ULTRAPETROL BAHAMAS LTD
Form 6-K
May 08, 2013

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13A-16 OR 15D-16 UNDER THE

SECURITIES EXCHANGE ACT OF 1934

For the month of May 2013
Commission File Number: 001-33068

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

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

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

Form 20-F [X] Form 40-F [ ]

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

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

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

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 three months ended March 31, 2013, containing certain unaudited financial information and Management's Discussion and Analysis of Financial Condition and Results of Operations for the three months ended March 31, 2013 and 2012 (unaudited).

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/ Felipe Menendez Ross
Name: Felipe Menendez Ross
Title: Chief Executive Officer

Dated: May 8, 2013

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 vessels supply and demand;
- our ability to obtain additional financing;
- our financial condition and liquidity, including our ability to obtain financing in the future to fund capital expenditures, acquisitions and other general corporate activities;
- our expectations about the availability of vessels to purchase, the time that it may take to construct new vessels, or vessels' useful lives;
- our dependence upon the abilities and efforts of our management team;
- changes in governmental rules and regulations or actions taken by regulatory authorities;
- adverse weather conditions that can affect production of some of the goods we transport and navigability of the river system on which we transport them;
- the highly competitive nature of the ocean-going transportation industry;
- the loss of one or more key customers;
- fluctuations in foreign exchange rates;
- 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.

ULTRAPETROL (BAHAMAS) LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE
THREE MONTHS ENDED MARCH 31, 2013 AND 2012 (UNAUDITED)

The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements of Ultrapetrol (Bahamas) Limited (the "Company") and subsidiaries for the three months ended March 31, 2013, and 2012 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 679 barges and 33 pushboats as of March 31, 2013, 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 55% of world soybean production in 2013, as compared to 30% in 1995. We also have a barge building facility at Punta Alvear, Argentina, which is the most modern of its kind in South America.

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. Our Offshore Supply Business fleet as of March 31, 2013, consists of ten Platform Supply Vessels, or PSVs, (of which nine are currently in operation and one, UP Amber, is currently proceeding from the building shipyard) and two under construction in a shipyard in India with deliveries scheduled in June and the fourth quarter of 2013.

Our Ocean Business operates, as of March 31, 2013, six ocean-going vessels which include four Product Tankers and two container feeder vessels that we employ in the South American coastal trade where we have preferential rights and customer relationships.

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 March 31, 2013

On January 18, 2013, we entered into a loan agreement of up to $84.0 million with DVB Bank SE, NIBC Bank NV and ABN Amro (as co-lenders) to refinance the advances made under the Indian PSVs of the DVB / Natixis and DVB / NIBC facilities. The swap derivative contracts entered into for the DVB / NIBC loan agreement were novated in favor of the new facility.

On January 23, 2013, we repurchased $80.0 million of our outstanding Convertible Senior Notes in accordance with the provisions of the indenture governing the Convertible Senior Notes. The Convertible Senior Notes were repurchased at par plus accrued and unpaid interest to, but excluding, the date of repurchase, for a total price of

$1,001.61 per $1,000.00 principal amount of Convertible Senior Notes. No Convertible Senior Notes remain outstanding.

On January 30, 2013, we took delivery of our second PSV built in India, UP Amber.

On March 21, 2013, we entered into a Master Agreement and the corresponding MOA's whereby we agreed to build and sell from our Punta Alvear yard a set of seven newbuilt jumbo dry barges and seven newbuilt jumbo tank barges to a third party for export to Colombia with deliveries ranging between July and August 2013 in terms similar to the previous sold barges exported to Colombia.

Recent Developments

On April 11, 2013, we entered into new four-year charters covering the employment of our UP Agua-Marinha, UP Diamante and UP Topazio with Petrobras.

On April 15, 2013, we fully repaid the balance outstanding of $5.3 million plus accrued and unpaid interest pursuant to the amendment to the Nordea Bank Finland PLC loan agreement dated December 28, 2012.

On April 29, 2013, we appointed Ms. Cecilia Yad as the Company's Chief Financial Officer, succeeding Leonard J. Hoskinson, who will remain with the Company as Vice President, International Finance.

On May 2, 2013, the Board of Petrobras confirmed the four-year charters of our UP Amber and UP Pearl as of August 2013 and also the renewal of the four-year charter of our UP Esmeralda.

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. 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.

In our Offshore Supply Business, we contract substantially all of our capacity under time charters to charterers in Brazil. We may decide to employ our Indian-built PSVs in the North Sea spot and/or term market.

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

Time charter revenues accounted for 44% of the total revenues derived from transportation services for the first three months of 2013, and COA revenues accounted for 56%. With respect to COA revenues, 99% were in respect of repetitive voyages for our regular customers and 1% were in respect of single voyages for occasional customers.

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

In our River Business, demand for our services is driven by agricultural, mining and petroleum related activities in the Hidrovia Region. Droughts and other adverse weather conditions, such as floods, could result in a decline in production of the agricultural products we transport, which would likely result in a reduction in demand for our services. Further, most of the operations in our River Business occur on the Paraná 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 eight of our PSVs operating under long-term time charter contracts with Petrobras in Brazil, one recently delivered PSV on route to Brazil and one PSV operating under a medium-term period time charter the UK's North Sea.

In our Ocean Business, we employed our four tanker vessels on time charter to different customers during the three months ended March 31, 2013 while our container vessels carry cargoes for a freight per container equivalent to COA's.

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 which 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, we also own 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 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

During the first three months of 2013, 92% of our revenues were denominated in U.S. dollars. Also, for the three months ended March 31, 2013, 5% of our revenues were denominated and collected in Brazilian reais and 3% were denominated and collected in British pounds. However, 61% of our total revenues denominated in U.S. dollars but collected in Argentine pesos, Brazilian reais and Paraguayan guaranies. During the three months ended March 31, 2013, the majority of our expenses were denominated in U.S. dollars of which 38% of them were paid in Argentine pesos, Brazilian reais and Paraguayan guaranies.

Our operating results, which we report in U.S. dollars, may be affected by fluctuations in the exchange rate between the U.S. dollar and other currencies. For accounting purposes, we use U.S. dollars as our functional currency. Therefore, revenue and expense accounts are translated into U.S. dollars at the average exchange rate prevailing on the month of each transaction.

Inflation, Interest Rate, Rates of Exchange Variation and Fuel Price Increases

Inflationary pressures in the South American countries in which we operate may not be compensated by equivalent adjustments in the rate of exchange between the U.S. dollar and the local currencies. Additionally, revaluations of the local currencies against the U.S. dollar, even in the absence of inflation, have an incremental effect on the portion of our operating expenses incurred in those local currencies measured in U.S. dollars. Please see Foreign Currency Transactions.

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 could widen. Interest in most loan agreements in our industry has been traditionally based on published LIBOR rates. After the financial crisis of the end of 2008, however, lenders have insisted on loan 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.

As of March 31, 2013, the Company had $68.5 million of LIBOR-based variable rate borrowings under its credit facilities with IFC and 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.

As of March 31, 2013, the Company had $20.3 million of LIBOR-based variable rate borrowings under its credit facility with DVB Bank, NIBC and ABN Amro subject to an interest rate swap, designated as cash flow hedge, to fix the interest rate of these borrowings at a weighted average cost of debt of 0.9% per annum.

As of March 31, 2013, the Company had $8.3 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, to fix the interest rate of these borrowings at a weighted average interest rate of 3.39% per annum.

Additionally, as of March 31, 2013, the Company had other variable rate debt (due 2013 through 2021) totaling $126.3 million. These debts call for the Company to pay interest based on LIBOR plus a 120-400 basis point margin range. Some loans provide for the use of cost of funds in replacement of LIBOR under certain circumstances. The interest rates generally reset either quarterly or semi-annually. As of March 31, 2013, the weighted average interest rate on these borrowings was 2.8%.

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 $1.3 million increase in our interest expense per year, which would adversely affect our earnings.

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, as our re-engining and repowering program progresses and more pushboats in our fleet start to consume heavy fuel (as opposed to diesel oil), the adjustment formulas in our transportation contracts will gradually cease 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 the charterers 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' own account.

In our Ocean Business, for those vessels that operate under time charters, inflationary pressures 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 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 operation, 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 generally employ our Product Tankers on long-term time charters so there is no seasonality effect, however, shorter term contracts covering the winter months generally carry higher rates than those covering only the summer months. Our container feeder service experiences a somewhat slower season during the first quarter of each year.

Legal Proceedings

UABL – Ciudad del Este Customs Authority

On September 21, 2005, the local Customs Authority of Ciudad del Este, Paraguay issued a finding that certain UABL entities owe taxes to that authority in the amount of $2.2 million, together with a fine for non-payment of the taxes in the same amount, in respect of certain operations of our River Business for the prior three-year period. This matter was referred to the Central Customs Authority of Paraguay, or the Paraguay Customs Authority. We believed that this finding was erroneous and UABL formally replied to the Paraguay Customs Authority contesting all of the allegations upon which the finding was based. After review of the entire operations for the claimed period, the Paraguayan Central Tax Authorities, asserting their jurisdiction over the matter, confirmed that the UABL entities did pay their taxes on the claimed period, but held a dissenting view on a third issue (the tax base used by the UABL entities to calculate the applicable withholding tax). The primary case was appealed by the UABL entities before the Tax and Administrative Court, and when summoned, the Paraguayan Tax Authorities filed an admission, upon which the Court on November 24, 2006, confirmed that the UABL entities were not liable for the first two issues. Nevertheless, the third issue continued, and through a resolution which was provided to UABL on October 13, 2006, the Paraguayan Undersecretary for Taxation confirmed that, in his opinion, UABL was liable for a total of approximately $0.5 million and applied a fine of 100% of that amount. UABL entered a plea with the respective court contending the interpretation on the third issue where it claimed to be equally not liable. On October 19, 2007, we presented a report by an expert highly favorable to our position. On March 26, 2009, the Tax and Administrative Court decided that UABL was not liable for the third issue under discussion (the tax base used by UABL's entities to calculate the applicable withholding tax). On April 2, 2009, the Paraguayan Tax Authorities appealed the Tax and Administrative Court´s decision to the Supreme Court. On September 22, 2010, the Paraguayan Supreme Court revoked the March 26, 2009, ruling of the Tax and Administrative Court and confirmed the decision of the Paraguayan undersecretary for taxation which condemned UABL Paraguay S.A. to pay approximately $605,000 non-withheld taxes, $685,000 in fines and $1,251,000 in accrued due interests. We appealed the decision of the Supreme Court, seeking to clarify its ruling based on the Bona Fide basis of the UABL arguments recognized by the Court expressly in its ruling and on this appeal sought to eliminate fines and interests. Finally, in a signed agreement with the Tax Authorities on October 14, 2010, UABL paid the total amount of $1,294,000 in full and final settlement of the claim and agreed to drop its appeal to the Supreme Court. In parallel with this ruling the Office of the Treasury Attorney initiated an action in respect of the other two issues concerned in this litigation (which had been terminated on November 24, 2006, with the admission of the Central Tax Authorities that no taxes were due for these two issues and the consequent dropping of the action by the plaintiffs) to review certain formal aspects of the case on the grounds that the Paraguay Customs Department did not represent the interests of Paraguay. UABL submitted a defense in relation to the action commenced by the Office of the Treasury Attorney. Subsequently, the Office of the Treasury Attorney filed a response with regard to our defense. The evidentiary stage of the proceedings has concluded and a decision of the Court is 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. Counsel notified the Customs to hold the proceedings until such decision of the court is received and also contest any new investigation into the matter on the grounds that the action is time barred. In one of those reopened proceedings the Customs Authorities of Paraguay made a wrong determination of the taxes owed and fines and upon UABL's request through the submission of a remedy such customs authorities issued a resolution on August 8, 2012 with a revised adjustment, where they found UABL S.A., UABL Paraguay S.A. and Yataity S.A. liable to pay approximately $0.4 million subject to a fine of 100% of that amount. Having ended the administrative proceedings, on August 10, 2012 UABL commenced judicial proceedings to obtain a court judgment to rule off the erroneous decision of the Customs Authorities based on concrete evidence that the sum of $0.4 million was duly paid and that no fine should then be imposed. 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 International S.A. – Bolivian Tax Authority

On November 3, 2006, and April 25, 2007, the Bolivian Tax Authority (Departamento de Inteligencia Fiscal de la Gerencia Nacional de Fiscalización) issued a notice in the Bolivian press advising that UABL International S.A. would owe taxes to that authority. On June 18, 2007, legal counsel in Bolivia submitted points of defense to the Bolivian tax authorities. On August 27, 2007 the Bolivian tax authorities gave notice of a resolution determining the taxes (value added tax, transaction tax and income tax) that UABL International S.A. would owe to them in the amount of approximately $5.8 million (including interest and fines). On October 10, 2007, legal counsel in Bolivia gave notice to the Bolivian tax authorities of the lawsuit commenced by UABL International S.A. to refute the resolution above mentioned. On August 1, 2008, UABL International S.A. was served with a notice informing that the Bolivian Tax Authorities had replied to the lawsuit. On August 22, 2008, a hearing and judicial inspection took place at Puerto Quijano, Bolivia. On August 30, 2008, both parties submitted their arguments to the judge, completing this part of the case. On August 12, 2009, UABL International S.A. was served with the judgment of the Bolivian court deciding in favor of the Bolivian tax authorities. On August 22, 2009, UABL International S.A. submitted an appeal to the lower court judgment to which Bolivian tax authorities have contested. The Court of appeal confirmed the judgment of the Lower Court. UABL International S.A. submitted a cassation appeal (an appeal on points of law) before the Bolivian Supreme Court, who after we ceased to be the owner of UABL International S.A. we understand confirmed the judgment of the lower Court. On the other hand, on June 26, 2008, the same Bolivian court ordered a preemptive embargo against all barges owned by UABL International S.A. that may be registered in the International Bolivian Registry of Ships, or RIBB. According to local counsel this preemptive embargo under Bolivian law has no effect over the right to use its assets nor does it have any implication over the final decision of the court, the substance of the matter and in this case it is ineffective since UABL International S.A. did not have any assets owned by it registered in the RIBB. The shares of UABL International S.A. ceased to belong to our Company and we have been advised by local counsel that there is only a remote possibility that we would finally be found liable for any of these taxes or fines and / or that these proceedings will have financial material adverse impact on the consolidated financial position or results of operations of the Company.

UABL Paraguay S.A. – Paraguayan Customs Asuncion

On April 7, 2009, the Paraguayan Customs in Asuncion commenced administrative proceedings against UABL Paraguay S.A. alleging infringement of Customs regulations due to lack of submission of import clearance documents in Paraguay for bunkers purchased between January 9, 2007, and December 23, 2008, from YPF S.A. in Argentina. Since those bunkers were purchased for consumption onboard pushboats, UABL Paraguay S.A. submitted a defense on April 23, 2009, requesting the closing of those proceedings based on the non-infringement of Customs regulations; however the proceedings were not closed. On August 21, 2009, as part of the evidence to be rendered in the Customs proceedings UABL Paraguay S.A. submitted a technical report of the Paraguayan Coast Guard stating that all parcels of bunkers purchased by UABL Paraguay S.A. from YPF S.A. were consumed onboard the push boats. We were advised that the Paraguayan Customs in Ciudad del Este also commenced administrative proceedings against UABL Paraguay S.A. for the same reasons as the Customs in Asuncion, however those proceedings have been suspended. Customs Authorities appraised the bunkers and determined the corresponding import tax and fine in the amount of $2.0 million. On March 22, 2010, the Customs in Asuncion issued their ruling on the matter imposing a fine of Gs. 54,723,820 (approximately $11,700), and UABL Paraguay S.A. was going to pay the fine with the aim to end these proceedings but the Director of Customs in Asunción decided to render null that ruling and ordered evidence to be filed in respect of years 2003 to 2006 before issuing the final ruling. In parallel with this ruling the denouncing parties in Ciudad del Este submitted remedies against the decision of Customs in Asuncion arguing that such ruling was taken without bringing both dossiers together. In a similar manner, on September 20, 2010, the Paraguayan Customs in Asuncion received a complaint against UABL Paraguay S.A. alleging infringement of Customs regulations due to lack of submission of import clearance documents in Paraguay for bunkers purchased during 2009 and 2010, from YPF S.A. in Argentina. UABL Paraguay S.A. submitted its defense together with all documents related to the bunker purchases. Our local counsel is of the opinion that remedies will be rejected and therefore that there is only a remote possibility that UABL Paraguay S.A. will finally be found liable for any such taxes or fines and / or that these proceedings will have financial material adverse impact on the 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. On June 24, 2011, Oceanpar S.A. and UABL Paraguay S.A. submitted the evidence of all payments effected in 2008 corresponding to the re-importation of these barges. Our local counsel has advised that there is only a remote chance that these proceedings will have a material adverse impact on the consolidated financial position or result of operations of the Company.

UABL Paraguay S.A. - Paraguayan Tax Authority

On December 15, 2011, as a result of a previous investigation, the Paraguayan Tax Authorities gave notice that UABL Paraguay S.A. would have improperly used some fiscal credit and suggested some rectifications to be made. The aforementioned tax authorities 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. We believe that this finding is erroneous and UABL Paraguay S.A. commenced administrative proceedings on December 23, 2011, in order to refute the said findings and formally replied to all of the allegations upon which the finding was made. A decision of the administrative authorities is now pending. The potential amount in dispute has not been calculated yet but it should not exceed approximately $3.0 million. The proceedings are purely administrative at this point and if the tax authority should decide to insist with their opinion the Company intends to contest the same in a judicial court. 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.

Obras Terminales y Servicios S.A. – Judicial Administration

On August 16, 2009, Mrs. Maria L. Rodriguez-Mendieta (hereinafter the "Plaintiff") commenced legal proceedings in Ciudad del Este, Paraguay against Obras Terminales y Servicios S.A. (hereinafter "OTS"), UABL Terminals (Paraguay) S.A., a company in which we indirectly own fifty percent and which own a terminal that we operate under a lease in our River Business, certain directors and representatives in our River Business, and some of Mr.Abadie's successors and assigns. The Plaintiff alleges to be the holder of 50% of the capital stock of OTS that belongs to the Abadie family. OTS is the Company's 50% subsidiary that owns Tres Fronteras terminal. On August 21, 2009, the competent court granted an injunction to intervene OTS by appointing a Judicial Manager who replaced OTS' board of directors, while the appeal of this injunction is still pending such a court decision continues in effect. The Plaintiff is arguing that an extraordinary shareholders meeting of OTS held in 2005 resolved to increase the capital stock and consequently the whole of OTS' shares certificates were substituted prejudicing her rights since her shares certificates were neither cancelled nor substituted by new certificates. The Plaintiff is requesting the Paraguayan court: a) to recognize her capacity of shareholder of OTS in substitution of the Abadie family; b) payment of dividends; c) nullity of some legal acts; and d) removal of OTS' managers. All defendants have submitted their defenses before the competent court, however due to several motions and preceding exceptions, the evidence stage has not been reached yet. We have been advised by local counsel that if the Plaintiff succeeds in her plead, it will only affect the Abadie family without causing any financial material adverse effect on the remaining 50% capital stock of OTS that belongs to UABL Terminals (Paraguay) S.A.

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. The total weight of those steel plates was 473 tons and their import value was approximately $0.37 million. The request of UPSA to the Secretary of Industry was based on the cancellations made by some related shipping companies that had formerly requested repair services for their vessels. Such repairs cancellations prevented UPSA to conduct the industrialized conversion of the above referred steel plates. On August 7, 2009, since UPSA commenced negotiations with two shipping companies for repairing some of their vessels, a time extension was requested to the Argentine Secretary of Industry, and alternatively it was also requested to grant the previously requested authorization to re-export the steel plates without industrialized conversion. On January 21, 2010, the competent authority rejected the time extension request and did not resolve the alternative authorization request. On February 25, 2010, UPSA made an administrative submission asking for a reconsideration of the decision, which was rejected on April 27, 2010. On November 4, 2011, UPSA submitted an administrative appeal before the Ministry of Industry, and its decision is still pending. 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 don't 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.

Various other legal proceedings involving us may arise from time to time in the ordinary course of business. However, we are not presently involved in any other legal proceedings that, if adversely determined, would have a material adverse effect on us.

Results of Operations

Three months ended March 31, 2013, compared to three months ended March 31, 2012.

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

| | Three Months Ended March 31, | | |
|---|---|---|---|
| | 2013 | 2012 | Percent Change |
| Revenues | | | |
| Attributable to River Business | $ 39,347 | $ 29,384 | 34% |
| Attributable to Offshore Supply Business | 21,602 | 17,028 | 27% |
| Attributable to Ocean Business | 16,941 | 18,126 | -7% |
| Total revenues | 77,890 | 64,538 | 21% |
| | | | |
| Voyage and manufacturing expenses | | | |
| Attributable to River Business | (19,373) | (18,901) | 2% |
| Attributable to Offshore Supply Business | (949) | (1,213) | -22% |
| Attributable to Ocean Business | (5,685) | (7,970) | -29% |
| Total voyage and manufacturing expenses | (26,007) | (28,084) | -7% |
| | | | |
| Running costs | | | |
| Attributable to River Business | (14,063) | (11,450) | 23% |
| Attributable to Offshore Supply Business | (8,366) | (8,548) | -2% |
| Attributable to Ocean Business | (9,043) | (8,024) | 13% |
| Total running costs | (31,472) | (28,022) | 12% |
| | | | |
| Amortization of dry dock and intangible assets | (708) | (1,048) | -32% |
| Depreciation of vessels and equipment | (9,412) | (9,444) | -- |
| Administrative and commercial expenses | (8,822) | (7,787) | 13% |
| Other operating income, net | 450 | 5,764 | -92% |
| | | | |
| Operating profit (loss) | 1,919 | (4,083) | |
| | | | |
| Financial expense and other financial expense | (5,289) | (8,086) | -35% |
| Financial income | 76 | 42 | 81% |
| Loss on derivatives, net | (216) | -- | |
| Investment in affiliates | (195) | (313) | -38% |
| Other, net | (228) | 41 | |
| Total other income (expenses) | (5,852) | (8,316) | -30% |
| | | | |
| Loss before income taxes | (3,933) | (12,399) | -68% |
| | | | |
| Income tax expenses | (1,622) | (1,259) | 29% |
| Net income attributable to non-controlling interest | 299 | 169 | 77% |
| | | | |
| Net loss attributable to Ultrapetrol (Bahamas) Limited | $ (5,854) | $ (13,827) | -58% |

Revenues. Total revenues from our River Business increased 34% from $29.4 million in the three months ended March 31, 2012, to $39.3 million in the same period of 2013. This $9.9 million increase results mainly from a $10.2 million increase in revenues from river operations related to a 26% increase in net tons transported, rates increases and normal rainfall as compared to the first quarter of 2012 which was severely affected by the drought on the soybean production in Paraguay and by low river levels, to a $1.3 million increase in revenues related to the sale of barges constructed at our yard in Punta Alvear; partially offset by a $1.5 million decrease in other river revenues as compared to the first quarter of 2012.

Total revenues from our Offshore Supply Business increased by 27% from $17.0 million in the three months ended March 31, 2012, to $21.6 million in the same period of 2013. This $4.6 million increase is primarily attributable to the $2.8 million increase related to the operation of our UP Jade which commenced operation with Petrobras on August 10, 2012, and to a combined $2.0 million increase in revenues from our UP Turquoise, UP Jasper and UP Rubi related to offhire days during the first quarter of 2012.

Total revenues from our Ocean Business decreased $1.2 million, from $18.1 million in the three months ended March 31, 2012, to $16.9 million in the same period of 2013, or a decrease of 7%. This decrease is mainly attributable to a $3.5 million freight related to the transportation of the barges sold to a third party during the first quarter of 2012, to a $0.5 million on account of a success fee received by Ravenscroft for shipmanagement services during the first quarter of 2012; partially offset by a $1.2 million increase from our Amadeo related to its drydock during the first quarter of 2012, to a $1.2 million increase in revenues from our Argentino and to a $0.5 million increase related to the higher charter rates of our Product Tankers during the first quarter of 2013 when compared to the same period of 2012.

Voyage and manufacturing expenses. In the three months ended March 31, 2013, voyage expenses of our River Business were $19.4 million, as compared to $18.9 million for the same period of 2012, an increase of $0.5 million, or 2%. This increase is mainly attributable to a $1.2 million increase related to higher activity consistent with higher net tons transported; partially offset by a $0.4 million decrease related to the manufacturing expenses incurred in the construction of barges for third parties in our Punta Alvear yard and to a $0.3 million expense incurred in other river activity during the first quarter of 2012.

In the three months ended March 31, 2013, voyage expenses of our Offshore Supply Business were $0.9 million, as compared to $1.2 million in the same period of 2012. This decrease of $0.3 million, or 22%, is primarily attributable to a charge against our UP Agua-Marinha and UP Rubi for underperformance under their charter contracts during the first quarter of 2012.

In the three months ended March 31, 2013, voyage expenses of our Ocean Business were $5.7 million, as compared to $7.8 million for the same period of 2012, a decrease of $2.1 million, or 29%. This decrease is primarily attributable to $3.5 million related to the costs incurred for the transportation of barges sold to a third party during the first quarter of 2012; partially offset by a $1.2 million combined increase in voyage expenses of our Asturiano and Argentino related to average decrease in round voyage durations quarter on quarter which translated into higher number of round voyages.

Running costs. In the three months ended March 31, 2013, running costs of our River Business were $14.1 million, as compared to $11.5 million in the same period of 2012, an increase of $2.6 million, or 23%. This increase is mainly attributable to the larger number of active equipment consistent with larger volume carried, to salary increases for both Argentinean and Paraguayan crewmembers, increases in barge maintenance costs related to the inflation in local currency with a stagnant rate of exchange in Argentina and by a revaluation of the Paraguayan guarani in the first quarter of 2013.

In the three months ended March 31, 2013, running costs of our Offshore Supply Business were $8.4 million, as compared to $8.5 million in the same period of 2012, a decrease of $0.1 million, or 2%. This decrease in running costs in the first quarter of 2013 is mainly attributable to a devaluation of the Brazilian real against the U.S. dollar in the first quarter of 2013; partially offset by the entry into operation of our UP Jade on August 10, 2012.

In the three months ended March 31, 2013, running costs of our Ocean Business were $9.0 million, as compared to $8.0 million in the same period of 2012, an increase of $1.0 million, or 13%. This variation results mainly from increases in crew costs on our ocean fleet related to the inflation in local currency coupled with a stagnant rate of exchange in Argentina.

Amortization of drydocking and intangible assets. Amortization of drydocks and intangible assets in the three months ended March 31, 2013, were $0.7 million, as compared to $1.0 million for the same period of 2012, a decrease of $0.3 million, or 32%. This decrease is primarily attributable to a $0.2 million decreased level of amortization of our PSV fleet.

Depreciation of vessels and equipment. Depreciation of vessels and equipment remained unchanged at $9.4 million in the three months ended March 31, 2013, with respect to the same period of 2012. A $0.2 million increase in the level of depreciation of our PSV fleet due to the entry into operation of our UP Jade on August 10, 2012 was partially offset by a reduction of $0.3 million in the depreciation charge of our Product Tanker Amadeo.

Administrative and commercial expenses. Administrative and commercial expenses were $8.8 million in the three months ended March 31, 2013, as compared to $7.8 million in the same period of 2012, resulting in an increase of $1.0 million or 13%. This increase is mainly associated to a $0.9 million increase in other taxes mainly related to a higher level of activity in 2013 as opposed to 2012 of our subsidiaries in Argentina operating in our Ocean and River Businesses.

Other operating income, net. Other operating income was $0.5 million in the three months ended March 31, 2013, as compared to other operating income of $5.8 million in the same period of 2012. This decrease of $5.3 million is mainly explained by a $3.2 million related to the sale of pushboat Cavalier VIII during the first quarter of 2012, to a combined $1.1 million related to loss of hire insurance of our UP Jasper, UP Turquoise and UP Rubi during the first quarter of 2012, in our Offshore Supply Business and by a combined $1.0 million related to loss of hire insurances of our Asturiano and Argentino and Amadeo, in our Ocean Business.

Operating profit (loss). Operating profit for the three months ended March 31, 2013, was $1.9 million, an increase of $6.0 million from an operating loss of $4.1 million for the same period of 2012. This increase is mainly attributable to a $3.4 million increase in operating profit of our Offshore Supply Business from $4.0 million in the first quarter of 2012 to $7.4 million in the same period of 2013 mainly associated to the full quarter operation of our UP Jade which commenced operation on August 10, 2012, coupled with higher operating profits from the rest of the PSV fleet; to a $1.6 million decrease in our River Business operating loss from $5.5 million in the first quarter of 2012 to a $3.9 million operating loss in the same period of 2013 driven mainly by the normal rainfall of the 2013 soybean season (with normal seasonality in cargo loadings) as compared to the drought and low water levels in the river system during the same period of 2012, and by comparatively less barge sales during the same period of 2012, in our River Business; and to a $1.1 million decrease in the operating loss of our Ocean Business from $2.6 million in the three months ended March 31, 2012, to a loss of $1.5 million in the same period of 2013, mainly related to the offhire days of our Amadeo during the first quarter of 2012 and to the cost increase in local currency with a stagnant rate of exchange in Argentina during the first quarter of 2013.

Financial expense and other financial expense. Financial expense and other financial expense decreased $2.8 million to $5.3 million in the three months ended March 31, 2013, as compared to $8.1 million in the same period of 2012. This variation is mostly explained by a $6.3 million foreign currency exchange gains related to several transactions in sovereign bonds during the first quarter of 2013, of which $3.2 million correspond to exchange difference affecting the River Business operating expenses, and to a $1.4 million decrease in interest expense mainly related to the repayment of our Senior Convertible Notes on January 23, 2013; partially offset by a $3.6 million financial loss related to the extinguishment of debts, mainly our Senior Convertible Notes, and by a $1.3 million decrease in other foreign currency exchange gains related to exchange rate fluctuations of foreign currencies against the U.S. dollar.

Income taxes benefit (expenses). The income tax expense for the three months ended March 31, 2013, was $1.6 million, compared to $1.3 million in the same period of 2012. This $0.3 million change in the income tax charge is mainly attributable to a combined $0.6 million increase in the current income tax provision of our Argentinean, Paraguayan and Brazilian subsidiaries in the River and Offshore Supply Business, respectively and by a charge of $0.8 million attributable to a higher pretax income in our Argentinean subsidiary operating in the Ocean Business; partially offset by a decrease of $0.7 million in the income tax charge of our Brazilian subsidiaries in the Offshore Supply Business and by $0.5 million increase in the income tax expense deferred originated in intercompany barge sales activities (which were higher in 2013 than in 2012).

Liquidity and Capital Resources

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

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

At March 31, 2013, we had aggregate indebtedness of $424.0 million, consisting of $180.0 million aggregate principal amount of our 2014 Notes, indebtedness of our subsidiary UP Offshore Apoio Maritimo Ltda. under a senior loan facility with DVB Bank AG, or DVB, of $6.6 million and $15.5 million under a loan facility with BNDES, indebtedness of our subsidiary UP Offshore (Bahamas) Ltd. of $49.5 million under two senior loan facilities with DVB and $33.3 million under an additional senior loan agreement with DVB and Banco Security as co-lenders, indebtedness of our subsidiary Ingatestone Holdings Inc. of $8.6 million under a senior loan facility with DVB and Natixis as co-lenders and $25.3 million under a senior loan facility with DVB, NIBC and ABN Amro as co-lenders, indebtedness of our subsidiary Stanyan Shipping Inc. of $6.3 million under a senior loan facility with Natixis, indebtedness of our subsidiary Hallandale Commercial Corp. of $5.3 million under a senior loan facility with Nordea Bank, indebtedness of our subsidiaries UABL Barges (Panama) Inc., Marine Financial Investment Corp., Eastham Barges Inc. and UABL Paraguay S.A. of $54.8 million in the aggregate under two senior loan facilities with IFC, indebtedness of our subsidiary UABL Paraguay S.A. of $13.7 million under a senior loan facility with OFID, and indebtedness of our subsidiaries UABL Paraguay S.A. and Riverpar S.A. of $25.0 million under a senior loan facility with IFC and OFID as co-lenders and accrued interest of $7.0 million.

At March 31, 2013, we had cash and cash equivalents on hand of $123.6 million plus $7.0 million in restricted cash, making a total of $130.6 million.

Operating Activities

In the three months ended March 31, 2013, cash flow provided by operations was $3.9 million compared to $7.4 million used in operations in the same period of 2012. Net loss for the three months ended March 31, 2013, was $5.6 million as compared to a net loss of $13.7 million in the three months ended March 31, 2012, an increase of $8.1 million.

Cash flow from operating activities increased by $11.3 million to $3.9 million in the three months ended March 31, 2013, from a cash use of $7.4 million in that same period of 2012. This increase in cash flow from operations is mainly attributable to an aggregate increase of $12.0 million in the Gross Profit Contribution (defined as hire or freight revenues minus voyage expenses and running costs), or GPC, during the period resulting from an increase of $6.9 million in our GPC from our River Business mostly as a result of the increase in net tons transported as compared to the first quarter of 2012 when we have adverse effects related to the drought and low river levels and to a GPC increase of $5.0 million from our Offshore Supply Business mostly related to the entry into operation of our UP Jade on August 10, 2012 and the performance of our PSV UP Turquoise, UP Jasper and UP Rubi. In addition, we had $11.3 million of net cash received as advances by customers; offset by an increase of $10.9 million in our accounts receivable, mainly in our River Business and by a $6.6 million of cash used in our river barges production and bunkers in our River Business.

Investing Activities

During the three months ended March 31, 2013, we disbursed $3.1 million in the refurbishment of our Paraná Petrol, $0.7 million in enhancements/additions to our Punta Alvear barge-building facility and $0.6 million in the re-engining and re-powering program, in our River Business; $2.7 million to fund the delivery advance on our UP Amber and $0.6 million on our UP Pearl, in our Offshore Supply Business; and $1.0 million to fund the drydock of our Parana Petrol, in our Ocean Business.

Financing Activities

Net cash flow from financing activities decreased $105.2 million from cash provided of $9.1 million in the three months ended March 31, 2012, to a cash use of $96.0 million in the same period of 2013. This decrease is mainly attributable to the $80.0 million prepayment of our Senior Convertible Notes, to $10.4 million and $20.8 million used in the early repayment of our DVB-Natixis and DVB-NIBC loan facilities, respectively, to a $4.1 million used in the repayment of a short-term credit facility with DVB, to $1.7 million increase used in other financing activities and a $0.5 million increase in scheduled repayments quarter on quarter; partially offset by an increase in proceeds from long-term financial debt in our Offshore Supply Business of $12.4 million.