

ULTRAPETROL BAHAMAS LTD  
Form 6-K  
August 12, 2015

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 2015  
Commission File Number: 001-33068

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

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

Indicate by check mark whether the registrant files or will file annual reports  
under cover of Form 20-F or Form 40-F.

Form 20-F  Form 40-F

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

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

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule  
101(b)(7): \_\_\_\_

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

INFORMATION CONTAINED IN THIS FORM 6-K REPORT

Attached hereto as Exhibit 1 are a copy of the Company's report for the six months ended June 30, 2015, containing certain unaudited financial information and Management's Discussion and Analysis of Financial Condition and Results of Operations for the six months ended June 30, 2015 and 2014 (unaudited).

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SIGNATURES

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

ULTRAPETROL (BAHAMAS) LIMITED  
(registrant)

By: /s/ Cecilia Yad  
Name: Cecilia Yad  
Title: Chief Financial Officer

Dated: August 12, 2015

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Exhibit 1

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 or amend existing facilities or refinance existing facilities;
- 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 and obtain delivery of 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 and inflation in the economies of the countries in which we operate, including wage inflation as a result of trade union negotiations;
- adverse movements in commodity prices or demand for commodities may cause our customers to scale back their contract needs; and

·potential liability from future litigation.

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ULTRAPETROL (BAHAMAS) LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2014 (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, 2015, and 2014 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 690 barges (of which 24 are under lease) and 34 pushboats as of June 30, 2015, 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 53% of world soybean production in 2015, as compared to 30% in 1995. We also own a barge building facility at Punta Alvear, which is the most modern of its kind in South America, and we own an iron ore transfer and storage unit, Parana Iron, currently employed with a non-related third party.

Our Offshore Supply Business owns and operates vessels that provide critical logistical and transportation services for offshore petroleum exploration and production companies in the coastal waters of Brazil and the North Sea. As of June 30, 2015, our Offshore Supply Business fleet consisted of thirteen Platform Supply Vessels, or PSVs, and one Remotely Support Vessel, or RSV, chartered in Brazil. Out of the thirteen PSVs, eleven were chartered in Brazil and two in the North Sea. Our RSV, UP Coral, has entered into its six-year contract with Petrobras on August 5, 2015.

Our Ocean Business, as of June 30, 2015, owned four ocean-going vessels and bareboat chartered two more that we regularly employ in the South American coastal trade where we have preferential rights and customer relationships. The fleet is comprised of four Product Tankers (two of which are under lease) and two container feeder vessels. Our Alejandrina was placed back into operation on May 6, 2015. On March 25, 2015, we bareboat chartered Mentor for 3 years which entered into a time charter with Petrobras on July 1, 2015. On May 13, 2015, and June 15, 2015, respectively, we sold our Product Tankers Amadeo and Miranda I.

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 the three months ended June 30, 2015

On April 25 and 29, 2015, respectively, our two PSVs operating in the UK North Sea, UP Agate and UP Jasper, were laid-up on account of weak spot rates in the region. These two vessels are being offered at Petrobras tenders.

On May 6, 2015, our Product Tanker Alejandrina was placed back into service on a 4-month time charter (extendable for an additional 2 months at the charterer's option) with a non-related third party.

On May 13, 2015, we entered into an MOA whereby we agreed to sell our Product Tanker, Amadeo, for \$3.2 million. This vessel was subsequently delivered to buyers on May 29, 2015.

On May 21, 2015, we entered into a barge building contract whereby we agreed to build and sell from our Punta Alvear yard a set of six newbuilt tank barges to a third party.

#### Recent developments

On June 15, 2015, we entered into an MOA whereby we agreed to sell our Product Tanker, Miranda I, for \$0.8 million. This vessel was subsequently delivered to buyers on July 16, 2015.

On July 29, 2015, the Company appointed Raul Sotomayor to its board of directors following the resignation of Rodrigo Lowndes. Mr. Sotomayor is a Senior Partner of Southern Cross with extensive regional and logistics experience.

On August 5, 2015, our RSV UP Coral has entered into its six-year contract with Petrobras.

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## 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 currently 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. We also contract a portion of our river fleet on Time Charter to third parties. When transporting containers or vehicles, we charge our clients on a per-trip per unit basis. In addition, we derive revenues from the sale of new barges built at our Punta Alvear yard to third parties except for the sale of barges to a third party which are then leased back to us. In that case, neither net revenues nor manufacturing expenses are recognized and the net result from the sale of those barges is deferred in time throughout the term of the lease.

Finally, under our transshipment service agreement, we will recognize revenues per ton of iron ore transshipped.

In our Offshore Supply Business, we contract a substantial portion of our capacity under time charters to charterers in Brazil. We may decide to employ our vessels in the North Sea spot and/or term market or in any other markets such as West Africa.

In our Ocean Business, we currently contract our tanker vessels on a time charter basis. We sell space on our container feeder vessels on a per Twenty Foot-Equivalent Unit ("TEU") basis which is very similar to a COA basis as far as recording of revenues and voyage expenses. 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 or dollars per TEU, 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 50% of the total revenues derived from transportation services in the first six months of 2015 and COA revenues accounted for 50%. With respect to COA revenues derived from transportation service in the first six months of 2015, 97% were in respect of repetitive voyages for our regular customers and 3% were in respect of single voyages for occasional customers.



Our container vessels are paid on a rate based on each container shipped and is expressed in dollars per TEU. By comparison, these vessels' results are expressed similar to those vessels operating under a COA.

In our River Business, demand for our cargo carrying 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 Offshore Supply Business, we currently have eleven of our PSVs operating under long-term charters with Petrobras in Brazil while our RSV UP Coral has commenced its long-term charter with Petrobras on August 5, 2015. In addition, our two PSVs in the North Sea were laid-up on account of weak spot rates in the region. These two vessels are being offered in tenders to Petrobras.

In our Ocean Business, we employed a significant part of our ocean fleet on time charter to different customers during the first six months of 2015.

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## Expenses

Our operating expenses generally include the cost of all vessel operating expenses including crewing, spares and stores, insurance, lubricants, repairs and maintenance. Generally, the most significant of these expenses are wages paid to marine personnel, marine insurance costs and the cost of repairs and maintenance. 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, primarily for certain harbour tugs.

In our Offshore Supply Business, voyage expenses include offshore and brokerage commissions paid by us to third parties that provide brokerage services and bunker costs incurred when our vessels are repositioned between the North Sea and Brazil or from the yard where they have been built to their operating location. All these costs are fully covered by us.

In our Ocean Business, our tanker vessels are generally under time charter so we do not incur bunker or significant port expenses. However through our container feeder operation, our operating expenses include bunker costs which are fully covered by us, port expenses, Terminal Handling Costs, or THC, incurred in the regular operation of our container feeder service and agency fees paid by us to third parties. It also includes container leasing, storage and insurance expense.

Through our River Business, we own a repair facility for our river fleet at Pueblo Esther, Argentina, where we operate one floating dry dock, a shipyard for building barges and other vessels in Punta Alvear, Argentina, land for the construction of two terminals in Argentina, one grain loading terminal and 50% of a second terminal in Paraguay. UABL also rents offices in Asuncion, Paraguay and Buenos Aires, Argentina.

Through our Offshore Supply Business, we hold a lease for office and warehouse 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 subleases to additional office space at Avenida Leandro N. Alem 986, Capital Federal, Buenos Aires, Argentina, and rent an office in Aberdeen, Scotland.

## Foreign Currency Transactions

Our exchange rate risk arises in the ordinary course of our business primarily from our foreign currency expenses and revenues. We are also exposed to exchange rate risk on the portion of our balances denominated in currencies other than the U.S. dollar, such as tax credits in various tax jurisdictions in South America.

During the first six months of 2015, 94% of our revenues were denominated in U.S. dollars. Also, for the period ended June 30, 2015, 5% of our revenues were denominated and collected in Brazilian reais and 1% were denominated and collected in British pounds. However, 43% of our total revenues were denominated in U.S. dollars but collected in Argentine pesos, Brazilian reais and Paraguayan guaranies. During the first six months of 2015 significant amounts of our expenses were denominated in U.S. dollars and 41% 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 during the month of each transaction.

Foreign currency exchange gains (losses), net are included as a component of other income (expenses) in our unaudited condensed consolidated financial statements.

Inflation, Interest Rates and Fuel Price Increases

Inflationary pressures in the South American countries in which we operate may not be compensated in the short term 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.

If the London market for dollar loans between banks were to become volatile the spread between published LIBOR and the lending rates actually charged to banks in the London interbank market would widen. Interest in most loan agreements in our industry has been based on published LIBOR rates. After the financial crisis which began in 2008, however, lenders have insisted on provisions that entitle them, in their discretion, to replace published LIBOR as the base for the interest calculation with their own cost-of-funds rate. Since then, we have been required to include similar provisions in some of our financings. If our lenders were to use the interest rate on their costs of funds instead of LIBOR in connection with such provisions, our lending costs could increase significantly, which would have an adverse effect on our profitability, earnings and cash flow.

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As of June 30, 2015, we had \$52.2 million of LIBOR-based variable rate borrowings under our credit facilities with International Finance Corporation, or IFC, and The OPEC Fund for International Development, or OFID, subject to an interest rate collar agreement, designated as cash flow hedge, to fix the interest rate of these borrowings within a floor of 1.69% and a cap of 5.0% per annum until June 2016.

As of June 30, 2015, the Company had \$15.6 million of LIBOR-based variable rate borrowings under its credit facility with DVB, NIBC and ABN Amro subject to interest rate swaps, as economic hedges, to fix the interest rate of these borrowings between October 2012 and October 2016 at a weighted average cost of debt of 0.9% per annum, excluding margin. In addition, the Company had \$15.6 million of LIBOR based variable rate borrowings under the same facility subject to interest rate swaps designated as cash flow hedge for accounting purposes, to fix the interest rate of these borrowings between March 2014 and September 2016 at a weighted average cost of debt of 1.2% per annum, excluding margin. Finally, the Company had \$16.7 million of LIBOR-based variable rate borrowings under the same facility subject to interest rate swaps designated as cash flow hedge for accounting purposes, to fix the interest rate of these borrowings between October 2014 and October 2016 at a weighted average cost of debt of 1.22% per annum, excluding margin.

As of June 30, 2015, the Company had \$6.4 million of LIBOR-based variable rate borrowings under its credit facility with DVB and Banco Security, subject to an interest rate swap, designated as cash flow hedge for accounting purposes, to fix the interest rate of these borrowings at a weighted average interest rate of 3.39% per annum.

Additionally, as of June 30, 2015, the Company had variable rate debt (due 2015 through 2021) totaling \$123.6 million. These debts call for the Company to pay interest based on LIBOR plus a 120-400 basis points margin range. Some of our existing financing agreements, within the terms and conditions contained in the relevant loan agreement, used a cost-of-funds rate in replacement of LIBOR. The interest rates generally reset either quarterly or semi-annually. As of June 30, 2015, the weighted average interest rate on these borrowings was 3.0%, including margin.

A 1% increase in LIBOR or a 1% increase in the cost-of-funds used as base rate by some of our lenders would translate to a \$1.2 million increase in our interest expense per year, which would adversely affect our earnings and financing cash flow.

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 (either positive or negative) because one may adjust prices on a monthly basis while the other adjusts prices weekly. Similarly, in some of our trades the adjustment formula may not be one hundred percent effective to protect us against fuel price fluctuations. Additionally, our re-engined and repowered pushboats in our fleet consume heavy fuel (as opposed to diesel oil), which partially ceased to reflect the change in our fuel costs, resulting in gradually larger misalignments between such adjustments and our fuel purchases.

In the Offshore Supply Business, the risk of variation of fuel prices under the vessels' current employment is generally borne by the charterers, since they are generally responsible for the supply and cost of fuel. During their positioning voyage from their delivery shipyard up to their area of operation and if and when a vessel is off-hire for technical or commercial reasons, fuel consumption will be for owners' account.

In our Ocean Business, for those vessels that operate under time charters, increases on bunker (fuel oil) costs do not 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 bunker 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 variations 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.

In our container feeder service, the operation of our two container feeder vessels, Asturiano and Argentino, involves some degree of fuel price fluctuation risk since we have to pay for the cost of bunkers and although we can adjust our rates per TEU in connection with these variations, we may not always be able to, or may even be unable to, pass these variations to our customers (either fully or partially) in the future, which could have an adverse effect on our results of operations.

#### 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, we employ our Product Tankers on time charters so there is no seasonality effect, while our container feeder service experiences a somewhat slower season during the first quarter due to the congestion at the main discharge terminal in Patagonia in connection with the cruise tourist season.

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## Legal Proceedings

### UABL – Ciudad del Este Customs Authority

On September 21, 2005, the local Customs Authority of Ciudad del Este, Paraguay issued a finding concerning certain UABL entities referred to three matters in respect of certain operations of our River Business for the prior three-year period: (i) that UABL owed taxes to that authority in the amount of \$2.2 million, (ii) a fine for non-payment of the taxes in the same amount, and (iii) that the tax base used by UABL entities to calculate the applicable withholding tax that UABL had used to calculate taxes paid in said period. The first two issues were disregarded by the Tax and Administrative Court on November 24, 2006. Nevertheless, the third issue continued. On September 22, 2010, the Paraguayan Supreme Court revoked the March 26, 2009 ruling of the Tax and Administrative Court -which had decided we were not liable- and confirmed the decision of the Paraguayan undersecretary for taxation which condemned UABL Paraguay S.A. to pay approximately \$0.6 million non-withheld taxes, \$0.7 million in fines and \$1.3 million in accrued due interests. This matter was settled in a signed agreement with the Tax Authorities on October 14, 2010, and UABL paid the total amount of \$1.3 million in full and final settlement of the claim and agreed to drop the appeal we had filed against to the Supreme Court. However, in parallel with this ruling the Office of the Treasury Attorney initiated an action in respect of the first two issues concerned in this litigation which had been terminated on November 24, 2006 to review certain formal aspects over which a decision of the Court is still pending. Aside from the mentioned procedures, the Customs Authorities of Paraguay have reopened the proceedings against UABL S.A., UABL Paraguay S.A. and Yataity S.A. in connection with the possible reopening of the case pending a decision of the reopening of the case in court, which is currently on hold awaiting for the Court's resolution. We have been advised by UABL's counsel in the case that there is only a remote possibility that the Paraguayan Courts would find UABL liable for any of these taxes or fines still in dispute or that the final outcome of these proceedings could have a material adverse effect on the Company.

### UABL Paraguay S.A. – Paraguayan Customs Asuncion

These administrative proceedings were commenced on April 7, 2009, by the Paraguayan Customs in Asuncion 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 S.A. in Argentina, and between years 2003 and 2006. The total owed taxes according to Customs in Asuncion are up to the amount of Gs. 6.028.317.852 (approximately \$1.37 million). Our local counsel is of the opinion that the competent Court will overturn the Custom's ruling where said amount was determined, and that therefore there is only a remote possibility that these proceedings will have a material adverse financial impact on the consolidated financial position or result of operations of the Company.

### Oceanpar S.A. and UABL Paraguay S.A. - Customs investigation in connection with re-importation of barges subject to conversion

Oceanpar S.A. was notified of this investigation on June 17, 2011. The matter under investigation is whether UABL Paraguay S.A. paid all import taxes and duties corresponding to the re-importation of barges submitted to conversion in foreign yards. Customs imposed a fine of Gs. 2.791.514.822 (approximately \$0.6 million) and judicial proceedings have been commenced where a final decision is still pending. Our local counsel has advised that, due to the conservative criteria of the courts in favor of the state, there are fifty percent chances that these proceedings will have a material adverse impact on the consolidated financial position or result of operations of the Company.

As of June 30, 2015 a loss contingency liability related with this matter of \$0.5 million was recorded.

### UABL Paraguay S.A. - Paraguayan Tax Authority

These are administrative proceedings commenced by the Paraguayan Tax Authorities on December 15, 2011 against UABL Paraguay S.A. due to an alleged improper use of some fiscal credit. The aforementioned tax authorities suggested some rectifications to be made and also informed that UABL Paraguay S.A. may owe taxes due to differences in the rate applied to certain fiscal remittance incomes related to the operation of some barges under leasing. The potential amount in dispute has not been calculated yet but it should not exceed approximately \$3.0 million. Our local counsel has advised that there is only a remote chance that these proceedings, when ultimately resolved by a judicial court, will have a material adverse impact on the consolidated financial position or result of operations of the Company.

Ultrapetrol S.A. – Argentine Secretary of Industry and Argentine Customs Office

On June 24, 2009, Ultrapetrol S.A. (hereinafter "UPSA") requested to the Argentine Secretary of Industry, an authorization to re-export some unused steel plates that had been temporarily imported for industrialized conversion by means of vessels repairs that were not finally industrialized due to cancellations of the repairs that some shipping companies had ordered. The total weight of those steel plates was 473 tons and their import value was approximately \$0.37 million. In the event that steel plates cannot be exported, payable import duties and Customs' charges would amount to approximately \$0.9 million, however in case of payment UPSA would have offsetting-tax credits amounting to approximately \$0.3 million. We have been advised by local counsel that there is a positive prospect of obtaining the requested authorization for re-exporting the steel plates and we do not expect the resolution of these administrative proceedings to have a material adverse impact on the consolidated financial position or result of operations of the Company.

On May 05, 2015, UPSA took notice of administrative proceedings commenced by Argentine Customs Authorities on November 04, 2014, due to an alleged infringement of Customs regulations on temporary import regime. The Customs' fine applicable in such a case could vary between \$0.08 million and \$2.5 million, with an additional amount of \$0.08 million regarding additional VAT and income taxes, and the charges for import duties could reach \$0.5 million. The chances of success will depend on the outcome of the proceedings before the Argentine Secretary of Industry, but even if UPSA is found liable, the fine will probably be imposed around the minimum amount.

UP Offshore Apoio Marítimo Ltda. - Rio de Janeiro State Treasury Office- UP Pearl Tax assessment

On May 9, 2014, the Rio de Janeiro State Treasury Office commenced administrative proceedings against UP Offshore Apoio Marítimo Ltda. alleging infringement of tax regulations due to lack of payment of ICMS tax related to the temporary import of the vessel "UP PEARL". The said authorities determined the corresponding assessment in the amount of R\$ 768,096.34 (approximately \$0.34 million), plus interest. A decision is now pending over the non-application of the tax to the vessel's import. Our local counsel has advised that there is a remote chance that these proceedings, when ultimately resolved by a judicial court, will have a material adverse impact on the consolidated financial position or result of operations of the Company.

Various other legal, labour and tax 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, labour or tax proceedings that, if adversely determined, would have a material adverse effect on us.

## Results of Operations

The following table sets forth certain unaudited historical statements of operations data for the three months and six months ended June 30, 2015, compared to the three months and six months ended June 30, 2014, derived from our unaudited condensed consolidated statements of operations expressed in thousands of dollars:

|   | Three Months        |          | Six Months Ended |          | Percent Change |   |
|---|---------------------|----------|------------------|----------|----------------|---|
|   | Ended June 30, 2015 | 2014     | June 30, 2015    | 2014     |                |   |
| <b>Revenues</b>                               |                     |          |                  |          |                |   |
| Attributable to River Business                | \$53,038            | \$52,018 | \$91,968         | 93,295   | -1             | % |
| Attributable to Offshore Supply Business      | 26,843              | 29,675   | 56,400           | 57,078   | -1             | % |
| Attributable to Ocean Business                | 16,213              | 17,686   | 32,299           | 35,349   | -9             | % |
| Total revenues                                | 96,094              | 99,379   | 180,667          | 185,722  | -3             | % |
| <b>Voyage and manufacturing expenses</b>      |                     |          |                  |          |                |   |
| Attributable to River Business                | (24,201)            | (24,781) | (40,767)         | (48,482) | -16            | % |
| Attributable to Offshore Supply Business      | (100)               | (1,961)  | (1,749)          | (2,731)  | -36            | % |
| Attributable to Ocean Business                | (6,277)             | (5,496)  | (11,298)         | (10,051) | 12             | % |
| Total voyage and manufacturing expenses       | (30,578)            | (32,238) | (53,814)         | (61,264) | -12            | % |
| <b>Running costs</b>                          |                     |          |                  |          |                |   |
| Attributable to River Business                | (16,894)            | (14,373) | (30,795)         | (27,709) | 11             | % |
| Attributable to Offshore Supply Business      | (12,351)            | (13,202) | (24,725)         | (23,824) | 4              | % |
| Attributable to Ocean Business                | (8,535)             | (8,763)  | (16,658)         | (16,259) | 2              | % |
| Total running costs                           | (37,780)            | (36,338) | (72,178)         | (67,792) | 6              | % |
| Amortization of dry dock & intangible assets  | (2,448)             | (1,723)  | (4,447)          | (2,962)  | 50             | % |
| Depreciation of vessels and equipment         | (10,413)            | (11,220) | (20,917)         | (21,890) | -4             | % |
| Administrative and commercial expenses        | (10,267)            | (8,413)  | (19,936)         | (17,917) | 11             | % |
| Other operating income, net                   | (1,053)             | 585      | (1,007)          | 1,139    | --             |   |
| Operating profit                              | 3,555               | 10,032   | 8,368            | 15,036   | -44            | % |
| Financial expense                             | (8,418)             | (8,565)  | (16,673)         | (17,215) | -3             | % |
| Foreign currency exchange gains (losses), net | 1,703               | 2,615    | (194)            | 5,598    | --             |   |
| Financial income                              | --                  | 38       | --               | 48       | --             |   |
| Loss on derivatives, net                      | --                  | (2)      | --               | (2)      | --             |   |
| Investment in affiliates                      | (216)               | (183)    | (309)            | (415)    | -26            | % |
| Other income, net                             | 43                  | 50       | 55               | 75       | -27            | % |
| Total other expenses, net                     | (6,888)             | (6,047)  | (17,121)         | (11,911) | 44             | % |
| (Loss) income before income taxes             | (3,333)             | 3,985    | (8,753)          | 3,125    | --             |   |
| Income tax (expenses)                         | (3,060)             | (1,218)  | (2,747)          | (5,112)  | -46            | % |
| Net (loss) income                             | \$(6,393)           | \$2,767  | \$(11,500)       | (1,987)  | 479            | % |



Revenues. Total revenues from our River Business increased 2% from \$52.0 million in the three months ended June 30, 2014, to \$53.0 million in the same period of 2015. This \$1.0 million increase results mainly from a \$6.5 million increase in revenues related to six barges constructed at our yard in Punta Alvear sold to third parties in the second quarter of 2015 as compared to four in the same period of 2014 and by a \$1.0 million increase in revenues from the operation of our Parana Iron transfer and storage unit which started operations on May 13, 2014; partially offset by a \$6.5 million decrease in revenues from river operations related to a 7% decrease in net tons transported and lower freight rates as compared to the second quarter of 2014.

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Total revenues from our River Business decreased 1% from \$93.3 million in the six months ended June 30, 2014, to \$92.0 million in the same period of 2015. This \$1.3 million decrease results mainly from a \$5.1 million decrease in revenues related to six barges constructed at our yard in Punta Alvear sold to third parties in the first half of 2015 as compared to twelve in the same period of 2014 and by a \$1.0 million decrease in revenues from river operations mostly related to lower average freight rates; partially offset by a \$4.8 million increase in revenues from the operation of our Parana Iron transfer and storage unit which started operations on May 13, 2014.

Total revenues from our Offshore Supply Business decreased 10% from \$29.7 million in the three months ended June 30, 2014, to \$26.8 million in the same period of 2015. This \$2.9 million decrease is primarily attributable to a combined \$2.3 million decrease in revenues of our UP Jasper and UP Agate related to their lay up in the North Sea on account of low average spot rates and to a combined \$1.3 million decrease in revenues of our PSV fleet related to an average 38% devaluation of the Brazilian real between the second quarter of 2015 as compared to the same period of 2014; partially offset by a \$0.8 million net increase in revenues of our UP Opal which commenced operations in the North Sea on May 3, 2014, and is currently operating in Brazil on a long-term charter with Petrobras.

Total revenues from our Offshore Supply Business decreased 1% from \$57.1 million in the six months ended June 30, 2014, to \$56.4 million in the same period of 2015. This \$0.7 million decrease is primarily attributable to a combined \$3.1 million decrease in revenues of our UP Jasper and UP Agate related to their lay up in the North Sea due to low average spot rates and to a combined \$0.8 million decrease in revenues of our PSV fleet related to an average 29% devaluation of the Brazilian real between the first half of 2015 as compared to the same period of 2014; partially offset by a \$3.2 million increase in revenues of our UP Opal which commenced operations in the North Sea on May 3, 2014, and is currently operating in Brazil on a long-term charter with Petrobras.

Total revenues from our Ocean Business decreased \$1.5 million, from \$17.7 million in the three months ended June 30, 2014, to \$16.2 million in the same period of 2015, or 8%. This decrease is mainly attributable to a \$1.0 million decrease of our Amadeo which was sold and delivered to buyers on May 29, 2015, and to a \$0.2 million decrease of our Alejandrina which was laid up until May 5, 2015, after ending its previous employment in September 2014.

Total revenues from our Ocean Business decreased \$3.0 million, from \$35.3 million in the six months ended June 30, 2014, to \$32.3 million in the same period of 2015, or 9%. This decrease is mainly attributable to a \$2.1 million decrease of our Alejandrina which was laid up until May 5, 2015, after ending its previous employment in September 2014, and to a \$1.0 million decrease of our Amadeo which was sold and delivered to buyers on May 29, 2015.

Voyage and manufacturing expenses. In the three months ended June 30, 2015, voyage and manufacturing expenses of our River Business were \$24.2 million as compared to \$24.8 million for the same period of 2014. This \$0.6 million decrease is mainly attributable to a combined \$6.5 million decrease in fuel prices and consumption as well as by lower voyage expenses derived from the new operational model implemented in 2015; partially offset by a \$5.9 million increase related to the manufacturing expenses incurred in the construction of barges for third parties in our Punta Alvear yard in the second quarter of 2015 as compared to the same period of last year.

In the six months ended June 30, 2015, voyage and manufacturing expenses of our River Business were \$40.8 million, as compared to \$48.5 million for the same period of 2014, a decrease of \$7.7 million, or 16%. This decrease is mainly attributable to a combined \$5.8 million decrease in fuel prices and lower voyage expenses derived from the new operational model implemented in 2015 and to a \$1.9 million decrease related to the manufacturing expenses incurred in the construction of barges for third parties in our Punta Alvear yard.

In the three months ended June 30, 2015, voyage expenses of our Offshore Supply Business were \$0.1 million, as compared to \$2.0 million in the same period of 2014. This decrease is primarily attributable to a \$0.8 million reclassification of an intercompany expense, to a \$0.8 million decrease related to the positioning costs of our UP Agate, UP Coral and UP Opal to the North Sea in the second quarter of 2014 and to a \$0.4 million decrease related to

bunker expenses paid in the second quarter of 2014 on account of PSV drydocks.

In the six months ended June 30, 2015, voyage expenses of our Offshore Supply Business were \$1.7 million, as compared to \$2.7 million in the same period of 2014. This \$1.0 million decrease is primarily attributable to the \$0.8 million positioning costs of our UP Agate, UP Coral and UP Opal to the North Sea in the first half of 2014 and to the \$0.2 million decrease in voyage expenses of our UP Agate and UP Jasper which are laid up in the North Sea.

In the three months ended June 30, 2015, voyage expenses of our Ocean Business were \$6.3 million, as compared to \$5.5 million for the same period of 2014, an increase of \$0.8 million, or 14%. This increase is primarily attributable to a \$0.6 million positioning cost of our recently bareboat chartered vessel, Mentor, which entered into operation on July 1, 2015, and by a \$0.2 million increase related to higher fuel expense and other voyage expenses of our Argentino.

In the six months ended June 30, 2015, voyage expenses of our Ocean Business were \$11.3 million, as compared to \$10.1 million for the same period of 2014, an increase of \$1.2 million, or 12%. This increase is primarily attributable to a \$0.6 million positioning cost of our recently bareboat chartered vessel, Mentor, which entered into operation on July 1, 2015, and by a \$0.5 million increase in other voyage expenses of our Asturiano and Argentino mostly related to the drydock of Asturiano during the first quarter of 2014.

Running costs. In the three months ended June 30, 2015, running costs of our River Business were \$16.9 million, as compared to \$14.4 million in the same period of 2014, an increase of \$2.5 million, or 18%. This increase is mainly attributable to a \$1.5 million increase in crew expenses on account of a higher wages and severance payments in the second quarter of 2015 as compared to the same period of 2014, to a \$0.7 million increase in running costs of our Parana Iron which entered into operation on May 13, 2014 and to a \$0.2 million increase in supplies, maintenance and insurance costs of our pushboat fleet.

In the six months ended June 30, 2015, running costs of our River Business were \$30.8 million, as compared to \$27.7 million in the same period of 2014, an increase of \$3.1 million, or 11%. This increase is mainly attributable to the increase in crew expenses on account of a higher wages and severance payments in the second quarter of 2015 as compared to the same period of 2014.

In the three months ended June 30, 2015, running costs of our Offshore Supply Business were \$12.4 million, as compared to \$13.2 million in the same period of 2014, a decrease of \$0.8 million, or 6%. This decrease in running costs is mainly attributable to a \$0.4 million combined decrease of our UP Jasper and UP Agate related to their lay up in the North Sea due to low average spot rates and to a \$0.4 million decrease in costs of rest of our PSV fleet mostly related to the devaluation of the Brazilian real.

In the six months ended June 30, 2015, running costs of our Offshore Supply Business were \$24.7 million, as compared to \$23.8 million in the same period of 2014, an increase of \$0.9 million, or 4%. This increase in running costs is mainly attributable to a \$2.4 million combined increase in running costs of our UP Agate, UP Coral and UP Opal which were positioned to the North Sea in the first half of 2014; partially offset by a \$1.5 million combined decrease in costs of rest of our PSV fleet mostly related to the devaluation of the Brazilian real.

In the three months ended June 30, 2015, running costs of our Ocean Business were \$8.5 million, as compared to \$8.8 million in the same period of 2014, a decrease of \$0.3 million, or 3%. This decrease resulted mainly from our Alejandrina which was laid up until May 5, 2015, after ending its previous employment in September 2014.

In the six months ended June 30, 2015, running costs of our Ocean Business were \$16.7 million, as compared to \$16.3 million in the same period of 2014, an increase of \$0.4 million, or 2%. This increase resulted mainly from a \$1.0 million increase in running costs of our Asturiano which was under drydock in the first quarter of 2014 and to a \$0.2 million increase in running costs of our Miranda I mostly related to crew costs; partially offset by a \$0.9 million decrease from our Alejandrina which was laid up until May 5, 2015, after ending its previous employment in September 2014.

Amortization of drydocking and intangible assets. Amortization of drydocks and intangible assets in the three months ended June 30, 2015, were \$2.4 million as compared to \$1.7 million for the same period of 2014, an increase of \$0.7 million, or 42%. This increase is primarily attributable to a \$0.4 million increased level of amortization of some of our pushboats in our River Business, to a \$0.3 million increased level of amortization of drydock of our UP Rubi and UP Topazio on account of their drydocks during the third and fourth quarter of 2014, respectively.

Amortization of drydocks and intangible assets in the six months ended June 30, 2015, were \$4.4 million, as compared to \$3.0 million for the same period of 2014, an increase of \$1.4 million, or 50%. This increase is primarily attributable to a \$0.6 million increased level of amortization of some of our pushboats in our River Business, to a \$0.5

million increased level of amortization of drydock of our UP Rubi and UP Topazio on account of their drydocks during the third and fourth quarter of 2014, respectively, and to a \$0.5 million increased level of amortization of drydocking of our Parana Iron transfer and storage unit; partially offset by a \$0.2 million decreased level of amortization of our Amadeo on account of its sale.

Depreciation of vessels and equipment. Depreciation of vessels and equipment for the three months ended June 30, 2015, was \$10.4 million as compared to \$11.2 million in the same period of 2014. This \$0.8 million decrease was mainly attributable to a combined \$0.4 million decrease in the depreciation of our Miranda I and Alejandrina on account of their write-off during the fourth quarter of 2014, to a \$0.3 million decrease related to the full depreciation of some of our barges and a \$0.2 million decrease in the depreciation of our Amadeo related to its sale on May 13, 2015; partially offset by a \$0.1 million increase in depreciation of our UP Coral on account of its conversion into an RSV.

Depreciation of vessels and equipment for the six months ended June 30, 2015, was \$20.9 million as compared to \$21.9 million in the same period of 2014. This \$1.0 million decrease was mainly attributable to a combined \$0.7 million decrease in the depreciation of our Miranda I and Alejandrina on account of their write-off during the fourth quarter of 2014, to a \$0.4 million decrease related to the full depreciation of some of our barges and a \$0.2 million decrease in the depreciation of our Amadeo related to its sale on May 13, 2015; partially offset by a combined \$0.2 million increase in depreciation of our UP Agate and UP Opal which were delivered during the first quarter of 2014 and a \$0.2 million increase in depreciation of our UP Coral on account of its conversion into an RSV.

Administrative and commercial expenses. Administrative and commercial expenses were \$10.3 million in the three months ended June 30, 2015, as compared to \$8.4 million in the same period of 2014, resulting in an increase of \$1.9 million or 22%. This increase is mainly associated to new staff hires and inflation-related wage increases not compensated by an equivalent devaluation in some of our subsidiaries.

Administrative and commercial expenses were \$19.9 million in the six months ended June 30, 2015, as compared to \$17.9 million in the same period of 2014, resulting in an increase of \$2.0 million or 11%. This increase is mainly associated to new staff hires and inflation-related wage increases not compensated by an equivalent devaluation in some of our subsidiaries.

Other operating (loss) income, net. Other operating loss was \$1.1 million in the three months ended June 30, 2015, as compared to an operating income of \$0.6 million in the same period of 2014. This \$1.7 million decrease is mainly attributable to a \$1.1 million net loss from the sale of our Amadeo on May 13, 2015, and by a \$0.5 million loss of hire compensation of our UP Opal during the second quarter of 2014.

Other operating loss was \$1.0 million in the six months ended June 30, 2015, as compared to an operating income of \$1.1 million in the same period of 2014. This \$2.1 million decrease is mainly attributable to a \$1.1 million net loss from the sale of our Amadeo on May 13, 2015, by a \$0.5 million loss of hire compensation of our UP Opal during the second quarter of 2014, by a combined \$0.2 million compensation by insurers of our Asturiano and Austral during the first quarter of 2014 and by a \$0.2 million decrease in export benefits related to lower sales from our barge building activity.

Operating profit. Operating profit for the three months ended June 30, 2015, was \$3.5 million, a decrease of \$6.5 million from an operating profit of \$10.0 million for the same period of 2014. This decrease is mainly attributable to a \$3.0 million decrease in operating profit of our Ocean Business from an operating profit of \$0.4 million in the second quarter of 2014 to an operating loss of \$2.6 million in the same period of 2015 mainly associated to the net result from the sale of our Amadeo and by the decreased operation of our Asturiano and Argentino; to a \$2.0 million decrease in the operating profit our River Business from \$1.5 million in the second quarter of 2014 to an operating loss of \$0.5 million in the same period of 2015 driven mainly by the 7% decrease in net tons transported and to lower freight rates; and by a \$1.4 million decrease in operating profit of our Offshore Supply Business from \$8.1 million in the second quarter of 2014 to \$6.7 million in the same period of 2015 mainly associated to our UP Jasper and UP Agate related to their lay up in the North Sea due to low average spot rates.

Operating profit for the six months ended June 30, 2015, was \$8.4 million, a decrease of \$6.6 million from an operating profit of \$15.0 million for the same period of 2014. This decrease is mainly attributable to a \$5.2 million decrease in operating profit of our Ocean Business from an operating profit of \$2.6 million in the second quarter of 2014 to an operating loss of \$2.6 million in the same period of 2015 mainly associated to the net result from the sale of our Amadeo, by the decreased operation of our Asturiano and Argentino, to our Alejandrina which was laid up until May 6, 2015, after ending its previous employment in September 2014 and to the sale of our Amadeo on May 13, 2015; to a \$2.7 million decrease in operating profit of our Offshore Supply Business from \$17.5 million in the second quarter of 2014 to \$14.8 million in the same period of 2015 mainly associated to our UP Jasper and UP Agate related to their lay up in the North Sea due to low average spot rates; partially offset by a \$1.2 million decrease in the

operating loss our River Business from \$5.1 million in the six months ended June 30, 2014, to an operating loss of \$3.8 million in the same period of 2015 driven mainly by lower freight rates.

Financial expense. Financial expense in the three months ended June 30, 2015, was \$8.5 million, virtually unchanged as compared to \$8.6 million in the same period of 2014.

Financial expense in the six months ended June 30, 2015, was \$16.7 million, a decrease of \$0.5 million as compared to \$17.2 million in the same period of 2014. This variation is mostly explained by regular debt repayments which render lower average debt balances in the first half of 2015 as compared to the same period of 2014.

Foreign currency exchange gains, net. Foreign currency exchange gains for the three months ended June 30, 2015, was \$1.7 million, compared to \$2.6 million in the same period of 2014. This \$0.9 million change is mainly attributable to lower cash foreign currency exchange gains in some of our subsidiaries and to the effect of our exposure to the fluctuation in the value of local currencies mostly related to the devaluation of the Brazilian real during the second quarter of 2015.

Foreign currency exchange loss for the six months ended June 30, 2015, was \$(0.2) million, compared to \$5.6 million gain in the same period of 2014. This \$5.8 million change is mainly attributable to lower cash foreign currency exchange gains in some of our subsidiaries and to the effect of our exposure to the fluctuation in the value of local currencies mostly related to the devaluation of the Brazilian real during the first half of 2015.

Income taxes (expenses). Income tax expense for the three months ended June 30, 2015, was \$3.0 million, compared to \$1.2 million in the same period of 2014. Income tax increased by \$1.8 million, from an income tax expense of \$1.2 million for the three months period ended June 30, 2014 to an income tax expense of \$3.0 million in the same period of 2015. This change is mainly explained by an increase of \$1.5 million in the current income tax expense and for a change of \$0.4 in the deferred income tax from a deferred income tax expense of \$0.6 million in 2014 to a deferred income tax benefit of \$1.0 million in 2015. The increase in the current income tax expense is mainly explained by an increase of \$2.0 million in the income tax expense of our Ocean Business operations in Argentina offset by a decrease of \$0.6 million attributable to our operations in the Offshore Supply Business in Brazil. The change in the deferred income tax is mainly explained by an increase of \$0.3 million in the deferred income tax liability in our Brazilian subsidiary in the Offshore Supply Business.

The income tax expense for the six months ended June 30, 2015, was \$2.7 million, compared to \$5.1 million in the same period of 2014. Income tax decreased by \$2.4 million, from an income tax expense of \$5.1 million for the six months period ended June 30, 2014 to an income tax expense of \$2.7 million in the same period of 2015. This change is mainly explained by an increase of \$0.6 million in the current income tax expense and for a change of \$3.0 in the deferred income tax from a deferred income tax expense of \$2.0 million in 2014 to a deferred income tax benefit of \$0.9 million in 2015. The increase in the current income tax expense is mainly explained by an increase of \$0.4 million in the income tax expense of our River and Ocean Business operations in Argentina and by an increase of \$0.2 million attributable to our operations in the Offshore Supply Business in Brazil. The change in the deferred income tax is mainly explained by a decrease of \$3.0 million in the deferred income tax liability in our Brazilian subsidiary in the Offshore Supply Business due to the significant devaluation of the Brazilian real during the six months period ended June 30, 2015 as compared to a slight revaluation during the same period in 2014.

#### Liquidity and Capital Resources

We are a holding company that operates 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 debt, shareholder loans, cash flow from operations and equity contributions.

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

At June 30, 2015, we had aggregate indebtedness of \$468.3 million, consisting of \$225.0 million aggregate principal amount of our 2021 Notes, indebtedness of our subsidiary UP Offshore Apoio Maritimo Ltda. under a senior loan facility with DVB Bank AG, or DVB, of \$4.6 million and \$13.0 million under a loan facility with BNDES, indebtedness of our subsidiary UP Offshore (Bahamas) Ltd. of \$51.2 million under three senior loan facilities with DVB and \$25.8 million under an additional senior loan agreement with DVB and Banco Security as co-lenders, indebtedness of our subsidiary Ingatestone Holdings Inc. of \$48.0 million under a senior loan facility with DVB, NIBC and ABN Amro as co-lenders, indebtedness of our subsidiary Linford Trading Inc. of \$27.2 million under a senior loan facility with DVB and NIBC, indebtedness of our subsidiary Stanyan Shipping Inc. of \$3.6 million under a senior loan facility with Natixis, indebtedness of our subsidiaries UABL Barges (Panama) Inc., Marine Financial Investment Corp., Eastham Barges Inc. and UABL Paraguay S.A. of \$41.7 million in the aggregate under two senior loan facilities with IFC, indebtedness of our subsidiary UABL Paraguay S.A. of \$10.4 million under a senior loan facility with OFID, and indebtedness of our subsidiaries UABL Paraguay S.A. and Riverpar S.A. of \$17.6 million under a senior loan facility with IFC and OFID as co-lenders and accrued interest of \$1.4 million.

At June 30, 2015, we had cash and cash equivalents on hand of \$29.7 million plus \$11.2 million in current restricted cash, making a total of \$40.9 million. In addition, as of June 30, 2015, we have available borrowing capacity under our revolving credit facility of \$10.0 million and \$6.4 million related with our financing of our PSVs UP Agate and



UP Coral with DVB Bank America and NIBC. Please refer to "Description of Credit Facilities and Other Indebtedness" included in our Annual Report on Form 20-F for the year ended December 31, 2014.

### Operating Activities

In the six months ended June 30, 2015, cash flow provided by operations decreased \$5.3 million to \$11.5 million as compared to \$16.8 million in the same period of 2014. Net loss for the six months ended June 30, 2015, was \$11.5 million as compared to \$2.0 million in the same period of 2014, an increase of \$9.5 million. To determine cash from operations, net loss is adjusted for the effect of certain non-cash items including depreciation and amortization, which are analyzed in detail as follows:

| (Stated in thousands of U.S. dollars)   | For the six-month period ended June 30, |           |
|---|---|-----------|
|   | 2015                                    | 2014      |
| Net loss  | \$(11,500)                              | \$(1,987) |
| Adjustments to reconcile net loss to net cash provided by operating activities: |   |           |
| Depreciation of vessels and equipment   | 20,917                                  | 21,845    |
| Amortization of dry docking   | 4,447                                   | 2,962     |
| Debt issuance expense amortization  | 1,279                                   | 1,026     |
| Other adjustments   | 1,226                                   | 1,336     |
| Net loss adjusted for non-cash items  | \$16,369                                | \$25,182  |

Net loss is also adjusted for changes in operating assets and liabilities and expenditure in drydock in order to determine net cash provided by operations:

The negative change in operating assets and liabilities of \$1.4 million for the six months ended June 30, 2015, resulted from a \$4.8 million increase in accounts receivables, by a \$4.6 million decrease in accounts payable and by a \$0.4 million decrease in customer advances; offset by a \$6.7 million decrease in operating supplies and prepaid expenses and by a \$1.7 million decrease in other assets and liabilities. In addition, cash flow from operating activities decreased by \$1.6 million, \$1.5 million and \$0.3 million in the six months ended June 30, 2015, due to expenditures in drydock for our Offshore Supply, River and Ocean businesses, respectively.

The negative change in operating assets and liabilities of \$2.5 million for the six month period ended June 30, 2014, resulted from a \$7.4 million decrease in customer advances, a \$2.6 million decrease in accounts payable and a \$1.7 million increase in accounts receivable; partially offset by a \$5.9 million decrease in operating supplies, prepaid expenses and other receivables, a \$3.1 million increase in other liabilities and by a \$0.3 million decrease in other assets. In addition, cash flow from operating activities decreased \$5.9 million due to expenditures in drydock in the six month period ended June 30, 2014.

#### Investing Activities

During the six months ended June 30, 2015, we disbursed \$8.8 million in the construction of new barges for our own use at our Punta Alvear Yard, \$4.1 million in the construction of new line and port pushboats, \$0.8 million in a new midstream transshipment station for agricultural products, \$0.9 million in the refurbishment of our Parana Iron and \$0.1 million in upgrade works and new constructions in our Punta Alvear yard, in our River Business; and \$4.3 million in the conversion of our UP Coral into a RSV, in our Offshore Supply Business.

#### Financing Activities

Net cash provided by financing activities in the six months ended June 30, 2015, was \$2.6 million, increasing \$18.4 million from a cash use of \$15.8 million the same period of 2014. This increase is mainly attributable to cash provided of the \$20.0 million from our DVB revolving facility; offset by a \$0.9 million increase in cash used in other financial activities and by a \$0.7 million increase in cash used in scheduled repayments of long-term financial debt.

#### Future Capital Requirements

Our near-term cash requirements are related primarily to funding operations, potentially constructing new vessels and acquiring second-hand ocean vessels, acquiring other assets required for our operation and onboard our vessels, funding the construction of barges in our new shipyard at Punta Alvear, converting our PSVs into RSVs, funding scheduled and unscheduled drydocks and upgrading our assets in general.

We estimate that for the remainder of 2015, we will invest between \$2.0 million and \$4.0 million in the construction of new barges at our Punta Alvear Yard, \$1.5 million in critical spare parts, and \$0.9 million in our Parana Iron, in our River Business. In addition, we currently estimate that we will invest \$1.0 million in spare parts for our PSV fleet, in our Offshore Supply Business. Finally, we expect to disburse an aggregate amount of \$8.1 million in drydock expenses.

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 Adjusted Consolidated EBITDA to our net cash provided by (used in) for the six months ended June 30, 2015 and 2014:

| \$(000)   | Six Months Ended |          |
|---|------------------|----------|
|   | June 30,         |          |
|   | 2015             | 2014     |
| Net cash provided by operating activities           | \$11,499         | \$16,764 |
| Net cash used in investing activities               | (19,427)         | (13,886) |
| Net cash provided by (used in) financing activities | 2,599            | (15,798) |
| Net cash provided by operating activities           | \$11,499         | \$16,764 |
| Plus  |                  |          |
| Adjustments   |                  |          |
| Decrease in operating assets and liabilities        | 1,437            | 2,527    |
| Expenditure for dry docking                         | 3,433            | 5,891    |
| Income taxes  | 2,747            | 5,112    |
| Financial expenses                                  | 16,673           | 17,215   |
| Allowance for doubtful accounts                     | (194 )           | (406 )   |
| Yard EBITDA from Touax barge sale                   | (198 )           | (198 )   |
| Other adjustments                                   | (2,311 )         | (1,911 ) |
| Adjusted Consolidated EBITDA                        | \$33,086         | \$44,994 |

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The following tables reconcile our Adjusted Consolidated EBITDA to our segment operating (loss) profit for the six months ended June 30, 2015, and 2014, on a consolidated and a per segment basis:

Six Months Ended June 30, 2015

|  | River          | Offshore<br>Supply | Ocean           | TOTAL           |
|--|----------------|--------------------|-----------------|-----------------|
| Segment operating (loss) profit  | \$(3,808 )     | \$ 14,794          | \$(2,618 )      | \$ 8,368        |
| Depreciation and amortization  | 13,714         | 9,197              | 2,453           | 25,364          |
| Investment in affiliates / Net income attributable to non-controlling interest in subsidiaries | (309 )         | --                 | --              | (309 )          |
| Yard EBITDA from Touax barge sale  | (198 )         | --                 | --              | (198 )          |
| Other net  | (1 )           | 15                 | 41              | 55              |
| <b>Segment Adjusted EBITDA</b>   | <b>\$9,398</b> | <b>\$24,006</b>    | <b>\$(124 )</b> | <b>\$33,280</b> |
| Items not included in Segment Adjusted EBITDA  |                |                    |                 |                 |
| Financial income   |                |                    |                 | --              |
| Other financial income   |                |                    |                 | (194 )          |
| <b>Adjusted Consolidated EBITDA</b>  |                |                    |                 | <b>33,086</b>   |

Six Months Ended June 30, 2014

|  | River          | Offshore<br>Supply | Ocean          | TOTAL           |
|--|----------------|--------------------|----------------|-----------------|
| Segment operating (loss) profit  | \$(5,046 )     | \$ 17,510          | \$ 2,572       | \$ 15,036       |
| Depreciation and amortization  | 13,035         | 8,143              | 3,674          | 24,852          |
| Investment in affiliates / Net income attributable to non-controlling interest in subsidiaries | (401 )         | --                 | (14 )          | (415 )          |
| Yard EBITDA from Touax barge sale  | (198 )         | --                 | --             | (198 )          |
| Other net  | --             | 28                 | 45             | 73              |
| <b>Segment Adjusted EBITDA</b>   | <b>\$7,390</b> | <b>\$25,681</b>    | <b>\$6,277</b> | <b>\$39,348</b> |
| Items not included in Segment Adjusted EBITDA  |                |                    |                |                 |
| Financial income   |                |                    |                | 48              |
| Other financial income   |                |                    |                | 5,598           |
| <b>Adjusted Consolidated EBITDA</b>  |                |                    |                | <b>44,994</b>   |

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



EBITDA as defined in the Notes due 2021 consists of net income (loss) prior to deductions for interest expense and other financial gains and losses related to the financing of the Company, income taxes, depreciation of vessels and equipment and amortization of drydock expense, intangible assets, financial gain (loss) on extinguishment of debt, premium paid for redemption of preferred shares and certain non-cash charges (including for instance losses on write-down of vessels). The calculation of EBITDA as defined in the Notes due 2021 excludes from all items those amounts corresponding to unrestricted subsidiaries under the indenture governing our 8 % First Preferred Ship Mortgage Notes due 2021, or the Indenture, from the time of designation as such. We have provided EBITDA as defined in the Notes due 2021 in this report because we use it to and believe it provides useful information to investors to evaluate our ability to incur and service indebtedness and it is a required disclosure to comply with a covenant contained in such Indenture. We do not intend for EBITDA as defined in the Notes due 2021 to represent cash flows from operations, as defined by GAAP (on the date of calculation) and it should not be considered as an alternative to measure our liquidity. The foregoing definitions of EBITDA as defined in the Notes due 2021 may differ from other definitions of EBITDA or Consolidated EBITDA used in the financial covenants of our other credit facilities. These definitions of EBITDA as defined in the Notes due 2021 may not be comparable to similarly titled measures disclosed by other companies. Generally, funds represented by EBITDA as defined in the Notes due 2021 are available for management's discretionary use. EBITDA as defined in the Notes due 2021 has limitations as an analytical tool and should not be considered in isolation, or as a substitute for analysis of our results as reported. These limitations include, among others, the following:

- Adjusted Consolidated EBITDA does not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments,
- Adjusted Consolidated EBITDA does not reflect changes in, or cash requirements for, our working capital needs,
- Adjusted Consolidated EBITDA does not include income taxes, which are a necessary and ongoing cost of our operations,
- Adjusted Consolidated EBITDA does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debts,
- Adjusted Consolidated EBITDA does not reflect the amortization of dry docking, or the cash requirements necessary to fund the required dry docks of our vessels,
- Although depreciation is a non-cash charge, the assets being depreciated will often have to be replaced in the future, and Adjusted Consolidated EBITDA does not, therefore, reflect any cash requirements for such replacements, and
- Adjusted Consolidated EBITDA can be affected by the lease rather than purchase of fixed assets.

ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

Condensed Consolidated Financial Statements  
at June 30, 2015

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

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

|   | At June<br>30, 2015<br>(unaudited) | At<br>December<br>31, 2014 |
|---|------------------------------------|----------------------------|
| <b>ASSETS</b>   |                                    |                            |
| <b>CURRENT ASSETS</b>   |                                    |                            |
| Cash and cash equivalents   | \$ 29,653                          | \$ 34,982                  |
| Restricted cash   | 11,254                             | 11,246                     |
| Accounts receivable, net of allowance for doubtful accounts of \$3,372 and \$3,178 in 2015 and 2014, respectively | 41,942                             | 37,341                     |
| Operating supplies and inventories  | 15,007                             | 4,030                      |
| Prepaid expenses  | 7,351                              | 4,083                      |
| Other receivables   | 22,473                             | 18,067                     |
| Total current assets  | 127,680                            | 109,749                    |
| <b>NONCURRENT ASSETS</b>  |                                    |                            |
| Other receivables   | 25,143                             | 28,084                     |
| Restricted cash   | 1,472                              | 1,472                      |
| Vessels and equipment, net  | 691,551                            | 717,405                    |
| Dry dock  | 12,176                             | 13,551                     |
| Investments in and receivables from affiliates  | 3,992                              | 3,906                      |
| Intangible assets   | 582                                | 582                        |
| Goodwill  | 5,015                              | 5,015                      |
| Other assets  | 12,310                             | 13,266                     |
| Deferred income tax assets  | 1,979                              | 4,031                      |
| Total noncurrent assets   | 754,220                            | 787,312                    |
| Total assets  | \$ 881,900                         | \$ 897,061                 |
| <b>LIABILITIES AND EQUITY</b>   |                                    |                            |
| <b>CURRENT LIABILITIES</b>  |                                    |                            |
| Accounts payable  | \$ 25,855                          | \$ 30,518                  |
| Customer advances   | 2,730                              | 3,090                      |
| Payable to related parties  | 1,141                              | 1,636                      |
| Accrued interest  | 1,448                              | 1,513                      |
| Current portion of long-term financial debt   | 55,753                             | 32,929                     |
| Other current liabilities   | 21,824                             | 22,827                     |
| Total current liabilities   | 108,751                            | 92,513                     |
| <b>NONCURRENT LIABILITIES</b>   |                                    |                            |
| Long-term financial debt  | 413,420                            | 433,105                    |
| Deferred income tax liabilities   | 11,513                             | 12,170                     |

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|                              |         |         |
|------------------------------|---------|---------|
| Other liabilities            | 184     | 368     |
| Deferred gain                | 2,983   | 3,183   |
| Total noncurrent liabilities | 428,100 | 448,826 |
| Total liabilities            | 536,851 | 541,339 |

EQUITY

|   |            |            |
|---|------------|------------|
| Common stock, \$0.01 par value: 250,000,000 authorized shares; 140,729,487 shares outstanding | 1,446      | 1,446      |
| Additional paid-in capital  | 491,192    | 490,469    |
| Treasury stock: 3,923,094 shares at cost  | (19,488 )  | (19,488 )  |
| Accumulated deficit   | (126,884 ) | (115,384 ) |
| Accumulated other comprehensive income (loss)   | (1,217 )   | (1,321 )   |
| Total equity  | 345,049    | 355,722    |
| Total liabilities and equity  | \$ 881,900 | \$ 897,061 |

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

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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

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

|   | For the six-month periods<br>ended June 30, |                  |
|---|---|------------------|
|   | 2015  | 2014             |
| <b>REVENUES</b>                                     |   |                  |
| Transportation and services                         | \$ 169,759                                  | \$ 169,701       |
| Manufacturing                                       | 10,908                                      | 16,021           |
|   | 180,667                                     | 185,722          |
| <b>OPERATING EXPENSES</b>                           |   |                  |
| Voyage expenses                                     | (45,235 )                                   | (50,796 )        |
| Running costs                                       | (72,178 )                                   | (67,792 )        |
| Manufacturing costs                                 | (8,579 )                                    | (10,468 )        |
| Depreciation and amortization                       | (25,364 )                                   | (24,852 )        |
| Administrative and commercial expenses              | (19,936 )                                   | (17,917 )        |
| Other operating income, net                         | (1,007 )                                    | 1,139 )          |
|   | (172,299 )                                  | (170,686 )       |
| Operating profit                                    | 8,368                                       | 15,036           |
| <b>OTHER INCOME (EXPENSES)</b>                      |   |                  |
| Financial expense                                   | (16,673 )                                   | (17,215 )        |
| Foreign currency exchange gains (losses), net       | (194 )                                      | 5,598            |
| Financial income                                    | -   | 48               |
| Investments in affiliates                           | (309 )                                      | (415 )           |
| Other, net  | 55  | 73               |
| Total other income (expenses)                       | (17,121 )                                   | (11,911 )        |
| (Loss) Income before income tax                     | (8,753 )                                    | 3,125            |
| Income tax  | (2,747 )                                    | (5,112 )         |
| Net loss  | \$(11,500 )                                 | \$(1,987 )       |
| <b>LOSS PER SHARE - BASIC AND DILUTED</b>           | <b>\$(0.08 )</b>                            | <b>\$(0.01 )</b> |
| Basic and diluted weighted average number of shares | 140,710,112                                 | 140,090,112      |

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

## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS  
(UNAUDITED)

(Stated in thousands of U.S. dollars)

|   | For the six-month<br>periods<br>ended June 30, |           |
|---|--|-----------|
|   | 2015   | 2014      |
| Net loss  | \$(11,500)                                     | \$(1,987) |
| Other comprehensive income (loss):  |  |           |
| Reclassification of net foreign currency derivative gains to<br>depreciation and amortization | (4 )   | (4 )      |
| Reclassification of net derivative losses on cash flow<br>hedges to financial expenses        | 447  | 647       |
| Derivative (losses) income on cash flow hedges  | (339 )   | (549 )    |
|   | 104  | 94        |
| Comprehensive loss, net of income tax effect of \$0   | \$(11,396)                                     | \$(1,893) |

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

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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

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

|   | Ultrapetrol (Bahamas) Limited stockholders' equity |                 |                                  |                   |                        | Accumulated<br>other<br>comprehensive<br>income<br>(loss) | Total<br>equity |
|---|--|-----------------|----------------------------------|-------------------|------------------------|---|-----------------|
|   | Shares<br>amount                                   | Common<br>stock | Additional<br>paid-in<br>capital | Treasury<br>stock | Accumulated<br>deficit |   |                 |
| Balance   |  |                 |                                  |                   |                        |   |                 |
| December 31, 2013                               | 140,419,487  | \$ 1,443        | \$ 488,522                       | \$(19,488)        | \$(63,108 )            | \$( 1,808 )   | \$ 405,561      |
| Compensation related to<br>stock awards granted | -  | -               | 431                              | -                 | -                      | -   | 431             |
| Net loss  | -  | -               | -                                | -                 | (1,987 )               | -   | (1,987 )        |
| Other comprehensive<br>income                   | -  | -               | -                                | -                 | -                      | 94  | 94              |
| June 30, 2014                                   | 140,419,487  | \$ 1,443        | \$ 488,953                       | \$(19,488)        | \$(65,095 )            | \$( 1,714 )   | \$ 404,099      |
| December 31, 2014                               | 140,729,487  | \$ 1,446        | \$ 490,469                       | \$(19,488)        | \$(115,384 )           | \$( 1,321 )   | \$ 355,722      |
| Compensation related to<br>stock awards granted | -  | -               | 723                              | -                 | -                      | -   | 723             |
| Net loss  | -  | -               | -                                | -                 | (11,500 )              | -   | (11,500 )       |
| Other comprehensive<br>income                   | -  | -               | -                                | -                 | -                      | 104   | 104             |
| June 30, 2015                                   | 140,729,487  | 1,446           | 491,192                          | (19,488)          | (126,884 )             | (1,217 )  | 345,049         |

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

## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Stated in thousands of U.S. dollars)

|   | For the six-month<br>periods ended June<br>30, |            |
|---|--|------------|
|   | 2015   | 2014       |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                     |  |            |
| Net loss  | \$(11,500)                                     | \$(1,987 ) |
| Adjustments to reconcile net loss to net cash provided by operating activities: |  |            |
| Depreciation of vessels and equipment   | 20,917   | 21,845     |
| Amortization of dry docking   | 4,447  | 2,962      |
| Expenditure for dry docking   | (3,433 )                                       | (5,891 )   |
| Debt issuance expense amortization  | 1,279  | 1,026      |
| Net losses from investments in affiliates                                       | 309  | 415        |
| Allowance for doubtful accounts   | 194  | 406        |
| Share - based compensation  | 723  | 431        |
| Other   | -  | 84         |
| Changes in assets and liabilities:  |  |            |
| (Increase) decrease in assets:  |  |            |
| Accounts receivable   | (4,795 )                                       | (1,722 )   |
| Other receivables, operating supplies and inventories and prepaid expenses      | 6,668  | 5,899      |
| Other   | 4,109  | 252        |
| Increase (decrease) in liabilities:   |  |            |
| Accounts payable  | (4,634 )                                       | (2,629 )   |
| Customer advances   | (360 )   | (7,406 )   |
| Other payables  | (2,425 )                                       | 3,079      |
| Net cash provided by operating activities                                       | 11,499   | 16,764     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                     |  |            |
| Purchase of vessels and equipment   | (19,427)                                       | (31,475)   |
| Proceeds from shipbuilding contract cancelation                                 | -  | 17,589     |
| Net cash used in investing activities   | (19,427)                                       | (13,886)   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                     |  |            |
| Scheduled repayments of long-term financial debt                                | (16,185)                                       | (16,126)   |
| Early repayment of long-term financial debt                                     | (676 )   | -          |
| Proceeds from revolving credit facility   | 20,000   | -          |
| Other financing activities, net   | (540 )   | 328        |
| Net cash provided by (used in) financing activities                             | 2,599  | (15,798)   |
| Net decrease in cash and cash equivalents                                       | (5,329 )                                       | (12,920)   |
| Cash and cash equivalents at the beginning of year                              | 34,982   | 72,625     |
| Cash and cash equivalents at the end of the period                              | \$29,653                                       | \$59,705   |

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

and should be read in conjunction herewith.

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

(Information pertaining to the six-month periods ended June 30, 2015 and 2014 is unaudited)

1. NATURE OF OPERATIONS AND CORPORATE ORGANIZATION

Nature of operations

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

We are a shipping transportation company serving the marine transportation needs of our clients in the markets on which we focus. We serve the shipping markets for containers, grain soybean, forest products, minerals, crude oil, petroleum, and refined petroleum products, as well as the offshore oil platform supply market, through our operations in the following three segments of the marine transportation industry. In our River Business we are an owner and operator of river barges and push boats in the Hidrovia region of South America, a region of navigable waters on the Parana, Paraguay and Uruguay Rivers and part of the River Plate, which flow through Brazil, Bolivia, Uruguay, Paraguay and Argentina. The Company also has a shipyard that should promote organic growth and from time to time make external sales. In our Offshore Supply Business we own and operate vessels that provide logistical and transportation services for offshore petroleum exploration and production companies, in the coastal waters of Brazil and the North Sea. In our Ocean Business, we are an owner and operator of oceangoing vessels that transport petroleum products and a container line service in the Argentine cabotage trade.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation and principles of consolidation

The unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") for interim financial information. The consolidated balance sheet at December 31, 2014, has been derived from the audited financial statement at that date. The unaudited condensed consolidated financial statements do not include all of the information and footnotes required by US GAAP for complete financial statements. All adjustments which, in the opinion of the management of the Company, are considered necessary for a fair presentation of the results of operations for the periods shown are of a normal, recurring nature and have been reflected in the unaudited condensed consolidated financial statements. The results of operations for the periods presented are not necessarily indicative of the results expected for the full fiscal year or for any future period.

These unaudited condensed consolidated financial statements should be read in conjunction with the financial statements and related notes thereto included in the Company's Annual Report on Form 20-F for the year ended December 31, 2014.

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

accounted for by the equity method.

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

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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

During the six-month periods ended June 30, 2015 and 2014, the Company performed through its subsidiaries several transactions at different exchange rates between Argentinean Peso (ARS) and U.S. dollars (USD). Pursuant to ASC Topic 830, these transactions were measured at the particular applicable exchange rate at which they were settled resulting in foreign currency exchange gains amounting to \$1,805 and \$3,880, for the six-month periods ended June 30, 2015 and 2014, respectively, which were included in "Foreign currency exchange gains (losses), net" in the accompanying unaudited condensed consolidated statements of operations.

## b) Loss per share

Basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the relevant periods net of shares held in treasury. Diluted loss per share reflects the potential dilution that could occur if securities or other contracts to issue common shares result in the issuance of such shares. In determining dilutive shares for this purpose the Company assumes, through the application of the treasury stock method, all restricted stock grants have vested and all common shares have been issued pursuant to the exercise of all outstanding stock options.

For the six-month periods ended June 30, 2015 and 2014, the Company had a net loss and therefore the effect of potentially dilutive securities was antidilutive.

The following outstanding equity awards are not included in the diluted loss per share calculation because they would have had an antidilutive effect:

|                  | For the six month<br>periods<br>ended June 30,<br>(unaudited) |           |
|------------------|---|-----------|
|                  | 2015  | 2014      |
| Stock options    | 2,473,000   | 1,383,000 |
| Restricted stock | 19,000  | 329,000   |
| Total            | 2,492,000   | 1,712,000 |

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

|   | For the six month periods<br>ended June 30, (unaudited) |             |
|---|---|-------------|
|   | 2015  | 2014        |
| Net loss  | \$(11,500 )   | \$(1,987 )  |
| Basic and diluted weighted average number of shares | 140,710,112   | 140,090,112 |
| Basic and diluted loss per share                    | \$(0,08 )   | \$(0,01 )   |

## c) Comprehensive loss

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

|   | At June 30,<br>2015<br>(unaudited) | At<br>December<br>31, 2014 |
|---|------------------------------------|----------------------------|
| Unrealized net losses on interest rate collar | \$ (540 )                          | \$ (771 )                  |
| Unrealized net losses on interest rate swap   | (792 )                             | (669 )                     |
| Unrealized net gains on EURO hedge            | 115                                | 119                        |
| Accumulated other comprehensive loss          | \$ (1,217 )                        | \$ (1,321 )                |

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

d) New accounting standards

Revenue recognition

On May 28, 2014, the Financial Accounting Standards Board ("FASB") issued a comprehensive new revenue recognition standard that will supersede nearly all existing revenue recognition guidance under generally accepted accounting principles in the United States. The core principal of the new standard is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The FASB decided to defer by a year the effective date. The FASB still needs to issue an Accounting Standard Update to finalize the changes. Therefore the new standard will be effective for annual and interim periods beginning after December 15, 2017 and early adoption is permitted for annual reporting periods beginning after December 15, 2016 and interim periods therein. The Company has not yet determined what impact, if any, the adoption of the new standard will have on its consolidated financial position, results of operations or cash flows.

Going concern

In August 2014, the FASB issued ASU No. 2014-15 -Presentation of Financial Statements- Going Concern. ASU 2014-15 provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures.

ASU 2014-15 requires an entity's management to evaluate at each reporting period based on the relevant conditions and events that are known at the date of financial statements are issued, whether there are conditions or events, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued and to disclose the necessary information. AUS 2014-15 is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted.

Debt issuance costs

On April 7, 2015, the FASB issued the final guidance to simplify the presentation of debt issuance costs by requiring debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the debt liability rather than as an asset. The recognition and measurement guidance for debt issuance costs have not changed. The new standard requires retrospective application and represents a change in accounting principle. The final guidance is effective for annual and interim periods beginning after December 15, 2015 and early adoption is permitted. As of June 30, 2015, the Company had \$12,310 of debt issuance costs included in other assets in the accompanying unaudited condensed consolidated balance sheet.

3. VESSELS AND EQUIPMENT, NET

The capitalized cost of the vessels and equipment, and the related accumulated depreciation at June 30, 2015 and December 31, 2014 were as follows:

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|   | At June 30,<br>2015<br>(unaudited) | At<br>December<br>31, 2014 |
|---|------------------------------------|----------------------------|
| Ocean-going vessels                         | \$ 98,359                          | \$ 116,281                 |
| River barges and pushboats                  | 457,586                            | 464,346                    |
| PSVs  | 374,685                            | 370,416                    |
| Furniture and equipment                     | 14,412                             | 14,237                     |
| Building, land, operating base and shipyard | 54,953                             | 54,817                     |
| Total original book value                   | 999,995                            | 1,020,097                  |
| Accumulated depreciation                    | (308,444 )                         | (302,692 )                 |
| Net book value                              | \$ 691,551                         | \$ 717,405                 |

For the six-month periods ended June 30, 2015 and 2014, depreciation expense was \$20,918 and \$21,845, respectively.

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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As of June 30, 2015, the net book value of the assets pledged as a guarantee of our long term financial debt was \$498,000.

## River Business

During the six-month period ended June 30, 2015, three river barges had been built in our own shipyard in Punta Alvear, Argentina for a total cost of \$3,617.

During the six-month period ended June 30, 2014, three river barges were built in our own shipyard in Punta Alvear, Argentina for a total cost of \$3,506.

## Ocean Business

During the six-month period ended June 30, 2015, the Company sold and delivered its product tanker, Amadeo, for a total sale price of \$3,140 and we recorded a loss on sale of vessel of \$1,089.

On June 15, 2015, we entered into a Memorandum of Understanding whereby we agreed to sell our product tanker, Miranda I, for the total sale price of \$785. This vessel was subsequently delivered to buyers on July 16, 2015. The gain resulting of this sale will be non-significant.

## 4. LONG-TERM DEBT

Balances of long-term financial debt at June 30, 2015 and December 31, 2014:

| Borrower             | Financial Institution/<br>Other                | Due-year             | At June 30, 2015<br>(unaudited)<br>Nominal value |            |              | At<br>December<br>31, 2014 |
|----------------------|--|----------------------|--|------------|--------------|----------------------------|
|                      |  |                      | Current  | Noncurrent | Total        | Total                      |
| Ultrapetrol          | Private Investors                              | June 2021<br>Through | \$-  | \$ 225,902 | \$225,902(1) | \$ 225,960 (1)             |
| UP Offshore Apoio    | DVB SE   | 2016<br>Through      | 4,600  | -          | 4,600        | 5,050                      |
| UP Offshore          | DVB SE   | 2016<br>Through      | 4,600  | 18,600     | 23,200       | 25,350                     |
| UP Offshore          | DVB SE   | 2017<br>Through      | 1,500  | 6,500      | 8,000        | 9,000                      |
| UP Offshore Apoio    | BNDES  | 2027<br>Through      | 1,110  | 11,933     | 13,043       | 13,598                     |
| UP Offshore          | DVB SE + Banco Security<br>DVB NV + NIBC + ABN | 2018<br>Through      | 3,333  | 22,500     | 25,833       | 27,500                     |
| Ingatestone Holdings | Amro   | 2017                 | 7,039  | 40,936     | 47,975       | 51,495                     |
| Linford Trading      | DVB NV + NIBC                                  |                      | 3,200  | 24,000     | 27,200       | 28,800                     |

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|                               |         |                      |          |            |           |            |
|-------------------------------|---------|----------------------|----------|------------|-----------|------------|
|                               |         | Through<br>2020      |          |            |           |            |
| Stanyan Shipping              | Natixis | Through<br>2017      | 908      | 2,692      | 3,600     | 4,730      |
| UP Offshore                   | DVB SE  | Through<br>June 2016 | 20,000   | -          | 20,000    | -          |
| UABL Paraguay                 | IFC     | Through<br>2020      | 2,174    | 15,217     | 17,391    | 18,478     |
| UABL Paraguay                 | OFID    | Through<br>2020      | 1,304    | 9,130      | 10,434    | 11,087     |
| UABL Barges and others        | IFC     | Through<br>2020      | 3,044    | 21,304     | 24,348    | 25,868     |
| UABL Paraguay and<br>Riverpar | IFC     | Through<br>2021      | 1,765    | 8,824      | 10,589    | 11,471     |
| UABL Paraguay and<br>Riverpar | OFID    | Through<br>2021      | 1,176    | 5,882      | 7,058     | 7,647      |
| At June 30, 2015              |         |                      | \$55,753 | \$ 413,420 | \$469,173 |            |
| At December 31, 2014          |         |                      | \$32,929 | \$ 433,105 |           | \$ 466,034 |

(1) Includes unamortized debt premium of \$902 and \$960, respectively as of June 30, 2015 and December 31, 2014.

Revolving credit facility with DVB Bank SE of up to \$40,000

On May 31, 2013, UP Offshore (Bahamas) Ltd. (UP Offshore) entered into a revolving credit facility with DVB Bank SE for a \$40,000 reducing, revolving credit facility. The commitment under this revolver decreases quarterly by \$1,250 or \$5,000 per year. Advances under the facility are available for general corporate purposes until May 31, 2016. The facility bears interest at LIBOR plus 3% (or lender's cost of funds, if the lenders in their discretion determine that LIBOR is not representative of such costs). A quarterly commitment fee is payable based on the average undrawn amount of the committed amount at a rate of 1.95% per annum.

On June 3, 2015, UP Offshore drew down an amount of \$20,000 under this revolving credit facility. The advance matures one year after the drawdown date.

The available undrawn amount at June 30, 2015 was \$11,250.

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

5. COMMITMENTS AND CONTINGENCIES

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

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.

a) Claims in Paraguay

UABL – Ciudad del Este Customs Authority

On September 21, 2005, the local Customs Authority of Ciudad del Este, Paraguay issued a finding concerning certain UABL entities referred to three matters in respect of certain operations of our River Business for the prior three-year period: (i) that UABL owed taxes to that authority in the amount of \$2,200, (ii) a fine for non-payment of the taxes in the same amount, and (iii) that the tax base used by UABL entities to calculate the applicable withholding tax that UABL had used to calculate taxes paid in said period. The first two issues were disregarded by the Tax and Administrative Court on November 24, 2006. Nevertheless, the third issue continued. On September 22, 2010, the Paraguayan Supreme Court revoked the March 26, 2009 ruling of the Tax and Administrative Court –which had decided we were not liable- and confirmed the decision of the Paraguayan undersecretary for taxation which condemned UABL Paraguay S.A. to pay approximately \$600 non-withheld taxes, \$700 in fines and \$1,300 in accrued due interests. This matter was settled in a signed agreement with the Tax Authorities on October 14, 2010, and UABL paid the total amount of \$1,294 in full and final settlement of the claim and agreed to drop the appeal we had filed against to the Supreme Court. However, in parallel with this ruling the Office of the Treasury Attorney initiated an action in respect of the first two issues concerned in this litigation which had been terminated on November 24, 2006 to review certain formal aspects over which a decision of the Court is still pending. Aside from the mentioned procedures, the Customs Authorities of Paraguay have reopened the proceedings against UABL S.A., UABL Paraguay S.A. and Yataity S.A. in connection with the possible reopening of the case pending a decision of the reopening of the case in court, which is currently on hold awaiting for the Court's resolution. We have been advised by UABL's counsel in the case that there is only a remote possibility that the Paraguayan Courts would find UABL liable for any of these taxes or fines still in dispute or that the final outcome of these proceedings will have a material adverse financial impact on the consolidated financial position or result of operations of the Company.

UABL Paraguay S.A. - Paraguayan Customs Asunción

These administrative proceedings were commenced on April 7, 2009, by the Paraguayan Customs in Asuncion 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 S.A. in Argentina, and between years 2003 and 2006. The total owed taxes according to Customs in Asuncion are up to the amount of Gs. 6.028.317.852 (approximately \$1,370). Our local counsel is of the opinion that the competent Court will overturn the Custom's ruling where said amount was determined, and that therefore there is only a remote

possibility that these proceedings will have a material adverse financial impact on the consolidated financial position or result of operations of the Company.

Oceanpar S.A. and UABL Paraguay S.A. - Customs investigation in connection with reimportation of barges subject to conversion

Oceanpar S.A. was notified of this investigation on June 17, 2011. The matter under investigation is whether UABL Paraguay S.A. paid all import taxes and duties corresponding to the re-importation of barges submitted to conversion in foreign yards. Customs imposed a fine of Gs. 2.791.514.822 and judicial proceedings have been commenced where a final decision is still pending. As of June 30, 2015 a loss contingency liability related with this matter of \$540 was recorded.

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

UABL Paraguay S.A. - Paraguayan Tax Authority

These are administrative proceedings commenced by the Paraguayan Tax Authorities on December 15, 2011 against UABL Paraguay S.A. due to an alleged improper use of some fiscal credit. The aforementioned tax authorities suggested some rectifications to be made and also informed that UABL Paraguay S.A. may owe taxes due to differences in the rate applied to certain fiscal remittance incomes related to the operation of some barges under leasing. The potential amount in dispute but it should not exceed approximately \$3,000. Our local counsel has advised that there is only a remote chance that these proceedings, when ultimately resolved by a judicial court, will have a material adverse impact on the consolidated financial position or result of operations of the Company.

b) Claims in Brazil

UP Offshore Apoio Marítimo Ltda.- Rio de Janeiro State Treasury Office - UP Pearl Tax assessment

On May 9, 2014, the Rio de Janeiro State Treasury Office commenced administrative proceedings against UP Offshore Apoio Marítimo Ltda. alleging infringement of tax regulations due to lack of payment of ICMS tax related to the temporary import of the vessel "UP PEARL". The said authorities determined the corresponding assessment in the amount of R\$ 768,096 (approximately \$340), plus interest. A decision is now pending over the non-application of the tax to the vessel's import.

Our local counsel has advised that there is a remote chance that these proceedings, when ultimately resolved by a judicial court, will have a material adverse impact on the consolidated financial position or result of operations of the Company.

c) Tax claim in Argentina

Ultrapetrol S.A. – Argentine Secretary of Industry and Argentine Customs Office

On June 24, 2009, Ultrapetrol S.A. requested to the Argentine Secretary of Industry, an authorization to re-export some unused steel plates that had been temporarily imported for industrialized conversion by means of vessels repairs that were not finally industrialized due to cancellations of the repairs that some shipping companies had ordered. The total weight of those steel plates was 473 tons and their import value was approximately \$400. In the event that steel plates cannot be exported, payable import duties and Customs' charges would amount to approximately \$900, however in case of payment Ultrapetrol S.A. would have offsetting-tax credits amounting to approximately \$300. We have been advised by local counsel that there is a positive prospect of obtaining the requested authorization for re-exporting the steel plates and we do not expect the resolution of these administrative proceedings to have a material adverse impact on the consolidated financial position or result of operations of the Company.

d) Favorable arbitration award

On January 20, 2015, the counterparty to an arbitration initiated by one of our subsidiaries in January 2013 related to the non-performance of a barge construction has decided not to appeal the arbitration award issued on December 23, 2014, in favor of our subsidiary in which \$1,919 were awarded on account of damages plus interests and costs. Steps are now being taken to collect the sums due under the award.

Accordingly, the gain has been deferred and will be taken into income when and to the extent the award is collected.

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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## 6. FINANCIAL INSTRUMENTS

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

The Company's liabilities as of June 30, 2015 that are measured at fair value on a recurring basis are summarized below:

|   | Level<br>1 | Level<br>2 | Level<br>3 |
|---|------------|------------|------------|
| Current liabilities:                                  |            |            |            |
| -Interest rate collar (included in other liabilities) | \$ -       | \$ 540     | \$ -       |
| -Interest rate swaps (included in other liabilities)  | -          | 542        | -          |
| Noncurrent liabilities:                               |            |            |            |
| -Interest rate collar (included in other liabilities) | -          | -          | -          |
| -Interest rate swaps (included in other liabilities)  | -          | 184        | -          |

The estimated fair value of the Company's other financial assets and liabilities as of June 30, 2015 were as follows:

|   | Carrying<br>amount<br>(unaudited) | Estimated<br>fair value<br>(unaudited) |
|---|-----------------------------------|--|
| ASSETS  |                                   |  |
| Cash and cash equivalents   | \$ 29,653                         | \$ 29,653                              |
| Restricted cash (current and noncurrent portion)                        | 12,726                            | 12,726                                 |
| LIABILITIES   |                                   |  |
| Long term financial debt (current and non-current portion – Note 4) (1) | \$ 469,173                        | \$ 440,146                             |

(1) The fair value of long term financial debt is measured using Level 2 fair value inputs.

The carrying value of cash and cash equivalents and restricted cash approximates fair value. The fair value of long-term financial debt was estimated based upon quoted market prices in the over-the-counter market or by using discounted cash flow analyses based on estimated current rates for similar types of arrangements. Generally, the carrying value of variable interest rate debt, approximates fair value. It was not practicable to estimate the fair value of the Company's investments in 50% or less owned companies because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs. Considerable judgment was required in developing certain of the estimates of fair value and accordingly the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## 7. DERIVATIVE INSTRUMENTS AND HEDGING STRATEGIES

Liabilities arising from outstanding derivative positions are included in the accompanying condensed consolidated balance sheets as other liabilities, as follows:

|   | At June 30, 2015<br>(unaudited) |                                    |
|---|---------------------------------|------------------------------------|
|   | Current<br>other<br>liabilities | Noncurrent<br>other<br>liabilities |
| Derivatives designated as hedging instruments |                                 |                                    |
| Interest rate collar (cash flow hedge)        | \$ 540                          | \$ -                               |
| Interest rate swaps (cash flow hedge)         | 449                             | 206                                |
|   | \$ 989                          | \$ 206                             |

|   | At December 31,<br>2014         |                                    |
|---|---------------------------------|------------------------------------|
|   | Current<br>other<br>liabilities | Noncurrent<br>other<br>liabilities |
| Derivatives designated as hedging instruments |                                 |                                    |
| Interest rate collar (cash flow hedge)        | \$ 609                          | \$ 162                             |
| Interest rate swaps (cash flow hedge)         | 327                             | 245                                |
|   | \$ 936                          | \$ 407                             |

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

## CASH FLOW HEDGE

## INTEREST RATE COLLAR AGREEMENT

On May 7, 2010, through UABL Limited, our holding subsidiary in the River Business, we entered into an interest rate collar transaction with International Finance Corporation (IFC) through which we expect to hedge our exposure to interest volatility under our financings with IFC and OFID from June 2010 to June 2016. The initial notional amount is \$75,000 (subsequently adjusted in accordance with the amortization schedule under these financings), with UABL Limited being the USD Floor Rate seller at a floor strike rate of 1.69%, and IFC being the USD Cap Rate seller at a cap strike rate of 5.00%. This contract qualifies for hedge accounting and as such changes in its fair value are included in other comprehensive income (loss) in the unaudited condensed consolidated financial statements. The fair value of this agreement equates to the amount that would be paid or received by the Company if the agreement were cancelled at the reporting date, taking into account current and prospective interest rates and creditworthiness of the Company.

As of June 30, 2015, the total notional amount of the interest rate collar is \$52,173.

#### INTEREST RATE SWAP AGREEMENTS

Through our subsidiaries in the Offshore Supply Business, we have entered into various interest rate swap agreements maturing in October 2016 and December 2018 that call our subsidiaries to pay fixed interest rates ranging from 1.16% to 3.67% on aggregate notional values of \$46,600 (subsequently adjusted in accordance with the amortization schedule under these financings) and receive a variable interest rate based on LIBOR on these notional values. The purpose of these interest rate swap agreements is to hedge our exposure to interest volatility under our financings with DVB Bank SE and NIBC and ABN Amro.

These contracts qualify for hedge accounting and as such changes in its fair value are included in other comprehensive income (loss) in the unaudited condensed consolidated financial statements. The fair value of these agreements equate to the amount that would be paid or received by the Company if the agreement was cancelled at the reporting date, taking into account current and prospective interest rates and creditworthiness of the Company.

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As of June 30, 2015, the total notional amount of the interest rate swaps is \$38,796.

OTHER DERIVATIVE INSTRUMENTS

Through our subsidiaries in the Offshore Supply Business, the Company has entered into various interest rate swap agreements, while providing effective economic hedges, are not designated as hedges for accounting purposes. These contracts mature ranging from 2014 through 2016 and call for the Company to pay fixed interest rate at 0.90% on an aggregate notional value of \$16,080 (subsequently adjusted in accordance with the amortization schedule under these financings) and receive a variable interest rate based on LIBOR. Changes in the fair value are recognized within "Other income (expenses)" in the accompanying unaudited condensed consolidated statement of operations.

8. INCOME TAXES

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

a) Bahamas

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

b) Panama

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

c) Paraguay

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

d) Argentina

Our subsidiaries in Argentina are subject to Argentine corporate income taxes.

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

e) Brazil

Our subsidiaries in Brazil are subject to Brazilian corporate income taxes.

Income taxes in Brazil include federal income tax and social contribution (which is an additional federal income tax). Income tax is computed at the rate of 15%, plus a surtax of 10% on the amount that exceeds Brazilian reais 240,000

(equivalent to \$ 80 at June 30, 2015) based on pretax income, adjusted for additions and exclusions established by the Brazilian tax legislation. Social contribution is calculated at the rate of 9%, on pretax income, in conformity with the tax law.

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

f)Chile

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

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

g) United Kingdom (UK)

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

h) United States of America (US)

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

For the six-month periods ended June 30, 2015 and 2014, our subsidiaries did not derive any US source shipping income. Therefore our subsidiaries are not subject to any U.S. federal income taxes, except our ship management services provided by Ravenscroft.

## 9. SHARE CAPITAL

### Common shares and shareholders

On July 2, 2012, the shareholders of the Company at a Special General Meeting approved the increase in authorized share capital from 100,000,000 to 250,000,000 shares of common stock with a par value of \$0.01 per share, and approved the adoption of the Third Amended and Restated Memorandum of Association and Sixth Amended and Restated Articles of Association.

On December 12, 2012, we entered into an investment agreement with Sparrow Capital Investments Ltd. or Sparrow, a subsidiary of Southern Cross Latin America Private Equity Fund III, L.P. and Southern Cross Latin America Private Equity Fund IV, L.P. or Southern Cross, pursuant to which we sold 110,000,000 shares of newly issued common stock to Sparrow at a purchase price of \$2.00 per share. Concurrently Sparrow designated Sparrow CI Sub Ltd. to receive 16,060,000 shares of common stock of Ultrapetrol.

At June 30, 2015, the outstanding common shares are 140,729,487 par value \$.01 per share and all the shares of the Company have one vote.

At June 30, 2015, our shareholders Sparrow and Sparrow CI Sub Ltd. (a wholly owned subsidiary of Sparrow), hold 103,206,821 and 16,060,000 shares, respectively, which represent 73.34% and 11.41% of the outstanding shares, respectively. The joint voting power for these shares represents 84.75% of the total voting power.

### 2008 Share repurchase program

Ultrapetrol's Board of Directors has approved a share repurchase program, effective March 17, 2008, for up to a total of \$50,000 of the Company's common stock through December 31, 2008. The expiration date of the share repurchase program was extended by the Board of Directors until September 30, 2009, when it finally expired.

The Company had repurchased a total of 3,923,094 common shares, at a total cost of \$19,488.  
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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## 10. BUSINESS AND GEOGRAPHIC SEGMENT INFORMATION

The Company organizes its business and evaluates performance by its operating segments, Ocean, River and Offshore Supply Business. The accounting policies of the reportable segments are the same as those for the unaudited condensed consolidated financial statements (Note 2). The Company does not have significant intersegment transactions. These segments and their respective operations are as follows:

**River Business:** In our River Business, we own and operate several dry and tanker barges, and push boats. The dry barges transport basically agricultural and forestry products, iron ore and other cargoes, while the tanker barges carry petroleum products, vegetable oils and other liquids. We operate our pushboats and barges on the navigable waters of Parana, Paraguay and Uruguay Rivers and part of the River Plate in South America, also known as the Hidrovia region. In addition, we use one barge, our Parana Iron (former Parana Petrol) as an iron ore floating transshipment and storage station. River Business transportation services contributed 45% and 42% of consolidated operating revenues for the six-month periods ended June 30, 2015 and 2014, respectively. The Company also has a shipyard that should promote organic growth and from time to time make external sales. Third party shipyard sales contributed 6% and 9% of consolidated operating revenues for the six-month periods ended June 30, 2015 and 2014, respectively.

**Offshore Supply Business:** We operate our Offshore Supply Business, using PSVs owned by UP Offshore (Bahamas), which are designed to transport supplies such as containerized equipment, drill casing, pipes and heavy loads on deck, along with fuel, water, drilling fluids and bulk cement in under deck tanks and a variety of other supplies to drilling rigs and platforms. Our Offshore Supply Business fleet consists of thirteen PSVs which eleven of them are chartered under medium term contracts with Petroleo Brasileiro SA (Petrobras) in Brazil, and two of them in the North Sea (UK), which were in laid-up, and one Remotely Support Vessel, RSV, chartered with Petrobras in Brazil. Offshore Supply Business transportation services contributed 31% and 30% of consolidated operating revenues for the six-month periods ended June 30, 2015 and 2014, respectively.

**Ocean Business:** In our Ocean Business, we operate 6 oceangoing vessels, 4 product tankers (2 of them are on lease to us and one was sold and delivered to buyers on July 16, 2015 – see Note 3), and two container feeder vessels under a container line service in Argentina cabotage trade, which transport mostly foreign containers from the transshipment port of Buenos Aires, Argentina and Montevideo, Uruguay to the southern region of Patagonia in Argentina. Our Handy size/small product tanker vessels transport liquid bulk goods such as petroleum and petroleum derivatives in the South American coastal trade where we have preferential rights. Ocean Business transportation services contributed 18% and 19% of consolidated operating revenues for the six-month periods ended June 30, 2015 and 2014, respectively.

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

|                  | For the six-month<br>periods ended<br>June 30, (unaudited) |            |
|------------------|--|------------|
|                  | 2015   | 2014       |
| Revenues (1)     |  |            |
| –South America   | \$ 157,287   | \$ 162,255 |
| –Central America | 709  | 1,115      |

|                |           |           |
|----------------|-----------|-----------|
| -Europe        | 18,918    | 17,147    |
| -North America | -         | 1,078     |
| -Asia          | 3,753     | 4,127     |
|                | \$180,667 | \$185,722 |

(1) Classified by country of domicile of charterers/customers.

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

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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

|                            | At June 30,<br>2015<br>(unaudited) | At<br>December<br>31, 2014 |
|----------------------------|------------------------------------|----------------------------|
| Vessels and equipment, net |                                    |                            |
| –South America             | \$ 631,835                         | \$ 648,147                 |
| –Europe                    | 55,454                             | 64,971                     |
| –Other                     | 4,262                              | 4,287                      |
|                            | \$ 691,551                         | \$ 717,405                 |

For the six-month period ended June 30, 2015, 87% of the Company's revenues are concentrated in South America and at June 30, 2015, 91% of the Company's vessels and equipment are located in South America.

For the six-month period ended June 30, 2015, revenues from charterers domiciled in Argentina, Brazil and Paraguay represented 19%, 30% and 29%, of the Company's consolidated revenues, respectively.

For the six-month period ended June 30, 2014, 87% of the Company's revenues are concentrated in South America and at June 30, 2014, 83% of the Company's vessels and equipment are located in South America.

For the six-month period ended June 30, 2014, revenues from charterers domiciled in Argentina, Brazil and Paraguay represented 21%, 28% and 28%, of the Company's consolidated revenues, respectively.

As a result, the Company's financial condition and results of operations depend, to a significant extent, on macroeconomic, regulatory and political conditions prevailing in South America.

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

Identifiable assets represent those assets used in the operations of each segment.

The following schedule presents segment information about the Company's operations for the six-month period ended June 30, 2015 (unaudited):

|                             | River<br>Business | Offshore<br>Supply<br>Business | Ocean<br>Business | Total      |
|-----------------------------|-------------------|--------------------------------|-------------------|------------|
| Transportation revenues     | \$81,060          | \$56,400                       | \$32,299          | \$169,759  |
| Manufacturing revenues      | 10,908            | -                              | -                 | 10,908     |
| Running and voyage expenses | (62,983 )         | (26,474 )                      | (27,956 )         | (117,413 ) |
| Manufacturing cost          | (8,579 )          | -                              | -                 | (8,579 )   |

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|  |           |          |          |           |
|--|-----------|----------|----------|-----------|
| Depreciation and amortization                  | (13,714 ) | (9,197 ) | (2,453 ) | (25,364 ) |
| Segment operating (loss) profit                | (3,808 )  | 14,794   | (2,618 ) | 8,368     |
| Segment assets                                 | 439,316   | 326,223  | 74,360   | 839,899   |
| Investments in and receivables from affiliates | 3,806     | -        | 186      | 3,992     |
| Loss from investment in affiliates             | (309 )    | -        | -        | (309 )    |
| Additions to long-lived assets                 | 14,153    | 4,269    | 1,006    | 19,428    |

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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

|                                      |                                    |
|--------------------------------------|------------------------------------|
|                                      | At June 30,<br>2015<br>(unaudited) |
| Total assets for reportable segments | \$ 839,899                         |
| Other assets                         | 12,348                             |
| Corporate cash and cash equivalents  | 29,653                             |
| Consolidated total assets            | \$ 881,900                         |

The following schedule presents segment information about the Company's operations for the six-month period ended June 30, 2014 (unaudited):

|                                    | River<br>Business | Offshore<br>Supply<br>Business | Ocean<br>Business | Total      |
|------------------------------------|-------------------|--------------------------------|-------------------|------------|
| Transportation revenues            | \$ 77,274         | \$ 57,078                      | \$ 35,349         | \$ 169,701 |
| Manufacturing revenues             | 16,021            | -                              | -                 | 16,021     |
| Running and voyage expenses        | 65,723            | 26,555                         | 26,310            | 118,588    |
| Manufacturing cost                 | 10,468            | -                              | -                 | 10,468     |
| Depreciation and amortization      | 13,035            | 8,143                          | 3,674             | 24,852     |
| Segment operating (loss) profit    | (5,046 )          | 17,510                         | 2,572             | 15,036     |
| Loss from investment in affiliates | (401 )            | -                              | (14 )             | (415 )     |
| Additions to long-lived assets     | 28,547            | 2,742                          | 186               | 31,475     |

## 11. SUPPLEMENTAL GUARANTOR INFORMATION

On June 10 and October 2, 2013 the Company issued \$200,000 and \$25,000, respectively of its 2021 Senior Notes.

The 2021 Senior Notes are fully and unconditionally guaranteed on a joint and several basis by Company's subsidiaries directly involved in our Ocean and River Business.

The Indenture provides that the 2021 Senior Notes and each of the guarantees granted by Subsidiaries, other than the Mortgage, are governed by, and construed in accordance with, the laws of the state of New York. Each of the mortgaged vessels is registered under either the Panamanian flag, or another jurisdiction with similar procedures. All of the Subsidiary Guarantors are outside of the United States.

Supplemental condensed consolidating financial information for the Guarantor Subsidiaries for the 2021 Senior Notes is presented below. This information is prepared in accordance with the Company's accounting policies. This supplemental financial disclosure should be read in conjunction with the consolidated financial statements.

## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEET

AT JUNE 30, 2015 (UNAUDITED)

(stated in thousands of U.S. dollars)

|   | Parent    | Combined<br>subsidiary<br>guarantors | Combined<br>subsidiary<br>non<br>guarantors | Consolidating<br>adjustments | Total<br>consolidated<br>amounts |
|---|-----------|--------------------------------------|---|------------------------------|----------------------------------|
| Current assets                                  |           |                                      |   |                              |                                  |
| Receivables from related parties                | \$428,557 | \$ 69,843                            | \$ 77,390                                   | \$ (575,705)                 | ) \$ 85                          |
| Other current assets                            | 354       | 62,311                               | 64,930                                      | -                            | ) 127,595                        |
| Total current assets                            | 428,911   | 132,154                              | 142,320                                     | (575,705)                    | ) 127,680                        |
| Noncurrent assets                               |           |                                      |   |                              |                                  |
| Vessels and equipment, net                      | \$-       | \$ 269,244                           | \$ 423,048                                  | \$ (741)                     | ) \$ 691,551                     |
| Investment in affiliates                        | 137,214   | -                                    | 187   | (137,214)                    | ) 187                            |
| Other noncurrent assets                         | 6,986     | 25,514                               | 29,982                                      | -                            | ) 62,482                         |
| Total noncurrent assets                         | 144,200   | 294,758                              | 453,217                                     | (137,955)                    | ) 754,220                        |
| Total assets                                    | \$573,111 | \$ 426,912                           | \$ 595,537                                  | \$ (713,660)                 | ) \$ 881,900                     |
| Current liabilities                             |           |                                      |   |                              |                                  |
| Payable to related parties                      | \$-       | \$ 330,378                           | \$ 246,468                                  | \$ (575,705)                 | ) \$ 1,141                       |
| Current portion of long-term financial debt     | -         | 6,420                                | 49,333                                      | -                            | ) 55,753                         |
| Other current liabilities                       | 2,160     | 28,873                               | 20,824                                      | -                            | ) 51,857                         |
| Total current liabilities                       | 2,160     | 365,671                              | 316,625                                     | (575,705)                    | ) 108,751                        |
| Noncurrent liabilities                          |           |                                      |   |                              |                                  |
| Long-term financial debt net of current portion | \$225,902 | \$ 39,053                            | \$ 148,465                                  | \$ -                         | ) \$ 413,420                     |
| Other noncurrent liabilities                    | -         | 261                                  | 14,419                                      | -                            | ) 14,680                         |
| Total noncurrent liabilities                    | 225,902   | 39,314                               | 162,884                                     | -                            | ) 428,100                        |
| Total liabilities                               | 228,062   | 404,985                              | 479,509                                     | (575,705)                    | ) 536,851                        |
| Total equity                                    | 345,049   | 21,927                               | 116,028                                     | (137,955)                    | ) 345,049                        |
| Total liabilities and equity                    | \$573,111 | \$ 426,912                           | \$ 595,537                                  | \$ (713,660)                 | ) \$ 881,900                     |

## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEET

AT DECEMBER 31, 2014

(stated in thousands of U.S. dollars)

|   | Parent    | Combined<br>subsidiary<br>guarantors | Combined<br>subsidiary<br>non<br>guarantors | Consolidating<br>adjustments | Total<br>consolidated<br>amounts |
|---|-----------|--------------------------------------|---|------------------------------|----------------------------------|
| <b>Current assets</b>                       |           |                                      |   |                              |                                  |
| Receivables from related parties            | \$435,905 | \$ 53,715                            | \$ 1,785                                    | \$ (490,938)                 | ) \$ 467                         |
| Other current assets                        | 646       | 36,647                               | 71,989                                      | -                            | 109,282                          |
| Total current assets                        | 436,551   | 90,362                               | 73,774                                      | (490,938)                    | ) 109,749                        |
| <b>Noncurrent assets</b>                    |           |                                      |   |                              |                                  |
| Vessels and equipment, net                  | \$-       | \$ 287,425                           | \$ 430,750                                  | \$ (770)                     | ) \$ 717,405                     |
| Investment in affiliates                    | 142,761   | -                                    | 186   | (142,761)                    | ) 186                            |
| Other noncurrent assets                     | 7,449     | 29,298                               | 32,974                                      | -                            | 69,721                           |
| Total noncurrent assets                     | 150,210   | 316,723                              | 463,910                                     | (143,531)                    | ) 787,312                        |
| Total assets                                | \$586,761 | \$ 407,085                           | \$ 537,684                                  | \$ (634,469)                 | ) \$ 897,061                     |
| <b>Current liabilities</b>                  |           |                                      |   |                              |                                  |
| Payable to related parties                  | \$-       | \$ 273,909                           | \$ 218,665                                  | \$ (490,938)                 | ) \$ 1,636                       |
| Current portion of long-term financial debt | -         | 6,420                                | 26,509                                      | -                            | 32,929                           |
| Other current liabilities                   | 5,079     | 36,932                               | 15,937                                      | -                            | 57,948                           |
| Total current liabilities                   | 5,079     | 317,261                              | 261,111                                     | (490,938)                    | ) 92,513                         |
| <b>Noncurrent liabilities</b>               |           |                                      |   |                              |                                  |
| Long-term financial debt                    | \$-       | \$-                                  | \$-   | \$-                          | \$-                              |
| Other noncurrent liabilities                | 225,960   | 42,263                               | 164,882                                     | -                            | 433,105                          |
| Total noncurrent liabilities                | -         | 279                                  | 15,442                                      | -                            | 15,721                           |
| Total liabilities                           | 225,960   | 42,542                               | 180,324                                     | -                            | 448,826                          |
| Total liabilities                           | 231,039   | 359,803                              | 441,435                                     | (490,938)                    | ) 541,339                        |
| Total equity                                | 355,722   | 47,282                               | 96,249                                      | (143,531)                    | ) 355,722                        |
| Total liabilities and equity                | \$586,761 | \$ 407,085                           | \$ 537,684                                  | \$ (634,469)                 | ) \$ 897,061                     |

## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

## FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2015 (UNAUDITED)

(stated in thousands of U.S. dollars)

|                                 | Parent     | Combined<br>subsidiary<br>guarantors | Combined<br>subsidiary<br>non<br>guarantors | Consolidating<br>adjustments | Total<br>consolidated<br>amounts |
|---------------------------------|------------|--------------------------------------|---|------------------------------|----------------------------------|
| Revenues                        | \$-        | \$96,661                             | \$110,459                                   | \$ (26,453 )                 | \$ 180,667                       |
| Operating expenses              | (5,422 )   | (106,789 )                           | (86,570 )                                   | 26,482                       | (172,299 )                       |
| Operating (loss) profit         | (5,422 )   | (10,128 )                            | 23,889                                      | 29                           | 8,368                            |
| Investment in affiliates        | (5,651 )   | -                                    | (309 )                                      | 5,651                        | (309 )                           |
| Other expenses                  | (427 )     | (14,136 )                            | (2,249 )                                    | -                            | (16,812 )                        |
| (Loss) income before income tax | (11,500)   | (24,264 )                            | 21,331                                      | 5,680                        | (8,753 )                         |
| Income tax expense              | -          | (1,091 )                             | (1,656 )                                    | -                            | (2,747 )                         |
| Net (loss) income               | \$(11,500) | \$(25,355 )                          | \$ 19,675                                   | \$ 5,680                     | \$ (11,500 )                     |

## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

## FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2014 (UNAUDITED)

(stated in thousands of U.S. dollars)

|                              | Parent    | Combined<br>subsidiary<br>guarantors | Combined<br>subsidiary<br>non<br>guarantors | Consolidating<br>adjustments | Total<br>consolidated<br>amounts |
|------------------------------|-----------|--------------------------------------|---|------------------------------|----------------------------------|
| Revenues                     | \$-       | \$ 102,078                           | \$ 100,406                                  | \$ (16,762                   | ) \$ 185,722                     |
| Operating expenses           | (3,686)   | (112,886 )                           | (70,905 )                                   | 16,791                       | (170,686 )                       |
| Operating (loss) profit      | (3,686)   | (10,808 )                            | 29,501                                      | 29                           | 15,036                           |
| Investment in affiliates     | 1,442     | -                                    | (415 )                                      | (1,442 )                     | (415 )                           |
| Other (expenses) income      | 257       | (5,049 )                             | (6,704 )                                    | -                            | (11,496 )                        |
| Loss before income tax       | (1,987)   | (15,857 )                            | 22,382                                      | (1,413 )                     | 3,125                            |
| Income tax benefit (expense) | -         | (807 )                               | (4,305 )                                    | -                            | (5,112 )                         |
| Net loss                     | \$(1,987) | \$(16,664 )                          | \$ 18,077                                   | \$ (1,413                    | ) \$ (1,987 )                    |

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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF CASH FLOW

## FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2015 (UNAUDITED)

(stated in thousands of U.S. dollars)

|  | Parent     | Combined<br>subsidiary<br>guarantors | Combined<br>subsidiary<br>non<br>guarantors | Consolidating<br>adjustments | Total<br>consolidated<br>amounts |
|--|------------|--------------------------------------|---|------------------------------|----------------------------------|
| Net loss   | \$(11,500) | \$(25,355 )                          | \$ 19,675                                   | \$ 5,680                     | \$ (11,500 )                     |
| Adjustments to reconcile net loss to net cash (used in) provided by operating activities | 3,919      | 18,053                               | 6,707                                       | (5,680 )                     | 22,999                           |
| Net cash (used in) provided by operating activities                                      | (7,581 )   | (7,302 )                             | 26,382                                      | -                            | 11,499                           |
| Intercompany sources   | 7,348      | 40,341                               | (47,689 )                                   | -                            | -                                |
| Non-subsidiary sources   | -          | (18,373 )                            | (1,054 )                                    | -                            | (19,427 )                        |
| Net cash provided by (used in) investing activities                                      | 7,348      | 21,968                               | (48,743 )                                   | -                            | (19,427 )                        |
| Intercompany sources   | -          | -                                    | -   | -                            | -                                |
| Non-subsidiary sources   | -          | (3,218 )                             | 5,817                                       | -                            | 2,599                            |
| Net cash (used in) provided by financing activities                                      | -          | (3,218 )                             | 5,817                                       | -                            | 2,599                            |
| Net (decrease) increase in cash and cash equivalents                                     | \$(233 )   | \$ 11,448                            | \$ (16,544 )                                | \$ -                         | \$ (5,329 )                      |

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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF CASH FLOW

## FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2014 (UNAUDITED)

(stated in thousands of U.S. dollars)

|   | Parent     | Combined<br>subsidiary<br>guarantors | Combined<br>subsidiary<br>non<br>guarantors | Consolidating<br>adjustments | Total<br>consolidated<br>amounts |
|---|------------|--------------------------------------|---|------------------------------|----------------------------------|
| Net (loss) income   | \$(1,987 ) | \$(6,680 )                           | \$ 18,077                                   | \$ (11,397 )                 | \$(1,987 )                       |
| Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities | (1,586 )   | (23,526 )                            | 32,466                                      | 11,397                       | 18,751                           |
| Net cash provided by (used in) operating activities   | (3,573 )   | (30,206 )                            | 50,543                                      | -                            | 16,764                           |
| Intercompany sources  | 11,866     | 53,993                               | (65,859 )                                   | -                            | -                                |
| Non-subsidiary sources  | -          | (24,497 )                            | 10,611                                      | -                            | (13,886 )                        |
| Net cash provided by (used in) investing activities   | 11,866     | 29,496                               | (55,248 )                                   | -                            | (13,886 )                        |
| Intercompany sources  | -          | -                                    | -   | -                            | -                                |
| Non-subsidiary sources  | -          | (3,210 )                             | (12,588 )                                   | -                            | (15,798 )                        |
| Net cash (used in) financing activities   | -          | (3,210 )                             | (12,588 )                                   | -                            | (15,798 )                        |
| Net increase (decrease) in cash and cash equivalents  | \$ 8,293   | \$ (3,920 )                          | \$ (17,293 )                                | \$ -                         | \$ (12,920 )                     |