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 [X] Form 40-F [ ]

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

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: ___

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INFORMATION CONTAINED IN THIS FORM 6-K REPORT

Set forth herein are a copy of the Company's report for the three months ended March 31, 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.

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)

| | Three Months Ended March 31, 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 % |

| | | | | | | |
|---|---|---|---|---|---|---|
| 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.

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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.

| | Three Months Ended March 31, | |
|---|---|---|
| ($000) | 2010 | 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) |
| | | | | |

| | | | | |
|---|---|---|---|---|
| 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 ) |