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ULTRAPETROL BAHAMAS LTD  
Form 6-K  
May 17, 2004

Commission File No. 333-8878

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

Report of Foreign Private Issuer  
Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934

For the month of May, 2004

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

H & J Corporate Services Ltd.  
Shirlaw House  
87 Shirley Street  
Nassau, The Bahamas  
(Address of principal executive offices)

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

Form 20-F  Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

INFORMATION CONTAINED IN THIS FORM 6-K REPORT

Set forth herein are a copy of the Company's report for the three months ended March 31, 2004, containing certain unaudited financial information and a Management's Discussion and Analysis of Financial Condition and Results of Operations.

ULTRAPETROL (BAHAMAS) LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION FOR

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THE THREE MONTHS ENDED MARCH 31, 2004 AND 2003

The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements of Ultrapetrol (Bahamas) Limited ("the Company") and subsidiaries for the three months ended March 31, 2004 and 2003 included elsewhere in this report.

### General

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The Company was formed on December 23, 1997 to hold all the capital stock of Princely International Finance Corporation (a Panamanian Company) and Ultrapetrol S.A. (an Argentine Company). The following discussion covers the unaudited financial results of the consolidated entity for the three month period ended March 31, 2004 with a comparison to the unaudited consolidated financial results for the same three month period in 2003.

Currently, the Company owns and operates eight oceangoing vessels operating in South America, the Caribbean, United States, Europe and Far East. One of our vessel is owned through our subsidiary Ultracape (Holdings) Ltd. ("Ultracape"). During the periods discussed, the Company also chartered three push boats and 89 wet and dry barges to UABL (Bahamas) Limited ("UABL"), a company that we formed in a joint venture with ACBL Hidrovias, Ltd. in October 2000, as of March 31, 2004 and which we owned 50%..

During the first three months of 2004 the Company employed a significant part of its fleet on time charter for different customers.

During the first three months of 2004, the international freight market maintained rates significantly above those experienced in 2003.

Of the Company's ocean going fleet, the Princess Marina was out of service due to accidents in her main engine for 52 days ( in the first quarter of 2004.

On December 12, 2003 we entered into a Memorandum of Agreement, or MOA, to sell the Princess Laura for a total price of \$4.1 million. The vessel was delivered to its new owners on January 9, 2004.

### Revenue

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The majority of the Company's vessels are employed on time charters to affiliated and unaffiliated companies. The revenue from this operation is derived from a daily rate that is paid to the Company for the use of its vessel. Hire revenue accounted for 93% of the Company's total revenues for the three months ended March 31, 2004.

Also, the Company's vessels are from time to time employed on a contract of affreightment ("COA") basis either for single or repetitive voyages. For a COA, the vessel owner or operator generally pays all voyage and vessel operating expenses and has the right to substitute one vessel for another. The rate is generally expressed in dollars per metric ton of cargo. Revenues earned under COA's are referred to as "freight". COA revenue accounted for 7% of the Company's total revenues for the three months ended March 31, 2004

From the total revenues obtained from COA's during the first quarter of 2004 99% were in respect of repetitive voyages for the Company's regular

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customers and 1% in respect of single voyages for occasional customers.

### Expenses

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When vessels are operated on a COA basis (as well as any time when they are not operating under time or bareboat charter), all costs relating to a given voyage, including port charges, canal dues and fuel costs, are paid by the vessel owner and are recorded as voyage expenses.

The Company's operating expenses, or running expenses, are generally paid through Ravenscroft Shipping Inc., a Miami based affiliate of the Company, which provides ship management services for the Company's vessels ("Ravenscroft"). Operating expenses include the cost of all ship management, crewing, spares and stores, insurance, lubricants, repairs and maintenance. The most significant of these expenses are maintenance and repairs, wages paid to marine personnel and marine insurance costs. In the case of our river barges chartered to UABL (Bahamas) Ltd. the Company has contracted the shipmanagement responsibilities to Lonehort Inc, an affiliate of UABL Ltd.

Vessels are depreciated to an estimated scrap value on a straight-line basis over their estimated useful lives. The Company follows the deferral method of accounting for survey and dry-dock costs, whereby actual survey and dry-dock costs are capitalized and amortized over a period of two and one-half years until the date of the next dry-dock or special survey.

The Company's other primary operating expenses include general and administrative expenses as well as ship management and administration fees paid to Ravenscroft and Oceanmarine S.A., another affiliate of the Company, which provides certain administrative services. The Company pays Oceanmarine S.A. ("Oceanmarine") a monthly fee of \$10,000 per vessel for administrative services including general administration and accounting (financial reporting, preparation of tax returns), use of office premises, a computer network, secretarial assistance and other general duties. The Company pays Ravenscroft a monthly ship management fee of \$12,500 per vessel for services including technical management, crewing, provisioning, superintendence and related accounting functions. The Company does not expect to pay fees to any affiliated entity other than those described here for management and administration functions.

The Company does not own any buildings and does not pay any rental expense other than as a portion of the administration fees paid to Oceanmarine.

### Foreign Currency Transactions

-----

Substantially all of the Company's revenues are denominated in U.S. dollars, but 4% of the Company total revenues is denominated in US dollars but collected in Argentine pesos at the equivalent amount of US dollars at the payment date and 9% of our total out of pocket operating expenses are paid in Argentine pesos. The Company's operating results, which are reported in U.S. dollars, may be affected by fluctuations in the exchange rate between the U.S. dollar and the Argentinean peso. For accounting purposes, revenue and expense accounts are translated into U.S. dollars at the exchange rate prevailing on the date of each transaction. The Company does not hedge its exposure to foreign currency fluctuations.

### Inflation

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The Company does not believe that inflation has had a material impact on the Company's operations, although certain of the Company's operating expenses (e.g., crewing, insurance and dry docking costs) are subject to fluctuations as a result of market forces.

Inflationary pressures on bunker costs are not expected to have a material effect on the Company's future operations since freight rates for voyage charters are generally sensitive to the price of ship's fuel. A sharp rise in bunker prices may have a temporary negative effect on results since freights generally adjust after prices settle at a higher level.

### Legal proceedings

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On February 21, 2003, Ursa Shipping Ltd. ("Ursa") brought suit in the United States District Court for the District of New Jersey against the Princess Susana and Noble Shipping Ltd. ("Noble") seeking damages arising out of the delay in delivery of a cargo of Kirkuk crude oil to the Valero terminal in Paulsboro, New Jersey. (Ursa Shipping v. the Princess Susana, et al. Civil Action No. 03-CV-747 (FLW).) The Princess Susana (the "Vessel") was detained by the United States Coast Guard prior to her arrival in Paulsboro when, during a routine Coast Guard tank vessel examination, a small amount of cargo was found to have leaked from one of the cargo tanks into one of the void spaces aboard the Vessel. On or about February 25, 2003, Valero Marketing and Supply Co. ("Valero") commenced an action against Noble Shipping Ltd. (Valero Marketing and Supply Co. v. Noble Shipping Ltd., Civil Action No. 03-CV-843 (FLW)). The Valero and Ursa complaints seek damages in excess of \$9 million. Noble has taken the position that the claims are overstated.

In connection with the above complaints, the Vessel was arrested. Security was posted by the Vessel owner's protection and indemnity insurers in the amount of \$11.2 million and the Vessel was released from arrest (insurance coverage is in place). Both the Ursa and the Valero complaints have been answered, defenses have been raised, and a counterclaim has been raised in the Ursa action seeking, inter alia, unpaid freight and demurrage.

Subsequently, Valero impleaded the seller of the cargo, Taurus Petroleum Ltd. ("Taurus"), into the action by way of an amended complaint. Noble has answered the amended complaint, raised defenses, and brought a cross claim against Taurus for indemnity.

The parties to the action are in the final stages of settlement negotiations and we believe a global settlement of all the issues in the litigation can be reached soon.

We believe this claim is covered by insurance. The insurer is actively participating in its defense and has not asserted any objections or defenses to the claim. We would expect any damages arising from this action (less our policy deductible) to be covered by the proceeds of such insurance.

On November 25, 1995, Ultrapetrol S.A. registered with the Customs Authority of Bahia Blanca the temporary importation of the Princess Pia.

According to Decree No. 1493/92, such temporary importation was authorized for three years.

In compliance with CIC No. 98 003 IT 01 300083-4 also registered with the Customs Authority of Bahia Blanca, the above mentioned term was extended, as confirmed by the Transport Secretariat which authorized the navigation, communication and commerce of Princess Pia as a vessel of Argentine flag up to November 21, 2001.

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On October 23, 2001 Ultrapetrol S.A.'s customs agent registered the re-exportation of Princess Pia with the Customs Authority of Bahia Blanca.

Subsequently, as for November 22, 2001 the Transport Secretariat authorized the navigation of Princess Pia as a vessel of Panamanian flag, allowing the rendering of supplying services within the country.

On November 16, 2001, Ultrapetrol S.A.'s customs agent requested the cancellation of the vessel's temporary importation, stating that due to operative reasons such vessel was not able to enter the jurisdiction of the Custom Authority of Campana.

As a result, the Customs Authority of Bahia Blanca considers that Ultrapetrol S.A. had incurred in the actions described under the provisions of Section 970 of the Customs Code and, consequently, issued a resolution claiming the sum of Argentine pesos 4,689,695 (approximately US \$1,610,000) as import taxes and the sum of Argentine pesos 4,689,695 (approximately US \$1,610,000) as fines. Such resolution was based in the fact that as Ultrapetrol S.A. requested the cancellation of the regime without making the vessel available to the Custom Authority, such authority was not able to exercise its control and verifying functions as set forth in Section 268 of the Customs Code.

In response to said resolution, on March 16, 2004 Ultrapetrol S.A. submitted an appeal with the Argentine Tax Court.

The main arguments introduced by Ultrapetrol S.A. were, among others, that it has not caused any breach to the Customs Code since the Princess Pia has operated within Argentine territory only during the periods in which it was expressly authorized by the competent authorities and that the issuance of the appealed resolution was based on an incorrect interpretation of the customs legislation. The value of the vessel considered by the Custom Authority in order to establish the tax and fines claimed has also been objected to by Ultrapetrol S.A.

Said appeal is pending resolution by the Argentine Tax Court.

The management of the Company and its legal counsel do not believe the outcome of this matter should have (based upon the circumstances of the case, the existing regulations and the Company's insurances coverage) a material impact on its financial position or results of operations.

### Results of Operations

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Three months ended March 31, 2004 compared to the three months ended March 31, 2003.

The following table sets forth certain historical income statement data for the periods indicated derived from the Company's statements of operations expressed in thousands of dollars.

Three months ended  
2004

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(dollars in th

|   |       |         |
|---|-------|---------|
| Freight revenues                            |       |         |
| Attributable to wholly owned vessels        |       | 1,283   |
| Attributable to wholly chartered-in vessels |       |         |
|   | Total | 1,283   |
| Hire revenues                               |       |         |
| Attributable to wholly owned vessels        |       | 17,526  |
| Attributable to wholly chartered-in vessels |       | 0       |
|   | Total | 17,526  |
| Total Revenues                              |       | 18,809  |
| Voyage expenses                             |       |         |
| Attributable to wholly owned vessels        |       | (482)   |
| Attributable to wholly chartered-in vessels |       |         |
|   | Total | (482)   |
| Running costs                               |       | (5,567) |
| Amortization of dry-dock expense            |       | (973)   |
| Depreciation of property and equipment      |       | (2,884) |
| Management fees and administrative expenses |       | (1,516) |
| Operating profit                            |       | 7,387   |
| Interest expense                            |       | (3,767) |
| Financial gain on retirement of debts       |       | 188     |

Revenues

-----

Total revenues from freight net of commissions decreased from \$6.0 million in the first three months 2003 to \$1.3 million in 2004, or a decrease of 78%. This decrease is primarily attributable to the Princess Susana time charter employment instead of COA employment and the effect of losses in the freight revenues of the Panamax vessels sold during last year.

Hire revenues net of commissions, increased by 61% from \$10.9 to \$17.5 million. This increase is primarily attributable to the high time charter hire rates of our Suezmax fleet during this period.

The Princess Marina was out of service due to accidents for 52 days during the first quarter affected negatively our revenues in this period. Part of this off hire time is compensated by our loss of hire insurance.

Operating profit for the first three months of 2004 was \$ 7.4 million, an increase of \$8.2 million from the same period in 2003. In comparing the results of the first quarter 2004 with the same period in 2003, in addition to the factors mentioned above, we also note that during the first quarter of 2004 our Suezmax vessels were all under comparatively higher rate time charters while

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during the first quarter of 2003 a significant portion of our Suezmax fleet was still under lower charters fixed in 2002 all of which expired during the first quarter of 2003.

### Voyage expenses

-----  
In the first three months of 2004 voyage expenses were \$0.5 million, as compared to \$2.6 million for the first quarter of 2003, a decrease of \$2.1 million, or 81%. The decrease is primarily attributable to the combined effect of a large portion of the Panamax fleet under COA employment sold during last year and the time charter employment of the Princess Susana instead of COA employment.

### Running costs

-----  
Running costs decreased by about 24%, to \$5.6 million in the first quarter of 2004 as compared to \$7.4 million in the equivalent 2003 period. This decrease is mainly attributable to the Panamax fleet being sold during the last year.

### Amortization of dry-dock expense

-----  
Amortization of dry docking and special survey costs decreased by \$1.1 million, or 52%, to \$1.0 million in 2004 as compared to \$2.1 million in 2003. The decrease is primarily attributable to the elimination of amortization for the vessels sold during the last year. The unamortized balance is included in the gain or loss disposal calculation.

### Depreciation of property and equipment

-----  
Depreciation and amortization decreased by \$1.1 million, or 28%, to \$2.9 million in the first three months of 2004 as compared to \$4.0 million in 2003. This decrease is primarily due to the sale of the Princess Veronica, Princess Laura, Princess Pia and Princess Marisol.

### Management fees and administrative expenses

-----  
Management fees and administrative expenses were \$1.6 million in the first three months of 2003 as compared to \$1.5 million in 2004. This decrease \$0.1 million is attributable mainly to a decrease in management fees.

### Interest expense

-----  
Interest expense decreased by \$0.3 million, or 7%, to \$3.8 million in the first quarter of 2004 as compared to \$4.1 million in 2003. The decrease is primarily attributable to the lower level of financial debt and consequential interest costs.

### Financial gain on retirement of debt

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During the first quarter of 2004, the Company through its subsidiaries, repurchased \$0.7 million nominal value of its 10.50% First Preferred Ship Mortgage Notes due 2008. We recognized a gain of \$0.2 for the retirement of such debt.

### Liquidity and Capital Resources

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The Company is a holding company with no material assets other than those of its subsidiaries. Consequently, it must fund its capital requirements through other sources, including cash dividends from subsidiaries, borrowings and shareholder contributions. The Company operates in a capital-intensive industry requiring substantial ongoing investments in revenue producing assets. The Company's subsidiaries have historically funded their vessel acquisitions through a combination of bank indebtedness, shareholder loans, cash flow from operations and equity contributions. As of March 31, 2004, the Company had total indebtedness of \$160.0 million, \$127.6 million from the Note Issue, \$2.0 million drawn under a revolving credit facilities from M&T Bank, the trustee of the Company's Notes, for Majestic Maritime Ltd., a wholly owned subsidiary, \$4.8 million in a senior loan facility with DVB Bank (America) N.V. for Kattegat Shipping Inc., a wholly owned subsidiary, for the purchase of the vessel Princess Marina, \$7.2 million in a senior loan facility with M&T Bank for Majestic Maritime Ltd., a wholly owned subsidiary, for the purchase of the vessel Princess Katherine, \$8.6 million in a senior loan facility with Credit Agricole Indosuez for Braddock Shipping Inc, a 60% owned subsidiary, for the purchase of the vessel Cape Pampas and accrued interest expenses for these loans of \$6.8 million.. Also on January 23, 2004 UP Offshore (Bahamas) Ltd, a subsidiary, issued \$3.0 million in preferred shares in favor of the International Finance Corporation ("IFC").

At March 31, 2004, the Company had cash and cash equivalents on hand of \$14.0 million.

The Company believes, based upon current levels of operation, cash flow from operations, together with other sources of funds, that it will have adequate liquidity to make required payments of principal and interest on the Company's debt, including obligations under the Notes, complete anticipated capital expenditures and fund working capital requirements.

### Operating Activities

-----

In the first three months of 2004, the Company generated a positive \$12.5 million in cash flow from operations compared to \$8.4 million for in the same period in 2003. Net earning for the first quarter of 2004 were \$ 3.1 million which is \$6.4 million more than net losses in the first quarter of 2003.

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

### Investing Activities

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During the first three months of 2004 our subsidiary UP Offshore (Bahamas) Ltd. disbursed \$6.7 million in advances to the yards contracted to build the new offshore vessels. Of this total we made equity contributions to UP Offshore for a total of \$ 1.4 million.



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### Financing Activities

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Net cash provided by financing activities increased by \$1.5 million. The increase in cash provided by financing activities in first quarter 2004 is mainly attributable to the issuance of preference shares in UP Offshore of \$ 3.0 million partially offset with the capital payments made during the first quarter 2004. Also during the first quarter of 2004, the Company through its subsidiaries, repurchased \$0.7 million nominal value of its 10.5% First Preferred Ship Mortgage Notes due 2008 at a net amount of \$0.5 million.

### Recent Developments

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On April 23, 2004 we entered into a MOA (Memorandum of Agreement) to sell its Princess Eva for a total price of \$4.2 million. The vessel shall be delivered to its new owners between May 25th and June 15th, 2004.

On April 23, 2004 the Company acquired in a series of related transactions, through two wholly-owned subsidiaries, from ACBL Hidrovias, Ltd. the remaining 50% equity interest in UABL Ltd. that it did not own along with a fleet of 50 barges and 7 pushboats. The total purchase price paid in these transactions was \$26.1 million, \$17.7 million of which was derived from the proceeds of previous vessel sales made by Ultrapetrol. The barges and pushboats enter Ultrapetrol's fleet as "Qualified Substitute Vessels" under the Indenture.

Also during May 2004, the Company through its subsidiaries, repurchased \$5.0 million nominal value of its 10.5% First Preferred Ship Mortgage Notes due 2008 at a net amount of \$3.8 million.

## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

### INDEX TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS PERIODS ENDED MARCH 31, 2004 AND 2003

(Unaudited)

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- Financial Statements
- Condensed Consolidated Balance Sheets as of March 31, 2004 and 2003
- Condensed Consolidated Statements of Income for the three months periods ended March 31, 2004 and 2003
- Condensed Consolidated Statements of Changes in Stockholders' Equity for the three months periods ended March 31, 2004 and 2003
- Condensed Consolidated Statements of Cash Flows for the three months periods ended March 31, 2004 and 2003

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- Notes To Condensed Consolidated Financial Statements as of March 31, 2004 and 2003

ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2004 AND 2003  
 (Unaudited)  
 (stated in thousands of U.S. dollars, except par value and share amounts)

|  | 2004    | 2003    |
|--|---------|---------|
|  | -----   | -----   |
| <b>ASSETS</b>  |         |         |
| <b>CURRENT ASSETS</b>  |         |         |
| Cash and cash equivalents                                      | 13,971  | 9,818   |
| Restricted cash  | 1,845   | 2,029   |
| Investments  | 4,299   | 301     |
| Accounts receivable  | 2,865   | 8,970   |
| Due from affiliates  | 10,529  | 9,392   |
| Inventories  | 990     | 1,487   |
| Prepaid expenses   | 3,239   | 4,519   |
| Other receivables  | 3,637   | 4,442   |
|  | -----   | -----   |
| Total current assets   | 41,375  | 40,958  |
|  | -----   | -----   |
| <b>NONCURRENT ASSETS</b>                                       |         |         |
| Dry Dock   | 3,498   | 9,068   |
| Other receivables  | 6,414   | 6,800   |
| Property and equipment   | 120,561 | 130,750 |
| Investment in affiliates                                       | 25,756  | 22,591  |
| Restricted cash  | 19,243  | -       |
| Other assets   | 2,215   | 4,744   |
|  | -----   | -----   |
| Total noncurrent assets  | 177,687 | 173,953 |
|  | -----   | -----   |
| Total assets   | 219,062 | 214,911 |
|  | =====   | =====   |
| <b>LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS' EQUITY</b> |         |         |
| <b>CURRENT LIABILITIES</b>                                     |         |         |
| Accounts payable and accrued expenses                          | 5,109   | 6,753   |
| Due to affiliates  | 1,152   | 727     |
| Other financial debt   | 13,558  | 14,795  |
| Other payables   | 534     | 297     |
|  | -----   | -----   |
| Total current liabilities                                      | 20,353  | 22,572  |
|  | -----   | -----   |
| <b>NONCURRENT LIABILITIES</b>                                  |         |         |
| Long-term debt   | 127,641 | 135,000 |

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|   |          |          |
|---|----------|----------|
| Other financial payable, net of current portion     | 18,818   | 20,592   |
|   | -----    | -----    |
| Total noncurrent liabilities                        | 146,459  | 155,592  |
|   | -----    | -----    |
| Total liabilities                                   | 166,812  | 178,164  |
|   | -----    | -----    |
| Minority interest                                   | 20,604   | 4,949    |
| Minority interest subject to put right              | 4,804    | -        |
| SHAREHOLDERS' EQUITY                                |          |          |
| Common stock, \$.01 par value: authorized           |          |          |
| shares 2,134,451, issued and                        | 21       | 21       |
| outstanding 2,109,239 in 2003 and 2,080,840 in 2002 |          |          |
| Additional paid-in capital                          | 68,884   | 68,884   |
| Treasury stock                                      | (20,332) | (20,332) |
| Other comprehensive income                          | 180      | -        |
| Accumulated deficit                                 | (21,911) | (16,775) |
|   | -----    | -----    |
| Total shareholders' equity                          | 26,842   | 31,798   |
|   | -----    | -----    |
| Total liabilities, minority interest and            |          |          |
| shareholders' equity                                | 219,062  | 214,911  |
|   | =====    | =====    |

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

ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS PERIODS ENDED MARCH 31, 2004 AND 2003

(Unaudited)

(stated in thousands of U.S. dollar)

|  | 2004    | 2003    |
|--|---------|---------|
|  | -----   | -----   |
| REVENUES                               |         |         |
| Freight revenues                       | 1,256   | 5,954   |
| Freight revenues from related parties  | 27      | 27      |
| Hire revenues                          | 14,199  | 8,448   |
| Hire revenues from related parties     | 3,327   | 2,452   |
|  | -----   | -----   |
| Total revenues                         | 18,809  | 16,881  |
|  | -----   | -----   |
| OPERATING EXPENSES                     |         |         |
| Voyage expenses                        | (482)   | (2,605) |
| Running costs                          | (5,567) | (7,382) |
| Amortization of dry dock               | (973)   | (2,074) |
| Depreciation of property and equipment | (2,884) | (4,046) |

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|   |          |          |
|---|----------|----------|
| Management fees to related parties                    | (490)    | (814)    |
| Administrative expenses                               | (1,026)  | (781)    |
|   | -----    | -----    |
| Total operating expenses                              | (11,422) | (17,702) |
|   | -----    | -----    |
| Operating profit (loss)                               | 7,387    | (821)    |
|   | =====    | =====    |
| OTHER INCOME (EXPENSES)                               |          |          |
| Interest expense                                      | (3,767)  | (4,090)  |
| Financial gain on extinguishment of debt              | 188      | -        |
| Interest income                                       | 44       | 61       |
| Investment in affiliates                              | (254)    | 123      |
| Other net income                                      | (141)    | 1,538    |
|   | -----    | -----    |
| Total other expenses                                  | (3,930)  | (2,368)  |
|   | -----    | -----    |
| Income (loss) before income tax and minority interest | 3,457    | (3,189)  |
|   | -----    | -----    |
| Tax on minimum presumed income / Income tax           | (52)     | (30)     |
|   | -----    | -----    |
| Minority interest                                     | (314)    | (72)     |
|   | -----    | -----    |
| Income (loss) for the period                          | 3,091    | (3,291)  |
|   | =====    | =====    |

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

ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

CONDENSED STATEMENTS OF CHANGES

IN SHAREHOLDERS' EQUITY

FOR THE THREE MONTHS PERIODS ENDED MARCH 31, 2004 AND 2003

(Unaudited)

(stated in thousands of U.S. dollars)

| Balances                              | Common<br>stock | Additional<br>paid-in<br>capital | Treasury<br>stock | Accumulated<br>other<br>comprehensive<br>income | Ac    |
|---------------------------------------|-----------------|----------------------------------|-------------------|---|-------|
| -----                                 | -----           | -----                            | -----             | -----   | ----- |
| At beginning of period                | 21              | 68,884                           | (20,332)          | 222   | (25   |
| - Net Income (loss) for<br>the period | -               | -                                | -                 | -   | 3     |

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|                                   |             |                 |                   |              |               |
|-----------------------------------|-------------|-----------------|-------------------|--------------|---------------|
| - Changes in value of derivatives | -           | -               | -                 | (42)         |               |
| Total comprehensive income (loss) | -----       | -----           | -----             | -----        | -----         |
| At end of period 2004             | 21<br>===== | 68,884<br>===== | (20,332)<br>===== | 180<br>===== | (21)<br>===== |
| At end of period 2003             | 21<br>===== | 68,884<br>===== | (20,332)<br>===== | -<br>=====   | (16)<br>===== |

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

ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTHS PERIODS ENDED MARCH 31, 2004 AND 2003  
(Unaudited)  
(stated in thousands of U.S. dollars)

|  | 2004            | 2003           |
|--|-----------------|----------------|
|  | -----           | -----          |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                 |                |
| Net Income (loss) for the period   | 3,091           | (3,291)        |
| Adjustments to reconcile net income (loss) to cash provided by operating activities: |                 |                |
| Depreciation of property and equipment   | 2,884           | 4,046          |
| Amortization of dry dock expenses  | 973             | 2,074          |
| Note issuance expenses amortization  | 152             | 146            |
| Income (loss) from investment in affiliate   | 254             | (123)          |
| Financial gain on extinguishment of debt   | (188)           | -              |
| Loss from fixed assets sale  | 200             | -              |
| Changes in assets and liabilities, net:  |                 |                |
| (Increase) decrease in assets:   |                 |                |
| Accounts receivable  | 2,869           | (1,326)        |
| Due from affiliates  | (1,171)         | 3,647          |
| Inventories  | 18              | 105            |
| Prepaid expenses   | (664)           | (1,220)        |
| Other receivables  | 945             | (772)          |
| Others   | (13)            | -              |
| Increase (decrease) in liabilities:  |                 |                |
| Accounts payable and accrued expenses  | 118             | 1,724          |
| Due to affiliates  | (503)           | 460            |
| Other payables   | 163             | (438)          |
| Accrued expenses   | 3,345           | 3,397          |
| Net cash provided by operating activities  | -----<br>12,473 | -----<br>8,429 |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                 |                |
| Purchase of property and equipment   | (6,667)         | -              |

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|   |         |         |
|---|---------|---------|
| Decrease in loan to affiliate                       | -       | 207     |
| Dry dock expenses                                   | (979)   | (2,285) |
| Investment in affiliates                            | (281)   | -       |
| Sales of property and equipment                     | 3,825   | -       |
| Increase in current investments                     | (4,105) | (31)    |
|   | -----   | -----   |
| Net cash used in investing activities               | (8,207) | (2,109) |
|   | -----   | -----   |
| CASH FLOWS FROM FINANCING ACTIVITIES                |         |         |
| Proceeds from financial debt                        | 3,000   | -       |
| Cash outflow from long term debts                   | (499)   | -       |
| Funds used in acquisition of treasury stock         | -       | (1,200) |
| Increase in restricted cash                         | (3,471) | (367)   |
| Minority interest in equity of subsidiaries         | 3,871   | 1,517   |
| Repayment of financial debt                         | (1,444) | (800)   |
| Other   | -       | (376)   |
|   | -----   | -----   |
| Net cash provided by (used in) financing activities | 1,457   | (1,226) |
|   | -----   | -----   |
| Net increase in cash and cash equivalents           | 5,723   | 5,094   |
|   | -----   | -----   |
| Cash and cash equivalents at the beginning of year  | 8,248   | 4,724   |
|   | -----   | -----   |
| Cash and cash equivalents at the end of period      | 13,971  | 9,818   |
|   | =====   | =====   |

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

### ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

#### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2004 AND 2003

(Unaudited)

(stated in thousands of U.S. dollars)

#### 1. BASIS OF PRESENTATION

The condensed consolidated financial statements for the three months periods ended March 31, 2004 and 2003, were prepared by the Company without audit. In the opinion of management, all normal recurring nature adjustments necessary to present fairly the financial position, results of operations, and cash flows for the interim periods were made.

Certain information and footnote disclosures, normally included in financial statements prepared in accordance with generally accepted accounting principles, were condensed or omitted. Accordingly, these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the consolidated financial statements for the years ended December 31, 2003, 2002 and 2001.

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### 2. SHARE SALE AGREEMENTS SIGNED BY THE COMPANY

On June 28, 2001, the Company issued 138,443 new shares for 5,295 which were totally subscribed by Los Avellanos, one of the Company's original shareholders and was paid 3,297 in 2001 and 1,104 in 2002 and the balance are payable in July 2004.

### 3. LONG-TERM DEBT AND OTHER FINANCIAL PAYABLES

On March 30, 1998, the Company successfully completed its offering of 135,000 in principal amount of its 10.5% First Preferred Ship Mortgage Notes due in full in 2008. In accordance with the terms provided in such Offering, the Notes are fully and unconditionally guaranteed on a joint and several basis by certain subsidiaries of the Company, and are secured by first ship mortgages on vessels already owned by the guarantors and on additional vessels that the Company purchased with the proceeds obtained from the Offering.

During the last quarter of 2003, the Company through its subsidiaries, repurchase 6,659 nominal value of its 10,5% First Preferred Ship Mortgage Notes due 2008.

Afterwards, during the first quarter of 2004, the Company through its subsidiaries, repurchase 700 nominal value of its 10,5% First Preferred Ship Mortgage Notes due 2008.

The Company recognized a gain de 188 (a gain of 201 for the excess of the net carrying amount over the reacquisition price less 13 for the unamortized deferred issuance expenses associated with these Notes) in the statement of operations for the three months periods ended March 31, 2004, for the extinguishment of the debt and derecognized a liability for 700.

As of March 31, 2004, the Company's noncurrent portion of long-term debt amounts to 127,641 and is due in full in 2008. It exclusively comprises the debt principal amount of the Notes. The related interest expense, totaling 6,686 is accrued in current other financial debt.

The balances of financial payables as of March 31, 2004 and 2003 are as follows:

|                     | Financial institution/<br>other | Agreement<br>year | Nominal value  |                  | Accrued<br>expenses |
|---------------------|---------------------------------|-------------------|----------------|------------------|---------------------|
|                     |                                 |                   | Current        | Noncurrent       |                     |
| Total 2003          |                                 |                   | 7,590<br>===== | 155,592<br>===== | 7,205<br>=====      |
| Ultrapetrol Bahamas | Private Investors (Notes)       | 1998              | -              | 127,641          | 6,686               |
| Majestic            | Allfirst Bank                   | 2001              | 1,200          | 6,000            | -                   |
| Kattegat            | Nedship Bank                    | 2000              | 1,000          | 3,750            | 41                  |
| Majestic            | Allfirst Bank                   | 2000              | 2,000          | -                | -                   |
| Stanmore            | Allfirst Bank                   | 2000              | -              | -                | -                   |
| Braddock            | Credit Agricole                 | 2002              | 2,574          | 6,068            | 57                  |

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|            |          |      |       |         |       |
|------------|----------|------|-------|---------|-------|
|            | Indosuez |      |       |         |       |
| Others     |          | 2004 | -     | 3,000   | -     |
|            |          |      | ----- | -----   | ----- |
| Total 2004 |          |      | 6,774 | 146,459 | 6,784 |
|            |          |      | ===== | =====   | ===== |

4. NON-CURRENT RESTRICTED CASH

As of March 31, 2004, 19,243 corresponding to the proceeds from the sale of vessels has disclosed in noncurrent assets is related to cash which, under the terms and conditions of the Notes, should only be used to acquire another vessels to guarantee the Notes.

5. TREASURY STOCK

On October 12, 2000 the Company through a wholly owned subsidiary, Avemar Holdings (Bahamas) Limited ("Avemar"), purchased 537,144 shares of the Company previously owned by Societe Internationale D'Investissement S.A. (Bahamas) ("SII"). The nominal purchase price of said shares was 20,000.

As of March 31, 2004 and 2003, the Company recorded 20,332 in the "Treasury stock" account, 20,000 of which relates to the amount payable to SII and 332 relates to direct cost of acquisition.

6. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

|                | Three months period<br>Ended, March 31 |       |
|----------------|--|-------|
|                | 2004                                   | 2003  |
|                | -----                                  | ----- |
| - Interest     | 66                                     | 378   |
| - Income taxes | 33                                     | 23    |

7. CLAIMS AGAINST INSURANCE COMPANIES

As of March 31, 2004 and 2003, the "Other receivables" account includes 8,013 and 8,953, respectively, related to claims against insurance companies.

The "Other net income" account for the period of three months ended March 31, 2003, includes 1,448 related to claims for loss of income (business interruption) corresponding to the Princess Pia and Princess Eva.

8. CLAIMS AGAINST THE COMPANY

The Company is subject to legal proceedings, claims and contingencies arising in the ordinary course of business. When such amounts can be estimated and are 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



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Company's consolidated financial position or results of operations.

On February 21, 2003, Ursa Shipping Ltd. ("Ursa") brought suit in the United States District Court for the District of New Jersey against M/T Princess Susana and Noble Shipping Ltd. (a wholly owned subsidiary of the Company) seeking damages arising out of the delay in delivery of a cargo of Kirkuk crude oil to the Valero terminal in Paulsboro, New Jersey.

Princess Susana (the "Vessel") was detained by the United States Coast Guard prior to her arrival in Paulsboro when, during a routine Coast Guard tank vessel examination, a small amount of cargo was found to have leaked from one of the cargo tanks into one of the void spaces aboard the Vessel. The Vessel was discharged after a delay of approximately eight days. On or about February 25, 2003, Valero Marketing and Supply Co. ("Valero") commenced an action against Noble Shipping Ltd. The Valero and Ursa complaints seek damages in excess of 9,000. Noble took the position that the claims are overstated and they have since been reduced to approximately 7,600.

In connection with the above complaints, the Vessel was detained. Security was posted by the Vessel owners' protection and indemnity insurers in the amount of 11,200 and the Vessel was released from arrest (insurance coverage is in place). Both the Ursa and the Valero complaints have been answered, defenses have been raised, and a counterclaim has been raised in the Ursa action seeking, inter alia, unpaid freight and demurrage. Subsequently, Valero pleaded the seller of the cargo, Taurus Petroleum Ltd. ("Taurus"), into the action by way of an amended complaint. Noble has answered the amended complaint, raised defenses, and brought a cross claim against Taurus for indemnity.

Discovery is ongoing and scheduled to conclude at the end of 2004.

The company's management and its legal counsel believe this claim is covered by insurance. The insurer is actively conducting the defense through its designated counsel and has not asserted any objections, defenses or reserved its rights with respect to Noble's insurance claim. The Company would expect any damages arising from this action to be covered by the proceeds of such insurance.

On November 25, 1995, Ultrapetrol S.A. registered with the Customs Authority of Bahia Blanca the temporary importation of "Princess Pia" vessel.

According to Decree No. 1493/92, such temporary importation was authorized for three years.

Besides, in compliance with CIC No. 98 003 IT 01 300083-4 also registered with the Customs Authority of Bahia Blanca, the above mentioned term was extended, as confirmed by the Transport Secretariat (Subsecretaria de Transporte) which authorized the navigation, communication and commerce of Princess Pia as a vessel of Argentine flag up to November 21, 2001.

On October 23, 2001 Ultrapetrol S.A.'s customs agent registered the re-exportation of Princess Pia with the Customs Authority of Bahia Blanca.

Subsequently, as for November 22, 2001 the Transport Secretariat authorized the navigation of Princess Pia as a vessel of Panamanian flag, allowing the rendering of supplying services within the country.

On November 16, 2001, Ultrapetrol S.A.'s customs agent requested the cancellation of the vessel's temporary importation, stating that due to operative reasons such vessel was not able to enter the jurisdiction of

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the Custom Authority of Campana.

As a result the Customs Authority of Bahia Blanca considers that Ultrapetrol S.A. had incurred in the actions described under the provisions of Section 970 of the Customs Code and, consequently, issued a resolution claiming the sum of Argentine pesos \$4,689,695 (approximately US dollar 1,610,000) as import taxes and the sum of Argentine pesos \$4,689,695 (approximately US dollar 1,610,000) as fines.

Such resolution was based in the fact that as Ultrapetrol S.A. requested the cancellation of the regime without making the vessel available to the Custom Authority, such authority was not able to exercise its control and verifying functions as set forth in Section 268 of the Customs Code.

In response to said resolution, on March 16, 2004 Ultrapetrol S.A. submitted an appeal with the Argentine Tax Court.

The main arguments introduced by Ultrapetrol S.A. were, among others, that it has not caused any breach to the Customs Code since the Princess Pia has operated within Argentine territory only during the periods in which it was expressly authorized by the competent authorities and that the issuance of the appealed resolution was based on an incorrect interpretation of the customs legislation. The value of the vessel considered by the Custom Authority in order to establish the tax and fines claimed has also been objected to by Ultrapetrol S.A.

Said appeal is pending of resolution by the Argentine Tax Court.

The management of the Company and its legal counsel do not believe the outcome of this matter should have (based upon the circumstances of the case, the existing regulations and the Company's insurance coverage) a material impact on its financial position or results of operations.

### 9. PURCHASE OF 50% EQUITY INTEREST IN UABL LIMITED

On April 23, 2004 the Company acquired in a series of related transactions, through two wholly owned subsidiaries, from ACBL Hidrovias Ltd. the remaining 50% equity interest in UABL Limited that it did not own along with the fleet of 50 river barges and 7 river tugboats. The total purchase price paid in these transactions was 26,100, 17,700 of which were derived from the proceeds of previous vessels sales by the Company. The barges enter the Company's fleet as a guarantee to the Notes.

### 10. SUPPLEMENTAL GUARANTOR INFORMATION

As described in Note 3, the Notes are fully and unconditionally guaranteed by certain subsidiaries of the Company.

The subsidiaries which offered its assets in collateral of the above - mentioned indebtedness are: Ultrapetrol S.A., Regal International Investments S.A., Baldwin Maritime Inc., Tipton Marine Inc., Kingsway Shipping Inc., Plate Princess Shipping Company Ltd., Panpetrol Shipping S.A., Oceanview Maritime Inc., Kingly Shipping Ltd., Sovereign Maritime Ltd., Imperial Maritime Ltd., Monarch Shipping Ltd., Noble Shipping Ltd., Cavallier Shipping Inc., Oceanpar S.A. and Parfina S.A. ("Subsidiary Guarantors").

Supplemental condensed combining financial information for the Guarantors Subsidiaries is presented below. This information is prepared in accordance with the Company's accounting policies. This supplemental

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financial disclosure should be read in conjunction with these condensed consolidated financial statements.

### SUPPLEMENTAL CONDENSED COMBINED SUBSIDIARY GUARANTORS

BALANCE SHEETS AS OF MARCH 31, 2004 AND 2003

(Unaudited)

(stated in thousands of U.S. dollars)

|  | 2004    | 2003    |
|--|---------|---------|
|  | -----   | -----   |
| ASSETS                                     |         |         |
| Current assets                             | 14,135  | 24,964  |
| Noncurrent assets                          | 66,381  | 99,777  |
|  | -----   | -----   |
| Total assets                               | 80,516  | 124,747 |
|  | =====   | =====   |
| LIABILITIES AND SHAREHOLDERS' EQUITY       |         |         |
| Current liabilities                        | 87,942  | 115,996 |
| Commitments and contingencies              | --      | --      |
| Shareholders' equity                       | (7,426) | 8,745   |
|  | -----   | -----   |
| Total liabilities and shareholders' equity | 80,516  | 124,741 |
|  | =====   | =====   |

### SUPPLEMENTAL CONDENSED COMBINED SUBSIDIARY GUARANTORS

STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS PERIODS ENDED MARCH 31, 2004 AND 2003

(Unaudited)

(stated in thousands of U.S. dollars)

|                                 | 2004    | 2003     |
|---------------------------------|---------|----------|
|                                 | -----   | -----    |
| Freight revenues                | 1,255   | 5,954    |
| Hire revenues                   | 11,552  | 7,006    |
|                                 | -----   | -----    |
| Total revenues                  | 12,807  | 12,960   |
| Operating expenses              | (8,071) | (13,865) |
|                                 | -----   | -----    |
| Operating (loss) profit         | 4,736   | (905)    |
| Other expenses                  | (3,741) | (2,054)  |
|                                 | -----   | -----    |
| (Loss) income before income tax | 995     | (2,959)  |

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|   |       |         |
|---|-------|---------|
| Tax on minimum presumed income / Income tax | (51)  | (24)    |
|   | ----- | -----   |
| Net (loss) income for the period            | 944   | (2,983) |
|   | ===== | =====   |

SUPPLEMENTAL CONDENSED COMBINED SUBSIDIARY GUARANTORS

STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS PERIODS ENDED MARCH 31, 2004 AND 2003

(Unaudited)

(stated in thousands of U.S. dollars)

|  | 2004    | 2003    |
|--|---------|---------|
|  | -----   | -----   |
| Net (loss) income for the period   | 944     | (2,983) |
| Adjustments to reconcile net (loss) income to cash provided by operating activities: |         |         |
| Net cash provided by (used in) operating activities                                  | (5,181) | 3,449   |
| Net cash used in investing activities  | -----   | -----   |
| Net cash provided by (used in) financing activities                                  | (4,237) | 44      |
| Net increase (decrease) in cash and cash equivalents                                 | 3,449   | (1,250) |
| Cash and cash equivalents at the beginning of the year                               | -       | (31)    |
| Cash and cash equivalents at the end of the period                                   | -----   | -----   |
|  | (788)   | (84)    |
|  | 2,363   | 93      |
|  | -----   | -----   |
|  | 1,575   | 9       |
|  | =====   | =====   |

11. SUBSEQUENT EVENTS

On April 23, 2004, the Company entered into a MOA (Memorandum of Agreement) to sell its Princess Eva for a total price of \$4.2 million. The vessel shall be delivered to its new owners between May 25th and June 15th, 2004.

Also in May 2004, the Company through its subsidiaries, repurchased \$5,0 million nominal value of its 10,5% First Preferred Ship Mortgage Notes due 2008 at a net amount of \$3.8 million.

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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)

Dated: May 15, 2004

By: /s/ Felipe Menendez

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Felipe Menendez  
President