ULTRAPETROL BAHAMAS LTD
Form 6-K
August 12, 2009

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 August 2009
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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Commission filing on EDGAR.

INFORMATION CONTAINED IN THIS FORM 6-K REPORT

Set forth herein are a copy of the Company's report for the six months ended June 30, 2009, 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 SIX MONTHS ENDED JUNE 30, 2009 AND 2008 (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 six months ended June 30, 2009 and 2008 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, 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 29 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 accounted for approximately 45% of world soybean production in 2009, 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 PSVs currently in operation and six under construction, four of which were contracted with a shipyard in India and the remaining two of which were contracted with a shipyard in China all of them with contractual deliveries commencing in the fourth quarter of 2009.

Our Ocean Business operates eleven ocean-going vessels, including five product tankers that we use in the South American coastal trade where we have preferential rights and customer relationships, four Capesize / OBO vessels, one oceangoing pushboat and one inland tank barge. Our Ocean Business fleet has an aggregate carrying capacity of approximately 750,700 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 June 30, 2009

On April 9, 2009, we paid $5.4 million corresponding to the third 20% installment due under the ship building contract for the second of our two PSVs under construction in China.

On April 21, 2009, we entered into a bareboat charter for a product tanker which we currently employ in the South American coastal trade.

On April 23, 2009, we announced that our board of directors authorized an extension of our share repurchase program until September 30, 2009 retaining the original cumulative U.S. dollar limit of $50.0 million. As of August 11, 2009 we had repurchased a total of 3,923,094 of our shares at an average cost of $4.97 per share for a total cost of $19.5 million.

On April 29, 2009, we paid the remaining $10.9 million plus all interest accrued up to that date to fully prepay the outstanding amounts due under our $25.0 million four-year term secured loan agreement with Banco BICE as we had previously agreed on February 27, 2009.

On May 22, 2009, the hull of Zonda I, our 8,325 BHP river pushboat under construction, was launched in Argentina and all internal fitting is being conducted at our Pueblo Esther Shipyard in Rosario, Argentina.

Between May 28 and June 18, 2009, we entered into four cleared FFA contracts whereby a subsidiary of ours contracted with London Clearing House ("LCH") to pay a fixed weighted average time charter rate for the C4TC of $58,840 for a total of 25 days (6 and 19 days in June and July 2009, respectively) in exchange for receiving the average time charter rate for the C4TC for those periods.

On June 6, 2009, we paid $4.1 million plus all interest accrued up to that date to partially prepay the outstanding amounts due under our $20.2 million six-year term secured loan agreement with Nordea Bank without any contractual penalty. Balance of the loan after such prepayment is $12.3 million.

On June 22, 2009, Ship Management and Commercial Services Ltd. ("SMS") our subsidiary dealing with third party ship management, entered into an Accounting and Commercial Services Agreement with third party unrelated companies for the provision of ship management and other advisory services in respect of a fleet of 17 vessels, of which eight are under construction.

On June 30, 2009, the Brazilian Development Bank, or BNDES, approved a 17-year fixed interest credit facility for $18.7 million to partially post-finance the construction of our PSV UP Rubi.

Recent Developments

Between July 13 and 15, 2009, we entered into six cleared FFA contracts whereby a subsidiary of ours contracted with LCH to pay a fixed weighted average time charter rate for the C4TC of $55,331 (fifty five thousand three hundred and thirty one US Dollars) for a total of 37 days (5 and 32 days in July and August 2009, respectively) in exchange for receiving the average time charter rate for the C4TC for those periods.

On July 15, 2009, SMS signed a ship management agreement with the Owners of the M/V Ystwyth, a 1981 built Panamax Bulk Carrier.

On August 3, 2009, we paid $8.8 million corresponding to both of the third 20% installments due under the ship building contracts for two of our four PSVs under construction in India, out of which $6.9 million were drawn down under our DVB / Natixis loan facility.

On August 4, 2009, we entered into two forward currency agreements with Natixis and one with HSBC to sell an aggregate of £5.3 million for settlement in August and September 2009 at an average rate of $1.69 per £ to cover part of our currency exposure.

On August 7, 2009, we took delivery of the sixth PSV in our Offshore Supply Business fleet, UP Rubi, from EISA – Estaleiro Ilha S.A. in Rio de Janeiro, Brazil. The vessel is scheduled to be delivered to Petrobras under a 4-year time charter.

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 substantially all cases, under contracts of affreightment, or COAs. Most of these COAs currently provide for adjustments to the freight rate based on changes in the price of fuel.

In our Offshore Supply Business, we usually 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.

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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 both time charters and COAs result in approximately the same operating income, although the operating margin as a percentage of revenues may differ significantly.

Time charter revenues accounted for 54% of the total revenues from our businesses for the first six months of 2009, and COA revenues accounted for 46%. With respect to COA revenues, 69% were in respect of repetitive voyages for our regular customers and 31% 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. We expect that our results of operations will be negatively impacted in 2009 due to the decline in soybean production associated with the drought experienced in the first quarter of 2009, throughout the main soybean growing areas of the Hidrovia Region. Low water levels in the upper Paraguay River during the fourth quarter of 2008 extending into January 2009 have also affected our volumes carried from that section of the river mainly out of Corumba. The continuation of these low water levels in the upper stretch of the Paraguay River could have a negative effect on the volumes carried in the third and fourth quarters of 2009. In 2009 our regular cargo volumes are going to be adversely affected by the decisions of certain iron ore producers to cut back on production volumes and also the 2008 / 2009 crop conditions, particularly in Paraguay, have been drastically affected by droughts and yields are expected to be significantly lower than average. U.S. Department of Agriculture ("USDA") estimates for 2010 soybean production in the region are however significantly higher in volume with approximately the same harvested area and production as in 2008.

In our Ocean Business, we continued to employ part of our Capesize / OBO ocean fleet on time charter to existing customers during the six months ended June 30, 2009. However, our vessels Princess Marisol, Princess Susana and Princess Katherine were partially employed under COAs during the first six months of 2009. The international market in this period has been volatile with daily time charter rates for Capesizes varying between $8,997 and $93,197. Our product tankers remained employed by the same charterers that chartered them at year end.

Our Offshore Supply fleet remained employed in the first six months of 2009 under time charters to Petrobras in Brazil and major operators and oil companies in the North Sea.

Expenses

Our operating expenses generally include the daily cost of all vessel management, crewing, spares and stores, insurance, lubricants, repairs and maintenance expenses. 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.

Through our River Business, we own a floating drydock and a repair facility for our river fleet at Pueblo Esther, Argentina, a shipyard under construction 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 rent 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 Aberdeen, Scotland and Rio de Janeiro, Brazil.

In addition, through Ravenscroft, we own a building in Coral Gables, Florida, United States. We also hold a sublease to an office in Buenos Aires, Argentina.

Foreign Currency Transactions

During the first six months of 2009, 88% of our revenues were denominated in U.S. dollars. Also, for the six months ended June 30, 2009, 10% of our revenues were denominated and collected in British pounds and 2% of our revenues were denominated and collected in Brazilian real. However, 26% of our total revenues were denominated in U.S. dollars but collected in Argentine pesos, Brazilian real and Paraguayan guaranies. During the six months ended June 30, 2009, the majority of our expenses were denominated in U.S. dollars while 20% of our total out of pocket operating expenses were paid in Argentine pesos, Brazilian real and Paraguayan guaranies.

We have not historically significantly hedged our exposure to changes in foreign currency exchange rates and, as a result, we could incur unanticipated future losses. However, during 2008, we entered into several forward currency agreements to sell British pounds to cover part of the exchange rate variations exposure that stems from the revenues of our PSVs in the North Sea. Additionally, we recently entered into two forward currency agreements with Natixis and one with HSBC to sell an aggregate of £5.3 million for settlement in August and September 2009 at an average rate of $1.69 per £ to cover part of this same currency exposure.

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

Neither the United States' inflation nor global inflationary trends have had a material impact on our operations, although future inflation may affect our results and certain of our operating expenses (e.g., crewing, insurance and drydocking costs) are subject to fluctuations as a result of market forces. A sudden outburst or a very high level of inflation in the future may have a negative impact on our results.

Exchange rate variations, in particular revaluations of the U.S. dollar, can have a positive effect by reducing our operational expenses but they may also have a negative effect over the amounts that we hold, have to collect or on tax credits expressed in currencies other than the U.S. dollar.

Since 2006, we have negotiated fuel price adjustment clauses in most of our contracts in the River Business. However, we may experience 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 currently time chartered to third parties since it is the charterers' responsibility to pay for the 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 on results 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 are sensitive to the price of fuel.

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 / OBO Fleet (vessels Princess Nadia, Princess Susana, Princess Katherine and Princess Marisol) 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. The percentage of discount to apply may vary with market levels and while we generally estimate an average discount of 20 to 30 per cent these percentages may not always reflect the discount that our vessels have to accept when fixing a particular employment.

OTC FFAs are not cleared through a clearing house; they have no margin account requirements and bear a higher counterparty risk than a cleared FFA. If the counterparty to an OTC FFA fails to meet its obligation under the FFA, the Company could suffer losses on the contract which could adversely affect the Company's financial condition and results of operations. As of June 30, 2009, 88% of the mark-to-market of our outstanding OTC FFAs was with Bunge S.A. as counterpart and 12% was with Cetragpa Suresnes SNC (a subsidiary of Louis Dreyfus Armateurs).

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 June 30, 2009, we were committed to FFAs with a fair value of $30.7 million recorded as an asset. Of this amount, $0.4 million was held through cleared FFA contracts and $30.3 million was held through OTC FFA contracts with a total of two different counterparties. These contracts settle between July 2009 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 June 30, 2009.

All of our FFAs outstanding at June 30, 2009 qualified as cash flow hedges for accounting purposes (although there is no guarantee they will continue to do so in the future) with the effect of the change in fair value of the effective portions being recorded in accumulated other comprehensive income (loss) resulting in a comprehensive income of $30.7 million.

We recorded an aggregate net realized gain of $19.8 million from the settlement of our FFA contracts in the first six months of 2009 in ¨Revenues - Ocean Business¨ in our unaudited condensed consolidated statement of income for the six month period ended June 30, 2009.

As of August 11, 2009, the asset related to the fair market value of the FFAs was $30.1 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 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

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 Paraguayan Customs Authority. We believed that this finding was erroneous and UABL has formally replied to the Paraguayan Customs Authority contesting all of the allegations upon which the finding was based. After review of the entire operations for the claimed period, the Paraguayan 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). 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 under consideration, 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 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 it claims to be equally not liable. On October 19, 2007, we presented a report by an expert which is highly favorable to our position. On March 27, 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 would be issued during the course of the first half of 2010. 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.

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 $6.1 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 SA 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. The parties now await the decision by the court. 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. challenged the judge's decision to place the embargo, but our local attorneys have recently advised that although it has not been notified yet the higher court has also reconfirmed the preemptive embargo as the lower court did on November 15, 2008. 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.

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 to YPF-Repsol S.A. in Argentina. Since those bunkers were purchased for consumption on board pushboats, UABL Paraguay S.A. submitted a defense on April 23, 2009 requesting the closing of those proceedings based on the non-infringement of Customs regulations, however the proceedings were not closed. As part of the evidence to be rendered in the Customs proceedings UABL Paraguay S.A. has requested a technical report to the Paraguayan Coast Guard in order to prove that all bunkers purchased to 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. We have been advised by our local counsel that there is only a remote possibility that UABL Paraguay S.A. will finally be found liable for any such taxes or fines. On July 22 2009, we learned of an ongoing investigation in connection with the registration of barges and pushboats in Paraguay. This investigation may include the registration of some of our barges. While there is no litigation at the moment, we have sought the advise 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 they believe 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

Six months ended June 30, 2009 compared to six months ended June 30, 2008.

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 (1)

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008	Percent Change
Revenues					
Attributable to River Business	$ 19,849	$ 34,855	$ 43,125	$ 62,011	-30 %
Attributable to Offshore Supply Business	9,284	10,974	18,456	20,161	-8 %
Attributable to Ocean Business	25,748	34,265	51,116	65,323	-22 %
Total revenues	54,881	80,094	112,697	147,495	-24 %
Voyage expenses					
Attributable to River Business	(9,209)	(17,928)	(19,001)	(31,483)	-40 %
Attributable to Offshore Supply Business	(312)	(491)	(719)	(913)	-21 %
Attributable to Ocean Business	(4,517)	(1,715)	(7,831)	(2,697)	190 %
Total voyage expenses	(14,038)	(20,134)	(27,551)	(35,093)	-21 %
Running costs					
Attributable to River Business	(7,419)	(9,005)	(15,368)	(16,959)	-9 %
Attributable to Offshore Supply Business	(3,686)	(4,427)	(7,770)	(8,364)	-7 %
Attributable to Ocean Business	(8,020)	(8,737)	(16,119)	(16,879)	-5 %
Total running costs	(19,125)	(22,169)	(39,257)	(42,202)	-7 %
Amortization of dry dock & intangible assets	(1,142)	(928)	(2,225)	(2,340)	-5 %
Depreciation of vessels and equipment	(9,161)	(8,253)	(18,063)	(15,916)	13 %
Administrative and commercial expenses	(6,120)	(5,865)	(11,616)	(11,099)	5 %
Other operating income	195	372	961	2,423	-60 %
Operating profit	5,490	23,117	14,946	43,268	-65 %
Financial expense and other financial income	(3,313)	(4,402)	(10,986)	(10,863)	1 %
Financial income	123	204	218	642	-66 %
Gain on derivative instruments, net	40	(449)	115	5,862	-98 %
Investment in affiliates	110	125	20	(49)	-141 %

Other, net	(243)	(116)	(402)	(291)	38 %
Total other expenses	(3,283)	(4,638)	(11,035)	(4,699)	135 %
Income from continuing operations before income taxes	2,207	18,479	3,911	38,569	-90 %
Income taxes	(1,889)	(2,740)	(2,296)	(3,367)	-32 %
Net income attributable to non controlling interest in subsidiaries	(95)	(185)	(225)	(425)	-47 %
Income from continuing operations	223	15,554	1,390	34,777	-96 %
Loss from discontinued operations	(312)	(3,840)	(862)	(5,724)	-85 %
Net income attributable to Ultrapetrol (Bahamas) Limited	$ (89)	$ 11,714	$ 528	$ 29,053	-98 %

(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 decreased by 43%, to $19.8 million for the three months ended June 30, 2009 from $34.9 million for the same period in 2008. This decrease is mainly attributable to a 41% decrease in volumes loaded and 15% decrease in freight rates due to the effect of the fuel pass through clause in our contracts, partially offset by revenues derived from other River operations.

Total revenues from our River Business decreased by $18.9 million or 30% to $43.1 million for the six months ended June 30, 2009 from $62.0 million for the same period in 2008. This decrease is mainly attributable to a 25% decrease in volumes loaded and 16% decrease in freight rates due to the effect of the fuel pass through clause in our contracts, partially offset by revenues derived from other River operations.

Total revenues from our Offshore Supply Business decreased by $1.7 million for the three months ended June 30, 2009 from $11.0 million in the second quarter of 2008 to $9.3 million in the same period of 2009. This decrease is primarily attributable to lower revenues of our UP Safira in the second quarter of 2009 when she operated in the spot market as compared to the same period in 2008 when she operated under a time charter and the effect of the depreciation of the British pound against the U.S. dollar in the three months ended June 30, 2009 as compared with the same period in 2008, partially offset by higher time charter revenues of our UP Esmeralda during the second quarter of 2009 as compared to the same period in 2008.

Total revenues from our Offshore Supply Business decreased by 8% to $18.5 million for the six months ended June 30, 2009 from $20.2 million for the same period in 2008. This decrease is primarily attributable to lower revenues of our UP Safira in the first half of 2009 when she operated in the spot market as compared to the same period in 2008 when she operated under a time charter and the effect of the depreciation of the British pound and Brazilian real against the U.S. dollar in the six months ended June 30, 2009 as compared with the same period in 2008, partially offset by less operational days of our vessel UP Esmeralda on the first quarter of 2008 than in the same period of 2009 as a consequence of a propulsion damage, and higher time charter revenues of our UP Esmeralda during the second quarter of 2009 as compared to the same period in 2008.

Total revenues from our Ocean Business decreased by 25%, from $34.3 million for the three months ended June 30, 2008 to $25.7 million for the same period in 2009. This decrease is primarily attributable to the lower charter rates obtained by our Capesize / OBO fleet, and certain off hire days of our Alejandrina in the second quarter of 2009 related to the installation of her inert gas system, a lower time charter rate obtained from our M/T Amadeo following the long term extension of her existing charter, mainly offset by significantly higher revenues derived from our FFA contracts in the second quarter of 2009, the entry in operations of Mediator I in April 2009, and higher time charter rates of our Miranda I in the second quarter of 2009 as compared to the same period in 2008.

Total revenues from our Ocean Business decreased by 22% from $65.3 million in the first half of 2008 to $51.1 million in the same period of 2009. This decrease is mainly attributable to the lower charter rates obtained by our Capesize / OBO fleet, and certain off hire days of our Alejandrina in the second quarter of 2009 related to the installation of her inert has system, a lower time charter rate obtained from our M/T Amadeo following the long term extension of her existing charter, mainly offset by significantly higher revenues derived from our FFA contracts in the first half of 2009, the entry in operations of Mediator I in April 2009, six full months of operations of the Austral in 2009 against three in 2008, and higher time charter rates of our Miranda I in the first half of 2009 as compared to the same period in 2008.

Voyage expenses. In the three months ended June 30, 2009, voyage expenses of our River Business were $9.2 million, as compared to $17.9 million for the same period of 2008, a decrease of $8.7 million, or 49%. The decrease is mainly attributable to a 60% reduction in fuel expenditures consistent with a 29% decrease in fuel consumption primarily attributable to the lower volume of cargo transported during the second quarter of 2009 and a 44% reduction in fuel prices.

Total voyage expenses from our River Business decreased by $12.5 million or 40% from $31.5 million for the six months ended June 30, 2008 to $19.0 million for the same period in 2009. This decrease is mainly attributable to a 53% reduction in fuel expenditures consistent with a 21% decrease in fuel consumption primarily attributable to the lower volume of cargo transported during the first half of 2009 and a 40% reduction in fuel prices.

Total voyage expenses in our Offshore Supply Business decreased by 40% to $0.3 million in the second quarter of 2009 from $0.5 million in the same period of 2008 due to lower commissions paid as a result of the lower earnings obtained by our vessels in the North Sea.