

ULTRAPETROL BAHAMAS LTD
Form 6-K
May 13, 2010

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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

For the month of May 2010
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.

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, 2010, containing certain unaudited financial information and a Management's Discussion and Analysis of Financial Condition and Results of Operations.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

Our disclosure and analysis in this report concerning our operations, cash flows and financial position, including, in particular, the likelihood of our success in developing and expanding our business, include forward-looking statements. Statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects," "anticipates," "intends," "plans," "believes," "estimates," "projects," "forecasts," "will," "may," "should," and similar expressions are forward-looking statements. Although these statements are based upon assumptions we believe to be reasonable based upon available information, including projections of revenues, operating margins, earnings, cash flow, working capital, and capital expenditures, they are subject to risks and uncertainties. These forward-looking statements represent our estimates and assumptions only as of the date of this report and are not intended to give any assurance as to future results. As a result, you should not place undue reliance on any forward-looking statements. We assume no obligation to update any forward-looking statements to reflect actual results, changes in assumptions or changes in other factors, except as required by applicable securities laws. Factors that might cause future results to differ include, but are not limited to, the following:

- future operating or financial results;
- pending or recent acquisitions, business strategy and expected capital spending or operating expenses, including drydocking and insurance costs;
- general market conditions and trends, including charter rates, vessel values, and factors affecting vessel supply and demand;
- our ability to obtain additional financing;
- our financial condition and liquidity, including our ability to obtain financing in the future to fund capital expenditures, acquisitions and other general corporate activities;
- our expectations about the availability of vessels to purchase, the time that it may take to construct new vessels, or vessels' useful lives;
- our dependence upon the abilities and efforts of our management team;
- changes in governmental rules and regulations or actions taken by regulatory authorities;
- adverse weather conditions that can affect production of some of the goods we transport and navigability of the river system on which we transport them;
- the highly competitive nature of the ocean-going transportation industry;
- the loss of one or more key customers;
- fluctuations in foreign exchange rates against the U.S. dollar; and
- potential liability from future litigation.

ULTRAPETROL (BAHAMAS) LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009 (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, 2010 and 2009 included elsewhere in this report.

Our Company

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

Our River Business, with 591 barges and 30 pushboats, is the largest owner and operator of river barges and pushboats that transport dry bulk and liquid cargoes through the Hidrovia Region of South America, a large area with growing agricultural, forest and mineral related exports. This region is crossed by navigable rivers that flow through Argentina, Brazil, Bolivia, Paraguay and Uruguay to ports serviced by ocean export vessels. These countries are estimated to account for approximately 51% of world soybean production in 2010, as compared to 30% in 1995.

Our Offshore Supply Business owns and operates vessels that provide critical logistical and transportation services for offshore petroleum exploration and production companies, in the North Sea and the coastal waters of Brazil. Our Offshore Supply Business fleet consists of six Platform Supply Vessels, or PSVs, currently in operation and six under construction, four of which were contracted with a shipyard in India while the remaining two were contracted with a shipyard in China. Deliveries for our vessels being built in India are expected to commence in the fourth quarter of 2010 and those being built in China are expected to commence in the third quarter of 2010.

Our Ocean Business operates nine ocean-going vessels, including five Product Tankers that we use in the South American coastal trade where we have preferential rights and customer relationships, one Capesize vessel, one container vessel, one 43,000 dwt petroleum product tank barge, and one oceangoing pushboat. Our Ocean Business fleet has an aggregate carrying capacity of approximately 280,000 deadweight tons.

We are focused on growing our businesses with an efficient and versatile fleet that will allow us to provide an array of transportation services to customers in several different industries. Our business strategy is to leverage our expertise and strong customer relationships to grow the volume, efficiency, and market share in a targeted manner.

Developments in three months ended March 31, 2010

On January 22, 2010, we entered into a Memorandum of Agreement ("MOA") whereby we agreed to sell our remaining passenger vessel, Blue Monarch, for \$2.0 million. The vessel was subsequently delivered on February 5, 2010.

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On January 28, 2010, we delivered to buyers our Capesize vessel, Princess Nadia, in accordance with an MOA entered into on December 18, 2009.

On February 17, 2010, we entered into an MOA whereby we agreed to sell our Capesize vessel, Princess Marisol for \$12.8 million on April 22, 2010.

On February 24, 2010, we entered into a cleared FFA contract whereby a subsidiary of ours contracted via BNP Paribas Commodity Futures Ltd. ("BNP") with London Clearing House ("LCH") to charge LCH the average time charter rate for the 4 Capesize Time Charter Routes ("C4TC") for a total of 10 days per month between July and December 2010 (both inclusive) in exchange for a fixed rate of \$29,500 (twenty nine thousand five hundred U.S. dollars) per day.

On February 26, 2010, we entered into an MOA whereby we agreed to acquire the 2003-built 1,118 TEUS container vessel, MV Frisian Commander (renamed MV Asturiano), for a total purchase price of \$12.4 million.

On March 4, 2010, we entered into six FFA contracts whereby a subsidiary of ours contracted via BNP with LCH to charge LCH the average time charter rate for the C4TC for a total of 23 days in March 2010 in exchange for a fixed weighted average time charter rate of \$36,739 (thirty six thousand seven hundred and thirty nine U.S. dollars) per day, seven days per month between April and June 2010 (both inclusive) in exchange for a fixed rate of \$39,000 (thirty nine thousand U.S. dollars) per day and 7 days per month between July and December 2010 (both inclusive) in exchange for a fixed rate of \$33,250 (thirty three thousand two hundred and fifty U.S. dollars) per day.

On March 31, 2010, we entered into two FFA contracts whereby a subsidiary of ours contracted via BNP with LCH to charge LCH the average time charter rate for the C4TC for a total of 15 days on May 2010 in exchange for a fixed rate of \$37,250 (thirty seven thousand two hundred and fifty U.S. dollars) per day and 15 days on April 2010 in exchange for a fixed rate of \$36,250 (thirty six thousand two hundred and fifty U.S. dollars) per day.

Recent Developments

On April 16, 2010, we took delivery of the 2003-built container vessel, the Frisian Commander, in accordance with the MOA entered into on February 26, 2010.

On April 23, 2010, we delivered to buyers our Capesize vessel, Princess Marisol, in accordance with an MOA entered into on February 17, 2010.

On May 7, 2010, through UABL Limited, our holding subsidiary in the River Business, we entered into an interest rate collar transaction with IFC through which we expect to hedge our exposure to interest volatility under our financings with IFC and OFID from June 2010 to June 2016. The initial notional amount is \$75.0 million (subsequently adjusted in accordance with the amortization schedule under these financings), with UABL Limited being the USD Floor Rate seller at a floor strike rate of 1.69%, and IFC being the USD Cap Rate seller at a cap strike rate of 5.00%.

On May 12, 2010, we entered into a cleared FFA contract whereby a subsidiary of ours contracted via BNP with LCH to charge LCH the average time charter rate for the C4TC for a total of 3 days on May 2010 in exchange for a fixed rate of \$45,250 (forty five thousand two hundred and fifty U.S. dollars) per day, and into two cleared FFA contracts whereby a subsidiary of ours contracted via BNP with LCH to charge LCH the average time charter rate for the C4TC for a total of 10 days on June 2010 in exchange for an fixed weighted average rate of \$42,938 (forty two thousand nine hundred and thirty eight U.S. dollars) per day.

Factors Affecting Our Results of Operations

We organize our business and evaluate performance by the following business segments: the River Business, the Offshore Supply Business and the Ocean 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 inter-segment transactions.

Revenues

In our River Business, we contract for the carriage of cargoes, in the majority of 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 substantially all of our capacity under time charters to charterers in the North Sea and Brazil.

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

Time Charter

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

Contract of Affreightment (COA)

- We derive revenue from a rate based on tonnage shipped expressed in dollars per metric ton of cargo, and
- 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 a time charter and a COA result in approximately the same operating income, although the operating margin as a percentage of revenues may differ significantly.

Time charter revenues accounted for 51% of the total revenues from our businesses for the first three months of 2010, and COA revenues accounted for 49%. With respect to COA revenues, 80% were in respect of repetitive voyages for our regular customers and 20% were in respect of single voyages for occasional customers.

In our River Business, demand for our services is driven by agricultural, mining and petroleum related 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 operations in our River Business occur on the Parana and Paraguay Rivers, and any changes adversely affecting navigability of 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, 2010. During the three months ended March 31, 2010, the average time charter rate of the Baltic Capesize Index (BCI) was \$34,120 (thirty four thousand one hundred and twenty U.S. dollars) per day, an increase of almost 48% from an average of \$23,070 (twenty three thousand and seventy U.S. dollars) per day in the three months ended March 31, 2009.

On our Offshore Supply Business, we currently have all six of our PSVs operating under long-term contracts with Petrobras in Brazil.

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, 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 include general and administrative expenses related to ship management and administrative functions.

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

In our Offshore Supply Business, voyage expenses include brokerage commissions paid by us to third parties which provide brokerage services, and bunker costs incurred when our vessels are repositioned between the North Sea and Brazil, to and from repairs or other instances where bunker fuel costs are fully covered by us.

Through our River Business, we own a floating drydock and a repair facility for our river fleet at Pueblo Esther, Argentina, a new shipyard for building barges and other vessels in Punta Alvear, 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. In addition, through Ravenscroft, we own a building located at 3251 Ponce de Leon Boulevard, Coral Gables, Florida, United States. We also hold a sublease to an office in Buenos Aires, Argentina, and rent an office in Aberdeen, Scotland.

Foreign Currency Transactions

During the first three months of 2010, 99% of our revenues were denominated in U.S. dollars. Also, for the three months ended March 31, 2010, 1% of our revenues were denominated and collected in Brazilian reais. However, 44% of our total revenues were denominated in U.S. dollars but collected in Argentine pesos, Brazilian reais and Paraguayan guaranies. During the three months ended March 31, 2010, the majority of our expenses were denominated in U.S. dollars while 22% 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, Rates of Exchange Variation and Fuel Price Increases

Inflationary pressures in the South American countries in which we operate may not be compensated by equivalent adjustments in the rate of exchange between the U.S. dollar and the local currencies. Additionally, revaluations of the

local currencies against the U.S. dollar, even in the absence of inflation, have an incremental effect on the portion of our operating expenses incurred in those local currencies measured in U.S. dollars. Please see Foreign Currency Transactions.

We have negotiated fuel price adjustment clauses in most of our contracts in the River Business. We may experience however temporary misalignments between the adjustment of fuel in our freight contracts and our fuel purchase agreements (positive or negative) because one may adjust prices on a monthly basis while the other adjusts prices weekly or because our consumption patterns may differ from those used to adjust our freights.

In the Offshore Supply Business, the risk of variation of fuel prices under the vessels' current employment is generally borne by the charterers, since the charterers are generally responsible for the supply and cost of fuel.

In our Ocean Business, inflationary pressures on bunker (fuel oil) costs are not expected to have a material effect on the results of those vessels which are time chartered to third parties since it is the charterers' responsibility to pay for fuel. When our ocean vessels are employed under COAs, however, freight rates for voyage charters are fixed on a per ton basis including bunker fuel for our account which is calculated for the voyage at an assumed cost. A rise or fall in bunker prices may have a temporary negative or positive effect on results as the case may be as the actual cost of fuel purchased for the performance of a particular voyage or COA may be higher or lower than the price considered when calculating the freight for that particular voyage. Generally, in the long term, freight rates in the market should be sensitive to variation in the price of fuel. However, a sharp rise in bunker prices may have a temporary negative effect on results since freights generally adjust only after prices have settled at a higher level. The operation of our containership, MV Asturiano, involves some degree of fuel price fluctuation risk since we have to pay for the cost of bunkers and our tariffs can be inflexible.

Forward Freight Agreements (FFAs)

We enter into Forward Freight Agreements (FFAs) for trading purposes or to utilize them as hedges to reduce our exposure to changes in the rates earned by some of our vessels in the normal course of our Ocean Business. When using FFAs as hedges, we aim at managing the financial risk associated with fluctuating market conditions. FFAs generally cover periods ranging from one month to one year and involve contracts to provide a fixed number of theoretical days of voyages at fixed rates. FFAs have been executed through LCH, a London clearing house, with whom we started to trade during May 2007 (but may also be agreed through other clearing houses) and "Over the Counter" (OTC) in which case each party is generally accepting the signature of the other party as sufficient guarantee of its obligations under the contract.

We primarily aim to hedge the market exposure of our Capesize Fleet through our FFA activity. Given these vessels' age, size, fuel consumption and other characteristics, they differ from the "theoretical" vessel used as reference to the index against which the FFAs settle. This means that when entering into FFAs, we must take this difference into consideration when determining the equivalence between the contract quantity and our exposure to the market.

OTC FFAs are not cleared through a clearing house; they have no margin account requirements and bear a higher counterparty risk than cleared FFAs. If the counterparty to an OTC FFA fails to meet its obligation under the FFA, we could suffer losses on the contract which could adversely affect our financial condition and results of operations. As of March 31, 2010, Bunge S.A. was our only counterpart through OTC FFAs.

Although LCH or other clearing houses require the posting of collateral, the use of a clearing house reduces the Company's exposure to counterparty credit risk. We are exposed to market risk in relation to our positions in FFAs and could suffer substantial losses from these activities in the event our expectations prove to be incorrect. We enter into FFAs with an objective of either hedging risk or for trading purposes to take advantage of short term fluctuations in freight rates. As of March 31, 2010, we were committed to FFAs with a fair value of \$13.6 million recorded as an asset and \$0.5 million recorded as a liability. All of the FFAs recorded as an asset were held through OTC FFA contracts. These contracts settle between April 2010 and December 2010.

The fair value of FFAs is the estimated amount that we would receive or pay in order to terminate these FFA contracts as of March 31, 2010.

As a result of the sale of Princess Marisol, FFA positions representing 192 days maturing between May and December 2010 with notional amounts totaling \$15.9 million were no longer probable of occurring and thus no longer qualified as effective cash flow hedges. A non-cash gain related to these positions amounting to \$9.5 million, which was reported in other comprehensive income, was reclassified into "gains on derivatives, net" for the three-month period ended March 31, 2010. At March 31, 2010, the Company executed derivative instruments representing FFA positions for 131 days maturing between May and December 2010, to offset the FFA positions which previously aimed at hedging the market exposure of the Princess Marisol. By offsetting these positions, we realized a non-cash gain of \$7.0 million which is included in the \$9.5 million non-cash gain reclassified into gains on derivatives, net. The remaining \$2.5 million unrealized non-cash gain corresponds to the mark-to-market of FFA positions that will settle in the balance of 2010. Our remaining Capesize vessel, Princess Katherine, is fully covered by FFAs for the remainder of 2010.

During the three-month period ended March 31, 2010 and 2009, the Company received net cash settlements for its FFA positions of \$3.4 million and \$12.2 million, respectively.

As of May 11, 2010, the asset related to the fair market value of the FFA positions was \$11.0 million. However, this amount is likely to vary significantly as a result of changes in market conditions.

Although the counterparties to our FFAs have met their obligations as they fell due under their respective FFAs to date and we have received no indication that any of them will not continue to do so, there can be no guarantee that they will continue to meet their obligations in the future.

Seasonality

Each of our businesses has seasonal aspects, which affect their 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 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.

Legal Proceedings

UABL – Ciudad del Este Customs Authority

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, or the Paraguay Customs Authority. We believed that this finding was erroneous and UABL has formally replied to the Paraguay 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 Central Tax Authorities, asserting their jurisdiction over the matter, confirmed that the UABL entities did pay 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). 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 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 entered a plea with the respective court contending the interpretation on the third issue where it claims to be equally not liable. On October 19, 2007, we presented a report by an expert which is highly favourable for our position. On March 26, 2009, the Tax and Administrative Court decided that UABL was not liable for the third issue under discussion (the tax base used by UABL's entities to calculate the applicable withholding tax). On April 2, 2009, the Paraguayan Tax Authorities appealed the Tax and Administrative Courts decision. The Paraguayan Supreme Court has already reviewed the case and its judgment is expected during the course of 2010. In parallel with this ruling the Office of the Treasury Attorney has initiated an action to review certain aspects of the case on the grounds that the Paraguay Customs Department did not represent the interests of Paraguay. We have been advised by UABL's counsel in the case that there is only a remote possibility that a judicial court would find UABL liable for any of these taxes or fines.

UABL International S.A. – Bolivian Tax Authority

On November 3, 2006 and April 25, 2007, the Bolivian Tax Authority ("Departamento de Inteligencia Fiscal de la Gerencia Nacional de Fiscalización") 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. On June 18, 2007, our legal counsel in Bolivia submitted points of defense to the Bolivian tax authorities. On August 27, 2007 the Bolivian tax authorities

gave notice of a resolution determining the taxes (value added tax, transaction tax and income tax) that UABL International S.A. would owe to them in the amount of approximately \$5.8 million (including interest and fines). On October 10, 2007, our legal counsel in Bolivia gave notice to the Bolivian tax authorities of the lawsuit commenced by UABL International S.A. to refute the resolution above mentioned. On August 1, 2008, UABL International S.A. was served with a notice informing that the Bolivian Tax Authorities had replied to the lawsuit started by us. On August 22, 2008 a hearing and judicial inspection took place at Puerto Quijano, Bolivia. On August 30, 2008 both parties submitted their arguments to the judge, completing this part of the case. On August 12, 2009, UABL International S.A. was served with a judgment of a Bolivian court ruling on certain taxes allegedly due by UABL International S.A. On August 22, 2009, UABL International S.A. submitted an appeal to the lower court judgment to which Bolivian tax authorities have contested. The parties now await the decision by the court of appeal. On the other hand, on June 26, 2008, the same Bolivian court ordered a preemptive embargo against all barges owned by UABL International S.A. that may be registered in the International Bolivian Registry of Ships, or RIBB. According to Company's local counsel this preemptive embargo under Bolivian law has no effect over the Company's right to use its assets nor does it have any implication over the final decision of the court, the substance of the matter and in this case it is ineffective since UABL International S.A. does not have any assets owned by it registered in the RIBB. Moreover, UABL International S.A. had challenged the judge's decision to place the embargo, which has been under revision by a higher Court since the lower court reconfirmed the embargo on November 15, 2008. We have been advised by our local counsel that there is only a remote possibility that UABL International S.A. would finally be found liable for any of these taxes or fines and / or that these proceedings will have financial material adverse impact on the financial position or results of the Company.

UABL Paraguay S.A. – Paraguayan Customs Asuncion

On April 7, 2009 the Paraguayan Customs in Asuncion commenced administrative proceedings against UABL Paraguay S.A. alleging infringement of Customs regulations due to lack of submission of import clearance documents in Paraguay for bunkers purchased between January 9, 2007, and December 23, 2008, from YPF-Repsol S.A. in Argentina. Since those bunkers were purchased for consumption onboard pushboats, UABL Paraguay S.A. submitted a defense on April 23, 2009, requesting the closing of those proceedings based on the non-infringement of Customs regulations, however the proceedings were not closed. On August 21, 2009, as part of the evidence to be rendered in the Customs proceedings UABL Paraguay S.A. submitted a technical report of the Paraguayan Coast Guard stating that all parcels of bunkers purchased by UABL Paraguay S.A. from YPF-Repsol S.A. were consumed onboard the push boats. We have been advised that the Paraguayan Customs in Ciudad del Este also commenced administrative proceedings against UABL Paraguay S.A. for the same reasons as the Customs in Asuncion, however those proceedings have been suspended. Customs Authorities have appraised the bunkers and determined the corresponding import tax and fine in the amount of \$2.0 million. On March 22, 2010 the Customs in Asuncion issued their ruling on the matter imposing a fine of Gs. 54.723.820 (approximately \$ 11,700), and UABL Paraguay S.A. will be paying the fine with the aim to end these proceedings. In parallel with this ruling the denouncing parties in Ciudad del Este have submitted remedies against the decision of Customs in Asuncion arguing that such ruling was taken without bringing both dossiers together. Our local counsel is of the opinion that remedies will be rejected and therefore that there is only a remote possibility that UABL Paraguay S.A. will finally be found liable for any such taxes or fines and / or that these proceedings will have financial material adverse impact on the financial position or results of the Company.

Oceanpar S.A. & UABL Paraguay S.A. – Paraguayan Ministry of Public Works

On July 22, 2009, we learned of an ongoing investigation in connection with the registration of barges and pushboats in Paraguay. We have found out that in April 2009, the Paraguayan Ministry of Public Works and Communications and the National Merchant Marine of Paraguay, submitted a complaint before the Public Prosecutor Eduardo Cazenave alleging that Oceanpar S.A. and UABL Paraguay S.A. would have used improper documents to get authorizations to flag 30 barges and to lease 252 barges respectively. Without recognition of any liability and just in order to simplify the process, it was decided to enter a plea for permanent suspension of the investigation subject to certain conditions being fulfilled. On October 5, 2009, the proceedings were suspended by the Court subject to complying with certain obligations within one year, including regularizing before the National Merchant Marine of Paraguay some administrative documentation corresponding to the vessels under investigation. Although the Court agreed to our plea and decided to suspend the proceedings, on October 9, 2009, we submitted a request to the Court in order to clarify its resolution since some statements did not correspond with ours. On October 12, 2009, the Court issued the clarification resolution. In the opinion of our local counsel the clarification issued by the Court was fairly favorable. The file was sent to the Enforcing Court, and the judge preliminary ruled that Oceanpar S.A. and UABL Paraguay S.A. had complied with the conditions imposed by the Ruling Court including the regularization of the documentation of the barges with the National Merchant Marine of Paraguay. The proceedings will remain open until October 2010 when the Ruling Court will review if all conditions have been complied with and will issue its final ruling. We have sought the advice of our local counsel which has advised that both UABL Paraguay S.A. and Oceanpar S.A. have duly complied with their obligations under the law and consequently he believes that there is only a remote possibility that this investigation will have any material adverse impact on the financial position or results of the Company.

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, 2010, compared to three months ended March 31, 2009.

The following table sets forth certain unaudited historical statements of operations data for the periods indicated above derived from our unaudited condensed consolidated statements of income expressed in thousands of dollars (1)

	2010	Three Months Ended March 31, 2009	Percent Change	
Revenues				
Attributable to River Business	\$ 24,275	\$ 23,276	4	%
Attributable to Offshore Supply Business	12,210	9,172	33	%
Attributable to Ocean Business	17,745	25,368	-30	%
Total revenues	54,230	57,816	-6	%
Voyage expenses				
Attributable to River Business	(9,229)	(9,792)	-6	%
Attributable to Offshore Supply Business	(1,074)	(407)	164	%
Attributable to Ocean Business	(2,740)	(3,314)	-17	%
Total voyage expenses	(13,043)	(13,513)	-3	%
Running costs				
Attributable to River Business	(6,420)	(7,949)	-19	%
Attributable to Offshore Supply Business	(6,461)	(4,084)	58	%
Attributable to Ocean Business	(7,467)	(8,099)	-8	%
Total running costs	(20,348)	(20,132)	1	%
Amortization of dry dock & intangible assets	(924)	(1,083)	-15	%
Depreciation of vessels and equipment	(7,799)	(8,902)	-12	%
Administrative and commercial expenses	(6,241)	(5,496)	14	%
Other operating income	448	766	-42	%
Operating profit	6,323	9,456	-33	%
Financial expense and other financial expense	(7,452)	(7,673)	-3	%
Financial income	92	95	-3	%
Gains on derivative instruments, net	9,103	75	12,037	%
Investment in affiliates	(45)	(90)	-50	%
Other, net	(123)	(159)	-23	%
Total other income (expenses)	1,575	(7,752)		
Income from continuing operations before income taxes	7,898	1,704	363	%
Income taxes benefit (expenses)	590	(407)		
Net income attributable to non-controlling interest	148	130	14	%

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Income from continuing operations	8,340	1,167	615	%
Loss from discontinued operations	(515)	(550)	-6	%
Net income attributable to Ultrapetrol (Bahamas) Limited	\$ 7,825	\$ 617	1,168	%

(1) Operations of our Passenger Business are presented as discontinued operations on a net of tax basis.

Revenues. Total revenues from our River Business increased by 4% from \$23.3 million in the three months ended March 31, 2009, to \$24.3 million in the same period of 2010. This \$1.0 million increase results mainly from an increase in average freight rates excluding the effect of fuel adjustment of 5% counterbalanced by an equivalent reduction of net tons transported of 5% as well. In addition, the main contributing factor to revenue increase was a \$2.7 million increase in freights as a result of fuel adjustments; partially offset by a \$1.6 million decrease in occasional salvage services revenue.

Total revenues from our Offshore Supply Business increased by 33% from \$9.2 million in the three months ended March 31, 2009, to \$12.2 million in the same period of 2010. This \$3.0 million increase is primarily attributable to the \$2.5 million generated by the entrance into operation of our UP Rubi with Petrobras which was under construction during the first quarter of 2009, and to the \$1.4 million generated by the operation of our UP Agua-Marinha, UP Topazio and UP Diamante under their renewed long-term Time Charters with Petrobras in Brazil; partially offset by a decrease in revenues of \$0.8 million of our two vessels UP Esmeralda and UP Safira, which suffered loss of operational days on account of their positioning from the North Sea to Brazil and time lost for their registration in Brazil prior to entering service under a long term charter to Petrobras in February 2010.

Total revenues from our Ocean Business decreased \$7.7 million, from \$25.4 million in the three months ended March 31, 2009, to \$17.7 million in the same period of 2010, or a decrease of 30%. This decrease is mainly attributable to the sale of our Princess Susana on December 10, 2009, to the partial operation of our Princess Nadia which was sold and delivered on January 28, 2010, by the net effect of settlements of the FFA positions accounted for as cash flow hedges that resulted in a net decrease in Ocean Business revenues of \$8.8 million, and by the fact that two of our vessels operated under COAs in the three months ended March 31, 2009, whereas in the same period of 2010 they have been employed under time charter at higher rates than those same vessels obtained in the first quarter of 2009; partially offset by increases in revenues on account of higher average Time Charter rates of the BCI in the three months ended March 31, 2010, of \$34,120 per day as opposed to \$23,070 per day for the same period in 2009.

Voyage expenses. In the three months ended March 31, 2010, voyage expenses of our River Business were \$9.2 million, as compared to \$9.8 million for the same period of 2009, a decrease of \$0.6 million, or 6%. This decrease is mainly attributable to lower port expenses by \$1.4 million; partially offset by a \$0.8 million increase in fuel expense.

In the three months ended March 31, 2010, voyage expenses of our Offshore Supply Business were \$1.1 million, as compared to \$0.4 million in the same period of 2009. This increase of \$0.7 million, or 164%, is primarily attributable to a portion of the positioning expenses of UP Esmeralda and UP Safira from the North Sea to Brazil.

In the three months ended March 31, 2010, voyage expenses of our Ocean Business were \$2.7 million, as compared to \$3.3 million for the same period of 2009, a decrease of \$0.6 million, or 17%. This decrease is primarily attributable to a \$1.4 million decrease in the bunker cost of our Princess Marisol which operated under Time Charter in the first quarter of 2010 as opposed to COA (where port expenses and bunker costs are for our account) for the same period of 2009, and to a \$0.7 million decrease in expenses of our Princess Susana which was sold on December 10, 2009; partially offset by a \$0.9 million increase in the bunker cost of our Princess Katherine which operated under COA during the first quarter of 2010 as opposed to being employed under a time charter during the first quarter of 2009, and a \$0.6 million increase in the hire expense of Mediator which was delivered to us under a bareboat charter on April 2009.

Running costs. In the three months ended March 31, 2010, running costs of our River Business were \$6.4 million, as compared to \$7.9 million in the same period of 2009, a decrease of \$1.5 million, or 19%. This reduction in costs is mainly attributable to a decrease in pushboat running costs that resulted from a lesser number of pushboats in operation in the first quarter of 2010 and a reduction of barge repairs and maintenance costs.

In the three months ended March 31, 2010, running costs of our Offshore Supply Business were \$6.4 million, as compared to \$4.1 million in the same period of 2009, an increase of \$2.3 million, or 56%. This increase in running costs in the first quarter of 2010 is mainly attributable to a \$1.2 million general increase in crew and maintenance costs coupled with a full quarter of operation of our UP Rubi which was under construction in 1Q 09.

In the three months ended March 31, 2010, running costs of our Ocean Business were \$7.5 million, as compared to \$8.1 million in the same period of 2009, a decrease of \$0.6 million, or 7%. This variation results mainly from a decrease of \$1.4 million in running costs of our Capesize vessels Princess Susana and Princess Nadia which were sold and delivered during the first quarter of 2010; partially offset by a \$0.7 million increase in costs of our Mediator I which did not operate in the first quarter of 2009, and by \$0.3 million increase in crew and maintenance costs of our Princess Katherine.

Amortization of drydocking and intangible assets. Amortization of drydocking and intangible assets in the three months ended March 31, 2010, were \$0.9 million, as compared to \$1.1 million for the same period of 2009, a decrease of \$0.2 million, or 18%. This decrease is primarily attributable to a reduced level of amortization of drydock of \$0.3 million on the recently sold Capesize vessels Princess Susana and Princess Nadia; partially offset by a \$0.2 million increased level of amortization of drydock of our dry barges.

Depreciation of vessels and equipment. Depreciation decreased by \$1.1 million, or 12%, to \$7.8 million in the three months ended March 31, 2010, as compared to \$8.9 million in the same period of 2009. This decrease is primarily attributable to a \$1.8 million lower depreciation of our vessel Princess Marisol, coupled with the sale of our Capesize vessels Princess Susana and Princess Nadia which translated into a \$0.5 million decrease in depreciation; partially offset by a \$0.4 million increase in depreciation associated to the start of operation of our new shipyard at Punta Alvear, by a \$0.3 million increase related to the start of operations of our UP Rubi on August 2009, a \$0.2 million increase in the depreciation of our inland tank barge Parana Petrol, and a \$0.2 million increase in our dry barge depreciation associated to the barge enlargement program and the steel replacement program on our River Business.

Administrative and commercial expenses. Administrative and commercial expenses were \$6.2 million in the three months ended March 31, 2010, as compared to \$5.5 million in the same period of 2009, resulting in an increase of \$0.7 million or 13%. This increase is mainly associated with \$0.5 million increase in legal and other fees on our Offshore Supply and Ocean segments, coupled with a \$0.2 million increase in office rent expenses.

Other operating income, net. Other operating income was \$0.4 million in the three months ended March 31, 2010, as compared to other operating income of \$0.8 million in the same period of 2009. This decrease of \$0.4 million is mainly explained by an income of \$0.9 million related to delay and loss of hire insurance of our Princess Susana that took place in the first quarter of 2009 and not in the first quarter of 2010, and by a \$0.2 million decrease in other Ocean Business expenses; partially offset by a \$0.6 million increase resulting from the insurance proceeds which compensated for time lost of our UP Esmeralda, and by a \$0.2 million decrease in expense of our Ramallo repair facility in the first quarter of 2010.

Operating (loss) profit. Operating profit for the three months ended March 31, 2010, was \$6.3 million, a decrease of \$3.2 million, or 35%, from \$9.5 million for the same period of 2009. This decrease is mainly attributable to a \$5.3 million decrease in our Ocean Business operating profit from \$7.8 million in the first quarter of 2009 to \$2.5 million in the same period of 2010, and to a \$0.5 million decrease in Offshore Supply Business operating profit from \$2.1 million in the first quarter of 2009 to \$1.6 million in the same period of 2010; partially offset by an increase of \$2.2 million in River Business operating profit from a \$0.4 million operating loss in the first quarter of 2009 to a \$1.8 million operating profit for the same period of 2010.

Financial expense and other financial income (expenses). Financial expense decreased to \$7.5 million in the three months ended March 31, 2010, as compared to \$7.7 million in the same period of 2009, a \$0.2 million decrease. This decrease is mainly attributable to exchange rate fluctuations of foreign currencies against the U.S. dollar in the first quarter of 2010 as compared to the same period of 2009.

Financial income. Financial income in the three months ended March 31, 2010, remained unchanged at \$0.1 million when compared to the same period of 2009.

Gains on derivatives. Gain on derivative instruments increased to \$9.2 million in the three months ended March 31, 2010, from \$0.07 million in the same period of 2009. This increase was primarily attributable to a \$9.1 million non-cash gain on FFAs related to the closing-out of the positions used to cover our recently sold Capesize vessel Princess Marisol.

Income taxes benefit (expenses). The income tax benefit for the three months ended March 31, 2010, was \$0.6 million, compared to an expense of \$0.4 million in the same period of 2009. This \$1.0 million decrease of the income tax expense is mainly attributable to a reversal of the deferred tax provision for unrealized exchange differences in our Brazilian subsidiary, the income tax benefit of our Argentinean subsidiary Ultrapetrol S.A., slightly offset by the income tax expense of our River Business operations.

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 debt, shareholder loans, cash flow from operations and equity contributions.

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

As of March 31, 2010, we had aggregate indebtedness of \$402.9 million, consisting of \$180.0 million aggregate principal amount of our Senior Notes due 2014, indebtedness of our subsidiary UP Offshore Apoio Maritimo Ltda. of \$28.0 million under a senior loan facility with DVB Bank AG ("DVB") of \$9.3 million and \$18.7 million under a loan facility with BNDES, indebtedness of our subsidiary UP Offshore (Bahamas) Ltd. of \$64.3 million under two senior loan facilities with DVB, indebtedness of our subsidiary Ingatestone Holdings Inc. of \$24.2 million under a senior loan facility with DVB and Natixis as co-lenders, indebtedness of our subsidiary Stanyan Shipping Inc. of \$10.9 million under a senior loan facility with Natixis, indebtedness of our subsidiary Hallandale Commercial Corp. of \$10.5 million under a senior loan facility with Nordea Bank, indebtedness of the Company of \$10.0 million under a revolving credit line with Banco BICE, indebtedness of our subsidiaries UABL Barges (Panama) Inc., Marine Financial Investment Corp., Eastham Barges Inc. and UABL Paraguay S.A. of \$60.0 million in the aggregate under two senior loan facilities with International Finance Corporation, indebtedness of our subsidiary UABL Paraguay S.A. of \$15.0 million under a senior loan facility with the OPEC Fund for International Development, and total accrued interest of \$6.9 million.

As of March 31, 2010, we had cash and cash equivalents on hand of \$39.1 million.

Operating Activities

In the three months ended March 31, 2010, we generated \$0.6 million in cash flow from operations compared to \$15.0 million in the same period of 2009. Net income for the three months ended March 31, 2010 was \$8.0 million as compared to \$0.7 million in the three months ended March 31, 2009, an increase of \$7.3 million.

Cash flow from operating activities decreased by \$14.4 million to \$0.6 million in the first quarter of 2010 from \$15.0 million in that same period of 2009. This decrease in cash flow from operations is mainly attributable to a decline of \$6.4 million in our Ocean Business Gross Profit Contribution (defined as hire or freight revenues minus voyage expenses and running costs, or "GPC") from \$14.0 million in the three months ended March 31, 2009 to \$7.5 million for the same period in 2010. Our River Business GPC increased by \$3.1 million when compared to the same period of 2009. The GPC of our Offshore Supply Business remained practically unchanged. Another contributing factor to the decrease in cash flow from operations is a \$1.2 million increase in dry docking expenditures. In addition, a significant use of operating cash stems from the increase in accounts receivable period to period.

Investing Activities

During the three months ended March 31, 2010, we disbursed \$1.0 million in the construction of our new pushboat Zonda I, \$1.3 million in the construction of our pushboat Pampero I, \$3.3 million in the construction of new barges at

Punta Alvear, \$1.9 million in our barge re-bottoming program and \$3.1 million in the re-engining and re-powering program, in our River Business; and \$1.2 million to fund the 10% down payment on the acquisition of the Frisian Commander, in our Ocean Business.

Financing Activities

Cash flow used in Financing Activities increased \$8.3 million from \$9.2 million in the three months ended March 31, 2009, to \$17.6 million in the same period of 2010. This increase of \$8.3 million is mainly attributable to a \$14.7 million increase in restricted cash relating to our Senior Notes due 2014, in the first quarter of 2010, a \$3.5 million decrease in proceeds received in the first quarter of 2009 from our DVB/Natixis loan, and by a \$0.2 million increase in other financing activities; partially offset by a decrease of \$7.8 million associated with an early repayment of our \$25.0 million loan with Banco BICE in the first quarter of 2009, and by a \$2.2 million decrease in scheduled repayments.

Future Capital Requirements

Our near-term cash requirements are related primarily to funding operations, constructing new vessels, potentially acquiring other assets including second-hand ocean vessels, repairing some of our barges, funding the construction of barges in our new shipyard at Punta Alvear, and replacing the engines in our line pushboats with new engines that burn less expensive heavy fuel oil. We currently estimate that the construction of new vessels that are currently on order in India will require additional funds of approximately \$39.6 million, a portion of which will be financed with part of the undrawn proceeds committed under the DVB / Natixis loan facility. We estimate that the cost of new barge construction at our new yard will be approximately \$29.7 million and that the cost of replacing the engines in our line pushboats will be in the order of \$9.0 million. Additionally, we estimate that funds to be paid in connection with the construction of our PSVs in China will amount to \$10.5 million. We may order additional vessels and or incur other capital expenditures which are not discussed above or contemplated at this time. The funds will be disbursed at various times over the next few years and, accordingly, are subject to significant uncertainty. We may in the future incur indebtedness to fund some of our other initiatives, which we are currently funding through our cash flow from operations. We cannot provide assurance 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 sources of funding through capital market transactions, although it is possible these sources will not be available to us.

Supplemental Information

The following tables reconcile our EBITDA as defined in the Notes due 2014 and our Adjusted Consolidated EBITDA to our cash flow for the three months ended March 31, 2010 and 2009.

(\$000)	Three Months Ended	
	2010	March 31, 2009
Total cash flows from operating activities	642	15,029
Total cash flows provided by (used in) investing activities	2,796	(23,195)
Total cash flows (used in) financing activities	(17,573)	(9,231)
Net cash provided by operating activities from continuing operations	1,073	14,639
Net cash (used in) provided by operating activities from discontinued operations	(431)	390
Total cash flows from operating activities	642	15,029
Plus		
Adjustments from continuing operations		
Increase / decrease in operating assets and liabilities	5,900	(3,567)
Expenditure for dry docking	2,102	910
Income taxes	(590)	407
Financial expenses	6,171	6,064
(Gain) on disposal of assets	(188)	-
Net income attributable to non-controlling interest	(148)	(130)
Adjustment attributable to UP Offshore declassification(1)	(4,424)	-
Other adjustments	(779)	(775)
Adjustments from discontinued operations		
Increase / decrease in operating assets and liabilities	(84)	(636)
Financial expenses	1	1
Other adjustments	-	(304)
EBITDA as defined in the Notes due 2014 from continuing operations	9,117	17,548
EBITDA as defined in the Notes due 2014 from discontinued operations	(514)	(549)
Consolidated EBITDA as defined in the Notes due 2014	8,603	16,999
Plus		
Adjustment attributable to UP Offshore declassification	\$4,424	-
Gain on derivatives, net	9,103	75
Unrealized non-cash gain on FFAs	(2,501)	-
Adjusted Consolidated EBITDA	\$19,629	\$17,074

(1) As of September 30, 2009, our Board of Directors, declassified UP Offshore (Bahamas) Limited as a restricted subsidiary under the terms of the Indenture.

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The following tables reconcile our Adjusted Consolidated EBITDA to our segment operating profit for the three months ended March 31, 2010 and 2009, on a consolidated and a per segment basis:

(\$000)	First Quarter Ended March 31, 2010			
	River	Offshore Supply	Ocean	TOTAL
Segment operating profit	\$ 1,975	\$ 1,709	\$ 2,639	\$ 6,323
Depreciation and amortization	4,026	1,661	3,036	8,723
Investment in affiliates / Net income attributable to non-controlling interest in subsidiaries	(30)	(148)	(15)	(193)
Gains on derivatives, net	-	-	9,103	9,103
Other net	(210)	3	84	(123)
Unrealized non cash gains on FFAs	-	-	(2,501)	(2,501)
Segment Adjusted EBITDA	\$ 5,761	\$ 3,225	\$ 12,346	\$ 21,332
Items not included in Segment Adjusted EBITDA				
Financial income				92
Other financial expenses				(1,281)
Adjusted Consolidated EBITDA from continuing operations				\$ 20,143
Adjusted Consolidated EBITDA from discontinued operations				\$ (514)
Adjusted Consolidated EBITDA				\$ 19,629

(\$000)	First Quarter Ended March 31, 2009			
	River	Offshore Supply	Ocean	TOTAL
Segment operating (loss) profit	\$ (402)	\$ 2,062	\$ 7,796	\$ 9,456
Depreciation and amortization	3,241	1,328	5,416	9,985
Investment in affiliates / Net loss attributable to non-controlling interest in subsidiaries	(85)	(130)	(5)	(220)
Gains on derivatives, net	-	75	-	75
Other net	(179)	-	20	(159)

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Segment Adjusted EBITDA	\$ 2,575	\$ 3,335	\$ 13,227	\$ 19,137
Items not included in Segment Adjusted EBITDA				
Financial income				95
Other financial expenses				(1,609)
Adjusted Consolidated EBITDA from continuing operations				
				\$ 17,623
Adjusted Consolidated EBITDA from discontinued operations				
				\$ (549)
Adjusted Consolidated EBITDA				
				\$ 17,074

The use of the terms "EBITDA as defined in the Notes due 2014" and "Adjusted Consolidated EBITDA" in the current filing rather than EBITDA as has been used in previous filings, is responsive to the US Securities and Exchange Commission Release No. 34-47226 wherefrom if the measurement being used excludes "non-cash charges" or other similar concepts other than strictly interest, taxes, depreciation and amortization, or were otherwise to depart from the definition of EBITDA as included in the aforementioned release, it should be called "EBITDA as defined in the Notes due 2014" and "Adjusted Consolidated EBITDA" rather than EBITDA.

EBITDA as defined in the Notes due 2014 consists of net income (loss) prior to deductions for interest expense and other financial gains and losses related to the financing of the Company, income taxes, depreciation of vessels and equipment and amortization of drydock expense, intangible assets, financial gain (loss) on extinguishment of debt, premium paid for redemption of preferred shares and certain non-cash charges (including for instance losses on write-downs of vessels). The calculation of EBITDA as defined in the Notes due 2014 excludes from all items those amounts corresponding to unrestricted subsidiaries under the Indenture governing the Company's 9% First Preferred Ship Mortgage Notes due 2014 (the "Indenture") from the time of designation as such. We have provided EBITDA as defined in the Notes due 2014 in this report because we use it to, and believe it provides useful information to investors to evaluate our ability to incur and service indebtedness and it is a required disclosure to comply with a covenant contained in such Indenture. Adjusted Consolidated EBITDA in this filing represents EBITDA as defined in the Notes due 2014 plus EBITDA corresponding to unrestricted subsidiaries designated as such under the terms of the Indenture and other adjustments related to our FFAs. We do not intend for EBITDA as defined in the Notes due 2014 nor Adjusted Consolidated EBITDA to represent cash flows from operations, as defined by GAAP (on the date of calculation) and it should not be considered as an alternative to measure our liquidity. This definition of EBITDA as defined in the Notes due 2014 and Adjusted Consolidated EBITDA may not be comparable to similarly titled measures disclosed by other companies. Generally, funds represented by EBITDA as defined in the Notes due 2014 and Adjusted Consolidated EBITDA are available for management's discretionary use. Both EBITDA as defined in the Notes due 2014 and Adjusted Consolidated EBITDA have limitations as analytical tools, and should not be considered in isolation, or as a substitute for analysis of our results as reported. These limitations include, among others, the following:

- EBITDA as defined in the Notes due 2014 and Adjusted Consolidated EBITDA do not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments,
- EBITDA as defined in the Notes due 2014 and Adjusted Consolidated EBITDA do not reflect changes in, or cash requirements for, our working capital needs,
- EBITDA as defined in the Notes due 2014 and Adjusted Consolidated EBITDA do not include income taxes, which are a necessary and ongoing cost of our operations,
- EBITDA as defined in the Notes due 2014 and Adjusted Consolidated EBITDA do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debts,
- EBITDA as defined in the Notes due 2014 and Adjusted Consolidated EBITDA do not reflect the amortization of dry docking, or the cash requirements necessary to fund the required dry docks of our vessels,
-

Although depreciation is a non-cash charge, the assets being depreciated will often have to be replaced in the future, and EBITDA as defined in the Notes due 2014 and Adjusted Consolidated EBITDA do not, therefore, reflect any cash requirements for such replacements, and

- EBITDA as defined in the Notes due 2014 and Adjusted Consolidated EBITDA can be affected by the lease rather than purchase of fixed assets.

ULTRAPETROL (BAHAMAS) LIMITED AND
SUBSIDIARIES

Unaudited Condensed Consolidated Financial
Statements
at March 31, 2010

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 par value and share amounts)

	At March 31, 2010 (Unaudited)	At December 31, 2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 39,066	\$ 53,201
Restricted cash	1,658	1,658
Accounts receivable, net of allowance for doubtful accounts of \$270 and \$411 in 2010 and 2009, respectively	26,261	16,402
Operating supplies	3,384	3,743
Prepaid expenses	5,369	4,210
Receivables from derivative instruments	13,596	16,885
Other receivables	18,017	15,547
Other current assets	650	2,684
Total current assets	108,001	114,330
NONCURRENT ASSETS		
Other receivables	14,251	16,256
Restricted cash	15,885	1,181
Vessels and equipment, net	564,377	571,478
Dry dock	4,883	5,281
Investment in affiliates	1,742	1,787
Intangible assets	1,282	1,456
Goodwill	5,015	5,015
Other noncurrent assets	8,345	8,390
Deferred income tax assets	7,970	7,760
Total noncurrent assets	623,750	618,604
Total assets	\$ 731,751	\$ 732,934
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 16,254	\$ 13,707
Accrued interest	6,910	2,008
Current portion of long-term financial debt	21,616	21,286
Other current liabilities	6,919	8,977
Total current liabilities	51,699	45,978
NONCURRENT LIABILITIES		
Long-term financial debt	381,300	384,245

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Deferred income tax liabilities	12,116	13,033
Other noncurrent liabilities	1,066	1,095
Total noncurrent liabilities	394,482	398,373
Total liabilities	446,181	444,351
EQUITY		
Common stock, \$.01 par value: 100,000,000 authorized shares; 29,943,653 shares outstanding		
	338	338
Additional paid-in capital	270,308	269,958
Treasury stock: 3,923,094 shares at cost	(19,488)	(19,488)
Accumulated earnings	25,182	17,357
Accumulated other comprehensive income	4,202	15,538
Total Ultrapetrol (Bahamas) Limited stockholders equity	280,542	283,703
Noncontrolling interest	5,028	4,880
Total equity	285,570	288,583
Total liabilities and equity	\$ 731,751	\$ 732,934

The accompanying notes are an integral part of
these unaudited condensed consolidated financial statements and should be read in conjunction herewith

ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

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

	For the three-month periods ended March 31,	
	2010	2009
REVENUES	\$ 54,230	\$ 57,816
OPERATING EXPENSES		
Voyage expenses	(13,043)	(13,513)
Running costs	(20,348)	(20,132)
Amortization of dry docking	(750)	(887)
Depreciation of vessels and equipment	(7,799)	(8,902)
Amortization of intangible assets	(174)	(196)
Administrative and commercial expenses	(6,241)	(5,496)
Other operating income	448	766
	(47,907)	(48,360)
Operating profit	6,323	9,456
OTHER INCOME (EXPENSES)		
Financial expense	(6,171)	(6,064)
Other financial expenses	(1,281)	(1,609)
Financial income	92	95
Gains on derivatives, net	9,103	75
Investment in affiliates	(45)	(90)
Other, net	(123)	(159)
Total other income (expenses)	1,575	(7,752)
Income from continuing operations before income taxes	7,898	1,704
Income taxes (expenses) benefit	590	(407)
Income from continuing operations	8,488	1,297
Loss from discontinued operations	(515)	(550)
Net income	7,973	747
Net income attributable to noncontrolling interest	148	130
Net income attributable to Ultrapetrol (Bahamas) Limited	\$ 7,825	\$ 617
Amounts attributable to Ultrapetrol (Bahamas) Limited:		
Income from continuing operations	\$ 8,340	\$ 1,167
Loss from discontinued operations	(515)	(550)

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Net income attributable to Ultrapetrol (Bahamas) Limited	\$	7,825	\$	617
BASIC AND DILUTED INCOME (LOSS) PER SHARE OF ULTRAPETROL (BAHAMAS) LIMITED:				
From continuing operations	\$	0.28	\$	0.04
From discontinued operations		(0.02)		(0.02)
	\$	0.26	\$	0.02
Basic weighted average number of shares		29,519,936		29,404,285
Diluted weighted average number of shares		29,572,018		29,404,285

The accompanying notes are an integral part of
these unaudited condensed consolidated financial statements and should be read in conjunction herewith.

ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(UNAUDITED)

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

Ultrapetrol (Bahamas) Limited stockholders' equity								
Balance	Shares amount	Common stock	Additional paid-in capital	Treasury stock	Accumulated earnings	Accumulated other comprehensive income (loss)	Noncontrolling interest	Total equity
December 31, 2008	29,519,936	\$ 334	\$ 268,425	\$(19,488)	\$ 57,195	\$ 65,423	\$ 4,970	\$376,859
Compensation related to options and restricted stock granted	-	-	444	-	-	-	-	444
Comprehensive loss:								
–Net income	-	-	-	-	617	-	130	747
–Effect of derivative financial instruments	-	-	-	-	-	(8,387)	-	(8,387)
Total comprehensive loss								(7,640)
March 31, 2009	29,519,936	\$ 334	\$ 268,869	\$(19,488)	\$ 57,812	\$ 57,036	\$ 5,100	\$369,663
December 31, 2009	29,943,653	\$ 338	\$ 269,958	\$(19,488)	\$ 17,357	\$ 15,538	\$ 4,880	\$288,583
Compensation related to restricted stock granted	-	-	350	-	-	-	-	350
Comprehensive loss:								
–Net income	-	-	-	-	7,825	-	148	7,973
–Effect of derivative financial	-	-	-	-	-	(11,336)	-	(11,336)

instruments

Total

comprehensive

loss (3,363)

March 31, 2010	29,943,653	\$ 338	\$ 270,308	\$(19,488)	\$ 25,182	\$ 4,202	\$ 5,028	\$285,570
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The accompanying notes are an integral part of
these unaudited condensed consolidated financial statements and should be read in conjunction herewith.

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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,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 7,973	\$ 747
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss from discontinued operations	515	550
Depreciation of vessels and equipment	7,799	8,902
Amortization of dry docking	750	887
Expenditure for dry docking	(2,102)	(910)
Gains on derivatives, net	(9,103)	(75)
Amortization of intangible assets	174	196
Loss on sale of vessels, net	188	-
Share-based compensation	350	444
Debt issuance expense amortization	303	470
Net losses from investment in affiliates	45	90
Allowance for doubtful accounts	84	75
Other	-	(304)
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Accounts receivable	(9,943)	(3,047)
Other receivables, operating supplies and prepaid expenses	(3,037)	6,232
Other	1,578	361
Increase (decrease) in liabilities:		
Accounts payable	2,606	(3,422)
Payable to related parties	2,925	3,443
Other	(32)	-
Net cash provided by operating activities from continuing operations	1,073	14,639
Net cash (used in) provided by operating activities from discontinued operations	(431)	390
Total cash flows provided by operating activities	642	15,029
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of vessels and equipment (\$414 and \$11,612 in 2010 and 2009 for vessels in construction)	(14,085)	(24,295)
Proceeds from disposal of assets, net	14,112	-
	819	-

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Net decrease in funding cash collateral of forward freight agreements

Other	-	1,100
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Net cash provided by (used in) investing activities from continuing operations	846	(23,195)
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Net cash provided by investing activities from discontinued operations	1,950	-
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Total cash flows provided by (used in) investing activities	2,796	(23,195)
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CASH FLOWS FROM FINANCING ACTIVITIES

Scheduled repayments of long-term financial debt	(2,615)	(4,839)
--	----------	----------

Early repayments of long-term financial debt	-	(7,813)
--	---	----------

Increase in restricted cash	(14,700)	-
-----------------------------	-----------	---

Proceeds from long-term financial debt	-	3,450
--	---	-------

Other	(258)	(29)
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Net cash (used in) financing activities from continuing operations	(17,573)	(9,231)
--	-----------	----------

Net (decrease) in cash and cash equivalents	(14,135)	(17,397)
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Cash and cash equivalents at the beginning of year (including \$304 and \$2,546 related to discontinued operations)	\$ 53,201	\$ 105,859
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Cash and cash equivalents at the end of period (including \$299 and \$448 related to discontinued operations)	\$ 39,066	\$ 88,462
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The accompanying notes are an integral part of these unaudited condensed consolidated financial statements and should be read in conjunction herewith.

ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(Information pertaining to the three-month periods ended March 31, 2010 and 2009 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, through our operations in the following three segments of the marine transportation industry. 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, in the North Sea and the coastal waters of Brazil. In our Ocean Business, we are an owner and operator of oceangoing vessels that transport petroleum products and dry cargo.

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, 2009, 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. 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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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

The Company uses the US dollar as its functional currency. Receivables and payables denominated in foreign currencies are translated into US dollars at the rate of exchange at the balance sheet date, while revenues and expenses are translated using the average exchange rate for each month. Certain subsidiaries enter into transactions denominated in currencies other than their functional currency. Changes in currency exchange rates between the functional currency and the currency in which a transaction is denominated are included in the unaudited condensed consolidated statement of income in the period in which the currency exchange rate changes.

b) Earnings per share:

Basic net (loss) income per share is computed by dividing the net (loss) income by the weighted average number of common shares outstanding during the relevant periods net of shares held in treasury. Diluted (loss) income 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.

For the three-month periods ended March 31, 2010 and 2009, the Company excluded from the computation of diluted income (loss) per share options to purchase 495,134 and 378,884, common shares, respectively. These options were outstanding during these periods but were excluded because they were antidilutive, as the option exercise price was greater than the average market price of the common share.

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

	For the three-month periods ended March 31,	
	2010	2009
Income from continuing operations	\$ 8,340	\$ 1,167
(Loss) from discontinued operations	(515)	(550)
Net income	\$ 7,825	\$ 617
Basic weighted average number of shares	29,519,936	29,404,285
Effect on dilutive shares -- Options and restricted stock	52,082	-
Diluted weighted average number of shares	29,572,018	29,404,285
Basic and diluted income (loss) per share:		
From continuing operations	\$ 0.28	\$ 0.04
From discontinued operations	(0.02)	(0.02)
	\$ 0.26	\$ 0.02

c) Comprehensive income (loss)

Comprehensive income (loss) is defined as the change in equity arising from non-owner sources. Comprehensive income (loss) is reflected in the unaudited condensed consolidated statement of changes in shareholders' equity.

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

The components of accumulated other comprehensive income (loss) in the condensed consolidated balance sheets were as follows:

	At March 31, 2010	At December 31, 2009
Unrealized gain on FFA	\$ 4,042	\$ 15,376
Unrealized gain on EURO hedge	160	162
Unrealized gain on derivative financial instruments	\$ 4,202	\$ 15,538

The components of the change in the accumulated unrealized (losses) on derivative financial instruments were as follows:

	For the three-months period ended March 31,	
	2010	2009
Reclassification adjustments for amounts included in net income:		
- Revenues	\$ (3,388)	\$ (12,188)
- Gains on derivatives, net	(9,535)	-
- Voyage expenses	-	251
- Depreciation of vessels and equipment	(2)	(3)
Change in unrealized impact on:		
- FFA	1,589	3,646
- Forward fuel purchases	-	(93)
	\$ (11,336)	\$ (8,387)

3. VESSELS AND EQUIPMENT, NET

The capitalized cost of the vessels and equipment, and the related accumulated depreciation at March 31, 2010 and December 31, 2009 were as follows:

	At March 31, 2010	At December 31, 2009
Ocean-going vessels	\$ 132,586	\$ 165,111
River barges and pushboats	277,996	267,333
PSVs	143,883	143,565
Advance for PSV construction	98,288	97,874

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Furniture and equipment	7,517	7,293
Building, land, operating base and shipyard	45,655	45,121
Advances to vendors	2,546	3,198
Total original book value	708,471	729,495
Accumulated depreciation	(144,094)	(158,017)
Net book value	\$ 564,377	\$ 571,478

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

As of March 31, 2010, the net book value of the assets pledged as a guarantee of our long term financial debt was \$283,000.

–Ocean Business

On December 18, 2009, we entered into a memorandum of agreement (MOA) to sell our Suezmax OBO vessel, Princess Nadia, for a total sale price of \$14,112 net of commissions. She was delivered to her new owners on January 28, 2010, at which time Ultrapetrol recognized a gain on sale of vessel of \$2,636. The proceeds from this sale were deposited in a restricted cash account and can only be used to buy another vessel to guarantee the 9% First Preferred Ship Mortgage Notes due 2014 within one year. At March 31, 2010, \$14,700 was included in non-current restricted cash in the accompanying unaudited condensed consolidated balance sheet.

On February 17, 2010 the Company signed an MOA to sell its vessel Princess Marisol for a total purchase price of \$13,500, which was reduced to \$12,800 on April 22, 2010. The vessel was delivered to her new owners on April 23, 2010. For the three-month period ended March 31, 2010, the Company recognized a loss on sale of vessel of \$2,824.

As a result of this transaction, FFA positions maturing between May and December 2010 with notional amounts totaling \$15,800 were no longer probable of occurring and thus no longer qualified as effective cash flow hedges. The gain related to these positions of \$9,535 reported in other comprehensive income was reclassified into gains on derivatives, net for the three-month period ended March 31, 2010.

On February 26, 2010, we entered into an MOA whereby we agreed to acquire a 2003-built container vessel, the Frisian Commander, for a total purchase price of \$12,400, out of which \$11,160 was funded with the proceeds of the sale of the Princess Nadia deposited in a restricted cash account. The container vessel has a rated carrying capacity of 1,118 Twenty-foot Equivalent Units. The Company took delivery of the container vessel on April 16, 2010.

–Offshore Supply Business

On December 21, 2007, UP Offshore (Bahamas) Ltd. (our holding company in the Offshore Supply Business) signed two contracts with a shipyard in China to construct two PSVs, with deliveries in 2010. The price for each new PSV to be constructed in China is \$26,400 to be paid in five installments of 20% of the contract price each, prior to delivery. As of March 31, 2010, UP Offshore (Bahamas) Ltd. had paid installments on these contracts amounting \$42,480 which are recorded as Advances for PSV construction.

On February 21 and June 13, 2007, UP Offshore (Bahamas) Ltd. (our holding company in the Offshore Supply Business) signed shipbuilding contracts with a shipyard in India for construction of four PSVs with a combined cost of \$88,052 to be paid in five installments of 20%, with contracted deliveries in 2010 and 2011. As of March 31, 2010, UP Offshore (Bahamas) Ltd. had paid installments on these contracts totaling \$48,428, which are recorded as Advances for PSV construction.

As of March 31, 2010, the Company had remaining commitments of \$49,944 on non-cancelable contracts for the construction of the aforementioned PSVs which are scheduled for delivery in 2010 and 2011.

ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

4. LONG-TERM FINANCIAL DEBT

Balances of long-term financial debt at March 31, 2010 and December 31, 2009:

Borrower	Financial institution /Other	Due-year	Nominal value		Total
			Current	Noncurrent	
Ultrapetrol (Bahamas) Ltd.	Private Investors (Notes)	2014	\$-	\$ 180,000	\$ 180,000
UP Offshore Apoio Marítimo Ltda.	DVB AG	Through 2016	900	8,425	9,325
UP Offshore (Bahamas) Ltd.	DVB AG	Through 2016	4,300	41,475	45,775
UP Offshore (Bahamas) Ltd.	DVB AG	Through 2017	2,000	16,500	18,500
Ingatestone Holdings Inc.	DVB AG + Natixis	Through 2019	250	23,900	24,150
UP Offshore Apoio Marítimo Ltda.	BNDES	Through 2027	1,102	17,628	18,730
Stanyan Shipping Inc.	Natixis	Through 2017	908	9,984	10,892
Ultrapetrol (Bahamas) Ltd.	BICE	2010	10,000	-	10,000
Hallandale Commercial Corp.	Nordea	Through 2013	2,156	8,388	10,544
UABL Paraguay S.A.	IFC	Through 2020	-	25,000	25,000
UABL Paraguay S.A.	OFID	Through 2020	-	15,000	15,000
UABL Barges and others	IFC	Through 2020	-	35,000	35,000
At March 31, 2010			\$21,616	\$381,300	\$402,916
At December 31, 2009			\$21,286	\$384,245	\$405,531

Revolving non-secured credit facility with Banco BICE

On October 12, 2007, Ultrapetrol (Bahamas) Ltd. Entered into a three-year, \$10,000, revolving non-secured credit facility with Banco BICE which must be renewed quarterly. Our obligations under this credit facility are guaranteed by three of our subsidiaries. This loan bears interest at LIBOR plus 1.625% per annum.

This revolving non-secured credit facility contains certain customary covenants including: (i) a minimum equity of \$ 160,000, (ii) a consolidated debt to equity ratio less than 1.5, (iii) a financial expense coverage ratio equal to or greater than 2.5 and, (iv) a ratio of consolidated debt to EBITDA equal to or less than 5.0.

At December 31, 2009 Ultrapetrol Bahamas Ltd. is in compliance with these covenants except for (iii) and (iv). Consequently, on March 5, 2010 Banco BICE waived the compliance for all calculation dates since December 31, 2009, up to and including March 31, 2010 for the financial covenant in (iii) and up to and including October 12, 2010 (the maturity date of the credit facility) for the financial covenant in (iv). Ultrapetrol Bahamas Ltd. expects to be in compliance with financial covenant in (iii) since June 30, 2010 and thereafter.

As of March 31, 2010, we drew down \$10,000 available under this revolving non-secured credit facility which is due on April 18, 2010. The Company has renewed this loan until July 17, 2010.

5.

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 operations.

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

a)Paraguayan Customs Dispute

i)UABL – Ciudad del Este Customs Authority

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 \$500 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-labile.

On March 26, 2009, the Tax and Administrative Court decided that UABL was not liable for the third issue under discussion (the tax base used by UABL's entities to calculate the applicable withholding tax). On April 2, 2009, the Paraguayan Tax Authorities appealed the Tax and Administrative Courts decision. The Paraguayan Supreme Court has already reviewed the case and its judgment is expected during the course of 2010. In parallel with this ruling the Office of the Treasury Attorney has initiated an action to review certain aspects of the case on the grounds that the Paraguay Customs Department did not represent the interests of Paraguay.

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 these taxes or fines.

ii)UABL Paraguay S.A. - Paraguayan Customs Asunción

On April 7, 2009, the Paraguayan Customs in Asunción commenced administrative proceedings against UABL Paraguay S.A. alleging infringement of Customs regulations (smuggling) due to lack of submission of import clearance documents in Paraguay for some bunkers purchased between January 9, 2007 and December 23, 2008 from YPF-Repsol S.A. in Argentina. Since those bunkers were purchased for consumption on board pushboats, UABL Paraguay S.A. submitted a defense on April 23, 2009, requesting the closing of those proceedings based on the non-infringement of Customs regulations; however the proceedings were not closed. On August 21, 2009, as part of the evidence to be rendered in the Customs proceedings UABL Paraguay S.A. submitted a technical report of the Paraguayan Coast Guard stating that all parcels of bunkers purchased by UABL Paraguay S.A. from YPF-Repsol S.A. were consumed onboard the push boats. We have been advised that the Paraguayan Customs in Ciudad del Este also commenced administrative proceedings against UABL Paraguay S.A. for the same reasons as the Customs in Asuncion; however those proceedings have been suspended. Customs Authorities have appraised the bunkers and determined the corresponding import tax and fine to be \$2,000. On March 22, 2010 the Customs in Asuncion issued their ruling on the matter imposing a fine of approximately \$12 (Gs. 54.723.820), and UABL Paraguay S.A. will be paying the fine with the aim to end these proceedings. In parallel with this ruling the denouncing parties in Ciudad del

Este have submitted remedies against the decision of Customs in Asuncion arguing that such ruling was taken without bringing both dossiers together. Our local counsel is of the opinion that remedies will be rejected and therefore that there is only a remote possibility that UABL Paraguay S.A. will finally be found liable for any such taxes or fines and / or that these proceedings will have financial material adverse impact on the financial position or results of the Company.

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

iii) Oceanpar S.A. & UABL Paraguay S.A. - Paraguayan Ministry of Public Works

On July 22, 2009, we learned of an ongoing investigation in connection with the registration of barges and pushboats in Paraguay. We have learned that in April 2009, the Paraguayan Ministry of Public Works and Communications and the National Merchant Marine of Paraguay, submitted a complaint before the Public Prosecutor alleging that Oceanpar S.A. and UABL Paraguay S.A. used forged documents to obtain authorizations to flag 30 barges and to lease 252 barges, respectively. Without recognition of any liability and in order to simplify the process, it was decided to accept certain of the alleged facts. On October 5, 2009, the proceedings were suspended by the Court subject to complying with certain obligations within 1 year, including to regularize before the National Merchant Marine of Paraguay some administrative documentation corresponding to the vessels under investigation. Although the Court decided to suspend the proceedings, on October 9, 2009, we submitted a request to the court in order to clarify its resolution since some statements did not correspond with ours. On October 12, 2009 the Court issued the clarification resolution. In the opinion of our local counsel the clarification issued by the Court was favorable. The file was sent to the Enforcing Court, and the judge preliminarily ruled that Oceanpar S.A. and UABL Paraguay S.A. have complied with the conditions imposed by the Ruling Court including the regularization of the documentation of the barges with the National Merchant Marine of Paraguay. The proceedings will remain open until October 2010 when the Ruling Court will review if all conditions have been complied with and will issue its final ruling. We have sought the advice of our local counsel which has advised that both UABL Paraguay S.A. and Oceanpar S.A. have duly complied with their obligations under the law and consequently he believes that there is only a remote possibility that this investigation will have any material adverse impact on the financial position or results of the Company.

b) UABL International S.A. - Bolivian Tax Authority

On November 3, 2006 and April 25, 2007, the Bolivian Tax Authority (Departamento de Inteligencia Fiscal de la Gerencia Nacional de Fiscalización) issued a notice informing 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 \$2,949 (including interest and fines). On June 18, 2007 our legal counsel in Bolivia submitted points of defense to the Bolivian tax authorities.

On August 27, 2007 the Bolivian tax authorities gave notice of a resolution determining the taxes (value added tax, transactions tax and income tax) that UABL International S.A. would owe to them in the amount of approximately \$6,100 (including interest and fines). On October 10, 2007, our legal counsel in Bolivia gave notice to the Bolivian tax authorities of the lawsuit commenced by UABL International S.A. to refute the resolution above mentioned.

On June 26, 2008, the judge ordered a preemptive embargo against all barges owned by UABL International S.A. that may be registered in the International Bolivian Registry of Ships ("RIBB" for its Spanish acronym). Moreover, UABL International S.A. challenged the judge's decision to place the embargo, but our local attorneys have recently advised that although it has not been notified yet the higher court has also reconfirmed the preemptive embargo as the lower court did on November 15, 2008.

According to Company's local counsel this preemptive embargo under Bolivian law has no effect over the Company's right to use its assets nor does it have any implication over the final decision of the court, the substance of the matter and in this case it is ineffective since no significant assets of UABL International S.A. are registered in the RIBB.

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

On August 30, 2008 both parties submitted their arguments to the judge, who is in a position to pass sentence. On August 12, 2009 UABL was served with the judgment of the Bolivian court deciding in favor of the Bolivian tax authorities. On August 22, 2009 UABL submitted an appeal of the lower court judgment to which Bolivian tax authorities have contested. The parties now await the decision by the court of appeal. We have been advised by our local counsel that there is only a remote possibility that UABL International S.A. would finally be found liable for any of these taxes or fines and / or that these proceedings will have a material adverse impact on the financial position or results of the Company.

6. FINANCIAL INSTRUMENTS

The fair value of an asset or liability is the price that would be received to sell an asset or transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company utilizes a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value and defines three levels of inputs that may be used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs derived from observable market data. Level 3 inputs are unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

The Company's assets and liabilities as of March 31, 2010 that are measured at fair value on a recurring basis are summarized below:

	Level 1	Level 2	Level 3
Current assets:			
– Freight Forward Agreements	\$ -	\$ 13,596	\$ -
Current liabilities:			
– Freight Forward Agreements	-	451	-

The estimated fair value of the Company's other financial assets and liabilities as of March 31, 2010 were as follows:

	Carrying amount	Estimated fair value
ASSETS		
Cash and cash equivalents	\$ 39,066	\$ 39,066
Restricted cash (current and non-current portion)	17,543	17,543
LIABILITIES		
Long term financial debt (current and non-current portion – Note 4)	\$ 402,916	\$ 398,898

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

The carrying value of cash and cash equivalents and restricted cash is fair value. The fair value of long-term financial debt was estimated based upon quoted market prices or by using discounted cash flow analyses based on estimated current rates for similar types of arrangements. Generally, the carrying value of variable interest rate debt, approximates fair value. Considerable judgment was required in developing certain of the estimates of fair value and accordingly the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

7. DERIVATIVE INSTRUMENTS AND HEDGING STRATEGIES

All of the Company's derivative positions are stated at fair value. Realized and unrealized gains and losses on derivatives not designated as hedges are reported in income as gains (losses) on derivatives, net. Unrealized gains and losses on derivatives designated as cash flow hedges are reported as a component of other comprehensive income (loss) to the extent they are effective, and reclassified into earnings on the same line item associated with the hedged transaction and in the same period the hedged transaction affects earnings. Any ineffective portion of cash flow hedges is recognized immediately in income (loss).

Assets and liabilities arising from outstanding derivative positions are reported as receivables from derivative instruments and other liabilities, as follows:

	At March 31, 2010	
	Current receivables from derivative instruments	Current other liabilities
Derivatives not designated as hedging instruments		
Freight Forward Agreements	\$ 13,596	\$ 451
	\$ 13,596	\$ 451
	At December 31, 2009	
	Current receivables from derivative instruments	Current other liabilities
Derivatives designated as hedging instruments		
Freight Forward Agreements	\$ 16,885	\$ 1,509
	\$ 16,885	\$ 1,509

At March 31, 2010, the Company does not offset fair value amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral. The amounts of collateral to be posted are defined in the terms of respective master agreements executed with a clearing house. At March 31, 2010 and December 31, 2009, the Company maintained the right to reclaim cash collateral of \$1,252 and \$2,071, respectively, which is included in "Other receivables" in the current assets.

The Company evaluates the risk of counterparty default by monitoring the financial condition of the financial institutions and counterparties involved, by primarily conducting business with large, well-established financial institutions and international traders, and diversifying its counterparties. The Company does not currently anticipate nonperformance by any of its counterparties.

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

CASH FLOW HEDGE

FFA

The Company enters into freight forward agreements (FFAs) either via a clearing house or over the counter with an objective to utilize them as hedging instruments that reduce its exposure to changes in the spot market rates earned by certain of its vessels in the normal course of its Ocean Business, the Capesize OBO fleet. These FFAs involve a contract to provide a fixed number of theoretical days of voyages at fixed rates. These contracts are net settled each month with the Company receiving a fixed rate per day and paying the average rate of the C4TC Index. The FFAs are hedging the fluctuation in the revenues of the Capesize OBO fleet which are based on the C4TC Index.

At March 31, 2010 the outstanding FFAs entered by the Company were as follows:

			Rate received (\$/day)	Rate paid (\$/day)	Notional amount (in thousands)	Fair value Asset (Liability) (in thousands)	Settlement date
O	T	C					
contracts							
	275.0	(1)	83,000	C4TC	\$ 22,825	\$ 13,596	April to December 2010
	135.0	(2)	30,000	C4TC	4,050	\$ (434)	April to December 2010
Contracts via clearing house							
	153.0	(3)	C4TC	29,500 to 39,000	(5,088)	(17)	April to December 2010
						\$ (451)	

(1) Corresponds to each calendar month.

(2) Corresponds to 15 days per month.

(3) Corresponds to 22 days in each April and May, 7 days in June and 17 days in each July and December.

During the three-month periods ended March 31, 2010 and 2009, the Company received net cash settlements for its FFAs positions of \$3,388 and \$12,188, respectively.

As result of the sale of Princess Marisol described in note 3, FFA positions representing 192 days maturing between May and December 2010 with notional amounts totaling \$15,936 were no longer probable of occurring and thus no longer qualified as effective cash flow hedges. A non-cash gain related to these positions of \$9,535 which was reported in other comprehensive income was reclassified into gains on derivatives, net for the three-month period ended March 31, 2010. At March 31, 2010, the Company executed derivatives instruments representing FFA positions for 131 days maturing between May and December 2010, to offset the FFA positions which previously aimed at hedging the market exposure of the Princess Marisol.

8.

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.

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

b) Panama

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

c) Paraguay

Our subsidiaries in Paraguay are subject to Paraguayan corporate income taxes.

d) Argentina

Our subsidiaries in Argentina 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 Companies' 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 Brazil 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 its debt (including intercompany transactions) is extinguished. A deferred income 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, Corporación de Navegación Mundial S.A. (Cor.Na.Mu.S.A.) is subject to Chilean corporate income taxes.

g) United Kingdom (UK)

Our subsidiary in the Offshore Supply Business, UP Offshore (UK) Limited, is not subject to corporate income tax in the United Kingdom, rather, it qualifies under UK tonnage tax rules and pays a flat rate based on the net tonnage of qualifying PSVs.

h) United States of America (US)

Under the U.S. 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. is 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, 2010 and 2009 our subsidiaries did not derive any U.S. source shipping income. Therefore our subsidiaries are not subject to any U.S. federal income taxes, except the ship management services provided by Ravenscroft.

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

9. SHARE CAPITAL

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. The shares held directly by our Original Shareholders expressly are entitled to seven votes per share and all other holders of our common stock are entitled to one vote per share. The special voting rights of the Original Shareholders are not transferable.

At March 31, 2010 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 2,977,690, 4,735,517 and 150,878 shares, respectively, which represent 9.9%, 15.8% and 0.5%, respectively. The joint voting power for these shares represents 71.5% of the total voting power and 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 and Offshore Supply 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:

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 the Parana, Paraguay and Uruguay Rivers and part of the River Plate in South America, also known as the Hidrovia region.

Offshore Supply Business: We operate our Offshore Supply Business, using PSVs owned by UP Offshore (Bahamas), which are all employed 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.

Ocean Business: In our Ocean Business, we operate eight oceangoing vessels and semi-integrated oceangoing tug barge units (six of these owned and two leased) under the trade name Ultrapetrol. Our Suezmax, Capesize and Handy size/small product tanker 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.

ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

All of the Company's operating revenues were derived from its foreign operations. The following represents the Company's revenues attributed by geographical region in which services are provided to customers.

Revenues (1)	For the three-month periods ended March 31,	
	2010	2009
– South America	\$ 42,516	\$ 30,623
– Europe	8,353	24,456
– Asia	1,992	978
– Other	1,369	1,759
	\$ 54,230	\$ 57,816

(1) Classified by country of domicile of charterers.

The Company's vessels are highly mobile and regularly and routinely moved between countries within a geographical region of the world. In addition, these vessels may be redeployed among the geographical regions as changes in market conditions dictate. Because of this mobility, long-lived assets, primarily vessels and equipment cannot be allocated to any one country.

The following represents the Company's vessels and equipment based upon the assets physical location as of the end of each applicable period presented:

Vessels and equipment, net	At March 31, 2010	At December 31, 2009
– South America	\$ 441,668	\$ 397,986
– Europe	-	37,398
– Asia	105,647	97,874
– Other	17,062	38,220
	\$ 564,377	\$ 571,478

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, 2010:

Ocean Business	Offshore Supply Business	River Business	Total
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Revenues	\$	17,745	\$	12,210	\$	24,275	\$	54,230
Running and voyage expenses		10,207		7,535		15,649		33,391
Depreciation and amortization		3,036		1,661		4,026		8,723
Segment operating profit		2,639		1,709		1,975		6,323
Segment assets		134,791		242,863		299,309		676,963
Investment in affiliates		291		-		1,451		1,742
(Loss) from investment in affiliates		(15)		-		(30)		(45)
Additions to long-lived assets		1,781		732		11,572		14,085

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

Reconciliation of total assets of the segments to amount included in the unaudited condensed consolidated balance sheet as follow:

At March 31, 2010

Total assets for reportable segments	\$	676,963
Other assets		15,722
Corporate cash and cash equivalents		39,066
Consolidated total assets	\$	731,751

The following schedule presents segment information about the Company's operations for the three-month period ended March 31, 2009:

	Ocean Business	Offshore Supply Business	River Business	Total
Revenues	\$ 25,368	\$ 9,172	\$ 23,276	\$ 57,816
Running and voyage expenses	11,413	4,491	17,741	33,645
Depreciation and amortization	5,416	1,328	3,241	9,985
Segment operating profit (loss)	7,796	2,062	(402)	9,456
(Loss) from investment in affiliates	(5)	-	(85)	(90)
Additions to long-lived assets	1,540	11,612	11,143	24,295

11. DISCONTINUED OPERATIONS

During 2008, the Company has decided to discontinue its operations in the Passenger Business.

For all periods presented the passenger Business operations have been reported as discontinued operations net of income taxes.

On February 5, 2010, the Blue Monarch passenger vessel was sold and delivered to her new owners for \$1,950, with no impact in earnings.

The impact of discontinued operations on net income (loss) per share of Ultrapetrol (Bahamas) Limited in all periods presented is disclosed in the unaudited condensed consolidated statements of income.

Discontinued operations, net of income taxes consist of the following:

	For the three-month periods ended March 31,	
	2010	2009
Running and voyage expenses	\$ 365	\$ 250

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Other expense, net	150	300
Loss from discontinued operations	\$ 515	\$ 550

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

12. SUPPLEMENTAL GUARANTOR INFORMATION

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

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

The Indenture includes certain terms under which a subsidiary may be classified as an Unrestricted Subsidiary. The Board of Directors determined that UP Offshore (Bahamas) Limited (the holding company of our Offshore Supply Business) has met those criteria and on October 29, 2009, the Board of Directors of Ultrapetrol (Bahamas) Limited declared UP Offshore (Bahamas) Limited, as an Unrestricted Subsidiary pursuant to the terms of the Indenture.

Supplemental unaudited 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 unaudited condensed consolidated financial statements.

SUPPLEMENTAL CONDENSED COMBINING BALANCE SHEET

AT MARCH 31, 2010 (UNAUDITED)

(stated in thousands of U.S. dollars)

	Parent	Combined subsidiary guarantors	Combined subsidiary non guarantors	Consolidating adjustments	Total consolidated amounts
Current assets					
Receivables from related parties	\$ 228,221	\$ 78,249	\$ 28,789	\$ (335,184)	\$ 75
Other current assets	26,392	49,306	32,228	-	107,926
Total current assets	254,613	127,555	61,017	(335,184)	108,001
Noncurrent assets					
Vessels and equipment, net	-	164,358	401,066	(1,047)	564,377
Investment in affiliates	216,785	-	1,742	(216,785)	1,742
Other noncurrent assets	5,009	27,397	25,225	-	57,631
Total noncurrent assets	221,794	191,755	428,033	(217,832)	623,750
Total assets	\$ 476,407	\$ 319,310	\$ 489,050	\$ (553,016)	\$ 731,751
Current liabilities					
Payable to related parties	\$ -	\$ 126,930	\$ 208,298	\$ (335,184)	\$ 44
Current portion of long-term financial debt	10,000	-	11,616	-	21,616
Other current liabilities	5,865	10,293	13,881	-	30,039
Total current liabilities	15,865	137,223	233,795	(335,184)	51,699
Noncurrent liabilities					
Long-term financial debt net of current portion	180,000	40,000	161,300	-	381,300
Other noncurrent liabilities	-	935	12,247	-	13,182
Total noncurrent liabilities	180,000	40,935	173,547	-	394,482
Total liabilities	195,865	178,158	407,342	(335,184)	446,181

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Equity	280,542	141,152	81,708	(222,860)	280,542
Noncontrolling interest	-	-	-	5,028	5,028
Total equity	280,542	141,152	81,708	(217,832)	285,570
Total liabilities and equity	\$ 476,407	\$ 319,310	\$ 489,050	\$ (553,016)	\$ 731,751

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SUPPLEMENTAL CONDENSED COMBINING BALANCE SHEET

AT DECEMBER 31, 2009

(stated in thousands of U.S. dollars)

	Parent	Combined subsidiary guarantors	Combined subsidiary non guarantors	Consolidating adjustments	Total consolidated amounts
Current assets					
Receivables from related parties	\$ 218,554	\$ 83,586	\$ 24,792	\$ (326,865)	\$ 67
Other current assets	34,938	52,229	27,096	-	114,263
Total current assets	253,492	135,815	51,888	(326,865)	114,330
Noncurrent assets					
Vessels and equipment, net	-	172,664	399,875	(1,061)	571,478
Investment in affiliates	218,371	-	1,787	(218,371)	1,787
Other noncurrent assets	4,990	14,012	26,337	-	45,339
Total noncurrent assets	223,361	186,676	427,999	(219,432)	618,604
Total assets	\$ 476,853	\$ 322,491	\$ 479,887	\$ (546,297)	\$ 732,934
Current liabilities					
Payables to related parties	\$ -	\$ 127,564	\$ 199,360	\$ (326,865)	\$ 59
Current portion of long-term financial debt	10,000	-	11,286	-	21,286
Other current liabilities	3,151	10,640	10,842	-	24,633
Total current liabilities	13,151	138,204	221,488	(326,865)	45,978
Noncurrent liabilities					
Long-term financial debt net of current portion	180,000	40,000	164,245	-	384,245
Other noncurrent liabilities	-	959	13,169	-	14,128
Total noncurrent liabilities	180,000	40,959	177,414	-	398,373
Total liabilities	193,151	179,163	398,902	(326,865)	444,351
Equity of Ultrapetrol (Bahamas) Limited					
	283,702	143,328	80,985	(224,312)	283,703

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Noncontrolling interest	-	-	-	4,880	4,880
Total equity	283,702	143,328	80,985	(219,432)	288,583
Total liabilities and equity	\$ 476,853	\$ 322,491	\$ 479,887	\$ (546,297)	\$ 732,934

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SUPPLEMENTAL CONDENSED COMBINING STATEMENTS OF OPERATIONS

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2010 (UNAUDITED)

(stated in thousands of U.S. dollars)

	Parent	Combined subsidiary guarantors	Combined subsidiary non guarantors	Consolidating adjustments	Total consolidated amounts
Revenues	\$ -	\$ 27,018	\$ 28,183	\$ (971)	\$ 54,230
Operating expenses	(1,673)	(21,435)	(25,755)	956	(47,907)
Operating profit (loss)	(1,673)	5,583	2,428	(15)	6,323
Investment in affiliates	9,720 (1)	-	(45)	(9,720)	(45)
Other income (expenses)	(222)	2,964	(1,122)	-	1,620
Income from continuing operations before income taxes	7,825	8,547	1,261	(9,735)	7,898
Income taxes	-	611	(21)	-	590
Income from continuing operations	7,825	9,158	1,240	(9,735)	8,488
Loss from discontinued operations	-	-	(515)	-	(515)
Net income	7,825	9,158	725	(9,735)	7,973
Net income attributable to noncontrolling interest	-	-	-	(148)	(148)
Net income attributable to Ultrapetrol (Bahamas) Limited	\$ 7,825	\$ 9,158	\$ 725	\$ (9,883)	\$ 7,825

(1) Includes a loss of \$515 related to discontinued operations.

SUPPLEMENTAL CONDENSED COMBINING STATEMENTS OF OPERATIONS

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2009 (UNAUDITED)

(stated in thousands of U.S. dollars)

	Parent	Combined subsidiary guarantors	Combined subsidiary non guarantors	Consolidating adjustments	Total consolidated amounts
Revenues	\$ -	\$ 33,755	\$ 25,306	\$ (1,245)	\$ 57,816
Operating expenses	(2,169)	(23,019)	(24,402)	1,230	(48,360)
Operating profit (loss)	(2,169)	10,736	904	(15)	9,456
Investment in affiliates	3,119 (1)	-	(90)	(3,119)	(90)
Other income (expenses)	(333)	(5,674)	(1,655)	-	(7,662)
Income (loss) from continuing operations before income taxes	617	5,062	(841)	(3,134)	1,704
Income taxes	-	(39)	(368)	-	(407)
Income (loss) from continuing operations	617	5,023	(1,209)	(3,134)	1,297
Loss from discontinued operations	-	-	(550)	-	(550)
Net income	617	5,023	(1,759)	(3,134)	747
Net income attributable to noncontrolling interest	-	-	-	(130)	(130)
Net income attributable to Ultrapetrol (Bahamas) Limited	\$ 617	\$ 5,023	\$ (1,759)	\$ (3,264)	\$ 617

(1) Includes a loss of \$550 related to discontinued operations.

SUPPLEMENTAL CONDENSED COMBINING STATEMENT OF CASH FLOW

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2010 (UNAUDITED)

(stated in thousands of U.S. dollars)

	Parent	Combined subsidiary guarantors	Combined subsidiary non guarantors	Consolidating adjustments	Total consolidated amounts
Net income	\$ 7,973	\$ 9,158	\$ 873	\$ (10,031)	\$ 7,973
Loss from discontinued operations	-	-	515	-	515
Adjustments to reconcile net income to net cash provided by (used in) operating activities	(5,665)	(10,410)	(1,371)	10,031	(7,415)
Net cash provided by (used in) operating activities from continuing operations	2,308	(1,252)	17	-	1,073
Net cash (used in) operating activities from discontinued operations	-	-	(431)	-	(431)
Net cash provided by (used in) operating activities	2,308	(1,252)	(414)	-	642
Intercompany sources	(10,625)	4,702	(3,997)	9,920	-
Non-subsidiary sources	-	5,702	(4,856)	-	846
Net cash (used in) provided by investing activities from continuing operations	(10,625)	10,404	(8,853)	9,920	846
Net cash provided by investing activities from discontinued operations	-	-	1,950	-	1,950
Net cash (used in) provided by investing activities	(10,625)	10,404	(6,903)	9,920	2,796
Intercompany sources	-	-	9,920	(9,920)	--
Non-subsidiary sources	(258)	(14,700)	(2,615)	-	(17,573)

Net cash (used in) provided by financing activities from continuing operations	(258)	(14,700)	7,305	(9,920)	(17,573)
Net (decrease) in cash and cash equivalents	\$ (8,575)	\$ (5,548)	\$ (12)	\$ -	\$ (14,135)

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SUPPLEMENTAL CONDENSED COMBINING STATEMENT OF CASH FLOW
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2009 (UNAUDITED)

(stated in thousands of U.S. dollars)

	Parent	Combined subsidiary guarantors	Combined subsidiary non guarantors	Consolidating adjustments	Total consolidated amounts
Net income (loss)	\$ 747	\$ 5,023	\$ (1,759)	\$ (3,264)	\$ 747
Loss from discontinued operations	-	-	550	-	550
Adjustments to reconcile net income to net cash provided by (used in) operating activities	6,937	(2,129)	5,270	3,264	13,342
Net cash provided by operating activities from continuing operations	7,684	2,894	4,061	-	14,639
Net cash provided by operating activities from discontinued operations	-	-	390	-	390
Net cash provided by operating activities	7,684	2,894	4,451	-	15,029
Intercompany sources	(10,824)	-	14,435	(3,611)	-
Non-subsidiary sources	-	(7,236)	(15,959)	-	(23,195)
Net cash (used in) investing activities from continuing operations	(10,824)	(7,236)	(1,524)	(3,611)	(23,195)
Intercompany sources	(14,435)	-	10,824	3,611	-
Non-subsidiary sources	(125)	34	(9,140)	-	(9,231)
Net cash (used in) provided by financing activities from continuing operations	(14,560)	34	1,684	3,611	(9,231)
Net (decrease) increase in cash and cash equivalents	\$ (17,700)	\$ (4,308)	\$ 4,611	\$ -	\$ (17,397)

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13.

SUBSEQUENT EVENTS

Interest rate collar

On May 7, 2010, through UABL Limited, our holding subsidiary in the River Business, we entered into an interest rate collar transaction with IFC through which we expect to hedge our exposure to interest volatility under our financings with IFC and OFID from June 2010 to June 2016. The initial notional amount is \$75,000 (subsequently adjusted in accordance with the amortization schedule under these financings), with UABL Limited being the USD Floor Rate seller at a floor strike rate of 1.69%, and IFC being the USD Cap Rate seller at a cap strike rate of 5.00%.

FFA

On May 12, 2010, we entered into a cleared FFA contracts whereby a subsidiary of ours contracted via BNP Paribas Commodity Futures Ltd. ("BNP") with LCH to charge LCH the average time charter rate for the C4TC for a total of 3 days in May 2010 in exchange for a fixed rate of \$45,250 per day, and a total of 10 days in June 2010 in exchange for a fixed weighted average rate of \$42,938 per day.

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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)

By: /s/ Felipe Menendez Ross
Name: Felipe Menendez Ross
Title: Chief Executive Officer

Dated: May 13, 2010