ULTRAPETROL BAHAMAS LTD
Form F-1/A
September 26, 2006

As filed with the Securities and Exchange Commission on September 26, 2006

Registration Statement No. 333-132856

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1
TO
FORM F-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Ultrapetrol (Bahamas) Limited
(Exact name of registrant as specified in its charter)

Commonwealth of The Bahamas (State or other jurisdiction of incorporation or organization) Ultrapetrol (Bahamas) Limited Attention: Felipe Menendez R. Ocean Centre, Montagu Foreshore East Bay St. Nassau, Bahamas P.O. Box SS-19084 (242) 364-4755 (Address and telephone number of Registrant's principal executive offices)	4412 (Primary Standard Industrial Classification Code Number)	N/A (I.R.S. Employer Identification No.) Seward & Kissel LLP Attention: Lawrence Rutkowski, Esq. One Battery Park Plaza New York, New York 10004 (212) 574-1200 (Name, address and telephone number of agent for service)

Copies to:

Lawrence Rutkowski, Esq. Seward & Kissel LLP One Battery Park Plaza New York, New York 10004 (212) 574-1200 (telephone number) (212) 480-8421 (facsimile number)	William J. Whelan, III, Esq. Cravath, Swaine & Moore LLP Worldwide Plaza 825 Eighth Avenue New York, New York 10019 (212) 474-1000 (telephone number)

(212) 474-3700 (facsimile number)

Approximate date of commencement of proposed sale to the public:
As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Number of Shares	Maximum Price Per Share	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee(3)
Common Stock, par value $.01 per share	14,375,000	$15	$215,625,000	$23,072

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(a) under the Securities Act of 1933.

(2) Includes common stock, if any, that may be sold pursuant to the underwriters' over-allotment option.

(3) $18,725 of the registration fee has been previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS Subject to Completion September 26, 2006

12,500,000 Shares

Ultrapetrol (Bahamas) Limited

Common Stock

This is the initial public offering of our common stock. No public market currently exists for our common stock. We are offering 12,500,000 shares of common stock. We expect the public offering price to be between $13.00 and $15.00 per share.

Our common stock has been approved for listing, subject to notice of issuance, on The Nasdaq Global Market under the symbol ‘‘ULTR’’.

Investing in our common stock involves a high degree of risk. Before buying any shares, you should carefully read the discussion of material risks of investing in our common stock in ‘‘Risk factors’’ beginning on page 12 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to us	$	$

The underwriters may purchase from the selling shareholders identified in this prospectus up to an additional 1,875,000 shares of our common stock at the public offering price, less the underwriting discounts and commissions, to cover over-allotments, if any, within 30 days from the date of this prospectus. If the underwriters exercise this option in full, the total underwriting discounts and commissions will be $ and the total proceeds to the selling shareholders, before expenses, will be $. We will not receive any of the proceeds from any shares of common stock sold by the selling shareholders.

The underwriters are offering the common stock as set forth under ‘‘Underwriting.’’ Delivery of the shares will be made on or about , 2006.

UBS Investment Bank

Bear, Stearns & Co. Inc.

Merrill Lynch & Co.

Jefferies & Company

Raymond James

DVB Capital Markets

You should rely only on the information contained in this prospectus or to which we have referred you. We have not, and the underwriters have not authorized anyone to provide you with additional or different information. We are not, and the underwriters are not offering to sell these securities in any jurisdiction where the offer or sale is not permitted. The information in this prospectus may only be accurate on the date of this prospectus regardless of the time of delivery of this prospectus or of any sale of shares of our common stock.

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Dealer Prospectus Delivery Obligation

Through and including , 2006 (the 25th day after the date of this prospectus), federal securities law may require all dealers that effect transactions in these securities, whether or not participating in this offering, to deliver a prospectus. This requirement is in addition to the dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

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Enforceability of civil liabilities

We are a Bahamian corporation. Our subsidiaries are incorporated in Argentina, The Bahamas, Brazil, Chile, Colombia, Liberia, Mexico, Panama, Paraguay, Spain, the United Kingdom, the United States of America, Uruguay and Venezuela. All of our vessels and barges are flagged in Argentina, Bolivia, Brazil, Chile, Liberia, Panama or Paraguay. Most of our and our subsidiaries' offices, administrative activities and other assets, as well as those of the independent public accountants and the expert named herein, are located outside the United States. In addition, some of our directors and officers, and the directors and officers of our subsidiaries, are residents of jurisdictions other than the United States, and all or a substantial portion of the assets of such persons are or may be located outside the United States. As a result, it may be difficult for you to effect service of process within the United States upon us or our subsidiaries or such persons, and it may be difficult for you to enforce judgments obtained in United States courts against us or our subsidiaries, our directors and officers, the directors and officers of our subsidiaries, the independent public accountants or the expert named herein, or the assets of any such parties located outside the United States. Further, it may be difficult for you to enforce judgments obtained in United States courts, including those predicated upon the civil liability provision of the federal securities laws of the United States, against such parties in courts outside of the United States.

Industry

The discussions relating to the international shipping industry contained under the sections of this prospectus entitled ''Summary,'' ''The international shipping industry'' and ''Business'' have been reviewed by Doll Shipping Consultancy, or DSC, which has confirmed to us that the discussion contained in those sections accurately describes the international shipping markets subject to the reliability of the data supporting the statistical and graphical information present in this prospectus.

DSC is an independent company based in the United Kingdom that provides market analysis and strategic planning services to the shipping industry, and has provided us with statistical and other data regarding the shipping industry and the particular markets in which we operate. You can find these data in this prospectus in, among other locations, the section entitled ''The international shipping industry.'' DSC has advised us that these data are drawn from published and private industry sources. DSC has also advised us that:

some industry data they provided are based upon estimates or subjective judgments in circumstances where data for actual market transactions either do not exist or are not publicly available;

the published information of other maritime data collection experts may differ from the data provided to us by DSC; and

while DSC has taken reasonable care in the compilation of the data it has provided to us and believes such data to be accurate, data collection is subject to limited audit and validation procedures.

Neither we nor any of our affiliates have independently verified the information supplied to us by DSC and neither we nor any of our affiliates make any representations regarding its accuracy.

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Ultrapetrol (Bahamas) Limited
Summary Organizational Chart

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1. We currently own 96.43% of our River Business; we have reached an agreement to purchase the remaining 3.57%, and we expect to repay the resulting obligation with a portion of the proceeds of this offering.
2. Our partner in Brazil, Comintra Enterprises Ltd., or Comintra, owns 5.55% of UP Offshore.

Summary

This summary highlights selected information in this prospectus. It may not contain all the information that may be important to you. You should review carefully the risk factors and the more detailed information and financial statements, including the consolidated pro forma financial information, contained elsewhere in this prospectus, for a more complete understanding of our business and this offering. In March 2006, we acquired a 66.67% equity interest in UP Offshore (Bahamas) Limited, or UP Offshore, the entity through which we operate our Offshore Supply Business, from LAIF XI Ltd., or LAIF, a related company, bringing our ownership in UP Offshore to 94.45%. We refer to this transaction as the ‘‘UP Offshore Acquisition.’’ In March 2006, we also acquired Ravenscroft Shipping (Bahamas) S.A., or Ravenscroft, the entity through which we manage the vessels in our Offshore Supply, Ocean, and Passenger Businesses, from other related companies. Throughout this prospectus, we have included pro forma financial information that gives effect to the UP Offshore Acquisition, the distribution of treasury stock pro rata to existing shareholders and this offering and the expected use of proceeds therefrom; see ‘‘Unaudited pro forma condensed consolidated financial information’’. In this prospectus, unless the context otherwise indicates, the terms ‘‘we,’’ ‘‘us’’ and ‘‘our’’ (and similar terms) refer to Ultrapetrol (Bahamas) Limited and its subsidiaries. The information in this prospectus describing our common stock, including some special voting rights, gives effect to the adoption of our Amended and Restated Memorandum of Association which will take effect prior to the closing of this offering. Unless otherwise indicated, all references to currency amounts in this prospectus are in U.S. Dollars. See the ‘‘Glossary of

shipping terms'' included in this prospectus for definitions of certain terms used in this prospectus that are commonly used in the shipping industry.

Our Company

We are an industrial transportation company serving the marine transportation needs of our clients in the markets on which we focus. We serve the shipping markets for grain, forest products, minerals, crude oil, petroleum, and refined petroleum products, as well as the offshore oil platform supply market, and the leisure passenger cruise market through our operations in the following four segments of the marine transportation industry.

Our River Business, with approximately 490 barges, is the largest owner and operator of river barges and pushboats that transport dry bulk and liquid cargos through the Hidrovia Region of South America, a large area with growing agricultural, forest and mineral related exports. This region is crossed by navigable rivers that flow through Argentina, Bolivia, Brazil, Paraguay and Uruguay to ports serviced by ocean export vessels.

Our Offshore Supply Business owns and operates vessels that provide critical logistical and transportation services for offshore petroleum exploration and production companies, primarily in the North Sea and the coastal waters of Brazil. Our Offshore Supply Business fleet currently consists of proprietarily designed, technologically advanced platform supply vessels, or PSVs, including four in operation and two under construction and contracted to be delivered in 2007 and 2008.

Our Ocean Business owns and operates six oceangoing vessels, including three versatile Suezmax Oil-Bulk-Ore, or Suezmax OBO, vessels, one Aframax tanker, one semi-integrated tug/barge unit and one chemical/product tanker. Our Ocean Business fleet has an aggregate carrying capacity of approximately 600,000 deadweight tons, or dwt, and our three Suezmax OBOs are capable of carrying either dry bulk or liquid cargos, providing flexibility as dynamics change between these market sectors.

Our Passenger Business fleet consists of two vessels with a total carrying capacity of approximately 1,600 passengers, and operates primarily in the European cruise market. We currently employ each of our passenger vessels under seasonal charters with a tour operator. In addition, we are currently negotiating opportunities to operate these vessels during periods outside the European travel season.

We have a diverse customer base including large and well-known petroleum, agricultural, mining and tour operating companies. Some of our significant customers over the last three years include affiliates of Archer Daniels Midland, British Gas, Cargill, Chevron, Continental Grain, Empresa Nacional de Petroleo (ENAP), the national oil company of Chile, Industrias Oleaginosas, Panocean, Petrobras, the national oil company of Brazil, Petropar, the national oil company of Paraguay, Rio Tinto, Swissmarine, Total, Trafigura, Travelplan, and Vicentin.

We are focused on growing our businesses while maintaining the versatility of our fleet and the diversity of industries that we serve. We believe maintaining this versatility and diversity will maximize our ability to pursue new growth

opportunities and minimize our dependence on any particular sector of the marine transportation industry.

Our Competitive Strengths

We believe that the following strengths have contributed to our success.

Multiple Growth Opportunities. We believe that we have successfully identified a series of growth opportunities in the marine transportation industry and have built businesses with competitive advantages that have grown rapidly by meeting the needs of a range of multinational customers.

Diversification. We believe that our diversification across multiple segments of the marine transportation industry provides significant protection against business cycles in any particular segment.

Large Scale Generates Efficiencies. We are the largest provider of river transportation services in the Hidrovia Region, which gives us economies of scale and increased negotiating power. Our size has enabled us, alone among our competitors in the Hidrovia Region, to implement an operational system through which we provide our customers with a continuous stream of available barges while reducing our operating costs on a per ton basis.

Advanced Technology. Our PSVs have advanced dynamic positioning systems and benefit from our proprietary design that includes oil recovery capabilities and greater cargo capacity and deck space than PSVs of standard design. These capabilities enable us to better serve clients operating in challenging offshore environments. Our River Business uses a navigational system that allows around-the-clock operation on a river system that lacks the signals otherwise necessary for night navigation.

Versatile Ocean Fleet. We can readily switch our Suezmax OBOs between dry bulk and liquid cargo carriage to take advantage of rate differentials in these markets. Further, because of her narrow beam, our Aframax tanker is able, despite her large Aframax dwt, to transit the Panama Canal.

Long-Term Customer Relationships. We have long-standing relationships with large, stable customers, including affiliates of major international oil and agriculture companies, including Petrobras and Cargill, which have been our customers for 12 years and eight years respectively, as well as Archer Daniels Midland, Continental Grain and ENAP.

High Standards of Performance and Safety. The quality of our vessels and the expertise of our vessel managers, crews and engineering resources help us maintain safe, reliable and consistent performance.

Established History and Experienced Management Team. Our management team is led by members of the Menendez family, which has been in the shipping industry since 1876. Our senior executive officers have on average 34 years of experience in the shipping industry.

Preferential Treatment in Certain Markets. Certain countries provide preferential treatment for vessels that are flagged in their jurisdiction or chartered in for operation by local ship operators. Brazilian law provides a preference for the utilization of Brazilian-flagged vessels in its cabotage trade. Through one of our Brazilian subsidiaries, we have the competitive advantage of being able to trade our PSVs in the Brazilian cabotage market, enabling them to obtain employment in preference to vessels without those cabotage privileges. In addition, certain of our ocean vessels enjoy special privileges in Argentina and Chile.

Our Business Strategy

Our business strategy is to continue to operate as a diversified marine transportation company with an aim to maximize our growth and profitability while limiting our exposure to the cyclical behavior of individual sectors of the marine transportation industry. We plan to implement our business strategy by pursuing the following objectives.

Capitalizing on Attractive Fundamentals in Our River Business. We plan to use our leading market position in the Hidrovia Region to grow our River Business by capitalizing on the region’s growing agricultural, iron ore and other commodity exports, the cost effectiveness of river transport compared to

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available alternatives and our proprietary transportation infrastructure. We plan to increase the size and capacity of many of our existing barges and invest in river infrastructure in order to take advantage of this opportunity.

Expanding Our Offshore Supply Business. We have taken delivery of four proprietarily designed PSVs for our Offshore Supply Business and have two more PSVs under construction. We are negotiating the construction of four additional PSVs, which would give us a total fleet of ten vessels.

Growing Our Ocean Fleet. We plan on incorporating additional chemical/product tankers into our ocean fleet. We believe that these ships will fill a demand from our existing customers for vessels to service routes where both the point of origin and destination are in South America.

Redeploying Vessels to the Most Attractive Markets. Under appropriate market conditions, we intend to take advantage of the versatility of some of our vessels and to alter the geographic and industry focus of our operations by redeploying vessels to the most profitable markets. In addition, we actively manage the deployment of our fleet between longer-term and shorter-term time charters.

Expanding Our Passenger Fleet. We intend to further expand our Passenger Business through timely and selective acquisitions of secondhand passenger vessels in accordance with identified customer needs and to increase revenue by also employing our vessels outside of the European travel season.

Generating Operational Efficiencies. We have identified opportunities and are implementing our plans to improve overall efficiency and profitability. For example, in our River Business, we plan to increase the size and capacity of many of our existing barges and invest in new engines that burn less expensive fuel for our line pushboats, which we use on our longer river voyages. We will also continue to focus on optimizing our barge and tug scheduling, maximizing loads and convoy size and minimizing empty return voyages.

Chartering Strategy and Fleet Management

We continually monitor developments in the shipping industry and make charter-related decisions on an individual vessel and segment basis as well as our view of overall market conditions.

We conduct the day-to-day management and administration of our operations in-house and through our subsidiaries. Our subsidiary, Ravenscroft, provides technical ship management for the vessels in our Offshore Supply, Ocean and Passenger Businesses while our subsidiary, UABL Limited, or UABL, manages our River Business. In addition to servicing our own vessels, Ravenscroft manages vessels owned by third parties.

Important Developments and Current Initiatives

We believe the following developments and initiatives will have a significant impact on the operations of our various businesses.

River Business

New vessels. During 2005, we acquired 35 barges and two pushboats for use in our River Business. Our 2006 operating results will reflect the deployment of these vessels for a full year.

Expansion and fuel efficiency initiatives. We have begun a three year program to expand the size of many of our barges. To date, we have expanded 12 barges, and we expect to have a total of 22 expanded by the end of the first quarter of 2007. We are also working on a four year program to replace the diesel engines in our line pushboats with new engines that will burn less expensive heavy fuel oil. We have contracted to purchase six of these new engines from MAN Diesel with expected delivery dates in July and November of 2007. We anticipate the most significant impact from these programs on our operations will occur after 2006.

Offshore Supply Business

Acquisition of additional 66.67% interest. In March 2006, we acquired an additional 66.67% of UP Offshore, which is the holding company for our Offshore Supply Business, raising our ownership to 94.45%. Prior to this

transaction, we used the equity method of accounting for our investment in UP Offshore. As a result of the transaction, we consolidate UP Offshore into our financial results. In compliance with the requirements of the indenture governing our 9% First Preferred Ship Mortgage Notes due 2014, or, the Notes, we obtained a fairness opinion from an internationally recognized accounting firm in connection with this acquisition.

New vessels. During 2005, UP Offshore took delivery of two newly built PSVs and placed them into service. The 2005 operating results of UP Offshore reflect the operation of these two vessels for less than half-a-year as they were the first vessels UP Offshore put into service. Our 2006 operating results will reflect the deployment of these vessels for a full year. Those results will also reflect the partial year operations of two additional newly built PSVs, one that we received and placed into service in March 2006, and one that we received in August 2006 and placed into service in September 2006. We have also contracted to receive two additional newly built PSVs in 2007 and 2008.

Ocean Business

Vessel acquisitions and dispositions in our Ocean Business. In May 2005, we disposed of our Capesize bulk carrier, the Cape Pampas, and in July 2005 we purchased our chemical/product tanker, Miranda I, which we placed into service in October 2005. Our 2006 operating results will reflect the operation of the Miranda I for a full year and the loss of revenue and costs associated with the Cape Pampas. We are also exploring the acquisition of one or more additional vessels in our Ocean Business for delivery in 2006 and 2007.

Passenger Business

Vessel deployment in our Passenger Business. We purchased the passenger vessel, Grand Victoria, in 2005. As we immediately undertook a refurbishment and re-classification of that vessel, we did not place her in service in 2005. For 2006, both of our passenger vessels are employed for the full European travel season. We completed a refurbishment of all passenger accommodations on the New Flamenco in February 2006 and she has secured employment at increased rates for the European summer season of 2007 with an option for the 2008 summer season. We have announced an agreement with Monarch Classic Cruises for the Grand Victoria to participate in their program in the Aegean Sea during the European summer season of 2007. We are also exploring the deployment of both our passenger vessels outside of the European travel season.

Vessel Management

Acquisition of Ravenscroft. In March 2006, we acquired Ravenscroft, the technical manager for our Offshore Supply, Ocean and Passenger businesses. We expect this transaction to open new business opportunities for us and to eliminate the management fees paid to related parties, while bringing the costs of ship management in-house. In compliance with the requirements of the indenture governing our Notes, we obtained a fairness opinion from an internationally recognized accounting firm in connection with this acquisition.

Our Corporate History

We were originally formed by members of the Menendez family with a single oceangoing vessel in 1992, and were incorporated in our current form as a Bahamas corporation on December 23, 1997.

Our Ocean Business has grown through the investment of capital from the operation of our fleet along with other sources of capital to acquire additional vessels. In 1998, we issued $135.0 million of 10½% First Preferred Ship Mortgage Notes due 2008, or the Prior Notes. By 2001, our fleet reached 13 oceangoing vessels with a total carrying capacity of 1.1 million dwt. During 2003, in an effort to remain ahead of changing environmental protection regulations, we began to sell all of our single hull Panamax and Aframax tankers (five vessels in total), a process that we completed in early 2004.

We began our River Business in 1993 with a fleet consisting of one pushboat and four barges. In October 2000, we formed a joint venture with American Commercial Barge Lines Ltd., or ACL. From 2000 to 2004, we built UABL into the leading river barge company in the Hidrovia Region of South America. Using some of the proceeds from the sale of our single hull Panamax tankers, in 2004, we purchased from ACL their 50% equity interest in UABL.

During 2000, we received a $50.0 million equity investment from Solimar Holdings, Ltd., or Solimar, a wholly-owned subsidiary of the AIG-GE Capital Latin American Infrastructure Fund L.P., or the Fund. The Fund was established at the end of 1996 to make equity investments in Latin America and the Caribbean countries. The Fund has also been our partner in other ventures, including UP Offshore.

In December 2002, we began our relationship with International Finance Corporation, or IFC, which is the private sector arm of the World Bank Group that provides loans, equity, and other services to support the private sector in developing countries. In total, IFC, together with its participant bank and co-lender, KfW, has provided us with $115.0 million of credit and equity commitments to support our River and Offshore Supply Businesses.

We formed our Offshore Supply Business during 2003 in a joint venture with LAIF, a wholly-owned subsidiary of the Fund, and Comintra. We capitalized the business with $45.0 million of common equity and $70.0 million of debt and preferred equity from IFC to construct our initial fleet of six PSVs.

In November 2004, we issued $180.0 million of 9% First Preferred Ship Mortgage Notes due 2014, or the Notes. The proceeds of the Notes offering were used principally to prepay the Prior Notes and to buy an additional Ocean Business asset, further invest in our River Business, and to diversify into the Passenger Business with the acquisition of two passenger vessels.

Corporate Information

We are incorporated in the Commonwealth of The Bahamas under the name Ultrapetrol (Bahamas) Limited. Our principal offices in the Bahamas are located at Ocean Centre, Montagu Foreshore, East Bay St., P.O. Box SS-19084, Nassau, Bahamas. Our telephone number there is 1 (242) 364-4755.

The offering

Common stock offered by us

12,500,000 shares.

Underwriters' over-allotment option

1,875,000 shares from the selling shareholders.

Common stock to be outstanding
immediately after this offering

28,000,000 shares, excluding 310,000 restricted shares to be issued on the closing of this offering. See ''Management — Employment agreements.''

Use of proceeds

We expect to use the net proceeds of this offering as follows:

$48.0 million to repay the note we issued to LAIF, a related company, in connection with our purchase of its 66.67% interest in UP Offshore;

$11.5 million to repay the notes we issued to Crosstrees Maritime Inc. and Crosstrade Maritime Inc., related companies, in connection with our purchase of Ravenscroft and related assets;

$52.9 million to repay some of our variable interest rate indebtedness owed to IFC and certain of our other lenders including an affiliate of one of our underwriters;

$4.3 million to redeem UP Offshore's redeemable preferred shares issued to IFC;

$6.2 million to discharge the obligation to IFC resulting from our purchase of its interest in our River Business;

$20.0 million to be held as working capital to fund a portion of the balance of the construction costs of the last two PSVs being built in Brazil; and

the remainder for general corporate purposes.

We will not receive any of the proceeds from any sale of our common stock by the selling shareholders. See ‘‘Use of proceeds.’’

Dividend policy

We anticipate retaining most of our future earnings, if any, for use in our operations and the expansion of our business. Any determination as to dividend policy will be made by our board of directors and will depend on a number of factors, including the requirements of Bahamian law, our future earnings, capital requirements, financial condition and future prospects, restrictions imposed by the terms of our indebtedness, and such other factors as our board of directors may deem relevant. See ‘‘Dividend policy.’’

Nasdaq Global Market listing

Our common stock has been approved for listing, subject to notice of issuance, on The Nasdaq Global Market under the symbol ‘‘ULTR.’’

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Special Voting Rights

Under our Amended and Restated Memorandum of Association, the existing shareholders are expressly entitled to seven votes per share on all shares held directly by them and all other holders of shares of our common stock are entitled to one vote per share. The special voting rights of these existing shareholders are transferable to each other but are not transferable to any other shareholders, and apply only to shares held by them on the date of this offering and not to any shares they subsequently purchase or repurchase. Our Amended and Restated Memorandum of Association also provides certain protections for our shareholders that do not have these special voting rights including certain tag-along rights. After giving effect to this offering, our existing shareholders will have 89.67% of the voting power of our common stock. Please see ‘‘Description of capital stock’’ elsewhere in this prospectus.

Unless we indicate otherwise or the context otherwise requires, all information in this prospectus:

gives effect to a 7.34862 for one stock split that occurred on September 25, 2006;

assumes that the underwriters do not exercise their over-allotment option;

does not give effect to the issuance on the closing of this offering of 310,000 restricted shares and the granting of options on the closing of this offering to purchase an additional 348,750 shares pursuant to our equity incentive plan, as described under ‘‘Management — Employment agreements;’’ and

does not give effect to the warrant in favor of Solimar representing 146,384 shares of our common stock.

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Risk factors

Investing in our common stock involves substantial risks. We summarize some of these risks below.

Some of the sectors of the shipping industry in which we operate are cyclical and volatile. Some of our businesses operate in highly volatile and cyclical markets characterized by large fluctuations in demand and charter rates. If these businesses suffer from adverse market conditions, our results of operations will be adversely affected.

Our River Business can be affected by adverse weather conditions that reduce production of the goods we transport or navigability of the river system on which we operate. Droughts and other adverse weather conditions, such as floods, have in the past and could in the future result in a decline in production of the agricultural products we transport. Further, certain conditions, such as low water levels, could reduce or limit our ability to effectively transport cargo on the rivers.

Our vessels are at risk of being damaged due to operational risks that may lead to unexpected consequences, which may adversely affect our earnings. Our vessels and their cargos are at risk of being damaged or lost because of events we cannot control, such as marine disasters, bad weather, mechanical failures, human error, war, terrorism, piracy and other circumstances or events. Although we insure our vessels against those types of risks commonly insured against by vessel owners and operators, we may not be adequately insured against all risks.

We are an international company that is exposed to the risks of doing business in many different and often less developed emerging market countries. We conduct almost all of our operations outside of the United States, including in countries that are less developed, such as Argentina, Bolivia, Brazil, Chile, China, Paraguay, South Africa and Uruguay. By operating in these countries, we are subject to numerous risks, including political and economic instability, unfavorable legal, regulatory and tax changes, and others.

Our existing shareholders will control the outcome of matters on which our shareholders are entitled to vote following this offering. Our existing shareholders will control a majority of the voting power of our common stock after the offering, in part because shares of common stock held by them prior to this offering will have seven votes and shares of common stock held by others will have one vote. In cases where their interests differ from yours, they will have the ability to control the management of our company.

This is our initial public offering and there is no public market for our common stock. A trading market for our common stock may not develop and you may encounter difficulties in trying to sell your shares of our common stock in the future.

This is not a comprehensive list of risks to which we are subject, and you should carefully consider all the information in this prospectus prior to investing in our common stock. In particular, we urge you to consider carefully the additional factors set forth in the section of this prospectus entitled ‘‘Risk factors’’ beginning on page 12.

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Summary consolidated financial data

The following table sets forth our summary consolidated financial information and other operating data. You should carefully read our audited consolidated financial statements, our interim unaudited condensed consolidated financial statements, and the information set forth under ‘‘Management’s discussion and analysis of financial condition and results of operations’’ and ‘‘Unaudited pro forma condensed consolidated financial information’’ included elsewhere in this prospectus for additional financial information about us. We derived our summary consolidated statement of operations data relating to the fiscal years ended December 31, 2003, 2004 and 2005, and our summary consolidated balance sheet data as of December 31, 2004 and 2005, from our audited consolidated financial statements included elsewhere in this prospectus. We derived our summary consolidated balance sheet data as of December 31, 2003 from our audited consolidated financial statements not included in this prospectus. We refer you to the footnotes to our consolidated financial statements for a discussion of the basis on which our consolidated financial statements are presented. We derived our financial data as of and for the six-month periods ended June 30, 2005 and 2006 from our respective interim unaudited condensed consolidated financial statements included elsewhere in this prospectus which, in the opinion of management, include all adjustments (consisting of normal recurring adjustments) necessary to present fairly the information set forth in those financial statements on a basis consistent with our audited financial statements.

We derived our summary unaudited consolidated pro forma financial data relating to the fiscal year ended December 31, 2005 and for the six-month period ended June 30, 2006 from our Unaudited Pro Forma Condensed Consolidated Financial Information included elsewhere in this prospectus. The summary unaudited consolidated pro forma statements of operations data for the year ended December 31, 2005 and for the six-month period ended June 30, 2006, give effect to the Transactions (as defined in ‘‘Unaudited pro forma condensed consolidated financial information’’) as if they had occurred as of January 1, 2005, and the summary unaudited consolidated pro forma balance sheet data on June 30, 2006 give effect to this offering and the use of proceeds therefrom and the distribution of treasury stock as if they had occurred on June 30, 2006.

Year ended December 31,			Six months ended June 30,		Pro Forma for the	
2003	2004[(1)]	2005	2005	2006[(2)]	Year ended December 31, 2005	Six months ended June 30,

							2006
				(Unaudited)		(Unaudited)	
	(Dollars in thousands, except share and per share data)						
Statement of Operations Data:							
Revenues	$75,233	$95,160	$125,361	$68,913	$77,156	$125,333	$77,483
Operating expenses[3]	(41,303)	(40,815)	(73,061)	(32,298)	(44,185)	(70,415)	(41,989)
Depreciation and amortization	(22,567)	(18,688)	(21,333)	(10,687)	(12,987)	(22,340)	(13,498)
Management fees to related parties[4]	(2,863)	(1,513)	(2,118)	(864)	(511)	(2,118)	(639)
Administrative and commercial expenses	(4,955)	(7,494)	(7,617)	(3,400)	(5,029)	(8,859)	(5,307)
Other operating income (expenses)[5]	(2,124)	784	22,021	21,867	—	22,021	—
Operating profit	1,421	27,434	43,253	43,531	14,444	43,622	16,050
Financial expense	(16,207)	(16,134)	(19,141)	(9,317)	(9,669)	(17,246)	(8,581)
Financial gain (loss) on extinguishment of debt[6]	1,782	(5,078)	—	—	—	—	—
Financial income	201	119	1,152	263	273	1,026	224
Investment in affiliates[7]	3,140	406	(497)	(163)	724	(492)	395
Other income (expenses)	(337)	174	384	(22)	62	386	49
Income (loss) before income taxes and minority interest	(10,000)	6,921	25,151	34,292	5,834	27,296	8,137
Income taxes	(185)	(642)	(786)	(11)	(79)	(786)	(79)
Minority interest[8]	(1,333)	(1,140)	(9,797)	(9,503)	(445)	(9,831)	(480)
Net income (loss)	$(11,518)	$5,139	$14,568	$24,778	$5,310	$16,679	$7,578
Basic net income (loss) per share	$(1.00)	$0.44	$1.26	$2.14	$0.46	$0.69	0.32
Diluted net income (loss) per share	$(0.98)	$0.44	$1.25	$2.12	$0.45	$0.69	0.31
	11,552,734	11,552,734	11,552,734	11,552,734	11,552,734	24,052,734	24,052,734

Weighted average number of shares for basic earnings per share[9][10]							
Weighted average number of shares for diluted earnings per share[10]	11,699,118	11,699,118	11,699,118	11,699,118	11,699,118	24,199,118	24,199,118
Pro forma basic net income per share (unaudited)[11]			$0.94		$0.34	$0.60	$0.27
Pro forma diluted net income per share (unaudited)[11]			$0.93		$0.34	$0.59	$0.27

	Year ended December 31,			Six months ended June 30,		Pro Forma for the	
	2003	2004[1]	2005	2005	2006[2]	Year ended December 31, 2005	Six mo ended 30, 2006
				(Unaudited)		(Unaudited)	
	(Dollars in thousands, except share and per share data)						
Pro forma weighted average number of shares for basic earnings per share (unaudited)[9][10][11]			15,500,000		15,500,000	28,000,000	28,0
Pro forma weighted average number of shares for diluted earnings per share (unaudited)[10][11]			15,646,384		15,646,384	28,146,384	28,1
Balance Sheet Data (end of period):							
Cash and cash equivalents	$8,248	$11,602	$7,914		$8,558		$30,3
Current restricted cash	1,155	2,975	3,638		3,726		—
Working capital[12]	15,416	13,441	26,353		(44,733)[15]		42,0
Vessels and equipment	120,803	160,535	182,069		305,761		327,
Total assets	208,161	273,648	277,747		394,399		431,
Total debt	155,814	220,413	211,275		249,031		196,
Shareholders' equity	23,793	28,910	43,474		48,768		206,
Other Financial Data:							
Net cash provided by operating activities	$18,602	$23,129	$16,671	$15,897	$12,077		
	(4,416)	(57,556)	(26,725)	10,064	(4,653)		

Net cash provided by (used in) investing activities									
Net cash provided by (used in) financing activities	(10,662)	37,781	6,366		(6,674)	(6,780	)		
EBITDA[13]	25,659	45,681	55,828		44,793	28,045		57,051	29,7
Selected Fleet Data (end of period):									
River Business									
Dry barges	387	411	446			446			
Tank barges	44	44	44			44			
Total barges	431	455	490			490			
Total barge capacity (approximate dwt)	705,000	744,000	798,000			798,000			
Number of pushboats	21	21	23			23			
Offshore Supply Business									
Large PSVs	0	0	0	(14)		4			
Ocean Business									
Total ocean vessels	8	6	6			6			
Total ocean vessel capacity (approximate dwt)	875,000	747,000	602,000			602,000			
Passenger Business									
Passenger vessels	0	0	2			2			
Total Passenger Berths	0	0	1,585			1,585			

(1)

In a series of related transactions, on April 23, 2004, through two wholly-owned subsidiaries, we acquired from ACL the remaining 50% equity interest in UABL Limited that we did not previously own, along with a fleet of 50 river barges and seven river pushboats. The results of UABL Limited’s operations have been included in our consolidated financial statements since that date.

(2)

On March 21, 2006, we purchased an additional 66.67% of the equity interest of UP Offshore from LAIF. Following the acquisition of the shares of UP Offshore from LAIF, we hold 94.45% of the outstanding shares of UP Offshore. The results of UP Offshore’s operations have been included in our consolidated financial statements since that date.

(3)

Operating expenses include voyage expenses and running costs. Voyage expenses, which are incurred when a vessel is operating under a contract of affreightment (as well as any time when a vessel is 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 charterhire payments made by us to owners of vessels that we have chartered in. Running costs, or vessel operating expenses, include the cost of all vessel management, crewing, repairs and maintenance, spares and stores, insurance premiums, lubricants, and certain drydocking costs.

(4)

Management fees to related parties include payments to our related companies Ravenscroft and Oceanmarine S.A., or Oceanmarine, for ship management and administration services they provided to us. We purchased the business of

Ravenscroft, and hired the administrative personnel and purchased the administration related assets of Oceanmarine in March 2006; accordingly, after those acquisitions, we did not pay any fees to these related parties, but directly incur all costs of ship management and administration, which appear as expenses in our results since that date.

(5)

Other income in 2005 includes an approximately $21.8 million gain from the sale of our Capesize bulk carrier, the Cape Pampas. This vessel was owned indirectly by Ultracape, a company of which we own a 60% equity interest. Accordingly, the gain on sale attributable to the remaining 40% equity interest that we do not own is deducted from income as part of minority interest. (See note 7 to our audited consolidated financial statements included elsewhere herein).

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(6)

During 2003, we repurchased $6.7 million principal amount of our Prior Notes for a price of $4.8 million and realized a gain of $1.8 million. During 2004, we repurchased $5.7 million principal amount of our Prior Notes for a price of $4.3 million and realized a gain of $1.3 million, and we incurred $6.4 million in expenses in relation to our tender offer and repurchase of our Prior Notes.

(7)

Prior to April 2004, we owned 50% of UABL through a joint venture with ACL and, accordingly, we accounted for it using the equity method.

(8)

We own 60% of Ultracape, which indirectly owned the Capesize bulk carrier Cape Pampas prior to its sale in May 2005, and accordingly recognize minority interest for the 40% we do not own. Figures in 2003 and 2004 principally represent 40% of the income earned by Ultracape, from operation of the Cape Pampas. The figures in 2005 represent 40% of the income from operations of the Cape Pampas as well as 40% of the gain on the sale of the vessel in May 2005.

(9)

Does not include 146,384 shares issuable upon the exercise of the warrants held by Solimar at an exercise price of $6.83 per share.

(10)

Does not include 310,000 restricted shares to be issued on the closing of this offering and 348,750 shares issuable upon the exercise of options to be granted on the closing of this offering pursuant to our equity incentive plan. See ‘‘Management — Employment agreements.’’

(11)

Pro forma to reflect the distribution of 3,947,266 shares held by our wholly owned subsidiary, Avemar Holdings (Bahamas) Limited, to our existing shareholders on a pro rata basis prior to the closing date of this offering. These shares are currently included in our financial statements as treasury shares.

(12)

Current assets less current liabilities.

(13)

EBITDA consists of net income (loss) prior to deductions for interest expense and other financial gains and losses, income taxes, depreciation and amortization of drydock expense and financial gain (loss) on extinguishment of debt. We believe that EBITDA is intended to exclude all items that affect results relating to financing activities. The gains and losses associated with extinguishment of debt are a direct financing item that affects our results, and therefore should not be included in EBITDA. We do not intend for EBITDA to represent cash flows from operations, as defined by GAAP (on the date of calculation), 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. We have provided EBITDA in this prospectus because we believe it provides useful information to investors to measure our performance and evaluate our ability to incur and service indebtedness.

The following table reconciles our EBITDA to our net income (loss).

	Year ended December 31,			Six months ended June 30,		Pro Forma for the	
	2003	2004	2005	2005	2006[2]	Year ended December 31, 2005	Six months ended June 30, 2006
				(Unaudited)		(Unaudited)	
	(Dollars in thousands)						
Net income (loss)	$(11,518)	$5,139	$14,568	$24,778	$5,310	$16,679	$7,578
Financial expense	16,207	16,134	19,141	9,317	9,669	17,246	8,581
Financial gain on extinguishment of debts	(1,782)	(1,344)	—	—	—	—	—
Financial losses on extinguishment of debts	—	6,422	—	—	—	—	—
Income taxes	185	642	786	11	79	786	79
Depreciation and amortization	22,567	18,688	21,333	10,687	12,987	22,340	13,498
EBITDA	$25,659	$45,681	$55,828 (a)	$44,793 (a)	$28,045	$57,051 (a)	$29,736

(a)

EBITDA for 2005 includes approximately $13.1 million of net gain to us on the sale of theCape Pampas in May 2005. See ‘‘Management's discussion and analysis of financial condition and results of operations—Developments in 2005.’’

(14)

During 2005, UP Offshore owned two PSVs. Because we owned only 27.78% of UP Offshore's equity interest at year's end, we do not show these vessels as being part of our fleet. We do recognize the revenue from these vessels in our statement of operations because we operated them under a bareboat charter from UP Offshore. This revenue was substantially offset by related operating expenses and charterhire.

(15)

Current liabilities at June 30, 2006 includes $59.5 million related to the promissory notes we issued in connection with our acquisition of all of the shares of Ravenscroft and 66.67% of UP Offshore. (See note 3 to our interim unaudited condensed consolidated financial statements as of and for the six-month period ended June 30, 2006 included elsewhere herein).

Risk factors

Any investment in our common stock involves a high degree of risk. You should consider carefully the following factors, as well as the other information set forth in this prospectus, before making an investment in our common stock. Some of the following risks relate principally to the industry in which we operate and our business in general. Other risks relate principally to the securities market and ownership of our stock. Any of these risk factors could significantly and negatively affect our business, financial condition or operating results and the trading price of our stock. As a result of these risks, you may lose all or part of your investment.

Risks Relating to Our Industry

The oceangoing cargo transportation industry is cyclical and volatile, and this may lead to volatility in, and reductions of, our charter rates and volatility in our results of operations.

The oceangoing cargo transportation industry is both cyclical and volatile, with frequent and large fluctuations in charter rates. The charter rates earned by the vessels in our Ocean Business will depend in part upon the state of the vessel market at the time we seek to charter them. We cannot control the forces affecting the supply and demand for these vessels or for the goods that they carry or predict the state of the vessel market on any future date. If the vessel market is in a period of weakness when our vessels' charters expire, we may be forced to re-charter our vessels at reduced rates or even possibly at a rate at which we would incur a loss on operation of our vessels.

Some of the factors that influence the demand for oceangoing vessel capacity include:

global production of and demand for petroleum and petroleum products and dry bulk commodities;

the distance that these products and commodities must be transported by sea;

the globalization of manufacturing and other developments in international trade;

global and regional economic and political conditions;

environmental and other regulatory developments;

weather; and

changes in seaborne and other transportation patterns and the supply of and rates for alternative means of transportation.

Some of the factors that influence the supply of oceangoing vessel capacity include:

the number of newbuilding deliveries;

the scrapping rate of older vessels;

the price of steel;

the number of vessels that are out of service at a given time;

changes in environmental and other regulations that may limit the useful life of vessels; and

port or canal congestion.

Our River Business can be affected by factors beyond our control, particularly adverse weather conditions that can affect production of the goods we transport and navigability of the river system on which we operate.

We derive a significant portion of our River Business revenue from transporting soybeans and other agricultural products produced in the Hidrovia Region. Droughts and other adverse weather conditions, such as floods, could result in a decline in production of these products, which would likely result in a reduction in demand for our services. In 2005, our results of operations and financial condition were negatively impacted due to the decline in soybean production associated with that year's drought. Continuing drought conditions have also

affected the size of the Paraguayan soybean crop in 2006. Further, most of the operations in our River Business occur on the Parana and Paraguay Rivers, and any changes adversely affecting navigability of either of these rivers, such as low water levels, could reduce or limit our ability to effectively transport cargo on the rivers.

The rates we charge and the quantity of freight we transport in our River Business can also be affected by:

demand for the goods we ship on our barges;

adverse river conditions, such as flooding or lock outages, that slow or stop river traffic;

any accidents or operational disruptions to ports, terminals or bridges along the rivers on which we operate;

changes in the quantity of barges available for river transport;

the availability of transfer stations and cargo terminals for loading of cargo on and off barges; and

the availability and price of alternate means of transporting goods out of the Hidrovia Region.

A prolonged drought or other series of events that is perceived by the market to have an impact on the region, the navigability of the Parana or Paraguay Rivers or our River Business in general may, in the short term, result in a reduction in the market value of the barges and pushboats that we operate in the region. These barges and pushboats are designed to operate in wide and relatively calm rivers, of which there are only a few in the world. If it becomes difficult or impossible to operate our barges and pushboats profitably in the Hidrovia Region and we are forced to sell them to a third party located outside of the region, there is a limited market in which we would be able to sell these vessels, and accordingly we may be forced to sell them at a substantial loss.

Demand for our PSVs depends on the level of activity in offshore oil and gas exploration, development and production.

The level of offshore oil and gas exploration, development and production activity has historically been volatile and is likely to continue to be so in the future. The level of activity is subject to large fluctuations in response to relatively minor changes in a variety of factors. A prolonged, material downturn in oil and natural gas prices is likely to cause a substantial decline in expenditures for exploration, development and production activity, which would likely result in a corresponding decline in the demand for PSVs and thus decrease the utilization and charter rates of our PSVs. Such decreases could have an adverse effect on our financial condition and results of operations. Moreover, increases in oil and natural gas prices and higher levels of expenditure by oil and gas companies may not result in increased demand for our PSVs. The factors affecting the supply and demand for PSVs are outside of our control, and the nature, timing and degree of changes in industry conditions are unpredictable. If the PSV market is in a period of weakness when our

vessels' charters expire, we may be forced to re-charter our vessels at reduced rates or even possibly at a rate at which we would incur a loss on operation of our vessels.

Some of the factors that influence the supply and demand for PSVs include:

worldwide demand for oil and natural gas;

prevailing oil and natural gas prices and expectations about future prices and price volatility;

the cost of offshore exploration for, and production and transportation of, oil and natural gas;

consolidation of oil and gas service companies operating offshore;

availability and rate of discovery of new oil and natural gas reserves in offshore areas;

local and international political and economic conditions and policies;

technological advances affecting energy production and consumption;

weather conditions;

environmental regulation;

volatility in oil and gas exploration, development and production activity;

the number of newbuilding deliveries; and

deployment of PSVs to areas in which we operate.

Our vessels and our reputation are at risk of being damaged due to operational risks that may lead to unexpected consequences, which may adversely affect our earnings.

Our vessels and their cargos are at risk of being damaged or lost because of events such as marine disasters, bad weather, mechanical failures, structural failures, human error, war, terrorism, piracy and other circumstances or events. All of these hazards can also result in death or injury to persons, loss of revenues or property, environmental damage, higher insurance rates or loss of insurance cover, damage to our customer relationships that could limit our ability to successfully compete for charters, delay or rerouting, each of which could adversely affect our business. Further, if one of our vessels were involved in an accident with the potential risk of environmental contamination, the resulting media coverage could adversely affect our business.

If our vessels suffer damage, they may need to be repaired. The costs of repairs are unpredictable and can be substantial. We may have to pay repair costs that our insurance does not cover in full. The loss of revenue while these vessels are being repaired and repositioned, as well as the actual cost of these repairs, would decrease our earnings. In addition, space at repair facilities is sometimes limited and not all repair facilities are conveniently located. We may be unable to find space at a suitable repair facility or we may be forced to travel to a repair facility that is not conveniently located to our vessels' positions. The loss of earnings while these vessels are forced to wait for space or to travel to more distant drydocking facilities would decrease our earnings.

Because the fair market value of vessels fluctuates significantly, we may incur losses when we sell vessels.

Vessel values have historically been very volatile. The market value of our vessels may fluctuate significantly in the future, and we may incur losses when we sell vessels, which would adversely affect our earnings. Some of the factors that affect the fair market value of vessels, all of which are beyond our control, are:

general economic, political and market conditions affecting the shipping industry;

number of vessels of similar type and size currently on the market for sale;

the viability of other modes of transportation that compete with our vessels;

cost and number of newbuildings and vessels scrapped;

governmental or other regulations;

prevailing level of charter rates; and

technological advances that can render our vessels inferior or obsolete.

Compliance with safety, environmental, governmental and other requirements may be very costly and may adversely affect our business.

The shipping industry is subject to extensive and changing international conventions and treaties, national, state and local environmental and operational safety laws and regulations in force in international waters and the jurisdictional waters of the countries in which the vessels operate, as well as in the country or countries in which such vessels are registered. These laws and regulations govern, among other things, the management and disposal of hazardous materials and wastes, the cleanup of oil spills and other contamination, air emissions, water discharges and ballast water management, and include (i) the U.S. Oil Pollution Act of 1990, as amended, or OPA, (ii) the International Convention on Civil Liability for Oil Pollution Damage of 1969, and its protocols of 1976, 1984, and 1992, (iii) International Convention for the Prevention of Pollution from Ships or, MARPOL, (iv) the International Maritime Organization, or IMO, International Convention for the Safety of Life at Sea of 1974, or SOLAS, (v) the International Convention on Load Lines of 1966, (vi) the U.S. Maritime Transportation Security Act of 2002 and (vii) the International Ship and Port Facility Security Code, among

others. In addition, vessel classification societies also impose significant safety and other requirements on our vessels. Many of these environmental requirements are designed to reduce the risk of oil spills and other pollution, and our compliance with these requirements can be costly.

These requirements can affect the resale value or useful lives of our vessels, require a reduction in cargo capacity or other operational or structural changes, lead to decreased availability of insurance coverage for environmental matters, or result in the denial of access to, or detention in, certain ports. 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. We could also become subject to personal injury or property damage claims relating to exposure to hazardous materials associated with our current or historic operations. In addition, environmental laws require us to satisfy insurance and financial responsibility requirements to address oil spills and other pollution incidents, and subject us to rigorous inspections by governmental authorities. Violations of such requirements can result in substantial penalties, and in certain instances, seizure or detention of our vessels. 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 vessels, 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, or to even scrap or sell certain vessels altogether. For example, beginning in 2003, we sold all of our single hull oceangoing tanker vessels in response to regulatory requirements in Europe and the United States. In addition, Annex VI of MARPOL, which became effective May, 2005, sets limits on sulphur oxide, nitrogen oxide and other emissions from vessel exhausts and prohibits

deliberate emissions of ozone depleting substances, such as chlorofluorocarbons. Future changes in laws and regulations may require us to undertake similar measures, and any such actions may be costly. We believe that regulation of the shipping industry will continue to become more stringent and more expensive for us and our competitors. For example, various jurisdictions are considering regulating the management of ballast water to prevent the introduction of non-indigenous species considered to be invasive, which could increase our costs relating to such matters.

All of our vessels will be subject to Annex VI regulations. While we expect that our newbuilding vessels will meet relevant Annex VI requirements at the time of their delivery and that our existing fleet will comply with such requirements, subject to classification society surveys, such compliance could require modifications to the engines or the addition of expensive emissions control systems, or both, as well as the use of low sulphur fuels. We expect that any such modifications will be fitted to existing vessels in the next intermediate or special survey for each vessel. We are still evaluating the costs of implementing these requirements, but do not expect them to have a material adverse effect on our operating costs.

MARPOL requirements impose phase-out dates for vessels that are not certified as double hull. Two of our Suezmax OBO vessels currently do not meet the configuration criteria and will require modifications to comply with these criteria before the end of 2010. These modifications will not involve major steel work. Our vessel, Miranda I, does not currently comply with the double hull requirement unless she limits her loading to center tanks only. However, we expect to retrofit her to full double hull compliance in the first quarter of 2007.

In the United States, 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. 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 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. The IMO and the European Union, or EU, also have adopted separate phase-out schedules applicable to non-double hull tankers operating in international and EU waters. These regulatory programs may require us to introduce modifications or changes to tank configuration to meet the EU double hull standards for our vessels or remove them from operation.

Under OPA, with certain limited exceptions, all newly built or converted tankers operating in U.S. 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 U.S. waters in most cases by 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 applicable to new and existing vessels that are in various stages of development by the U.S. Coast Guard, or USCG.

Under OPA, and per USCG interpretations, our Aframax and Suezmax OBOs will be precluded from operation in U.S. waters in 2014. The following information has been extracted from the TVEL/COC corresponding to the vessels’ last inspection at a U.S. Port.

Name	Phase-out date*	Last TVEL/COC issuance date**
Princess Katherine	N/A	March 26, 2003

Princess Nadia	January 2014	August 26, 2001
Princess Susana	November 2014	February 18, 2003
Princess Marina	March 2014	August 29, 2002

*

As per the last Tank Vessel Examination Letter, or TVEL/Certificate of Compliance, or COC.

**

The USCG inspects vessels upon entry to U.S. ports and determines when such vessels will be phased out under OPA, the dates of which are recorded in the TVEL or the COC. On April 30, 2001, the USCG replaced the TVEL with a newly generated document, the COC. The USCG issues the COC for each tanker if and when the vessel calls on a U.S. port and the COC is valid for a period of two years, with mid-period examination. All above TVEL are therefore expired and these vessels must be re-inspected upon their next entry into a U.S. port.

There was no phase-out date imposed on Princess Katherine at the time of its last inspection by the USCG. Although Princess Nadia, Princess Marina and Princess Susana are double hull vessels, due to configuration requirements under the U.S. double hull standards, the phase-out dates indicated above are applicable. For the same reasons, Princess Katherine could be given a phase out date if or when next inspected by the USCG.

In 2010, the IMO will enforce mandatory SOLAS requirements so that all passenger vessels operating must be built under regulation SOLAS 60, Part H, restricting use of combustible material and requiring that all passenger vessels be fully outfitted with sprinklers in both the passenger and engine room spaces.

The Grand Victoria was built according to the rules of regulation SOLAS 60, but using method II, along with a sprinkler system installed during construction. However, under method II generally there was no restriction on any type of internal division and this method allowed combustible material to be used during construction which is now generally not permissible pursuant to the SOLAS amendments. Therefore, for trading beyond 2010, this vessel will require a complete refurbishment that we cannot assure you will be economically viable.

The oceangoing cargo transportation industry is highly competitive, and we may not be able to compete successfully for charters with new entrants or established companies with greater resources.

We employ our vessels in highly competitive markets. The oceangoing market is international in scope and we compete with many different companies, including other vessel owners and major oil companies, such as Transpetro, a subsidiary of Petrobras. In our Offshore Supply Business, we compete with companies that operate PSVs, such as Maersk, Seacor and Tidewater. Some of these competitors are significantly larger than we are and have significantly greater resources than we do. This may enable these competitors to offer their customers lower prices, higher quality service and greater name recognition than we do. Accordingly, we may be unable to retain our current customers or to attract new customers. Further, some of these competitors, such as Transpetro, are affiliated with or owned by the governments of certain countries, and may receive government aid or legally imposed preferences or other assistance, that are unavailable to us.

Our OBOs are less desired by certain charterers in the tanker market.

OBOs are versatile because they can transport both petroleum products and dry bulk cargos. Unlike the more traditional type of tanker, an OBO has fewer tanks, but each tank is generally larger. Prior to the advent of computerized loading systems, due to the amount of available free space and the possibility of cargo shifting and causing the vessel to become unstable, extra caution had to be used when loading an OBO. While this problem,

like other problems originally linked to OBOs, has been solved with new technology, OBOs are still less desired by certain charterers who prefer to use the more traditional form of tanker to transport oil and other petroleum products. To the extent any charterers elect not to use our OBOs and instead use standard tankers, this could have a negative impact on our business and financial results.

Increased inspection procedures and tighter import and export controls could increase costs and disrupt our business.

International shipping is subject to various security and customs inspection and related procedures in countries of origin and destination. Inspection procedures can result in the seizure of our vessels or their cargos, delays in the loading, offloading or delivery and the levying of customs duties, fines or other penalties against us.

Future changes to inspection procedures could impose additional financial and legal obligations on us. Furthermore, changes to inspection procedures could also impose additional costs and obligations on our customers and may, in certain cases, render the shipment of certain types of cargo uneconomical or impractical. Any such changes or developments may have a material adverse effect on our business, financial condition, results of operations and ability to pay dividends.

Compliance with safety and other vessel requirements imposed by classification societies or flag states may be very costly and may adversely affect our business.

The hull and machinery of our offshore supply fleet, ocean fleet, passenger fleet and parts of our river fleet are classed by a classification society. The classification society certifies that a vessel is in class, and may also issue the vessel's safety certification in accordance with the applicable rules and regulations of the country of registry of the vessel and SOLAS. Our classed vessels are currently enrolled with classification societies that are members of the International Association of Classification Societies.

A classed vessel must undergo Annual Surveys, Intermediate Surveys and Special Surveys. In lieu of a Special Survey, a vessel's machinery may be placed on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. Our vessels are on Special Survey cycles for hull inspection and continuous survey cycles for machinery inspection. Generally, classed vessels are also required to be drydocked every two to three years for inspection of the underwater parts of such vessels. However, classed vessels must be drydocked for inspection at least twice every five years.

If a vessel does not maintain its class, that vessel will, in practical terms, be unable to trade and will be unemployable, which would negatively impact our revenues, and could cause us to be in violation of certain covenants in our loan agreements and/or our insurance policies.

Our vessels could be subject to seizure through maritime arrest or government requisition.

Crew members, suppliers of goods and services to a vessel, shippers of cargo, and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lienholder may enforce its lien by arresting the vessel or, under the ''sister ship'' theory of liability followed in some jurisdictions, arrest the vessel that is subject to the claimant's maritime lien or any other vessel owned or controlled by the same owner. In addition, a government could seize ownership of one of our vessels or take control of a vessel and effectively become her charterer at charter rates dictated by the government. Generally, such requisitions occur during

a period of war or emergency. The maritime arrest, government requisition or any other seizure of one or more of our vessels could interrupt our operations, reducing related revenue and earnings, and may require us to pay very large sums of money to have the arrest lifted.

The impact of terrorism and international conflict on the global or regional economy could lead to reduced demand for our services, which would adversely affect our revenues and earnings.

Terrorist attacks such as the attacks on the United States on September 11, 2001, and the continuing response of the United States to these attacks, as well as the threat of future terrorist attacks, continue to cause uncertainty in the world markets and may affect our business, results of operations and financial condition. The conflict in Iraq may lead to additional acts of terrorism, regional conflict and other armed conflict around the world, which

may contribute to further instability in the global markets. In addition, future terrorist attacks could result in an economic recession affecting the United States or the entire world. The effects of terrorism on financial markets could also adversely affect our ability to obtain additional financing on terms acceptable to us or at all.

Terrorist attacks have, in the past, targeted shipping interests, including ports or vessels. For example in October 2002, there was a terrorist attack on the VLCC Limburg, a vessel not related to us. Any future attack in the markets we serve may negatively affect our operations or demand for our services, and such attacks may also directly impact our vessels or our customers. Further, insurance may not cover our loss or liability for terrorist attacks on our vessels, cargo or passengers either fully or at all. Any of these occurrences could have a material adverse impact on our operating results, revenue and costs.

Demand for cruises in our Passenger Business may be affected by many factors that are outside our control.

Demand for cruises in our Passenger Business may be affected by a number of factors. Sales are dependent on the underlying economic strength of the countries in which we operate and the country of origin of our passengers, which is currently primarily countries in Europe. Adverse economic conditions can reduce the level of consumers' disposable income that is available for their vacation choices. In addition, events or circumstances that make cruises relatively less attractive relative to other vacation or leisure alternatives will reduce consumer demand for cruises. Finally, the overall increase in passenger capacity in the cruise industry could lead to reduced demand for our vessels, and if the charterer of one of our vessels does not perform under the charter, we will be unable to re-charter that vessel in the middle of a cruise season.

Moreover, adverse incidents involving passenger vessels and adverse media publicity concerning the cruise industry in general or our vessels in particular may reduce demand. The operation of passenger vessels involves the risk of accidents, fires, sicknesses and other incidents, which may bring into question passenger safety and security and adversely affect future industry performance. Any accidents and other incidents involving our passenger vessels would adversely affect our future revenues and earnings. In addition, accidents involving other cruise businesses or other adverse media publicity concerning the cruise industry in general could impact customer demand and, therefore, have an adverse impact on our revenues and earnings.

In addition, armed conflicts or political instability in areas where our passenger vessels operate can adversely affect demand for our cruises to those areas. Also, acts of terrorism and threats to public health can have an adverse effect on the public's attitude toward the safety and security of travel and the availability of air service and other forms of

transportation, which some of our passengers use to travel.

Environmental, health, safety and security legislation and regulation of passenger vessels could increase our operating costs in our Passenger Business.

Some environmental groups have lobbied for more stringent regulation of passenger vessels. Some groups also have generated negative publicity about the cruise industry and its environmental impact. As a result of these and other actions, governmental and regulatory authorities around the world may enact new environmental, health, safety and security legislation and regulations, such as those governing wastewater discharges. Stricter environmental, health, safety and security legislation and regulations could increase the cost of compliance and adversely affect the cruise industry.

In addition, as a result of the 2002 Protocol of the Athens Convention, and any similar legislation, vessel operators are, and may be in the future, required to adopt enhanced security procedures and approved vessel security plans. Stricter environmental, health, safety, insurance and security legislation and regulations could increase the cost of compliance and adversely affect the cruise industry. We cannot assure you that our costs of complying with current and future laws and regulations, or liabilities arising from past or future releases of, or exposure to, hazardous substances, or to vessel discharges, will not have a material adverse effect on our financial results.

Risks Relating to Our Company

We are an international company that is exposed to the risks of doing business in many different, and often less developed and emerging market countries.

We are an international company and conduct almost all of our operations outside of the United States, and we expect to continue doing so for the foreseeable future. Some of these operations occur in countries that are less developed and stable than the United States, such as Argentina, Bolivia, Brazil, Chile, China, Paraguay, South Africa and Uruguay. Some of the risks we are exposed to by operating in these countries include among others:

political and economic instability, changing economic policies and conditions, and war and civil disturbances;

recessions in economies of countries in which we have business operations;

the imposition of additional withholding taxes or other taxes on our foreign income, tariffs or other restrictions on foreign trade or investment, including currency exchange controls and currency repatriation limitations;

the imposition of executive and judicial decisions upon our vessels by the different governmental authorities associated with some of these countries;

the imposition of or unexpected adverse changes in foreign laws or regulatory requirements;

longer payment cycles in foreign countries and difficulties in collecting accounts receivable;

difficulties and costs of staffing and managing our foreign operations; and

acts of piracy or terrorism.

These risks may result in unforeseen harm to our business and financial condition. Also, some of our customers are headquartered in South America, and a general decline in the economies of South America, or the instability of certain South American countries and economies, could adversely affect that part of our business.

Our business in emerging markets requires us to respond to rapid changes in market conditions in these countries. Our overall success in international markets depends, in part, upon our ability to succeed in different legal, regulatory, economic, social and political conditions. We may not continue to succeed in developing and implementing policies and strategies which will be effective in each location where we do business. Further, the occurrence of any of the foregoing factors may have a material adverse effect on our business and results of operations.

Our earnings may be lower and more volatile if we do not efficiently deploy our vessels between longer term and shorter term charters.

We employ our ocean and offshore vessels on spot voyages, which are typically single voyages for a period of less than 60 days for our ocean vessels and five days for our PSVs, and on time charters and contracts of affreightment, which are longer term contracts for periods of typically three months to three years or more. As of June 30, 2006, four of our six oceangoing vessels were employed under time charters expiring on dates ranging between seven and 27 months, the vast majority of our fleet of pushboats and barges in our River Business were employed under contracts of affreightment ranging from one month to four years, and one of our four PSVs was chartered for the duration of drilling of two wells, which typically lasts three to four months. A second PSV is on charter in the North Sea to Apache through March 2007. In addition, our other two PSVs delivered in February and August 2006, respectively, are time chartered to Petrobras until March 2007.

Although time charters and contracts of affreightment provide steady streams of revenue, vessels committed to such contracts are unavailable for spot voyages or for entry into new longer term time charters or contracts of affreightment. If such periods of unavailability coincide with a time when market prices have risen, such vessels will be unable to capitalize on that increase in market prices. If our vessels are available for spot charter or entry into new time charters or contracts of affreightment, they are subject to market prices, which may vary greatly.

If such periods of availability coincide with a time when market prices have fallen, we may have to deploy our vessels on spot voyages or under long term time charters or contracts of affreightment at depressed market prices, which would lead to reduced or volatile earnings and may also cause us to suffer operating losses.

We may not be able to grow our business or effectively manage our growth.

A principal focus of our strategy is to continue to grow, in part by increasing the number of vessels in our fleet. The rate and success of any future growth will depend upon factors which may be beyond our control, including our ability to:

identify attractive businesses for acquisitions or joint ventures;

identify vessels for acquisitions;

integrate any acquired businesses or vessels successfully with our existing operations;

hire, train and retain qualified personnel to manage and operate our growing business and fleet;

identify new markets;

expand our customer base;

improve our operating and financial systems and controls; and

obtain required financing for our existing and new operations.

We may not be successful in executing our growth plans and could incur significant expenses and losses in connection therewith.

Furthermore, because the volume of cargo we ship in our River Business is at or near the capacity of our barges during the peak season, our ability to increase volumes shipped in our River Business is limited by our ability to increase our barge fleet’s carrying capacity, either through purchasing additional barges or increasing the size of our

existing barges.

Our planned investments in our River Business vessels are subject to significant uncertainty.

We intend to invest in expanding the size of our barges and installing new engines that burn less expensive fuel in our line pushboats. It is possible that these initiatives will fail to result in increased revenues and lower fuel costs, or that they will lead to other complications that would adversely affect our business.

The increased capacity created by expanding the size of our barges may not be utilized by the local transportation market at prevailing prices or at all. Our expansion activities may also be subject to delays, which may result in cost overruns or lost revenues. Any of these developments would adversely affect our revenue and earnings.

While we expect the heavier fuel that our new engines burn to continue to be available at a discount to the price of the fuel that we currently use, the heavier fuel may not be available at the discount we anticipate or at any discount at all. In addition, operating our new engines will require specially trained personnel, and such personnel may not be readily available. Higher fuel or personnel costs would adversely affect our profitability. The operation of these new engines may also result in other complications that cannot easily be foreseen and that may adversely affect the quantity of cargo we carry or lead to additional costs, which could adversely affect our revenue and earnings.

We may not be able to charter our PSVs at attractive rates.

We have contracted with a shipyard in Brazil to build two new PSVs and expect to take delivery of these vessels during 2007 and 2008. We are negotiating with other shipyards to construct a further four new PSVs for deliveries beyond 2007. These vessels are not currently subject to charters and may not be subject to charters on their date of delivery. Although we intend to charter these vessels to Petrobras and other charterers, we may not be able to do so. Even if we do obtain charters for these vessels, the charters may be at rates lower than those that currently prevail or those that we anticipated at the time of ordering the vessels. If we fail to obtain charters or if we enter into charters with low charter rates, our financial condition and results of operations could suffer.

We may face delays in delivery under our newbuilding contracts for PSVs which could adversely affect our financial condition and results of operations.

Our two PSVs currently under construction and additional newbuildings for which we intend to enter into contracts may be subject to delays in their respective deliveries or non-delivery from the shipyards. The delivery of our PSVs could be delayed, canceled, become more expensive or otherwise not completed because of, among other things:

quality or engineering problems;

changes in governmental regulations or maritime self-regulatory organization standards;

work stoppages or other labor disturbances at the shipyard;

bankruptcy or other financial crises of the shipyard;

economic factors affecting the yard’s ability to continue building the vessels as originally contracted;

a backlog of orders at the shipyard;

weather interference or a catastrophic event, such as a major earthquake or fire or any other force majeure;

our requests for changes to the original vessel specifications;

shortages of or delays in the receipt of necessary construction materials, such as steel;

our inability to obtain requisite permits or approvals or to receive the required classifications for the vessels from authorized classification societies; or

a shipbuilder's failure to otherwise meet the scheduled delivery dates for the PSVs or failure to deliver the vessels at all.

If the delivery of any PSV is materially delayed or canceled, especially if we have committed that PSV to a charter for which we become responsible for substantial liquidated damages to the customer as a result of the delay or cancellation, our business, financial condition and results of operations could be adversely affected. Although the building contracts typically incorporate penalties for late delivery, we cannot assure you that the vessels will be delivered on time or that we will be able to collect the late delivery payment from the shipyards.

We cannot assure you that we will be able to repossess the vessels under construction or their parts in case of a default of the shipyards and, in those cases where we may have performance guarantees, we cannot assure that we will always be able to collect or that it will be in our interest to collect these guarantees.

We depend on a few significant customers for a large part of our revenues, and the loss of one or more of these customers could adversely affect our revenues.

In each of our business segments, we derive a significant part of our revenues from a small number of customers. In 2005, our largest customer, Cargill, accounted for 25% of our total revenues, our second largest customer,

Swissmarine Services, accounted for 17% of our total revenues, and our six largest customers in terms of revenues, in aggregate, accounted for 70% of our total revenues. In addition, some of our customers, including many of our most significant customers such as Petrobras and Archer Daniels Midland, operate vessels of their own. These customers may decide to cease or reduce the use of our services for any number of reasons, including in order to utilize their own vessels. The loss of any one or a number of our significant customers, whether to our competitors or otherwise, could adversely affect our revenues and earnings.

Rising fuel prices may adversely affect our profits.

Fuel is the largest operating expense in our River Business where most of our contracts are contracts of affreightment under which we are paid per ton of cargo shipped. Currently, many of these agreements permit the adjustment of freight rates based on changes in the price of fuel. We may not be able to include this provision in these contracts when they are renewed or in future contracts with new customers. In our Ocean, Offshore Supply and Passenger Businesses, the risk of variation of fuel prices under the vessels' current

employment is generally borne by the charterers, since the charterers are generally responsible for the supply of fuel. In the future, we may become responsible for the supply of fuel to such vessels, in which case variations in the price of fuel could affect our earnings.

To the extent our contracts do not allow us to pass on to our customers the increased costs of changes in fuel prices, we will be forced to bear such costs. We may hedge in the futures market all or part of our exposure to fuel price variations. We may not be successful in hedging our exposure. In the event of a default by our charterers or other circumstances. affecting the performance of a contract of affreightment, we are subject to exposure under, and may incur losses in connection with, our hedging instruments.

In certain jurisdictions, the price of fuel is affected by high local taxes and may become more expensive than prevailing international prices. We may not be able to pass onto our customers the additional cost of such taxes and may suffer losses as a consequence.

Our success depends upon our management team and other employees, and if we are unable to attract and retain key management personnel and other employees, our results of operations may be negatively impacted.

Our success depends to a significant extent upon the abilities and efforts of our management team and our ability to retain them. In particular, many members of our senior management team, including our CEO and Executive Vice President, have extensive experience in the shipping industry and have held their roles with us since our inception. If we were to lose their services for any reason, it is not clear whether any available replacements would be able to manage our operations as effectively. The loss of any of the members of our management team could adversely affect our business prospects and results of operations and could lead to an immediate decrease in the price of our common stock. We do not maintain ‘‘key man’’ insurance on any of our officers. Further, the efficient and safe operation of our vessels requires skilled and experienced crew members. Difficulty in hiring and retaining such crew members could adversely affect the operation of our vessels, and in turn, adversely affect our results of operations.

We may use the proceeds of this offering for general corporate purposes with which you may not agree.

We will use a portion of the proceeds of this offering for general corporate purposes. In addition, if the shipyard building our two PSVs currently under construction fails to deliver the PSVs to us as agreed, or if we cancel a contract because the shipyard has not met its obligations, our management will have the discretion to apply the approximately $20.0 million of proceeds of this offering that we would have used to purchase those PSVs to acquire other vessels or for general corporate purposes. You may not agree with the purposes for which we use such proceeds. We will not escrow the proceeds from this offering and will not return the proceeds to you if we do not take delivery of one or more PSVs. It may take a substantial period of time before we can locate and purchase other suitable vessels. During this period, the portion of the proceeds of this offering originally planned for the acquisition of these PSVs may only be invested on a short-term basis and therefore may not yield returns at rates comparable to those these PSVs might have earned.

Secondhand vessels are more expensive to operate and repair than newbuildings and may have a higher likelihood of accidents.

We purchased all of our oceangoing vessels and substantially all of our other vessels, except our PSVs, secondhand and our current business strategy generally includes growth through the acquisition of additional secondhand vessels. While we inspect secondhand vessels prior to purchase, we may not discover defects or other problems with such vessels prior to purchase. Any such hidden defects or problems, when detected, may be expensive to repair, and if not detected, may result in accidents or other incidents for which we are liable to third parties.

New vessels may experience initial operational difficulties.

New vessels, during their initial period of operation, have the possibility of encountering structural, mechanical and electrical problems. Normally, we will receive a warranty from the shipyard but we cannot assure you that it will always be effective to resolve the problem without additional costs to us.

As our fleet ages, the risks and costs associated with older vessels increase.

The costs to operate and maintain a vessel in operation increase with the age of the vessel. Charterers may prefer newer vessels which carry lower cargo insurance rates and are more fuel-efficient than older vessels. 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 these vessels may engage. As our vessels age, market conditions may not justify the expenditures necessary for us to continue operation of our vessels, and charterers may no longer charter our vessels at attractive rates or at all. Either development could adversely affect our earnings.

We may not have adequate insurance to compensate us if our vessels or property are damaged or lost or if we harm third parties or their property or the environment.

We insure against tort claims and some contractual claims (including claims related to environmental damage and pollution) through memberships in protection and indemnity, or P&I, associations, or clubs. We also procure hull and machinery insurance and war risk insurance for our fleet. In most instances, we do not procure loss of hire insurance, which covers business interruptions that result in the loss of use of a vessel. We insure our river terminals against physical loss or damage, and third party liability through membership in the Through Transport Mutual Insurance Association Ltd. We cannot assure you that such insurance will continue to be available on a commercially reasonable

basis.

All insurance policies that we carry include deductibles (and some include limitations on partial loss) and since it is possible that a large number of claims may be brought, the aggregate amount of these deductibles could be material. Further, our insurance may not be sufficient to fully compensate us against losses that we incur, whether from damage to or loss of our vessels, through liability to a third party, for harm to the environment or for other catastrophic claims. For example, our protection and indemnity insurance has a coverage limit of $1.0 billion regarding oil spills and related harm to the environment. Although this is a significant sum, it may be insufficient to fully compensate us, and any uninsured losses that we incur may be substantial and may have a very significant effect on our financial condition. In addition, our insurance may be voidable by the insurers as a result of certain of our actions, such as our ships failing to maintain certification with applicable maritime self-regulatory organizations or lack of payment of premiums.

We cannot assure you that we will be able to renew our existing insurance policies on the same or commercially reasonable terms, or at all, in the future. For example, more stringent environmental regulations have led in the past to increased costs for, and in the future may result in lack of availability of, protection and indemnity insurance against risks of environmental damage or pollution. Each of our policies is also subject to limitations and exclusions, and our insurance policies may not cover all types of losses that we could incur. Any uninsured or under-insured loss could harm our business, financial condition and operating results. Furthermore, we cannot assure you that the P&I clubs to which we belong will remain viable. We may also become subject to funding calls due to our membership in the P&I clubs which could adversely affect our profitability. Also, certain claims may be covered by our P&I insurance, but subject to the review and at the discretion of the board of the P&I club. We can not assure you that the board will exercise its discretion to vote to approve the claim.

Labor disruptions in the shipping industry could adversely affect our business.

As of June 30, 2006, we employed 187 land-based employees and approximately 762 seafarers as crew on our vessels. These seafarers are covered by industry-wide collective bargaining agreements that set basic standards applicable to all companies who hire such individuals as crew. Because most of our employees are covered by these industry-wide collective bargaining agreements, failure of industry groups to renew these agreements may disrupt our operations and adversely affect our earnings. In addition, we cannot assure you that these agreements will prevent labor interruptions. Any labor interruptions could disrupt our operations and harm our financial performance.

Certain conflicts of interest may adversely affect us.

Certain of our directors and officers hold similar positions with other related companies. Felipe Menendez R., who is our President, Chief Executive Officer, and a Director, is a Director of Oceanmarine, or Oceanmarine, a related company that previously provided administrative services to us and has entered into joint ventures with us in salvage operations. Oceanmarine also operates spot charter container services between Argentina and Brazil, an activity in which we do not engage at the present time. Ricardo Menendez R., who is our Executive Vice President and one of our Directors, is the President of Oceanmarine, and is also the Chairman and President of The Standard Steamship Owners' Protection and Indemnity Association (Bermuda) Limited, or Standard, a P&I club with which some of our vessels are entered. Both Mr. Ricardo Menendez R. and Mr. Felipe Menendez R. are Directors of Maritima SIPSA, a company owned 49% by us and 51% by SIPSA (a related company), which has entered into agreements to purchase and resell from and to our subsidiaries our vessel Princess Marina, and Directors of Shipping Services Argentina S.A.

(formerly I. Shipping Services), a company that provides vessel agency services for third parties in Argentina and occasionally for our vessels calling at Buenos Aires and other Argentinean ports. We are not engaged in the vessel agency business and the consideration we paid for the services provided by Shipping Services Argentina S.A. (formerly I. Shipping Services) to us amounted to less than $10,000 in 2005. Although these directors and officers attempt to perform their duties within each company independently, in light of their positions with such entities, these directors and officers may face conflicts of interest in selecting between our interests and those of Oceanmarine, Shipping Services Argentina S.A. (formerly I. Shipping Services) and the Standard. In addition, Shipping Services Argentina S.A. (formerly I. Shipping Services) and Oceanmarine are indirectly controlled by the Menendez family, including Felipe Menendez R. and Ricardo Menendez R. These conflicts may limit our fleet's earnings and adversely affect our operations. We refer you to ''Related party transactions'' for more information on related party transactions.

To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.

Our ability to make payments on and to refinance our indebtedness, including the Notes and any amounts borrowed under any of our subsidiaries' credit facilities, and to fund our operations, will depend on our ability to generate cash in the future, which, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations, that currently anticipated business opportunities will be realized on schedule or at all, or that future borrowings will be available to us in amounts sufficient to enable us to service our indebtedness, including the Notes and any amounts borrowed under our subsidiaries' credit facilities, or to fund our other liquidity needs.

If we cannot service our debt, we will have to take actions such as reducing or delaying capital investments, selling assets, restructuring or refinancing our debt, or seeking additional equity capital. We cannot assure you that any of these remedies could, if necessary, be effected on commercially reasonable terms, or at all. In addition, the indenture for the Notes and the credit agreements governing our subsidiaries' various credit facilities may restrict us from adopting any of these alternatives.

We may not be able to obtain financing for our growth or to fund our future capital expenditures, which could negatively impact our results of operations and financial condition.

In order to follow our current strategy for growth, we will need to fund future vessel acquisitions, increased working capital levels and increased capital expenditures. In the future, we will also need to make capital expenditures required to maintain our current fleet and infrastructure. We do not currently believe that cash generated from our earnings will be sufficient to fund all of these measures. Accordingly, we will need to raise capital through borrowings or the sale of debt or equity securities. Our ability to obtain bank financing or to access the capital markets for future offerings may be limited by our financial condition at the time of any such financing or offering, as well as by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond our control. If we fail to obtain the funds necessary for capital expenditures required to maintain our fleet and infrastructure, we may be forced to take vessels out of service or curtail operations, which would harm our revenue and profitability. If we fail to

obtain the funds necessary to acquire new vessels, or increase our working capital or capital expenditures, we would not be able to grow our business and our earnings could suffer. Furthermore, any issuance of additional equity securities could dilute your interest in us and the debt service required for any debt financing would limit cash

available for working capital and the payment of dividends, if any.

We do not currently have a revolving credit facility that could fund any short term liquidity needs.

We do not currently have a revolving credit facility. Accordingly, if we should need additional liquidity, we will need to obtain additional financing in the form of debt or equity. Events that could require us to obtain such financing include seasonal fluctuations, acquisitions of vessels or businesses, interruptions in the operations of one or more of our businesses, market downturns, growth in working capital demands, damage to our vessels or infrastructure, and other events. Furthermore, any of these events could be unforeseen or unexpected and require us to obtain additional financing in a very short period of time. If we should require additional liquidity, we may not be able to obtain necessary financing on attractive terms or at all due to a number of factors that could exist at the time, including adverse financial markets, adverse developments in our business or industry, a short time frame in which to obtain such financing, and other factors. If we are unable to obtain any financing required to fund our short term liquidity needs, our financial condition and results of operations would be adversely affected, and we may be unable to make required payments under some or all of our obligations.

We may not be able to fulfill our obligations in the event we suffer a change of control.

If we suffer a change of control, we will be required to make an offer to repurchase the Notes at a price of 101% of their principal amount plus accrued and unpaid interest. Under certain circumstances, a change of control of our company may also constitute a default under our credit facilities resulting in our lenders' right to accelerate their loans. We may not be able to satisfy our obligations if a change of control occurs.

Our subsidiaries' credit facilities and the indenture governing our Notes impose significant operating and financial restrictions on us that may limit our ability to successfully operate our business.

Our subsidiaries’ credit facilities and the indenture governing the Notes impose significant operating and financial restrictions on us, including those that limit our ability to engage in actions that may be in our long term interests. These restrictions limit our ability to, among other things:

incur additional debt;

pay dividends or make other restricted payments;

create or permit certain liens;

make investments;

engage in sale and leaseback transactions;

sell vessels or other assets;

create or permit restrictions on the ability of our restricted subsidiaries to pay dividends or make other distributions to us;

engage in transactions with affiliates; and

consolidate or merge with or into other companies or sell all or substantially all of our assets.

See ‘‘Description of credit facilities and other indebtedness.’’ These restrictions could limit our ability to finance our future operations or capital needs, make acquisitions or pursue available business opportunities.

In addition, some of our subsidiaries' credit facilities require that our subsidiaries maintain specified financial ratios and satisfy financial covenants. We may be required to take action to reduce our debt or to act in a manner contrary to our business objectives to meet these ratios and satisfy these covenants. Events beyond our control, including changes in the economic and business conditions in the markets in which our subsidiaries operate, may affect their ability to comply with these covenants. We cannot assure you that our subsidiaries will meet these ratios or satisfy these covenants or that our subsidiaries' lenders will waive any failure to do so. A

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breach of any of the covenants in, or our inability to maintain the required financial ratios under, our subsidiaries' credit facilities would prevent our subsidiaries from borrowing additional money under the facilities and could result in a default under them.

If a default occurs under our credit facilities or of those of our subsidiaries, the lenders could elect to declare that debt, together with accrued interest and other fees, to be immediately due and payable and proceed against the collateral securing that debt. Moreover, if the lenders under a credit facility or other agreement in default were to accelerate the debt outstanding under that facility, it could result in a default under other debt. If all or any part of our debt were to be accelerated, we may not have or be able to obtain sufficient funds to repay it or to repay the Notes upon acceleration.

If we are unable to fund our capital expenditures, we may not be able to continue to operate some of our vessels, which would have a material adverse effect on our business and financial condition or our ability to pay dividends.

In order to fund our capital expenditures, we may be required to incur borrowings or raise capital through the sale of debt or equity securities. Our ability to obtain credit facilities and access the capital markets through future offerings may be limited by our financial condition at the time of any such offering as well as by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond our control. Our failure to obtain the funds necessary for future capital expenditures would limit our ability to continue to operate some of our vessels and could have a material adverse effect on our business, results of operations and

financial condition and our ability to pay dividends. Even if we are successful in obtaining such funds through financings, the terms of such financings could further limit our ability to pay dividends.

We are a holding company, and we depend entirely 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 as such we have no significant assets other than the equity interests of our subsidiaries. Our subsidiaries conduct all of our operations and own all of our operating assets. As a result, our ability to pay dividends and service our indebtedness 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 credit facilities and applicable laws of the jurisdictions of their incorporation or organization. For example, some of our subsidiaries' existing credit agreements contain significant restrictions on the ability of our subsidiaries to pay dividends or make other transfers of funds to us. See ‘‘Description of credit facilities and other indebtedness.’’ Further, some countries in which our subsidiaries are incorporated require our subsidiaries to receive central bank approval before transferring funds out of that country. In addition, under limited circumstances, the indenture governing the Notes permits our subsidiaries to enter into additional agreements that can limit our ability to receive distributions from such subsidiaries. If we are unable to obtain funds from our subsidiaries, we will not be able to service our debt or pay dividends, should we decide to do so, unless we obtain funds from other sources, which may not be possible.

We are exposed to U.S. dollar and foreign currency fluctuations and devaluations that could harm our reported revenue and results of operations.

We are an international company and, while our financial statements are reported in U.S. dollars, some of our operations are conducted in foreign currencies. For example, in 2005, 84% of our revenues were denominated in U.S. dollars, 11% were denominated in Euros, and 5% were denominated in British pounds. If the value of the dollar appreciates relative to the value of these other currencies, the U.S. dollar value of the revenues that we report on our financial statements could be materially adversely affected. Changes in currency exchange rates could adversely affect our reported revenues and could require us to reduce our prices to remain competitive in foreign markets, which could also have a material adverse effect on our results of operations. Further, we incur costs in multiple currencies that are different than, or in a proportion different to, the currencies in which we receive our revenues. Accordingly, if the currencies in which we incur a large portion of our costs appreciate in

value against the currencies in which we receive a large portion of our revenue, our margins could be adversely affected. We have not historically hedged our exposure to changes in foreign currency exchange rates and, as a result, we could incur unanticipated losses.

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

Under the United States Internal Revenue Code of 1986, as amended, or the Code, 50% of the gross shipping income of our vessel owning or chartering subsidiaries attributable to transportation that begins or ends, but that does not both begin and end, in the U.S. will be characterized as U.S. source shipping income. Such income will be subject to a 4% U.S. federal income tax without allowance for deduction, unless our subsidiaries qualify for exemption from tax under Section 883 of the Code and the Treasury Regulations promulgated thereunder, which became effective for our calendar year subsidiaries on January 1, 2005.

Our subsidiaries filed U.S. tax returns for 2004 and 2003 and took the position on those returns that they qualified for the exemption on their U.S. source shipping income under Section 883 based on the determination that more than 50% of their stock was beneficially owned by qualified shareholders. However, that claim for exemption by our subsidiaries may not prevail if challenged on audit. In the absence of the availability of the exemption for 2004 and 2003, our subsidiaries would be subject to a 4% federal income tax of approximately $0 and $249,264, respectively. For the calendar year 2005, our subsidiaries did not derive any U.S. source shipping income and for the calendar year 2006, we do not anticipate that our subsidiaries will derive any U.S source shipping income. Therefore our subsidiaries should not be subject to any U.S. federal income tax for either 2005 or 2006 regardless of their qualification for exemption under Section 883.

For 2006 and tax years after this offering, we believe that the U.S. source shipping income of our subsidiaries will qualify for the exemption from tax under Section 883 on the basis that our stock will be primarily and regularly traded on the Nasdaq. However, we cannot assure you that our subsidiaries will qualify for that exemption. In addition, changes in the Code, the Treasury Regulations or the interpretation thereof by the Internal Revenue Service or the courts could adversely affect the ability of our subsidiaries to qualify for such exemption. If our subsidiaries are not entitled to that exemption, they would be subject to a 4% U.S. federal income tax on their U.S. source shipping income. The imposition of this tax could have a negative affect on our business and would result in decreased earnings.

Risks Relating to this Offering and Our Common Stock

An active and liquid public market for you to resell shares of our common stock may not develop.

Prior to this offering, there has not been a public market for our common stock. A liquid trading market for our common stock may not develop. If an active, liquid trading market does not develop, you may have difficulty selling any of our common shares you buy. The initial public offering price will be determined in negotiations between the representatives of the underwriters and us, and may not be indicative of prices that will prevail in the trading market.

The price of our common stock after this offering may be volatile, and may fluctuate due to factors such as:

actual or anticipated fluctuations in quarterly and annual results;

mergers and strategic alliances in the shipping industry;

market conditions in the industry;

changes in government regulation;

our operating results falling short of those forecast by securities analysts;

announcements concerning us or our competitors;

the general state of the securities market; and

other developments affecting us, our industry or our competitors.

The market price for our common stock may be volatile. Consequently, you may not be able to sell shares of our common stock at prices equal to or greater than those paid by you in this offering.

Our existing shareholders, including the selling shareholders, will control the outcome of matters on which our shareholders are entitled to vote following this offering.

Our existing shareholders, including the selling shareholders, will own, directly or indirectly, approximately 55.4% of our outstanding common stock after this offering; 48.7% if the underwriters' over-allotment option is fully exercised. Each share of our common stock, when held by one of these shareholders, is entitled to seven votes while shares held by all other shareholders are entitled to one vote, which means our existing shareholders will control 89.7% of the voting power of our common stock; 86.9% if the underwriters' overallotment option is fully exercised. This increased voting power gives our existing shareholders control over the outcome of matters on which shareholders are entitled to vote, including the election of directors, the adoption or amendment of provisions in our memorandum of association or articles of association and possible mergers, corporate control contests and other significant corporate transactions. Further, our existing shareholders are party to a shareholders agreement pursuant to which they have agreed to vote together on certain matters, including mergers and acquisitions. This concentration of voting power may have the effect of delaying, deferring or preventing a change in control, a merger, consolidation, takeover or other business combination. This concentration of voting power could also discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us, which could in turn have an adverse effect on the market price of our common stock. Finally, the interests of our existing shareholders may be different from your interests. For example, potentially contrary to your interests, our existing shareholders may resist attempts to change the current composition of the board of directors and attempts by outside third parties to gain control of or acquire our company. For information concerning our selling shareholders, see ‘‘Principal and selling shareholders.’’

You will experience immediate and substantial dilution as a result of this offering and may experience additional dilution in the future.

If you purchase common stock in this offering, you will pay more for your shares of common stock than the amounts paid by existing shareholders for their shares. As a result, assuming an initial public offering price of $14.00 per share (representing the mid-point of the price range shown on the cover of this prospectus) you will incur immediate and substantial dilution of $6.82 per share, representing the difference between the estimated initial public offering price and our pro forma net tangible book value per share at June 30, 2006, after giving effect to this offering. In addition, assuming the initial public offering price stated above, purchasers of our common stock in this offering will have contributed approximately 78% of the aggregate price paid by all purchasers of our common stock, but will own only approximately 45% of the shares outstanding after this offering. In addition, through our Equity Incentive Plan or

others, we may issue additional shares that will be dilutive. We refer you to the discussion under the heading ‘‘Dilution.’’

We are not a United States corporation, and our shareholders may be subject to the uncertainties of a foreign legal system in protecting their interests.

Our corporate affairs are governed by our memorandum of association and articles of association, and by the corporate laws of The Bahamas. The corporate laws of The Bahamas may differ in material respects from the corporate laws in U.S. jurisdictions. Thus, our shareholders may have more difficulty protecting their interests in the face of actions by our management, directors or controlling shareholders than would shareholders of a corporation organized in a U.S. jurisdiction. It is unlikely that Bahamian courts would entertain original actions against Bahamian companies predicated solely upon U.S. federal securities laws. Furthermore, judgments based on any civil liability provisions of the U.S. federal securities laws are not directly enforceable in The Bahamas. Rather, a lawsuit must be brought in The Bahamas on any such judgment. Generally, a final judgment obtained in a court of competent jurisdiction is actionable in Bahamian courts and is impeachable only upon the grounds of fraud, public policy and natural justice. See ‘‘Bahamian company considerations.’’

Future sales of shares could depress our stock prices.

Upon consummation of our offering, our existing shareholders will own 15,500,000 shares, or approximately 55%, of our outstanding common stock, which may be resold subject to the volume, manner of sale and notice requirements of Rule 144 under the Securities Act of 1933. Unless sold to another existing shareholder, each share sold by such shareholders will have one vote per share in the hands of the buyer. Shares held by our existing shareholders as well as our officers, directors and certain other shareholders will be subject to the underwriters’ lock-up agreement in which they have agreed not to dispose of any shares of common stock, subject to limited exceptions, for a period of 180 days after the date of this prospectus, without the consent of the underwriters. Following the expiration or waiver of the lock-up agreement, these share will be eligible for resale as described under the heading ‘‘Shares eligible for future sale’’ in this prospectus. Sales or the possibility of sales of substantial amounts of shares of our common stock by our existing shareholders in the public markets could adversely affect the market price of our common stock in the future.

We have entered into a registration rights agreement with Inversiones Los Avellanos S.A., or Los Avellanos, Hazels (Bahamas) Investments, Inc., or Hazels and Solimar, pursuant to which we granted them, and certain of their transferees, the right, under certain circumstances and subject to certain restrictions, including restrictions included in the lock-up agreements described above, to require us to register under the Securities Act shares of our common stock held by them. Under the registration rights agreement, Los Avellanos, Hazels and Solimar each have the right to request that we register the sale of shares held by it on its behalf and may require us to make available shelf registration statements permitting sales of shares into the market from time to time over an extended period. In addition, Los Avellanos, Hazels and Solimar have the ability to exercise certain piggyback registration rights in connection with registered offerings initiated by us. Also, Solimar will have certain rights to sell its shares exclusively during the three-year period following the first registration that meets certain specified criteria under the registration rights agreement, subject to the right of Los Avellanos and Hazels to sell a stated amount of shares. Registration of such shares under the Securities Act would, except for shares purchased by affiliates, result in such shares becoming freely tradable without restriction under the Securities Act immediately upon their sale pursuant to an effective registration statement. In addition, shares not registered pursuant to the registration rights agreement may, subject to the lock-up agreements described above, be resold pursuant to an exemption from the registration requirements of the

Securities Act, including the exemptions provided by Rule 144 under the Securities Act. We refer you to the sections of this prospectus entitled ‘‘ Related party transactions — Registration Rights Agreement,’’ ‘‘Shares eligible for future sale’’ and ‘‘Underwriting’’ for further information regarding the circumstances under which additional shares of our common stock may be sold.

Anti-takeover provisions in our organizational documents could make it difficult for our shareholders to replace or remove our current board of directors or have the effect of discouraging, delaying or preventing a merger or acquisition, which could adversely affect the market price of our common stock.

Several provisions of our memorandum of association and articles of association could make it difficult for our shareholders to change the composition of our board of directors in any one year, preventing them from changing the composition of management. In addition, the same provisions may discourage, delay or prevent a merger or acquisition that shareholders may consider favorable.

These provisions include:

seven-to-one voting rights for shares held by our selling shareholders prior to this offering;

prohibiting cumulative voting in the election of directors; and

limiting the persons who may call special meetings of shareholders.

These anti-takeover provisions substantially impede the ability of public shareholders to benefit from a change in control and, as a result, may adversely affect the market price of our common stock and your ability to realize any potential change of control premium. In addition, our selling shareholders, Solimar, Los Avellanos and

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Hazels, are party to a shareholders agreement pursuant to which they have agreed to vote together on certain matters, including mergers and acquisitions of us that makes it more difficult for a third party to acquire us without the support of our board of directors and selling shareholders.

Investor confidence and the market price of our common stock may be adversely impacted if we are unable to comply with Section 404 of the Sarbanes-Oxley Act of 2002.

We are subject to Section 404 of the Sarbanes-Oxley Act of 2002, which requires us to include in our annual report on Form 20-F our management's report on, and assessment of the effectiveness of, our internal control over financial reporting. In addition, our independent registered public accounting firm will be required to attest to and report on management's assessment of the effectiveness of our internal control over financial reporting. We anticipate these requirements to apply first to our annual report for the fiscal year ending December 31, 2007. Any failure to comply with Section 404 could result in an adverse reaction in the financial marketplace due to a loss of investor confidence

in the reliability of our financial statements, which ultimately could harm our business and could negatively impact the market price of our common stock. We believe the total cost of our initial compliance and the future ongoing costs of complying with these requirements may be substantial.

We may not pay any dividends.

We will make dividend payments to our shareholders only if our board of directors, acting in its sole discretion, determines that such payments would be in our best interest and in compliance with relevant legal and contractual requirements. The principal business factors that our board of directors expects to consider when determining the timing and amount of dividend payments will be our earnings, financial condition and cash requirements at the time. Currently, the principal contractual and legal restrictions on our ability to make dividend payments are those contained in the Indenture governing the Notes, our subsidiaries' loan agreements and those created by Bahamian law. Bahamian law generally prohibits the payment of dividends other than from surplus or while a company is insolvent or would be rendered insolvent upon the payment of such dividends.

We may incur other expenses or liabilities that would reduce or eliminate the cash available for distribution as dividends. We may also enter into new agreements or new legal provisions may be adopted that will restrict our ability to pay dividends.

U.S. tax authorities could treat us as a ‘‘passive foreign investment company,’’ which could have adverse U.S. federal income tax consequences to U.S. holders.

A foreign corporation will be treated as a ‘‘passive foreign investment company,’’ or PFIC, for U.S. federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of certain types of ‘‘passive income’’ or (2) at least 50% of the average value of the corporation's assets produce or are held for the production of those types of ‘‘passive income.’’ For purposes of these tests, ‘‘passive income’’ includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business. For purposes of these tests, income derived from the performance of services does not constitute ‘‘passive income.’’ U.S. shareholders of a PFIC are subject to a disadvantageous U.S. federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC.

Based on our proposed method of operation, we do not believe that we will be a PFIC with respect to any taxable year. In this regard, we intend to treat the gross income we derive or are deemed to derive from our period chartering activities as services income, rather than rental income. Accordingly, we believe that our income from our period chartering activities does not constitute ‘‘passive income,’’ and the assets that we own and operate in connection with the production of that income do not constitute passive assets.

There is, however, no direct legal authority under the PFIC rules addressing our proposed method of operation. Accordingly, no assurance can be given that the U.S. Internal Revenue Service, or IRS, or a court of law will

accept our position, and there is a risk that the IRS or a court of law could determine that we are a PFIC. Moreover, no assurance can be given that we would not constitute a PFIC for any future taxable year if there were to be changes in the nature and extent of our operations.

If the IRS were to find that we are or have been a PFIC for any taxable year, our U.S. shareholders will face adverse U.S. tax consequences. Under the PFIC rules, unless those shareholders make an election available under the Code (which election could itself have adverse consequences for such shareholders, as discussed below under ‘‘Tax considerations — United States federal income taxation of U.S. holders’’), such shareholders would be liable to pay U.S. federal income tax at the then prevailing income tax rates on ordinary income plus interest upon excess distributions and upon any gain from the disposition of our common stock, as if the excess distribution or gain had been recognized ratably over the shareholder’s holding period of our common stock. See ‘‘Tax considerations — United States federal income taxation of U.S. holders’’ for a more comprehensive discussion of the U.S. federal income tax consequences to U.S. shareholders if we are treated as a PFIC.

Forward-looking statements

Our disclosure and analysis in this prospectus concerning our operations, cash flows and financial position, including, in particular, the likelihood of our success in developing and expanding our business, include forward-looking statements. Statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as ‘‘expects,’’ ‘‘anticipates,’’ ‘‘intends,’’ ‘‘plans,’’ ‘‘believes,’’ ‘‘estimates,’’ ‘‘projects,’’ ‘‘forecasts,’’ ‘‘w and similar expressions are forward-looking statements. Although these statements are based upon assumptions we believe to be reasonable based upon available information, including projections of revenues, operating margins, earnings, cash flow, working capital, and capital expenditures, they are subject to risks and uncertainties that are described more fully in this prospectus in the section titled ‘‘Risk factors.’’ These forward-looking statements represent our estimates and assumptions only as of the date of this prospectus and are not intended to give any assurance as to future results. As a result, you should not place undue reliance on any forward-looking statements. We assume no obligation to update any forward-looking statements to reflect actual results, changes in assumptions or changes in other factors, except as required by applicable securities laws. Factors that might cause future results to differ include, but are not limited to, the following:

future operating or financial results;

pending or recent acquisitions, business strategy and expected capital spending or operating expenses, including drydocking and insurance costs;

general market conditions and trends, including charter rates, vessel values, and factors affecting vessel supply and demand;

our ability to obtain additional financing;

our financial condition and liquidity, including our ability to obtain financing in the future to fund capital expenditures, acquisitions and other general corporate activities;

our expectations about the availability of vessels to purchase, the time that it may take to construct new vessels, or vessels' useful lives;

our dependence upon the abilities and efforts of our management team;

changes in governmental rules and regulations or actions taken by regulatory authorities;

adverse weather conditions that can affect production of the goods we transport and navigability of the river system;

the highly competitive nature of the oceangoing transportation industry;

the loss of one or more key customers;

fluctuations in foreign exchange rates and devaluations;

potential liability from future litigation; and

other factors discussed in the section titled ''Risk factors.''

Use of proceeds

We estimate the net proceeds to us of this offering will be approximately $160.2 million after deducting the underwriters' discount and the estimated expenses related to this offering. These estimates are based on an assumed public offering price of $14.00 per share (the mid-point of the range set forth on the cover of this prospectus).

We expect to use the net proceeds of this offering in the following manner:

$48.0 million to repay the note we issued to LAIF, a related company, in connection with our purchase of its 66.67% interest in UP Offshore;

$11.5 million to repay the notes we issued to Crosstrees Maritime Inc. and Crosstrade Maritime Inc., related companies, in connection with our purchase of Ravenscroft and related assets;

$52.9 million to repay some of our variable interest rate indebtedness owed to IFC and certain of our other lenders, including an affiliate of one of our underwriters;

$4.3 million to redeem UP Offshore's redeemable preferred shares issued to IFC;

$6.2 million to discharge the obligations to IFC resulting from our purchase of its interest in our River Business;

$20.0 million to be held as working capital to fund a portion of the balance of the construction costs of the two PSVs being built in Brazil; and

the remainder, or approximately $17.3 million, for general corporate purposes.

The purchase price for the interest in UP Offshore was $48.0 million, based on negotiations, and the purchase price for Ravenscroft was $11.5 million, based on negotiations. See ''Management's discussion and analysis of financial condition and results of operations'' and ''Related party transactions'' and ''Recent developments.''

The indebtedness we will repay with the proceeds of this offering carry the following terms.

The $48.0 million note we issued to LAIF is non-interest bearing and matures on the earlier of (1) the closing of this offering and (2) October 31, 2006.

The $11.5 million notes we issued to Crosstrees Maritime Inc. and Crosstrade Maritime Inc. are non-interest bearing and mature on the earlier of (1) the closing of this offering and (2) October 31, 2006.

Our variable interest rate indebtedness includes the following:

$24.2 million owed to DVB Bank America N.V., an affiliate of one of our underwriters, which bears interest at a rate of LIBOR + 1.875% and matures in June 2015;

$2.7 million owed to DVB Bank America N.V., an affiliate of one of our underwriters, which bears interest at a rate of LIBOR + 2.25% and matures in June 2008;

$11.8 million owed to IFC, which bears interest at a rate of LIBOR + 3.75% and matures in December 2011;

$3.5 million owed to IFC, which bears interest at a rate of LIBOR + 3.5% and matures in December 2009;

$7.0 million owed to KfW, which bears interest at a rate of LIBOR + 3.5% and matures in December 2009;

$2.6 million owed to IFC, which bears interest at a rate of LIBOR + 5% and matures in December 2009; we incurred this indebtedness in December 2005 to finance the enlargement of floating assets for our River Business

$1.0 million owed to Citibank N.A., which bears interest at a rate of LIBOR + 2.75% and matures on December 2010;

Use of proceeds

We will use some of the proceeds of this offering for general corporate or working capital purposes. See ‘‘Risk factors — Risks related to our company — We may use the proceeds of this offering for general corporate purposes with which you may not agree’’ for a discussion of the risks associated with our use of the proceeds.

We will not receive any proceeds of the offering received by the selling shareholders. See ‘‘Principal and selling shareholders.’’

Affiliates of DVB Capital Markets LLC, an underwriter for this offering, will receive a portion of the proceeds of this offering in their capacity as a holder of a portion of our variable rate indebtedness. See ‘‘Underwriting’’ for more information.

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Dividend policy

The payment of dividends is in the discretion of our board of directors, subject to certain limitations described in this prospectus under ‘‘Dividend policy.’’ We anticipate retaining most of our future earnings, if any, for use in our operations and the expansion of our business. Any determination as to dividend policy will be made by our board of directors and will depend on a number of factors, including the requirements of Bahamian law, our future earnings, capital requirements, financial condition and future prospects, and such other factors as our board of directors may deem relevant. Bahamian law generally prohibits the payment of dividends other than from surplus, when a company is insolvent or if the payment of the dividend would render the company insolvent.

Our ability to pay dividends is restricted by the Notes, which we issued in 2004. In addition, we may incur expenses or liabilities, including extraordinary expenses, which could include costs of claims and related litigation expenses, or be subject to other circumstances in the future that reduce or eliminate the amount of cash that we have available for distribution as dividends or for which our board of directors may determine requires the establishment of reserves. The payment of dividends is not guaranteed or assured and may be discontinued at any time at the discretion of our board of directors. Because we are a holding company with no material assets other than the stock of our subsidiaries, our ability to pay dividends is dependent upon the earnings and cash flow of our subsidiaries and their ability to pay dividends to us. If there is a substantial decline in any of the markets in which we participate, our earnings will be negatively affected, thereby limiting our ability to pay dividends. We refer you to ‘‘Risk factors — Risks relating to our company — We cannot assure you that we will pay dividends’’ for a discussion of the risks related to our ability to pay dividends.

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Capitalization

The following table sets forth our actual consolidated capitalization as of June 30, 2006, on a historical basis and as adjusted for the distribution to the existing shareholders of the treasury stock and to reflect this offering and the expected use of proceeds therefrom, assuming a price per share of $14.00, which is the mid-point of the expected price range on the cover page of this prospectus.

You should read this table in conjunction with the information in the sections entitled ‘‘Use of proceeds,’’ ‘‘Management’s discussion and analysis of financial condition and results of operations,’’ ‘‘Unaudited pro forma condensed consolidated financial information,’’ ‘‘Selected financial and other data’’ and ‘‘Description of credit facilities and other indebtedness’’ and our historical consolidated financial statements, together with the respective notes thereto, included elsewhere in this prospectus.

	At June 30, 2006		
	Actual	As Adjusted	
	(Dollars in thousands)		
Cash and cash equivalents	$8,558	$30,303	(a)

Restricted cash[b]	3,726	—
Cash balance to fund PSV construction costs	—	20,000 [c]
Total cash	$12,284	$50,303
Long-term financial debts (including current portion)	$67,244	$14,478
Promissory Notes with related parties	59,500	—
2014 Senior Notes	180,000	180,000
Total debt[d]	306,744	194,478
Minority interest	10,241	5,284
Redeemable preferred shares	3,445	—
Shareholders' equity:		
Common stock 15,500,000, issued and outstanding shares, par value $0.01, including 3,947,266 shares held in treasury, actual; 28,000,000, issued and outstanding shares, par value $0.01, as adjusted	155	280
Additional paid-in capital[e]	68,750	208,493
Treasury stock[f]	(20,332)	—
Accumulated other comprehensive income	180	180
Accumulated earnings (deficit)[g]	15	(2,339)
Total shareholders' equity	48,768	206,614
Total capitalization	$369,198	$406,376

(a)

For each $1.00 increase or decrease in the price per share from that assumed above, our as adjusted cash balance will increase or decrease by $11.6 million.

(b)

Cash held in escrow to repay certain long-term indebtedness.

(c)

The minimum contractual obligation with the shipyard is $10.0 million. However, we estimate that the total expenditure necessary to commission the remaining three PSVs for service will be $22.0 million. See ‘‘Use of proceeds’’ and ‘‘Tabular disclosure of contractual obligations.’’

(d)

The total debt amounts presented in this table do not include accrued interest, an item included in the calculation of total debt used elsewhere in this prospectus, amounting to $1.8 million in the Actual and $1.7 million in the As Adjusted columns.

(e)

Estimated underwriting discounts and commissions and offering expenses of approximately $14.8 million have been deducted from the gross proceeds of the sale of shares pursuant to this offering. Additional paid-in capital decreased by $20.3 million as a result of the distribution to the existing shareholders of 3,947,266 shares held in treasury (see note 12 to our audited consolidated financial statements for the year ended December 31, 2005).

(f)

Increased by $20.3 million as a result of the distribution to the existing shareholders of 3,947,266 shares held in treasury (see note 12 to our audited consolidated financial statements for the year ended December 31, 2005).

(g)

As a result of the repayment of a portion of the long-term financial debts and the redemption of the redeemable preferred shares in UP Offshore with the proceeds of this offering, we will realize a non-recurring loss that will reduce total shareholders' equity by $2.4 million.

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Dilution

If you invest in our common stock, your interest will be diluted to the extent of the difference between the public offering price per share of our common stock and the net tangible book value per share of our common stock after this offering. Dilution results from the fact that the per share offering price of the common stock is in excess of the book value per share attributable to the existing shareholders for the presently outstanding common stock.

At June 30, 2006, we had net tangible book value of $40.8 million, or $2.63 per share of common stock. After giving effect to the sale of 12,500,000 shares of common stock at a price of $14.00 per share of common stock, which is the mid-point of the expected price range shown on the cover page of this prospectus, and after deducting the estimated underwriting discounts, commissions and estimated offering expenses, our net tangible book value at June 30, 2006, would have been $201.0 million or $7.18 per share of common stock. This represents an immediate appreciation in net tangible book value of $4.55 per share of common stock to existing shareholders and an immediate dilution of net tangible book value of $6.82 per share to new investors. Each $1.00 increase above or decrease below the assumed initial public offering price of $14.00 per share (the mid-point of the expected price range set forth on the cover of this prospectus) would (i) increase or decrease our net tangible value by $11.6 million, or $0.41 per share of common stock, and (ii) increase or decrease the dilution per share of common stock to new investors by $0.59 per share of common stock (assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and offering expenses payable by us). The following table illustrates the per share dilution and appreciation at June 30, 2006.

Assumed initial public offering price		$14.00
Net tangible book value as of June 30, 2006	$2.63	
Increase in net tangible book value per share attributable to new investors in this offering	4.55	
Net tangible book value after giving effect to this offering		7.18
Dilution to new investors		$6.82

Net tangible book value per share of our common stock is determined by dividing our tangible net worth, which consists of tangible assets less liabilities, by the number of shares of our common stock outstanding. Dilution is determined by subtracting the net tangible book value per share of common stock after this offering from the public offering price per share. Dilution per share to new investors would be $6.82 if the underwriters exercise in full their over-allotment option.

The following table summarizes, on a pro forma basis as of June 30, 2006, after giving effect to this offering, the differences between the number of shares of common stock purchased from us, the total amount paid to us and the average price per share of common stock paid by the existing holders of shares of our common stock and by our new

investors in this offering, based upon the assumed initial public offering price of $14.00 per share (the mid-point of the expected price range set forth on the cover of this prospectus).

	Shares Outstanding		Total Consideration		Average Price
	Number	Percent	Amount	Percent	Per Share
			(in thousands)		
Existing shareholders	15,500,000	55 %	$48,573	22 %	$3.13
New investors	12,500,000	45	175,000	78	14.00
Total	28,000,000	100 %	$223,573	100 %	7.98

Each $1.00 increase above or decrease below the assumed initial public offering price of $14.00 per share (the mid-point of the expected price range set forth on the cover of this prospectus) would increase or decrease the total consideration paid by new investors and the total consideration paid by all shareholders by $12.5 million, assuming no change in the number of shares of common stock sold by us as set forth on the cover of this prospectus and without deducting the underwriting discounts and commissions and other expenses of the offering.

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Unaudited pro forma condensed consolidated financial information

We derived the following unaudited pro forma condensed consolidated financial information for the year ended December 31, 2005, from our historical consolidated financial statements for the year ended December 31, 2005 and the historical consolidated financial statements of UP Offshore for the year ended December 31, 2005, set forth elsewhere in this prospectus, and such information is qualified in its entirety by reference to, and should be read in conjunction with, such financial statements.

We derived the unaudited pro forma condensed consolidated financial information as of June 30, 2006 and for the six-month period ended June 30, 2006, from our interim unaudited condensed consolidated financial statements as of and for the six-month period ended June 30, 2006 and the unaudited financial information of UP Offshore for the period ended March 21, 2006.

The unaudited pro forma condensed consolidated statements of operations for the year ended December 31, 2005 and for the six-month period ended June 30, 2006 give effect to the following events (the ‘‘Transactions’’) (each as defined below) as if they had occurred on January 1, 2005:

the UP Offshore Acquisition (as described below), and

this offering and the expected use of proceeds.

The unaudited pro forma consolidated balance sheet as of June 30, 2006 gives effect to the distribution of treasury stock pro rata to existing shareholders and this offering and the expected use of proceeds therefrom as if they had

occurred on June 30, 2006.

On March 21, 2006, we acquired 66.67% of UP Offshore for $48.0 million bringing our total ownership interest in UP Offshore to 94.45% (the ‘‘UP Offshore Acquisition’’). The UP Offshore Acquisition was accounted for by the purchase method and the results of operations for UP Offshore have been included in our historical financial statements from the date of acquisition. To apply the purchase method in accordance with SFAS 141, Business Combination, we determined the fair value of all assets acquired and liabilities assumed. The estimated fair value of the assets acquired and liabilities assumed and allocations of the purchase price at the date of acquisition are included in note 3 of our interim unaudited condensed consolidated financial statements as of and for the six-month period ended June 30, 2006.

On March 20, 2006, we purchased, for $11.5 million in the form of notes, all of the issued and outstanding capital stock of Ravenscroft. The pro forma information regarding this acquisition is not material for the unaudited pro forma condensed consolidated statements of operations presented herein.

The unaudited pro forma condensed consolidated financial information for the periods presented assume that we will use the net proceeds from this offering at an assumed offering price of $14.00 per share (the mid-point of the expected price range set forth on the cover of this prospectus) as follows:

$48.0 million to repay the note we issued to LAIF, a related company, in connection with our purchase of its 66.67% interest in UP Offshore;

$11.5 million to repay the notes we issued to Crosstrade Maritime Inc. and Crosstrees Maritime Inc., related companies, in connection with our purchase of Ravenscroft and related assets;

$52.9 million to repay some of our variable interest rate indebtedness owed to IFC and certain of our other lenders, including an affiliate of one of our underwriters;

$4.3 million to redeem UP Offshore’s redeemable preferred shares issued to IFC;

$6.2 million to discharge the obligations to IFC resulting from our purchase of its interest in our River Business;

$20.0 million to be held as working capital to fund a portion of the balance of the construction costs of the two PSVs being built in Brazil; and

the remainder for general corporate purposes.

Unaudited pro forma condensed consolidated financial information

These transactions are described in greater detail under ‘‘Use of proceeds.’’

The footnotes to the unaudited pro forma condensed consolidated financial information contain a more detailed discussion of how adjustments to reflect the events described above are presented.

We provide this unaudited pro forma condensed consolidated financial information for informational and comparative purposes only. Assumptions underlying the pro forma adjustments applied are described in the accompanying footnotes, which should be read in conjunction with this unaudited pro forma condensed consolidated financial information. We have made the pro forma adjustments described in the accompanying footnotes based on available information, and in our opinion, the adjustments are reasonable.

Certain pro forma adjustments reflect an allocation of the purchase price, material charges, credits and related tax effects that are directly attributable to the UP Offshore Acquisition. The purchase price allocation is preliminary and is subject to refinement.

We cannot give any assurance that the assumptions used in the preparation of the unaudited pro forma condensed consolidated financial information will prove to be correct. The pro forma adjustments do not purport to be and should not be considered to be indicative of what our actual financial position or results of operations would have been if the Transactions had been completed as of the dates or for the periods presented or for any future date or for any period. The unaudited pro forma condensed consolidated financial statements should be read together with ‘‘Use of proceeds’’ ‘‘Management’s discussion and analysis of financial condition and results of operations,’’ and the audited consolidated historical financial statements of our Company and UP Offshore and the footnotes thereto, the interim unaudited condensed consolidated financial statements, and the other financial information included elsewhere in this prospectus.

ULTRAPETROL (BAHAMAS) LIMITED

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2006 (Unaudited)

(Dollars in thousands, except share and per share data)

	Ultrapetrol Historical	UP Offshore Historical	Adjustments for the UP Offshore Acquisition		Pro Forma for UP Offshore Acquisition	Adjustment for this offering	Pro Forma consolidated
	(A)	(B)	(C)			(D)	
Revenues Ocean Business	$20,454	$—	$(40	)(C.1)	$20,414	$	$20,414
Revenues Offshore Supply Business	10,400	3,007	(2,640	)(C.1)	10,767		10,767
Revenues River Business	36,939	—			36,939		36,939

Revenues Passenger Business	9,363	—			9,363			9,363
Total revenues	77,156	3,007	(2,680)		77,483			77,483
Voyage expenses Ocean Business	(422)	—			(422)			(422)
Voyage expenses Offshore Supply Business	(3,161)	(7)	2,640	(C.1)	(528)			(528)
Voyage expenses River Business	(15,931)	—			(15,931)			(15,931)
Voyage expenses Passenger Business	(1,704)	—			(1,704)			(1,704)
Running cost Ocean Business	(6,875)	—			(6,875)			(6,875)
Running cost Offshore Supply Business	(1,830)	(437)			(2,267)			(2,267)
Running cost River Business	(9,263)	—			(9,263)			(9,263)
Running cost Passenger Business	(4,999)	—			(4,999)			(4,999)
Amortization of dry docking	(4,185)	—			(4,185)			(4,185)
Depreciation of vessels and equipment	(8,606)	(408)	(103)	(C.2)	(9,117)			(9,117)
Administrative and commercial expense & management fees	(5,540)	(446)	40	(C.1)	(5,946)			(5,946)
Amortization of intangible assets	(196)	—			(196)			(196)
Other operating income	—	—			—			—
Total operating expenses	(62,712)	(1,298)	2,577		(61,433)			(61,433)
Operating profit	14,444	1,709	(103)		16,050			16,050
Financial expense	(9,669)	(292)			(9,961)	1,380	(D.1)	(8,581)
Financial income	273	—	(49)	(C.3)	224			224
Investment in affiliates	724	—	(329)	(C.3)	395			395
Other net income (expenses)	62	(13)			49			49
Total other income (expenses)	(8,610)	(305)	(378)		(9,293)	1,380		(7,913)
Income before income taxes and minority interest	5,834	1,404	(481)		6,757	1,380		8,137
Income taxes	(79)	—			(79)			(79)
Minority interest	(445)	—	(121)	(C.4)	(566)	86	(D.2)	(480)
Net income[1]	$5,310	$1,404	$(602)		$6,112	$1,466		$7,578
Pro forma basic and diluted net income per share	$0.34							$0.27
Pro forma weighted average number of shares for basic earnings per share[2]	15,500,000							28,000,000
Pro forma weighted average number of shares for diluted earnings per share[2]	15,646,384							28,146,384

(1)

The unaudited pro forma condensed consolidated statement of operations does not include a loss of $2,354 on the early repayment of some of our variable interest rate debt and the early redemption of the IFC's preferred shares in UP Offshore, which loss is non-recurring. Therefore, no corresponding pro forma adjustments have been made for such non-recurring charge. Such loss will be recorded in the period in which the repayment is consummated.

(2)

Gives effect to the distribution of 3,947,266 shares held by our wholly owned subsidiary, Avenar Holdings (Bahamas) Limited, to our existing shareholders on a pro rata basis prior to the closing of this offering. Does not include 310,000 restricted shares to be issued on the closing of this offering and 348,750 shares issuable upon the exercise of options to be granted on the closing of this offering pursuant to our equity incentive plan. See ‘‘Management — Employment agreements.’’

The accompanying introduction and the notes appearing after these unaudited pro forma condensed consolidated financial information are an integral part of the unaudited pro forma condensed consolidated statement of operations of Ultrapetrol (Bahamas) Limited.

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ULTRAPETROL (BAHAMAS) LIMITED

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2005 (Unaudited)

(Dollars in thousands, except share and per share data)

	Ultrapetrol Historical	UP Offshore Historical	Adjustments for the UP Offshore Acquisition (C)	Pro Forma for UP Offshore Acquisition	Adjustment for this offering (D)	Pro Forma consolidated
Revenues Ocean Business	$49,874	$—	$(28)(C.1)	$49,846	$	$49,846
Revenues Offshore Supply Business	6,532	3,977	(3,977)(C.1)	6,532		6,532
Revenues River Business	54,546	—		54,546		54,546
Revenues Passenger Business	14,409	—		14,409		14,409
Total revenues	125,361	3,977	(4,005)	125,333		125,333
Voyage expenses Ocean Business	(1,371)	—		(1,371)		(1,371)
Voyage expenses Offshore Supply Business	(4,980)		3,977 (C.1)	(1,003)		(1,003)
Voyage expenses River Business	(25,710)	—		(25,710)		(25,710)
Voyage expenses Passenger Business	(1,766)	—		(1,766)		(1,766)
Running cost Ocean Business	(12,636)	—		(12,636)		(12,636)
Running cost Offshore Supply Business	(1,218)	(1,331)		(2,549)		(2,549)
Running cost River Business	(17,820)	—		(17,820)		(17,820)
Running cost Passenger Business	(7,560)	—		(7,560)		(7,560)
Amortization of dry docking	(6,839)	—		(6,839)		(6,839)
Depreciation of vessels and equipment	(14,494)	(757)	(250)(C.2)	(15,501)		(15,501)
Administrative and commercial expense & management fees	(9,735)	(1,270)	28 (C.1)	(10,977)		(10,977)
Other operating income	22,021	—		22,021		22,021
Total operating expenses	(82,108)	(3,358)	3,755	(81,711)		(81,711)
Operating profit (loss)	43,253	619	(250)	43,622		43,622
Financial expense	(19,141)	—		(19,141)	1,895(D.1)	(17,246)
Financial income	1,152	—	(126)(C.3)	1,026		1,026

Investment in affiliates	(497)	—	5	(C.3)	(492)		(492)
Other net income	384	2			386		386
Total other income (expenses)	(18,102)	2	(121)		(18,221)	1,895	(16,326)
Income before income taxes and minority interest	25,151	621	(371)		25,401	1,895	27,296
Income taxes	(786)	—			(786)		(786)
Minority interest	(9,797)	—	(207)	(C.4)	(10,004)	173 (D.2)	(9,831)
Net (loss) income[(1)]	$14,568	$621	$(578)		$14,611	$2,068	$16,679
Pro forma basic net income per share	$0.94						$0.60
Pro forma diluted net income per share	$0.93						$0.59
Pro forma weighted average number of shares for basic earnings per share[(2)]	15,500,000						28,000,000
Pro forma weighted average number of shares for diluted earnings per share[(2)]	15,646,384						28,146,384

(1)

The unaudited pro forma condensed consolidated statement of operations does not include a loss of $2,354 on the early repayment of some of our variable interest rate debt and the early redemption of the IFC's preferred shares in UP Offshore, which loss is non-recurring. Such loss will be recorded in the period in which the repayment is consummated.

(2)

Gives effect to the distribution of 3,947,266 shares held by our wholly owned subsidiary, Avemar Holdings (Bahamas) Limited, to our existing shareholders on a pro rata basis prior to the closing of this offering. Does not include 310,000 restricted shares to be issued on the closing of this offering and 348,750 shares issuable upon the exercise of options to be granted on the closing of this offering pursuant to our equity incentive plan. See ''Management — Employment agreements.''

The accompanying introduction and the notes appearing after these unaudited pro forma condensed consolidated financial information are an integral part of the unaudited pro forma condensed consolidated income statement of Ultrapetrol (Bahamas) Limited.

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ULTRAPETROL (BAHAMAS) LIMITED

PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2006 (Unaudited)

(Dollars in thousands)

	Ultrapetrol Historical	Adjustments for this offering	Pro Forma consolidated

		(D)		
Assets				
Current assets				
Cash and cash equivalents	$8,558	$21,745	(D.3)	$ 30,303
Restricted cash	3,726	(3,726	)(D.4)	—
Accounts receivable	14,377			14,377
Receivables from related parties	4,330			4,330
Marine and river operating supplies	4,031			4,031
Prepaid expenses	5,897			5,897
Other receivables	7,866			7,866
Total current assets	48,785	18,019		66,804
Noncurrent assets				
Other receivables	8,541			8,541
Receivables from related parties	1,710			1,710
Restricted cash	993	(688	)(D.4)	305
Vessels and equipment, net	305,761	1,243	(D.5)	307,004
Cash balance to fund PSV construction costs	—	20,000	(D.6)	20,000
Dry dock	9,294			9,294
Investments in affiliates	2,532			2,532
Intangible assets	4,142			4,142
Goodwill	3,800			3,800
Other assets	8,841	(1,499	)(D.7)	7,342
Total noncurrent assets	345,614	19,056		364,670
Total assets	$394,399	$37,075		$ 431,474
Liabilities, minority interest and shareholders' equity				
Current liabilities				
Accounts payable and accrued expenses	$20,811	$		$ 20,811
Payables to related parties	59,500	(59,500	)(D.8)	—
Current portion of long term financial debt	12,504	(9,253	)(D.8)	3,251
Other payables	703			703
Total current liabilities	93,518	(68,753	)	24,765
Noncurrent liabilities				
Long term notes	180,000			180,000
Financial debt, net of current portion	56,527	(43,616	)(D.8)	12,911
Other payables	1,900			1,900
Total noncurrent liabilities	238,427	(43,616	)	194,811
Total liabilities	331,945	(112,369	)	219,576
Minority interest	5,284			5,284
Minority interest subject to put rights	4,957	(4,957	)(D.8)	—
Redeemable preferred shares	3,445	(3,445	)(D.8)	—
Shareholders' equity				
Common stock	155	125	(D.9)	280
Additional paid-in capital	68,750	160,075	(D.9)	208,493
		(20,332	)(D.10)	
Treasury stock	(20,332)	20,332	(D.10)	—
Accumulated other comprehensive income	180			180
Accumulated earnings (deficit)	15	(2,354	)(D.11)	(2,339)
Total shareholders' equity	48,768	157,846		206,614
Total liabilities, minority interests, redeemable preferred shares and shareholders' equity	$394,399	$37,075		$ 431,474

The accompanying introduction and the notes appearing after these unaudited pro forma condensed consolidated financial information are an integral part of the unaudited pro forma condensed consolidated balance sheet of Ultrapetrol (Bahamas) Limited.

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ULTRAPETROL (BAHAMAS) LIMITED

NOTES TO THE UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Dollars in thousands)

(A)

The amounts in this column represent our historical results for the six month period ended June 30, 2006, which includes the operations of UP Offshore on a consolidated basis from March 21, 2006, the date of acquisition, using the consolidation method. Prior to acquisition, the equity method was used.

(B)

Represents the historical results for UP Offshore for the period prior to March 21, 2006, the date of the UP Offshore Acquisition.

(C)

The amounts in this column reflect the following adjustments to reflect the acquisition of UP Offshore by Ultrapetrol as if it had occurred on January 1, 2005.

(C.1):

Since their respective dates of delivery in 2005, UP Offshore has chartered the PSV's UP Safira and UP Esmeralda to us under a bareboat charter. These adjustments eliminate the bareboat charter payments from us to UP Offshore for $3,977 and $2,640 for the year ended December 31, 2005 and for the six month period ended June 30, 2006, respectively, and the management fee payments from UP Offshore to us for $28 and $40 for the year ended December 31, 2005 and for the six month period ended June 30, 2006, respectively.

(C.2):

These adjustments reflect additional depreciation expense from the write-up to fair value of UP Offshore's vessels.

(C.3):

These adjustments represent (a) the elimination of our 27.78% interest in UP Offshore accounted for by the equity method in the amount of $5 and $(329) for the year ended December 31, 2005 and the six month period ended June 30, 2006, respectively, and (b) the elimination of $126 and $49 of intercompany profits we recognized on interest we received on our loan to UP Offshore for the year ended December 31, 2005 and for the six month period ended June 30, 2006, respectively.

(C.4):

The adjustments to minority interest reflect the following:

	For the six-month period ended June 30, 2006	For the year ended December 31, 2005
Dividends on redeemable preferred shares (1)	$ (46)	$ (183)
Minority interest in UP Offshore not owned by Ultrapetrol	(75)	(24)
Total	$ (121)	$ (207)

(1)

Represents the accrued but unpaid dividends on UP Offshore’s preferred redeemable shares owned by IFC. As a result of the UP Offshore Acquisition, we will include the accrual of these dividends as an increase in minority interest in our consolidated statements of operation until redeemed with the proceeds of this offering.

(D)

The amounts in this column reflect the following adjustments to reflect this offering and the expected use of proceeds as if it had occurred on January 1, 2005.

(D.1):

This pro forma adjustment represents the elimination of the interest expense incurred for the variable interest rate debts repaid and the amortization of the capitalized debt issuance costs on these debts.

(D.2):

This pro forma adjustment represents the elimination of the accrued and unpaid dividends on UP Offshore's redeemable preferred shares owned by the IFC net of the minority interest participation.

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ULTRAPETROL (BAHAMAS) LIMITED

(D)

The amounts in this column reflect the following adjustments to reflect the distribution of treasury stock pro rata to existing shareholders and this offering and the expected use of proceeds as if they had occurred on June 30, 2006:

(D.3):

The pro forma adjustment to cash is determined as follows:

Gross proceeds from this offering	$175,000

Repayment of some of our variable interest rate debts with the proceeds of this offering	(52,102)
Repayment of interest accrued at the closing of this offering	(767)
Repayment of Note issued to LAIF	(48,000)
Repayment of Notes issued to Crosstrees Maritime and Crosstrade Maritime	(11,500)
Redemption of IFC's redeemable preferred shares in UP Offshore	(3,445)
Prepayment premium of IFC's redeemable preferred shares in UP Offshore	(855)
Discharge of IFC's minority interest in the River Business	(6,200)
Fund a portion of the balance of the construction costs of the two PSVs being built in Brazil	(20,000)
Transaction fees and expenses of this offering	(14,800)
Total	17,331
Reclassification of cash held in escrow related to the variable interest rate debts repaid	3,726
Reclassification of fixed deposits held in escrow related to the variable interest rate debts repaid	688
Total pro forma adjustment to cash	$21,745

(D.4):

These pro forma adjustments represent the reclassification to cash and cash equivalents of the cash held in escrow to repay the variable interest rate debts repaid and cash representing fixed deposits related to the debt repaid.

(D.5)

This pro forma adjustment represents the write up to fair value the vessels and equipment balance of UABL Limited related to the purchase price allocation in the step-up acquisition of IFC ´s 3.57% interest in the River Business.

(D.6)

This pro forma adjustment represents the cash to be held as working capital to fund a portion of the balance of the construction costs of the last two PSVs being built in Brazil.

(D.7):

This pro forma adjustment represents the write-off of the net book value of the debt issuance costs related to the variable interest rate debts repaid.

(D.8):

These pro forma adjustments represent the expected use of proceeds from this offering, as described in greater detail in ''Use of proceeds.''

(D.9):

This pro forma adjustment represents the issuance of 12,500,000 common shares at an assumed offering price of $14.00 per share (representing the mid-point of the expected price range set forth on the cover of this prospectus), net of the transaction fees and expenses of $14,800.

(D.10):

This pro forma adjustment represents the distribution to the existing shareholders of 3,947,266 shares held in treasury (see note 12 to our audited consolidated financial statements for the year ended December 31, 2005).

(D.11):

This pro forma adjustment represents the loss on the early repayment of the variable interest rate debts and the early redemption of IFC's redeemable preferred shares in UP Offshore.

Net book value charge for the capitalized debt issuance costs on the variable interest rate debts	$1,499
Prepayment premium of IFC's redeemable preferred shares in UP Offshore	855
Total pro forma adjustment to accumulated deficit	$2,354

The unaudited pro forma condensed consolidated statements of operations do not include a loss of $2,354 on the early repayment of some of our variable interest rate debts and the early redemption of the IFC's redeemable preferred shares in UP Offshore, which loss is non-recurring; therefore, no corresponding pro forma adjustments have been made for such non-recurring charge. Such loss will be recorded in the period in which the repayment and the redemption are consummated.

Selected financial and other data

We derived the following selected financial information set forth below for Ultrapetrol (Bahamas) Limited as of and for the years ended December 31, 2001, 2002, 2003, 2004 and 2005 from our audited consolidated financial statements. We derived our financial data as of June 30, 2006, and for the six-month periods ended June 30, 2005 and 2006 from our respective interim unaudited condensed consolidated financial statements included in this prospectus which, in the opinion of management, include all adjustments (consisting of normal recurring adjustments) necessary to present fairly the information set forth in those financial statements on a basis consistent with our respective audited financial statements. The information below is selected information and should be read in conjunction with our historical financial statements and related notes, and our Management’s Discussion and Analysis of Financial Condition and Results of Operations contained elsewhere in this prospectus. The historical results below and elsewhere in this prospectus may not be indicative of our future performance.

	Year ended December 31,					Six months ended June 30,	
	2001	2002	2003	2004[1]	2005	2005	2006[2]
						(Unaudited)	
	(dollars in thousands except share and per share data)						
Statement of Operations Data:							
Revenues	$111,208	$73,124	$75,233	$95,160	$125,361	$68,913	$77,156
Operating expenses[3]	(60,504)	(37,582)	(41,303)	(40,815)	(73,061)	(32,298)	(44,185)
Depreciation and amortization	(23,443)	(24,807)	(22,567)	(18,688)	(21,333)	(10,687)	(12,987)
Management fees to related parties[4]	(3,250)	(3,176)	(2,863)	(1,513)	(2,118)	(864)	(511)
	(4,520)	(3,642)	(4,955)	(7,494)	(7,617)	(3,400)	(5,029)

Administrative and commercial expenses							
Other operating income (expenses)[5]	1,534	1,741	(2,124)	784	22,021	21,867	—
Loss on involuntary conversion of receivables[6]	—	(2,704)	—	—	—	—	—
Operating profit	21,025	2,954	1,421	27,434	43,253	43,531	14,444
Financial expense	(17,698)	(16,763)	(16,207)	(16,134)	(19,141)	(9,317)	(9,669)
Financial gain (loss) on extinguishment of debt[7]	—	—	1,782	(5,078)	—	—	—
Financial income	296	326	201	119	1,152	263	273
Investment in affiliates[8]	(692)	(45)	3,140	406	(497)	(163)	724
Other income (expenses)	(126)	(43)	(337)	174	384	(22)	62
Income (loss) before income taxes and minority interest	2,805	(13,571)	(10,000)	6,921	25,151	34,292	5,834
Income taxes	(390)	(150)	(185)	(642)	(786)	(11)	(79)
Minority interest[9]	—	(132)	(1,333)	(1,140)	(9,797)	(9,503)	(445)
Net income (loss)	$2,415	$(13,853)	$(11,518)	$5,139	$14,568	$24,778	$5,310
Basic net income (loss) per share	$0.22	$(1.23)	$(1.00)	$0.44	$1.26	$2.14	$0.46
Diluted net income (loss) per share	$0.22	$(1.22)	$(0.98)	$0.44	$1.25	$2.12	$0.45
Weighted average number of shares for basic earnings per share	10,935,490	11,235,842	11,552,734	11,552,734	11,552,734	11,552,734	11,552,734
Weighted average number of shares for diluted earnings per share	11,081,874	11,382,226	11,699,118	11,699,118	11,699,118	11,699,118	11,699,118
Pro forma basic net income per					$0.94		$0.34

share (unaudited)[10]		
Pro forma diluted net income per share (unaudited)[10]	$0.93	$0.34
Pro forma weighted average number of shares for basic earnings per share (unaudited)[10]	15,500,000	15,500,000
Pro forma weighted average number of shares for diluted earnings per share (unaudited)[10]	15,646,384	15,646,384

Selected financial and other data

	Year ended December 31,					Six months ended June 30,
	2001	2002	2003	2004[1]	2005	20056[2] (Unaudited)
	(dollars in thousands except share and per share data)					
Balance Sheet Data (end of period):						
Cash and cash equivalents	$5,872	$4,724	$8,248	$11,602	$7,914	$8,558
Current restricted cash	—	1,662	1,155	2,975	3,638	3,726
Working capital[11]	18,920	21,013	15,416	13,441	26,353	(44,733)[12]
Vessels and equipment	135,289	134,797	120,803	160,535	182,069	305,761
Total assets	225,576	213,546	208,161	273,648	277,747	394,399
Total debt	165,445	168,994	155,814	220,413	211,275	249,031
Shareholders’ equity	47,838	35,089	23,793	28,910	43,474	48,768
Other Financial Data:						
Ratio of Earnings to Fixed Charges[13]	1.2	N/A	N/A	1.4	2.3	4.71.5

(1)

In a series of related transactions, on April 23, 2004, through two wholly owned subsidiaries, we acquired from ACL the remaining 50% equity interest in UABL Limited that we did not previously own, along with a fleet of 50 river barges and seven river pushboats. The results of UABL Limited’s operations have been included in our consolidated

financial statements since that date.

(2)

On March 21, 2006, we purchased an additional 66.67% of UP Offshore from LAIF. Following the acquisition of the shares of UP Offshore from LAIF, we hold 94.45% of the outstanding shares of UP Offshore. The results of UP Offshore's operations have been included in our consolidated financial statements since that date.

(3)

Operating expenses include voyage expenses and running costs. Voyage expenses, which are incurred when a vessel is operating under a contract of affreightment (as well as any time when a vessel is 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. Running costs, or vessel operating expenses, include the cost of all vessel management, crewing, repairs and maintenance, spares and stores, insurance premiums, lubricants, and certain drydocking costs.

(4)

Management fees to related parties include payments to our related companies Ravenscroft and Oceanmarine for ship management and administration services that they provide to us. We purchased the business of Ravenscroft, and hired the administrative personnel and purchased the administrative related assets of Oceanmarine in March 2006; accordingly, we did not pay any fees to these related parties after those acquisitions. Ship management and administration costs appear as expenses in our results since that date.

(5)

Other income in 2005 includes an approximately $21.8 million gain from the sale of our Capesize bulk carrier, the Cape Pampas. This vessel was owned directly by Ultracape, a company of which we own 60%. Accordingly, the gain on sale attributable to the remaining 40% that we do not own is deducted from income as minority interest. (See note 5 to our audited consolidated financial statements included elsewhere herein.).

(6)

This relates to a loss resulting from the involuntary conversion of certain receivables from U.S. dollars to Argentine pesos. This conversion was the result of legislation passed by the Argentine government in January 2002. Under this law, U.S. dollar obligations between private parties due after January 6, 2002 were to be liquidated in Argentine pesos at a negotiated rate of exchange which reflects a sharing of the impact of the devaluation. Our settlement in Argentine pesos of the U.S. dollar denominated agreements was completed in 2002 and resulted in a loss of $2.7 million.

(7)

During 2003, we repurchased $6.7 million principal amount of our Prior Notes for a price of $4.8 million and realized a gain of $1.8 million. During 2004, we repurchased $5.7 million principal amount of our Prior Notes for a price of $4.3 million and realized a gain of $1.3 million, and we incurred $6.4 million in expenses in relation to our tender offer and repurchase of our Prior Notes.

(8)

Prior to April 2004, we owned 50% of UABL through a joint venture with ACL and, accordingly, we accounted for it using the equity method.

(9)

We own 60% of Ultracape, which owned the Capesize bulk carrier, the Cape Pampas prior to its sale in May 2005, and accordingly recognize minority interest for the 40% we do not own. Figures in 2003 and 2004 principally represent 40% of the income earned by Ultracape, from operation of the Cape Pampas. The figures in 2005 represent 40% of the income from operations of the Cape Pampas as well as 40% of the gain on the sale of the vessel in May 2005.

(10)

Pro forma to reflect the distribution of 3,947,266 shares held by our wholly owned subsidiary, Avemar Holdings (Bahamas) Limited to our existing shareholders on a pro rata basis prior to the closing date of this offering. These shares are currently included in our financial statements as treasury shares.

(11)

Current assets less current liabilities.

(12)

Current liabilities at June 30, 2006 includes $59.5 million related to the promissory notes we issued in connection with our acquisition of all of the shares of Ravenscroft and 66.67% of UP Offshore. (See note 3 to our interim unaudited condensed consolidated financial statements as of and for the six-month period ended June 30, 2006 included elsewhere herein).

(13)

For the purpose of calculating the ratio of earnings to fixed charges, earnings represents net income (loss) from continuing operations before income taxes and minority interest plus fixed charges less minority interest in the pre-tax income of subsidiaries that have not incurred fixed charges. Fixed charges consist of interest expense (including capitalized interest) on all indebtedness plus amortization of debt issuance costs and the portion of rental expense that we believe is representative of the interest component of rental expense. Earnings were insufficient to cover fixed charges in the years ended December 31, 2002 and 2003 by $13,526 and $13,140, respectively. On a pro forma basis, our unaudited ratio of earnings to fixed charges for the year ended December 31, 2005 and for the six-month period ended June 30, 2006 were 2.6 and 1.9, respectively. See ''Unaudited pro forma condensed consolidated financial information'' for a description of the pro forma adjustments.

Management's discussion and analysis of financial condition and results of operations

The following discussion should be read in conjunction with the information included under the captions ''Unaudited pro forma condensed consolidated financial information'' and ''Selected financial and other data,'' our historical consolidated financial statements and their notes included elsewhere in this prospectus. This discussion contains forward-looking statements. For a discussion on the accuracy of these statements please refer to the section

‘‘Forward-looking Statements’’ that reflect our current views with respect to future events and financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, such as those set forth in the section entitled ‘‘Risk factors’’ and elsewhere in this prospectus.

Our Company

We are an industrial shipping company serving the marine transportation needs of clients in the markets on which we focus. We serve the shipping markets for grain, forest products, minerals, crude oil, petroleum, and refined petroleum products, as well as the offshore oil platform supply market, and the leisure passenger cruise market through our operations in the following four segments of the marine transportation industry.

Our River Business, with approximately 490 barges, is the largest owner and operator of river barges and pushboats that transport dry bulk and liquid cargos through the Hidrovia Region of South America, a large area with growing agricultural, forest and mineral related exports. This region is crossed by navigable rivers which flow through Argentina, Bolivia, Brazil, Paraguay and Uruguay, to ports serviced by ocean export vessels. According to DSC, as a whole, these countries are estimated to account for approximately 46.2% of world soybean production in 2005, from 30% in 1995.

Our Offshore Supply Business owns and operates vessels that provide critical logistical and transportation services for offshore petroleum exploration and production companies, primarily in the North Sea and the coastal waters of Brazil. Our Offshore Supply Business fleet currently consists of proprietarily designed, technologically advanced platform supply vessels, or PSVs, including four in operation and two under construction to be delivered in 2007 and 2008.

Our Ocean Business owns and operates six oceangoing vessels, including three versatile Suezmax/Oil-Bulk-Ore, or Suezmax OBO, vessels, one Aframax tanker, one semi-integrated tug/barge unit and one chemical/product carrier. Our Ocean Business fleet has an aggregate capacity of approximately 600,000 dwt, and our three Suezmax OBOs are capable of carrying either dry bulk or liquid cargos, providing flexibility as dynamics change between these market sectors.

Our Passenger Business fleet consists of two vessels with a total carrying capacity of approximately 1,600 passengers, and operates primarily in the European cruise market. We currently employ each of our passenger vessels under seasonal charters with a tour operator. In addition, we are currently negotiating opportunities to operate these vessels during periods outside the European travel season.

Our business strategy is to continue to operate as a diversified marine transportation company with an aim to maximize our growth and profitability while limiting our exposure to the cyclical behavior of individual sectors of the transportation industry.

Developments in 2005

On January 7, 2005, International Finance Corporation, or IFC, and KfW disbursed the remaining $7.5 million of the $30.0 million loan granted to UABL in 2002. These funds were used to finance the purchase and transportation from the United States to the Hidrovia Region of 35 dry barges. Additionally, we used existing funds to purchase two

pushboats and other auxiliary equipment.

On March 4, 2005, we entered into a contract to sell our capesize dry-bulk carrier, the Cape Pampas, owned through our 60% joint venture, Ultracape (Holdings) Ltd., or Ultracape, for approximately $37.9 million, net of the related expenses. The vessel was delivered to the new owners on May 6, 2005. This resulted in a net gain to

us in 2005, after minority interest, of approximately $13.1 million. While we continually evaluate opportunities for sales of our vessels when we think the values are favorable for us and when such sales will not adversely affect our operations, we do not expect to record similar gains in every period, if at all.

On March 4, 2005, we entered into a contract to purchase the passenger vessel, New Flamenco, for a price of $13.5 million. This transaction was consummated on March 24, 2005, and we continued her employment with a European tour operator during the European travel season. In November 2005, we commenced an extensive refurbishment of the passenger and public spaces.

On April 6, 2005, we purchased the passenger vessel World Renaissance, renamed Grand Victoria, at auction for a price of $3.4 million. This vessel was delivered and fully paid for on April 19, 2005, but was not certified and did not enter service in 2005. This vessel has since been re-classified and refurbished and entered into service in 2006.

On April 29, 2005, we agreed to purchase the product tanker, Sun Chemist, renamed Miranda I, for a total price of $10.3 million. The vessel was delivered and fully paid on July 7, 2005 and entered service in Argentina under a long-term charter with a major oil company in October 2005.

On July 25, 2005, our option to repurchase 25,212 of our shares from Los Avellanos for a total price of $0.9 million was extended until July 25, 2006.

On October 7, 2005, we financed 90% of the acquisition cost of 11 barges in our River Business with $2.9 million in funds available from restricted cash.

On December 1, 2005, we substituted barges TN1502, TN1503, TN1505 and TN1506 with barges ACL 700 and ACL 701 in the collateral pool securing the Notes. The substituted barges are newer and of a higher value than the original barges.

On December 28, 2005, we drew down $3.0 million under the $10.0 million facility provided by IFC to UABL Paraguay, one of our subsidiaries. These funds will be used primarily to increase the size and capacity of some of our existing barges.

Developments in 2006

On March 20, 2006, we purchased all of the issued and outstanding capital stock of Ravenscroft Shipping (Bahamas) S.A., or Ravenscroft, from two of our related parties, Crosstrade Maritime Inc., and Crosstrees Maritime Inc., for the purchase price of $11.5 million. The purchase price included a building in Coral Gables, Florida, U.S., independently valued at $4.5 million. Ravenscroft Shipping (Bahamas) S.A. is a holding company that is the ultimate parent of our vessel managers, Ravenscroft Ship Management Inc., which manages the vessels in our Ocean Business and Offshore Supply Business, and Elysian Ship Management Inc., which manages the vessels in our Passenger Business. We have

the option to cause Crosstrade Maritime Inc. and Crosstrees Maritime Inc. to purchase from us all, but not less than all, of the Ravenscroft shares purchased for the original consideration at any time prior to October 31, 2006, but not later than the closing of this offering. Our right to exercise this option is contingent upon the termination of this offering by the mutual agreement of our shareholders or this offering not having occurred by October 21, 2006. The purchase price of this acquisition was paid in the form of a non-interest bearing promissory notes secured by pledges of the shares of Ravenscroft purchased payable upon the earlier of (1) the closing of this offering and (2) October 31, 2006. In compliance with the requirements of our indenture related to the Notes, we obtained a fairness opinion from an internationally recognized accounting firm in connection with this acquisition.

Separately, we purchased 66.67% of the issued and outstanding capital stock of UP Offshore (Bahamas) Ltd., or UP Offshore, a company through which we operate our Offshore Supply Business, from LAIF, an affiliate of Solimar, one of the selling shareholders, for a purchase price of $48.0 million on March 21, 2006. Following this acquisition, we hold 94.45% of the issued and outstanding shares of UP Offshore. We have the option to cause LAIF to purchase from us all, but not less than all, of the UP Offshore shares purchased for the original consideration at any time prior to October 31, 2006, but not later than the closing of this offering. Our right to exercise this option is contingent upon the termination of this offering by the mutual agreement of our shareholders or this offering not having occurred by October 21, 2006. The purchase price of this acquisition

was paid in the form of a non-interest bearing promissory note secured by a pledge of the shares of UP Offshore purchased payable upon the earlier of (1) the closing of this offering and (2) October 31, 2006. In compliance with the requirements of our indenture related to the Notes, we obtained a fairness opinion from an internationally recognized accounting firm in connection with this acquisition.

On May 3, 2006, we signed an agreement with IFC to purchase from IFC the 7.14% of UP River (Holdings) Ltd., or UP River, an entity that owns the 50% of UABL that we do not own, for the price of $6.1 million plus accrued interest from May 15, 2006 to the closing of this offering. As part of this agreement, IFC agreed to waive its option to convert its interest in UP River to shares in our company and its right to participate in this offering. This agreement is subject to the successful completion of this offering and our obligation under this agreement will be paid from proceeds of this offering.

On March 20, 2006, Los Avellanos and Avemar Holdings (Bahamas) Ltd., or Avemar, two of our shareholders, subject to the successful completion of this offering, cancelled their agreement pursuant to which Avemar had previously granted Los Avellanos an irrevocable proxy to vote our shares owned by Avemar. The shareholders have further agreed to cancel the shares owned by Avemar upon the closing of this offering. As a consequence, Solimar will own 63.36% of our shares and the remaining 36.64% will be directly and indirectly owned by Los Avellanos.

On March 20, 2006, we exercised our option to repurchase from Los Avellanos 25,212 shares of our common stock for a total consideration of $894,999, and the $894,999 note originally issued in connection with the option was cancelled.

On September 22, 2006, Ultracape (our 60% owned subsidiary) exercised its option to sell 100% of its membership interest in Ultracape Delaware LLC to MexPlus Puertos S.A. de C.V. at a price of approximately $2.6 million.

Factors Affecting Our Results of Operations

We have organized our business and evaluate performance by the operating segments of the Ocean Business, River Business, and, beginning in 2005, the Offshore Supply Business and Passenger Business. The accounting policies of the reportable segments are the same as those for the consolidated financial statements. Other than for allocation of overhead, we do not have significant intersegment transactions.

Revenues

In our River Business, we contract for the carriage for cargos, in substantially all cases, under contracts of affreightment, or COAs. Most of these COAs currently provide for adjustments to the freight rate based on changes in the price of fuel.

In our Offshore Business, during the second half of 2005, two PSVs owned by UP Offshore were, by virtue of chartering arrangements, operated by us in the North Sea. The revenues of these charters are recognized in our year-end financial statements.

In our Ocean Business, we contract our cargo vessels either on a time charter basis or COA basis. Some of the differences between time charters and COAs are summarized below.

Time Charter

We derive revenue from a daily rate paid for the use of the vessel, and

the charterer pays for all voyage expenses, including fuel and port charges.

Contract of Affreightment (COA)

We derive revenue from a rate based on tonnage shipped expressed in dollars per metric ton of cargo, and

we pay for all voyage expenses, including fuel and port charges.

Our ships on time charters generate both lower revenues and lower expenses for us than those under COAs. At comparable price levels both time charters and COAs result in approximately the same operating income, although the operating margin as a percentage of revenues may differ significantly.

The structure of our seasonal contracts for our Passenger Business provides us with a stable revenue stream as well as the flexibility to operate the vessels in other regions of the world at the end of the contract term. We are currently negotiating opportunities to employ these vessels during periods other than the European travel season.

Time charter revenues accounted for 56% of the total revenues from our businesses for 2005, and COA revenues accounted for 44%. With respect to COA revenues in 2005, 88% were in respect of repetitive voyages for our regular customers and 12% were in respect of single voyages for occasional customers.

In our River Business, demand for our services is driven by agricultural, mining and forestry activities in the Hidrovia Region. Droughts and other adverse weather conditions, such as floods, could result in a decline in production of the agricultural products we transport, which would likely result in a reduction in demand for our services. In 2005, our results of operations were negatively impacted due to the decline in soybean production associated with that year's drought. Continuing drought conditions have also affected the size of the Paraguayan soybean crop in 2006. Further, most of the operations in our River Business occur on the Parana and Paraguay Rivers, and any changes adversely affecting navigability of either of these rivers, such as low water levels, could reduce or limit our ability to effectively transport cargo on the rivers, as was the case in 2005.

In our Ocean Business, we employed a significant part of our ocean fleet on time charter to different customers during 2005. During the first half of 2005, the international dry-bulk freight market maintained average rates above those experienced in 2004. In the second half, those average freight rates generally decreased below the average levels experienced in 2004.

In our Passenger Business, demand for our services is driven primarily by movements of tourists during the European summer cruise season.

Expenses

Our operating expenses generally include the cost of all vessel management, crewing, spares and stores, insurance, lubricants, repairs and maintenance. Generally, the most significant of these expenses are repairs and maintenance, wages paid to marine personnel, catering and marine insurance costs. However, there are significant differences in the manner in which these expenses are recognized in the different segments in which we operate.

In addition to the vessel operating expenses, our other primary operating expenses in 2005 included general and administrative expenses as well as vessel management and administration fees paid to Oceanmarine and Ravenscroft, both related parties, that provided certain administrative services and vessel management services, respectively. We paid Oceanmarine a monthly fee of $10,000 per oceangoing cargo vessel for administrative services including general administration and accounting (financial reporting and preparation of tax returns), use of office premises, a computer network, secretarial assistance and other general duties. We also paid Ravenscroft a monthly technical vessel management fee of $12,500 per PSV and oceangoing vessel and €20,000 (equivalent to US $23,590 as of December 31, 2005) per passenger vessel for services, including technical management, crewing, provisioning, superintendence and related accounting functions. We also paid Ravenscroft a €25,000 (equivalent to US $29,488 as of December 31, 2005) administrative and operational fee per month per passenger vessel for all operational functions as well as administering the subcontractors, concessions and credit card/collection system onboard. In the first quarter of 2006, we acquired Ravenscroft and the administrative-related assets and personnel of Oceanmarine. Accordingly, these tasks are now performed in-house.

In our River Business, prior to our acquisition of the remaining 50% equity interest in UABL in 2004, our subsidiaries that owned pushboats and barges contracted with Lonehort, Inc., a subsidiary of UABL, for vessel management services and we generally paid operating expenses through Lonehort. Our operating expenses include the cost of all vessel management, crewing, spares and stores, insurance, lubricants, repairs and maintenance. Following our acquisition of the remaining 50% equity interest in UABL, all vessel management services have been performed, and all operating expenses paid, in-house. UABL employs the services of Tecnical Services S.A., a related party, to provide crew recruitment services in Argentina and Paraguay. We pay Tecnical Services S.A. $144,000 per year, plus an additional $50 for each active crew member hired. Since Tecnical

Services S.A. is now a wholly-owned subsidiary of Ravenscroft, beginning in the first quarter of 2006 these services have been performed in-house. We do not expect to pay fees to any related entity other than those described here for management and administration functions.

In our River Business, our voyage expenses include port expenses and bunkers as well as charter hire paid to third parties.

In our Offshore Supply Business, voyage expenses include the charterhire paid by us to UP Offshore and brokerage commissions paid by us to third parties including Gulf Offshore North Sea (UK) which provide brokerage services.

In our Passenger Business, operating expenses include all vessel management, crewing, stores, insurance, lubricants, repairs and maintenance, and may include catering, housekeeping and entertainment staff if the charter party so specifies. Voyage expenses may include port expenses and bunkers if such services are for our account. Similarly, they may include the cost of food and beverages if such amounts are for our account under the charter agreement.

Through our River Business, we own a floating drydock and a repair facility for our river fleet at Pueblo Esther, Argentina, land for the construction of two terminals in Argentina and 50% joint venture participations in two grain loading terminals in Paraguay. UABL also rents offices in Asuncion, Paraguay, and Buenos Aires, Argentina, and a drydock facility in Ramallo, Argentina. Also, through Ultracape Delaware LLC, we own land for expansion of a liquids terminal in Mexico.

Through our acquisition of UP Offshore, we now hold a lease for office space in Rio de Janeiro, Brazil. In addition, through our recent acquisition of Ravenscroft, we own a building located at 3251 Ponce de Leon Boulevard, Coral Gables, Florida, United States. Through our acquisition of the administrative functions of Oceanmarine, a related party, we now hold a sublease to an office in Buenos Aires, Argentina.

Foreign Currency Transactions

During 2005, 84% of our revenues were denominated in U.S. dollars. Also, for the year ended December 31, 2005, 11% of our revenues were denominated and collected in Euros and 5% of our revenues were denominated and collected in British Pounds. However, 13% of our total revenues were denominated in U.S. dollars but collected in Argentine Pesos and Paraguayan Guaranies. Significant amounts of our expenses were denominated in U.S. dollars and 22% of our total out of pocket operating expenses were paid in Argentine Pesos and Paraguayan Guaranies.

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

Inflation and Fuel Price Increases

We do not believe that inflation has had a material impact on our operations, although certain of our operating expenses (e.g., crewing, insurance and drydocking costs) are subject to fluctuations as a result of market forces.

In 2005 and prior, in our River Business, we adjusted the fuel component of our cost into the freights on a seasonal or yearly basis, and therefore we were adversely affected during that particular period by rising bunker prices which are only partially offset by a hedge of a minor part of our fuel consumption and by bunker price adjustment formulas in some of our contracts. In 2006, we have negotiated, and intend to continue to negotiate, fuel price adjustment clauses in most of our 2006 contracts.

In the Offshore Supply and Passenger Businesses, the risk of variation of fuel prices under the vessels' current employment is generally borne by the charterers, since the charterers are generally responsible for the supply of fuel.

In our Ocean Business, inflationary pressures on bunker (fuel oil) costs are not expected to have a material effect on our immediate future operations which are currently chartered to third parties, since it is the charterers who

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pay for fuel. When our ocean vessels are employed under COAs, freight rates for voyage charters are generally sensitive to the price of a vessel’s fuel. However, a sharp rise in bunker prices may have a temporary negative effect on results since freights generally adjust only after prices settle at a higher level.

Seasonality

Each of our businesses has seasonal aspects, which affect their revenues on a quarterly basis. The high season for our River Business is generally between the months of March and September, in connection with the South American harvest and higher river levels. However, growth in the soya pellet manufacturing, minerals and forest industries may help offset some of this seasonality. The Offshore Supply Business operates year-round, particularly off the coast of Brazil, although weather conditions in the North Sea may reduce activity from December to February. In the Ocean Business, demand for oil tankers tends to be strongest during the winter months in the Northern hemisphere. Demand for drybulk transportation tends to be fairly stable throughout the year, with the exceptions of the Chinese New Year in our first quarter and the European summer holiday season in our third quarter, which generally show lower charter rates. Under existing arrangements, our Passenger Business currently generates its revenue during the European cruise season, which runs from May through October of each year.

Legal Proceedings

Ultrapetrol S.A. is involved in a customs dispute with the Brazilian Customs Tax Authorities over the alleged infringement of customs regulations by the Alianza G-3 and Alianza Campana (collectively, the ‘‘Alianza Campana’’) in Brazil during 2004. As a result, the Brazilian Customs Tax Authorities commenced an administrative proceeding and applied the penalty of apprehension against the Alianza Campana which required the Alianza Campana to remain in port or within a maximum of five nautical miles from the Brazilian maritime coast. The maximum customs penalty that could be imposed would be confiscation of the Alianza Campana, which is estimated by the Brazilian Customs Tax Authorities to be valued at $4.56 million. The Secretary of Brazilian Federal Revenue decided to cancel the penalty of confiscation of the Alianza Campana by means of a decision issued on August 14, 2006. However, the Secretary conditioned his decision on the compliance with the following requirements: (1) the classification of the Alianza Campana under the Regime advaneiro Especial para a industria do Petroleo, or REPETRO, regime and, if such classification is confirmed; (2) the payment by Ultrapetrol S.A. of a penalty in the amount of one percent (1%) of the customs value of the Alianza Campana, or $45,600.

In order to comply with the above described requirements, our customer, Petróleo Brasileiro S.A. (‘‘Petrobrás’’), presented on September 15, 2006, a formal request to obtain from Brazilian Customs Tax Authorities the recognition of the classification of the Alianza Campana under the REPETRO regime. We believe that the customs authorities will recognize the classification of the Alianza Campana under the REPETRO regime. If such formal recognition is obtained and we subsequently pay the penalty mentioned above, the confiscation penalty will be automatically canceled and the administrative proceeding will be finalized with no further consequences to us.

On September 21, 2005, the local customs authority of Ciudad del Este, Paraguay issued a finding that certain UABL entities owe taxes to that authority in the amount of $2.2 million, together with a fine for non-payment of the taxes in the same amount, in respect of certain operations of our River Business for the prior three-year period. This matter was referred to the Central Customs Authority of Paraguay (the ‘‘Paraguayan Customs Authority’’). We believe that this finding is erroneous and UABL has formally replied to the Paraguayan Customs authority contesting all of the allegations upon which the finding was based. After review of the entire case the Paraguayan Central Tax authorities who have jurisdiction over the matter have confirmed we have no liability with respect to two of the three matters at issue, while they held a dissenting view on the third issue for which our liability, if such interpretation was upheld in court, would be $409,189. Simultaneously with the above, the Paraguayan Customs Authority issued a resolution confirming the original determination made by the Customs Authorities at Ciudad del Este therefore committing the matter to a resolution by the Court. We have entered a plea with the respective court requesting a confirmation of the release of liability in the two issues where such view was upheld by the Tax authorities and contending the interpretation on the third where we claim to be equally non-liable. The legal representative of the Paraguayan Customs Authority has filed an

acceptance of our claim, and the court is awaiting ratification by the Paraguayan Customs Authority, which if received would limit our potential liability to $409,189. We have been advised by UABL’s counsel in the case that there is only a remote possibility that a court would find UABL liable for any of these taxes or fines.

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

Results of Operations

Six months ended June 30, 2006 compared to the six months ended June 30, 2005.

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

	Six months ended June 30,		
	2006	2005	Percent Change
Revenues			
Attributable to River Business	$36,939	$29,607	25 %
Attributable to Offshore Supply Business	10,400	—	—
Attributable to Ocean Business	20,454	32,678	(37)%

Attributable to Passenger Business	9,363	6,628	41 %
Total revenues	77,156	68,913	12 %
Voyage expenses			
Attributable to River Business	(15,931)	(12,574)	27 %
Attributable to Offshore Supply Business	(3,161)	—	—
Attributable to Ocean Business	(422)	(947)	(55)%
Attributable to Passenger Business	(1,704)	(611)	179 %
Total voyage expenses	(21,218)	(14,132)	50 %
Running cost			
Attributable to River Business	(9,263)	(8,442)	10 %
Attributable to Offshore Supply Business	(1,830)	—	—
Attributable to Ocean Business	(6,875)	(6,238)	10 %
Attributable to Passenger Business	(4,999)	(3,486)	43 %
Total running costs	(22,967)	(18,166)	26 %
Amortization of dry docking expense	(4,185)	(3,515)	19 %
Depreciation of vessels and equipment	(8,606)	(7,172)	20 %
Amortization of intangible assets	(196)	—	—
Management fees and administrative and commercial expenses	(5,540)	(4,264)	30 %
Other operative income	0	21,867	—
Operating profit	14,444	43,531	(67)%
Financial expense	(9,669)	(9,317)	4 %
Financial income	273	263	4 %
Investment in affiliates	724	(163)	—
Other income	62	(22)	—
Total other expenses	(8,610)	(9,239)	(7)%
Income before income taxes and minority interest	5,834	34,292	(83)%
Income taxes	(79)	(11)	618 %
Minority interest	(445)	(9,503)	(95)%
Net Income for the period	$5,310	$24,778	(79)%

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Management's discussion and analysis of financial condition and results of operations

Revenues. Total revenues from our River Business increased by 25% from $29.6 million for the six months ended June 30, 2005, to $36.9 million for the same period in 2006. This growth is primarily attributable to the price increases negotiated in late 2005, which increased freight rates for the six months ended June 30, 2006, when compared to the equivalent freight rates for the same period in 2005.

Total revenues from our Offshore Supply Business increased from $0 for the six months ended June 30, 2005, to $10.4 million for the same period in 2006. This increase is attributable to the time charter revenues of our new PSVs UP Esmeralda and UP Safira, which we operated temporarily under a bareboat charter through our subsidiary Corporación de Navegación Mundial S.A. during the six months ended June 30, 2006, and to the effect of the consolidation of UP Offshore as our subsidiary beginning March 21, 2006.

Total revenues from our Ocean Business decreased from $32.7 million for the six months ended June 30, 2005, to $20.5 million for the same period in 2006, or a decrease of 37%. This decrease is attributable to the sale of the Cape Pampas in May 2005, and the lower time charter rates of our Suezmax vessels. These decreases were partially offset by the revenues generated by our newly acquired vessel Miranda I.

Total revenues from our Passenger Business increased 41% from $6.6 million in the first six months of 2005 to $9.4 million for the same period of 2006. This increase is attributable to the effect of higher revenues from the New Flamenco and the additional revenues of the Grand Victoria which was not in our fleet in 2005.

Voyage expenses. In the six months ended June 30, 2006, voyage expenses of our River Business were $15.9 million, as compared to $12.6 million for the same period in 2005, an increase of $3.3 million. The increase is primarily attributable to the increase in the price of fuel.

In the six months ended June 30, 2006, voyage expenses of our Offshore Supply Business were $3.2 million, as compared to $0 for the same period in 2005. The increase is attributable to the bareboat charter paid for our new PSVs UP Esmeralda and UP Safira during 2006 and the effect of the consolidation of UP Offshore as our subsidiary beginning March 21, 2006.

In the six months ended June 30, 2006, voyage expenses of our Ocean Business were $0.4 million, as compared to $0.9 million for the same period in 2005. The decrease is primarily attributable to a decrease in brokerage commissions.

In the six months ended June 30, 2006, voyage expenses of our Passenger Business were $1.7 million as compared to $0.6 million for the same period in 2005. The increase is primarily attributable to the effect of the higher voyage activity of the New Flamenco and Grand Victoria.

Running costs. For the six months ended June 30, 2006, running costs of our River Business were $9.3 million, as compared to $8.4 million for the same period in 2005, an increase of $0.9 million. The increase is primarily attributable to the effect of the additional river equipment acquired in 2005.

For the six months ended June 30, 2006, running costs of our Offshore Supply Business were $1.8 million, as compared to $0 for the same period in 2005. This increase is attributable to the running costs incurred with the new PSVs UP Esmeralda and UP Safira owned by UP Offshore and operated temporarily by our subsidiary Corporación de Navegación Mundial S.A. under a bareboat charter, and the effect of the consolidation of UP Offshore as our subsidiary beginning March 21, 2006.

For the six months ended June 30, 2006, running costs of our Ocean Business were $6.9 million, as compared to $6.2 million for the same period in 2005. The increase in running costs relating to the operation of our newly acquired vessel Miranda I as well as increased running costs related to the rest of the fleet was partially offset by the decrease in running costs attributable to the sale of the Cape Pampas in May 2005.

For the six months ended June 30, 2006, running costs of our Passenger Business were $5.0 million, compared to $3.5 million for the same period in 2005. This increase is attributable to the effect of the running cost of our vessel New Flamenco for the entire six months ended June 30, 2006, as compared to only four months of operations during the same period in 2005, and the operation of the Grand Victoria for the three months in the 2006 period.

Amortization of drydocking. Amortization of drydocking and special survey costs increased by $0.7 million, or 19%, to $4.2 million for the six months ended June 30, 2006, as compared to $3.5 million for the same period in 2005. The increase is primarily attributable to the amortization expenses of Princess Marina and the increase in the number of vessels in our river fleet, partially offset by the decrease of amortization of drydocking expense attributable to the

sale of Cape Pampas in May 2005.

Depreciation of vessels and equipment. Depreciation increased by $1.4 million, or 20%, to $8.6 million for the six months ended June 30, 2006, as compared to $7.2 million for the same period in 2005. This increase is primarily attributable to the effect of the consolidation of UP Offshore as our subsidiary beginning March 21, 2006, and the purchase of new tugs, river barges and the vessels Miranda I and Grand Victoria, which was partially offset to the sale of Cape Pampas in May 2005.

Amortization of intangible assets. Amortization of intangible assets was $0.2 million for the six months ended June 30, 2006, as compared to $0 million for the same period in 2005. The increase is attributable to the purchase of our subsidiary Ravenscroft in the second quarter of 2006.

Management fees and administrative expenses. Management fees and administrative expenses were $5.5 million for the six months ended June 30, 2006, as compared to $4.3 million for the same period in 2005. This increase of $1.2 is attributable to the consolidation of UP Offshore as our subsidiary beginning March 21, 2006, as well as additional fees and expenses incurred in the first quarter of 2006 in connection with our passenger vessels.

Other operating income (expenses). Other operating income was $0 for the six months ended June 30, 2006 as compared to $21.9 million for the same period in 2005. The decrease of $21.9 million is attributable to the effect of the sale of Cape Pampas in May 2005.

Operating profit. Operating profit for the six months ended June 30, 2006 was $14.4 million, a decrease of $29.1 million as compared to the same period in 2005. The difference is mainly attributable to the effect of (i) the gain recognized from the sale of the Cape Pampas in May 2005 and (ii) the lower charter rates obtained for our Suezmax vessels and the sale of the vessel Cape Pampas, partially offset by the result of a newly acquired vessel, Miranda I, offset by (a) the consolidation of our subsidiary UP Offshore beginning March 21, 2006 and (b) a higher operating profit from our River Business in the six months ended June 30, 2006 as compared to the same period in 2005.

Financial expense. Financial expense increased by approximately $0.4 million or 4%, to $9.7 million for the six months ended June 30, 2006, as compared to $9.3 million for the same period in 2005. This increase is mainly attributable to the consolidation of UP Offshore as our subsidiary beginning March 21, 2006 and an increase in the interest rate of our variable rate debt in our River Business which was partially offset by a lower level of financial debt.

Minority Interest. Minority interest decreased from $9.5 million for the six months ended June 30, 2005, to $0.4 million for the same period of 2006. This decrease is mainly attributable to the effect of a 40% gain from the sale of Cape Pampas in May 2005.

Year Ended December 31, 2005 Compared to Year Ended December 31, 2004

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

	Year ended December 31,

	2005	2004	Percent Change
Revenues			
Attributable to River Business	$54,546	$41,111	33 %
Attributable to Offshore Supply Business	6,532	—	—
Attributable to Ocean Business	49,874	54,049	(8)%
Attributable to Passenger Business	14,409	—	—
Total revenues	125,361	95,160	32 %
Voyage expenses			
Attributable to River Business	(25,710)	(15,340)	68 %
Attributable to Offshore Supply Business	(4,980)	—	—
Attributable to Ocean Business	(1,371)	(583)	135 %
Attributable to Passenger Business	(1,766)	—	—
Total voyage expenses	(33,827)	(15,923)	112 %
Running costs			
Attributable to River Business	(17,820)	(12,512)	42 %
Attributable to Offshore Supply Business	(1,218)	—	—
Attributable to Ocean Business	(12,636)	(12,380)	2 %
Attributable to Passenger Business	(7,560)	—	—
Total running costs	(39,234)	(24,892)	58 %
Amortization of drydocking expense	(6,839)	(5,195)	32 %
Depreciation of vessels and equipment	(14,494)	(13,493)	7 %
Management fees and administrative and commercial expenses	(9,735)	(9,007)	8 %
Other operating income	22,021	784	2,709 %
Operating profit	43,253	27,434	58 %
Financial expense	(19,141)	(16,134)	19 %
Financial gain (loss) on extinguishment of debt	—	(5,078)	—
Other income (expenses)	1,039	699	49 %
Total other expenses	(18,102)	(20,513)	(12)%
Income before income taxes and minority interest	25,151	6,921	263 %
Income taxes	(786)	(642)	22 %
Minority interest	(9,797)	(1,140)	759 %
Net Income	$14,568	$5,139	183 %

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Management's discussion and analysis of financial condition and results of operations

Revenues. Total revenues from our River Business increased by 33% from $41.1 million in 2004 to $54.6 million in 2005. This increase is primarily attributable to the consolidation of UABL since the second quarter of 2004, while in the first quarter of 2004 revenues from our river fleet only included the net charter proceeds which we received from chartering some of our vessels from UABL.

Total revenues from our Offshore Supply Business increased from $0 in 2004 to $6.5 million in 2005. This increase is attributable to the time charter revenues of our new PSVs UP Esmeralda and UP Safira, which we operated temporarily under a bareboat charter by our subsidiary Corporación de Navegación Mundial S.A. during the last six months of 2005.

Total revenues from our Ocean Business decreased from $54.0 million in 2004 to $49.8 million in 2005, or a decrease of 8%. This decrease is attributable to the sale of the Cape Pampas in May 2005 and the lower time charter rate of the Princess Susana. These decreases were partially offset by the higher time charter rates of the Princess Nadia and Princess Katherine during the first six months of 2005 and by the revenues generated by our newly acquired vessel, Miranda I, in the fourth quarter of 2005.

Total revenues from our Passenger Business were $14.4 million in 2005. We did not earn revenues in our Passenger Business in 2004. The new revenue is attributable to the effect of the revenues of the New Flamenco, which was acquired and first placed in service during 2005.

Voyage expenses. In 2005, voyage expenses of our River Business were $25.7 million, as compared to $15.3 million for 2004, an increase of $10.4 million. The increase is attributable to the consolidation of UABL as our subsidiary in the second quarter of 2004 and the increase of the price of fuel oils.

In 2005, voyage expenses of our Offshore Supply Business were $5.0 million, as compared to $0 in 2004. The increase is primarily attributable to the bareboat charter of $4.0 million paid for our new PSVs UP Esmeralda and UP Safira during the last six months of 2005 as well as the incurrence of $1.0 million in expenses primarily related to the transport of these vessels from China, where they were constructed, to their deployment in the North Sea.

In 2005, voyage expenses of our Ocean Business were $1.4 million, as compared to $0.6 million for 2004. The increase is primarily attributable to higher brokerage commissions partially offset by a decrease primarily attributable to the voyage expenses of the Princess Eva, which was sold during 2004.

In 2005, voyage expenses of our Passenger Business were $1.8 million. We did not operate any passenger vessels in 2004.

Running costs. In 2005, running costs of our River Business were $17.8 million, as compared to $12.5 million in 2004, an increase of $5.3 million. The increase is primarily attributable to the effect of the consolidation of UABL as our subsidiary since the second quarter of 2004.

In 2005, running costs of our Offshore Supply Business were $1.2 million, as compared to $0 in 2004. This increase is attributable to the running cost incurred with the new PSVs UP Esmeralda and UP Safira owned by UP Offshore and operated temporarily by our subsidiary Corporación de Navegación Mundial S.A. under a bareboat charter during the second half of 2005.

In 2005, running costs of our Ocean Business were $12.6 million, as compared to $12.4 million in 2004, an increase of 2%. This increase is mainly attributable to the operation of our newly acquired vessel Miranda I and was partially offset by the decrease of running cost attributable to the sale of the vessels Princess Eva in 2004 and by the sale of Cape Pampas in 2005.

In 2005, running costs of our Passenger Business were $7.6 million, compared to $0 in 2004. This increase is attributable to the effect of the running cost of our vessel New Flamenco, which we acquired in 2005. We did not operate any passenger vessels in 2004.

Amortization of drydocking. Amortization of drydocking and special survey costs increased by $1.6 million, or 32%, to $6.8 million in 2005 as compared to $5.2 million in 2004. The increase is primarily attributable to

the amortization expenses of Alianza G-3, Princess Katherine, Princess Susana and Princess Nadia and the increase in the numbers of vessels in our river fleet, partially offset by the decrease of amortization of drydocking expense attributable to the sale of the vessels Princess Eva in 2004 and Cape Pampas in 2005.

Depreciation of vessels and equipment. Depreciation increased by $1.0 million, or 7%, to $14.5 million in 2005 as compared to $13.5 million in 2004. This increase is primarily due to the purchase of new tugs and river barges, the additional passenger vessel New Flamenco as well as the depreciation of the UABL fleet attributable to the effect of the consolidation of UABL as our subsidiary, which was partially offset by the sale of the vessels Princess Eva in 2004 and Cape Pampas in 2005.

Management fees and administrative expenses. Management fees and administrative expenses were $9.7 million in 2005 as compared to $9.0 million in 2004. This increase of $0.7 million is attributable mainly to an increase in the overhead expenses produced by the consolidation of UABL and the management fees attributable to the new passenger vessel.

Other operating income (expenses). Other operating income was $22.0 million in 2005 as compared to $0.8 million in 2004. This increase is attributable to the effect of the sale of the vessel Cape Pampas in 2005.

Operating profit. Operating profit for the year 2005 was $43.2 million, an increase of $15.8 million from 2004. The difference is mainly attributable to the effect of the sale of the Cape Pampas in 2005, higher charter rates obtained for the vessel Princess Nadia, the sale of the vessels Princess Marisol and Princess Laura in 2004, as well as the results attributable to our new passenger vessel, partially offset by a decrease in our River Business results.

Financial expense. Financial expense increased by approximately $3.0 million or 19%, to $19.1 million in 2005 as compared to $16.1 million in 2004. This variation is mainly attributable to the higher level of financial debt related to the acquisition of our new vessels, as well as an increase in the interest rate of our variable rate debt in our River Business.

Financial gain (loss) on extinguishment of debt. In 2004, we recognized a gain of $1.3 million from repurchases of our Prior Notes and paid $6.4 million in expenses in connection with our tender offer and repurchase of our Prior Notes.

Minority interest. Minority interest increased by $8.7 million to $9.8 million in 2005 as compared to $1.1 million in 2004. This variation is mainly attributable to 40% of the gain of the sale of the Cape Pampas in 2005.

Year Ended December 31, 2004 Compared to year Ended December 31, 2003

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

	Year ended December 31,		
	2004	2003	Percent Change

Revenues			
Attributable to River Business	$41,111	$10,246	301 %
Attributable to Ocean Business	54,049	64,987	(17)%
Total revenues	95,160	75,233	26 %
Voyage expenses			
Attributable to River Business	(15,340)	(39)	39,233%
Attributable to Ocean Business	(583)	(12,605)	(95)%
Total vogage expenses	(15,923)	(12,644)	26 %
Running costs			
Attributable to River Business	(12,512)	(6,696)	87 %
Attributable to Ocean Business	(12,380)	(21,963)	(44)%
Total running costs	(24,892)	(28,659)	(13)%
Amortization of drydocking expense	(5,195)	(7,232)	(28)%
Depreciation of vessels and equipment	(13,493)	(15,335)	(12)%
Management fees and administrative and commercial expenses	(9,007)	(7,818)	15 %
Other operating income (expenses)	784	(2,124)	— %
Operating profit	27,434	1,421	1,831 %
Financial expense	(16,134)	(16,207)	(1)%
Financial gain (loss) on extinguishment of debts	(5,078)	1,782	— %
Other income (expenses)	699	3,004	(77)%
Total other expenses	(20,513)	(11,421)	80 %
Income (loss) before income taxes and minority interest	6,921	(10,000)	— %
Income taxes	(642)	(185)	247 %
Minority interest	(1,140)	(1,333)	(14)%
Net income (loss)	$5,139	$(11,518)	— %

Revenues. Total revenues from our River Business increased by 301% from $10.2 million to $41.1 million. This increase is primarily attributable to the consolidation of UABL since the second quarter of 2004, while in 2003 river revenues only included the net proceeds for those of our vessels that we owned and chartered to UABL.

Total revenues from our Ocean Business decreased from $65.0 million in 2003 to $54.0 million in 2004, or a decrease of 17%. This decrease is primarily attributable to the sale of the vessels Princess Veronica, Princess Pía, Princess Eva, Princess Laura and Princess Marisol as well as Alianza G1 during 2003 and 2004. These reductions were partially offset by the higher time charter rates of our Princess Nadia, Princess Susana, Princess Katherine and Cape Pampas during 2004.

Our revenues in 2004 were also negatively affected by the Cape Pampas and the Alianza G-3 being out of service for a total of 167 days due to major repairs and the fact that Princess Marina was out of service for 52 days due to accidents during the first quarter. Part of this off hire time was compensated by our loss of hire insurance.

Voyage expenses. In 2004, voyage expenses of our River Business were $15.3 million, as compared to $0 for 2003, an increase of $15.3 million. The increase is attributable to the effect of the consolidation of UABL as our subsidiary in the second quarter of 2004.

In 2004, voyage expenses of our Ocean Business were $0.6 million, as compared to $12.6 million for 2003, a decrease of $12.0 million, or 95%. The decrease is primarily attributable to the combined effect of a large portion of the Panamax fleet that was under COA employment during 2003 being sold during 2003 and 2004 and the Princess Susana operating under time charter employment instead of COA employment.

Running costs. In the year ended 2004, running expenses of our River Business were $12.5 million, as compared to $6.7 million for 2003, an increase of $5.8 million. The increase is attributable to the effect of the consolidation of UABL as our subsidiary in the second quarter of 2004.

Running costs of our Ocean Business decreased by about 44%, to $12.4 million in 2004 as compared to $22.0 million in 2003. This decrease is mainly attributable to the sale of Princess Pía, Princess Verónica, Princess Eva, Princess Marisol, Princess Laura and Alianza G1 during 2003 and 2004.

Amortization of drydocking. Amortization of drydocking and special survey costs decreased by $2.0 million, or 28%, to $5.2 million in 2004 as compared to $7.2 million in 2003. The decrease is primarily attributable to the vessels sold during 2003 and 2004. The unamortized balance is included in the gain or loss resulting from the sale of the vessels.

Depreciation of vessels and equipment. Depreciation decreased by $1.8 million, or 12%, to $13.5 million in 2004 as compared to $15.3 million in 2003. This decrease is primarily due to the sale of the Princess Veronica, Princess Laura, Princess Pia, Princess Eva, Princess Marisol and Alianza G1 during 2003 and 2004, which was partially offset by the purchase of a new tug and river barges and the depreciation of our river fleet.

Management fees and administrative expenses. Management fees and administrative expenses were $9.0 million in 2004 as compared to $7.8 million in the same period in 2003. This increase of $1.2 million is attributable mainly to an increase in the overhead expenses of $2.7 million produced by the consolidation of UABL, which was partially offset by a decrease in management fees of our ocean fleet in the amount of $1.3 million resulting from a reduced number of vessels in operation.

Other operating income (expenses). Our other operating income was $0.8 million in 2004 and an expense of $2.1 million in 2003. The difference is attributable to the combined effect of the following: a reduction in the loss from the sale of vessels and equipment of $3.7 million (a loss of $3.7 million in 2003, as compared to a loss of $0 in 2004) and a decrease in income from claims against insurance companies of $0.9 million (income of $1.6 million in 2003, as compared to income of $0.7 million in 2004).

Operating profit. Operating profit for the year ended 2004 was $27.4 million, an increase of $26.0 million from 2003. In comparing these figures, the difference is mainly attributable to the higher results obtained from the vessels Princess Susana, Princess Nadia, Princess Katherine and Cape Pampas, the sale of our Princess Marisol, Princess Veronica, Princess Pia, Princess Eva, Princess Laura and Alianza G1 in 2003 and 2004 as well as the consolidation of the results of UABL following the acquisition of the remaining 50% equity interest in that company, partially counter-balanced by the negative effect produced by the periods out of service experienced by our vessels Alianza G-3 and Alianza Campana.

Financial expense. Financial expense decreased by about 1%, to $16.1 million in 2004 as compared to $16.2 million in the equivalent 2003 period. This variation is primarily attributable to the lower level of financial debt and interest rates on our ocean vessels and related interest costs, offset by an increase of $1.7 million in interest expenses attributable to the effect of the consolidation of UABL as our subsidiary.

Financial gain (loss) on extinguishment of debt. During 2004, we recognized a gain of $1.3 million from repurchases of our Prior Notes as compared with a gain of $1.8 million during 2003. Also during the fourth quarter of 2004, we paid $6.4 million in expenses in connection with our tender offer and repurchase of our Prior Notes.

Liquidity and Capital Resources

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

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

As of June 30, 2006, we had aggregate indebtedness of $308.5 million, $249.0 million of which consisted of $180.0 million due under the Notes, $17.9 million in indebtedness of our subsidiary UABL under a senior loan

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facility with IFC and $8.0 million with other lenders and indebtedness of our new subsidiary UP Offshore of $41.3 million under a senior loan facility with DVB NV, plus accrued interest of $1.8 million. Additionally, as of June 30, 2006, we had indebtedness of $59.5 million related to the promissory notes issued in connection with the Ravenscroft Acquisition and the UP Offshore Acquisition.

At June 30, 2006, we had cash and cash equivalents on hand of $8.6 million. In addition, we had $ 3.7 million in current restricted cash.

Operating Activities

During the year ended December 31, 2005, we generated $16.7 million in cash flow from operations compared to $23.1 million in the year ended December 31, 2004. Net income for the year ended December 31, 2005 was $14.6 million as compared to $5.1 million in the year ended December 31, 2004, an increase of $9.5 million.

In the six months ended June 30, 2006, we generated $12.1 million in cash flow from operations compared to $15.9 million for the same period in 2005. We had a net income of $5.3 million for the six months ended June 30, 2006, as compared to a net income of $24.8 million for the same period in 2005, a decrease of $19.5 million. This decrease is mainly attributable to the gain of approximately $13.1 million on the sale of the Cape Pampas in May 2005.

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

Investing Activities

During the year ended December 31, 2005, we disbursed $12.7 million for the purchase of pushboats, river barges and additional equipment, $28.1 million for the purchase of the passenger vessels, including the refurbishment of the New Flamenco and recertification of the Grand Victoria and $10.6 million for the purchase of Miranda I, which we paid partially with funds available in restricted cash. Also we received net proceeds of $37.9 million from the Cape Pampas sale.

In the six months ended June 30, 2006, we paid $9.4 million to refurbish the New Flamenco and recertify the Grand Victoria, $3.5 million to purchase additional equipment for our river business and $3.1 million in respect of

PSVs under construction. We also received net proceeds of $11.4 million from our related party, UP Offshore Bahamas as repayment of a loan.

Financing Activities

Net cash provided by financing activities was $6.4 million during the year ended December 31, 2005, compared to net cash provided by financing activities of $37.8 million during the year ended December 31, 2004. The decrease in cash provided by financing activities from 2004 to 2005 is mainly attributable to $41.8 million in cash provided in 2004 by our issuance of the Notes and repayment of our prior notes, $18.0 million in cash provided in 2004 by minority interest in investments in UP Offshore, and $13.4 million in cash used in 2005 for the retirement of minority interests in our subsidiary Ultracape (Holdings) Ltd, partially offset by the use of $29.2 million of restricted cash in 2005 to purchase two passenger vessels and one product tankers.

Net cash used in financing activities was $6.8 million in the six months ended June 30, 2006, compared to $6.7 million for the same period in 2005. The principal uses of cash in the six months ended June 30, 2006 were the repayment of $5.0 million of principal of our financial debt and the payment of deferred costs related to the initial public offering of $1.3 million.

Future Capital Requirements

Our near-term cash requirements are primarily related to funding operations. We cannot assure you that our actual cash requirements will not be greater that we currently expect. If we cannot generate sufficient cash flow from operations, we may obtain additional funding through capital market transactions, although it is possible these sources will not be available to us.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual obligations and commercial commitments as of June 30, 2006. The amounts below include both principal and interest payments.

Contractual obligations	Payments due by period				
	Total	Current[a]	Two to three years[b]	Four to five years[c]	After five years[d]
	(In thousands of U.S. Dollars)				
1. Long-term debt obligations[e]					
International Finance Corporation					
Tranche A	$11,786	$1,071	$4,286	$4,286	$2,143
Tranche B	3,500	500	2,000	1,000	—
UABL Paraguay	2,625	375	1,500	750	—
KfW	7,000	1,000	4,000	2,000	—
Citibank NA	989	—	495	494	—
DVB Bank America NV					
Tranche A	24,200	900	3,600	3,600	16,100
Tranche B	2,666	666	2,000	—	—

DVB Bank AG					
Tranche A	12,700	450	1,800	1,800	8,650
Tranche B	1,778	333	1,334	111	—
9% First Preferred Ship Mortgage Notes due 2014	180,000	—	—	—	180,000
Total long-term debt obligations	247,244	5,295	21,015	14,041	206,893
Estimated interest on long-term debt obligations:[f]					
International Finance Corporation					
Tranche A	3,291	593	1,678	879	141
Tranche B	652	175	411	66	—
UABL Paraguay	555	149	350	56	—
KfW	1,268	341	799	128	—
Citibank NA	225	41	133	51	—
DVB Bank America NV					
Tranche A	10,807	883	3,196	2,665	4,063
Tranche B	232	97	135	—	—
DVB Bank AG					
Tranche A	6,032	466	1,695	1,425	2,446
Tranche B	197	66	130	1	—
9% First Preferred Ship Mortgage Notes due 2014	137,700	8,100	32,400	32,400	64,800
Total estimated interest on long-term debt obligations	160,959	10,911	40,927	37,671	71,450
2. Purchase obligations					
Fuel supply contract[g]	11,099	11,099	—	—	—
PSV Shipbuilding[h]	22,000	14,000	8,000	—	—
	33,099	25,099	8,000	—	—
3. Minority interest subject to put right	4,957	4,957	—	—	—
Total contractual obligations	$446,259	$46,262	$69,942	$51,712	$278,343

(a)

Represents the period from July 1, 2006 through December 31, 2006.

(b)

Represents the period from January 1, 2007 through December 31, 2008.

(c)

Represents the period from January 1, 2009 through December 31, 2010.

(d)

Represents the period after December 31, 2010.

(e)

Represents principal amounts due on outstanding debt obligations, current and long-term, as of June 30, 2006. Amounts do not include interest payments.

(f)

All interest expense calculations begin July 1, 2006 and end on the respective maturity dates. The LIBOR rates are the rates in effect as of June 30, 2006.

(g)

UABL Paraguay S.A., a subsidiary in our River Business, entered into a fuel supply contract with Repsol-YPF S.A. The calculations use the market prices in effect as of June 30, 2006.

(h)

The minimun contractual obligation with the shipyard is $10.3 million. However, we estimate that the total expenditure necessary to commission the remaining three PSVs for service will be $22.0 million.

The interest rate and term assumptions used in these calculations are contained in the following table:

Obligation	Principal at June 30, 2006 (In thousands of U.S. Dollars)	Period		Interest rate
		From	To	
International Finance Corporation				
Tranche A (UABL Barges)	$ 11,786	7/1/2006	12/15/2011	9.17 %
Tranche B (UABL Barges)	3,500	7/1/2006	12/15/2009	8.92 %
UABL Paraguay	2,625	7/1/2006	12/15/2009	10.42 %
KfW	7,000	7/1/2006	12/15/2009	8.92 %
Citibank NA	989	7/1/2006	12/31/2010	8.17 %
DVB Bank America NV				
Tranche A	24,200	7/1/2006	5/31/2015	7.36 %
Tranche B	2,666	7/1/2006	6/31/2008	7.73 %
DVB Bank AG				
Tranche A	12,700	7/1/2006	2/14/2016	7.33 %
Tranche B	1,778	7/1/2006	2/14/2009	7.96 %
9% First Preferred Ship Mortgage Notes due 2014	$ 180,000	7/1/2006	11/24/2014	9.00 %

Tabular Disclosure of Pro Forma Contractual Obligations

The following schedule summarizes our contractual obligations and commercial commitments as of June 30, 2006, on a pro forma basis after giving effect to this offering and the expected use of proceeds therefrom, which includes both principal and interest payments.

Contractual obligations	Payments due by period Total	Current[a]	Two to three years[b]	Four to five years[c]	After five years[d]
	(In thousands of U.S. Dollars)				
1. Long-term debt obligations[e]					
DVB Bank AG					
Tranche A	$12,700	$450	$1,800	$1,800	$8,650
Tranche B	1,778	333	1,334	111	—
9% First Preferred Ship Mortgage Notes due 2014	180,000	—	—	—	180,000
Total long-term debt obligations	194,478	783	3,134	1,911	188,650
Estimated interest on long-term debt obligations:[f]					
DVB Bank AG					
Tranche A	6,032	466	1,695	1,425	2,446
Tranche B	197	66	130	1	—
9% First Preferred Ship Mortgage Notes due 2014	137,700	8,100	32,400	32,400	64,800
Total estimated interest on long-term debt obligations	143,929	8,632	34,225	33,826	67,246
2. Purchase obligations					
Fuel supply contract[g]	11,099	11,099	—	—	—
PSVs shipbuildings[h]	22,000	14,000	8,000	—	—
	33,099	25,099	8,000	—	—
Total contractual obligations	$371,506	$34,514	$45,359	$35,737	$255,896

(a)

Represents the period from July 1, 2006 through December 31, 2006.

(b)

Represents the period from January 1, 2007 through December 31, 2008.

(c)

Represents the period from January 1, 2009 through December 31, 2010.

(d)

Represents the period after December 31, 2010.

(e)

Represents principal amounts due on outstanding debt obligations, current and long–term, as of June 30, 2006. Amounts do not include interest payments.

(f)

All interest expense calculations begin July 1, 2006 and end on the respective maturity dates. The LIBOR rates are the rates in effect as of June 30, 2006.

(g)

UABL Paraguay S.A., a subsidiary in our River Business, entered into a fuel supply contract with Repsol−YPF. The calculations use the market prices in effect as of June 30, 2006.

(h)

The minimum contractual obligation with the shipyard is $10.3 million. However, we estimate that the total expenditure necessary to commission the remaining three PSVs for service will be $22.0 million.

The interest rate and term assumptions used in these calculations are contained in the following table:

Obligation	Principal at June 30, 2006 (In thousands of U.S. Dollars)	Period		Interest rate
		From	To	
DVB Bank AG				