

Form

Unknown document format

pplicable withholding tax). Finally, the primary case was appealed by the UABL entities before the Tax and Administrative Court, and when summoned, the Paraguayan Tax Authorities filed an admission, upon which the Court on November 24, 2006, confirmed that the UABL entities were not liable for the first two issues. Nevertheless, the third issue continued, and through a resolution which was provided to UABL on October 13, 2006, the Paraguayan Undersecretary for Taxation has confirmed that, in his opinion, UABL was liable for a total of approximately \$0.5 million and has applied a fine of 100% of this amount. UABL have entered a plea with the respective court contending the interpretation on the third issue where we claim to be equally non liable. We have been advised by UABL's counsel in the case that there is only a remote possibility that a court would find UABL liable for any of these taxes or fines.

On November 3, 2006 and April 25, 2007, the Bolivian Tax Authority (*Departamento de Inteligencia Fiscal de la Gerencia Nacional de Fiscalizacion*) issued a notice in the Bolivian press advising that UABL International S.A. (a Panamanian subsidiary of the Company) would owe taxes to that authority in the amount of approximately \$2.5 million (including interest), together with certain fines that have not been determined yet. On June 18, 2007, our legal counsel in Bolivia submitted points of defense to the Bolivian tax authorities. We have been advised by our local counsel in the case that there is only a remote possibility that UABL International S.A. would finally be found liable for any of these taxes or fines and / or that these proceedings will have financial impact on the 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**

Six months ended June 30, 2007 compared to the six months ended June 30, 2006.

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

	Second Quarter Ended June 30,		Six Months Ended June 30,		Percent Change
	2007	2006	2007	2006	
<b>Revenues</b>					
Attributable to River Business	\$23,497	\$21,349	\$45,025	\$36,939	22%
Attributable to Offshore Supply Business	10,674	6,972	19,070	10,413	83%
Attributable to Ocean Business	12,760	11,053	25,513	20,441	25%
Attributable to Passenger Business	8,495	7,539	11,244	9,363	20%
<b>Total</b>	<b>55,426</b>	<b>46,913</b>	<b>100,852</b>	<b>77,156</b>	<b>31%</b>
<b>Voyage expenses</b>					
Attributable to River Business	(9,628)	(8,480)	(18,270)	(15,931)	15%
Attributable to Offshore Supply Business	(424)	(519)	(622)	(3,161)	(80%)
Attributable to Ocean Business	(166)	(103)	(495)	(422)	17%
Attributable to Passenger Business	(2,945)	(1,303)	(3,704)	(1,704)	117%
<b>Total</b>	<b>(13,163)</b>	<b>(10,405)</b>	<b>(23,091)</b>	<b>(21,218)</b>	<b>9%</b>
<b>Running cost</b>					
Attributable to River Business	(6,142)	(5,285)	(11,681)	(9,263)	26%
Attributable to Offshore Supply Business	(3,184)	(1,073)	(5,808)	(1,831)	217%
Attributable to Ocean Business	(3,539)	(3,700)	(7,394)	(6,874)	8%
Attributable to Passenger Business	(5,536)	(3,764)	(8,164)	(4,999)	63%
<b>Total</b>	<b>(18,401)</b>	<b>(13,822)</b>	<b>(33,047)</b>	<b>(22,967)</b>	<b>44%</b>
Amortization of dry dock & intangible assets	(1,992)	(2,317)	(4,100)	(4,381)	(6%)
Depreciation of vessels and equipment	(6,413)	(5,189)	(12,359)	(8,606)	44%
Management fees and administrative and commercial expenses	(5,375)	(3,302)	(9,868)	(5,540)	77%
Other operating income	2	0	65	0	-
<b>Operating profit</b>	<b>10,084</b>	<b>11,878</b>	<b>18,452</b>	<b>14,444</b>	<b>28%</b>
Financial expense	(4,577)	(4,820)	(9,674)	(9,669)	0%
Financial income	1,083	55	1,273	273	366%
Net income (loss) on FFAs	(3,073)	0	(3,073)	0	-
Investment in affiliates	124	196	293	724	(60%)

Edgar Filing: - Form

Other income (expense)	(126)	2	(255)	62	-
Total other expenses	(6,569)	(4,567)	(11,436)	(8,610)	33%
Income before income taxes and minority interest	3,515	7,311	7,016	5,834	20%
Income taxes	(2,388)	(29)	(3,786)	(79)	4,692%
Minority interest	(184)	(359)	(323)	(445)	(27%)
Net income for the period	\$943	\$6,923	\$2,907	\$5,310	(45%)

---

*Revenues.* Total revenues from our River Business increased by \$8.1 million or 22% from \$36.9 million for the six months ended June 30, 2006 to \$45.0 million for the same period in 2007. This growth is mainly attributable to a 27% increase in volumes loaded as compared to the same period of 2006, partially offset by a negative \$1.3 million barge positioning adjustment affecting the revenues in the first half of 2007 compared with a \$0.1 million positive adjustment in the same period for 2006.

Total revenues from our Offshore Supply Business increased from \$10.4 million for the six months ended June 30, 2006 to \$19.1 million for the same period in 2007, or an increase of 83%. This increase is mainly attributable to the operations of the *UP Topazio* and *UP Agua-Marinha* for the full six months ending June 30, 2007 compared to zero and three months, respectively, of operation in the same six months of 2006 and the start of operations of our *UP Diamante* in May 2007, coupled with higher average rates obtained by our vessels in the North Sea and by the *UP Agua-Marinha* in Brazil, when compared to rates for the same period in 2006.

Total revenues from our Ocean Business increased from \$20.5 million for the six months ended June 30, 2006 to \$25.5 million for the six months ended June 30, 2007, or an increase of 25%. This increase is primarily attributable to the higher time charter rates obtained by our vessels *Princess Katherine* and *Princess Susana* as compared to first half 2006 and the start of operations of the *Alejandrina* in March 2007, partially offset by the lesser number of operational days of our vessels *Miranda I*, *Princess Nadia* and *Alianza G3* due to the double hull conversion works of the former and the scheduled drydocking stroke for repairs of the latter two vessels.

Total revenues from our Passenger Business increased 20% from \$9.4 million in the first six months of 2006 to \$11.2 million in the same period of 2007. This increase is primarily attributable to higher revenues from our *Blue Monarch* (formerly named *Grand Victoria*) which operated on a full ticket revenue basis in the first six months of 2007 as opposed to operating on a deck and engine time charter in the same period of 2006, and the off season employment the *New Flamenco* obtained as a floating hotel for various events during January and February 2007, partially offset by the fact that *New Flamenco* started her European summer season in March 2006 while in 2007 she commenced this service in May in accordance with the contract she has with a Spanish Tour Operator.

*Voyage expenses.* In the six months ended June 30, 2007, voyage expenses of our River Business were \$18.3 million, as compared to \$15.9 million for the same period of 2006, an increase of \$2.4 million. The increase is mainly attributable to an increase in our fuel expenditure and port expenses on the River Business, consistent with a larger volume of cargo carried.

In the six months ended June 30, 2007, voyage expenses of our Offshore Supply Business were \$0.6 million, as compared to \$3.2 million for the same period of 2006. This decrease is primarily attributable to the effect of the bareboat charter paid for the PSVs *UP Esmeralda* and *UP Safira* during the three months of 2006 prior to the consolidation of UP Offshore as from the second quarter of 2006, partially offset by the operation of the *UP Topazio* (which was delivered to us in September 2006) for the entire first half of 2007 and the delivery and entry into operation of the *UP Diamante* in May 2007.

In the six months ended June 30, 2007, voyage expenses of our Ocean Business were \$0.5, as compared to \$0.4 for the same period of 2006. This increase is mainly attributable to the start of operations of the *Alejandrina*, partially offset by lower voyage expenses in our vessel *Miranda I* - due to the lesser number of operational days related to its double hull conversion works - and the elimination of the brokerage commissions paid to Ravenscroft after its consolidation as our subsidiary from the second quarter of 2006.

In the six months ended June 30, 2007, voyage expenses of our Passenger Business were \$3.7 million as compared to \$1.7 million for the same period in 2006. This increase is mainly attributable to the fuel expenses and port costs related to the operation of the *Blue Monarch* under her new operation in the Aegean and the higher off season activity of the *New Flamenco*, partially offset by her later start in May 2007.

*Running costs.* For the six months ended June 30, 2007, running costs of our River Business were \$11.7 million, as compared to \$9.3 million for the same period in 2006, an increase of \$2.4 million. This increase was mainly attributable to an increase in our boat costs such as crew, supplies and repairs consistent with the increase in volumes carried and the four months of operation of the *Otto Candies* convoy since the acquisition of these assets in March 2007.

For the six months ended June 30, 2007, running costs of our Offshore Supply Business were \$5.8 million, as compared to \$1.8 million for the same period in 2006. This increase is primarily attributable to the operation of the *UP Agua-Marinha* and *UP Topazio* for the full six months ended June 30, 2007 compared with three months of operation of the *UP Agua-Marinha* in the same period of 2006, the *UP Topazio* which was only delivered to us in September 2006 and to the start of operations of our *UP Diamante* in May 2007.

---

For the six months ended June 30, 2007, running costs of our Ocean Business were \$7.4 million, as compared to \$6.9 million for the same period in 2006. The increase is mainly attributable to the start of operations of our new product carrier *Alejandrina*, partially offset by a lower number of operational days of our vessels *Miranda I* and *Alianza G3* due to their double hull conversion works and repair works, respectively, and by lower days in operation of our *Princess Nadia* in January 2007 due to her dry dock.

For the six months ended June 30, 2007, running costs of our Passenger Business were \$8.2 million, compared to \$5.0 million for the same period in 2006. This increase is mainly attributable to the higher running costs of our *Blue Monarch* related to her Aegean Sea operation (as compared to her deck and engine time charter in the same period of 2006) and the off season employment of the *New Flamenco* which was not present in the first six months of 2006, partially offset by her later start in May 2007.

*Amortization of dry docking and intangible assets.* For the six months ended June 30, 2007, amortization of dry docking and special survey costs were \$3.7 million as compared to \$4.2 million for the same period in 2006. This decrease is primarily attributable to the reduced level of amortization of drydock of *Princess Marina* in 2007. Amortization of intangible assets was \$0.4 million for the six months ended June 30, 2007 as compared to \$0.2 million for the same period in 2006. The increase is primarily attributable to the amortization of intangible assets related to the purchase of Ravenscroft as our subsidiary for the full six months ended June 30, 2007 as compared to three months in the same period of 2006.

*Depreciation of vessels and equipment.* Depreciation increased by \$3.8 million, or 44%, to \$12.4 million for the six months ended June 30, 2007 as compared to \$8.6 million for the same period in 2006. This increase is primarily attributable to the combined effect of the consolidation of UP Offshore as our subsidiary from the second quarter of 2006, the additional depreciation associated with the acquisitions of the *Alejandrina* and the *Otto Candies* convoy, the delivery by the yard and entry into operation of the *UP Diamante*, a full period of depreciation of our vessel *Blue Monarch* as compared to three months starting after her entry into operations during first half 2006, the increased value of our vessel *New Flamenco* (which was fully refurbished in the first quarter of 2006), the depreciation associated with machinery added to our yard in Ramallo and the additional depreciation associated with the barge enlargement program and the barges included in the bottom replacement program.

*Management fees and administrative and commercial expenses.* Management fees and administrative expenses were \$9.9 million for the six months ended June 30, 2007 as compared to \$5.6 million for the same period in 2006. This increase of \$4.3 million is mainly attributable to the effect of the consolidation of UP Offshore and Ravenscroft as our subsidiaries from the second quarter of 2006 and the cost of the compensation granted to the Board in the form of stock options and grants of stock in the fourth quarter of 2006.

*Other operating income.* Did not change significantly.

*Operating profit.* Operating profit for the six months ended June 30, 2007 was \$18.5 million, as compared to \$14.4 million for the same period in 2006, an increase of \$4.1 million. This increase is mainly attributable to the effect of the consolidation of UP Offshore (as from the second quarter of 2006) which had four ships working for the full first half of 2007 as compared to only two and a half ships, in average, during the first six months of 2006 (\$4.6 million) and improved performance of our River (\$1.6 million) and Ocean (\$2.7 million) Businesses, partially offset by a loss in the Passenger Business of \$3.7 million compared with a profit of \$1.1 million in 2006, and by higher management fees and administrative and commercial expenses.

*Financial expense.* Financial expense did not change significantly, since the effect of the consolidation of UP Offshore as our subsidiary from the second quarter of 2006 was largely offset by the full cancellation of our indebtedness in the River Business in October 2006.

*Net income (loss) on FFAs.* The net loss on FFAs increased to \$3.1 million in the first half of 2007 as compared to zero in 2006 because the Company had no FFAs in place by the end of the same period of 2006.

*Minority Interest.* Did not change significantly.

*Income tax.* The charge for six months ended June 30, 2007 was \$3.8 million, compared with \$0.1 million for the same period in 2006. The higher charge in 2007 compared with 2006 principally reflects the deferred income tax charge from unrealized foreign currency exchange gains on US Dollar-denominated debt of our Brazilian subsidiary in our Offshore Supply Business (which is consolidated since the second quarter of 2006) of \$2.4 million, as well as the tax liability in Brazil under the accelerated depreciation scheme our Brazilian subsidiary is utilizing for Brazilian tax purposes.

---

## **Liquidity and Capital Resources**

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

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

As of June 30, 2007, we had aggregate indebtedness of \$266.3 million, consisting of \$180.0 million aggregate principal amount of our First Preferred Ship Mortgage Notes due 2014, or the Notes, consolidated indebtedness of our subsidiary UP Offshore (Bahamas) Limited of \$71.9 million under two senior loan facilities with DVB, indebtedness of our subsidiary Stanyan Shipping Inc. of \$13.4 million under a senior loan facility with Natixis, and a credit facility of our subsidiary Danube Maritime Inc. with BNP Paribas of \$1.0 million, plus accrued interest of \$1.9 million.

At June 30, 2007, we had cash and cash equivalents on hand of \$103.4 million. In addition, we had \$9.8 million in non current restricted cash.

## **Operating Activities**

In the six months ended June 30, 2007, we generated \$32.1 million in cash flow from operations compared to \$12.1 million in the same period of 2006. We had a net income of \$3.9 million for the first six months ended June 30, 2007, as compared to a net income of \$5.3 million in the same period of 2006, a decrease of \$1.4 million.

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

## **Investing Activities**

During the six months ended June 30, 2007, we disbursed \$13.8 million to purchase 100% of the shares of Compania Paraguaya de Transporte Fluvial and 100% of the shares of Candies Paraguayan Ventures LLC, and \$22.5 million to enlarge and refurbish barges and pushboats and as part of the purchase of 33 Mississippi barges and one pushboat in our River Business; \$8.7 million to fund the 20% advance on the two PSVs that are being constructed in India and \$5.8 million in respect of PSV vessels *UP Diamante* (delivered to us in May 2007) and *UP Rubi*, under construction in Brazil, in our Offshore Supply Business; \$15.8 million related to the purchase of the *Alejandrina* and \$9.4 million to convert the *Amadeo* and the *Miranda I* into double hull and in repair works for the *Alianza G3* in our Ocean Business; and finally \$2.5 million to refurbish the *Blue Monarch* in our Passenger Business.

## **Financing Activities**

Net cash provided by financing activities was \$138.0 million during the six months ended June 30, 2007, compared to net cash used in financing activities of \$6.8 million during the same period of 2006. The increase in cash provided by financing activities from 2007 to 2006 is mainly attributable to the net proceeds of our follow-on offering of \$91.2 million, the \$61.3 million loan agreement with DVB in our Offshore Supply Business and the draw down of our senior loan facility with Natixis for \$13.6 million, partially offset for the paying off of our indebtedness in the Offshore Supply Business for \$28.4 million.

## **Future Capital Requirements**



Our near-term cash requirements are related primarily to funding operations and the scheduled installments of our new vessels under construction, setting up our new yard for building barges in Argentina, potentially acquiring second-hand vessels, covering margin calls and settlements under our outstanding FFAs, increasing the size of some of our barges and purchasing new engines for our line pushboats. We cannot assure that our actual cash requirements will not be greater than we currently expect. If we cannot generate sufficient cash flow from operations, we may obtain additional funding through capital market transactions, bank debt and other financial instruments, although it is possible these sources will not be available to us.

---

**Supplemental Information**

The following table reconciles our EBITDA to our net income:

(\$000)	Six Months Ended June 30,	
	2007	2006
Net Income (loss)	\$2,907	\$5,310
Plus		
Financial expense	9,674	9,669
Income taxes	3,786	79
Depreciation and amortization	16,459	12,987
<b>EBITDA <sup>(1)</sup></b>	<b>\$32,826</b>	<b>\$28,045</b>

The following tables reconcile our EBITDA to our Operating profit (loss) for the six months ended June 30, 2007 and 2006, on a consolidated and a per segment basis:

(\$000)	Six Months Ended June 30, 2007				
	River	Offshore Supply	Ocean	Passenger	TOTAL
Segment operating profit (loss)	\$6,982	\$8,534	\$6,620	(\$3,684)	\$18,452
Depreciation and amortization	4,610	1,994	7,292	2,563	16,459
Investment in affiliates / Minority interest	18	(338)	290	0	(30)
Other, net <sup>(3)</sup>	(284)	16	41	(28)	(255)
Net income (loss) on FFAs	0	0	(3,073)	0	(3,073)
<b>Segment EBITDA</b>	<b>\$11,326</b>	<b>\$10,206</b>	<b>\$11,170</b>	<b>(\$1,149)</b>	<b>\$31,553</b>
<b>Items not included in segment EBITDA</b>					
Financial income					1,273
<b>Consolidated EBITDA<sup>(2)</sup></b>					<b>\$32,826</b>

(\$000)	Six Months Ended June 30, 2006				
	River	Offshore Supply	Ocean	Passenger	TOTAL
Operating profit (loss)	\$5,426	\$3,922	\$3,955	\$1,141	\$14,444
Depreciation and amortization	3,913	652	7,297	1,125	12,987
Investment in affiliates / Minority interest	(198)	50	427	0	279
Other, net <sup>(3)</sup>	(138)	18	182	0	62
<b>Segment EBITDA</b>	<b>\$9,003</b>	<b>\$4,642</b>	<b>\$11,861</b>	<b>\$2,266</b>	<b>\$27,772</b>
<b>Items not included in segment EBITDA</b>					
Financial income					273

Consolidated EBITDA <sup>(2)</sup>	\$28,045
------------------------------------	----------

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

(2) The reconciliation of our consolidated EBITDA to our Net income is set forth in the first table shown under section "Supplemental Information" in this filing.

(3) Individually not significant.

---

**ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES**

**Condensed Consolidated Financial Statements at June 30, 2007**

---

**ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES**

**TABLE OF CONTENTS TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

<b>CONTENTS</b>	<b>PAGE</b>
• Financial statements	
– Condensed consolidated balance sheets at June 30, 2007 (unaudited) and December 31, 2006	- 1 -
– Condensed consolidated statements of income for the six-month periods ended June 30, 2007 and 2006 (unaudited)	- 2 -
– Condensed consolidated statements of changes in shareholders' equity for the six-month periods ended June 30, 2007 and 2006 (unaudited)	- 3 -
– Condensed consolidated statements of cash flows for the six-month periods ended June 30, 2007 and 2006 (unaudited)	- 4 -
– Notes to condensed consolidated financial statements	- 5 -

---

## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

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

	At June 30, 2007 (Unaudited)	At December 31, 2006
--	------------------------------------	----------------------------

## ASSETS

## CURRENT ASSETS

Cash and cash equivalents	\$ 103,401	\$ 20,648
Accounts receivable, net of allowance for doubtful accounts of \$284 and \$709 in 2007 and 2006, respectively	13,353	17,333
Receivables from related parties	2,778	3,322
Marine and river operating supplies	2,755	3,020
Prepaid expenses	5,742	2,530
Other receivables	9,259	7,917
<b>Total current assets</b>	<b>137,288</b>	<b>54,770</b>

## NONCURRENT ASSETS

Other receivables	5,549	6,368
Receivables from related parties	1,995	2,280
Restricted cash	9,847	1,088
Vessels and equipment, net	400,527	333,191
Dry dock	9,991	9,673
Investment in affiliates	2,578	2,285
Intangible assets	3,355	3,748
Goodwill	5,015	5,015
Other assets	5,857	6,014
Deferred tax assets	2,233	1,947
<b>Total noncurrent assets</b>	<b>446,947</b>	<b>371,609</b>
<b>Total assets</b>	<b>\$ 584,235</b>	<b>\$ 426,379</b>

LIABILITIES, MINORITY INTEREST AND  
SHAREHOLDERS' EQUITY

## CURRENT LIABILITIES

Accounts payable	\$ 22,604	\$ 13,491
Payable to related parties	-	420
Accrued interest	1,924	1,691
Current portion of long-term financial debt	7,108	4,700
Other payables	6,050	2,469
<b>Total current liabilities</b>	<b>37,686</b>	<b>22,771</b>

## NONCURRENT LIABILITIES

Long-term debt	180,000	180,000
----------------	---------	---------

## Edgar Filing: - Form

Financial debt, net of current portion	79,206	34,294
Deferred tax liability	9,262	6,544
Other payables	-	250
<b>Total noncurrent liabilities</b>	<b>268,468</b>	<b>221,088</b>
<b>Total liabilities</b>	<b>306,154</b>	<b>243,859</b>
<b>MINORITY INTEREST</b>	<b>3,325</b>	<b>3,091</b>
<b>SHAREHOLDERS' EQUITY</b>		
Common stock, \$.01 par value: 100,000,000 authorized shares; 33,443,030 and 28,346,952 shares issued and outstanding in 2007 and 2006, respectively	334	283
Additional paid-in capital	265,785	173,826
Accumulated earnings (losses)	8,138	5,231
Accumulated other comprehensive income (loss)	499	89
<b>Total shareholders' equity</b>	<b>274,756</b>	<b>179,429</b>
<b>Total liabilities, minority interest and shareholders' equity</b>	<b>\$ 584,235</b>	<b>\$ 426,379</b>

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

---

## 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 six-month periods ended June 30,  
2007

2006

**REVENUES**

Revenues from third parties	\$	98,841	\$	75,691
Revenues from related parties		2,011		1,465
Total revenues		100,852		77,156

**OPERATING EXPENSES**

Voyage expenses		(23,091)		(21,218)
Running costs		(33,047)		(22,967)
Amortization of dry docking		(3,707)		(4,185)
Depreciation of vessels and equipment		(12,359)		(8,606)
Management fees to related parties		-		(511)
Amortization of intangible assets		(393)		(196)
Administrative and commercial expenses		(9,868)		(5,029)
Other operating income		65		-
		(82,400)		(62,712)
<b>Operating profit</b>		<b>18,452</b>		<b>14,444</b>

**OTHER INCOME (EXPENSES)**

Financial expense		(9,674)		(9,669)
Net loss on FFAs		(3,073)		-
Financial income		1,273		273
Investment in affiliates		293		724
Other, net		(255)		62
Total other expenses		(11,436)		(8,610)

**Income before income taxes and minority interest****7,016****5,834**

Income taxes		(3,786)		(79)
Minority interest		(323)		(445)
<b>Net income</b>	\$	<b>2,907</b>	\$	<b>5,310</b>

Basic net income per share	\$	0.10	\$	0.34
Diluted net income per share	\$	0.10	\$	0.34
Basic weighted average number of shares		30,027,169		15,500,000
Diluted weighted average number of shares		30,376,471		15,555,475

The accompanying notes are an integral part of



Edgar Filing: - Form

these unaudited condensed consolidated financial statements

---

**ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

**(UNAUDITED)**

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

<b>Balance</b>	<b>Shares amount</b>	<b>Common stock</b>	<b>Additional paid-in capital</b>	<b>Accumulated earnings (losses)</b>	<b>Accumulated other comprehensive income (loss)</b>	<b>Total</b>
<b>December 31, 2005</b>	15,500,000	\$ 155	\$ 48,418	\$ (5,295)	\$ 196	\$ 43,474
<b>Comprehensive income:</b>						
– Net income	-	-	-	5,310	-	5,310
– Net loss on EURO hedge agreement designated as cash flow hedge	-	-	-	-	(16)	(16)
<b>Total comprehensive income</b>						5,294
<b>June 30, 2006</b>	15,500,000	\$ 155	\$ 48,418	\$ 15	\$ 180	\$ 48,768
<b>December 31, 2006</b>	28,346,952	\$ 283	\$ 173,826	\$ 5,231	\$ 89	\$ 179,429
Issuance of common stock	5,096,078	51	96,774	-	-	96,825
Underwriting fees and issuance expenses	-	-	(5,731)	-	-	(5,731)
Compensation related to options and restricted stock granted	-	-	916	-	-	916
<b>Comprehensive income:</b>						
– Net income	-	-	-	2,907	-	2,907
– Net loss on EURO hedge agreement designated as cash flow hedge	-	-	-	-	(4)	(4)
– Net income on forward fuel purchase agreements designated as cash flow hedge	-	-	-	-	237	237
	-	-	-	-	177	177

– Net income on FFAs designated as cash flow hedge											
<b>Total comprehensive income</b>								3,317			
<b>June 30, 2007</b>	33,443,030	\$	334	\$	265,785	\$	8,138	\$	499	\$	274,756

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

---

**ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

(Stated in thousands of U.S. dollars)

**For the six-month periods ended June 30,**  
**2007**

**2006**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net income	\$	2,907	\$	5,310
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation of vessels and equipment		12,359		8,606
Amortization of dry docking		3,707		4,185
Expenditure for dry docking		(4,025)		(736)
Net loss on FFAs		3,073		-
Amortization of intangible assets		393		196
Share-based compensation		916		-
Note issuance expenses amortization		536		534
Minority interest in equity of subsidiaries		323		445
Net loss (gain) from investment in affiliates		(293)		(724)
Allowance for doubtful accounts		182		337
Changes in assets and liabilities net of effects from purchase of Otto Candies in 2007 and UP Offshore (Bahamas) and Ravenscroft in 2006:				
Decrease (increase) in assets:				
Accounts receivable		3,877		(5,072)
Receivable from related parties		829		(654)
Marine and river operating supplies		265		(484)
Prepaid expenses		(3,197)		(1,585)
Other receivables		(617)		(1,686)
Other		267		(259)
Increase (decrease) in liabilities:				
Accounts payable		5,868		5,224
Payable to related parties		(420)		(770)
Other		5,251		(790)
<b>Net cash provided by operating activities</b>		<b>32,201</b>		<b>12,077</b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of vessels and equipment		(64,863)		(16,250)
		(13,772)		-

Purchase of Otto Candies companies, net of cash acquired		
Funding collateral of FFAs	(8,725)	-
Decrease in loans to related parties	-	11,391
Other	-	206
<b>Net cash (used in) investing activities</b>	<b>(87,360)</b>	<b>(4,653)</b>

#### **CASH FLOWS FROM FINANCING ACTIVITIES**

Payments of long-term financial debt	(28,627)	(5,009)
Proceeds from common shares' public offering, net of issuance costs	91,094	-
Proceeds from long-term financial debt	75,947	-
Other	(502)	(1,771)
<b>Net cash provided by (used in) financing activities</b>	<b>137,912</b>	<b>(6,780)</b>
<b>Net increase in cash and cash equivalents</b>	<b>82,753</b>	<b>644</b>

<b>Cash and cash equivalents at the beginning of year</b>	<b>\$</b>	<b>20,648</b>	<b>\$</b>	<b>7,914</b>
<b>Cash and cash equivalents at the end of period</b>	<b>\$</b>	<b>103,401</b>	<b>\$</b>	<b>8,558</b>

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

**ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

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

(Information pertaining to the six-month periods ended June 30, 2007 and 2006 is unaudited)

**1. NATURE OF OPERATIONS AND CORPORATE ORGANIZATION**

**Nature of operations**

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

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

**2. SIGNIFICANT ACCOUNTING POLICIES**

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

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

Edgar Filing: - Form

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.

---

**ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -  
(Continued)**

**b) Earnings per share:**

In accordance with Statement of Financial Accounting Standards No. 128, Earnings per share (“SFAS 128”) basic net income per share is computed by dividing the net income by the weighted average number of common shares outstanding during the relevant periods. Diluted net 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.

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

	<b>For the six-month periods ended June 30,</b>	
	<b>2007</b>	<b>2006</b>
Net income	\$ 2,907	\$ 5,310
Basic weighted average number of shares	30,027,169	15,500,000
Effect on dilutive shares:		
Options and restricted stock	255,522	-
Warrants issued	93,780	55,475
Diluted weighted average number of shares	30,376,471	15,555,475
Basic net income per share	\$ 0.10	\$ 0.34
Diluted net income per share	\$ 0.10	\$ 0.34

**3. BUSINESS ACQUISITION**

**Acquisition of 100% of Otto Candies**

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

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



Edgar Filing: - Form

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

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

---

**ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -  
(Continued)**

**3. VESSELS AND EQUIPMENT, NET**

The capitalized cost of the vessels and equipment, and the related accumulated depreciation at June 30, 2007 and December 31, 2006 were as follows:

	<b>At June 30, 2007</b>	<b>At December 31, 2006</b>
Ocean-going vessels	\$ 177,309	\$ 152,122
River barges and pushboats	148,235	125,172
PSVs	113,108	87,599
Construction of PSVs in progress	16,396	34,943
Advance for PSVs construction	8,826	-
Advance for river barges acquisition	13,174	-
Passenger vessels	40,783	38,321
Furniture and equipment	6,498	7,571
Building, land and operating base	9,793	8,782
Total original book value	534,122	454,510
Accumulated depreciation	(133,595)	(121,319)
Net book value	\$ 400,527	\$ 333,191

At June 30, 2007, the net book value of the assets pledged as a guarantee of the debt was approximately \$222,500.

– **PSVs Construction**

On February 21, 2007, UP Offshore (Bahamas) Ltd. signed a shipbuilding contract with a shipyard in India for construction of two PSVs with a combined cost of \$43,300, with the delivery schedule beginning in 2009. The purchase price will be paid in five installments of 20% of the purchase price each, prior to delivery. On March 19, 2007, UP Offshore (Bahamas) Ltd. paid the first installment of \$8,660 which is recorded under Advance for PSVs construction.

On June 13, 2007 UP Offshore (Bahamas) Ltd. exercised the option to acquire two additional PSVs which will be delivered in March and July 2010 for a total cost of \$ 43,300. The effectiveness of this option is contingent upon the shipyard getting a refund guarantee and at June 30, 2007 no advances had been made.

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

amended some conditions of the shipbuilding contracts, including the purchase price and the delivery dates.

The four PSVs were to be built by EISA at a combined cost of \$69,750. Two of the four PSVs, were delivered in 2006 and the third one in May 2007. The total remaining commitment at June 30, 2007 for the last PSV cost is approximately \$9,400, which includes the minimum contractual obligation with the shipyard and the remaining necessary expenditure to commission the PSV in service.

– **Delivery of Alejandrina**

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

– **Acquisition of 33 river barges and a push boat**

On June 14, 2007 the Company, through its subsidiaries in the River Business, purchased 33 river barges and a push boat for a total contract price of \$7,852. At June 30, 2007, the Company had also incurred \$5,322 in additional costs relating to the acquisition of the barges. The purchase price and the other costs are recorded under Advances for barges acquisition.

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

### Balances of long-term debt and other financial debt at June 30, 2007 and December 31, 2006:

	Financial institution /	Nominal value				Total	Nominal annual interest rate
		Other	Due-year	Current	Noncurrent		
Ultrapetrol (Bahamas) Ltd.	Private Investors (Notes)		2014	\$ -	\$ 180,000	\$ 180,000	9.000%
UP Offshore (Bahamas) Ltd.	DVB AG		Through 2016	4,633	54,356	58,989	Libor + 1.200%
UP Offshore Apoio	D V B A G Tranche A		Through 2016	900	10,900	11,800	Libor + 1.200%
UP Offshore Apoio	D V B A G Tranche B		Through 2009	667	444	1,111	Libor + 1.200%
Stanyan Shipping Inc.	Natixis		Through 2017	908	12,481	13,389	6.380%
Danube Maritime Inc.	BNP Paribas		Through 2009	-	1,025	1,025	Libor + 0.750%
At June 30, 2007			\$ 7,108	\$ 259,206	\$ 266,314		
At December 31, 2006			\$ 4,700	\$ 214,294	\$ 218,994		

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

## Edgar Filing: - Form

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

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

The loan is secured by a first priority mortgage on the UP Safira, UP Esmeralda and UP Topazio and by a second priority mortgage on the UP Agua-Marinha and is jointly and severally irrevocably and unconditionally guaranteed by Packet Maritime Inc., Padow Shipping Inc., UP Offshore Apoio Marítimo Ltda. and Utrapetrol (Bahamas) Limited. The loan also contains customary covenants that limit, among other things, the Borrower's ability to incur additional indebtedness, grant liens over their assets, sell assets, pay dividends, repay indebtedness, merge or consolidate, change lines of business and amend the terms of subordinated debt. The agreement governing the facility also contains customary events of default. If an event of default occurs and is continuing, DVB AG may require the entire amount of the loan be immediately repaid in full. Further, the loan agreement requires until December 2009 that the PSVs pledged as security have an aggregate market value of at least 117.6% of the value of the loan amount and at all times thereafter an aggregate market value of at least 133.3% of the value of the loan.

---

**ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -  
(Continued)**

During the period we drew down the full amount of the loan. At June 30, 2007 the principal outstanding balance was \$58,989.

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

On January 29, 2007 Stanyan Shipping Inc. (our wholly owned subsidiary in the Ocean Business and the owner of the M/V Alejandrina) drew down an amount of \$13,616 under a loan agreement with Natixis to provide post-delivery finance secured on the Alejandrina. The loan shall be repaid by 40 equal consecutive quarterly installments of \$227 each together with a balloon installment of \$4,536 payable with the final installment and maturing through January 2017. The loan accrues interest at 6.38% per annum for the first five years of the loan and LIBOR plus 1.25% per annum there after.

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

During the period we drew down the full amount of the loan. At June 30, 2007 the principal outstanding balance was \$13,389.

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

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

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

**6. COMMITMENTS AND CONTINGENCIES**

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

**a) Paraguayan Customs Dispute**

Edgar Filing: - Form

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.

---

**ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

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

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

**b) Tax claim in Bolivia**

On November 3, 2006 and April 25, 2007, the Bolivian Tax Authority (Departamento de Inteligencia Fiscal de la Gerencia Nacional de 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 approximately \$2,500 (including interest) together with certain fines that have not been determined yet. On June 18, 2007 our legal counsel in Bolivia submitted points of defense to the Bolivian tax authorities.

We have been advised by our local counsel in the case that there is only a remote possibility that UABL International S.A. would be found liable for any of these taxes or fines.

**7. FORWARD FREIGHT AGREEMENTS**

During the second quarter of 2007 the Company entered into Forward Freight Agreements ("FFAs") with an objective to utilize them as economic 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. These FFAs involve a contract to provide a fixed number of theoretical voyages at fixed rates. These contracts are going to be net settled each month with the Company receiving a fixed rate per day and paying a floating amount based on the average of the 4 Capesize Time Charter Routes ("C4TC").

We entered into FFAs via BNP Paribas Commodity Futures Limited ("BNP Paribas") to LCH.Clearnet ("LCH"), a London clearing house.

At June 30, 2007 the FFAs entered by the Company were as follows:

## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Days	Fixed rate Received (\$ / Day)	Floating rate paid	Nominal amount	Settlement date
45	\$	74,750 C4TC	\$ 3,364	July to September 2007
46		85,000 C4TC	3,910	October to December 2007
366		77,250 C4TC	28,273	January to December 2008
180		80,000 C4TC	14,400	January to December 2008
180		79,500 C4TC	14,310	January to December 2008
180		51,000 C4TC	9,180	January to December 2009
			\$ 73,437	

Certain FFAs qualified as cash flow hedges for accounting purposes at June 30, 2007 with the change in fair value of the effective portions being recorded in accumulated other comprehensive income (loss) as an income amounting to \$177. The qualification of a cash flow hedge for accounting purposes may depend upon the predicted routes of some of our vessels matching those taken into consideration in calculating the value of the Forward Freight Agreements we have entered into as economic hedge instruments. A significant difference between both may result in amounts accounted for as other comprehensive income (loss) becoming unrealized profits or losses in the Company's statement of income at that time. All qualifying hedges together with FFAs that do not qualify for hedge accounting are shown at fair value in the balance sheet.

At June 30, 2007 the fair market value of the FFAs, resulted in a liability to the Company of \$2,896. The Company recorded an aggregate net unrealized loss of \$3,073 for the six-month period ended June 30, 2007, which is reflected on the Company's statement of income as Other income (expenses) – Net loss on FFAs for transactions involving FFAs, which have not been designated as hedges for accounting purposes.

In connection with these FFAs, as of June 30, 2007, we had transferred \$8,725 to cover the margin requirements for these transactions. We had utilized \$1,025 under a credit facility of \$1,500 we have with BNP Paribas to cover margin requirements. We pay interest of LIBOR plus 0.75% per annum on the amounts withdrawn under the BNP Paribas facility.



Although the use of a clearing house reduces the Company's exposure to counterparty credit risk, the Company is exposed to credit loss in the event of non-performance by the counterparty to the FFAs; however, the Company does not currently expect non-performance by the counterparty.

## **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.

### **b) Panama**

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

---

**ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -  
(Continued)**

**c) Paraguay**

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

**d) Argentina**

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

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

**e) Brazil**

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

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

**f) Chile**

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

**g) US federal income tax**

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

For the six-month periods ended June 30, 2007 and 2006 the Company and its subsidiaries did not derive any U.S. source shipping income. Therefore our subsidiaries are not subject to any U.S. federal income

taxes, except our ship management services provided by Ravenscroft.

---

**ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -  
(Continued)**

**h) United Kingdom**

UP Offshore (UK) Limited is not subject to corporate income tax in the United Kingdom, however, it qualifies under UK tonnage tax rules and pays a flat rate based on the NRT of the vessels operating out of the UK, instead of income taxes on trading profits.

**9. RELATED PARTY TRANSACTIONS**

At June 30, 2007 and December 31, 2006, the balances of receivables from related parties, were as follows:

	<b>At June 30, 2007</b>		<b>At December 31, 2006</b>
<b>Current:</b>			
Receivable from related parties			
– Maritima Sipsa S.A.	\$ 33	\$	278
– Puertos del Sur S.A. and O.T.S.	2,618		2,584
– Other	127		460
	\$ 2,778	\$	3,322
<b>Noncurrent:</b>			
Receivable from related parties - Puertos del Sur S.A. (1)	\$ 1,995	\$	2,280

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

At June 30, 2007 and December 31, 2006 the balance of payable to related parties, were as follows:

	<b>At June 30, 2007</b>		<b>At December 31, 2006</b>
Payable to related parties			
Maritima Sipsa S.A.	-	\$	420

**ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -  
(Continued)**

**Revenues from related parties**

For the six-month periods ended June 30, 2007 and 2006, the revenues derived from related parties were as follows:

	For the six-month periods ended June 30,			
	2007		2006	
Maritima Sipsa S.A. (1)	\$	1,886	\$	1,427
Maritima Sipsa S.A. (2)		125		38
	\$	2,011	\$	1,465

**(1) Sale and repurchase of vessel Princess Marina**

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

**(2) Management fee billed by Ravenscroft**

Since the date of acquisition of Ravenscroft we included the management fee billed by Ravenscroft to Maritima Sipsa S.A., a 49% owned company, for the ship management services for the vessel Princess Marina. The stipulated fee is \$21 and \$12.5 per month during 2007 and 2006, respectively.

**Management fee paid**

For the six-month periods ended June 30, 2007 and 2006, management fees were expensed with the following related parties:

	For the six-month periods ended June 30,			
	2007		2006	
Oceanmarine	\$	-	\$	150

Ravenscroft Shipping Inc.		-		361
<b>Total</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>511</b>

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

**Voyage expenses paid to related parties**

For the six-month periods ended June 30, 2007 and 2006, the voyage expenses paid to related parties were as follows:

---

**ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

	<b>For the six-month periods ended June 30,</b>		
	<b>2007</b>		<b>2006</b>
Bareboat charter paid (1)	\$	-	\$ 2,640
Brokerage commissions (2)		-	319
Commercial commissions (3)		156	40
Total	\$	156	\$ 2,999

**(1) Bareboat charter paid to related parties**

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

**(2) Brokerage commissions**

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

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

**(3) Commercial agreement with Comintra**

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

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

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

During 2005 UP Offshore (Bahamas) Ltd. paid in advance to Comintra fees under this agreement in the amount of \$1,500. At June 30, 2007 the balance amounted to \$1,212.





**ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

**Operations in OTS S.A.'s terminal**

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

For the six-month periods ended June 30, 2007 and 2006, UABL Paraguay paid to OTS S.A. \$411 and \$308, respectively, for this operation.

**10. SHARE CAPITAL**

**Common shares and shareholders**

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

On April 19, 2007 the Company closed on the sale of 5,096,078 new shares of our common stock at \$19.00 per share through a public offering. The proceeds of \$96,825 were used:

- to replace cash on hand of \$13,800 used to fund the Otto Candies Acquisition, and \$8,660 used to fund the first advance of the construction costs of the two PSVs being built in India.
- to cancel underwriters fees and additional fees and incremental expenses amounted to \$5,731, with the remaining \$68,734 set aside \$34,640 for funding the balance of the construction costs of the two PSVs being built in India, \$12,000 to fund the expansion of the capacity of our shipyard in the Hidrovia Region for construction of new barges and \$22,094 for general corporate purpose.

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

At June 30, 2007, the issued and outstanding shares are 33,443,030 par value \$.01 per share.

At June 30, 2007 and after this transaction our shareholders Solimar Holdings Ltd., Inversiones Los Avellanos S.A. and Hazels (Bahamas) Investments Inc. (a wholly owned subsidiary of Inversiones Los Avellanos S.A.) hold 3,124,073, 4,735,518 and 159 shares, respectively, which represent 9.30%, 14.10% and 0.0005%, respectively. The joint voting power for these shares represents approximately 68% of the total voting power.

**11. BUSINESS AND GEOGRAPHIC SEGMENT INFORMATION**

## Edgar Filing: - Form

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

---

**ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -  
(Continued)**

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

River Business: In our River Business, we own and operate several dry and tanker barges, and push boats. In addition, we use one barge from our ocean fleet, the Alianza G2, as a transfer station. The dry barges transport basically agricultural and forestry products, iron ore and other cargoes, while the tanker barges carry petroleum products, vegetable oils and other liquids.

We operate our pushboats and barges on the navigable waters of Parana, Paraguay and Uruguay Rivers and part of the River Plate in South America, also known as the Hidrovia region.

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

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

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

	<b>For the six-month periods ended June 30,</b>	
	<b>2007</b>	<b>2006</b>
<b>Revenues (1)</b>		
– South America	\$ 51,460	\$ 37,596
– Europe	45,093	36,143
– Asia	3,388	2,289
– Other	911	1,128
	<b>\$ 100,852</b>	<b>\$ 77,156</b>

(1) Classified by country of domicile of charterers.



**ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**

Revenue by segment consists only of services provided to external customers, as reported in the unaudited condensed consolidated statement of income. 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 six-month period ended June 30, 2007:

	<b>Ocean Business</b>	<b>River Business</b>	<b>Passenger Business</b>	<b>Offshore Supply Business</b>	<b>Total</b>
Revenues	\$ 25,513	\$ 45,025	\$ 11,244	\$ 19,070	\$ 100,852
Running and voyage expenses	7,889	29,951	11,868	6,430	56,138
Depreciation and amortization	7,292	4,610	2,563	1,994	16,459
Segment operating profit (loss)	6,620	6,982	(3,684)	8,534	18,452
Segment assets	128,176	156,766	38,937	143,980	467,859
Investments in affiliates	624	1,954	-	-	2,578
Income from investment in affiliates	275	18	-	-	293
Additions to long-lived assets	\$ 25,271	\$ (1) 22,535	\$ 2,462	\$ 14,595	\$ 64,863

(1) Does not include the 12 river barges and 1 pushboat acquired in the Otto Candies acquisition valued at \$13,679.

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

	<b>At June 30, 2007</b>
Total assets for reportable segments	\$ 467,859
Other assets	12,975
Corporate cash and cash equivalents	103,401
Consolidated total assets	\$ 584,235

The following schedule presents segment information about the Company's operations for the six-month period ended June 30, 2006:

	<b>Ocean Business</b>	<b>River Business</b>	<b>Passenger Business</b>	<b>Offshore Supply Business</b>	<b>Total</b>
Revenues	\$ 20,441	\$ 36,939	\$ 9,363	\$ 10,413	\$ 77,156

Edgar Filing: - Form

Running and voyage expenses	7,297	25,194	6,703	4,991	44,185
Depreciation and amortization	7,297	3,913	1,125	652	12,987
Segment operating profit	3,954	5,426	1,142	3,922	14,444
Income (loss) from investment in affiliates	422	(20)	-	322	724
Additions to long-lived assets	\$ 1,146	\$ 2,369	\$ 9,606	\$ 3,129	\$ 16,250

---

**ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -  
(Continued)**

**12. SUPPLEMENTAL GUARANTOR INFORMATION**

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

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

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

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

---

## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -  
(Continued)

## SUPPLEMENTAL CONDENSED COMBINING BALANCE SHEET

AT JUNE 30, 2007 (UNAUDITED)

(stated in thousands of U.S. dollars)

	Parent	Combined subsidiary guarantors	Combined subsidiary non guarantors	Consolidating adjustments	Total consolidated amounts
<b>Current assets</b>					
Receivables from related parties	\$ 216,742	\$ 44,340	\$ 9,793	\$ (268,097)	\$ 2,778
Other current assets	84,792	17,993	31,725	-	134,510
Total current assets	301,534	62,333	41,518	(268,097)	137,288
<b>Noncurrent assets</b>					
Vessels and equipment, net	-	134,400	267,334	(1,207)	400,527
Investment in affiliates	151,426	-	2,578	(151,426)	2,578
Other noncurrent assets	5,895	18,631	19,316	-	43,842
Total noncurrent assets	157,321	153,031	289,228	(152,633)	446,947
<b>Total assets</b>	<b>\$ 458,855</b>	<b>\$ 215,364</b>	<b>\$ 330,746</b>	<b>\$ 420,730</b>	<b>\$ 584,235</b>
<b>Current liabilities</b>					
Payables to related parties	\$ 1,097	\$ 171,810	\$ 95,190	\$ (268,097)	\$ -
Other financial debt	-	-	7,108	-	7,108
Other current liabilities	3,002	15,070	12,506	-	30,578
Total current liabilities	4,099	186,880	114,804	(268,097)	37,686
<b>Noncurrent liabilities</b>					
Long-term debt	180,000	-	-	-	180,000
Financial debt, net of current portion	-	1,025	78,181	-	79,206
Other payables	-	350	8,912	-	9,262
Total noncurrent liabilities	180,000	1,375	87,093	-	268,468
Total liabilities	184,099	188,255	201,897	(268,097)	306,154
<b>Minority interests</b>	-	-	-	3,325	3,325



Edgar Filing: - Form

<b>Shareholders' equity</b>	274,756	27,109	128,849	(155,958)	274,756
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>\$ 458,855</b>	<b>\$ 215,364</b>	<b>\$ 330,746</b>	<b>\$ (420,730)</b>	<b>\$ 584,235</b>

---

## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -  
(Continued)

## SUPPLEMENTAL CONDENSED COMBINING BALANCE SHEET

AT DECEMBER 31, 2006

(stated in thousands of U.S. dollars)

	Parent	Combined subsidiary guarantors	Combined subsidiary non guarantors	Consolidating adjustments	Total consolidated amounts
<b>Current assets</b>					
Receivables from related parties	\$ 198,033	\$ 26,615	\$ 13,158	\$ (234,484)	\$ 3,322
Other current assets	16,191	13,351	21,906	-	51,448
Total current assets	214,224	39,966	35,064	(234,484)	54,770
<b>Noncurrent assets</b>					
Vessels and equipment, net	-	130,666	205,990	(3,465)	333,191
Investment in affiliates	142,759	-	2,285	(142,759)	2,285
Other noncurrent assets	6,233	10,732	19,168	-	36,133
Total noncurrent assets	148,992	141,398	227,443	(146,224)	371,609
<b>Total assets</b>	<b>\$ 363,216</b>	<b>\$ 181,364</b>	<b>\$ 262,507</b>	<b>\$ (380,708)</b>	<b>\$ 426,379</b>
<b>Current liabilities</b>					
Payables to related parties	\$ 1,097	\$ 144,779	\$ 89,028	\$ (234,484)	\$ 420
Other financial debt	-	-	4,700	-	4,700
Other current liabilities	2,690	4,289	10,672	-	17,651
Total current liabilities	3,787	149,068	104,400	(234,484)	22,771
<b>Noncurrent liabilities</b>					
Long-term debt	180,000	-	-	-	180,000
Other financial debt, net of current portion	-	-	34,294	-	34,294
Other noncurrent liabilities	-	346	6,448	-	6,794
Total noncurrent liabilities	180,000	346	40,742	-	221,088
<b>Total liabilities</b>	<b>183,787</b>	<b>149,414</b>	<b>145,142</b>	<b>(234,484)</b>	<b>243,859</b>
<b>Minority interests</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,091</b>	<b>3,091</b>

<b>Shareholders' equity</b>	<b>179,429</b>	<b>31,950</b>	<b>117,365</b>	<b>(149,315)</b>	<b>179,429</b>
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>\$ 363,216</b>	<b>\$ 181,364</b>	<b>\$ 262,507</b>	<b>\$ (380,708)</b>	<b>\$ 426,379</b>

---



## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -  
(Continued)

## SUPPLEMENTAL CONDENSED COMBINING STATEMENTS OF INCOME

## FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2007 (UNAUDITED)

(stated in thousands of U.S. dollars)

	Parent	Combined subsidiary guarantors	Combined subsidiary non guarantors	Consolidating adjustments	Total consolidated amounts
<b>Revenues</b>	\$ -	\$ 37,538	\$ 66,516	\$ (3,202)	\$ 100,852
Operating expenses	(4,300)	(30,412)	(50,861)	3,173	(82,400)
<b>Operating profit (loss)</b>	<b>(4,300)</b>	<b>7,126</b>	<b>15,655</b>	<b>(29)</b>	<b>18,452</b>
Investment in affiliates	6,068	-	293	(6,068)	293
Other income (expenses)	1,139	(11,955)	(913)	-	(11,729)
<b>Income (loss) before income taxes and minority interest</b>	<b>2,907</b>	<b>(4,829)</b>	<b>15,035</b>	<b>(6,068)</b>	<b>7,016</b>
Income taxes	-	(189)	(3,597)	-	(3,786)
Minority interest	-	-	-	(323)	(323)
<b>Net income (loss)</b>	<b>\$ 2,907</b>	<b>\$ (5,018)</b>	<b>\$ 11,438</b>	<b>\$ (6,420)</b>	<b>\$ 2,907</b>

## SUPPLEMENTAL CONDENSED COMBINING STATEMENTS OF INCOME

## FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2006 (UNAUDITED)

(stated in thousands of U.S. dollars)

	Parent	Combined subsidiary guarantors	Combined subsidiary non guarantors	Consolidating adjustments	Total consolidated amounts
--	--------	--------------------------------------	---	------------------------------	----------------------------------

## Edgar Filing: - Form

<b>Revenues</b>	\$	-	\$	<b>42,464</b>	\$	<b>43,064</b>	\$	<b>(8,372)</b>	\$	<b>77,156</b>
Operating expenses (income)		(706)		(35,308)		(35,040)		8,342		(62,712)
<b>Operating profit (loss)</b>		<b>(706)</b>		<b>7,156</b>		<b>8,024</b>		<b>(30)</b>		<b>14,444</b>
Investment in affiliates		6,270		-		724		(6,270)		724
Other income (expenses)		(254)		(7,257)		(1,823)		-		(9,334)
<b>Income (loss) before income taxes and minority interest</b>		<b>5,310</b>		<b>(101)</b>		<b>6,925</b>		<b>(6,300)</b>		<b>5,834</b>
Income taxes		-		(93)		14		-		(79)
Minority interest		-		-		-		(445)		(445)
<b>Net income (loss)</b>	\$	<b>5,310</b>	\$	<b>(194)</b>	\$	<b>6,939</b>	\$	<b>(6,745)</b>	\$	<b>5,310</b>

## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -  
(Continued)

## SUPPLEMENTAL CONDENSED COMBINING STATEMENTS OF CASH FLOW

## FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2007 (UNAUDITED)

(stated in thousands of U.S. dollars)

	Parent	Combined subsidiary guarantors	Combined subsidiary non guarantors	Consolidating adjustments	Total consolidated amounts
Net income (loss)	\$ 2,907	\$ (5,018)	\$ 11,438	\$ (6,420)	\$ 2,907
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities	(7,414)	(2,220)	32,508	6,420	29,294
<b>Net cash (used in) provided by operating activities</b>	<b>(4,507)</b>	<b>(7,238)</b>	<b>43,946</b>	<b>-</b>	<b>32,201</b>
Intercompany sources	(18,709)	-	-	18,709	-
Non-subsidiary sources	-	(20,781)	(66,579)	-	(87,360)
<b>Net cash (used in) provided by investing activities</b>	<b>(18,709)</b>	<b>(20,781)</b>	<b>(66,579)</b>	<b>18,709</b>	<b>(87,360)</b>
Intercompany sources	-	33,701	(14,992)	(18,709)	-
Non-subsidiary sources	91,005	1,025	45,882	-	137,912
<b>Net cash provided by (used in) financing activities</b>	<b>91,005</b>	<b>34,726</b>	<b>30,890</b>	<b>(18,709)</b>	<b>137,912</b>
<b>Net increase in cash and cash equivalents</b>	<b>\$ 67,789</b>	<b>\$ 6,707</b>	<b>\$ 8,257</b>	<b>\$ -</b>	<b>\$ 82,753</b>

**SUPPLEMENTAL CONDENSED COMBINING STATEMENTS OF CASH FLOW**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2006 (UNAUDITED)**

(stated in thousands of U.S. dollars)

	Parent	Combined subsidiary guarantors	Combined subsidiary non guarantors	Consolidating adjustments	Total consolidated amounts
Net income (loss)	\$ 5,310	\$ (194)	\$ 6,939	\$ (6,745)	\$ 5,310
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities	(4,346)	10,404	(6,036)	6,745	6,767
<b>Net cash (used in) provided by operating activities</b>	<b>964</b>	<b>10,210</b>	<b>903</b>	<b>-</b>	<b>12,077</b>
Intercompany sources	(13,507)	-	-	13,507	-
Non-subsidiary sources	11,391	(12,392)	(3,652)	-	(4,653)
<b>Net cash provided by (used in) investing activities</b>	<b>(2,116)</b>	<b>(12,392)</b>	<b>(3,652)</b>	<b>13,507</b>	<b>(4,653)</b>
Intercompany sources	-	5,332	8,175	(13,507)	-
Non-subsidiary sources	(1,357)	-	(5,423)	-	(6,780)
<b>Net cash provided by (used in) financing activities</b>	<b>(1,357)</b>	<b>5,332</b>	<b>2,752</b>	<b>(13,507)</b>	<b>(6,780)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ (2,509)</b>	<b>\$ 3,150</b>	<b>\$ 3</b>	<b>\$ -</b>	<b>\$ 644</b>



### 13. SUBSEQUENT EVENTS

– **Sale of our Aframax vessel Princess Marina**

On July 10, 2007, we signed a memorandum of Agreement (MOA) to sell our Aframax vessel Princess Marina in September 2007, after the delivery of the vessel to us, for a total purchase price of \$18,100 net of commissions. Her carrying value at June 30, 2007, amounted to \$8,258.

– **Acquisition of engines in the River Business**

On July 10, 2007, we contracted to purchase 18 new heavy fuel engines for some of our large and medium sized pushboats in our River Business. The total purchase price of the engines is approximately €15,600 with deliveries ranging between March and December 2009.

– **Construction of PSVs**

On July 25, 2007, we reached an agreement with a shipyard in China upon the main terms to construct two PSVs with deliveries commencing in second half 2009 with an option for two more PSVs. The price for each new PSV to be constructed in China is \$22,500 to be paid in five installments of 20% of the contract price each, prior to delivery. The effectiveness of this agreement is contingent upon the shipyard providing a refund guarantee for this contract. At this time no confirmation of the timely delivery of the azimuth thrusters has been received.

---

**SIGNATURES**

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

**ULTRAPETROL (BAHAMAS) LIMITED**  
(registrant)

Dated: August 13, 2007

By: /s/ Felipe Menendez R.  
Felipe Menendez R.  
Chief Executive Officer