by us under the respective agreements was \$13.8 million.

On March 11, 2007, we signed an agreement with Maritima SIPSA S.A. through which we have agreed to postpone the date for exercising our repurchase option of the Princess Marina until September 25, 2007.

On March 19, 2007, we paid \$8.7 million corresponding to the first installment of the two PSVs under construction in India.

### Recent Developments

On April 3, 2007, the Miranda I was dry docked in Buenos Aires to begin its conversion to double hull.

On April 19, 2007, we successfully completed a follow-on offering of 12,650,000 shares of our common stock priced at \$19.00 per share. The offering included 5,903,922 shares offered by existing shareholders and 5,096,078 shares issued by the company. It also included the exercise of an over-allotment comprising 1,650,000 shares from one of the selling shareholders. Ultrapetrol did not receive any of the proceeds from any sale of common stock by the selling shareholders. The offering raised approximately \$92 million in primary gross proceeds for the company.

On May 9, 2007, we entered into a Forward Freight Agreement ("FFA") whereby a subsidiary of ours sold via BNP Paribas Commodity Futures Limited ("BNP Paribas") to LCH Clearnet ("LCH") the average of the 4 Capesize Time Charter Routes (C4TC) for a total of 180 days (15 days per month from January 2008 up to December 2008 both inclusive) at a price of \$80,000 (eighty thousand U.S. Dollars) per day.

On May 10, 2007, we entered into a second FFA whereby a subsidiary of ours sold via BNP Paribas to LCH the average of the 4 Capesize Time Charter Routes

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(C4TC) for a total of 180 days (15 days per month from January 2008 up to December 2008 both inclusive) at a price of \$79,500 (seventynine thousand and five hundred U.S. Dollars) per day.

On May 15, 2007, we entered into a third FFA whereby a subsidiary of ours sold via BNP Paribas to LCH the average of the 4 Capesize Time Charter Routes (C4TC) for a total of 366 days (every calendar month from January 2008 up to December 2008 both inclusive) at a price of \$77,250 (seventyseven thousand and two hundred fifty U.S. Dollars) per day.

In connection with these transactions, we transferred \$2.0 million to cover a large part of the initial margin required for these transactions. As of close of business May 14, 2007, we had utilized approximately \$0.23 million under a credit facility of \$1.5 million we have with BNP Paribas to cover margin requirements in connection with these and other FFA transactions we might enter into in the future. We pay interest of LIBOR plus 0.75% p.a. on the amounts withdrawn under the BNP Paribas facility.

On May 15, 2007, we took delivery of the fifth PSV in our Offshore Supply Business fleet, UP Diamante, from EISA - Estaleiro Ilha S.A. in Rio de Janeiro, Brazil.

### Factors Affecting Our Results of Operations

We organize our business and evaluate performance by the following operating segments: the River Business, Ocean Business and, beginning in 2005, Offshore Supply Business and Passenger Business. The accounting policies of the reportable segments are the same as those for the unaudited condensed consolidated financial statements. We do not have significant intersegment transactions.

### Revenues

In our River Business, we contract for the carriage for cargos, in substantially all cases, under contracts of affreightment, or COAs. Most of these COAs currently provide for adjustments to the freight rate based on changes in the price of fuel.

In our Offshore Supply Business we contract our vessels under Time Charter in both Brazil and the North Sea. During the first quarter of 2006, prior to the acquisition of 66.67% of the stock of UP Offshore, the revenues and expenses of UP Offshore were not consolidated with ours; however, two PSVs owned by UP Offshore were operated by us in the North Sea under charters. The revenues of these charters were recognized in our financial statements.

In our Ocean Business, we contract our vessels either on a time charter basis or on a COA basis. Some of the differences between time charters and COAs are summarized below.

#### Time Charter

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- o We derive revenue from a daily rate paid for the use of the vessel, and
- o the charterer pays for all voyage expenses, including fuel and port charges.

#### Contract of Affreightment (COA)

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- o We derive revenue from a rate based on tonnage shipped expressed in

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dollars per metric ton of cargo, and

- o we pay for all voyage expenses, including fuel and port charges.

Our ships on time charters generate both lower revenues and lower expenses for us than those under COAs. At comparable price levels both time charters and COAs result in approximately the same operating income, although the operating margin as a percentage of revenues may differ significantly.

One of our passenger vessels is chartered to a European tour operator who guarantees a minimum number of passengers and pays for fuel and port expenses. Our second passenger vessel Blue Monarch is scheduled to operate in Greece and Turkey; we will pay for fuel and port expenses and there is no minimum number of passengers.

Time charter revenues accounted for 51% of the total revenues from our businesses for the first quarter of 2007, and COA revenues accounted for 49%. With respect to COA revenues in the first quarter of 2007, 79% were in respect of repetitive voyages for our regular customers and 21% in respect of single voyages for occasional customers.

In our River Business, demand for our services is driven by agricultural, mining and forestry activities in the Hidrovia Region. Droughts and other adverse weather conditions, such as floods, could result in a decline in production of the agricultural products we transport, which would likely result in a reduction in demand for our services. Further, most of the operation in our River Business occurs in the Parana and Paraguay Rivers, and any changes adversely affecting either of these rivers, such as low water levels, could reduce or limit our ability to effectively transport cargo on the rivers.

In our Ocean Business, we employed a significant part of our ocean fleet on time charter to different customers during the three months ended March 31, 2007. During the first quarter of 2007 the international dry bulk freight market was on average higher than it was in the first quarter of 2006.

In our Passenger Business, demand for our services is driven primarily by movements of tourists during the European summer cruise season.

### Expenses

Our operating expenses generally include the cost of all vessel management, crewing, spares and stores, insurance, lubricants, repairs and maintenance. Generally, the most significant of these expenses are repairs and maintenance, wages paid to marine personnel, catering and marine insurance costs. However, there are significant differences in the manner in which these expenses are recognized in the different segments in which we operate.

In addition to the vessel operating expenses, our other primary operating expenses in 2006 included general and administrative expenses.

In our River Business, our voyage expenses include port expenses and fuel as well as charter hire paid to third parties.

In our Offshore Supply Business, voyage expenses include offshore and brokerage commissions paid by us to third parties including Gulf Offshore North Sea (UK) Ltd. which provide brokerage services.

In our Passenger Business, operating expenses include all vessel management, crewing, stores, insurance, lubricants, repairs and maintenance and may include catering, housekeeping and entertainment staff if the charter party so specifies. Voyage expenses may include port expenses and bunkers if such services are for our account. Similarly, they may include the cost of food and

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beverages for passengers if such amounts are for our account under the charter agreement.

Through our River Business, we own a dry dock and a repair facility for our River Business fleet at Pueblo Esther, Argentina, land for the construction of two terminals in Argentina and 50% joint venture participations in two grain loading terminals in Paraguay. UABL also rents offices in Asuncion (Paraguay) and Buenos Aires (Argentina) and a repair and shipbuilding facility in Ramallo (Argentina).

Through UP Offshore, we hold a lease for office space in Rio de Janeiro, Brazil and Aberdeen, United Kingdom. In addition, through Ravenscroft, we own a building located at 3251 Ponce de Leon Boulevard, Coral Gables, Florida, United States of America. Through our assumption of the administrative functions previously performed by Oceanmarine, a related party, we now hold a sublease to an office in Buenos Aires, Argentina.

### Foreign Currency Transactions

During the three months ended March 31, 2007, 87% of our revenues were denominated in U.S. dollars and 11% of our revenues were denominated and collected in British Pounds and 2% of our revenues were denominated in Brazilian Reais. Furthermore, 19% of our total revenues were denominated in U.S. dollars but collected in Argentine Pesos, Brazilian Reais and Paraguayan Guaranies. Significant amounts of our expenses were denominated in dollars and 25% of our total out of pocket operating expenses were paid in Argentine Pesos, Brazilian Reais and Paraguayan Guaranies.

Our operating results, which we report in U.S. dollars, may be affected by fluctuations in the exchange rate between the U.S. dollar and other currencies. For accounting purposes, we use U.S. dollars as our functional currency. Therefore, revenue and expense accounts are translated into U.S. dollars at the average exchange rate prevailing on the month of each transaction.

### Inflation and Fuel Price Increases

We do not believe that inflation has had a material impact on our operations, although certain of our operating expenses (e.g., crewing, insurance and drydocking costs) are subject to fluctuations as a result of market forces.

In 2005 and prior, in our River Business, we adjusted the fuel component of our cost into the freights on a seasonal or yearly basis, and therefore we were adversely affected during that period by rising bunker prices only partially offset by a hedge of a minor part of our consumption and by bunker price adjustment formulas on some of our contracts. In 2006, we negotiated and intend to continue to negotiate fuel price adjustment clauses in most of our River Business contracts.

In our Ocean Business, inflationary pressures on bunker costs are not expected to have a material effect on our immediate future operations which are currently time chartered to third parties, since it is the charterers who pay for fuel. When our ocean vessels are employed under COAs, freight rates for voyage charters are generally sensitive to the price of a vessel's fuel. However, a sharp rise in bunker prices may have a temporary negative effect on results since freights generally adjust only after prices settle at a higher level.

In the Offshore Supply and Passenger Businesses (with the exception of the Blue Monarch), the risk of variation of fuel prices under the vessels' current employment is generally borne by the charterers, since they are generally responsible for the supply of fuel.

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### Seasonality

Each of our businesses has seasonal aspects, which affect its revenues on a quarterly basis. The high season for our River Business is generally between the months of March and September, in connection with the South American harvest and higher river levels. However, growth in the soy pellet manufacturing, minerals and forest industries may help offset some of this seasonality. The Offshore Supply Business operates year-round, particularly off the coast of Brazil, although weather conditions in the North Sea may reduce activity from December to February. In the Ocean Business, demand for oil tankers tends to be strongest during the winter months in the Northern hemisphere. Demand for dry bulk transportation tends to be fairly stable throughout the year, with the exceptions of the Chinese New Year in our first quarter and the European summer holiday season in our third quarter, which generally show lower charter rates. Under existing arrangements, our Passenger Business currently generates its revenue during the European cruise season, typically from May through October of each year.

### Legal Proceedings

Ultrapetrol S.A. was involved in a customs dispute with the Brazilian Customs Tax Authorities over the alleged infringement of customs regulations by the Alianza G-3 and Alianza Campana (collectively, the "Alianza Campana") in Brazil during 2004. As a result, the Brazilian Customs Tax Authorities commenced an administrative proceeding and applied the penalty of apprehension against the Alianza Campana which required the Alianza Campana to remain in port or within a maximum of five nautical miles from the Brazilian maritime coast. The maximum customs penalty that could be imposed would be confiscation of the Alianza Campana, which is estimated by the Brazilian Customs Tax Authorities to be valued at \$4.6 million. The Secretary of Brazilian Federal Revenue decided to cancel the penalty of confiscation of the Alianza Campana by means of a decision issued on August 14, 2006. However, the Secretary conditioned his decision on the compliance with the following requirements: (1) the classification of the Alianza Campana under the Regime Aduaneiro Especial para a Industria do Petroleo, or REPETRO regime, and if such classification is confirmed; (2) the payment by Ultrapetrol S.A. of a penalty in the amount of one percent (1%) of the customs value of the Alianza Campana, or \$45,600 (forty five thousand and six hundred US Dollars). In order to comply with the above described requirements, our customer, Petroleo Brasileiro S.A., presented on September 15, 2006, a formal request to obtain from Brazilian Customs Tax Authorities the recognition of the classification of the Alianza Campana under the REPETRO regime which has since been received. We subsequently paid the penalty mentioned above, with the effect that the confiscation penalty was automatically canceled and the administrative proceeding was finalized with no further consequences to us.

On September 21, 2005, the local customs authority of Ciudad del Este, Paraguay issued a finding that certain UABL entities owe taxes to that authority in the amount of \$2.2 million, together with a fine for non-payment of the taxes in the same amount, in respect of certain operations of our River Business for the prior three-year period. This matter was referred to the Central Customs Authority of Paraguay (the "Paraguayan Customs Authority"). We believe that this finding is erroneous and UABL has formally replied to the Paraguayan Customs authority contesting all of the allegations upon which the finding was based. After review of the entire operations for the claimed period, the Paraguayan Tax authorities, asserting their jurisdiction over the matter, confirmed that the UABL entities did paid their taxes on the claimed period, but held a dissenting view on a third issue (the tax base used by the UABL entities to calculate the applicable withholding tax). Finally, the primary case was appealed by the UABL entities before the Tax and Administrative Court, and when summoned, the Paraguayan Tax Authorities filed an admission, upon which the Court on November 24, 2006, confirmed that the UABL entities were not liable for the first two

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issues. Nevertheless, the third issue continued, and through a resolution which was provided to UABL on October 13, 2006, the Paraguayan Undersecretary for Taxation has confirmed that, in his opinion, UABL was liable for a total of approximately \$0.5 million and has applied a fine of 100% of this amount. UABL have entered a plea with the respective court contending the interpretation on the third issue where we claim to be equally non liable. We have been advised by UABL's counsel in the case that there is only a remote possibility that a court would find UABL liable for any of these taxes or fines.

On November 3, 2006 and April 25, 2007, the Bolivian Tax Authority (Departamento de Inteligencia Fiscal de la Gerencia Nacional de Fiscalizacion) issued a notice in the Bolivian press advising that UABL International S.A. (a Panamanian subsidiary of the Company) would owe taxes to that authority in the amount of approximately \$2.5 million (including interest), together with certain fines that have not been determined yet. We believe that this finding is incorrect and UABL International S.A. will formally reply to the Bolivian Tax Authority contesting the allegations of the finding. We have been advised by our local counsel in the case that there is only a remote possibility that UABL International S.A. would finally be found liable for any of these taxes or fines.

Various other legal proceedings involving us may arise from time to time in the ordinary course of business. However, we are not presently involved in any other legal proceedings that, if adversely determined, would have a material adverse effect on us.

### Results of Operations

Three months ended March 31, 2007 compared to the three months ended March 31, 2006.

The following table sets forth certain unaudited historical income statement data for the periods indicated above derived from our unaudited condensed consolidated statements of operations expressed in thousands of dollars.

	Three Months Ended March 31		
	2007	2006	Percent Change
<b>Revenues</b>			
Attributable to River Business	\$21,528	\$15,590	38%
Attributable to Offshore Supply Business	8,395	3,441	144%
Attributable to Ocean Business	12,753	9,426	35%
Attributable to Passenger Business	2,750	1,824	51%
<b>Total</b>	<b>45,426</b>	<b>30,281</b>	<b>50%</b>
<b>Voyage expenses</b>			
Attributable to River Business	(8,642)	(7,450)	16%
Attributable to Offshore Supply Business	(198)	(2,643)	(93%)
Attributable to Ocean Business	(329)	(319)	3%
Attributable to Passenger Business	(759)	(401)	90%
<b>Total</b>	<b>(9,928)</b>	<b>(10,813)</b>	<b>(8%)</b>
<b>Running costs</b>			
Attributable to River Business	(5,539)	(3,977)	39%
Attributable to Offshore Supply Business	(2,623)	(757)	246%
Attributable to Ocean Business	(3,855)	(3,175)	21%



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Attributable to Passenger Business	(2,629)	(1,236)	113%
	(14,646)		
Total		(9,145)	60%
Amortization of dry dock & intangible assets	(2,108)	(2,063)	2%
Depreciation of vessels and equipment	(5,946)	(3,417)	74%
Management fees and administrative and commercial expenses	(4,493)	(2,277)	97%
Other operating income	63	-	-
Operating profit	8,368	2,566	226%
Financial expense	5,097)	(4,849)	5%
Financial income	190	218	(13%)
Investment in affiliates	169	528	(68%)
Other, net	(129)	60	-
Total other expenses	(4,867)	(4,043)	20%
Income before income taxes and minority interest	3,501	(1,477)	-
Income taxes	(1,398)	(50)	2,696%
Minority interest	(139)	(86)	62%
Net income (loss) for the period	\$1,964	\$(1,613)	-

Revenues. Total revenues from our River Business increased by \$5.9 million from \$15.6 million for the three months ended March 31, 2006 to \$21.5 million for the same period in 2007. This growth is mainly attributable to a 41% increase in volumes transported and a 2% increase in average freight rates charged in the period.

Total revenues from our Offshore Supply Business increased from \$3.4 million for the three months ended March 31, 2006 to \$8.4 million for the same period in 2007. This increase is mainly attributable to the operation of the UP Topazio and UP Agua-Marinha for the full three months ending March 31, 2007 compared to zero and one month, respectively, of operation in the same three months of 2006, together with higher rates obtained in the North Sea operation when compared to rates for the same period in 2006.

Total revenues from our Ocean Business increased from \$9.4 million for the three months ended March 31, 2006 to \$12.8 million for the three months ended March 31, 2007, or an increase of 35%. This increase is primarily attributable to the higher time charter rates obtained by our vessels Princess Katherine Princess Nadia and Princess Marina as compared to first quarter 2006 and the start of operations of the Alejandrina.

Total revenues from our Passenger Business increased 51% from \$1.8 million in the first three months of 2006 to \$2.8 million in the same period of 2007. This increase is primarily attributable to the off season employment the New Flamenco obtained as a floating hotel for various events during January and February 2007, partially offset by the fact that New Flamenco started her European summer season in March 2006 while in 2007 she commenced this service in the second quarter.

Voyage expenses. In the three months ended March 31, 2007, voyage expenses of our River Business were \$8.6 million, as compared to \$7.4 million for the same period of 2006, an increase of \$1.2 million. The increase is mainly attributable to an increase in our fuel expenditure on the River Business, consistent with a larger volume of cargo carried.

In the three months ended March 31, 2007, voyage expenses of our Offshore Supply Business were \$0.2 million, as compared to \$2.6 million in 2006. This decrease is primarily attributable to the effect of the bareboat charter paid for our PSVs UP Esmeralda and UP Safira during the three months of 2006 prior to

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the consolidation of UP Offshore as from the second quarter of 2006.

Voyage expenses of our Ocean Business have not changed significantly, since the increase due to the start of operations of the Alejandrina was largely offset by lower voyage expenses in our other vessels.

In the three months ended March 31, 2007, voyage expenses of our Passenger Business were \$0.8 million as compared to \$0.4 million for the same period in 2006. This increase is attributable to the higher off season activity of the New Flamenco.

Running costs. For the three months ended March 31, 2007, running costs of our River Business were \$5.5 million, as compared to \$4.0 million for the same period in 2006, an increase of \$1.5 million. This increase was mainly attributable to an increase in our boat costs.

For the three months ended March 31, 2007, running costs of our Offshore Supply Business were \$2.6 million, as compared to \$0.8 million for the same period in 2006. This increase is primarily attributable to the operation of the UP Agua-Marinha and UP Topazio for the full three months ended March 31, 2007 compared with one month and zero, respectively, of operation in the same three months of 2006.

For the three months ended March 31, 2007, running costs of our Ocean Business were \$3.9 million, as compared to \$3.2 million for the same period in 2006. The increase is mainly attributable to the start of operations of our new product carrier Alejandrina.

For the three months ended March 31, 2007, running costs of our Passenger Business were \$2.6 million, compared to \$1.2 million for the same period in 2006. This increase is mainly attributable to the higher off season activity of the New Flamenco.

Amortization of dry docking and intangible assets. Amortization of dry docking and special survey costs have not changed significantly. Amortization of intangible assets was \$0.2 million for the three months ended March 31, 2007 as compared to \$0 million for the same period in 2006. The increase is primarily attributable to the amortization of intangible assets related to the purchase of Ravenscroft as our subsidiary from the second quarter of 2006.

Depreciation of vessels and equipment. Depreciation increased by \$2.5 million, or 74%, to \$5.9 million for the three months ended March 31, 2007 as compared to \$3.4 million for the same period in 2006. This increase is primarily attributable to the combined effect of the consolidation of UP Offshore as our subsidiary from the second quarter of 2006, the acquisitions of the Alejandrina and the Otto Candies convoy for our river business, a full period of depreciation of our vessel Blue Monarch (which was set in service in April 2006), and the increased value of our vessel New Flamenco which was fully refurbished in the first quarter of 2006.

Management fees and administrative expenses. Management fees and administrative expenses were \$4.5 million for the three months ended March 31, 2007 as compared to \$2.3 million for the same period in 2006. This increase of \$2.2 million is mainly attributable to the effect of the consolidation of UP Offshore as our subsidiary from the second quarter of 2006, the increase in administrative expenses associated with the take over of the administrative functions formerly performed by Oceanmarine, and the cost of the compensation granted to the Board in the form of stock options and grants of stock.

Other operating income. Did not change significantly.

Operating profit. Operating profit for the three months ended March 31,

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2007 was \$8.4 million, an increase from \$2.6 million for the same period in 2006. This increase is mainly attributable to the effect of the consolidation of UP Offshore which had four ships also working for the full first quarter, improved performance of our River and Ocean Business, partially offset for a higher loss in the Passenger Business of \$1.9 million.

Financial expense. Financial expense increased by approximately \$0.3 million or 5%, to \$5.1 million in the three months ended March 31, 2007 as compared to \$4.8 million in the same period of 2006. This variation is mainly attributable to the effect of the consolidation of UP Offshore as our subsidiary from the second quarter of 2006, partially offset for the full cancellation of our indebtedness in the River Business in October 2006.

Minority Interest. Did not change significantly.

Income tax. The charge for three months ended March 31, 2007 was \$1.4 million, compared with \$0.1 million for the same period in 2006. The higher charge in 2007 compared with 2006 principally reflects the deferred income tax charge from unrealized foreign currency exchange gains on US dollar-denominated debt of our Brazilian subsidiary in the Offshore Supply Business (which is consolidated since the second quarter of 2006) of \$1.0 million.

### Liquidity and Capital Resources

We are a holding company and operate in a capital-intensive industry requiring substantial ongoing investments in revenue-producing assets. Our subsidiaries have historically funded their vessel acquisitions through a combination of bank indebtedness, shareholder loans, cash flow from operations and equity contributions.

The ability of our subsidiaries to make distributions to us may be restricted by, among other things, restrictions under our credit facilities and applicable laws of the jurisdictions of their incorporation or organization.

As of March 31, 2007, we had aggregate indebtedness of \$273.0 million, consisting of \$180.0 million aggregate principal amount of our First Preferred Ship Mortgage Notes due 2014, or the Notes, indebtedness of our subsidiary UP Offshore of \$73.5 million under two senior loan facilities with DVB Bank AG, and indebtedness of our subsidiary Stanyan Shipping Inc. of \$13.6 million under a senior loan facility with Natixis, plus accrued interest of \$6.0 million.

At March 31, 2007, we had cash and cash equivalents on hand of \$34.1 million. In addition, we had \$1.1 million in non current restricted cash.

### Operating Activities

In the three months ended March 31, 2007, we generated \$15.8 million in cash flow from operations compared to \$2.6 million in the same period of 2006. We had a net income of \$2.0 million for the first three months ended March 31, 2007, as compared to a net loss of \$1.6 million in the same period of 2006, an increase of \$3.6 million.

Net cash provided by operating activities consists of our net income (loss) increased by non-cash expenses, such as depreciation and amortization of deferred charges, and adjusted by changes in working capital and expenditures for dry docking.

### Investing Activities

During the three months ended March 31, 2007, we disbursed \$15.3 million to pay the 90% remaining of the Alejandrina, \$13.8 million to purchase the 100% of the shares of Compania Paraguaya de Transporte Fluvial and 100% of the shares of

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Candies Paraguayan Ventures LLC, \$8.7 million to fund the 20% of the two PSVs that are being constructed in India, \$3.7 million to enlarge and refurbish barges and pushboats, \$1.1 million to refurbish the Blue Monarch, \$1.9 million to convert the Amadeo and the Miranda I into double hull and \$5.0 million in respect to PSV vessels UP Rubi and UP Diamante under construction in Brazil.

### Financing Activities

Net cash provided by financing activities was \$47.6 million during the three months ended March 31, 2007, compared to net cash used in financing activities of \$0.9 million during the same period of 2006. The increase in cash provided by financing activities from 2007 to 2006 is mainly attributable to the proceeds of our \$61.3 million loan agreement with the DVB Bank AG in our Offshore Supply Business and the draw down of our senior loan facility with Natixis for \$13.6 million, partially offset for the paying off of our indebtedness in the Offshore Supply Business for \$26.9 million.

### Future Capital Requirements

Our near-term cash requirements are related primarily to funding operations, constructing new vessels, potentially acquiring second-hand vessels, increasing the size of many of our barges and replacing the engines in our line pushboats. We cannot assure that our actual cash requirements will not be greater than we currently expect. If we cannot generate sufficient cash flow from operations, we may obtain additional funding through capital market transactions, although it is possible these sources will not be available to us.

### Supplemental Information

The following table reconciles our EBITDA to our net income:

(\$000)	Three Months Ended March 31,	
	2007	2006
	----	----
Net income (loss)	\$1,964	\$(1,613)
Plus		
Financial expense	5,097	4,849
Income taxes	1,398	50
Depreciation and amortization	8,054	5,480
	=====	=====
EBITDA(1)	16,513	8,766

The following tables reconcile our EBITDA to our Operating profit for the three months ended March 31, 2007 and 2006, on a consolidated and a per segment basis:

Three months ended March 31, 2007 (\$ 000's)	Offshore				TOTAL
	River	Supply	Ocean	Passenger	
	-----	-----	-----	-----	-----
Operating profit (loss)	3,480	3,609	3,258	(1,979)	8,368
Depreciation and amortization	2,285	904	3,738	1,127	8,054
Investment in affiliates /					
Minority interest	4	(139)	165	-	30
Other, net(3)	(151)	-	22	-	(129)
	-----	-----	-----	-----	-----
Segment EBITDA	5,618	4,374	7,183	(852)	16,323

Items not included in segment EBITDA  
Financial income

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Consolidated EBITDA(2)					----- 16,513
Three months ended March 31, 2006 (\$ 000's)	River	Offshore Supply	Ocean	Passenger	TOTAL
	-----	-----	-----	-----	-----
Operating profit (loss)	1,436	41	1,137	(48)	2,566
Depreciation and amortization	1,929	-	3,489	62	5,480
Investment in affiliates /					
Minority interest	(132)	329	245	-	442
Other, net(3)	(138)	-	198	-	60
	-----	-----	-----	-----	-----
Segment EBITDA	3,095	370	5,069	14	8,548
Items not included in segment EBITDA					
Financial income					218
					-----
Consolidated EBITDA(2)					8,766

- (1) EBITDA consists of net income (loss) prior to deductions for interest expense and other financial gains and losses, income taxes, depreciation and amortization of drydock expense and financial gain (loss) on extinguishment of debt. We believe that EBITDA is intended to exclude all items that affect results relating to financing activities. The gains and losses associated with extinguishment of debt are a direct financing item that affects our results, and therefore should not be included in EBITDA. We do not intend for EBITDA to represent cash flows from operations, as defined by GAAP (on the date of calculation), and should not be considered as an alternative to net income as an indicator of our operating performance or to cash flows from operations as a measure of liquidity. This definition of EBITDA may not be comparable to similarly titled measures disclosed by other companies. We have provided EBITDA in this prospectus because we believe it provides useful information to investors to measure our performance and evaluate our ability to incur and service indebtedness.
- (2) The reconciliation of our consolidated EBITDA to our Net income is set forth in the first table shown under section "Supplemental Information" in this filing.
- (3) Individually not significant.

ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

Condensed Consolidated Financial Statements at March 31, 2007

ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

### CONDENSED CONSOLIDATED BALANCE SHEETS (Stated in thousands of U.S. dollars, except per value and share amounts)

	At March 31, 2007 (Unaudited)	At December 31, 2006
	-----	-----
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 34,123	\$20,648
Accounts receivable, net of allowance for doubtful accounts of \$690 and \$709 in 2007 and 2006, respectively	11,721	17,333
Receivables from related parties	3,884	3,322
Marine and river operating supplies	2,913	3,020
Prepaid expenses	5,773	2,530
Other receivables	7,991	7,917
	-----	-----
Total current assets	66,405	54,770
	-----	-----
<b>NONCURRENT ASSETS</b>		
Other receivables	6,600	6,368
Receivables from related parties	2,280	2,280
Restricted cash	1,110	1,088
Vessels and equipment, net	377,677	333,191
Dry dock	10,968	9,673
Investment in affiliates	2,454	2,285
Intangible assets	3,552	3,748
Goodwill	5,015	5,015
Other assets	6,015	6,014
Deferred tax assets	1,884	1,947
	-----	-----

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Total noncurrent assets	417,555	371,609
	-----	-----
Total assets	\$483,960	\$426,379
	=====	=====
LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 15,500	\$13,491
Payable to related parties	-	420
Accrued interest	5,991	1,691
Current portion of long-term financial debt	7,108	4,700
Other payables	2,251	2,469
	-----	-----
Total current liabilities	30,850	22,771
	-----	-----
NONCURRENT LIABILITIES		
Long-term debt	180,000	180,000
Financial debt, net of current portion	79,958	34,294
Deferred tax liability	7,866	6,544
Other payables	-	250
	-----	-----
Total noncurrent liabilities	267,824	221,088
	-----	-----
Total liabilities	298,674	243,859
	-----	-----
MINORITY INTEREST	3,230	3,091
	-----	-----
SHAREHOLDERS' EQUITY		
Common stock, \$.01 par value: 100,000,000 authorized shares; 28,346,952 shares issued and outstanding	283	283
Additional paid-in capital	174,284	173,826
Accumulated earnings	7,195	5,231
Accumulated other comprehensive income	294	89
	-----	-----
Total shareholders' equity	182,056	179,429
	-----	-----
Total liabilities, minority interest and shareholders' equity	\$483,960	\$426,379
	=====	=====

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

ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(Stated in thousands of U.S. dollars, except share and per share data)

For the three-month  
periods ended March 31,

-----  
2007

-----  
2006

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REVENUES		
Revenues from third parties	\$ 44,357	\$ 30,051
Revenues from related parties	1,069	230
Total revenues	45,426	30,281
OPERATING EXPENSES		
Voyage expenses	(9,928)	(10,813)
Running costs	(14,646)	(9,145)
Amortization of dry docking	(1,912)	(2,063)
Depreciation of vessels and equipment	(5,946)	(3,417)
Management fees to related parties	-	(511)
Amortization of intangible assets	(196)	-
Administrative and commercial expenses	(4,493)	(1,766)
Other operating income	63	-
	(37,058)	(27,715)
Operating profit	8,368	2,566
OTHER INCOME (EXPENSES)		
Financial expense	(5,097)	(4,849)
Financial income	190	218
Investment in affiliates	169	528
Other, net	(129)	60
Total other expenses	(4,867)	(4,043)
Income (loss) before income taxes and minority interest	3,501	(1,477)
Income taxes	(1,398)	(50)
Minority interest	(139)	(86)
Net income (loss)	1,964	\$ (1,613)
Basic net income (loss) per share	0.07	\$ (0.10)
Diluted net income (loss) per share	0.07	\$ (0.10)
Basic weighted average number of shares	28,000,000	15,500,000
Diluted weighted average number of shares	28,251,523	15,500,000

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

ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(UNAUDITED)

(Stated in thousands of U.S. dollars, except share data)



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Balance -----	Shares amount -----	Common stock -----	Additional paid-in capital -----	Accumulated earnings (losses) -----
December 31, 2005	15,550,000	\$155	\$48,418	\$(5,295)
Comprehensive loss:				
- Net loss	-	-	-	(1,613)
- Net loss on EURO hedge agreement designated as cash flow hedge	-	-	-	-
Total comprehensive loss				
March 31, 2006	----- 15,550,000 =====	----- \$155 =====	----- \$48,418 =====	----- \$(6,908) =====
December 31, 2006	28,346,952	\$283	\$173,826	\$5,231
Compensation related to options and restricted stock granted			458	
Comprehensive income:				
- Net income	-	-	-	1,964
- Net loss on EURO hedge agreement designated as cash flow hedge	-	-	-	-
- Net income on forward fuel purchase agreement designated as cash flow hedge	-	-	-	-
Total comprehensive income				
March 31, 2007	----- 28,346,952 =====	----- \$283 =====	----- \$174,284 =====	----- \$7,195 =====

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

ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)  
(Stated in thousands of U.S. dollars)

	For the three-month periods ended March 31,	
	----- 2007 -----	----- 2006 -----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$1,964	\$(1,613)
Adjustments to reconcile net income (loss)		

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to net cash provided by operating activities:

Depreciation of vessels and equipment	5,946	3,417
Amortization of dry docking	1,912	2,063
Expenditure for dry docking	(3,207)	(383)
Amortization of intangible assets	196	-
Share-based compensation	458	-
Note issuance expenses amortization	409	263
Minority interest in equity of subsidiaries	139	86
Net (gain) from investment in affiliates	(169)	(528)
Allowance for doubtful accounts	(19)	60
Changes in assets and liabilities net of effects from purchase of Otto Candies in 2007 and UP Offshore (Bahamas) and Ravenscroft in 2006:		
Decrease (increase) in assets:		
Accounts receivable	5,710	(3,258)
Receivable from related parties	(562)	935
Marine and river operating supplies	107	(20)
Prepaid expenses	(3,228)	(1,499)
Other receivables	60	(369)
Other	40	(254)
Increase (decrease) in liabilities:		
Accounts payable	1,660	(45)
Payable to related parties	(420)	(770)
Other	4,808	4,543
	-----	-----
Net cash provided by operating activities	15,804	2,628
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of vessels and equipment	(36,179)	(8,085)
Purchase of Otto Candies companies, net of cash acquired	(13,772)	-
Decrease in loans to related parties	-	11,391
Other	(18)	346
	-----	-----
Net cash (used in) provided by investing activities	(49,969)	3,652
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of long-term financial debt	(26,850)	(636)
Proceeds from long-term financial debt	74,922	-
Other	(432)	(291)
	-----	-----
Net cash provided by (used in) financing activities	47,640	(927)
Net increase in cash and cash equivalents	13,475	5,353
Cash and cash equivalents at the beginning of year	\$20,648	\$7,914
	-----	-----
Cash and cash equivalents at the end of period	\$34,123	\$13,267
	-----	-----

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

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(Stated in thousands of U.S. dollars, except per share data and otherwise indicated)

(Information pertaining to the three-month periods ended March 31, 2007 and 2006 is unaudited)

### 1. NATURE OF OPERATIONS AND CORPORATE ORGANIZATION

#### Nature of operations

Ultrapetrol (Bahamas) Limited ("Ultrapetrol Bahamas", "Ultrapetrol", "the Company", "us" or "we") is a company organized and registered as a Bahamas Corporation since December 1997.

We are a shipping transportation company serving the marine transportation needs of our clients in the markets on which we focus. We serve the shipping markets for grain, forest products, minerals, crude oil, petroleum, and refined petroleum products, as well as the offshore oil platform supply market, and the leisure passenger cruise market through our operations in the following four segments of the marine transportation industry. In our Ocean Business, we are an owner and operator of oceangoing vessels that transport petroleum products and dry cargo. In our Passenger Business, we are an owner of cruise vessels that transport passengers primarily cruising the Mediterranean and Black Sea. In our River Business we are an owner and operator of river barges and pushboats in the Hidrovia region of South America, a region of navigable waters on the Parana, Paraguay and Uruguay Rivers and part of the River Plate, which flow through Brazil, Bolivia, Uruguay, Paraguay and Argentina. In our Offshore Supply Business we own and operate vessels that provide logistical and transportation services for offshore petroleum exploration and production companies, primarily in the North Sea and the coastal waters of Brazil.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### a) Basis of presentation and principles of consolidation

The unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") for interim financial information. The consolidated balance sheet at December 31, 2006, has been derived from the audited financial statement at that date. The unaudited condensed consolidated financial statements do not include all of the information and footnotes required by US GAAP for complete financial statements. All adjustments which, in the opinion of the management of the Company, are considered necessary for a fair presentation of the results of operations for the periods shown are of a normal, recurring nature and have been reflected in the unaudited condensed consolidated financial statements. When a cost that is expensed for annual reporting purposes clearly benefits two or more interim periods, each interim period is charged for an appropriate portion of the annual cost by the use of deferrals. The results of operations for the periods presented are not necessarily indicative of the results expected for the full fiscal year or for any future period.

The unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries, both majority and wholly owned. Significant intercompany accounts and transactions have been eliminated in this consolidation. Investments in 50% or less owned affiliates, in which the Company exercises significant influence, are accounted for by the equity method.

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b) Earnings per share:

In accordance with Statement of Financial Accounting Standards No. 128, Earnings per share ("SFAS 128") basic net income (loss) per share is computed by dividing the net income (loss) by the weighted average number of common shares outstanding during the relevant periods. Diluted net income (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common shares result in the issuance of such shares. In determining dilutive shares for this purpose the Company assumes, through the application of the treasury stock method, all restricted stock grants have vested, all common shares have been issued pursuant to the exercise of all outstanding stock options and all common shares have been issued pursuant to the issuance of all outstanding warrants.

The following table sets forth the computation of basic and diluted net income (loss) per share:

	For the three-month periods ended March 31,	
	2007	2006
	----	----
Net income (loss)	\$1,964	\$(1,613)
	=====	=====
Basic weighted average number of shares	28,000,000	15,500,000
Effect on dilutive shares:		
Options and restricted stock	166,677	-
Warrants issued	84,846	-
	-----	-----
Diluted weighted average number of shares	28,251,523	15,500,000
	=====	=====
Basic net income (loss) per share	\$0.07	\$(0.10)
	=====	=====
Diluted net income (loss) per share	\$0.07	\$(0.10)
	=====	=====

### 3. BUSINESS ACQUISITIONS

#### Acquisition of 100% of Otto Candies

On March 7, 2007, the Company through its subsidiaries in the River Business acquired all of the issued and outstanding shares of Candies Paraguayan Ventures LLC and Compania Paraguaya de Transporte Fluvial S.A. (the "Otto Candies acquisition") for \$13,797 in cash. At time of acquisition, Otto Candies owned 12 river barges and 1 pushboat valued at \$13,679 and had cash of \$25, other current assets of \$442 and outstanding current liabilities of \$349.

This purchase price allocation is preliminary and is subject to refinement.

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The results of the Otto Candies acquisition are included in the unaudited condensed consolidated financial statements since the date of acquisition.

Due to immateriality, the Company has not prepared pro forma information related to this business combination.

#### 4. VESSELS AND EQUIPMENT, NET

The capitalized cost of the vessels and equipment, and the related accumulated depreciation at March 31, 2007 and December 31, 2006 were as follows:

	At March 31, 2007 ----	At December 31, 2006 ----
Ocean-going vessels	\$ 169,748	\$ 152,122
River barges and pushboats	141,001	125,172
PSVs	87,710	87,599
Construction of PSVs in progress	39,790	34,943
Advance for construction of PSVs	8,684	-
Passenger vessels	39,439	38,321
Furniture and equipment	9,252	7,571
Building, land and operating base	9,318	8,782
	-----	-----
Total original book value	504,942	454,510
Accumulated depreciation	(127,265)	(121,319)
	-----	-----
Net book value	\$ 377,677	\$ 333,191
	=====	=====

At March 31, 2007, the net book value of the assets pledged as a guarantee of the debt was approximately \$231,283.

#### - PSVs Construction

On February 21, 2007, UP Offshore (Bahamas) Ltd. signed a shipbuilding contract with a shipyard in India for construction of two PSVs with a combined cost of \$43,300, will be delivered schedule begins in 2009. On March 19, 2007, UP Offshore (Bahamas) Ltd. made a first advance of \$8,660.

UP Offshore (Bahamas) Ltd. has at its own, the option to acquire two additional PSVs.

In June 2003, UP Offshore Apoio Maritimo Ltda. (our wholly owned subsidiary in the Offshore Supply Business) signed shipbuilding contracts for construction of four PSVs with EISA Estaleiro Ilha S/A (EISA), a Brazilian corporation. During November 2005 UP Offshore Apoio Maritimo Ltda. and EISA amended some conditions of the shipbuilding contracts, including the purchase price and the delivery dates.

The four PSVs are to be built by EISA at a combined cost of \$69,750. Two of the four PSVs, were delivered in 2006. The total remaining commitment at March 31, 2007 for the two PSVs cost is approximately \$10,500, which includes the minimum contractual obligation with the shipyard and the remaining necessary expenditure to commission the two PSVs in service.

#### - Delivery of Alejandrina

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On January 5, 2007 the Company took delivery of the Alejandrina and paid the balance of the purchase price of \$15,300.

### 5. LONG-TERM DEBT AND OTHER FINANCIAL DEBT

Balances of long-term debt and other financial debt at March 31, 2007 and December 31, 2006:

	Financial institution/ Other -----	Due-year -----	Nominal value	
			Current -----	Noncurrent -----
Ultrapetrol (Bahamas) Ltd.	Private Investors (Notes)	2014	\$ -	\$ 180,000
UP Offshore (Bahamas) Ltd.	DVB AG	Through 2016	4,633	55,511
UP Offshore Apoio	DVB AG Tranche A	Through 2016	900	11,121
UP Offshore Apoio	DVB AG Tranche B	Through 2009	667	61,306
Stanyan Shipping Inc.	Natixis	Through 2017	908	12,700
At March 31, 2007			\$ 7,108	\$ 259,958
At December 31, 2006			\$ 4,700	\$ 214,299

a) Loan with DVB Bank AG (DVB AG) of up to \$61,306

On December 28, 2006 UP Offshore (Bahamas) Ltd. (our subsidiary in the Offshore Supply Business) as Borrower, Packet Maritime Inc., Padow Shipping Inc. and UP Offshore Apoio Maritimo Ltda. (collectively the owners of our PSVs UP Safira, UP Esmeralda, UP Agua Marinha and UP Topazio) and Ultrapetrol (Bahamas) Limited as Guarantors entered into a \$61,306 loan agreement with DVB AG for the purposes of providing post delivery re-financing of our Panamanian registered PSVs named UP Safira and UP Esmeralda and the Brazilian registered PSV UP Topazio.

The loan bears interest at LIBOR rate plus 1.20% per annum with quarterly principal and interest payments and maturing through December 2016. Beginning in March 2007, the principal payments equal to the regularly scheduled quarterly principal payments ranging from \$1,075 to \$1,325 with a balloon installment of \$16,000 in December 2016. If a PSV is sold or becomes a total loss, the Borrower shall prepay the loan in an amount equal to the stipulated value of such PSV, which is initially stipulated in \$18,750 and shall be reduced in the amount of \$387.5 on each repayment date.

The loan is secured by a first priority mortgage on the UP Safira, UP Esmeralda and UP Topazio and by a second priority mortgage on the UP Agua - Marinha and is jointly and severally irrevocable and unconditionally guaranteed by Packet Maritime Inc., Padow Shipping Inc., UP Offshore Apoio Maritimo Ltd. and Ultrapetrol (Bahamas) Limited. The loan also contains customary covenants that limit, among other things, the Borrower's ability to incur additional indebtedness, grant liens over their assets, sell assets, pay dividends, repay

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indebtedness, merge or consolidate, change lines of business and amend the terms of subordinated debt. The agreement governing the facility also contains customary events of default. If an event of default occurs and is continuing, DVB AG may require the entire amount of the loan be immediately repaid in full. Further, the loan agreement requires until December 2009 that the PSVs pledged as security have an aggregate market value of at least 117.6% of the value of the loan amount and at all times thereafter an aggregate market value of at least 133.3% of the value of the loan.

During the period we drew down the fully amount of the loan. At March 31, 2007 the principal outstanding balance was \$60,147.

b) Loan with Natixis of up to \$13,616

On January 29, 2007 Stanyan Shipping Inc. (our wholly owned subsidiary in the Ocean Business and the owner of the M/V Alejandrina) drew down an amount of \$13,616 under a loan agreement with Natixis to provide post-delivery finance secured on the Alejandrina. The loan shall be repaid by 40 equal consecutive quarterly installments of \$227 each together with a balloon installment of \$4,356 payable with the final installment and maturing through January 2017. The loan accrues interest at 6.38% per annum for the first five years of the loan and LIBOR plus 1.25% per annum there after.

The loan is secured by a mortgage on the M/V Alejandrina and is guaranteed by Ultrapetrol (Bahamas) Limited. The loan also contains customary covenants that limit, among other things, the Borrower's and the Guarantors' ability to incur additional indebtedness, grant liens over their assets, sell assets, pay dividends, repay indebtedness, merge or consolidate, change lines of business and amend the terms of subordinated debt. The agreement governing the facility also contains customary events of default.

During the period we drew down the fully amount of the loan. At March 31, 2007 the principal outstanding balance was \$13,616.

c) Loan with the DVB Bank America (DVB NV) of up \$30,000:

On April 27, 2005 UP Offshore (Panama) S.A. (our subsidiary in the Offshore Supply Business), which was first consolidated in 2006) as Holding Company entered into a \$30,000 loan agreement with DVB NV for the purpose of providing post delivery financing of two PSVs named UP Esmeralda and UP Safira, which were delivered in May and June 2005, and repaying existing financing shareholder loans.

In January 2007, the Company fully prepaid the outstanding principal balance of the loan of \$25,300 with the proceeds of the loan with DVB Bank AG of up to \$61,306 (see Note 5.a).

## 6. COMMITMENTS AND CONTINGENCIES

The Company is subject to legal proceedings, claims and contingencies arising in the ordinary course of business. When such amounts can be estimated and the contingency is probable, management accrues the corresponding liability. While the ultimate outcome of lawsuits or other proceedings against the Company cannot be predicted with certainty, management does not believe the costs of such actions will have a material effect on the Company's consolidated financial position or results of

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operations.

a) Paraguayan Customs Dispute

On September 21, 2005 the local Customs Authority of Ciudad del Este, Paraguay issued a finding that certain UABL entities owe taxes to that authority in the amount of \$2,200, together with a fine for non-payment of the taxes in the same amount, in respect of certain operations of our River Business for the prior three-year period. This matter was referred to the Central Customs Authority of Paraguay. We believe that this finding is erroneous and UABL has formally replied to the Paraguayan Customs Authority contesting all of the allegations upon which the finding was based.

After review of the entire case the Paraguayan Central Tax Authorities who have jurisdiction over the matter have confirmed the Company has no liability in respect of two of the three matters at issue, while they held a dissenting view on the third issue. Through a Resolution which was notified to UABL on October 13, 2006 the Paraguayan Undersecretary for Taxation has confirmed that, in his opinion, the Company is liable for a total of approximately \$539 and has applied a fine of 100% of this amount. On November 24, 2006, the court confirmed that UABL is not liable for the first two issues. The Company has entered a plea with the respective court contending the interpretation on the third issue where the Company claims to be equally non-liable.

We have been advised by UABL's counsel in the case that they believe that there is only a remote possibility that a court would find UABL liable for any of these taxes or fines.

b) Tax claim in Bolivia

On November 3, 2006 and April 25, 2007, the Bolivian Tax Authority (Departamento de Inteligencia Fiscal de la Gerencia Nacional de Fiscalizacion) issued a notice in the Bolivian press advising that UABL International S.A. (a Panamanian subsidiary of the Company in the River Business) would owe taxes to that authority in the amount of approximately \$2,500 (including interest) together with certain fines that have not been determined yet. No claims have been noticed to this company.

We believe that this finding is incorrect and UABL International S.A. will formally reply to the Bolivian Tax Authority contesting the allegations of the finding, when we would be notified by the Bolivian Tax Authority. We have been advised by our local counsel in the case that there is only a remote possibility that UABL International S.A. would finally be found liable for any of these taxes or fines.

## 7. INCOME TAXES

The Company operates through its subsidiaries, which are subject to several tax jurisdictions, as follows:

a) Bahamas

The earnings from shipping operations were derived from sources outside the Bahamas and such earnings were not subject to Bahamian taxes.

b) Panama



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The earnings from shipping operations were derived from sources outside Panama and such earnings were not subject to Panamanian taxes.

c) Paraguay

Two of our Ocean Business subsidiaries, Parfina S.A. and Oceanpar S.A. and five of our River Business subsidiaries, UABL Paraguay, Parabal S.A., Yataity, Riverpar and Compania Paraguaya de Transporte Fluvial S.A. are subject to Paraguayan corporate income taxes.

d) Argentina

Ultrapetrol S.A., one of our Ocean Business subsidiaries and three of our River Business subsidiaries, UABL S.A., Argenpar S.A. and Sernova S.A., are subject to Argentine corporate income taxes.

In Argentina, the tax on minimum presumed income ("TOMPI"), supplements income tax since it applies a minimum tax on the potential income from certain income generating-assets at a 1% tax rate. The Company's tax obligation in any given year will be the higher of these two tax amounts. However, if in any given tax year TOMPI exceeds income tax, such excess may be computed as payment on account of any excess of income tax over TOMPI that may arise in any of the ten following years.

e) Brazil

Our subsidiaries in the Offshore Supply Business, UP Offshore Apoio Maritimo Ltda. and Agenciamientos Afretamentos e Apoio Maritimo Ltda. are subject to Brazilian corporate income taxes.

UP Offshore Apoio Maritimo Ltda., has foreign currency exchange gains recognized for tax purposes only in the period the debt (including intercompany transactions) is extinguished. A deferred tax liability is recognized in the period the foreign currency exchange rate changes equal to the future taxable income at the applicable tax rate.

f) Chile

Our subsidiary in the Ocean Business, Corporacion de Navegacion Mundial S.A. (Cor.Na.Mu.S.A.) is subject to Chilean corporate income taxes.

g) US federal income tax

Under the United States Internal Revenue Code of 1986, as amended, or the Code, 50% of the gross shipping income of our vessel owning or chartering subsidiaries attributable to transportation that begins or ends, but that does not both begin and end, in the U.S. are characterized as U.S. source shipping income. Such income is subject to 4% U.S. federal income tax without allowance for deduction, unless our subsidiaries qualify for exemption from tax under Section 883 of the Code and the Treasury Regulations promulgated thereunder.

For the three-month periods ended March 31, 2007 and 2006 the Company and its subsidiaries did not derive any U.S. source shipping income. Therefore our subsidiaries are not subject to any U.S. federal income taxes, except our ship management services provided by Ravenscroft.

h) United Kingdom

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UP Offshore (UK) Limited is not subject to corporate income tax in United Kingdom, however, the vessel-owning companies' are subject to tonnage taxes.

8. RELATED PARTY TRANSACTIONS

At March 31, 2007 and December 31, 2006, the balances of receivables from related parties, were as follows:

	At March 31, 2007 ----	At December 31, 2006 ----
Current:		
Receivable from related parties		
- Ravenscroft Shipping Inc.	\$ 411	\$ 421
- Maritima Sipsa S.A.	854	278
- Puertos del Sur S.A. and O.T.S.	2,566	2,584
- Other	53	39
	-----	-----
	\$ 3,884	\$3,322
	=====	=====
	At March 31, 2007 ----	At December 31, 2006 ----
Noncurrent:		
Receivable from related parties -		
Puertos del Sur S.A. (1)	\$ 2,280	\$2,280
	=====	=====

- (1) This loan accrues interest at a nominal interest rate of 7% per year, payable semi-annually. The principal will be repaid in 8 equal annual installments, beginning on June 30, 2008.

At March 31, 2007 and December 31, 2006 the balance of payable to related parties, were as follows:

	At March 31, 2007 ----	At December 31, 2006 ----
Payable to related parties		
- Ravenscroft Shipping Inc.	\$ -	\$ -
- Maritima Sipsa S.A.	-	420
	-----	-----
	\$ -	\$ 420
	=====	=====

Revenues from related parties

For the three-month periods ended March 31, 2007 and 2006, the revenues derived from related parties were as follows:

For the three-month periods

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	ended March 31,	
	2007	2006
	-----	-----
Maritima Sipsa S.A. (1)	\$ 1,006	\$ 230
Maritima Sipsa S.A. (2)	63	-
	-----	-----
	\$ 1,069	\$ 230
	=====	=====

(1) Sale and repurchase of vessel Princess Marina

In 2003, the Company entered into certain transactions to sell, and repurchase in 2006, to and from Maritima Sipsa S.A., a 49% owned company, the vessel Princess Marina. The combined effect of the sale at \$15,100, repurchase at \$7,700 and a loan granted to Maritima Sipsa S.A. for \$7,400 resulted in no cash flow on a consolidated basis at the time of execution. The loan is repaid to the Company on a quarterly basis over a three-year period ended June 2006. In June 2006, the Company and Maritima Sipsa S.A. entered into an amended agreement to modify the delivery date of the vessel to February 2007 or at a later date if the charter is further extended, at a purchase price not exceeding \$7,700. In March 2007, the delivered date was postponed to September 2007 and the purchase price was reduced to \$3,645. The transaction was recognized in the Company's statements of operations as a lease, reflecting quarterly payments as charter revenues while the vessel remains presented in the accompanying balance sheets as an asset.

(2) Management fee billed by Ravenscroft

Since the date of acquisition of Ravenscroft we included the management fee billed by Ravenscroft to Maritima Sipsa S.A., a 49% owned company, for the ship management services for the vessel Princess Marina. The stipulated fee is \$21 per month.

Management fee paid

For the three-month periods ended March 31, 2007 and 2006, management fees were expensed with the following related parties:

	For the three-month periods ended March 31,	
	2007	2006
	-----	-----
Oceanmarine	\$ -	\$ 150
Ravenscroft Shipping Inc.	-	361
	-----	-----
Total	\$ -	\$ 511
	=====	=====

We purchased Ravenscroft and hired the administrative personnel and purchased the administration related assets of Oceanmarine in March 2006; accordingly, after those acquisitions, we did not pay fees to these related parties, but directly incurred in-house all costs of ship management and administration.

Voyage expenses paid to related parties

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For the three-month periods ended March 31, 2007 and 2006, the voyage expenses paid to related parties were as follows:

	For the three-month periods ended March 31,	
	2007	2006
Bareboat charter paid (1)	\$ -	\$ 2,640
Brokerage commissions (2)	-	319
Commercial commissions (3)	63	8
	\$ 63	\$ 2,967
	\$ 63	\$ 2,967

(1) Bareboat charter paid to related parties

Since the second quarter of 2005, through our subsidiary, Corporacion de Navegacion Mundial S.A., the Company entered into a bareboat charter with UP Offshore (Panama) S.A., a wholly owned subsidiary of UP Offshore, for the rental of the two PSVs named UP Safira and UP Esmeralda for a daily lease amount for each one. Since March 21, 2006, the date of UP Offshore additional acquisition, our unaudited condensed consolidated financial statements included the operations of UP Offshore (Panama) S.A., a wholly owned subsidiary of UP Offshore, on a consolidated basis. Therefore, these transactions have been eliminated in the unaudited condensed consolidated financial statements since that date. Prior to the additional acquisition, the equity method was used.

(2) Brokerage commissions

Ravenscroft from time to time acted as a broker in arranging charters for the Company's oceangoing vessels for which Ravenscroft charged brokerage commissions of 1.25% on the freight, hire and demurrage of each such charter.

Since March 20, 2006, the date of Ravenscroft acquisition, our unaudited condensed consolidated financial statements included the operations of Ravenscroft, on a consolidated basis. Therefore, these transactions have been eliminated in the unaudited condensed consolidated financial statements since that date.

(3) Commercial agreement with Comintra

On June 25, 2003, UP Offshore (Bahamas) Ltd. signed a commercial agreement with Comintra.

Under this agreement Comintra agrees to assist UP Offshore (Bahamas) Ltd. regarding the commercial activities of UP Offshore (Bahamas) Ltd.'s fleet of six PSVs with the Brazilian offshore oil industry. Comintra's responsibilities, among others, include marketing the PSVs in the Brazilian market and negotiating the time charters or other revenues contracts with prospective charterers of the PSVs.

The parties agreed that Comintra's professional fees under this agreement shall be 2% of the gross time charters revenues from Brazilian charters collected by UP Offshore (Bahamas) Ltd. on a monthly basis.

During 2005 UP Offshore (Bahamas) Ltd. paid in advance to Comintra fees under this agreement in the amount of \$1,500. At March 31, 2007 the

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balance amounted to \$1,304.

Operations in OTS S.A.'s terminal

UABL Paraguay, a subsidiary of the Company, operates the terminal that pertains to Obras Terminales y Servicios S.A. (OTS S.A.), a related party.

For the three-month periods ended March 31, 2007 and 2006, UABL Paraguay paid to OTS S.A. \$145 and \$106, respectively, for this operation.

### 9. SHARE CAPITAL

Common shares and shareholders

On September 21, 2006, Inversiones Los Avellanos S.A., Hazels (Bahamas) Investments Inc. and Solimar Holdings Ltd. (collectively the "Original Shareholders") signed a second amended and restated shareholders agreement. Also, the shares held directly by our Original Shareholders expressly entitle to seven votes per share and all other holders of our common stock entitle to one vote per share. The special voting rights of the Original Shareholders are not transferable.

At March 31, 2007 the issued and outstanding shares are 28,346,952 par value \$.01 per share.

At March 31, 2007 our shareholders Solimar Holdings Ltd., Inversiones Los Avellanos S.A. and Hazels (Bahamas) Investments Inc. (a wholly owned subsidiary of Inversiones Los Avellanos S.A.) hold 9,672,664, 4,982,465 and 702,159 shares which represent 34.12%, 17.26% and 2.48%, respectively. The voting power for these shares which represent 89.10% of the total voting power is combined pursuant to an agreement between the Original Shareholders who have agreed to vote their respective shares together in all matters where a vote of UPB's shareholders is required.

### 10. BUSINESS AND GEOGRAPHIC SEGMENT INFORMATION

The Company organizes its business and evaluates performance by its operating segments, Ocean, River, Offshore Supply and Passenger Business. The accounting policies of the reportable segments are the same as those for the unaudited condensed consolidated financial statements. The Company does not have significant intersegment transactions. These segments and their respective operations are as follows:

**Ocean Business:** In our Ocean Business, we own and operate eight oceangoing vessels and semi-integrated oceangoing tug barge units under the trade name Ultrapetrol. Our Suezmax and Aframax vessels transport dry and liquid bulk goods on major trade routes around the globe. Major products carried include liquid cargo such as petroleum and petroleum derivatives, as well as dry cargo such as iron ore, coal and other bulk cargoes.

**River Business:** In our River Business, we own and operate several dry and tanker barges, and push boats. In addition, we use one barge from our ocean fleet, the Alianza G2, as a transfer station. The dry barges transport basically agricultural and forestry products, iron ore and other cargoes, while the tanker barges carry petroleum products, vegetable oils and other liquids. We operate our pushboats and barges on the navigable waters of Parana, Paraguay and Uruguay Rivers and part of the River Plate in South America, also known as the Hidrovia region.

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Offshore Supply Business: We operate our Offshore Supply Business, using PSVs of UP Offshore (Bahamas), two are employed in the spot market in the North Sea and two in the Brazilian market. PSVs are designed to transport supplies such as containerized equipment, drill casing, pipes and heavy loads on deck, along with fuel, water, drilling fluids and bulk cement in under deck tanks and a variety of other supplies to drilling rigs and platforms.

Passenger Business: We own two vessels purchased in 2005. Operations were concentrated in the Mediterranean and Black Sea.

Ultrapetrol's vessels operate on a worldwide basis and are not restricted to specific locations. Accordingly, it is not possible to allocate the assets of these operations to specific countries. In addition, the Company does not manage its operating profit on a geographic basis.

		For the three-month periods ended March 31,	
		2007	2006
		-----	-----
Revenues (1)			
-	South America	\$ 24,970	\$ 15,841
-	Europe	16,845	14,222
-	Asia	3,219	49
-	Other	392	169
		-----	-----
		\$ 45,426	\$ 30,281
		=====	=====

(1) Classified by country of domicile of charterers.

Revenue by segment consists only of services provided to external customers, as reported in the unaudited condensed consolidated statement of operations. Resources are allocated based on segment profit or loss from operation, before interest and taxes. Identifiable assets represent those assets used in the operations of each segment.

The following schedule presents segment information about the Company's operations for the three-month period ended March 31, 2007:

	Ocean Business	River Business	Passenger Business	Offshore Supply Business
	-----	-----	-----	-----
Revenues	\$ 12,753	\$ 21,528	\$ 2,750	\$ 8,395
Running and voyage expenses	4,184	14,181	3,388	2,821
Depreciation and amortization	3,738	2,285	1,127	904
Segment operating profit (loss)	3,258	3,480	(1,979)	3,609
Segment assets	154,440	146,076	40,164	143,280
Investments in affiliates	514	1,940	-	-
Income from investment in affiliates	165	4	-	-
Additions to long-lived assets	\$ 18,093	\$(1) 3,941	\$ 1,118	\$ 13,027

(1) Not includes the 12 river barges and 1 pushboat acquired in the Otto

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Candies acquisition valued at \$13,679.

The following schedule presents segment information about the Company's operations for the three-month period ended March 31, 2006:

	Ocean Business -----	River Business -----	Passenger Business -----	Offshore Supply Business -----
Revenues	\$ 9,426	\$ 15,590	\$ 1,824	\$ 3,441
Running and voyage expenses	3,494	11,427	1,637	3,400
Depreciation and amortization	3,489	1,929	62	-
Segment operating profit (loss)	1,137	1,436	(48)	41
Income (loss) from investment in affiliates	242	(43)	-	329
Additions to long-lived assets	\$ -	\$ 1,703	\$ 6,382	\$ -

### 11. SUPPLEMENTAL GUARANTOR INFORMATION

On November 24, 2004, the Company issued \$180,000 9% First Preferred Ship Mortgage Notes due 2014.

The 2014 Senior Notes are fully and unconditionally guaranteed on a joint and several senior basis by the majority of the Company's subsidiaries directly involved in our Ocean and Passenger Business.

The Indenture provides that the 2014 Senior Notes and each of the guarantees granted by Subsidiaries, other than the Mortgage, are governed by, and construed in accordance with, the laws of the state of New York. Each of the mortgaged vessels is registered under either the Panamanian flag, or another jurisdiction with similar procedures. All of the Subsidiary Guarantors are outside of the United States.

Supplemental condensed combining financial information for the Guarantor Subsidiaries for the 2014 Senior Notes is presented below. This information is prepared in accordance with the Company's accounting policies. This supplemental financial disclosure should be read in conjunction with the consolidated financial statements.

### SUPPLEMENTAL CONDENSED COMBINING BALANCE SHEET

AT MARCH 31, 2007 (UNAUDITED)

(stated in thousands of U.S. dollars)

	Parent -----	Combined subsidiary guarantors -----	Combined subsidiary non guarantors -----
Current assets			
Receivables from related parties	\$ 194,407	\$ 30,742	\$ 19,255
Other current assets	20,777	11,225	30,519

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Total current assets	215,184	41,967	49,774
Noncurrent assets			
Vessels and equipment, net	-	130,548	248,350
Investment in affiliates	148,305	-	2,454
Other noncurrent assets	5,982	12,028	19,414
Total noncurrent assets	154,287	142,576	270,218
Total assets	\$ 369,471	\$ 184,543	\$319,992
Current liabilities			
Payables to related parties	\$ 1,097	\$ 150,292	\$ 89,131
Other financial debt	-	-	7,108
Other current liabilities	6,318	3,755	13,669
Total current liabilities	7,415	154,047	109,908
Noncurrent liabilities			
Long-term debt	180,000	-	-
Financial debt, net of current portion	-	-	79,958
Other payables	-	351	7,515
Total noncurrent liabilities	180,000	351	87,473
Total liabilities	187,415	154,398	197,381
Minority interests	-	-	-
Shareholders' equity	182,056	30,145	122,611
Total liabilities, minority interests and shareholders' equity	\$ 369,471	\$ 184,543	\$319,992

SUPPLEMENTAL CONDENSED COMBINING BALANCE SHEET

AT DECEMBER 31, 2006

(stated in thousands of U.S. dollars)

	Parent	Combined subsidiary guarantors	Combined subsidiary non guarantors
	-----	-----	-----
Current assets			
Receivables from related parties	\$ 198,033	\$ 26,615	\$ 13,158
Other current assets	16,191	13,351	21,906
Total current assets	214,224	39,966	35,064



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Noncurrent assets			
Vessels and equipment, net	-	130,666	205,990
Investment in affiliates	142,759	-	2,285
Other noncurrent assets	6,233	10,732	19,168
Total noncurrent assets	148,992	141,398	227,443
Total assets	\$ 363,216	\$ 181,364	\$ 262,507
Current liabilities			
Payables to related parties	\$ 1,097	\$ 144,779	\$ 89,028
Other financial debt	-	-	4,700
Other current liabilities	2,690	4,289	10,672
Total current liabilities	3,787	149,068	104,400
Noncurrent liabilities			
Long-term debt	180,000	-	-
Other financial debt, net of current portion	-	-	34,294
Other noncurrent liabilities	-	346	6,448
Total noncurrent liabilities	180,000	346	40,742
Total liabilities	183,787	149,414	145,142
Minority interests	-	-	-
Shareholders' equity	179,429	31,950	117,365
Total liabilities, minority interests and shareholders' equity	\$ 363,216	\$ 181,364	\$ 262,507

SUPPLEMENTAL CONDENSED COMBINING STATEMENTS OF INCOME  
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2007 (UNAUDITED)

(stated in thousands of U.S. dollars)

	Parent	Combined subsidiary guarantors	Combined subsidiary non guarantors
	-----	-----	-----
Revenues	\$ -	\$ 17,454	\$ 30,205
Operating expenses	(1,553)	14,493)	(23,230)

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Operating profit (loss)	(1,553)	2,961	6,975
Investment in affiliates	3,149	-	169
Other income (expenses)	368	(4,638)	(766)
	-----	-----	-----
Income (loss) before income tax and minority interest	1,964	(1,677)	6,378
Income taxes	-	(128)	(1,270)
Minority interest	-	-	-
	-----	-----	-----
Net income (loss)	\$ 1,964	\$ (1,805)	\$ 5,108
	=====	=====	=====

SUPPLEMENTAL CONDENSED COMBINING STATEMENTS OF INCOME  
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2006 (UNAUDITED)

(stated in thousands of U.S. dollars)

	Parent	Combined subsidiary guarantors	Combined subsidiary non guarantors
	-----	-----	-----
Revenues	\$ -	\$ 16,373	\$ 15,615
Operating expenses	(54)	(14,412)	(14,942)
	-----	-----	-----
Operating profit (loss)	(54)	1,961	673
Investment in affiliates	(1,571)	-	528
Other income (expenses)	12	(3,759)	(824)
	-----	-----	-----
Income (loss) before income tax and minority interest	(1,613)	(1,798)	377
Income taxes	-	(12)	(38)
Minority interest	-	-	-
	-----	-----	-----
Net income (loss)	\$ (1,613)	\$ (1,810)	\$ 339
	=====	=====	=====

SUPPLEMENTAL CONDENSED COMBINING STATEMENTS OF CASH FLOW  
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2007 (UNAUDITED)

(stated in thousands of U.S. dollars)

	Parent	Combined subsidiary guarantors	Combined subsidiary non guarantors
--	--------	--------------------------------	------------------------------------

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	-----	-----	-----
Net income (loss)	\$ 1,964	\$ (1,805)	\$ 5,108
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities	(1,073)	1,961	9,649
Net cash provided by operating activities	891	156	14,757
	-----	-----	-----
Intercompany sources	3,626	-	-
Non-subsidiary sources	-	(3,310)	(46,659)
Net cash provided by (used in) investing activities	3,626	(3,310)	(46,659)
	-----	-----	-----
Intercompany sources	-	5,451	(9,077)
Non-subsidiary sources	(86)	-	47,726
Net cash provided by (used in) financing activities	(86)	5,451	38,649
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	\$ 4,431	\$ 2,297	\$ 6,747
	=====	=====	=====

SUPPLEMENTAL CONDENSED COMBINING STATEMENTS OF CASH FLOW  
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2006 (UNAUDITED)

(stated in thousands of U.S. dollars)

	Parent	Combined subsidiary guarantors	Combined subsidiary non guarantors
	-----	-----	-----
Net income (loss)	\$ (1,613)	\$ (1,810)	\$ 339
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities	2,712	2,404	596
Net cash (used in) provided by operating activities	1,099	594	935
	-----	-----	-----
Intercompany sources	(7,160)	-	-
Non-subsidiary sources	11,391	(8,042)	303
Net cash provided by (used in) investing activities	4,231	(8,042)	303
	-----	-----	-----

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Intercompany sources	-	5,160	2,000
Non-subsidiary sources	2	(247)	(682)
	-----	-----	-----
Net cash provided by (used in) financing activities	2	4,913	1,318
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	\$ 5,332	\$ (2,535)	\$ 2,556
	=====	=====	=====

12. SUBSEQUENT EVENTS

- Follow-on offering of 12,650,000 shares

On April 19, 2006 the Company closed on the sale of 5,096,078 new shares of our common stock at \$19.00 per share through a public offering. The proceeds of \$96,825 were used:

- o to replace cash on hand of \$13,800 used to fund the Otto Candies Acquisition, and \$8,660 used to fund the first advance of the construction costs of the two PSVs being built in India.
- o to cancel underwriters fees and additional fees and incremental expenses amounted to \$5,388, with the remaining \$68,977 set aside \$34,640 for funding the balance of the construction costs of the two PSVs being built in India, \$12,000 to fund the expansion of the capacity of our shipyard in the Hidrovia Region for construction of new barges and \$22,337 for general corporate purpose.

On the same date, the Original Shareholders sold 7,553,922 (include 1,650,000 shares for the exercise of the over-allotment option from the underwriters) shares of our common stock at \$19.00 per share. The Company did not receive any proceeds from the sale of any shares sold by the Original Shareholders.

After this transaction our shareholders Solimar Holdings Ltd., Inversiones Los Avellanos S.A. and Hazels (Bahamas) Investments Inc. (a wholly owned subsidiary of Inversiones Los Avellanos S.A.) hold 3,124,073, 4,735,518 and 159 shares which represent 9.30%, 14.10% and 0.0005%, respectively. The jointly voting power for these shares represent approximately 68% of the total voting power.

- Delivery of UP Diamante

On May 15, 2007 we took delivery of the PSV UP Diamante in Brazil.

- Forward Freight Agreement

On May 9, 2007 we entered into a Forward Freight Agreement ("FFA") whereby a subsidiary of ours sold via BNP Paribas Commodity Futures Limited ("BNP Paribas") to LCH.Clearnet ("LCH") the average of the 4 Capesize Time Charter Routes (C4TC) for a total of 180 days (15 days per month from January 2008 up to December 2008 both inclusive) at a price of \$80,000 (eighty thousand U.S. Dollars) per day.

On May 10, 2007 we entered into a second FFA whereby a subsidiary of

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ours sold via BNP Paribas to LCH the average of the 4 Capesize Time Charter Routes (C4TC) for a total of 180 days (15 days per month from January 2008 up to December 2008 both inclusive) at a price of \$79,500 (seventynine thousand and five hundred U.S. Dollars) per day.

On May 15, 2007, we entered into a third FFA whereby a subsidiary of ours sold via BNP Paribas to LCH the average of the 4 Capesize Time Charter Routes (C4TC) for a total of 366 days (every calendar month from January 2008 up to December 2008 both inclusive) at a price of \$77,250 (seventyseven thousand and two hundred and fifty U.S. Dollars) per day.

In connection with these transactions, we transferred \$2,000 to cover a large part of the initial margin required for this transaction. As of close of business May 14, 2007, we had utilized approximately \$230 under a credit facility of \$1,500 we have with BNP Paribas to cover margin requirements in connection with these and other FFA transactions we might enter into in the future. We pay interest of LIBOR plus 0.75% p.a. on the amounts withdrawn under the BNP Paribas facility.

### 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.

ULTRAPETROL (BAHAMAS) LIMITED  
(registrant)

Dated: May 15, 2007

By: /s/ Felipe Menendez R.  
-----

Felipe Menendez R.  
President & Chief Executive Officer

SK 02351 0010 774289