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ULTRAPETROL BAHAMAS LTD  
Form 20-F  
May 03, 2004

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) or (g)  
OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from to

Commission file number 0-\_\_\_\_\_

ULTRAPETROL (BAHAMAS) LIMITED

(Exact name of Registrant as specified in its charter)

COMMONWEALTH OF THE BAHAMAS

(Jurisdiction of incorporation or organization)

Ultrapetrol (Bahamas) Limited  
H & J Corporate Services Ltd.  
Shirlaw House  
87 Shirley Street  
P. O. Box SS-19084  
Nassau, Bahamas

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:  
None

Securities registered or to be registered pursuant to Section 12(g) of the Act:  
None

Securities for which there is a reporting obligation pursuant to Section 15(d)  
of the Act: 101/2% First Preferred Ship Mortgage Notes due 2008

Indicate the number of outstanding shares of each of the issuer's classes of  
capital or common stock as of the close of the period covered by the annual  
report.

Common Shares, \$0.01 par value 2,134,451 Shares Outstanding

Indicate by check mark whether the Registrant (1) has filed all reports required  
to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during

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the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark which financial statement item the Registrant has elected to follow.

Item 17  Item 18

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CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

Matters discussed in this document may constitute forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts.

Ultrapetrol (Bahamas) Limited desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with this safe harbor legislation. This document and any other written or oral statements made by us or on our behalf may include forward-looking statements, which reflect our current views with respect to future events and financial performance. When used in this document, the words "anticipate," "estimate," "project," "forecast," "plan," "potential," "will," "may," "should," and "expect" reflect forward-looking statements.

The forward-looking statements in this document are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, managements examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections.

In addition to these assumptions and matters discussed elsewhere herein and in the documents incorporated by reference herein, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the strength of world economies and currencies, general market conditions, including fluctuations in charterhire rates and vessel values, changes in demand in the tanker market, as a result of changes in OPEC's petroleum production levels and world wide oil consumption and storage, changes in the company's operating expenses, including bunker prices, drydocking and insurance costs, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents or political events, and other important factors described from time to time in the reports filed by Ultrapetrol (Bahamas) Limited with the Securities and Exchange Commission.

PART I

ITEM 1 - IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not Applicable.

ITEM 2 - OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3 - KEY INFORMATION

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### A. SELECTED FINANCIAL DATA

The following summary financial information set forth below for Ultrapetrol (Bahamas) Limited (the "Company") is for the years ended December 31, 2003, 2002, 2001, 2000, and 1999 and has been derived from the Company's Financial Statements.

	2003	For the year ended December 31		
	2002	2001	2000	1999
	-----	-----	-----	-----
	(dollars in thousands)			
<b>Statement of Operations Data:</b>				
<b>Revenues (a)</b>				
Freight revenues	\$26,487	\$24,743	\$73,667	\$97,667
Hire revenues	48,746	48,381	37,541	6,667
	-----	-----	-----	-----
Total Revenues	75,233	73,124	111,208	104,334
Voyage expenses(b)	(12,644)	(10,185)	(26,889)	(38,667)
Running costs(c)	(28,659)	(27,397)	(33,615)	(28,667)
Amortization of drydock expense	(7,232)	(8,839)	(7,246)	(5,667)
Depreciation of property and equipment	(15,335)	(15,968)	(16,197)	(15,667)
Management fees to related parties(d)	(2,863)	(3,176)	(3,250)	(3,667)
Administrative expenses	(4,955)	(3,642)	(4,520)	(4,667)
Loss on involuntary conversion Arg.Receivable		(2,704)		
Financial expense -Gain extinguishment debt	(14,425)	(16,763)	(17,698)	(16,667)
Financial income	201	326	296	1,667
Investment in subsidiaries	3,140	(45)	(692)	(1,667)
Other net income (expenses) (e)	(2,461)	1,698	1,408	4,667
	-----	-----	-----	-----
Earnings before income tax and minority interest	(10,000)	(13,571)	2,805	(5,667)
Minority interest	(1,333)	(132)		
Income tax	(185)	(150)	(390)	(1,667)
	-----	-----	-----	-----
Net earnings (losses) for the year	\$(11,518)	\$(13,853)	\$2,415	\$(6,667)
	=====	=====	=====	=====
<b>Balance Sheet Data:</b>				
Cash, cash equivalents and time deposit	\$8,248	\$4,724	\$5,872	\$4,667
Fixed assets	120,803	134,797	135,289	148,667
Total assets	208,161	213,546	225,576	232,667
Current Portion other financials payable	10,462	12,209	15,745	19,667
Long-term debt, net of current portion	128,341	135,000	135,000	135,667
Other financial payable, net of current portion	17,011	21,785	14,700	23,667
Stockholders' equity	23,793	35,089	47,838	42,667
<b>Other Financial Information:</b>				
Net cash provided by operating activities	20,471	14,395	24,814	9,667
Net cash used in investing activities	(6,285)	(21,428)	(14,133)	(69,667)
Net cash provided (used in) financing activities	(10,662)	5,885	(9,034)	61,667
EBITDA(f)	\$25,659	\$27,867	\$43,946	\$32,667
<b>Ratios</b>				
Ratio of EBITDA to interest expense	1.6x	1.7x	2.5x	1.6x
Ratio of total debt to EBITDA	6.1x	6.1x	3.8x	5.6x
Ratio of earnings to fixed charges(g)	0.3x	0.2x	1.2x	0.3x
Vessels wholly owned at end of period	9	14	13	13

(a) Freight revenues arise from arrangements whereby we have agreed to transport cargoes between ports and bear all voyage and vessel operating expenses, whereas hire revenues arise from our vessel time or voyage

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chartering operations.

- (b) Voyage expenses, which are incurred when a vessel is operating under a contract of affreightment (as well as any time when they are not operating under time or bareboat charter), comprise all costs relating to a given voyage, including port charges, canal dues and fuel (bunkers) costs, are paid by the vessel owner and are recorded as voyage expenses. Voyage expenses also include charter hire payments made by us to owners of vessels that we have chartered in.
- (c) Running costs, or operating expenses, include the cost of all ship management, crewing, repairs and maintenance, spares and stores, insurance premiums and lubricants and certain drydocking costs.
- (d) Management fees to related parties include payments to our affiliates Ravenscroft Miami and Oceanmarine. See "Interest of Management in Certain Transactions."
- (e) In 1999 other net income included \$ 0.8 as a gain corresponding to the Bareboat Charter - Purchase of the Abbeydale to a third party. In 2000, other net income included \$3.2 million received as compensation from insurers in respect of loss of hire claims related to the Princess Eva (\$0.6 million), Princess Marina (\$0.4 million) and the Princess Pia (2.6 million). In 2001, other net income included \$1.5 million received as compensation from insurers in respect of loss of hire claims related to the Princess Veronica (\$0.8 million) and the Princess Marina (0.7 million). In 2002, other net income included \$1.8 million received as compensation from insurers for loss of hire claims related to the Alianza G-3, Princess Marisol and Princess Pia partially offset by the loss related to the Princess Fatima sale. ). In 2003, other net income included \$1.5 million received as compensation from insurers for loss of hire claims related to the Alianza G-1, Princess Eva and Princess Pia partially offset by the loss related to the vessels sales.
- (f) EBITDA consists of income prior to deductions for interest expense, income taxes, depreciation and amortization of drydock expense. EBITDA is not intended to represent cash flows from operations, as defined by GAAP ("GAAP" means generally accepted accounting principles in the United States of America in effect as of the date hereof) and should not be considered as an alternative to net income as an indicator of our operating performance or to cash flows from operations as a measure of liquidity. This definition of EBITDA may not be comparable to similarly titled measures disclosed by other companies Generally, funds represented by EBITDA are available for management's discretionary use.

	For the year ended December 31			
Reconciliation between EBITDA and Net income (loss) for the years	2003	2002	2001	2000
	-----	-----	-----	-----
	(dollars in thousands)			
EBITDA				
Net earnings (losses) for the year	(11,518)	(13,853)	2,415	(6,067)
Plus				
Financial expense	16,207	16,763	17,698	16,646
Extraordinary (Gain) losses (h)	(1,782)			
Income tax	185	150	390	284
Depreciation of property and equipment	15,335	15,968	16,197	15,572
Amortization of drydock expense	7,232	8,839	7,246	5,589

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EBITDA	----- \$25,659 =====	----- \$27,867 =====	----- \$43.946 =====	----- \$32,024 =====
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- (g) The ratio of earnings to fixed charges is computed by aggregating income before taxes and fixed charges and dividing the total by fixed charges. Fixed charges comprise interest on all indebtedness including capital leases and amortization of debt expense (see Exhibit 12.1).
- (h) Under the Company's Indenture and for the purposes of computing the EBITDA the GAAPs are frozen in time as of the date of execution of the Indenture (i.e. March 30, 1998) Also, as defined in the Company's Indenture the "Consolidated net income" is defined as "the net income of the Company and its consolidated subsidiaries" less the extraordinary gains, among other things. Under the GAAP applicable in 1998 the gain on acquisition of the bond would be treated as an extraordinary income. So the Company excluded this gain for purposes of computing the EBITDA

B. CAPITALIZATION AND INDEBTEDNESS

Not Applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not Applicable.

D. RISK FACTORS

Please note: In this section, "we", "us" and "our" all refer to the Company and its subsidiaries.

Industry Specific Risk Factors

The cyclical nature of the tanker industry may lead to volatile changes in charter rates and vessel values which may adversely affect our earnings

If the shipping market, which has been cyclical, is depressed in the future when our vessels' charters expire or when we want to sell a vessel, our earnings and available cash flow may decrease. Our ability to recharter our vessels on the expiration or termination of their current spot and time charters and the charter rates payable under any renewal or replacement charters will depend upon, among other things, economic conditions in the tanker market. Fluctuations in charter rates and vessel values result from changes in the supply and demand for tanker capacity and changes in the supply and demand for the major commodities internationally carried by water.

The factors affecting the supply and demand for vessels are outside of our control, and the nature, timing and degree of changes in industry conditions are unpredictable. The factors that influence demand for vessel capacity include:

- o demand for oil and oil products as well as other main commodities internationally carried by water;
- o global and regional economic conditions;
- o the global supply of crude oil to the world markets by crude producing nations;
- o the distance oil and oil products are to be moved by sea; and

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- o changes in seaborne and other transportation patterns.

The factors that influence the supply of vessel capacity include:

- o the number of newbuilding deliveries;
- o the scrapping rate of older vessels;
- o the number of vessels that are out of service; and
- o national or international regulations that may effectively cause reductions in the carrying capacity of vessels or early obsolescence of tonnage.

Our revenues experience seasonal variations that may affect our earnings and financial performance

We operate our vessels in markets that have historically exhibited seasonal variations in demand and, therefore, charter rates. Tanker markets are typically stronger in the winter months in the northern hemisphere due to increased oil consumption. In addition, unpredictable weather patterns in the winter months tend to disrupt vessel scheduling. The oil price volatility resulting from these factors has historically led to increased oil trading activities.

If we violate environmental laws or regulations, the resulting liability may adversely affect our earnings and financial condition

Our operations are subject to extensive regulation designed to promote tanker safety, prevent oil spills and generally protect the environment. Local, national and foreign laws, as well as international treaties and conventions, can subject us to material liabilities in the event that there is a release of petroleum or other hazardous substances from our vessels.

For example, the United States Oil Pollution Act of 1990, or OPA, provides that owners, operators and bareboat charterers are strictly liable for the discharge of oil in U.S. waters, including the 200 nautical mile zone off the U.S. coasts. OPA provides for unlimited liability in some circumstances, such as a vessel operator's gross negligence or willful misconduct. However, in most cases OPA limits liability to the greater of \$1,200 per gross ton or \$10 million per vessel. OPA also permits states to set their own penalty limits. Most states bordering navigable waterways impose unlimited liability for discharges of oil in their waters. The International Maritime Organization, or IMO, has adopted a similar liability scheme that imposes strict liability for oil spills, subject to limits that do not apply if the release is caused by the vessel owner's intentional or reckless conduct.

Under OPA, with certain limited exceptions, all newly built or converted tankers operating in United States waters must be built with double hulls conforming to particular specifications. Tankers that do not have double hulls are subject to structural and operational measures to reduce oil spills and will be precluded from operating in United States waters between 1995 and 2015 according to size, age, hull configuration and place of discharge unless retrofitted with double hulls. In addition, OPA specifies annual inspections, vessel manning, equipment and other construction requirements that are in various stages of development by the U.S. Coast Guard, or USCG, applicable to new and to existing vessels.

Under OPA, our vessels will be precluded from operation in United States waters as follows: (dates shown correspond to date issuance)

Name	OPA phase-out date*	Tvel / COC date**
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-----	-----	-----
Princess Katherine	N/A	March 26, 2003
Princess Eva	Jun-2003	August 18, 1998
Princess Laura	Feb-2010	March 19, 2003
Princess Nadia	Jan-2014	August 26, 2001
Princess Susana	Nov-2014	February 18, 2003
Princess Marina	Mar-2014	August 29, 2002

\* As per tvel/COC

### Notes:

\*\* The United States Coast Guard inspects vessels annually and determines when such vessels will be phased out under OPA, the dates of which are recorded in the Certificate of Compliance or COC. On April 30 2001, the USCG replaced the Tank Vessel Examination Letter (TVEL) with a newly generated document called Certificate of Compliance. The COC is issued for each tanker by the USCG, if /when the vessel calls at a U.S. port and is valid for a period of two years, with mid period examination.

There is no phase out date for Princess Katherine. Configuration meets the US double hull standards.

Princess Nadia, Princess Marina and Princess Susana are double hull vessels. However, due to configuration requirements under the US double hull standards the phase out dates indicated above are applicable.

These requirements can affect the resale value or useful lives of our vessels. We believe that regulation of the tanker industry will continue to become more stringent and more expensive for us and our competitors. More stringent maritime safety rules are also more likely to be imposed worldwide as a result of the recent oil spill in November 2002 relating to the loss of the M.T. Prestige, a 26-year old single-hull tanker owned by a company not affiliated with us. Additional laws and regulations may also be adopted that could limit our ability to do business or increase the cost of our doing business and that could have a material adverse effect on our operations. Government regulation of tankers, particularly in the areas of safety and environmental impact may change in the future and require us to incur significant capital expenditure on our vessels to keep them in compliance.

Because the market value of our vessels may fluctuate significantly, we may incur losses when we sell vessels which may adversely affect our earnings

The fair market value of vessels may increase and decrease depending on the following factors:

- o general economic and market conditions affecting the tanker industry;
- o competition from other shipping companies;
- o types and sizes of vessels;
- o other modes of transportation;
- o cost of newbuildings;
- o governmental or other regulations;
- o prevailing level of charter rates; and
- o technological advances.



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### Company Specific Risk Factors

We are a holding company, and we depend on the ability of our subsidiaries to distribute funds to us in order to satisfy our financial and other obligations

We are a holding company, and our subsidiaries conduct all of our operations and own all of our operating assets. We have no significant assets other than the equity interests of our subsidiaries. As a result, our ability to make required payments on our Notes depends on the performance of our subsidiaries and their ability to distribute funds to us. The ability of our subsidiaries to make distributions to us may be restricted by, among other things, restrictions under our debt facilities and applicable laws of the jurisdictions of their incorporation or organization. If we are unable to obtain funds from our subsidiaries, we will not be able to service our debt unless we obtain funds from other sources. We cannot assure you that we will be able to obtain the necessary funds from other sources.

Restrictive covenants in our indenture and financing agreements could hinder our ability to grow and service our debt

The indenture for our Notes and our financing agreements impose operating and financial restrictions that limit or even prohibit our ability to incur additional indebtedness, grant liens, make certain investments, sell assets, engage in mergers and acquisitions or make capital expenditures. These restrictions also limit our ability to respond to market conditions or meet extraordinary capital needs. We are also required to maintain specified cash liquidity levels, financial ratios and vessel values relative to our indebtedness. If we do not meet these tests we may be in default under our indenture and other loan agreements. These defaults may allow our lenders to accelerate the maturity of our indebtedness and foreclose on collateral securing that indebtedness, which could materially and adversely affect our ability to service our debt.

We have substantial leverage and debt service obligations that could affect our ability to grow and service our debt

We are highly leveraged and have incurred substantial indebtedness. As of December 31, 2003, we had \$156 million in total indebtedness outstanding with \$23.8 million of shareholders' equity. Subject to restrictions in our Notes indenture and depending on the results of any restructuring that we may pursue, we may incur additional indebtedness in the future. The amount of leverage that we have has important consequences for us and holders of our Senior Notes, which include:

- o We may not be able to obtain additional financing for shipping activities, working capital, capital expenditures, or general corporate purposes;
- o We may need to dedicate a substantial portion of our cash flow from operations to paying interest on our Notes and any other future indebtedness, reducing funds available to us for other purposes;
- o We may not be able to withstand competitive pressures and respond to changing business conditions; and
- o We may be more vulnerable than our competitors to a downturn in general economic conditions or in our business.

A decline in the market value of our vessels could lead to a default under our loan agreements and the loss of our vessels

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If the market value of our fleet declines, we may not be able to obtain future financing. Also, declining vessel values could cause us to breach covenants under some of our financing agreements. If we are unable to pledge additional collateral, our lenders could accelerate that debt and foreclose on our fleet, which would result in a default on our indenture and other financing agreements.

Our earnings may be adversely affected if we do not successfully employ our vessels

We seek to deploy our vessels both on time charters and under contracts of affreightment with clients of the Company for periods of three months to three years or on spot voyages. As of December 31, 2003, six of our vessels were employed under time charter with remaining terms of 14 months on average. Although time charters provide steady streams of revenue, vessels committed to time charters may not be available for spot voyages during an upswing in the shipping industry cycle, when spot voyages might be more profitable. If the finalization of our term employment coincides with a low point of the cycle our earnings could be adversely affected.

In the highly competitive international shipping market, we may not be able to compete for charters with new entrants or established companies with greater resources

We employ our vessels in a highly competitive market. Competition arises primarily from other shipowners, including major oil companies as well as independent companies, some of whom have substantially greater resources than we do. Competition for the transportation of oil and oil products as well as other major bulk commodities can be intense and depends on price, location, size, age, condition and the acceptability of the vessel and its operators to the charterers.

We depend on a few significant customers for a large part of our revenues. The loss of one or more of these customers could adversely affect our financial performance

We derive a significant part of our revenue from a small number of charterers. In 2003, Petrobras, the government-controlled gas and oil company of Brazil, accounted for 26% of total revenues, including the revenues of Petrobras Energia S.A. ex Pecom Energia S.A., an Argentinian energy company subsidiary of Petrobras, while Cargill International S.A. accounted for 12% of total revenue. During the same period, UABL Limited, a company that is affiliated with us, accounted for approximately 14% of total revenues. The occurrence of any problems with these charterers may adversely affect our revenues. Additionally, if our vessels do not meet the chartering standards set forth by certain oil majors this could have an adverse affect on our financial performance.

We may be unable to attract and retain key management personnel and other employees in the shipping industry, which may negatively impact the effectiveness of our management and our results of operations

Our success depends to a significant extent upon the abilities and efforts of our management team. Although we intend to negotiate agreements, we do not currently have long term employment contracts with any of our senior executives, including Felipe Menendez R., Ricardo Menendez R., James F. Martin, Katherine A. Downs, and Leonard J. Hoskinson. Our success will depend upon our ability to hire and retain key members of our management team. The loss of any of these individuals could adversely affect our business prospects and financial condition. Difficulty in hiring and retaining personnel could adversely affect our results of operations. We do not maintain "key man" life insurance on any of our officers.

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Because most of our employees are covered by industry-wide collective bargaining agreements, failure of industry groups to renew those agreements may disrupt our operations and adversely affect our earnings

We employ 17 land-based employees. Our manager employs approximately 305 seafarers who are covered by industry-wide collective bargaining agreements that set basic standards. We cannot assure you that these agreements will prevent labor interruptions. Any labor interruptions could disrupt our operations and harm our financial performance.

Our vessels may suffer damage and we may face unexpected drydocking costs which could affect our cash flow and our ability to service our debt

If our vessels suffer damage, they may need to be repaired at a drydocking or other type of ship repair facility. The costs of drydock and/or repairs are unpredictable and can be substantial. We may have to pay drydocking and repair costs that our insurance does not cover. This would decrease earnings. Repairs may involve long periods of inactivity which may have a negative effect on earnings and our ability to service our debt.

Purchasing and operating secondhand vessels may result in increased operating costs which could adversely affect our earnings and our ability to service our debt

All of our vessels were purchased secondhand from other owners. Our current business strategy includes additional growth through the acquisition of secondhand vessels. While we inspect secondhand vessels prior to purchase, this does not normally provide us with the same knowledge about their condition that we would have had if these vessels had been built for and operated exclusively by us. Also, we do not receive the benefit of builders' warranties.

In general, the costs to maintain a vessel in good operating condition increases with the age of the vessel. In some instances charterers may prefer newer vessels that are more fuel efficient than older vessels. Cargo insurance rates increase with the age of a vessel, making older vessels less desirable to charterers as well. Governmental regulations, safety or other equipment standards related to the age of vessels may require expenditures for alterations, or the addition of new equipment, to our vessels and may restrict the type of activities in which the vessels may engage. We cannot assure you that, as our tankers age, market conditions will justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives. If we sell vessels, we cannot be certain that the price for which we sell them will equal at least their carrying amount at the time of such sale. If charterers no longer charter our vessels due to their age it could adversely affect our earnings and we may not be able to generate sufficient revenue to service our debt.

Risks involved with operating ocean going vessels could affect our business and reputation, which would adversely affect our revenue and our ability to service our debt

The operation of an ocean-going vessel carries inherent risks. These risks include the possibility of:

- o marine disaster;
- o piracy;
- o environmental accidents;
- o cargo and property losses or damage; and

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- o business interruptions caused by mechanical failure, human error, war, terrorism, political action in various countries, labor strikes, or adverse weather conditions.

Any of these circumstances or events could increase our costs or lower our revenues. The involvement of our vessels in an oil spill or other environmental disaster may harm our reputation as a safe and reliable tanker operator which could adversely affect our revenues and our ability to service our debt.

We may not have adequate insurance to compensate us if our vessels are damaged or lost

We procure insurance for our fleet against those risks that we believe the shipping industry commonly insures against. These insurances include hull and machinery insurance, protection and indemnity insurance, which includes environmental damage and pollution insurance coverage, and war risk insurance. We carry insurance against loss of hire covering a percentage of the hire value on some of our oceangoing vessels, which is business interruption coverage following a loss under our hull and machinery policy or other business interruption however, such insurance does not cover the entire period a vessel may have been unemployed as a consequence of an accident nor does it cover all incidents which may render a vessel inoperative. There is no guarantee that we shall be able to renew this policy upon its expiry. The current hull and machinery policy was renewed on 30th June 2003 and it will expire on 30th June 2004 when new terms will be renegotiated. There is no guarantee that we will be able to renew it on the same terms at all now or in the future. We can give no assurance that we are adequately insured against all risks. We may not be able to obtain adequate insurance coverage at reasonable rates for our fleet in the future. The insurers may not pay particular claims. Our insurance policies contain deductibles for which we will be responsible, limitations and exclusions which, although we believe are standard in the shipping industry, may nevertheless increase our costs or lower our revenue.

Maritime claimants could arrest our vessels, which could interrupt our cash flow

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against that vessel for unsatisfied debts, claims or damages. In many jurisdictions a maritime lienholder may enforce its lien by arresting a vessel through foreclosure proceedings. The arrest or attachment of one or more of our vessel could interrupt our cash flow and require us to pay very large sums of money to have the arrest lifted.

In addition, in some jurisdictions, such as South Africa, under the "sister ship" theory of liability, a claimant may arrest both the vessel which is subject to the claimant's maritime lien and any "associated" vessel, which is any vessel owned or controlled by the same owner. Claimants could try to assert "sister ship" liability against one vessel in our fleet for claims relating to another of our ships.

Governments could requisition our vessels during a period of war or emergency, resulting in loss of earnings

A government could requisition for title or seize our vessels. Requisition for title occurs when a government takes control of a vessel and becomes her owner. Also, a government could requisition our vessels for hire. Requisition for hire occurs when a government takes control of a vessel and effectively becomes her charterer at dictated charter rates. Generally, requisitions occur during a period of war or emergency. Government requisition of one or more of our vessels may negatively impact our revenues.

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Our operations outside the United States expose us to global risks that may interfere with the operation of our vessels

We are an international company and primarily conduct our operations outside of the United States. Changing economic, political and governmental conditions in the countries where we are engaged in business or where our vessels are registered affect us. Hostilities or other political instability in regions where our vessels trade could affect our trade patterns and adversely affect our operations and performance.

We may have to pay tax on United States source income, which would reduce our earnings

Under the United States Internal Revenue Code of 1986, or the Code, a portion of the gross or net shipping income of a vessel owning or chartering corporation, such as ourselves and our subsidiaries, may be subject to a 4% United States federal income tax on 50% of its gross shipping income that is attributable to transportation that begins or ends, but that does not both begin and end, in the U.S., unless that corporation is entitled to a special tax exemption under the Code which applies to the international shipping income derived by some non-United States corporations. We believe that we and each of our subsidiaries qualify for this statutory tax exemption for the year ended December 31, 2003 and continue to so qualify.

However, there are several risks that could cause us to become taxed on our U.S. source income. Due to the absence of final Treasury regulations or other definitive authority concerning some aspects of this tax exemption under the relevant provisions of the Code and to the factual nature of the issues involved, we can give no assurances that our tax-exempt status or that of any of our subsidiaries will continue indefinitely.

If we or our subsidiaries are not entitled to this statutory tax exemption for any taxable year, we or our subsidiaries could be subject for those years to an effective 4% United States federal income tax on the portion of the income these companies derive during the year from United States sources. The imposition of this taxation would have an adverse effect on our profitability.

Because we are a foreign corporation, you may not have the same rights that a creditor of a U.S. corporation may have

We are incorporated under the laws of the Commonwealth of the Bahamas. Our articles of incorporation and bylaws and the International Business Companies Act, 1989 govern our affairs. Investors may have more difficulty in protecting their interests in the face of actions by the management, directors or controlling stockholders than would stockholders of a corporation incorporated in a United States jurisdiction. In addition, the executive officers and administrative activities and assets of the Company are located outside the United States. As a result, it may be more difficult for investors to effect service of process within the United States upon the Company, or to enforce both in the United States and outside the United States judgments against the Company in any action, including actions predicated upon the civil liability provisions of the federal securities laws of the United States.

Enforcement of mortgages against our vessels may result in judgments which could negatively impact our cash flow and our ability to service our debt

Each of our mortgaged vessels is registered under either the Panamanian flag, or another jurisdiction with similar procedures. Under these laws, our mortgages may be enforced by the mortgagee in an action in admiralty against the mortgaged vessel. Although the largest proportion of the deadweight tonnage of our vessels is or will be separately owned by single purpose subsidiaries, under certain circumstances, a parent company and their shipowning affiliates could be

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considered as a group under common control or engaged in a joint venture, and could be held liable for damages or debts owed by one of their affiliates. Therefore, it is possible that all of our assets, and those of our subsidiaries, could be subject to execution upon a judgment against us or any of our subsidiaries or affiliates. Moreover, although we currently maintain insurance coverage for certain third party liabilities for each of our vessels, there can be no assurance that this insurance will continue to be available on favorable terms or at all.

If a court were to find that we were engaged in a fraudulent conveyance the rights of our noteholders would be impaired

Our Notes are secured by mortgages granted by, and guarantees made by, our subsidiaries. Accordingly, the making of guarantees, the granting of mortgages and any payments made under the guarantees by our subsidiaries may be subject to review under relevant federal and state fraudulent conveyance laws if a bankruptcy, reorganization or rehabilitation case or a lawsuit (including circumstances in which bankruptcy is not involved) were commenced by, or on behalf of, unpaid creditors of the subsidiary guarantors in the future. These laws differ among various jurisdictions. In general, under these laws, if a court were to find that, at the time an obligation was incurred, it was done with the intent of hindering, delaying or defrauding creditors, or the entity incurring the obligation received less than reasonably equivalent or fair value consideration in exchange for the incurrence of the obligation, a court could impose legal and equitable remedies or other action detrimental to the interests of the holders of our Notes.

We believe that at the time of, or as a result of, the issuance of the subsidiary guarantees and mortgages, each of our subsidiary guarantors was not considered insolvent or rendered insolvent under fraudulent conveyance standards, was not engaged in a business or transaction for which its remaining assets would constitute unreasonably small capital, and does not intend to incur debts beyond its ability to pay such debts as they mature. These beliefs are based in part on our operating history and our analysis of internal cash flow projections and estimated values of assets and liabilities. We cannot assure you, however, that a court passing on these issues would adopt or utilize the same methodology or assumptions, or arrive at the same conclusions.

Our failure to make or consummate an offer to purchase our notes following a change of control may result in the acceleration of our debt

In the event of a change of control under our indenture, we will be required to make an offer to purchase all outstanding Notes at a price equal to 101% of the principal balance thereof, plus accrued but unpaid interest to the date of purchase. We can not assure you that we would be able to obtain such funds through a refinancing of the Notes to be repurchased or otherwise. Under these circumstances, our failure to purchase all of the Notes would result in a default under our indenture and the trustee or the holders of at least 25% in aggregate principal amount of the outstanding Notes may accelerate the maturity of all of the Notes. Also, the requirement that we offer to repurchase the Notes in the event of a change of control may deter a third party from effecting a transaction that would constitute a change of control for purposes of the indenture.

Our exposure to the economies of countries in which we do business may have negative effects for our results

A portion of the Company's business occurs in Argentina and the revenues obtained from customers in that country may be negatively affected because of reductions of the volumes consumed and carried for these customers as well as exchange losses which may result from the difference between our current assets and our current liabilities exposed to devaluation in that country at any

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particular point in time.

### ITEM 4 - INFORMATION ON THE COMPANY

#### A. HISTORY AND DEVELOPMENT OF THE COMPANY

Ultrapetrol (Bahamas) Limited, a Bahamas corporation, was formed on December 23, 1997. We are a holding company, with no independent operations of our own, other than ownership of the shares of our subsidiaries. We were formed to consolidate the ownership of Princely International Finance Corp., a Panamanian corporation, Ultrapetrol S.A., an Argentinean corporation, and their respective subsidiaries ("Ultrapetrol"). The first of the companies that are now our subsidiaries was formed in 1992. Our business has developed primarily by acquiring vessels and employing them in transportation service for our customers. On December 31, 1993 the company owned three vessels. Currently we own and operate nine oceangoing vessels, one of which is owned by Ultracape (Holdings) Ltd. ("Ultracape"), an affiliate company that was formed through an association between us and the AIG-GE Capital Latin America Infrastructure Fund L.P. ("LAIF") in 2002 of which we own 60%. We also charter three push boats and 89 wet and dry barges to UABL Limited ("UABL"), a company that we formed in a joint venture with ACBL Hidrovias, Ltd. in October 2000 and of which we own 50%. The aggregate cargo carrying capacity of our ocean-going fleet is approximately 0.9 million dwt. "Dwt" is an abbreviation for "deadweight tons." The "dwt" capacity of a cargo vessel is roughly the maximum weight of cargo it can carry, in metric tons. We employ our trading fleet worldwide, but our vessels trade primarily in South America with additional operations between Caribbean, United States, Mediterranean and West African coast ports.

#### B. BUSINESS OVERVIEW

In our ocean business we concentrate on providing specialized transportation services for an identified group of customers through direct contracts. This approach enhances customers' ability to transport cargoes at agreed upon rates generally without regard to the uncertainties associated with the spot, or single voyage charter markets. In 2003, approximately 20% of our revenues were derived from operations in the spot charter markets. In UABL's Hidrovia project (Hidrovia is the 3,442 km of navigable waters on the Parana and Paraguay Rivers between Argentina, Bolivia, Brazil, Paraguay and Uruguay), our river barges transport oil products and agricultural products as well as minerals and other products.

#### Our Trading Fleet

We own three Suezmax tankers, two of which have a carrying capacity of approximately 152,000 dwt and one of approximately 164,000 dwt. these three vessels are "OBO" types meaning that they are designed to carry oil as well as ores and other bulk commodities. The Aframax tanker we own has with a cargo carrying capacity of approximately 84,000 dwt. The two Panamax tankers we own have a cargo carrying capacity of approximately 64,000 each. These six ocean-going tanker vessels have an average age of approximately 19.5 years. We also own the Alianza G3 and Alianza G2 Tug-Barge Units, which are semi-integrated tug and barge units capable of service in shallow waters and have cargo carrying capacities of approximately 44,000 dwt and 37,000 dwt respectively. We also have a cargo carrying capacity of approximately 151,000 dwt with the bulkcarrier Cape Pampas built in 1990 owned through our subsidiary Ultracape (Holdings) Ltd. Additionally we own three push boats, the Cavalier I, Cavalier II and Cavalier III, three port tugs, the Jupiter, Mercurio and Marte, eleven Mississippi River-type tanker barges with a cargo carrying capacity of 31,500 dwt and 78 Mississippi River-type dry cargo barges with a cargo carrying capacity of 120,600 dwt. The total deadweight capacity of the above described fleet all above exceeds 1 million tons.

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### Our Wholly Owned Vessels

Set forth below is certain information regarding our wholly owned vessels:

Vessel -----	dwt ---	Year Built -----	Vessel Type -----
Princess Laura .....	67,069	1982	Panamax Tanker
Princess Eva .....	60,961	1980	Panamax Tanker
Princess Nadia .....	152,329	1987	Suezmax Tanker
Princess Susana .....	152,300	1986	Suezmax Tanker
Princess Marina .....	83,930	1986	Aframax Tanker
Princess Katherine .....	164,100	1986	Suezmax Tanker
Alianza G2 Tug-Barge Unit(1) .....	37,532(2)	1982(3)	Semi-integrated Tug/Barge Unit
Alianza G3 Tug-Barge Unit(1) .....	43,813(2)	1993(4)	Semi-integrated Tug/Barge Unit
Cape Pampas .....	151,380	1990	Bulkcarrier Cape
Cavalier I Tug & (2) .....	11,000		Tug/Barge Unit
Gaicho I to IV barges			
Cavalier II Tug & (2) .....	20,565		Tug/Barge Unit
Gaicho V to XI barges			
Cavalier III Tug & (2) .....	87,800		Tug/Barge Unit
58 Matador barges			
20 Iguazu barges .....	32,800		Barge Unit

(1) Currently qualified for Argentine cabotage trading.

(2) As the tugs carry no cargo, they are not considered in the calculations of aggregate dwt or age.

(3) The barge, Alianza G2, was initially built in Spain in 1982 and was refurbished and converted to its current service in Argentina in 1994 and it is currently engaged as a transfer station in the lower Parana river. The tug, Alianza Rosario, was built in the United Kingdom in 1976.

(4) The barge, Alianza G3, was initially built in 1982 and was refurbished and converted to its current service in 1993. The tug, Alianza Campana, was built in 1976.

### Argentine Cabotage Qualified Vessels

Our vessels, Alianza G2/G3 Tug-Barge Units aggregating approximately 81,345 dwt, are permitted to engage in cabotage trading in Argentina in compliance with Argentinean laws and regulations. Cabotage trading in Argentina is the transportation of passengers or goods by sea or river between ports and cargo



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transfer zones in Argentina. This commerce is reserved for Argentinean flag vessels and vessels with a temporary deletion from the Argentine registry (dual flag).

From October 2000 we employed under a long-term time charter with UABL, an affiliated company, the Alianza G2, the 69 wet and dry river barges and the push-boats Cavalier I, Cavalier II, Cavalier III and the tug Alianza Rosario and the port tugs Jupiter, Mercurio and Marte. From October 2003 we add further 20 barges to our fleet which were similarly chartered by UABL.

### Vessel Management

For the day to day management of our operations, we (or our subsidiaries) have entered into administrative agreements to provide specific services for our operations.

For administrative services the respective vessel owning/operating subsidiary pays Oceanmarine S.A. ("Oceanmarine"), an affiliate of ours, a monthly fee of \$ 9,000 per vessel. Oceanmarine provides all general administration and accounting services, including financial reporting, preparation of tax returns, invoicing and accounts payable, office premises, a computer network, secretarial assistance, payroll and other general duties.

Through the respective owning/operating subsidiaries, we have contracted to Ravenscroft Ship Management, Ltd., which has sub-contracted to Ravenscroft Shipping Inc., a Miami based affiliate of Ravenscroft Ship Management, Ltd. ("Ravenscroft Miami"), the operational management of our vessels. Ravenscroft Miami earns \$12,500 per vessel per month for management services. Ravenscroft Miami provides technical and communication services for our vessels and serves as a contact with clients and shipping agencies. Ravenscroft Miami also manages a number of vessels for third party owners not affiliated with us. On a per vessel basis, the fees earned by Ravenscroft Miami from such third party owners are substantially equivalent to the fees paid by us. In the case of our river barges chartered to UABL we have contracted the shipmanagement responsibilities to Lonehort Inc., an affiliate of UABL

### Customers

For our most recently completed fiscal year, service for Petrobras, the government-controlled gas and oil company of Brazil, accounted for 26% of total revenues, service for Cargill International S.A. accounted for 12% of total revenue. During the same period UABL, a Bahamian company, accounted for 14% of total revenue.

### Competition

We face competition in the transportation of crude oil and petroleum products as well as other bulk commodities from other independent ship owners and from vessel operators who primarily charter-in vessels to meet their cargo carrying needs. The charter markets in which our vessels compete are highly competitive. Competition is primarily based on prevailing market charter rates, vessel location and vessel manager reputation. Our primary competitor in crude oil and petroleum products transportation within Argentina, and between Argentina and other South American countries, is Antares Naviera S.A. and its affiliated companies including Ultragas, Lauderdale Tankers Corp., Sonap S.A., an independent tanker owner and operator. The other major participant in the Argentina/Brazil trade is Transpetrol. Transpetrol is a subsidiary of Petrobras, our primary customer in Brazil. In other South American trades our main competitors are Heidmar Inc., Naviera Sur Petrolera S.A., Naviera El Cano (through their various subsidiaries) and Sonacol S.A. These companies, and other smaller entities, are regular competitors of ours in our primary tanker trading areas.

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From time to time, charter rates available for the carriage of crude oil in our primary areas of operations (i.e., South America and the Caribbean) may be higher than those prevailing in other regions. In such event, operators who typically transport refined products may shift their vessels to the transportation of crude oil, and vessel operators active in other regions may shift their vessels into areas serviced primarily by us. We believe that during such periods our ongoing relationships with customers will be an important factor in maintaining our competitive position. Competition that we face from these operators/owners varies greatly from time to time in accordance with vessel trading patterns and general market activity. We are also affected by other competitive forces, which impact the supply of crude oil imported to the United States. When we trade some of our ships as dry cargo vessels we face the competition of other large shipowners such as The Ofer Group, Docenave and others.

### Industry Conditions

Certain statistical and graphical information contained in this document has been supplied by Doll Shipping Consultancy ("DSC"), an independent U. K.-based company providing market analysis and strategic planning services to the shipping industry. DSC bases its analysis on information drawn from published and private industry sources. For purposes of this Industry discussion, Latin America includes Central America, South America, and the Caribbean Basin islands. Consistent with revised International Energy Agency definitions, North America includes the United States, Canada, and Mexico.

We operate in the international tanker market, which is a global industry and is affected by many factors throughout the world. Important industry conditions for our operations are world oil production and demand, oil production and demand in the Western Hemisphere, the size of the international tanker fleet, the new production and scrapping of oceangoing tankers and freight rates. We also operate combination carriers which have been employed in the dry bulk shipping markets recently to take advantage of high earnings in the sector. Important industry conditions for dry bulk shipping include world dry bulk commodity production and demand, the size of the international dry bulk and combination carrier fleet, the new production and scrapping of oceangoing dry bulk carriers and freight rates. Doll Shipping Consultancy, an independent company providing market analysis and strategic planning services to the shipping industry, furnished the following information regarding industry conditions in the international tanker and dry bulk markets:

### World Oil Overview

World oil demand increased from about 77.0 million barrels per day, or MBD, in 2002 to 78.6 MBD in 2003, an increase of approximately 2.1%. Oil demand decreased in Latin America; increased in North America, China and other non-OECD Asian countries, OECD Pacific countries, Europe, the Middle East, and the Former Soviet Union; and was stable in Africa. Specifically, Latin American oil demand decreased from 4.8 MBD to about 4.7 MBD.

World oil supply increased from about 76.5 MBD in 2002 to 79.3 MBD in 2003. OPEC crude oil production increased by about 1.7 MBD in 2003 to 26.8 MBD (including Iraqi production, which decreased by about 0.7 MBD to approximately 1.3 MBD.) Non-OPEC production increased by 0.9 MBD to about 48.9 MBD. Oil prices were on average higher at historically high levels in 2003, with benchmark West Texas Intermediate, or WTI, crude averaging \$31.08 per barrel in 2003 compared with \$26.18 per barrel in 2002. WTI prices increased in early 2004, reaching an average of about \$36.74 per barrel in March 2004 due to high demand and market reaction to actual or potential oil supply reductions.

### Western Hemisphere crude oil trades

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U.S. oil demand increased from about 19.8 MBD in 2002 to about 20.1 MBD in 2003, while U.S. crude oil production decreased from approximately 8.1 MBD to 7.9 MBD over the same period.

Arabian Gulf OPEC producers exported about 2.4 MBD of crude oil to the United States during 2003, an increase of about 0.2 MBD versus 2002. Exports from Saudi Arabia increased by about 0.2 MBD while exports from Iraq were stable. Short haul Mexican and Latin American crude oil exports to the United States increased to about 3.3 MBD during 2003, an increase of nearly 0.1 MBD. Venezuelan exports were stable at about 1.2 MBD. Mexico exported about 1.6 MBD during 2003, an increase of 0.1 MBD. U.S. imports from Colombia were stable at about 0.2 MBD.

Latin American oil demand decreased from about 4.8 MBD in 2002 to about 4.7 MBD in 2003. Brazilian oil demand decreased from about 2.2 MBD in 2002 to about 2.1 MBD in 2003. Latin American oil production (excluding Venezuela) was stable at approximately 3.9 MBD. Venezuelan conventional crude oil production was about 2.0 MBD in 2003, a decrease of about 0.3 MBD from 2002, which followed a 0.4 MBD decrease from 2001. Brazilian oil production increased by nearly 0.1 MBD to 1.8 MBD, while Colombian and Argentine oil production were unchanged at about 0.6 and 0.8 MBD, respectively.

Crude oil markets in 2003 were affected by hostilities in Iraq and continuing production losses in Venezuela. Venezuelan conventional crude production reached about 2.0 MBD in March after starting the year in January at only about 0.6 MBD due to a prolonged strike. Production increased to about 2.4 MBD in May and June before settling at about 2.2 MBD since then. Non conventional oil has returned to prestrike production levels of nearly 0.4 mbd. Iraqi production (about 2.5 MBD January-February 2003) was lost in March when hostilities began but has increased from below 0.2 MBD in April to about 1.4 MBD in September to about 2.0 MBD in December.

2003 non-OPEC crude oil production increases were 0.9 mbd, led by a 0.9 mbd increase in Former Soviet Union production. For non-OPEC producers in 2004, production increases of an additional 1.4 MBD are projected by the International Energy Agency, or IEA, including about 0.7 MBD from the Former Soviet Union, 0.4 MBD from West Africa, 0.1 MBD from Canada, 0.1 MBD from Ecuador and 0.1 MBD from the United States.

Early in 2003 OPEC members produced crude oil at or near capacity to compensate for lost Iraqi production and continuing Venezuelan production losses. Later in the year, production losses in Venezuela, Nigeria, and Indonesia resulted in below target production for some countries and above target production for others with varying production relative to OPEC targets. In September 2003, OPEC agreed upon a crude oil production target of 24.5 MBD for OPEC countries excluding Iraq (OPEC-10) effective November 1, 2003, theoretically a cut of 0.9 MBD from the June 1 production target. Production in December 2003 through February 2004 averaged 25.9 MBD, about 1.4 MBD over target. Although WTI prices averaged \$33.69 per barrel, high by historical standards, OPEC agreed in February to further reduce OPEC 10 crude oil production to 23.5 MBD effective April 1. OPEC countries continue to produce at levels above their quotas for commercial reasons and to ensure security of supply in a high demand, high price oil market.

The IEA projects an increase in year 2004 global oil demand of about 1.6 MBD to a total 80.2 MBD, consistent with continued economic growth in China, other Asian countries, and the United States. Increased demand is projected for China (+0.6 MBD), non-OECD Asia (+0.4 MBD) and the United States (+0.2 MBD), with stable demand forecast in Latin America. As noted, forecast oil production is to increase by approximately 0.1 MBD in Canada, 0.1 MBD in Ecuador, and 0.1 MBD in the United States, while remaining stable in elsewhere in non-OPEC Latin

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America.

The IEA projects growing oil demand in 2004, consistent with ongoing economic recovery in the United States and most of Asia. High and volatile oil prices in year to date 2004 indicates that oil markets overall remain finely balanced. Eventual demand growth, normal seasonality, and replenishment of industry inventories are consistent with increased OPEC production later in the year. Uncertainty continues in Venezuela. Any combination of normal seasonality, increased demand, reduction in expected non-OPEC production increases, supply disruptions, and replacement of short haul Venezuelan crude with longer haul substitutes would be positive factors for tanker demand.

### Tanker Fleet

Ultrapetrol operates tankers in the Suezmax (120,000 to 200,000 dwt), Aframax (80,000 to 120,000 dwt), and Panamax (50,000 to 80,000 dwt) sectors.

#### Industry Tanker Fleet as of March 1, 2004

	Cargo Carrying Capacity (in dwt)	Total No. Vessels	Total Mdwt	% of Total Tanker Fleet (by dwt)	% of Fleet over 20 Yrs Old (by dwt)
Handy	10,000 to 49,999	1,913	57.4	19%	31%
Panamax	50,000 to 79,999	292	19.0	6%	41%
Aframax	80,000 to 119,999	614	60.6	20%	19%
Suezmax	120,000 to 199,999	297	44.0	14%	14%
VLCC/ULCC	200,000+	444	129.1	42%	15%

Source: Doll Shipping Consultancy based on industry sources and estimates

In 2003, 1.9 million dwt, or Mdwt, of Suezmaxes were scrapped, while 3.7 Mdwt were delivered. As of March 1, 2004, 0.6 Mdwt have been scrapped, while 1.3 Mdwt have been delivered. The current orderbook is 12.0 Mdwt (77 vessels) with 3.4 Mdwt due for delivery this year, 4.5 Mdwt next year and 3.1 Mdwt in 2006.

In the Aframax sector, 8.0 Mdwt were delivered in 2003, while 3.1 Mdwt were scrapped. Through March 1, 2004, 0.5 Mdwt has been scrapped, and 2.0 Mdwt have been delivered. The orderbook is 15.2 Mdwt (141 vessels) with 3.6 Mdwt due for delivery this year, 6.5 Mdwt next year and 3.9 Mdwt in 2006.

In 2003, 1.6 Mdwt of Panamax vessels were delivered, while 2.0 Mdwt were scrapped. Through March 1, 2004, 0.3 Mdwt have been scrapped, while 0.9 Mdwt have been delivered. The Panamax orderbook totaled 10.1 Mdwt (148 vessels), with 2.7 Mdwt set for delivery this year, 4.0 Mdwt next year, and 2.5 Mdwt in 2006.

The International Maritime Organisation adopted accelerated phaseout regulations for single hull tankers in December 2003 which are expected to enter into force in April 2005. The regulations are a complex set of requirements that accelerate the phaseout of pre-MARPOL "Category 1" tankers without protectively located segregated ballast to 2005. Single hull tankers with protectively located segregated ballast are to be phased out in 2010. Flag States may make exceptions for certain single hull, double bottom, or double sided vessels meeting determined quality and/or structural requirements that allow the vessels to continue in service until age 25 or 2015, whichever is earlier. Single hull vessels are also to be banned from carriage of certain heavy oils, with some

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exceptions allowed for double bottom or double sided vessels meeting certain quality criteria. Certain crude oils have been exempted. Port states may recognize the Flag State exemptions or may choose to enforce the earlier phaseout dates. The effects of the regulations are complex but will tend to accelerate the phaseout of single hull vessels. Actual scrapping behavior will depend upon many variables including the state of the market and future Flag State and Port State implementation.

### Vessel Earnings

From November 2002 through March 2003, the concurrence of a number of positive factors resulted in high tanker earnings. Tanker demand increased while the industry fleet grew moderately. Winter seasonality further increased demand and resulted in weather delays in Baltic and Black Sea trades. Substitution of long haul oil for short haul Venezuelan oil and precautionary liftings in expectation of war in Iraq were also positive factors. The result was strong tanker earnings.

Tanker earnings gradually decreased through the second and third quarters of 2003, but remained well above earnings prevailing in 2002. Oil demand was lower than first quarter demand, due to seasonality, but was higher than the corresponding quarter in 2002. Once again, earnings improved beginning in November 2003 and have remained at high levels through early April 2004 due to high oil demand and moderate fleet growth.

Similar to 2003, it is expected that the current high vessel earnings will decrease later in 2004. Many of the positive factors noted are by their nature temporary. Oil demand in the second quarter of 2004 is projected to decrease by 2.4 MBD versus the first quarter due to normal seasonality. Vessel deliveries scheduled for 2004 will increase the supply of vessels and tend to offset effects of increased tanker demand on vessel earnings.

However, ongoing positive factors remain in the market. Year on year growth in oil demand is expected to continue in 2004. Both oil and tanker markets are starting from a position of tight balance, as shown by recent price and earnings volatility. Oil and petroleum product inventories are low. Transportation requirements can grow quickly, as seen this year. Recent history has shown high scrapping during periods of low vessel earnings, consistent with International Maritime Organization regulations requiring phase out of single hull vessels starting in 2003. Market concerns about regulatory changes could strengthen this tendency.

Continuation and strength of economic growth in the United States and Asia are key elements for oil demand. If economic growth continues, oil demand growth could absorb non-OPEC production increases and increased OPEC production, resulting in increased tanker demand. If Venezuelan production is low relative to expectations, substitution of long haul oil for short haul Venezuelan supplies would be a positive factor for tanker demand. High vessel deliveries clearly remain a cautionary factor and high earnings levels of early 2004 are not expected to continue. However, ongoing economic recovery and improved oil demand could result in equilibrium earnings at attractive levels versus historical averages.

### World Dry Bulk Overview

Combination carriers have a built-in design flexibility allowing them to operate in either dry cargo or oil trades. When trading dry, Ultrapetrol operates combination carriers in the Capesize sector (cargo carrying capacity of 80,000 tonnes or more), which primarily carry iron ore and coal.

2003 seaborne iron ore trade was estimated at approximately 516 million tonnes (Mt) , an increase of about 42 Mt from 2002. High demand for steel in

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China and elsewhere has led to high iron ore trade. 2003 Chinese iron ore imports were about 148 Mt, an increase of about 37 Mt over 2002. Japanese iron ore imports reached about 132 Mt in 2003, an increase of about 3 Mt. The top exporters are Australia (189 Mt in 2003, 23 Mt higher than 2002) and Brazil (181 Mt in 2003, 22 Mt higher than 2002.)

World seaborne iron ore trade is forecast to grow to 558 Mt in 2004, an increase of 42 Mt from 2003. Chinese iron ore imports in 2004 are projected to grow to 179 Mt, an increase of 31 Mt, based on high forecast steel production and demand.

Coal trade is made up thermal coal (steam coal), burned for its heat value primarily in power generation, and metallurgical coal (coking coal, met coal), used in steelmaking. Estimated total 2003 seaborne steam coal trade was about 416 Mt, an increase of some 36 Mt from 2002. Asian steam coal imports reached approximately 235 Mt, an increase of about 18 Mt from 2002. European Union imports were about 131 Mt, an increase of about 11 Mt, while United States imports totalled about 19 Mt, an increase of some 6 Mt. . Leading 2003 exporters are Australia (about 106 Mt, up 6Mt from 2002), China (about 73 Mt, with 9 Mt of growth from 2002), and Indonesia (about 90 Mt, up 16 Mt from 2002). World steam coal trade is forecast to grow to 430 Mt in 2004, an increase of 14 Mt from 2003.

World coking coal trade was about 172 Mt in 2003, an increase of about 5 Mt from 2002. 2004 coking coal trade is forecast to grow by about 4 Mt.

Capesize dry bulk vessels and combination carriers.

Capesize dry bulk vessels and combination carriers have a cargo carrying capacity of 80,000 dwt or greater. As of March 1, 2004, there were 637 Capesize dry bulk vessels comprising about 100.9 million dwt. Capesizes primarily transport iron ore and coal on trade routes where lack of port or Canal constraints allow realization of economies of scale.

In 2003, 1.0 MdwT of Capesizes were scrapped, while 5.6 MdwT were delivered. As of March 1, 2004, none have been scrapped, while 1.9 MdwT have been delivered. The current orderbook is 19.1 MdwT (128 vessels) with 6.6 MdwT due for delivery this year, 6.7 MdwT next year and 4.5 MdwT in 2006.

Total Capesize combination carrier dwt is 8.2 million, with an estimated 5.0 MdwT (61%) currently employed in dry bulk trades. 0.2 MdwT were delivered in 2003, while 0.4 MdwT were scrapped. None were delivered this year or are currently on order. 0.1 MdwT have been scrapped to March 1, 2004.

Capesize dry bulk vessel earnings.

Throughout 2003, there were large increases dry bulk trade and tonnage demand while fleet growth remained moderate. Capesize vessel earnings were at historically high levels from January through September. From October 2003 to the present, Capesize vessel earnings more than doubled from these already high historical levels prevailing in earlier in 2003, led by high Chinese steel demand and strong coal markets.

Capesize earnings are at very high levels. Any decrease in demand due to seasonality or a slowdown in Chinese iron ore imports would be expected to result in lower earnings. Vessel deliveries scheduled for 2004 will increase the supply of vessels and tend to offset effects of high tonnage demand on vessel earnings.

However, ongoing positive factors remain in the market. The Chinese economy is continuing to perform strongly, while the Japanese and United States economies are also performing well.

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Dry bulk vessel and combination carrier markets are starting from a position of tight balance, as shown by recent price and earnings volatility. Continued strong economic growth in China and other Asian countries could keep earnings at or near current levels. Additionally, earnings could decrease significantly and still remain at high levels historically.

DSC has advised us that (i) some industry data included in this discussion is based on estimates or subjective judgements in circumstances where data for actual market transactions either does not exist or is not publicly available, (ii) the published information of other maritime data collection experts may differ from this data, and (iii) while we have taken reasonable care in the compilation of the industry statistical data, graphs and tables and believe them to be correct, data collection is subject to limited audit and validation procedures.

### Environmental and Other Regulations

We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to our operations. Subject to the discussion below and to the fact that the kinds of permits, licenses and certificates required for the operations of the vessels we own will depend upon a number of factors, we believe that we have been and will be able to obtain all permits, licenses and certificates material to the conduct of our operations, although there can be no assurance that we will be successful in our attempts to do so. Failure to maintain necessary permits, licenses or certificates could require us to incur substantial costs or temporarily suspend operations of one or more of our vessels.

We believe that the heightened environmental and quality concerns of insurance underwriters, regulators and charterers will impose greater inspection and safety requirements on all vessels in the tanker market. Our vessels are subject to both scheduled and unscheduled inspections by a variety of governmental and private interests, each of whom may have a different perspective or standards from the others. These interests include the local port state authority (such as the United States Coast Guard or local equivalent), vessel classification society, underwriters, flag state administration (country or registry) and charterers, particularly major oil companies which conduct vetting inspections and load and discharge terminal operators.

### International Regulation

In 1992, the International Maritime Organization, or IMO (the United Nations agency for maritime safety and the prevention of marine pollution by ships) adopted regulations that set forth pollution prevention requirements applicable to tankers. These regulations, which have been adopted by over 150 nations, including many of the jurisdictions in which our tankers operate, provide, in part, that:

- o tankers between 25 and 30 years old must be of double hull construction or of a mid-deck design with double sided construction, unless (1) they have wing tanks or double-bottom spaces not used for the carriage of oil, which cover at least 30% of the length of the cargo tank section of the hull or bottom; or (2) they are capable of hydrostatically balanced loading (loading less cargo into a tanker so that in the event of a breach of the hull, water flows into the tanker, displacing oil upwards instead of into the sea);
- o tankers 30 years old or older must be of double hull construction or mid-deck design with double sided construction; and
- o all tankers are subject to enhanced inspections.

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Also, under IMO regulations, a tanker must be of double hull construction or a mid-deck design with double sided construction or be of another approved design ensuring the same level of protection against oil pollution if the tanker:

- o is the subject of a contract for a major conversion or original construction on or after July 6, 1993;
- o commences a major conversion or has its keel laid on or after January 6, 1994; or
- o completes a major conversion or is a newbuilding delivered on or after July 6, 1996.

As of December 31, 2003, we owned 2 single-hull tankers. Under the current regulations, starting in 2004, and thereafter, such vessels will not be in compliance with the configuration requirements of the IMO. Accordingly, we will be required to either adopt hydrostatically balanced loading or structurally modify such vessels' design or scrap such vessels. The cost of retro-fitting a tanker with a double-hull may be prohibitive. Other methods of complying with the IMO regulations and extending the useful life of a tanker to 30 years may be cost-effective. Such modifications could reduce a tanker's lifting capacity by 10% to 30%.

Effective September 2002, the IMO accelerated its existing timetable for the phase-out of single hull oil tankers. These regulations require the phase-out of most single hull oil tankers by 2015 or earlier, depending on the age of the tanker and whether it has segregated ballast tanks. After 2007, the maximum permissible age for single hull tankers will be 26 years. Under current regulations, retrofitting will enable a vessel to operate until the earlier of 25 years of age and the anniversary date of its delivery in 2017. However, as a result of the oil spill in November 2002 relating to the loss of the m.t. Prestige, which was owned by a company not affiliated with us, in December 2003 the Marine Environmental Protection Committee of the IMO adopted a proposed amendment to the International Convention for the Prevention of Pollution from Ships to accelerate the phase out of single hull tankers from 2015 to 2010 unless the relevant flag states extend the date to 2015. This proposed amendment will come into effect in April 2005 unless objected to by a sufficient number of member states. Moreover, the IMO may still adopt regulations in the future that could adversely affect the remaining useful lives of single hull tankers.

The IMO has also negotiated international conventions that impose liability for oil pollution in international waters and a signatory's territorial waters. In September 1997, the IMO adopted Annex VI to the International Convention for the Prevention of Pollution from Ships to address air pollution from ships. Annex VI is expected to be ratified by the end of 2003, and will become effective 12 months after ratification. Annex VI, when it becomes effective, will set limits on sulfur oxide and nitrogen oxide emissions from ship exhausts and prohibit deliberate emissions of ozone depleting substances, such as chlorofluorocarbons. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special areas to be established with more stringent controls on sulfur emissions. Compliance with these regulations could require the installation of expensive emission control systems and could have an adverse financial impact on the operation of our vessels.

The requirements contained in the International Safety Management Code, or ISM Code, promulgated by the IMO, also affect our operations. The ISM Code requires the party with operational control of a vessel to develop an extensive safety management system that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and describing procedures for



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responding to emergencies. We intend to rely upon the safety management system developed by our affiliate Ravenscroft. The ISM Code requires that vessel operators obtain a safety management certificate for each vessel they operate. This certificate evidences compliance by a vessel's management with code requirements for a safety management system. No vessel can obtain a certificate unless its manager has been awarded a document of compliance, issued by each flag state, under the ISM Code. Ravenscroft Miami, which manages our vessels, is certified as an approved ship manager under the ISM Code. As of December 31, 2003 all of our oceangoing wholly owned vessels are ISM certified. As of July 1, 2002 our tugs exceeding 500 gross tons are ISM certified. This certification does not apply to the equipment used in the river business.

Noncompliance with the ISM Code and other IMO regulations may subject the shipowner or bareboat charterer to increased liability, may lead to decreases in available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports. For example, the U.S. Coast Guard and European Union authorities have indicated that vessels not in compliance with the ISM Code will be prohibited from trading in U.S. and European Union ports.

Although the United States is not a party to these conventions, many countries have ratified and follow the liability plan adopted by the IMO and set out in the International Convention on Civil Liability for Oil Pollution Damage of 1969. Under this convention and depending on whether the country in which the damage results is a party to the 1992 Protocol to the International Convention on Civil Liability for Oil Pollution Damage, a vessel's registered owner is strictly liable for pollution damage caused in the territorial waters of a contracting state by discharge of persistent oil, subject to certain complete defenses. Under an amendment to the Protocol that became effective on November 1, 2003, for vessels of 5,000 to 140,000 gross tons (a unit of measurement for the total enclosed spaces within a vessel), liability will be limited to approximately \$6.5 million plus \$907 for each additional gross ton over 5,000. For vessels of over 140,000 gross tons, liability will be limited to approximately \$122.5 million. The current maximum amount under the 1992 protocol is approximately \$86.98 million. As the convention calculates liability in terms of a basket of currencies, these figures are based on currency exchange rates on April 14, 2004. The right to limit liability is forfeited under the International Convention on Civil Liability for Oil Pollution Damage where the spill is caused by the owner's actual fault and under the 1992 Protocol where the spill is caused by the owner's intentional or reckless conduct. Vessels trading to states that are parties to these conventions must provide evidence of insurance covering the liability of the owner. In jurisdictions where the International Convention on Civil Liability for Oil Pollution Damage has not been adopted, various legislative schemes or common law govern, and liability is imposed either on the basis of fault or in a manner similar to that convention. We believe that our P&I insurance will cover the liability under the plan adopted by the IMO.

U.S. Oil Pollution Act of 1990 and Comprehensive Environmental Response, Compensation and Liability Act

The United States regulates the tanker industry with an extensive regulatory and liability regime for environmental protection and cleanup of oil spills, consisting primarily of the U.S. Oil Pollution Act of 1990, or OPA, and the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA. OPA affects all owners and operators whose vessels trade with the United States or its territories or possessions, or whose vessels operate in the waters of the United States, which include the U.S. territorial sea and the 200 nautical mile exclusive economic zone around the United States. CERCLA applies to the discharge of hazardous substances (other than oil) whether on land or at sea. Both OPA and CERCLA impact our operations.

Under OPA, vessel owners, operators and bareboat charterers are

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"responsible parties" who are jointly, severally and strictly liable (unless the spill results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from oil spills from their vessels. These other damages are defined broadly to include:

- o natural resource damages and related assessment costs;
- o real and personal property damages;
- o net loss of taxes, royalties, rents, profits or earnings capacity;
- o net cost of public services necessitated by a spill response, such as protection from fire, safety or health hazards; and
- o loss of subsistence use of natural resources.

OPA limits the liability of responsible parties to the greater of \$1,200 per gross ton or \$10 million per tanker that is over 3,000 gross tons (subject to possible adjustment for inflation). The act specifically permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, and some states have enacted legislation providing for unlimited liability for discharge of pollutants within their waters. In some cases, states that have enacted this type of legislation have not yet issued implementing regulations defining tanker owners' responsibilities under these laws. CERCLA, which applies to owners and operators of vessels, contains a similar liability regime and provides for cleanup, removal and natural resource damages. Liability under CERCLA is limited to the greater of \$300 per gross ton or \$5 million.

These limits of liability do not apply, however, where the incident is caused by violation of applicable U.S. federal safety, construction or operating regulations, or by the responsible party's gross negligence or willful misconduct. These limits do not apply if the responsible party fails or refuses to report the incident or to cooperate and assist in connection with the substance removal activities. OPA and CERCLA each preserve the right to recover damages under existing law, including maritime tort law. We believe that we are in substantial compliance with OPA, CERCLA and all applicable state regulations in the ports where our tankers call.

OPA also requires owners and operators of vessels to establish and maintain with the U.S. Coast Guard evidence of financial responsibility sufficient to meet the limit of their potential strict liability under the act. The U.S. Coast Guard has enacted regulations requiring evidence of financial responsibility in the amount of \$1,500 per gross ton for tankers, coupling the OPA limitation on liability of \$1,200 per gross ton with the CERCLA liability limit of \$300 per gross ton. Under the regulations, evidence of financial responsibility may be demonstrated by insurance, surety bond, self-insurance or guaranty. Under OPA regulations, an owner or operator of more than one tanker is required to demonstrate evidence of financial responsibility for the entire fleet in an amount equal only to the financial responsibility requirement of the tanker having the greatest maximum strict liability under OPA and CERCLA. We have demonstrated our financial responsibility by purchasing evidence of insurance from special purpose insurers approved by the USCG. We believe that our vessels which call within United States waters comply with these USCG requirements.

We insure each of our tankers with pollution liability insurance in the maximum commercially available amount of \$1.0 billion. A catastrophic spill could exceed the insurance coverage available, in which event there could be a material adverse effect on our business under OPA, with certain limited exceptions, all newly-built or converted vessels operating in U.S. waters must be built with double-hulls, and existing vessels that do not comply with the

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double-hull requirement will be prohibited from trading in U.S. waters over a 20-year period (1995-2015) based on size, age and place of discharge, unless retrofitted with double-hulls. Notwithstanding the prohibition to trade schedule, the act currently permits existing single-hull and double-sided tankers to operate until the year 2015 if their operations within U.S. waters are limited to discharging at the Louisiana Offshore Oil Port or off-loading by lightering within authorized lightering zones more than 60 miles off-shore. Lightering is the process by which vessels at sea off-load their cargo to smaller vessels for ultimate delivery to the discharge port. . The Princess Eva was precluded from operating in U.S. water in 2003. The Princess Laura will be precluded from operating in U.S. water in 2010, whereas the Princess Marina, Princess Nadia and Princess Susana will be precluded from operating in U.S. water in 2014. The Princess Katherine will not be precluded, all based on their current authorizations from the United States Coast Guard, known as certificate of compliance, or COC's.

OPA also amended the Federal Water Pollution Control Act to require owners or operators of tankers operating in the waters of the United States must file vessel response plans with the U.S. Coast Guard, and their tankers are required to operate in compliance with their U.S. Coast Guard approved plans. These response plans must, among other things:

- o address a "worst case" scenario and identify and ensure, through contract or other approved means, the availability of necessary private response resources to respond to a "worst case discharge";
- o describe crew training and drills; and
- o identify a qualified individual with full authority to implement removal actions.

OPA does not prevent individual states from imposing their own liability regimes with respect to oil pollution incidents occurring within their boundaries. In fact, most U.S. states that border a navigable waterway have enacted environmental pollution laws that impose strict liability on a person for removal costs and damages resulting from a discharge of oil or a release of a hazardous substance. These laws may be more stringent than U.S. federal law.

### European Union Tanker Restrictions

In July 2003, in response to the m.t. Prestige oil spill in November 2002, the European Union adopted legislation that prohibits all single hull tankers from entering into its ports or offshore terminals by 2010. The European Union has also banned all single hull tankers carrying heavy grades of oil from entering or leaving its ports or offshore terminals or anchoring in areas under its jurisdiction. Commencing in 2005, certain single hull tankers above 15 years of age will also be restricted from entering or leaving European Union ports or offshore terminals and anchoring in areas under European Union jurisdiction. The European Union is also considering legislation that would: (1) ban manifestly sub-standard vessels (defined as those over 15 years old that have been detained by port authorities at least twice in a six month period) from European waters and create an obligation of port states to inspect vessels posing a high risk to maritime safety or the marine environment; and (2) provide the European Union with greater authority and control over classification societies, including the ability to seek to suspend or revoke the authority of negligent societies. The sinking of the m.t. Prestige and resulting oil spill in November 2002 has lead to the adoption of other environmental regulations by certain European Union nations, which could adversely affect the remaining useful lives of all of our tankers and our ability to generate income from them. For example, Italy announced a ban of single hull crude oil tankers over 5,000 dwt. from most Italian ports, effective April 2001. Spain has announced a similar prohibition. It is impossible to predict what legislation or additional regulations, if any,

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may be promulgated by the European Union or any other country or authority.

### Vessel Security Regulations

Since the terrorist attacks of September 11, 2001, there have been a variety of initiatives intended to enhance vessel security. On November 25, 2002, the Maritime Transportation Security Act of 2002 (MTSA) came into effect. To implement certain portions of the MTSA, in July 2003, the U.S. Coast Guard issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. Similarly, in December 2002, amendments to the International Convention for the Safety of Life at Sea (SOLAS) created a new chapter of the convention dealing specifically with maritime security. The new chapter is scheduled to go into effect in July 2004 and will impose various detailed security obligations on vessels and port authorities, most of which are contained in the newly created International Ship and Port Facilities Security (ISPS) Code. Among the various requirements are:

- o on-board installation of automatic information systems, or AIS, to enhance vessel-to-vessel and vessel-to-shore communications;
- o on-board installation of ship security alert systems;
- o the development of vessel security plans; and
- o compliance with flag state security certification requirements.

The U.S. Coast Guard regulations, intended to align with international maritime security standards, exempt non-U.S. tankers from MTSA vessel security measures provided such vessels have on board, by July 1, 2004, a valid International Ship Security Certificate (ISSC) that attests to the vessel's compliance with SOLAS security requirements and the ISPS Code.

### Risk of Loss and Liability Insurance

#### General

The operation of any cargo vessel includes risks such as mechanical failure, collision, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, hostilities and labor strikes. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. OPA, which imposes virtually unlimited liability upon owners, operators and demise charterers of any vessel trading in the United States exclusive economic zone for certain oil pollution accidents in the United States, has made liability insurance more expensive for ship owners and operators trading in the United States market. While we believe that our present insurance coverage is adequate, there can be no guarantee that all risks will be insured, that any specific claim will be paid, or that we will always be able to obtain adequate insurance coverage at reasonable rates or at all.

#### Hull and Machinery Insurance

As of December 31, 2003 we obtained marine hull and machinery and war risk insurance, that includes the risk of actual or constructive total loss, for our wholly owned vessels. The vessels are each covered to at least fair market value, with deductibles currently ranging from \$7,500 to \$325,000 per vessel per incident. We have also arranged increased value coverage where applicable. This increased value coverage will entitle us, in the event of total loss of a vessel, to some recovery for amounts not recoverable under the hull and

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machinery policy by reason of any under-insurance.

### Loss of Hire

We maintain loss of hire insurance for Cape Pampas, Princess Susana, Princess Katherine, Princess Nadia and Princess Marina. Loss of hire insurance covers lost earnings resulting from unforeseen incidents or breakdowns that are covered by the vessel's hull and machinery insurance and result in lengthy stays in port or slow steaming at sea. Although loss of hire insurance will cover up to ninety days of lost earnings, we must bear the first twenty one days' loss, which is in line with industry practice. We intend to renew these insurance policies or replace them with other similar coverage if rates comparable to those on our present policies remain available. There can be no assurance that we will be able to renew these policies at comparable rates or at all. Future rates will depend upon, among other things, our claims history and prevailing market rates.

### Protection and Indemnity Insurance

Protection and indemnity insurance covers our legal liability for our shipping activities. This includes the legal liability and other related expenses of injury or death of crew, passengers and other third parties, loss or damage to cargo, claims arising from collisions with other vessels, damage to other third-party property, pollution arising from oil or other substances and salvage, towing and other related costs, including wreck removal. Coverage is limited to about \$4.25 billion with the exception of oil pollution liability, which is limited to \$1.0 billion per vessel per incident.

This protection and indemnity insurance coverage is provided by protection and indemnity clubs, or P&I Clubs, which are non-profit mutual assurance associations made up of members who must be either ship owners or ship managers. The members are both the insured parties and the providers of capital. Most P&I Clubs, including the P&I Clubs in which our wholly owned vessels and the Cavalier Barge Convoys are entered, are members of the International Group of P&I Associations (the "International Group"). By a pooling agreement among the International Group, we are subject to calls payable based on the claims records of (i) ours, (ii) the other members of the P&I Clubs of which we are a member and (iii) the members of the International Group.

### Legal Proceedings

#### Ultrapetrol S.A. Vs. Province of Tierra Del Fuego

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On September 17th, 1999, the "Direccion Distrito Buenos Aires de la Direccion General de Rentas de la Provincia de Tierra del fuego" issued Resolution D.G.R. (DBA) No. 012/99. The Company was notified of the Resolution by Letter D.G.R. (DBA) No. 409/99 as of the same date.

The Resolution announced the intention of the Tax Authority of the Province of Tierra del Fuego (the "Tax Authority") to determine unilaterally a debt of the Company for an "Impuesto sobre los Ingresos Brutos" (Gross Income Tax) accruing as of March 1994, May to September and December 1995; 1996; 1997; May to December 1998; and February to June 1999 in connection with the operation and loading of the Company's vessels at the port of Rio Cullen. The debt amounted to a total of \$1,059,836.36 (\$769,694.58 tax, \$211,635.39 in interest up to September 30, 1999, and \$78,506.39 in fiscal charges).

On October 1st, 1999, the Company submitted a "Recurso de Reconsideracion" (Motion for Reconsideration) in response to the Resolution. In this document the Company contested the position of the Tax Authority based on the following:

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- o The Tax Authority intends to exercise its jurisdiction outside of the "3 nautical mile limit" set forth in National Act No. 23.775 and as determined by the "space limit" provided for in National Act No. 18.502.
- o If the Tax Authority had the power to tax the international carriage performed by the Company (a position which is opposed by the Company), such jurisdiction would remain limited to that portion of the carriage performed within the limits of the Province and would not include that portion of the carriage performed outside the Province. The Company contends that the vessels had destinations outside of Argentina and were engaging in the loading of crude oil from a buoy at open sea located more than 8 marine miles from the coast of the Province.
- o The tax which the Tax Authority is attempting to impose interferes with the National Policy on International Trade, in particular policy with respect to international transport.
- o Since it is not possible to transfer the cost of the Provincial Gross Income Tax to freight rates, such a tax becomes a tax analogous to the National Income Tax. This would result in a violation of the compromise undertaken by the Provinces not to charge local "subject to distribution" taxes which may overlap with national taxes.

On October 14th, 1999 the Company filed a declaratory action (accion declarativa de certeza) subject to the provisions of article 322 of the Argentine Code of Civil and Commercial Procedure, before the Argentine Supreme Court of Justice and against the Province of Tierra del Fuego. The action sought clarification of the existing state of uncertainty with respect to the scope of the tax jurisdiction of the Province of Tierra del Fuego over income derived from activities of international transportation of crude oil. It is the Company's belief that the above-mentioned activities were fully carried out outside the three marine mile strip counted from the base lines as set forth in Laws No. 18502 and 23968.

On October 14th, 1999, the Company paid Pesos seventy (P\$70) as Court Fees for cases involving indeterminable amounts, as provided by Law No. 23898.

On April 11th, 2000, the Company requested the Tribunal to issue an injunction to prohibit the Province of Tierra del Fuego from seeking collection of the contested tax, interest and related charges during the course of the trial.

The Argentine Supreme Court of Justice granted the injunction ordered that the Province of Tierra del Fuego be notified for a twenty-day term plus an additional sixteen-day term fixed due to distance. It provided that:

"the injunction be sustained, and therefore the defendant be informed that it shall refrain from seeking collection of taxes on gross income in connection with the adjustments made by resolution No. 012/99 issued by the Provincial Tax Board (Direccion Provincial de Rentas) dated September 17, 1999, referring to advance payments for March 1994, May to September and December 1995, 1996, 1997, May to December 1998, and February to June of 1999, to the extent that such advance payments would constitute tax activities fully carried out outside the three marine mile strip counted from the base lines as provided from Laws No. 18502 and 23968, as well as any other penalty which is based on these adjustments. A Letter Rogatory be filed to the Governor of the Province of Tierra del Fuego to let him know that the injunction requested by the Ultrapetrol is sustained."

On August 2nd, 2000, the Company extended the declaratory action filed against the Province of Tierra del Fuego, Antartida e Islas del Atlantico Sur,

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following the terms of articles 87, 331 et seq., and related provisions of the Argentine Code of Civil and Commercial Proceedings, in order to receive a ruling by the Argentine Supreme Court of Justice on the scope of the tax jurisdiction of the Province of Tierra del Fuego over water mirror located in the Area of the San Sebastian Bay, and the North of Isla Grande from F(degree) Cabo Espiritu Santo up to Punta de Arenas, i.e., outside the three marine mile strip counted from the base lines as provided from Law No. 23968. Consequently, the Company requested that the defendant be condemned to render ineffective the Resolution of the Provincial Bureau of Ports (Direccion Provincial de Puertos) No. 227/00, dated June 28, 2000.

On August 23rd, 2000, the Argentine Supreme Court of Justice acknowledged the expansion of the complaint. On October 11th, 2000, the Prosecution of the Province of Tierra del Fuego answered the complaint and the extension thereof. On October 12th, 2000, the Secretary of Original Trials of the Argentina Supreme Court of Justice accepted the answer to the complaint and notified the Company about the documentary evidence submitted by the defendant. The Company responded to such notification on November 1st, 2000, in which opposition was expressed to the production of informative evidence and evidence from accounting experts.

On December 21st, 2000, the Argentine Supreme Court of Justice declared that it was incompetent to issue a first instance resolution in connection with the extension of the complaint due to the constitutional rejection made in connection with Resolution No. 277/00 of the Provincial Bureau of Ports.

On March 12nd, 2001, the Argentinian Supreme Court decided to open the trial stage for the submission of evidence for a thirty-day term. The Argentinian Supreme Court partially sustained the opposition duly presented by the Company to the evidences offered by the Province of Tierra del Fuego.

On May 2nd, 2001 the Supreme Court closed the evidence stage and issued an order for the addition of the evidence to the main file. Likewise, such Court issued an order for the service of notices asking the parties to file their respective summary arguments.

After the parties have filed their summary arguments, on May 29th, 2002 the file was sent to the Procuracion General de la Nacion (Office of the Attorney General) in order that the Procurador General (Attorney General) issue the pertinent opinion.

On December 3rd, 2002 the Attorney General, Dr. Nicolas Becerra, issued the opinion whereby he recommended a favorable judgment for the plaintiff, stating that the Province of Tierra del Fuego does not have jurisdiction to impose taxes within the area beyond three marine miles.

On December 5th, 2002 the Supreme Court sent the case to the members of the Highest Board of Judges so that the final judgment be entered.

On September 8th, 2003 the Argentine Supreme Court ruled against the taxing power of the Province of Tierra del Fuego with respect to gross revenues derived from activities in off-shore areas located in the territorial seas beyond three nautical miles from the coast. The Supreme Court declared that the jurisdiction of the provinces in the territorial seas is limited to three nautical miles counted from the coast as provided by law 23. 968, and ruled that Section 81 of the Constitution of the Province of Tierra del Fuego, which extends its jurisdiction with respect to economic exploitation of the seas to areas subject to the jurisdiction of the Republic of Argentina, is in conflict with the Argentine Constitution which expressly provides that the limits of the provinces must be determined by Congress. As Ultrapetrol made transportation of crude oil from a point located beyond three nautical miles from the coast to destinations outside the Province in Tierra del Fuego, its position was accepted. Therefore, the Supreme Court dismissed the tax claim made by the province due to the lack

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of taxing jurisdiction with respect to activities performed out of its territorial limits.

The Supreme Court dismissed the claim made by Ultrapetrol in relation with the extension of the complaint due to the constitutional rejection made in connection with Resolution No. 277/00 of the Provincial Bureau of Ports.

The Tax Authority also assessed unilaterally a debt of the Company for Gross Income Tax accruing as of July 1999 to April 2001 in connection with the operation and loading of the Company's vessels at the port of Rio Cullen. The debt amounted to a total of \$ 243,024.66 (\$193.294,76 tax, \$31.728 in interests up to August 31st, 2001, and \$18.001,83 in fiscal charges).

On September 3rd, 2001, the Company submitted a "Recurso de Reconsideracion" (Motion for Reconsideration) in response to the Resolution based on the same arguments originally included in the Motion for Reconsideration filed with the Tax Authority on October 1st, 1999. The Tax Authority has not issued a resolution so far.

Ultrapetrol S.A. VS. AFIP-DGA  
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By means of the Customs Import Clearance ("Despacho de Importacion") (hereinafter, "CIC") No. 026 dated November 25, 1995, Ultrapetrol S.A. (hereinafter "Ultrapetrol" or the "Company") 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 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, customs agent Jorge H. Chaz 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 Customs Authority of Campana.

In accordance with the aforementioned scenario, the Customs Authority of Bahia Blanca consider that Ultrapetrol was comprised under the provisions of Section 970 of the Customs Code and, consequently, issued a resolution claiming the sum of Argentine \$ 4,689,694.83 as import taxes and the sum of Argentine \$ 4,689,694.83 as fines.

Such resolution was based in the fact that as the Company requested the cancellation of the regime without making the vessel available to the Customs 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 the Company submitted an appeal with the Argentine Tax Court ("Tribunal Fiscal de la Nacion").



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The main important arguments introduced by the Company 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 undue interpretation of the customs legislation. The value of the vessel considered by the Customs Authority in order to establish the tax and fines claimed has also been objected by Ultrapetrol.

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

In accordance with the arguments put forward by the Company there is a reasonable possibility that the Company will obtain a favorable decision in this matter.

The Company has submitted the case for recovery if the Company is condemned to pay any amount in this case from its PandI insurance. This type of claim is covered by PandI insurers subject to the discretional approval of the board.

Ursa Shipping v. Princesss Susana, et al.  
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On February 21, 2003, Ursa Shipping Ltd., or Ursa, brought suit in the United States District Court for the District of New Jersey against our vessel, Princess Susana and Noble Shipping Ltd. 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. Princess Susana, et al. Civil Action No. 03-CV-747 (FLW).) Princess Susana 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 Princess Susana. The Princess Susana discharged after a delay of approximately eight days. On or about February 25, 2003, Valero Marketing and Supply Co., or 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 took the position that the claims are overstated and they have since been reduced to approximately \$7.6 million.

In connection with the above complaints, the Princess Susana was arrested. Security was posted by the Princess Susana's owner's protection and indemnity insurers in the amount of \$11.2 million and she 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., or 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. It is too early in the course of the litigations to form an opinion as to their ultimate outcome.

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

We are party, as plaintiff or defendant, to a variety of lawsuits for damages arising principally from personal injury and property casualty claims. All such legal proceedings involving any material claim are ordinary, routine

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litigation incidental to our business.

### Dividend Policy

It is the policy of the Company, unless the members decide otherwise, at the annual general meeting to distribute a dividend of at least thirty percent (30%) of the Company's net after-tax profit. However, such distributions shall be subject to the restrictions, terms and conditions which may be imposed on the Company by lenders, bondholders or other financial institutions, and/or those limitations imposed by the contracts, agreements or other financial instruments, including any trust indenture into which the Company may have entered. Also before making distributions, the Company shall also make adequate reserves as the Board of Directors may deem necessary for the company's commitments (even if after giving effect to such reserves the distribution would be lower than thirty per cent (30%)). The directors may, before recommencing any dividend, set aside out of the profits of the Company such sum as they think proper as a reserve fund to meet contingencies, or for equalizing dividends, or for special dividends or bonuses, or for repairing, improving, maintaining any of the property of the Company, and for such other purposes as the directors shall in their absolute discretion think conducive to the interests of the Company.

### C. ORGANIZATIONAL STRUCTURE

Ultrapetrol (Bahamas) Limited is a company organized and registered as a Bahamas Corporation since December 1997.

Ultrapetrol (Bahamas) Limited owns directly 100% of the following subsidiaries:

- o Princely International Finance Corp. (a Panamanian corporation)
- o Massena Port SA ( a Uruguayan corporation)
  - Dampierre Holding Spain S.L. (a Spanish corporation)
    - 93 % of Ultrapetrol S.A. (an Argentinean corporation)
    - 50 % of Parfina SA. (a Paraguayan corporation)
    - 99 % of Oceanpar SA. (a Paraguayan corporation)
- o UP River Terminals (Panama) S.A. (a Panamanian corporation)
- o Kattegat Shipping Inc. (a Panamanian corporation)
- o Majestic Maritime Ltd. ( a Bahamian corporation)
- o Stanmore Shipping Inc ( a Panamanian corporation)
- o Avemar Holding (Bahamas) Limited ( a Bahamian corporation)
- o Mansan S.A (a Uruguayan corporation)
- o Parkwood Commercial Corp (a Panamanian corporation)
- o Internationale Maritime SA (a Bahamian corporation)

In addition, Ultrapetrol (Bahamas) Limited has an ownership in the following companies: 92.86 % of UP (River) Holdings Ltd, 50 % of UABL Ltd. ("UABL"), 60% of Ultracape (Holdings) Ltd. ("Ultracape") , 49 % of Maritime Sipsa S.A. (M.Sipsa) and 27.78 % of UP Offshore (Bahamas) Ltd. ("UP Offshore"). In the case of the latter company we have options to increase our participation that may be exercised under certain conditions.

Also, Princely International Finance Corp. has various subsidiaries whose organization or acquisition is as follows:

NAME	COUNTRY	%OWNED
o Regal International Investments S.A.	Panamanian	100%
- Bayham Investment S.A.	Panamanian	100%
- Draco Investment S.A.	Panamanian	100%
- Cavalier Shipping Inc.	Panamanian	100%
o Danube Maritime Inc.	Panamanian	100%

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o Baldwin Maritime Inc.	Panamanian	100%
o Tipton Marine Inc.	Panamanian	100%
o Corporacion de Navegacion Mundial S.A.	Chilean	100%
- Parfina S.A.	Paraguayan	50%
o Oceanview Maritime Inc.	Panamanian	100%
o Ultrapetrol International S.A.	Panamanian	100%
o Kingly Shipping Ltd.	Bahamian	100%
o Sovereign Maritime Ltd.	Bahamian	100%
o Monarch Shipping Ltd.	Bahamian	100%
o Noble Shipping Ltd.	Bahamian	100%
o Ultrapetrol de Venezuela, CA	Venezuelan	100%
o Imperial Maritime (Bahamas) Ltd. Inc.	Panamanian	100%
o General Venture Inc	Panamanian	100%
o Oceanpar S.A.	Paraguayan	1%
- Ultrapetrol S.A.	Argentina	7%
o Imperial Maritime Ltd.	Bahamian	100%

### D. PROPERTY AND EQUIPMENT

We own, directly and indirectly, six ocean-going tankers, one bulkcarrier, three push boats/tugs, two ocean-going Tug-Barge units, and 89 wet and dry barges. The vessels' name, dwt, vessel type and date of the original delivery from the builder's yard are set forth in Item 4. "Information on the Company." Section B. Business Overview--Our Trading Fleet. We do not own any buildings and do not pay any rental expense other than as a portion of the administration fees paid to Oceanmarine.

### ITEM 5 - OPERATING AND FINANCIAL REVIEW AND PROSPECTS

#### A. OPERATING RESULTS

The following discussion and analysis should be read in conjunction with the consolidated financial statements of Ultrapetrol (Bahamas) Limited and subsidiaries for the twelve months ended December 31, 2003, 2002 and 2001 included elsewhere in this report.

#### General

We were 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 audited financial results of the for the twelve months ended December 31, 2002 with a comparison to the audited consolidated financial results for the same twelve month period in 2001.

We operate Suezmax, Aframax and Panamax tankers primarily in South America with additional operations between the Caribbean, United States, West Africa and the Mediterranean. We also have two oceangoing Tug-Barge units, one of which operates as a transfer station and 89 barges and three tugs that operate in barge river trafficking under time charter to UABL Ltd. Our two oceangoing Tug-Barge units are permitted to engage in cabotage trading in Argentina. Cabotage trading in Argentina is the transportation of passengers or goods by sea or river between ports and cargo transfer zones in Argentina. This commerce is reserved for Argentinean flag vessels that obtained dual flag registration privileges and Argentinean shipowners who have bareboat chartered foreign flag vessels and obtained authorization from the Argentinean Maritime Authority.

During the twelve months of 2003 we employed a significant part of our fleet on time charter for different clients.

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During the twelve months of 2003, the international freight market maintained rates above those experienced in 2002.

The Princess Susana and the Princess Marina were out of service undergoing mayor repairs during 25 days and 78 days respectively and the Princess Pia and Princess Eva were out of service due to accidents for 42 days and 124 days, respectively.

On April 18, 2003, the Alianza G1 suffered an accident in her main engine while the vessel was in transit from Argentina to Chile. As a result of this accident the crankshaft of the vessel was damaged requiring a significant repair to restore the engine to its full operational power. We settled with its hull and machinery insurers for a total compensation of \$1.9 million in addition to which we agreed to receive \$0.2 million from its loss of hire underwriters and entered into an agreement to sell the vessel for \$2.5 million on August 11th 2003. The vessel was delivered to its new owners on September 17th 2003.

On May 22, 2003 we entered into a MOA to sell the Princess Veronica for a total price of \$2.0 million. The vessel was delivered to its new owners on June 5th, 2003.

Our affiliate UABL (50% of which we hold through our unrestricted subsidiary UP (River) Holdings Ltd. entered into loan agreements on February 27, 2003 with the International Finance Corporation, or "IFC", and Kreditanstalt Fur Wiederaufbau, or "KfW" with a repayment schedule that starts in June 2005 and continues until December 2011 in the case of the (A) tranche of the IFC Loan until December 2009 and in the case of the (B) tranche and the KfW Loan IFC and KfW have agreed to provide a total of \$40 million to finance the capital expenditures of UABL Limited over the next 3 years. The loans are provided under two separate agreements to wholly owned subsidiaries of UABL: UABL Barges (Panama) Inc. \$30 million and UABL Paraguay S.A. \$10 million. The agreements in connection with this financing impose restrictions on the ability of UABL to pay dividends or make other payments to its shareholders if UABL is in default of its obligations under the loan and require that in conjunction with ACBLH the Company retain control of UABL.

On June 11, 2003 we entered into a share purchase agreement with IFC pursuant to which we have agreed to sell 357 shares (the "Shares") representing approximately 7.14% of the total share capital of its unrestricted subsidiary UP (River) Holdings Ltd. ("UP River") for a total price of \$5.0 million. In addition, IFC acquired the right to a proportionate share of payments under the Company's charterparty agreements with UABL dated October 18, 2000 and October 24, 2000. At the same time, we entered into a Shareholders Agreement with UP River, Inversiones Los Avellanos S.A. and IFC which was subsequently amended and restated as of August 12, 2003 to include Solimar Holdings Ltd. and LAIF as parties. Pursuant to the Amended and Restated Shareholders Agreement IFC has a limited right to put the Shares to UP River.

On July 25, 2003 the Company's option to repurchase 25,212 of its shares from Inversiones Los Avellanos S.A. for a total price of \$0.9 million expired and was extended till July 31st 2004.

On September 10, 2003 we entered into several MOA to purchase a total 20 dry river barges for a total price of \$1.0. We employed these barges under time charter with UABL Ltd.

On September 23, 2003 we entered into a MOA to sell the Princess Pia for a total price of \$2.9 million. The vessel was delivered to its new owners on October 24, 2003

On December 1, 2003 we entered into a MOA to sell the Princess Marisol for a total price of \$4.9 million. The vessel was delivered to its new owners on

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December 9, 2003

### Revenue

The majority of our 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 us for the use of our vessels. Hire revenue accounted for 65% of our total revenues for the twelve months ended December 31, 2003.

Also, our vessels are 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 35% of the Company's total revenues for the twelve months ended December 31, 2003.

From the total revenues obtained from COA's during the twelve months of 2003 45% were in respect of repetitive voyages for the Company's regular customers and 55% in respect of single voyages for occasional customers.

### Expenses

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.

Our operating expenses, or running expenses, are generally paid through Ravenscroft Miami, an affiliated company, which provides ship management services that include the cost of all technical 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 Ltd. we 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. We follow 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.

Our other primary operating expenses include general and administrative expenses as well as ship management and administration fees paid to Ravenscroft Miami and Oceanmarine, another affiliate of ours, which provides certain administrative services. We pay Oceanmarine a monthly fee of \$9,000 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. We also pay Ravenscroft Miami a monthly ship management fee of \$12,500 per vessel for services including technical management, crewing, provisioning, superintendence and related accounting functions. We do not expect to pay regular fees to any affiliated entity other than those described here for management and administration functions. In the case of our river barges chartered to UABL, we have contracted the shipmanagement responsibilities to Lonehort Inc., an affiliate of UABL.

2003 Compared to 2002

	Year December 31
	2003
	2002

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	-----	-----
	(dollars in thousands)	
Freight revenues		
Attributable to wholly owned vessels	26,445	23,662
Attributable to wholly chartered-in vessels	42	1,081
	-----	-----
Total	26,487	24,743
Hire revenues		
Attributable to wholly owned vessels	48,746	48,381
Attributable to wholly chartered-in vessels	0	0
	-----	-----
Total	48,746	48,381
	-----	-----
Total Revenues	75,233	73,124
	-----	-----
Voyage expenses		
Attributable to wholly owned vessels	(12,605)	(9,259)
Attributable to wholly chartered-in vessels	(39)	(926)
	-----	-----
Total	(12,644)	(10,185)
Running costs	(28,659)	(27,397)
Amortization of dry-dock expenses	(7,232)	(8,839)
Depreciation of property and equipment	(15,335)	(15,968)
Management fees and administrative expenses	(7,818)	(6,818)
Loss on involuntary conversion of Argentine receivables		(2,704)
	-----	-----
Operating profit	3,545	1,213
Interest expense	(16,207)	(16,763)
Financial gain on extinguishment of debt	1,782	0
Investment in subsidiaries	3,140	(45)
Other net income (expenses)	(2,461)	1,698)
Revenues		
-----		

Total revenues from freight net of commissions increased from \$24.8 million in 2002 to \$26.4 million in 2003, or an increase of 6%. This increase is primarily attributable to the Princess Susana and Princess Veronica COA's employment instead of time charter operation of those vessels

Hire revenues net of commissions, increased by 1% from \$48.4 to \$48.7 million. This increase is attributable to the time charter employment of the Princess Marisol and Cape Pampas, a new vessel we acquired in July 2002 partially offset by Princess Susana and Princess Veronica COA's employment .

The total of 103 days out of service experienced by the Princess Marina and the Princess Susana due to major repairs, and Princess Eva and Princess Pia which were out of service due to accidents for 166 days during the first six months of 2003 negatively affected our revenues in this period. Part of this off

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hire time is compensated by our loss of hire insurance for which a total of \$1.5 million has been included as other income (outside our operational result).

Operating profit for 2003 was \$ 3.5 million, an increase of \$2.3 million from 2002. This difference is mainly attributable to the combined effect of: lower net earnings of our Panamax size vessels and Alianza G1 which resulted from time lost due to accidents, lower freight and hire revenues of these vessels and the subsequent sale of some of these vessels as described above; lower net earnings of Princess Marina due to her repair period; the sale in the last quarter of Princess Marisol and higher net earnings of vessels Princess Katherine, Princess Nadia, and the Princess Susana and the earnings of the Cape Pampas which operated partially in an improved dry cargo market during the last quarter of 2003.

### Voyage expenses

-----

Voyage expenses for 2003 were \$12.6 million, as compared to \$10.2 million for 2002, an increase of \$2.4 million, or 24%. The increase is primarily attributable to the Princess Susana and Princess Veronica COA's employment instead of time charter employment and to a change in trading pattern of Princess Laura which was employed on shorter voyages between ports where the port costs are more significant.

### Running costs

-----

Running costs increased by \$1.3 million, or 5%, to \$28.7 million in 2003 as compared to \$27.4 million in the equivalent 2002 period. This increase is mainly attributable to the Cape Pampas, a new vessel acquired in July 2002 and additional expenses incurred in our Panamax fleet.

### Amortization of dry-dock expenses

-----

Amortization of dry docking and special survey costs decreased by \$1.6 million, or 18%, to \$7.2 million in 2003 as compared to \$8.8 million in 2002. The decrease is primarily attributable to the cease of amortization for the vessels sold during the year. The unamortized balance is included into the gain or loss disposal calculation.

### Depreciation of property and equipment

-----

Depreciation and amortization decreased by \$0.7 million, or 4%, to \$15.3 million in 2003 as compared to \$16.0 million in 2002. This decrease is primarily due to the sale of the Princess Fatima, Princess Veronica Princess Pia and Princess Marisol partially offset by an increase attributable to the purchase of the Cape Pampas.

### Management fees and administrative expenses

-----

Management fees and administrative expenses were \$7.8 million in 2003 as compared to \$6.8 million in 2002, an increase of \$1.0 million, or 15%. This increase of \$1.0 million is attributable mainly to an increase in administrative expenses.

### Interest expense

-----

Interest expenses decreased by \$0.6 million, or 4%, to \$16.2 million in

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2003 as compared to \$16.8 million in 2002. The decrease is primarily attributable to the lower level of financial debt and consequential associated interest costs.

### Financial gain on extinguishment of debt

-----

During the last quarter of 2003, the Company through its subsidiaries, repurchased \$6.7 million nominal value of its 10.50% First Preferred Ship Mortgage Notes due 2008. We recognized a gain of \$1.8 for the extinguishment of the debt.

### Investment in subsidiaries

-----

Investment in subsidiaries for 2003 was a gain of \$3.1 compared for a loss of \$0.1 in 2002. The difference is mainly due to the Company's 50% interest in UABL, since whereas in 2003 UABL yielded net income of \$4.3 in 2002, it carried a loss of \$2.5.

### Other net (expense) income

-----

This account disclosed an income of \$1.7 in 2002 and a loss of \$2.5 in 2001. The difference is explained by the combined effect of the following: an increase in the loss from the sale of property, plant and equipment of \$2.1 (a loss of \$3.7 in 2003, as compared to a loss of \$1.6 in 2002) and a decrease in income from claims against insurance companies of \$1.8 (income of \$1.6 in 2003, as compared to income of \$1.6 in 2002).

### 2002 Compared to 2001

	Year ended December 31	
	2002	2001
	-----	-----
	(dollars in thousands)	
Freight revenues		
Attributable to wholly owned vessels	23,662	68,137
Attributable to wholly chartered-in vessels	1,081	5,530
Total	-----	-----
	24,743	73,667
Hire revenues		
Attributable to wholly owned vessels	48,381	36,266
Attributable to wholly chartered-in vessels	0	1,275
Total	-----	-----
	48,381	37,541
 Total Revenues	 -----	 -----
	73,124	111,208
	-----	-----
Voyage expenses		
Attributable to wholly owned vessels	(9,259)	(20,569)
Attributable to wholly chartered-in vessels	(926)	(6,320)
Total	-----	-----
	(10,185)	(26,889)
Running costs	(27,397)	(33,615)
Amortization of dry-dock expense	(8,839)	(7,246)



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Depreciation of property and equipment	(15,968)	(16,197)
Management fees and administrative expenses	(6,818)	(7,770)
Loss on involuntary conversion of Argentine receivables	(2,704)	-----
Operating profit	1,213	19,491
Interest expense	(16,763)	(17,698)
Revenues		
-----		

Total revenues from freight net of commissions decreased from \$73.7 million in 2001 to \$24.7 million in 2002, or a decrease of 66%. This decrease is primarily attributable to the time charter operation of the Princess Katherine, Alianza G3, Princess Veronica and Princess Susana instead of COA's employment as well as a general decrease in freight rates. Another contributing factor was lower revenue obtained by our Alianza G3-Alianza Campana which spent the entire first quarter in preparation and positioning for a long term contract. Also the lower utilization rates of our Panamax vessels coupled with the total of 129 days out of service experienced by Princess Pia and, Princess Fatima due to dry dock and special survey and Princess Marisol which was out of service due to an accident for 87 days during 2002, affected negatively our revenues in this period. Part of this off hire time is compensated by our loss of hire insurance for which a total of \$1.8 million has been included as other income (outside our operational result).

Hire revenues net of commissions, increased by 29% from \$37.6 to \$48.4 million. This increase is attributable to the time charter employment of the Princess Katherine, Princess Susana, Princess Veronica, Alianza G3 and the addition of Cape Pampas purchased by Ultracape coupled with a significant reduction in the charter rates, (because of market conditions) obtained for our ships after expiry of the time charter agreements that had been fixed in 2001.

Operating profit for 2002 was \$1.2 million a decrease of 94% or \$18.3 million from the same period in 2001. The decrease is primarily attributable to the same factors that affected our revenues in this period detailed above and includes the full impact of a \$2.7 million loss on involuntary conversion of Argentine receivables which resulted from the devaluation of the Argentine currency as detailed in "Foreign Currency Transactions". During the first half of 2002 the receivables denominated in US dollars but collected in Argentine pesos were exposed to the compulsory conversion to Argentine currency at a rate of exchange different from the market rate at the time of payment by virtue of Argentine Law 25.561 and the Decree 214/2002 and thereafter subject to negotiations between the parties as to the rate of exchange applicable to each transaction.

The sale of Princess Fatima resulted in a loss of \$1.6 million which has been accounted for under "other income".

### Voyage expenses

-----

The 2002 voyage expenses were \$10.2 million, as compared to \$26.9 million for 2001, a decrease of \$16.7 million, or 62%. The decrease is primarily attributable to the combined effect of a large portion of the fleet operating on time charter contract instead of COA and the lower activity of our Panamax fleet.

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### Running costs

-----

Running costs decreased by \$6.2 million, or 18%, to \$27.4 million in 2002 as compared to \$33.6 million in the equivalent 2001 period. This decrease is mainly attributable to significant cost reductions achieved on some of our vessels in operation coupled with the general low level of activity for the fleet and extended periods of repairs by some of our vessels.

### Amortization of dry-dock expense

-----

Amortization of dry docking and special survey costs increased by \$1.6 million, or 22%, to \$8.8 million in 2002 as compared to \$7.2 million in 2001. The increase was due to the amortized portion of dry-docks (i.e., repairs) carried out in 2001 on the Princess Katherine, Princess Susana and Princess Nadia.

### Depreciation of property and equipment

-----

Depreciation and amortization decreased by \$0.2 million, or 1%, to \$16.0 million in 2002 as compared to \$16.2 million in 2001. This decrease is primarily due to the sale of the "Princess Fatima" partially compensated by an increase attributable to the purchase of the Cape Pampas.

### Management fees and administrative expenses

-----

Management fees and administrative expenses were \$6.8 million in 2002 as compared to \$7.8 million in 2001, a decrease of \$1.0 million, or 13%, which is attributable mainly to a reduction in administrative expenses of \$0.9 million.

### Interest expense

-----

Interest expenses decreased by \$0.9 million, or 5%, to \$16.8 million in 2002 as compared to \$17.7 million in 2001. The decrease is primarily attributable to the lower level of financial debt and consequential interest costs associated.

## B. LIQUIDITY AND CAPITAL RESOURCES

We are a holding company with no material assets other than those of our subsidiaries. Consequently, we must fund our capital requirements through other sources, including cash dividends from subsidiaries, borrowings and shareholder contributions. We 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 indebtedness, shareholder loans, cash flow from operations and equity contributions. As of December 31, 2003, we had total indebtedness of \$155.8 million, \$128.3 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, \$5.0 million in a senior loan facility with Nedship Bank (America) N.V. for Kattegat Shipping Inc., a wholly owned subsidiary, for the purchase of the vessel Princess Marina, \$7.5 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, \$9.3 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. We have a short term credit line of \$0.2 million drawn under a revolving credit facilities from the M&T Bank for Stanmore Shipping Inc., a wholly owned

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subsidiary and accrued interest expenses for these loans of \$ 3.4 million. On December 31, 2003, we had cash and cash equivalents on hand of \$ 8.2 million. We believe, based upon current levels of operation, cash flow from operations, together with other sources of funds, that we will have adequate liquidity to make required payments of principal and interest on our debt, including obligations under the Notes, complete anticipated capital expenditures and fund working capital requirements.

### Operating Activities

-----

In 2003, we generated a positive \$20.5 million in cash flow from operations compared to \$14.4 million for in the same period in 2002. Net losses for the twelve months of 2003 were \$ 11.5 million compared with a net loss of \$13.8 million in the same period of 2002.

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

### Investing Activities

-----

During the year 2003 our subsidiary UP Offshore Ltd Bahamas disbursed \$14.3 million in advances to the yards contracted to build the new offshore vessels of this total we made equity contribution to UP Offshore for a total of \$ 4.4 million and we disbursed \$ 2.8 million in the purchase of the new river barges compared to \$16.7 million disbursed for the acquisition of vessels in the same period of 2002. We disbursed \$3.6 million in dry dock and major repair expenses, compared to \$6.0 million in the same period of 2002. Also during the year 2003 the Company received from the proceeds of vessels sales a net of \$16.1 million.

### Financing Activities

-----

Net cash provided by financing activities decreased by \$10.7 million during 2003. The decrease in cash provided by financing activities in the twelve months of 2003 is mainly attributable to capital payments made during the year 2003.

During the last quarter of 2003, the Company through its subsidiaries, repurchased \$6,7 million nominal value of its 10,5% First Preferred Ship Mortgage Notes due 2008 at a net amount of \$4.8 million

### Foreign Currency Transactions

Substantially all ours revenues are denominated in U.S. dollars, but 9% of our 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. Our 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. We do not hedge its exposure to foreign currency fluctuations except for the China construction contract where our subsidiary UP Offshore has a hedge for the portion of supplies of the vessel construction contract that is denominated in Euros for a total of Euros 5.7 million at approximately \$1.14 per dollar.

### Inflation

We do not believe that inflation has had a material impact on our operations, although certain of our operating expenses (e.g., crewing, insurance

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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 our 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.

### Critical accounting policies and estimates

Our discussion and analysis of the Company's financial condition and results of operations are based upon the consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate its estimates, including those related to bad debts, useful lives of vessels, deferred tax assets, and certain accrued liabilities. We base its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

### Revenue Recognition

Revenue is generally recorded when services are rendered, we have a signed charter agreement or other evidence of an arrangement, pricing is fixed or determinable and collection is reasonably assured. Revenues are earned under time charters or affreightment/voyage contracts. Revenue from time charters is earned and recognized on a daily basis. Revenue for affreightment/voyage contracts is recognized based upon the percentage of voyage completion. The percentage of voyage completion is based on the number of voyage days worked at the balance sheet date divided by the total number of days expected on the voyage.

### Allowance for Doubtful Accounts

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The estimate of uncollectible amounts is based on the results of ongoing credit evaluations and ours historical experience. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

### Asset Impairment

We record impairment losses on long-lived assets used in operations when indications of impairment are present and the estimated undiscounted cash flows to be generated by those assets are less than the assets carrying amounts. If the carrying value is not recoverable, the carrying value of the assets is reduced to estimate fair value. Undiscounted cash flows are estimated using expected average long-term day rates and utilization based largely on historical industry and our experiences. If future market conditions do not meet expectations, we may be required to record impairment charges which could be material.

### Useful Life Determination

Management determines the useful lives of the vessels based upon regulatory

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requirements such as OPA 90, market conditions and operational considerations. We continue to evaluate the reasonableness of the useful lives of the vessels.

### Drydocking Costs

All of our vessels must be periodically drydocked and pass certain inspections to maintain their operating classification, as mandated by certain maritime regulations. Costs incurred to drydock the vessels are deferred and amortized on a straight line basis over the period to the next drydocking, generally 30 months. The alternative accounting policy for drydocking costs is to expense the expenditures as incurred. The Financial Accounting Standards Board and the American Institute of Certified Public Accountants have proposed that the deferral method of accounting for planned major maintenance activities such as drydocking expenditures should be eliminated. Under the proposal, we would expense drydocking expenditures as incurred. The unamortized drydocking costs were approximately \$3.5 million as of December 31, 2003.

### Recent Developments

On December 12th, 2003 we entered into a MOA (Memorandum of Agreement) to sell its Princess Laura for a total price of \$4.0 million. The vessel was delivered to its new owners on January 09th, 2004 for a total price of \$ 4.02 million. This price compares with a book value (including unamortized dry dock) of \$ 5.7 million.. therefore resulting in a loss of \$ 1.7 million this loss has been reflected in the 2003 results as an adjustment of the book value of the vessels at year end.

On April 23rd 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 were 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.

### C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

Not Applicable.

### D. TREND INFORMATION

Not Applicable.

### E. OFF-BALANCE SHEET ARRANGEMENTS

Not Applicable.

### F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following summarizes the Company's contractual obligations at December 31, 2003, and the effect such obligations are expected to have on its liquidity and cash flow in future periods.

	Payments due by period				
		less			more
	Total	than 1	1 - 3	3 - 5	than 5
		year	years	years	years
Contractual Obligations					

#### 1. Long - Term Debt Obligations

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- M&T Bank (a)	15,737	4,834	4,912	5,992	--
- Credit Agricole Indosuez (a)	9,782	2,754	7,027	--	--
- Private Investors	188,981	13,476	26,952	148,554	--
2. Capital (Finance) Lease Obligations	--	--	--	--	--
3. Operating Lease Obligations	--	--	--	--	--
4. Purchase Obligations					
- PSV shipbuilding (b)	80,806	32,477	46,954	1,375	--
5. Other Long-Term Liabilities Reflected on the Company's Balance Sheet under GAAP of the primary financial statements					
- Minority interest subject to put rights	5,000	--	--		5,000
	-----	-----	-----	-----	-----
Total	295,307	53,541	85,844	155,921	--

- (a) For the calculation of the interest on loans that accrue interest at LIBOR, the Company applied the value of such rate as of December 31, 2003, i.e. a nominal rate of 1.45% per annum.
- (b) (1) The Company has entered into a subscription agreement with AIG-GE Capital, LAIF and Comintra Enterprises Ltd. through which each of these parties has agreed to subscribe and purchase from UP Offshore (Bahamas) Ltd. common shares issued by UP Offshore (Bahamas) Ltd. up to a total maximum contribution of \$30 million and \$2.5 million respectively (of which up to 31 December 2003 they had actually contributed \$10.5 million and Comintra \$0.875 million).
- (2) In addition on June 24, 2003 UP Offshore (Bahamas) Ltd. entered into a Preference Subscription Agreement with the International Finance Corporation through which UP Offshore (Bahamas) Ltd. agreed to issue and sell to International Finance Corporation 3 million Preference Shares for \$3 million (the initial subscription). This initial subscription was effected and paid on January 23, 2004.
- (3) The Company also has agreed to finance part of such commitments out of the funds to be obtained pursuant to the loan agreement signed by UP Offshore (Panama) Ltd. with the International Finance Corporation for an amount of \$18.4 million, which is to be amortized in semi-annual installments beginning June 2005 and ending June 2012, and out of funds to be obtained pursuant to the loan signed by UP Offshore Apoio Maritimo Ltda. with the International Finance Corporation for an amount of \$41 million, to be amortized in semi-annual installments from January 2005 through April 2013.

The proceeds of the agreements described in (1) to (3) above will be used to cover the "Purchase Obligations" described above.

**FUTURE CAPITAL REQUIREMENTS.** Our near-term cash requirements are related primarily to funding operations. We cannot provide assurance that our actual cash requirements will not be greater than we currently expect. If the Company cannot generate sufficient cash flow from operations, we may obtain additional sources of funding through capital market transactions. The company cannot provide assurance that these sources will be available.

### G. SAFE HARBOR

Not Applicable.

## ITEM 6. - DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### A. DIRECTORS AND SENIOR MANAGEMENT

Set forth below are the names and positions of our directors and executive

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officers, as of April 30, 2004.

Name	AGE	Position
----		-----
Felipe Menendez R. ....	49	President and Chief Executive Officer/Director
Ricardo Menendez R. ....	55	Director
James F. Martin.....	49	Director
Katherine A. Downs.....	49	Director
Leonard J. Hoskinson.....	50	Director & Secretary

Certain biographical information with respect to each director and executive officer is set forth below.

Felipe Menendez R. Mr. Menendez has been President, Chief Executive Officer and a Director since incorporation in December 1997 and is the brother of Ricardo Menendez. He is also President, and has been a Director, of Ultrapetrol S.A. since its incorporation in 1992. Mr. Menendez is also a Director of Oceanmarine, SIPSA S.A., a Chilean publicly traded company controlled by the Menendez family ("SIPSA"), and Ravenscroft Miami. Mr. Menendez has been, and continues to be, actively involved in other businesses associated with the Menendez family, as well as other companies affiliated with SIPSA. Mr. Menendez is also a Director, President and Chief Executive Officer for UABL Limited.

Ricardo Menendez R. Mr. Menendez has been a Director since incorporation in December 1997 and is the brother of Felipe Menendez. Mr. Menendez began his career in the shipping industry in 1970 with Compania Chilena de Navagacion Interoceania S.A., and has continuously been involved in the management of the Menendez family's shipping interests. He is the President of Oceanmarine and Chairman of the Board of Directors of Ravenscroft Miami, and has been a Director of Ultrapetrol S.A. since it was formed in 1992. Mr. Menendez is also a Director of SIPSA, and remains involved in the management of other Menendez family businesses. Mr. Menendez has been a member of the board of The Standard Steamship Owners Protection & Indemnity Association (Bermuda) Limited (a member of the International Group of Protection & Indemnity Associations) since 1993. Mr. Menendez is also a Director in UABL Limited.

James F. Martin. Mr. Martin has been a Director of Ultrapetrol since 2000. He is a Managing Director with Emerging Markets Partnership ("EMP"), principal adviser to the Bermuda-based AIG-GE Capital Latin America Infrastructure Fund L.P. ("LAIF"), where he heads a sector team focusing on transportation, environmental services, and oil and gas investments. Prior to joining EMP in 1997, Mr. Martin was head of a team responsible for investments in water and environmental infrastructure at the International Finance Corporation. Mr. Martin is also a Director in UABL Limited.

Katherine A. Downs. Ms. Downs has been a Director of Ultrapetrol since 2000. Ms. Downs is a Director with Emerging Markets Partnership, principal adviser to the Bermuda-based AIG-GE Capital Latin America Infrastructure Fund L.P., where she focuses on transportation, environmental services, and oil and gas investments. Prior to joining EMP in 1997, Ms. Downs was a Managing Vice President in the private placement group of the Prudential Insurance Company of America

Leonard J. Hoskinson. Mr. Hoskinson was appointed Director in March 2000 and assumed the position of Secretary six months later. He is the General Manager of Ravenscroft Shipping Inc, the Company's appointed manager of its ocean going fleet with its base in Miami, Florida. Mr. Hoskinson has been employed by Ravenscroft for over 13 years and prior to that headed the ship finance group of Marine Midland Bank NA in New York.

B. COMPENSATION

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The aggregate annual net cost to the Company for the compensation paid to members of the Board of Directors was zero for the fiscal year ended December 31, 1999, \$0.9 million for the fiscal year ended December 31, 2000 (\$0.4 million as monitoring fees and \$0.5 million as a bonus to certain directors and officers), \$1.1 million for the fiscal year ended December 31, 2001 (\$0.4 million as monitoring fees and \$0.7 million as a bonus to certain directors and officers). \$1.1 million for the fiscal year ended December 31, 2002 (\$0.4 million as monitoring fees and \$0.7 million as a bonus to certain directors and officers) and \$1.1 million for the fiscal year ended December 31, 2003 (\$0.4 million as monitoring fees and \$0.7 million as a bonus to certain directors and officers). None of the work conducted by the Board of Directors was conducted in Argentina.

We have no funds set aside or accrued to provide pension, retirement or similar benefits for our directors or officers.

### C. BOARD PRACTICES

As provided in our Memorandum and Articles of Association and the International Business Companies Act, 1986, each director elected holds office until a successor is elected or until his earlier death, resignation or removal. Officers are elected from time to time by vote of the respective board of directors and hold office until a successor is elected. The Board of Directors have not appointed an audit or a compensation committee. The Company's full board performs the functions of the audit and the compensation committee.

### D. EMPLOYEES

As of December 31, 2003, we employed approximately 322 employees, consisting of 17 shore-based personnel and 305 seagoing employees were employed through our managers. At December 31, 2002, we employed approximately 420 employees, consisting of 16 shore-based personnel and 404 seagoing employees were employed through our managers and at the year end 2001, we employed approximately 430 employees consisting of 15 shore-based personnel and 415 seagoing employees were employed through our managers. The crew on board our vessels is employed through Ravenscroft Ship Management Ltd., Bahamas and through various manning agents depending on the nationality as listed below:

Indian crew	Orient Ship Management & Manning Pvt., Ltd., Mumbai, India.
Argentine crew	Technical Services S.A.
Filipino crew	C.F. Sharp Crew Management, Manila, Philippines
Ukrainian crew	South Star Ltd., Odessa, Ukraine
Romanian crew	Corona Shipping SRL, Constanta, Romania.

The crew is employed on contractual terms valid for a fixed duration of service on board the vessels. We ensure that all the crew employed on board our vessels have the requisite experience, qualifications & certification to comply with all international regulations and shipping conventions. Our training requirements for the crew exceed the statutory requirements. We have in force special programs such a performance related incentive bonus, which is paid to senior officers upon rejoining our ships. This ensures retention of qualified and competent staff within our fleet.

We always man our vessels above the safe manning requirements of the vessels' flag state in order to ensure proper maintenance and safe operation of the vessels. Our crew is employed under the standard collective bargaining agreements with the seafarers' union in the respective countries.

### E. SHARE OWNERSHIP

DIRECTOR OR OFFICER

SHARES



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Felipe Menendez R. (1)	1,138,443
Ricardo Menendez R. (1)	1,138,443

(1) Reflects shares beneficially owned by Inversiones Los Avellanos S.A., as set forth below in Item 7.--Major Shareholders and Related Party Transactions.

### ITEM 7 - MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

#### A. MAJOR SHAREHOLDERS

The following table sets forth certain information regarding the current ownership of our outstanding voting securities as of December 31, 2003 by each person known by us to be the beneficial owner of more than 5% of such securities and all the directors and senior management as a group.

Name -----	Number of Common Shares -----	Percent of Class -----
Solimar Holdings Ltd. (1) .....	996,008	46.7%
Inversiones Los Avellanos S.A. (2) .....	1,138,443	53.3%
All directors and senior management as a group (2)	1,138,443	53.3%

- 
- (1) Solimar Holdings Ltd. is a wholly-owned subsidiary of AIG-GE Capital Latin American Infrastructure Fund L.P., a Bermuda limited partnership.
  - (2) In respect of 601,299 held directly by Inversiones Los Avellanos S.A. and 537,144 held by Avemar Holdings (Bahamas) Limited, the full voting power of which has been granted to Inversiones Los Avellanos S.A. by irrevocable proxy. Inversiones Los Avellanos S.A. is controlled by members of the Menendez family, including our directors Felipe Menendez R. and Ricardo Menendez R.

#### B. RELATED PARTY TRANSACTIONS

A significant part of the Company's revenue is derived from related parties' chartering activity, mainly from UABL (Bahamas) Limited ("UABL"), an affiliate and Maritima Sipsa, a new affiliate. We time charter our River Fleet to UABL, this charter represented in 2003 revenues of approximately \$10.2 million. For each of the years ended December 31, 2003, 2002 and 2001 the revenues derived from related parties amounted to approximately \$12.1 million, \$10.0 million and \$13.4 million. As of December 31, 2003 and 2002 the net balances of the accounts receivable and payables from affiliates resulting from such transactions were approximately \$3.5 million and \$8.1 million, respectively.

The respective owning/operating subsidiaries have contracted with Oceanmarine for certain administrative services. For these services, we pay Oceanmarine a monthly fee of \$9,000 per vessel. Pursuant to individual ship management agreements between Ravenscroft Bahamas and the Company's relevant vessel-owning subsidiaries, Ravenscroft Bahamas has agreed to provide certain ship management services for all of the Company's ocean vessels. Ravenscroft Bahamas has subcontracted the provision of these services to Ravenscroft Miami. For these services, we have agreed to pay Ravenscroft Miami a monthly fee of \$12,500 per vessel plus certain out-of-pocket expenses. In the case of our river barges chartered to UABL Limited we have contracted the shipmanagement responsibilities to Lonehort Inc an affiliate company of UABL. Pursuant to an agency agreement with Ultrapetrol S.A., I Shipping Services Argentina has agreed

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to perform the duties of port agent for the Company in Argentina. For these services, Ultrapetrol S.A. pays I. Shipping Services Argentina fees ranging from \$800 to \$1,875 per port call. Each of Ravenscroft Miami, Ravenscroft Bahamas, Oceanmarine and Inchcape Argentina are affiliates of the Company. We believe that the payments made to Ravenscroft Miami, Oceanmarine and I. Shipping Services Argentina reflect market rates for the services provided.

Under these agreements, these related parties are to provide all necessary services for the Company and its subsidiaries to operate, including but not limited to ship management services for its owned vessels, compensation of directors, accounting services, accommodations and other related services. Additionally, commissions and agency fees are paid to those related parties. For each of the years ended December 31, 2003, 2002 and 2001, management fees paid and/or accrued to related parties for such services amounted to approximately \$2.9 million, \$3.2 million and \$3.3 million, respectively.

Ravenscroft sometimes performs ship brokering services on behalf of the Company. We pay Ravenscroft Miami industry standard rates for such services when used. For the years ended December 31, 2003, 2002 and 2001, ship broker fees paid to and accrued for Ravenscroft. for such services amounted to \$0.43 million, \$0.15 million and \$0.27 million, respectively

Pursuant to an agency agreement with Ultrapetrol S.A., I. Shipping Service Argentina S.A. has agreed to perform the duties of port agent for the Company in Argentina. For each of the years ended December 31, 2003, 2002 and 2001 the amounts paid and/or accrued for such services amounted to \$0.1million, \$0.2 million and \$0.4 million respectively

Under agreements by the Company and ACBL Hidrovias Limited (Bermuda), wholly owned subsidiary of ACL, both companies lease certain vessels not contributed to UABL, to be operated together with the UABL fleet. Additionally, Lonehort S.A., a shipping agent wholly owned by UABL, bills ship management fees for the administration of the mentioned vessels. For the years ended December 31, 2003, 2002 and 2001, ship management fees paid to and accrued for Lonehort S.A. for such services amounted to \$ 6.7 million, \$6.6 million and \$7.3 million, respectively

Certain of our directors and senior management hold similar positions with affiliates. Felipe Menendez, who is our President, Chief Executive Officer and a Director, is a Director of Oceanmarine and Ravenscroft Miami. Ricardo Menendez, who is one of our Directors, is the President of Oceanmarine and Chairman of the Board of Directors of Ravenscroft and Leonard J. Hoskinson, who is one of our Directors, is General Manager and Director of Ravenscroft Miami. Felipe Menendez, Ricardo Menendez and James Martin are also Directors in UABL Limited for which company Felipe Menendez also serves as President and Chief Executive Officer. Although it is not their current intention to do so, in light of their positions with such entities, these officers and directors may experience conflicts of interest in selecting between our interests and those of Ravenscroft and Oceanmarine.

### C. INTERESTS OF EXPERTS AND COUNSEL

Not Applicable.

### ITEM 8 - FINANCIAL INFORMATION

#### A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

See Item 18.

#### B. SIGNIFICANT CHANGES

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Not Applicable.

### ITEM 9 - THE OFFER AND LISTING

No active market within or outside the United States exists for the equity securities of Ultrapetrol (Bahamas) Limited. Our equity securities have not been registered under the Securities Act of 1933.

As of the date of this report, there is no active trading market within or outside the United States for our Notes. The registration statement covering \$135,000,000 in aggregate principal amount of our 10.5 % First Preferred Ship Mortgage Notes due 2008 was declared effective by the Securities and Exchange Commission on September 11, 1998, and we then offered the registered notes in exchange for all of its transfer-restricted notes. The offer to exchange closed October 19, 1998 and all transfer-restricted notes were exchanged for registered notes.

### ITEM 10 - ADDITIONAL INFORMATION

#### A. SHARE CAPITAL

Not Applicable.

#### B. MEMORANDUM AND ARTICLES OF ASSOCIATION

The following summarizes certain provisions of the Company's Amended and Restated Memorandum and Articles of Association. This summary is qualified in its entirety by reference to the International Business Companies Act, 2000 and the Company's Amended and Restated Memorandum and Articles of Association. Information on where investors can obtain copies of the Memorandum and Articles of Association is described under the heading "Documents on Display" under this Item.

#### Objects and Purposes

The Company is incorporated in the Commonwealth of the Bahamas ("The Bahamas") under the name Ultrapetrol (Bahamas) Limited. The Registered Office of the Company is situated at H & J Corporate Services Ltd., Shirlaw House, 87 Shirley Street, P.O. Box SS-19084, Nassau, Bahamas. The Registered Agent of the Company is H & J Corporate Services Ltd., Shirlaw House, 87 Shirley Street, P.O. Box SS-19084, Nassau, Bahamas.

Clause 4 of the Company's Memorandum of Association provides that its objects include the carrying out of the management and exploitation of vessels of its own or third parties, as well as to act as representatives of other owners and ship owners or to engage in other related activities; the handling of maritime, fluvial and lacustrine transportation, domestic and international, of cargoes, correspondence and maritime works and services in general; the rendering of training services to personnel relative to sea navigation; the owning, hiring, and leasing vessels on time charter, bareboat charter, or under any other charter; to engage in the activities of transportation, transshipment and unloading operations and cargo complement; to develop loading, discharge and stowing operations; to render towage services; to act as ship brokers and/or freighters, to act as maritime agents and to represent vessels of its own or of third parties; to build vessels and naval appliances as well as to exploit public and private franchises of any kind, to participate in bids, to construct ports and also to operate them and represent third parties in any manner in the maritime business; to effect the purchase, sale, building, management and exploitation of real estates; and to execute all kinds of acts, representations, agencies, commissions, consignments, business activities, and management of properties, stocks and enterprises in general.

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### Directors

The business and affairs of the Company shall be managed by the directors. The Company shall pay to each director an annual fee of US\$75,000.00 which salary shall be paid out of the funds of the Company. Directors shall also be paid out of funds of the Company all expenses, including travelling expenses, properly incurred by them in connection with the business of the Company, as may be approved by resolution of directors and subject to any resolution of the shareholders. The Amended and Restated Memorandum and Articles of Association do not place a general prohibition on a director voting in respect of any agreement or transaction in which he has a financial interest other than by virtue of his interest in shares of the Company. To this extent, the Company is governed by the International Business Companies Act, 2000, which states that subject to any limitations in the Memorandum and Articles of Association and any unanimous shareholder agreement, no such agreement or transaction is void or voidable by reason that the director is present at the meeting of directors that approves the agreement or transaction or that the vote of the director is counted for that purpose. Such agreement or transaction is valid if the material facts of the director's interest in the agreement or transaction and his interest in or relationship to any other party to the agreement or transaction are disclosed in good faith or are known to the shareholders entitled to vote at a meeting of the shareholders and the agreement or transaction is approved or ratified by resolution of the shareholders. A director who has an interest in any particular business to be considered at a meeting of directors may be counted for the purpose of determining whether the meeting is duly constituted. A director need not be a member of the Company and no shareholding qualification shall be necessary to qualify a person as a director.

### Share Rights, Preferences, Restrictions

Subject to the rights of holders of shares entitled to special rights as to dividends, all dividends shall be declared and ranked *pari passu* to shareholders of record at the date of the declaration of the dividend; but no dividend shall be paid on those shares which are held by the Company as Treasury shares. Dividends shall only be paid out of the net profits of the Company and shall only be paid in cash. It is policy of the Company, unless the members decide otherwise, at the annual general meeting to distribute a dividend of at least thirty percent (30%) of the Company's net after-tax profit. But such distributions shall be subject to the restrictions, terms and conditions which may be imposed on the Company by lenders, bondholders or other financial institutions, and/or those limitations imposed by the contracts, agreements or other financial instruments, including any trust indenture into which the Company may have entered. Also before making distributions, the Company shall also make adequate reserves as the Board of Directors may deem necessary for the Company's commitments (even if after giving effect to such reserves the distribution would be lower than thirty per cent (30%)). The directors may, before recommending any dividend, set aside out of the profits of the Company such sum as they think proper as a reserve fund to meet contingencies, or for equalizing dividends, or for special dividends or bonuses, or for repairing, improving, maintaining any of the property of the Company, and for such other purposes as the directors shall in their absolute discretion think conducive to the interests of the Company. If several persons are registered as joint holders of any share, any of them may give effectual receipt for any dividend or other moneys payable in respect of the share.

Subject to certain voting requirements, the Company may alter or modify the conditions contained in the Articles and Memorandum of Association as originally prepared or as amended by resolution of the shareholders.

No business shall be transacted at any general meeting unless a quorum of members is present. A quorum shall consist of a shareholder or shareholders holding not less than sixty-five percent (65%) of the issued and outstanding

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shares entitled to vote, provided that for the period beginning on the date of the Shareholders Agreement and ending on the last Installment Date (both as defined in the Amended and Restated Articles of Association of the Company), the presence of Solimar Holdings LDC shall be required to constitute a quorum. Subject to certain voting requirements contained in Section 1.7 (c) and (e) of Article I and the exceptions thereto contained in Section 1.8 of Article I, any question presented to or action taken by the shareholders shall be approved or disapproved at a meeting at which a quorum shall be present and acting throughout in accordance with the votes of the shareholders holding a majority of the shares of Common Stock or other voting Capital Stock of the Company present at such meeting. At any general meeting of the shareholders unless a poll is demanded by a shareholder present in person or by proxy, a declaration by the Chairman of the meeting that a resolution has been carried and an entry to that effect in the book of proceedings of the shareholders shall be sufficient evidence of the fact, without proof of the number or proportion of the votes recorded in favor of or against such resolution. If a poll is demanded it shall be taken in such manner as the Chairman directs and the result of such poll shall be deemed to be the resolution of the shareholders. Notice of meetings of shareholders and other information or written statement required to be given to shareholders, shall be given by personal service, or sent by airmail, or by telex, telegram, telefax, cable or other electronic means at the discretion of the directors.

There are no limitations under the laws of The Bahamas on the rights of non-resident or foreign shareholders to hold or exercise voting rights.

### C. MATERIAL CONTRACTS

None.

### D. EXCHANGE CONTROLS

The Company is incorporated as an International Business Company ("IBC") in the Commonwealth of The Bahamas ("The Bahamas"). Under the International Business Companies Act 2000 ("the Act"), provided that the operations of the Company are conducted exclusively overseas, it is exempt from the Exchange Control Regulations Act and any regulations made thereunder. Accordingly, the import or export of capital and the remittance of dividends, interest or other payments to non-resident holders of the Company's securities will not require the prior approval of The Central Bank of The Bahamas ("the Central Bank"), other than in respect of local Bahamian currency. However, the prior approval of the Central Bank must be obtained in respect of operations of the Company which will not be exclusively overseas and likewise for the aforesaid transactions.

With regard to an IBC whose operations are exclusively overseas, the transfer of shares between non resident persons and the issuance of shares to or by such persons may be effected without specific consent under the Exchange Control Regulations Act and any regulations made thereunder. Issues and transfers of shares involving any person regarded as resident in The Bahamas for exchange control purposes require specific prior approval under the Exchange Control Regulations Act and any regulations made thereunder.

The Act states that all benefits accruing to an IBC registered in The Bahamas under the International Business Companies Act, 1989 ("the Old Act") shall not be affected by the Act. It is felt that this provision preserves the twenty year exemption granted to the Company from the date of incorporation under the Old Act in respect of, inter alia, stamp duty, corporation tax and business license fees. There is a tax information exchange agreement between the United States and The Bahamas which comes into effect in relation to criminal tax matters for the taxable period commencing in January 2004 and in relation to civil matters for the taxable period commencing in January 2006. Expressly, that arrangement cannot be used by the United States in relation to persons that do

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not have U.S. tax liability. Further, there are anti third party provisions, meaning that the US cannot share this information with any other country or its agents or employees.

### E. TAXATION

We have been advised by our Argentinean counsel, Perez Alati, Grondona, Benites, Arnsten & Martinez de Hoz, that there is some uncertainty under Argentinean law as to whether payments of interest by Ultrapetrol S.A., our Argentinean subsidiary, under its guarantee of our Notes, may be subjected to Argentinean income tax withholding. Perez, Alati et al. have advised us that payments by Ultrapetrol S.A. made in respect of interest on our Notes might be subject to withholding imposed by Argentinean taxing authorities. They have advised us that the withholding determination would depend on whether the Argentinean taxing authorities view such guarantee payments as equivalent to loan interest payments.

Certain of our subsidiaries who are guarantors of our Notes are incorporated in Panama. We have been advised by our Panamanian counsel, Tapia, Linares y Alfaro, that there are no taxes or withholding provisions of any nature to which United States holders of our Notes are subject under the laws of Panama in respect of any payments that might be made by our Panamanian subsidiaries under their guarantees of our Notes.

We have been advised by our Bahamas counsel, Higgs & Johnson, that there are presently no tax or withholding provisions of the Commonwealth of The Bahamas to which any United States holders of our Notes would be subject.

There is currently no reciprocal tax treaty in force between the United States and any of Panama, the Bahamas or Argentina.

### F. DIVIDEND AND PAYING AGENTS

Not Applicable.

### G. STATEMENTS BY EXPERTS

Not Applicable.

### H. DOCUMENTS ON DISPLAY

The Company is subject to the informational requirements of the Securities and Exchange Act of 1934, as amended. In accordance with these requirements we file reports and other information with the Securities and Exchange Commission. These materials, including this annual report and the accompanying exhibits may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549 and at the Commission's Regional Offices at 233 Broadway, New York, New York 10048 and 500 West Madison Street, Suite 1400, Northwestern Atrium Center, Chicago, Illinois 60661. You may obtain information on the operation of the public reference room by calling 1 (800) SEC-0330, and you may obtain copies at prescribed rates from the Public Reference Section of the Commission at its principal office in Washington, D.C. 20549. The SEC maintains a website (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. In addition, documents referred to in this annual report may be inspected at the Company's headquarters at Eighty-Seven Shirley Street, Nassau, Bahamas.

### I. SUBSIDIARY INFORMATION

Not Applicable.

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### ITEM 11 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates, which may adversely affect our results of operations and financial condition. Our policy is not to use financial instruments for trading or other speculative purposes, and we are not a party to any leveraged financial instruments. A discussion of the fair value of financial instruments and our credit risk is included in Notes 2 and 10, respectively of the consolidated financial statements.

Exposure To Interest Rates. Short-term variable rate debt, comprised approximately \$7.1 million of our total debt as of December 31, 2003, including accrued interest. Long-term variable rate debt, comprised approximately \$17.0 million of our total debt as of December 31, 2003. Our variable rate debt had an average interest rate of approximately 2.98% as of December 31, 2003. A hypothetical 1.0% increase in interest rates on \$24.1 million of debt would cause our interest expense to increase on average approximately \$0.24 million per year over the term of the loans, with a corresponding decrease in income before taxes.

Historically, we have not used derivatives or other financial instruments to hedge the risk associated with the movement in foreign currencies. However, in November, 2003, UP Offshore (Bahamas) Limited, a subsidiary of the Company, has entered into a series of hedging contracts with AIG International Inc. in order to assure the EURO payments due under the shipbuilding contracts for the construction of two Plataform Supply Vessels (PSVs). Under this EURO forward foreign exchange contract, the subsidiary obligated to exchange predetermined amounts of EUROS at specified exchanges rates on specified dates or to make an equivalent US dollar payment equal to the value of such exchange.

The following table reflects the amounts of EUROS hedged and the corresponding exchange rates and settlement dates:

Nominal amount (US dollar)	Forward rate	Settlement date
1.431.022	1.14658 USD per Euro	March 25, 2004
1.431.022	1.14465 USD per Euro	May 28, 2004
1.431.022	1.14290 USD per Euro	July 30, 2004
1.431.022	1.14080 USD per Euro	October 28, 2004

### ITEM 12 - DESCRIPTION OF SECURITIES

Not Applicable.

## PART II

### ITEM 13 - DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not Applicable.

### ITEM 14 - MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not Applicable.

### ITEM 15 CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

Within the 90 days prior to the date of this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer, of the

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effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, the Chief Executive Officer concluded that the Company's disclosure controls and procedures are effective in alerting them timely to material information relating to the Company required to be included in the Company's periodic SEC filings.

### Changes in Internal Controls

There have been no significant changes in our internal controls or in other factors that could have significantly affected those controls subsequent to the date of our most recent evaluation of internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

### ITEM 16A AUDIT COMMITTEE FINANCIAL EXPERT

The Company's equity securities are not publicly traded, and its obligations and duties to Note holders are defined in the indenture to the Notes. Accordingly, the Company is not required to appoint an audit committee or select a financial expert. The Board of Directors does not believe that the role played by an audit committee as defined in the Sarbanes Oxley Act, and other regulations in force is applicable to the Company at this time.

### ITEM 16B CODE OF ETHICS

The Company's equity securities are not publicly traded, and its obligations and duties to Note holders are defined in the indenture to the Notes. Accordingly, the Company has not adopted a business code of ethics because the Board of Directors does not believe that role played by a business code of ethics is applicable to the Company.

### ITEM 16C PRINCIPAL ACCOUNTANT FEES AND SERVICES

Pistrelli, Henry Martin y Asociados S.R.L. member of Ernst & Young Global is the independent accounting firm that audits the financial statements of the Company and its subsidiaries and is the principal accountant for the audit of the Company.

Aggregate fee for professional services rendered for the Company by Pistrelli, Henry Martin y Asociados S.R.L. in 2003 and 2002 were:

	2003	2002
Audit fee	\$0.194 million	\$0.147 million
Tax fee	\$0.008 million	\$0.005 million

Audit fees related to the audit services, consents and review of documents filed with the SEC. Audit - related fees relate primarily to the audits of the Company's financial statements and accounting research and consultation. Tax fees relate to transfer pricing analysis.

The Board of Directors pre-approves all audit, audit - related, and non audit services provided by the Company's independent auditor prior to the engagement of the independent auditor with respect to such services.

### ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PERSONS.

Name of purchaser: Avemar Holding (Bahamas) Limited

Date of the transaction: Oct 12, 2000



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- (a) Total number of shares purchased: 537.144
- (b) Average price paid per share: \$37,85 (Price with the related expenses to this transaction) bare price 37,65
- (c) Total number of Shares purchased as part of publicly announced plan or program: N/A
- (d) Maximum number (or approx. dollar value) of Shares that may be purchased under the plan or program: N/A

### PART III

#### ITEM 17 - FINANCIAL STATEMENTS

Not Applicable.

#### ITEM 18 - FINANCIAL STATEMENTS

The following financial statements listed below and set forth on pages F-1 through F-28, together with the auditors' report are filed as part of this annual report:

##### Index to Financial Statements of Ultrapetrol (Bahamas) Limited and Subsidiaries

Independent Auditors' Report (for year 2003 and 2002)	F-1
Independent Auditors' Report (for years 2001)	F-2
Consolidated Balance Sheets as of December 31, 2003 and 2002	F-3
Consolidated statements of operations for the years ended December 31, 2003, 2002 and 2001	F-4
Consolidated statements of changes in shareholders' equity for the years ended December 31, 2003, 2002 and 2001	F-5
Consolidated statements of cash flows for the years ended December 31, 2003, 2002 and 2001	F-6
Notes to consolidated financial statements for the years ended December 31, 2003, 2002 and 2001	F-7

##### Index to Financial Statements of U.A.B.L. Limited

Independent Auditors' Report (For year 2003 and 2002)	F-37
Independent Auditors' Report (for years 2001)	F-38
Consolidated balance sheets as of December 31, 2003 and 2002	F-39
Consolidated statements of operation for the year ended December 31, 2003, 2002 and 2001	F-40
Statements of changes in stockholders' equity for the year ended December 31, 2003, 2002 and 2001	F-41
Consolidated statements of cash flows for the year ended December 31, 2003, 2002 and 2001	F-42

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Notes to consolidated financial statements for the year  
ended December 31, 2003 2002 and 2001

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### REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of  
ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES:

We have audited the consolidated balance sheets of Ultrapetrol (Bahamas) Limited and its subsidiaries, as of December 31, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of Ultrapetrol (Bahamas) Limited and its subsidiaries as of December 31, 2001 and for the year then ended were audited by other auditors who have ceased operations as a foreign associated firm of the Securities and Exchange Commission Practice Section of the American Institute of Certified Public Accountants and whose reported dated April 30, 2002, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ultrapetrol (Bahamas) Limited and its subsidiaries as of December 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Buenos Aires, Argentina  
March 19, 2004

PISTRELLI, HENRY MARTIN Y ASOCIADOS S.R.L.  
Member of Ernst and Young Global

ENRIQUE C. GROTZ  
Partner

The following is a copy of the audit report previously issued by PISTRELLI, DIAZ Y ASOCIADOS (member of Andersen) in connection with Ultrapetrol (Bahamas) Limited's December 31, 2001 and 2000 financial statements. This audit report has not been reissued by PISTRELLI, DIAZ Y ASOCIADOS in connection with this filing on Form 20-F.

### REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of  
ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES:

We have audited the accompanying consolidated balance sheets of Ultrapetrol

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(Bahamas) Limited and its subsidiaries, a company incorporated under Bahamas legislation (the Company), as of December 31, 2001 and 2000, and the related consolidated statements of income (loss), changes in stockholders' equity and cash flows for the years ended December 31, 2001, 2000 and 1999. These statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the years ended December 31, 2001, 2000 and 1999, in accordance with generally accepted accounting principles in the United States of America.

Buenos Aires, Argentina  
April 30, 2002

PISTRELLI, DIAZ Y ASOCIADOS  
Member of Andersen

MARIANA FILAS  
Partner

### CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2003 AND 2002

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

	December 31,	
	2003	2002
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	8,248	4,724
Restricted cash	1,155	1,662
Investments	194	270
Accounts receivable, net of allowance for doubtful accounts of 1,142 and 810 in 2003 and 2002, respectively	5,734	7,644
Due from affiliates	9,357	13,246
Inventories	1,009	1,592
Prepaid expenses	2,574	3,299
Other receivables	4,624	6,816
	32,895	39,253
<b>NONCURRENT ASSETS</b>		
Dry dock	3,492	8,857
Other receivables	6,414	3,654
Property and equipment, net	120,803	134,797
Restricted cash	16,461	--

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Investment in affiliates	25,729	22,468
Other assets	2,367	4,517
	-----	-----
Total noncurrent assets	175,266	174,293
	-----	-----
Total assets	208,161	213,546
	=====	=====

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable and accrued expenses	4,991	5,029
Due to affiliates	1,655	268
Other financial debt	10,462	12,209
Other payables	371	734
	-----	-----
Total current liabilities	17,479	18,240
	-----	-----

NONCURRENT LIABILITIES

Long-term debt	128,341	135,000
Other financial debt, net of current portion	17,011	21,785
	-----	-----
Total noncurrent liabilities	145,352	156,785
	-----	-----
Total liabilities	162,831	175,025
	-----	-----

MINORITY INTEREST

16,716	3,432
-----	-----

MINORITY INTEREST SUBJECT TO PUT RIGHTS

4,821	--
-----	-----

SHAREHOLDERS' EQUITY

Common stock, \$.01 par value: authorized shares 2,134,451, issued and outstanding 2,109,239	21	21
Treasury stock	(20,332)	(20,332)
Additional paid-in capital	68,884	68,884
Accumulated deficit	(25,002)	(13,484)
Accumulated other comprehensive income	222	--
	-----	-----
Total shareholders' equity	23,793	35,089
	-----	-----
Total liabilities, minority interests and shareholders' equity	208,161	213,546
	=====	=====

See accompanying notes.

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001

(stated in thousands of U.S. dollars)

	Year ended December 31,		
	-----	-----	-----
	2003	2002	2001
	-----	-----	-----

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REVENUES

Freight revenues	26,379	24,551	70,952
Freight revenues from related parties	108	192	2,715
Hire revenues	36,617	38,601	26,843
Hire revenues from related parties	12,129	9,780	10,698
	-----	-----	-----
Total revenues	75,233	73,124	111,208
	-----	-----	-----

OPERATING EXPENSES (1)

Voyage expenses	(12,644)	(10,185)	(26,889)
Running costs	(28,659)	(27,397)	(33,615)
Amortization of dry dock	(7,232)	(8,839)	(7,246)
Depreciation of property and equipment	(15,335)	(15,968)	(16,197)
Management fees to related parties	(2,863)	(3,176)	(3,250)
Administrative expenses	(4,955)	(3,642)	(4,520)
Loss on involuntary conversion of Argentine receivables	--	(2,704)	--
	-----	-----	-----
Total operating expenses	(71,688)	(71,911)	(91,717)
	-----	-----	-----
Operating profit	3,545	1,213	19,491
	-----	-----	-----

OTHER INCOME (EXPENSES)

Interest expense	(16,207)	(16,763)	(17,698)
Financial gain on extinguishment of debt	1,782	--	--
Interest income	201	326	296
Investment in affiliates	3,140	(45)	(692)
Other net (expense) income	(2,461)	1,698	1,408
	-----	-----	-----
Total other expenses	(13,545)	(14,784)	(16,686)
	-----	-----	-----
(Loss) income before income taxes and minority interest	(10,000)	(13,571)	2,805
	-----	-----	-----
Income taxes	(185)	(150)	(390)
	-----	-----	-----
Minority interest	(1,333)	(132)	--
	-----	-----	-----
Net (loss) income	(11,518)	(13,853)	2,415
	=====	=====	=====

(1) In addition to management fees to related parties, operating expenses included 6,833, 7,669 and 7,778 in 2003, 2002, and 2001, respectively, related principally to ship management fees due to related parties.

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001

(stated in thousands of U.S. dollars)

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Balance	Common stock	Additional paid-in capital	Treasury stock	Accumulated other comprehensive income	Accum def
-----	-----	-----	-----	-----	-----
December 31, 2000	20	64,484	(20,223)	--	(2)
- Capital stock increase	1	5,295	--	--	
- Purchase of own shares	--	--	(109)	--	
- Notes receivables as increase in capital stock	(1)	(1,998)	--	--	
- Net income and comprehensive income	--	--	--	--	2
	-----	-----	-----	-----	-----
December 31, 2001	20	67,781	(20,332)	--	
- Capital stock increase	1	1,103	--	--	
- Net loss and comprehensive loss	--	--	--	--	(13)
	-----	-----	-----	-----	-----
December 31, 2002	21	68,884	(20,332)	--	(13)
	-----	-----	-----	-----	-----
Comprehensive loss:					
- Changes in value of derivatives	--	--	--	222	
- Net loss	--	--	--	--	(11)
Total comprehensive loss	--	--	--	--	
	-----	-----	-----	-----	-----
December 31, 2003	21	68,884	(20,332)	222	(25)
	=====	=====	=====	=====	=====

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001

(stated in thousands of U.S. dollars)

	Year ended December 31,		
	2003	2002	2001
	-----	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) income	(11,518)	(13,853)	2,
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation of property and equipment	15,335	15,968	16,
Amortization of dry dock expenses	7,232	8,839	7,
Note issuance expenses amortization	585	585	
Minority interest in equity of subsidiaries	1,333	132	

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Financial gain on extinguishment of debt	(1,782)	--	
Loss (gain) from sales of property and equipment	1,975	1,575	
Net loss (gain) from investment in affiliates	(3,140)	45	
Changes in assets and liabilities, net:			
(Increase) decrease in assets:			
Accounts receivables	1,910	3,320	7,
Due from affiliates	5,518	4,564	(12,
Inventories	583	(79)	
Prepaid expenses	725	495	1,
Other receivables	(568)	94	
Other assets	--	8	
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	1,404	(95)	(8,
Due to affiliates	1,387	(7,998)	8,
Other payables	(363)	558	
Other	(145)	237	
	-----	-----	-----
Net cash provided by operating activities	20,471	14,395	24,
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	(17,089)	(17,690)	(4,
Dry dock expenses	(3,580)	(6,005)	(10,
Proceeds from sales of property and equipment	16,134	1,867	2,
Decrease (increase) in loan to affiliate	(1,750)	480	(1,
Other	--	(80)	
	-----	-----	-----
Net cash used in investing activities	(6,285)	(21,428)	(14,
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES			
Minority interest in equity of subsidiaries	16,192	3,300	
Proceeds from financial debt	--	11,032	
Funds used in reacquisition of the Notes	(4,754)	--	
Repayment of financial debt	(4,946)	(3,320)	(5,
Capital contribution	--	1,104	3,
Increase in restricted cash	(15,954)	(1,662)	
Funds used in acquisition of treasury stock	(1,200)	(4,400)	(6,
Other	--	(169)	
	-----	-----	-----
Net cash provided by / (used in) financing activities	(10,662)	5,885	(9,
	-----	-----	-----
Net (decrease) increase in cash and cash equivalents	3,524	(1,148)	1,
Cash and cash equivalents at the beginning of year	4,724	5,872	4,
	-----	-----	-----
Cash and cash equivalents at the end of year	8,248	4,724	5,
	-----	-----	-----

See accompanying notes.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(stated in thousands of U.S. dollars, except otherwise indicated)

#### 1. CORPORATE ORGANIZATION AND CONSOLIDATED COMPANIES

Organization

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

The Company's operations consist of international and inland transportation of petroleum and dry-cargo products by vessels and barges owned by its subsidiaries. Revenues are generated through time and freight charters with related and unrelated clients.

On March 7, 2000 the Company signed an agreement to issue and sell newly issued voting common shares representing a total of up to 49.9% of its issued and outstanding capital stock to Solimar Holdings LDC "Solimar", a newly formed company owned jointly by WSUP investors LDC, an affiliate of WestSphere Capital, and AIG-GE Capital Latin American Infrastructure Fund L.P. (collectively the "investors") for up to 50,000.

On March 17, 2000 Solimar acquired the first tranche of 498,004 shares representing 50% of the total newly issued voting common shares to be sold under the stock sale agreement for a purchase price of 25,000, with net proceeds after issuance costs of 22,836.

The second tranche was acquired on June 16, 2000, through the issuance of 298,803 shares, under the mentioned agreement, for a price of 15,000, with net proceeds after issuance costs of 14,180.

On July 24, 2000, the last tranche was acquired for 10,000 consisting of 199,201 shares with net proceeds to the Company of 9,411.

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. As of December 31, 2003 and 2002 the outstanding payment was 894 and was shown as a reduction of shareholders' equity. The Company has an option to repurchases 25,212 of its shares for a total price of 894 from Inversiones Los Avellanos S.A. until July 31, 2004.

As of December 31, 2003 the shareholders of Ultrapetrol Bahamas are Solimar Holdings LDC, Inversiones Los Avellanos S.A. and Avemar Holdings (Bahamas), a wholly owned subsidiary of the Company (See Note 16), in the proportion of 46.66%, 28.17% and 25.17%, respectively. Since Avemar Holdings (Bahamas) granted an irrevocable proxy to Inversiones Los Avellanos S.A. in full for all of its voting powers related to its interest in the Company, as of December 31, 2003, Inversiones Los Avellanos S.A. held 53.30% of the Company's voting rights.

As of December 31, 2003, 2002 and 2001 the consolidated financial statements include the accounts of the Company and its subsidiaries described as follows:

Company	Origin	Percentage of shares held as of December	
		2003	2002
Princely International Finance Corp. ("Princely")	Panamanian	100%	100%
- General Venture Inc.	Panamanian	100%	-
- Regal International Investments S.A. ("Regal")	Panamanian	100%	100%



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- Bayham Investment S.A. ("Bayham")	Panamanian	100%	100%
- Draco Investment S.A. ("Draco")	Panamanian	100%	100%
- Cavalier Shipping Inc. ("Cavalier")	Panamanian	100%	100%
- Danube Maritime Inc. ("Danube")	Panamanian	100%	100%
- Baldwin Maritime Inc. ("Baldwin")	Panamanian	100%	100%
- Tipton Marine Inc. ("Tipton")	Panamanian	100%	100%
- Corporacion de Navegacion Mundial S.A. ("CorNaMuSA")	Chilean	100%	100%
- Parfina S.A. ("Parfina")	Paraguayan	50%	50%
- Panpetrol Shipping S.A. ("Panpetrol")	Panamanian	100%	100%
- Oceanview Maritime Inc. ("Oceanview")	Panamanian	100%	100%
- Ultrapetrol International S.A. ("Ultrapetrol International")	Panamanian	100%	100%
- Kingly Shipping Ltd. ("Kingly")	Bahamian	100%	100%
- Sovereign Maritime Ltd. ("Sovereign")	Bahamian	100%	100%
- Monarch Shipping Ltd. ("Monarch")	Bahamian	100%	100%
- Noble Shipping Ltd. ("Noble")	Bahamian	100%	100%
- Stately Shipping Ltd. ("Stately")	Bahamian	100%	100%
- Imperial Maritime Ltd.	Bahamian	100%	100%
- Imperial Maritime Ltd. (Bahamas) Inc.	Panamanian	100%	100%
- Oceanpar S.A. ("Oceanpar")	Paraguayan	1%	100%
- Ultrapetrol S.A.	Argentinean	7%	-
- Ultrapetrol de Venezuela C.A. ("Ultrapetrol Venezuela")	Venezuelan	100%	100%
Majestic Maritime Ltd. ("Majestic")	Bahamian	100%	100%
UP (River) Holding Ltd. ("Up River")	Bahamian	92,86%	100%
UP River Terminal (Panama) S.A.	Panamanian	100%	100%
Stanmore Shipping Inc. ("Stanmore")	Panamanian	100%	100%
Mansan S.A. ("Mansan")	Uruguayan	100%	100%
Kattegat Shipping Inc. ("Kattegat")	Panamanian	100%	100%
Avemar Holding (Bahamas) Ltd. ("Avemar")	Bahamian	100%	100%
Parkwood Commercial Corp. ("Parkwood")	Panamanian	100%	100%
Internationale Maritime S.A. ("Internationale Maritime")	Bahamian	100%	100%
Ultracape (Holdings) Ltd.	Bahamian	60%	60%
- Ultracape International S.A.	Panamanian	100%	100%
- Braddock Shipping Inc. ("Braddock")	Panamanian	100%	100%

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- Invermay Shipping Inc. ("Invermay")	Panamanian	100%	100%
- Palmerston Shipping Inc.	Panamanian	100%	100%
- Wallasey Shipping Inc. ("Wallasey")	Panamanian	100%	100%
UP Offshore (Bahamas) Ltd.	Bahamian	27,78%	27,78%
- UP Offshore Apoio Maritimo Ltda.	Brasilian	99,99%	99,99%
- UP Offshore Panama S.A.	Panamanian	100%	100%
- Packet Maritime Inc.	Panamanian	100%	100%
- Padow Shipping Inc.	Panamanian	100%	100%
- Pampero Navigation Inc.	Panamanian	100%	100%
- Pelorus Maritime Inc.	Panamanian	100%	100%
- Postgreve Shipping Inc.	Panamanian	100%	100%
- Primage Navigation	Panamanian	100%	100%
Massena Port S.A.	Uruguayan	100%	-
- Danpierre Holding Sapin S.L.	Spanish	100%	-
- Ultrapetrol S.A.	Argentinean	93%	-
- Parfina S.A.	Paraguayan	50%	-
- Oceanpar S.A.	Paraguayan	99%	-

### Events in Argentina

Beginning in 1991, the Argentine peso ("peso") was tied to the US dollar at a rate of one peso to one US dollar. As a result of economic instability and substantial withdrawals from the banking system, in early December 2001, the Argentine government instituted restrictions that prohibit foreign money transfers without Central Bank approval and only allow cash withdrawals from bank accounts for personal transactions in small amounts with certain limited exceptions. While the legal exchange rate remained at one peso to one US dollar, financial institutions were allowed to conduct only limited activity due to these controls, and currency exchange activity was effectively halted except for personal transactions in small amounts.

On January 6, 2002, the Argentine government abolished the one peso to one US dollar legal exchange rate. On January 9, 2002, Decree 71 created a dual exchange market whereby foreign trade transactions were conducted at an official exchange rate of 1.4 peso to one US dollar and other transactions were conducted in a free floating exchange market. On February 8, 2002, Decree 260 unified the dual exchange market and allowed the peso to float freely with the US dollar.

On February 3, 2002, Decree 214 required all contracts that were previously payable in US dollars to be payable in pesos. Pursuant to an emergency law passed on January 10, 2002, US dollar obligations between private parties due after January 6, 2002, were to be liquidated in pesos at a negotiated rate of exchange which reflects a sharing of the impact of the devaluation. The Company's settlements in pesos of the existing US dollar-denominated agreements were completed by June 30, 2002.

Absent the emergency law that was enacted on January 10, 2002, the devaluation of the peso would have had no effect on the Company's US dollar-denominated receivables at December 31, 2001. However, a 2,704 loss resulting from the involuntary conversion of certain receivables from U.S. dollars to pesos was recorded in 2002 and is reflected in "Loss on involuntary conversion of Argentine receivables" in the accompanying statement of operations.

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The majority of the previously mentioned Argentine subsidiary's revenues are denominated and collected in U.S. dollars. In addition, this subsidiary does not have financial loans denominated in pesos in Argentina. Accordingly, the above economic changes in Argentina did not significantly adversely affect the Company. The most significant impact related to the reduction of the US dollar equivalent value of the subsidiary's peso denominated operating expenses.

The total consolidated revenues in Argentina classified by port of charge was 7,023 for the year ended December 31, 2003.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### a) Basis of presentation and principles of consolidation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("US GAAP").

The consolidated financial statements include all entities for which the Company has control. Significant intercompany accounts and transactions have been eliminated in consolidation.

As discussed in Note 6 on March 30, 1998, Ultrapetrol Bahamas successfully completed its offering of 135,000 principal amount of its 10.5% First Preferred Ship Mortgage Notes due 2008 ("the Notes"). The balance sheet balances reflecting reciprocal receivables and payables between Ultrapetrol Bahamas and its subsidiary guarantors of the Notes originating from the allocation of the proceeds of the issuance have been eliminated. Furthermore, the income (loss) originating in transactions reflecting interest expense between Ultrapetrol Bahamas and its subsidiary guarantors have been eliminated. As only certain of the Company's subsidiaries guarantee the Notes summary financial information of the guarantor subsidiaries is presented. See Note 18.

#### b) Foreign currency remeasurement

The Company uses the U.S. dollar as its functional currency. The majority of the Company's sales are billed and collected in U.S. dollars and all financing is in U.S. dollars.

All monetary assets and liabilities not denominated in U.S. dollars have been remeasured into U.S. dollars using the exchange rates in effect at the balance sheet date. Operations statement amounts have been translated using the average exchange rate for each month. Gains or losses resulting from foreign currency measurements are included in the operations statement for the same year.

#### c) Receivables and payables

These accounts are recorded and carried at nominal value. Receivables and payables include the portion of the respective financial income, expense accrued as of year-end.

#### d) Accounts receivable, net of allowance for doubtful accounts

Receivables are recorded and carried at face value less allowances for uncollectible accounts estimated by the Company, in order to write them down to estimated realizable values.

#### e) Allowance for doubtful account

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Changes in the allowance for doubtful accounts for the years ended December 31, 2003, 2002 and 2001 are as follows:

	2003	2002	2001
	-----	-----	-----
Balance at January 1,	810	540	700
Provision	882	322	200
Amounts written off	(550)	(52)	(360)
	-----	-----	-----
Balance at December 31,	1,142	810	540
	=====	=====	=====

f) Inventories

This account represents fuel and lubricants which were accounted for at the lower of cost or market.

g) Prepaid expenses

This account includes prepaid insurance, administrative vessel fees paid in advance and advances to suppliers.

h) Dry dock

The Company is required, under various shipping regulations, to perform periodic overhaul activities, generally every 30 months. The Company capitalizes such costs and amortizes the asset through the next expected dry dock date, which reflects the investment nature of this cost. This account is classified as noncurrent based on the aforementioned useful life estimate.

i) Property and equipment, net

Property and equipment, which is principally comprised of ocean-going vessels and river barges, is stated at cost less accumulated depreciation. This cost includes the purchase price and all directly attributable costs for the asset to be in working condition. Maintenance and repair costs, other than dry dock costs discussed above, are expensed as incurred. The ocean-going vessels are considered to have useful lives of 24 years from the date on which they were built. The depreciation amount is calculated net from the estimated scrap value and is recorded by the straight-line method over the estimated useful lives of the related assets.

The river barges are considered to have useful lives of 35 years from the date on which they were built. The depreciation amount is calculated net from the scrap value of the barge convoy.

The furniture is considered to have useful lives of 10 years and the software 3 years. The depreciation amount is recorded by the straight-line method over the estimated useful lives of the related assets.

Long-lived assets are reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets", whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the

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asset, a loss is recognized for the difference between the fair value and carrying value of the asset.

j) Investment in affiliates

This account includes the Company's 50% interest in UABL Limited ("UABL"), net of the deferred gain explained in note 3.a), 50% interest in UABL Terminals as discussed in Note 3 and 49% interest in Sipsa Maritima S.A. These investments are accounted for by the equity method.

k) Other assets

This account includes notes-issuance expenses net of amortization costs and is being amortized over the note's term (10 years).

l) Other payables

This account mainly includes salaries, social security payables, taxes payables and advances from customers.

m) Revenue recognition

Revenues are recognized daily as earned from freight and hire charters over the period of the respective agreements.

n) Use of estimates

The preparation of the consolidated financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect reported amounts in the consolidated financial statements and accompanying notes. Actual results could differ from those estimated.

o) Cash and cash equivalents

Cash and cash equivalents include highly-liquid, temporary cash investments with original maturities of three months or less when purchased.

p) Fair value of financial instruments

In accordance with Statement of Financial Accounting Standards (SFAS) N(degree) 107 "Disclosures about Fair Value of Financial Instruments", the fair value of the Company's assets and liabilities considered to be financial instruments have been valued at the discounted amount of future cash flows at market interest rates current available to the Company for credits/loans with similar terms.

The fair value of EURO hedging contract is the amount at which they could be settled, based on quoted market prices.

The book value and estimated fair values of the Company's financial instruments are as follows:

	Book value	Fair value
	-----	-----
2003	2002	2003
-----	-----	-----

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Assets:

Windsor Financial Services Inc. note receivable (Note 12)	1,234	2,134	1,234
Forward contract	606	--	606

Liabilities (Note 6.e):

Notes	131,708	138,544	93,200
Allfirst Bank (principal plus accrued interest)	7,500	8,700	7,500
Allfirst Bank (principal plus accrued interest)	2,000	2,000	2,000
Allfirst Bank (principal plus accrued interest)	--	1,000	--
Allfirst Bank (principal plus accrued interest)	250	250	250
Nedship Bank (principal plus accrued interest)	5,005	6,019	5,005
SII	--	1,348	--
Credit Agricole Indosuez (principal plus accrued interest)	9,351	11,133	9,351

The fair value of the Company's other financial instruments, including its cash and cash equivalents, approximates carrying value because of the short maturity of those instruments.

q) Comprehensive income:

According to SFAS No. 130, the Company is required to disclose separately the changes in shareholders' equity, other than net income (loss) and transactions with shareholders, defined as other comprehensive income. Comprehensive (loss) income for the years ended December 31, 2003, 2002 and 2001 consists of net (loss) income and changes in value of derivatives. Comprehensive (loss) income is reflected in the consolidated statements of changes in shareholders' equity.

r) Recent pronouncements:

In January 2003, the FASB issued FASB Interpretation N(degree) 46, consolidation of variable interest entities, an interpretation of ARB N(degree) 51 ("FIN 46") requires certain variable interest entities to be consolidated by the primary beneficiary of the variable interest entity. The primary beneficiary is defined as the party which, as a result of holding its variable interest, absorbs a majority of the entity's expected losses, receives a majority of its expected residual returns, or both, FIN 46 is effective for all new variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period ending after March 15, 2004. The company has determined that the adoption of FIN 46 will not have a significant impact on its financial position, results of operations or cash flows.

s) Financial instruments

The Company sometimes uses EURO forward foreign exchange contracts to reduce its exposure to foreign currency risk from its purchases in EUROS. A EURO forward foreign exchange contract obligates the Company to exchange predetermined amounts of EUROS at specified exchange rates on specified dates or to make an equivalent U.S. dollar payment equal to the value of such exchange.

Financial Accounting Standards Board Statement N(degree) 133, Accounting for Derivative Instruments and Hedging Activities (Statement 133), requires companies to recognize all of its derivative

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instruments as either assets or liabilities in the statement of financial position at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship.

For derivate instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivate instrument is reported as a component of other comprehensive income and reclassified into earnings in the same line item associate with the forecasted transaction in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item, if any, is recognized in other income/expense in current earnings during the period of change.

t) Other net (expense) income

For the years ended December 31, 2003, 2002 and 2001 this account includes:

	2003	2002	2001
	-----	-----	-----
Loss on property, plant and equipment sold	(3,686)	(1,549)	(92)
Other (expenses)	(337)	(69)	(190)
Claims against insurance companies	1,562	3,316	1,690
	-----	-----	-----
	(2,461)	1,698	1,408
	=====	=====	=====

### 3. NEW OPERATIONS AND ORGANIZATION OF NEW SUBSIDIARIES

a) UABL Limited joint venture

On October 18, 2000 UP River Holdings Ltd., a subsidiary of the company, signed an agreement with ACBL Hidrovias Ltd. (ACBLH), a subsidiary of American Commercial Lines LLC ("ACL") to form a new company, UABL Ltd. ("UABL"), to serve commodity shippers in Argentina, Bolivia, Brazil, Paraguay and Uruguay. The transaction consummated pursuant to the agreement, which closed on October 24, 2000, included, among other things, the contribution of the stock of UP River and its subsidiaries equipment which included many of the Company's barges and tugboats, and cash contributions of 1,712. Additionally, certain time charter contracts involving some vessels not contributed by the Company's subsidiaries were ceded to UABL.

The book value of the contributions made by the Company and the ones made by ACL's subsidiaries differed by 12,202. This amount represents a deferred gain and was recorded by the Company as an offset against the investment in affiliates account. The amount is being amortized over 120 months, which represents the remaining average useful life of the barges and tugboats contributed by the Company. As of December 31, 2003 and 2002 the unamortized deferred gain totaled 8,338 and 9,550, respectively.

UABL shall not be obligated or become liable for any obligation or

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liability, known or unknown, fixed, contingent or otherwise of ACBLH or ACBLH SA (at present called UABL SA) a company contributed by ACBLH or arising prior to October 24, 2000 in connection with any ACBLH vessel, or any vessel chartered to UABL pursuant to an ACBLH charter in connection with or arising out of or resulting from events occurring prior to that date, without limitation, any liability arising in connection with any ACBLH environmental liabilities, ACBLH legal violations, ACBLH litigation, ACBLH employee claims, ACBLH loan agreements or other indebtedness, any tax, or any other liabilities, obligations, or exception to any representation or warranty. UABL shall not assume and ACBLH shall fully indemnify UABL against such liabilities.

During 2000, the tax authority served a notice to ACBLH S.A. (at present called UABL SA) with the purpose of verifying the latter's compliance with the transfer pricing regulations for transactions with related companies for the period prior to the formation of UABL SA, i.e. during 1996, 1997, 1998 and 1999, among other things.

In light of the above, during 2001 UABL SA amended its income tax returns for the above-mentioned years charging a loss of 3,292 to the consolidated statement of operation of UABL SA (consisting of a tax loss of 2,270, interest expense for 1,487 and a gain on the sale of government bonds of 465). In compliance with the contract provision described above, ACBLH compensated UABL SA in the amount of 3,119 causing a net decrease of 173, in the shareholders net worth.

In addition, pursuant to the mentioned consolidation agreement, all claims, severance benefits, costs, and other expenses, social security taxes, charges and contributions and other costs incurred by ACBLH SA (at present called UABL SA) or UP River, or subsidiary of UP River, in connection with an employee employed by UABL SA and subsequently terminated by UABL SA shall be paid by UABL SA to, or on behalf of ACBLH or UP, as the case may be provided, that the maximum amount that UABL SA shall be required to pay to or behalf of the parent companies in respect of any of the mentioned costs, in the aggregate, shall be 1,800. ACBLH and UP agreed to fully indemnify UABL SA against such liabilities over the mentioned amount.

During 2002 UP River Terminal and ACBLH, the shareholders of UABL, decided to spin-off UABL'S equity interest in OTS S.A. and Puertos del Sur S.A. to UABL Terminals which is owned by UP River Terminal and ACBLH. Accordingly, since the transaction was between entities under common ownership, the transaction was accounted for at historical cost and no gain or loss was recognized.

### b) UP Offshore (Bahamas) Ltd. and its subsidiaries

On April 18, 2002, the Company entered into agreements with AIG/GE Capital Latin Infrastructure Fund LP, a Bermuda Limited Partnership, ("LAIF") relating to the creation of two new companies in which both Ultrapetrol and LAIF will be shareholders.

On June 11, 2003 UP Offshore (Panama), a wholly owned subsidiary of UP Offshore (Bahamas), signed a shipbuilding contract with the Foreign Economic & Technical Cooperation Co. of Changjiang National Shipping Group -a non-related party- for construction of two Platform Supply Vessels ("PSVs").

The main conditions of the contracts are as follow:



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- The purchase price of the vessels is EURO 6,439,599 plus USD 7,870,621 per each one.
- The contract price shall be paid in five installments. The first one on July 21, 2003 and the last one with the delivery of the vessels.
- The first vessel shall be delivery safety afloat by the seller to UP Offshore (Panama) at Nanjing, China on February 28th, 2005 and the second one on March 31st, 2005.

On June 9, 2003 UP Offshore Apcio Maritimo Ltda., a wholly owned subsidiary of UP Offshore (Bahamas), signed shipbuilding contracts for construction of four PSVs with EISA Estaleiro Ilha S/A -a non-related party and a Brazilian corporation-.

The main conditions of the contracts are as follows:

- The purchase price of the vessels is 15,830 per each one.
- The contract price shall be paid monthly, according to the percentage reached by the seller on the progress of the ship construction for the referred month.
- The PSVs will be delivered to the Company at a safe berth always afloat at the shipyard within 22 (twenty-two), 28 (twenty-eight), 34 (thirty-four) and 48 (forty-eight) months after the date of signature of the contract, respectively.

In 2003 the Company contributed 4,375 and has a 27.78% interest in UP Offshore (Bahamas).

On June 25, 2003 the Company signed an administration agreement with UP Offshore (Bahamas) Ltd.

Under this agreement Ultrapetrol (Bahamas) Ltd agrees to assist the UP Offshore (Bahamas) Ltd by providing management services required by the UP Offshore (Bahamas) Ltd in its star-up phase, including providing the services of the Chief Executive Officer and to provide ongoing management and commercial advisory services thereafter.

The parties agree that Ultrapetrol (Bahamas) Ltd's professional fees under this agreement shall be the 2% of the UP Offshore (Bahamas) Ltd.'s annual EBITDA.

Ultrapetrol's services in connection with the agreement shall begin on June 25, 2003 and unless earlier terminated end on December 31, 2013.

### c) Ultracape (Holdings) Ltd. and its subsidiaries

Ultracape (Holdings) Ltd., has the objective of purchasing second hand modern capsized bulkcarriers to operate in the international market.

As of December 31, 2003 the Company contributed 4,950 and has a 60% stake in Ultracape.

On April 19, 2002 Ultracape entered into a Memorandum of Agreement to purchase the vessel Vasco Da Gama (renamed Cape Pampas). On July 1, 2002 we completed the purchase of the Cape Pampas.

### d) UP River (Holdings) Ltd.

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On June 10, 2003, the Company sold to the International Finance Corporation (IFC) 357 common shares of UP River (Holdings) Ltd., which constitute 7,14% of the issued and outstanding common shares of UP River (Holdings) Ltd.

Also, the Company agreed to pay to the IFC, promptly after receipt of charter party payments for amounts accruing after the closing of the transaction pursuant to the Charter Party Agreements dated October 18 and 24, 2000 between Ultrapetrol and UABL and any replacements or renewals thereof (such payment, the "Charter Party Payments"), an amount equal of the 7,14% of the amount of the respective Charter Party Payments.

In full consideration for (a) the sale of the shares, and (b) the right to receive a portion of the Charter Party Payments, the IFC paid to the Company 5 million U.S. dollars.

During the period beginning on December 31, 2009 and ending on December 31, 2010 the IFC will be exercise its option to put all of the shares of UP River (Holdings) Ltd. then owned by it to UP River (Holdings) Ltd. for an amount in cash equal to 5 million U.S. dollars minus the amount of any cash received by IFC in respect of ownership of such shares (whether by dividend, proceeds from Charter Party Payments or otherwise) plus interest thereon, compounded annually calculated as a rate equal to LIBOR plus 200 basic points.

Also, Ultrapetrol shall have the right, exercisable from time to time to purchase from the IFC all of the shares of UP River (Holdings) Ltd then owned by IFC. The purchase price for the shares to be purchased, which shall be an amount sufficient to result in a realized IRR to the IFC on such shares equal to 18% per annum.

As of December 31, 2003, the Company recorded 4,821 as a "Minority interest subject to put rights", which is the initial proceeds received by the IFC plus accrued interest less Charter Party Payments made to the IFC.

#### 4. DRY DOCK

The capitalized amounts in dry dock as of December 31, 2003 and 2002 are as follows:

	2003	2002
	-----	-----
Original book value	18,997	33,909
Accumulated depreciation	15,505	25,052
	-----	-----
Net book value	3,492	8,857
	=====	=====

#### 5. PROPERTY AND EQUIPMENT, NET

In June, 2000, the Company completed the purchase of the Princess Katherine, a Suezmax tanker, and the Princess Marina, an Aframax tanker, by Majestic and Kattegat, respectively, two wholly owned subsidiaries. The total amount of the acquisitions, totaling 36,379, were financed partially by two mortgage loans with Allfirst Bank and Nedship Bank.

As of December 31, 2003 this debt totaled 12,505 (including the current portion of 2,205) and is due in the following years succeeding December 31,

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2003: 2,205 in 2004, 2,200 in 2005 and 2006 and 5,900 in 2007. As of December 31, 2003 the net book value of these assets was 27,323 (including dry dock costs).

On July, 2002, the Company purchased the Cape Pampas, a second hand capsized bulk carrier through its subsidiary, Braddock. The amount of the acquisition was financed partially by a mortgage loan agreement with Credit Agricole Indosuez.

As of December 31, 2003 this debt totaled 9,351 (including the current portion of 2,640) and is due in the following years succeeding December 31, 2003: 2,640 in 2004, 2,574 in 2005, and 4,137 in 2006. As of December 31, 2003 the net book value of this asset was 15,748 (including dry dock costs).

On August 26, 2002, the Company entered into a Memorandum of Agreement ("MOA") through which it committed to sell its vessel Princess Fatima, to an unrelated company for 1,867, net of associated expenses. On September 19, 2002 the Company delivered the Princess Fatima pursuant to the MOA and received the purchase price. The Company recognized a loss of 1,549 in the statements of operations for the year ended December 31, 2002 for this disposal.

The proceeds from the sale of the Princess Fatima Vessel were deposited in a restricted cash account and can only be used to buy another vessel to guarantee the Notes. Subsequently, the Princess Sofia was bought with part of these proceeds.

On March 11, 2003 the Company entered into a MOA to sell the Princess Sofia for a total price of 2,300. The vessel was delivered to its new owners on April 25, 2003. The Company recognized a gain of 18 in the statements of operations for the year ended December 31, 2003 for this disposal.

On May 22, 2003 the Company entered into a MOA to sell the Princess Veronica for a total price of 1,965. The vessel was delivered to its new owners on June 5, 2003. The Company recognized a loss of 147 in the statements of operations for the year ended December 31, 2003 for this disposal.

On August 11, 2003 the Company entered into a MOA to sell the Alianza G1 for a total price of 2,558. The vessel was delivered to its new owner on September 17, 2003. The Company recognized a gain of 122 in the statements of operations for the year ended December 31, 2003 for this disposal.

Subsequently, from September to October 2003 a wholly owned subsidiary of Ultrapetrol, purchased 20 barges, which were renamed Iguazu Barges. The amount of the acquisition was 2,775, 974 of this amount was financed with the funds included in the restricted cash account disclosed in noncurrent assets.

On September 23, 2003 the Company entered into a MOA to sell the Princess Pia for a total price of 2,918. The vessel was delivered to its new owner on October 24, 2003. The Company recognized a loss of 1,470 in the statements of operations for the year ended December 31, 2003 for this disposal.

On December 1, 2003 the Company entered into a MOA to sell the Princess Marisol for a total price of 4,950. The vessel was delivered to its new owner on December 9, 2003. The Company recognized a loss of 499 in the statements of operations for the year ended December 31, 2003 for this disposal.

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On December 12, 2003, the Company entered into a MOA to sell the Princess Laura. The vessel was delivered to its new owners on January 9, 2004. This decision was based on managements assessment of the projected cost associated with the vessel's next drydocking which were scheduled to occur during 2004 and the estimated operating revenue for the vessel over its remaining operating live. A charge of 1,710 was recorded during the year ended December 31, 2003 that represents the difference between the vessel's book value and the estimated proceeds from their anticipated sale.

As of December 31, 2003, 16,461 corresponding to the proceeds from the sale of the vessels mentioned above 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.

The capitalized cost of all vessels and the related accumulated depreciation as of December 31, 2003 and 2002 is as follows:

	2003	2002
	-----	-----
	Original book value	
	-----	-----
Ocean-going vessels	155,870	195,821
River barges	24,567	21,792
River tugboats	303	303
Furniture and fixture tugboat	106	101
Advanced to PP&E vendors	14,309	--
	-----	-----
Total original book value	195,155	218,017
Accumulated depreciation	(74,352)	(83,220)
	-----	-----
Net book value	120,803	134,797
	=====	=====

As of December 31, 2003 the net book value of the assets pledged as a guarantee to the Notes was 57,519 (including dry dock costs).

### 6. LONG-TERM DEBT AND OTHER FINANCIAL DEBT

#### a) 10.5% First Preferred Ship Mortgage Notes due 2008

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.

The Company is required to meet certain restrictions and enforce such restrictions on its subsidiaries guarantying the Notes ("restricted subsidiaries"), during the life of the Notes under the contract:

- Limitation on indebtedness, unless the consolidated debt service coverage ratio exceeds 2.0 to 1.0, and certain conditions included in the indenture are met.
- Limitation on indebtedness and preferred stock of restricted subsidiaries, except for certain clauses specified in the

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indenture.

- Limitation on the restricted payment of any dividends or any other distribution of any sort in respect of the Company's or any of its restricted subsidiaries' capital stock, if at the time of the distribution the Company has incurred any event of default, unless certain clauses stated in the indenture are met.
- Limitation on restrictions on distributions by restricted subsidiaries, on the ability of any restricted subsidiary to pay dividends or make any other distributions of capital stock to the Company or to any of its restricted subsidiaries, unless certain clauses specified in the indenture are met.
- Limitation on asset sales, provided certain conditions stated in the indenture are met.
- Limitation to engage in lines of business other than the shipping business.
- Limitation on affiliate transactions unless the terms on which the Notes were issued are complied with.
- Limitation on encumbrances of any nature whatsoever on any of the Company's properties.
- Limitation on sale or leaseback transactions with any Company property, unless certain conditions required in the indenture are met.
- Limitation on merger and consolidation of all or substantially all its assets, provided certain conditions stated in the indenture are met.
- Limitation on the occurrence of any of the events defined in the indenture as a change of control of the Company's common stock.

As of December 31, 2003 the Company was not in default in its compliance with any of the obligations defined in the indenture pursuant to which the Notes were issued.

Although Ultrapetrol Bahamas Limited, parent company, subscribed the Notes issue, the principal amount and related expense will be paid through funds obtained from the operations of the Company's subsidiaries.

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.

As of December 31, 2003 the aggregating outstanding amount related with the Notes was 128,341 and is due in full in 2008.

The Company recognized a gain of 1,782 (a gain of 1,975 for the excess of the net carrying amount over the reacquisition price less 70 for commissions and 123 for the unamortized deferred issuance expenses associated with these Notes) in the statement of operations for the year ended December 31, 2003 for the extinguishment of the debt and derecognized a liability for 6,659.

- b) Loan with the Credit Agricole Indosuez of up to 27,000

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On July 1, 2002 Braddock (the "Borrower") entered into a loan agreement with: (i) Credit Agricole Indosuez ("the Lender"), (ii) Credit Agricole Indosuez ("the Agent") as agent for and on behalf of the Lenders, itself and the Security Trustee (together the "Creditor Parties") and (iii) Credit Agricole Indosuez (the named "Security Trustee") for and on behalf of the Creditor Parties pursuant to which the Lenders available a loan (the "Loan") for a total amount of 11,032 for the purpose of financing part of the acquisition cost of the vessel "Vasco da Gama", that was renamed "Cape Pampas" a second hand capesize bulk carriers.

The loan is payable in 14 consecutive equal quarterly installments commencing 9 months after delivery down to a balloon amount which is repayable on the final fourteenth repayment date falling due 4 years from drawdown. This loan accrues interest at LIBOR plus a margin of 1.5% per year, payable quarterly.

- c) Loan with the International Finance Corporation of up to 18,400

On November 15, 2002, UP Offshore (Panama) SA entered into a loan agreement with International Finance Corporation ("IFC") pursuant to which IFC will make available a loan in the aggregate principal amount of up to 18,400, consisting of two loans: one of up to 13,100 and the other of up to 5,300 for the purpose of financing the building of two new platform supply vessels ("PSV") ("the Project").

The first loan is payable in 15 equal semiannually installments from June 2005 through June 2012. This loan accrues interest at LIBOR plus a margin of 2.75 % per year, payable semiannually.

The second loan is payable in 13 equal semiannually installments from June 2005 through June 2011. This loan shall accrue interest at LIBOR plus a margin of 2.50 % per year, payable semiannually.

UP Offshore (Panama) SA obligations under the loan are secured by:

- a first priority Panamanian naval mortgage over the Project PSV in favor of IFC to secure payment of amounts due to IFC;
- a corporate guarantee issued by UP Offshore (Bahamas) Ltd. to guarantee repayment of the loan and all amounts due by the borrower to IFC;
- a corporate guarantee issued by a wholly-owned subsidiary of the borrower that owns a Project PSV in favor of IFC to secure the obligations of the borrower;
- an account pledge creating security interest in the "earnings account" and the "debt service reserve account" for the benefit of IFC; and
- a pledge of all shares of the borrower owned and to be owned by UP Offshore (Bahamas) Ltd. during the life of the loan.

UP Offshore (Panama) SA has agreed not to pay dividend or make any distribution on its capital stock, incur expenditures for fixed or other noncurrent assets, except those included in the building of the PSV, sell, transfer, lease or somehow dispose of all or a substantial part of its assets, change the nature or scope of the project or change the nature of its business.

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Also UP Offshore (Panama) SA has agreed to maintain after Project completion occurs a long-term debt to equity ratio of no more than 2 and a debt service coverage ratio of at least 1.2 and to keep the fair market value of the PSV and of any additional security at 125% of the aggregate outstanding amount of the respective tranches.

As of December 31, 2003 no disbursements have been made.

d) Loan with the International Finance Corporation of up to 41,600

On December 3, 2002, UP Offshore Apoio Maritimo Ltda. entered into a loan agreement with IFC pursuant to which IFC will make available a loan in the aggregate principal amount of up to 41,600, consisting of two loans: one of up to 11,600 and the other of up to 30,000 for the purpose of financing the building of four new platform supply vessels ("PSV") ("the Project").

The first loan of 11,600 is divided into five tranches each, the first one to the fourth one are in the amount of 2,595 and the fifth tranche is in the amount of 1,220. The loan is payable in 100 monthly installments from January 2005 through April 2013, commencing on January 15, 2005 with an amount of 26, increasing to 35 on July 15, 2005, to 83 on January 15, 2006 and to 130 on July 15, 2006; the final installment is due on April 15, 2013 in the amount of 129. This loan shall accrue interest at LIBOR plus a margin of 4.75% per year, payable semiannually.

The second loan of 30,000 is divided into five tranches each, the first one to the fourth one are in the amount of 6,710 and the fifth tranche is in the amount of 3,160. The loan is payable in 88 monthly installments from January 2005 through April 2012, commencing on January 15, 2005 with an amount of 76, increasing to 158 on July 15, 2005, to 247 on January 15, 2006 and to 388 on July 15, 2006; the final installment is due on April 15, 2012 in the amount of 333. This loan shall accrue interest at LIBOR plus a margin of 4.50% per year, payable semiannually.

UP Offshore Apoio Maritimo Ltd.' obligations under the loan are secured by:

- a first-ranking preferred Brazilian naval mortgage over the relevant SPV for the benefit of IFC;
- a corporate guarantee issued by UP Offshore (Bahamas) Ltd. to guarantee payment of all amounts due to IFC in respect of the loan;
- an account pledge creating security interest in the "earnings account" for the benefit of IFC; and
- a pledge of all quotas of the borrower owned and to be owned by UP Offshore (Bahamas) Ltd. during the life of the loan.

UP Offshore Apoio Maritimo Ltd. has agreed not to pay dividends or make any distribution on its capital stock, incur expenditures for fixed or other noncurrent assets, except those included in the building of the PSV, sell, transfer, lease or somehow dispose of all or a substantial part of its assets, change the nature or scope of the project or change the nature of its business.

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Also UP Offshore Apoio Maritimo Ltd. has agreed to maintain after project completion occurs a long-term debt to equity ratio of no more than 1.8 and a debt service coverage ratio of at least 1.2 and to keep the fair market value of the PSV and of any additional security at 125% of the aggregate outstanding amount of the respective tranches.

As of December 31, 2003 no disbursements have been made.

- e) Balances of financial payables as of December 31, 2003 and 2002 are as follows:

	Financial institution / other	Agreement year	Nominal value	
			Current	Noncurrent
Total 2002			8,397	156,785
			=====	=====
Ultrapetrol Bahamas	Private Investors ("Notes")	1998	--	128,341
Majestic	Allfirst Bank	2000	1,200	6,300
Kattegat	Nedship Bank	2000	1,000	4,000
Majestic	Allfirst Bank	2001	2,000	--
Stanmore	Allfirst Bank	2000	250	--
Braddock	Credit Agricole Indosuez	2002	2,574	6,711
			-----	-----
Total 2003			7,024	145,352
			=====	=====

As of December 31, 2003 financial debt listed above, excluding the noncurrent portion of the Notes, totaled 27,473 (including the current portion of 10,462) and is due in the following years succeeding December 31, 2003: 10,462 in 2004, 4,774 in 2005, 6,337 in 2006 and 5,900 in 2007.

### 7. COMMITMENTS AND CONTINGENCIES

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



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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 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.

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 the Custom Authority of Campana.

In accordance with the aforementioned scenario, the Customs Authority of Bahia Blanca consider that Ultrapetrol S.A. was comprised 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.

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submitted an appeal with the Argentine Tax Court ("Tribunal Fiscal de la Nacion").

The main important 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 undue 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 by Ultrapetrol S.A.

Said appeal is nowadays 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 will have a material impact on its financial position or results of operations.

As of December 31, 2003, most of the Company and managers Company employees are covered by industry-wide collective bargaining agreements that set basic standards.

### 8. EURO HEDGING CONTRACT

On November, 2003 UP Offshore (Bahamas) Limited, a subsidiary of the Company, has entered into a series of hedging contracts with AIG International Inc. in order to assure the EURO payments due under the shipbuilding contract with the Foreign Economic & Technical Cooperation Co. for construction of two PSVs. Through this forward contract, the Company effectively converted its payments in EUROS to US dollars at a specific exchange rates.

Nominal amount (U.S. dollar)	Forward rate	Settlement date
-----	-----	-----
1.431.022	1.14658 USD per Euro	March 25, 2004
1.431.022	1.14465 USD per Euro	May 28, 2004
1.431.022	1.14290 USD per Euro	July 30, 2004
1.431.022	1.14080 USD per Euro	October 28, 2004

### 9. INCOME TAXES

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

Two of the Company's subsidiaries, Parfina and Oceanpar, are subject to Paraguayan corporate income taxes. However, Oceanpar obtained an exemption which includes ninety-five percent of their taxable income earned from their fuel and dry-cargo shipping operations for the years 2001 and 2002. In addition, another subsidiary is subject to Chilean corporate income taxes and Ultrapetrol Argentina is subject to Argentine corporate income taxes.

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

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Certain entities, defined as "Qualified Foreign Corporations", are exempt from United States of America ("U.S.") corporate income tax on U.S. source income from their international shipping operations, pursuant to Section 883 of the US tax code. A foreign corporation will be considered a Qualified Foreign Corporation if (i) its country of incorporation exempts shipping operations of U.S. persons from income tax (the "Incorporation Test"), (ii) it meets the "Ultimate Owner Test", and (iii) it files a US Federal income tax return (Form 1120F) to claim the Section 883 exemption. A foreign corporation meets the Ultimate Owner Test if (a) more than 50% of the value of its stocks is ultimately owned by individuals who are tax residents of one or more foreign countries that exempt U.S. persons from tax on shipping earnings ("Qualified Foreign Countries") and, (b) the scope of the exemption provided by such Qualified Foreign Countries is broad enough to cover the type of shipping income (e.g. freight income, time charter hire or bareboat charter hire) earned by the foreign corporation. For the years 2003, 2002 and 2001 Princely and Ultracape (Holdings) Ltd. satisfied the Incorporation Test because they are incorporated in Panama and Bahamas, respectively, which provide the required exemption to U.S. persons involved in shipping operations as confirmed by Revenue Ruling 2001-48. Each of Princely and Ultracape (Holdings) Ltd. also satisfied the Ultimate Owner Test, having obtained sufficient back-up documentation to evidence support its respective position that for the years 2003, 2002 and 2001 more than 50% of the value of its outstanding shares were ultimately owned by individuals who were residents of Qualified Foreign Countries in respect to the types of shipping income earned by Princely and Ultracape (Holdings) Ltd. for which exemption is being claimed. Consistent with prior years, Princely and Ultracape will file IRS Form 1120F for the year 2003 to claim the Section 883 exemption.

Based on the foregoing, the Company expects all of its income to be exempt from U.S. income taxes for 2003, 2002 and 2001.

Ultracape Bahamas accounts for income taxes under the liability method in accordance with SFAS N(degree) 109 "Accounting for Income Taxes".

Under this method, deferred tax assets and liabilities are established for temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities at each year end. Deferred tax assets are recognized for all temporary items and an offsetting valuation allowance is recorded to the extent that it is not more likely than not that the asset will be realized.

The provision for income taxes (which includes TOMPI) is comprised of:

	For the years ended December 31,		
	2003	2002	2001
Current expense	108	150	390
Deferred	77	--	--
	185	150	390
	=====	=====	=====

Reconciliation of tax provision to taxes calculated based on the statutory tax rates is as follows:

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	For the years ended December 31,		
	2003	2002	2001
Pre-tax (loss) income	(10,000)	(13,571)	2,805
Sources not subject to income tax (tax exempt income)	5,271	6,475	3,405
Argentine statutory tax rate	(4,729)	(7,096)	6,210
	35%	35%	35%
Tax (benefit) provision	(1,655)	(2,484)	2,174
(Decrease) increase in valuation allowance	(33)	(368)	(2,174)
Effects of foreign exchange changes related to Argentine subsidiary	1,873	2,887	--
Tax on minimum presumed income (T.O.M.P.I.)	--	115	390
Income tax provision	185	150	390

As of December 31, 2003, Ultrapetrol Argentina had a credit related to TOMPI of 274 which expires 58 in 2010, 93 in 2011 and 123 in 2012.

	As of December 31,	
	2003	2002
Deferred tax assets		
NOLs	--	345
TOMPI credit	274	425
Other, net	119	120
Total deferred assets	393	890
Deferred tax liabilities		
Property and equipment	339	369
Dry dock	131	488
Total deferred liabilities	470	857
Valuation allowance	--	(33)
Net deferred tax (liabilities)	(77)	--

10. RELATED PARTY TRANSACTIONS

As of December 31, 2003 and 2002, the balances of due from affiliates and certain prepayments made to related vendors such as Ravenscroft Shipping Inc., were as follows:

	As of December 31,	
	2003	2002
- Ravenscroft Shipping Inc.	3,966	5,112
- UABL and its subsidiaries	3,501	8,134
- Maritima Sipsa S.A	1,890	--

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	-----	-----
Due from affiliates	9,357	13,246
	=====	=====

As of December 31, 2003 and 2002 the balance of due to affiliates was as follows:

	As of December 31,	
	-----	-----
	2003	2002
	-----	-----
- UABL and its subsidiaries	1,550	80
- Oceanmarine	98	86
- Ravenscroft Shipping Inc.	--	88
- Other	7	14
	-----	-----
Due to affiliates	1,655	268
	=====	=====

For the years ended December 31, 2003, 2002 and 2001, the revenues derived from related parties were as follows:

	For the years ended		
	December 31,		
	-----	-----	-----
	2003	2002	2001
	-----	-----	-----
Freight revenues			
- UABL and its subsidiaries	108	192	2,715
	-----	-----	-----
	108	192	2,715
	=====	=====	=====
Hire revenues			
- UABL and its subsidiaries	10,176	9,780	10,698
- Maritima Sipsa S.A	1,953	--	--
	-----	-----	-----
	12,129	9,780	10,698
	=====	=====	=====

The Company through certain of its subsidiaries has contracted with Oceanmarine, a related party, for certain administrative services. This agreement stipulates a fee of 9 per month and per vessel. Pursuant to the individual ship management agreement between Ravenscroft Ship Management Ltd., a Bahamas Corporation ("Ravenscroft Bahamas"), and the Company's relevant vessel-owning subsidiaries, Ravenscroft Bahamas has agreed to provide certain ship management services for all of the Company's vessels. Ravenscroft Bahamas has subcontracted the provision of these services to Ravenscroft Shipping Inc., a Miami-based related party of the Company. This agreement stipulates a fee of 12.5 per month and per vessel.

Under these contracts, these related parties are to provide all that is necessary for such companies to operate, including but not limited to crewing, insurance, accounting and other required services. Additionally, commissions and agency fees are paid to those related parties.

For each of the years ended December 31, 2003, 2002 and 2001, management fees paid and/or accrued to related parties for such services amounted to 2,863, 3,176 and 3,250 respectively.

Additionally, during December 2003 the Company paid in advance some

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administrative fees for the year 2004 of about 453. As of December 31, 2003, such amount was recorded in Prepaid expenses.

Compensation paid to directors totaled 1,135, 1,135 and 1,100 during the years ended December 31, 2003, 2002 and 2001.

Under agreements by the Company and ACBL Hidrovias Limited (Bermuda), wholly owned subsidiary of ACL, both companies lease certain vessels not contributed to UABL, to be operated together with the UABL fleet. Additionally, Lonehort S.A., a shipping agent wholly owned by UABL, bills ship management fees for the administration of the mentioned vessels. For the years ended December 31, 2003, 2002 and 2001, ship management fees paid to and accrued for Lonehort S.A. for such services amounted to 6,691, 6,599 and 7,346, respectively.

The Company sold Venecia, a wholly owned subsidiary, to a related party, Windsor Financial Services Inc., at its book value with a remaining receivable balance of 1,234.

As of December 31, 2003 the Company had a loan of 950 to UABL that was recorded in Due from affiliates. During the years ended December 31, 2003 and 2002 the Company outsourced freight from UABL for 42 and 835, respectively. Besides the expense recovery from UABL totaled 906 and 543 for the years ended December 31, 2003 and 2002 and the administrative services fees to UABL totaled 348 and 348 during the years ended December 31, 2003 and 2002, respectively.

Pursuant to an agency agreement with Ultrapetrol S.A., I. Shipping Services S.A. has agreed to perform the duties of port agent for the Company in Argentina. For each of the years ended December 31, 2003, 2002 and 2001 the amounts paid and/or accrued for such services amounted to 100, 235 and 432, respectively.

### 11. MAJOR CUSTOMERS AND CONCENTRATIONS OF CREDIT RISK

#### a) Major customers

As of December 31, 2003 revenues from three customers of the Company represented 19,777, 10,248 and 9,136, respectively, of the Company's consolidated revenues.

As of December 31, 2002 revenues from four customers of the Company represented 29,631, 13,242, 9,972 and 5,943, respectively, of the Company's consolidated revenues.

As of December 31, 2001 revenues from four customers of the Company represented 25,053, 15,301, 13,894 and 11,343, respectively, of the Company's consolidated revenues.

#### b) Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents, restricted cash, investment, accounts receivable, due from affiliates and other receivables.

The financial institutions are located in Argentina, France and the United States and the Company's cash management policy is designed to limit exposure to any one institution. As of December 31, 2003 the Company's investment in HSBC was 101. Also the Company has restricted cash in Credit Agricole Indosuez for 1,147 and in All First Bank for 16,469.

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Concentrations of credit risk with respect to accounts receivable are limited due to the large number of entities comprising the Company's customer base and their credit rating. As of December 31, 2003 the Company's accounts receivables from four customers totaled 6,159 (including UABL and its subsidiaries for 2,551).

As of December 31, 2003 the Company's receivables from Windsor Financial Service Inc. amounted to 1,234.

The Company does not require collateral for this or other receivables.

### 12. OTHER RECEIVABLES

The breakdown of other receivables is the following:

	2003	2002
	-----	-----
Current		
Insurance claims recoverable	2,370	3,964
Tax recoverables	212	613
Windsor Financial Services Inc. note receivable	1,234	2,134
Other	808	105
	-----	-----
	4,624	6,816
	=====	=====
Noncurrent		
Insurance claims recoverable	6,414	3,654
	=====	=====

### 13. BUSINESS AND GEOGRAPHIC SEGMENT INFORMATION

The Company's operations include only one business segment. For such reason, as of December 31, 2003, 2002 and 2001, no additional business segment information is disclosed.

Ultrapetrol's vessels and river barges operate on a worldwide basis and are not restricted to specific locations. Accordingly, it is not possible to allocate the assets of these operations to specific countries. In addition, the Company does not manage its operating profit on a geographic basis.

Segment information, for the years ended December 31, 2003, 2002 and 2001, is as follows:

	For the years ended December 31,		
	2003	2002	2001
	-----	-----	-----
Revenues (1)			
- Argentina	7,023	27,493	53,595
- USA	21,507	--	--
- Paraguay	365	10,864	13,741
- Brazil	10,153	9,668	9,269
- South and Central America/Others	19,774	11,518	10,872
- Africa	--	2,844	14,410
- Asia	3,770	--	2,014

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- Europe	12,641	10,737	7,307
	-----	-----	-----
	75,233	73,124	111,208
	=====	=====	=====

(1) Classified by port of charge

14. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Interest and income taxes paid for the years ended December 31, 2003, 2002 and 2001 are as follows:

	For the years ended December 31,		
	2003	2002	2001
	-----	-----	-----
Interest paid	14,983	15,641	13,408
Income taxes paid	182	108	--

15. CLAIMS AGAINST INSURANCE COMPANIES

As of December 31, 2003 and 2002, the "Other receivables" account includes 8,784 and 7,618, respectively, related to claims against insurance companies. Claims for 6,500 have been made by the Company against the insurance companies regarding the repair expenses incurred to date for damage to some vessels in 2003.

On April 18, 2003, the Alianza G1 suffered an accident in her main engine while the vessel was in transit from Argentina to Chile. The vessel arrived in Talcahuano (Chile) and following the engine manufacturer recommendations proceeded to repair the engine. The vessel's crankshaft had been damaged and cracked but Sulzer considered that if cracks were only superficial the crankshaft could be repaired by grinding and polishing. Unfortunately, by May 30, 2003 the maximum allowance grinding of 7 mm had been completed and the crack continued. Further tests were carried out and it was determined that in one location the crack had a further depth of 12 mm. The engine manufacturers condemned the crankshaft and recommended that the vessel should replace the crankshaft by a new one in order to operate normally. This case resulted in total loss and the Company settled with its hull and machinery insurers for a total compensation of 1,900. As of December 31, 2003 the Company collected this amount.

The "Other net (expense) income" account for the year ended December 31, 2003, includes 1,562 related to claims for loss of income (business interruption) corresponding to the Alianza G-1, Princess Eva and Princess Pia.

The "Other net (expense) income" account for the year ended December 31, 2002, includes 1,760 related to claims for loss of income (business interruption) corresponding to the Alianza G-3, Princess Marisol, Princess Katherine and Princess Pia.

The "Other net (expense) income" account for the year ended December 31, 2001 includes 1,145 related to claims for loss of income (business interruption) corresponding to the Alianza Campana and Princess Veronica.

16. TREASURY STOCK

On October 12, 2000 the Company through a wholly owned subsidiary, Avemar Holdings (Bahamas) Limited ("Avemar"), purchased 537,144 shares of the



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Company previously owned by Societe Internationale D'Investissement S.A. (Bahamas) ("SII"). The nominal purchase price of said shares was 20,000, 8,000 of which was paid as of December 31, 2000 and the balance of which is payable 6,400 in 2001, 4,400 in 2002 and 1,200 in 2003. As of December 31, 2002 and 2001 the balance of 1,348 and 5,606 was disclosed in the "Other financial debt" account.

As of December 31, 2003 and 2002, 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.

### 17. SUMMARIZED FINANCIAL INFORMATION OF UABL

As described in Note 3, the Company owns 50% of UABL Limited, which is accounted for by the equity method.

Summarized financial information of UABL Limited is presented below. This information is prepared in accordance with the Company's accounting policies set out in Note 2. This summarized financial disclosure should be read in conjunction with the consolidated financial statements.

#### a) Summarized balance sheets

	December 31,	
	2003	2002
Current assets	12,311	6,888
Noncurrent assets	86,827	83,340
	-----	-----
Total assets	99,138	90,228
	=====	=====
Current liabilities	11,278	20,927
Noncurrent liabilities	22,497	8,205
	-----	-----
Total liabilities	33,775	29,132
Shareholders' equity	65,363	61,096
	-----	-----
Total liabilities and shareholders' equity	99,138	90,228
	=====	=====

#### b) Summarized statements of operations

	Year ended December 31,		
	2003	2002	2001
Revenues	60,260	47,060	56,581
Operating expenses	(54,537)	(48,712)	(60,113)
	-----	-----	-----
Operating income (loss)	5,723	(1,652)	(3,532)
Other income (expense), net	(1,359)	(1,013)	148
	-----	-----	-----
Income (loss) before tax on minimum presumed	4,364	(2,665)	(3,384)

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### income and income tax

Recovery of tax on minimum presumed income	529	--	--
Tax on minimum presumed income	(3)	(200)	(725)
Income taxes	(623)	402	--
Settlement for tax contingency	--	--	(3,292)
	-----	-----	-----
Net income (loss) for the year	4,267	(2,463)	(7,401)
	=====	=====	=====

#### 18. SUPPLEMENTAL GUARANTOR INFORMATION

As described in Note 6, the Notes are fully and unconditionally guaranteed by certain subsidiaries of the Company.

The subsidiaries which offered their assets in collateral of the above mentioned indebtedness are: Ultrapetrol Argentina, Parfina, Imperial, Cavalier, Regal, Baldwin, Tipton, Kingsway, Plate Princess, Panpetrol, Oceanview, Kingly, Sovereign, Monarch, Noble and Oceanpar ("Guarantor Subsidiaries").

In addition, a restricted subsidiary is a nonguarantor subsidiary which owns a qualified substitute vessel. In the terms of the indenture, the term qualified substitute vessel is only used in connection with the tender of replacement vessel upon the sale or loss of a mortgaged vessel, it has to be registered under the laws of a jurisdiction acceptable to institutional lenders and has an appraised value at least equal to the vessel for which it is being substituted.

Supplemental condensed combining financial information for the Guarantor Subsidiaries is presented below. This information is prepared in accordance with the Company's accounting policies set out in Note 2. This supplemental financial disclosure should be read in conjunction with the consolidated financial statements.

Certain eliminations were made to conform the financial information to the financial statement presentation of Ultrapetrol Bahamas and its subsidiaries. The principal elimination entries relate to the financial current account balances among the Company, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries, and to the balances originated in bareboat charter transactions between the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries.

Investments in the subsidiaries are accounted for by their parent company under the equity method of accounting only for the purpose of the supplemental combining presentation. Under the equity method, the value and earnings of subsidiaries' undertakings are reflected in the parent company's noncurrent assets and other income/expenses accounts.

Separate full financial statements of the Guarantor Subsidiaries are not included herein because the Company has determined that such financial statements do not provide any additional or relevant information to the investors.

SUPPLEMENTAL CONDENSED COMBINING BALANCE SHEETS

AS OF DECEMBER 31, 2003

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(stated in thousands of U.S. dollar)

	Parent	Combined guarantors that are joint and several	Combined Non- Guarantors	Consolidated adjusted
Current assets				
Due from affiliates	94,252	5,624	839	(91)
Other current assets	1,174	12,268	16,723	(6)
Total current assets	95,426	17,892	17,562	(97)
Noncurrent assets				
Property and equipment, net	--	64,528	56,275	
Investment in affiliates	47,939	--	--	(22)
Other noncurrent assets	18,828	8,104	1,802	
Total noncurrent assets	66,767	72,632	58,077	(22)
Total assets	162,193	90,524	75,639	(120)
Current liabilities				
Due to affiliates	7	94,816	2,944	(96)
Other financial debt	3,367	--	7,095	
Other current liabilities	26	4,014	1,358	
Total current liabilities	3,400	98,830	11,397	(96)
Noncurrent liabilities				
Long-term debt	135,000	--	--	(6)
Other financial debt, net of current portion	--	--	17,011	
Total noncurrent liabilities	135,000	--	17,011	(6)
Total liabilities	138,400	98,830	28,408	(102)
Minority interests	--	--	--	16
Minority interests subject to put right	--	--	--	4
Shareholders' equity	23,793	(8,306)	47,231	(38)
Total liabilities, minority interests and shareholders' equity	162,193	90,524	75,639	(120)

SUPPLEMENTAL CONDENSED COMBINING BALANCE SHEETS

AS OF DECEMBER 31, 2002

(stated in thousands of U.S. dollar)

Combined  
guarantors that Combined

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	Parent	are joint and several	Non- Guarantors	Consolidating adjustments
	-----	-----	-----	-----
Current assets				
Due from affiliates	115,731	11,624	--	(114,109)
Other current assets	2,042	15,389	16,331	(7,755)
	-----	-----	-----	-----
Total current assets	117,773	27,013	16,331	(121,864)
	-----	-----	-----	-----
Noncurrent assets				
Property and equipment, net	--	88,808	45,989	--
Investment in affiliates	54,234	--	--	(31,766)
Other noncurrent assets	3,075	11,431	2,522	--
	-----	-----	-----	-----
Total noncurrent assets	57,309	100,239	48,511	(31,766)
	-----	-----	-----	-----
Total assets	175,082	127,252	64,842	(153,630)
	=====	=====	=====	=====
Current liabilities				
Due to affiliates	1	111,912	10,450	(122,095)
Other financial debt	4,891	--	7,318	--
Other current liabilities	101	3,618	1,754	290
	-----	-----	-----	-----
Total current liabilities	4,993	115,530	19,522	(121,805)
	-----	-----	-----	-----
Noncurrent liabilities				
Long-term debt	135,000	--	--	--
Other financial debt, net of current portion	--	--	21,785	--
	-----	-----	-----	-----
Total noncurrent liabilities	135,000	--	21,785	--
	-----	-----	-----	-----
Total liabilities	139,993	115,530	41,307	(121,805)
	-----	-----	-----	-----
Minority interests	--	--	--	3,432
	-----	-----	-----	-----
Shareholders' equity	35,089	11,722	23,535	(35,257)
	-----	-----	-----	-----
Total liabilities, minority interests and shareholders' equity	175,082	127,252	64,842	(153,630)
	=====	=====	=====	=====

SUPPLEMENTAL CONDENSED COMBINING STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2003

(stated in thousands of U.S. dollar)

	Parent	Combined guarantors that are joint and several	Combined Non- Guarantors	Consolidating adjustments	Total consolid amount
	-----	-----	-----	-----	-----

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Freight revenues	158	30,204	266	(4,141)	26,488
Hire revenues	--	29,375	20,223	(852)	48,748
	-----	-----	-----	-----	-----
Total revenues	158	59,579	20,489	(4,993)	75,233
Operating expenses	(1,152)	(61,063)	(12,917)	3,444	(71,688)
	-----	-----	-----	-----	-----
Operating profit	(994)	(1,484)	7,572	(1,549)	3,545
Other income/(expenses), net	(10,524)	(18,454)	401	15,032	(13,545)
	-----	-----	-----	-----	-----
Loss before income tax and minority interests	(11,518)	(19,938)	7,973	13,483	(10,000)
Income taxes	--	(158)	(27)	--	(185)
Minority interests	--	--	--	(1,333)	(1,333)
	-----	-----	-----	-----	-----
Net loss	(11,518)	(20,096)	7,946	12,150	(11,518)
	=====	=====	=====	=====	=====

SUPPLEMENTAL CONDENSED COMBINING STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2002

(stated in thousands of U.S. dollar)

	Parent	Combined guarantors that are joint and several	Combined Non-Guarantors	Consolidating adjustments	Total consolidated amount
	-----	-----	-----	-----	-----
Freight revenues	--	24,196	1,781	(1,234)	24,743
Hire revenues	--	32,178	20,982	(4,779)	48,381
	-----	-----	-----	-----	-----
Total revenues	--	56,374	22,763	(6,013)	73,124
Operating expenses	(1,355)	(58,682)	(18,115)	6,241	(71,912)
	-----	-----	-----	-----	-----
Operating (loss) profit	(1,355)	(2,308)	4,648	228	1,213
Other income/(expenses), net	(12,498)	(12,575)	(1,034)	11,323	(14,784)
	-----	-----	-----	-----	-----
(Loss) income before income tax and minority interests	(13,853)	(14,883)	3,614	11,551	(13,571)
Income taxes	--	(122)	(28)	--	(150)
Minority interests	--	--	--	(132)	(132)
	-----	-----	-----	-----	-----
Net (loss) income	(13,853)	(15,005)	3,586	11,419	(13,853)
	=====	=====	=====	=====	=====

SUPPLEMENTAL CONDENSED COMBINING STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2001

(stated in thousands of U.S. dollar)

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	Parent	Combined guarantors that are joint and several	Combined Non-Guarantors	Consolidating adjustments	Total consolidated amount
Freight revenues	--	65,723	7,944	--	73,667
Hire revenues	--	25,129	12,412	--	37,541
Total revenues	--	90,852	20,356	--	111,208
Operating expenses	(1,662)	(76,979)	(13,076)	--	(91,617)
Operating (loss) profit	(1,662)	13,873	7,280	--	19,491
Other income/(expenses), net	4,077	(13,138)	990	(8,615)	(16,686)
Income before income tax and minority interests	2,415	735	8,270	(8,615)	2,805
Income taxes	--	(335)	(55)	--	(385)
Minority interests	--	--	--	--	--
Net income	2,415	400	8,215	(8,615)	2,415

SUPPLEMENTAL CONDENSED COMBINING STATEMENTS OF CASH FLOW

FOR THE YEAR ENDED DECEMBER 31, 2003

	Parent	Combined guarantors that are joint and several	Combined Non-Guarantors	Consolidating adjustments	Total consolidated amount
Net (loss) income	(11,518)	(20,096)	7,946	12,150	(11,518)
Adjustments to reconcile net loss to net cash provided by operating activities:	13,825	25,618	4,696	(12,150)	31,989
Net cash provided by operating activities	2,307	5,522	12,642	--	20,471
Net cash (used in) provided by investing activities	14,384	(4,092)	(16,577)	--	6,715
Net cash (used in) provided by financing activities	(16,644)	--	5,982	--	(10,662)
Net increase in cash and cash equivalents	47	1,430	2,047	--	3,524

SUPPLEMENTAL CONDENSED COMBINING STATEMENT OF CASH FLOW

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FOR THE YEAR ENDED DECEMBER 31, 2002

	Parent	Combined guarantors that are joint and several	Combined Non- Guarantors	Consolidating adjustments
	-----	-----	-----	-----
Net (loss) income	(13,853)	(15,005)	3,586	11,419
Adjustments to reconcile net (loss) income to net cash provided by operating activities:	17,699	20,838	1,262	(11,551)
	-----	-----	-----	-----
Net cash provided by operating activities	3,846	5,833	4,848	(132)
Net cash (used in) provided by investing activities	403	(5,148)	(16,683)	--
Net cash (used in) provided by in financing activities	(4,490)	--	10,375	--
	-----	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	(241)	685	(1,460)	(132)
	=====	=====	=====	=====

### SUPPLEMENTAL CONDENSED COMBINING STATEMENTS OF CASH FLOW

FOR THE YEAR ENDED DECEMBER 31, 2001

(stated in thousands of U.S. dollar)

	Parent	Combined guarantors that are joint and several	Combined Non- Guarantors	Consolidating adjustments
	-----	-----	-----	-----
Net income	2,415	400	8,215	(8,615)
Adjustments to reconcile net income to net cash provided by operating activities:	11,184	521	1,943	8,751
	-----	-----	-----	-----
Net cash provided by operating activities	13,599	921	10,158	136
Net cash (used in) investing activities	(10,250)	(3,883)	--	--
Net cash used in financing activities	(3,212)	--	(5,822)	--
	-----	-----	-----	-----
Net (decrease) increase in cash and cash equivalents	137	(2,962)	4,336	136
	=====	=====	=====	=====

19. SUBSEQUENT EVENTS TO THE DATE OF THE AUDITORS REPORT  
(Unaudited)

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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 (Note 6.a).

### REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of  
UABL LIMITED:

We have audited the consolidated balance sheets of UABL LIMITED as of December 31, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The consolidated financial statements of UABL LIMITED as of December 31, 2001, and for the year then ended were audited by other auditors who have ceased operations as a foreign associated firm of the Securities and Exchange Commission Practice Section of the American Institute of Certified Public Accountants and whose reported dated March 26, 2002, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of UABL LIMITED as of December 31, 2003 and 2002, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Buenos Aires, Argentina  
March 1, 2004

PISTRELLI, HENRY MARTIN Y ASOCIADOS S.R.L.  
Member of Ernst & Young Global

ENRIQUE C. GROTZ  
Partner

The following is a copy of the audit report previously issued by PISTRELLI, DIAZ Y ASOCIADOS (member of Andersen) in connection with UABL LIMITED's December 31, 2001 and 2000 financial statements. This audit report has not been reissued by PISTRELLI, DIAZ Y ASOCIADOS in connection with this filing on Form 20-F.

### REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of



## Edgar Filing: ULTRAPETROL BAHAMAS LTD - Form 20-F

UABL LIMITED:

We have audited the accompanying consolidated balance sheets of UABL LIMITED and its subsidiaries, a company incorporated under Bahamas legislation (the Company), as of December 31, 2001 and 2000, and the related consolidated statements of income (loss), changes in stockholders' equity and cash flows for the year ended December 31, 2001 and for the period of October 24 (Inception date) to December 31, 2000. These statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing generally accepted standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UABL LIMITED as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the year ended December 31, 2001 and for the period of October 24 (Inception date) to December 31, 2000, in accordance with generally accepted accounting principles in the United States.

Buenos Aires, Argentina  
March 26, 2002

PISTRELLI, DIAZ Y ASOCIADOS  
Member of Andersen

MARIANA FILAS  
Partner

### CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2003 AND 2002

(stated in thousands of U.S. dollars, except par value and number of shares)

	December 31,	
	2003	2002
	-----	-----
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	710	321
Restricted cash	416	--
Investments	100	86
Accounts receivable, net of allowance for doubtful accounts of 47 and 265 in 2003 and 2002, respectively	5,171	2,386
Due from affiliates	2,001	353
Inventories	1,383	1,052
Prepaid expenses	292	645
Other receivables	1,890	1,450
Deferred tax asset	348	595
	-----	-----
Total current assets	12,311	6,888
	-----	-----

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NONCURRENT ASSETS

Other receivables	109	96
Investments	--	100
Due from affiliates	2,467	2,229
Property and equipment, net	81,330	80,915
Restricted cash	1,281	--
Other assets	1,640	--
	-----	-----
Total noncurrent assets	86,827	83,340
	-----	-----
Total assets	99,138	90,228
	-----	-----

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable and accrued expenses	3,020	1,781
Due to affiliates	5,021	15,496
Other payables	630	928
Current portion of long-term debt	1,955	2,111
Current portion of capital lease obligations	652	611
	-----	-----
Total current liabilities	11,278	20,927
	-----	-----

NONCURRENT LIABILITIES

Accounts payables and accrued expenses	55	--
Long-term debt, less current portion	21,567	6,678
Capital lease obligations, less current portion	875	1,527
	-----	-----
Total noncurrent liabilities	22,497	8,205
	-----	-----
Total liabilities	33,775	29,132
	-----	-----

SHAREHOLDERS' EQUITY

Common stock, \$1 par value, 10,000 shares authorized, issued and outstanding	10	10
Additional paid-in capital	74,549	74,549
Accumulated deficit	(9,196)	(13,463)
	-----	-----
Total shareholders' equity	65,363	61,096
	-----	-----
Total liabilities and shareholders' equity	99,138	90,228
	=====	=====

See accompanying notes.

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001

(stated in thousands of U.S. dollars)

Year ended December 31,

-----

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	2003	2002	2001
	-----	-----	-----
REVENUE			
Revenues from third parties	45,329	32,381	37,499
Revenues from related parties	896	895	4,027
Management fee from related parties	14,035	13,784	15,055
	-----	-----	-----
Total revenue	60,260	47,060	56,581
	-----	-----	-----
OPERATING EXPENSES (1)			
Port expenses	(5,822)	(3,902)	(5,671)
Boat costs	(15,524)	(13,163)	(18,968)
Barge costs	(4,573)	(4,257)	(4,597)
Charter hire from related parties	(20,308)	(19,755)	(22,399)
Depreciation of property and equipment	(4,398)	(4,070)	(3,259)
Administrative and selling expenses	(3,912)	(3,565)	(5,219)
	-----	-----	-----
Total operating expenses	(54,537)	(48,712)	(60,113)
	-----	-----	-----
Operating income (loss)	5,723	(1,652)	(3,532)
	-----	-----	-----
OTHER INCOME (EXPENSES), net			
Investment in affiliates	--	(99)	(83)
Interest expense	(1,414)	(997)	(282)
Foreign exchange gains	55	83	513
	-----	-----	-----
Total other income (expenses), net	(1,359)	(1,013)	148
	-----	-----	-----
Income (Loss) before tax on minimum presumed income and income tax for the year	4,364	(2,665)	(3,384)
Recovery of tax on minimum presumed income	529	--	--
Tax on minimum presumed income for the year	(3)	(200)	(725)
Income taxes	(623)	402	--
Settlement of tax contingency	--	--	(3,292)
	-----	-----	-----
Net income (loss) for the year	4,267	(2,463)	(7,401)
	=====	=====	=====

(1) In addition to charter hires from related parties, operating expenses included 1,049, 1,206 and 3,226 in 2003, 2002 and 2001, respectively, related to charges from related parties.

See accompanying notes.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001

(stated in thousands of US dollars)

Common	Additional paid-in	Accumulated
--------	-----------------------	-------------

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Balance	stock	capital	deficit	Total
December 31, 2000	10	74,395	(3,599)	70,806
Additional paid-in capital	--	3,119	--	3,119
Net loss for the year	--	--	(7,401)	(7,401)
December 31, 2001	10	77,514	(11,000)	66,524
Spin off approved by the shareholders on August 15, 2002	--	(2,965)	--	(2,965)
Net loss for the year	--	--	(2,463)	(2,463)
December 31, 2002	10	74,549	(13,463)	61,096
Net income for the year	--	--	4,267	4,267
December 31, 2003	10	74,549	(9,196)	65,363

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001

(stated in thousands of U.S. dollars)

	Year ended December 31,		
	2003	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss) for the year	4,267	(2,463)	(7,401)
Adjustments to reconcile net income (loss) for the year to net cash provided by operating activities:			
Depreciation of property and equipment	4,398	4,070	3,259
Amortization of other assets	202	--	--
Loss from investment in affiliates	--	99	83
Income from sales of property and equipment	--	--	(2)
Deferred tax	247	(595)	--
Changes in assets and liabilities, net:			
(Increase) decrease in assets:			
Accounts receivable	(2,785)	1,305	2,029
Due from affiliates	(1,678)	16,871	(16,811)
Inventories	(331)	413	96
Prepaid expenses	353	1,127	(1,157)
Other receivables	(423)	1,830	1,260
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	1,294	(1,259)	(4,055)
Due to affiliates	(9,759)	(12,498)	27,436
Other payables	(298)	119	(530)

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Net cash (used in) provided by operating activities	(4,513)	9,019	4,207
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from property and equipment	8	597	53
Loans granted to related parties	(238)	(2,158)	--
Investment in certificate of deposit	86	(186)	607
Purchases of property and equipment	(4,821)	(7,699)	(17,145)
Investment in affiliate	--	--	(2,461)
Net cash used in investing activities	(4,965)	(9,446)	(18,946)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in restricted cash	(1,697)	--	--
Proceeds from issuance of long-term debt	16,800	5,594	10,100
Repayment of long-term debt and capital lease obligation	(2,678)	(4,497)	(270)
Repayment of loans due to related parties	(716)	(455)	--
Costs incurred to issue long-term debt	(1,842)	--	--
Capital contribution	--	--	3,119
Net cash provided by financing activities	9,867	642	12,949
Net increase (decrease) in cash and cash equivalents	389	215	(1,790)
Cash and cash equivalents at beginning of year	321	106	1,896
Cash and cash equivalents at end of year	710	321	106
Supplemental cash flow information:			
Interest paid	1,048	715	57
Income taxes paid	328	100	569

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(stated in thousands of U.S. dollars, except where indicated)

1) CORPORATE ORGANIZATION AND NATURE OF OPERATIONS

Organization

ACBL Hidrovias Ltd. ("ACBLH"), a subsidiary of American Commercial Lines LLC ("ACL"), and UP River (Holdings) Ltd. ("UP River"), a Bahamian corporation and a subsidiary of Ultrapetrol (Bahamas) Limited ("Ultrapetrol"), individually and through their subsidiaries, owned certain vessels, land-based assets, permits and contracts of affreightment, which they used to operate a river transportation business on the Parana, Paraguay and Uruguay Rivers in Argentina, Bolivia, Brazil, Paraguay and Uruguay.

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The respective Boards of Directors of ACBLH and UP (collectively, the "Parties") decided to combine the businesses of ACBLH and UP River into a new business entity, UABL Limited ("the Company" or "UABL Limited"), and for that purpose executed a Consolidation Agreement ("the Consolidation Agreement") on October 18, 2000 (the "Closing Date"). As a result of the business combination, the Company was organized and registered as a Bahamian corporation on October 18, 2000. The Company has an authorized capital stock of 10,000 shares, with a par value of \$1 per share and is owned equally by UP and ACBLH and its affiliates. These contributions were recorded at the historical cost basis of the related entities or assets.

On the Closing Date and in accordance with the Consolidation Agreement, UABL S.A. ("UABL SA"; formerly ACBL Hidrovias S.A.), under Argentinean legislation and UP River, under Bahamian legislation, were contributed to the Company by ACBLH and UP River, respectively. Additionally, the parties contributed equipment, cash and certain time charter contracts involving certain vessels to the Company on the Closing Date.

Lonehort S.A. ("Lonehort") a ship management company serving the boats, barges and other marine equipment of the Company was created in October 2000. UABL Limited is its sole shareholder (100% interest).

As of December 31, 2003, 2002 and 2001 the consolidated financial statements include the accounts of the Company and its subsidiaries described as follows:

Company	Origin	2003	2002	2001
- Thurston Shipping Inc. ("Thurston")	Panamanian	100%	100%	100%
- UABL S.A.	Argentinian	100%	100%	100%
- Sernova S.A. ("Servova")	Argentinian	100%	100%	100%
- UABL Paraguay S.A. ("UABL Paraguay")	Paraguayan	100%	100%	100%
- Riverpar S.A. ("Riverpar")	Paraguayan	100%	100%	100%
- Yataiti S.A. ("Yataiti")	Paraguayan	100%	100%	100%
- ACBL del Paraguay S.A. ("ACBL del Paraguay")	Paraguayan	100%	100%	100%
- Corydon International S.A.	Uruguayan	100%	--	--
- Cedarino S.L.	Spain	100%	--	--
- UABL International S.A. ("UABL International")	Panamanian	100%	100%	100%
- Lonehort S.A. ("Lonehort")	Panamanian	100%	100%	100%
- UABL Barges (Panama) Inc. ("UABL Barges")	Panamanian	100%	100%	--
- Blueroad Finance Inc. ("Blueroad")	Panamanian	100%	--	--
- Arlene Investment Inc.	Panamanian	100%	--	--
- Marnave S.R.L. ("Marnave")	Paraguayan	100%	--	--

### Recent developments

#### Argentina

Approximately 14% of the Company's revenues are generated from its Argentine subsidiaries which also hold approximately 41% of the consolidated assets of the Company. Argentina has undergone major economic, political and social changes in the last several years, including significant economic changes in December 2001 and throughout 2002. Most importantly, in January 2002 the government eliminated the prior convertibility law which had been in place since 1991 through which the Argentine peso was traded at one peso per U.S. dollar. Beginning in

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February 2002 the government established a single market for all foreign exchange transactions at a single free-floating exchange rate. Subsequent to this change the Argentine peso devalued significantly.

However, since the end of the third quarter 2002 Argentine's economy has shown signs of stabilization.

In 2003, the Argentine economy grew at a rate of approximately 8 percent and as of December 31, 2003 the peso was trading on one U.S. dollar per 2.91 pesos.

In addition to the above changes the government also converted all debts denominated in U.S. dollars or other foreign currencies in the financial system to pesos at the exchange rate of one peso per US\$1.00. There were also various other banking and foreign payment restrictions which were substantially lifted in 2002.

The majority of the Argentine subsidiary's revenues are denominated and collected in U.S. dollars. In addition, the Company does not have financial loans denominated in pesos in Argentina. Accordingly, the above economic changes in Argentina did not significantly adversely affect the Company. The most significant impact related to the reduction of the U.S. dollar equivalent value of the Company's peso denominated operating expenses.

Notwithstanding the above, the Argentine government continues to make changes in the country which could affect the Company's Argentine operations.

### Paraguay

Approximately 28% of the Company's revenues are generated from its Paraguayan subsidiaries which also hold approximately 26% of the consolidated assets of the Company. Paraguay has undergone certain economic, political and social changes in the last several years.

The majority of the Paraguayan subsidiaries' revenues are denominated and collected in U.S. dollars. In addition, the Company does not have financial loans denominated in guarani in Paraguay. Accordingly, the above economic changes in Paraguay did not significantly adversely affect the Company. The most significant impact related to the reduction of the U.S. dollar equivalent value of the Company's guarani denominated operating expenses.

Notwithstanding the above, future economic changes in Paraguay could affect the Company's subsidiaries and operations in this country.

## 2) SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of presentation and principles of consolidation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("US GAAP").

The consolidated financial statements include the accounts of the Company and its subsidiaries all of which are wholly-owned. Significant intercompany accounts and transactions have been eliminated in consolidation.

### b) Foreign-currency remeasurement

The Company uses the US dollar as its functional currency. The

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majority of the Company's sales are billed and collected in U.S. dollars and all financing is in U.S. dollars.

All monetary assets and liabilities not denominated in US dollars have been remeasured into US dollars using the exchange rates in effect at the balance sheet date. Operations statement amounts have been translated using the average exchange rate for each month. Gains or losses resulting from foreign currency measurements are included in the operations statement for the same year.

c) Investments

As of December 31, 2003 and 2002, this account includes a certificate of deposit in Citibank N.A., Paraguay.

d) Other receivables

This account mainly includes claims receivables, tax credits for VAT and income tax withholdings as of December 31, 2003 and 2002.

e) Inventories

This account includes fuel and spare parts, which were accounted for at the lower of cost or market. The amounts for each item were as follows:

	2003	2002
	-----	-----
Spare parts	676	696
Fuel	707	356
	-----	-----
Total	1,383	1,052
	=====	=====

f) Prepaid expenses

This account includes prepaid insurance, charter expenses and advances to suppliers.

g) Property and equipment

Property and equipment, which is principally comprised of river barges, tugboats and river equipment is stated on the basis of cost. This cost includes the purchase price and all directly attributable costs for the asset to be in working condition. Maintenance and repair costs are expensed as incurred.

The barges and tugboats are considered to have useful lives of 35 years from the date on which they were built. The depreciation amount is calculated net of the estimated scrap value of the barges and tugboats at the date they were built. River equipment is considered to have a useful life of 15 years. Depreciation for all property and equipment is recorded by the straight-line method over the estimated useful lives of the related assets.

Long-lived assets are reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets", whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the



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asset, a loss is recognized for the difference between the fair value and carrying value of the asset.

h) Accounts payable and accrued expenses

This account mainly includes payables to agents and suppliers.

i) Other payables

This account mainly includes salaries, social security payables, taxes payable and accruals.

j) Revenue recognition

Barge transportation revenues are recognized daily as earned from charters over the period of the respective agreements.

k) Use of estimates

The preparation of the consolidated financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect reported amounts in the consolidated financial statements and accompanying notes. Actual results could differ from those estimated.

l) Balances of long-term debt as of December 31, 2003 and 2002 are as follows:

			Nominal Value			
			-----			
			Current			
			-----			
Company	Financial Institution/ Other	Agreement year	Principal	Accrued expenses	Non current	Total
-----						
UABL Barges	IFC - Tranche A	2002	--	21	8,400	8,421
UABL Barges	IFC - Tanche B	2002	--	7	2,800	2,807
UABL Barges	KFW	2003	--	15	5,600	5,615
UABL Paraguay	Citibank S.A.	2001	247	--	1,482	1,729
UABL Paraguay	Citibank S.A.	2002	64	--	--	64
UABL Limited	Transamerica Leasing Inc.	2001	1,601	--	3,285	4,886
Total 2003			1,912	43	21,567	23,522
			=====	=====	=====	=====
Total 2002			2,111	--	6,678	8,789
			=====	=====	=====	=====

The long-term debt is due in the following years succeeding December 31, 2003:

Year	Amount
-----	-----
2004	1,955
2005	4,860
2006	4,679
2007	3,127
2008	3,127

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Thereafter	5,774
	-----
	23,522
	=====

m) Comprehensive income:

According to SFAS No. 130, the Company is required to disclose separately the changes in shareholders' equity, other than net income (loss) and transactions with shareholders, defined as other comprehensive income. The Company has no items of other comprehensive income to report. The comprehensive income only includes the net income (loss) for the year.

n) Fair value of financial instruments:

In accordance with Statement of Financial Accounting Standards (SFAS) N(degree) 107 "Disclosures about fair value of financial instruments", the fair value of the Company's assets and liabilities considered to be financial instruments have been valued at the discounted amount of future cash flows at market interest rates current available to the Company for credits/loans with similar terms. The fair value of the Company's financial instruments approximates carrying value.

o) Cash and cash equivalents:

Cash and cash equivalents include highly-liquid, temporary cash investments with original maturities of three months or less when purchased.

p) Allowance for doubtful accounts

Changes in allowance for doubtful accounts for the years ended December 31, 2003, 2002 and 2001 are as follows:

	December 31,		
	2003	2002	2001
	----	----	----
Balance at January 1,	265	312	355
Provision	29	108	312
Amounts written off	(222)	(110)	(355)
Amounts recovered	(25)	(45)	--
	----	----	----
Balance at December 31,	47	265	312
	====	====	====

3) PROPERTY AND EQUIPMENT

The capitalized cost of property and equipment and the related accumulated depreciation as of December 31, 2003 and 2002 is as follows:

	December 31,	
	2003	2002
	-----	-----
Boats and tug boats	9,703	7,978
Barges	80,999	77,731
Improvements in third parties' assets	2,731	2,691

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Vehicles	56	89
Equipment	3,529	3,443
Furniture & fixtures	997	981
Land & operating base	2,758	2,730
Work in progress	63	126
Prepayment to suppliers	--	281
	-----	-----
	100,836	96,050
Less accumulated depreciation	(19,506)	(15,135)
	-----	-----
Total	81,330	80,915
	=====	=====

#### 4) SPIN-OFF OF EQUITY INVESTMENT

In 2002 the shareholders of UABL Limited decided to spin-off their equity interest in OTS SA and Puertos del Sur SA to UABL Terminals. UABL Terminals is owned by the same ultimate shareholders as UABL Limited. Accordingly, since the transaction was between entities under common ownership, the transaction was accounted for at historical cost and no gain or loss was recognized.

These investments were accounted for by the equity method in 2002 and 2001.

#### 5) COMMITMENTS AND CONTINGENCIES

##### a) Consolidation agreement

According to the provisions of the Consolidation Agreement, UABL Limited shall not be obligated or become liable for any obligation or liability, known or unknown, fixed, contingent or otherwise of UP, UP River or the Subsidiaries of UP and ACBLH, UABL SA, arising prior to October 24, 2000 in connection with any vessel, or any vessel chartered to UABL Limited, in connection with or arising out of or resulting events occurring prior to that date, without limitation, any liability arising in connection with any environmental liabilities, legal violations, litigation, employee claims, loan agreements or other indebtedness, any tax, or any other liabilities, obligations, or exception to any representation or warranty. UABL Limited shall not assume, and UP and ACBLH shall severally indemnify UABL Limited against such liabilities.

In addition, pursuant to the mentioned Consolidation Agreement, all claims, severance benefits, costs, and other expenses, social security taxes, charges and contributions and other costs incurred by UABL SA or UP River, or subsidiary of UP River, in connection with an employee employed by the Company and subsequently terminated by the Company shall be paid by the Company to, or on behalf of ACBLH or UP, as the case may be; provided, that the maximum amount that the Company shall be required to pay to or on behalf of parent companies in respect of any of the mentioned costs in the aggregate, shall be 1,800. ACBLH and UP agreed to fully indemnify the Company against such liabilities over the mentioned amount.

During 2000 the Argentine tax authority served a notice to UABL SA with the purpose of verifying the latter's compliance with transfer pricing regulations for transactions with related companies for the period prior to the organization of UABL Limited, i.e. during 1996, 1997, 1998 and 1999, among other things.

In light of the above, during 2001 the Company amended its income tax

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returns for the above-mentioned years charging a loss of 3,292 to UABL SA's income statement (consisting of a tax loss of 2,270, interest expense for 1,487 and a gain on the sale of government bonds of 465). In compliance with the contract provision described above, ACBLH compensated UABL Limited in the amount of 3,119 causing a net decrease of 173, in the shareholders equity.

According to US GAAP, this compensation was accounted for as additional paid-in capital and was not offset against the loss generated by the tax liability.

### b) Leases

The Company leases a boat and sixteen barges under capital leases until 2006.

Property and equipment includes the following amounts for leases that have been capitalized at December 31, 2003 and 2002:

	December 31,	
	2003	2002
	-----	-----
Boat	1,543	1,543
Barges	2,518	2,518
	-----	-----
	4,061	4,061
Less accumulated depreciation	(391)	(168)
	-----	-----
	3,670	3,893
	=====	=====

The Company recorded depreciation expense in the amount of 223 and 168 on assets recorded under capital leases for the year ended December 31, 2003 and 2002.

Under the charter agreements entered into by the parties, both UP and ACBLH lease certain vessels which were not contributed to the Company through the Consolidation Agreement. These operating leases expire in 2008.

The Company recorded charter hire expenses to related parties of 20,308, 19,755 and 22,399 for the years ended December 31, 2003, 2002 and 2001, respectively.

Future minimum payments under capital leases and noncancelable operating leases with initial terms of one year or more consisted of the following as of December 31, 2003:

	Capital leases	Operating leases - Related parties
	-----	-----
2004	732	20,995
2005	732	20,995
2006	183	20,995
2007	--	20,995
2008	--	10,469

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	-----	-----
Total minimum lease payments	1,647	94,449
		=====
Amount representing interest	(120)	
	-----	
Present value of net minimum lease payments (including current portion of 652)	1,527	
	=====	

c) Other

10% of the Company's employees are covered by a collective bargaining agreement.

d) Contingencies

The Company is subject to legal proceedings, claims and contingencies arising in the ordinary course of business. When such amounts can be estimated and 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 Company's consolidated financial position or results of operations.

6) INCOME TAXES

As the earnings from shipping operations of UABL International and Thurston are derived from sources outside of Panama, such earnings are not subject to Panamanian taxes.

UABL Paraguay, ACBL del Paraguay, Yataiti and Riverpar are subject to Paraguayan corporate income taxes. UABL SA and Sernova are subject to Argentine corporate income taxes.

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

The Company accounts for income taxes under the liability method in accordance with SFAS No. 109 "Accounting for Income Taxes".

Under this method, deferred tax assets and liabilities are established for temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities at each year end. Deferred tax assets are recognized for all temporary items and an offsetting valuation allowance is recorded to the extent that it is not more likely than not that the asset will be realized.

UABL Limited's pre-tax income for the years ended December 31, 2003, 2002 and 2001 was taxed in foreign jurisdictions (Argentina and Paraguay).

The provision (benefit) for income taxes (which includes TOMPI) is comprised of:

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	For the year ended December 31,		
	2003	2002	2001
	----	----	----
Current			
Argentina	3	211	725
Paraguay	376	182	--
	----	----	----
Total current	379	393	725
	----	----	----
Deferred			
Argentina	244	(464)	--
Paraguay	3	(131)	--
	----	----	----
Total deferred	247	(595)	--
	----	----	----
Total	626	(202)	725
	=====	=====	=====

Reconciliation of the tax (benefit) provision to taxes calculated based on the statutory tax rates is as follows:

	For the year ended December 31,		
	2003	2002	2001
	-----	-----	-----
Pre-tax income (loss)	4,364	(2,665)	(3,384)
Statutory tax rate	35%	35%	35%
	-----	-----	-----
Tax provision (benefit)	1,527	(933)	(1,184)
Sources not subject to income tax at the statutory rate	(541)	1,672	609
(Decrease) Increase in valuation allowance	(1,095)	(2,966)	575
Effects of foreign exchange changes related to Argentine subsidiary	732	1,825	--
Tax on minimum presumed income	3	200	725
	-----	-----	-----
Income tax provision (benefit)	626	(202)	725
	=====	=====	=====

As of December 31, 2003 UABL SA had accumulated net operating loss carryforwards ("NOLs") totaling 363 that expire 346 in 2005 and 17 in 2006. The use of the NOLs will depend upon future taxable income in UABL SA in Argentina.

As of December 31, 2003, UABL SA had a credit related to TOMPI of 704 which expires 163 in 2010, 154 in 2011, 212 in 2012 and 175 in 2013.

In addition, ACBL del Paraguay had NOLs of 85 that expire in 2005.

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	2003	2002
	-----	-----
Deferred tax assets		
NOLs	448	1,663
Due to affiliate	113	116
TOMPI credit	--	162
Property and equipment	38	--
Other, net	106	6
	-----	-----
Total deferred assets	705	1,947
Deferred tax liabilities		
Property and equipment	283	257
Other, net	74	--
	-----	-----
	357	257
Valuation allowance	--	(1,095)
	-----	-----
Net deferred assets	348	595
	=====	=====

7) RELATED-PARTY TRANSACTIONS

As of December 31, 2003 and 2002 the balances from related parties were as follows:

Accounts receivable from related parties

	2003	2002
	-----	-----
Current:		
- Ultrapetrol SA	--	10
- Ultrapetrol (Bahamas) Ltd.	164	--
- Parfina SA	356	61
- Oceanmarine	177	194
- ACBLH (1)	25	10
- Oceanpar	--	18
- Princely International Finance Corp. and its wholly-owned subsidiaries	1,042	--
- UABL Terminals Ltd.	154	60
- Puerto del Sur S.A	83	--
- OTS S.A	--	--
	-----	-----
	2,001	353
	=====	=====

(1) This entity is a subsidiary of ACL who is a 50% shareholder of the Company. See note 14 related to significant events at ACL.

	2003	2002
	-----	-----
Noncurrent:		
Loans due from related parties		
- OTS SA (1)	187	173
- Puerto del Sur SA (3)	2,280	2,056
	-----	-----

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	2,467	2,229
	=====	=====
Accounts payable to related parties		
- Mansan SA	201	201
- Ultrapetrol SA	110	678
- Princely International Finance Corp. and its wholly-owned subsidiaries	1,678	3,682
- ACBLH (2)	569	5,372
- Oceanpar SA	314	1,777
- Oceanmarine	1	63
- Parfina	248	555
- Louisiana Dock Company LLC	--	552
	-----	-----
	3,121	12,880
	-----	-----
Loans due to related parties (1)		
- ACBLH (2)	950	1,375
- Ultrapetrol (Bahamas) Ltd.	950	1,101
- Ultrapetrol SA	--	140
	-----	-----
	1,900	2,616
	-----	-----
	5,021	15,496
	=====	=====

- (1) These loans accrue no interest and have no maturity date.
- (2) This entity is a subsidiary of ACL who is a 50% shareholder of the Company. See note 14 related to significant events at ACL.
- (3) This loan accrues interest at a nominal interest rate of 7% per year, payable semiannually. The principal will be repaid in 8 equal semiannual installments, beginning on June 30, 2006.

For the years ended December 31, 2003, 2002 and 2001, the transactions with related parties were as follows:

	2003	2002	2001
	-----	-----	-----
Revenues from related parties			
- Parfina SA	--	424	1,777
- Oceanpar SA	42	411	1,470
- Ultrapetrol SA	--	--	449
- Oceanmarine	854	60	331
	-----	-----	-----
Total	896	895	4,027
	-----	-----	-----
Management fee revenue			
- ACBLH (1)	7,344	7,185	7,709
- Ultrapetrol (Bahamas) Ltd.	912	912	913
- Princely International Finance Corp. and its wholly owned subsidiaries	5,779	5,687	6,433
	-----	-----	-----



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Total	14,035	13,784	15,055
	-----	-----	-----
Total revenues from related parties	14,931	14,679	19,082
	=====	=====	=====
Operating expenses			
- ACBLH (1)	10,263	10,097	11,539
- Oceanpar SA	1,694	1,537	107
- Mansan SA	1,205	1,205	1,432
- Ultrapetrol SA	667	621	154
- Parfina SA	639	543	800
- Lousiana Dock Company LLC (1)	7	--	355
- Oceanmarine SA	4	13	318
- Princely International France Corp. and its wholly owned subsidiaries	6,530	6,945	10,920
- Ultrapetrol (Bahamas) Ltd.	348	--	--
	-----	-----	-----
Total	(2) 21,357	(2) 20,961	(2) 25,625
	=====	=====	=====
Cash (paid) from related parties related to loans due to related parties			
- Ultrapetrol SA	(140)	140	--
- Ultrapetrol (Bahamas) Ltd.	(151)	(620)	1,721
- ACBLH (1)	(425)	25	1,950
	-----	-----	-----
Total	(716)	(455)	3,671
	=====	=====	=====

(1) These entities are subsidiaries of ACL who is a 50% shareholder of the Company. See note 14 related to significant events at ACL.

(2) Includes 20,308, 19,755 and 22,399 as of December 31, 2003, 2002 and 2001, respectively, related to the hire of certain vessels according to the Charter Party Agreement dated as of October 24, 2000 and 1,049, 1,206 and 3,226 related to expense recovery and administrative services fees.

	2003	2002	2001
	-----	-----	-----
Cash paid to related parties related to loans due from related parties			
- OTS SA	14	102	71
- Puerto del Sur SA	224	2,056	--
	-----	-----	-----
Total	238	2,158	71
	=====	=====	=====

Property, spare parts and equipment  
acquisitions from related parties

- Oceanmarine SA	--	49	--
- Lousiana Dock Company LLC (1)	15	721	790
	-----	-----	-----
	15	770	790
	=====	=====	=====

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### Management fee revenue

Management fee relates to compensation for crew, maintenance and operation of certain vessels related to Ship Management Agreements dated as of October 24, 2000, between Lonehort S.A., ACBLH and Ultrapetrol Bahamas Ltd.

These agreements have a period of three years since October 24, 2000 and can be extended at the option of ACBLH and Ultrapetrol Bahamas Ltd. for an additional three years and afterwards, an additional two years. The management fees are stipulated in the related contracts for each specific vessel.

### Charter party agreements

The Company and its subsidiaries entered into Charter Party Agreements with ACBLH and Ultrapetrol Bahamas Ltd. and its subsidiaries. These agreements have a period of three years since October 24, 2000, which is renewable at the owners' option for all or part of the vessels included in the agreements for a further three years after which the owner has a further option to renew for two more years.

Under these agreements the Company and its subsidiaries pay a daily rate which is specific to stated vessels.

### Expenses recovery and administrative service fees

The Company's shareholders charged the Company certain expenses in 2003, 2002 and 2001 related to cost-sharing functions for legal, insurance and administrative areas. There is no formal written agreement related to these charges.

### 8) RESTRICTED CASH

As of December 31, 2003, 416 has disclosed in current assets related to interest to be paid by the Company to IFC and KFW on June 15, 2004, which, under the terms and conditions of the loan, should be deposited with the trustee account open therefor.

As of December 31, 2003, 1,281 has disclosed in noncurrent assets is related to disbursements by the IFC and the KFW, which, under the terms and conditions of the loan agreement, should only be used to acquired property and equipment.

### 9) BUSINESS AND GEOGRAPHIC SEGMENT INFORMATION

The Company's operations include only one business segment river transportation services in South America. For such reason, as of December 31, 2003, 2002 and 2001, no additional business or geographic segment information is disclosed.

### 10) PURCHASE OF BARGES AND PLEDGED ASSETS

In November 2001, ACBL del Paraguay acquired from Transamerica Leasing Inc. twenty-four dry-cargo barges under a Paraguayan flag with a gross tonnage of 1,500 tons each. The barges were built in 1998 and 1999. Together with the barges the Company also acquired a tugboat. The tugboat has a Paraguayan flag and was built in 1999.

The transaction was closed in the total amount of 11,100 payable as follows: a down payment of 3,100 and a 8,000 Transamerica Ltd loan repayable in 60 monthly installments of 161, which include interest at a

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7,94% annual rate. As of December 31, 2003 this debt totaled 4,885 (including the current portion of 1,601) and is due in the following years succeeding December 31, 2003: 1,601 in 2004, 1,733 in 2005 and 1,552 in 2006.

The transaction was secured with a mortgage in favor of Transamerica Leasing Inc. covering the full value of the assets acquired. As of December 31, 2003 and 2002 the net book value of these assets was 10,414 and 10,739.

ACBL del Paraguay and UABL Limited committed, among other things, to preserve its corporate existence, to respect all the laws and applicable regulations, to maintain and preserve all its properties, not to enter into any merger transaction, consolidation or liquidation, not to change the terms and conditions of vessels management, not to dispose of a significant part of its assets or business, not to assume any debt, excluding those related with the ordinary course of business, to be responsible for the management and operation of vessels and to limit the distribution of dividends in the event of default.

In December 2001, UABL Paraguay acquired from Citibank N.A. Paraguay seven dry-cargo barges with Paraguayan flag with a gross tonnage of 1,500 tons each. The barges were built in 1997 and 1998.

The transaction was closed in the total amount of 2,100 payable in 17 semiannual installments. The first installment was paid in December 2002. Interest accrues at LIBOR (London interbank offered rate) plus 275 bp. As of December 31, 2003 the debt totaled 1,729 (including the current portion of 247) and the maturities for the years subsequent to December 31, 2003 are 247 in each year for the years 2004 through 2008 and 494 thereafter.

This transaction was secured with a mortgage in favor of Citibank N.A. Paraguay on the assets acquired and on other barges owned by UABL Paraguay as a credit enhancement. As of December 31, 2003 the net book value of these assets is 2,009.

### 11) MAJOR CUSTOMERS AND CONCENTRATIONS OF CREDIT RISK

#### a) Major customers

For the year ended December 31, 2003 revenues from four Company customers represented 13,442, 7,344, 6,691 and 5,640, of UABL's consolidated revenues.

For the year ended December 31, 2002 revenues from four Company customers represented 9,807, 7,494, 6,599, and 4,101 of UABL's consolidated revenues.

For the year ended December 31, 2001 revenues from three Company customers represented approximately 6,433, 7,709 and 10,304 of UABL's consolidated revenues.

#### b) Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash, investment, accounts receivable and other receivables.

The financial institutions are located in Argentina, Paraguay and the United States and the Company's cash management policy is designed to limit exposure to any one institution. As of December 31, 2003 and 2002 the Company's investment in certificates of deposit was 100 and

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186.

Concentrations of credit risk with respect to accounts receivable are limited due to the large number of entities comprising the Company's customer base and their credit rating.

As of December 31, 2003 the company's receivables from OTS SA and Puerto del Sur SA totaled 187 and 2,363 (including a current portion of 83).

As of December 31, 2002 the Company's receivables from OTS SA and Puerto del Sur SA amounted to 2,229. The Company does not require collateral for these receivables.

### 12) CLAIMS AGAINST INSURANCE COMPANIES

As of December 31, 2003 and 2002, the "Other receivables" account includes 396 and 814 in claims against insurance companies.

The "Other revenues" account for the year ended December 31, 2003 includes 264 in compensation received from insurers.

The "Other revenues" account for the year ended December 31, 2002, includes 500 in compensation received from insurers in connection with an accident including the Pueblo Esther tugboat during the year. As December 31, 2002 this amount was fully collected.

In addition, the "Other revenues" account for the year ended December 31, 2001 includes 687 related to claims for loss of income (business interruption) corresponding to the Alianza Rosario and San Pedro tugboats.

### 13) IFC AND KFW LOAN AGREEMENTS

On December 17, 2002, UABL Barges signed a loan agreement with the International Financial Corporation (IFC) amounting to 20,000.

This loan is divided into two tranches:

- Tranche A, amounting to 15,000, is payable in 14 semiannual installments of 1,071 each, beginning on June 15, 2005 and ending on December 15, 2011. This loan shall accrue interest at LIBOR plus 3.75% per year.
- Tranche B, amounting to 5,000, is payable in 10 semiannual installments of 500 each, beginning on June 15, 2005 and ending on December 15, 2009. This loan shall accrue interest at LIBOR plus 3.50% per year.

As of December 31, 2003 the Company has received disbursements for 11,200. The funds must be disbursed before May 31, 2005. The Company must pay a fee of 0.50% per annum on the unused portion of the loan on a semiannually basis.

In addition, on February 27, 2003, the Company signed a loan agreement with Kreditanstalt fur Wiederaufbau (KfW) amounting to 10,000.

This loan shall be payable in 10 semiannual installments of 1,000 each, beginning on June 15, 2005 and ending on December 15, 2009. This loan shall accrue interest at LIBOR plus 3.50% per year.

As of December 31, 2003 the Company has received disbursements for 5,600.

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The funds must be disbursed before May 31, 2005. The Company must pay a fee of 0.50% per annum on the unused portion of the loan on a semiannually basis.

These loans are guaranteed by UABL Limited and UABL S.A., Sernova S.A. and UABL International and secured by a mortgage taken on existing on to be acquired barges and tugboats belonging to UABL Limited and its subsidiaries. The Company's obligations under these loans are secured by barges and tugboats with a net book value of 24,986 at December 31, 2003.

UABL Barges has agreed to keep a debt coverage ratio not lower than 1, and not to take other loans, change its business nature, pay dividends and sell, transfer or somehow dispose of a significant portion of its assets, among others.

In addition, UABL Limited has agreed to keep a debt coverage ratio not lower than 1.25 until June 15, 2005, not lower than 1.50 from such date onwards and a consolidated debt ratio lower than 1. If further agreed to keep the market value of mortgaged assets at 130% of the remaining loan debt, and not to pay dividends under certain circumstances, change its business nature, take other loans and sell, transfer or somehow dispose of a significant portion of its assets, among others.

During March 2003, UABL Paraguay S.A., a wholly-owned subsidiary of the Company, entered into a fuel supply contract with Repsol-YPF that could be considered a "take or pay" contract. The Company guaranteed the compliance with this contract and UABL S.A., a wholly-owned subsidiary of the Company, mortgaged its port tug "San Jose V" to secure such contract. These facts resulted in the noncompliance with sections 16 (g) and (h) of the Guarantee Agreement by UABL Limited in favor of IFC and KfW. On February 18, 2004, the IFC signed a waiver to sections 16 (g) and (h) of the Guarantee Agreement in order to allow UABL Paraguay S.A. to enter into the "take or pay" fuel supply contract with Repsol-YPF, allow UABL S.A. to mortgage its port tug "San Jose V" as a security for the fuel supply contract and the Company to guarantee the compliance with this contract. On February 12, 2004, the KfW signed a waiver to sections 16 (g) and (h) Guarantee Agreement.

### 14) SIGNIFICANT EVENTS AT ACL

On January 31, 2003 ACL announced that it had filed a petition with the U.S. Bankruptcy Court for the Southern District of Indiana, New Albany Division, to reorganize under Chapter 11 of the U.S. Bankruptcy Code. ACL said that it filed to reorganize its capital and debt structure in an orderly fashion while continuing normal business operations. Included in the filing are ACL, ACL's parent American Commercial Lines Holdings LLC, American Commercial Barge Line LLC, Jeffboat LLC, Louisiana Dock Company LLC and ten other U.S. subsidiaries of ACL.

The ACL Bankruptcy petition has not affected the Company's operations or its financial needs. As noted in Note 7, the Company's primary transaction with ACL and its subsidiaries include the hire of certain vessels according to the Charter Party Agreement dated as of October 24, 2000 and the management fee received by Lonehort S.A. related to the management compensation for crew, maintenance and operations of such vessels.

### ITEM 19 - EXHIBITS

#### EXHIBIT INDEX

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Exhibits -----	DESCRIPTION -----
Number -----	Description of Exhibits -----
3.1	Memorandum and Articles of Association of Ultrapetrol (Bahamas) Limited*
3.2	Articles of Incorporation and By-laws of Abbey Marine Inc.*
3.3	Articles of Incorporation and By-laws of Baldwin Maritime Inc.*
3.4	Memorandum and Articles of Association of Kingly Shipping Ltd.*
3.5	Articles of Incorporation and By-laws of Kingsway Shipping Inc.*
3.6	Articles of Incorporation and By-laws of Oceanview Maritime Inc.*
3.7	Articles of Incorporation and By-laws of Panpetrol Shipping S.A.*
3.8	Memorandum and Articles of Association of Plate Princess Shipping Limited*
3.9	Articles of Incorporation of Princely International Finance Corp.*
3.10	Articles of Incorporation of Regal International Investments S.A.*
3.11	By-laws of Regal International Investments S.A.*
3.12	Memorandum and Articles of Association of Sovereign Maritime Ltd. as amended*
3.13	Articles of Incorporation and By-laws of Tipton Marine Inc.*
3.14	Articles of Incorporation of Ultrapetrol S.A.*
3.15	By-laws of Ultrapetrol S.A.*
3.16	Memorandum and Articles of Association of Noble Shipping Ltd.*
4.1	Indenture*
10.1	Amended and Restated Stock Purchase Agreement by and among Avemar Holdings (Bahamas) Limited, Ultrapetrol (Bahamas) Limited, Trafigura Beheer B.V., Societe Internationale D'Investissement S.A., Solimar Holdings LDC, and Inversiones Los Avellanos S.A., dated October 12, 2000**
10.2	Consolidation Agreement, by and between ACBL Hidrovias, Ltd. and UP River (Holdings) Ltd., dated October 18, 2000**
10.3	Stock Purchase Agreement by and among Ultrapetrol (Bahamas) Limited, Inversiones Los Avellanos S.A., Societe

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Internationale D'Investissements S.A., and Solimar Holdings  
LDC\*\*

- 12.1 Statement re Computation of Ratios\*\*\*
- 21.1 Subsidiaries of Registrant\*
- 99.1 Section 302 Certification of Chief Executive Officer
- 99.2 Section 302 Certification of Chief Financial Officer
- 99.3 Section 906 Certification of Chief Executive Officer
- 99.4 Section 906 Certification of Chief Financial Officer

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- \* Incorporated by reference to Exhibits of corresponding number in the Registration Statement of Ultrapetrol (Bahamas) Limited filed May 29, 1998 (Reg. No. 333-8878).
- \*\* Incorporated by reference to Exhibits of corresponding number as part of the Form 20-F of Ultrapetrol (Bahamas) Limited filed May 1, 2001.
- \*\*\* Incorporated by reference to Exhibits of corresponding number as part of the Form 20-F of Ultrapetrol (Bahamas) Limited filed May 1, 2002.

SIGNATURE

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized, on May 1, 2004.

ULTRAPETROL (BAHAMAS) LIMITED

/s/ Felipe Menendez Ross

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Felipe Menendez Ross  
President

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