

ULTRAPETROL BAHAMAS LTD

Form 20-F

April 16, 2015

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

FORM 20-F

(Mark One)

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

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2014

OR

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

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
Date of event requiring this shell company report: N/A

Commission file number 001-33068

ULTRAPETROL (BAHAMAS) LIMITED  
(Exact name of Registrant as specified in its charter)

(Translation of Registrant's name into English)

COMMONWEALTH OF THE BAHAMAS  
(Jurisdiction of incorporation or organization)

Ultrapetrol (Bahamas) Limited  
H & J Corporate Services Ltd.  
Ocean Centre, Montagu Foreshore  
East Bay St.  
Nassau, Bahamas  
P.O. Box SS-19084  
(Address of principal executive offices)

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P.O. Box SS-19084, Nassau, Bahamas.

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares, \$0.01 par value	Nasdaq Global Select Market

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

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: 8 % First Preferred Ship Mortgage Notes due 2021 ("Notes due 2021")

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

Common Shares, \$0.01 par value 140,729,487 Common Shares Outstanding

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing.

U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the Registrant has elected to follow.

Item 17  Item 18

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If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes  No

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## CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

Our disclosure and analysis in this report concerning our operations, cash flows and financial position, including, in particular, the likelihood of our success in developing and expanding our business, include forward-looking statements. Statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects," "anticipates," "intends," "plans," "believes," "estimates," "projects," "forecasts," "will," "may," "should," and similar expressions are forward-looking statements. Although these statements are based upon assumptions we believe to be reasonable based upon available information, including projections of revenues, operating margins, earnings, cash flow, working capital and capital expenditures, they are subject to risks and uncertainties that are described more fully in this report in the section titled "Risk Factors" in Item 3.D of this report. These forward-looking statements represent our estimates and assumptions only as of the date of this report and are not intended to give any assurance as to future results. As a result, you should not place undue reliance on any forward-looking statements. We assume no obligation to update any forward-looking statements to reflect actual results, changes in assumptions or changes in other factors, except as required by applicable securities laws. Factors that might cause future results to differ include, but are not limited to, the following:

- future operating or financial results;
- pending or recent acquisitions, business strategy and expected capital spending or operating expenses, including drydocking and insurance costs;
- general market conditions and trends, including charter rates, vessel values and factors affecting vessel supply and demand;
- our ability to obtain additional financing or amend existing facilities or refinance existing facilities;
- our financial condition and liquidity, including our ability to obtain financing in the future to fund capital expenditures, acquisitions and other general corporate activities;
- our expectations about the availability of vessels to purchase, the time that it may take to construct and obtain delivery of new vessels, or vessels' useful lives;
- our dependence upon the abilities and efforts of our management team;
  - changes in governmental rules and regulations or actions taken by regulatory authorities;
- adverse weather conditions that can affect production of some of the goods we transport and navigability of the river system on which we transport them;
- the highly competitive nature of the shipping transportation industry;
- the loss of one or more key customers;
- fluctuations in foreign exchange rates and inflation in the economies of the countries in which we operate, including wage inflation as a result of trade union negotiations;
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adverse movements in commodity prices or demand for commodities may cause our customers to scale back their contract needs;

· potential liability from future litigation; and

· other factors discussed in the section titled "Risk Factors" in Item 3.D of this report.

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## PART I

## ITEM 1 – IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not Applicable.

## ITEM 2 – OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

## ITEM 3 – KEY INFORMATION

## A. SELECTED FINANCIAL DATA

The following summary financial information set forth below for Ultrapetrol (Bahamas) Limited, or the Company, is for the years ended December 31, 2014, 2013, 2012, 2011 and 2010 and has been derived from the Company's Financial Statements. Operations of our Passenger Business are presented as discontinued operations on a net of tax basis.

	Year Ended December 31,				
	2014	2013	2012	2011	2010
	(Dollars in thousands)				
Statement of Operations Data:					
Revenues (1)	\$363,675	\$411,217	\$313,169	\$304,482	\$230,445
Operating and manufacturing expenses (2)	(267,602)	(297,478)	(254,427)	(224,607)	(150,922)
Depreciation and amortization	(53,417 )	(42,535 )	(43,852 )	(39,144 )	(34,371 )
Loss on write- down of vessels	(10,511 )	--	(16,000 )	--	--
Administrative and commercial expenses	(47,081 )	(41,730 )	(32,385 )	(29,604 )	(27,051 )
Other operating income, net	1,597	5,692	8,376	8,257	617
Operating profit (loss)	(13,339 )	35,166	(25,119 )	19,384	18,718
Financial expense	(35,097 )	(33,551 )	(35,793 )	(35,426 )	(25,925 )
Foreign currency exchange gains (losses), net	2,089	18,849	(2,051 )	(2,552 )	(492 )
Financial loss on extinguishment of debt	--	(5,518 )	(940 )	--	--
Financial income	105	170	6	332	399
(Loss) gain on derivatives, net	(1 )	(142 )	--	(16 )	10,474
Investments in affiliates	(1,056 )	(520 )	(1,175 )	(1,073 )	(341 )
Other, net	88	64	(661 )	(621 )	(875 )
(Loss) income before income taxes	(47,211 )	14,518	(65,733 )	(19,972 )	1,958
Income taxes (expense) benefit	(5,065 )	(6,597 )	2,969	1,737	(6,363 )
(Loss) income from continuing operations	\$(52,276 )	\$7,921	\$(62,764 )	\$(18,235 )	\$(4,405 )
(Loss) from discontinued operations (3)	\$--	\$--	\$--	\$--	\$(515 )
Net (loss) income	\$(52,276 )	\$7,921	\$(62,764 )	\$(18,235 )	\$(4,920 )
Net Income (Loss) attributable to noncontrolling interest	--	553	893	570	451
Net (loss) income attributable to Ultrapetrol (Bahamas) Limited	(52,276 )	7,368	(63,657 )	(18,805 )	(5,371 )



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	Year Ended December 31,				
	2014	2013	2012	2011	2010
	(Dollars in thousands)				
Amounts attributable to Ultrapetrol (Bahamas) Limited:					
(Loss) income from continuing operations	(52,276 )	7,368	(63,657 )	(18,805 )	(4,856 )
(Loss) from discontinued operations	--	--	--	--	(515 )
Net (loss) income attributable to Ultrapetrol (Bahamas) Limited	(52,276 )	7,368	(63,657 )	(18,805 )	(5,371 )
Basic and diluted income (loss) per share of Ultrapetrol (Bahamas) Limited:					
From continuing operations	\$(0.37 )	\$0.05	\$(1.80 )	\$(0.64 )	\$(0.16 )
From discontinued operations	\$--	\$--	\$--	\$--	\$(0.02 )
	\$(0.37 )	\$0.05	\$(1.80 )	\$(0.64 )	\$(0.18 )
Basic weighted average number of shares	140,292,249	140,090,112	35,382,913	29,547,365	29,525,025
Diluted weighted average number of shares	140,292,249	140,326,764	35,382,913	29,547,365	29,525,025
Balance Sheet Data (end of period):					
Cash and cash equivalents	\$34,982	\$72,625	\$222,215	\$34,096	\$105,570
Restricted cash - current	11,246	12,132	5,968	6,819	1,661
Working capital (4)	17,236	104,316	108,245	32,245	98,318
Vessels and equipment, net	717,405	715,431	647,519	671,445	612,696
Total assets	897,061	980,011	1,010,318	830,287	823,797
Total debt (5)	467,547	500,049	522,410	517,762	501,657
Common Stock	1,446	1,443	1,443	339	338
Number of shares outstanding Ultrapetrol (Bahamas) Limited	140,729,487	140,419,487	140,419,487	30,011,628	29,943,653
stockholders' equity	355,722	405,561	399,751	244,297	263,463
Noncontrolling interest	--	--	6,748	5,874	5,331
Total equity	355,722	405,561	406,499	250,171	268,794
Statement of Cash Flow Data:					
Total cash flows provided by (used in) operating activities	35,254	19,847	(3,935 )	14,757	18,894
Total cash flows (used in) investing activities	(41,645 )	(120,726 )	(32,513 )	(97,863 )	(54,139 )
Total cash flows (used in) provided by financing activities	(31,252 )	(48,711 )	224,567	11,632	87,614
EBITDA as defined in the Notes due 2021 (6)	51,413	97,067	32,045	54,028	61,293
Adjusted Consolidated EBITDA (6)	\$57,072	\$97,067	\$32,045	\$54,028	\$61,293

(1) Includes total revenues from transportation and services of \$347.7 million and \$16.0 million from manufacturing in 2014; \$345.6 million and \$65.6 million from manufacturing in 2013; revenues from transportation and services of \$282.9 million and \$30.3 million from manufacturing in 2012 and revenues from transportation and services of

\$285.4 million and \$19.1 million from manufacturing in 2011. In 2010 all revenues were derived from transportation and services.

Operating and manufacturing expenses are voyage expenses, running costs and manufacturing costs. Voyage expenses, which are incurred when a vessel is operating under a contract of affreightment (as well as any time when they are not operating under time or bareboat charter), comprise all costs relating to a given voyage, including port charges, canal dues and fuel (bunkers) costs, are paid by the vessel owner and are recorded as (2) voyage expenses. Voyage expenses also include charter hire payments made by us to owners of vessels that we have chartered in. Manufacturing expenses, which are incurred when a constructed river barge is sold, is comprised of steel cost, which is the largest component of our raw materials and the cost of labor. 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.

(3) Net of income tax effect.

(4) Current assets less current liabilities.

(5) Includes accrued interest.

(6) The following table reconciles our "EBITDA as defined in the Notes due 2021" and "Adjusted Consolidated EBITDA" to our cash flows from operating activities:

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	Year Ended December 31,				
	2014	2013	2012	2011	2010
	(Dollars in thousands)				
Net cash provided (used in) by operating activities from continuing operations	\$35,254	\$19,847	\$(3,935)	\$14,772	\$20,844
Net cash (used in) provided by operating activities from discontinued operations	--	--	--	(15)	(1,950)
Total cash flows from operating activities	35,254	19,847	(3,935)	14,757	18,894
Plus					
Adjustments from continuing operations					
Increase / Decrease in operating assets and liabilities	(34,242)	32,466	(2,391)	7,748	(6,974)
Expenditure for drydocking	10,107	10,150	5,978	3,478	8,204
Income taxes expense (benefit)	5,065	6,597	(2,969)	(1,737)	6,363
Financial expenses	35,097	33,551	35,793	35,426	25,925
(Losses) Gains on derivatives, net	--	(216)	--	(16)	10,474
Gain on disposal of assets	--	--	3,564	--	724
Contribution from sale and lease back	(401)	1,498	2,086	--	--
Allowance for doubtful accounts	(720)	(2,467)	(1,266)	(598)	(359)
Net loss (income) attributable to non-controlling interest	--	(553)	(893)	(570)	(451)
Other adjustments	1,253	(3,806)	(3,922)	(4,475)	(2,947)
Adjustments from discontinued operations	--	--	--	15	1,440
EBITDA as defined in the Notes due 2021	51,413	97,067	32,045	54,028	61,293
SPA closing termination payments	5,659	--	--	--	--
Adjusted Consolidated EBITDA	\$57,072	\$97,067	\$32,045	\$54,028	\$61,293

The use of the terms "EBITDA as defined in the Notes due 2021" and "Adjusted Consolidated EBITDA" in the current filing rather than EBITDA as has been used in previous filings, is responsive to the U.S. Securities and Exchange Commission Release No. 34-47226 wherefrom if the measurement being used excludes "non-cash charges" or other similar concepts other than strictly interest, taxes, depreciation and amortization, or were otherwise to depart from the definition of EBITDA as included in the aforementioned release, it should be called "EBITDA as defined in the Notes due 2021" and "Adjusted Consolidated EBITDA" rather than EBITDA.

EBITDA as defined in the Notes due 2021 consists of net income (loss) prior to deductions for interest expense and other financial gains and losses related to the financing of the Company, income taxes, depreciation of vessels and equipment and amortization of drydock expense, intangible assets, financial gain (loss) on extinguishment of debt, premium paid for redemption of preferred shares and certain non-cash charges (including for instance losses on write-down of vessels). The calculation of EBITDA as defined in the Notes due 2021 excludes from all items those amounts corresponding to unrestricted subsidiaries under the indenture governing our 8 % First Preferred Ship Mortgage Notes due 2021, or the Indenture, from the time of designation as such. Adjusted Consolidated EBITDA represents EBITDA as defined in the Notes due 2021 before SPA closing termination payments. We have provided EBITDA as defined in the Notes due 2021 in this report because we use it to and believe it provides useful information to investors to evaluate our ability to incur and service indebtedness and it is a required disclosure to comply with a covenant contained in such Indenture. We do not intend for EBITDA as defined in the Notes due 2021 nor Adjusted Consolidated EBITDA to represent cash flows from operations, as defined by GAAP and it should not be considered as an alternative to measure our liquidity. The foregoing definitions of EBITDA as defined in the Notes

due 2021 and Adjusted Consolidated EBITDA may differ from other definitions of EBITDA or Consolidated EBITDA used in the financial covenants of our other credit facilities as further described under "Description of Credit Facilities and other Indebtedness" elsewhere in this annual report on Form 20-F. EBITDA as defined in the Notes due 2021 and Adjusted Consolidated EBITDA may not be comparable to similarly titled measures disclosed by other companies. Generally, funds represented by EBITDA as defined in the Notes due 2021 and Adjusted Consolidated EBITDA are available for management's discretionary use. EBITDA as defined in the Notes due 2021 and Adjusted Consolidated EBITDA have limitations as analytical tools and should not be considered in isolation, or as substitutes for analysis of our results as reported. These limitations include, among others, the following:

EBITDA as defined in the Notes due 2021 and Adjusted Consolidated EBITDA do not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments,

EBITDA as defined in the Notes due 2021 and Adjusted Consolidated EBITDA do not reflect changes in, or cash requirements for, our working capital needs,

EBITDA as defined in the Notes due 2021 and Adjusted Consolidated EBITDA do not include income taxes, which are a necessary and ongoing cost of our operations,

EBITDA as defined in the Notes due 2021 and Adjusted Consolidated EBITDA do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debts,

EBITDA as defined in the Notes due 2021 and Adjusted Consolidated EBITDA do not reflect the amortization of drydocking, or the cash requirements necessary to fund the scheduled dry docks of our vessels,

Although depreciation is a non-cash charge, the assets being depreciated will often have to be replaced in the future and EBITDA as defined in the Notes due 2021 and Adjusted Consolidated EBITDA do not reflect any cash requirements for such replacements; and

EBITDA as defined in the Notes due 2021 and Adjusted Consolidated EBITDA can be affected by the lease rather than purchase of fixed assets.

**B. CAPITALIZATION AND INDEBTEDNESS**

Not Applicable.

**C. REASONS FOR THE OFFER AND USE OF PROCEEDS**

Not Applicable.

**D. RISK FACTORS**

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

## Risks Relating to Our Industry

The Company's results of operations, financial condition and cash flows may be adversely affected by numerous risks. Carefully consider the risks described below, which represent some of the more critical risk factors that affect the Company, as well as the other information that has been provided in this Annual Report on Form 20-F. The risks described below include all known material risks faced by the Company. Additional risks not presently known may also impair the Company's business operations.

If the global shipping industry, which historically has been cyclical and volatile, should remain depressed on a continuous basis or declines further in the future, our earnings and available cash flow may be adversely affected.

The international shipping industry, which includes the offshore supply vessel sector, is both cyclical and volatile in terms of charter rates and profitability. These factors may adversely affect our ability to charter or recharter our vessels or to sell them on the expiration or termination of their charters and any renewal or replacement charters that we enter into may not generate revenue sufficient to allow us to operate our vessels profitably.

Fluctuations in charter rates and vessel values result from changes in the supply and demand for cargo capacity and changes in the supply and demand for petroleum and petroleum products as well as that of other cargo transported by vessels. The factors affecting the supply and demand for vessels are outside of our control and the nature, timing and degree of changes in industry conditions are unpredictable.

The factors that influence demand for vessel capacity include:

- supply and demand for petroleum and petroleum products, iron ore, coal and grains as well as other cargo transported by vessels;
- regional availability of refining capacity in the case of petroleum and petroleum products or crushing or manufacturing with respect to other cargo transported by other vessels;
- global and regional economic and political conditions;
- actions taken by OPEC and major oil producers and refiners;
- the distance cargo transported by vessels;
- prevailing oil and natural gas prices and expectations about future prices and price volatility;
- changes in transportation patterns;
- environmental and other legal and regulatory developments;
- currency exchange rates;
- weather and climate conditions;
- competition from alternative sources of energy; and
- international sanctions, embargoes, import and export restrictions, nationalizations and wars.



The factors that influence the supply of shipping capacity include:

- current and expected new buildings of vessels;
- shipbuilding capacity and the prices charged for new shipbuilding contracts;
- the number and carrying capacity of newbuilding deliveries;
- the scrapping rate of existing vessels;

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- the conversion of vessels to other uses;
- the price of steel;
- the prevalence or frequency of slow steaming;
- the number of vessels that are out of service; and
- environmental concerns and regulations.

Historically, the shipping markets have been volatile as a result of the many conditions and factors that can affect the price, supply and demand for vessel capacity. A global economic crisis may further reduce the demand for transportation of cargo over longer distances and the supply of vessels to carry cargo, which may materially affect our revenues, profitability and cash flows. If charter rates decline, we may be unable to achieve a level of charterhire sufficient for us to operate our vessels profitably.

Some of our vessels operate in services which cover areas that have a special tax status; the modification of that status could have an impact on the volume of cargo we carry and consequently could adversely affect our financial results.

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 most of our River Business revenues from transporting soybeans and other agricultural and mineral products produced in the Hidrovia Region, as well as petroleum products consumed in the region. Droughts and other adverse weather conditions, such as floods, could result in a decline in production of agricultural products, which would likely result in a reduction in demand for our services. For example in 2005, 2006, 2009 and 2012, droughts resulted in a decline of agricultural products in the Hidrovia region, which resulted in a decreased demand for our shipping services. In addition, adverse weather conditions in 2012 affected the navigability of the river system in which we operate. 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 or shifts in banks' locations, could reduce or limit our ability to effectively transport cargo on the rivers, as is normally the case in the High Paraguay River during the fourth quarter and part of the first quarter.

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

- demand for the goods we ship in our barges;
- adverse river conditions, such as flooding and droughts, that slow or stop river traffic or reduce the quantity of cargo that we can carry in each barge;
- navigational incidents involving our equipment resulting in disruptions of our programs;
- any incidents or operational disruptions to ports, terminals or bridges along the rivers on which we operate;
- changes in the quantity or capacity of barges available for river transport through the entrance of new competitors or expansion of operations by existing competitors;
- disruption or ceasing of production of iron ore at the mines or lack of transportation to ports of loading;
- the availability of transfer stations and cargo terminals for loading of cargo on and off barges;

· the ability of buyers of commodities to open letters of credit and generally the ability of obtaining trade financing on reasonable terms or at all;

· the availability and price of alternative means of transporting goods out of the Hidrovia Region; and

· as our vessels age they will have off hire periods which reduce their efficiency and eventually they will be retired.

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.

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The Company's insurance coverage may be inadequate to protect it from the liabilities that could arise in its businesses.

Although the Company maintains insurance coverage against the risks related to its businesses, risks may arise for which the Company may not be insured. Claims covered by insurance are subject to deductibles, the aggregate amount of which could be material. Insurance policies are also subject to compliance with certain conditions, the failure of which could lead to a denial of coverage as to a particular claim or the voiding of a particular insurance policy. There also can be no assurance that existing insurance coverage can be renewed at commercially reasonable rates or that available coverage will be adequate to cover future claims. If a loss occurs that is partially or completely uninsured, the Company could be exposed to substantial liability.

Changes in rules and regulations with respect to cabotage or their interpretation or a change in the authorizations given by governments in the markets in which we operate may have an adverse effect on our results of operations.

In most of the markets in which we currently operate we engage in cabotage or regional trades that have restrictive rules and regulations on a region by region basis. Our operations currently benefit from these rules and regulations or their interpretation. For instance, preferential treatment is extended in Brazilian cabotage for Brazilian-flagged vessels, such as some of our Platform Supply Vessels, or PSVs. Changes in cabotage rules and regulations or in their interpretation may have an adverse effect on our cabotage operations, either by becoming more restrictive (which could result in limitations to the utilization of some of our vessels in those trades) or less restrictive (which could result in increased competition in these markets). Some of the contracts under which our foreign flag vessels are employed in Brazil, Argentina or Paraguay require periodical extensions by the respective flag authorities of their authorizations to operate under the respective cabotage laws. Those extensions may be delayed or rejected which may have an adverse effect to our results.

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 following is a graph of the spot market levels of time charters for PSVs of 900+ m<sup>2</sup> of deck in the North Sea for the past four years:

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. An increase in the order book for new tonnage beyond the growth of demand for new tonnage could result in a decline of the charter rates paid for PSVs in the market. Such decreases in demand or increases in supply 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, or when new vessels are delivered, we may be forced to re-charter or 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 our 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 additional PSVs to areas in which we operate.

Changes in the petroleum products markets could result in decreased demand for our product tankers and related services.

Demand for our product tankers and services in transporting petroleum products will depend upon world and regional petroleum products markets. Any decrease in shipments of petroleum products in those markets could have a material adverse effect on our business, financial condition and results of operations. Historically, those markets have been volatile as a result of the many conditions and events that affect the price, production and transport of petroleum products, including competition from alternative energy sources. In the long-term it is possible that demand for petroleum products may be reduced by an increased reliance on alternative energy sources, by a drive for increased efficiency in the use of petroleum products as a result of environmental concerns, or by high oil prices. Higher prices and/or a recession affecting the U.S. and or world economies may result in protracted reduced consumption of petroleum products and a decreased demand for our vessels and lower charter rates, which could have a material adverse effect on our business, results of operations, cash flows and financial condition.

Our vessels and our reputation are at risk of being damaged due to operational hazards 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 incident with the potential risk of environmental pollution, 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, available repair facilities are sometimes limited as we have geographical limitations due to the trading patterns of our fleet. The same situation applies to scheduled drydocks. We may be unable to find space at a suitable repair or drydock facility or we may be forced to travel to a repair or drydock facility that is not conveniently located near our vessels' positions. The loss of earnings while these vessels are forced to wait for space or to travel to more distant docking facilities would decrease our earnings. Further, if due to delays in repairing our vessels, some of our clients decide to cancel their contracts of employment with our vessels, we may lose such vessels' employment and may not be able to re-charter them profitably, or at all.

If our vessels call on ports located in countries that are subject to sanctions and embargos imposed by the U.S. or other governments, that could adversely affect our reputation and the market for our common stock.

Although no vessels managed by us have called on ports located in countries subject to sanctions and embargoes imposed by the U.S. government and countries identified by the U.S. government as state sponsors of terrorism, including Cuba, Iran, Sudan and Syria, in the future, on instructions from their charterers vessels managed by us may call on ports located in countries subject to sanctions and embargoes imposed by the United States government and countries identified by the U.S. government as state sponsors of terrorism. The U.S. sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities and such sanctions and embargo laws and regulations may be amended over time. In 2010, the U.S. enacted the Comprehensive Iran Sanctions Accountability and Divestment Act, or CISADA, which expanded the scope of the former Iran Sanctions Act. Among other things, CISADA expands the application of the prohibitions to non-U.S. companies, such as our company and introduces limits on the ability of companies and persons to do business or trade with Iran when such activities relate to the investment, supply or export of refined petroleum or petroleum products. Although we believe that we are in compliance with all applicable sanctions and embargo laws and regulations and intend to maintain such compliance, there can be no assurance that we will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. Any such violation could result in fines or other penalties and could result in some investors deciding, or being required, to divest their interest, or not to invest, in our company. Additionally, some investors may decide to divest their interest, or not to invest, in our company simply because we may do business with companies that do business in sanctioned countries. Moreover, our charterers may violate applicable sanctions and embargo laws and regulations as a result of actions that do not involve us or our vessels and those violations could in turn negatively affect our reputation. Investor perception of the value of our common stock may also be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in these and their surrounding countries.

A renewed contraction or worsening of the global credit markets and the resulting volatility in the financial markets could have a material adverse effect on our business, results of operations and financial condition.

Since 2007, a number of major financial institutions have experienced serious financial difficulties and in some cases, have entered into bankruptcy proceedings or are subject to regulatory enforcement actions. These difficulties have resulted, in part, from declining markets for assets held by such institutions, particularly the reduction in the value of their mortgage and asset-backed securities portfolios. These difficulties have been compounded by a general decline in the willingness of banks and other financial institutions to extend credit, particularly in the shipping industry, due to the historically volatile asset values of vessels and their related earnings and the general health of bank's individual loan portfolios. If we are unable to obtain additional credit or draw down upon existing borrowing capacity, it may negatively impact our ability to fund current and future obligations. These outcomes could have a material adverse impact on our business, results of operations, financial condition, ability to grow and cash flows that could cause the market price of our common shares to decline.

If emergency governmental measures are implemented in response to any economic downturn, that could have a material adverse impact on our results of operations, financial condition and cash flows.

Since 2008, global financial markets have experienced extraordinary disruption and volatility following adverse changes in the global credit markets. The credit markets in the United States have experienced significant contraction, deleveraging and reduced liquidity. The governments around the world have taken significant measures in response to such events, including the enactment of the Emergency Economic Stabilization Act of 2008 and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 in the United States and may implement other significant responses in the future. Securities and futures markets and the credit markets are subject to comprehensive statutes, regulations and other requirements. The U.S. Securities and Exchange Commission, or the SEC, other regulators, self-regulatory organizations and exchanges have enacted temporary emergency regulations and may take other extraordinary actions in the event of market emergencies and may effect permanent changes in law or interpretations

of existing laws. We cannot predict what, if any, such measures would be, but changes to securities, tax, environmental, or the laws of regulations, could have a material adverse effect on our results of operations, financial condition or cash flows.

If economic conditions throughout the world do not improve, it may impede our operations.

Negative trends in the global economy that emerged in 2008 continue to adversely affect global economic conditions. In addition, the world economy continues to face a number of challenges, including uncertainty related to the continuing discussions in the United States regarding the federal debt ceiling and turmoil and hostilities in the Middle East, North Africa and other geographic areas and countries and continuing economic weakness in the European Union. There has historically been a strong link between the development of the world economy and demand for energy, including oil and gas. An extended period of deterioration in the outlook for the world economy could reduce the overall demand for oil and gas and, therefore, our services. Such changes could adversely affect our results of operations and cash flows.

The United States, the European Union and other parts of the world have recently been or are currently in a recession and continue to exhibit weak economic trends. The credit markets in the United States and Europe have experienced significant contraction, de-leveraging and reduced liquidity, and the U.S. federal government and state governments and European authorities have implemented and are considering a broad variety of governmental action and/or new regulation of the financial markets. Securities and futures markets and the credit markets are subject to comprehensive statutes, regulations and other requirements. The SEC and other regulators, self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies, and may effect changes in law or interpretations of existing laws. Global financial markets and economic conditions have been, and continue to be, severely disrupted and volatile. Credit markets and the debt and equity capital markets have been exceedingly distressed.



We face risks attendant to changes in economic environments, changes in interest rates, and instability in the banking and securities markets around the world, among other factors. We cannot predict economic and governmental factors, nor declines in charter rates and vessel values, which may have a material adverse effect on our results of operations and may cause the price of our common stock to decline.

The current state of the global financial markets and current economic conditions may adversely impact our ability to obtain financing or refinancing on acceptable terms and otherwise negatively impact our business.

Global financial markets and economic conditions have been, and continue to be, volatile. Recently, operating businesses in the global economy have faced tightening credit, weakening demand for goods and services, deteriorating international liquidity conditions, and declining markets. There has been a general decline in the willingness by banks and other financial institutions to extend credit, particularly in the shipping industry, due to the historically volatile asset values of vessels. As the shipping industry is highly dependent on the availability of credit to finance and expand operations, it has been negatively affected by this decline.

Also, as a result of concerns about the stability of financial markets generally and the solvency of counterparties specifically, the cost of obtaining money from the credit markets has increased as many lenders have increased interest rates, enacted tighter lending standards, refused to refinance existing debt at all or on terms similar to current debt and reduced, and in some cases ceased, to provide funding to borrowers. Due to these factors, we cannot be certain that financing will be available if needed and to the extent required, on acceptable terms. If financing is not available when needed, or is available only on unfavorable terms, we may be unable to meet our obligations as they come due or we may be unable to enhance our existing business, complete additional vessel acquisitions or otherwise take advantage of business opportunities as they arise.

If the current global economic environment persists or worsens, we may be negatively affected in the following ways:

- we may not be able to employ our vessels at charter rates as favorable to us as historical rates or at all or operate our vessels profitably; and

- the market value of our vessels could decrease, which may cause us to recognize losses if any of our vessels are sold or if their values are impaired.

The occurrence of any of the foregoing could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends if we determine to pay dividends in the future.

Because the fair market value of vessels fluctuates significantly, we may incur losses when we sell vessels or as a consequence of their book value failing to meet an impairment test resulting in a non-cash write-off.

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 or as a consequence of their book value failing to meet an impairment test resulting in a non-cash write-off, 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 scheduled for delivery and level of vessels scrapped;
- governmental or other regulations;

- prevailing level of charter rates; and
- technological advances that can render our vessels inferior or obsolete.

As a result of the impairment review as of December 31, 2014, the Company determined that the carrying amounts of its assets held for use were recoverable, except for two of its product tankers in its Ocean Business for which an impairment charge of \$10.5 million was recognized, and, concluded that no further impairment loss was necessary for 2014.

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Although the Company believes that the assumptions used to evaluate potential impairment are reasonable and appropriate, such assumptions are highly subjective.

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 requirements include, but are not limited to, the U.S. Oil Pollution Act of 1990, or OPA, requirements of the U.S. Coast Guard and the U.S. Environmental Protection Agency, or EPA, the U.S. Comprehensive Environmental Response, Compensation and Liability Act of 1980, or CERCLA, the U.S. Clean Air Act, U.S. Clean Water Act and the U.S. Marine Transportation Security Act of 2002, US EPA VGP, EC Maritime directives, regulations of the International Maritime Organization, or the IMO, including the International Convention for the Prevention of Pollution from Ships of 1975, the International Convention for the Prevention of Marine Pollution of 1973, or MARPOL, including designation of Emission Control Areas, or ECAs, thereunder, the International Convention of Civil Liability for Bunker Oil Pollution Damage, the IMO International Convention for the Safety of Life at Sea of 1974 or SOLAS, the International Convention on Load Lines of 1966, the International Ship and Port Facility Security Code and ILO MLC 2006. We may also incur additional costs in order to comply with other existing and future regulatory obligations, including, but not limited to, costs relating to the management and disposal of hazardous materials and wastes, the cleanup of oil spills and other contamination, air emissions including greenhouse gases, the management of ballast and bilge waters, maintenance and inspection, development and implementation of emergency procedures and insurance coverage or other financial assurance of our ability to address pollution incidents. Furthermore, the 2010 explosion of the Deepwater Horizon and the subsequent release of oil into the Gulf of Mexico, or other events, may result in further regulation of the drilling activity, offshore and shipping industry, and modifications to statutory liability schemes, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. 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 expenditures 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. 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.

While we expect that our newbuilding vessels will meet relevant MARPOL Annex VI requirements at the time of their delivery and that our existing fleet will comply with such requirements, subject to classification society surveys

on behalf of the flag state, 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 sulfur fuels. At present our vessels are complying with these requirements. It could happen that from time to time additional requirements may arise, but we 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. Our Product Tanker (Alejandrina), our Product/Chemical Tankers (Miranda I and Austral) and our Crude Oil Tanker Amadeo are fully certified by class as double hull vessels. Our Ex oceangoing barge Parana Petrol has been converted into an iron ore transfer and storage unit for inland waterways (now called Parana Iron ) and therefore classed as a bulk carrier.

IMO, USCG and EPA Ballast water regulations require all new vessels built on or after December 1, 2013, to be fitted with approved ballast water treatment plants. This requirement is only a recommendation at this stage, since the Ballast Water Management (BWM) Convention has not yet entered into force. The requirement is different, depending on the vessel's age. In the particular situation of our fleet, since our vessels are constructed prior to 2009, the following requirements apply: For vessels with a ballast water capacity of 1,500 to 5,000 CUM compliance by first IOPP (International Oil Pollution Prevention Certificate) renewal survey following the anniversary date of delivery in 2014. If the entry into force is after 2014, compliance is by the first IOPP renewal survey, following the entry into force date. For vessels with ballast water capacity of less than 1,500 or more than 5,000 CUM, compliance is with first IOPP renewal survey following the anniversary date of delivery in 2016. If the entry into force is beyond 2016, compliance is by first IOPP renewal survey following the entry into force date. USCG has some additional requirements to be met under the EPA VGP (see below).

ILO MLC 2006 was fully implemented on August 20, 2013. Vessels are expected carry an MLC certificate and a DMLC document. Full implementation requires maintaining the accommodation and working conditions on board vessels to a certain minimum standard with a strict control of working hours of the crew and various other documentation/ record keeping on board. This also exposes the vessels to additional port state control inspections with risk of detentions if deficiencies are found. All our vessels are in compliance with the MLC 2006 certification requirements.

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 exclusive economic zone around the U.S. OPA provides for unlimited liability in some circumstances, such as a vessel operator's gross negligence or willful misconduct. Liability limits provided for under OPA may be updated from time to time. OPA also permits states to set their own penalty limits, provided they accept, at a minimum, the levels of liability established under OPA, and some states have enacted legislation providing for unlimited liability for oil spills. 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 E.U., have also 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 otherwise 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.

Recent changes in environmental and other governmental requirements may adversely affect our operations.

The U.S., E.U. and IMO, among others, have adopted standards applicable to emissions of volatile organic compounds and other air contaminants. Although we will take steps to ensure our vessels comply with these air emission regulations, enforcement of these industry-wide regulations by the U.S. Coast Guard, EPA or EU authorities and appropriate compliance measures could result in material operational restrictions in the use of our vessels, which could have a material adverse effect on our business, results of operations and financial condition.

US EPA VGP 2013 came into force on December 19, 2013. The new regulations stipulate use of EALs (Environmentally Acceptable Lubricants). This applies mainly to the stern tubes of vessels with oil lubricated bearings. Most present day stern seals are not compatible with EALs and will require replacement of seals with materials compatible with EALs. This rule also applies to any equipment using lubricants which can leak and contaminate the environment. This includes transverse thruster's seals, stabilizer fin seals, deck hydraulic equipment like winches, hatch hydraulic and deck cranes. Many of the existing equipment will require renewals of oil seals and use of expensive EALs.

The North American and Caribbean ECA regulations come into force as of January 1, 2014. This limits emissions of SOx, NOx and PM in these areas. SOx emission compliance will require vessels to burn low sulphur fuels.

Greenhouse gas restrictions may adversely impact our operations.

A number of countries and the IMO have adopted, or are considering the adoption of, regulatory frameworks to reduce greenhouse gas emissions. These regulatory measures may include, among others, adoption of cap and trade regimes, carbon taxes, increased efficiency standards, and incentives or mandates for renewable energy. Compliance with such measures could increase our costs related to operating and maintaining our vessels and require us to install new

emission controls, acquire allowances or pay taxes related to our greenhouse gas emissions, or administer and manage a greenhouse gas emissions program, any of which could have a material adverse effect on our business, results of operations and financial condition.

The shipping industry including the offshore supply sector is highly competitive and we may not be able to compete successfully for charters with new entrants or established companies with greater resources or newer ships.

We employ our vessels in highly competitive markets. In our Offshore Supply Business, we compete with companies that operate PSVs, such as GulfMark, Maersk, Seacor, Tidewater, Bram Offshore, CBO, Wilson Sons and Brasmar. Some of these competitors are significantly larger than we are and have significantly greater resources than we do. Some of these competitors are significantly larger than we are and have significantly greater resources than we do. Some of our competitors may build additional vessels in Brazil, which may affect our ability to employ our non-Brazilian-flagged vessels in those markets in the future. This may enable these competitors to offer their customers lower prices, higher quality service and/or 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 and Sete Brasil Participacoes S.A., are affiliated with or owned by the governments of certain countries and may receive government aid or legally imposed preferences or other assistance that may not be available to us.

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 inspections 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 if we determine to pay dividends in the future.

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 and ocean fleet and certain vessels in our river fleet are classed by classification societies. 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 (IACS). In December 2013, the IACS adopted new harmonized Common Structure Rules that align with IMO goal standards, which will apply to oil tankers and bulk carriers contracted to be constructed on or after July 1, 2015.

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.

If we fail to comply with international safety regulations, we may be subject to increased liability, which may adversely affect our insurance coverage and may result in a denial of access to, or detention in, certain ports.

The operation of our vessels is affected by the requirements set forth in the IMO's International Management Code for the Safe Operation of Ships and Pollution Prevention, or the ISM Code. The ISM Code requires ship owners, ship managers and bareboat charterers to develop and maintain an extensive "Safety Management System" that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. If we fail to comply with the ISM Code, we may be subject to increased liability or our existing insurance coverage may be invalidated or decreased for our affected vessels. Such failure may also result in a denial of access to, or detention in, certain ports.

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 lien holder 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 on 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.

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 world community 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. Conflicts elsewhere in the world 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 Limburg, a very large crude carrier 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 or cargo either fully or at all. Any of these occurrences could have a material adverse impact on our operating results, revenue and costs.



Failure to comply with the U.S. Foreign Corrupt Practices Act or similar laws could result in fines, criminal penalties, drilling contract terminations and an adverse effect on our business.

We may operate in a number of countries throughout the world, including countries known to have a reputation for corruption. We are committed to doing business in accordance with applicable anti-corruption laws and have adopted a code of business conduct and ethics which is consistent and in full compliance with the U.S. Foreign Corrupt Practices Act of 1977. We are subject, however, to the risk that we, our affiliated entities or our or their respective officers, directors, employees and agents may take actions determined to be in violation of such anti-corruption laws, including the U.S. Foreign Corrupt Practices Act and the UK Bribery Act. Any such violation could result in substantial fines, sanctions, civil and/or criminal penalties, curtailment of operations in certain jurisdictions, and might adversely affect our business, results of operations or financial condition. In addition, actual or alleged violations could damage our reputation and ability to do business. Furthermore, detecting, investigating, and resolving actual or alleged violations is expensive and can consume significant time and attention of our senior management.

#### Risks Relating to Our Company

We are an international company and are 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 (but not limited to) Argentina, Brazil, Chile, Paraguay, 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;
- foreign exchange rate variances could have non-cash impacts on the financial position as well as on the tax position of our foreign subsidiaries;
- 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 or changes in local cabotage rules and regulations;
- 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, kidnapping 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 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. Furthermore, the occurrence of any of the foregoing factors may have a material adverse effect on our business and results of operations.

We are subject to significant foreign currency exchange controls in certain countries in which we operate.

Certain Latin American economies have experienced shortages in foreign currency reserves and their respective governments have adopted restrictions on the ability to transfer funds out of the country and convert local currencies into U.S. dollars. This may increase our costs and limit our ability to convert local currency into U.S. dollars and transfer funds out of certain countries. Any shortages or restrictions may impede our ability to convert these currencies into U.S. dollars and to transfer funds, including for the payment of dividends and leasing or interest or principal on our outstanding debt. In the event that any of our subsidiaries are unable to transfer funds to us due to currency restrictions, we are responsible for any resulting shortfall.

Restrictions imposed by the Argentinean government currently include the need for authorization from government agencies or banks (which abide by the requirements set forth by those agencies) in order to purchase foreign currency (for example, to pay for imported goods and services, including royalties, leasing and dividend payments or for hoarding purposes).

In this context, our subsidiaries in Argentina could find a decreased capacity to access this official foreign exchange market to acquire the necessary foreign currency to make transfers abroad for settlement of their obligations in foreign currency, and to remit dividends to their shareholders.

We may have to employ temporarily part of our fleet on spot charters and any prolonged continuation of low spot charter rates in the future may adversely affect our earnings.

We may employ our ocean and offshore vessels in the spot charter market and we may acquire additional vessels in the future that we may employ in the spot charter market. As a result, we may be exposed to the cyclical and volatility of the spot charter market. Charter rates for ocean and offshore vessels in the spot charter market have had prolonged periods of depression in the past and may have so in the future. In addition, both ocean and offshore vessels trading in the spot charter market may experience substantial off-hire time.

The spot charter market for ocean and offshore vessels may fluctuate significantly and any significant fluctuations in charter rates will result in significant fluctuations in the utilization of our ocean and offshore vessels and our profitability. The successful operation of our vessels in the highly competitive spot charter market depends upon, among other things, obtaining profitable spot charters and minimizing, to the extent possible, time spent waiting for charters and time spent traveling unladen to pick up cargo. The spot market is very volatile and in the past, there have been periods when spot or current market time charter rates have declined below the operating cost of vessels. In the event we are unable to find suitable employment for a vessel at economically viable charter rates, management may opt to lay up the vessel until such time that rates become attractive again. During the period of lay-up, such vessel will continue to incur expenditure such as insurance, reduced crew wages and maintenance costs. If future spot charter rates decline, then we may be unable to operate our vessels trading in the spot market profitably, meet our obligations, including payments on indebtedness, or to pay dividends in the future. Furthermore, as charter rates for spot charters are fixed for a single voyage which may last up to several weeks, during periods in which spot charter rates are rising, we will generally experience delays in realizing the benefits from such increases.

The Company may undertake one or more significant corporate transactions that may not achieve their intended results, may adversely affect the Company's financial condition and its results of operations, and may result in additional risks to its businesses.

The Company continuously evaluates the acquisition and disposition of operating businesses and assets and may in the future undertake significant transactions. Any such transaction could be material to the Company's business and could take any number of forms, including mergers, joint ventures, investments in new lines of business and the purchase of equity interests or assets. The form of consideration associated with such transactions may include, among other things, cash, common stock or equity interests in the Company's subsidiaries. The Company also evaluates the disposition of its operating businesses and assets, in whole or in part, which could take the form of asset sales, mergers or sales of equity interests in its subsidiaries (privately or through a public offering), or the spin-off of equity interests of the Company's subsidiaries to its stockholders. These types of significant transactions may present significant risks and uncertainties, including distraction of management from current operations, insufficient revenue to offset liabilities assumed, potential loss of significant revenue and income streams, unexpected expenses, inadequate return of capital, potential acceleration of taxes currently deferred, regulatory or compliance issues, the triggering of certain covenants in the Company's debt instruments (including accelerated repayment) and other unidentified issues not discovered in due diligence. As a result of the risks inherent in such transactions, the Company cannot guarantee that any such transaction will ultimately result in the realization of the anticipated benefits of the transaction or that significant transactions will not have a material adverse impact on the Company's financial condition or its results of operations. If the Company were to complete such an acquisition, disposition, investment or other strategic

transaction, it may require additional debt or equity financing that could result in a significant increase in its amount of debt or the number of outstanding shares of its Common Stock.

An increase in operating costs would decrease earnings and available cash.

Vessel operating costs include the costs of crew, provisions, deck and engine stores, lubricants, insurance and maintenance and repairs, which depend on a variety of factors, many of which are beyond our control. Some of these costs, primarily relating to insurance enhanced security measures implemented after September 11, 2001, have been increasing. In buoyant or cabotage markets, we may experience increases in crewing costs due to lack of qualified crew. Such scarcity of qualified crewmembers may be prolonged in time, affecting our results of operations. If our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydocking repairs are unpredictable and can be substantial. Increases in any of these vessel operating expenses would decrease earnings and available cash.

In addition, unlike under time charters where we are responsible only for vessel operating expenses but not voyage costs, under spot charter agreements and the employment of our container feeder vessels, we are responsible for both voyage costs and vessel operating costs. Voyage costs include the costs of bunkers, port expenses and brokerage commissions paid by us to third parties. An increase in such voyage costs, or an increased reliance on spot charters which thereby increase our exposure to voyage costs, would adversely affect our earnings and available cash.

In our shipyard an increase in operational costs may impact the cost of each barge produced for our fleet which would impact our desired return of the asset and may affect the profitability of selling barges to third parties.

We may not be able to grow or to 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 or re-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.

We may discontinue one or more lines of business for commercial or strategic reasons. The redeployment of the capital invested in any discontinued line of business may take time, resulting in reduced earnings during such period and/or delay to our overall growth.

We may start a new line of business or a new activity within an existing line of business and may incur losses to start up the new service.

Furthermore, because the volume of cargo we ship in our River Business during a normal crop year 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 the building of barges in our own yard, purchasing additional barges, providing faster transit times, or increasing the size of our existing barges and the number of barges in our convoys.

Adverse results of legal proceedings could materially adversely affect the Company.

The Company is subject to and may in the future be subject to a variety of legal proceedings and claims that arise out of the ordinary conduct of its business. Results of legal proceedings cannot be predicted with certainty. Irrespective of its merits, litigation may be both lengthy and disruptive to the Company's operations and may cause significant expenditure and diversion of management attention. The Company may be faced with significant monetary damages or injunctive relief against it that could materially adversely affect a portion of its business operations or materially and adversely affect the Company's financial position and its results of operations should the Company fail to prevail in certain matters.

The credit facilities of our Company and its subsidiaries and the Indenture governing our 8 % First Preferred Ship Mortgage Notes due 2021, or the 2021 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 2021 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.

In addition, some of our subsidiaries' credit facilities require that our subsidiaries maintain specified financial ratios and satisfy financial covenants and debt-to-asset and similar ratios. We may be required to take action to reduce our debt or to act in a manner contrary to our business objectives in order 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 breach of any of the covenants in, or our inability to maintain the required financial ratios under, our subsidiaries' credit facilities could result in a default under them.

If a default occurs under our credit facilities or those of our subsidiaries, the lenders could elect to declare such debt, together with accrued interest and other fees and expenses, 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 cross default under our other debt. If all or part of our debt were to be accelerated, we may not have or be able to obtain sufficient funds to repay the debt upon acceleration.

Our credit facilities contain both financial and non-financial covenants. If we are not in compliance with any of our loan covenants and are not successful in obtaining waivers for the covenants breached, our lenders may declare an event of default and accelerate our outstanding indebtedness under the relevant agreement, which, unless cured, would impair our ability to continue to conduct our business.

Our loan agreements require that we comply with certain financial and other covenants.

A violation of loan covenants constitutes an event of default under our credit facilities, which would, unless waived by our lenders, provide our lenders with the right to require us to fully repay our indebtedness. Furthermore, an uncured or unwaived breach of loan covenants could cause our lenders to accelerate our indebtedness and foreclose their liens on the assets securing the loans, which would impair our ability to continue to conduct our business. Most of our loan agreements contain cross-default or cross-acceleration provisions that may be triggered by a default under one of our other debt agreements.

Due to climatic and navigational issues which affected particularly the third and fourth quarters of 2012 we did not temporarily comply with the historical debt service coverage ratio covenant of our loans with IFC and OFID, our lenders for our River Business, as of December 31, 2012. The historical debt service coverage ratio covenant requires us to maintain a historical debt service coverage ratio, on a consolidated basis, at the level of UABL Limited (our wholly owned holding subsidiary for the River Business and the guarantor of the IFC and OFID credit facilities) of not less than 1.3 for the last four fiscal quarters prior to the relevant date of calculation. IFC and OFID waived, on March 8 and 14, 2013, respectively, compliance with this ratio as of both December 31, 2012 and March 31, 2013. As from June 30, 2013 until September 30, 2014, we were in compliance with the historical debt service coverage ratio under our IFC and OFID financings.

Due to the negative effect caused by low availability of our larger pushboats which affected particularly the third and fourth quarters of 2014 and by the extensive off-hire of our Asturiano due to mechanical issues we did not temporarily comply with the historical debt service coverage ratio covenant of our loans with IFC and OFID, our lenders for our River Business, as of December 31, 2014. The historical debt service coverage ratio covenant requires us to maintain a historical debt service coverage ratio, on a consolidated basis, at the level of UABL Limited (our wholly owned holding subsidiary for the River Business and the guarantor of the IFC and OFID credit facilities) of not less than 1.3 for the last four fiscal quarters prior to the relevant date of calculation. IFC and OFID waived, on March 27 and April 13, 2015, respectively, compliance with this ratio as of December 31, 2014, March 31, 2015, and June 30, 2015. In addition, due to these same causes we did not temporarily comply with the consolidated debt service coverage ratio covenant on some of our loans in our Offshore Supply Business as of December 31, 2014. The covenant required Ultrapetrol (Bahamas) Ltd. to have a consolidated debt service coverage ratio of not less than 1.5 for the last four fiscal quarters prior to the relevant date of calculation. On March 26 and March 31, 2015, the banks waived compliance to this ratio as of December 31, 2014 and March 31, 2015, and amended such clauses to require us to comply with a consolidated debt service coverage ratio of not less than 1.05 as of June 30, 2015, not less than 1.15 as of September 30, 2015, and not less than 1.30 at all times thereafter.



Our ability to continue as a going concern is dependent on management's ability to successfully generate revenue to meet our obligations as they become due and have the continued support of our lenders.

The non-financial covenants in our facilities (such as negative pledges, collateral maintenance provisions, and other similar provisions) while not posing an outright risk of triggering a financial non-compliance and consequent potential event of default, gradually and increasingly limit our ability to carry out our business while—for example in the case of negative pledges on assets—limiting the quantity and value of the assets that are free to be pledged as guarantee to future financings. Such limitation could in the future make it more difficult or even keep us from accessing new sources of financing by limiting our ability to provide suitable collateral. If we are unable to obtain waivers which allow us to release our assets from such negative pledges on a timely manner, we may be unable to obtain additional financing in satisfactory commercial terms, or at all. Similarly, loan to value ratios or collateral maintenance provisions also represent a risk by having the potential to cause early prepayments in order to regain compliance which could affect our liquidity in the future.

For a more detailed discussion of our loan covenants and the waivers mentioned above, please see "Description of Credit Facilities and Other Indebtedness".

We are involved in, and may expand further into, the building of dry bulk and tank barges for the river trade as well as construction of vessels either by subcontracting with several parties the various tasks necessary to complete the construction or by carrying them out ourselves.

We inaugurated a purpose built barge building facility at Punta Alvear in December 2009. We have similarly subcontracted and may subcontract in the future with different parties the building of the steel hull, the supply and assembly of engines, pipes, electrical conducts and other equipment and materials necessary to build vessels. Our production is dependent on a unionized local labor force, local generation of electrical power, on the availability of steel and other materials and suitable subcontractors. Any delay or interruption in the availability of these materials could cause delay in our production schedule. Also, registration of vessels following construction may take time due to the requirement in some jurisdictions of import licenses or individual authorizations by governmental authorities and/or by classification societies.

This ship or barge building activity could be disrupted or become delayed by circumstances beyond our control such as lack of timely supply of materials or poor workmanship, quality or design problems, strikes or other labor disputes or the construction executed by us could be deficient because of problems concerning design, workmanship or because of defective materials or equipment. These deficiencies, disruptions or delays may result in failure of timely delivery of the vessels that we are building or that we are committed to build for ourselves or for third parties with the consequent negative impact in our financial results through loss of earnings and/or penalties and/or cancellation of contracts and/or responsibilities under guarantees for construction contracts.

Additionally, given the prominently industrial nature of the barge or ship building activity, we may be unable to maintain an adequate balance between purchase orders from third parties and our own. If for some reason we were to suffer a cancellation on a large order by a third party in our shipyard or if we should have to interrupt the building of barges for ourselves, we may have to incur large working capital outlays, for which we may not have sufficient funds, resulting in disruptions to our manufacturing process and the consequent impact on our results from operations.

Finally, since we may receive large orders for building barges for third parties at fixed prices, we may or may not be able to hedge our exposure to cost increases which may result in decreased margins or even operating losses.

The failure of Petrobras to successfully implement its business plan for 2014-2018 could adversely affect our business.

On February 25, 2014, Petrobras announced its business plan for 2014-2018, which includes a projected capital expenditure budget of \$220.6 billion between 2014 and 2018 with Exploration and Production (E&P) representing

approximately 70% of the total budget, up from 62% of the previous \$236.7 billion included in the 2013-2017 business plan. In addition, Petrobras' strategic objective in the E&P area is to produce an average of 4.0 million barrels of oil per day in the 2020-2030 period, under Petrobras' ownership in Brazil and abroad, by means of the acquisition of exploration rights.

Nevertheless, Petrobras has announced on March 2, 2015, the approval of a two-year (2015/2016) divestment plan as part of their financial planning aimed at reducing leverage, preserving cash and focusing on priority investments, mainly oil and gas production in Brazil in areas of high productivity and return. Divestitures are estimated at \$13.7 billion, including Exploration & Production assets in Brazil and abroad (30%), as well as assets in the Downstream (30%) and Gas & Energy (40%) segments. On March 25, 2015, Petrobras announced the approval of a review of the Company's investment plan.

While these announcements may scale back investments, we believe that Petrobras' capital expenditure plans will provide significant opportunities within the Brazilian PSV market, particularly for companies that own or are constructing Brazilian-built vessels and we intend to actively pursue the further expansion of our PSV operations in Brazil, including seeking chartering opportunities for our PSVs under construction, evaluating the construction of additional PSVs within Brazil and identifying opportunities to utilize the preferential rights provided by our current Brazilian-built PSVs and any future PSVs we may construct.

In the event that Petrobras scales back investment plans even further or does not successfully implement its business plan or does not otherwise capitalize on the growth opportunities and favorable Brazilian regulations, there may be fewer opportunities to employ PSVs in Brazil than we may expect or even no opportunities at all. Consequently, we may not be able to expand our PSV operations in Brazil as planned, which may adversely affect our Offshore Supply Business and results of operations.

Petrobras represented 33%, 23% and 29% of total revenues for the years ended December 31, 2014, 2013 and 2012, respectively.

Petrobras' recent corruption charges and liquidity pressures could adversely affect our business.

Petrobras is at the center of a major and wide-ranging corruption scandal involving alleged bribe-taking by Petrobras management and employees, and funneling bribes to Brazilian politicians and political parties. Petrobras so far has neither confirmed or denied the allegations. The scandal has resulted in a number of law suits against the company and certain individuals, and Petrobras' stock price has dropped approximately 65% since September 2014. Moody's has downgraded all ratings for Petrobras, citing concerns "about corruption investigations and liquidity pressures," among others. The scandal, the resulting loss in reputation and the downgrades may impact Petrobras' ability to raise funds in the capital markets, and may result in Petrobras' having to cut back on its capital expenditure plans. Such reduction could adversely affect the amount of exploration and production undertaken by Petrobras, which in turn could negatively affect our PSV operations in Brazil and our results of operations.

Petrobras represented 33%, 23% and 29% of our total revenues for the years ended December 31, 2014, 2013 and 2012, respectively.

Demand for many of the Company's services is impacted by the level of activity in the offshore oil exploration, development and production industry. The level of offshore oil exploration, development and production activity has historically been volatile and that volatility is likely to continue. The level of activity is subject to large fluctuations in response to relatively minor changes in a variety of factors that are beyond the Company's control, including:

- general economic conditions;
- prevailing oil and natural gas prices and expectations about future prices and price volatility;
- assessments of offshore drilling prospects compared with land-based opportunities;
- the cost of exploring for, producing and delivering oil offshore;
- worldwide demand for energy, other petroleum products and chemical products;
- availability and rate of discovery of new oil and natural gas reserves in offshore areas;
- federal, state, local and international political and economic conditions, and policies including cabotage and local content laws;
- technological advances affecting exploration, development, energy production and consumption;
- weather conditions;
- environmental regulation;
- regulation of drilling activities and the availability of drilling permits and concessions; and
- the ability of oil and natural gas companies to generate or otherwise obtain funds for capital projects.

If oil and natural gas prices were to remain depressed for a long period of time this may have a material adverse effect on our results of operations and financial condition.

The rise in production of unconventional crude oil and gas resources in North America and the commissioning of a number of new large Liquefied Natural Gas (LNG) export facilities around the world are, at least to date, primarily contributing to an over-supplied natural gas market. While production of crude oil and natural gas from unconventional sources is still a relatively small portion of the worldwide crude oil and natural gas production, production from unconventional resources is increasing because improved drilling efficiencies are lowering the costs of extraction. There is an oversupply of natural gas inventories in the United States in part due to the increased development of unconventional crude oil and natural gas resources. Prolonged increases in the worldwide supply of natural gas, whether from conventional or unconventional sources, will likely continue to weigh on natural gas prices. A prolonged period of low natural gas prices would likely have a negative impact on development plans of exploration and production companies which in turn, may result in a decrease in demand for offshore support vessel services.

A prolonged material downturns in crude oil and natural gas prices and/or perceptions of long-term lower commodity prices can negatively impact the development plans of exploration and production companies given the long-term nature of large-scale development projects, which would likely result in a corresponding decline in demand for offshore support services. In such event, we could experience a reduction in charter rates and/or utilization rates, which would have a material adverse effect on our results of operations, cash flows and financial condition. Crude oil pricing volatility has increased in recent years which could potentially impact negatively the Company's results of operations and financial condition if such price volatility affects spending and investment decisions of offshore exploration, development and production companies.

Crude oil prices have fallen 52% on average from the second quarter of 2014 to the first quarter of 2015. If prices were to continue through this trend in the future it may have a significant impact on the production and extraction growth plans and even a drop in overall oil production by Petrobras which in turn could negatively affect our PSV operations in Brazil and our results of operations.

The failure of a subcontractor or a joint venture partner or a co-provider of services under a contract may adversely affect our results.

We may subcontract or provide services jointly with other companies to third parties under a contract (acting as co-providers or as their subcontracts or other forms of association that may involve joint and several responsibilities). Failure by party to comply with its obligation under the contract may result in losses to the other party. Under the agreements with our co-providers we may not be able to recover the losses we may suffer as a consequence of their inability to perform and under certain circumstances we may be liable to them for our own failures to perform. While we are insured (as described separately) and we do require from our co-provider a similar coverage against the third party risks normally incurred under the contracts that we perform we may not be able to control at all times that our co-providers will maintain valid such insurance coverage which may impose liabilities on us or our insurers.

Changes in governmental policies in South America could adversely affect our business, results of operations, financial condition and prospects.

We engage in business activities throughout South America. For the year ended December 31, 2014, 29%, 25%, 21%, 5% and 5% of our revenues were derived from charterers domiciled or whose cargoes originate in Brazil, Paraguay, Argentina, Bolivia and Uruguay, respectively. As a result, our business is and will continue to be subject to the risks generally associated with doing business in South America.

Governments throughout South America have exercised and continue to exercise, significant influence over the economies of their respective countries. Accordingly, the governmental actions, political developments, monetary policy, financial, regulatory and legal changes or administrative practices in these countries concerning the economy in general and the transportation industry in particular could have a significant impact on us. We cannot assure that changes in the governmental policies of these countries will not adversely affect our business, results of operations, financial condition and prospects.

Our substantial indebtedness could adversely affect our financial health, harm our ability to react to changes to our business and prevent us from fulfilling our obligations under our indebtedness.

As of December 31, 2014, we had total debt of approximately \$465.1 million outstanding.

Our substantial level of indebtedness increases the possibility that we may be unable to generate cash sufficient to pay, when due, the principal of, interest on or other amounts due in respect of our indebtedness. Our substantial debt could also have other significant consequences. For example, it could:

- increase our vulnerability to general economic downturns and adverse competitive and industry conditions;

require us to dedicate a substantial portion, if not all, of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;

· limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

· place us at a competitive disadvantage compared to competitors that have less debt or better access to capital;

· limit our ability to raise additional financing on satisfactory terms or at all; and

adversely impact our ability to comply with the financial and other restrictive covenants in the indenture governing the notes and the credit agreements governing the debts of our subsidiaries, which could result in an event of default under such agreements.

Furthermore, our interest expense could increase if interest rates increase because some of the debt under the credit facilities of our subsidiaries is variable rate debt. See "Description of Credit Facilities and Other Indebtedness." If we do not have sufficient earnings, we may be required to refinance all or part of our existing debt, sell assets, borrow more money or sell more securities, none of which we can guarantee we will be able to do.

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Despite current indebtedness levels, we and our subsidiaries may still be able to incur substantially more debt. This could further exacerbate the risks associated with our substantial leverage.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. Although the indenture governing the notes and the credit agreements governing the debts of our subsidiaries contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and restrictions, and the indebtedness incurred in compliance with these restrictions could be substantial. Furthermore, the indenture for the notes specifically allows us to incur additional debt. See "Description of the Notes—Certain Covenants—Limitation on Indebtedness." Any additional borrowings could be structurally senior to the notes and the related guarantees if they are secured using vessels that are not used to secure the notes. If we incur additional debt above the levels in effect upon the closing of this offering, the risks associated with our substantial leverage would increase. See "Capitalization," "Selected Historical Consolidated Financial Data," "Description of Credit Facilities and Other Indebtedness" and "Description of the Notes-Certain Covenants—Limitation on Indebtedness."

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 2021 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 2021 Notes, and any amounts borrowed under our subsidiaries' credit facilities or to fund our other liquidity or capital 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 done on commercially reasonable terms, or at all. In addition, the indenture governing the 2021 Notes and the credit agreements governing our subsidiaries' various credit facilities may restrict us from adopting any of these alternatives. If we are not successful in, or are prohibited from, pursuing any of these remedies and cannot service our debt, our secured creditors may foreclose on our assets over which they have been granted a security interest.

Our ability to carry out our expansion plans as scheduled depends upon our ability to generate sufficient funds.

We expect to fund our capital expenditures with our cash on hand, cash generated from our operations and funds borrowed under existing or new loan facilities, net of debt service and taxes payable. If we do not have sufficient available cash from these sources to meet our capital expenditures, we may not be able to carry out our expansion plans as scheduled, or at all.

We may be unable to obtain further 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, barge building, increased working capital levels and generally increased capital expenditures. In the future, we will also need to make capital expenditures required to maintain our current fleet and infrastructure. Cash generated from our earnings may not be sufficient to fund all of these uses of cash. Accordingly, we may 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, depressed ship finance markets, 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 that might be necessary to acquire new vessels, or increase our working capital or capital expenditures, we might not be able to grow our business and our future 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.

The volatility in LIBOR could affect our profitability, earnings and cash flow.

If the London market for dollar loans between banks were to become volatile the spread between published LIBOR and the lending rates actually charged to banks in the London interbank market would widen. Interest in most loan agreements in our industry has been based on published LIBOR rates. However, lenders have insisted on provisions that entitle the lenders, in their discretion, to replace published LIBOR as the base for the interest calculation with their cost-of-funds rate. Some of our more recent financings contain such provisions; if under such provisions our lenders start to replace LIBOR with their higher cost of funds, that would have an adverse effect on our results of operations and our lending costs could increase significantly, which would have an adverse effect on our profitability, earnings and cash flow.

As of December 31, 2014, we had \$55.4 million of LIBOR-based variable rate borrowings under our credit facilities with International Finance Corporation, or IFC, and The OPEC Fund for International Development, or OFID, subject to an interest rate collar agreement, designated as cash flow hedge, to fix the interest rate of these borrowings within a floor of 1.69% and a cap of 5.0% per annum until June 2016.

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As of December 31, 2014, the Company had \$16.7 million of LIBOR-based variable rate borrowings under its credit facility with DVB, NIBC and ABN Amro subject to interest rate swaps, as economic hedges, to fix the interest rate of these borrowings between October 2012 and October 2016 at a weighted average cost of debt of 0.9% per annum, excluding margin. In addition, the Company had \$16.8 million of LIBOR-based variable rate borrowings under the same facility subject to interest rate swaps designated as cash flow hedge for accounting purposes, to fix the interest rate of these borrowings between March 2014 and September 2016 at a weighted average cost of debt of 1.2% per annum, excluding margin. Finally, the Company had \$18.0 million of LIBOR-based variable rate borrowings under the same facility subject to interest rate swaps designated as cash flow hedge for accounting purposes, to fix the interest rate of these borrowings between October 2014 and October 2016 at a weighted average cost of debt of 1.22% per annum, excluding margin.

As of December 31, 2014, the Company had \$6.9 million of LIBOR-based variable rate borrowings under its credit facility with DVB and Banco Security, subject to an interest rate swap, designated as cash flow hedge for accounting purposes, to fix the interest rate of these borrowings at a weighted average interest rate of 3.39% per annum.

Additionally, as of December 31, 2014, the Company had variable rate debt (due 2015 through 2023) totaling \$112.7 million. These debts call for the Company to pay interest based on LIBOR plus a 120-400 basis points margin range. Some of our existing financing agreements, within the terms and conditions contained in the relevant loan agreement, used a cost-of-funds rate in replacement of LIBOR. The interest rates generally reset either quarterly or semi-annually. As of December 31, 2014, the weighted average interest rate on these borrowings was 2.9%, including margin.

A 1% increase in LIBOR or a 1% increase in the cost-of-funds used as base rate by some of our lenders would translate to a \$1.1 million increase in our interest expense per year, which would adversely affect our earnings and financing cash flow.

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

We intend to continue investing in the building of new barges and in new heavy fuel pushboats. It is possible that these initiatives will fail to result in increased revenues and lower fuel costs, fail to result in cost-effective barge construction, or that they will lead to other complications that would adversely affect our business.

The increased capacity created by building new 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 in construction or registration, which may result in cost overruns or lost revenues. Any of these developments would adversely affect our cash flow, 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 such a large discount or at any discount at all. In addition, operating 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 cash flow, revenue and earnings.

We believe that our initiatives will result in improvements in efficiency allowing us to move more cargo per barge and / or per unit of pushing capacity. If we do not fully achieve these efficiencies, or do not achieve them as quickly as we have planned, we will need to incur higher repair expenses to maintain fleet size by maintaining older barges or invest new capital as we replace aging / obsolete capacity. Either of these options would adversely affect our results of operations.

Our River Business may be affected by the reliance on cargoes carried into and out of Paraguay and / or Brazil.

Future developments of alternative means of transportation in Paraguay or Brazil such as railways and pipelines may affect our results of operations due to the heavy reliance we have on cargo carried in and out of such countries.

Various projects of investment in transportation infrastructure have been under observation and, if any of those were to materialize at any point in time, could impact our results of operations.

We may order building new vessels in the future in yards anywhere in the world and we may experience delays in delivery under those future newbuilding contracts, which could adversely affect our financial condition and results of operations.

Additional newbuildings for which we may enter into contracts may be subject to delays in their deliveries or even non-delivery from the shipyards. The delivery of additional newbuildings 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, flood 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 or machinery, engines and critical components such as dynamic positioning equipment;
- our inability to obtain requisite permits or approvals or to receive the required classifications for the vessels from authorized classification societies;
- a shipbuilder's failure to otherwise meet the scheduled delivery dates for the vessels or failure to deliver the vessels at all; or
- inability or unwillingness by the shipyard to extend the refund guarantees required to be up to date according to the building contracts.

If the delivery of any newbuildings for which we may enter into contracts, continues to be materially delayed or is canceled, especially if we have committed that vessel 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 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 or that in the case we collect those late delivery penalties, they are sufficient to compensate for losses suffered.

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 bank refund guarantees, we cannot assure that we will always be able to collect or that it will be in our interest to collect under these guarantees.

We are a holding company, and depend almost 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 in 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. 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 2021 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 depend on a few significant customers for a large part of our revenues both on a consolidated and on a business segment basis and the loss of one or more of these customers could adversely affect our revenues.

On a consolidated basis, in the year ended December 31, 2014, our three largest customers were Petrobras, Cargill and Petropar. In aggregate terms, our three largest customers accounted for 48% of our total revenues. In each of our business segments, we derive a significant part of our revenues from a small number of customers. Additionally, some of these customers, including many of our most significant ones, operate vessels and or barges of their own. These customers may decide to cease or reduce the use of our services for any number of reasons, including employing 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 cash flow, revenues and earnings.

We are exposed to U.S. dollar and foreign currency fluctuation risk.

Since we are a global company, our international operations are exposed to foreign currency exchange rate risks on all charter hire contracts denominated in foreign currencies. For some of our international contracts, a portion of the revenue and local expenses are incurred in local currencies and the company is at risk of changes in the exchange rates between the U.S. dollar and foreign currencies. Any foreign currency rate fluctuations associated with foreign currency contracts that arise in the normal course of business exposes us to the risk of exchange rate losses. Gains and losses from the revaluation of our assets and liabilities denominated in currencies other than our functional currency are included in our consolidated statements of operations. Foreign currency fluctuations may cause the U.S. dollar value of our non-U.S. results of operations and net assets to vary with exchange rate fluctuations. This could have a negative impact on our results of operations and financial position. In addition, fluctuations in currencies relative to currencies in which the earnings are generated may make it more difficult to perform period-to-period comparisons of our reported results of operations. To minimize the financial impact of these items, the company attempts to contract a significant majority of its services in U.S. dollars. In addition, the company attempts to minimize its financial impact of these risks, by matching the currency of the company's operating costs with the currency of revenue streams when considered appropriate. The company continually monitors the currency exchange risks associated with all contracts not denominated in U.S. dollars.

In our Offshore Supply Business, where we have chartered twelve PSVs with Petrobras on long term-contracts, a portion of our charter contracts is denominated in U.S. dollars and another portion is denominated in Brazilian reals. Inasmuch as this portion in Brazilian real is intended to mitigate foreign currency exchange rate risks produced by our costs incurred in reals, it may not be enough to compensate us for significant fluctuations of the exchange rate. This could have a negative impact on our results of operations and financial position. The Brazilian real exchange rate against the U.S. dollar has seen a devaluation of 12% from the average exchange rate of the fourth quarter of 2014 as compared to the average exchange rate in the same period of 2013.

We have from time to time hedged our exposure to changes in foreign currency exchange rates and as a result, we could incur unanticipated losses. This operation may be performed again in the future.

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, most of these agreements permit the adjustment of freight rates based on changes in the price of fuel. We may be unable to include this provision in these contracts when they are renewed or in future contracts with new customers. In our Offshore Supply Business, the risk of variation of fuel prices under the vessels' current employment is generally borne by the charterers, since the PSVs are on time charter and it is the time charterers who are generally responsible for the cost and supply of fuel; however, such cost may affect the charter rates we are able to negotiate for our Offshore Supply Business vessels. In addition, we may become responsible for the positioning and repositioning supply of fuel to such vessels, in which case variations in the price of fuel could affect our earnings. In our Ocean Business, while fuel costs and supply are the charterers' responsibility during the vessel's time charter, fuel is a significant, if not the largest, expense in our shipping operations or for those employed in our container feeder service. We are responsible for the supply of fuel to such vessels and variations in the price of fuel could have a significant impact on our earnings to the extent they are different (higher than) those employed when estimating the expected result of such voyages and fixing the corresponding freight. We may not be able to increase our container feeder freights to compensate for the fuel adjustment. Further, fuel may become much more expensive in the future, which may reduce the profitability and competitiveness of our business versus other forms of transportation, such as truck or rail.

To the extent our contracts do not pass-through changes in fuel prices to our clients, we will be forced to bear the cost of fuel price increases. We may hedge in the futures market all or part of our exposure to fuel price variations; however, we cannot assure you that we will be successful in hedging such exposure. In the event of a default by our

charterers or other circumstance affecting the performance of a contract of affreightment we may incur losses in connection with our hedging instruments. Even in case we were able to hedge (partially or totally) our exposure to fuel price variations, we may have to post collateral (i.e. margin calls) under those hedges. Such posting of collateral may require substantial amounts of cash and in case we are not able to post such cash to the margin accounts, the hedges may be unilaterally cancelled by our counterparts, negatively affecting our results and reinstating our exposure to fuel prices.

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 of such inability.

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. 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 a decrease in the price of our notes and 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.

Secondhand vessels are more expensive to operate and repair than newbuildings and may have a higher likelihood of incidents which could adversely affect our earnings and as our fleet ages, the risks associated with older vessels could adversely affect our ability to obtain profitable charters.

We purchased all of our oceangoing vessels and substantially all of our other vessels with the exception of our PSVs and part of our river fleet, secondhand and our current business strategy generally includes growth through the acquisition of additional secondhand vessels in all our business segments. While we inspect secondhand vessels prior to their purchase, this does not provide us with the same knowledge about their condition that we would have had if these vessels had been built for and operated exclusively by us. Consequently, 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. If we purchase and operate additional secondhand vessels, we could be exposed to increased operating costs which could adversely affect our cash flows and our earnings.

In general, the cost of maintaining a vessel in good operating condition increases with the age of the vessel. Also, older vessels are typically less fuel-efficient than more recently built vessels due to improvements in engine technology. Cargo insurance rates increase with the age of a vessel, making older vessels less desirable to charterers. Governmental regulations, safety or other equipment standards related to the age of vessels may require expenditures for alterations or the addition of new equipment to our vessels and may restrict the type of activities in which the vessels may engage. As our vessels age, market conditions may not justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives.

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 or in a timely manner.

In an industry such as offshore oil exploration and production where security concerns are widespread as is the intervention of governmental regulators, operational difficulties with newly delivered vessels may affect our commercial reputation either temporarily or permanently. In addition, in a fleet where most vessels are sister vessels, mechanical design, electrical or other problems may affect more than one of our vessels simultaneously.

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.

Spare parts or other key elements needed for the operation of our vessels may not be available off-the-shelf and we may face substantial delays which could result in loss of revenues while waiting for those spare parts to be produced and delivered to us.

Our vessels may need spare parts to be provided in order to replace old or damaged parts in the normal course of their operations. Given the increased activity in the maritime industry and the industry that supplies it, the manufacturers of key elements of our vessels (such as engine makers, propulsion systems makers, control systems makers and others) may not have the spare parts needed available immediately (or off-the-shelf) and may have to produce them when

required. If this was the case, our vessels may be unable to operate while waiting for such spare parts to be produced, delivered, installed and tested, resulting in substantial loss of revenues for us. Also, the availability of local drydocks where such work is required to be completed may be difficult to contract on a timely basis.

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 some instances, we procure loss of hire and strike insurance, which covers business interruptions due to mechanical breakdowns or incidents that result in the loss of use of a vessel. We cannot assure you that if such insurance is taken out that it will continue to be available on a commercially reasonable basis.

In addition to the P&I entry that we hold for all our fleet, the PSVs currently maintain third party liability insurance covering contractual claims that may not be covered by our P&I entry in the amount of \$50.0 or in some cases up to \$100.0 million. If claims affecting such policy exceed this amount, it could have a material adverse effect on our business and the results of operations.

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 resulting from damage to or loss of our vessels, liability to a third party, harm to the environment, or other catastrophic claims. For example, our protection and indemnity insurance has a coverage limit of \$1.0 billion for oil spills and related harm to the environment and \$3.0 billion for passengers and crew claims. Although the coverage amounts are significant, such amounts may be insufficient to fully compensate us and thus, 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 overdue 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 cannot assure you that the board will exercise its discretion to vote to approve the claim.

The Company's inability to attract and retain qualified personnel could have an adverse effect on its business.

Attracting and retaining skilled personnel across all of the Company's business segments is an important factor in its future success. The market for the personnel employed is highly competitive and the Company cannot be certain that it will be successful in attracting and retaining qualified personnel in the future.

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

As of December 31, 2014, we employed 277 land-based employees, 218 shipyard workers and approximately 1,119 seafarers as crew on our vessels. Most of these seafarers are covered by industry-wide collective bargaining agreements that set basic standards applicable to almost all companies who hire such individuals as crew.

Because most of our employees, including the workers in our shipyards, may be 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 or that they may not result in increased costs. Any labor interruption could disrupt our operations and harm our financial performance.

In our River Business, different degrees of unionization of our employees and crewmembers may lead to a change or leveling of such unionization, which could result in higher costs for us, thus affecting our results of operations. Furthermore, due to the unionized nature of our activity in South America, while in the process of negotiating such leveling, our operations may be affected by strikes in our River and Ocean businesses, causing us to suffer delays due to lack of the necessary crewing onboard our pushboats and ocean vessels. In our barge building facility at Punta Alvear, our workforce is also mainly unionized and negotiations over wages and conditions may have very little bearing on negotiations we have with our other employees and crew members.

On our Offshore Supply Business, our Brazilian crewmembers are also unionized and a strike could affect our results of operations.

Strikes or labour disruptions affecting some of our key suppliers could also have a significant impact on our operations, such as those affecting stevedores, port/pilotage unions, truck drivers, steel workers, etc.

The Company's sale of barges to third parties could be adversely impacted by local cost increases.

We have made a substantial investment on our own barge building facility in Punta Alvear yard in Rosario, Argentina, where we build barges for sale to third parties and for our own account. Our production is subject to local unionization of our shipyard employees, inflation in local currency and exchange rate risks, which may result in cost increases. If one or more of these factors take place we may lose barge construction contracts to our competitors.

A reduction in the total output of the yard for any reason impacts the production cost of the barges because of the allocation of fixed costs over the total number of units produced. A severe reduction in the number of barges produced could render our production uneconomical. If the production is reduced we may not be able to reduce the labour force proportionately or we may have to incur significant severance costs to do so with a negative financial impact to us.

Our River Business could be adversely impacted by the construction or acquisition of existing or new barges by its competitors.

If one or more of our competitors in our river business were to acquire or contract for the construction of barges for their operation in the Hidrovia, we could have a material effect on our results of operations.

The Company's sale of barges to third parties could be adversely impacted by competition.

In the event that additional competing barge building facilities were to be established or barges built elsewhere in the world would be imported cost effectively then our third party barge sales would be subject to more price competition and our competitors would have access to new barges that would enable them to undergo fleet renewal.

Third party sales represented 4%, 16% and 10% of total revenues for the years ended December 31, 2014, 2013 and 2012, respectively.

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 as defined by the indenture of our 2021 Notes, we will be required to make an offer to repurchase the 2021 Notes at a price of 101% of their principal amount plus accrued and unpaid interest within a period of 30 to 60 days. A change of control may also result in the banks that have other financings in place with us deciding to cross-default and/or accelerate the repayment of our loans. 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.

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 or refinance borrowings or raise capital through the sale of debt or equity securities. Our ability to obtain new 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, poor market conditions for shipowning companies and other 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.

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

We are incorporated under the laws of the Commonwealth of the Bahamas. Our organizational documents and the International Business Companies Act, 1989 govern our affairs. Investors may have more difficulty in protecting their interests in the face of actions by the management, directors or controlling stockholders than would stockholders of a corporation incorporated in a United States jurisdiction.

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.

We should not be a PFIC with respect to any taxable year. Based upon our operations as described herein, our income from time charters should not be treated as passive income for purposes of determining whether we are a PFIC. Accordingly, our income from our time chartering activities should not constitute "passive income" and the assets that we own and operate in connection with the production of that income should not constitute passive assets.

There is substantial legal authority supporting this position consisting of case law and U.S. Internal Revenue Service, or IRS, pronouncements concerning the characterization of income derived from time charters and voyage charters as service income for other tax purposes. However, it should be noted that there is also authority which characterizes time charter income as rental income rather than service income for other tax purposes. Accordingly, no assurance can be given that the IRS or a court of law will accept this 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 the nature and extent of our operations were to change.

If the IRS were to find that we are or have been a PFIC for any taxable year, our U.S. shareholders would face adverse U.S. federal income tax consequences and certain information reporting obligations. Under the PFIC rules, unless those shareholders make an election available under the U.S. Internal Revenue Code of 1986, as amended, or the Code (which election could itself have adverse consequences for such shareholders, as discussed below under "Tax Considerations – U.S. Federal Income Taxation – U.S. 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 their shares of our common stock, as if the excess distribution or gain had been recognized ratably over the shareholder's holding period of their shares of our common stock.

We may have to pay tax on U.S. source income, which would reduce our earnings and cash flows. Under the U.S. Internal Revenue Code of 1986, as amended, or the Code, 50% of the gross shipping income of our vessel owning or chartering non-U.S. 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.

We believe that any U.S. source shipping income of our non-U.S. subsidiaries will qualify for the exemption from tax under Section 883 of the Code on the basis that our stock is primarily and regularly traded on the Nasdaq Global Select Market. However, we cannot assure you that our non-U.S. subsidiaries will at all times qualify for that exemption. In addition, changes in the Code, the Treasury Regulations or the interpretation thereof by the U.S. Internal Revenue Service (the "IRS") or the courts could adversely affect the ability of our non-U.S. subsidiaries to qualify for such exemption. If any of our non-U.S. subsidiaries are not entitled to that exemption, they would be subject to a 4% U.S. federal income tax on their gross U.S.-source shipping income. The imposition of this tax could have a negative effect on our business and would result in decreased earnings.

It should be noted that for the calendar years 2012, 2013 and 2014, our non-U.S. subsidiaries did not derive any U.S.-source shipping income. Therefore our non-U.S. subsidiaries should not be subject to any U.S. federal income tax for 2012, 2013 or 2014, regardless of their qualification for exemption under Section 883 of the Code.

Changes in tax laws or the interpretation thereof and other tax matters related to our UK tonnage tax election may adversely affect our future results.

Some of our non-Brazilian flagged PSVs are operated within the UK's tonnage tax regime. Under UK tonnage tax, UK corporation tax liabilities are calculated by reference to a notional daily profit, based on the tonnage of the vessels. This results in a lower effective tax rate than would be achieved if we were to be taxed in the UK outside of the tonnage tax regime. Tonnage tax is an elective regime with certain qualifying conditions, and is monitored by HMRC (the UK tax authority). Changes in tax laws, in the interpretation of the tax laws, or in the manner in which HMRC views our UK operations in the context of the tonnage tax rules, may adversely affect our future results due to potentially higher tax charges.

Some of our vessels operating in Brazil and/or in Chile operate under contracts with one of our Chilean subsidiaries; changes in the tax treaties in Argentina or Brazil (or in their interpretation) may adversely affect our results of operations.

We are subject to certain antitrust legislations in certain countries in which we operate.

In some of the countries in which we operate, we are subject to antitrust legislations and governmental regulations. If any or all of the consolidations, mergers, joint ventures and acquisitions carried out by us or our subsidiaries or involving our controlling shareholders were to result in a non-compliance or breach or contravention under such legislations, we may be forced to sell, divest, or reorganize our Company and structure of operations and/or may be fined, affecting our results of operations.

#### Risk Factors Related To Our Common Stock

The concentration of our common stock ownership may limit the ability of holders of our common stock to influence corporate matters.

Sparrow Capital Investments Ltd. ("Sparrow") currently owns approximately 84.7% of our outstanding common stock which represents the same percentage of the voting common stock of the Company. Furthermore, our directors or officers who are affiliated with the Company or other individuals providing services under our management

agreements may receive equity awards under the Company's 2006 Stock Incentive Plan. As of the date of this annual report, there were 3,443,497 shares of common stock available for issuance under our 2006 Stock Incentive Plan.

This concentrated control limits the ability of other holders of our common stock to influence corporate matters and, as a result, we may take actions that holders of our common stock do not view as beneficial. As a result, the market price of our common stock could be adversely affected.

Future sales of our common stock could cause the market price of our common stock to decline.

The market price of our common stock could decline due to sales of a large number of shares in the market, including sales of shares by our large shareholders, or the perception that these sales could occur. These sales could also make it more difficult or impossible for us to sell equity securities in the future at a time and price that we deem appropriate to raise funds through future offerings of shares of our common stock.

We have entered into a registration rights agreement dated as of December 12, 2012, with Sparrow, Sparrow CI Sub Ltd. ("Sparrow CI Sub"), Inversiones Los Avellanos S.A. ("Los Avellanos") and Hazels (Bahamas) Investments Inc. ("Hazels") pursuant to which these parties and their affiliates or transferees are entitled to cause us to register under the Securities Act for resale in the public market shares of our common stock that they own. All rights under the registration rights agreement of Los Avellanos and Hazels were transferred to Sparrow.

We may issue additional shares of common stock or other securities to finance our growth. These issuances, which would generally not be subject to shareholder approval, may lower your ownership interests and may depress the market price of our common stock.

We may plan to finance potential future expansions of our fleet or other corporate matters in part with equity financing. Therefore, subject to the securities laws and the rules of the NASDAQ that are applicable to us, we may plan to issue additional shares of common stock, and other equity securities of equal or senior rank, in a number of circumstances from time to time.

The issuance by us of additional shares of common stock or other equity securities of equal or senior rank could have the following effects:

our existing shareholders' proportionate ownership interest in us may decrease;

the relative voting strength of each previously outstanding share may be diminished; and

the market price of our common stock may decline.

The price of our common stock may be volatile and if the price of our common stock fluctuates, you could lose a significant part of your investment.

Our common stock commenced trading on the NASDAQ in October 2006. We cannot assure you that an active or liquid public market for our common stock will continue. Since 2008, the stock market has experienced extreme price and volume fluctuations. If the volatility in the market continues or worsens, it could have an adverse effect on the market price of our common stock and impact a potential sale price if holders of our common stock decide to sell their shares.

The market price of our common stock may be influenced by many factors, many of which are beyond our control, including the following:

the failure of securities analysts to publish research about us, or analysts making changes in their financial estimates;

fluctuations in the seaborne transportation industry;

announcements by us or our competitors of significant contracts, acquisitions or capital commitments;

actual or anticipated fluctuations in quarterly and annual results;

economic and regulatory trends;

general market conditions;

terrorist acts;

future sales of our common stock or other securities; and

investors' perception of us and the shipping industry.

Our stock currently trades in the Nasdaq Stock Exchange which requires our stock price to remain above the \$1.00 value. If we cannot comply with this requirement it may have an adverse effect on our earnings and cash flows.

If the closing bid price of our stock were to fall below \$1.00 for 30 consecutive business days, the Nasdaq gives us 180 days to regain compliance. If at any time during the 180 days our stock price is at least \$1.00 for 10 consecutive business days, then the matter will be closed. If not, the Company needs to take actions to get it back up to \$1.00.

If we cannot get the price back up during the 180 days, we can ask Nasdaq for an extension, which can be granted.

As a result of these and other factors, investors in our common stock may not be able to resell their shares at or above the price they paid for such shares. These broad market and industry factors may materially reduce the market price of our common stock, regardless of our operating performance.

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## ITEM 4— INFORMATION ON THE COMPANY

### A. HISTORY AND DEVELOPMENT OF THE COMPANY

In this annual report, unless the context otherwise indicates, the terms "we", "us" and "our" (and similar terms) refer to Ultrapetrol (Bahamas) Limited and its subsidiaries and joint ventures.

We were originally formed, in conjunction with others, by members of the Menendez family with a single ocean going vessel in 1992 and were incorporated in our current form as a Bahamas corporation on December 23, 1997. Our registered offices are in Ocean Centre, Montagu Foreshore, East Bay St., Nassau, Bahamas. (P.O. Box SS-19084). Our agent in the Bahamas is H&J Corporate Services Ltd. Our telephone number is +1 242 364 4755. The Company is incorporated as an International Business Company under the provisions of the International Business Companies Act, 2000. As the Company is a publicly listed company on the NASDAQ Stock Exchange, it is also subject to the provisions of the Securities Industry Act, 2011 and the Securities Industry Regulations, 2012.

Our Ocean Business has been built 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 10 1/2% First Preferred Ship Mortgage Notes due 2008, or the Prior Notes. By 2001, our fleet had 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 our entire single hull Panamax and Aframax fleets (five vessels in total), a process that we completed in early 2004. We then focused in developing two different ocean fleets: a Capesize / OBO fleet and a Product Tanker fleet. However, in December, 2009, taking into account the future delivery of an increasingly large order book for Capesize vessels, the Company made the strategic decision to sell this asset class. The process started with the sale of our vessel Princess Susana on December 10, 2009, and finalized with the sale of our fourth Capesize vessel, Princess Katherine, on September 15, 2010. As we gradually moved out of Capesize vessels, we started to develop a regional cabotage container feeder service joining Buenos Aires with Ushuaia in the southern end of South America. We currently service this trade with two container feeder vessels, Asturiano and Argentino, acquired in April 2010 and December 2010, respectively.

We began our River Business in its current format in 1993. In October 2000, we formed a joint venture, UABL Ltd., or UABL, with American Commercial Barge Lines Ltd., or ACBL. From 2000 to 2004, we built UABL (our brand name in the River Business) into the leading river barge company in the Hidrovia Region of South America. We purchased from ACBL their 50% equity interest in UABL and started a process of growth that included several load outs (imports) of barges and pushboats from the United States of America and acquisitions of smaller companies already present in the Hidrovia, such as Otto Candies. In addition, in order to further expand our fleet capacity and replace old barges we built and inaugurated our own barge-building facility at Rosario, Argentina, in December 2009.

During 2000, we received a \$50.0 million equity investment from an affiliate of Solimar Holdings, Ltd., or Solimar, a wholly-owned subsidiary of the AIG-GE Capital Latin American Infrastructure Fund, or the Fund. The Fund was established at the end of 1996 to make equity investments in South America, Mexico, Central America and the Caribbean countries. The Fund was also a co-investor with the Company in other shipping ventures.

We initiated our Offshore Supply Business in its current format during 2003 through a joint venture with a wholly-owned subsidiary of the Fund and Firmapar Corp. (formerly Comintra Enterprises Ltd.). Our partners and us capitalized the business with \$45.0 million of common equity and \$70.0 million of debt and preferred equity from IFC to build our initial fleet of six PSVs. On March 21, 2006, we purchased 66.67% of the issued and outstanding capital stock of UP Offshore (Bahamas) Ltd., or UP Offshore, the company through which we operate our Offshore Supply Business, from an affiliate of Solimar for a purchase price of \$48.0 million. Following this acquisition, we held 94.45% of the issued and outstanding shares of UP Offshore.

In November 2004, we issued \$180.0 million of 9% First Preferred Ship Mortgage Notes due 2014, or the 2014 Notes. A substantial part of the proceeds of the 2014 Notes offering was used to repay the Prior Notes.

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 and Ocean Businesses, from other related companies.

On October 18, 2006, we completed the initial public offering of 12,500,000 shares of our common stock (our IPO), which generated gross proceeds to us of \$137.5 million.

On April 19, 2007, we successfully completed a follow-on offering of 11,000,000 shares of our common stock, which generated gross proceeds to us of \$96.8 million and gross proceeds to the selling shareholders in our follow-on of \$112.2 million. Additionally, the underwriters of our follow-on exercised their over-allotment option to purchase from the selling shareholders in our follow-on an additional 1,650,000 shares of our common stock. We did not receive any of the proceeds from the sale of shares by these shareholders in the over-allotment option.

On July 15, 2010, Solimar Holdings Ltd., or Solimar, sold all of its remaining shareholder interest in the Company to Hazels (Bahamas) Investments Inc., or Hazels. Accordingly Hazels acquired 2,977,690 additional ordinary shares in the Company, which entitled Hazels to hold seven votes for each additional share so acquired in that transaction.

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On December 23, 2010, we issued \$80.0 million of 7.25% Convertible Senior Notes due 2017 (the "Convertible Senior Notes"). Under those notes, on February 13, 2012, the conversion rate and price were adjusted to 163.1312 or \$6.13 per share of common stock. On January 23, 2013, in accordance with the terms of the indenture, we repurchased all \$80.0 million of the outstanding Convertible Senior Notes.

On December 12, 2012, we announced the closing of an investment agreement entered into on November 13, 2012, with Sparrow, a subsidiary of Southern Cross Latin America Private Equity Fund III, L.P. and Southern Cross Latin America Private Equity Fund IV, L.P. (collectively, "Southern Cross"). Pursuant to such closing, we sold 110,000,000 shares of newly issued common stock to Sparrow at a purchase price of \$2.00 per share. We received proceeds of \$220.0 million from the transaction.

On June 10, 2013, we issued our \$200.0 million 8 % First Preferred Ship Mortgage Notes due 2021. Proceeds were used to redeem the full \$180.0 million plus accrued interest of our 9% First Preferred Ship Mortgage Notes due 2014 ("the 2014 Notes") and for general corporate purposes.

On July 5, 2013, we entered into a Share Purchase Agreement with Firmapar Corp. (the "Offshore SPA"), the then owner of 5.55% of shares in UP Offshore (Bahamas) Limited ("UP Offshore"), our holding company in the Offshore Supply Business. Through the Offshore SPA we agreed to purchase from Firmapar Corp. the 2,500,119 shares of common stock of UP Offshore that we did not own. Subsequently, on July 25, 2013, we paid \$10.3 million to Firmapar Corp. As from such date, we own 100% of the common stock of UP Offshore.

On July 10, 2013, we redeemed all \$180.0 million of the 2014 Notes with proceeds of our offering of \$200.0 million 8 % First Preferred Ship Mortgage Notes due 2021 issued on June 10, 2013.

On October 2, 2013, we closed the sale of \$25.0 million in aggregate principal amount of our 8 % First Preferred Ship Mortgage Notes due 2021 (the "Add-On Notes"), which were offered as an add-on to our then outstanding \$200.0 million aggregate principal amount of 8 % First Preferred Ship Mortgage Notes due 2021. As a result of the offering of the Add-On Notes, we have outstanding an aggregate principal amount of \$225.0 million of our 8 % First Preferred Ship Mortgage Notes due 2021.

On September 3, 2014, Sparrow purchased from Hazels, Los Avellanos and certain of their affiliates (such affiliates, together with Hazels and Los Avellanos, the "Hazels Group"), 25,326,821 shares of common stock of the Company at a price equivalent of \$4.00 per share. These shares represented all of the shares of the Company owned by the Hazels Group, which is affiliated with Messrs. Felipe and Ricardo Menendez, who were the Company's CEO and Executive Vice President, respectively, as well as directors of the Company at the time of the transaction. The transaction increased Southern Cross' ownership in the Company from 67% to 85%. As a result of the transaction, the equity capital of the Company is now comprised of shares with equal voting rights of one vote per share (prior to the transaction, certain shares held by Hazels and Los Avellanos had seven votes per share). Simultaneously with the transaction, the existing employment agreements with Messrs. Felipe and Ricardo Menendez were terminated and replaced with short term agreements. Messrs. Felipe and Ricardo Menendez have since left the Company, and since November 2014, Mr. Damián Scokin is CEO of the Company.

## B. BUSINESS OVERVIEW

### Our Company

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

Our River Business, with 687 barges (of which 24 are under lease) and 33 pushboats as of December 31, 2014, is the largest owner and operator of river barges and pushboats that transport dry bulk and liquid cargoes through the Hidrovia Region of South America, a large area with growing agricultural, forest and mineral related exports. This region is crossed by navigable rivers that flow through Argentina, Brazil, Bolivia, Paraguay and Uruguay to ports serviced by ocean export vessels. These countries are estimated to account for approximately 55% of world soybean production in 2014, as compared to 30% in 1995. We also own a barge building facility at Punta Alvear, which is the most modern of its kind in South America, and we own an inland tank barge, Parana Iron, which has been converted into an iron ore transfer and storage unit currently employed with a non-related third party.

Our Offshore Supply Business owns and operates vessels that provide critical logistical and transportation services for offshore petroleum exploration and production companies, in the coastal waters of Brazil and the North Sea. As of December 31, 2014, our Offshore Supply Business fleet consisted of fourteen Platform Supply Vessels, or PSVs, of which twelve were chartered in Brazil and two in the North Sea. Our PSV UP Coral which entered into a six-year contract with Petrobras to operate as a Remotely Support Vessel ("RSV") is expected to commence operations during the second quarter of 2015 after its conversion.

Our Ocean Business, as of December 31, 2014, operates six ocean-going vessels that we employ in the South American coastal trade where we have preferential rights and customer relationships. The six vessels are comprised of four Product Tankers (one of which is under lease) and two container feeder vessels. On December 30, 2014, we confirmed the bareboat charter of Mentor for 3 years, which has also been fixed on time charter to Petrobras. This vessel is expected to commence its service in May 2015, replacing one of our Product Tankers, Miranda I, which has been placed for sale.

We are focused on growing our businesses with an efficient and versatile fleet that will allow us to provide an array of transportation services to customers in several different industries. Our business strategy is to leverage our expertise and strong customer relationships to increase volume, efficiency and market share in a targeted manner. For example, we replaced engines on six of our river pushboats as part of our re-engining program, increasing the pushing capacity of some of them, with new engines that should allow us to operate using heavy fuel which has been historically less expensive than the types of fuel currently used. This initiative seeks to maximize the size of our convoys thus reducing costs per ton transported. We expect that the recently acquired PSVs and the conversion of one into an RSV will allow us to further capitalize on the attractive offshore petroleum services market. We have also expanded on our ocean fleet through acquisitions or bareboat charters of specific types of vessels, by having purchased a 2003-built container vessel, the Frisian Commander, renamed Asturiano, with a carrying capacity of 1,118 Twenty-foot Equivalent Units, or TEUS, as well as a 2002-built container vessel, the Sinar Bontang, renamed Argentino, with a carrying capacity of 1,050 TEUS which operate in a flag-restricted trade in the Argentine cabotage market. We expect to continue inspecting vessels to replace those that will require substitution in the near future in our business segments. Finally we are examining the possibility of building or converting ships to participate, within the same business segments that we presently operate, in sectors or sizes not covered by our present fleet. We believe that the versatility of our fleet and the diversity of industries that we serve reduce our reliance on any particular sector of the

shipping industry and offer numerous growth opportunities.

Each of our businesses has seasonal aspects, which affect their revenues on a quarterly basis. The high season for our River Business is generally between the months of March and September, in connection with the South American harvest and higher river levels. However, growth in the soy pellet manufacturing, minerals and forest industries may help offset some of this seasonality. The Offshore Supply Business operates year-round, particularly off the coast of Brazil, although weather conditions in the North Sea may reduce activity from December to February. In the Ocean Business, we employ our Product Tankers on time charters so there is no seasonality effect, while our container feeder service experiences a somewhat slower season during the first quarter due to the congestion at the main discharge terminal in Patagonia in connection with the cruise tourist season.

We have a diverse customer base including large and well-known petroleum, agricultural and mining companies. Some of our significant customers in the last three years include affiliates of Bunge, Cargill, ESSO, MMX, Nexen Petroleum (UK) Ltd., Petrobras (the national oil company of Brazil), Petropar (the national oil company of Paraguay), Siderar, Trafigura and Vicentin.

#### Our Lines of Business

Revenues	2014		2013		2012		
Attributable to River Business	\$175,110	48 %	\$246,798	60 %	\$163,279	52 %	
Attributable to Offshore Supply Business	119,581	33 %	93,154	23 %	76,661	25 %	
Attributable to Ocean Business	68,984	19 %	71,265	17 %	73,229	23 %	
Total	\$363,675	100%	\$411,217	100%	\$313,169	100%	

River Business. We have developed our River Business from a single river convoy comprising one pushboat and four barges in 1993 to the leading integrated river transportation company in the Hidrovia Region today. Our River Business, which we operate through our subsidiary UABL, had 687 barges with approximately 1.3 million dwt capacity and 33 pushboats as of December 31, 2014. Of those, 604 are dry barges that can transport agricultural and forestry products, iron ore and other cargoes and the other 83 are tank barges that can carry petroleum products, vegetable oils and other liquid cargoes. In addition we own an inland barge Parana Iron, which has been converted into an iron ore transfer and storage unit under employment with a non-related third party. We believe that we have more than twice the number of barges and dwt capacity than our nearest competitor in this river system. We operate our pushboats and barges on the navigable waters of the Parana, Paraguay and Uruguay Rivers and part of the River Plate in South America, also known as the Hidrovia Region. At over 2,200 miles in length, the Hidrovia Region is comparable in length to the Mississippi River in the United States and produces and exports a significant and growing amount of agricultural products. In addition to agricultural products, we expect companies in the Hidrovia Region to continue expanding and initiating the production of other goods, including forest products, iron ore and pig iron.

We have purchased 25 new engines from MAN Diesel in connection with our engine replacement program set to re-motorize seven of our line pushboats and additionally increase the pushing capacity of some of them. The new engines consume heavier grades of fuel which have been historically cheaper than the diesel fuel our pushboats currently consume. Additionally, we intend to build four new high powered shallow drafted pushboats.

We own and operate a terminal at Dos Fronteras (Paraguay) and through a joint venture we own and operate a terminal at Tres Fronteras (Paraguay) to provide integral transportation services to our customers from origin to destination. We also own a drydock and repair facility to carry out fleet maintenance. We utilize night-running technology, which partially allows for night navigation of our convoys and improves asset utilization. As increasing agricultural production is expected to maintain its trend over the next few years, the Hidrovia requires an efficient solution to create the capacity necessary for river transportation. To such end we finalized in December 2009 the construction of our new shipyard at Punta Alvear for building barges and other vessels. This new yard has proven to be a cost-efficient tool to increase our capacity in both dry and tank barges and also to replace our older barges. This facility is one of the most modern of its kind in South America and has proven to be capable of producing barges in a timely and cost efficient manner when running at normal scale. We have also been successful in completing selected sales of barges to third parties for their operation.

Offshore Supply Business. Our Offshore Supply Business, which we operate through UP Offshore, is focused on serving companies that are involved in the complex and logistically demanding activities of deepwater oil exploration and production. Our PSVs are designed to transport supplies, equipment, drill casings and pipes on deck, along with fuel, water, drilling fluids and bulk cement in under-deck tanks and a variety of other supplies to drilling rigs and offshore platforms. In 2003 we ordered the construction of six technologically advanced PSVs. We took delivery of two of these vessels in 2005, two in 2006, one in 2007 and the last one in August 2009. During 2007 we also placed orders to build an additional four PSVs in India and two in China. In December 2010, we took delivery of the first Chinese vessel, UP Turquoise, which commenced its 4-year time charter with Petrobras on March 12, 2011, and our second one, UP Jasper, commenced operations in the North Sea on September 29, 2011. On May 22, 2012, we took delivery of our first Indian PSV, UP Jade, which commenced operation with Petrobras on August 10, 2012. On January 30, 2013, we took delivery of our second Indian PSV, UP Amber, which commenced operation with Petrobras on August 1, 2013. Finally, on August 12, 2013, we took delivery of our third Indian PSV, UP Pearl, which commenced operation with Petrobras on November 25, 2013. The last Indian PSV was cancelled due to excessive delays in its construction. During the fourth quarter of 2013, we acquired three state-of-the-art 5,145 dwt sister PSVs, UP Agate, UP Coral and UP Opal. UP Agate is operating in the North Sea while our UP Coral is expected to be converted into an RSV before its entry into operation with Petrobras during the second quarter of 2015. In addition, our UP Opal has entered into its four-year time charter with Petrobras on January 25, 2015.

We intend to employ all vessels in our offshore fleet in markets such as Brazil, the North Sea, West Africa and other international markets in accordance with prevailing market conditions. Through one of our Brazilian subsidiaries, we have the competitive advantage of being able to operate a number of our PSVs in the Brazilian market with cabotage trading privileges, enabling those PSVs to obtain employment in preference to other non-Brazilian flagged vessels.

The trend for offshore petroleum exploration, particularly in Brazil, has been to move toward deeper, larger and more complex projects, such as the Tupi and Jupiter fields in Brazil, which we believe will result in increased demand for more sophisticated and technologically advanced PSVs to handle the more challenging environments and greater distances. Our PSVs are of a larger deadweight and equipped with dynamic positioning capabilities, with greater cargo capacity and deck space than other PSVs serving shallow water offshore rigs, all of which provide us with a competitive advantage in efficiently serving our customers' needs.

Ocean Business. In our Ocean Business, we operate six ocean-going vessels. Our four Product Tankers, one of which is on bareboat charter to us from a non-related third party, are currently employed in the South American cabotage trade of petroleum and petroleum products. Additionally, we own two container feeder vessels, the Asturiano and the Argentino. On December 30, 2014, we confirmed the bareboat charter of Mentor for 3 years, which has also been fixed on time charter to Petrobras. This vessel is expected to commence its service in May 2015, replacing one of our Product Tankers, Miranda I, which has been placed for sale.

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We have pursued the expansion of our ocean fleet by participating in the container feeder service through the acquisition of the Asturiano and Argentino. Both vessels serve the regional container transportation requirements between the Argentinean coastal ports south of Buenos Aires and those on the south of Uruguay and act primarily as feeders for mainline large container vessels.

Of our four Product Tankers (Miranda I, Alejandrina, Amadeo and Austral (under bareboat charter)) three are currently employed under time charters with major oil companies serving regional trades in Argentina and Brazil while we expect our Alejandrina to be back in operation by May 2015.

Ultrapetrol Fleet Summary <sup>(1)</sup>

River Fleet	Number of Vessels	Capacity	Description
Alianza G2 <sup>(2)</sup>	1	35,000 tons	Storage and Transshipment Station
Paraná Iron (Ex -Parana Petrol)	1	43,164 tons	Converted into an Iron Ore Transfer and Storage Unit
Pushboat Fleet <sup>(3)</sup>	33	122,359 BHP	Various Sizes and Horse Power
Tank Barges	83	200,596 m <sup>3</sup>	Liquid Cargo (Petroleum Products, Vegetable Oil)
Dry Barges	604	1,078,270 tons	Carry Dry Cargo (Soy, Iron Ore, other products)
Total	722	N/A	

Offshore Supply Fleet	Year Built	Capacity (DWT)	Deck Area (m <sup>2</sup> )
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In Operation

UP Esmeralda	2005	4,200	840
UP Safira	2005	4,200	840
UP Agua-Marinha	2006	4,200	840
UP Topazio	2006	4,200	840
UP Diamante	2007	4,200	840
UP Rubi	2009	4,200	840
UP Turquoise	2010	4,900	1,020
UP Jasper	2011	4,900	1,020
UP Jade	2012	4,200	840
UP Amber	2013	4,200	840
UP Pearl	2013	4,200	840
UP Agate	2013	5,145	1,000
UP Coral	2013	5,145	1,000
UP Opal	2013	5,145	1,000
Total		63,035	12,600

Ocean Fleet <sup>(4)</sup>	Year Built	Capacity (DWT/TEUs)	Description
Miranda I <sup>(5)</sup>	1995	6,575	Product / Chemical Tanker
Amadeo <sup>(5)</sup>	1996	39,530	Oil / Product Tanker
Alejandrina	2006	9,219	Product Tanker
Austral <sup>(6)</sup>	2006	11,299	Product / Chemical Tanker
Asturiano	2003	1,118 <sup>(7)</sup>	Container Feeder Vessel
Argentino	2002	1,050 <sup>(7)</sup>	Container Feeder Vessel
Total		66,623 <sup>(8)</sup>	

(1) As of December 31, 2014.

(2) In lay-up condition – Out of operation.



- (3) Does not include Alianza Rosario, an ocean-going tug currently not in operation.
- (4) Does not include Argos I, an ocean-going tug currently not in operation.
- (5) Our Miranda I and Amadeo were both converted to double hull in 2007.
- (6) Bareboat chartered-in until December 1, 2016.
- (7) Twenty Foot-Equivalent Units, or TEUs.
- (8) Only DWT capacity added – excludes TEUs.

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## Chartering Strategy

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

In our River Business, we have contracted a substantial portion of our fleet's barge capacity on a one - to five-year basis to major clients. These contracts typically provide for fixed pricing, minimum volume requirements and fuel price adjustment formulas and we intend to develop new customers and cargoes as we grow our fleet capacity.

In our Offshore Supply Business, we plan to continue chartering our PSV fleet in Brazil and in the North Sea for time charter employment. Currently there is no significant spot market in Brazil for PSVs. In the future, we may also decide to employ our PSVs in the spot market (short duration, one day or more) in UK's North Sea or West Africa combined with longer-term charters or in Brazil, either with cabotage privileges or as foreign flagged vessels.

We have historically operated our cabotage Ocean Business tanker vessels under period time charters and will try to continue to do so. Our two container feeder vessels operate on a voyage by voyage basis. We have outsourced the commercial efforts to a shipping agent on a commission basis.

The future minimum revenues, before deduction for brokerage commissions, expected to be received on time charter agreements of eleven PSVs in our Offshore Supply Business chartered in Brazil with Petrobras, which terms are longer than one year were as follows:

Year ending December 31,	(Dollars in thousands)
2015	\$ 113,381
2016	106,994
2017	66,015
2018	12,491
Total	\$ 298,881

The future minimum revenues, before deduction for brokerage commissions of one of our handy size-small product tanker vessel (leased to us) in our Ocean Business chartered in South America, expected to be received on time charter agreements, which terms are longer than one year were as follows:

Year ending December 31,	(Dollars in thousands)
2015	\$ 8,437
2016	7,720
Total	\$ 16,157

On November 12, 2012, one of our subsidiaries in the River Business, entered into a transshipment services agreement to provide storage and transshipment services of cargo from river barges to ocean export vessels through our Parana Iron transfer and storage unit, for a three-year term renewable for another three years, at the customer's option. The future minimum revenues, before reduction for commissions, expected to be received were as follows: \$13.2 million, \$13.2 million and \$2.6 million in 2015, 2016 and 2017, respectively. Conversion of the Parana Iron was completed in early March 2014 and the three years start counting as of May 2014.

In the fourth quarter of 2013 we entered into a 5-year agreement with Vale to time charter four river pushboats with 16 barges each (each "a convoy"). The four convoys were delivered in January 2014. The future minimum revenues, before deduction for commissions, expected to be received were \$15.9 million in each of 2015, 2016, 2017 and 2018.

Revenues from a time charter are generally not received when a vessel is off-hire, which in most cases includes time required for normal periodic maintenance of the vessel including drydock. In arriving at the minimum future charter revenues, an estimated off-hire time to perform periodic maintenance on each vessel has been deducted, although there is no assurance that such estimate will be reflective of the actual off-hire in the future. The scheduled future minimum revenues should not be construed to reflect total shipping revenues for any of the periods.

#### Our Fleet Management

We conduct the day-to-day management and administration of our operations in-house.

Our subsidiaries, UP Offshore Brazil, Sernova and Ravenscroft undertake the technical and marine related management for our offshore and ocean vessels including dry docks, repairs and maintenance, the purchasing of supplies, spare parts and husbandry items, crewing, superintendence and preparation and payment of a portion of the related accounts on our behalf through its related offices in Coral Gables, Aberdeen, Buenos Aires and Rio de Janeiro. Our management companies are ISM certified and between them hold Documents of Compliance for the management and operation of tankers, PSVs, general cargo vessels and container ships.

Ravencroft seeks to manage vessels for and on behalf of vessel owners who are not related to us and will actively pursue new business opportunities through Ship Management and Commercial Services Ltd., or SMS, which is our subsidiary dealing with third party ship management.

## Competition

### River Business

We maintain a leading market share in our River Business. We own the largest fleet of pushboats and barges in the Hidrovia Region. We believe that we have more than twice the number of barges and dwt capacity than our nearest competitor. We compete based on reliability, efficiency and price. Key competitors include Navios South American Logistics, Naviera Chaco and Fluvioalba. In addition, some of our customers, including Archer Daniels Midland, Cargill, Louis Dreyfus and Vale have some of their own dedicated barge capacity, which they can use to transport cargo in lieu of hiring a third party. Our River Business also indirectly competes with other forms of land-based transportation such as truck and rail.

Through our presence in the barge-building industry we compete with other shipyards in the region such as Astillero Tsuneishi Paraguay S.A., CIE, Riopal and other shipyards located outside of South America, mainly in China and South Korea.

### Offshore Supply Business

In our Offshore Supply Business, our main competitors in Brazil are the local offshore companies that own and operate modern PSVs. The largest of these companies are CBO, Wilson Sons and Bram Alfaneve (Edison Chouest) who currently own a substantial number of modern PSVs and are in the process of building additional units. Also, some of the international offshore companies that own and operate PSVs, such as Tidewater and Maersk, have built Brazilian-flagged PSVs. In the North Sea market, where three of our PSVs operated during 2008 and 2009 and where our UP Jasper and UP Agate are operating today, we actively compete with other large, well established owners and operators such as Gulfmark Offshore, Bourbon and DOF Farstad.

### Ocean Business

We face competition in the transportation of crude oil and petroleum products as well as other bulk commodities from other independent ship owners and from vessel operators who primarily charter-in vessels to meet their cargo carrying needs. The charter markets in which our vessels operate are highly competitive. Competition is primarily based on prevailing market charter rates, vessel location and the vessel manager's reputation. Our competitor in crude oil and petroleum products transportation within Argentina and between Argentina and other South American countries is Antares Naviera S.A. and its affiliated companies. Navios South American Logistics, who is a competitor in our River operation, also competes in the Argentinean Coastal Tanker market. In other South American trades our main competitors are Naviera Sur Petrolera S.A. and Naviera Elcano (through their various subsidiaries). These companies and other smaller entities are regular competitors of ours in our primary tanker trading areas.

We operate two container vessels in the Argentinean market to supply the domestic trade between different ports and operate as a feeder service for mainline carriers such as Maersk Line, Evergreen, MOL, MSC, Hamburg Sud, CMA-CGM, PIL and Login for import and export cargoes. Our main competitor in this sector is Maruba, which currently operates chartered vessels of similar characteristics as ours and that offer a similar service. Our Container Business also indirectly competes with other forms of land-based transportation such as trucks.

### Seasonality

Each of our businesses has seasonal aspects, which affect their revenues on a quarterly basis. The high season for our River Business is generally between the months of March and September, in connection with the South American harvest and higher river levels. However, growth in the soy pellet manufacturing, minerals and forest industries may help offset some of this seasonality. The Offshore Supply Business operates year-round, particularly off the coast of Brazil, although weather conditions in the North Sea may reduce activity from December to February. In the Ocean Business, we employ our Product Tankers on time charters so there is no seasonality effect, while our container feeder service experiences a somewhat slower season during the first quarter due to the congestion at the main discharge terminal in Patagonia in connection with the cruise tourist season.

## Industry Conditions

### River Industry

Key factors driving cargo movements in the Hidrovia Region are agricultural production and exports, particularly soybeans, from Argentina, Brazil and Paraguay, exports of Brazilian iron ore, regional demand and Paraguayan imports of petroleum products. A significant portion of the cargos transported in the Hidrovia Region are export or import-related cargoes and the applicable freights are paid in U.S. Dollars.

The Parana / Paraguay, the High Parana and the Uruguay rivers consist of over 2,200 miles of a natural interconnected navigable river system serving five countries namely Argentina, Bolivia, Brazil, Paraguay and Uruguay. The extension of this river system is comparable to that of the Mississippi river in the United States.

### Dry Bulk Cargo

Soybeans. Argentina, Bolivia, Brazil, Paraguay and Uruguay produced in aggregate about 41.5 million tons, or mt, of soybeans in 1995 and an estimated 154.8 mt in 2014, an 19-year compound annual growth rate, or CAGR, of 7.2% from 1995. These countries account for an estimated 55% of world soybean production in 2014, up from only 30% in 1995.

Of the above-mentioned countries of the Hidrovia Region, the area harvested of soybeans has increased from approximately 18.9 Mha (million hectares, 1 hectare = 2.47 acres) in 1995 to an estimated 55.6 Mha in 2014, a 19-year CAGR of 5.8%. Further, with advances in technology, productivity of farmland has also improved.

The growth in soybean production has not occurred at the expense of other key cereal grains. Production of corn (maize) in Argentina, Bolivia, Brazil, Paraguay and Uruguay combined grew from 50.3 mt in 1995 to 108.0 mt in 2014, a 19-year CAGR of 4.1%. Production of wheat in these countries grew from 14.4 mt in 1995 to 18.4 mt in 2014, a 19-year CAGR of 1.3%.

Iron Ore. In the Corumba area in Brazil reached by the High Paraguay River, there are three large iron ore mines, two of which are owned by the Brazilian mining company Vale (following the 2009 acquisition of Rio Tinto's assets in the region) while the third one is owned by MMX Mineração & Metálicos S.A. (MMX). Their combined production of iron ore, which is entirely transported by river barge, has grown from about 1.1 million mt, or mmt, since 2001 to 7.0 mmt in 2013, a 12-year CAGR of 16.7%. Estimated production for 2014 is 5.7 mmt (based on reported nine months 2014 production for Vale annualized on a pro rata basis and actual first nine months operation of MMX). Iron ore prices have decreased 47% on average from December 2012 to December 2014. Increases in iron ore prices during 2015 and 2016 should support continued growth in production of iron ore.

### Oil transportation

Most petroleum products travel north to destinations in Northern Argentina, Paraguay and Bolivia, creating synergies with dry cargo volumes that mostly travel south.

### Mode Comparison

Along with growth in production of commodities transported by barge in the Hidrovia Region, cost, safety and environmental incentives exist to shift commodity transport to barges.

Inland barge transportation is generally the most cost efficient, safest and cleanest means of transporting bulk commodities as compared with railroads and trucks.

According to a 2007 Texas Transport Institute study commissioned by the U.S. government, one Mississippi River-type barge (1,500 dwt) has the carrying capacity of about 15 railcars or 58 tractor-trailer trucks and is able to move 576 ton-miles per gallon of fuel compared to 413 ton-miles per gallon of fuel for rail transportation or 155 ton-miles per gallon of fuel for tractor-trailer transportation. In the case of Jumbo barges (2,500 dwt) as are many of UABL's existing barges or the ones Ultrapetrol builds in its yard, these efficiencies are even larger. The study also shows barge transportation is the safest mode of cargo transportation, based on the percentage of fatalities or injuries and the number of hazardous materials incidents. Inland barge transportation predominantly operates away from population centers, which generally reduces both the number and impact of waterway incidents. According to industry sources, in terms of unit transportation cost for most dry bulk cargos, barge is cheapest, rail is second cheapest and truck is third cheapest. There are clear and significant incentives to build port infrastructure and switch from truck to barge to reduce transportation costs.

## Offshore Supply Industry

The market for offshore supply vessels, or OSVs, both on a worldwide basis and within Brazil, is driven by a variety of factors. On the demand side, the driver is the growth in offshore oil development / production activity, which in the long term is driven by the price of oil and the cost of developing the particular offshore reserves. Demand for OSVs is further driven by the location of the reserves, with fields located further offshore and in deeper waters generally requiring more vessels per field and larger, more technologically advanced vessels. The supply side is driven by the availability of the vessel type needed (i.e., appropriate size and technology), which in turn is driven by historical newbuilding patterns and scrapping rates as well as the current employment of vessels in the worldwide fleet (i.e., whether under long-term charter) and the rollover schedule for those charters. Technological developments also play an important role on the supply side, with technology such as dynamic positioning that meets certain support requirements better.

Both demand for and supply of OSVs are heavily influenced by cabotage laws (such as the U.S. Jones Act). Since most offshore supply activities occur within the jurisdiction of a country, they fall within that country's cabotage laws. This distinguishes the OSV sector from most other types of shipping. Cabotage laws may restrict the supply of tonnage, give special preferences to locally flagged ships or require that any vessel working in that country's waters be owned, flagged, crewed and, in some cases, constructed in that country.

OSVs generally support oil exploration, production, construction and maintenance activities on the continental shelf and have a high degree of cargo flexibility relative to other offshore vessel types. They utilize space above and below deck to transport dry and liquid cargo, including heavy equipment, pipes, drilling fluids, provisions, fuel, dry bulk cement and drilling mud.

The OSV sector includes conventional supply vessels, or SVs, and platform supply vessels, or PSVs. PSVs are large and often sophisticated vessels constructed to allow for economic operation in environments requiring some combination of deepwater operations, long distance support, economies of scale and demanding operating conditions. PSVs serve drilling and production facilities and support offshore construction and maintenance work for clusters of offshore locations and/or relatively distant deepwater locations. They have larger deck space and larger and more varied cargo handling capabilities relative to other offshore support vessels to provide more economic service to distant installations or several locations. Some vessels have dynamic positioning, which allows close station keeping while underway. PSVs can be designed with certain characteristics required for specific offshore trades such as the North Sea or deepwater Brazilian service.

## Brazilian Offshore Industry

Driven by Brazil's policy of becoming energy self-sufficient as well as by oil price and cost considerations, offshore exploration, development and production activities within Brazil have grown significantly. Brazil is becoming a major exporter of oil. Since most Brazilian reserves are located far offshore in deep waters, Brazil has become a world leader in deep drilling technology.

The primary customer for PSVs in Brazil is Petrobras, the Brazilian national oil company. The Brazilian government has also allowed foreign companies to participate in offshore oil and gas exploration and production since 1999. Other companies active in Brazil in offshore oil and gas exploration and production industry include Total, Shell, BP, Repsol and ChevronTexaco. The deepwater Campos Basin, an area located about 80 miles offshore, has been the leading area for offshore activity. Activities have been extended to the deepwater Santos and Espirito Santo Basins located far off the coast while additionally requiring resources to develop pre salt areas of water depths of over 9,000 feet. During 2008, 2009 and 2010, several significant discoveries have been made, which could possibly more than double Brazilian oil reserves when confirmed.



On February 25, 2014, Petrobras announced its business plan for 2014-2018, which includes a projected capital expenditure budget of \$220.6 billion between 2014 and 2018 with Exploration and Production (E&P) representing approximately 70% of the total budget, up from 62% of the previous \$236.7 billion included in the 2013-2017 business plan. In addition, Petrobras' strategic objective in the E&P area is to produce an average of 4.0 million barrels of oil per day in the 2020-2030 period, under Petrobras' ownership in Brazil and abroad, by means of the acquisition of exploration rights.

Deepwater service favors large modern vessels that can provide a full range of flexible services including dynamic positioning systems while providing economies of scale to installations distant from shore. Cabotage laws favor employment of Brazilian flag vessels. However, according to industry sources, many of the Brazilian flag PSVs and supply vessels are smaller and older than now required, with approximately 22% of the national fleet of at least 20 years of age. Temporary authority is granted for foreign vessels to operate only if no Brazilian flag vessels are available.

#### The North Sea Market

The North Sea is a similarly demanding offshore market due to difficult weather and sea conditions, significant water depths, long distances to be traveled and sophisticated technical requirements.

This market is both mature and developed. Its high competition ultimately results in exploration activity and OSV demand being driven mainly by consistently high oil prices to attract oil majors and operators into the region.

## Ocean Industry

### Regional Cabotage Trades

Voyages between two Argentine ports are regulated by the Argentine government as "cabotage" and require the use of an Argentine flag vessel or a vessel operated under special permit by an Argentine company. Cabotage is used to mean both voyages between two national ports and laws that reserve such voyages for nationally operated vessels. Argentine registry requires that vessels be built in an Argentine shipyard or that import duty be paid, which increases the cost of new vessels versus foreign construction. The special permit described above allows younger foreign-built vessels to enter cabotage trades while retaining the Argentine nationality requirement for operations.

Access to the Argentine coastal cabotage market is thus controlled by legal requirements, which limit its access to those companies with a legitimate operating presence in Argentina with vessels registered or holding a special permit in Argentina.

Regional tanker and container shipping market factors, including local demand factors and vessel supply information, are described below, reflecting market conditions in the primary area of employment for these vessels.

### The Regional Tanker Market

#### Regional Oil Demand

Argentina's oil demand was estimated at about 758,000 barrels per day, or bpd, in 2013, up from about 494,000 bpd in 2001, resulting in a 10-year CAGR of 4.4%.

Argentina's refining capacity is largely located in the Plate River estuary near Buenos Aires. Crude oil from oil fields in southern Argentina is shipped to refineries near Buenos Aires by tankers. Coastal cities in Southern Argentina receive petroleum products by tankers from these refineries. Cabotage tankers are also used for lightering of international tankers (discharge of cargo to reduce draft) and for short voyages within the Plate Estuary and Parana River. Vessels with IMO chemical classification (see below) are also used for Argentine or other regional voyages carrying petroleum products and chemicals such as styrene monomer.

### The Regional Patagonian Container Shipping Trades

#### Regional Container Shipping Demand

Coastal container shipping provides important north-south links between Buenos Aires and coastal ports in southern Argentina. Buenos Aires city and province have about 46% of Argentina's population and is the center of much economic activity. However, Argentine economic development programs encourage manufacturing in the southern Argentine region of Tierra del Fuego. Finished goods are transported north from the port of Ushuaia to Buenos Aires for distribution. Most of the cargo in this service initiates as containers transported by the major international lines containing components for manufacturing that are carried from China and other foreign ports of origin to Buenos Aires with transshipment to Ushuaia under feeder agreements with the major international lines. Cargo is also carried to and from other southern Argentine ports, such as Puerto Madryn, as demand requires.

### Disclaimer

Throughout this Industry Section, all figures related to harvested area and production of soybean, corn and wheat for South America and specifically for Argentina, Bolivia, Brazil, Paraguay and Uruguay are obtained through the USDA Foreign Agricultural Service website some time prior to filing this 20-F.

Figures related to Iron Ore production in the Corumba Region from Vale and MMX were extracted from each of the respective companies' public records (including Earnings Presentation, 20-Fs and Annual Reports). Iron Ore price trends were extracted from Indexmundi's website whose source is the International Monetary Fund.

Data included in the Brazilian offshore section has been extracted from public information presented by both Petrobras and ANTAQ, as well as industry sources, while both current North Sea activities and crude oil prices have been retrieved from industry sources.

Oil demand figures were extracted from Indexmundi's website whose source is the International Monetary Fund.

#### Environmental and Government Regulations

Government regulations significantly affect our operations, including the ownership and operation of our vessels. Our operations are subject to international conventions, national, state and local laws and regulations in force in international waters and the jurisdictional waters of the countries in which our vessels may operate or are registered, including OPA, the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, the U.S. Port and Tanker Safety Act, the IMO International Convention for the Prevention of Pollution from Ships, or MARPOL, other regulations adopted by the IMO, ILO and the European Union, various volatile organic compound emission requirements, the IMO / U.S. Coast Guard pollution regulations, U.S. EPA VGP regulations and various SOLAS amendments, as well as other regulations. Compliance with these requirements entails significant expense, including vessel modifications and implementation of certain operating procedures.

A variety of governmental and private entities, each of which may have unique requirements, subject our vessels to both scheduled and unscheduled inspections. These entities include the local port authorities (U.S. Coast Guard, harbour master or equivalent), port state controls, classification societies, flag state administration (country of registry) oil majors and charterers, particularly terminal operators. Certain of these entities require us to obtain permits, licenses, certificates or approvals for the operation of our vessels. Failure to maintain necessary permits, licenses, certificates or approvals could require us to incur substantial costs or temporarily suspend operation of one or more of our vessels.

We believe that the heightened level of environmental and quality concerns among insurance underwriters, regulators and charterers will lead to greater inspection and safety requirements on all vessels and may accelerate the scrapping of older vessels throughout the industry. Increasing environmental concerns have created a demand for vessels that conform to the stricter environmental standards. We are required to maintain operating standards for all of our ocean-going vessels for operational safety, quality maintenance, continuous training of our officers and crews and compliance with U.S. and international regulations. We believe that the operation of our vessels is in substantial compliance with applicable environmental laws and regulations. However, such laws and regulations may change and impose stricter requirements, such as in response to the 2010 Deepwater Horizon oil spill or future serious marine incidents. For example, on August 15, 2012, the U.S. Bureau of Safety and Environmental Enforcement (BSEE) issued a final drilling safety rule for offshore oil and gas operations that strengthen the requirements for safety equipment, well control systems, and blowout prevention practice. Future requirements may limit our ability to do business, increase our operating costs, force the early retirement of our vessels and / or affect their resale value, all of which could have a material adverse effect on our financial condition and results of operations.

#### International Maritime Organization

The IMO has adopted the International Convention for the Prevention of Marine Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto (collectively referred to as MARPOL 73/78 and herein as "MARPOL"). MARPOL entered into force on October 2, 1983. It has been adopted by over 150 nations, including many of the jurisdictions in which our vessels operate. MARPOL sets forth pollution-prevention requirements applicable to drybulk carriers, among other vessels, and is broken into six Annexes, each of which regulates a different source of pollution. Annex I relates to oil leakage or spilling; Annexes II and III relate to harmful substances carried, in bulk, in liquid or packaged form, respectively; Annexes IV and V relate to sewage and garbage management, respectively; and Annex VI, lastly, relates to air emissions. Annex VI was separately adopted by the IMO in September of 1997.

MARPOL Annex II and the IBC code (see below) were revised and the revisions came into force as of January 1, 2007. This revision affected 33 cargoes which account for a large percentage of the world's chemical and vegetable oil trade. Many of these cargoes which could be carried in product tankers with NLS certificates are now required to be carried by chemical tankers.

In 2012, the MEPC adopted by resolution amendments to the international code for the construction and equipment of ships carrying dangerous chemicals in bulk, or the IBC Code. The provisions of the IBC Code are mandatory under MARPOL and SOLAS. These amendments, entered into force in June 2014, pertain to revised international certificates of fitness for the carriage of dangerous chemicals in bulk and identifying new products that fall under the IBC Code. We may need to make certain financial expenditures to comply with these amendments. As of January 1, 2016, amendments to Annex I, the IBC Code, will require that all chemical tankers must be fitted with approved stability instruments capable of verifying compliance with both intact and damage stability.

In 2013, the MEPC adopted by resolution amendments to the MARPOL Annex I Conditional Assessment Scheme, or CAS. The amendments, became effective on October 1, 2014, pertain to revising references to the inspections of bulk carriers and tankers after the 2011 ESP Code, which enhances the programs of inspections, becomes mandatory. We may need to make certain financial expenditures to comply with these amendments.

Additionally, as of January 1, 2016, MARPOL Annex IV (regarding sewage) , will prohibit discharge of sewage in Special Areas (the Baltic Sea area) unless fitted with type approved sewage treatment plant as per revised standards found in Resolution MEPC 227(64).

Additional future requirements include SOLAS II-2/16.2.2, pursuant to which oil tankers, chemical tankers and gas carriers, keel laid on or after January 1, 2016, with DWT greater or equal to 8000, will require to be fitted with a fixed inert gas system.

Under the 2011 Survey of Bulk Carriers and Oil Tankers ("ESP Code"), as of January 1, 2016, all bulk carriers and oil tankers greater than 300GRT, at relevant surveys, will be inspected for structural corrosion and condition of coating for corrosion protection.

#### Air Emissions

In September of 1997, the IMO adopted Annex VI to MARPOL to address air pollution. Effective May 2005, Annex VI sets limits on nitrogen oxide emissions from ships whose diesel engines were constructed (or underwent major conversions) on or after January 1, 2000. It also prohibits "deliberate emissions" of "ozone depleting substances," defined to include certain halons and chlorofluorocarbons. "Deliberate emissions" are not limited to times when the ship is at sea; they can for example include discharges occurring in the course of the ship's repair and maintenance. Emissions of "volatile organic compounds" from certain tankers, and the shipboard incineration (from incinerators installed after January 1, 2000) of certain substances (such as polychlorinated biphenyls (PCBs)) are also prohibited. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special areas to be established with more stringent controls on sulfur emissions, known as Emission Control Areas, or ECAs (see below).

Annex VI seeks to further reduce air pollution by, among other things, implementing a progressive reduction of the amount of sulfur contained in any fuel oil used on board ships. As of January 1, 2012, the amended Annex VI requires that fuel oil contains no more than 3.50% sulfur. By January 1, 2020, sulfur content must not exceed 0.50%, subject to a feasibility review to be completed no later than 2018.

Sulfur content standards are even stricter within certain ECAs. As of July 1, 2010, ships operating within an ECA were not permitted to use fuel with sulfur content in excess of 1.0% (from 1.50%), which is further reduced to 0.10% on January 1, 2015. Amended Annex VI establishes procedures for designating new ECAs. The Baltic Sea and the North Sea have been so designated. Effective August 1, 2012, certain coastal areas of North America were designated ECAs, and effective January 1, 2014, the applicable areas of the United States Caribbean Sea were designated ECAs. Ocean-going vessels in these areas will be subject to stringent emissions controls and may cause us to incur additional costs. ECA designations subject ocean-going vessels within the designated area to stringent emissions controls, which might cause vessels to require segregated bunker tanks and cylinder oil tanks to use different fuels in coastal waters and open seas, which threatens to add an additional cost burden to ship owners. If other ECAs are approved by the IMO or other new or more stringent requirements relating to emissions from marine diesel engines or port operations by vessels are adopted by the EPA or the states where we operate, compliance with these regulations could entail significant capital expenditures or otherwise increase the costs of our operations.

On March 26, 2010, the IMO amended the International Convention for the Prevention of Pollution from Ships (MARPOL) designating specific portions of U.S., Canadian and French waters as an Emission Control Area (ECA). The proposal for ECA designation was introduced by the U.S. and Canada, reflecting common interests, shared geography and interrelated economies. In July 2009, France joined as a co-proposer on behalf of its island territories of Saint-Pierre and Miquelon, which form an archipelago off the coast of Newfoundland. Allowing for the lead time associated with the IMO process, the North American ECA has become enforceable since August 2012. The North America ECA includes coastal boundaries of U.S. and Canada to an extent of 200 miles from the coast, excluding areas infringing boundary states. The emission requirements are same as other IMO ECAs, with present fuel oil sulfur limit of 1% which will be reduced to 0.1% as of 2015. For NO<sub>x</sub> reduction, tier III engines will be required to be installed on all new vessels as of 2016.

Amended Annex VI also establishes new tiers of stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation. The U.S. Environmental Protection Agency promulgated equivalent (and in some senses stricter) emissions standards in late 2009.

Amendments to Regulation 13 of MARPOL Annex VI, effective September 1, 2015, provide that more stringent Tier III standards apply to engines for vessels keel laid after January 1, 2016 for ships operating in North American / US Caribbean ECAs. The same standard applies to all ECA areas for vessels keel laid on or after January 1, 2016.

As of January 1, 2013, MARPOL made mandatory certain measures relating to energy efficiency for new ships in part to address greenhouse gas emissions. It makes the Energy Efficiency Design Index (EEDI) apply to all new ships, and the Ship Energy Efficiency Management Plan (SEEMP) apply to all ships.

Effective September 1, 2015, amendments to MARPOL Annex VI will require that for cargo vessels greater than 400 GT, contract on or after September 1, 2015, the EEDI shall be calculated at the time of building.

#### Safety Management System Requirements

The IMO also adopted the International Convention for the Safety of Life at Sea, or SOLAS, and the International Convention on Load Lines, or the LL Convention, which impose a variety of standards that regulate the design and operational features of ships. Amendments to SOLAS Chapter VII apply to vessels transporting dangerous goods and require those vessels are in compliance with the International Maritime Dangerous Goods Code (IMDG Code). The IMO periodically revises the SOLAS and LL Convention standards. May 2012 SOLAS amendments entered into

force as of January 1, 2014. The Convention on Limitation for Liability for Maritime Claims (LLMC) was recently amended and the amendments are expected to go into effect on June 8, 2015. The amendments alter the limits of liability for a loss of life or personal injury claim and a property claim against ship owners.

The operation of our ships is also affected by the requirements set forth in Chapter IX of SOLAS, which sets forth the IMO's International Management Code for the Safe Operation of Ships and Pollution Prevention, or the ISM Code. The ISM Code requires ship owners and bareboat charterers to develop and maintain an extensive "Safety Management System" that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. The failure of a ship owner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, may decrease available insurance coverage for the affected ships and may result in a denial of access to, or detention in, certain ports. Currently, each of the ships in our fleet is ISM code-certified. However, there can be no assurance that such certification will be maintained indefinitely.

ISM code amendment has replaced reg 6.2 with 6.2.1 and a new sub para 6.2.2. As of January 1, 2015, the amended code requires the company ensure the manning of ship shall also encompass all aspects of maintaining safe operations on board, referring to the Principles of minimum safe manning. This amendment will put greater responsibility on the company to maintain appropriate manning which could be higher than the minimum manning in the safe manning certificate. ISM code new para 12.2 requires as of January 1, 2015, requires the company to periodically verify that all those delegated ISM related tasks are acting in conformity with the company's responsibilities under the code. This new amendment will increase company responsibilities and auditing requirements.

Noncompliance with the ISM Code and other IMO regulations may subject the shipowner or bareboat charterer to increased liability, may lead to decreases in, or invalidation of, available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports.

#### Pollution Control and Liability Requirements

The IMO has negotiated international conventions that impose liability for pollution in international waters and the territorial waters of the signatories to such conventions. For example, the IMO has adopted the International Convention on Civil Liability for Oil Pollution Damage of 1969, as amended by different Protocols in 1976, 1984, and 1992, and amended in 2000, or the CLC. Under the CLC and depending on whether the country in which the damage results is a party to the 1992 Protocol to the CLC, a vessel's registered owner is strictly liable for pollution damage caused in the territorial waters of a contracting state by discharge of persistent oil, subject to certain exceptions. The 1992 Protocol changed certain limits on liability, expressed using the International Monetary Fund currency unit of Special Drawing Rights. The limits on liability have since been amended so that the compensation limits on liability were raised. The right to limit liability is forfeited under the CLC where the spill is caused by the ship owner's personal fault and under the 1992 Protocol where the spill is caused by the ship owner's personal act or omission by an intentional or reckless conduct where the ship owner knew pollution damage would probably result. The CLC requires ships covered by it to maintain insurance covering the liability of the owner in a sum equivalent to an owner's liability for a single incident. We believe that our insurance will cover the liability under the plan adopted by the IMO.

The IMO adopted the International Convention on Civil Liability for Bunker Oil Pollution Damage, or the Bunker Convention, to impose strict liability on ship owners for pollution damage in jurisdictional waters of ratifying states caused by discharges of bunker fuel. The Bunker Convention requires registered owners of ships over 1,000 gross tons to maintain insurance for pollution damage in an amount equal to the limits of liability under the applicable national or international limitation regime (but not exceeding the amount calculated in accordance with the Convention on Limitation of Liability for Maritime Claims of 1976, as amended). With respect to non-ratifying states, liability for spills or releases of oil carried as fuel in ship's bunkers typically is determined by the national or other domestic laws in the jurisdiction where the events or damages occur.

The IMO amended Annex I to MARPOL, including a new regulation relating to oil fuel tank protection, which applies to various ships delivered on or after August 1, 2010. It includes requirements for the protected location of the fuel tanks, performance standards for accidental oil fuel outflow, a tank capacity limit and certain other maintenance, inspection and engineering standards.

IMO regulations also require owners and operators of certain vessels to adopt Ship Oil Pollution Emergency Plans. Periodic training and drills for response personnel and for vessels and their crews are required.

The IMO adopted the International Convention for the Control and Management of Ships' Ballast Water and Sediments, or the BWM Convention, in February 2004. The BWM Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits. The BWM Convention will not enter into force until 12 months after it has been adopted by 30 states, the combined merchant fleets of which represent not less than 35% of the gross tonnage of the world's merchant shipping tonnage. To date, there has not been sufficient adoption of this standard for it to take force. Many of the implementation dates originally written in the BWM Convention have already passed, so, on December 4, 2013, the IMO Assembly passed a resolution revising the dates of applicability of the requirements of the BWM Convention so that they are triggered by the entry into force date, and not the dates originally in the BWM Convention. This, in effect, made all vessels constructed before the entry into force date 'existing' vessels and delayed the date for installation of ballast water management systems on such vessels until the first renewal survey following entry into force. Once mid-ocean ballast exchange or ballast water treatment requirements become mandatory, the cost of compliance could increase for ocean carriers. Although we do not believe that the costs of such compliance would be material, it is difficult to predict the overall impact of such a requirement on our operations.



The MEPC adopted revised guidelines on implementation of effluent standards and performance tests for sewage treatment plants installed on vessels after January 1, 2010, and is planning to further revise them at an upcoming session. The maximum discharge rate of untreated sewage beyond the 12 mile limit from land has also been revised.

Nairobi Wreck Removal Convention (NWRC) comes into force on April 14, 2015. Vessels greater than 300 GRT will be required to carry suitable insurance coverage and a Wreck Removal Convention certificate from a flag state.

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

OPA established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA affects all "owners and operators" whose vessels trade with the United States, its territories and possessions or whose vessels operate in United States waters, which includes the United States' territorial sea and its 200 nautical mile exclusive economic zone around the United States. The United States has also enacted the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, which applies to the discharge of hazardous substances other than oil, whether on land or at sea. OPA and CERCLA both define "owner and operator" in the case of a vessel as any person owning, operating or chartering by demise, the vessel. Both OPA and CERCLA impact our operations.

Under OPA, vessel owners and operators are "responsible parties" and are jointly, severally and strictly liable (unless the spill results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from discharges or threatened discharges of oil from their vessels. OPA defines these other damages broadly to include:

- injury to, destruction or loss of, or loss of use of, natural resources and the costs of assessment thereof;
- injury to, or economic losses resulting from, the destruction of real and personal property;
- net loss of taxes, royalties, rents, fees or net profit revenues resulting from injury, destruction or loss of real or personal property, or natural resources;
- loss of subsistence use of natural resources that are injured, destroyed or lost;
- lost profits or impairment of earning capacity due to injury, destruction or loss of real or personal property or natural resources;
- net cost of increased or additional public services necessitated by removal activities following a discharge of oil, such as protection from fire, safety or health hazards.

OPA contains statutory caps on liability and damages; such caps do not apply to direct cleanup costs. OPA limits the liability of responsible parties with respect to single-hull tankers over 3,000 gross tons to the greater of \$3,200 per gross ton or \$23.496 million; but for all other tankers over 3,000 gross tons, liability is limited to the greater of \$2,000 per gross ton or \$17.088 million. For non-tank vessels (e.g. drybulk), liability is limited to the greater of \$1,000 per gross ton or \$854,400 (subject to periodic adjustment for inflation). These limits of liability do not apply if an incident was proximately caused by the violation of an applicable U.S. federal safety, construction or operating regulation by a responsible party (or its agent, employee or a person acting pursuant to a contractual relationship), or a responsible party's gross negligence or willful misconduct. The limitation on liability similarly does not apply if the responsible party fails or refuses to (i) report the incident where the responsible party knows or has reason to know of the incident; (ii) reasonably cooperate and assist as requested in connection with oil removal activities; or (iii) without sufficient cause, comply with an order issued under the Federal Water Pollution Act (Section 311 (c), (e)) or the Intervention on the High Seas Act.

CERCLA contains a similar liability regime whereby owners and operators of vessels are liable for cleanup, removal and remedial costs, as well as damage for injury to, or destruction or loss of, natural resources, including the reasonable costs associated with assessing same, and health assessments or health effects studies. There is no liability if the discharge of a hazardous substance results solely from the act or omission of a third party, an act of God or an act of war. Liability under CERCLA is limited to the greater of \$300 per gross ton or \$5.0 million for vessels carrying a hazardous substance as cargo and the greater of \$300 per gross ton or \$0.5 million for any other vessel. These limits do not apply (rendering the responsible person liable for the total cost of response and damages) if the release or threat of release of a hazardous substance resulted from willful misconduct or negligence, or the primary cause of the release was a violation of applicable safety, construction or operating standards or regulations. The limitation on liability also does not apply if the responsible person fails or refused to provide all reasonable cooperation and assistance as requested in connection with response activities where the vessel is subject to OPA.

OPA and CERCLA both require owners and operators of vessels to establish and maintain with the U.S. Coast Guard evidence of financial responsibility sufficient to meet the maximum amount of liability to which the particular responsible person may be subject. Vessel owners and operators may satisfy their financial responsibility obligations by providing a proof of insurance, a surety bond, qualification as a self-insurer or a guarantee.

OPA specifically permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, provided they accept, at a minimum, the levels of liability established under OPA. Some states have enacted legislation providing for unlimited liability for oil spills. In some cases, states, which have enacted such legislation, have not yet issued implementing regulations defining vessels owners' responsibilities under these laws.

We currently maintain, for each of our vessels, pollution liability coverage insurance in the amount of \$1 billion per incident. If the damages from a catastrophic spill exceeded our insurance coverage, it could have a material adverse effect on our business and the results of operations.

Under OPA, with certain limited exceptions, all newly-built or converted vessels operating in U.S. waters must be built with double-hulls, and existing vessels that do not comply with the double-hull requirement are prohibited from trading in U.S. waters unless retrofitted with double-hulls. Notwithstanding the prohibition to trade schedule, the act currently permits existing single-hull and double-sided tankers to operate until the year 2015 if their operations within U.S. waters are limited to discharging at the Louisiana Offshore Oil Port or off-loading by lightering within authorized lightering zones more than 60 miles off-shore. Lightering is the process by which vessels at sea off-load their cargo to smaller vessels for ultimate delivery to the discharge port.

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We believe we are in substantial compliance with OPA, CERCLA and all applicable state regulations in the ports where our vessels call or are likely to call. However, our exposure is limited since we do not call at U.S. ports regularly.

#### The U.S. Clean Water Act

The U.S. Clean Water Act, or CWA, prohibits the discharge of oil, hazardous substances and ballast water in U.S. navigable waters unless authorized by a duly-issued permit or exemption, and imposes strict liability in the form of penalties for any unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under OPA and CERCLA. Furthermore, many U.S. states that border a navigable waterway have enacted environmental pollution laws that impose strict liability on a person for removal costs and damages resulting from a discharge of oil or a release of a hazardous substance. These laws may be more stringent than U.S. federal law.

The EPA (Environmental Protection Agency) regulates the discharge of ballast water and other substances in U.S. waters under the CWA. EPA regulations require vessels 79 feet in length or longer (other than commercial fishing and recreational vessels) to comply with a Vessel General Permit (VGP) authorizing ballast water discharges and other discharges incidental to the operation of vessels. The VGP imposes technology and water-quality based effluent limits for certain types of discharges and establishes specific inspection, monitoring, recordkeeping and reporting requirements to ensure the effluent limits are met. The EPA 2013 VGP came into force on December 19, 2013. The new regulations stipulate use of EALs (Environmentally Acceptable Lubricants). This applies mainly to the stern tubes of vessels with oil lubricated bearings. This includes transverse thruster's seals, stabilizer fin seals. Most present day stern and other under water equipment seals are not compatible with EALs and will require replacement of seals with materials compatible with EALs. Replacement of underwater equipment seals will require additional work of dismantling the equipment during the next scheduled dry dockings or even dry docking the vessel where an underwater inspection would suffice for a survey. This rule also applies to any equipment on using lubricants which can leak and contaminate the environment which also includes deck hydraulic machinery like mooring winches, hatch hydraulics and cranes. The VGP focuses on authorizing discharges incidental to operations of commercial vessels and the new VGP contains numeric ballast water discharge limits for most vessels to reduce the risk of invasive species in US waters, more stringent requirements for exhaust gas scrubbers and the use of environmentally acceptable lubricants.

U.S. Coast Guard regulations adopted under the U.S. National Invasive Species Act, or NISA, also impose mandatory ballast water management practices for all vessels equipped with ballast water tanks entering or operating in U.S. waters. In 2009 the Coast Guard proposed new ballast water management standards and practices, including limits regarding ballast water releases. As of June 21, 2012, the U.S. Coast Guard implemented revised regulations on ballast water management by establishing standards on the allowable concentration of living organisms in ballast water discharged from ships into U.S. waters. The revised ballast water standards are consistent with those adopted by the IMO in 2004. Additionally some voluntary and mandatory requirements and record keeping including EPA VGP reporting is required. Compliance with the EPA and the U.S. Coast Guard regulations require the installation of approved equipment in line with IMO rules on our vessels to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial cost, and/or otherwise restrict our vessels from entering U.S. waters. Presently Coast guard has not finalized their own standards for ballast water treatment equipment and are temporarily (for 5 years) accepting internationally approved equipment from other countries, however the equipment may require replacement after USCG adopts their own standards if the previous equipment does not meet the new USCG standards.

As of January 1, 2007, vessels operating in coastal waters of the state of California were required to comply with the State's Marine Vessel Rules concerning emissions from auxiliary diesel engines. These rules impose emission limits on vessels operating in 24 nautical miles coastal area from the California baseline. They additionally require certain

emission requirements compliance based on the fleet size and frequency of port calls and alternatively requires use of shore power or payment of fees for non compliance. They are codified at California Code of Regulations (CCR), Title 13, 2299.1 and CCR Title 17, 93118. However, on February 27, 2008, the United States Court of Appeals for the Ninth Circuit, in *Pacific Merchant Shipping Association v. Goldstene*, 517 F.3d 1108 (No. 07-16695), held that the rules were preempted by the United States Clean Air Act and issued an injunction preventing their enforcement absent approval by the EPA.

#### The U.S. Clean Air Act

The U.S. Clean Air Act of 1970 (including its amendments of 1977 and 1990), or the CAA, requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. Our vessels are subject to vapor control and recovery requirements for certain cargoes when loading, unloading, ballasting, cleaning and conducting other operations in regulated port areas. The CAA also requires states to draft State Implementation Plans, or SIPs, designed to attain national health-based air quality standards in each state. Although state-specific, SIPs may include regulations concerning emissions resulting from vessel loading and unloading operations by requiring the installation of vapor control equipment.

The state of California has more stringent regulations of air emissions from ocean-going vessels. The California Air Resources Board of the State of California, or CARB, has approved clean-fuel regulations applicable to all vessels sailing within 24 miles of the California coastline. The new CARB regulations require such vessels to use low sulfur marine fuels rather than bunker fuel. As of January 1, 2014, the State of California requires that both U.S. and foreign flagged vessels, subject to specified exceptions, use reduced sulfur content fuel of no more than 0.1% for marine gas oil and for diesel oil when operating within 24 nautical miles of California's coastline and ECA Regulations. These new regulations may require significant expenditures on low-sulfur fuel and would increase our operating costs.

Our operations occasionally generate and require the transportation, treatment and disposal of both hazardous and non-hazardous solid wastes that are subject to the requirements of the U.S. Resource Conservation and Recovery Act, or RCRA, or comparable state, local or foreign requirements. The RCRA imposes significant recordkeeping and reporting requirements on transporters of hazardous waste. In addition, from time to time we arrange for the disposal of hazardous waste or hazardous substances at offsite disposal facilities. If such materials are improperly disposed of by third parties, we may still be held liable for cleanup costs under applicable laws.

#### European Union Regulations

In October 2009, the European Union amended a directive to impose criminal sanctions for illicit ship-source discharges of polluting substances, including minor discharges, if committed with intent, recklessly or with serious negligence and the discharges individually or in the aggregate result in deterioration of the quality of water. Aiding and abetting the discharge of a polluting substance may also lead to criminal penalties. Member States were required to enact laws or regulations to comply with the directive by the end of 2010. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims. The directive applies to all types of vessels, irrespective of their flag, but certain exceptions apply to warships or where human safety or that of the ship is in danger.

Amended EU sulphur directive has imposed the following limits:

- The sulfur limit in ECAs is now 1.00% falling to 0.10% in 2015;
- A 0.50% sulfur limit will be implemented in all EU water (outside ECAs) by 2020, even if the IMO decides to delay the global limit;
- Passenger ships operating outside ECAs but on regular service between EU ports continue to be subject to a 1.50% sulfur limit until 2020, when the EU-wide 0.50% sulfur limit applies;
- Ships at berth in EU ports are required to use only fuels with a maximum 0.1% sulfur content.

The European Union has adopted several regulations and directives requiring, among other things, more frequent inspections of high-risk ships, as determined by type, age, flag, and the number of times the ship has been detained. The European Union also adopted and then extended a ban on substandard ships and enacted a minimum ban period and a definitive ban for repeated offenses. The regulation also provided the European Union with greater authority and control over classification societies, by imposing more requirements on classification societies and providing for fines or penalty payments for organizations that failed to comply.

#### China

As China becomes more aware of the impact of pollution and with increased sea going traffic in its coastal waters, they are beginning to impose new regulations for vessels entering Chinese coastal waters. As of January 1, 2012, China Maritime Safety Administration, or MSA, requires certain vessels entering Chinese coastal waters to have a contract in place with a qualified ship pollution response company in the region. These vessels are required to notify the contracted Pollution Response company of the vessel's movements as per China MSA rules.

#### Greenhouse Gas Regulation

Currently, the emissions of greenhouse gases from international shipping are subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which entered into force in 2005 and pursuant to which adopting countries have been required to implement national programs to reduce greenhouse gas emissions. On January 1, 2013, two new sets of mandatory requirements to address greenhouse gas emissions from ships which were

adopted by MEPC in July 2011, entered into force. The European Parliament and Council of Ministers are expected to endorse regulations that would require the monitoring and reporting greenhouse gas emissions from marine vessels in 2015. For 2020, the EU made a unilateral commitment to reduce overall greenhouse gas emissions from its member states from 20% of 1990 levels. The EU also committed to reduce its emissions by 20% under the Kyoto Protocol's second period, from 2013 to 2020. If the strategy is adopted by the European Parliament and Council large vessels using European Union ports would be required to monitor, report and verify their carbon dioxide emissions beginning in January 2018. In December 2013, the European Union environmental ministers discussed draft rules to implement monitoring and reporting of carbon dioxide from ships. In April 2013, the European Parliament rejected proposed changes to the European Union Emissions Law regarding carbon trading. In June 2011, the European Commission developed a strategy to reduce greenhouse gas emissions. If the strategy is adopted by the European Parliament and Council large vessels using European Union ports would be required to monitor, report, and verify their carbon dioxide emissions beginning in January 2018. In December 2013 the European Union environmental ministers discussed draft rules to implement monitoring and reporting of carbon dioxide emissions from ships. In the United States, the EPA has issued a finding that greenhouse gases endanger the public health and safety and has adopted regulations to limit greenhouse gas emissions from certain mobile sources and large stationary sources. Although the mobile source emissions regulations do not apply to greenhouse gas emissions from vessels, such regulation of vessels is foreseeable, and the EPA has in recent years received petitions from the California Attorney General and various environmental groups seeking such regulation. Any passage of climate control legislation or other regulatory initiatives by the IMO, European Union, the U.S. or other countries where we operate, or any treaty adopted at the international level to succeed the Kyoto Protocol, that restrict emissions of greenhouse gases could require us to make significant financial expenditures, including capital expenditures to upgrade our vessels, which we cannot predict with certainty at this time.

## International Labour Organization

The International Labour Organization (ILO) is a specialized agency of the UN with headquarters in Geneva, Switzerland. The ILO has adopted the Maritime Labor Convention 2006 (MLC 2006). ILO MLC 2006 was fully implemented on August 20, 2013. All vessels above 500 gross tons are required to undergo surveys, carry a MLC certificate (Maritime Labour Certificate) and DMLC document (Declaration of Maritime Labor Compliance). Full implementation requires maintaining the accommodation and working conditions on board vessels to a certain minimum standard with a strict control of working hours of the crew, records regarding crew working hours, accommodation hygiene and crew complaints are to be kept on board. This may expose the vessels to additional port state control inspections with risk of detentions if deficiencies are detected.

## Vessel Security Regulations

Since the terrorist attacks of September 11, 2001 in the United States, there have been a variety of initiatives intended to enhance vessel security such as the Maritime Transportation Security Act of 2002, or MTSA. To implement certain portions of the MTSA, in July 2003, the U.S. Coast Guard issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. The regulations also impose requirements on certain ports and facilities, some of which are regulated by the U.S. Environmental Protection Agency (EPA).

Similarly, in December 2002, amendments to SOLAS created a new chapter of the convention dealing specifically with maritime security. The new Chapter V became effective in July 2004 and imposes various detailed security obligations on vessels and port authorities, and mandates compliance with the International Ship and Port Facilities Security Code, or the ISPS Code. The ISPS Code is designed to enhance the security of ports and ships against terrorism. To trade internationally, a vessel must attain an International Ship Security Certificate, or ISSC, from a recognized security organization approved by the vessel's flag state. Among the various requirements are:

- on-board installation of automatic identification systems to provide a means for the automatic transmission of safety-related information from among similarly equipped ships and shore stations, including information on a ship's identity, position, course, speed and navigational status;
- on-board installation of ship security alert systems, which do not sound on the vessel but only alert the authorities on shore;
- the development of vessel security plans;
- ship identification number to be permanently marked on a vessel's hull;
- a continuous synopsis record kept onboard showing a vessel's history including the name of the ship, the state whose flag the ship is entitled to fly, the date on which the ship was registered with that state, the ship's identification number, the port at which the ship is registered and the name of the registered owner(s) and their registered address; and
- compliance with flag state security certification requirements.

Ships operating without a valid certificate may be detained at port until it obtains an ISSC, or it may be expelled from port, or refused entry at port.

Furthermore, additional security measures could be required in the future which could have a significant financial impact on us. The U.S. Coast Guard regulations, intended to be aligned with international maritime security standards, exempt non-U.S. vessels from MTSA vessel security measures, provided such vessels have on board a valid ISSC that



attests to the vessel's compliance with SOLAS security requirements and the ISPS Code.

Safety of Navigation

Amendments to SOLAS Chapter V Regulation 19 that were adopted by the IMO on June 5, 2009, in Resolution MSC.282(86).

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This requires a Bridge Navigational Watch Alarm System (BNWAS) to be fitted on all types of ships in a phased manner depending on the type, build date and size of the ship. Cargo ships of 150 gross tonnage and upwards and passenger vessels were the first to be fitted with BNWAS. All other vessels of 3000 GRT and above, before July 1, 2012, 500 GRT and above before July 1, 2013, and 150 GRT and above before July 1, 2014. We have installed a BNWAS in all our vessels, as required by the applicable regulations.

SOLAS V/19.2.10.6, requires all existing chemical tankers, gas carriers and oil tankers 3000GRT or greater, to be fitted with Electronic Chart Display and Information Systems (ECDIS). ECDIS was originally optional but the new amendment makes this mandatory.

SOLAS II-2/1.2.5 amendment requires all vessels carry self-contained breathing apparatuses for fire man's outfit, to be filled with low volume alarms. This requirement came into force on July 1, 2014 and has to be complied with by July 1, 2019.

A new SOLAS III/1.5 rule requires, at the latest by the first dry docking after July 1, 2014, that all vessels existing lifeboat on-load release mechanisms not currently complying with new paragraphs 4.4.7.6.4 to 4.4.7.6.6 (hook stability, locking devices and hydrostatic interlock) of the LSA code to be replaced with equipment complying with the amended Code. This requires all conventional life boats on load release mechanisms to be examined by specialist companies for compliance, and replacing hooks and associated mechanisms with new compliant designs.

#### Inspection by Classification Societies

Every oceangoing vessel must be "classed" by a classification society. The classification society certifies that the vessel is "in class," signifying that the vessel has been built and maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of the vessel's country of registry and the international conventions of which that country is a member. In addition, where surveys are required by international conventions and corresponding laws and ordinances of a flag state, the classification society will undertake them on application or by official order, acting on behalf of the authorities concerned.

The classification society also undertakes on request other surveys and checks that are required by regulations and requirements of the flag state. These surveys are subject to agreements made in each individual case and / or to the regulations of the country concerned.

For maintenance of the class certification, regular and extraordinary surveys of hull, machinery, including the electrical plant and any special equipment classed are required to be performed as follows:

**Annual Surveys.** For seagoing ships, annual surveys are conducted for the hull and the machinery, including the electrical plant and where applicable for special equipment classed, within three months before or after each anniversary date of the date of commencement of the class period indicated in the certificate.

**Intermediate Surveys.** Extended annual surveys are referred to as intermediate surveys and typically are conducted two and one-half years after commissioning and each class renewal. Intermediate surveys are to be carried out at or between the second or third annual survey.

**Special Surveys.** Special surveys, also known as class renewal surveys, are carried out for the ship's hull, machinery, including the electrical plant, and for any special equipment classed, at the intervals indicated by the character of classification for the hull. At the special survey the vessel is thoroughly examined, including audio-gauging to determine the thickness of the steel structures. Should the thickness be found to be less than class requirements, the classification society would prescribe steel renewals. The classification society may grant a one year grace period for completion of the special survey. Substantial amounts of money may have to be spent for steel renewals to pass a special survey if the vessel experiences excessive wear and tear. In lieu of the special survey, every four or five years, depending on whether a grace period was granted or not, a ship owner has the option of arranging with the

classification society for the vessel's hull or machinery to be on a continuous survey cycle, in which every part of the vessel would be surveyed within a five year cycle. At an owner's application, the surveys required for class renewal may be split according to an agreed schedule to extend over the entire period of class. This process is referred to as continuous class renewal.

We have made arrangements with the classification societies for most of our vessels to be on a continuous survey cycle for machinery. Hull surveys remain under the above mentioned survey regime which is uniform for all International Association of Classification Societies (IACS) members.

Currently our oceangoing and offshore vessels are scheduled for intermediate surveys and special surveys as follows:

Intermediate survey Year No. of vessels	Special survey Year No. of vessels
20153	20154
20166	20165
20172	20174
20184	20185
20195	20192

Note: Maximum range period date has been considered.

All areas subject to survey as defined by the classification society are required to be surveyed at least once per class period, unless shorter intervals between surveys are prescribed elsewhere. The period between two subsequent surveys of each area must not exceed five years.

Most vessels are also drydocked every 30 to 36 months for inspection of the underwater parts and for repairs related to inspections. If any defects are found, the classification surveyor will issue a "recommendation" which must be rectified by the ship owner within prescribed time limits.

Most insurance underwriters make it a condition for insurance coverage that a vessel be certified as "in class" by a classification society which is a member of the International Association of Classification Societies, or IACS. In December 2013, the IACS adopted new harmonized Common Structure Rules that align with IMO goal standards, which will apply to oil tankers and bulk carriers contracted to be constructed on or after July 1, 2015. All our oceangoing vessels are certified as being "in class".

## Risk of Loss and Liability Insurance

### General

The operation of any cargo vessel includes risks such as mechanical failure, collision, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, hostilities and labor strikes. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps and the liabilities arising from owning and operating vessels in international trade.

We believe that we maintain insurance coverage against various casualty and liability risks associated with our business that we consider to be adequate based on industry standards and the value of our fleet, including hull and machinery and war risk insurance, loss of hire insurance at certain times for certain vessels, protection and indemnity insurance against liabilities to employees and third parties for injury, damage or pollution, strike covers for certain vessels and other customary insurance. While we believe that our present insurance coverage is adequate, we cannot guarantee that all risks will be insured, that any specific claim will be paid, or that we will always be able to obtain adequate insurance coverage at commercially reasonable rates or at all.

### Hull and Machinery and War Risk Insurance

We maintain marine hull and machinery and war risk insurance, which includes the risk of actual or constructive total loss, for our wholly-owned and bareboat chartered vessels. At times, we also obtain for part of our fleet increased value coverage and additional freight insurance during periods of improved market rates, where applicable. This increased value coverage and additional freight coverage entitles us, in the event of total loss of a vessel, to some recovery for amounts not otherwise recoverable under the hull and machinery policy. When we obtain these additional insurances, our vessels will each be covered for at least their fair market value, subject to applicable deductibles (and some may include limitations on partial loss). We cannot assure you, however, that we will obtain this additional coverage on the same or commercially reasonable terms, or at all, in the future.

### Loss of Hire

We maintain loss of hire insurance at certain times for certain vessels. Loss of hire insurance covers lost earnings resulting from unforeseen incidents or breakdowns that are covered by the vessel's hull and machinery insurance and result in loss of time to the vessel. Although loss of hire insurance will cover up to ninety days of lost earnings, we must bear the applicable deductibles, which generally range between the first 14 to 21 days of lost earnings. We intend to renew these insurance policies or replace them with other similar coverage if rates comparable to those on our present policies remain available. There can be no assurance that we will be able to renew these policies at comparable rates or at all. Future rates will depend upon, among other things, our claims history and prevailing insurance market rates.

### Strike Insurance

Some of our vessels are covered for loss of time due to strikes (on board and in some cases on shore and on board). This insurance is taken with the Strike Club who also insures a portion of the loss of hire deductibles of some of our vessels in case of collision, striking a fixed or floating object, and grounding or stranding. There can be no assurance that we will be able to renew these policies at comparable rates or at all.

### Protection and Indemnity Insurance

Protection and indemnity insurance covers our legal liability for our shipping activities. This includes the legal liability and other related expenses of injury or death of crew, passengers and other third parties, loss or damage to cargo, fines and other penalties imposed by customs or other authorities, claims arising from collisions with other vessels, damage to other third-party property, pollution arising from oil or other substances and salvage, towing and other related costs, wreck removal and other risks. Coverage is limited for vessels to approximately \$7.5 billion with the exception of i) oil pollution liability, which is limited to \$1.0 billion per vessel per incident, ii) liability to passengers, which is limited to \$2.0 billion and iii) liability to Passengers and Seaman, which is limited to \$3.0 billion.

This protection and indemnity insurance coverage is provided by protection and indemnity associations, or P&I Clubs, which are non-profit mutual assurance associations made up of members who must be either ship owners or ship managers. The members are both the insured parties and the providers of capital. The P&I Clubs in which our vessels are entered are currently members of the International Group of P&I Associations, or the International Group and are reinsured themselves and through the International Group in Lloyds of London and other first class reinsurance markets. We may be subject to supplementary calls based on each Club's yearly results. Similarly, the same P&I Clubs provide freight demurrage and defense insurance which, subject to applicable deductibles, covers all legal expenses in case of disputes, arbitrations and other proceedings related to our oceangoing vessels.

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## C. ORGANIZATIONAL STRUCTURE

Ultrapetrol (Bahamas) Limited is a company organized and registered as an International Business Company in the Commonwealth of the Bahamas since December 23, 1997.

Ultrapetrol (Bahamas) Limited has ownership (both direct and indirect) in the following companies:

COMPANY NAME	INCORPORATION JURISDICTION	OWNERSHIP (1)
Ultrapetrol (Bahamas) Limited	Bahamas	
Agencia Maritima Argenpar S.A.	Argentina	100.00%
Agriex Agenciamentos, Afretamentos e Apoio Maritimo Ltda.	Brazil	100.00%
Amber Shipping Inc.	Panama	100.00%
Arlene Investments Inc.	Panama	100.00%
Bayshore Shipping Inc.	Panama	100.00%
Brinkley Shipping Inc.	Panama	100.00%
Boise Trading Inc.	Panama	100.00%
Cedarino S.A.	Spain	100.00%
Compañía Paraguaya de Transporte Fluvial S.A.	Paraguay	100.00%
Corporación de Navegación Mundial S.A.	Chile	100.00%
Corydon International S.A.	Uruguay	100.00%
Dampierre Holdings Spain S.A.	Spain	100.00%
Danube Maritime Inc.	Panama	100.00%
Dingle Barges Inc.	Liberia	100.00%
Eastham Barges Inc.	Liberia	100.00%
Elysian Ship Management Inc.	Florida	100.00%
Elysian Ship Management Ltd.	Bahamas	100.00%
General Ventures Inc.	Liberia	100.00%
Glasgow Shipping Inc.	Panama	100.00%
Hallandale Commercial Corp.	Panama	100.00%
Hanford Shipping Inc.	Panama	100.00%
Havekost S.A.	Uruguay	100.00%
Ingatestone Holdings Inc.	Panama	100.00%
Jura Shipping Inc.	Panama	100.00%
Lewistown Commercial Corp.	Panama	100.00%
Leeward Shipping Inc.	Panama	100.00%
Linford Trading Inc.	Panama	100.00%
Lonehort S.A.	Uruguay	100.00%
Longmoor Holdings Inc.	Panama	100.00%
Marine Financial Investment Corp.	Panama	100.00%
Maritima SIPSA S.A.	Chile	49.00%
Massena Port S.A.	Uruguay	100.00%
Naviera del Sud S.A.	Argentina	100.00%
Obras Terminales y Servicios S.A.	Paraguay	50.00%
Oceanpar S.A.	Paraguay	100.00%
Packet Maritime Inc.	Panama	100.00%
Padow Shipping Inc.	Panama	100.00%
Palmdeal Shipping Inc.	Panama	100.00%
Parabal S.A.	Paraguay	100.00%

Parfina S.A.

Paraguay

100.00%

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COMPANY NAME	INCORPORATION JURISDICTION	OWNERSHIP (1)
Powtec S.A.	Uruguay	100.00%
Princely International Finance Corp.	Panama	100.00%
Puerto del Sur S.A.	Paraguay	100.00%
Ravenscroft Holdings Inc.	Florida	100.00%
Ravenscroft Ship Management Inc.	Florida	100.00%
Ravenscroft Ship Management Ltd.	Bahamas	100.00%
Ravenscroft Ship Management Ltd.	UK	100.00%
Ravenscroft Shipping (Bahamas) S.A.	Bahamas	100.00%
Regal International Investments S.A.	Panama	100.00%
River Ventures LLC	Delaware	100.00%
Riverpar S.A.	Paraguay	100.00%
Riverview Commercial Corp.	Panama	100.00%
Sernova S.A.	Argentina	100.00%
Ship Management and Commercial Services Ltd.	Bahamas	100.00%
Ship Management Services Inc.	Florida	100.00%
Springwater Shipping Inc.	Panama	100.00%
Stanyan Shipping Inc.	Panama	100.00%
Thurston Shipping Inc.	Panama	100.00%
Topazio Shipping LLC	Delaware	100.00%
Tuebrook Holdings Inc.	Panama	100.00%
UABL Barges (Panama) Inc.	Panama	100.00%
UABL Limited	Bahamas	100.00%
UABL Paraguay S.A.	Paraguay	100.00%
UABL S.A.	Argentina	100.00%
UABL S.A.	Panama	100.00%
UABL Terminals (Paraguay) S.A.	Panama	100.00%
UABL Terminals Ltd.	Bahamas	100.00%
UABL Towing Services S.A.	Panama	100.00%
Ultrapetrol S.A.	Argentina	100.00%
UP (River) Ltd.	Bahamas	100.00%
UP Offshore (Bahamas) Ltd.	Bahamas	100.00%
UP Offshore (Panama) S.A.	Panama	100.00%
UP Offshore (UK) Ltd.	UK	100.00%
UP Offshore Apoio Maritimo Ltda.	Brazil	100.00%
UP Offshore Uruguay S.A.	Uruguay	100.00%
UP River (Holdings) Ltd.	Bahamas	100.00%
UP River Terminals (Panama) S.A.	Panama	100.00%
UPB (Panama) Inc.	Panama	100.00%
Woodrow Shipping Inc.	Panama	100.00%
Yataity S.A.	Paraguay	100.00%
Yvy Pora Fertilizantes S.A.	Paraguay	100.00%
Zubia Shipping Inc.	Panama	100.00%

(1) Direct or indirect ownership by Ultrapetrol (Bahamas) Limited.



#### D. PROPERTY, PLANT AND EQUIPMENT

Ravenscroft is headquartered in our own 16,007 square foot building located at 3251 Ponce de Leon Boulevard, Coral Gables, Florida, United States of America.

In addition we own two repair facilities, one in Pueblo Esther, Argentina, where we operate a floating drydock and another one in Chaco-I, Paraguay. We own a new shipyard for building barges or other vessels in Punta Alvear, Argentina, one grain loading terminal and 50% joint venture on a second terminal in Paraguay (the latter of which can also load and discharge liquid cargos such as vegetable oils and petroleum products). We also own land large enough for the construction of two further terminals in Argentina.

We rent offices in Argentina, Brazil, Paraguay and the United Kingdom.

#### ITEM 4A – UNRESOLVED STAFF COMMENTS

None.

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

The following discussion should be read in conjunction with the information included under the caption "Selected Financial Data," our historical consolidated financial statements and their notes included elsewhere in this annual report. This discussion contains forward-looking statements. For a discussion of the accuracy of these statements please refer to the section of this report titled "Cautionary Statement Regarding 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" in Item 3.D of this report and elsewhere in this annual report.

#### A. OPERATING RESULTS

##### Our Company

We are an industrial transportation company serving the marine transportation needs of its clients in the markets on which it focuses. It serves the shipping markets for containers, grain and soya bean products, forest products, minerals, crude oil, petroleum and refined petroleum products, as well as the offshore oil platform supply market with its extensive and diverse fleet of vessels. These include river barges and pushboats, platform supply vessels, tankers and two container feeder vessels.

Our River Business, with 687 barges (of which 24 are under lease) and 33 pushboats as of December 31, 2014, 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, Brazil, Bolivia, Paraguay and Uruguay to ports serviced by ocean export vessels. These countries are estimated to account for approximately 55% of world soybean production in 2014, as compared to 30% in 1995. We also own a barge building facility at Punta Alvear, which is the most modern of its kind in South America, and we own an inland tank barge, Parana Iron, which has been converted into an iron ore transfer and storage unit currently employed with a non-related third party.

Our Offshore Supply Business owns and operates vessels that provide critical logistical and transportation services for offshore petroleum exploration and production companies, in the coastal waters of Brazil and the North Sea. As of December 31, 2014, our Offshore Supply Business fleet consisted of fourteen Platform Supply Vessels, or PSVs, of which twelve were chartered in Brazil and two in the North Sea. Our PSV UP Coral which entered into a six-year

contract with Petrobras to operate as a Remotely Support Vessel ("RSV") is expected to commence operations during the second quarter of 2015 after its conversion.

Our Ocean Business, as of December 31, 2014, operates six ocean-going vessels that we employ in the South American coastal trade where we have preferential rights and customer relationships. The six vessels are comprised of four Product Tankers (one of which is under lease) and two container feeder vessels. On December 30, 2014, we confirmed the bareboat charter of Mentor for 3 years, which has also been fixed on time charter to Petrobras. This vessel is expected to commence its service in May 2015, replacing one of our Product Tankers, Miranda I, which has been placed for sale.

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 2014

On January 6 and 21, 2014, pursuant to the cancellation of the Shipbuilding Contract for Hull No. V-387 (UP Onyx), we received \$6.0 million and \$11.7 million, respectively, from the two banks which had issued refund guarantees to us in connection with such vessel. The amounts received refund us for the advances paid on UP Onyx and interest accrued at 7% per annum.

On February 17, 2014, we entered into a contract with a non-related third party to acquire the design, engineering and drawing of four low draft pushboats for which the parties shall retain intellectual property of the drawings. We may build additional pushboats with the same specifications for our own account and for sale to third parties subject to the payment of additional royalties per vessel.

On July 13, 2014, the Company appointed Rodrigo Lowndes to its board of directors following the resignation of Fernando Barros. Mr. Lowndes, a Brazilian national, is a partner with Southern Cross in the Sao Paulo office and has been with that firm since 2009.

On July 13, 2014, Sparrow Capital Investments Ltd. ("Sparrow"), a subsidiary of Southern Cross Latin America Private Equity Funds III and IV ("Southern Cross") and our major shareholder, entered into a share purchase agreement with Hazels (Bahamas) Investments Inc. ("Hazels") and Inversiones Los Avellanos S.A. ("Los Avellanos"), to purchase all of Hazels' and Los Avellanos' outstanding equity interests in the Company. The agreement also provides Hazels with the opportunity to offer to purchase the Company's Ocean Business for a price to be determined, subject to terms and conditions including the approval of the independent director of the Company.

On September 3, 2014, the share purchase transaction with respect to the sale of shares of the Company between the major shareholders of the Company was closed under terms previously announced on July 13, 2014. In the transaction, Sparrow purchased all of the Company's outstanding equity interests held by Hazels, Los Avellanos and certain entities affiliated with them ("SIPSA"), increasing Southern Cross' interest in the Company from 67% to 85%. Under the terms of the agreement, Sparrow acquired from Hazels, Los Avellanos, and certain entities affiliated with them, the rights to 25,326,821 shares of common stock of the Company ("Common Stock") at a price equivalent to \$4.00 per share of Common Stock. With the completion of the transaction, the equity capital of the Company is now comprised exclusively of shares with equal voting rights of one vote per share. Simultaneously with Southern Cross' acquisition, the Company's Board of Directors selected Damián Scokin to become the Company's new Chief Executive Officer, starting November 2014.

On October 14, 2014, our UP Safira commenced operations under its recently renewed four-year charter at \$30,000 per day.

On November 10, 2014, Mr. Damián Scokin joined Ultrapetrol as the Company's new Chief Executive Officer.

## Recent Developments

On January 20, 2015, the counterparty to an arbitration initiated by one of our subsidiaries in January 2013 related to the non-performance of a barge construction contract has decided not to appeal the arbitration award issued on December 23, 2014, in favour of our subsidiary in which \$1.9 million were awarded on account of damages plus interests and costs. Steps are now being taken to collect the sums due under the award. Accordingly, the gain has been deferred and will be taken into income when and to the extent the award is collected.

On January 25, 2015, our UP Opal commenced its recently awarded four-year charter at \$31,000 per day with Petrobras.

On March 3, 2015, our UP Turquoise commenced its recently renewed four-year charter at \$30,350 per day with Petrobras, which is the same rate as its previous charter.

On March 11, 2015, the ten-day period granted by the share purchase agreement for Hazels to deliver an offer to purchase the Company's Ocean Business at a price determined by the average value of two investment banking firms was closed. Upon such closing, the Ocean Business purchase option was terminated.

#### Factors Affecting Our Results of Operations

We organize our business and evaluate performance by the following business segments: the River Business, the Offshore Supply Business and the Ocean Business. In December 2008, we decided to discontinue the operations of our Passenger Business. The accounting policies of the reportable segments are the same as those for the consolidated financial statements. We do not have significant inter-segment transactions.

#### Revenues

In our River Business, we currently contract for the carriage of cargoes, in the majority of cases, under contracts of affreightment, or COAs. Most of these COAs currently provide for adjustments to the freight rate based on changes in the price of fuel. When transporting containers or vehicles, we charge our clients on a per-trip per unit basis. In addition, we derive revenues from the sale of new barges built at our Punta Alvear yard to third parties except for the sale of 24 barges to a third party which are then leased back to us. In that case, neither net revenues nor manufacturing expenses are recognized and the net result from the sale of those barges is deferred in time throughout the term of the lease.

Finally, under our transshipment service agreement, we will recognize revenues per ton upon completion of loading of the oceangoing vessels.

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

In our Ocean Business, we currently contract our tanker vessels on a time charter basis. We sell space on our container feeder vessels on a per Twenty Foot-Equivalent Unit ("TEU") basis which is very similar to a COA basis as far as recording of revenues and voyage expenses. Some of the differences between time charters and COAs are summarized below.

#### Time Charter (TC)

- 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.

Time charter revenues accounted for 49% of the total revenues derived from transportation services in 2014 and COA revenues accounted for 51%. With respect to COA revenues derived from transportation service in 2014, 96% were in respect of repetitive voyages for our regular customers and 4% were in respect of single voyages for occasional customers.

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

In our River Business, demand for our cargo carrying services is driven by agricultural, mining and petroleum related activities in the Hidrovia Region. Droughts and other adverse weather conditions, such as floods, could result in a decline in production of the agricultural products we transport, which would likely result in a reduction in demand for our services. Further, most of the operations in our River Business occur on the Parana and Paraguay Rivers and any changes adversely affecting navigability of either of these rivers, such as low water levels, could reduce or limit our ability to effectively transport cargo on the rivers.

In our Offshore Supply Business, we currently have eleven of our PSVs operating under long-term charters with Petrobras in Brazil and three PSVs operating in the North Sea. One of the PSVs currently operating in the North Sea, UP Coral, is scheduled to be converted into an RSV before commencing its long-term charter with Petrobras during the second quarter of 2015.

In our Ocean Business, we employed a significant part of our ocean fleet on time charter to different customers during 2014.

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 and marine insurance costs.

In addition to the vessel operating expenses, our other primary operating expenses in 2014 included general and administrative expenses related to ship management and administrative functions.

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

In our Offshore Supply Business, voyage expenses include offshore and brokerage commissions paid by us to third parties which provide brokerage services and bunker costs incurred when our vessels are repositioned between the North Sea and Brazil, which are fully covered by us.

In our Ocean Business, through our container feeder operation, our operating expenses include bunker costs which are fully covered by us, port expenses, Terminal Handling Costs, or THC, incurred in the regular operation of our container feeder service, agency fees paid by us to third parties. It also includes container leasing, storage and insurance expense.

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

Through our Offshore Supply Business, we hold a lease for office and warehouse space in Rio de Janeiro, Brazil. In addition, through Ravenscroft, we own a building located at 3251 Ponce de Leon Boulevard, Coral Gables, Florida, United States. We also hold subleases to additional office space at Avenida Leandro N. Alem 986, Capital Federal, Buenos Aires, Argentina, and rent an office in Aberdeen, Scotland.

#### Foreign Currency Transactions

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

During 2014, 90% of our revenues were denominated in U.S. dollars. Also, for the year ended December 31, 2014, 6% of our revenues were denominated and collected in Brazilian reais and 4% were denominated and collected in British pounds. However, 39% of our total revenues were denominated in U.S. dollars but collected in Argentine pesos, Brazilian reais and Paraguayan guaranies. During 2014 significant amounts of our expenses were denominated in U.S. dollars and 37% of our total out of pocket operating expenses were paid in Argentine pesos, Brazilian reais and Paraguayan guaranies.

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

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

#### Inflation, Interest Rates and Fuel Price Increases

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

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

adverse effect on our profitability, earnings and cash flow.

As of December 31, 2014, we had \$55.4 million of LIBOR-based variable rate borrowings under our credit facilities with International Finance Corporation, or IFC, and The OPEC Fund for International Development, or OFID, subject to an interest rate collar agreement, designated as cash flow hedge, to fix the interest rate of these borrowings within a floor of 1.69% and a cap of 5.0% per annum until June 2016.

As of December 31, 2014, the Company had \$16.7 million of LIBOR-based variable rate borrowings under its credit facility with DVB, NIBC and ABN Amro subject to interest rate swaps, as economic hedges, to fix the interest rate of these borrowings between October 2012 and October 2016 at a weighted average cost of debt of 0.9% per annum, excluding margin. In addition, the Company had \$16.8 million of LIBOR-based variable rate borrowings under the same facility subject to interest rate swaps designated as cash flow hedge for accounting purposes, to fix the interest rate of these borrowings between March 2014 and September 2016 at a weighted average cost of debt of 1.2% per annum, excluding margin. Finally, the Company had \$18.0 million of LIBOR-based variable rate borrowings under the same facility subject to interest rate swaps designated as cash flow hedge for accounting purposes, to fix the interest rate of these borrowings between October 2014 and October 2016 at a weighted average cost of debt of 1.22% per annum, excluding margin.

As of December 31, 2014, the Company had \$6.9 million of LIBOR-based variable rate borrowings under its credit facility with DVB and Banco Security, subject to an interest rate swap, designated as cash flow hedge for accounting purposes, to fix the interest rate of these borrowings at a weighted average interest rate of 3.39% per annum.

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Additionally, as of December 31, 2014, the Company had variable rate debt (due 2015 through 2021) totaling \$112.7 million. These debts call for the Company to pay interest based on LIBOR plus a 120-400 basis points margin range. Some of our existing financing agreements, within the terms and conditions contained in the relevant loan agreement, used a cost-of-funds rate in replacement of LIBOR. The interest rates generally reset either quarterly or semi-annually. As of December 31, 2014, the weighted average interest rate on these borrowings was 2.9%, including margin.

A 1% increase in LIBOR or a 1% increase in the cost-of-funds used as base rate by some of our lenders would translate to a \$1.1 million increase in our interest expense per year, which would adversely affect our earnings and financing cash flow.

We have negotiated fuel price adjustment clauses in most of our contracts in the River Business. However, we may experience temporary misalignments between the adjustment of fuel in our freight contracts and our fuel purchase agreements (either positive or negative) because one may adjust prices on a monthly basis while the other adjusts prices weekly. Similarly, in some of our trades the adjustment formula may not be one hundred percent effective to protect us against fuel price fluctuations. Additionally, as our re-engining and repowering program progresses and more pushboats in our fleet start to consume heavy fuel (as opposed to diesel oil), the adjustment formulas in our transportation contracts will gradually cease to reflect the change in our fuel costs, resulting in gradually larger misalignments between such adjustments and our fuel purchases.

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

In our Ocean Business, for those vessels that operate under time charters, increases on bunker (fuel oil) costs do not have a material effect on the results of those vessels which are time chartered to third parties, since it is the charterers' responsibility to pay for fuel. When our ocean vessels are employed under COAs, however, freight rates for voyage charters are fixed on a per ton basis including bunker fuel for our account, which is calculated for the voyage at an assumed bunker cost. A rise or fall in bunker prices may have a temporary negative or positive effect on results as the case may be as the actual cost of fuel purchased for the performance of a particular voyage or COA may be higher or lower than the price considered when calculating the freight for that particular voyage. Generally, in the long term, freight rates in the market should be sensitive to variations in the price of fuel. However, a sharp rise in bunker prices may have a temporary negative effect on results since freights generally adjust only after prices have settled at a higher level.

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

#### Seasonality

Each of our businesses has seasonal aspects, which affect their revenues on a quarterly basis. The high season for our River Business is generally between the months of March and September, in connection with the South American harvest and higher river levels. However, growth in the soy pellet manufacturing, minerals and forest industries may help offset some of this seasonality. The Offshore Supply Business operates year-round, particularly off the coast of Brazil, although weather conditions in the North Sea may reduce activity from December to February. In the Ocean Business, we employ our Product Tankers on time charters so there is no seasonality effect, while our container feeder service experiences a somewhat slower season during the first quarter due to the congestion at the main discharge

terminal in Patagonia in connection with the cruise tourist season.

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## Results of Operations

Year Ended December 31, 2014, Compared to Year Ended December 31, 2013.

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,		Percent Change	
	2014	2013		
Revenues				
Attributable to River Business	\$ 175,110	\$ 246,798	-29	%
Attributable to Offshore Supply Business	119,581	93,154	28	%
Attributable to Ocean Business	68,984	71,265	-3	%
Total revenues	363,675	411,217	-12	%
Voyage and manufacturing expenses				
Attributable to River Business	(90,773 )	(133,957 )	-32	%
Attributable to Offshore Supply Business	(6,879 )	(4,984 )	38	%
Attributable to Ocean Business	(21,433 )	(22,381 )	-4	%
Total voyage expenses	(119,085 )	(161,322 )	-26	%
Running costs				
Attributable to River Business	(61,445 )	(57,851 )	6	%
Attributable to Offshore Supply Business	(52,318 )	(40,513 )	29	%
Attributable to Ocean Business	(34,754 )	(37,792 )	-8	%
Total running costs	(148,517 )	(136,156 )	9	%
Amortization of drydocking and intangible assets	(7,537 )	(3,582 )	110	%
Depreciation of vessels and equipment	(45,880 )	(38,953 )	18	%
Loss on write-down of vessels	(10,511 )	--	--	
Administrative and commercial expenses	(47,081 )	(41,730 )	13	%
Other operating income, net	1,597	5,692	-72	%
Operating (loss) profit	(13,339 )	35,166	--	
Financial expense	(35,097 )	(33,551 )	5	%
Financial loss on extinguishment of debt	--	(5,518 )	--	
Foreign currency exchange gains (losses), net	2,089	18,849	-89	%
Investment in affiliates	(1,056 )	(520 )	103	%
Other, net	192	92	109	%
Total other expenses	(33,872 )	(20,648 )	64	%
Loss (income) before income tax	\$(47,211 )	\$ 14,518	--	
Income tax (expenses) benefit	(5,065 )	(6,597 )	-23	%
Net income attributable to noncontrolling interest	--	553	--	
Net (loss) income attributable to Ultrapetrol (Bahamas) Limited	(52,276 )	7,368	--	

Revenues. Total revenues from our River Business decreased 29% from \$246.8 million in 2013 to \$175.1 million in 2014. This \$71.7 million decrease is mainly attributable to a \$49.6 million decrease related to 48 barges constructed at

our Punta Alvear yard sold in 2013 as compared to twelve in 2014, and to a \$48.0 million decrease in revenues from river operations related to a 28% decrease in net tons transported in 2014 as compared to 2013; partially offset by a \$16.1 million increase on account of the time charter of 100 of our barges and four pushboats to Vale and by a \$9.8 million increase in revenues from the operation of our Parana Iron transfer and storage unit which started operations on May 13, 2014.

Total revenues from our Offshore Supply Business increased by 28% from \$93.2 million in 2013 to \$119.6 million in 2014. This \$26.4 million increase is primarily attributable to a \$16.7 million increase generated by our UP Amber and UP Pearl which commenced their charters with Petrobras on August 1, 2013, and November 25, 2013, respectively, by a \$8.6 million increase generated by our UP Agate, UP Coral and UP Opal which commenced operations in the North Sea on April 11, April 25 and May 3, 2014, respectively, a \$2.8 million joint increase in revenues of our UP Topazio, UP Diamante and UP Agua-Marinha mainly attributable to their contract renewals at higher rates; partially offset by a \$1.5 million decrease in revenues from our UP Jasper related to lower spot rates in the North Sea. Total revenues from our Ocean Business decreased \$2.3 million, from \$71.3 million in 2013 to \$69.0 million in 2014. This decrease is mainly attributable to a \$2.2 million decrease in revenues of our Alejandrina which has been laid up after ending its last employment in September 2014, to a combined \$1.7 million decrease in revenues of our container feeder vessels Asturiano and Argentino mainly associated to lower operating days of our Asturiano; partially offset by a combined \$1.7 million increase in revenues of our Product Tankers Amadeo which had a higher time charter rate and Miranda I which underwent her scheduled drydock during the third quarter of 2013.

Voyage and manufacturing expenses. In 2014, voyage and manufacturing expenses of our River Business were \$90.8 million, as compared to \$134.0 million for 2013, a decrease of \$43.2 million, or 32%. Voyage expenses (excluding manufacturing expenses) decreased \$8.0 million or 9%, from \$88.3 million in 2013 to \$80.3 million in 2014. This decrease is mainly attributable to lower fuel consumption of \$13.1 million in 2014 as compared to 2013 mainly attributable to lower volumes carried and to the Vale time charter; partially offset by increases in voyage expenses (other than fuel) of \$5.2 million (which includes increases in third party port pushboats hire, our terminals and the operation of our transshipment stations). Manufacturing expenses decreased by \$35.2 million or 77%, from \$45.7 million to \$10.5 million in 2014. This decrease is mainly attributable to only twelve barges built and sold for third parties in our Punta Alvear yard in 2014, as compared with 58 barges in 2013.

In 2014, voyage expenses of our Offshore Supply Business were \$6.9 million, as compared to \$5.0 million in 2013. This increase of \$1.9 million, or 38%, is primarily attributable to a \$3.4 million increase related to the positioning costs of our UP Agate, UP Coral and UP Opal in 2014; partially offset by a \$1.5 million combined decrease related to the positioning of our UP Amber and UP Pearl in 2013.

In 2014, voyage expenses of our Ocean Business were \$21.4 million, as compared to \$22.4 million for 2013, a decrease of \$1.0 million, or 4%. This decrease is primarily attributable to our feeder container vessels on lower operating days of our Asturiano.

Running costs. In 2014, running costs of our River Business were \$61.4 million, as compared to \$57.8 million in 2013, an increase of \$3.6 million, or 6%. This increase is mainly attributable to a \$2.7 million increase resulting from the operation of our Parana Iron transfer and storage unit which started operations on May 13, 2014, and to a \$0.9 million increase in other running costs.

In 2014, running costs of our Offshore Supply Business were \$52.3 million, as compared to \$40.5 million in 2013, an increase of \$11.8 million, or 29%. This increase in running costs is primarily attributable a \$7.4 million increase related to the acquisition of our UP Agate, UP Coral and UP Opal, to a \$2.5 million increase related to our UP Amber and UP Pearl which were delivered from the yard on January 30, and August 12, 2013, respectively, and to a \$1.8 million increase in maintenance costs of our PSV fleet.

In 2014, running costs of our Ocean Business were \$34.8 million, as compared to \$37.8 million in 2013, a decrease of \$3.0 million, or 8%. This decrease resulted mainly from a decrease in crew costs on our ocean fleet related to the devaluation of the local currency in Argentina that occurred in the first quarter of 2014 which resulted in a combined \$1.9 million decrease in running costs of our Product Tankers and to a joint decrease of \$1.1 million in running costs of our vessels Asturiano and Argentino.

Amortization of drydocking and intangible assets. Amortization of drydocking and intangible assets in 2013 was \$3.6 million, as compared to \$7.5 million in 2014, an increase of \$3.9 million, or 110%. This increase is primarily attributable to a \$1.7 million increased level of amortization of drydocking of some of our pushboats and barges and to a \$1.0 million increased level of amortization of drydocking of our Parana Iron transfer and storage unit, in our River Business; by a combined \$0.9 million increased level of amortization of drydock of our PSV fleet, in our Offshore Supply Business; and by a \$0.7 million increased level of amortization of drydock of our Asturiano in our Ocean Business; partially offset by a \$0.4 million decreased level of amortization of drydock of our Product Tankers, in our Ocean Business.

Depreciation of vessels and equipment. Depreciation of vessels and equipment was \$45.9 million in 2014 as compared to \$39.0 million in 2013. This \$6.9 million increase is mainly attributable to a \$3.6 million increase related to the acquisition of our UP Agate, UP Coral and UP Opal in October 2013, to a \$1.8 million increase related to our pushboats and barges, to a \$0.9 million increase related to the delivery of our UP Amber and UP Pearl from the yard in India on January 30, 2013, and August 12, 2013, and to a \$0.5 million increase in depreciation attributable to our Parana Iron.

Loss on write-down of vessels. The \$10.5 million write-down amount for 2014 corresponds to a \$5.6 million impairment charge of our Alejandrina and to a \$4.9 million impairment charge of our Miranda I.

Administrative and commercial expenses. Administrative and commercial expenses were \$47.1 million in 2014 as compared to \$41.7 million in 2013, resulting in an increase of \$5.4 million, or 13%. This variation is mainly associated to the former CEO and Executive Vice President's severance payments according to their employment and consulting agreements termination clauses for \$5.7 million in 2014.

Other operating income, net. Other operating income decreased \$4.1 million from \$5.7 million in 2013 as compared to \$1.6 million in 2014. This difference is mainly related to \$2.6 million related to the cancellation of our UP Onyx in 2013, by a \$1.4 million favourable arbitration settlement of our UP Topazio in 2013 and by a \$1.2 million decrease in export benefits related to lower sales from our barge building activity; partially offset by a \$0.5 million loss of hire compensation of our UP Opal during the second quarter of 2014 and by a \$0.3 million loss of hire compensation of our Asturiano during the fourth quarter of 2014.

Operating (loss) profit. Operating loss for 2014 was \$13.3 million (which includes an impairment charge of \$10.5 million in our Ocean Business and a \$5.7 million loss associated to the former CEO and Executive Vice President's severance payments according to their employment and consulting agreements termination clauses), which represents a decrease of \$48.5 million from an operating profit of \$35.2 million in 2013. This decrease is mainly attributable to a \$40.6 million decrease in our River Business operating profit from \$10.6 million in 2013 to an operating loss of \$30.0 million in 2014 and by a \$7.9 million increase in operating loss of our Ocean Business from \$4.5 million in 2013 to an operating loss of \$12.4 million in 2014, whereas the operating profit of our Offshore Supply Business remained unchanged at \$29.1 million.

Financial expense. Financial expense increased \$1.6 million to \$35.1 million in 2014 as compared to \$33.5 million in 2013. This variation is mostly explained by the refinancing of our \$180.0 million Senior Notes due 2014 with our new \$225.0 million Senior Notes due 2021 issued on June 10, 2013, and to disbursements on our DVB-NIBC and DVB-NIBC-ABN credit facilities.

Financial loss on extinguishment of debt. Financial loss on extinguishment of debt in 2013 is mainly attributable to the extinguishment of our 2014 Senior Notes on July 10, 2013, and our 2017 Convertible Notes on January 23, 2013.

Foreign currency exchange gains (losses), net. Foreign currency exchange gains for 2014 was \$2.1 million as compared to \$18.8 million in 2013. This \$16.7 million variation is mainly attributable to lower foreign currency exchange gains in some of our subsidiaries and exchange differences affecting the settlement of some River Business operating expenses during 2014.

Income taxes (expenses) benefit. Income tax expense for 2014 was \$5.1 million, compared to \$6.6 million in 2013. This \$1.5 million variation is mainly attributable to a \$3.1 million decrease in the charge attributable to a lower pretax income in our Argentinean subsidiaries operating in the River and Ocean Businesses and to a one-time \$1.2 million decrease in the valuation allowance for deferred income tax assets mainly related to the merger of two of our subsidiaries in Argentina; partially offset by a \$2.8 million increase in the charge attributable to a higher pretax income in Brazil in our Offshore Supply Business.

Non-controlling interest. Non-controlling interest decreased \$0.6 million down to zero in 2014 as compared to the same period of 2013. This decrease is attributable to the acquisition of the remaining 5.55% ownership in UP Offshore (Bahamas) Limited from Firmapar Corp. on July 5, 2013.

## Results of Operations

Year Ended December 31, 2013, Compared to Year Ended December 31, 2012.

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,		Percent Change	
	2013	2012		
<b>Revenues</b>				
Attributable to River Business	\$246,798	\$163,279	51	%
Attributable to Offshore Supply Business	93,154	76,661	22	%
Attributable to Ocean Business	71,265	73,229	-3	%
Total revenues	411,217	313,169	31	%
<b>Voyage and manufacturing expenses</b>				
Attributable to River Business	(133,957)	(94,741 )	41	%
Attributable to Offshore Supply Business	(4,984 )	(5,242 )	-5	%
Attributable to Ocean Business	(22,381 )	(26,385 )	-15	%
Total voyage expenses	(161,322)	(126,368)	28	%
<b>Running costs</b>				
Attributable to River Business	(57,851 )	(53,912 )	7	%
Attributable to Offshore Supply Business	(40,513 )	(38,163 )	6	%
Attributable to Ocean Business	(37,792 )	(35,984 )	5	%
Total running costs	(136,156)	(128,059)	6	%
<b>Amortization of drydocking and intangible assets</b>				
Depreciation of vessels and equipment	(38,953 )	(38,914 )	--	
Loss on write-down of vessels	--	(16,000 )	--	
<b>Administrative and commercial expenses</b>				
Other operating income, net	5,692	8,376	-32	%
Operating profit (loss)	35,166	(25,119 )	--	
<b>Financial expense</b>				
Financial loss on extinguishment of debt	(5,518 )	(940 )	487	%
Foreign currency exchange gains (losses), net	18,849	(2,051 )		
Investment in affiliates	(520 )	(1,175 )	-56	%
Other, net	92	(655 )		
Total other income (expenses)	(20,648 )	(40,614 )	-49	%
Income (loss) before income tax	\$14,518	\$(65,733 )		
Income tax (expenses) benefit	(6,597 )	2,969		
Net income attributable to noncontrolling interest	553	893	-38	%
Net income (loss) attributable to Ultrapetrol (Bahamas) Limited	7,368	(63,657 )		

Revenues. Total revenues from our River Business increased 51% from \$163.3 million in 2012 to \$246.8 million in 2013. This \$83.5 million increase is mainly attributable to: a 20% increase in net tons transported that resulted from the normal soybean crop season in Paraguay as compared to the severe drought that impacted soybean production in



2012 compounded by a 15% average increase in freight rates, and by a \$35.3 million increase in revenues related to the sale of thirty dry and eighteen tank barges sold to third parties in 2013 as compared to fifteen dry and eight tank barges sold in 2012 at similar unit prices in both years.

Total revenues from our Offshore Supply Business increased by 22% from \$76.7 million in 2012 to \$93.2 million in 2013. This \$16.5 million increase is primarily attributable to a \$11.8 million increase generated by our UP Jade, UP Amber and UP Pearl which commenced their charters with Petrobras on August 10, 2012, August 1, 2013, and November 25, 2013, respectively; a \$4.1 million joint increase in revenues of our UP Topazio, UP Diamante and UP Agua-Marinha mainly attributable to their contract renewals at higher rates, and by a \$0.6 million increase of our UP Rubi mainly related to an increase in operating days in 2013 as compared to 2012.

Total revenues from our Ocean Business decreased \$1.9 million, from \$73.2 million in 2012 to \$71.3 million in 2013. This decrease is mainly attributable to a \$3.5 million decrease related to the ocean transportation of the barges sold to a third party during 2012; partially offset by a combined \$1.2 million increase in revenues of our container feeder vessels Asturiano and Argentino mainly associated to tariff increases and to fewer drydocking days of our Argentino in 2013, and to a combined \$0.3 million increase in revenues of our Product Tankers mostly related to the offhire days of our Amadeo during the third and fourth quarter of 2012 which were slightly offset by the drydock of our Miranda I and Asturiano in 2013.

Voyage and manufacturing expenses. In 2013, voyage and manufacturing expenses of our River Business were \$134.0 million, as compared to \$94.7 million for 2012, an increase of \$39.3 million, or 41%. This increase is mainly attributable to a \$27.2 million increase related to the manufacturing expenses incurred in the construction of a higher number of barges sold to third parties in our Punta Alvear yard in 2013 and to a \$12.8 million increase related to higher port expenses.

In 2013, voyage expenses of our Offshore Supply Business were \$5.0 million, as compared to \$5.2 million in 2012. This decrease of \$0.2 million, or 5%, is primarily attributable to a \$1.2 million decrease in the commissions paid by our vessels operated in Brazil and to a \$1.0 million decrease related to the positioning of our UP Jade, which entered into operation with Petrobras on August 10, 2012; partially offset by a \$1.9 million increase related to the positioning of both our UP Amber and UP Pearl which entered into operation with Petrobras on August 1, 2013, and November 25, 2013, respectively.

In 2013, voyage expenses of our Ocean Business were \$22.4 million, as compared to \$26.4 million for 2012, a decrease of \$4.0 million, or 15%. This decrease is primarily attributable to a \$3.5 million decrease related to the transportation costs of the barges sold to a third party during 2012, and to a \$0.5 million decrease related to the operation of our Paraná Petrol during 2012.

Running costs. In 2013, running costs of our River Business were \$57.8 million, as compared to \$53.9 million in 2012, an increase of \$3.9 million, or 7%. This increase in costs is mainly attributable to a larger number of pushboat operating days consistent with larger volumes and to higher crew costs as well as higher maintenance and insurance costs measured in U.S. dollars.

In 2013, running costs of our Offshore Supply Business were \$40.5 million, as compared to \$38.2 million in 2012, an increase of \$2.3 million, or 6%. This increase in running costs is mainly attributable to a \$5.4 million additional running costs incurred by of our UP Jade, UP Amber and UP Pearl which entered into operation with Petrobras on August 12, 2012, August 1, 2013, and November 25, 2013, respectively; partially offset by a \$3.1 million joint decrease in running costs of the rest of our PSV fleet mainly due to a decrease in crew expenses and the average rate of exchange of the U.S. dollar against the Brazilian real.

In 2013, running costs of our Ocean Business were \$37.8 million, as compared to \$36.0 million in 2012, an increase of \$1.8 million, or 5%. This variation results mainly from a combined \$2.0 million increase in running costs of our Product Tankers and to a joint increase of \$0.9 million in crew expenses of our vessels Asturiano and Argentino, both mainly related to inflationary increase in our costs not compensated by an equivalent devaluation of local currencies versus the U.S. dollar; partially offset by a \$1.0 million decrease related to the operation of our Paraná Petrol during 2012 which underwent a conversion to an iron ore transfer and storage unit during 2013.

Amortization of drydocking and intangible assets. Amortization of drydocking and intangible assets in 2012 was \$4.9 million, as compared to \$3.6 million in 2013, a decrease of \$1.3 million, or 27%. This decrease is mostly related to the combined reduction of the drydock amortization charge from UP Esmeralda, UP Safira, UP Diamante and UP Agua-Marinha of \$0.6 million and to the phasing out of the amortization charge of our Amadeo of \$1.0 million following its write-off on December 31, 2012; partially offset by \$0.4 million related to the drydock performed on our

Argentino during the fourth quarter of 2012.

Depreciation of vessels and equipment . Depreciation of vessels and equipment remained unchanged at \$38.9 million in 2013 as compared to 2012. Offsetting factors include the combined \$1.3 million increase in the depreciation charge of our UP Jade, UP Amber and UP Pearl which were delivered to us on May 22, 2012, January 30, 2013, and August 12, 2013, respectively; partially offset by a \$1.3 million reduction in the depreciation charge of our Product Tanker Amadeo following its write-off on December 31, 2012.

Loss on write-down of vessels. In 2012 we had an impairment charge on the value of our Product Tanker Amadeo of \$16.0 million. In 2013 we had no similar charges.

Administrative and commercial expenses. Administrative and commercial expenses were \$41.7 million in 2013 as compared to \$32.4 million in 2012, resulting in an increase of \$9.3 million, or 29%. This increase is mainly associated to a \$3.4 million increase in sales and other taxes mainly related to a higher level of activity in 2013 in the River business, to a \$2.1 million increase in wages and other wage expenses, to a \$1.8 million increase in legal and other fees, by a \$ 1.1 million increase in bank transaction taxes; and to a \$0.9 million increase in bad debt from our River Business.

Other operating income, net. Other operating income decreased \$2.7 million from \$8.4 million in 2012 as compared to \$5.7 million in 2013. This difference is mainly explained by a \$3.6 million decrease related to the sale of one pushboat during the first quarter of 2012 partially offset by a \$0.8 million increase in export compensation agreements in 2013 related to our barge building activity, in our River Business; by a combined \$3.0 million decrease in loss of hire compensation from insurers of our UP Jasper, UP Turquoise, UP Diamante, UP Rubi, UP Topazio and UP Agua-Marinha partially offset by a \$2.6 million increase related to the cancellation of our UP Onyx and to \$1.4 million income related to a favorable arbitration settlement of our UP Topazio in 2013, in our Offshore Supply Business; and by a \$0.8 million decrease related to loss of hire compensation from insurers of our vessels Amadeo, Argentino, Asturiano and Miranda I.

Operating profit (loss). Operating profit for 2013 was \$35.2 million, as compared to an operating loss of \$25.1 million in 2012. This \$60.3 million increase is mainly attributable to a \$29.6 million increase in our River Business operating profit from a loss of \$19.0 million in 2012 to an operating profit of \$10.6 million in 2013 that was mainly attributable to the normal rainfall levels in the 2013 crop as opposed to the severe drought that impacted soybean production in the Hidrovia region during 2012, compounded by low river water levels and by the sale of a higher number of barges to third parties in 2013 as compared to 2012; to a \$19.3 million decrease in operating loss of our Ocean Business from a \$23.8 million operating loss in 2012 to a \$4.5 million operating loss in 2013 mainly related to an impairment charge on our Product Tanker Amadeo of \$16.0 million in 2012; and by a \$11.4 million increase in operating profit of our Offshore Supply Business from \$17.6 million in 2012 to \$29.1 million in 2013 driven mainly by the entry into operation of our UP Jade on August 10, 2012, and by contract renewals at higher rates on some of our vessels operating in Brazil.

Financial expense. Financial expense decreased \$2.3 million to \$33.5 million in 2013 as compared to \$35.8 million in 2012 mainly as a result of the repayment of our Convertible Notes due 2017 on January 23, 2013, partially offset by the refinancing of our \$180.0 million Senior Notes due 2014 with our new \$225.0 million Senior Notes due 2021 and by higher average debt balances in 2013 in our Offshore Supply Business.

Financial loss on extinguishment of debt. Loss on extinguishment of debt was \$5.5 million in 2013 as compared to \$0.9 million in 2012. This \$4.6 million increase is mainly attributable to the extinguishment of our Senior Convertible Notes due 2017 on January 23, 2013, and the extinguishment of our Senior Notes due 2014 on July 10, 2013.

Foreign currency exchange gains (losses), net. Foreign currency exchange gains for 2013 was \$18.8 million as compared to a \$2.0 million loss in 2012. This \$20.8 million variation is mainly attributable to cash foreign currency exchange gains in some of our subsidiaries and exchange differences affecting the settlement of some River Business operating expenses, partially offset by the negative effect of our exposure to the fluctuation in the value of local currencies against the U.S. dollar.

Income taxes (expenses) benefit. Income tax expense for 2013 was \$6.6 million, compared to a benefit of \$3.0 million in 2012. This \$9.6 million variation is mainly attributable to a \$5.4 million charge attributable to a higher pretax income in our Argentinean subsidiaries operating in the River and Ocean Business, to a \$1.9 million charge attributable to a deferred income tax liability related to the accelerated depreciation scheme in Brazil in our Offshore Supply Business and to a \$1.9 million decrease in the deferred income tax expense originated in intercompany barge sale activities.

Non-controlling interest. Non-controlling interest decreased by \$0.3 million. This decrease is attributable to the acquisition of the remaining 5.55% ownership in UP Offshore (Bahamas) Limited from Firmapar Corp. on July 5, 2013.

## B. LIQUIDITY AND CAPITAL RESOURCES

Historically our principal source of funds has been equity provided by our shareholders, operating cash flow, secured and unsecured debt and certain forms of hybrid instruments, such as convertible notes. Our principal use of funds has been capital expenditures to establish, grow and maintain the quality of our fleet, comply with international shipping standards and environmental laws and regulations, fund working capital requirements, make principal repayments and interest payments on outstanding debt facilities.

Our internally generated cash flow is directly related to our business and the market sectors in which we operate. Should the markets in which we operate deteriorate or worsen, or should we experience poor results in our operations, cash flow from operations may be reduced. The Company anticipates it will continue to generate positive cash flows from operations and that these cash flows will be adequate to meet the Company's requirements. Our access to debt and equity markets may be reduced or closed due to a variety of events, including a credit crisis, credit rating agency downgrades of our debt, industry conditions, general economic conditions, market conditions and market perceptions of us and our industry.

At December 31, 2014, we had aggregate indebtedness of \$465.1 million, consisting of \$225.0 million aggregate principal amount of our 2021 Notes, indebtedness of our subsidiary UP Offshore Apoio Maritimo Ltda. under a senior loan facility with DVB Bank AG, or DVB, of \$5.1 million and \$13.6 million under a loan facility with BNDES, indebtedness of our subsidiary UP Offshore (Bahamas) Ltd. of \$34.3 million under two senior loan facilities with DVB and \$27.5 million under an additional senior loan agreement with DVB and Banco Security as co-lenders, indebtedness of our subsidiary Ingatestone Holdings Inc. of \$51.5 million under a senior loan facility with DVB, NIBC and ABN Amro as co-lenders, indebtedness of our subsidiary Linford Trading Inc. of \$28.9 million under a senior loan facility with DVB and NIBC, indebtedness of our subsidiary Stanyan Shipping Inc. of \$4.7 million under a senior loan facility with Natixis, indebtedness of our subsidiaries UABL Barges (Panama) Inc., Marine Financial Investment Corp., Eastham Barges Inc. and UABL Paraguay S.A. of \$44.3 million in the aggregate under two senior loan facilities with IFC, indebtedness of our subsidiary UABL Paraguay S.A. of \$11.1 million under a senior loan facility with OFID, and indebtedness of our subsidiaries UABL Paraguay S.A. and Riverpar S.A. of \$19.1 million under a senior loan facility with IFC and OFID as co-lenders and accrued interest of \$1.5 million. Please refer to "Description of Credit Facilities and Other Indebtedness" elsewhere herein.

At December 31, 2014, we had cash and cash equivalents on hand of \$35.0 million plus \$11.2 million in current restricted cash, making a total of \$46.2 million. In addition, at December 31, 2014, we had available borrowing capacity under our revolving credit facility of \$32.5 million and \$6.4 million related with our financing of our PSVs UP Agate and UP Coral with DVB Bank America and NIBC. Please refer to "Description of Credit Facilities and Other Indebtedness" elsewhere herein.

### Operating Activities

In the year ended December 31, 2014, cash flow provided by operations increased \$15.4 million to \$35.2 million as compared to \$19.8 million in the same period of 2013. Net loss for the year ended December 31, 2014, was \$(52.3) million as compared to a net income of \$7.9 million in the same period of 2013, a decrease of \$60.2 million. To determine cash from operations, net (loss) income is adjusted for the effect of certain non-cash items including depreciation and amortization, which are analyzed in detail as follows:

(Stated in thousands of U.S. dollars)	For the year ended December 31,		
	2014	2013	2012
Net (loss) income	\$(52,276)	\$7,921	\$(62,764)

Adjustments to reconcile net (loss) income to net cash provided by operating activities:

Depreciation of vessels and equipment	45,880	38,951	38,914
Amortization of dry docking	7,493	3,409	4,763
Debt issuance expense amortization	2,272	2,711	2,217
Financial loss on extinguishment of debt	--	5,518	940
Loss on write-down of vessels	10,511	--	16,000
Other adjustments	2,893	3,953	(418 )
Net income adjusted for non-cash items	\$16,773	\$62,463	\$(348 )

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

The positive change in operating assets and liabilities of \$28.6 million for the year ended December 31, 2014, resulted from an \$19.0 million decrease in operating supplies and prepaid expenses, by a \$9.8 million decrease in accounts receivables, by a \$7.7 million increase in other liabilities and by a \$0.6 million decrease in other assets; partially offset by an \$8.5 million decrease in accounts payable and customer advances. In addition, cash flow from operating activities decreased by \$4.0 million, \$4.3 million and \$1.8 million in 2014 due to expenditures in drydock for our River, Offshore Supply and Ocean businesses, respectively.

The negative change in operating assets and liabilities of \$32.5 million for the year ended December 31, 2013, resulted from a \$13.9 million increase in accounts receivable, a \$7.4 million increase in operating supplies and prepaid expenses, by a \$6.0 million decrease in accounts payable and by a \$5.4 million decrease in other liabilities; partially offset by a \$0.2 million decrease in other assets. In addition, cash flow from operating activities decreased \$10.2 million due to expenditures in drydock in the year ended December 31, 2013.

The positive change in operating assets and liabilities of \$2.4 million for the year ended December 31, 2012, resulted from an \$18.5 million increase in accounts payable and customer advances, by a \$3.1 million decrease in other assets and by a \$1.1 million increase in other liabilities; partially offset by a \$13.6 million increase in operating supplies and prepaid expenses and by a \$6.8 million increase in account receivables. In addition, cash flow from operating activities decreased \$6.0 million due to expenditures in drydock in the year ended December 31, 2012.

#### Investing Activities

During 2014, we disbursed \$29.8 million in the construction of new barges for our own use at our Punta Alvear Yard, \$13.0 million in the construction of new line and port pushboats, \$5.2 million in a new midstream transshipment station for agricultural products, \$1.5 million in the refurbishment of our Paraná Iron and \$1.0 million in upgrade works and new constructions in our Punta Alvear yard, in our River Business; \$4.4 million in the reconfiguration of our recently acquired PSVs UP Agate, UP Coral and UP Opal, in our Offshore Supply Business; and \$1.4 million in the import duties and other costs associated to importing the Argentino into Argentina to register her in the Argentinean Ship Registry as an Argentinean-flagged vessel.

During 2014, we received \$17.6 million pursuant to the cancellation of the Shipbuilding Contract for Hull No. V-387 (UP Onyx) in our Offshore Supply Business (shown as "proceeds from shipbuilding contract cancellation" in the audited condensed consolidated statement of cash flows for 2014).

During the year ended December 31, 2013, we invested \$8.6 million in the refurbishment of our Paraná Petrol (renamed "Paraná Iron"), \$3.5 million in the drydock of our Parana Petrol, \$3.4 million in the re-engining and rebottoming programs, \$2.8 million in enhancements/additions to our Punta Alvear barge-building facility, \$2.4 million to fund drydocks of some of our pushboats, \$0.6 million in the construction of one port pushboat and \$0.5 million in our yard in Chaco-I, in our River Business; \$97.0 million to acquire three new PSVs ex-yard (UP Agate, UP Coral and UP Opal), \$3.2 million to fund the fifth and last installment on our UP Amber, \$3.6 million to fund the fifth and last installment on our UP Pearl and \$3.2 million to fund the drydocks of our UP Esmeralda, UP Safira, UP Agua-Marinha and UP Rubi, in our Offshore Supply Business; and \$1.2 million to fund drydocks of our Miranda I, Asturiano and Argentino, in our Ocean Business.

#### Financing Activities

Net cash flow used in financing activities decreased \$17.5 million from a cash use of \$48.7 million in the year ended December 31, 2013, to a cash use of \$31.2 million in the same period of 2014. This decrease cash used in 2014 is mainly attributable to the \$180.0 million and \$80.0 million prepayment of our 2014 Senior Notes and our 2017 Senior Convertible Notes, respectively, to \$39.8 million additional cash used in early repayments of long term financial debt, to \$10.3 million used in the purchase of the 5.55% ownership of UP Offshore (Bahamas) from Firmapar Corp., to \$8.3 million used in the repayment of a short-term credit facility with DVB, to a \$7.0 million used to fund restricted cash accounts under various of our loan agreements, to \$3.9 million used by other financing activities; partially offset by a proceed of \$216.7 million from the issuance of our 2021 Notes (after deducting issuance expenses), to a \$94.0 million proceed from long-term financial debt in our Offshore Supply Business and to \$1.2 million used in scheduled repayments of long-term financial debt.

Net cash used in financing activities was \$48.7 million during the year ended December 31, 2013, compared to cash provided of \$224.6 million during the year ended December 31, 2012, a \$273.3 million decrease. This decrease in cash flow from financing activities is mainly attributable to \$219.1 million in net proceeds from the issuance of common stock in 2012, a \$180.0 million prepayment of our Senior Notes due 2014 on June 10, 2013, an \$80.0 million prepayment of our Convertible Notes due 2017 on January 23, 2013, a \$15.9 million increase in early repayments of long-term financial debt, a \$10.3 million use of funds to acquire the remaining 5.55% of UP Offshore (Bahamas) we did not own, a \$10.1 million increase in scheduled repayments of long-term financial debt, a \$8.3 million short-term credit facility borrowing during 2012, a \$8.3 million short-term credit facility repayment during 2013, a \$7.0 million

increase in restricted cash and \$3.7 million decrease in other financial activities; partially offset by \$216.7 million in net proceeds from the issuance of our 2021 Notes and a \$52.8 million increase in proceeds from long-term financial debt.

#### Future Capital Requirements

Our near-term cash requirements are related primarily to funding operations, constructing new vessels, potentially acquiring other assets including second-hand ocean vessels, rebottoming some of our barges, funding the construction of barges in our new shipyard at Punta Alvear and replacing the engines in our line pushboats with new engines that burn heavy fuel which has been historically less expensive than the types of fuel currently used.

We estimate that for 2015, we will invest between \$13.0 million and \$15.0 million in the construction of new barges and upgrade works in our Punta Alvear yard, \$3.0 million in critical spare parts including engine spares for our river fleet, \$1.2 million in our Parana Iron and \$1.1 million in engine spares, in our River Business. In addition, we currently estimate that we will require approximately \$6.4 million for the reconfiguration of our UP Coral, and \$3.7 million in PSV spares, in our Offshore Supply Business. Finally, we expect to disburse an aggregate amount of \$10.8 million in drydock expenses.

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We may order additional vessels and or incur other capital expenditures, which are not discussed above or contemplated at this time. The funds will be disbursed at various times over the next few years and, accordingly, are subject to significant uncertainty. We may in the future incur indebtedness to fund some of our other initiatives, which we are currently funding through our cash flow from operations. We cannot provide assurance that our actual cash requirements will not be greater than we currently expect. If we cannot generate sufficient cash flow from operations, we may obtain additional sources of funding through capital market transactions, although it is possible these sources will not be available to us.

#### Critical Accounting Policies and Estimates

This discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Critical accounting policies are those that reflect significant judgments or uncertainties and potentially lead to materially different results under different assumptions and conditions. We have described below what we believe are our most critical accounting policies that involve a high degree of judgment and the methods of their application. For a description of all of our significant accounting policies, see Note 2 to our audited consolidated financial statements.

#### Revenue Recognition

We record revenue when services are rendered, when we have signed a charter agreement or another evidence of an arrangement, pricing is fixed or determinable and collection is reasonably assured.

The Company does not begin recognizing revenue if the charter agreement has not been entered into with the customer, even if the vessel has discharged its cargo and is sailing to the anticipated load port on its next voyage.

We earn our revenues under time charters, bareboat charters, consecutive voyage charters or affreightment / voyage contracts and contracts for sale of barges to third parties. We earn and recognize revenue from time charters and bareboat charters on a daily basis. Within the shipping industry, there are two methods used to account for consecutive voyage charters or affreightment / voyage contracts: (1) ratably over the estimated length of each voyage and (2) completed voyage. The recognition of voyage revenues ratably over the estimated length of each voyage is the most prevalent method of accounting for voyage revenues and the method used by us. Under each method, voyages may be calculated on either a load-to-load or discharge-to-discharge basis. In applying its revenue recognition method, management believes that the discharge-to-discharge basis of calculating voyages more accurately estimates voyage results than the load-to-load basis. Since, at the time of discharge, management generally knows the next load port and expected discharge port, the discharge-to-discharge calculation of voyage revenues can be estimated with a greater degree of accuracy.

Demurrage income represents charges made to the charterer when loading or discharging time exceeds the stipulated time in the voyage charter and is recognized as it is earned.

Revenues from our Parana Iron barge operations consist of an agreed flat fee per ton and cover the storage and transshipment services of iron ore cargo from river barges to ocean export vessels. Revenues are recognized upon

completion of loading of the oceangoing vessels.

In our River Business we use the completed contract method for river barges built, which typically has construction periods of 90 days or less. Contracts are considered complete when the customer has technically accepted the river barges and the remaining costs and potential risks are insignificant. Losses are accrued if manufacturing costs are expected to exceed manufacturing contract revenue.

Manufacturing expenses are primarily composed of steel costs which is the largest component of our raw materials and the cost of labor.

#### Accounts receivable

Most of the Company's accounts receivable are due from international oil companies, international grainhouses, traders and mining companies. The Company performs ongoing credit evaluations of its trade customers and generally does not require collateral. The Company routinely reviews its accounts receivables and makes provisions for probable doubtful accounts; however, those provisions are estimates and actual results could differ from those estimates and those differences may be material. Trade receivables are deemed uncollectible and removed from accounts receivable and the allowance for doubtful accounts when collection efforts have been exhausted.

### Insurance claims receivable

Insurance claims receivable comprise claims submitted relating to Hull and Machinery (H&M), Protection and Indemnity (P&I), Loss of Hire (LOH) and Strike insurance coverage. They are recorded when the recovery of an insurance claim is probable. Deductible amounts related to covered incidents are expensed in the period of occurrence of the incident. The amount of the receivable is based on the type of the claim. These receivables are estimated based upon the insured losses incurred on damages to the vessels and historical experience with similar claims. These claims are subject to uncertainty related to the results of negotiated settlements and other developments.

### Depreciation

We state vessels and equipment at cost less accumulated depreciation. This cost includes the purchase price and all directly attributable costs (initial repairs, improvements and delivery expenses, interest and on-site supervision costs incurred by us during the construction periods). We also capitalize subsequent expenditures for conversions, renewals or major improvements when they appreciably extend the life, increase the earning capacity or improve the safety features of our vessels.

We compute depreciation net of the estimated scrap value, which is equal to the product of each vessel's lightweight tonnage and estimated scrap value in U.S. dollars per lightweight ton, or lwt. We use scrap value at the time the vessel was purchased or delivered by the shipyard, which will likely fluctuate over time. The estimated scrap value ranges from \$180 to \$300 per lwt. Estimated scrap values are based on price levels in effect at the time vessels are purchased.

We record depreciation using the straight-line method over the estimated useful lives of our vessels. Useful life is determined through economic analysis, such as reviewing existing fleet plans, obtaining appraisals and comparing estimated lives to other industrial transportation companies that operate similar fleets. Second hand vessels are assigned lives that are generally consistent with the experience of Ultrapetrol, the practice of other industrial transportation companies and laws or regulations affecting the vessels operations.

### Drydocking

Within the shipping industry, two methods are used to account for drydockings: (1) the deferral method, in which drydocking costs are capitalized and then amortized over the estimated period to the next scheduled drydocking and (2) the incurred method, in which drydocking costs are expensed as incurred. We use the deferral method and amortize drydocking costs on a straight-line basis over the period to the next drydock, generally 24 to 36 months. The costs we incur at the dry-dock yard are mainly comprised of steel renewals, painting the vessel's hull and sides, recoating cargo and fuel tanks and performing engine and equipment maintenance activities which have to be made in order to bring or keep the vessel into compliance with classification standards. We expense expenditures for maintenance and minor repairs as we incur them. We believe the deferral method better matches costs with revenue than expensing the costs as incurred. We use judgment when estimating the period between drydocks performed, which can result in adjustments to the amortization expense if the subsequent drydock is expected earlier than anticipated. In estimating the periods, we primarily have relied upon actual experience with the same or similar vessels types, current and projected future market information and recommendations from classification societies.

### Impairment of long-lived assets

Long-lived assets are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and carrying value of the asset. The assumptions used to develop estimates of future undiscounted cash flows are based on historical trends as well as future expectations. To the extent impairment indicators are present, the Company determines undiscounted projected net operating cash flows for each vessel in the Ocean and Offshore Supply Business and as a fleet in the

River Business and compares them to their carrying value. The cash flow period is based on the remaining lives of the vessels or the fleet, which range from 4 to 24 years. The projected net operating cash flows are determined by considering the charter revenues from existing time charters for the fixed fleet days and an estimated daily time charter equivalent for the unfixed days. The Company estimates the daily time charter equivalent for the unfixed days based on the historical average for similar vessels and utilizing available market data for time charter and spot market rates and forward freight agreements over the remaining estimated life of the vessel, net of brokerage commissions, expected outflows for assets' maintenance and assets' operating expenses (including planned drydocking and special survey expenditures), and fleet utilization ranging from 70% to 90%. The residual value used in the impairment test is estimated in \$420 (four hundred and twenty U.S. dollars) per light weight ton (LWT) in accordance with the Company's assets' depreciation policy.

In developing estimates of future cash flows, the Company must make assumptions about future charter rates, ship operating expenses, estimated scrap values and the estimated remaining useful lives of the vessels. These assumptions are based on historical trends as well as future expectations. Although management believes that the assumptions used to evaluate potential impairment are reasonable and appropriate, such assumptions are highly subjective.

For the year ended December 31, 2012, the Company recorded an impairment charge of \$16.0 million to write down the carrying amount of its Product Tanker, Amadeo, to its estimated fair value as of that date as a result of the level of distress in the tanker market and its high operational costs.

For the year ended December 31, 2014, the Company recorded an impairment charge of \$5.6 million and \$4.9 million to write down the carrying amount of its Product Tankers Alejandrina and Miranda I, respectively, to their estimated fair value as of that date as a result of the level of demand in the tanker market.

#### Quantitative and Qualitative Disclosures about Market Risks

##### Inflation and Fuel Price Increases

Inflation may have a material impact on our operations, as certain of our operating expenses (e.g., crewing, insurance and drydocking costs) are subject to fluctuations as a result of market forces. A sudden outburst or a very high level of inflation can have a negative impact on our results.

Inflationary pressures on bunker (fuel oil) costs are not expected to have a material effect on our future operations in the case of those ocean vessels and our offshore supply vessels which are time chartered to third parties since it is the charterers who pay for fuel. If our ocean vessels are employed under COAs, freight rates for voyage charters are generally sensitive to the price of a ship's fuel. However, a sharp rise in bunker prices may have a temporary negative effect on our results since freight rates generally adjust only after prices settle at a higher level.

In our River Business, we have most of our freight agreements adjusted by a bunker price adjustment formula, in other cases we have periodic renegotiations which adjust for fuel prices and in other cases we adjust the fuel component of our cost into the freights on a seasonal or yearly basis as our COAs roll over.

Generally, inflationary pressure on our voyage expenses (other than fuel) and running costs incurred in local currencies not reflected in an equivalent devaluation of the rates of exchange between the U.S. dollar and these local currencies can have a significant negative impact on our results.

##### Interest Rate Fluctuation

We are exposed to market risk from changes in interest rates, which may adversely affect our results of operations and financial condition.

On May 7, 2010, through UABL Limited, our holding subsidiary in the River Business, we entered into an interest rate collar transaction with IFC through which we expect to hedge our exposure to interest volatility under our financings with IFC and OFID from June 2010 to June 2016. The initial notional amount is \$75.0 million (subsequently adjusted in accordance with the amortization schedule under these financings), with UABL Limited being the USD Floor Rate seller at a floor strike rate of 1.69% and IFC being the USD Cap Rate seller at a cap strike rate of 5.00%. As of December 31, 2014, and 2013 the aggregate fair value of the collar resulted in a liability of \$0.8 million and \$1.4 million, respectively. During 2014 and 2013 we incurred unrealized losses from the collar amounting to \$0.6 million and \$0.2 million, respectively, and we also incurred realized losses of \$0.8 million and \$0.8 million, respectively. Should LIBOR remain at levels below 1.69% which is our floor, we will continue to incur losses from this financial instrument.

We have two interest rate swaps maturing through 2018 with an aggregate notional amount of \$6.9 million at December 31, 2014. We entered into these agreements to hedge our exposure to interest rate fluctuations with respect to our borrowings in our Offshore Supply Business. These agreements call for the Company to pay a fixed interest rate of 6.122% and 6.37%, respectively, and receive interest payments based on LIBOR. As of December 31, 2014, and 2013 the aggregate fair value of the swaps resulted in a liability of \$0.4 million and \$0.5 million, respectively. During 2014 and 2013 we incurred unrealized losses from the swaps amounting to \$0.2 million and \$0.1 million, respectively, and we also incurred realized losses of \$0.1 million and \$0.2 million, respectively.

As of December 31, 2014, the Company had \$16.9 million of LIBOR-based variable rate borrowings under its credit facility with DVB, NIBC and ABN Amro subject to interest rate swaps, as economic hedges, to fix the interest rate of

these borrowings between October 2012 and October 2016 at a weighted average cost of debt of 0.9% per annum, excluding margin. In addition, the Company had \$16.8 million of LIBOR-based variable rate borrowings under such same facility subject to interest rates swaps designated as cash flow hedge for accounting purposes, to fix the interest rate of these borrowings between March 2014 and September 2016 at a weighted average cost of debt of 1.2% per annum, excluding margin. Finally, the Company had \$18.0 million of LIBOR-based variable rate borrowings under such same facility subject to interest rate swaps designated as cash flow hedge for accounting purposes, to fix the interest rate of these borrowings between October 2014 and October 2016 at a weighted average cost of debt of 1.22% per annum, excluding margin.

Additionally, as of December 31, 2014, the Company had variable rate debt (due 2015 through 2023) totaling \$112.7 million. These debts call for the Company to pay interest based on LIBOR plus a 120-400 basis point margin range. Some of our existing financing agreements, within the terms and conditions contained in the relevant loan agreement, used a cost of funds rate in replacement of LIBOR. The interest rates generally reset either quarterly or semi-annually. As of December 31, 2014, the weighted average interest rate on these borrowings was 2.9%, including margin.

A 1% increase in LIBOR or a 1% increase in the cost-of-funds used as base rate by some of our lenders would translate to a \$1.1 million increase in our interest expense per year, which would adversely affect our earnings and cash flow.

#### Foreign Currency Fluctuation

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

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. We use the U.S. dollar as our functional currency and therefore our future operating results may be affected by fluctuations in the exchange rate between the U.S. dollar and other currencies. A large portion of our revenues is denominated in U.S. dollars as well as a significant amount of our expenses. However, changes in currency exchange rates could affect our reported revenues and even our margins if costs incurred in multiple currencies are different than, or proportionally different from, the currencies in which we receive our revenues. We maintain tax credits in local currencies, which may be negatively impacted if those currencies revalue relative to the U.S. dollar.

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

The average exchange rate of 2013 of the Argentine peso to the U.S. dollar devalued approximately 48% as compared to the average exchange rate of 2014. Similarly, the average exchange rate of 2013 of the Brazilian real to the U.S. dollar devalued approximately 9% as compared to the average exchange rate of 2014.

Description of Credit Facilities and Other Indebtedness

8 % First Preferred Ship Mortgage Notes due 2021

On June 10, 2013, we completed an offering of \$200.0 million of 8 % First Preferred Ship Mortgage Notes due 2021, or the Notes, through a private placement to institutional investors eligible for resale under Rule 144A and Regulation S, or the Note Offering. The net proceeds of the Note Offering were used to repay our 9% First Preferred Ship Mortgage Notes due 2014, or the Prior Notes and general corporate purposes.

On October 2, 2013, we closed the sale of \$25.0 million in aggregate principal amount of our 8 % First Preferred Ship Mortgage Notes due 2021 (the "Add-On Notes"), which were offered as an add-on to our \$200.0 million aggregate principal amount of 8 % First Preferred Ship Mortgage Notes due 2021, together the 2021 Notes. The Add-On Notes were sold at a price of 104.5% and the gross proceeds to us of the offering totaled \$26.1 million.

Interest on the 2021 Notes is payable semi-annually on June 15 and December 15 of each year. The 2021 Notes are senior obligations guaranteed by some of our subsidiaries directly involved in our Ocean and River Businesses. The 2021 Notes are secured by first preferred ship mortgages on 364 vessels, consisting of four ocean vessels, 345 barges and 15 pushboats, owned by certain of our subsidiaries.

The 2021 Notes are subject to certain covenants, including, among other things, limiting our and our subsidiaries' ability to incur additional indebtedness or issue preferred stock, pay dividends to shareholders, incur liens or execute sale leasebacks of certain principal assets and certain restrictions on our consolidating with or merging into any other person.

Upon the occurrence of a change of control event, each holder of the 2021 Notes shall have the right to require us to repurchase such notes at a purchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest. A change of control means:

the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one transaction or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Subsidiaries, taken as a whole, to any "person" (as that term is used in Section 13(d) of the Exchange Act), other than the Company or any of its Subsidiaries, one or more Permitted Holders or a "group" (as that term is used in Rule 13d-5 of the Exchange Act) controlled by one or more Permitted Holders; or

during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors, together with any new directors whose election by such Board of Directors or whose nomination for election by the shareholders of the Company was approved by a majority of the directors of the Company then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority of the Board of Directors then in office, unless one or more Permitted Holders have the right or ability by voting power, contract or otherwise, to elect or designate for election a majority of the Board of Directors; or

the consummation of any transaction (including any merger or consolidation), the result of which is that any "person" (as defined in clause (i) above), other than a Subsidiary of the Company, one or more Permitted Holders or a "group" (as that term is used in Rule 13d-5 of the Exchange Act) controlled by one or more Permitted Holders, becomes the "beneficial owner" (as that term is used in Section 13(d)(3) of the Exchange Act, except that for purposes of this clause (iii) such person shall be deemed to have "beneficial ownership" of all shares that any such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Company; provided, however, that one or more Permitted Holders do not have the right or ability by voting power, contract or otherwise



to independently elect or designate for election a majority of the Board of Directors (which majority shall also represent a majority of the number of votes of the Board of Directors) and such members of the Board of Directors elected or designated for election by the Permitted Holders have the right or ability to cast votes as members of the Board of Directors independently; or

the merger or consolidation of the Company with or into another Person or the merger of another Person with or into the Company other than (A) a transaction in which the survivor or transferee is a Person that is controlled by one or more Permitted Holders or (B) a transaction following which holders of securities that represented 100% of the Voting Stock of the Company immediately prior to such transaction (or other securities into which such securities are converted as part of such merger or consolidation transaction) own directly or indirectly at least a majority of the voting power of the Voting Stock of the surviving Person in such merger or consolidation transaction immediately after such transaction; or

the adoption of a plan relating to the liquidation or dissolution of the Company.

The Company has also the option to redeem the 2021 Notes in whole or in part, at their option, at any time (i) before June 15, 2016, at a redemption price equal to 100% of the principal amount plus the applicable make-whole premium plus accrued and unpaid interest, if any, to the redemption date and (ii) on or after June 15, 2016, at a fixed price of 106.656%, which price declines ratably until it reaches par after June 15, 2019. At any time before June 15, 2016, the Company may redeem up to 35% of the aggregate principal amount of the 2021 Notes with the proceeds of one or more equity offerings at 108.875% of the principal amount of the 2021 Notes, plus accrued and unpaid interest, if any, to the redemption date so long as at least 65% of the originally issued aggregate principal amount of the 2021 Notes remains outstanding after such redemption.

On December 30, 2013, pursuant to a registration rights agreement, we completed a \$200.0 million exchange offer in which we exchanged registered Notes for the Notes that were originally issued in order to allow the Notes to be eligible for trading in the public markets.

On January 24, 2014, pursuant to a registration rights agreement, we completed a \$25.0 million exchange offer in which we exchanged registered Add-On Notes for the Add-On Notes that were originally issued in order to allow the Add-On Notes to be eligible for trading in the public markets.

The aggregate outstanding principal balance of the Notes was \$225.0 million at December 31, 2014.

Revolving credit facility with DVB Bank SE of up to \$40.0 million:

On May 31, 2013, we entered into a loan agreement with DVB for a \$40.0 million reducing, revolving credit facility. The commitment under this revolver decreases quarterly by \$1.25 million or \$5.0 million per year. The facility bears interest at LIBOR plus 3% (or lender's cost of funds, if the lenders in their discretion determine that LIBOR is not representative of such costs). A quarterly commitment fee is payable based on the average undrawn amount of the committed amount at a rate of 1.95% per annum.

On March 26, 2015, we entered into a Guarantee Agreement with DVB which includes customary covenants and provisions including the requirement to comply with a consolidated debt service coverage ratio of not less than 1.05 as of June 30, 2015, not less than 1.15 as of September 30, 2015, and not less than 1.30 at all times thereafter. In addition, such Guarantee Agreement requires the average monthly balance of available cash requirement for the Guarantor to be not less than \$20.0 million on a consolidated basis including (i) cash in demand deposit and time deposit accounts held in Ultrapetrol's name with a tenor of six months or less, and (ii) unused and available for drawing under revolving credit lines available to Ultrapetrol having expiration dates of six months or longer from the relevant date.

At December 31, 2014, the Company had no outstanding borrowings under the revolving credit facility and \$32.5 million were available for drawdown.

Loan Agreement with DVB Bank SE (DVB SE) of up to \$15.0 million:

On January 17, 2006, UP Offshore Apoio Maritimo Ltda. (a wholly owned subsidiary of the Offshore Supply Business) as Borrower, Packet Maritime Inc. and Padow Shipping Inc. as Guarantors and UP Offshore as Holding Company entered into a \$15.0 million loan agreement with DVB SE for the purposes of providing post-delivery financing of one PSV named UP Agua-Marinha delivered in February 2006.

This loan is divided into two tranches:

– Tranche A, amounting to \$13.0 million, shall be repaid by (i) 120 consecutive monthly installments of \$75,000 each beginning in March 2006 and (ii) a balloon repayment of \$4.0 million together with the 120<sup>th</sup> installment. The loan accrues interest at LIBOR rate plus a margin of 2.25% per annum, and

– Tranche B, amounting to \$2.0 million, shall be repaid by 36 consecutive monthly installments of \$56,000 each beginning in March 2006 which accrues interest at LIBOR rate plus a margin of 2.875% per annum.

On January 24, 2007, UP Offshore Apoio Maritimo Ltda. and DVB SE amended and restated the margin of both tranches to 1.20% per annum effective since February 1, 2007.

The loan is secured by a mortgage on the UP Agua-Marinha and is jointly and severally irrevocable and unconditionally guaranteed by Packet Maritime Inc. and Padow Shipping Inc. The loan also contains customary covenants that limit, among other things, the Borrower's and the Guarantors' ability to incur additional indebtedness, grant liens over their assets, sell assets, pay dividends, repay indebtedness, merge or consolidate, change lines of business and amend the terms of subordinated debt. The agreement governing the facility also contains customary events of default. If an event of default occurs and is continuing, DVB SE may require the entire amount of the loan be immediately repaid in full. Further, the loan agreement requires until February 2009 that the UP Agua-Marinha pledged as security had an aggregate market value of at least 117.6% of the value of the loan amount and at all times thereafter an aggregate market value of at least 133.3% of the value of the loan.

The aggregate outstanding principal balance of the loan was \$5.1 million at December 31, 2014.

Loan Agreement with DVB Bank SE (DVB SE) of up to \$61.3 million:

On December 28, 2006, UP Offshore (Bahamas) Ltd., as Borrower, entered into a \$61.3 million loan agreement with DVB SE for the purpose of refinancing three PSVs named UP Esmeralda, UP Safira and UP Topazio. The loan is divided into two advances and shall be repaid by 40 consecutive quarterly installments as set forth in the repayment schedule therein.

The loan must be repaid by (i) 9 consecutive quarterly installments of \$1.2 million each beginning in March 2007 followed by 3 consecutive quarterly installments of \$1.3 million each, 25 consecutive quarterly installments of \$1.1 million and 3 consecutive quarterly installments of \$1.3 million; and (ii) a balloon repayment of \$16.0 million payable simultaneously with the 40<sup>th</sup> quarterly installment. The loan accrues interest at LIBOR plus 1.20% per annum.

The loan is secured by a mortgage on the UP Esmeralda, UP Safira, UP Topazio and UP Agua-Marinha (together, the Mortgaged Vessels) and is jointly and severally irrevocable and unconditionally guaranteed by Ultrapetrol (Bahamas) Ltd., UP Offshore Apoio Maritimo Ltda., Packet Maritime Inc., Topazio Shipping LLC and Padow Shipping Inc. The loan also contains customary covenants that limit, among other things, the Borrower's and the Guarantors' ability to incur additional indebtedness, grant liens over their assets, sell assets, pay dividends, repay indebtedness, merge or consolidate, change lines of business and amend the terms of subordinated debt. The agreement governing the facility also contains customary events of default. If an event of default occurs and is continuing, DVB SE may require the entire amount of the loan be immediately repaid in full. Further, the loan agreement requires upon the until the third anniversary of the final advance under the loan, the Mortgaged Vessels pledged as security have an aggregate market value of at least 117.6% of the value of the loan amount and at all times thereafter an aggregate market value of at least 133.3% of the value of the loan.

On August 1, 2012, we amended the DVB Bank SE \$61.3 million facility to re-borrow up to \$10.0 million to provide additional financing for our PSVs UP Esmeralda, UP Safira and UP Topazio. On August 2, 2013, we drew down \$1.7 million and on December 14, 2012, we drew down \$6.6 million, both as per such amendment. Subsequently, on June 29, 2013, we completed the repayment of \$8.3 million, equivalent to the amount outstanding under such re-borrowing.

On March 31, 2015, DVB waived compliance with the consolidated debt service coverage ratio as of December 31, 2014 and March 31, 2015, which required Ultrapetrol (Bahamas) Ltd., as Guarantor, to have a consolidated debt service coverage ratio of not less than 1.5 for the last four fiscal quarters prior to the relevant date of calculation. In addition, DVB amended such clauses to require us to comply with a consolidated debt service coverage ratio of not less than 1.05 as of June 30, 2015, not less than 1.15 as of September 30, 2015, and not less than 1.30 at all times thereafter. In addition, DVB amended the average monthly balance of available cash requirement for the Guarantor to be not less than \$20.0 million on a consolidated basis including (i) cash in demand deposit and time deposit accounts held in Ultrapetrol's name with a tenor of six months or less, and (ii) unused and available for drawing under revolving credit lines available to Ultrapetrol having expiration dates of six months or longer from the relevant date.

The aggregate outstanding principal balance of the loan was \$25.3 million at December 31, 2014.

Loan Agreement with DVB Bank SE (DVB SE) of \$25.0 million:

On October 31, 2007, UP Offshore (Bahamas) Ltd., as Borrower, entered into a \$25.0 million loan agreement with DVB SE for the purpose of providing post-delivery financing of one Brazilian flag PSV named UP Diamante.

The loan shall be repaid by (i) 8 consecutive quarterly installments of \$0.75 million each beginning in February 2008 followed by 24 consecutive quarterly installments of \$0.5 million each and 8 consecutive quarterly installments of \$0.25 million; and (ii) a balloon repayment of \$5.0 million payable simultaneously with the 40<sup>th</sup> quarterly installment. The loan accrues interest at LIBOR plus 1.50% per annum.

The loan is secured by a mortgage on the UP Diamante and is jointly and severally irrevocable and unconditionally guaranteed by Ultrapetrol (Bahamas) Ltd, Packet Maritime Inc., Padow Shipping Inc., Topazio Shipping LLC, UP Offshore Apoio Maritimo Ltda., and UP Offshore (Uruguay) S.A. The loan also contains customary covenants that limit, among other things, the Borrower's and the Guarantors' ability to incur additional indebtedness, grant liens over their assets, sell assets, pay dividends, repay indebtedness, merge or consolidate, change lines of business and amend the terms of subordinated debt. The agreement governing the facility also contains customary events of default. If an event of default occurs and is continuing, DVB SE may require the entire amount of the loans be immediately repaid in full. Further, the loan agreements require until 2009 that the PSVs pledged as security have an aggregate market value of at least 117.6% of the value of the loan amounts and at all times thereafter an aggregate market value of at least 133.3% of the value of the loans.

On March 26, 2015, DVB amended the loan agreement to include customary covenants and provisions and to require us to comply with a consolidated debt service coverage ratio of not less than 1.05 as of June 30, 2015, not less than 1.15 as of September 30, 2015, and not less than 1.30 at all times thereafter. In addition, DVB amended the average monthly balance of available cash requirement for the Guarantor to be not less than \$20.0 million on a consolidated basis including (i) cash in demand deposit and time deposit accounts held in Ultrapetrol's name with a tenor of six months or less, and (ii) unused and available for drawing under revolving credit lines available to Ultrapetrol having expiration dates of six months or longer from the relevant date.

The aggregate outstanding principal balance of the loan was \$9.0 million at December 31, 2014.

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Loan Agreement with BNDES of \$18.7 million:

On August 20, 2009, UP Offshore Apoio Maritimo Ltda. (a wholly owned subsidiary in the Offshore Supply Business) as Borrower entered into an \$18.7 million loan agreement with BNDES to partially post-finance the construction of our PSV UP Rubi.

The loan must be repaid by 204 consecutive monthly installments of \$0.1 million each beginning in April 2010. The loan accrues interest at 3.0% fixed rate per annum until maturity on March 2027.

On March 5, 2013, BNDES confirmed their approval of the change in ownership which occurred as a consequence of the Sparrow transaction. Considering such approval, we are in compliance with all covenants under this loan facility.

The loan is secured by a First Demand Guarantee Facility (FDGF) dated as of June 26, 2013, of up to \$16.8 million issued by DVB Bank SE and guaranteed by UP Offshore (Bahamas) and Ultrapetrol (Bahamas) Limited. The FDGF accrues a fee of 1.48% per annum on the total FDGF amount for the first year, 1.40% per annum on the total amount for the second year, 1.30% per annum on the total amount for the third year and 1.20% per annum on the total amount for the fourth year.

As Obligor under the FDGF, UP Offshore Apoio Maritimo Ltda. shall maintain certain financial covenants including: (i) an equity ratio of not less than 20% (ii) a Debt Service Coverage Ratio of not less than 1.25 to 1 calculated quarterly on a historical and forward four quarter rolling basis and (iii) a book equity of not less than \$25.0 million plus 25% of the Obligor's positive net income.

On March 26, 2015, DVB waived compliance with the consolidated debt service coverage ratio as of December 31, 2014 and March 31, 2015, which required Ultrapetrol (Bahamas) Ltd., as Guarantor, to have a consolidated debt service coverage ratio of not less than 1.5 for the last four fiscal quarters prior to the relevant date of calculation. In addition, DVB amended such clauses to require us to comply with a consolidated debt service coverage ratio of not less than 1.05 as of June 30, 2015, not less than 1.15 as of September 30, 2015, and not less than 1.30 at all times thereafter. In addition, DVB amended the average monthly balance of available cash requirement for the Guarantor to be not less than \$20.0 million on a consolidated basis including (i) cash in demand deposit and time deposit accounts held in Ultrapetrol's name with a tenor of six months or less, and (ii) unused and available for drawing under revolving credit lines available to Ultrapetrol having expiration dates of six months or longer from the relevant date.

The aggregate outstanding principal balance of the loan was \$13.6 million at December 31, 2014.

Loan Agreement with DVB Bank SE (DVB SE) and Banco Security of \$40.0 million:

On December 9, 2010, our subsidiary UP Offshore (Bahamas) Limited entered into a loan agreement with DVB Bank SE and Banco Security relating to a senior secured term loan facility in the amount of up to \$40.0 million to partially finance the acquisition of two PSVs constructed for us, UP Turquoise and UP Jasper. This facility was drawn in two advances, each of \$20.0 million, on the delivery of each PSV. The maturity date of the facility is eight years from the initial drawdown, but no later than December 31, 2018. The security for the loan facility includes a guarantee by us and first priority Panamanian ship mortgages on each of the PSVs.

Each advance shall be repaid by (i) 32 consecutive quarterly installments of \$0.4 million and (ii) a balloon repayment of \$6.7 million concurrently with the 32<sup>nd</sup> quarterly installment. The loan accrues interest at LIBOR plus 3.0% per annum.

In connection with Banco Security's \$10.0 million portion, we entered into interest rate swap transactions whereby we agreed to pay Banco Security a fixed weighted average interest rate of 3.39% in exchange for receiving the floating

LIBOR (US Dollar, 3-month) until December 16, 2018.

On March 26, 2015, lenders amended the loan agreement to include customary covenants and provisions and to require us to comply with a consolidated debt service coverage ratio of not less than 1.05 as of June 30, 2015, not less than 1.15 as of September 30, 2015, and not less than 1.30 at all times thereafter. In addition, lenders amended the average monthly balance of available cash requirement for the Guarantor to be not less than \$20.0 million on a consolidated basis including (i) cash in demand deposit and time deposit accounts held in Ultrapetrol's name with a tenor of six months or less, and (ii) unused and available for drawing under revolving credit lines available to Ultrapetrol having expiration dates of six months or longer from the relevant date.

The aggregate outstanding principal balance of the loan was \$27.5 million at December 31, 2014.

Loan Agreement with DVB Bank, NIBC Bank and ABN Amro Bank of \$84.0 million:

On January 18, 2013 Ingatestone Holdings Inc., as Borrower, and UP Offshore (Bahamas) Ltd., Bayshore Shipping Inc., Gracebay Shipping Inc., Springwater Shipping Inc. and Woodrow Shipping Inc. (all of these our subsidiaries in the Offshore Supply Business) and Ultrapetrol (Bahamas) Limited, as joint and several Guarantors, entered into a senior secured post-delivery term loan facility of up to \$84.0 million with DVB Bank America, NIBC and ABN Amro (the "Lenders") with the purpose of refinancing the advances made for our PSVs named UP Jade, UP Amber, UP Pearl and UP Onyx of the DVB SE and Natixis and DVB SE and NIBC long-term facilities.

The loan facility is divided into four tranches, each in the aggregate amount of up to the lesser of \$21.0 million and 60% of the fair market value of the PSV to which such tranche relates.

Each tranche of the loan facility in respect of the financing of the acquisition of each of the UP Amber, UP Pearl and UP Onyx from the shipyard shall be divided into two advances which shall be made available to the Borrower as follows:

The first advance of each such tranche shall be made available to the Borrower in the amount of up to \$5.0 million on the earlier of the delivery date of the ship and October 31, 2013,

The second advance of each such tranche shall be made available to the Borrower in the amount of up to \$16.0 million not later than the earlier of the date which is six months after the delivery date of the ship and October 31, 2013, provided that the UP Amber, UP Pearl and UP Onyx have obtained employment of not less than 3 years with a charterer on terms and conditions acceptable to the Lenders.

Each advance of \$21.0 million shall be repaid on a pro-rata basis by (i) 20 consecutive quarterly installments of \$0.5 million and (ii) a balloon repayment of \$10.4 million concurrently with the 20<sup>th</sup> quarterly installment. The loan accrues interest at LIBOR plus 4.0% per annum.

The loan contains customary covenants which are similar to the stipulated covenants in previous loans entered with DVB Bank SE. The agreements governing the facility also contain customary events of default. If an event of default occurs and is continuing, DVB SE, NIBC and ABN may require the entire amount of the loans be immediately repaid in full.

On January 24, 2013, we drew down \$20.9 million corresponding to the advance of our UP Jade. In connection with such portion, we entered into swap derivative contracts whereby we agreed to pay DVB, NIBC and ABN a fixed weighted average interest rate of 0.9% between January 2013 and October 2016 in exchange for receiving the floating LIBOR (US Dollar, 3-month).

On March 28, 2013, and June 28, 2013, we drew down \$5.0 million and \$15.6 million corresponding to first and second advance of our UP Amber, respectively. In connection with such portion, we entered into swap derivative contracts whereby we agreed to pay DVB, NIBC and ABN a fixed weighted average interest rate of 1.2% between March 2014 and September 2016 in exchange for receiving the floating LIBOR (US Dollar, 3-month).

On October 11, 2013, we drew down \$20.6 million corresponding to the first and second advance of our UP Pearl. In connection with such portion, we entered into swap derivative contracts whereby we agreed to pay DVB, NIBC and ABN a fixed weighted average interest rate of 1.2% between October 2014 and October 2016 in exchange for receiving the floating LIBOR (US Dollar, 3-month).

On October 22, 2013, concurrently with the cancelation of the construction contract of UP Onyx, available amounts under this facility were reduced to up to \$63.0 million.

On March 26, 2015, lenders waived compliance with the consolidated debt service coverage ratio as of December 31, 2014 and March 31, 2015, which required Ultrapetrol (Bahamas) Ltd., as Guarantor, to have a consolidated debt service coverage ratio of not less than 1.5 for the last four fiscal quarters prior to the relevant date of calculation. In addition, lenders amended such clauses to require us to comply with a consolidated debt service coverage ratio of not less than 1.05 as of June 30, 2015, not less than 1.15 as of September 30, 2015, and not less than 1.30 at all times thereafter. In addition, lenders amended the average monthly balance of available cash requirement for the Guarantor to be not less than \$20.0 million on a consolidated basis including (i) cash in demand deposit and time deposit accounts held in Ultrapetrol's name with a tenor of six months or less, and (ii) unused and available for drawing under revolving credit lines available to Ultrapetrol having expiration dates of six months or longer from the relevant date.



The aggregate outstanding principal balance of the loan was \$51.5 million at December 31, 2014.

Loan Agreement with DVB Bank SE and NIBC Bank of \$38.4 million:

On December 20, 2013, Linford Trading Inc. as Borrower and Ultrapetrol (Bahamas) Limited, UP Offshore (Bahamas) Ltd., Leeward Shipping Inc. and Jura Shipping Inc. (the last three our subsidiaries in the Offshore Supply Business), as joint and several Guarantors, entered into a senior secured term loan facility of up to \$38.4 million with DVB SE and NIBC, as co-lenders, for the purpose of providing post-delivery financing of our UP Agate and UP Coral.

This loan was divided into two tranches:

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Tranche A, amounting to \$32.0 million, to be made available for each ship in the amount of up to \$16.0 million. This tranche accrues interest at LIBO rate plus a margin of 4.0% and shall be repaid by (i) 28 quarterly installments of \$0.4 million per ship and (ii) a balloon repayment of \$4.8 million per ship together with the last installment. The first quarterly repayment shall commence on the date falling three months after the Drawing Date of such ship.

Tranche B, amounting to \$3.2 million, to be made available for each ship in the amount of up to \$1.6 million subject to minimum three (3) year employment with a charterer on terms and conditions acceptable to the Lenders. This tranche accrues interest at LIBO rate plus a margin of 4.0% per annum and shall be repaid by (i) 12 quarterly installments of \$0.1 million per ship (ii) a balloon repayment of \$0.66 million per ship together with the last installment. The first quarterly repayment shall commence on the 13<sup>th</sup> quarterly installment.

The loan contains customary covenants which are similar to the stipulated covenants in previous loans entered with DVB SE. The agreements governing the facility also contain customary events of default. If an event of default occurs and is continuing, DVB SE and NIBC may require the entire amount of the loans be immediately repaid in full.

On December 30, 2013, we drew down \$32.0 million corresponding to Tranche A of both our UP Agate and UP Coral.

On January 29, 2015, the Borrower, the Lenders and the Guarantors signed an amendment of the loan agreement. In connection with this amendment the availability period was extended through June 30, 2015 in respect of the second advance of each tranche of the financing of our PSVs UP Agate and UP Coral.

On March 26, 2015, lenders waived compliance with the consolidated debt service coverage ratio as of December 31, 2014 and March 31, 2015, which required Ultrapetrol (Bahamas) Ltd., as Guarantor, to have a consolidated debt service coverage ratio of not less than 1.5 for the last four fiscal quarters prior to the relevant date of calculation. In addition, lenders amended such clauses to require us to comply with a consolidated debt service coverage ratio of not less than 1.05 as of June 30, 2015, not less than 1.15 as of September 30, 2015, and not less than 1.30 at all times thereafter. In addition, lenders amended the average monthly balance of available cash requirement for the Guarantor to be not less than \$20.0 million on a consolidated basis including (i) cash in demand deposit and time deposit accounts held in Ultrapetrol's name with a tenor of six months or less, and (ii) unused and available for drawing under revolving credit lines available to Ultrapetrol having expiration dates of six months or longer from the relevant date.

The aggregate outstanding principal balance of the loan was \$28.8 million at December 31, 2014.

Loan Agreement with Natixis of \$13.6 million:

On January 29, 2007, Stanyan Shipping Inc. (a wholly owned subsidiary in the Ocean Business and the owner of the Alejandrina) as Borrower and Ultrapetrol (Bahamas) Limited as Guarantor and Holding Company entered into a \$13.6 million loan agreement with Natixis for the purpose of providing post-delivery financing of our product tanker Alejandrina.

The loan must be repaid by (i) 40 consecutive quarterly installments of \$0.2 million each beginning in June 2007 and (ii) a balloon repayment of \$4.5 million payable simultaneously with the 40<sup>th</sup> quarterly installment. The loan accrued interest at 6.38% per annum during the first five years of the loan and LIBOR plus 1.00% per annum thereafter for so long as the Alejandrina remains chartered under standard conditions or plus 1.20% per annum otherwise.

The loan is secured by a mortgage on the Alejandrina and is guaranteed by Ultrapetrol (Bahamas) Limited. The loan also contains customary covenants that limit, among other things, the Borrower's and the Guarantors' ability to incur additional indebtedness, grant liens over their assets, sell assets, pay dividends, repay indebtedness, merge or consolidate, change lines of business and amend the terms of subordinated debt. The agreement governing the facility also contains customary events of default.

On May 21, 2012, we paid \$1.8 million to partially prepay the outstanding amounts under this facility.

The aggregate outstanding principal balance of the loan was \$4.7 million at December 31, 2014.

Loan Agreement with International Finance Corporation (IFC) of \$25.0 million:

On September 15, 2008, UABL Paraguay S.A., as Borrower, and IFC entered into a loan agreement to partially finance: (i) the replacement of existing pushboat engines and conversion of pushboats to install such engines, (ii) the enlargement and re-bottoming of existing barges, (iii) the construction and acquisition of additional pushboats and barges and (iv) supplies and related equipment for the foregoing.

The loan has a grace period of 4 years followed by 9 consecutive semi-annual installments of \$1.09 million and 8 consecutive semi-annual installments of \$1.90 million, which began in June 2012. The loan accrues interest at LIBOR plus a spread which is within a range between 1.875% and 3.250% beginning with 3.00% in December 2008 and which is adjusted every June on a yearly basis and which is inversely correlated with UABL's financial performance (i.e.: the margin increases after a bad year and vice-versa).

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In connection with this facility, we entered into an interest rate collar agreement, designated as cash flow hedge, to fix the interest rate of this borrowing within a floor of 1.69% and a cap of 5.0% per annum.

The loan is secured by a mortgage on part of our River Business fleet. The loan requires certain financial ratios to be met and contains various restrictive covenants such as limiting the Borrower's ability to declare or pay any dividend, to incur capital expenditures, leases, or enter into derivative transactions (except for fuel swaps), among others.

On March 27, 2015, IFC waived compliance with the Historical Debt Service Coverage Ratio for the periods ending on December 31, 2014, March 31, 2015, and June 30, 2015. The waiver was granted conditional upon OFID's granting of a similar waiver on or before April 15, 2015, which condition was met on April 13, 2015.

The aggregate outstanding principal balance of the loan was \$18.5 million at December 31, 2014.

Loan Agreement with International Finance Corporation (IFC) of \$35.0 million:

On September 15, 2008, UABL Barges (Panama) Inc., UABL Towing Services S.A., Marine Financial Investment Corp. and Eastham Barges Inc. (all our subsidiaries in the River Business), as Borrowers, and IFC entered into a loan agreement to partially finance: (i) the replacement of existing pushboat engines and conversion of pushboats to install such engines, (ii) the enlargement and re-bottoming of existing barges, (iii) the construction and acquisition of additional pushboats and barges and (iv) supplies and related equipment for the foregoing.

The loan has a grace period of 4 years followed by 9 consecutive semi-annual installments of \$1.52 million and 8 consecutive semi-annual installments of \$2.66 million, which began in June 2012. The loan accrues interest at LIBOR plus a spread which is within a range between 1.875% and 3.250%, beginning with 3.00% in December 2008 and which is adjusted every June on a yearly basis and which is inversely correlated with UABL's financial performance (i.e.: the margin increases after a bad year and vice-versa).

In connection with this facility, we entered into an interest rate collar agreement, designated as cash flow hedge, to fix the interest rate of this borrowing within a floor of 1.69% and a cap of 5.0% per annum.

The loan is secured by a mortgage on part of our River Business fleet. The loan requires certain financial ratios to be met and contains various restrictive covenants such as limiting the Borrower's ability to declare or pay any dividend, to incur capital expenditures, leases, or enter into derivative transactions (except for fuel swaps), among others.

On March 27, 2015, IFC waived compliance with the Historical Debt Service Coverage Ratio for the periods ending on December 31, 2014, March 31, 2015, and June 30, 2015. The waiver was granted conditional upon OFID's granting of a similar waiver on or before April 15, 2015, which condition was met on April 13, 2015.

The aggregate outstanding principal balance of the loan was \$25.9 million at December 31, 2014.

Loan Agreement with The OPEC Fund for International Development (OFID) of \$15.0 million:

On November 28, 2008, UABL Paraguay S.A., as Borrower, and OFID entered into a loan agreement to partially finance: (i) the replacement of existing pushboat engines and conversion of pushboats to install such engines, (ii) the enlargement and re-bottoming of existing barges, (iii) the construction and acquisition of additional pushboats and barges and (iv) supplies and related equipment for the foregoing.

The loan has a grace period of 4 years followed by 9 consecutive semi-annual installments of \$0.65 million and 8 consecutive semi-annual installments of \$1.14 million, which began in June 2012. The loan accrues interest at LIBOR plus a spread which is within a range between 1.875% and 3.250% beginning with 3.00% in December 2008 and

which is adjusted every June on a yearly basis and which is inversely correlated with UABL's financial performance (i.e.: the margin increases after a bad year and vice-versa).

In connection with this facility, we entered into an interest rate collar agreement, designated as cash flow hedge, to fix the interest rate of this borrowing within a floor of 1.69% and a cap of 5.0% per annum.

The loan is secured by a mortgage on part of our River Business fleet. The loan requires certain financial ratios to be met and contains various restrictive covenants such as limiting the Borrower's ability to declare or pay any dividend, to incur capital expenditures, leases, or enter into derivative transactions (except for fuel swaps) among others.

On April 13, 2015, OFID waived compliance with the Historical Debt Service Coverage Ratio for the periods ending on December 31, 2014, March 31, 2015, and June 30, 2015. The waiver was granted conditional upon IFC's granting of a similar waiver on or before April 15, 2015, which condition was met on March 27, 2015.

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The aggregate outstanding principal balance of the loan was \$11.1 million at December 31, 2014.  
Loan Agreement with International Finance Corporation (IFC) of \$15.0 million:

On December 2, 2011, UABL Paraguay S.A. and Riverpar S.A. as joint and several Borrowers, and IFC entered into a loan agreement to partially finance: (i) the construction and acquisition of 64 additional barges, (ii) the modification to 9 existing pushboats necessary to replace their engines, (iii) the re-bottoming of 50 existing barges and (iv) the construction and acquisition of additional pushboats and ancillary equipment.

The loan has a grace period of 2 years followed by 17 consecutive semi-annual installments of \$0.9 million beginning in June 2013. The loan accrues interest at LIBOR plus 3.65% per annum.

The loan is secured by a mortgage on part of our River Business fleet. The loan requires certain financial ratios and contains various restrictive covenants such as limiting the Borrower's ability to declare or pay any dividend, to incur capital expenditures, leases, or enter into derivative transactions (except for fuel swaps), among others.

On March 27, 2015, IFC waived compliance with the Historical Debt Service Coverage Ratio for the periods ending on December 31, 2014, March 31, 2015, and June 30, 2015. The waiver was granted conditional upon OFID's granting of a similar waiver on or before April 15, 2015, which condition was met on April 13, 2015.

The aggregate outstanding principal balance of the loan was \$11.5 million at December 31, 2014.

Loan Agreement with The OPEC Fund for International Development (OFID) of \$10.0 million:

On December 15, 2011, UABL Paraguay S.A. and Riverpar S.A. as joint and several Borrowers, and OFID entered into a parallel loan agreement to partially finance: (i) the construction and acquisition of 64 additional barges, (ii) the modification to 9 existing pushboats necessary to replace their engines, (iii) the re-bottoming of 50 existing barges and (iv) the construction and acquisition of additional pushboats and ancillary equipment.

The loan has a grace period of 2 years followed by 17 consecutive semi-annual installments of \$0.6 million beginning in June 2013. The loan accrues interest at LIBOR plus 3.65% per annum.

The loan is secured through a collateral sharing agreement with the IFC. The loan requires certain financial ratios and contains various restrictive covenants such as limiting the Borrower's ability to declare or pay any dividend, to incur capital expenditures, leases, or enter into derivative transactions (except for fuel swaps), among others.

On April 13, 2015, OFID waived compliance with the Historical Debt Service Coverage Ratio for the periods ending on December 31, 2014, March 31, 2015, and June 30, 2015. The waiver was granted conditional upon IFC's granting of a similar waiver on or before April 15, 2015, which condition was met on March 27, 2015.

The aggregate outstanding principal balance of the loan was \$7.6 million at December 31, 2014.

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

Not Applicable.

### D. TREND INFORMATION

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

#### River Business

Punta Alvear barge building facility – We expect to continue to build both tank and dry barges for our own account, with special focus on tank barges which will need replacement in the forthcoming years as single hull vessels fade out. We believe this will significantly increase our future revenues and enhance our operation through economies of scale. In addition, we intend to continue to sell barges to third parties.

Additional pushboat capacity – We expect to build four new high powered shallow drafted pushboats to replace amortized equipment. We believe this will significantly enhance our operation through fuel savings, faster rotations and maintenance cost reduction.

Offshore Supply Business

UP Coral conversion into RSV – Our UP Coral, one of the three state of the art 5,145 dwt Chinese PSVs acquired, has secured a six-year charter with Petrobras as an RSV. We may seek for additional RSV employments in the future.

Ocean Business

Container feeder service – Regular service with two vessels, Asturiano and Argentino. The Southbound leg has remained at high utilization rates with healthy rates while we have increased the utilization rate in the northbound leg also to high levels with domestic cargoes returning to Buenos Aires and transshipment cargoes which are loaded from other southern ports in Patagonia such as Bahia Blanca or Puerto Madryn and carried with our service to Buenos Aires for export. Growth opportunity still available in Patagonia service and possible expansion to Brazil which is Argentina's main commercial partner and whose demand may provide us with opportunities to call ports in the southern part of that country.

·Product Tankers – We intend to charter-in additional vessels to replace existing tonnage.

E. OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements.



## F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following schedule summarizes our contractual obligations and commercial commitments as of December 31, 2014. The amounts below include both principal and interest payments.

	Total	Payments due by period			
		Current (a)	Two to three years (b)	Four to five years (c)	After five years (d)
(Dollars in thousands)					
1. Long – term debt obligations (e)					
- 8 % Senior Notes 2021 (\$225.0 million) (f)	\$225,000	\$--	\$--	\$--	\$225,000
- DVB Bank SE (up to \$15.0 million)	5,050	900	4,150	--	--
- DVB Bank SE (up to \$61.3 million)	25,350	4,300	21,050	--	--
- DVB Bank SE (up to \$25.0 million)	9,000	2,000	7,000	--	--
- BNDES (up to \$18.7 million)	13,598	1,110	2,220	2,220	8,048
- DVB / Security (up to \$40 million)	27,500	3,333	6,667	17,500	--
- DVB / NIBC / ABN (up to \$84.0 million)	51,495	7,039	44,456	--	--
- DVB / NIBC (up to \$38.4 million)	28,800	3,200	6,400	6,400	12,800
- Natixis (up to \$13.6 million)	4,730	1,584	3,146	--	--
- IFC UABL II Paraguay (up to \$25.0 million)	18,478	2,174	6,793	7,609	1,902
- OFID (up to \$15.0 million)	11,087	1,304	4,077	4,565	1,141
- IFC UABL II (up to \$35.0 million)	25,868	3,044	9,510	10,652	2,662
- IFC UABL III Loan (up to \$15.0 million)	11,471	1,765	3,530	3,529	2,647
- OFID UABL III Loan (up to \$10.0 million)	7,647	1,176	2,353	2,353	1,765
Total long – term debt obligations	\$465,074	\$32,929	\$121,352	\$54,828	\$255,965
Estimated interest on long-term debt obligations					
- 8 % Senior Notes 2021 (\$225.0 million)	129,798	19,969	39,938	39,938	29,953
- DVB Bank SE (up to \$15.0 million)	\$83	\$68	\$15	\$--	\$--
- DVB Bank SE (up to \$61.3 million)	634	350	284	--	--
- DVB Bank SE (up to \$25.0 million)	365	147	218	--	--
- BNDES (up to \$18.7 million)	2,552	398	696	560	898
- DVB Bank SE First Demand Guarantee (up to \$16.8 million)	2,442	230	442	459	1,311
- DVB / Security (up to \$40 million)	3,482	1,075	1,742	665	--
- DVB / NIBC / ABN (up to \$84.0 million)	6,178	2,531	3,647	--	--
- DVB / NIBC (up to \$38.4 million)	5,078	1,191	1,970	1,415	502
- Natixis (up to \$13.6 million)	110	60	50	--	--
- IFC UABL II Paraguay (up to \$25.0 million)	2,488	739	1,161	549	39
- OFID (up to \$15.0 million)	1,492	443	696	329	24
- IFC UABL II (up to \$35.0 million)	3,483	1,035	1,625	768	55
- IFC UABL III Loan (up to \$15.0 million)	1,618	444	676	391	107
- OFID UABL III Loan (up to \$10.0 million)	1,079	296	451	261	71
Total estimated interest on long – term debt obligations	160,882	28,976	53,611	45,335	32,960

2. Operating lease obligations	\$27,131	\$5,584	\$8,440	\$5,632	\$7,475
Total Contractual Obligations	\$653,087	\$67,489	\$183,403	\$105,795	\$296,400

(a) Represents the period from January 1, 2015 through December 31, 2015.

(b) Represents the period from January 1, 2016 through December 31, 2017.

(c) Represents the period from January 1, 2018 through December 31, 2019.

(d) Represents the period after December 31, 2019.

(e) Represents principal amounts due on outstanding debt obligations, current and long-term, as of December 31, 2014. Amounts do not include interest payments.

(f) Excludes unamortized premium of \$1.0 million.

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

Obligation	Principal at December 31, 2014	Interest Rate	Period From-To
- 8 % Senior Notes 2021 (\$225.0 million)	\$ 225,000	8.875	% 01/01/2015 – 06/15/2021
- DVB Bank SE (up to \$15.0 million)	5,050	1.46	% 01/01/2015 – 12/14/2016
- DVB Bank SE (up to \$61.3 million)	25,350	1.46	% 01/01/2015 – 12/14/2016
- DVB Bank SE (up to \$25.0 million)	9,000	1.76	% 01/01/2015 – 10/31/2017
- BNDES	13,598	3.00	% 01/01/2015 – 03/10/2027
- DVB Bank SE (First Demand Guarantee)	16,820	1.40	% 07/02/2014 – 07/01/2015
- DVB Bank SE (First Demand Guarantee)	16,820	1.30	% 07/02/2015 – 07/01/2016
- DVB Bank SE (First Demand Guarantee)	16,820	1.20	% 07/02/2016 – 07/01/2017
- DVB-Security (up to \$30.0 million)	20,625	3.26	% 01/01/2015 – 12/31/2018
- DVB-Security (up to \$10.0 million)	6,875	6.39	% 01/01/2015 – 12/31/2018
- DVB / NIBC / ABN (up to \$84.0 million)			
- DVB (up to \$7.0 million)	5,560	4.89	% 01/01/2015 – 10/31/2016
- NIBC (up to \$7.0 million)	5,560	4.90	% 01/01/2015 – 10/31/2016
- ABN (up to \$7.0 million)	5,560	4.895	% 01/01/2015 – 10/31/2016
- DVB (up to \$7.0 million)	5,611	4.155	% 01/01/2015 – 09/26/2016
- NIBC (up to \$7.0 million)	5,611	4.2575	% 01/01/2015 – 09/26/2016
- ABN (up to \$7.0 million)	5,611	4.205	% 01/01/2015 – 09/26/2016
- DVB (up to \$7.0 million)	5,994	4.22	% 01/01/2015 – 10/11/2016
- NIBC (up to \$7.0 million)	5,994	4.22	% 01/01/2015 – 10/11/2016

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- ABN (up to \$7.0 million)	5,994	4.22	%	01/01/2015 – 10/11/2016
- DVB / NIBC (up to \$38.4 million)	28,800	4.26	%	01/01/2015 – 12/30/2020
- Natixis (up to \$13.6 million)	4,730	1.46	%	01/01/2015 – 02/21/2017
- IFC UABL II (up to \$35.0 million)	25,868	4.07	%	01/01/2015 – 06/15/2020
- IFC UABL II Paraguay (up to \$25.0 million)	18,478	4.07	%	01/01/2015 – 06/15/2020
- OFID (up to \$15.0 million)	11,087	4.07	%	01/01/2015 – 06/15/2020
- IFC UABL III Loan (up to \$15.0 million)	11,471	3.97	%	01/01/2015 – 06/15/2021
- OFID UABL III Loan (up to \$10.0 million)	\$ 7,647	3.97	%	01/01/2015 – 06/15/2021

Interest expense calculations begin on January 1, 2015, end on the respective maturity dates and are based on contractual terms with the exception of the IFC/OFID, DVB/Security and DVB/NIBC/ABN credit facilities. The Company, through its subsidiaries, has entered into an interest rate collar under its IFC/OFID facility and into two interest rate swap agreements related to borrowings and DVB/Security and DVB/NIBC/ABN credit facilities, respectively, whereby it has converted most of its variable rate borrowings into fixed rate borrowings. For purposes of this table, the Company has assumed the fixed rates of interest in calculating its obligations.

We believe, based upon current levels of operation, that cash flow from operations, combined with other sources of funds, will provide adequate liquidity to fund required payments of principal and interest on our debt, including interests under the 2021 Notes, complete anticipated capital expenditures and fund working capital requirements.

Our ability to make scheduled payments of principal, or to pay interest on, or to refinance, our indebtedness, including the 2021 Notes, or to fund planned capital expenditures will depend on our ability to generate cash from our operations in the future. Our ability to generate cash is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

#### G. SAFE HARBOR

Forward-looking information discussed in this Item 5 includes assumptions, expectations, projections, intentions and beliefs about future events. These statements are intended as "forward-looking statements". We caution that assumptions, expectations, projections, intentions and beliefs about future events may and often do vary from actual results and the differences can be material. Please see "Cautionary Statement Regarding Forward-Looking Statements" in this annual report.

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

#### A. DIRECTORS AND EXECUTIVE OFFICERS

Set forth below are the names, ages and positions of our directors, executive officers and key employees. Our board of directors is elected annually and each director elected holds office until his successor has been duly elected and qualified, except in the event of his death, resignation, removal or the earlier termination of his term of office. George Wood has agreed to serve on our audit committee. Officers are elected from time to time by vote of our board of directors and hold office until a successor is elected. The business address of each of our executive officers and directors is H&J Corporate Services Ltd., Ocean Centre, Montagu Foreshore, East Bay St., P.O. Box SS-19084, Nassau, Bahamas.

Name	Age	Position
Horacio Reyser	45	Chairman of the Board and Director
Damián Scokin	48	Chief Executive Officer
Cecilia Yad	48	Chief Financial Officer
Leonard J. Hoskinson	61	Secretary and Vice President, International Finance
Gonzalo Dulanto	42	Director
George Wood	69	Independent Director
Eduardo Ojea Quintana	59	Director
Rodrigo Lowndes	45	Director
Alberto G. Deyros	59	Chief Accountant

Biographical information with respect to each of our directors, executives and key personnel is set forth below.

Horacio Reyser. Mr. Reyser is a partner with Southern Cross and has been with the firm since 1998 and was appointed Director of the Company in December 2012. Prior to joining Southern Cross, Mr. Reyser worked for INFUPA, a regional M&A advisory firm. Mr. Reyser also worked for the Techint Group, initially in strategic planning at Tenaris-Siderca and later at Siderar-Ternium, where he focused on a wide variety of operational projects and strategic acquisitions. Mr. Reyser holds a degree in Industrial Engineering from Instituto Tecnológico de Buenos Aires (ITBA) and completed an Advanced Management Program at Harvard Business School.

Damián Scokin. Mr. Scokin has been the Chief Executive Officer of Ultrapetrol (Bahamas) Ltd. since November 1, 2014. Previously, Mr. Scokin served as Chief Executive Officer of International Business Unit at LATAM Airlines Group S.A. Mr. Scokin joined LAN Airlines in 2005 as Chief Executive Officer of LAN Argentina, where he led the start-up and development of LAN's new subsidiary in Argentina. Prior to joining LAN, he developed an extensive career as a Management Consultant at McKinsey & Company, where he worked for 11 years. During his consulting experience Mr. Scokin worked in the United States, Great Britain, Chile, Brazil, Peru and Argentina in a variety of projects. Since 2000, Mr. Scokin was Partner of McKinsey & Company and in 2003 became its Location Manager of the Buenos Aires office, leading McKinsey's practice in Argentina. Mr. Scokin obtained his MBA from Harvard Business School in 1995, after graduating as Bachelor in Economics (1991) and Industrial Engineer (1992) at the University of Buenos Aires.

Cecilia Yad. Ms. Yad is the Chief Financial Officer of the Company. She is a Certified Public Accountant with over 25 years of finance experience working with diverse multinational companies. Most recently, Ms. Yad was the CFO for Iberia-Latin America of ISS, a Danish-based services company. Prior to ISS, she held planning, accounting and finance executive positions with Clorox, a U.S. consumer goods company where she worked for 10 years. She also worked for Energizer, Deloitte, and the Royal Bank of Canada, where she gained substantial experience in cost accounting, auditing and credit analysis.

Leonard J. Hoskinson. Mr. Hoskinson was appointed Director of the Company in March 2000 and assumed the position of Secretary six months later. Mr. Hoskinson is Vice President, International Finance and has been employed by the Company and its subsidiaries for over 23 years. Prior to that, he had an international banking career specializing in ship finance spanning over 20 years and culminating as the Head of Shipping for Marine Midland Bank NA in New York (part of the HSBC banking group). He is also a Director of various companies of the group. In December 2012, as part of the transaction entered into with Southern Cross, Mr. Hoskinson resigned as director of Ultrapetrol. In addition, Mr. Hoskinson was the Chief Financial Officer of the Company from 2006 until April 29, 2013.

Gonzalo Dulanto. Mr. Dulanto joined Southern Cross in 2004, where he has participated in the acquisition, transformation and divestiture of several portfolio companies. While at Southern Cross, he also served as interim CEO of ANSM and interim COO of ESSBIO, two water utilities with operations in Chile. He was appointed Director of the Company in October 28, 2014. Past board memberships include GasAtacama, Supermercados del Sur and SMU. Prior to joining Southern Cross, he was a consultant in McKinsey's Santiago office working with companies in a wide range of industries with responsibility of executing strategic, organizational and operational projects to help clients improve their performance. Mr. Dulanto's experience also includes working for Enersis, the leading Chilean conglomerate in the Latin American electricity sector. He was responsible for a broad range of strategic and execution activities. Mr. Dulanto holds an Industrial Engineering degree from the Universidad Católica de Chile and an MBA from Harvard Business School.

George Wood. Mr. Wood has been a Director since October 2006. He has recently retired as managing director of Chancery Export Finance LLC (Chancery), a firm licensed by the Export Import Bank of the United States of America (ExIm Bank). Chancery provides ExIm Bank guaranteed financing for purchase of U.S. manufactured capital goods by overseas buyers. Prior to his designation as Managing Director of Chancery, Mr. Wood worked as Managing Director of Baltimore based Bengur Bryan & Co. (Bengur Bryan) providing investment-banking services to transportation related companies in the global maritime, U.S. trucking, motor coach and rail industries. Before his employment with Bengur Bryan in 2000, Mr. Wood was employed for 27 years in various managerial positions at the First National Bank of Maryland which included managing the International Banking Group as well as the bank's specialized lending divisions in leasing, rail, maritime and motor coach industries, encompassing a risk asset portfolio of \$1.2 billion. Mr. Wood is a member of the board of Baltic Trading Inc. as well as part of the Audit Committee and Nominating and Governance Committee. Baltic Trading Inc. is a shipping company focused on the dry bulk industry spot market and is currently trading on the NYSE. Mr. Wood holds a B.S. in Economics and Finance from University of Pennsylvania and an MBA from University of North Carolina and became a CPA in 1980. Mr. Wood presently serves as member of the board of Wawa Inc., as well as part of the Finance Committee, Strategic Fuels Committee and Compensation Committee. Wawa Inc. is a \$10.0 billion revenue privately held convenience store chain operating in the Mid-Atlantic area and in Florida. Mr. Wood recently served in the boards of LASCOS Shipping Co. and Infinity Rail LLC.

Rodrigo Lowndes. Mr. Lowndes is a Partner with Southern Cross and has been with the firm since 2009 where he is a member of the Investment Committee and serves as board member of SIN, Brinox and Solaris. Mr. Lowndes was appointed Director of the Company in July 2014. Prior to joining Southern Cross, he co-founded Emerging Capital, a Brazilian asset management company. Before then, Mr. Lowndes worked for Morgan Stanley in New York and Brazil where he was President and Head of Investment Banking of their operation in Brazil. Mr. Lowndes also worked at Banco Garantia and Companhia Vale do Rio Doce, a global diversified mining company based in Brazil. Mr. Lowndes holds a degree in Economics from the Federal University of Rio de Janeiro in Brazil.

Eduardo Ojea Quintana. Mr. Ojea Quintana is currently the President of the Board of Directors of Transportadora de Gas del Norte S.A. and a member of the board of directors of several other energy companies in South America. He was elected Director of the Company in December 2012. He has served as a member of the Argentine Chamber of Oil Companies, part of the Argentine Institute of Oil and Gas, the Argentine Council for the Sustainable Development Companies and the Academy Center for the Energy Regulatory Activity. He also represented Argentina on the

Executive Committee for the International Gas Union. Mr. Ojea Quintana holds a degree in Law from the University Museo Social Argentino.

Alberto G. Deyros. Mr. Deyros is the Chief Accountant of the Company and was appointed in April 2006. Mr. Deyros has been employed by the Company and its subsidiaries for more than ten years. Prior to that, he specialized in ship administration management over a period of more than 20 years. Mr. Deyros is a Certified Public Accountant and a graduate of Universidad de Buenos Aires.

## B. COMPENSATION

The aggregate annual net cost to us for the compensation paid to members of the board of directors and our executive officers was \$10.1 million for the fiscal year ended December 31, 2014. This amount includes \$5.7 million associated with the former CEO and Executive Vice President's severance payments according to their employment and consulting agreements termination clauses. Neither the Company nor any of its subsidiaries provides retirement benefits.

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In September 2006, in connection with our IPO we granted stock options for 348,750 shares of common stock with an exercise price of \$11 per share to certain members of Management, out of which 310,000 were cancelled and 38,750 remain outstanding. These options expire ten years after their issuance date. To date, none of these options had been exercised by their holders.

On September 3, 2014, the outstanding stock options granted to our former Chief Executive Officer and former Executive Vice President were exercised as part of the termination of their respective consulting agreements after the acquisition by Sparrow of all of the Company's outstanding equity interests held by Hazels, Los Avellanos and SIPSA. Upon such termination, 19,375 stock options remain outstanding, which have an average exercise price of \$2.71 per share. To date, none of these options had been exercised.

On April 29, 2013, certain members of Management entered into new Consulting Agreements pursuant to which they were granted stock options for 814,433 shares of common stock with an exercise price of \$2.40 per share. These options expire ten years after their issuance date. To date, none of these options have been exercised by their holders.

On November 10, 2014, certain members of Management entered into new Consulting Agreements pursuant to which they were granted stock options for 1,600,000 shares of common stock with an exercise price of \$2.73 per share. These options expire ten years after their issuance date. To date, none of these options have been exercised by their holders.

#### C. BOARD PRACTICES

Our Audit Committee is composed of Mr. Wood, who is our independent director, and is responsible for reviewing our accounting controls and recommending to the board of directors the engagement of our outside auditors. Our corporate governance practices are in compliance with Bahamian law and we are exempt from many of the corporate governance provisions of the Nasdaq Marketplace Rules other than those related to the establishment of an audit committee.

We have certified to Nasdaq that our corporate governance practices are in compliance with, and are not prohibited by, the laws of The Bahamas. Therefore, we are exempt from many of Nasdaq's corporate governance practices other than the requirements regarding the disclosure of a going concern audit opinion, submission of a listing agreement, notification of material non-compliance with Nasdaq corporate governance practices and the establishment of an audit committee in accordance with Nasdaq Marketplace Rules 4350(d)(3) and 4350(d)(2)(A)(ii). The practices that we follow in lieu of Nasdaq's corporate governance rules are as follows:

We do not have a board of directors with a majority of independent directors, nor are we required to under Bahamian law. However, we have one independent director.

In lieu of holding regular meetings at which only independent directors are present, our entire board of directors may hold regular meetings, as is consistent with Bahamian law.

In lieu of an audit committee comprising three independent directors, our audit committee will have at least one member, which is consistent with Bahamian law. The member of the audit committee is a financial expert. We cannot guarantee that at least one member of our audit committee will continue to meet this description.

In lieu of a nomination committee comprising independent directors, our board of directors will be responsible for identifying and recommending potential candidates to become board members and recommending directors for appointment to board committees. Shareholders may also identify and recommend potential candidates to become board members in writing. No formal written charter has been prepared or adopted because this process is outlined in our memorandum of association.

Under Bahamian law, compensation of the executive officers is not required to be determined by an independent committee.

In lieu of obtaining an independent review of related party transactions for conflicts of interests, consistent with Bahamian law requirements, our memorandum of association provides that related party transactions must be approved by disinterested directors and in certain circumstances, supported by a fairness opinion.

Pursuant to our articles of association, we are required to obtain shareholder approval in order to issue additional securities.

As a foreign private issuer, we are not required to solicit proxies or provide proxy statements to Nasdaq pursuant to Nasdaq corporate governance rules or Bahamian law. Consistent with Bahamian law and as provided in our articles of association, we will notify our shareholders of meetings between 15 and 60 days before the meeting. This notification will contain, among other things, information regarding business to be transacted at the meeting. In addition, our memorandum of association provides that shareholders must give us 90 days advance notice to properly introduce any business at a meeting of the shareholders. Our memorandum of association also provides that shareholders may designate a proxy to act on their behalf (in writing or by telephonic or electronic means as approved by our board from time to time).

Other than as noted above, we are in full compliance with all other applicable Nasdaq corporate governance standards.

The employment agreements of the executive members of our board of directors contain standard termination provisions (which include termination: (i) upon death or disability, (ii) with or without cause, and (iii) with or without good reason). These agreements contain customary termination of employment clauses with no special benefits such as golden parachutes, etc.

#### Executive Committee and Compensation Committee

The Board of Directors has two advisory committees, the Executive Committee and the Compensation Committee.

#### Executive Committee

The Executive Committee is composed of at least three directors, the CEO and the CFO of the Company. It meets on a regular basis, and its function is to supervise and give guidelines to management with respect to the Company's operations; evaluate the strategic initiatives proposed by management, third parties or other members of the Board and formulate recommendations to the Board on their implementation, and act as a complement to management regarding potential acquisitions, dispositions, mergers, etc.; and act as an informal "sounding board" for management regarding any other operational matters management may consider appropriate and perform such other functions and duties as may be delegated to it by the Board.

The Committee may delegate to any one or more of its members authority to conclude any matter requiring the authority of the Committee.

#### Compensation Committee

The Compensation Committee is composed of Gonzalo Dulanto, Eduardo Ojea Quintana and George Wood. It meets at least once every calendar quarter, and its function is to:

- (i) Advise the Board with respect to the compensation of the CEO, the CFO and other senior executives (the "Senior Executives") that report directly to the CEO, designated as "executive officers" by the Board and the Chief Operating Officers, if any, of the Company's business units and evaluate annually the performance of the Company's Senior Executives.
- (ii) Review and make recommendations on the Company's overall compensation structure regarding its Directors and Senior Executives.

(iii) Act as an informal "sounding board" for management regarding any other executive compensation matters management may consider appropriate and perform such other functions and duties as may be delegated to it by the Board.

The Committee may delegate to any one or more of its members authority to conclude any matter requiring the authority of the Committee.

#### D. EMPLOYEES

As of December 31, 2014, we employed 1,614 persons, consisting of 495 land-based employees and 1,119 seafarers as crew on our vessels, of which 600 were in our River Business, 273 were in our Offshore Supply Business and 246 were in our Ocean Business. The number of seafarers increased 9% with respect to December 31, 2013, mainly as a result of the entry into operation of our UP Agate, UP Coral and UP Opal. Some of these employees were employed

through various manning agents depending on their nationality as listed below:

- Indian crew: Orient Ship Management & Manning Pvt., Ltd., Mumbai, India
- Argentine crew: Ravenscroft Ship Management S.A., a subsidiary, Montevideo, Uruguay
- Paraguayan crew: Ravenscroft Ship Management S.A., a subsidiary, Montevideo, Uruguay

Our crew is employed under the standard collective bargaining agreements with the seafarers' union in their respective countries. The crew is employed on contractual terms valid for a fixed duration of service on board the vessels. We ensure that all the crew employed on board our vessels have the requisite experience, qualifications and certification to comply with all international regulations and shipping conventions. Our training requirements for the crew exceed the applicable statutory requirements. We always man our vessels above the safe manning requirements of the vessels' flag state in order to ensure proper maintenance and safe operation of the vessels. We have in force special programs such as a performance-related incentive bonus, which is paid to some of our senior officers upon rejoining our ships. This ensures retention of qualified and competent staff.

## E. SHARE OWNERSHIP

For information concerning the share ownership in our Company of our officers and directors, please see Item 7 — Major Shareholders and Related Party Transactions.

## ITEM 7 – MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

## A. MAJOR SHAREHOLDERS

The following table sets forth information regarding the owners of more than five percent of our common stock as of March 30, 2015.

Name	Number of Shares Beneficially Owned	Percent of Shares Beneficially Owned	Voting Percentage		
Sparrow Capital Investments Ltd. <sup>(1)</sup>	119,266,821	84.7	%	84.7	%
All directors and executive officers as a group <sup>(2)</sup>	82,449	0.1	%	0.1	%

Sparrow Capital Investments Ltd. ("Sparrow") may be deemed the beneficial owner of 119,266,821 shares of Common Stock which includes 25,326,821 shares acquired from Los Avellanos and Hazels pursuant to the Share Purchase Agreement dated July 13, 2014 (this includes the shares and exercised stock options owned by our former <sup>(1)</sup>Chief Executive Officer and former Executive Vice President). With the completion of the transaction on September 3, 2014, the equity capital of the Company is now comprised exclusively of shares with equal voting rights of one vote per share.

Includes 48,920 shares of restricted stock issued to companies controlled by one of our executives and 33,529 <sup>(2)</sup>shares of stock issued to one of our non-executive directors as part of their compensation for the services rendered to us as board members.

On December 12, 2012, we announced the closing of an investment agreement entered into on November 13, 2012, with Sparrow, a subsidiary of Southern Cross Latin America Private Equity Fund III, L.P. and Southern Cross Latin America Private Equity Fund IV, L.P. (jointly "Southern Cross"). Pursuant to such closing, we sold 110,000,000 shares of newly issued common stock to Sparrow at a purchase price of \$2.00 per share. We received proceeds of \$220.0 million from the transaction.

On July 13, 2014, Sparrow, a subsidiary of Southern Cross and our major shareholder, entered into a share purchase agreement with Hazels and Los Avellanos to purchase all of Hazels' and Los Avellanos' outstanding equity interests in the Company. The agreement also provides Hazels with the opportunity to offer to purchase the Company's Ocean Business for a price to be determined, subject to terms and conditions including the approval of the independent director of the Company.

On September 3, 2014, the share purchase transaction with respect to the sale of shares of the Company between the major shareholders of the Company was closed under terms previously announced on July 13, 2014. In the transaction, Sparrow purchased all of the Company's outstanding equity interests held by Hazels, Los Avellanos and certain entities affiliated with them ("SIPSA"), increasing Southern Cross' interest in the Company from 67% to 85%. Under the terms of the agreement, Sparrow acquired from Hazels, Los Avellanos, and certain entities affiliated with them, the rights to 25,326,821 shares of common stock of the Company ("Common Stock") at a price equivalent to \$4.00 per share of Common Stock. With the completion of the transaction, the equity capital of the Company is now comprised exclusively of shares with equal voting rights of one vote per share.

B. RELATED PARTY TRANSACTIONS

There are no revenues derived from transactions with related parties for each of the years ended December 31, 2014, 2013 and 2012. As of December 31, 2014, 2013 and 2012, the balances of the accounts receivable from and payables to all related parties were approximately \$4.2 million, \$4.3 million and \$3.9 million and \$1.6 million, \$1.4 million and \$3.8 million, respectively.

Shipping Services Argentina S.A. (Formerly I. Shipping Services S.A.)

We and our subsidiaries also contract with related parties for various services. Pursuant to a commercial agreement and an agency agreement with us, Shipping Services Argentina S.A. (formerly I. Shipping Services S.A.) has agreed to perform the duties of commercial agent for our container feeder service and port agent for us in Argentina. Shipping Services Argentina S.A. is indirectly controlled by the Menendez family, which includes former President and Chief Executive Officer Felipe Menendez Ross and former Executive Vice President Ricardo Menendez Ross, who were affiliates of the Company until the end of 2014. For these services, we pay Shipping Services Argentina S.A. commissions and fees. For each of the years ended December 31, 2014, 2013 and 2012 the amounts paid and / or accrued for such services amounted to \$0.3 million, \$0.3 million and \$0.2 million, respectively. We believe that payments made under the above agreements reflect market rates for the services provided and are similar to what third parties pay for similar services.

Navalia S.A. (Formerly Navalia S.R.L.)

Pursuant to a commercial and an agency agreement with us, Navalia S.A., or Navalia, has agreed to perform the duties of commercial agent for our container feeder service and port agent for us in Ushuaia, Argentina. Navalia is directly controlled by the Menendez family, which includes former President and Chief Executive Officer Felipe Menendez Ross and former Executive Vice President Ricardo Menendez Ross, who were affiliates of the Company until the end of 2014. For these services, we pay Navalia commissions and fees. For the years ended December 31, 2014, 2013 and 2012 the amounts paid and / or accrued for such services amounted to \$1.6 million, \$1.7 million and \$1.5 million, respectively. We believe that payments made under the above agreements reflect market rates for the services provided and are similar to what third parties pay for similar services.

Commercial Commissions paid to Firmapar Corp. (Formerly Comintra Enterprise Ltd.)

In 2003, UP Offshore (Bahamas) Ltd. signed a commercial agreement with Firmapar Corp., or Firmapar, one of its shareholders. Under this agreement Firmapar agreed to assist UP Offshore (Bahamas) Ltd. regarding the commercial activities of UP Offshore (Bahamas) Ltd.'s fleet with the Brazilian offshore oil industry. Firmapar's responsibilities, among others, include marketing the PSVs in the Brazilian market and negotiating the time charters or other revenues contracts with prospective charterers of the PSVs.

The parties agreed that Firmapar's professional fees under this agreement shall be 2% of the gross time charters revenues from Brazilian charters collected by UP Offshore (Bahamas) Ltd. on a monthly basis.

Firmapar's services in connection with this agreement began on June 25, 2003, and ended on July 5, 2013, concurrently with the Stock Purchase Agreement pursuant to which we acquired from Firmapar Corp. its 5.55% ownership in UP Offshore (Bahamas).

For the years ended December 31, 2013 and 2012 the amounts paid and/or accrued for such services amounted to \$0.5 million and \$1.1 million, respectively.

Operations in OTS S.A.'s terminal

UABL Paraguay, our subsidiary in the River Business, operates the terminal that pertains to Obras Terminales y Servicios S.A. (OTS S.A.), a related party. For the years ended December 31, 2014, 2013 and 2012, UABL Paraguay paid to OTS S.A. \$1.3 million, \$1.9 million and \$0.5 million, respectively, for this operation.

SIPSA S.A.

There were no intercompany activities between SIPSA S.A. and us for any of the years ended December 31, 2014, 2013 and 2012.

Registration Rights Agreement

On December 12, 2012, we entered into a registration rights agreement with Sparrow, Sparrow CI Sub, Los Avellanos and Hazels. Pursuant to the registration rights agreement we granted them, and certain of their transferees, the right, under certain circumstances and subject to certain restrictions to require us to register under the Securities Act shares of our common stock held by Sparrow, Sparrow CI Sub, Los Avellanos or Hazels. On September 3, 2014, Sparrow Capital Investments Ltd., Sparrow CI Sub and the Company entered into the Amended and Restated Registration Rights Agreement (the "A&R Registration Rights Agreement"), which amended and restated the Registration Rights Agreement to remove Los Avellanos and Hazels as parties thereto. Any rights held by Los Avellanos or Hazels were transferred to Sparrow on September 3, 2014. Under the A&R Registration Rights Agreement, Sparrow and Sparrow CI Sub have the right to request that we register the sale of shares held by them on their behalf and require that we

make available shelf registration statements permitting sales of shares into the market from time to time over an extended period. We are required to pay all registration expenses in connection with the demand registrations under the registration rights agreement except that the holders' expenses reimbursement will be limited to one counsel. In addition, Sparrow and Sparrow CI Sub have the ability to exercise certain piggyback registration rights in connection with registered offerings initiated by us, for which we have to pay all expenses.

#### Employment Agreements

On April 29, 2013, we appointed Ms. Cecilia Yad as the Company's Chief Financial Officer, succeeding Leonard J. Hoskinson, who remained with the Company as Vice President, International Finance and Company Secretary. Concurrently, we entered into a new employment agreement for our current Chief Financial Officer as well as into a new consulting agreement for 3.5 years.

On September 3, 2014, the outstanding restricted stock and options granted to our former Chief Executive Officer, Felipe Menendez Ross, and former Executive Vice President, Ricardo Menendez Ross, were exercised as part of the termination of their respective employment and consultancy agreements after the acquisition by Sparrow of all of the Company's outstanding equity interests held by Hazels, Los Avellanos and SIPSA.



On November 10, 2014, we appointed Mr. Damian Scokin as the Company's Chief Executive Officer, succeeding our interim Chief Executive Officer Mr. Horacio Reyser. Concurrently, we entered into a new employment agreement for our current Chief Executive Officer as well as into a new consulting agreement for 3 years.

As of December 31, 2014, we had employment agreements with our Chief Executive Officer, Damian Scokin, Chief Financial Officer, Cecilia Yad, Company Secretary, Leonard J. Hoskinson, and our Chief Accountant, Alberto G. Deyros. In addition, we had consulting agreements with companies controlled by each of the above-mentioned officers for work they perform for us in various different jurisdictions.

Under these outstanding consulting agreements we granted these companies an aggregate of 2,433,808 stock options of which 284,394 have vested as of December 31, 2014.

C. INTERESTS OF EXPERTS AND COUNSEL

Not Applicable.

ITEM 8 – FINANCIAL INFORMATION

A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

See Item 18 for reference to financial information.

Legal Proceedings

UABL – Ciudad del Este Customs Authority

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

UABL Paraguay S.A. – Paraguayan Customs Asuncion

These administrative proceedings were commenced on April 7, 2009, by the Paraguayan Customs in Asuncion against UABL Paraguay S.A. alleging infringement of Customs regulations due to lack of submission of import clearance documents in Paraguay for bunkers purchased between January 9, 2007 and December 23, 2008, from YPF S.A. in Argentina, and between years 2003 and 2006. The total owed taxes according to Customs in Asuncion are up to the amount of Gs. 6.028.317.852 (approximately \$1.37 million). Our local counsel is of the opinion that the competent Court will overturn the Custom's ruling where said amount was determined, and that therefore there is only a remote possibility that these proceedings will have a material adverse financial impact on the consolidated financial position or result of operations of the Company.

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

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

As of December 31, 2014 a loss contingency liability related with this matter of \$0.6 million was recorded.

UABL Paraguay S.A. - Paraguayan Tax Authority

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

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

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

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

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

Various other legal 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.

#### Dividend Policy

The payment of dividends is in the discretion of our board of directors. We have not paid a dividend to date. 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.

Section 35 of the International Business Companies Act, 2000 (Chapter 309, Statute Laws of The Bahamas, 2000 Edition) provides that, subject to any limitations in its Memorandum or Articles, a company may, by a resolution of directors, declare and pay dividends in money, shares or other property. However, in accordance with Section 35 of the said Act, dividends shall only be declared and paid if the directors determine that immediately after the payment of the dividend:

- (a) the company will be able to satisfy its liabilities as they become due in the ordinary course of its business; and
- (b) the realizable value of the assets of the company will not be less than the sum of its total liabilities, other than deferred taxes, as shown in the books of account and its issued and outstanding share capital and, in the absence of fraud, the decision of the directors as to the realizable value of the assets of the company is conclusive unless a question of law is involved.

Our ability to pay dividends is restricted by the 2021 Notes, which we issued in 2013. 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.

#### B. SIGNIFICANT CHANGES

None.

#### ITEM 9 – THE OFFER AND LISTING

A. Information regarding the price history of the stock listed:

(a) High and low market prices for the five most recent full financial years:

	Financial Year Ended December 31,				
Per share prices	2010	2011	2012	2013	2014
High	\$7.92	\$6.67	\$3.48	\$3.98	\$3.85
Low	\$4.05	\$2.12	\$0.64	\$1.65	\$1.85

(b) High and low market prices for each full financial quarter for the two most recent full financial years:

Per share prices	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
High	\$2.75	\$3.05	\$3.76	\$3.98	\$3.85	\$3.39	\$3.59	\$3.30
Low	\$1.65	\$2.15	\$2.22	\$3.12	\$2.93	\$2.61	\$2.85	\$1.85

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(c) High and low market prices for each month, for the most recent six months:

Per share prices	October 2014	November 2014	December 2014	January 2015	February 2015	March 2015
High	\$ 3.30	\$ 3.08	\$ 2.52	\$ 2.20	\$ 1.86	\$ 1.69
Low	\$ 2.88	\$ 2.33	\$ 1.85	\$ 1.60	\$ 1.60	\$ 1.00

B. PLAN OF DISTRIBUTION

Not Applicable.

C. MARKETS

Our Common Stock is listed on The Nasdaq Global Select Market under the symbol "ULTR".

D. SELLING SHAREHOLDERS

Not Applicable.

E. DILUTION

Not Applicable.

F. EXPENSES OF THE ISSUE

Not Applicable.

ITEM 10 – ADDITIONAL INFORMATION

A. SHARE CAPITAL

Not Applicable.

B. MEMORANDUM AND ARTICLES OF ASSOCIATION

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

Objects and Purposes

The Company is incorporated in the Commonwealth of The Bahamas ("The Bahamas") under the name Ultrapetrol (Bahamas) Limited. The Registered Office of the Company is situated at Ocean Centre, Montagu Foreshore, East Bay Street, P.O. Box SS-19084, Nassau, Bahamas. The Registered Agent of the Company is H & J Corporate Services Ltd., Ocean Centre, Montagu Foreshore, East Bay Street, P.O. Box SS-19084, Nassau, Bahamas.

Clause 4 of the Memorandum provides that the purpose of the Company is to engage in any act or activity that is not prohibited under any law for the time being in force in The Bahamas.

#### Directors

The Company must have a board of directors, to which we refer as Board of Directors, comprising a minimum number of five directors and a maximum number of seven directors. The Board of Directors is required to meet at least quarterly and to direct and oversee the management and affairs of the Company, exercising all the powers of the Company that are not expressly reserved to its shareholders under the Memorandum and Articles or the International Business Companies Act, 2000 of The Bahamas. The Board of Directors may from time to time, in its discretion, fix the amounts which shall be payable to members of the Board of Directors with respect to services to be rendered in any capacity to the Company. The Board of Directors may elect additional directors up to the maximum permitted number of directors.

Subject always to the International Business Companies Act, 2000 of The Bahamas the Company shall not enter into:

- (i) any merger or consolidation involving the Company on the one hand and any member of the Company's management or Board of Directors or their respective affiliates, to each of which we refer as Interested Party, on the other hand;
- (ii) any sale, lease or other direct or indirect disposition of all or substantially all of the Company's and its subsidiaries' assets in a transaction or series of related transactions to one or more Interested Parties;
- (iii) any merger or consolidation or sale, lease or other direct or indirect disposition of all or substantially all of the Company's and its subsidiaries' assets in a transaction or series of related transactions that would result in the receipt of different types or amounts of consideration per share by one or more Interested Parties on the one hand, and any other of the shareholders of the Company, on the other hand; and
- (iv) any business transaction between the Company or its subsidiaries on the one hand and one or more Interested Parties on the other hand, involving a value in excess of \$2.0 million;

without (A) having previously obtained, at the Company's expense, a fairness opinion confirming that the proposed transaction is fair from a financial standpoint for the Company and with respect to a transaction described in paragraph (iii) above, for those shareholders which are not Interested Parties and (B) such proposed transaction being approved by a majority of disinterested directors of the Company. Any fairness opinion pursuant to the preceding sentence shall be rendered by an internationally recognized investment banking, auditing or consulting firm (or, if the proposed transaction involves the sale or purchase of a vessel or other floating assets, by an internationally recognized shipbroker) selected by the Company's disinterested directors and engaged on behalf of the Company and/or its shareholders. For the purposes of this provision, a quorum is a majority of the disinterested directors. To qualify as a disinterested director, a director must not have a personal interest in the transaction at hand and must not otherwise have a relationship that, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

In this connection, the International Business Companies Act, 2000 of The Bahamas provides that subject to any limitations in the Memorandum and the Articles and any unanimous shareholder agreement, no such agreement or transaction is void or voidable by reason that the director is present at the meeting of directors that approves the agreement or transaction or that the vote of the director is counted for that purpose. Such agreement or transaction is valid if the material facts of the director's interest in the agreement or transaction and his interest in or relationship to any other party to the agreement or transaction are disclosed in good faith or are known to the shareholders entitled to vote at a meeting of the shareholders and the agreement or transaction is approved or ratified by resolution of the shareholders. A director who has an interest in any particular business to be considered at a meeting of directors may be counted for the purpose of determining whether the meeting is duly constituted. A director need not be a member of the Company and no shareholding qualification shall be necessary to qualify a person as a director.

#### Authorized Capital

In accordance with Articles 34 through 39 of the Eighth Amended and Restated Articles of Association of the Company, Ultrapetrol may, without the vote, consent or approval of shareholders, by resolution of the Board of Directors, increase or reduce its authorized capital, including the dividing or combining of shares or other actions.

#### Share Rights, Preferences, Restrictions

The unissued shares of the Company are at the disposal of the directors who may without prejudice to any rights previously conferred on the holders of any existing shares or class or series of shares, offer, allot, grant options over or otherwise dispose of shares to such persons, at such times and upon such terms and conditions as the Company may by resolution of directors determine, without the vote, consent or approval of shareholders. Dividends may be declared



in conformity with applicable law and by resolution of the Board of Directors. Dividends may be declared and paid in cash, stock or other property of the Company.

Subject as provided in the Memorandum, the Memorandum and Articles may be amended, added to, altered or repealed, or new Memorandum and Articles may be adopted by a resolution of the shareholders or by a resolution of the directors. A meeting of shareholders is duly constituted if, at the commencement of the meeting, there are present in person or by proxy shareholders representing not less than 50 percent of the votes of the shares or class or series of shares entitled to vote on resolutions of shareholders to be considered at the meeting. If within one hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of shareholders, shall be dissolved; in any other case it shall stand adjourned to the next business day at the same time and place and if at the adjourned meeting there are present within one hour from the time appointed for the meeting in person or by proxy shareholders representing not less than one third of the votes of the shares or each class or series of shares entitled to vote on the resolutions to be considered by the meeting, those present shall constitute a quorum but otherwise the meeting shall be dissolved.

If a quorum be present, notwithstanding the fact that such quorum may be represented by only one person then such person may resolve any matter and a certificate signed by such person accompanied where such person be a proxy by the proxy form or a copy thereof shall constitute a valid resolution of shareholders. At any meeting of shareholders of the Company, with respect to a matter for which a shareholder is entitled to vote, each such shareholder shall be entitled to one (1) vote for each share of Common Stock it holds. Each shareholder may exercise such voting right either in person or by proxy. A shareholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or another duly executed proxy bearing a later date with the Secretary of the Company.

The Board of Directors must give not less than seven (7) days' notice of meetings of shareholders to those persons whose names on the date of the notice is given appear as shareholders in the Share Register and are entitled to vote at the meeting.

If mailed, notice is deemed to have been given when deposited in the mail, directed to the shareholder at his address as the same appears on the record of shareholders of the Company or at such address as to which the shareholder has given notice to the Secretary of the Company. Notice of a meeting need not be given to any shareholder who submits a signed waiver of notice, whether before or after the meeting, or who attends the meeting without protesting prior to the conclusion thereof the lack of notice to him.

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

#### Mandatory Arbitration

Any disputes between the Company on the one hand and any of the shareholders or their executors, administrators or assigns on the other hand with respect to the Articles or The International Business Companies Act, 2000 of The Bahamas must be referred to arbitration to be conducted in accordance with the Arbitration Act, 2009 of The Bahamas. This means that you may not be able to bring any dispute as described above that you may have in court but may need to submit such dispute to arbitration.

#### C. MATERIAL CONTRACTS

None.

#### D. EXCHANGE CONTROLS

Under Bahamian law, there are currently no restrictions on the export or import of capital, including foreign exchange controls or restrictions that affect the remittance of dividends, interest or other payments to non-resident holders of our common stock.

#### E. TAX CONSIDERATIONS

The following is a discussion of the material Bahamian and U.S. federal income tax considerations relevant to an investment decision by a U.S. Holder and a Non-U.S. Holder, each as defined below, with respect to our common stock. This discussion does not purport to deal with the tax consequences of owning shares of our common stock to all categories of investors, some of which, such as dealers in securities, investors whose functional currency is not the U.S. dollar and investors that own, actually or under applicable constructive ownership rules, 10% or more of our common stock, may be subject to special rules. This discussion deals only with holders who hold our common stock as a capital asset. You are encouraged to consult your own tax advisors concerning the overall tax consequences arising in your own particular situation under U.S. federal, state, local or foreign law of the ownership of our common stock.

### Bahamian Tax Considerations

In the opinion of Higgs & Johnson, our Bahamian counsel, the following are the material Bahamian tax consequences of our activities to us and shareholders of our common stock. We are incorporated in the Commonwealth of The Bahamas. Under current Bahamian law, we are not subject to tax on income or capital gains, and no Bahamian withholding tax will be imposed upon payments of dividends by us to our shareholders for a period of twenty years from our date of incorporation.

### U.S. Federal Income Tax Considerations

In the opinion of Seward & Kissel LLP, our U.S. counsel, the following are the material U.S. federal income tax consequences to the Company of its activities and to U.S. Holders and Non-U.S. Holders, of our common stock. The following discussion of U.S. federal income tax matters is based on the Code, judicial decisions, administrative pronouncements, and existing and proposed regulations issued by the U.S. Department of the Treasury, all of which are subject to change, possibly with retroactive effect. The discussion below is based, in part, on the description of our business as described in "Business Overview" above and assumes that we conduct our business as described in that section. References in the following discussion to "we" and "us" are to Ultrapetrol (Bahamas) Limited and its subsidiaries on a combined basis.

## U.S. Federal Income Taxation of Our Company

### Taxation of Operating Income: in General

We anticipate that we will earn substantially all our income from the hiring or leasing of vessels for use on a time, voyage or bareboat charter basis or from the performance of services directly related to those uses, which we refer to as "shipping income."

Unless exempt from U.S. federal income taxation under the rules of Section 883 of the Code, or Section 883, as discussed below, we will be subject to U.S. federal income tax on our shipping income that is treated as derived from sources within the United States, to which we refer as U.S.-source shipping income. For these purposes, U.S.-source shipping income includes 50% of our shipping income that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States.

Shipping income attributable to transportation that both begins and ends in the United States is considered to be 100% from sources within the United States. We are not permitted by law and therefore do not expect to engage in transportation that produces income which is considered to be 100% from sources within the United States.

Shipping income attributable to transportation exclusively between non-U.S. ports will be considered to be 100% derived from sources outside the United States. Shipping income derived from sources outside the United States will not be subject to any U.S. federal income tax.

In the absence of exemption from tax under Section 883, our gross U.S.-source shipping income would be subject to a 4% tax imposed without allowance for deductions as described below.

### Exemption of Operating Income from U.S. Federal Income Taxation

Under Section 883 of the Code and the final Treasury Regulations promulgated thereunder, or the Final Regulations, a foreign corporation will be exempt from U.S. federal income taxation on its U.S.-source shipping income if:

it is organized in a qualified foreign country which, as defined, is one that grants an "equivalent exemption" to (1) corporations organized in the United States in respect of each category of shipping income for which exemption is being claimed under Section 883 and to which we refer to as the Country of Organization Test; and

(2) either

(A) more than 50% of the value of its stock is beneficially owned, directly or indirectly, by qualified shareholders which as defined includes individuals who are "residents" of a qualified foreign country which we refer to as the 50% Ownership Test, or

(B) its stock, or that of its 100% parent, is "primarily and regularly traded on an established securities market" in a qualified foreign country or in the U.S., which we refer to as the Publicly-Traded Test.

Each of our subsidiaries which could earn U.S.-source shipping income is incorporated in a jurisdiction that has been officially recognized by the IRS as a qualified foreign country that grants the requisite equivalent exemption from tax in respect of each category of shipping income we and our subsidiaries earn and currently expect to earn in the future. Therefore, we and each of our subsidiaries will be exempt from U.S. federal income taxation with respect to our U.S. source shipping income if we satisfy either the 50% Ownership Test or the Publicly-Traded Test. We believe that we and each of our subsidiaries satisfied the Publicly-Traded Test for the 2013 taxable year, as discussed below, and we intend to take that position on our U.S. federal income tax returns.

The final regulations provide, in pertinent part, that stock of a foreign corporation will be considered to be "primarily traded" on an established securities market if the number of shares of each class of stock that are traded during any taxable year on all established securities markets in that country exceeds the number of shares in each such class that are traded during that year on established securities markets in any other single country. Our common stock, which is our sole class of issued and outstanding stock, is "primarily traded" on the Nasdaq Global Select Market.

Under the final regulations, our common stock will be considered to be "regularly traded" on an established securities market if one or more classes of our stock representing more than 50% of our outstanding shares, by total combined voting power of all classes of stock entitled to vote and total value, are listed on the market, which we refer to as the listing threshold. Since our common stock is listed on the Nasdaq Global Select Market, we satisfy the listing threshold.

It is further required that with respect to each class of stock relied upon to meet the listing threshold (i) such class of stock is traded on the market, other than in minimal quantities, on at least 60 days during the taxable year or 1/6 of the days in a short taxable year; and (ii) the aggregate number of shares of such class of stock traded on such market during the taxable year is at least 10% of the average number of shares of such class of stock outstanding during such year or as appropriately adjusted in the case of a short taxable year. We believe we will satisfy the trading frequency and trading volume tests. Even if this were not the case, the final regulations provide that the trading frequency and trading volume lists will be deemed satisfied if, as we expect to be the case with our common stock, such class of stock is traded on an established market in the United States and such stock is regularly quoted by dealers making a market in such stock.

Notwithstanding the foregoing, the final regulations provide, in pertinent part, that a class of stock will not be considered to be "regularly traded" on an established securities market for any taxable year in which 50% or more of the issued and outstanding shares of such class of stock are owned, actually or constructively under specified stock attribution rules, on more than half the days during the taxable year by persons who each own 5% or more of the vote and value of such class of stock, which we refer to as the 5 Percent Override Rule.

For purposes of being able to determine the persons who own 5% or more of our stock, or the 5% Shareholders, the final regulations permit us to rely on those persons that are identified on Schedule 13G and Schedule 13D filings with the Commission as having a 5% or more beneficial interest in our common stock. The final regulations further provide that an investment company identified on a filing with the Commission on Schedule 13G or Schedule 13D which is registered under the Investment Company Act of 1940, as amended, will not be treated as a 5% Shareholder for such purposes.

Our 5% Shareholders owned a majority of our common stock during the 2014 taxable year. As such, we will be subject to the 5% Override Rule unless we can establish that among the closely-held group of 5% Shareholders, there are sufficient 5% Shareholders that are qualified shareholders for purposes of Section 883 to preclude non-qualified shareholders in the closely-held group from owning 50% or more of our common stock for more than half the number of days during the taxable year. In order to establish this, sufficient 5% Shareholders that are qualified shareholders would have to comply with certain documentation and certification requirements designed to substantiate their identity as qualified shareholders.

We believe that we will be able to establish that a sufficient number of shares of our common stock are owned by qualified shareholders among our 5% Shareholders in order to qualify for the benefits of Section 883 for the 2014 taxable year. However, there can be no assurance that this will continue to be the case in the future or that we will be able to continue to satisfy the substantiation requirements in the future.

#### Taxation in the Absence of Exemption

To the extent the benefits of Section 883 are unavailable, our U.S.-source shipping income, to the extent not considered to be "effectively connected" with the conduct of a U.S. trade or business, as described below, would be subject to a 4% tax imposed by Section 887 of the Code on a gross basis, without the benefit of deductions. Since under the sourcing rules described above, no more than 50% of our shipping income would be treated as being derived from U.S. sources, the maximum effective rate of U.S. federal income tax on our shipping income would never exceed 2% under the 4% gross basis tax regime.

To the extent the benefits of the Section 883 exemption are unavailable and our U.S.-source shipping income is considered to be "effectively connected" with the conduct of a U.S. trade or business, as described below, any such "effectively connected" U.S.-source shipping income, net of applicable deductions, would be subject to the U.S. federal corporate income tax currently imposed at rates of up to 35%. In addition, we may be subject to the 30% "branch profits" taxes on earnings effectively connected with the conduct of such trade or business, as determined after allowance for certain adjustments, and on certain interest paid or deemed paid attributable to the conduct of its U.S. trade or business.

Our U.S.-source shipping income would be considered "effectively connected" with the conduct of a U.S. trade or business only if:

- we have, or are considered to have, a fixed place of business in the United States involved in the earning of shipping income; and
- substantially all of our U.S.-source shipping income is attributable to regularly scheduled transportation, such as the operation of a vessel that follows a published schedule with repeated sailings at regular intervals between the same

points for voyages that begin or end in the United States.

We do not intend to have, or permit circumstances that would result in having any vessel operating to the United States on a regularly scheduled basis. Based on the foregoing and on the expected mode of our shipping operations and other activities, we believe that none of our U.S.-source shipping income will be "effectively connected" with the conduct of a U.S. trade or business.

#### U.S. Taxation of Gain on Sale of Vessels

If we and our subsidiaries qualify for exemption under Section 883 in respect of the shipping income derived from the international operation of our vessels, then gain from the sale of any such vessel should likewise be exempt from tax under Section 883. In the absence of the benefits of exemption under Section 883, we and our subsidiaries will not be subject to U.S. federal income taxation with respect to gain realized on a sale of a vessel, provided the sale is considered to occur outside of the United States under U.S. federal income tax principles. In general, a sale of a vessel will be considered to occur outside of the United States for this purpose if title to the vessel, and risk of loss with respect to the vessel, pass to the buyer outside of the United States. It is anticipated that any sale of a vessel by us will be considered to occur outside of the United States.

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## U.S. Federal Income Taxation of U.S. Holders

As used herein, the term "U.S. Holder" means a beneficial owner of common stock that is a U.S. citizen or resident, U.S. corporation or other U.S. entity taxable as a corporation, an estate the income of which is subject to U.S. federal income taxation regardless of its source, or a trust if a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

If a partnership holds our common stock, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner in a partnership holding our common stock, you are encouraged to consult your tax advisor.

## Distributions

Subject to the discussion of passive foreign investment companies below, any distributions made by us with respect to our common stock to a U.S. Holder will generally constitute dividends, which may be taxable as ordinary income or "qualified dividend income" as described in more detail below, to the extent of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess of our earnings and profits will be treated first as a nontaxable return of capital to the extent of the U.S. Holder's tax basis in his common stock on a dollar-for-dollar basis and thereafter as capital gain. Because we are not a U.S. corporation, U.S. Holders that are corporations will not be entitled to claim a dividends received deduction with respect to any distributions they receive from us. Dividends paid with respect to our common stock will generally be treated as "passive category income" or, in the case of certain types of U.S. Holders, as "general category income" for purposes of computing allowable foreign tax credits for U.S. foreign tax credit purposes.

Dividends paid on our common stock to a U.S. Holder who is an individual, trust or estate (a "U.S. Individual Holder") should be treated as "qualified dividend income" that is taxable to such U.S. Individual Holders at preferential tax rates provided that: (1) our common stock is readily tradable on an established securities market in the United States (such as the Nasdaq Global Select Market on which our common stock is traded); (2) we are not a passive foreign investment company for the taxable year during which the dividend is paid or the immediately preceding taxable year (which we do not believe we are, have been or will be); (3) the U.S. Individual Holder has owned the common stock for more than 60 days in the 121-day period beginning 60 days before the date on which the common stock becomes ex-dividends and (4) certain other requirements are met. Any dividends paid by the Company which are not eligible for these preferential rates will be taxed as ordinary income to a U.S. Individual Holder. Legislation has previously been introduced in the U.S. Congress, which would prevent our dividends from qualifying for these preferential rates prospectively from the date of enactment.

Special rules may apply to any "extraordinary dividend" — generally, a dividend equal to or in excess of ten percent of a shareholder's adjusted basis (or fair market value in certain circumstances) in a share of common stock — paid by us. If we pay an "extraordinary dividend" on our common stock that is treated as "qualified dividend income," then any loss derived by a U.S. Individual Holder from the sale or exchange of such common stock will be treated as long-term capital loss to the extent of such dividend. Depending upon the amount of a dividend paid by us, such dividend may be treated as an "extraordinary dividend."

## Sale, Exchange or other Disposition of Common Stock

Assuming we do not constitute a passive foreign investment company for any taxable year, a U.S. Holder generally will recognize taxable gain or loss upon a sale, exchange or other disposition of our common stock in an amount equal to the difference between the amount realized by the U.S. Holder from such sale, exchange or other disposition and the U.S. Holder's tax basis in such stock. Subject to the discussion of extraordinary dividends above, such gain or loss



will be treated as long-term capital gain or loss if the U.S. Holder's holding period is greater than one year at the time of the sale, exchange or other disposition. Such capital gain or loss will generally be treated as U.S.-source income or loss, as applicable, for U.S. foreign tax credit purposes. A U.S. Holder's ability to deduct capital losses is subject to certain limitations.

### 3.8% Tax on Net Investment Income

A U.S. Holder that is an individual, estate, or, in certain cases, a trust, will generally be subject to a 3.8% tax on the lesser of (1) the U.S. Holder's net investment income for the taxable year and (2) the excess of the U.S. Holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals is between \$125,000 and \$250,000). A U.S. Holder's net investment income will generally include distributions made by us which constitute a dividend for U.S. federal income tax purposes and gain realized from the sale, exchange or other disposition of our common stock. This tax is in addition to any income taxes due on such investment income.

If you are a U.S. Holder that is an individual, estate or trust, you are encouraged to consult your tax advisors regarding the applicability of the 3.8% tax on net investment income to the ownership of our common stock.

## Passive Foreign Investment Company Status and Significant Tax Consequences

Special U.S. federal income tax rules apply to a U.S. Holder that holds stock in a foreign corporation classified as a passive foreign investment company for U.S. federal income tax purposes. In general, we will be treated as a passive foreign investment company with respect to a U.S. Holder if, for any taxable year in which such holder held our common stock, either:

at least 75% of our gross income for such taxable year consists of passive income (e.g., dividends, interest, capital gains and rents derived other than in the active conduct of a rental business); or

at least 50% of the average value of the assets held by the corporation during such taxable year produce, or are held for the production of, passive income.

For purposes of determining whether we are a passive foreign investment company, we will be treated as earning and owning our proportionate share of the income and assets, respectively, of any of our subsidiary corporations in which we own at least 25% of the value of the subsidiary's stock. Income earned, or deemed earned, by us in connection with the performance of services would not constitute passive income. By contrast, rental income would generally constitute "passive income" unless we were treated under specific rules as deriving our rental income in the active conduct of a trade or business.

Based on our current operations and future projections, we do not believe that we are, have been, nor do we expect to become, a passive foreign investment company with respect to any taxable year. Although there is no legal authority directly on point, our belief is based principally on the position that, for purposes of determining whether we are a passive foreign investment company, the gross income we derive or are deemed to derive from the time chartering and voyage chartering activities of our wholly-owned subsidiaries should constitute services income, rather than rental income. Correspondingly, such income should not constitute passive income and the assets that we and our wholly-owned subsidiaries own and operate in connection with the production of such income, in particular, the vessels, should not constitute passive assets for purposes of determining whether we are a passive foreign investment company. We believe there is substantial legal authority supporting our position consisting of case law and Internal Revenue Service ("IRS") pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes. It should be noted that in the absence of any legal authority specifically relating to the statutory provisions governing passive foreign investment companies, the IRS or a court could disagree with our position. In addition, although we intend to conduct our affairs in a manner to avoid being classified as a passive foreign investment company with respect to any taxable year, we cannot assure you that the nature of our operations will not change in the future.

As discussed more fully below, if we were to be treated as a passive foreign investment company for any taxable year, a U.S. Holder would be subject to different taxation rules depending on whether the U.S. Holder makes an election to treat us as a "Qualified Electing Fund," which election we refer to as a QEF election. As an alternative to making a QEF election, a U.S. Holder should be able to make a "mark-to-market" election with respect to our common stock, as discussed below. In addition, if we were to be treated as a passive foreign investment company, a U.S. Holder would be required to file an annual report with the IRS for that year with respect to such holder's common stock.

### Taxation of U.S. Holders Making a Timely QEF Election

If a U.S. Holder makes a timely QEF election, which U.S. Holder we refer to as an "Electing Holder", the Electing Holder must report each year for U.S. federal income tax purposes his pro rata share of our ordinary earnings and our net capital gain, if any, for our taxable year that ends with or within the taxable year of the Electing Holder, regardless of whether or not distributions were received from us by the Electing Holder. The Electing Holder's adjusted tax basis in the common stock will be increased to reflect taxed but undistributed earnings and profits. Distributions of earnings

and profits that had been previously taxed will result in a corresponding reduction in the adjusted tax basis in the common stock and will not be taxed again once distributed. An Electing Holder would generally recognize capital gain or loss on the sale, exchange or other disposition of our common stock. A U.S. Holder would make a QEF election with respect to any year that our company is a passive foreign investment company by filing one copy of IRS Form 8621 with his U.S. federal income tax return. If we were aware that we were to be treated as a passive foreign investment company for any taxable year, we would provide each U.S. Holder with all necessary information in order to make the QEF election described above.

#### Taxation of U.S. Holders Making a "Mark-to-Market" Election

Alternatively, if we were to be treated as a passive foreign investment company for any taxable year and, as we anticipate, our stock is treated as "marketable stock," a U.S. Holder would be allowed to make a "mark-to-market" election with respect to our common stock, provided the U.S. Holder completes and files IRS Form 8621 in accordance with the relevant instructions and related Treasury Regulations. If that election is made, the U.S. Holder generally would include as ordinary income in each taxable year the excess, if any, of the fair market value of the common stock at the end of the taxable year over such holder's adjusted tax basis in the common stock. The U.S. Holder would also be permitted an ordinary loss in respect of the excess, if any, of the U.S. Holder's adjusted tax basis in the common stock over its fair market value at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A U.S. Holder's tax basis in his common stock would be adjusted to reflect any such income or loss amount. Gain realized on the sale, exchange or other disposition of our common stock would be treated as ordinary income and any loss realized on the sale, exchange or other disposition of the common stock would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included in income by the U.S. Holder.

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### Taxation of U.S. Holders Not Making a Timely QEF or Mark-to-Market Election

Finally, if we were to be treated as a passive foreign investment company for any taxable year, a U.S. Holder who does not make either a QEF election or a "mark-to-market" election for that year, to whom we refer as a Non-Electing Holder, would be subject to special rules with respect to (1) any excess distribution (i.e., the portion of any distributions received by the Non-Electing Holder on our common stock in a taxable year in excess of 125% of the average annual distributions received by the Non-Electing Holder in the three preceding taxable years, or, if shorter, the Non-Electing Holder's holding period for the common stock) and (2) any gain realized on the sale, exchange or other disposition of our common stock. Under these special rules:

- the excess distribution or gain would be allocated ratably over the Non-Electing Holders' aggregate holding period for the common stock;

- the amount allocated to the current taxable year would be taxed as ordinary income; and

- the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year and an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

These penalties would not apply to a pension or profit sharing trust or other tax-exempt organization that did not borrow funds or otherwise utilize leverage in connection with its acquisition of our common stock. If a Non-Electing Holder who is an individual dies while owning our common stock, such holder's successor generally would not receive a step-up in tax basis with respect to such stock.

### U.S. FEDERAL INCOME TAXATION OF NON-U.S. HOLDERS

A beneficial owner of common stock that is not a U.S. Holder, other than a foreign partnership, is referred to herein as a Non-U.S. Holder.

#### Dividends on Common Stock

Non-U.S. Holders generally will not be subject to U.S. federal income tax or withholding tax on dividends received from us with respect to our common stock, unless that income is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States. If the Non-U.S. Holder is entitled to the benefits of a U.S. income tax treaty with respect to those dividends, that income is generally taxable only if it is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States.

#### Sale, Exchange or Other Disposition of Common Stock

Non-U.S. Holders generally will not be subject to U.S. federal income tax or withholding tax on any gain realized upon the sale, exchange or other disposition of our common stock, unless:

- the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States. If the Non-U.S. Holder is entitled to the benefits of an income tax treaty with respect to that gain, that gain is generally taxable only if it is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States; or

- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more during the taxable year of disposition and other conditions are met.

If the Non-U.S. Holder is engaged in a U.S. trade or business for U.S. federal income tax purposes, the income from the common stock, including dividends and the gain from the sale, exchange or other disposition of the stock that is effectively connected with the conduct of that trade or business will generally be subject to regular U.S. federal income tax in the same manner as discussed in the previous section relating to the taxation of U.S. Holders. In addition, in the case of a corporate Non-U.S. Holder, its earnings and profits that are attributable to the effectively connected income, which are subject to certain adjustments, may be subject to an additional branch profits tax at a rate of 30%, or at a lower rate as may be specified by an applicable U.S. income tax treaty.

#### Backup Withholding and Information Reporting

In general, dividend payments, or other taxable distributions, made within the United States to a non-corporate U.S. Holder will be subject to information reporting requirements. Such payments will also be subject to backup withholding tax if a non-corporate U.S. Holder:

- fails to provide an accurate taxpayer identification number;
- is notified by the IRS that it has failed to report all interest or dividends required to be shown on its U.S. federal income tax returns; or
- in certain circumstances, fails to comply with applicable certification requirements.

Non-U.S. Holders may be required to establish their exemption from information reporting and backup withholding by certifying their status on an appropriate IRS Form W-8. The Company does not take responsibility for backup withholding.

If a Non-U.S. Holder sells its common stock to or through a U.S. office or broker, the payment of the proceeds is subject to both U.S. backup withholding and information reporting unless such holder certifies that it is a non-U.S. person, under penalties of perjury, or otherwise establishes an exemption. If a Non-U.S. Holder sells its common stock through a non-U.S. office of a non-U.S. broker and the sales proceeds are paid to such holder outside the United States, then information reporting and backup withholding generally will not apply to that payment. However, U.S. information reporting requirements, but not backup withholding, will apply to a payment of sales proceeds, even if that payment is made to a Non-U.S. Holder outside the United States, if such holder sells its common stock through a non-U.S. office of a broker that is a U.S. person or has some other contacts with the United States.

Backup withholding tax is not an additional tax. Rather, a holder generally may obtain a refund of any amounts withheld under backup withholding rules that exceed its income tax liability by filing a refund claim with the IRS.

Individuals who are U.S. Holders (and to the extent specified in applicable Treasury regulations, certain individuals who are Non-U.S. Holders and certain U.S. entities) who hold "specified foreign financial assets" (as defined in Section 6038D of the Code) are required to file IRS Form 8938 with information relating to the asset for each taxable year in which the aggregate value of all such assets exceeds \$75,000 at any time during the taxable year or \$50,000 on the last day of the taxable year (or such higher dollar amount as prescribed by applicable Treasury regulations). Specified foreign financial assets would include, among other assets, our common stock, unless the shares held through an account maintained with a U.S. financial institution. Substantial penalties apply to any failure to timely file IRS Form 8938, unless the failure is shown to be due to reasonable cause and not due to willful neglect. Additionally, in the event an individual U.S. Holder (and to the extent specified in applicable Treasury regulations, an individual Non-U.S. Holder or a U.S. entity) that is required to file IRS Form 8938 does not file such form, the statute of limitations on the assessment and collection of U.S. federal income taxes of such holder for the related tax year may not close until three years after the date that the required information is filed. U.S. Holders (including U.S. entities) and Non-U.S. Holders are encouraged consult their own tax advisors regarding their reporting obligations under this legislation.

F. DIVIDEND AND PAYING AGENTS

Not Applicable.

G. STATEMENTS BY EXPERTS

Not Applicable.

H. DOCUMENTS ON DISPLAY

The Company is subject to the informational requirements of the Securities and Exchange Act of 1934, as amended. In accordance with these requirements we file reports and other information with the Securities and Exchange Commission. These materials, including this annual report and the accompanying exhibits may be inspected and copied at the public reference facilities maintained by the Commission at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling 1 (800) SEC-0330 and you may obtain copies at prescribed rates from the Public Reference Section of the Commission at its principal office in Washington, D.C. 20549. The SEC maintains a website (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. In addition, documents referred to in this annual report may be inspected at the Company's headquarters at Ocean Centre, Montague Foreshore East Bay Street, Nassau, Bahamas.

I. SUBSIDIARY INFORMATION

Not Applicable.

ITEM 11 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See "Item 5 — Operating and Financial Review and Prospects — Quantitative and Qualitative Disclosures About Market Risk."

ITEM 12 – DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not Applicable.

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PART II

ITEM 13 – DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

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

None.

ITEM 15 – CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

Management assessed the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15(e) of the Exchange Act, as of the end of the period covered by this annual report (as of December 31, 2014). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective as of the evaluation date.

(b) Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) promulgated under the Exchange Act.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's system of internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements. Management has performed an assessment of the effectiveness of the Company's internal controls over financial reporting as of December 31, 2014, based on the provisions of Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework), or COSO. Based on its assessment, management, including the Company's chief executive and chief financial officer, determined that the Company's internal controls over financial reporting were effective as of December 31, 2014, based on the criteria in Internal Control—Integrated Framework (1992 framework) issued by COSO.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree or compliance with the policies or procedures may deteriorate.

Pistrelli, Henry Martin y Asociados S.R.L., members of Ernst & Young Global, the Company's independent registered public accounting firm, who audited the financial statements included in the Annual Report, has audited and reported on the effectiveness of the Company's internal controls over financial reporting as of December 31, 2014, as stated in their report which appears elsewhere in this Annual Report.



(c) Attestation Report of Independent Registered Public Accounting Firm

The Attestation Report appears under Item 18 and is incorporated herein by reference.

(d) Changes in Internal Control over Financial Reporting

There have been no changes in internal control over financial reporting that occurred during the year covered by this annual report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 16A – AUDIT COMMITTEE FINANCIAL EXPERT

Our Board of Directors has determined that Mr. George Wood, the sole member of the audit committee, qualifies as an audit committee financial expert. Mr. Wood is independent, as that term is defined in the Nasdaq listing standards.

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ITEM 16B – CODE OF ETHICS

The Company has adopted a code of ethics applicable to the Company's principal executive officer and principal financial officer, principal accounting officer or controller, which complies with the definition of a "code of ethics", set out in Section 406(c) of the Sarbanes-Oxley Act of 2002.

We will provide to any person without charge, upon request, a copy of the code of ethics. Written requests for such copies must be sent to the Company Secretary at our principal executive offices at Ultrapetrol (Bahamas) Limited, c/o H&J Corporate Services Ltd., Ocean Center, Montagu Foreshore, East Bay Street, Nassau, Bahamas, P.O. Box SS-19084.

ITEM 16C – PRINCIPAL ACCOUNTANT FEES AND SERVICES

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

Aggregate fees for professional services rendered for the Company by Pistrelli, Henry Martin y Asociados S.R.L. and other member firms of Ernst & Young Global in 2014 and 2013 in each of the following categories were:

	Year ended December 31, 2014 2013 (in thousands of U.S. dollars)	
Audit fees	1,147	1,375
Audit-related fees	--	--
Tax fees	263	179
All other fees	--	--
Total fees	1,410	1,554

Audit fees include fees associated with the annual audit of the Company and subsidiaries, statutory audits of subsidiaries required internationally, comfort letters and SEC filings in connection with our offerings of our debt securities.

Tax fees relate to tax compliance services for federal, state and local tax returns and international tax compliance and planning services.

Prior to our initial public offering, all audit, audit-related and non-audit services provided by our independent auditor were pre-approved by the board of directors. Since our initial public offering, all such services are pre-approved by our audit committee, which was formed at the time of our initial public offering.

ITEM 16D – EXEMPTIONS FROM LISTING STANDARDS FOR AUDIT COMMITTEES

Not Applicable.

ITEM 16E – PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

No such purchases were made in the period covered by this report.

ITEM 16F – CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

None.

ITEM 16G – CORPORATE GOVERNANCE

As a foreign private issuer, as defined in Rule 3b-4 under the Exchange Act, the Company is permitted to follow certain corporate governance rules of its home country, the Bahamas, in lieu of NASDAQ's corporate governance rules, or the NASDAQ Rules. The Company complies fully with the NASDAQ Rules, except that the Company's corporate governance practices deviate from the NASDAQ Rules in the following ways:

The Company does not have a board of directors with a majority of independent directors. However, the Company does have an independent director.

In lieu of holding regular meetings at which only independent directors are present, the Company's entire board of directors may hold regular meetings.

In lieu of an audit committee comprising three independent directors, the Company's audit committee has one member, who meets the NASDAQ requirement of a financial expert.

In lieu of a nomination committee comprising independent directors, the Company's board of directors will be responsible for identifying and recommending potential candidates to become board members and recommending directors for appointment to board committees. Shareholders may also identify and recommend potential candidates to become board members in writing. No formal written charter has been prepared or adopted because this process is outlined in the Company's memorandum of association.

In lieu of a compensation committee comprising independent directors, our board of directors will be responsible for establishing the executive officers' compensation and benefits and has established a compensation committee (which has members that are not independent directors) that acts in an advisory capacity to the board in connection with establishing such compensation. Under Bahamian law, compensation of the executive officers is not required to be determined by an independent committee.

In lieu of obtaining an independent review of related party transactions for conflicts of interests, the Company's memorandum of association provides that related party transactions must be approved by disinterested directors and in certain circumstances, supported by a fairness opinion.

The Company follows Bahamian law with respect to its voting structure and all shareholder voting requirements.

As a foreign private issuer, the Company is not required to solicit proxies or provide proxy statements to NASDAQ pursuant to NASDAQ corporate governance rules or Bahamian law.

ITEM 16H – MINE SAFETY DISCLOSURE

Not Applicable.

PART III

ITEM 17 – FINANCIAL STATEMENTS

Not Applicable.

ITEM 18 – FINANCIAL STATEMENTS

The following financial statements listed below and set forth on pages F-1 through F-63, together with the reports of independent registered public accounting firm are filed as part of this annual report:

ITEM 18.1. Schedule I – Condensed Financial Information of Ultrapetrol (Bahamas) Limited (Parent Company only)

The Schedule I, beginning on page F-59, is filed as part of this report.

ULTRAPETROL (BAHAMAS) LIMITED AND  
SUBSIDIARIES

Consolidated Financial Statements for the years ended  
December 31, 2014, 2013 and 2012 with Reports of  
Independent Registered Public Accounting Firm

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

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ÿ Report of Independent Registered Public Accounting Firm

ÿ Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting

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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS AT DECEMBER 31, 2014 AND 2013

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

	At December 31,	
	2014	2013
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$34,982	\$72,625
Restricted cash	11,246	12,132
Accounts receivable, net of allowance for doubtful accounts of \$3,178 and \$2,905 in 2014 and 2013, respectively	37,341	47,836
Operating supplies and inventories	4,030	17,168
Prepaid expenses	4,083	4,111
Other receivables	18,067	41,832
Total current assets	109,749	195,704
<b>NONCURRENT ASSETS</b>		
Other receivables	28,084	28,640
Restricted cash	1,472	1,463
Vessels and equipment, net	717,405	715,431
Dry dock	13,551	10,979
Investments in and receivables from affiliates	3,906	4,436
Intangible assets	582	626
Goodwill	5,015	5,015
Other assets	13,266	14,954
Deferred income tax assets	4,031	2,763
Total noncurrent assets	787,312	784,307
Total assets	\$897,061	\$980,011
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$30,518	\$28,923
Customer advances	3,090	12,710
Payable to related parties	1,636	1,351
Accrued interest	1,513	1,652
Current portion of long-term financial debt	32,929	32,253
Other current liabilities	22,827	14,499
Total current liabilities	92,513	91,388
<b>NONCURRENT LIABILITIES</b>		
Long-term financial debt	433,105	466,144
Deferred income tax liabilities	12,170	12,248
Other liabilities	368	1,086

Deferred gains	3,183	3,584
Total noncurrent liabilities	448,826	483,062
Total liabilities	541,339	574,450

## EQUITY

Common stock, \$0.01 par value: 250,000,000 authorized shares; 140,729,487 and 140,419,487 shares outstanding in 2014 and 2013, respectively.	1,446	1,443
Additional paid-in capital	490,469	488,522
Treasury stock: 3,923,094 shares at cost	(19,488 )	(19,488 )
Accumulated deficit	(115,384)	(63,108 )
Accumulated other comprehensive loss	(1,321 )	(1,808 )
Total equity	355,722	405,561
Total liabilities and equity	\$897,061	\$980,011

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

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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS  
 FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012  
 (Stated in thousands of U.S. dollars, except share and per share data)

	For the years ended December 31,		
	2014	2013	2012
<b>REVENUES</b>			
Transportation and services	\$347,654	\$345,642	\$282,862
Manufacturing	16,021	65,575	30,307
	363,675	411,217	313,169
<b>OPERATING EXPENSES (1)</b>			
Voyage expenses	(108,615 )	(115,660 )	(107,894 )
Running costs	(148,517 )	(136,156 )	(128,059 )
Manufacturing costs	(10,470 )	(45,662 )	(18,474 )
Depreciation and amortization	(53,417 )	(42,535 )	(43,852 )
Administrative and commercial expenses	(47,081 )	(41,730 )	(32,385 )
Loss on write-down of vessels	(10,511 )	-	(16,000 )
Other operating income, net	1,597	5,692	8,376
	(377,014 )	(376,051 )	(338,288 )
Operating (loss) profit	(13,339 )	35,166	(25,119 )
<b>OTHER INCOME (EXPENSES)</b>			
Financial expense	(35,097 )	(33,551 )	(35,793 )
Financial loss on extinguishment of debt	-	(5,518 )	(940 )
Foreign currency exchange gains (losses), net	2,089	18,849	(2,051 )
Investments in affiliates	(1,056 )	(520 )	(1,175 )
Other, net	192	92	(655 )
Total other income (expenses), net	(33,872 )	(20,648 )	(40,614 )
(Loss) Income before income tax	(47,211 )	14,518	(65,733 )
Income tax (expense) benefit	(5,065 )	(6,597 )	2,969
Net (loss) income	(52,276 )	7,921	(62,764 )
Net income attributable to noncontrolling interest	-	553	893
Net (loss) income attributable to Ultrapetrol (Bahamas) Limited	\$(52,276 )	\$7,368	\$(63,657 )
<b>(LOSS) INCOME PER SHARE ATTRIBUTABLE TO</b>			
ULTRAPETROL (BAHAMAS) LIMITED - BASIC AND DILUTED	\$(0.37 )	\$0.05	\$(1.80 )
Basic weighted average number of shares	140,292,249	140,090,112	35,382,913
Diluted weighted average number of shares	140,292,249	140,326,764	35,382,913

(1) Operating expenses included \$1,917, \$2,509 and \$2,753 in 2014, 2013 and 2012, respectively, from related parties.

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

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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME  
 FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012  
 (Stated in thousands of U.S. dollars)

	For the years ended December 31,		
	2014	2013	2012
Net (loss) income	\$(52,276)	\$7,921	\$(62,764)
Other comprehensive income (loss):			
Reclassification of net derivative losses to other income (expense), net	-	216	-
Reclassification of net foreign currency derivative gains to depreciation and amortization	(9 )	(9 )	(8 )
Reclassification of net derivative losses on cash flow hedges to financial expense	993	1,060	889
Derivative (losses) gains on cash flow hedges	(497 )	(451 )	(1,441 )
	487	816	(560 )
Comprehensive (loss) income, net of income tax effect of \$0	(51,789)	8,737	(63,324)
Comprehensive income attributable to noncontrolling interest	-	587	874
Comprehensive (loss) income attributable to Ultrapetrol (Bahamas) Limited	\$(51,789)	\$8,150	\$(64,198)

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

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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

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

Balance	Ultrapetrol (Bahamas) Limited stockholders' equity					Accumulated other comprehensive loss	Noncontrolling interest	Total equity
	Shares Amount	Common stock	Additional paid-in capital	Treasury stock	Accumulated deficit			
December 31, 2011	30,011,628	\$ 339	\$ 272,302	\$(19,488)	\$(6,819 )	\$( 2,037 )	\$ 5,874	\$ 250,171
Issuance of common stock	110,000,000	1,100	218,022	-	-	-	-	219,122
Compensation related to stock awards granted	407,859	4	526	-	-	-	-	530
Net (loss) income	-	-	-	-	(63,657 )	-	893	(62,764 )
Other comprehensive loss	-	-	-	-	-	(541 )	(19 )	(560 )
December 31, 2012	140,419,487	1,443	490,850	(19,488)	(70,476 )	(2,578 )	6,748	406,499
Compensation related to stock awards granted	-	-	575	-	-	-	-	575
Purchase of subsidiary shares from noncontrolling interests	-	-	(2,903 )	-	-	(12 )	(7,335 )	(10,250 )
Net (loss) income	-	-	-	-	7,368	-	553	7,921
Other comprehensive income	-	-	-	-	-	782	34	816
December 31, 2013	140,419,487	1,443	488,522	(19,488)	(63,108 )	(1,808 )	-	405,561
Issuance of common stock for stock option exercise	310,000	3	874	-	-	-	-	877
Compensation related to stock awards granted	-	-	1,073	-	-	-	-	1,073

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Net (loss) income	-	-	-	-	(52,276 )	-	-	(52,276 )
Other comprehensive income	-	-	-	-	-	487	-	487
December 31, 2014	140,729,487	\$ 1,446	\$ 490,469	\$(19,488)	\$(115,384 )	\$( 1,321 )	\$ -	\$355,722

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

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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012  
 (Stated in thousands of U.S. dollars)

	For the years ended December		
	31,		
	2014	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net (loss) income	\$(52,276)	\$7,921	\$(62,764)
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:			
Depreciation of vessels and equipment	45,880	38,951	38,914
Amortization of dry docking	7,493	3,409	4,763
Expenditure for dry docking	(10,107)	(10,150)	(5,978)
Loss on derivatives, net	-	216	-
Debt issuance expense amortization	2,272	2,711	2,217
Financial loss on extinguishment of debt	-	5,518	940
Amortization of intangible assets	44	175	175
(Gain) on sale of vessels	-	-	(3,564)
Net losses from investments in affiliates	1,056	520	1,175
Allowance for doubtful accounts	720	2,467	1,266
Loss on write-down of vessels	10,511	-	16,000
Share - based compensation	1,073	575	530
Changes in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable	9,775	(13,906)	(6,760)
Other receivables, operating supplies and inventories and prepaid expenses	19,045	(7,421)	(13,599)
Other	588	188	3,109
Increase (decrease) in liabilities:			
Accounts payable and customer advances	(8,497)	(5,964)	18,515
Other payables	7,677	(5,363)	1,126
Net cash provided by (used in) operating activities	35,254	19,847	(3,935)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of vessels and equipment (\$7,521 in 2013 and \$10,904 in 2012 for barges built, sold and leased-back)	(59,234)	(130,136)	(50,920)
Proceeds from disposals of vessels, net (\$9,410 in 2013 and \$13,020 in 2012 for barges sold and leased-back)	-	9,410	16,870
Proceeds from shipbuilding contract cancelation	17,589	-	-
Other investing activities, net	-	-	1,537
Net cash (used in) investing activities	(41,645)	(120,726)	(32,513)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Scheduled repayments of long-term financial debt	(32,253)	(31,075)	(20,930)
Early repayment of long-term financial debt	-	(39,825)	(23,911)
Prepayment of 2017 Senior Convertible Notes	-	(80,000)	-
Prepayment of 2014 Senior Notes	-	(180,000)	-
Short-term credit facility borrowings	-	-	8,275

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Short-term credit facility repayments	-	(8,275 )	-
Proceeds from issuance of 2021 Senior Notes, net of issuance costs	-	216,654	-
Proceeds from issuance of common stock, net of expenses	-	-	219,122
Proceeds from long-term financial debt	-	93,950	41,125
Purchase of subsidiary shares from noncontrolling interest	-	(10,250 )	-
(Increase) decrease in restricted cash	877	(6,163 )	870
Other financing activities, net	124	(3,727 )	16
Net cash (used in) provided by financing activities	(31,252)	(48,711 )	224,567
Net (decrease) increase in cash and cash equivalents	(37,643)	(149,590)	188,119
Cash and cash equivalents at the beginning of year	72,625	222,215	34,096
Cash and cash equivalents at the end of year	\$34,982	\$72,625	\$222,215

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

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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

#### 1. NATURE OF OPERATIONS AND CORPORATE ORGANIZATION

##### Nature of operations

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

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

##### Issuance of common stock

On December 12, 2012, we entered into an investment agreement with Sparrow Capital Investments Ltd, or Sparrow, a subsidiary of Southern Cross Latin America Private Equity Fund III, L.P. and Southern Cross Latin America Private Equity Fund IV, L.P., or Southern Cross, pursuant to which we sold 110,000,000 shares of newly issued common stock to Sparrow at a purchase price of \$2.00 per share, or the Sparrow Investment, and received net proceeds of \$219,122. Concurrently, Sparrow designated Sparrow CI Sub Ltd. to receive 16,060,000 shares of common stock of Ultrapetrol. In connection with the investment agreement, the Company (1) made certain amendments to its Articles and Memorandum of Association at the time of closing, and (2) entered into a registration rights agreement for the shares purchased by Sparrow and shares currently owned by Inversiones Los Avellanos S.A. ("Los Avellanos") and Hazels (Bahamas) Investments Inc. ("Hazels"), two existing shareholders of the Company.

Sparrow CI Sub Ltd. issued on December 12, 2012 to Hazels a warrant, which granted Hazels the right, exercisable upon the occurrence of certain conditions, to acquire all of the economic interest in Sparrow CI Sub Ltd. On February 18, 2014, Hazels exercised the warrant and obtained 100 Class B shares of Sparrow CI Sub Ltd., representing all the economic interest (but none of the voting interests) of Sparrow CI Sub Ltd. Sparrow holds all the voting interests in Sparrow CI Sub Ltd.

At June 30, 2014, our shareholders Sparrow, Sparrow CI Sub Ltd., Los Avellanos and Hazels hold 93,940,000, 16,060,000, 4,735,517 and 3,128,568 shares, respectively, which represented 66.9%, 11.4%, 3.4% and 2.2% of the outstanding shares, respectively. 7,713,366 of the total shares held by our Original Shareholders (Los Avellanos and Hazels) were entitled to seven votes per share. The special voting rights of the Original Shareholders were not transferable, unless transferred to another Original Shareholder. Pursuant to a shareholder agreement signed, Los Avellanos and Hazels have been agreed to vote their shares of common stock in the same manner as Sparrow, except



for any matter that requires, but does not obtain, the approval of six directors of the Company.

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Los Avellanos and Hazels are controlled by members of the Menendez family, including Felipe Menendez Ross, our former president, former chief executive officer and former director, and Ricardo Menendez Ross, our former executive vice president and former director. As such, they had the ability to exert influence over the operations of the Company.

On July 13, 2014 the major shareholders of the Company entered into a share purchase agreement with respect to the sale of shares of Ultrapetrol. Under the agreement, Sparrow acquired from Los Avellanos and Hazels an aggregate of 7,864,085 shares of common stock of the Company, 100 Class B shares of Sparrow CI Sub Ltd (which comprises all of the outstanding shares of stock of Sparrow CI Sub Ltd, which in turn owns 16,060,000 shares of common stock of the Company), 701,368 shares of common stock of the Company from a company controlled by our former chief executive officer and 701,368 shares of common stock of the Company from a company controlled by our former executive vice president. The transaction was closed on September 3, 2014 and the purchase price was \$4.00 per share of common stock.

In connection with the share purchase agreement, on September 3, 2014, the Company terminated without cause its employment agreements with Felipe Menendez Ross (our former chief executive officer) and Ricardo Menendez Ross (our former executive vice president) and the consulting agreements with companies controlled by them.

On the same date, the shareholder agreement signed between Sparrow, Los Avellanos and Hazels was terminated and is no longer of any further force and effect.

Finally, the Company entered into an amended and restated registration rights agreement, which amended and restated the registration rights agreement signed on December 12, 2012 between Sparrow, Sparrow CI Sub Ltd., Los Avellanos and Hazels to remove the latter two as parties thereto.

Under the share purchase agreement, Hazels had the right to submit an offer to purchase from the Company its Ocean Business at a price to be determined and subject to certain terms and conditions, including the approval of the independent director of the Company.

On March 11, 2015, the ten-day period granted by the share purchase agreement for Hazels to deliver an offer to purchase the Company's Ocean Business at a price determined by the average value of two investment banking firms was closed. Upon such closing, the Ocean Business purchase option was terminated.

## 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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



ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

b) Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the years. Significant estimates have been made by management, including the allowance for doubtful accounts, insurance claims receivable, useful lives and valuation of vessels, recoverability of tangible assets and goodwill and certain accrued liabilities. Actual results may differ from those estimates.

c) Revenues and related expenses

Revenue is recorded when services are rendered, the Company has a signed charter agreement or other evidence of an arrangement, prices are fixed or determinable and collection is reasonably assured.

The primary source of the Company's revenue, freight transportation by river barges, ocean-going vessels or PSVs, is recognized based on time charters, bareboat charters, consecutive voyage charters or affreightment / voyage contracts.

Revenue from time charters and bareboat charters is earned and recognized on a daily basis. Revenue from affreightment / voyage contracts and consecutive voyage charters is recognized based upon the percentage of voyage completion. In our River Business, a voyage is deemed to commence upon the departure of the discharged barge of the previous voyage and is deemed to end upon the completion of discharge of the current voyage. The percentage of voyage completion is based on the miles transited at the balance sheet date divided by the total miles expected for the voyage. The position of the barge at the balance sheet date is determined by locating the position of the pushboat with the barge in tow through the use of a global positioning system ("GPS").

The Company does not begin recognizing revenue if the charter agreement has not been entered into with the customer, even if the vessel has discharged its cargo and is sailing to the anticipated load port on its next voyage.

Demurrage income represents charges made to the charterer when loading or discharging time exceeds the stipulated time in the voyage charter and is recognized as it is earned.

The recognition of revenue due to shortfalls on take or pay contracts occurs at the end of each declaration period. A declaration period is defined as the time period in which the contract volume obligation was to be met. If the volume was not met during that time period, then the amount of billable revenue resulting from the failure to perform will be calculated and recognized as it is billed.

Revenues from our Parana Iron barge operations consist of an agreed flat fee per ton and cover the storage and transshipment services of iron ore cargo from river barges to ocean export vessels. Revenues are recognized upon completion of loading of the oceangoing vessels.

Vessel voyage costs, primarily consisting of port, canal and bunker expenses that are unique to a particular charter, are paid for by the charterer under time charter arrangements or by the Company under voyage charter arrangements. The commissions paid in advance are deferred and amortized over the related voyage charter period to the extent commissions are earned as the Company's revenues are earned. Bunker expenses are capitalized when acquired as operating supplies and subsequently charged to voyage expenses as consumed. All other voyage expenses and other vessel operating expenses are expensed as incurred.

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

From time to time we provide ship salvage services under Lloyd's Standard Form of Salvage Agreement ("LOF"). The Company recognizes costs as incurred on these LOF services. Revenue is recorded at the time the LOF settlement or arbitration award occurs. In those cases where a minimum salvage remuneration is guaranteed or determined by contract then such minimum amount is recognized in revenue when services are rendered.

In its River Business the Company uses the completed contract method for river barges sold to third parties which typically have construction periods of 90 days or less. Contracts are considered complete when the customer has technically accepted the river barges and the remaining costs and potential risk are insignificant. Losses are accrued if manufacturing costs are expected to exceed manufacturing contract revenue.

Customer billings in excess of costs incurred and revenue recognized, which typically reflect initial down payments, are included in customer advances in the accompanying consolidated balance sheets.

Manufacturing expenses are primarily comprised of steel cost, which is the largest component of our raw materials, and the cost of labor.

d) Foreign currency translation

The Company uses the US dollar as its functional currency. Receivables and payables denominated in foreign currencies are translated into US dollars at the rate of exchange at the balance sheet date, while revenues and expenses are translated using the average exchange rate for each month.

Certain subsidiaries enter into transactions denominated in currencies other than their functional currency. Changes in currency exchange rates between the functional currency and the currency in which a transaction is denominated are included in the consolidated statements of operations in the period in which the currency exchange rate changes.

During the years ended December 31, 2014 and 2013, the Company performed through its subsidiaries several transactions at different exchange rates between Argentinean Peso (ARS) and U.S. dollars (USD). Pursuant to ASC Topic 830, these transactions were measured at the particular applicable exchange rate at which they were settled resulting in foreign currency exchange gains amounting to \$3,880 and \$25,360, respectively, which were included in "Foreign currency exchange gains (losses), net" in the accompanying consolidated statements of operations.

e) Cash and cash equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents consist of money market instruments and interest-bearing deposits. The credit risk associated with cash and cash equivalents is considered to be low due to the high credit quality of the financial institutions with which the Company operates.

f) Restricted cash

Certain of the Company's loan agreements require the Company to fund: (a) a loan retention account equivalent to the next loan installment (depending on the frequency of the repayment elected by the Company, i.e. quarterly or semi-annually) plus interest which is used to fund the loan installments coming due, (b) a drydocking account which is restricted for use and can only be used for the purpose of paying for drydocking or special survey expenses and (c) cash deposits required as collateral with certain banks under the Company's borrowing arrangements.

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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## g)Accounts receivable

Most of the Company's accounts receivable are due from international oil companies, international grainhouses, traders and mining companies. The Company performs ongoing credit evaluations of its trade customers and generally does not require collateral. The Company routinely reviews its accounts receivables and makes provisions for probable doubtful accounts; however, those provisions are estimates and actual results could differ from those estimates and those differences may be material. Trade receivables are deemed uncollectible and removed from accounts receivable and the allowance for doubtful accounts when collection efforts have been exhausted.

Accounts receivable from one customer of Ultrapetrol River, Ocean and Offshore Supply Business accounted for 42% and 35% of total consolidated accounts receivable as of December 31, 2014 and 2013, respectively.

Accounts receivable from one customer of Ultrapetrol River Business accounted for 11% of total consolidated accounts receivable as of December 31, 2013.

Changes in the allowance for doubtful accounts for the years ended December 31, were as follow:

	For the years ended December 31,		
	2014	2013	2012
Balance at January 1	\$2,905	\$1,916	\$841
Provision	720	2,467	1,559
Recovery	-	-	(293 )
Amounts written off (1)	(447 )	(1,478)	(191 )
Balance at December 31	\$3,178	\$2,905	\$1,916

(1) Accounts charged to the allowance when collection efforts cease.

## h)Concentrations of credit risk

The Company is exposed to concentrations of credit risk associated with its cash and cash equivalents, restricted cash and derivative instruments. The Company minimizes its credit risk relating to these positions by monitoring the financial condition of the financial institutions and counterparties involved and by primarily conducting business with large, well-established financial institutions and diversifying its counterparties. The Company does not currently anticipate nonperformance by any of its significant counterparties. The Company is also exposed to concentrations of credit risk relating to its receivables due from customers in the industries in which operates. The Company does not generally require collateral or other security to support its outstanding receivables. The Company minimizes its credit risk relating to receivables by performing ongoing credit evaluations and, to date, credit losses have not been material.

The absence of a government-approved market mechanism to convert local currency to U.S. dollars in Argentina may restrict the Company's ability to make payments abroad. As of December 31, 2014, cash held by our Argentine subsidiaries accounted for 10% of our consolidated cash and cash equivalents.



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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## i) Insurance claims receivable

Insurance claims receivable comprise claims submitted relating to hull and machinery (H&M), protection and indemnity (P&I), loss of hire (LOH) and strike insurance coverage. They are recorded when the recovery of an insurance claim is probable. Deductible amounts related to covered incidents are expensed in the period of occurrence of the incident. The credit risk associated with insurance claims receivable is considered low due to the high credit quality and funded status of the insurance underwriters and P&I clubs in which the Company is either a client or a member. Insurance claims receivable, included in other receivables in the accompanying consolidated balance sheets, amounts to \$5,233 and \$6,692 at December 31, 2014 and 2013, respectively.

## j) Operating supplies and inventories

Operating supplies and inventories are carried at the lower of cost or market and consist of the following:

	At December 31,	
	2014	2013
River barges in progress and raw material related to barge production for sale to third parties	\$ -	\$ 12,416
Fuel and supplies	4,030	4,752
	\$ 4,030	\$ 17,168

## k) Vessels and equipment, net

Vessels and equipment are stated at cost less accumulated depreciation. This cost includes the purchase price and all directly attributable costs (initial repairs, improvements and delivery expenses, interest and on-site supervision costs incurred during the construction periods). Subsequent expenditures for conversions renewals or major improvements are also capitalized when they appreciably extend the life, increase the earning capacity or improve the safety of the vessels.

New barges built for the River Business segment in our own shipyard in Punta Alvear, Argentina are capitalized at cost.

Depreciation is computed net of the estimated scrap value which is equal to the product of each vessel's lightweight tonnage and estimated scrap value per lightweight ton and is recorded using the straight-line method over the estimated useful lives of the vessels. Acquired secondhand vessels are depreciated from the date of their acquisition over the remaining estimated useful life.

From time to time, the Company acquires vessels which have already exceeded the Company's useful life policy, in which case the Company depreciates such vessels based on its best estimate of such vessel's remaining useful life, typically until the next survey or certification date.

Improvements to leased property are amortized over the shorter of their economic life or the respective lease term.

The estimated useful life of each of the Company's major categories of assets is as follows:

	Useful life (in years)
Ocean-going vessels	24
PSVs	24
River barges and push boats	35
Buildings	20 to 30
Furniture and equipment	5 to 15

ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

However, when regulations place limitations over the ability of a vessel to trade, its useful life is adjusted to end at the date such regulations become effective. Currently, these regulations do not affect any of our vessels.

At the time vessels are disposed of, the assets and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recorded in other operating income.

Long-lived assets are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and carrying value of the asset. Generally, fair value is determined using valuation techniques, such as expected discounted cash flows or appraisals, as appropriate. The assumptions used to develop estimates of future undiscounted cash flows are based on historical trends as well as future expectations. To the extent impairment indicators are present, the Company determines undiscounted projected net operating cash flows for each vessel in the Ocean and Offshore Supply Business and as a fleet in the River Business and compares them to their carrying value. The cash flow period is based on the remaining lives of the vessels or the fleet. The projected net operating cash flows are determined by considering the charter revenues from existing time charters for the fixed fleet days and an estimated daily time charter equivalent for the unfixed days. The Company estimates the daily time charter equivalent for the unfixed days based on the historical average for similar vessels and utilizing available market data for time charter and spot market rates and forward freight agreements over the remaining estimated life of the vessel, net of brokerage commissions, expected outflows for assets' maintenance and assets' operating expenses (including planned drydocking and special survey expenditures), and fleet utilization ranging from 70% to 90%. The salvage value used in the impairment test is estimated at \$420 (four hundred and twenty U.S. dollars) per lightweight ton (LWT) in accordance with the Company's assets' depreciation policy. Although the Company believes that the assumptions used to evaluate potential impairment are reasonable and appropriate, such assumptions are highly subjective.

During the year ended December 31, 2014, the Company recorded an impairment charge in its Ocean Business of \$4,925 and \$5,586, respectively to write down the carrying amount of its product tankers Miranda I and Alejandrina to their estimated fair value. The write down was a consequence of the level of demand in the tanker market.

During the year ended December 31, 2012, the Company recorded an impairment charge in its Ocean Business totaling \$16,000 to write down the carrying amount of its product tanker M/V Amadeo to its estimated fair value. The write down was a consequence of the level of distress in the tanker market and its high operational costs.

1) Dry dock costs

The Company's vessels must be periodically drydocked and pass inspections to maintain their operating classification, as mandated by maritime regulations. Costs incurred to drydock a vessel/ pushboat are deferred and amortized using the straight-line method over the period to the next drydock, generally 24 to 36 months. Drydocking costs incurred are mostly comprised of: replacing steel plates, painting the vessel's hull and sides, recoating cargo and fuel tanks, and performing other engine and equipment maintenance activities to bring the vessel into compliance with classification standards. The unamortized portion of dry dock costs for vessels that are sold are written off and included in the calculation of the resulting gain or loss in the year of the vessel's sale.

Expenditures for maintenance and minor repairs are expensed as incurred.



ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

m) Investments in affiliates

These investments are accounted for by the equity method. At December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012, include our interest in 50% of Obras Terminales y Servicios S.A. ("OTS S.A.") and in 49% of Marítima Sipsa S.A.

As described in Note 4, during 2012 the Company purchased the other 50% of Puertos del Sur S.A.

n) Identifiable intangible assets

The Company's intangible assets arose as a result of the Ravenscroft acquisition in 2006, and consist principally of a safety management system which is being amortized over its useful life of eight years using the straight-line method.

Accumulated amortization at December 31, 2014 and 2013 amounted to \$1,400 and \$1,356, respectively and amortization for the years ended December 31, 2014, 2013 and 2012 amounted to \$44, \$175 and \$175, respectively.

o) Goodwill

Goodwill is recorded when the purchase price paid for an acquisition exceeds the estimated fair value of net identified tangible and intangible assets acquired. The Company performs an annual impairment test of goodwill and further periodic tests to the extent indicators of impairment develop between annual impairment tests. The Company's impairment review process compares the fair value of the reporting unit to its carrying value, including the goodwill related to the reporting unit. To determine the fair value of the reporting unit, the Company uses a discounted future cash flow ("DCF") approach that uses estimates for revenue, costs and appropriate discount rates, among others. These various estimates are reviewed each time the Company tests goodwill for impairment and many are developed as part of the Company's routine business planning and forecasting process. The Company believes its estimates and assumptions are reasonable; however, variations from those estimates could produce materially different results.

p) Other assets

This account corresponds to costs incurred to issue debt net of amortization costs, which are being amortized over the term of the debt using the effective interest rate method. Any unamortized balance of costs relating to debt repaid or refinanced is expensed in the period the repayment or refinancing is made, subject to the accounting guidance regarding debt modifications and extinguishment. Amortization for debt issuance expense for the years ended December 31, 2014, 2013 and 2012 totaled \$2,272, \$2,711 and \$2,217, respectively, and is included in financial expense in the accompanying consolidated statements of operations.

q) Accounts payable

Accounts payable at December 31, 2014 and 2013 consists of insurance premium payables, operating expenses, among others.

r) Deferred gains -- River barges sale-leaseback transactions

The Company has entered into a river barges sale-leaseback transaction with a finance company. Gains are deferred to the extent of the present value of future minimum lease payments and are amortized as reductions to rental expense over the applicable lease term. Deferred gains activity related to these transactions for the years ended December 31,

was as follows:

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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	For the years ended December 31,	
	2014	2013
Balance at beginning of the year	\$ 3,584	\$ 2,086
Deferred gains arising from sales	-	1,889
Amortization of deferred gains included in operating expenses as reduction to rental expense	(401 )	(391 )
Balance at end of the year	\$ 3,183	\$ 3,584

## s) Comprehensive loss

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

	At December 31,	
	2014	2013
Unrealized net losses on interest rate collar	\$(771 )	\$(1,362)
Unrealized net losses on interest rate swaps	(669 )	(574 )
Unrealized net gains on EURO hedge	119	128
Accumulated other comprehensive loss	\$(1,321)	\$(1,808)

At December 31, 2014, the Company expects that it will reclassify \$1,029 of net losses on interest rate collar and interest rate swaps from accumulated other comprehensive loss to earnings during the next twelve months related to the payments of interest of our variable interest rate debt that will affect earnings for 2015.

## t) Derivative financial instruments

The Company from time to time uses derivative financial instruments to reduce risk from foreign currency fluctuations, changes in spot market rates for oceangoing vessels, changes in interest rate and changes in bunker fuel prices.

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



For derivative financial instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative financial instrument is reported as a component of other comprehensive loss and reclassified into earnings in the same line item associated with the hedged transaction in the same period or periods during which the hedged transaction affects earnings. The ineffective portion of a derivative's change in fair value is immediately recognized in income.

Derivative financial instruments that are not designated as hedges for accounting purposes are adjusted to fair value through income.

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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## u)(Loss) Income per share attributable to Ultrapetrol (Bahamas) Limited

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

For the years ended December 31, 2014 and 2012, the Company had a net loss and therefore the effect of potentially dilutive securities was antidilutive.

The following outstanding equity awards are not included in the diluted net (loss) income per share attributable to Ultrapetrol (Bahamas) Limited calculation because they would have had an antidilutive effect:

	For the years ended December 31,		
	2014	2013	2012
Stock options	2,473,000	349,000	459,000
Restricted stock	19,000	-	329,000
Convertible debt	-	-	13,051,000
Total	2,492,000	349,000	13,839,000

The following table sets forth the computation of basic and diluted net (loss) income per share attributable to Ultrapetrol (Bahamas) Limited.

	For the years ended December 31,		
	2014	2013	2012
Net (loss) income attributable to Ultrapetrol (Bahamas) Limited	\$(52,276 )	\$7,368	\$(63,657 )
Basic weighted average number of shares	140,292,249	140,090,112	35,382,913
Effect on dilutive shares -- options and restricted stock	-	236,652	-
Diluted weighted average number of shares	140,292,249	140,326,764	35,382,913
Basic and diluted net (loss) income per share attributable to Ultrapetrol (Bahamas) Limited	\$(0.37 )	\$0.05	\$(1.80 )

## v) Stock compensation

Stock-based compensation cost is measured at the date of grant, based on the calculated fair value of the award, and is recognized as expense over the employee's service period, which is generally the vesting period of the equity grant. The fair value of performance based restricted common stock awards that are probable of being earned is expensed

over the performance periods as the awards vest. The Company does not estimate forfeitures in its expense calculations as forfeiture history has been minor.

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

w) Other operating income, net

Other operating income generally includes gains from vessel sales, favorable judgments with customers, recoveries from insurance companies, and other income from miscellaneous transactions.

Other income of \$1,597 for the year ended December 31, 2014 included gain of \$925 from claims against insurance companies.

Other income of \$5,692 for the year ended December 31, 2013 included a gain of \$1,356 concerning a settlement agreement with a customer in our Offshore Supply Business

Other income of \$8,376 for the year ended December 31, 2012 included a gain of \$3,564 from the sale of a river pushboat.

x) Income taxes

The Company accounts for deferred income taxes under the liability method. Under this method, deferred income tax assets and liabilities are established for temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities at each period end corresponding to those jurisdictions subject to income taxes.

Deferred tax assets are recognized for all deductible temporary differences and an offsetting valuation allowance is recorded to the extent that it is not more likely than not that the deferred tax assets will be realized. Deferred tax is measured based on tax rates and laws enacted or substantively enacted at the balance sheet date in any jurisdiction.

Income tax regulations in the different countries in which we operate are subject to interpretation by taxing authorities. As a result, our judgment in the determination of uncertain income tax positions could be interpreted differently. In this sense, the income tax returns of our primary income tax jurisdictions remain subject to examination by related tax authorities. The tax returns are open to examination from 3 to 7 years.

y) New accounting standards

Revenue recognition

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

Going concern

In August 2014, the FASB issued ASU No. 2014-15 -Presentation of Financial Statements- Going Concern. ASU 2014-15 provides guidance about management's responsibility to evaluate whether there is substantial doubt about an

entity's ability to continue as a going concern and to provide related footnote disclosures.

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

### 3. DRY DOCK

The capitalized amounts in dry dock at December 31, 2014 and 2013 were as follows:

	At December 31,	
	2014	2013
Original book value	\$40,363	\$31,141
Accumulated amortization	(26,812)	(20,162)
Net book value	\$13,551	\$10,979

For the years ended December 31, 2014, 2013 and 2012, amortization expense was \$7,493, \$3,409 and \$4,763, respectively.

### 4. VESSELS AND EQUIPMENT, NET

The capitalized cost of the vessels and equipment, and the related accumulated depreciation at December 31, 2014 and 2013 were as follows:

	At December 31,	
	2014	2013
Ocean-going vessels	\$116,281	\$123,994
River barges and pushboats	464,346	415,817
PSVs	370,416	365,823
Furniture and equipment	14,237	12,882
Building, land, operating base and shipyard	54,817	53,752
Total original book value	1,020,097	972,268
Accumulated depreciation	(302,692 )	(256,837)
Net book value	\$717,405	\$715,431

For the years ended December 31, 2014, 2013 and 2012, depreciation expense was \$45,880, \$38,951 and \$38,914, respectively.

Certain interest costs incurred during the construction of vessels are capitalized as part of the assets' carrying values and are depreciated over such assets' estimated useful lives. No interest was capitalized during the years ended December 31, 2014, 2013 and 2012.

ACQUISITIONS AND DISPOSALS

River Business

During the year ended December 31, 2014, fifteen river barges have been built in our own shipyard in Punta Alvear, Argentina for a total cost of \$16,889.

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

During the years ended 2013 and 2012, the Company built, sold and leased back, ten and fourteen river barges for \$9,410 and \$13,020, respectively with a lease term of ten years. Gains of \$1,889 and \$2,116 for the years ended December 31, 2013 and 2012, respectively related to the sale-lease back were deferred and are being amortized over the minimum lease period (see Note 2.r).

During the year ended December 31, 2012, eight river barges were built in our own shipyard in Punta Alvear, Argentina for a total cost of \$9,100.

During the year ended December 31, 2012, the Company sold and delivered a river pushboat, for a total sale price of \$3,850 and we recognized a gain on sale of vessel of \$3,564.

Acquisition of 50% interest in Puertos del Sur S.A.

On April 25 and May 3, 2012, the Company through its River Business subsidiary UABL Terminals (Paraguay) S.A. obtained a 100% controlling interest in Puertos del Sur S.A. through its acquisition of its 50% partner's interest for \$250.

At time of acquisition, Puertos del Sur S.A. owned a grain loading terminal in Paraguay. The Company performed a fair value analysis and the purchase price was allocated to the acquired assets and liabilities based on their fair values resulting in no goodwill being recorded. Due to immateriality, the Company has not prepared pro forma information related to this acquisition.

#### Offshore Supply Business

On February 21 and September 13, 2007, UP Offshore (Bahamas) Ltd. (our holding company in the Offshore Supply Business) signed shipbuilding contracts with a shipyard in India for construction of four PSVs with a combined cost of \$88,052, with contracted deliveries delayed to 2012 and 2013. The Company shall be made advances each of 20% of the contract price which were payable upon achievement of milestones specified in the contract, prior to the delivery of the PSVs. On May 22, 2012, we took delivery of the first Indian PSV UP Jade and we paid the fifth installment net of a reduction of \$1,800 in the contract price in connection with the penalty for its late delivery.

On January 30, 2013, we took delivery of the second Indian PSV UP Amber and we paid the fifth installment net of a reduction of \$1,800 in the contract price in connection with the penalty for its late delivery. On August 12, 2013, we took delivery of the third Indian PSV UP Pearl and we paid \$893 to the yard after allowing for the reduction of \$1,800 in the contract price in connection with the penalty for its late delivery as well as certain other sums advanced to the yard.

On October 22, 2013, we canceled the shipbuilding contract for the fourth PSV UP Onyx based on the shipyard failure to deliver the vessel within 210 days after the delivery date in accordance with the specific terms of the contract. The advances made to the shipyard amounted \$13,208, plus interest calculated at an interest rate of 7% per annum from payment date were refunded to the Company under the provisions of the contract.

On October 3, 2013, we entered into two Memorandums of Agreement ("MOAs") whereby we agreed to acquire two 5,145 dwt newbuilt Chinese sister PSVs named UP Agate and UP Coral. The purchase price for these PSVs under the MOAs was \$31,450 each which were subsequently delivered on October 28, 2013. In addition, we exercised our option to acquire a third PSV named UP Opal of identical specifications as the previous two which was delivered from the same Chinese yard on November 29, 2013. We also incurred \$3,157 and \$2,644 during the years



ended December 31, 2014 and 2013 respectively, in certain upgrades to PSVs design and specifications.

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Noncontrolling interest acquisition

On July 5, 2013, we entered into a Share Purchase Agreement with Firmapar Corp. (the "Offshore SPA"), the then owner of 5.55% of shares in UP Offshore (Bahamas) Limited, our holding company in the Offshore Supply Business. Through the Offshore SPA we agreed to purchase from Firmapar Corp. the 2,500,119 shares of common stock of UP Offshore (Bahamas) Limited that we did not own. On July 25, 2013, we paid \$10,250 to Firmapar in consideration for such shares. As of such date, we own 100% of the common stock of UP Offshore (Bahamas) Limited.

5. LONG-TERM FINANCIAL DEBT

Balances of long-term financial debt were as follows:

Financial institution / Borrower	Other	Due-year (1)	At December 31, 2014			2013
			Current	Noncurrent	Total	
Ultrapetrol	Private Investors <sup>(2)</sup>	June 2021 Through	\$-	\$ 225,960	\$225,960	\$226,070
UP Offshore Apoio	DVB SE	2016 Through	900	4,150	5,050	5,950
UP Offshore	DVB SE	2016 Through	4,300	21,050	25,350	29,650
UP Offshore	DVB SE	2017 Through	2,000	7,000	9,000	11,000
UP Offshore Apoio	BNDES	2027 Through	1,110	12,488	13,598	14,708
UP Offshore	DVB SE + Banco Security DVB NV + NIBC + ABN	2018 Through	3,333	24,167	27,500	30,833
Ingatestone Holdings	Amro	2017 Through	7,039	44,456	51,495	58,534
Linford Trading	DVB NV + NIBC	2020 Through	3,200	25,600	28,800	32,000
Stanyan Shipping	Natixis	2017 Through	1,584	3,146	4,730	5,638
UABL Paraguay	IFC	2020 Through	2,174	16,304	18,478	20,652
UABL Paraguay	OFID	2020 Through	1,304	9,783	11,087	12,391
UABL Barges and others	IFC	2020 Through	3,044	22,824	25,868	28,912
UABL Paraguay and Riverpar	IFC	2021 Through	1,765	9,706	11,471	13,236
UABL Paraguay and Riverpar	OFID	2021	1,176	6,471	7,647	8,823
At December 31, 2014			\$32,929	\$ 433,105	\$466,034	

At December 31, 2013	\$32,253	\$466,144	\$498,397
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(1) See the descriptions below.

(2) Includes unamortized debt premium of \$960 and \$1,070 at December 31, 2014 and 2013, respectively.

Aggregate annual future payments due to the long-term financial debt were as follows:

Year ending December 31	
2015	32,929
2016	53,699
2017	67,653
2018	36,164
2019	18,664
Thereafter	255,965
	465,074
Unamortized debt premium, net	960
	\$466,034

ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES  
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As of December 31, 2014 and 2013, \$12,718 and \$13,595, respectively, of restricted cash was maintained in accordance with certain covenants of our debt agreements, and these amounts were included within restricted cash in the accompanying consolidated balance sheets.

Various lender provisions restrict the ability of certain of the Company's subsidiaries to transfer their net assets to the parent company. Such restricted net assets of subsidiaries amounted to \$128,000 at December 31, 2014.

8.875% First Preferred Ship Mortgage Notes due 2021 (the "2021 Senior Notes")

On June 10, 2013, the Company completed the Offering of \$200,000 of 8.875% First Preferred Ship Mortgage Notes due 2021 (the "2021 Senior Notes"), through a private placement to institutional investors eligible for resale under Rule 144A and Regulation S. The net proceeds of the offering were used to repay in full on July 10, 2013, the 2014 Senior Notes or \$180,000, and for general corporate purpose.

On October 2, 2013, we closed the sale of \$25,000 in aggregate principal amount of our 2021 Senior Notes (the "Add-On Notes"), which were offered as an add-on to our outstanding \$200,000 aggregate principal amount of our 2021 Senior Notes. As a result of the offering of the Add-On Notes, we have outstanding an aggregate principal amount of \$225,000 of our 2021 Senior Notes. The Add-On Notes were sold at 104.5% and the net proceeds were used for general corporate purposes.

Interest on the 2021 Senior Notes is payable semi-annually on June 15 and December 15 of each year. The 2021 Senior Notes are senior obligations guaranteed by certain of the Company's subsidiaries in the River and Ocean Business. The 2021 Senior Notes are secured by first preferred ship mortgages on four ocean vessels, 15 river pushboats and 345 river barges.

The Company has the option to redeem the 2021 Senior Notes in whole or in part, at their option, at any time (i) before June 15, 2016, at a redemption price equal to 100% of the principal amount plus the applicable make-whole premium plus accrued and unpaid interest, if any, to the redemption date and (ii) on or after June 15, 2016, at a fixed price of 106.656%, which price declines ratably until it reaches par after June 15, 2019. At any time before June 15, 2016, the Company may redeem up to 35% of the aggregate principal amount of the 2021 Senior Notes with the proceeds of one or more equity offerings at 108.875% of the principal amount of the 2021 Senior Notes, plus accrued and unpaid interest, if any, to the redemption date so long as at least 65% of the originally issued aggregate principal amount of the 2021 Senior Notes remains outstanding after such redemption. In addition, upon the occurrence of certain change of control events, the holders of the 2021 Senior Notes will have the right to require the Company to repurchase some or all of the 2021 Senior Notes in cash at 101% of their principal amount, plus accrued and unpaid interest to the repurchase date.

In the fourth quarter of 2013 the SEC declared effective an exchange offer filed by the Company to register substantially identical senior notes to be exchanged for the 2021 Senior Notes that were issued in a private placement on June 10, 2013 pursuant to a registration rights agreement, to allow the 2021 Senior Notes be eligible for trading in the public markets. On December 30, 2013 the Company completed the exchange offer, with an aggregate amount of \$200,000 in principal amount of the 2021 Senior Notes or 100% of the 2021 Senior Notes exchangeable.

In the fourth quarter of 2013 the SEC declared effective an exchange offer filed by the Company to register substantially identical senior notes to be exchanged for the 2021 Senior Notes that were issued in a private placement on October 2, 2013 pursuant to a registration rights agreement, to allow the 2021 Senior Notes be eligible for trading in the public markets. On January 24, 2014 the Company completed the exchange offer, with an aggregate amount of

\$25,000 in principal amount of the 2021 Senior Notes or 100% of the 2021 Senior Notes exchangeable.

The indenture includes affirmative covenants, including the reporting of financial results and other developments. The indenture also contains negative covenants related to our ability and, in certain instances, the ability of certain of our subsidiaries to, (i) pay dividends or make distributions on the Company's capital stock or repurchase the Company's capital stock; (ii) make restricted payments; (iii) create certain liens to secure indebtedness; (iv) enter into sale and leaseback transactions; (v) engage in transactions with affiliates; (vi) merge or consolidate with certain companies and (vii) transfer and sell assets.

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The indenture provides for customary events of default, including but not limited to, (i) nonpayment; (ii) breach of covenants in the indenture; (iii) payment defaults or acceleration of other indebtedness; (iv) a failure to pay certain judgments and (v) certain events of bankruptcy, insolvency and reorganization. If certain events of default occur and are continuing, the trustee or the holders of at least 25% in aggregate of the principal amount of the 2021 Senior Notes outstanding may declare all of the notes to be due and payable immediately, together with accrued interest, if any. As of December 31, 2014, we were in compliance with all covenants under the indenture.

Although Ultrapetrol (Bahamas) Limited, the parent company, is the issuer of the 2021 Senior Notes, principal and related expenses will be paid through funds obtained from the operations of the Company's subsidiaries.

At December 31, 2014 the net book value of the assets pledged as a guarantee of the 2021 Senior Notes was \$165,600.

#### 9% First Preferred Ship Mortgage Notes due 2014

On November 24, 2004 the Company completed a debt offering of \$180,000 of 9% First Preferred Ship Mortgage Notes due 2014 (the "2014 Senior Notes"), through a private placement to institutional investors eligible for resale under Rule 144A and Regulation S, which were subsequently exchanged for identical senior notes eligible for trading in the public markets.

On June 10, 2013, the Company communicated to the Trustee its decision to redeem all of its 2014 Senior Notes amounting \$180,000 at a redemption price of 100% plus accrued interest to the redemption date, which was July 10, 2013, in accordance with the provisions of the 2014 Senior Notes Indenture.

On July 10, 2013, the Company repaid \$180,000 plus accrued interest to that date of its 2014 Senior Notes, and during the year ended December 31, 2013 the Company recorded a financial loss on extinguishment of debt of \$1,733, which was included in the accompanying consolidated statement of operations.

#### 7.25% Convertible Senior Notes due 2017

On December 23, 2010, the Company completed the sale of \$80,000 aggregate principal amount of its 7.25% Convertible Senior Notes due 2017 (the "2017 Senior Convertible Notes") through a private placement to institutional investors eligible for resale under Rule 144A and Regulation S. The Convertible Notes were senior and unsecured obligations of the Company. Interest on the 2017 Senior Convertible Notes was payable semi-annually on January 15 and July 15 of each year. Unless earlier converted, redeemed or repurchased, the 2017 Senior Convertible Notes were due on January 15, 2017.

As a result of the successful completion of the transaction with Sparrow described in Note 1, a fundamental change (as defined in the Indenture) occurred on December 12, 2012, and each holder of the 2017 Senior Convertible Notes had the right to require the Company to repurchase the notes.

On December 21, 2012, the Company commenced a tender offer to repurchase up to \$80,000 of the 2017 Senior Convertible Notes at par plus accrued and unpaid interest in accordance with the fundamental change repurchase procedure as specified in the 2017 Senior Convertible Notes Indenture. The tender offer began on December 21, 2012 and expired on January 22, 2013.



ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES  
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On January 23, 2013, the Company repaid \$80,000 of its 2017 Senior Convertible Notes and during the year ended December 31, 2013, the Company recorded a financial loss on extinguishment of debt of \$2,821 which was included in the accompanying consolidated statement of operations.

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

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

As of December 31, 2014, the Company had no outstanding borrowings under the revolving credit facility and the remaining availability under this facility was \$32,500.

Offshore Supply Business Segment

Loans with DVB Bank SE (Formerly DVB Bank AG) (DVB SE)

Senior secured term loan facility of up to \$15,000: On January 17, 2006 UP Offshore Apoio Maritimo Ltda. (UP Offshore Apoio) as Borrower, Packet Maritime Inc. (Packet) and Padow Shipping Inc. (Padow) as Guarantors and a) UP Offshore (Bahamas) Ltd. (UP Offshore) entered into a senior secured term loan facility of up to \$15,000 with DVB SE for the purposes of providing post-delivery financing of our PSV UP Agua Marinha.

This loan is divided into two tranches:

-Tranche A, amounting to \$13,000, accrues interest at LIBOR plus a margin of 1.20% per annum and shall be repaid by (i) 120 consecutive monthly installments of \$75 each beginning in March 2006 and (ii) a balloon repayment of \$4,000 in February 2016.

-Tranche B, amounting to \$2,000 was fully repaid through February 2009.

Senior secured term loan facility of up to \$61,306: On December 28, 2006 UP Offshore as Borrower, Packet, Padow, UP Offshore Apoio and Topazio Shipping LLC (collectively the owners of our PSVs UP Safira, UP b) Esmeralda, UP Agua Marinha and UP Topazio) and Ultrapetrol (Bahamas) Limited as Guarantors entered into a senior secured term loan facility of up to \$61,306 with DVB SE for the purposes of providing post-delivery re-financing of our PSVs UP Safira, UP Esmeralda and UP Topazio.

The loan accrues interest at LIBOR plus a margin of 1.20% per annum with quarterly principal and interest payments and matures in December 2016. The regularly scheduled principal payments are due quarterly and range from \$1,075 to \$1,325, with a balloon installment of \$17,300 in December 2016.

On August 1, 2012, the Borrower, the Guarantors and DVB SE agreed to amend the loan agreement to permit the Borrower to re-borrow \$10,000. During 2012, the Company drew down \$8,275. This amount, accrued interest at LIBOR plus 3.50% per annum and it was repaid in two instalments of \$4,137.5 each on March 28, 2013 and June 28,



2013.

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Senior secured term loan facility of up to \$25,000: On October 31, 2007 UP Offshore as Borrower entered into a c) senior secured term loan facility of up to \$25,000 with DVB SE for the purposes of providing post-delivery re-financing of our PSV named UP Diamante.

The Banks, at their discretion, may replace LIBOR as base rate for the interest calculation with their cost-of-funds rate.

The loan bears interest at LIBOR plus a margin of 1.50% per annum with quarterly principal and interest payments and matures in November 2017. The regularly scheduled payments commenced in February 2008 and are comprised of 8 installments of \$750 each, 24 of \$500 each and 8 of \$250 each with a balloon installment of \$5,000 in November 2017.

Seventeen-year term \$18,730 credit facility with Brazilian Development Bank (BNDES)

On August 20, 2009, UP Offshore Apoio (our subsidiary in the Offshore Supply Business) as Obligor, UP Offshore (Bahamas) Ltd., as Facility Guarantor and Ultrapetrol (Bahamas) Ltd., as Limited Guarantor, entered into a seventeen-year fixed interest credit facility for \$18,730 with BNDES to partially post-finance the construction of our PSV UP Rubi.

The loan shall be repaid by 204 consecutive monthly installments of \$93 each beginning in April 2010 and ending in March 2027. The loan accrues interest at 3% per annum.

On June 26, 2013, UP Offshore Apoio (as "Obligor") entered into a First Demand Guarantee Facility Agreement (the "Guarantee") with DVB Bank SE for a maximum aggregate amount of \$16,820 which guarantees the BNDES credit facility from July 1, 2013 to July 1, 2017, renewable for another four-year period.

Under the Guarantee, UP Offshore Apoio is to pay an upfront fee equal to 1.75% of the outstanding amount, a commission fee of 1.48% for the first year, which declines to 1.40%, 1.30% and 1.20% in the succeeding years of the outstanding amount, payable quarterly.

Loan Agreement with DVB Bank SE (DVB SE) and Banco Security of up to \$40,000:

On December 9, 2010 UP Offshore, as Borrower, and Glasgow Shipping Inc. and Zubia Shipping Inc. (the owners of our PSVs UP Turquoise and UP Jasper) and Ultrapetrol (Bahamas) Limited and Corporación de Navegación Mundial S.A., as joint and several Guarantors, entered into a senior secured term loan facility of up to \$40,000 with DVB SE and Banco Security, as co-lenders, to partially finance the construction and delivery of our two PSVs UP Turquoise and UP Jasper.

The loan was drawn in two advances, each in the amount of \$20,000, on the delivery of each of the respective PSVs, accrues interest at LIBOR (base rate) plus a margin of 3.0% per annum and shall be repaid by (i) 32 equal quarterly consecutive installments of \$417 each, together with a balloon payment of \$ 6,667 payable concurring with the last repayment installment in December 2018.

The co-lenders, at their discretion, may replace LIBOR as base rate for the interest calculation with their cost-of-funds rate.

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Senior secured post-delivery term loan facility with DVB Bank America NV (DVB Bank America), NIBC Bank NV (NIBC) and ABN Amro Capital USA LLC (ABN Amro) of up to \$84,000

On January 18, 2013 Ingatestone Holdings Inc., as Borrower, and UP Offshore (Bahamas) Ltd., Bayshore Shipping Inc., Gracebay Shipping Inc., Springwater Shipping Inc. and Woodrow Shipping Inc. (all of these our subsidiaries in the Offshore Supply Business) and Ultrapetrol (Bahamas) Limited, as joint and several Guarantors, entered into a senior secured post-delivery term loan facility of up to \$84,000 with DVB Bank America, NIBC and ABN Amro (the "Lenders") with the purpose of refinancing the advances made for our PSVs UP Jade, UP Amber, UP Pearl and UP Onyx of the DVB SE and Natixis and DVB SE and NIBC long-term facilities.

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The loan facility is divided into four tranches, each in the aggregate amount of up to the lesser of \$21,000 and 60% of the fair market value of the PSV to which such tranche relates.

The tranche of the loan facility in respect of the refinancing of the PSV UP Jade was drawn down in the amount of \$20,850 on January 24, 2013 and shall be repaid by (i) 20 equal consecutive quarterly installments of \$521 beginning in January 2013 and (ii) a balloon payment of \$10,425 concurrent with the last quarterly repayment in October 2017.

The tranche of the loan facility in respect of the refinancing of the PSV UP Amber was drawn down in the amount of \$5,000 and \$15,550, respectively on March 28, 2013 and June 28, 2013 and shall be repaid by (i) an instalment of \$139 in June 2013, (ii) 17 equal consecutive quarterly installments of \$516 beginning in September 2013 and (iii) a balloon payment of \$10,275 concurrent with the last quarterly repayment in September 2017.

The tranche of the loan facility in respect of the refinancing of the PSV UP Pearl was drawn down in the amount of \$20,550 on October 11, 2013 and shall be repaid by (i) 16 equal consecutive quarterly installments of \$642 beginning in January 2014 and (ii) a balloon payment of \$10,275 concurrent with the last quarterly repayment in September 2017.

Following the cancelation of the shipbuilding contract in respect of PSV UP Onyx the Company canceled part of the total commitment in an amount of up to \$21,000.

Each tranche accrues interest at LIBOR (base rate) plus a margin of 4.0 per annum.

The Lenders, at their discretion, may replace LIBOR as base rate for the interest calculation with their cost-of-funds rate.

Senior secured term loan facility with DVB Bank America and NIBC of up to \$38,400

On December 20, 2013 Linford Trading Inc. (our wholly owned subsidiary in the Offshore Supply Business and the holding company of Leeward Shipping Inc. and Jura Shipping Inc.) as Borrower, Leeward Shipping Inc. and Jura Shipping Inc. (our wholly owned subsidiaries in the Offshore Supply Business and collectively the owners of our PSVs UP Agate and UP Coral) and UP Offshore (Bahamas) Ltd. and Ultrapetrol (Bahamas) Limited as Guarantors entered into a senior secured term loan facility of up to \$38,400 with DVB Bank America and NIBC (the "Lenders") for the purposes of providing financing of our PSVs UP Agate and UP Coral.

A quarterly commitment fee is payable based on the average undrawn amount of the committed amount at a rate of 1.50%.

The loan facility is divided into two tranches, each in the aggregate amount of up to the lesser of \$19,200 and 60% of the fair market value of the PSV to which such tranche relates.

Each tranche of the loan facility shall be divided into two advances which shall be made available to the Borrower as follows:

The first advance of each such tranche shall be made available to the Borrower in the amount of up to \$16,000, - which was drawn down on December 30, 2013, and shall be repaid by (i) 28 quarterly installments of \$400 per tranche beginning in March 2014 and (ii) a balloon repayment of \$4,800 in November 2020.

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES  
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The second advance of each such tranche shall be made available to the Borrower in the amount of up to \$3,200 not later than January 31, 2015, provided that the UP Agate and UP Coral have obtained employment of not less than 3 years with a charterer on terms and conditions acceptable to the Lenders.

On January 29, 2015, the Borrower, the Lenders and the Guarantors signed an amendment of the loan agreement. In connection with this amendment the availability period was extended through June 30, 2015 in respect of the second advance of each tranche of the financing of our PSV UP Agate and UP Coral.

Each tranche accrues interest at LIBOR (base rate) plus a margin of 4.0% per annum and the Lenders, at their discretion, may replace LIBOR as base rate for the interest calculation with their cost-of-funds rate. The margin in respect of a tranche of the loan facility may be reduced to 3.25% per annum upon delivered to and acceptance by a time charter of the PSV to such tranche relates pursuant to a time charter on terms and conditions acceptable to the Lenders.

The above loans in our Offshore Supply Business are secured by a first priority mortgage over our PSVs, corporate guarantee and a first priority assignment of the earnings, insurances and requisition compensation or other employment contracts exceeding 12 months. The loans contain customary covenants that limit among other things, without the prior written consent of the majority lenders, the ability of our subsidiaries in the Offshore Supply Business to incur additional indebtedness, sell assets, repay indebtedness, amend the terms of subordinated debt, merge or consolidate, change lines of business, change the flag, class or management of the PSVs mortgaged under such facility, create or permit to exist liens on their assets, make loans, make investments or capital expenditures and undergo a change in ownership or control. In addition, some of the PSVs owning companies are permitted to pay dividends, make distributions and effect redemptions or returns of share capital up to 50% of their net income and under certain circumstances, without the prior written consent of the majority lenders. Also, the loans contain certain financial covenants relating to Ultrapetrol and our subsidiaries in the Offshore Supply Business related with their financial position, operating performance and liquidity, including maintaining minimum amounts of net assets.

Ultrapetrol shall comply with certain financial covenants including: (i) an average monthly balance of available cash in a demand deposit of not less than \$20,000 on a consolidated basis, (ii) an equity ratio of not less than 20%, (iii) a consolidated tangible net worth of not less than \$150,000 and, (iv) a ratio of consolidated debt service coverage ratio of not less than 150% (on a historical and forward four quarter rolling basis, tested as of the last date of each fiscal quarter).

At December 31, 2014, Ultrapetrol (as Guarantor) is in compliance with these covenants except for (iv). Consequently, on March 26 and March 31, 2015, DVB SE, DVB Bank America, NIBC and ABN Amro, as Lenders, waived the compliance to meet the financial covenant described in (iv) as of December 31, 2014 and March 31, 2015.

On March 26 and March 31, 2015, the Borrowers, the Lenders and the Guarantors signed amendments to the loans agreements to relaxing certain financial covenants. In connection with these amendments Ultrapetrol shall maintain (i) a ratio of consolidated debt service coverage ratio of not less than 105% as of June 30, 2015, of not less than 115% as of September 30, 2015 and of not less than 130% thereafter (each on a historical and forward four quarter rolling basis, tested as of the last date of each fiscal quarter, excluding balloon payments and prepayments), and (ii) with effect from January 1, 2015, an average monthly balance of available cash of not less than \$20,000 on a consolidated basis in (x) demand deposit and time deposit and (xx) unused and available for drawing revolving credit lines available to Ultrapetrol having expiration dates of six months or longer from the relevant date.

An aggregate amendment fee of \$250 was paid.

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES  
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UP Offshore (Bahamas) Ltd. shall comply with certain financial covenants including: (i) an average balance of available cash in a demand deposit of not less than \$5,000, (ii) an equity ratio of not less than 30%, (iii) a minimum equity of \$75,000 and, (iv) a ratio of consolidated EBITDA to consolidated debt service of at least 1.5 (on a rolling four quarter basis, tested as of the last day of each fiscal quarter).

The agreements governing the loans also contain customary events of default and cross-default provisions. If an event of default occurs and its continuing, the lenders may require that the entire amount of the amounts of the loans be immediately repaid in full. Further, the loan agreements contain loan-to-value ratios (ranging from 1.33 to 1.67) in relation with the PSVs pledged as security.

For the years ended December 31, 2014, 2013 and 2012 the weighted-average interest rates on the above outstanding debt in our Offshore Supply Business were approximately 3.70%, 3.50% and 2.75%, including margin and interest rate swaps, respectively

At December 31, 2014, the aggregate outstanding principal balance under these loan agreements in our Offshore Supply Business was \$160,793 and the aggregate net book value of the assets pledged was \$272,700.

Senior secured term loan facility with DVB Bank AG (DVB AG) and Natixis of up to \$93,600

On June 24, 2008 Ingatestone Holdings Inc., as Borrower, and UP Offshore (Bahamas) Ltd., Bayshore Shipping Inc., Gracebay Shipping Inc., Springwater Shipping Inc. and Woodrow Shipping Inc. (all of these our subsidiaries in the Offshore Supply Business) and Ultrapetrol (Bahamas) Limited, as joint and several Guarantors, entered into a senior secured term loan facility of up to \$93,600 with DVB AG and Natixis (the "Banks"), as co-lender, to finance the construction and delivery of our PSVs being built in India (UP Jade, UP Amber, UP Pearl and UP Onyx).

At March 31, 2012, the advances under Tranche A of the loan were \$34,500 (\$17,250 per Bank).

On May 9, 2012, the Borrower, the Guarantors and the Banks signed a third amendment to the loan agreement. In connection with this amendment, all the amounts borrowed by Natixis or \$17,250 shall be paid on or before December 31, 2012, further extended to March 28, 2013 and all of the remaining commitments of this term loan facility by Natixis were cancelled.

During 2012, the Company prepaid to Natixis \$12,075 and to DVB SE \$10,275 and drew from DVB SE \$6,825.

At December 31, 2012, the outstanding principal balance under this loan agreement was \$18,975 (\$5,175 for Natixis and \$13,800 for DVB SE).

During 2013, the Company fully repaid the then outstanding balance of \$18,975.

During the years ended December 31, 2013 and 2012 the Company recorded a financial loss on extinguishment of debt of \$345 and \$940, respectively, which is included in the accompanying consolidated statement of operations.

Senior secured post-delivery term loan facility with DVB Bank SE (DVB SE) and NIBC Bank NV of up to \$42,000

On October 22, 2012 Ingatestone Holdings Inc., as Borrower, and UP Offshore (Bahamas) Ltd., Bayshore Shipping Inc., Gracebay Shipping Inc. (all of these our subsidiaries in the Offshore Supply Business) and Ultrapetrol



(Bahamas) Limited, as joint and several Guarantors, entered into a senior secured post-delivery term loan facility of up to \$42,000 with DVB SE and NIBC Bank NV (the "Lenders") for the purpose of partially financing or refinancing our PSVs UP Jade and UP Amber.

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The tranche of the loan facility in respect of the refinancing of the UP Jade was drawn down in an amount of \$20,850 on October 29, 2012.

On January 24, 2013 the Company terminated this senior secured post-delivery term loan facility and prepaid the outstanding balance of \$20,850 with borrowings from its senior secured post-delivery term loan facility with DVB Bank America, NIBC and ABN Amro.

During the year ended December 31, 2013, the Company recorded a financial loss on extinguishment of debt of \$619, which was included in the accompanying consolidated statement of operations.

#### Ocean Business Segment

Senior secured term loan with Natixis of up to \$13,616

On January 29, 2007 Stanyan Shipping Inc. (a wholly owned subsidiary in the Ocean Business and the owner of the Alejandrina) drew down an amount of \$13,616 under a loan agreement with Natixis (the "Lender") to provide post-delivery financing secured by the vessel. The loan, which matures in February 2017, shall be repaid by equal quarterly installments of \$227 with a balloon installment of \$2,687 which due in February 2017. The loan accrues interest at 6.38% per annum for the first five years of the loan and LIBOR plus 1.20% per annum thereafter.

On May 21, 2012, we prepaid \$1,849 outstanding under this senior secured loan.

For the years ended December 31, 2014 and 2013, the weighted average interest rate was 1.43% and 1.49% respectively.

The loan is secured by a mortgage on the Alejandrina, a first priority assignment of the earnings, insurances and requisition compensation of the vessels, or other employment contracts exceeding 12 months and is guaranteed by Ultrapetrol (Bahamas) Limited. The Lender may also require additional security, or repay the amount of the shortfall if at any time the fair market value of the ship becomes less than the 125% of the aggregate value of the loan. With respect to the above and in relation to any potential loan security shortfall, the Company has been reflected \$676 under current liabilities in the accompanying consolidated balance sheet as of December 31, 2014.

The loan also contains customary covenants that limit, among other things, the Borrower's and the Guarantors' ability to incur additional indebtedness, grant liens over their assets, sell assets, pay dividends, repay indebtedness, merge or consolidate, change lines of business and amend the terms of subordinated debt. The agreement governing the facility also contains customary events of default. If an event of default occurs and is continuing, Natixis may require the entire amount of the loan be immediately repaid in full.

At December 31, 2014 the outstanding principal balance was \$4,730 and the aggregate net book value of the asset pledged was \$7,000.

Senior secured term loan with Nordea Bank Finland PLC (Nordea Bank) of \$20,200

On November 30, 2007, Hallandale Commercial Corp. (our wholly owned subsidiary in the Ocean Business and the owner of the Amadeo) as Borrower, Ultrapetrol (Bahamas) Ltd., as Guarantor, and Tuebrook Holdings Inc. (our wholly owned subsidiary in the Ocean Business and the holding company of Hallandale Commercial Corp.), as

Pledgor, entered into a \$20,200 loan agreement with Nordea Bank for the purpose of providing post delivery financing of the vessel.

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The loan accrued interest at LIBOR plus 1.25% per annum.

On December 28, 2012 the Borrower, the Guarantor, the Pledgor and Nordea Bank amended the loan agreement. In connection with this amendment among other things, the parties agreed changed the final maturity of the loan to April 15, 2013, when the Company repaid in full the total outstanding balance of \$5,252 of this senior secured loan.

River Business Segment

Loans with International Finance Corporation ("IFC") and OPEC Fund for International Development (OFID)

During 2008, our subsidiaries in the River Business entered into loans agreements with IFC and OFID to partially finance: (i) the replacement of existing pushboat engines and conversion of pushboats to install such engines, (ii) the enlargement and re-bottoming of existing barges, (iii) the construction and acquisition of additional pushboats and barges and (iv) supplies and related equipment for the foregoing.

2008 Loan facility of up to \$25,000: On September 15, 2008 UABL Paraguay S.A. (our subsidiary in the River a)Business), as Borrower, UABL (Bahamas) Limited as Guarantor and IFC entered into a loan agreement for an amount of up to \$25,000.

The loan shall be repaid in semi-annual installments of \$1,087 for the first 9 payments and \$1,902 for the last 8 payments, beginning in June 2012. The loan accrues interest at LIBOR plus a margin which will be calculated considering a percentage ranging between 1.875% to 3.250% obtained from the Guarantor Prospective Debt Service Coverage Ratio as indicated in the agreement.

2008 Loan facility of up to \$35,000: On September 15, 2008 UABL Barges (Panama) Inc., UABL Towing Services S.A., Marine Financial Investment Corp. and Eastham Barges Inc. (all our subsidiaries in the River Business), as b) Borrowers, UABL (Bahamas) Limited as Guarantor and IFC entered into a loan agreement for an amount of up to \$35,000.

The loan shall be repaid in semi-annual installments of \$1,522 for the first 9 payments and \$2,663 for the last 8 payments, beginning in June 2012. The loan accrues interest at LIBOR plus a margin which will be calculated considering a percentage ranging between 1.875% to 3.250% obtained from the Guarantor Prospective Debt Service Coverage Ratio as indicated in the agreement.

2008 Parallel Loan facility of up to \$15,000: On November 28, 2008 UABL Paraguay S.A. (our subsidiary in the c)River Business), as Borrower, UABL (Bahamas) Limited as Guarantor and OFID entered into a loan agreement for an amount of up to \$15,000.

The loan shall be repaid in semi-annual installments of \$652 for the first 9 payments and \$1,141 for the last 8 payments, beginning in June 2012. The loan accrues interest at LIBOR plus a margin which will be calculated considering a percentage ranging between 1.875% to 3.250% obtained from the Guarantor Prospective Debt Service Coverage Ratio.

During 2011 our subsidiaries in the River Business entered into loans agreements with IFC and OFID to partially finance: (i) the construction and acquisition of sixty-four additional barges, (ii) the modification to nine existing pushboats necessary to replace their engines, (iii) the re-bottoming of fifty existing barges, and (iv) the construction

and acquisition of additional pushboats and ancillary equipment.

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2011 Loan facility of up to \$15,000: On December 2, 2011 UABL Paraguay S.A. and Riverpar S.A. (our a) subsidiaries in the River Business), as joint and several Borrowers, UABL (Bahamas) Limited as Guarantor and IFC entered into a loan agreement for an amount of up to \$15,000.

The loan shall be repaid in semi-annual installments of \$882 beginning on June 15, 2013 and ending on June 15, 2021. The loan accrues interest at LIBOR plus a margin of 3.65% per annum.

2011 Parallel Loan facility of up to \$10,000: On December 15, 2011 UABL Paraguay S.A. and Riverpar S.A. (our b) subsidiaries in the River Business), as joint and several Borrowers, UABL (Bahamas) Limited as Guarantor and OFID entered into a parallel loan agreements for an amount of up to \$10,000.

The loan shall be repaid in semi-annual installments of \$588 beginning on June 15, 2013 and ending on June 15, 2021. The loan accrues interest at LIBOR plus a margin of 3.65% per annum.

The above loans in our River Business are secured by a first priority mortgage over part of our Paraguayan and Liberian river fleet, corporate guarantee and a first priority assignment of the earnings, insurances and requisition compensation or other employment contracts. The loans also contain customary covenants that limit among other things the ability of our subsidiaries in the River Business to incur additional indebtedness, grant liens over their assets, sell assets, pay dividends, repay indebtedness, incur capital expenditures, leases and enter into any derivative transaction, except hedging agreements for fuel, interest rate or foreign currency in the ordinary course of business. In addition, the loans contain certain financial covenants relating to UABL (Bahamas) Limited (our holding company in the River Business) and other subsidiaries in the River Business related with their financial position, operating performance and liquidity. These loans and guarantee agreements impose operating and negative covenants on the subsidiaries in the River Business.

UABL (Bahamas) Limited shall maintain certain financial covenants including; (i) a consolidated debt to equity ratio of no more than 1.4, (ii) a historical debt service coverage ratio on a consolidated basis of not less than 1.3 and (iii) a consolidated current ratio of at least 1.0.

At December 31, 2014, UABL (Bahamas) Limited (as Guarantor) is in compliance with these covenants except for (ii). Consequently, on March 27, 2015 the IFC waived the compliance to meet the financial covenant described in (ii) as of December 31, 2014, March 31 and June 30, 2015. The waiver was granted conditional upon OFID' s granting a similar waiver on or before April 15, 2015, which condition was met on April 13, 2015.

Consequently, on April 13, 2015 the OFID waived the compliance to meet the financial covenant described in (ii) as of December 31, 2014, March 31 and June 30, 2015. The waiver was granted conditional upon IFC' s granting a similar waiver on or before April 15, 2015, which condition was met on March 27, 2015. UABL (Bahamas) Limited expects to be in compliance with the financial covenant in (ii) above since September 30, 2015 and thereafter.

The agreements governing the loans also contain customary events of default and cross-default provisions. If an event of default occurs and its continuing, IFC and OFID may require the entire amount of the loans be immediately repaid in full. Further, the loan agreements contain loan-to-value ratios (ranging from 1.6 to 3.0) in relation with the river fleet pledged as security.

On May 23, 2013, IFC and OFID waived certain covenants under the loan agreements and corresponding guarantee agreements. The waivers permitted the creation of additional security and the non-compliance with certain release

priorities of IFC's and OFID's securities under the loan and guarantee agreements all in connection with and for the purpose of permitting the refinancing of the 2014 Senior Notes and issuance the 2021 Senior Notes. In addition, IFC and OFID issued a release of mortgages and certain other assignments under the loan agreements, in order to meet the additional security and guarantee requirements of the 2021 Senior Notes.

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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2014, 2013 and 2012, the weighted-average interest rates on the above outstanding debt in our River Business were approximately 3.30%, 4.40%, and 4.15%, including margin and interest rate collar, respectively.

At December 31, 2014, the aggregate outstanding principal balance under 2008 and 2011 loan agreements with OFID and IFC in our River Business was \$74,551 and the aggregate net book value of the assets pledged was \$68,400.

## 6. FAIR VALUE MEASUREMENT

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

The Company's liabilities as of December 31, 2014 that are measured at fair value on a recurring basis are summarized below:

	Level 1	Level 2	Level 3
Current liabilities:			
- Interest rate collar (included in other liabilities)	-	609	-
- Interest rate swaps (included in other liabilities)	-	577	-
Noncurrent liabilities:			
- Interest rate collar (included in other liabilities)	-	162	-
- Interest rate swaps (included in other liabilities)	-	206	-

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

	At December 31, 2014		2013	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
<b>ASSETS</b>				
Cash and cash equivalents	\$34,982	\$34,982	\$72,625	\$72,625
Restricted cash (current and noncurrent portion)	12,718	12,718	13,595	13,595
<b>LIABILITIES</b>				
	\$466,034	\$475,763	\$498,397	\$516,397



Long term financial debt (current  
and non-current portion – Note 5) (1)

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

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

#### 7. DERIVATIVE INSTRUMENTS AND HEDGING STRATEGIES

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

	At December 31, 2014	
	Current other liabilities	Noncurrent other liabilities
Derivatives designated as hedging instruments		
Interest rate collar (cash flow hedge)	\$ 609	\$ 162
Interest rate swaps (cash flow hedge)	327	245
	\$ 936	\$ 407
	At December 31, 2013	
	Current other liabilities	Noncurrent other liabilities
Derivatives designated as hedging instruments		
Interest rate collar (cash flow hedge)	\$ 725	\$ 637
Interest rate swaps (cash flow hedge)	385	464
	\$ 1,110	\$ 1,101

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

#### CASH FLOW HEDGE

#### INTEREST RATE COLLAR AGREEMENT

On May 7, 2010, through UABL Limited, our holding subsidiary in the River Business, we entered into an interest rate collar transaction with International Finance Corporation (IFC) through which we expect to hedge our exposure to interest volatility under our financings with IFC and OFID from June 2010 to June 2016. The initial notional amount is \$75,000 (subsequently adjusted in accordance with the amortization schedule under these financings), with UABL Limited being the USD Floor Rate seller at a floor strike rate of 1.69%, and IFC being the USD Cap Rate seller at a

cap strike rate of 5.00%. This contract qualifies for hedge accounting and as such changes in its fair value are included in other comprehensive loss in the consolidated financial statements. The fair value of this agreement equates to the amount that would be paid or received by the Company if the agreement was cancelled at the reporting date, taking into account current and prospective interest rates and creditworthiness of the Company.

As of December 31, 2014, the total notional amount of the interest rate collar is \$55,433.

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

INTEREST RATE SWAP AGREEMENTS

Through our subsidiaries in the Offshore Supply Business, we have entered into various interest rate swap agreements maturing in October 2016 and December 2018 that call our subsidiaries to pay fixed interest rates ranging from 0.89% to 3.67% on an aggregate notional value of \$ 46,600 (subsequently adjusted in accordance with the amortization schedule under these financings) and receive a variable interest rate based on LIBOR on these notional value. The purpose of these interest rate swap agreements is to hedge our exposure to interest volatility under our financings with DVB Bank SE, NIBC and ABN Amro.

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

As of December 31, 2014, the total notional amount of the interest rate swaps is \$41,690.

OTHER DERIVATIVE INSTRUMENTS

Through our subsidiaries in the Offshore Supply Business, the Company has entered into various interest rate swap agreements, while providing effective economic hedges, are not designated as hedge for accounting purposes. These contracts mature ranging from 2014 through 2016 and call for the Company to pay fixed interest rate at 0.90% on an aggregate notional value of \$16.680 (subsequently adjusted in accordance with the amortization schedule under these financing) and receive a variable interest rate based on LIBOR. Changes in the fair value are recognized within "Other income (expense)" in the accompanying consolidated statements of operations.

8.COMMITMENTS AND CONTINGENCIES

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

a)Claims in Paraguay

UABL – Ciudad del Este Customs Authority

On September 21, 2005, the local Customs Authority of Ciudad del Este, Paraguay issued a finding concerning certain UABL entities referred to three matters in respect of certain operations of our River Business for the prior three-year period: (i) that UABL owed taxes to that authority in the amount of \$2,200, (ii) a fine for non-payment of the taxes in the same amount, and (iii) that the tax base used by UABL entities to calculate the applicable withholding tax that UABL had used to calculate taxes paid in said period. The first two issues were disregarded by the Tax and Administrative Court on November 24, 2006. Nevertheless, the third issue continued. On September 22, 2010, the Paraguayan Supreme Court revoked the March 26, 2009 ruling of the Tax and Administrative Court -which had decided we were not liable- and confirmed the decision of the Paraguayan undersecretary for taxation which condemned UABL Paraguay S.A. to pay approximately \$600 non-withheld taxes, \$700 in fines and \$1,300 in accrued

due interests. This matter was settled in a signed agreement with the Tax Authorities on October 14, 2010, and UABL paid the total amount of \$1,294 in full and final settlement of the claim and agreed to drop the appeal we had filed against to the Supreme Court. However, in parallel with this ruling the Office of the Treasury Attorney initiated an action in respect of the first two issues concerned in this litigation which had been terminated on November 24, 2006 to review certain formal aspects over which a decision of the Court is still pending. Aside from the mentioned procedures, the Customs Authorities of Paraguay have reopened the proceedings against UABL S.A., UABL Paraguay S.A. and Yataity S.A. in connection with the possible reopening of the case pending a decision of the reopening of the case in court, which is currently on hold awaiting for the Court's resolution. We have been advised by UABL's counsel in the case that there is only a remote possibility that the Paraguayan Courts would find UABL liable for any of these taxes or fines still in dispute or that the final outcome of these proceedings will have a material adverse financial impact on the consolidated financial position or result of operations of the Company.

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

UABL Paraguay S.A. - Paraguayan Customs Asunción

These administrative proceedings were commenced on April 7, 2009, by the Paraguayan Customs in Asuncion against UABL Paraguay S.A. alleging infringement of Customs regulations due to lack of submission of import clearance documents in Paraguay for bunkers purchased between January 9, 2007 and December 23, 2008, from YPF S.A. in Argentina, and between years 2003 and 2006. The total owed taxes according to Customs in Asuncion are up to the amount of Gs. 6.028.317.852 (approximately \$1,370). Our local counsel is of the opinion that the competent Court will overturn the Custom's ruling where said amount was determined, and that therefore there is only a remote possibility that these proceedings will have a material adverse financial impact on the consolidated financial position or result of operations of the Company.

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

Oceanpar S.A. was notified of this investigation on June 17, 2011. The matter under investigation is whether UABL Paraguay S.A. paid all import taxes and duties corresponding to the re-importation of barges submitted to conversion in foreign yards. Customs imposed a fine of Gs. 2.791.514.822 and judicial proceedings have been commenced where a final decision is still pending. As of December 31, 2014 a loss contingency liability related with this matter of \$600 was recorded.

UABL Paraguay S.A. - Paraguayan Tax Authority

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

b) Claims in Brazil

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

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

ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Various other legal 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.

c) Tax claim in Argentine

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

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

d) Indemnification to Sparrow under the investment agreement

The investment agreement entered into with Sparrow described in Note 1 provides for our responsibility for certain liabilities related to our business. We provide indemnification in favour of Sparrow for certain matters, including labour matters, taxes, litigations, compliance with laws, environmental matters, insurances, vessels, among others as of December 12, 2012, the date of the closing of the investment agreement. These indemnification obligations will generally expire sixteen months after the closing date or six years after the closing date in the case of certain tax matters, and with certain indemnification obligations surviving indefinitely.

The Company shall not be liable for indemnity obligations unless and until the aggregate amount of indemnifiable losses equals or exceeds \$10,000 with a deductible in the amount of \$4,400, subject to certain exceptions. The maximum amount of indemnifiable losses which may be recovered from the Company shall not exceed \$28,600 subject to certain exceptions.

e) Lease obligations

Rental expense for office spaces under continuing obligations for the years ended December 31, 2014, 2013 and 2012 was \$1,019, \$675 and \$849, respectively. At December 31, 2014, obligations under the companies' operating leases, which expire from 2015 to 2017, for office spaces with initial or remaining lease terms longer than one year were as follows:

Year ending  
December  
31,

2015	\$998
2016	706
2017	383
Total	\$2,087

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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## f) Charters-in

As of December 31, 2014, the Company leases 24 jumbo dry barges in the River Business and a tanker in the Ocean Business. These leasing agreements have been classified as operating leases for financial reporting purposes and related rental fees are charged to expense over the lease terms. The lease term of the tanker vessel has a duration of 36 months. The lease term of the jumbo dry barges has a duration of ten years. The lease of the jumbo dry barges is the result of a sale- leaseback transaction with a finance company (see Note 4) and the gain arising from such sale-leaseback transaction has been deferred in the accompanying consolidated balance sheets and are being amortized as reductions in rental expense over the lease term (see Note 2.r).

Future minimum payments in the years ended December 31 under operating leases with initial or remaining term longer than one year as of December 31, 2014, were as follows:

	Year ending December 31,
2015	\$4,586
2016	4,355
2017	2,996
2018	2,876
2019	2,756
Thereafter	7,475
Total	\$25,044

Rent expense for the years ended December 31, 2014, 2013 and 2012 was \$3,988, \$4,315 and \$1,802, respectively. When cash rental payments are not made on a straight-line basis, we recognize rental expense on a straight-line basis over the lease term.

## g) Charters-out

The future minimum revenues, before reduction for brokerage commissions, expected to be received on time charter agreements of eleven PSVs in our Offshore Supply Business chartered in Brazil with Petroleo Brasileiro SA (Petrobras), with initial or remaining term longer than one year were as follows:

	Year ending December 31,
2015	\$113,381
2016	106,994
2017	66,015
2018	12,491
Total	\$298,881

The future minimum revenues, before reduction for brokerage commissions of one of our handy size-small product tanker vessel leased to us in our Ocean Business chartered in South America, expected to be received on a time charter agreement, with initial or remaining term longer than one year were as follows:

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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ending  
December 31,

2015	\$8,437
2016	7,720
Total	\$16,157

On November 27, 2013, one of our subsidiaries in the River Business, entered into a 5-year agreement with Vale International SA to time charter four river pushboats with 16 river barges each (each a "convoy"). The four convoys were delivered in January 2014. The future minimum revenues, before reduction for commissions, expected to be received were as follows: \$15,900 in each of 2015, 2016, 2017 and 2018.

Revenues from time charter agreements are generally not received when a vessel is off-hire, which includes time required for normal periodic maintenance of the vessel. In arriving at the minimum future charter revenues, an estimated time off-hire to perform periodic maintenance on each vessel has been deducted, although there is no assurance that such estimate will be reflective of the actual off-hire in the future. The scheduled future minimum revenues should not be construed to reflect total shipping revenues for any of the periods.

On November 12, 2012, one of our subsidiaries in the River Business, entered into a transshipment services agreement to provide storage and transshipment services of iron ore cargo from river barges to ocean export vessel through our Parana Iron barge (former Parana Petrol), for a three-year term counting as from entry into operations, renewable for another three years, at the option of the customer. The future minimum revenues, before reduction for commissions, expected to be received were as follows: \$13,200 in each of 2015 and 2016 and \$2,640 in 2017.

#### h)Favorable arbitration award

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

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

#### i)Other

At December 31, 2014, we employed several employees as crew on our vessels, land-based employees and shipyard workers. These seafarers and shipyard workers are covered by industry- wide collective bargaining agreements that set basic standards applicable to all companies who hire such individuals in these industries. 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 that these agreements will prevent labor interruptions. While we have had no significant labor interruption in the past we do not believe any labor interruptions will disrupt our operations and harm our financial performance

On our River Business, different degrees of unionization of our employees and crewmembers may lead to a change or leveling of such unionization, which could result in higher costs for us, thus affecting our results of operations. Furthermore, due to the unionized nature of our activity in South America, while in the process of negotiating such

leveling, our operations may be affected by strikes in our River and Ocean businesses, causing us to suffer delays due to lack of the necessary crewing onboard our pushboats and ocean vessels.

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In our barge building facility at Punta Alvear, our workforce is also mainly unionized and negotiations over wages and conditions may have very little bearing on negotiations we have with our other employees and crew members.

9. INCOME TAXES

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

a) Bahamas

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

b) Panama

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

c) Paraguay

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

d) Argentina

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

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

e) Brazil

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

Income taxes in Brazil include federal income tax and social contribution (which is an additional federal income tax). Income tax is computed at the rate of 15%, plus a surtax of 10% on the amount that exceeds Brazilian reais 240,000 (equivalent to \$94 at December 31, 2014) based on pretax income, adjusted for additions and exclusions established by the Brazilian tax legislation. Social contribution is calculated at the rate of 9%, on pretax income, in conformity with the tax law.

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

f) Chile

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

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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## g) United Kingdom (UK)

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

## h) United States of America (US)

Under the U.S. 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. are characterized as U.S. source shipping income. Such income is subject to 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.

For the years ended December 31, 2014, 2013 and 2012, our subsidiaries did not derive any US source shipping income. Therefore our subsidiaries are not subject to any U.S. federal income taxes, except our ship management services provided by Ravenscroft.

Income tax expense (benefit) (which includes TOMPI) is comprised of:

	For the years ended December 31,		
	2014	2013	2012
Current income tax expense	\$8,030	\$3,184	\$1,385
Deferred income tax (benefit) expense	(2,965)	3,413	(4,354)
	\$5,065	\$6,597	\$(2,969)

Ultrapetrol's pre-tax income for the years ended December 31, 2014, 2013 and 2012 was taxed in foreign jurisdictions (principally Argentina, Brazil and Paraguay).

The current income tax expense is mainly related to withholding income tax based on interest expense paid, bareboat fees or recovery of expenses for intercompany transactions. For the years ended December 31, 2014, 2013 and 2012 36%, 54%, and 60%, respectively, of the current income tax expense was related to withholding income tax in Argentina, Brazil and Chile.

The table below shows for each jurisdiction's total income tax expense and statutory tax rate:

	For the years ended December 31,		
	2014	2013	2012
Brazil (34%)	\$2,091	\$654	\$7
Argentina (35%)	2,112	568	430
Paraguay (10%)	273	202	48

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Others	649	27	75
Current income tax expense	5,125	1,451	560
Withholding income tax in foreign jurisdictions	2,905	1,733	825
Deferred income tax (benefit) expense	(2,965)	3,413	(4,354)
Income tax expense (benefit)	\$5,065	\$6,597	\$(2,969)

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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Reconciliation of income tax expense (benefit) to taxes calculated based on the statutory tax rate is as follows:

	For the years ended December 31,		
	2014	2013	2012
Income (Loss) before income taxes	\$(47,211)	\$14,518	\$(65,733)
Sources not subject to income tax	59,658	115	51,203
	12,447	14,633	(14,530)
Tax rate	35 %	35 %	35 %
Tax (benefit) expense at statutory tax rate	4,356	5,122	(5,085)
Rate differential	(1,052)	(545)	348
Change in valuation allowance	(811)	1,632	1,549
Effects of foreign exchange changes related to our foreign subsidiaries	(639)	(1,943)	(1,479)
Withholding income tax in foreign jurisdictions	2,905	1,733	825
Others	306	598	873
Income tax expense (benefit)	\$5,065	\$6,597	\$(2,969)

The Company's deferred income tax assets have been reduced by intercompany profits from the sale of river barges within the group. The Company has deferred income tax expense in Argentina for the years ended December 31, 2014, 2013 and 2012 amounting to \$949, \$906 and \$2,541, respectively and recognizes them as income tax expense as the river barges are consumed through using. The balance as of December 31, 2014 and 2013 of \$8,131 and \$7,531 respectively was reflected as non-current other receivables in the accompanying consolidated balance sheets.

At December 31, 2014, Argentinean subsidiaries had a consolidated credit related to TOMPI of \$3,556 that expires from 2015 through 2024. At December 31, 2014, Argentinean subsidiaries had accumulated benefit from tax loss carryforwards ("NOLs") for a consolidated total of \$1,402 that expire from 2015 through 2019. The Company believes it is more likely than not that the Company's subsidiaries NOLs and TOMPI credit, with exception of \$9 of NOLs and \$404 of TOMPI credit, will be utilized through the turnaround of existing temporary differences, future taxable income, tax strategies or a combination thereof.

At December 31, 2014, the Brazilian subsidiaries had benefit from NOLs for a consolidated total of \$835 that do not expire but the usage is limited to 30% of the taxable income in any year. The Company believes it is more likely than not that the Company's subsidiaries NOLs, with exception of \$466, will be utilized through the turnaround of existing temporary differences, future taxable income, tax strategies or a combination thereof.

As of December 31, 2014, the valuation allowance for deferred tax assets decreased from \$4,869 in 2013 to \$2,525 in 2014, principally related to the merger of two of our subsidiaries in Argentina.

The components of net deferred income tax liabilities included on the balance sheets were as follows:

## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	At December 31,	
	2014	2013
Deferred income tax assets		
Other, deferred income tax current assets	\$460	\$164
NOLs	2,237	2,974
TOMPI credit	3,556	4,688
Other	2,796	3,194
Total deferred income tax noncurrent assets	8,589	10,856
Valuation allowance of deferred income tax assets	(2,525 )	(4,869 )
Net deferred income tax noncurrent assets	6,064	5,987
Deferred income tax liabilities		
Vessels and equipment, net	13,317	14,196
Intangible assets	153	213
Unrealized exchange differences	750	920
Other	117	160
Total deferred income tax noncurrent liabilities	14,337	15,489
Net deferred income tax liabilities	\$(7,813 )	\$(9,338 )

As of January 1, 2014 and 2013, and for the years ended December 31, 2014 and 2013, the Company did not have any unrecognized tax positions. In addition, the Company does not expect to hold unrecognized tax positions within the next twelve months. For the years ended December 31, 2014 and 2013, the Company has no accrued interest and penalties related to unrecognized tax positions.

## 10. RELATED PARTY TRANSACTIONS

At December 31, 2014 and 2013, the balances of current receivables from related parties were \$467 and \$52, and balances of current payable to related parties were \$1,636 and \$1,351, respectively.

At December 31, 2014 and 2013 the balances of noncurrent receivables from related parties corresponds to temporary working capital advances to OTS S.A. The advances have no maturity date and are non- interest bearing.

## Voyage expenses paid to related parties

For the years ended December 31, 2014, 2013 and 2012, the voyage expenses paid to related parties were as follows:

	For the years ended		
	December 31,	2013	2012
	2014		
Commercial commissions (1)	\$-	\$476	\$1,064
Agency fees (2)	1,917	2,033	1,689
Total	\$1,917	\$2,509	\$2,753

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Commercial commissions

Pursuant to a commercial agreement signed between UP Offshore (Bahamas) Ltd. (our subsidiary in the Offshore Supply Business) and Firmapar Corp. (formerly Comintra), a former minority shareholder of this, the parties agreed that Firmapar Corp. charges a 2% of the gross time charters revenues from Brazilian charters collected by UP Offshore (Bahamas) Ltd. on a consolidated basis. This agreement began on June 25, 2003 and ended on July 5, 2013, concurrently with the acquisition from Firmapar Corp. of its 5.55% interest in UP Offshore (Bahamas) Ltd.

(2) Agency fees

Pursuant to a commercial and an agency agreement with Ultrapetrol S.A., UABL S.A. and Ravenscroft, Shipping Services Argentina S.A. (formerly I. Shipping Service S.A.) and Navalia S.A. the latter companies under the same control group as Inversiones Los Avellanos S.A., a shareholder, have agreed to perform the duties of port agent for us in Argentina. Since September 3, 2014 Inversiones Los Avellanos S.A. is not further shareholder of the Company.

Operations in OTS S.A.'s terminal

UABL Paraguay, our subsidiary in the River Business, operates the terminal that pertains to OTS S.A., a 50% owned company.

For the years ended December 31, 2014, 2013 and 2012, UABL Paraguay S.A. paid to OTS S.A. \$1,319, \$1,940 and \$495, respectively, for this operation.

## 11. SHARE CAPITAL

### Common shares and shareholders

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

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

At December 31, 2014, the outstanding common shares are 140,729,487 par value \$0.01 per share and all the shares of the Company have one vote.

At December 31, 2014, our shareholders Sparrow and Sparrow CI Sub Ltd. (a wholly owned subsidiary of Sparrow), hold 103,206,821 and 16,060,000 shares, respectively, which represent 73.34% and 11.41% of the outstanding shares, respectively. The joint voting power for these shares represents 84.75% of the total voting power.

2008 Share repurchase program

Ultrapetrol's Board of Directors has approved a share repurchase program, effective March 17, 2008, for up to a total of \$50,000 of the Company's common stock through December 31, 2008.

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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The expiration date of the share repurchase program was extended by the Board of Directors until September 30, 2009, when it finally expired.

At December 31, 2014 the Company had repurchased a total of 3,923,094 common shares, at a total cost of \$19,488.

## Registration rights agreements

On December 12, 2012, the Company entered into a new registration rights agreement with Sparrow, Sparrow CI Sub Ltd., Los Avellanos and Hazels, pursuant to which the Company has granted them and certain of their transferees, the right, under certain circumstances and subject to certain restrictions, including any applicable lock-up agreements then in place, to require the Company to register under the Securities Act shares of the Company's common stock held by them. Under the registration rights agreement, these persons will have the right to request the Company to register the sale of shares held by them on their behalf and may also require the Company to make available shelf registration statements permitting sales of shares into the market from time to time over an extended period. In addition, these persons will have the ability to exercise certain piggyback registration rights in connection with registered offerings requested by shareholders or initiated by the Company.

On September 3, 2014, the Company entered into an amended and restated registration rights agreement, which amended and restated the registration rights agreement signed on December 12, 2012 between Sparrow, Sparrow CI Sub Ltd., Los Avellanos and Hazels to remove the latter two as parties thereto.

## 12. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Interest and income taxes paid for the years ended December 31, were as follows:

	For the years ended December 31,		
	2014	2013	2012
Interest paid	\$28,729	\$30,343	\$30,131
Income taxes paid	213	1,214	1,014

## 13. BUSINESS AND GEOGRAPHIC SEGMENT INFORMATION

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

**River Business:** In our River Business, we own and operate several dry and tanker barges, and push boats. The dry barges transport basically agricultural and forestry products, iron ore and other cargoes, while the tanker barges carry petroleum products, vegetable oils and other liquids. We operate our pushboats and barges on the navigable waters of Parana, Paraguay and Uruguay Rivers and part of the River Plate in South America, also known as the Hidrovia region. In addition, we use one barge, our Parana Iron (former Parana Petrol) as an iron ore floating transshipment

and storage station. River Business transportation services contributed 44%, 44% and 42% of consolidated operating revenues for the years ended December 31, 2014, 2013 and 2012, respectively. The Company also has a shipyard that should promote organic growth and from time to time make external sales. Third party shipyard sales contributed 4%, 16% and 10% of consolidated operating revenues for the years ended December 31, 2014, 2013 and 2012, respectively.

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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Offshore Supply Business:** We operate our Offshore Supply Business, using PSVs owned by UP Offshore (Bahamas), which are designed to transport supplies such as containerized equipment, drill casing, pipes and heavy loads on deck, along with fuel, water, drilling fluids and bulk cement in under deck tanks and a variety of other supplies to drilling rigs and platforms. Our Offshore Supply Business fleet consists of fourteen PSVs in operation which eleven of them are chartered under medium term contracts with Petroleo Brasileiro SA (Petrobras) in Brazil, another one that will enter into operation during the second half of 2015 and two in the North Sea. Offshore Supply Business transportation services contributed 33%, 23% and 25% of consolidated operating revenues for the years ended December 31, 2014, 2013 and 2012, respectively.

**Ocean Business:** In our Ocean Business, we operate six oceangoing vessels: four product tankers (one of which is on lease to us), and two container feeder vessels under a container line service in Argentina cabotage trade, which transport mostly foreign containers from the transshipment port of Buenos Aires, Argentina and Montevideo, Uruguay to the southern region of Patagonia in Argentina. Our Handy size/small product tanker vessels transport liquid bulk goods such as petroleum and petroleum derivatives on major trade routes around the globe. Ocean Business transportation services contributed 19%, 17%, and 23% of consolidated operating revenues for the years ended December 31, 2014, 2013 and 2012, respectively.

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

	For the years ended December 31,		
	2014	2013	2012
Revenues (1)			
– South America	\$ 308,632	\$ 338,115	\$ 238,572
– Europe	43,574	13,934	28,320
– Central America	1,875	50,405	35,333
– North America	2,630	1,553	7,438
– Asia	6,964	7,210	3,506
	\$ 363,675	\$ 411,217	\$ 313,169

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

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

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

	At December 31,	
	2014	2013
Vessels and equipment, net		
– South America	\$ 648,147	\$ 589,736



- Europe	64,971	24,376
- Asia (1)	-	96,994
- Other	4,287	4,325
	\$717,405	\$715,431

(1) At December 31, 2013 corresponds to our three PSVs newbuilt resales, which were in a yard in China for certain upgrade works.

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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2014, 2013 and 2012 85%, 82% and 76% of the Company's revenues, respectively, are concentrated in South America and at December 31, 2014 and 2013, 90% and 82% of the Company's vessels and equipment, respectively, are located in South America.

For the year ended December 31, 2014 revenues from charterers/customers domiciled in Argentina, Brazil, Uruguay and Paraguay represented 21%, 29%, 5% and 25%, of the Company's consolidated revenues, respectively.

For the year ended December 31, 2013 revenues from charterers/customers domiciled in Argentina, Brazil, Uruguay and Paraguay represented 19%, 25%, 6% and 27%, of the Company's consolidated revenues, respectively.

For the year ended December 31, 2012 revenues from charterers/customers domiciled in Argentina, Brazil, Uruguay and Paraguay represented 28%, 29%, 4% and 12%, of the Company's consolidated revenues, respectively.

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

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

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

The following schedule presents segment information about the Company's operations for the year ended December 31, 2014:

	River Business	Offshore Supply Business	Ocean Business (1)	Total
Transportation revenues	\$ 159,089	\$ 119,581	\$ 68,984	\$ 347,654
Manufacturing revenues	16,021	-	-	16,021
Running and voyage expenses	141,748	59,197	56,187	257,132
Manufacturing cost	10,470	-	-	10,470
Depreciation and amortization	28,918	17,118	7,381	53,417
Segment operating (loss) profit	(30,045 )	28,979	(12,273 )	(13,339 )
Segment assets	493,926	323,056	31,266	848,248
Investments in and receivables from affiliates	3,720	-	186	3,906
Loss from investment in affiliates	(1,023 )	-	(33 )	(1,056 )
Additions to long-lived assets	51,533	4,610	3,091	59,234

(1)Includes an impairment charge for our product tankers Miranda I and Alejandrina totaling \$10,511.

## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following schedule presents segment information about the Company's operations for the year ended December 31, 2013:

	River Business	Offshore Supply Business	Ocean Business	Total
Transportation revenues	\$ 181,223	\$ 93,154	\$ 71,265	\$ 345,642
Manufacturing revenues	65,575	-	-	65,575
Running and voyage expenses	146,146	45,497	60,173	251,816
Manufacturing cost	45,662	-	-	45,662
Depreciation and amortization	23,977	11,676	6,882	42,535
Segment operating (loss) profit	10,616	29,055	(4,505 )	35,166
Segment assets	446,539	363,575	81,556	891,670
Investments in and receivables from affiliates	4,216	-	220	4,436
Loss from investment in affiliates	(490 )	-	(30 )	(520 )
Additions to long-lived assets	9,309	104,332	8,974	122,615

The following schedule presents segment information about the Company's operations for the year ended December 31, 2012:

	River Business	Offshore Supply Business	Ocean Business	Total
Transportation revenues	\$ 132,972	\$ 76,661	\$ 73,229	\$ 282,862
Manufacturing revenues	30,307	-	-	30,307
Running and voyage expenses	130,179	43,405	62,369	235,953
Manufacturing cost	18,474	-	-	18,474
Depreciation and amortization	21,996	10,938	10,918	43,852
Segment operating (loss) profit	(18,963 )	17,615	(23,771 )(1)	(25,119 )
Segment assets	387,484	263,315	123,033	773,832
Investments in and receivables from affiliates	4,032	-	250	4,282
Loss from investment in affiliates	(1,168 )	-	(7 )	(1,175 )
Additions to long-lived assets	24,634	13,405	1,977	40,016

(1) Includes an impairment charge for our product tanker M/V Amadeo of \$16,000.

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

At December 31,  
2014      2013

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Total assets for reportable segments	\$848,248	\$891,670
Other assets	13,831	15,716
Corporate cash and cash equivalents	34,982	72,625
Consolidated total assets	\$897,061	\$980,011

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Major customer

For the year ended December 31, 2014 revenues from Petrobras Group, a customer of Ultrapetrol River, Ocean and Offshore Supply Business represented \$118,600 or 33% (\$105,000 or 29% from Petroleo Brasileiro SA) of the Company's consolidated revenues and revenues from one customer of Ultrapetrol River Business represented \$40,800 or 11% of the Company's consolidated revenues.

For the year ended December 31, 2013 revenues from Petrobras Group, a customer of Ultrapetrol River, Ocean and Offshore Supply Business represented \$100,400 or 24% of the Company consolidated revenues, revenues from one customer of Ultrapetrol River business represented \$64,400 or 16% of the Company's consolidated revenues and revenues from other customer of Ultrapetrol River business represented \$55,600 or 14% (\$48,300 or 12% for sale of river barges) of the Company's consolidated revenues.

For the year ended December 31, 2012 revenues from Petrobras Group, a customer of Ultrapetrol River, Ocean and Offshore Supply Business represented \$92,000 or 29% of the Company's consolidated revenues and revenues from one customer of Ultrapetrol River Business represented \$49,600 or 16% of the Company's consolidated revenues.

The loss of any of these significant customers could have a material adverse effect on the Company's results of operations if there were not replaced by other customers.

14. STOCK COMPENSATION

We have adopted the 2006 Stock Incentive Plan, or the 2006 Plan, dated July 20, 2006 which entitles certain of our officers, key employees and directors to receive restricted stock, stock appreciation rights, stock options, dividend equivalent rights, unrestricted stock, restricted stock units or performance shares.

Under the 2006 Plan, a total of 5,000,000 shares of common stock have been reserved for issuance. The 2006 Plan is administered by our Board of Directors. Under the terms of the 2006 Plan, our Board of Directors is able to grant new options exercisable at a price per share to be determined by our Board of Directors. Under the terms of the 2006 Plan, no options would be able to be exercised until at least one year after the closing of our IPO (October 18, 2006). Any shares received on exercise of the options would not be able to be sold until one year after the date of the stock option grant. All options will expire ten years from the date of grant. The 2006 Plan expires ten years from the closing of our IPO.

Chief executive officer

On November 10, 2014 we entered into a consulting agreement with a company controlled by our chief executive officer. Under this consulting agreement the Company granted on November 10, 2014 to this company, stock options to purchase a total of 1,600,000 shares of common stock at an exercise price of \$2.73 per share. These stock options will be vested on a ratable basis over a period of three years on each anniversary following the grant date. The options shall be non-transferable. The term of the options shall be for a period of ten years following the date of grant.

Chief financial officer

On April 29, 2013 we entered into a consulting agreement with a company controlled by our chief financial officer. Under this consulting agreement the Company granted on April 29, 2013 to this company, stock options to purchase a total of 814,433 shares of common stock at an exercise price of \$2.40 per share. These stock options will be vested on a ratable basis over a period of three years on each anniversary following the grant date. The options shall be non-transferable. The term of the options shall be for a period of ten years following the date of grant.

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Vice president international finance

On July 20, 2006 we entered into a separate consulting agreement that became effective upon completion of our IPO (October 18, 2006) with a company controlled by our former chief financial officer (currently our vice president international finance) for work he performs for us in various different jurisdictions. On October 29, 2009 the consulting agreement was renewed for a three-year period and on October 29, 2012 it was further renewed for another three-year period.

-Restricted common stock awards

In connection with the 2012 consulting agreement the Company awarded a total of 19,375 shares of restricted stock at no cost to the company mentioned above. These shares are non-transferable until they vest, which occurs on the third anniversary date of the grant date (October 29, 2015), subject to earlier forfeiture upon termination of the consultant's appointment with the Company. During the vesting period, the shares have voting rights and cash dividends will be paid if declared. The fair market value of the Company's share on the grant date was \$1.43.

-Stock options awards

Additionally and in connection with the 2012 consulting agreement, on October 29, 2012 the Company awarded to the company mentioned in the paragraph above options to purchase a total of 19,375 shares of common stock of the Company, which will be granted over three years in equal annual installments and cliff vest in one year. The options shall be granted with an exercise price equal to the fair market value of a share of common stock of the Company on the applicable date on which the option is granted. The options shall be non-transferable. The term of the options shall be for a period of ten years following the date of grant.

In relation with the 2006 consulting agreements, on October 18, 2006, the Company awarded to the company controlled by our former chief financial officer (actually our vice president, international finance), stock options to purchase a total of 38,750 shares of common stock at an exercise price of \$11.00 per share. These stock options are fully vested. The options shall be non-transferable. The term of the options shall be for a period of ten years following the date of grant.

Former chief executive officer and former executive vice president

On July 20, 2006 we entered into separate consulting agreements that became effective upon completion of our IPO (October 18, 2006) with companies controlled by our former chief executive officer, and our former executive vice president, for work they perform for us in various different jurisdictions. On October 29, 2009 the consulting agreements were renewed for a three-year period. On October 29, 2012 the consulting agreements were further renewed for another three-year period.

On September 3, 2014 in relation with the share purchase agreement mentioned in Note 1, the Company terminated without cause the consulting agreements mentioned above and the employment agreements entered into with our former chief executive officer and our former executive vice president.

Severance and termination cash payments for the termination of the employment and consulting agreements for our former chief executive officer and our former executive vice president was \$5,659 which were included in

Administrative and commercial expenses in the accompanying consolidated statement of operations for the year ended December 31, 2014.

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

-Restricted common stock awards

In connection with the 2012 consulting agreements the Company granted an award of 155,000 restricted common stocks at no cost of each of these companies with an aggregate value of \$222 on the date of grant for each company. These shares are non-transferable until they vest, which occurs on the third anniversary date of the grant date (October 29, 2015).

On September 3, 2014, the vesting of unvested restricted stock awards were accelerated upon the termination without cause of the consulting agreements.

-Stock options awards

In connection with the 2012 consulting agreement, on October 29, 2012 the Company awarded to the two companies mentioned above options to purchase a total of 155,000 shares of common stock of the Company to each of these companies which would be granted over three years in equal annual installments. The options shall be granted with an exercise price equal to the fair market value of a share of common stock of the Company on the applicable date on which the option is granted.

The exercise price of the Company stock of the first, second and third installment of the stock option award was \$1.52, \$3.66 and \$3.31, respectively.

On September 3, 2014, the vesting of unvested stock options awards were accelerated upon the termination without cause of the consulting agreements.

During the year ended December 31, 2014, the aggregate intrinsic value of exercised stock options was \$877.

In relation with the 2006 consulting agreements, on October 18, 2006, the Company awarded to the two companies mentioned above stock options to purchase a total of 310,000 shares of common stock of the Company at an exercise price of \$11.00 per share. These stock options were fully vested and forfeited during the year ended December 31, 2014.

Non-employee director

On November 29, 2010, 12,689 shares were granted to a non-employee director. These shares were vested 6,852 in 2011 and 5,837 in 2012. The fair market value of each share on the grant date was \$6.83.

On December 5, 2009 the Company granted a total of 97,164 shares of restricted common stock at no cost to its non-employee directors. These shares were vested 25,640 in 2010, 23,046 in 2011 and 16,194 in 2012 and 39,136 were fully forfeited in 2010 since the resignation of two non-employee directors. The fair market value of each share on the grant date was \$4.92.

Activity with respect to restricted common stock is summarized as follows:

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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	For the years ended December 31,		
	2014	2013	2012
Nonvested shares outstanding at January 1	329,375	329,375	680,781
Granted	-	-	329,375
Vested	(310,000)	-	(524,312)
Forfeited	-	-	(156,469)
Nonvested shares outstanding at December 31	19,375	329,375	329,375

The fair value of stock options granted is estimated on the date of grant using the Black-Scholes-Merton option-pricing model. Expected volatility is based on historical volatility of the Company's stock. The expected term represents the period of time the stock options are expected to be outstanding and is based on the "simplified method". The Company used the "simplified method" due to the lack of sufficient historical exercise data to provide a reasonable basis upon which to otherwise estimate the expected life of the stock options. The risk-free interest rate is based on yields on U.S. Treasury STRIPS with a maturity similar to the estimated expected term of the stock options.

The weighted average assumptions for stock options granted during the years ended December 31, were as follows:

	For the years ended December 31,		
	2014	2013	2012
Dividend yield	— %	— %	— %
Risk-free interest rate	1.65 %	0.75 %	0.76 %
Expected term (in years)	6.00	5.90	5.50
Expected volatility	69 %	80 %	82 %

Based on the above assumptions, the weighted-average grant date fair value of stock options granted during the years ended December 31, 2014, 2013 and 2012 was \$1.83, \$1.68 and \$0.96, respectively.

Activity and related information with respect to the Company's stock options is summarized as follows:

	For the years ended December 31,					
	2014		2013		2012	
	Shares	Exercise price	Shares	Exercise price	Shares	Exercise price
Under option at January 1	1,382,767	\$ 4.58	458,542	\$ 8.71	348,750	\$ 11.00
Options granted	1,709,791	2.77	924,225	2.54	109,792	1.43
Options exercised	(310,000 )	2.83	-	-	-	-
Options forfeited or expired	(310,000 )	11.00	-	-	-	-

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Under option at December 31	2,472,558	\$ 2.75	1,382,767	\$ 4.58	458,542	\$ 8.71
Options exercisable at December 31	323,144	\$ 3.44	458,542	\$ 8.71	348,750	11.00

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ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The aggregate intrinsic value of all options outstanding represents the total intrinsic value (the difference between the fair value of the Company's stock on the last day of each year and the exercise price, multiplied by the number of options where the exercise price exceeds the fair value) that would have been received by the option holders had all option holders exercised their options as of year-end.

At December 31, 2014 the aggregate intrinsic value of all outstanding options and all vested exercisable options outstanding was \$9.

Total stock based compensation expenses was \$1,073, \$575 and \$530, respectively for the years ended December 31, 2014, 2013 and 2012 and is recorded in the same line items used for cash compensation. The unrecognized compensation cost at December 31, 2014 was \$3,354 which is expected to be recognized \$1,402 in 2015, \$1,114 in 2016 and \$838 in 2017.

15. SUPPLEMENTAL GUARANTOR INFORMATION

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

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

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

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

## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SUPPLEMENTAL  
CONDENSED CONSOLIDATING BALANCE SHEET

AT DECEMBER 31, 2014

(stated in thousands of U.S. dollars)

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

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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SUPPLEMENTAL  
CONDENSED CONSOLIDATING BALANCE SHEET

AT DECEMBER 31, 2013

(stated in thousands of U.S. dollars)

	Parent	Combined subsidiary guarantors	Combined subsidiary non guarantors	Consolidating adjustments	Total consolidated amounts
<b>Current assets</b>					
Receivables from related parties	\$423,536	\$ 45,715	\$ 81,996	\$ (551,195)	) \$ 52
Other current assets	21,016	68,998	105,638	-	195,652
Total current assets	444,552	114,713	187,634	(551,195)	) 195,704
<b>Noncurrent assets</b>					
Vessels and equipment, net	-	265,577	450,682	(828)	) 715,431
Investment in affiliates	180,616	-	220	(180,616)	) 220
Other noncurrent assets	8,974	30,552	29,130	-	68,656
Total noncurrent assets	189,590	296,129	480,032	(181,444)	) 784,307
Total assets	\$634,142	\$ 410,842	\$ 667,666	\$ (732,639)	) \$ 980,011
<b>Current liabilities</b>					
Payable to related parties	\$-	\$ 188,021	\$ 364,525	\$ (551,195)	) \$ 1,351
Current portion of long-term financial debt	-	6,420	25,833	-	32,253
Other current liabilities	2,511	53,383	1,890	-	57,784
Total current liabilities	2,511	247,824	392,248	(551,195)	) 91,388
<b>Noncurrent liabilities</b>					
Due to affiliates	\$-	\$-	\$-	\$-	\$-
Long-term financial debt	226,070	48,682	191,392	-	466,144
Other noncurrent liabilities	-	267	16,651	-	16,918
Total noncurrent liabilities	226,070	48,949	208,043	-	483,062
Total liabilities	228,581	296,773	600,291	(551,195)	) 574,450
Total equity	405,561	114,069	67,375	(181,444)	) 405,561
Total liabilities and equity	\$634,142	\$ 410,842	\$ 667,666	\$ (732,639)	) \$ 980,011

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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SUPPLEMENTAL

## CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2014

(stated in thousands of U.S. dollars)

	Parent	Combined subsidiary guarantors	Combined subsidiary non guarantors	Consolidating adjustments	Total consolidated amounts
Revenues	\$-	\$ 205,759	\$ 215,259	\$ (57,343 )	\$ 363,675
Operating expenses	(12,847)	(257,048 )	(164,520 )	57,401	(377,014 )
Operating (loss) profit	(12,847)	(51,289 )	50,739	58	(13,339 )
Investment in affiliates	(38,342)	-	(1,056 )	38,342	(1,056 )
Other income (expenses)	(1,087 )	(14,688 )	(17,041 )	-	(32,816 )
(Loss) income before income tax	(52,276)	(65,977 )	32,642	38,400	(47,211 )
Income tax benefit (expense)	-	(810 )	(4,255 )	-	(5,065 )
Net (loss) income	(52,276)	(66,787 )	28,387	38,400	(52,276 )
Net income attributable to noncontrolling interest	-	-	-	-	-
Net (loss) income attributable to Ultrapetrol (Bahamas) Limited	\$(52,276)	\$(66,787 )	\$ 28,387	\$ 38,400	\$(52,276 )
Comprehensive income (loss)	\$(51,789)	\$(66,787 )	\$ 28,874	\$ 37,913	\$(51,789 )
Comprehensive income attributable to noncontrolling interest	-	-	-	-	-
Comprehensive income (loss) attributable to Ultrapetrol (Bahamas) Limited	\$(51,789)	\$(66,787 )	\$ 28,874	\$ 37,913	\$(51,789 )



## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SUPPLEMENTAL

## CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2013

(stated in thousands of U.S. dollars)

	Parent	Combined subsidiary guarantors	Combined subsidiary non guarantors	Consolidating adjustments	Total consolidated amounts	
Revenues	\$-	\$294,261	\$159,120	\$ (42,164 )	\$ 411,217	
Operating expenses	(7,459 )	(287,214 )	(123,600 )	42,222	(376,051 )	
Operating (loss) profit	(7,459 )	7,047	35,520	58	35,166	
Investment in affiliates	21,051	-	(520 )	(21,051 )	(520 )	
Other income (expenses)	(6,224 )	(6,816 )	(7,088 )	-	(20,128 )	
(Loss) income before income tax	7,368	231	27,912	(20,993 )	14,518	
Income tax benefit (expense)	-	(4,098 )	(2,499 )	-	(6,597 )	
Net (loss) income	7,368	(3,867 )	25,413	(20,993 )	7,921	
Net income attributable to noncontrolling interest	-	-	-	553	553	
Net (loss) income attributable to Ultrapetrol (Bahamas) Limited	\$7,368	\$(3,867 )	\$25,413	\$ (21,546 )	\$ 7,368	
Comprehensive (loss) income		\$8,150	\$(3,867)	\$26,195	\$(21,741)	\$8,737
Comprehensive income attributable to noncontrolling interest		-	-	-	587	587
Comprehensive (loss) income attributable to Ultrapetrol (Bahamas) Limited		\$8,150	\$(3,867)	\$26,195	\$(22,328)	\$8,150

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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SUPPLEMENTAL

## CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2012

(stated in thousands of U.S. dollars)

	Parent	Combined subsidiary guarantors	Combined subsidiary non guarantors	Consolidating adjustments	Total consolidated amounts	
Revenues	\$-	\$ 207,429	\$ 140,530	\$ (34,790 )	\$ 313,169	
Operating expenses	(7,548 )	(226,864 )	(138,608 )	34,732	(338,288 )	
Operating (loss) profit	(7,548 )	(19,435 )	1,922	(58 )	(25,119 )	
Investment in affiliates	(49,470)	-	(1,175 )	49,470	(1,175 )	
Other income (expenses)	(6,639 )	(24,859 )	(7,941 )	-	(39,439 )	
(Loss) income before income tax	(63,657)	(44,294 )	(7,194 )	49,412	(65,733 )	
Income tax benefit (expense)	-	3,044	(75 )	-	2,969	
Net (loss) income	(63,657)	(41,250 )	(7,269 )	49,412	(62,764 )	
Net income attributable to noncontrolling interest	-	-	-	893	893	
Net (loss) income attributable to Ultrapetrol (Bahamas) Limited	\$(63,657)	\$(41,250 )	\$(7,269 )	\$ 48,519	\$(63,657 )	
Comprehensive (loss) income		\$(64,198)	\$(41,250)	\$(7,810)	\$49,934	\$(63,324)
Comprehensive income attributable to noncontrolling interest		-	-	-	874	874
Comprehensive (loss) income attributable to Ultrapetrol (Bahamas) Limited		\$(64,198)	\$(41,250)	\$(7,810)	\$49,060	\$(64,198)

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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SUPPLEMENTAL

## CONDENSED CONSOLIDATING STATEMENT OF CASH FLOW

FOR THE YEAR ENDED DECEMBER 31, 2014

(stated in thousands of U.S. dollars)

	Parent	Combined subsidiary guarantors	Combined subsidiary non guarantors	Consolidating adjustments	Total consolidated amounts
Net cash (used in) provided by operating activities	\$(9,144 )	\$(24,147 )	\$ 68,545	\$ -	\$ 35,254
Intercompany sources	(12,369)	77,888	(65,519 )	-	-
Non-subsidiary sources	-	(51,050 )	9,405	-	(41,645 )
Net cash (used in) provided by investing activities	(12,369)	26,838	(56,114 )	-	(41,645 )
Intercompany sources	-	-	-	-	-
Non-subsidiary sources	877	(6,370 )	(25,759 )	-	(31,252 )
Net cash (used in) provided by financing activities	877	(6,370 )	(25,759 )	-	(31,252 )
Net (decrease) increase in cash and cash equivalents	\$(20,636)	\$(3,679 )	\$(13,328 )	\$ -	\$ (37,643 )

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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SUPPLEMENTAL

## CONDENSED CONSOLIDATING STATEMENT OF CASH FLOW

FOR THE YEAR ENDED DECEMBER 31, 2013

(stated in thousands of U.S. dollars)

	Parent	Combined subsidiary guarantors	Combined subsidiary non guarantors	Consolidating adjustments	Total consolidated amounts
Net cash (used in) provided by operating activities	\$(10,370 )	\$ 18,283	\$ 11,934	\$ -	\$ 19,847
Intercompany sources	(116,193)	40,060	109,070	(32,937 )	-
Non-subsidiary sources	-	(12,848 )	(107,878 )	-	(120,726 )
Net cash (used in) provided by investing activities	(116,193)	27,212	1,192	(32,937 )	(120,726 )
Intercompany sources	-	(32,937 )	-	32,937	-
Non-subsidiary sources	(53,596 )	(16,434 )	21,319	-	(48,711 )
Net cash (used in) provided by financing activities	(53,596 )	(49,371 )	21,319	32,937	(48,711 )
Net (decrease) increase in cash and cash equivalents	\$(180,159)	\$(3,876 )	\$ 34,445	\$ -	\$(149,590 )

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## ULTRAPETROL (BAHAMAS) LIMITED AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SUPPLEMENTAL

## CONDENSED CONSOLIDATING STATEMENT OF CASH FLOW

FOR THE YEAR ENDED DECEMBER 31, 2012

(stated in thousands of U.S. dollars)

	Parent	Combined subsidiary guarantors	Combined subsidiary non guarantors	Consolidating adjustments	Total consolidated amounts
Net cash (used in) provided by operating activities	\$(11,232 )	\$ (24,555 )	\$ 31,852	\$ -	\$ (3,935 )
Intercompany sources	(10,019 )	43,839	(16,697 )	(17,123 )	-
Non-subsidiary sources	-	(15,507 )	(17,006 )	-	(32,513 )
Net cash (used in) provided by investing activities	(10,019 )	28,332	(33,703 )	(17,123 )	(32,513 )
Intercompany sources	-	(17,123 )	-	17,123	-
Non-subsidiary sources	219,122	4,747	698	-	224,567
Net cash (used in) provided by financing activities	219,122	(12,376 )	698	17,123	224,567
Net increase (decrease) in cash and cash equivalents	\$197,871	\$ (8,599 )	\$ (1,153 )	\$ -	\$ 188,119

SCHEDULE I: CONDENSED FINANCIAL INFORMATION OF ULTRAPETROL  
(BAHAMAS) LIMITED (PARENT COMPANY ONLY)

BALANCE SHEETS AT DECEMBER 31, 2014 AND 2013  
(Stated in thousands of U.S. dollars, except par value and share amounts)

	At December 31,	
	2014	2013
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$380	\$21,016
Receivables from related parties	435,905	423,536
Other current assets	266	-
Total current assets	436,551	444,552
<b>NONCURRENT ASSETS</b>		
Investments in affiliates	142,761	180,616
Other noncurrent assets	7,449	8,974
Total noncurrent assets	150,210	189,590
Total assets	\$586,761	\$634,142
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Other current liabilities	\$5,079	\$2,511
Total current liabilities	5,079	2,511
<b>NONCURRENT LIABILITIES</b>		
2021 Senior Notes	225,960	226,070
Total noncurrent liabilities	225,960	226,070
Total liabilities	231,039	228,581
<b>STOCKHOLDERS EQUITY</b>		
Common stock, \$0.01 par value: 250,000,000 authorized shares; 140,729,487 and 140,419,487 shares outstanding in 2014 and 2013, respectively	1,446	1,443
Additional paid-in capital	490,469	488,522
Treasury stock: 3,923,094 shares at cost	(19,488 )	(19,488 )
Accumulated deficit	(115,384)	(63,108 )

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Accumulated other comprehensive loss	(1,321 )	(1,808 )
Total stockholders' equity	355,722	405,561
Total liabilities and stockholders' equity	\$586,761	\$634,142

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SCHEDULE I: CONDENSED FINANCIAL INFORMATION OF ULTRAPETROL  
(BAHAMAS) LIMITED (PARENT COMPANY ONLY)

## STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

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

	For the years ended December 31,		
	2014	2013	2012
<b>OPERATING EXPENSES</b>			
Administrative and commercial expenses	\$(12,847 )	\$(7,459 )	\$(7,548 )
Operating loss	(12,847 )	(7,459 )	(7,548 )
<b>OTHER INCOME (EXPENSES)</b>			
Financial expense	(920 )	(1,916 )	(8,323 )
Financial loss on extinguishment of debt	-	(4,554 )	-
Investments in affiliates	(38,342 )	21,051	(49,470 )
Other, net	(167 )	246	1,684
Total other income (expenses), net	(39,429 )	14,827	(56,109 )
(Loss) Income before income tax	(52,276 )	7,368	(63,657 )
Income tax	-	-	-
Net (loss) income	\$(52,276 )	\$7,368	\$(63,657 )
<b>(LOSS) INCOME PER SHARE - BASIC AND DILUTED</b>	<b>\$(0,37 )</b>	<b>\$0,05</b>	<b>\$(1,80 )</b>
Basic weighted average number of shares	140,292,249	140,090,112	35,382,913
Diluted weighted average number of shares	140,292,249	140,326,764	35,382,913

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SCHEDULE I: CONDENSED FINANCIAL INFORMATION OF ULTRAPETROL  
(BAHAMAS) LIMITED (PARENT COMPANY ONLY)

STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

(Stated in thousands of U.S. dollars)

	For the years ended December 31,		
	2014	2013	2012
Net (loss) income	\$(52,276)	\$7,368	\$(63,657)
Other comprehensive income (loss):			
Equity interest in investee's other comprehensive income (loss)	487	782	(541 )
Comprehensive (loss) income, net of income tax effect of \$0	\$(51,789)	\$8,150	\$(64,198)

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SCHEDULE I: CONDENSED FINANCIAL INFORMATION OF ULTRAPETROL  
(BAHAMAS) LIMITED (PARENT COMPANY ONLY)

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

(Stated in thousands of U.S. dollars)

	For the years ended December		
	31,		
	2014	2013	2012
Net cash (used in) operating activities	\$(9,144 )	\$(10,370 )	\$(11,232 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
(Increase) decrease in loans to related parties	(12,369)	(116,193)	(10,019)
Net cash (used in) investing activities	(12,369)	(116,193)	(10,019)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Prepayment of 2017 Senior Convertible Notes	-	(80,000 )	-
Prepayment of 2014 Senior Notes	-	(180,000)	-
Proceeds from issuance of 2021 Senior Notes, net of issuance costs	-	216,654	-
Proceeds from issuance of common stock, net of expenses	877	-	219,122
Purchase of subsidiary shares from noncontrolling interest	-	(10,250 )	-
Net cash (used in) provided by financing activities	877	(53,596 )	219,122
Net (decrease) increase in cash and cash equivalents	(20,636)	(180,159)	197,871
Cash and cash equivalents at the beginning of year	21,016	201,175	3,304
Cash and cash equivalents at the end of year	380	\$21,016	\$201,175
Supplemental disclosure of cash flow information:			
Interest paid	\$19,969	\$22,815	\$22,000
Income taxes paid	-	-	-

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SCHEDULE I: CONDENSED FINANCIAL INFORMATION OF ULTRAPETROL  
(BAHAMAS) LIMITED (PARENT COMPANY ONLY)

In the condensed financial information of the Parent Company, the Parent Company's investment in subsidiaries is stated at cost plus equity in undistributed earnings of subsidiaries. The Parent Company, during the years ended December 31, 2014, 2013 and 2012, did not receive cash dividends from its subsidiaries.

On June 10 and October 2, 2013 the Parent Company issued \$200,000 and \$25,000, respectively of its 2021 Senior Notes, which are due on June 15, 2021.

On July 10, 2013, the Parent Company repaid \$180,000 plus accrued interest to that date of its 2014 Senior Notes, and during the year ended December 31, 2013 the Parent Company recorded a financial loss on extinguishment of debt of \$1,733, which was included in the accompanying statement of operations.

On January 23, 2013, the Parent Company repaid \$80,000 of its 2017 Senior Convertible Notes and during the year ended December 31, 2013, the Parent Company recorded a financial loss on extinguishment of debt of \$2,821 which was included in the accompanying statement of operations.

See Note 5 "Long-term financial debt" to the consolidated financial statements for further information.

The condensed financial information of the Parent Company should be read in conjunction with the Company's consolidated financial statements.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of  
ULTRAPETROL (BAHAMAS) LIMITED

We have audited the accompanying consolidated balance sheets of Ultrapetrol (Bahamas) Limited and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive (loss) income, changes in equity and cash flows for each of the three years in the period ended December 31, 2014. Our audits also included the financial statement schedule listed in the index at Item 18.1. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ultrapetrol (Bahamas) Limited and subsidiaries at December 31, 2014 and 2013, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States of America), Ultrapetrol (Bahamas) Limited's internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated April 16, 2015 expressed an unqualified opinion thereon.

Buenos Aires, Argentina /S/ PISTRELLI, HENRY MARTIN Y ASOCIADOS S.R.L.  
April 16, 2015                      Member of Ernst & Young Global

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors of  
ULTRAPETROL (BAHAMAS) LIMITED

We have audited Ultrapetrol (Bahamas) Limited's internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). Ultrapetrol (Bahamas) Limited's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying "Management's Annual Report on Internal Control over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Ultrapetrol (Bahamas) Limited maintained, in all material respects, effective internal control over financial reporting at December 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States of America), the consolidated balance sheets of Ultrapetrol (Bahamas) Limited and subsidiaries at December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive (loss) income, changes in equity and cash flows for each of the three years in the period ended December 31, 2014 of Ultrapetrol (Bahamas) Limited and subsidiaries and our report dated April 16, 2015 expressed an unqualified opinion thereon.

Buenos Aires, Argentina /S/ PISTRELLI, HENRY MARTIN Y ASOCIADOS S.R.L.  
April 16, 2015 Member of Ernst & Young Global

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ITEM 19 – EXHIBITS

Exhibit Number	Description
1.1	Fifth Amended and Restated Articles of Association of Ultrapetrol (Bahamas) Limited.(1)
1.1.1	Sixth Amended and Restated Articles of Association of Ultrapetrol (Bahamas) Limited.(12)
1.1.2	Seventh Amended and Restated Articles of Association of Ultrapetrol (Bahamas) Limited.(13)
1.2.3	Eighth Amended and Restated Articles of Association of Ultrapetrol (Bahamas) Limited(14)
1.2	Second Amended and Restated Memorandum of Association of Ultrapetrol (Bahamas) Limited(2)
1.2.1	Third Amended and Restated Memorandum of Association of Ultrapetrol (Bahamas) Limited.(12)
1.2.2	Fourth Amended and Restated Memorandum of Association of Ultrapetrol (Bahamas) Limited(14)
1.3	Articles of Incorporation (English translation) and By-laws of Arlene Investments Inc. (previously filed as Exhibit 3.2 to Ultrapetrol (Bahamas) Ltd. Registration Statement on Form F-4 (File No. 333-190316) on August 1, 2013 and incorporated by reference herein).
1.4	Articles of Incorporation (English translation) and By-laws of Baldwin Maritime Inc.(3)
1.5	Articles of Incorporation (English translation) and By-laws of Bayham Investments S.A.(3)
1.6	Articles of Incorporation (English translation) and By-laws of Brinkley Shipping, Inc. (previously filed as Exhibit 3.3 to Ultrapetrol (Bahamas) Ltd. Registration Statement on Form F-4 (File No. 333-190316) on August 1, 2013 and incorporated by reference herein).
1.7	Articles of Incorporation (English translation) and By-laws of Cavalier Shipping Inc.(3)
1.8	Bylaws (English translation) of Corporacion De Navegacion Mundial S.A.(3)
1.9	Articles of Incorporation (English translation) and By-laws of Dampierre Holdings Spain S. A. (previously filed as Exhibit 3.4 to Ultrapetrol (Bahamas) Ltd. Registration Statement on Form F-4 (File No. 333-190316) on November 4, 2013, as amended, and incorporated by reference herein).
1.10	Articles of Incorporation (English translation) and By-laws of Danube Maritime Inc.(3)
1.11	Articles of Incorporation (English translation) and By-laws of Dingle Barges, Inc. (previously filed as Exhibit 3.6 to Ultrapetrol (Bahamas) Ltd. Registration Statement on Form F-4 (File No. 333-190316) on August 1, 2013 and incorporated by reference herein).
1.12	Articles of Incorporation and By-laws of General Ventures Inc.(3)
1.13	Articles of Incorporation (English translation) and By-laws of Hallandale Commercial Corp. (previously filed as Exhibit 3.8 to Ultrapetrol (Bahamas) Ltd. Registration Statement on Form F-4 (File No. 333-190316) on August 1, 2013 and incorporated by reference herein).





- 1.14 Articles of Incorporation (English translation) and By-laws of Imperial Maritime Ltd. (Bahamas) Inc.(3)
  - 1.15 Articles of Incorporation (English translation) and By-laws of Kattegat Shipping Inc.(3)
  - 1.16 Memorandum of Association and Articles of Association of Kingly Shipping Ltd..(3)  
Articles of Incorporation (English translation) and By-laws of Longmoor Holdings Inc. (previously filed as  
1.17 Exhibit 3.9 to Ultrapetrol (Bahamas) Ltd. Registration Statement on Form F-4 (File No. 333-190316) on August  
1, 2013 and incorporated by reference herein).
  - 1.18 Memorandum of Association and Articles of Association of Majestic Maritime Ltd.(2)
  - 1.19 Articles of Incorporation and Bylaws of Massena Port S.A. (English translation).(3)
  - 1.20 Memorandum of Association and Articles of Association of Monarch Shipping Ltd..(3)
  - 1.21 Memorandum of Association and Articles of Association of Noble Shipping Ltd..(3)
  - 1.22 Articles of Incorporation (English translation) and Bylaws (English translation) of Oceanpar S.A..(3)
  - 1.23 Articles of Incorporation (English translation) and By-laws of Oceanview Maritime Inc..(3)  
Articles of Incorporation (English translation) and By-laws of Palmdeal Shipping Inc. (previously filed as Exhibit  
1.24 3.11 to Ultrapetrol (Bahamas) Ltd. Registration Statement on Form F-4 (File No. 333-190316) on August 1, 2013  
and incorporated by reference herein).
  - 1.25 Articles of Incorporation (English translation) and By-laws of Parabal S.A. (previously filed as Exhibit 3.13 to  
Ultrapetrol (Bahamas) Ltd. Registration Statement on Form F-4 (File No. 333-190316) on August 1, 2013 and  
incorporated by reference herein).
  - 1.26 Articles of Incorporation and Bylaws of Parfina S.A. (English translation).(3)
  - 1.27 Articles of Incorporation (English translation) and By-laws of Parkwood Commercial Corp..(3)
  - 1.28 Articles of Incorporation (English translation) and By-laws of Princely International Finance Corp..(3)  
Memorandum of Association (English translation) and Articles of Association of Regal International Investments  
1.29 S.A..(3)
  - 1.30 Articles of Incorporation (English translation) and By-laws of Riverview Commercial Corp..(3)
  - 1.31 Memorandum of Association and Articles of Association of Sovereign Maritime Ltd..(3)
  - 1.32 Articles of Incorporation (English translation) and By-laws of Stanmore Shipping Inc..(3)
  - 1.33 Articles of Incorporation (English translation) and By-laws of Tipton Marine Inc..(3)
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1.34 Articles of Incorporation (English translation) and By-laws of UABL Paraguay S.A (previously filed as Exhibit 3.16 to Ultrapetrol (Bahamas) Ltd. Registration Statement on Form F-4 (File No. 333-190316) on August 1, 2013 and incorporated by reference herein).

1.35 Articles of Incorporation (English translation) and By-laws of UABL S.A. (previously filed as Exhibit 3.17 to Ultrapetrol (Bahamas) Ltd. Registration Statement on Form F-4 (File No. 333-190316) on August 1, 2013 and incorporated by reference herein).

1.36 Articles of Incorporation (English translation) and By-laws of Ultrapetrol International S.A.(3)

1.37 Articles of Incorporation and Bylaws of Ultrapetrol S.A. (English translation).(3)

1.38 Memorandum of Association and Articles of Association of UP Offshore (Holdings) Ltd.(3)

2.1 Form of Global Exchange Notes (attached as Exhibit A to Exhibit 4.3).(3)

2.2 Registration Rights Agreement dated November 10, 2004.(3)

2.3 Indenture dated November 24, 2004.(3)

2.4 Form of Subsidiary Guarantee (Exhibit F to Exhibit 10.4 of Form F-4 filed with the Securities and Exchange Commission on January 24, 2005).(3)

4.1 Stock Purchase Agreement dated March 21, 2006 by and between Ultrapetrol (Bahamas) Limited and LAIF XI LTD.(4)

4.2 Stock Purchase Agreement dated March 20, 2006 by and among Ultrapetrol (Bahamas) Limited, Crosstrade Maritime Inc, and Crosstrees Maritime Inc..(4)

4.3 Loan agreement dated as of September 15, 2008, between UABL Paraguay S.A., a subsidiary of Ultrapetrol (Bahamas) Limited, and International Finance Corporation(5)

4.4 Loan agreement dated September 15, 2008 between certain subsidiaries of Ultrapetrol (Bahamas) Limited, as joint and several borrowers, and International Finance Corporation(5)

4.5 Loan agreement dated as of November 28, 2008, between UABL Paraguay S.A., a subsidiary of Ultrapetrol (Bahamas) Limited, and The OPEC Fund for International Development(5)

4.6 Loan agreement dated as of June 24, 2008, pursuant to which one of Ultrapetrol (Bahamas) Limited's subsidiaries is a borrower and Ultrapetrol (Bahamas) Limited and certain of its other subsidiaries are joint and several guarantors(5)

4.7 Indenture dated as of December 23, 2010 for 7.25% Convertible Senior Notes Due 2017(6)

4.8 Loan agreement dated as of December 2, 2011, between UABL Paraguay S.A. and Riverpar S.A., as joint and several co-Borrowers, and International Finance Corporation(6)

4.9 Loan agreement dated as of December 15, 2011, between UABL Paraguay S.A. and Riverpar S.A., as joint and several co-Borrowers, and The OPEC Fund for International Development(6)



4.10 Investment Agreement by and among Ultrapetrol (Bahamas) Limited, Sparrow Capital Investments Ltd., Southern Cross Latin America Private Equity Fund III, L.P. and Southern Cross Latin America Private Equity Fund IV, L.P., dated November 13, 2012(7)

4.11 Shareholders' Agreement among Sparrow Capital Investments Ltd., Inversiones Los Avellanos S.A., and Hazels (Bahamas) Investments Inc., dated November 13, 2012(8)

4.12 Shareholders' Agreement by and between Sparrow Capital Investments Ltd., Sparrow CI Sub Ltd., Triton Shipping Ltd., Quattro Shipping Holdings Ltd., Inversiones Los Avellanos S.A., and Hazels (Bahamas) Investments Inc., dated November 13, 2012(9)

4.13 Warrant to Purchase Class B Shares of Sparrow CI Sub Ltd. by and between Sparrow CI Sub Ltd. and Hazels Investments Inc., dated December 12, 2012(10)

4.14 Registration Rights Agreement by and among Ultrapetrol (Bahamas) Limited, Sparrow Capital Investments Ltd., Sparrow CI Sub Ltd., Inversiones Los Avellanos S.A. and Hazels (Bahamas) Investments Inc., dated December 12, 2012(11)

4.15 Registration Rights Agreement dated June 10, 2013 (previously filed as Exhibit 4.2 to Ultrapetrol (Bahamas) Ltd. Registration Statement on Form F-4 (File No. 333-190316) on August 1, 2013 and incorporated by reference herein).

4.16 Indenture dated June 10, 2013 (previously filed as Exhibit 4.3 to Ultrapetrol (Bahamas) Ltd. Registration Statement on Form F-4 (File No. 333-190316) on August 1, 2013 and incorporated by reference herein).

4.17 Supplemental Indenture dated September 26, 2013 (previously filed as Exhibit 3.3 to Ultrapetrol (Bahamas) Ltd. Registration Statement on Form F-4 (File No. 333-190316) on November 4, 2013, as amended, and incorporated by reference herein).

4.18 Form of Subsidiary Guarantee (previously filed as Exhibit F to Exhibit 4.3 to Ultrapetrol (Bahamas) Ltd. Registration Statement on Form F-4 (File No. 333-190316) on August 1, 2013 and incorporated by reference herein).

4.19 Form of Exchange Security (previously filed as Exhibit B to Exhibit 4.3 to Ultrapetrol (Bahamas) Ltd. Registration Statement on Form F-4 (File No. 333-190316) on August 1, 2013 and incorporated by reference herein).

4.20 Amended and Restated Registration Rights Agreement by and among Ultrapetrol (Bahamas) Ltd., Sparrow Capital Investments Ltd. and Sparrow CI Sub Ltd.(14)

## 7 Statement of Ratio of Earning to Fixed Charges

8.1 Subsidiaries of Ultrapetrol (Bahamas) Limited (contained in Item 4.C.—Information on the Company—Organizational Structure in this Form 20-F)

12.1 Section 302 Certification of Chief Executive Officer

12.2 Section 302 Certification of Chief Financial Officer

13.1 Section 906 Certification of Chief Executive Officer



13.2 Section 906 Certification of Chief Financial Officer

101.INS\* XBRL Instance Document

101.SCH\* XBRL Taxonomy Extension Schema Document

101.CAL\* XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF\* XBRL Taxonomy Extension Definition Linkbase Document

101.LAB\* XBRL Taxonomy Extension Label Linkbase Document

101.PRE\* XBRL Taxonomy Extension Presentation Linkbase Document

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\* Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for the purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

Incorporated by reference to the Registration Statement on Form F-1/A of Ultrapetrol (Bahamas) Limited filed (1) with the Securities and Exchange Commission on April 18, 2007 (Reg. No. 333-141485).

Incorporated by reference to the Registration Statement on Form F-1/A of Ultrapetrol (Bahamas) Limited filed (2) with the Securities and Exchange Commission on September 26, 2006 (Reg. No. 333-132856).

Incorporated by reference to the Registration Statement on Form F-4 of Ultrapetrol (Bahamas) Limited filed with (3) the Securities and Exchange Commission on January 24, 2005 (Reg. No. 333-122254).

Incorporated by reference to the Registration Statement on Form F-1 of Ultrapetrol (Bahamas) Limited filed March (4) 30, 2006 (Reg. No. 333-132856).

Incorporated by reference to the Form 6-K of Ultrapetrol (Bahamas) Limited submitted to the Securities and (5) Exchange Commission on February 18, 2010.

Incorporated by reference to the Form 20-F of Ultrapetrol (Bahamas) Limited filed with the Securities and (6) Exchange Commission on March 15, 2012.

Incorporated by reference to Exhibit 1 of the Form 6-K of Ultrapetrol (Bahamas) Limited submitted to the (7) Securities and Exchange Commission on November 14, 2012.

Incorporated by reference to Exhibit D to the Schedule 13D/A No. 2 filed on December 14, 2012 by Inversiones (8) Los Avellanos S.A., Hazels (Bahamas) Investments Inc., SIPSA S.A., Felipe Menéndez and Ricardo Menéndez with the Securities and Exchange Commission relating to the Common Stock.

Incorporated by reference from Exhibit E to the Schedule 13D/A No. 2 filed on December 14, 2012 by Inversiones (9) Los Avellanos S.A., Hazels (Bahamas) Investments Inc., SIPSA S.A., Felipe Menéndez and Ricardo Menéndez with the Securities and Exchange Commission relating to the Common Stock.

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(10) Incorporated by reference to Exhibit F to the Schedule 13D/A No. 2 filed on December 14, 2012 by Inversiones Los Avellanos S.A., Hazels (Bahamas) Investments Inc., SIPSA S.A., Felipe Menéndez and Ricardo Menéndez with the Securities and Exchange Commission relating to the Common Stock.

(11) Incorporated by reference from Exhibit G to the Schedule 13D/A No. 2 filed on December 14, 2012 by Inversiones Los Avellanos S.A., Hazels (Bahamas) Investments Inc., SIPSA S.A., Felipe Menéndez and Ricardo Menéndez with the Securities and Exchange Commission relating to the Common Stock.

(12) Incorporated by reference to the Form 6-K of Ultrapetrol (Bahamas) Limited submitted to the Securities and Exchange Commission on June 8, 2012.

(13) Incorporated by reference to the Form 6-K of Ultrapetrol (Bahamas) Limited submitted to the Securities and Exchange Commission on December 12, 2012.

(14) Incorporated by reference to the Form 6-K of Ultrapetrol (Bahamas) Limited submitted to the Securities and Exchange Commission on September 5, 2014.

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

ULTRAPETROL (BAHAMAS) LIMITED

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

April 16, 2015