

Navios Maritime Partners L.P.  
Form 6-K  
August 23, 2010

**Table of Contents**

**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**FORM 6-K**  
**REPORT OF FOREIGN PRIVATE ISSUER**  
**PURSUANT TO RULE 13a-16 OR 15d-16 OF THE**  
**SECURITIES EXCHANGE ACT OF 1934**  
**Dated: August 23, 2010**  
**Commission File No. 001-33311**  
**NAVIOS MARITIME HOLDINGS INC.**  
**85 Akti Miaouli Street, Piraeus, Greece 185 38**  
(Address of Principal Executive Offices)

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

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

Yes  No

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

Yes  No

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

Yes  No

---

**Table of Contents**

The information contained in this Report is hereby incorporated by reference into the Navios Registration Statements on Form F-3, File Nos. 333-136936, 333-129382 and 333-165754 and on Form S-8, File No. 333-147186.

**Operating and Financial Review and Prospects**

The following is a discussion of the financial condition and results of operations of Navios Maritime Holdings Inc. ( Navios Holdings or the Company ) for the three and six month periods ended June 30, 2010 and 2009. All of these financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ( U.S. GAAP ). You should read this section together with the consolidated financial statements and the accompanying notes included in Navios Holdings' 2009 annual report on Form 20-F filed with the Securities and Exchange Commission.

This report contains forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Reform Act of 1995. These forward looking statements are based on Navios Holdings' current expectations and observations. Included among the factors that, in management's view, could cause actual results to differ materially from the forward-looking statements contained in this report are changes in any of the following: (i) charter demand and/or charter rates, (ii) production or demand for the types of dry bulk products that are transported by Navios Holdings' vessels, (iii) operating costs including but not limited to changes in crew salaries, insurance, provisions, repairs, maintenance and overhead expenses, or (iv) changes in interest rates.

***Recent Developments***

***Navios Maritime Holdings Inc.***

***Vessel Acquisitions***

In April 2010, Navios Holdings agreed to acquire a 180,000 deadweight tons ( dwt ) Capesize vessel for a price of \$54.0 million. The vessel is under construction with a South Korean shipyard and is scheduled for delivery in January 2011. The vessel has been chartered out for 10 years for \$24,674 (net) daily rate.

***Sale of Vessels***

On May 21, 2010, Navios Holdings sold the Navios Pollux, a 2009 South Korean-built Capesize vessel, and the rights to its time charter to Navios Maritime Partners L.P. ( Navios Partners ) (NYSE: NMM) for \$110.0 million paid in cash. In connection with the sale of the Navios Pollux, a credit facility with Dekabank Deutsche Girozentrale was amended and an amount of \$58.6 million was kept in a pledged account pending the delivery of a substitute vessel as collateral to this facility.

On August 5, 2010, Navios Holdings sold the Vanessa, a 2002 Handysize product tanker vessel with a capacity of 19,078 dwt. The Vanessa was one of the vessels acquired through the acquisition of Kleimar N.V. ( Kleimar ) on February 2, 2007, it had been leased out and qualified as finance lease and was contracted to be sold. The sale price amounted to \$18.3 million and was paid to Navios Holdings entirely in cash.

***Dividend Policy***

On August 17, 2010, the Board of Directors declared a quarterly cash dividend for the second quarter of 2010 of \$0.06 per share of common stock. This dividend is payable on October 6, 2010 to stockholders of record on September 22, 2010. The declaration and payment of any further dividend remains subject to the discretion of the Board, and will depend on, among other things, Navios Holdings' cash requirements as measured by market opportunities, debt obligations and restrictions under its credit agreements.

***Changes in Capital Structure***

***Issuance of Common Stock:*** During the six months ended June 30, 2010, 15,652 restricted shares of common stock were issued to Navios Holdings' employees following the vesting of restricted stock units. In addition, on February 26, 2010 and on May 31, 2010, 2,250 shares of restricted common stock, respectively, were forfeited. On June 2, 2010, 86,328 shares were issued upon the exercise of the outstanding stock options. The options were exercised for cash at an exercise price of \$3.18 per share.

**Table of Contents**

***Issuance of Preferred Stock:*** During the six months ended June 30, 2010, Navios Holdings issued 1,780 shares of preferred stock at \$10,000 nominal value per share to partially finance the acquisition of the Navios Antares on January 20, 2010. On January 27, 2010, Navios Holdings issued an additional 300 shares of preferred stock at \$10,000 nominal value per share to partially finance the acquisition of one newbuild Capesize vessel.

Following the issuances and cancellations of the shares, described above, Navios Holdings had, as of June 30, 2010, 100,973,729 shares of common stock and 10,281 shares of preferred stock outstanding.

***Share Repurchase Program:*** On November 14, 2008, the Board of Directors approved a share repurchase program authorizing the purchase of up to \$25.0 million of Navios Holdings' common stock pursuant to a program adopted under Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (the Exchange Act). The program does not require any minimum purchase or any specific number or amount of shares and may be suspended or reinstated at any time in Navios Holdings' discretion and without notice. During the six month period ended June 30, 2010, no shares were repurchased under this program. Since the initiation of the program and through June 30, 2010, 907,480 shares have been repurchased for a total consideration of \$1.7 million.

***Navios Partners***

On May 5, 2010, Navios Partners completed its public offering of 5,175,000 common units (including the exercise of the overallotment option) at \$17.84 per unit and raised gross proceeds of approximately \$92.3 million, or approximately \$88.2 million net proceeds (excluding \$0.2 million offering costs). Pursuant to this offering, Navios Partners issued 105,613 additional general partnership units to the general partner for \$1.8 million. Following this offering Navios Holdings' interest in Navios Partners decreased to 31.3% as of May 5, 2010 (including GP interest).

On May 21, 2010, Navios Partners acquired from Navios Holdings the vessel Navios Pollux for a purchase price of \$110.0 million paid in cash. Upon delivery of the vessel, the remaining term of its charter-out contract was 9.2 years at a net hire rate of \$42,250 per day. The acquisition of the Navios Pollux was financed with the proceeds from the offering of 5,175,000 units described above, that was completed on May 5, 2010, and a \$35.0 million drawdown under a new tranche to its existing credit facility.

On August 12, 2010, Navios Holdings received an amount of \$5.5 million as a dividend distribution from its affiliate Navios Partners.

***Navios Logistics***

In May 2010, Navios South American Logistics Inc. ( Navios Logistics ) agreed to enter into long-term bareboat agreements for two new product tankers, the Stavroula and the Jiujiang, each with a capacity of 16,871 dwt. Both tankers are chartered-in for a two year period and Navios Logistics has the obligation to purchase the vessels immediately on the expiration of this charter period. Jiujiang and Stavroula were delivered on June 1, 2010 and July 10, 2010, respectively.

On June 17, 2010, \$2.5 million in cash and 504 shares remaining in escrow were released from escrow upon the achievement of the EBITDA target thresholds set forth in the share purchase agreement between Navios Holdings and Horamar Group ( Horamar ). After the release of the remaining shares held in escrow, Navios Holdings currently owns 63.8% of Navios Logistics.

***Navios Acquisition***

On April 8, 2010, pursuant to the terms and conditions of the Acquisition Agreement by and between Navios Maritime Acquisition Corporation ( Navios Acquisition ) (NYSE: NNA) and Navios Holdings, Navios Acquisition agreed to acquire 13 vessels (11 product tankers and two chemical tankers) plus options to purchase two additional product tankers, for an aggregate purchase price of \$457.7 million. Each vessel would be commercially and technically managed under a management agreement with a subsidiary of Navios Holdings.

On May 25, 2010, after its special meeting of stockholders, Navios Acquisition announced the approval of (a) the acquisition of 13 vessels (11 product tankers and two chemical tankers) for an aggregate purchase price of \$457.7 million, of which \$123.4 million was from existing cash and the \$334.3 million balance from debt financing pursuant to the terms and conditions of the Acquisition Agreement by and between Navios Acquisition and Navios Holdings and (b) certain amendments to Navios Acquisition's amended and restated articles of incorporation.

Following the consummation of the transactions described in the Acquisition Agreement, Navios Holdings was released from all debt and equity commitments for the above vessels and Navios Acquisition reimbursed Navios

Holdings for the equity payments made prior to the stockholders meeting under the purchase contracts for the vessels, plus all associated payments previously made by Navios Holdings amounting to \$76.5 million.

## **Table of Contents**

As of May 28, 2010, following the purchase of 6,337,551 shares of Navios Acquisition common stock for \$63.2 million in open market purchases, Navios Holdings owns 12,372,551 shares, or 57.3%, of the outstanding common stock of Navios Acquisition. At that point, Navios Holdings acquired control over Navios Acquisition and consolidated Navios Acquisition from that date onwards.

Upon obtaining control of Navios Acquisition, the investment in common shares and the investment in warrants were remeasured to fair value resulting in a gain of \$17.7 million recorded in the statements of income under Gain on change in control and noncontrolling interest was recognized at fair value, being the number of shares not controlled by the Company at the public share price as of May 28, 2010 of \$6.56, amounting to \$60.6 million. Goodwill amounting to \$13.1 million was recognized representing the residual of Navios investment amounting to \$95.2 million, the recognition of noncontrolling interest of \$60.6 million less the fair value of Navios Acquisition's net assets amounting to \$142.6 million on May 28, 2010.

On June 29, 2010 and July 2, 2010, Navios Acquisition took delivery of two LR1 product tanker vessels, built in 2007, the Colin Jacob and the Ariadne Jacob, respectively.

On July 27, 2010, Navios Acquisition announced that it was offering (the Offer) the holders of the 25,300,000 outstanding warrants issued in its initial public offering (Public Warrants) the limited time opportunity to acquire shares of common stock at a reduced exercise price. The Offer is coupled with a consent solicitation accelerating Navios Holdings' ability to exercise certain warrants on terms identical to the Public Warrants. Under the terms of the Offer, Warrant holders may exercise Public Warrants (i) on a cash basis, at an exercise price of \$5.65 per share of common stock and (ii) on a cashless basis, at an exchange rate of 4.25 Public Warrants for 1.0 share of common stock. A warrant holder may use one or both methods in exercising all or a portion of its Public Warrants. The Offer has several conditions, including that at least (a) 75% of the Public Warrants outstanding (18,975,000 Public Warrants) are properly exercised and (b) 15% of the Public Warrants outstanding (3,795,000 Public Warrants) are exercised on a cash basis. Both conditions, along with the other conditions, may be waived by Navios Acquisition at its discretion. Upon consummation of the Offer, Navios Holdings and Angeliki Frangou, will exercise the warrants that they own for cash for aggregated gross proceeds of \$78.2 million. The Offer commenced on July 27, 2010 and continues for a period of 20 business days, expiring on August 23, 2010. Upon termination of the Offer, the Public Warrants will expire according to their terms on June 25, 2013, subject to earlier redemption as outlined in terms of the Public Warrants.

### ***Overview***

#### ***General***

Navios Holdings is a global, vertically integrated seaborne shipping and logistics company focused on the transport and transshipment of dry bulk commodities, including iron ore, coal and grain. We technically and commercially manage our owned fleet, Navios Acquisition's fleet and Navios Partners' fleet, and commercially manage our chartered-in fleet. Navios Holdings has in-house ship management expertise that allows it to oversee every step of technical management of the owned fleet, Navios Acquisition's fleet and Navios Partners' fleet including the shipping operations throughout the life of the vessels and the superintendence of maintenance, repairs and drydocking.

On August 25, 2005, pursuant to a Stock Purchase Agreement dated February 28, 2005, as amended, by and among International Shipping Enterprises, Inc., Navios Holdings and all the shareholders of Navios Holdings, ISE acquired Navios Holdings through the purchase of all of the outstanding shares of common stock of Navios Holdings. As a result of this acquisition, Navios Holdings became a wholly owned subsidiary of ISE. In addition, on August 25, 2005, simultaneously with the acquisition of Navios Holdings, ISE effected a reincorporation from the State of Delaware to the Republic of the Marshall Islands through a downstream merger with and into its newly acquired wholly owned subsidiary, whose name was and continues to be Navios Maritime Holdings Inc.

On February 2, 2007, Navios Holdings acquired all of the outstanding share capital of Kleimar for a cash consideration of \$165.6 million (excluding direct acquisition costs), subject to certain adjustments. Kleimar is a Belgian maritime transportation company established in 1993, an owner and operator of Capesize and Panamax vessels used in the transportation of dry cargoes and has an extensive contract of affreightment (COA) business.

On August 7, 2007, Navios Holdings formed Navios Partners under the laws of Marshall Islands. Its General Partner, a wholly owned subsidiary of Navios Holdings, was also formed on that date to act as the general partner of

Navios Partners and received a 2% general partner interest in Navios Partners.

On January 1, 2008, pursuant to a share purchase agreement, Navios Holdings contributed (a) \$112.2 million in cash and (b) the authorized capital stock of its wholly owned subsidiary Corporacion Navios Sociedad Anonima ( CNSA ) in exchange for the issuance and delivery of 12,765 shares of Navios Logistics, representing 63.8% (67.2% excluding 1,007 shares of

**Table of Contents**

contingent consideration) of its outstanding stock. Navios Logistics acquired all ownership interests in Horamar in exchange for (a) \$112.2 million in cash, of which \$5.0 million was placed in escrow payable upon the attainment of certain EBITDA targets during specified periods through December 2008 (the EBITDA Adjustment ) and (b) the issuance of 7,235 shares of Navios Logistics representing 36.2% (32.8% excluding 1,007 shares of contingent consideration) of Navios Logistics outstanding stock, of which 1,007 shares were placed in escrow pending attainment of certain EBITDA targets.

In November 2008, \$2.5 million in cash and 503 shares were released from escrow when Horamar achieved the interim EBITDA target. On June 17, 2010, \$2.5 million in cash and the 504 shares remaining in escrow were released from escrow upon the achievement of the EBITDA target thresholds. Following the release of the remaining shares held in escrow, Navios Holdings currently owns 63.8% of Navios Logistics.

On July 1, 2008, Navios Holdings completed the initial public offering ( IPO ) of units in its subsidiary, Navios Acquisition, a blank check company. In this offering, Navios Acquisition sold 25,300,000 units for an aggregate purchase price of \$253.0 million. Simultaneously with the completion of the IPO, Navios Holdings purchased private placement warrants of Navios Acquisition for an aggregate purchase price of \$7.6 million. Prior to the IPO, Navios Holdings had purchased 8,625,000 sponsor units for a total consideration of \$25,000, of which an aggregate of 290,000 units were transferred to Navios Holdings officers and directors and an aggregate of 2,300,000 sponsor units were returned to Navios Acquisition and cancelled upon receipt. Each unit consists of one share of Navios Acquisition s common stock and one warrant. Navios Holdings has purchased 6,337,551 shares of Navios Acquisition common stock for \$63.2 million in open market purchases. Following these purchases, Navios Holdings owns 12,372,551 shares, or 57.3%, of the outstanding common stock of Navios Acquisition. At that point, Navios Holdings acquired control over Navios Acquisition and consolidated Navios Acquisition.

**Fleet**

The following is the current core fleet employment profile and refers to drybulk vessel operations (excluding Navios Logistics and Navios Acquisition), including the newbuilds to be delivered. The current core fleet consists of 59 vessels totaling 6.4 million dwt. The employment profile of the fleet as of August 18, 2010 is reflected in the tables below. The 39 vessels in current operation aggregate approximately 3.8 million dwt and have an average age of 4.8 years. Navios Holdings has currently fixed 97.5%, 70.4%, 57.4% and 45.6% of its 2010, 2011, 2012 and 2013 available days, respectively, of its fleet (excluding vessels, which are utilized to fulfill voyage charter or COAs), representing contracted fees (net of commissions), based on contracted charter rates from its current charter agreement of \$299.6 million, \$297.5 million, \$265.0 million and \$225.3 million, respectively. Although these fees are based on contractual charter rates, any contract is subject to performance by the counterparties and us. Additionally, the level of these fees would decrease depending on the vessels off-hire days to perform periodic maintenance. The average contractual daily charter-out rate for the core fleet (excluding vessels, which are utilized to fulfill voyage charter or COAs) is \$26,938, \$30,763, \$32,876 and \$33,707 for 2010, 2011, 2012 and 2013, respectively. The average daily charter-in rate for the active long-term charter-in vessels (excluding vessels, which are utilized to fulfill voyage charter or COAs) for 2010 is \$10,113.

**Owned Vessels**

Vessels	Type	Built	DWT	Charter-out Rate <sup>(1)</sup>	Profit Share	Expiration Date <sup>(2)</sup>
Navios Ionian	Ultra Handymax	2000	52,067	11,970	No	04/07/2011
Navios Celestial	Ultra Handymax	2009	58,063	17,550	No	01/24/2012
Navios Vector	Ultra Handymax	2002	50,296	9,975	No	10/17/2010
Navios Horizon	Handymax	2001	50,346	36,100	No	08/31/2011
Navios Herakles		2001	52,061	21,850	No	04/28/2011



Edgar Filing: Navios Maritime Partners L.P. - Form 6-K

Navios Achilles	Ultra Handymax	2001	52,063	26,864	70%/\$39,800	11/17/2013
	Ultra Handymax			13,609	(exp.11/17/2011) 70%/\$14,250 (starting 11/17/2011)	12/17/2013
Navios Meridian	Ultra Handymax	2002	50,316	23,700	No	10/08/2012
Navios Mercator	Ultra Handymax	2002	53,553	22,800	60%/\$24,000	08/01/2011
				31,350	60%/\$33,000	01/12/2014
				31,350	60%/\$15,000	02/20/2015
Navios Arc	Ultra Handymax	2003	53,514	10,450	No	02/26/2011
Navios Hios	Ultra Handymax	2003	55,180	20,425	No	11/04/2010
Navios Kypros	Ultra Handymax	2003	55,222	34,024	No	01/28/2011
				20,778	50%/\$19,000	01/28/2014
Navios Ulysses	Ultra Handymax	2007	55,728	31,281	No	10/12/2013
Navios Vega	Ultra Handymax	2009	58,792	12,350	No	02/18/2011

**Table of Contents**

<b>Vessels</b>	<b>Type</b>	<b>Built</b>	<b>DWT</b>	<b>Charter-out Rate <sup>(1)</sup></b>	<b>Profit Share</b>	<b>Expiration Date <sup>(2)</sup></b>
Navios Magellan	Panamax	2000	74,333	22,800	No	03/26/2012
Navios Star	Panamax	2002	76,662	19,000	No	12/05/2010
Navios Asteriks	Panamax	2005	76,801			
Navios Orbiter	Panamax	2004	76,602	38,052	No	04/01/2014
Navios Bonavis	Capesize	2009	180,022	47,400	No	06/29/2014
Navios Happiness	Capesize	2009	180,022	55,100	No	07/23/2014
Navios Lumen	Capesize	2009	180,661	37,500 <sup>(5)</sup>	Yes	12/10/2011
				39,830 <sup>(5)</sup>	Yes	12/10/2013
				39,330 <sup>(5)</sup>	Yes	12/09/2017
Navios Stellar	Capesize	2009	169,001	35,874 <sup>(7)</sup>	No	12/22/2016
Navios Phoenix	Capesize	2009	180,242	36,575	No	12/20/2010
Navios Antares	Capesize	2010	169,059	38,000 <sup>(6)</sup>	Yes	01/19/2015
				47,500 <sup>(6)</sup>	Yes	01/19/2018

**Long-term Chartered-in Vessels**

<b>Vessels</b>	<b>Type</b>	<b>Built</b>	<b>DWT</b>	<b>Purchase Option <sup>(3)</sup></b>	<b>Charter-out Rate <sup>(1)</sup></b>	<b>Expiration Date <sup>(2)</sup></b>
Navios Astra	Ultra Handymax	2006	53,468	Yes	14,012	10/15/2010
Navios Primavera	Ultra Handymax	2007	53,464	Yes	22,138	05/28/2011
Navios Armonia	Handymax	2008	55,100	No	23,700	06/07/2013
Navios Cielo	Panamax	2003	75,834	No	14,013	09/10/2010
Navios Orion	Panamax	2005	76,602	No	49,400	12/14/2012
Navios Titan	Panamax	2005	82,936	No	27,100	11/24/2010
Navios Altair	Panamax	2006	83,001	No	19,238	11/23/2011
Navios Esperanza	Panamax	2007	75,200	No	14,513	02/19/2013
Torm Antwerp	Panamax	2008	75,250	No		
Golden Heiwa	Panamax	2007	76,662	No		
Beaufiks	Capesize	2004	180,181	Yes		
Rubena N	Capesize	2006	203,233	No		
SC Lotta (Phoenix Grace)	Capesize	2009	170,500	No		
Formosabulk Brave	Capesize	2001	170,000	No		
Phoenix Beauty	Capesize	2010	169,150	No		
King Ore	Capesize	2010	176,800	No		

**Vessels to be Delivered****Long-term Chartered-in**

<b>Vessels</b>	<b>Type</b>	<b>Delivery Date</b>	<b>Purchase Option</b>	<b>DWT</b>
Navios TBN	Handysize	05/2011	Yes <sup>(4)</sup>	34,718
Navios TBN	Handysize	09/2012		34,718

Edgar Filing: Navios Maritime Partners L.P. - Form 6-K

			Yes (4)	
Navios TBN	Capesize	09/2011	Yes	180,200
Kleimar TBN	Capesize	07/2012	Yes	180,000
Navios TBN	Capesize	06/2013	Yes	180,000
	Ultra			
Navios TBN	Handymax	02/2012	Yes	61,000
	Ultra			
Navios TBN	Handymax	07/2013	Yes	61,000
Navios TBN	Panamax	01/2013	Yes	82,100
Navios TBN	Panamax	09/2011	Yes	80,000
			Yes	
Navios TBN	Panamax	07/2013	(4)	80,500
			Yes	
Navios TBN	Panamax	09/2013	(4)	80,500
			Yes	
Navios TBN	Panamax	11/2013	(4)	80,500
	6			

---

**Table of Contents****Owned Vessels**

<b>Vessels</b>	<b>Type</b>	<b>Delivery Date</b>	<b>DWT</b>	<b>Charter-Out Rate <sup>(1)</sup></b>	<b>Profit Share</b>	<b>Expiration Date <sup>(2)</sup></b>
Navios Melodia	Capesize	08/2010	180,000	29,356	50/50 in excess of \$37,500	08/2022
Navios Fulvia	Capesize	09/2010	180,000	50,588	No	09/2015
Navios Buena Ventura	Capesize	10/2010	180,000	29,356	50/50 in excess of \$38,500	10/2020
Navios Luz	Capesize	11/2010	180,000	29,356	50/50 in excess of \$38,500	11/2020
Navios Etoile	Capesize	11/2010	180,000	29,356	50/50 in excess of \$38,500	11/2020
Navios Azimuth	Capesize	02/2011	180,000	27,431	No	02/2023
Navios Bonheur	Capesize	12/2010	180,000	29,356	50/50 in excess of \$37,500	12/2022
Navios Altamira	Capesize	03/2011	180,000	24,674	No	03/2021

(1) Net Time Charter-out Rate per day (net of commissions).

(2) Estimated dates assuming midpoint of redelivery by charterers.

(3) Generally, Navios Holdings may exercise its purchase option after three to five years of service.

(4) Navios Holdings holds the initial 50% purchase option on each vessel.

(5) The net daily charter out rate is \$37,500 for years 1 and 2, \$39,830 for years 3 and 4, \$39,330 for years

5, 6, 7, plus option (Navios Holdings) year 8. The optional year is included in the exhibit above. Profit sharing is 100% to Navios Holdings until the net daily rate of \$44,850 and 50%/50% thereafter.

- (6) The net daily charter out rate is \$38,000 until expiration of the five-year charter; \$47,500 net daily rate thereafter for three one-year (Navios Holdings) options. The optional year is included in the exhibit above. Profit sharing is 60% (Navios Holdings) / 40% (charterer) above \$40,000 gross for years 1 and 2; 65% (Navios Holdings) / 35% (charterer) for years 3, 4 and 5 above \$40,000 gross and 50%/50% above \$50,000 gross for the three one-year (Navios Holdings) options.

- (7) Amount represents daily rate of insurance

proceeds  
following the  
default of the  
original charterer.

***Charter Policy and Industry Outlook***

Navios Holdings policy has been to take a portfolio approach to managing operating risks. This policy led Navios Holdings to time charter-out many of the vessels that it is presently operating (i.e., vessels owned by Navios Holdings or which it has taken into its fleet under charters having a duration of more than 12 months) during 2008, 2009 and 2010 for various periods ranging between one to 12 years to various shipping industry counterparties, considered by Navios Holdings to have appropriate credit profiles. By doing this, Navios Holdings aimed to lock in, subject to credit and operating risks, favorable forward cash flows which it believes will cushion it against unfavorable market conditions. In addition, Navios Holdings actively trades additional vessels taken in on shorter term charters of less than 12 months duration as well as voyage charter or COAs and forward freight agreements ( FFAs ).

In 2008 and so far through 2010, this policy had the effect of generating Time Charter Equivalents ( TCE ) that, while high by the average historical levels of the dry bulk freight market over the last 30 years, were below those which could have been earned had the Navios Holdings fleet been operated purely on short-term and/or spot employment. In 2009, this chartering policy has had the effect of generating TCE which were higher than spot employment.

The average daily charter-in vessel cost for the Navios Holdings long-term charter-in fleet (excluding vessels, which are utilized to serve voyage charter or COAs) was \$10,115 per day for the six month period ended June 30, 2010. The average long-term charter-in hire rate per vessel was included in the amount of long-term hire included elsewhere in this document and was

**Table of Contents**

computed by (a) multiplying the (i) daily charter-in rate for each vessel by (ii) number of days the vessel is in operation for the year and (b) dividing such product by the total number of vessel days for the year. These rates exclude gains and losses from FFAs. Furthermore, Navios Holdings has the ability to increase its owned fleet through purchase options at favorable prices relative to the current market exercisable in the future.

Navios Holdings believes that a decrease in global commodity demand from its current level, and the delivery of dry bulk carrier new buildings into the world fleet, would have an adverse impact on future revenue and profitability. However, the operating cost advantage of Navios Holdings' owned vessels and long-term chartered fleet, which is chartered-in at historically favorable fixed rates, will continue to help mitigate the impact of the current decline in freight rates. A reduced freight rate environment may also have an adverse impact on the value of Navios Holdings' owned fleet and any purchase options that are in the money. In reaction to a decline in freight rates, available ship financing is also negatively impacted.

**Navios Logistics Operations**

Navios Holdings currently owns 63.8% of Navios Logistics. Navios Logistics owns and operates vessels, barges and push boats located mainly in Argentina, the largest bulk transfer and storage port facility in Uruguay, and an upriver liquid port facility located in Paraguay. Operating results for Navios Logistics are highly correlated to South American (i) grain production and export, in particular Argentinean, Brazilian, Paraguayan, Uruguayan and Bolivian production and export, (ii) iron ore production and export, mainly from Brazil, and (iii) sales (and logistic services) of petroleum products in the Paraguayan market. Navios Holdings believes that the continuing development of these businesses will foster throughput growth and therefore increase revenues at Navios Logistics. Should this development be delayed, grain harvests or upriver loading drafts to be reduced, or the market experience an overall decrease in the demand for grain or iron ore, the operations in Navios Logistics would be adversely affected.

Navios Logistics, an end-to-end logistics business which leverages Navios Holdings' transshipment facility in Uruguay with an upriver port facility in Paraguay and dry and wet barge capacity, represents the successful completion of an effort Navios Holdings commenced in June 2006, when Navios Holdings announced its intention to develop a South American logistics business. Navios Holdings intends to continue growing its South American logistics business by opportunistically acquiring assets complementary to its port terminal and storage facilities.

Navios Logistics operates different types of tanker vessels, push boats and wet and dry barges for the delivery of a large range of products meeting the needs of the market between Buenos Aires, Argentina, and all the ports of the Paraná, Paraguay and Uruguay River System in South America, commonly known as the Hidrovia (meaning waterway). The Hidrovia passes through five countries, (Argentina, Bolivia, Brazil, Paraguay and Uruguay) along its over 2,000 miles and to maritime facilities of the South American coastline. Navios Logistics also owns and operates an up-river port terminal and tank storage for petroleum products, oil and gas in the region San Antonio, Paraguay as well as the largest bulk transfer and storage port terminal in Uruguay located in an international tax-free trade zone in the port of Nueva Palmira. (See Navios South American Logistics Inc. under Statement of Operations Breakdown by Segment).

**Factors Affecting Navios Holdings' Results of Operations**

*We believe the principal factors that will affect our future results of operations are the economic, regulatory, political and governmental conditions that affect the shipping industry generally and that affect conditions in countries and markets in which our vessels engage in business. Please read Risk Factors included in Navios Holdings' 2009 annual report on Form 20-F filed with the Securities and Exchange Commission for a discussion of certain risks inherent in our business.*

Navios Holdings actively manages the risk in its operations by: (i) operating the vessels in its fleet in accordance with all applicable international standards of safety and technical ship management; (ii) enhancing vessel utilization and profitability through an appropriate mix of long-term charters complemented by spot charters (time charters for short term employment) and voyage charter or COAs; (iii) monitoring the financial impact of corporate exposure from both physical and FFAs transactions; (iv) monitoring market and counterparty credit risk limits; (v) adhering to risk management and operation policies and procedures; and (vi) requiring counterparty credit approvals.

## **Table of Contents**

Navios Holdings believes that the important measures for analyzing trends in its results of operations consist of the following:

*Market Exposure:* Navios Holdings manages the size and composition of its fleet, by chartering and owning vessels, to adjust to anticipated changes in market rates. Navios Holdings aims at achieving an appropriate balance between owned vessels and long and short term chartered-in vessels and controls approximately 6.4 million dwt in dry bulk tonnage. Navios Holdings options to extend the duration of vessels it has under long-term time charter (durations of over 12 months) and its purchase options on chartered vessel permits Navios Holdings to adjust the cost and the fleet size to correspond to market conditions.

*Available days:* Available days is the total number of days a vessel is controlled by a company less the aggregate number of days that the vessel is off-hire due to scheduled repairs or repairs under guarantee, vessel upgrades or special surveys. The shipping industry uses available days to measure the number of days in a period during which vessels should be capable of generating revenues.

*Operating days:* Operating days is the number of available days in a period less the aggregate number of days that the vessels are off-hire due to any reason, including lack of demand or unforeseen circumstances. The shipping industry uses operating days to measure the aggregate number of days in a period during which vessels actually generate revenues.

*Fleet utilization:* Fleet utilization is obtained by dividing the number of operating days during a period by the number of available days during the period. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the amount of days that its vessels are off-hire for reasons other than scheduled repairs or repairs under guarantee, vessel upgrades, special surveys or vessel positioning.

*TCE rates:* TCE rates are defined as voyage and time charter revenues plus gains or losses on FFA less voyage expenses during a period divided by the number of available days during the period. Navios Holdings includes the gains or losses on FFA in the determination of TCE rates as neither voyage and time charter revenues nor gains or losses on FFA are evaluated in isolation. Rather, the two are evaluated together to determine total earnings per day. The TCE rate is a standard shipping industry performance measure used primarily to compare daily earnings generated by vessels on time charters with daily earnings generated by vessels on voyage charters, because charter hire rates for vessels on voyage charters are generally not expressed in per day amounts, while charter hire rates for vessels on time charters generally are expressed in such amounts.

*Equivalent vessels:* Equivalent vessels data is the available days of the fleet divided by the number of the calendar days in the respective period.

### **Voyage and Time Charter**

Revenues are driven primarily by the number of vessels in the fleet, the number of days during which such vessels operate and the amount of daily charter hire rates that the vessels earn under charters, which, in turn, are affected by a number of factors, including:

the duration of the charters;

the level of spot market rates at the time of charters;

decisions relating to vessel acquisitions and disposals;

the amount of time spent positioning vessels;

the amount of time that vessels spend in drydock undergoing repairs and upgrades;



the age, condition and specifications of the vessels; and

the aggregate level of supply and demand in the dry bulk shipping industry.

Time charters are available for varying periods, ranging from a single trip (spot charter) to long-term which may be many years. In general, a long-term time charter assures the vessel owner of a consistent stream of revenue.

Operating the vessel in the spot market affords the owner greater spot market opportunity, which may result in high rates when vessels are in high demand or low rates when vessel availability exceeds demand. Vessel charter rates are affected by world economics, international events, weather conditions, strikes, governmental policies, supply and demand, and many other factors that might be beyond the control of management.

## **Table of Contents**

Consistent with industry practice, Navios Holdings uses TCE rates, which consist of revenue from vessels operating on time charters and voyage revenue less voyage expenses from vessels operating on voyage charters in the spot market, as a method of analyzing fluctuations between financial periods and as a method of equating revenue generated from a voyage charter to time charter revenue.

TCE revenue also serves as industry standard for measuring revenue and comparing results between geographical regions and among competitors.

The cost to maintain and operate a vessel increases with the age of the vessel. Older vessels are less fuel efficient, cost more to insure and require upgrades from time to time to comply with new regulations. The average age of Navios Holdings' owned fleet is 5.4 years. But as such fleet ages or if Navios Holdings expands its fleet by acquiring previously owned and older vessels the cost per vessel would be expected to rise and, assuming all else, including rates, remains constant, vessel profitability would be expected to decrease.

### **Spot Charters, Contracts of Affreightment (COAs), and Forward Freight Agreements (FFAs)**

Navios Holdings enhances vessel utilization and profitability through a mix of voyage charters, short term charter-out contracts, COAs and strategic backhaul cargo contracts, as follows:

The operation of voyage charters or spot charter-out fixtures for the carriage of a single cargo between load and discharge port;

The use of voyage charter or COAs, under which Navios Holdings contracts to carry a given quantity of cargo between certain load and discharge ports within a stipulated time frame; and

The use of FFAs both as economic hedges in reducing market risk on specific vessels, freight commitments or the overall fleet and in order to increase or reduce the size of its exposure to the dry bulk shipping market.

In addition, Navios Holdings, through selecting voyage charter or COAs on what would normally be backhaul or ballast legs, attempts to enhance vessel utilization and profitability. The cargoes are used to position vessels at or near major loading areas (such as the Gulf of Mexico) where spot cargoes can readily be obtained. This enables ballast time to be reduced as a percentage of the round voyage. This strategy is referred to as triangulation.

Navios Holdings enters into voyage charter or COAs with major industrial end users of bulk products, primarily in the steel, energy and grain sectors. These contracts are entered into not only with a view to making profit but also as a means of maintaining relationships, obtaining market information and continuing a market presence in this market segment. Navios Holdings has adopted a strategy of entering into voyage charter or COAs to carry freight into known loading areas, such as the Gulf of Mexico and the Gulf of St. Lawrence, where subsequent spot or voyage charters can be obtained.

Navios Holdings enters into dry bulk shipping FFAs as economic hedges relating to identifiable ship and or cargo positions and as economic hedges of transactions the Company expects to carry out in the normal course of its shipping business. By utilizing certain derivative instruments, including dry bulk shipping FFAs, the Company manages the financial risk associated with fluctuating market conditions. In entering into these contracts, the Company has assumed the risk that might arise from the possible inability of counterparties to meet the terms of their contracts.

As of June 30, 2010 and December 31, 2009, none of Navios Holdings' FFAs qualified for hedge accounting treatment. Drybulk FFAs traded by Navios Holdings that do not qualify for hedge accounting are shown at fair value through the statement of operations.

FFAs cover periods generally ranging from one month to one year and are based on time charter rates or freight rates on specific quoted routes. FFAs are executed either over-the-counter, between two parties, or through NOS ASA, a Norwegian clearing house, and LCH the London clearing house. FFAs are settled in cash monthly based on publicly quoted indices.

NOS ASA and LCH call for both base and margin collaterals, which are funded by Navios Holdings, and which in turn substantially eliminates counterparty risk. Certain portions of these collateral funds may be restricted at any given time as determined by NOS ASA and LCH.

At the end of each calendar quarter, the fair value of dry bulk shipping FFAs traded over-the-counter are determined from an index published in London, United Kingdom and the fair value of those FFAs traded with NOS ASA and LCH are determined from the NOS ASA and LCH valuations accordingly. Navios Holdings has implemented specific procedures designed to respond to credit risk associated with over-the-counter trades, including the establishment of a list of approved counterparties and a credit committee which meets regularly.

**Table of Contents****Statement of Operations Breakdown by Segment**

Navios Holdings reports financial information and evaluates its operations by charter revenues and not by vessel type, length of ship employment, customers or type of charter. Navios Holdings does not use discrete financial information to evaluate the operating results for each such type of charter. Although revenue can be identified for these types of charters, management does not identify expenses, profitability or other financial information for these charters. As a result, Navios Holdings reviews operating results solely by revenue per day and operating results of the owned and chartered-in fleet and, thus, the Company has determined that it has three reportable segments, Drybulk Vessel Operations, Tanker Vessel Operations (Navios Acquisition) and Logistics Business. The reportable segments reflect the internal organization of Navios Holdings and strategic businesses that offer different products and services. The Drybulk Vessel Operations business consists of transportation and handling of bulk cargoes through ownership, operation, and trading of vessels, freight and FFAs. The Tanker Vessel Operations business consists of transportation and handling of liquid cargoes through ownership, operation, and trading of tanker vessels. The Logistics Business consists of operating ports and transfer station terminals, handling of vessels, barges and push boats as well as upriver transport facilities in the Hidrovia region. Navios Holdings measures segment performance based on net income.

For a more detailed discussion about Navios Logistics Segment, refer to the section Navios South American Logistics Inc. further below.

**Period over Period Comparisons of Navios Holdings****For the Three Month Period ended June 30, 2010 compared to the Three Month Period ended June 30, 2009**

The following table presents consolidated revenue and expense information for the three month periods ended June 30, 2010 and 2009. This information was derived from the unaudited consolidated revenue and expense accounts of Navios Holdings for the respective periods.

	<b>Three Month Period ended June 30, 2010 (unaudited)</b>	<b>Three Month Period ended June 30, 2009 (unaudited)</b>
<i>(Expressed in thousands of U.S. dollars)</i>		
Revenue	\$ 165,445	\$ 142,208
Time charter, voyage and logistic business expenses	(83,704)	(82,883)
Direct vessel expenses	(9,635)	(7,915)
General and administrative expenses	(11,351)	(10,561)
Depreciation and amortization	(22,366)	(16,377)
Interest income/expense and finance cost, net	(20,982)	(14,737)
Gain on derivatives	5,880	645
Gain on sale of assets	1,751	16,790
Gain on change in control	17,742	
Other income/expense, net	(3,005)	(9,784)
<b>Income before equity in net earnings of affiliate companies</b>	<b>39,775</b>	<b>17,386</b>
Equity in net earnings of affiliated companies	8,172	5,399
<b>Income before taxes</b>	<b>47,947</b>	<b>22,785</b>
Income taxes	133	962
<b>Net income</b>	<b>48,080</b>	<b>23,747</b>
Less: Net income attributable to the noncontrolling interest	(1,571)	(1,610)

<b>Net income attributable to Navios Holdings common stockholders</b>	<b>\$</b>	<b>46,509</b>	<b>\$</b>	<b>22,137</b>
---	-----------	---------------	-----------	---------------

Set forth below are selected historical and statistical data for Navios Holdings for each of the three month period ended June 30, 2010 and 2009 that the Company believes may be useful in better understanding the Company's financial position and results of operations.

**Table of Contents**

	<b>Three month period ended June 30,</b>	
	<b>2010 (unaudited)</b>	<b>2009 (unaudited)</b>
<b>FLEET DATA</b>		
Available days	3,915	3,721
Operating days	3,904	3,717
Fleet utilization	99.7%	99.9%
Equivalent vessels	43.0	40.9

**AVERAGE DAILY RESULTS**

Time Charter Equivalents	\$26,431	\$26,684
--------------------------	----------	----------

During the three month period ended June 30, 2010, there were 194 more available days as compared to the same period of 2009 due to an increase of 546 available days mainly attributable to the delivery of nine newbuilding owned vessels during the last three quarters of 2009 and the first quarter of 2010. This increase was offset by a decrease in short and long term fleet available days by 302 days and 50 days, respectively. Navios Holdings can increase or decrease its fleet's size by chartering-in vessels for long or short-term periods (less than one year).

The average TCE rate for the three month period ended June 30, 2010 was \$26,431 per day, \$253 per day lower than the rate achieved in the same period of 2009. This was primarily due to the decrease in the freight market resulting in lower charter-out daily rates in the second quarter of 2010 than those achieved in the second quarter of 2009.

**Revenue:** Revenue from drybulk vessel operations for the three months ended June 30, 2010 was \$113.8 million as compared to \$107.1 million for the same period during 2009. The increase in revenue was mainly attributable to the increase in the available days of the fleet by 5.2% to 3,915 days as compared to the same period of 2009. This increase was offset by a decrease in TCE per day of 0.9% to \$26,431 per day in the second quarter of 2010 from \$26,684 per day in the same period of 2009.

Revenue from the logistics business was approximately \$51.6 million for the three months ended June 30, 2010 as compared to \$35.1 million during the same period of 2009. This increase was mainly attributable to (a) the acquisition of the Makenita H in June 2009, which was fully operational during the second half of 2010, (b) the acquisition of the Sara H in February 2010, (c) the increased operations of its liquid port and (d) the increased storage capacity of its dry port in Uruguay following the construction of its new silo.

Revenue from tanker vessel operations for the three months ended June 30, 2010 was below \$0.1 million, as Navios Acquisition took delivery of the Colin Jacob on June 29, 2010.

**Time Charter, Voyage and Logistics Business Expenses:** Time charter, voyage and logistic business expenses increased by \$0.8 million or 1.0% to \$83.7 million for the three month period ended June 30, 2010, as compared to \$82.9 million for same period in 2009. This was primarily due to an increase of \$13.6 million in logistic business expenses, which was offset by a decrease in the short-term and long-term fleet activity (which also negatively affected the available days of the fleet, discussed above).

Time charter, voyage and logistic business expenses from tanker vessel operations for the three months ended June 30, 2010 were below \$0.1 million, as Navios Acquisition took delivery of Colin Jacob on June 29, 2010.

**Direct Vessel Expenses:** Direct vessel expenses for operation of the owned fleet increased by \$1.7 million to \$9.6 million or 21.5% for the three month period ended June 30, 2010, as compared to \$7.9 million for the same period in 2009. Direct vessel expenses include crew costs, provisions, deck and engine stores, lubricating oils, insurance premiums and costs for maintenance and repairs. The increase resulted primarily from the increase of the owned fleet by 10 vessels until the second quarter of 2010 compared to the same period in 2009 and the increase in crew costs, spares and lubricating oils.

Direct vessel expenses from tanker vessel operations for the three months ended June 30, 2010 were below \$0.1 million, as Navios Acquisition took delivery of Colin Jacob on June 29, 2010.

**General and Administrative Expenses:** General and administrative expenses of Navios Holdings are composed of the following:

**Table of Contents**

<i>(Expressed in thousands of U.S. dollars)</i>	<b>Three month period ended June 30, 2010 (unaudited)</b>	<b>Three month period ended June 30, 2009 (unaudited)</b>
Payroll and related costs <sup>(1)</sup>	\$ 3,893	\$ 3,820
Professional, legal and audit fees <sup>(1)</sup>	1,143	1,635
Navios Acquisition	86	
Navios Logistics	2,409	2,009
Other <sup>(1)</sup>	855	465
Sub-total	8,386	7,929
Credit risk insurance <sup>(1)</sup>	2,965	2,632
General and administrative expenses	\$ 11,351	\$ 10,561

(1) Excludes the logistics and tanker vessels business

The increase in general and administrative expenses by \$0.7 million to \$11.3 million or 6.6% for the three month period ended June 30, 2010, as compared to \$10.6 million for the same period of 2009, was mainly attributable to (a) a \$0.4 million increase in credit insurance and political risk fees, (b) a \$0.4 million increase in general and administrative expenses attributable to the logistics business and a \$0.1 million relating to Navios Acquisition and (c) a \$0.3 million increase in other general and administrative expenses. This increase was partially offset by a \$0.5 million decrease in professional, legal and audit fees.

**Depreciation and Amortization:** For the three month period ended June 30, 2010, depreciation and amortization increased by \$6.0 million compared to the same period in 2009 was primarily due to (a) a \$6.7 million increase in depreciation of vessels due to the increase in the owned fleet by 10 vessels and (b) a \$0.5 million increase in depreciation and amortization from the logistics business mainly due to the acquisition of the Makenita H at the end of the second quarter of 2009 and Sarah H in February 2010. This increase was offset by a \$1.2 million decrease in amortization of favorable and unfavorable leases.

Depreciation and amortization from tanker vessel operations for the three months ended June 30, 2010 was immaterial, as Navios Acquisition took delivery of Colin Jacob on June 29, 2010.

**Interest Income/Expense and Finance Cost, Net:** Interest income/expense and finance cost for the three month period ended June 30, 2010 increased to \$21.0 million, as compared to \$14.7 million in the same period of 2009. The increase was mainly due to an increase in interest expense and finance cost of \$6.9 million mainly following the issuance of \$400.0 million first priority ship mortgage notes in November 2009. The increase of \$6.9 million includes also an increase of \$0.2 million and \$0.3 million in interest expense and finance cost of Navios Logistics and Navios Acquisition, respectively. This increase was partially offset by (a) a decrease in average LIBOR rate to 0.3% for the three month period ended June 30, 2010 as compared to 1.7% for the same period in 2009 and (b) a decrease in average outstanding loan balance from \$575.0 million in the second quarter of 2009 to \$371.7 million in the same period of 2010 (excluding the drawdown relating to facilities for the construction of the Capesize vessels).

The increase of interest expense and finance cost was offset by an increase of interest income by \$0.6 million to \$1.0 million for the three month period ended June 30, 2010, as compared to \$0.4 million for the same period of 2009. The increase of \$0.6 million also includes \$0.2 million of Navios Acquisition interest income. The overall interest



income increase was mainly attributable to increased income from time deposits due to higher rates achieved.

**Gains on Derivatives:** Income from derivatives increased by \$5.2 million to \$5.9 million during the three month period ended June 30, 2010, as compared to \$0.7 million for the same period in 2009. There is no income from derivatives relating to the logistics business and tanker vessel operations. Navios Holdings records the change in the fair value of derivatives at each balance sheet date. The FFAs market has experienced significant volatility in the past few years and, accordingly, recognition of the changes in the fair value of FFAs has, and can, cause significant volatility in earnings. The extent of the impact on earnings is dependent on two factors: market conditions and Navios Holdings' net position in the market. Market conditions were volatile in both periods. As an indicator of volatility, selected Baltic Exchange Panamax time charter average rates are shown below.

**Table of Contents**

	<b>Baltic Exchange s Panamax Time Charter Average Index</b>
June 24, 2010	\$ 23,944 <sup>(a)</sup>
June 2, 2010	\$ 59,324 <sup>(b)</sup>
June 30, 2010	\$ 24,239 <sup>(*)</sup>
April 7, 2009	\$ 8,879 <sup>(c)</sup>
June 3, 2009	\$ 28,110 <sup>(d)</sup>
June 30, 2009	\$ 23,275 <sup>(*)</sup>

(a) Low for Q2  
2010

(b) High for Q2  
2010

(c) Low for Q2  
2009

(d) High for Q2  
2009

(\*) End of period  
rate

**Gain on Sale of Assets:** The gain on sale of assets for the three month period ended June 30, 2010 was \$1.8 million which resulted from the sale of the Navios Pollux to Navios Partners on May 21, 2010, for \$110.0 million in cash. During the same period in 2009, a gain of \$16.8 million resulted from the sale of the Navios Sagittarius to Navios Partners on June 10, 2009.

**Gain on Change in Control:** The gain on change in control for the three month period ended June 30, 2010 was \$17.7 million in connection with Navios Acquisition. Upon obtaining control of Navios Acquisition, the investment in common shares and the investment in warrants were remeasured to fair value, resulting in a gain of \$17.7 million and noncontrolling interest (being the number of shares not controlled by the Company) was recognized at fair value, being the public share price as of May 28, 2010 of \$6.56, amounting to \$60.6 million.

**Net Other Income and Expense:** Net other income and expense decreased by \$6.8 million to \$3.0 million for the three month period ended June 30, 2010, from \$9.8 million for the same period in 2009. This decrease was mainly due to (a) a decrease in other income by \$6.1 million due to the non-cash compensation income relating to the relief of Navios Partners from its obligation to purchase the Navios Bonavis recognized in the three month period ended June 30, 2009 and (b) an increase of \$1.4 million in other expenses of Navios Logistics mainly due to increase in provision for losses in accounts receivable. This decrease in other income was partially offset by (a) a \$13.8 million decrease in unrealized mark-to-market losses on common units of Navios Partners accounted for as available-for-sale investments written-down to their market value at the three month period ended June 30, 2009, and (b) a \$0.5 million decrease of miscellaneous expenses. Out of the total amount of net other income and expense, no amount has been generated by Navios Acquisition.

**Equity in Net Earnings of Affiliated Companies:** Equity in net earnings of affiliated companies increased by \$2.8 million to \$8.2 million for the three month period ended June 30, 2010, from \$5.4 million equity in earnings for the same period in 2009. This increase was mainly due to the additional deferred gain recognized in the statements of

income during the three month period ended June 30, 2010 under Equity in net earnings of affiliated companies following Navios Partners public equity offering of 5,175,000 common units on May 5, 2010, which amount includes the exercise of the overallotment option and the change in percentage ownership.

**Income Taxes:** Income taxes decreased by \$0.9 million to \$0.1 million for the three month period ended June 30, 2010, as compared to \$1.0 million for the same period in 2009. The main reason was the \$0.9 million decrease in income taxes relating to Navios Logistics.

**Net Income Attributable to the Non-controlling Interest:** Net income attributable to the non-controlling interest remained at approximately the same level for both periods presented.

**For the Six Month Period ended June 30, 2010 compared to the Six Month Period ended June 30, 2009**

The following table presents consolidated revenue and expense information for the six month periods ended June 30, 2010 and 2009. This information was derived from the unaudited consolidated revenue and expense accounts of Navios Holdings for the respective periods.

**Table of Contents**

	<b>Six Month Period ended June 30, 2010 (unaudited)</b>	<b>Six Month Period ended June 30, 2009 (unaudited)</b>
<i>(Expressed in thousands of U.S. dollars)</i>		
Revenue	\$ 319,814	\$ 289,376
Time charter, voyage and logistic business expenses	(170,941)	(174,682)
Direct vessel expenses	(18,943)	(15,085)
General and administrative expenses	(23,544)	(20,992)
Depreciation and amortization	(47,307)	(31,917)
Interest income/expense and finance cost, net	(42,391)	(29,102)
Gain on derivatives	4,042	619
Gain on sale of assets	26,134	16,790
Gain on change in control	17,742	
Other income/expense, net	(6,804)	(10,992)
Income before equity in net earnings of affiliate companies	57,802	24,015
Equity in net earnings of affiliated companies	19,756	10,499
Income before taxes	77,558	34,514
Income taxes	901	1,594
Net income	78,459	36,108
Less: Net income attributable to the noncontrolling interest	(649)	(1,978)
<b>Net income attributable to Navios Holdings common stockholders</b>	<b>\$ 77,810</b>	<b>\$ 34,130</b>

Set forth below are selected historical and statistical data for Navios Holdings for each of the six month periods ended June 30, 2010 and 2009 that the Company believes may be useful in better understanding the Company's financial position and results of operations.

	<b>Six month period ended June 30,</b>	
	<b>2010 (unaudited)</b>	<b>2009 (unaudited)</b>
<b>FLEET DATA</b>		
Available days	8,108	7,601
Operating days	8,088	7,583
Fleet utilization	99.8%	99.8%
Equivalent vessels	45.1	42.0
<b>AVERAGE DAILY RESULTS</b>		
Time Charter Equivalents	\$25,424	\$27,544

During the six month period ended June 30, 2010, there were 507 more available days as compared to the same period of 2009 mainly due to an increase of 1,245 available days following the delivery of nine newbuilding owned vessels during the last three quarters of 2009 and the first quarter of 2010. That was offset by a decrease in short-term and long-term fleet available days by 356 days and 382 days, respectively. Navios Holdings can increase or decrease its fleet's size by chartering-in vessels for long-term or short-term periods (less than one year).

The average TCE rate for the six month period ended June 30, 2010 was \$25,424 per day, \$2,120 per day lower than the rate achieved in the same period of 2009. This was primarily due to the decrease in the freight market resulting in lower charter-out daily rates in the first half of 2010 than those achieved in the same period of 2009.

**Revenue:** Revenue from drybulk vessel operations for the six months ended June 30, 2010 was \$232.0 million as compared to \$224.9 million for the same period during 2009 that was mainly attributable to the increase in the available days of the fleet by 6.7% to 8,108 days in the first half of 2010 from 7,601 days in the same period of 2009 as described above. This was partially offset by the decrease in TCE per day of 7.7% to \$25,424 in first half of 2010 from \$27,544 per day in the same period of 2009.

Revenue from the logistics business was approximately \$87.8 million for the six months ended June 30, 2010 as compared to \$64.4 million during the same period of 2009. This increase was mainly attributable to (a) the acquisition of Makenita H in June 2009, which was fully operational during the first half of 2010, (b) the acquisition of Sara H in February 2010, (c) the increased operations of its liquid port and (d) the increased storage capacity of its dry port in Uruguay following the construction of its new silo.

**Table of Contents**

Revenue from tanker vessel operations for the six months ended June 30, 2010 was below \$0.1 million, as Navios Acquisition took delivery of Colin Jacob on June 29, 2010.

**Time Charter, Voyage and Logistics Business Expenses:** Time charter, voyage and logistic business expenses decreased by \$3.8 million or 2.2% to \$170.9 million for the six month period ended June 30, 2010, as compared to \$174.7 million for the same period in 2009. This decrease was primarily due to the decrease in the short-term fleet activity (which also negatively affected the available days of the fleet, discussed above) which was offset by an increase of \$20.5 million in logistic business expenses.

Time charter, voyage and logistic business expenses from tanker vessel operations for the six months ended June 30, 2010 was below \$0.1 million, as Navios Acquisition took delivery of Colin Jacob on June 29, 2010.

**Direct Vessel Expenses:** Direct vessel expenses for operation of the owned fleet increased by \$3.8 million to \$18.9 million or 25.2% for the six month period ended June 30, 2010, as compared to \$15.1 million for the same period in 2009. Direct vessel expenses include crew costs, provisions, deck and engine stores, lubricating oils, insurance premiums and costs for maintenance and repairs. The increase resulted primarily from the increase of the owned fleet by 10 vessels through the first half of 2010 compared to the same period in 2009 and the increase in crew costs, spares and lubricating oils.

Direct vessel expenses from tanker vessel operations for the six months ended June 30, 2010 was below \$0.1 million, as Navios Acquisition took delivery of Colin Jacob on June 29, 2010.

**General and Administrative Expenses:** General and administrative expenses of Navios Holdings are composed of the following:

	<b>Six month period ended June 30, 2010 (unaudited)</b>	<b>Six month period ended June 30, 2009 (unaudited)</b>
<i>(Expressed in thousands of U.S. dollars)</i>		
Payroll and related costs <sup>(1)</sup>	\$ 8,085	\$ 7,284
Professional, legal and audit fees <sup>(1)</sup>	2,447	2,839
Navios Acquisition	86	
Navios Logistics	5,806	4,154
Other <sup>(1)</sup>	1,495	1,397
Sub-total	17,919	15,674
Credit default insurance cover	5,625	5,318
General and administrative expenses	\$ 23,544	\$ 20,992

(1) Excludes the logistics business and tanker vessels business

The increase by \$2.5 million to \$23.5 million or 11.9% for the six month period ended June 30, 2010, as compared to \$21.0 million for the same period of 2009, was mainly attributable to (a) an \$0.8 million increase in payroll and other related costs, (b) a \$0.3 million increase in credit insurance and political risk fees, (c) a \$0.1 million increase in other general and administrative expenses and (d) a \$1.7 million increase in general and administrative expenses attributable to the logistics business. This increase was partially mitigated by a \$0.4 million decrease in professional, legal and audit fees.

**Depreciation and Amortization:** For the six month period ended June 30, 2010, depreciation and amortization increased by \$15.4 million compared to the same period in 2009 primarily due to (a) a \$14.6 million increase in depreciation of vessels due to the increase in the owned fleet by 10 vessels, (b) a \$0.7 million increase in depreciation and amortization from the logistics business mainly due to the acquisition of the Makenita H at the end of the second quarter of 2009 and Sarah H in February 2010 and (c) a \$0.1 million increase in amortization of favorable and unfavorable leases.

Depreciation and amortization from tanker vessel operations for the six months ended June 30, 2010 was below \$0.1 million, as Navios Acquisition took delivery of Colin Jacob on June 29, 2010.

**Interest Income/Expense and Finance Cost, Net:** Interest income/expense and finance cost, net for the six month period ended June 30, 2010 increased to \$42.4 million, as compared to \$29.1 million in the same period of 2009. The increase was mainly due to an increase in interest expense and finance cost of \$14.3 million mainly following the issuance of \$400.0 million first priority ship mortgage notes in November 2009. The increase of \$14.3 million includes also an increase of \$0.4 million and \$0.3 million in interest expense and finance cost of Navios Logistics and Navios Acquisition, respectively. This increase was partially offset by (a) a decrease in average LIBOR rate to 0.34% for the six month period ended June 30, 2010 as compared to 2.0% for the same period in 2009 and (b) a decrease in the average outstanding loan balance from \$516.2 million in the first half of 2009 to \$376.1 million in the same period of 2010 (excluding the drawdown relating to facilities for the construction of the Capesize vessels).

**Table of Contents**

The increase of interest expense and finance cost was offset by an increase of interest income by \$1.1 million to \$1.8 million for the six month period ended June 30, 2010, as compared to \$0.7 million for the same period of 2009. The increase of \$1.1 million also included an increase of \$0.1 million and \$0.2 million of Navios Logistics and Navios Acquisition interest income, respectively. The overall interest income increase was mainly attributable to increased income from time deposits due to higher rates obtained.

The increase of \$0.3 million in interest expense and finance cost for tanker vessels was mainly due to new loans assumed following the transactions of Navios Acquisition as of May 28, 2010. Interest income increase of \$0.2 million from tanker vessels operation was mainly due to income from short-term deposits.

**Gains on Derivatives:** Income from derivatives increased by \$3.4 million to \$4.0 million during the six month period ended June 30, 2010, as compared to \$0.6 million for the same period in 2009. Navios Holdings records the change in the fair value of derivatives at each balance sheet date. The FFAs market has experienced significant volatility in the past few years and, accordingly, recognition of the changes in the fair value of FFAs has, and can, cause significant volatility in earnings. The extent of the impact on earnings is dependent on two factors: market conditions and Navios Holdings net position in the market. Market conditions were volatile in both periods. As an indicator of volatility, selected Baltic Exchange Panamax time charter average rates are shown below.

	<b>Baltic Exchange s Panamax Time Charter Average Index</b>
June 24, 2010	\$ 23,944 <sup>(a)</sup>
June 2, 2010	\$ 59,324 <sup>(b)</sup>
June 30, 2010	\$ 24,239 <sup>(*)</sup>
January 19, 2009	\$ 3,917 <sup>(c)</sup>
June 3, 2009	\$ 28,110 <sup>(d)</sup>
June 30, 2009	\$ 23,275 <sup>(*)</sup>

(a) Low for six months 2010

(b) High for six months 2010

(c) Low for six months 2009

(d) High for six months 2009

(\*) End of period rate

**Gain on Sale of Assets:** The gain on sale of assets for the six month period ended June 30, 2010 was \$26.1 million from (a) a gain of \$23.8 million from the sale of the Navios Hyperion, (b) a gain of \$0.6 million from the sale of the Navios Aurora II and (c) a gain of \$1.7 from the sale of Navios Pollux to Navios Partners on January 8, 2010, March 18, 2010 and May 21, 2010, respectively. During the same period in 2009, a gain of \$16.8 million resulted from the sale of the Navios Sagittarius to Navios Partners on June 10, 2009.

**Gain on Change in Control:** The gain on change in control for the six month period ended June 30, 2010 of \$17.7 million in connection with Navios Acquisition. Upon obtaining control of Navios Acquisition, the investment in



common shares and the investment in warrants were remeasured to fair value resulting in a gain of \$17.7 million and noncontrolling interest was recognized at fair value, being the public share price as of May 28, 2010 of \$6.56, amounting to \$60.6 million.

***Net Other Income and Expense:*** Net other income and expense decreased by \$4.2 million to \$6.8 million other expense for the six month period ended June 30, 2010, from \$11.0 million other expense for the same period in 2009. This decrease was mainly due to (a) a decrease in other income by \$6.1 million due to the non-cash compensation income relating to the relief of Navios Partners from its obligation to purchase the Navios Bonavis recognized in the three month period ended June 30, 2009, (b) an increase of \$3.7 million in provision for losses on accounts receivable, (c) an increase of \$2.0 million in other expenses of Navios Logistics mainly due to increase in provision for bad debts. This decrease was partially mitigated by (a) a \$13.8 million decrease in unrealized mark-to-market losses on common units of Navios Partners accounted for as available-for-sale investments written-down to their market value at the three month period ended June 30, 2009, which was below the prevailing market value

**Table of Contents**

as of August 20, 2009, and (b) a \$2.2 million increase in net other income relating to miscellaneous income.

**Equity in Net Earnings of Affiliated Companies:** Equity in net earnings of affiliated companies increased by \$9.3 million to \$19.8 million for the six month period ended June 30, 2010, from \$10.5 million equity in earnings for the same period in 2009. This increase was mainly due to the additional deferred gain recognized in the statements of income during the six month period ended June 30, 2010 under Equity in net earnings of affiliated companies following Navios Partners' public equity offering of 4,025,000 common units and 5,175,000 common units in February and May 2010, respectively, which amounts include the exercise of the overallotment option in both offerings.

**Income Taxes:** Income taxes decreased by \$0.7 million to \$0.9 million for the six month period ended June 30, 2010, as compared to \$1.6 million for the same period in 2009. The main reason was the \$0.7 million decrease in income taxes relating to Navios Logistics.

**Net Income Attributable to the Noncontrolling Interest:** Net income attributable to the non-controlling interest decreased by \$1.3 million for the six month period ended June 30, 2010, from \$2.0 million for the same period in 2009. This decrease in net income attributable to the non-controlling interest was related to Navios Logistics.

**NAVIOS SOUTH AMERICAN LOGISTICS INC.**

The following is a discussion of the financial condition and results of operations for the three and six month periods ended June 30, 2010 and 2009 of Navios Logistics. These financial statements have been prepared in accordance with U.S. GAAP.

**Recent Developments**

In June 2010, Navios Logistics agreed to enter into long-term bareboat agreements for two new product tankers, the Stavroula and the Jiujiang, each with a capacity of 16,871 dwt. The Jiujiang and the Stavroula were delivered in June and July 2010, respectively. Both tankers are accounted as finance leases with a value of \$16.3 million for Jiujiang and \$17.1 million for Stavroula.

**Financial Highlights**

The following table presents consolidated revenue and expense information for each of the three and six month periods ended June 30, 2010 and 2009.

	<b>Three Month Period ended June 30, 2010 (unaudited)</b>	<b>Three Month Period ended June 30, 2009 (unaudited)</b>	<b>Six Month Period ended June 30, 2010 (unaudited)</b>	<b>Six Month Period ended June 30, 2009 (unaudited)</b>
<i>(Expressed in thousands of U.S. dollars)</i>				
Revenue	\$ 51,636	35,097	\$ 87,841	\$ 64,442
Time charter, voyage and logistics business expenses	(35,538)	(21,917)	(63,140)	(42,632)
General and administrative expenses	(2,411)	(2,009)	(5,808)	(4,154)
Depreciation and amortization	(5,634)	(5,196)	(11,342)	(10,627)
Interest income/expense and finance cost, net	(1,132)	(1,002)	(2,040)	(1,752)
Other income/expense, net	(3,134)	(2,166)	(4,653)	(2,656)
<b>Income before taxes</b>	<b>\$ 3,787</b>	<b>2,807</b>	<b>\$ 858</b>	<b>\$ 2,621</b>
Income taxes	202	1,047	1,044	1,725
<b>Net income</b>	<b>3,989</b>	<b>3,854</b>	<b>1,902</b>	<b>4,346</b>
Noncontrolling interests	(341)	(427)	(34)	(730)

<b>Net income attributable to Navios Holdings common stockholders</b>	<b>\$ 3,648</b>	<b>3,427</b>	<b>\$ 1,868</b>	<b>\$ 3,616</b>
---	-----------------	--------------	-----------------	-----------------

18

---

**Table of Contents**

The following table presents consolidated balance sheets of Navios Logistics as of June 30, 2010 and December 31, 2009.

	<b>June 30, 2010</b>	<b>December 31, 2009</b>
<i>(Expressed in thousands of U.S. dollars )</i>		
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 29,233	\$ 26,927
Restricted cash	1,011	1,674
Accounts receivable, net	20,628	15,578
Prepaid expenses and other current assets	11,451	13,598
<b>Total current assets</b>	<b>62,323</b>	<b>57,777</b>
<b>Noncurrent assets</b>		
Vessels, port terminal and other fixed assets, net	298,780	265,850
Deferred financing costs, net	1,222	870
Deferred dry-dock and special survey costs, net	2,128	1,673
Other long-term assets	7,286	9,436
Intangible assets other than goodwill	70,545	77,185
Goodwill	105,048	91,681
<b>Total noncurrent assets</b>	<b>485,009</b>	<b>446,695</b>
<b>Total assets</b>	<b>\$ 547,332</b>	<b>\$ 504,472</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 19,950	\$ 17,953
Accrued expenses	8,139	7,520
Due to affiliate companies	148	94
Capital lease obligations	620	
Current portion of long-term debt	4,101	5,829
<b>Total current liabilities</b>	<b>32,958</b>	<b>31,396</b>
<b>Noncurrent liabilities</b>		
Long-term debt, net of current portion	112,371	114,564
Capital lease obligations, net of current portion	15,706	
Deferred tax liability	21,118	22,778
Long-term liabilities	23,339	6,199
<b>Total noncurrent liabilities</b>	<b>172,534</b>	<b>143,541</b>
<b>Total liabilities</b>	<b>205,492</b>	<b>174,937</b>
<b>Commitments and contingencies</b>		
<b>STOCKHOLDERS EQUITY</b>		

Edgar Filing: Navios Maritime Partners L.P. - Form 6-K

Common stock \$1 par value; 50,000 authorized shares; 20,000 shares issued and outstanding at June 30, 2010 and December 31, 2009	20	20
Additional paid-in capital	292,669	284,761
Retained earnings	13,609	8,779
<b>Total Navios Logistics stockholders equity</b>	<b>306,298</b>	<b>293,560</b>
Noncontrolling interest	35,542	35,975
<b>Total equity</b>	<b>341,840</b>	<b>329,535</b>
<b>Total liabilities and equity</b>	<b>\$ 547,332</b>	<b>\$ 504,472</b>

**Period-over-Period Comparisons of Navios Logistics**

**For the Three Month Period ended June 30, 2010 compared to Three Month Period ended June 30, 2009**

**Revenue:** For the three month period ended June 30, 2010, Navios Logistics revenue increased by \$16.5 million or 47.0% to \$51.6 million as compared to \$35.1 million for the same period during 2009. Revenue from dry port terminal business

**Table of Contents**

increased by \$0.8 million or 13.3% to \$6.8 million for the three month period ended June 30, 2010, as compared to \$6.0 million for the same period during 2009. The increase was mainly attributable to (a) an increase in volumes in the dry port terminal and (b) an increase in storage capacity due to construction of the new silo at its port facilities in Uruguay, which had been fully operational since August 2009. Revenue from the logistics business increased by \$15.7 million or 54.0% to \$44.8 million for the three months period ended June 30, 2010, as compared to \$29.1 million for the same period during 2009. This increase was mainly attributable to (a) the acquisition of the Makenita H and the Sara H, on June 2009 and February 2010, respectively, and (b) the increase in product sales in Petrosan.

**Time Charter, Voyage and Port Terminal Expenses:** Time charter, voyage and port terminal expenses for the three months period ended June 30, 2010, increased by \$13.6 million or 62.1% to \$35.5 million as compared to \$21.9 million for the same period during 2009. Dry port terminal business expenses for the three months period ended June 30, 2010 increased by \$0.5 million or 41.7% to \$1.7 million, as compared to \$1.2 million for the same period during 2009. This increase was attributable to an increase in its activities and to the additional cost of operations of the new silo constructed at Navios Logistics port facilities in Uruguay. Time charter and voyage expenses of logistics business increased by \$13.1 million or 63.3% to \$33.8 million for the three months period ended June 30, 2010, as compared to \$20.7 million for the same period in 2009. The increase was mainly attributable to an increase in costs of products sold in Petrosan and the balance to an increase in other operating costs, mainly fuels and lubricants, payroll and related costs and repairs and maintenance expenses.

**General and Administrative Expenses:** General and administrative expenses increased by \$0.4 million or 20.0% to \$2.4 million for the three month period ended June 30, 2010 as compared to \$2.0 million for the same period during 2009. General and administrative expenses relating to dry port terminal business were \$0.2 million in both periods ended June 30, 2010 and 2009. General and administrative expenses relating to logistics business increased by \$0.4 million or 22.2% to \$2.2 million for the three month period ended June 30, 2010, as compared to \$1.8 million for the same period during 2009. The increase was mainly attributable to an increase in salaries, professional fees and other administrative costs.

**Depreciation and Amortization:** Depreciation and amortization expense increased by \$0.4 million or 7.7% to \$5.6 million for the three month period ended June 30, 2010 as compared to \$5.2 million for the same period of 2009. Depreciation of tangible and amortization of intangible assets for the three month period ended June 30, 2010, amounted to \$4.5 million and \$1.1 million, respectively. This increase was mainly attributable to the acquisition of the Makenita H and the Sara H on June 2009 and February 2010, respectively.

**Interest Income/Expense and Finance Costs, Net:** Interest expense and finance costs, net increased by \$0.1 million or 10.0% to \$1.1 million for the three month period ended June 30, 2010 as compared to \$1.0 million for the same period of 2009. Interest expense amounted to \$1.0 million and the remaining \$0.1 million to various finance costs, net. The main reason was the increase in the outstanding loans used to finance the vessel acquisitions, partially offset by a decrease in the interest rates.

**Net Other Income/Expense:** Net other expense increased by \$0.9 million or 40.9% to \$3.1 million for the three month period ended June 30, 2010 as compared to \$2.2 million for the same period of 2009. This increase was mainly attributable to an increase in taxes other than income taxes.

**Income Taxes:** Income taxes decreased by \$0.8 million or 80.0% for the three month period ended June 30, 2010 to \$0.2 million as compared to \$1.0 million for the same period in 2009. Income taxes consist of income taxes calculated for certain subsidiaries of Navios Logistics, which are subject to corporate income tax.

**For the Six Month Period ended June 30, 2010 compared to Six Month Period ended June 30, 2009**

**Revenue:** For the six month period ended June 30, 2010, Navios Logistics revenue increased by \$23.4 million or 36.3% to \$87.8 million as compared to \$64.4 million for the same period during 2009. Revenue from dry port terminal business increased by \$2.6 million or 32.9% to \$10.5 million for the six month period ended June 30, 2010, as compared to \$7.9 million for the same period during 2009. The increase was mainly attributable to (a) an increase in volumes in the dry port terminal and (b) an increase in storage capacity due to construction of the new silo at its port facilities in Uruguay, which had been fully operational since August 2009. Revenue from the Logistics Business increased by \$20.8 million or 36.8% to \$77.3 million for the six months period ended June 30, 2010, as compared to \$56.5 million for the same period during 2009. This increase was mainly attributable to (a) the acquisition of the

Makenita H and Sara H, in June 2009 and February 2010, respectively, and (b) the increase in product sales in Petrosan.

***Time Charter, Voyage and Port Terminal Expenses:*** Time charter, voyage and port terminal expenses for the six month period ended June 30, 2010, increased by \$20.5 million or 48.1% to \$63.1 million as compared to \$42.6 million for the same period during 2009. Dry port terminal business expenses for the six months period ended June 30, 2010 increased by \$1.1 million or 50.0% to \$3.3 million, as compared to \$2.2 million for the same period during 2009. This increase was attributable to an increase in its activities and to the additional cost of operations of the new silo constructed at Navios Logistics port facilities in Uruguay. Time charter and voyage expenses of logistics business increased by \$19.4 million or 48.0% to \$59.8 million for the six months period ended June 30, 2010, as compared to \$40.4 million for the same period in 2009. The increase was mainly attributable to an increase in costs of products sold in Petrosan and the balance to an increase in other operating costs, mainly fuels and lubricants, payroll and related costs and repairs and maintenance expenses.

**Table of Contents**

**General and Administrative Expenses:** General and administrative expenses increased by \$1.6 million or 38.1% to \$5.8 million for the six month period ended June 30, 2010 as compared to \$4.2 million for the same period during 2009. General and administrative expenses relating to dry port terminal business were \$0.4 million in both periods ended June 30, 2010 and 2009. General and administrative expenses relating to logistics business increased by \$1.6 million or 42.1% to \$5.4 million for the six month period ended June 30, 2010, as compared to \$3.8 million for the same period during 2009. The increase was mainly attributable to an increase in salaries, professional fees and other administrative costs.

**Depreciation and Amortization:** Depreciation and amortization expense increased by \$0.7 million or 6.6% to \$11.3 million for the six month period ended June 30, 2010 as compared to \$10.6 million for the same period of 2009. Depreciation of tangible and amortization of intangible assets for the six month period ended June 30, 2010, amounted to \$9.1 million and \$2.2 million, respectively. This increase was mainly attributable to the acquisition of the Makenita H and the Sara H in June 2009 and February 2010, respectively.

**Interest Income/Expense and Finance Costs, Net:** Interest expense and finance costs, net increased by \$0.2 million or 11.1% to \$2.0 million for the six month period ended June 30, 2010 as compared to \$1.8 million for the same period of 2009. Interest expense amounted to \$1.8 million and the remaining \$0.2 million to various finance costs. The main reason was the increase in the outstanding loans used to finance the vessel acquisitions, partially offset by a decrease in the interest rates.

**Net Other Income/Expense:** Net other expense increased by \$2.0 million or 74.1% to \$4.7 million for the six month period ended June 30, 2010 as compared to \$2.7 million for the same period of 2009. This increase was mainly attributable to an increase in taxes other than income taxes.

**Income Taxes:** Income taxes, net decreased by \$0.7 million or 41.2% for the six month period ended June 30, 2010 to \$1.0 million as compared to \$1.7 million for the same period in 2009. Income taxes consist of income taxes calculated for certain subsidiaries of Navios Logistics, which are subject to corporate income tax.

**EBITDA:** EBITDA represents net income before interest, taxes, depreciation, and amortization. Navios Logistics uses EBITDA because Navios Logistics believes that EBITDA is a basis upon which operational performance can be assessed and because Navios Logistics believes that EBITDA presents useful information to investors regarding Navios Logistics ability to service and/or incur indebtedness. Navios Logistics also uses EBITDA: (i) by prospective and current lessors as well as potential lenders to evaluate potential transactions; and (ii) to evaluate and price potential acquisition candidates.

**EBITDA Reconciliation to Net Income**

	<b>Three Month Period Ended</b>	
	<b>June 30, 2010</b>	<b>June 30, 2009</b>
<b>(Expressed in thousands of U.S. dollars)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
Net income attributable to Navios Holdings shareholders	\$ 3,648	\$ 3,427
Depreciation and amortization	5,634	5,196
Amortization of deferred drydock costs	90	60
Interest income/expense and financing costs, net	1,132	1,002
Income taxes	(202)	(1,047)
<b>EBITDA</b>	<b>\$ 10,302</b>	<b>\$ 8,638</b>

	<b>Six Month Period Ended</b>	
	<b>June 30, 2010</b>	<b>June 30, 2009</b>
<b>(Expressed in thousands of U.S. dollars)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
Net income attributable to Navios Holdings shareholders	\$ 1,868	\$ 3,616



Edgar Filing: Navios Maritime Partners L.P. - Form 6-K

Depreciation and amortization	11,342	10,627
Amortization of deferred drydock costs	169	120
Interest income/expense and financing costs, net	2,040	1,752
Income taxes	(1,044)	(1,725)
<b>EBITDA</b>	<b>\$ 14,375</b>	<b>\$ 14,390</b>

EBITDA increased by \$1.7 million to \$10.3 million for the three month period ended June 30, 2010, as compared to \$8.6 million for the same period of 2009. The increase was mainly attributable to the increase in revenue by \$16.5 million and the decrease in non-controlling interest by \$0.1 million. The above increase was mitigated mainly by: (a) the increase in time charter, voyage expenses and port terminal expenses by \$13.6 million; (b) the increase in other income and expense by \$0.9 million; and (c) the increase in general and administrative expenses by \$0.4 million.

**Table of Contents**

There was no movement in EBITDA for the six month period ended June 30, 2010 as compared to the six month period ended June 30, 2009, for both years EBITDA was \$14.4 million.

**Balance sheet highlights of Navios Logistics**

On June 2, 2009, Navios Logistics took delivery of a product tanker vessel named the Makenita H. The purchase price of the vessel (including direct costs) amounted to approximately \$25.2 million.

In February 2010, HS South Inc., one of our majority owned subsidiaries, took delivery of the Sara H, a 9,000 dwt, double-hulled product oil tanker vessel, which is chartered-out for three years, beginning April 2010. The purchase price of the vessel (including direct costs) amounted to approximately \$18.0 million. The vessel will be financed through a long-term loan.

In June 2010, Navios Logistics agreed to enter into long-term bareboat agreements for two new product tankers, the Stavroula and the Jiujiang, each with a capacity of 16,871 dwt. The Jiujiang and the Stavroula were delivered in June and July 2010, respectively. Both tankers are accounted as finance leases with a value of \$16.3 million for Jiujiang and \$17.1 million for Stavroula.

**Liquidity and Capital Resources**

Navios Holdings has historically financed its capital requirements with cash flows from operations, equity and debt contributions from stockholders and bank loans. Main uses of funds have been capital expenditures for the acquisition of new vessels, new construction and upgrades at the port terminal, expenditures incurred in connection with ensuring that the owned vessels comply with international and regulatory standards, repayments of bank loans and payments of dividends. Navios Holdings anticipates that cash on hand, internally generated cash flows and borrowings under the existing credit facilities will be sufficient to fund the operations of the fleet and the logistics business, including working capital requirements. However, see *Exercise of Vessel Purchase Options*, *Working Capital Position* and *Long Term Debt Obligations and Credit Arrangements* for further discussion of Navios Holdings working capital position.

In November 2008, the Board of Directors approved a share repurchase program of up to \$25.0 million of Navios Holdings common stock pursuant to a program adopted under Rule 10b5-1 under the Exchange Act. The program does not require any minimum purchase or any specific number or amount of shares and may be suspended or reinstated at any time in Navios Holdings discretion and without notice. Repurchases are subject to restrictions under the terms of Navios Holdings credit facilities and senior notes. During the six month period ended June 30, 2009, 331,900 shares were repurchased under this program for a total consideration of \$0.7 million. Since the initiation of the program, 907,480 shares have been repurchased for a total consideration of \$1.7 million. There were no shares repurchased during the six month period ended June 30, 2010.

The following table presents cash flow information derived from the unaudited consolidated statements of cash flows of Navios Holdings for the six month periods ended June 30, 2010 and 2009.

	<b>Six Month Period ended June 30, 2010 (Expressed in thousands of U.S. dollars) (unaudited)</b>	<b>Six Month Period ended June 30, 2009 (unaudited)</b>
Net cash provided by operating activities	\$ 51,363	\$ 113,716
Net cash used in investing activities	(129,398)	(219,900)
Net cash provided by financing activities	126,154	184,060
<b>Increase in cash and cash equivalents</b>	<b>48,119</b>	<b>77,876</b>
Cash and cash equivalents, beginning of the period	173,933	133,624

<b>Cash and cash equivalents, end of period</b>	\$	222,052	\$	211,500
---	----	---------	----	---------

**Cash provided by operating activities for the six month period ended June 30, 2010 as compared to the cash provided for the six month period ended June 30, 2009:**

Net cash provided by operating activities decreased by \$62.3 million to \$51.4 million for the six month period ended June 30, 2010, as compared to \$113.7 million for the same period of 2009. In determining net cash provided by operating

**Table of Contents**

activities, net income is adjusted for the effects of certain non-cash items including depreciation and amortization and unrealized gains and losses on derivatives.

The cumulative effect of the adjustments to reconcile net income to net cash provided by operating activities was a \$15.5 million increase for the six month period ended June 30, 2010, which consisted mainly of the following adjustments: \$47.3 million of depreciation and amortization, \$1.2 million of amortization of deferred dry-dock expenses, \$3.1 million of amortization of deferred finance fees, \$5.4 million provision for losses on accounts receivable, \$10.2 million of unrealized losses on FFAs and \$1.2 million relating to share-based compensation. These adjustments were partially offset by \$5.9 million of unrealized gain on Navios Acquisition Warrants, \$1.6 million movement in earnings in affiliates net of dividends received, \$17.7 million gain on fair value investment of Navios Acquisition, \$0.7 million of unrealized gain on interest rate swaps, \$26.1 million from the sales of the Navios Hyperion, the Navios Aurora II and the Navios Pollux to Navios Partners and a \$0.9 million movement in income taxes.

The negative change in operating assets and liabilities of \$42.6 million for the six month period ended June 30, 2010 resulted from a \$0.8 million increase in accounts receivable, a \$3.4 million increase in restricted cash, a \$3.7 million increase in prepaid expenses and other assets, a \$9.9 million increase in due from affiliates, a \$1.8 million increase of interest payments, a \$6.7 million relating to payments for drydock and special survey costs, a \$17.6 million decrease in accounts payable and a \$8.6 million decrease in other long term liabilities. The negative change was offset by a \$3.6 million increase in accrued expenses, a \$2.4 million increase in deferred income, a \$2.9 million increase in derivative accounts and a \$1.0 million decrease in other long term assets.

The cumulative effect of the adjustments to reconcile net income to net cash provided by operating activities was a \$34.9 million increase for the six month period ended June 30, 2009, which consisted mainly of the following adjustments: a \$31.9 million of depreciation and amortization, a \$1.1 million of amortization of deferred dry-dock expenses, a \$2.1 million of amortization of deferred finance fees, a \$1.0 million provision for losses on accounts receivable, a \$8.2 million of unrealized losses on FFAs, a \$13.8 million unrealized mark-to-market losses on common units of Navios Partners, accounted for as available-for-sale investments, a \$1.1 million relating to share-based compensation, a \$2.5 million movement in earnings in affiliates net of dividends received and \$2.0 million movement in non-controlling interest. These adjustments were partially offset by \$4.2 million of unrealized gain on Navios Acquisition Warrants, a \$16.8 million gain on sale of the rights to the Navios Sagittarius to Navios Partners, a \$6.1 million of non-cash compensation income relating to the relief of Navios Partners from its obligation to purchase the Navios Bonavis (formerly Navios TBN I), a \$1.6 million movement in income taxes and a \$0.1 million of unrealized gain on interest rate swaps.

A positive change in cash flow from operations of \$44.7 million for the six month period ended June 30, 2009 resulted from a \$35.7 million decrease in accounts receivable; a \$40.6 million increase in derivative accounts; and an \$18.6 million increase in other long-term liabilities. This positive change was partially offset by a \$4.0 million increase in prepaid expenses and other current assets; a \$4.8 million increase in amounts due from affiliates; a \$36.8 million decrease in accounts payable; a \$1.1 million increase in accrued expenses; a \$0.4 million increase in restricted cash; a \$1.5 million decrease in deferred income; and \$1.8 million relating to payments for dry-dock and special survey costs.

**Cash used in investing activities for the six month period ended June 30, 2010 as compared to the cash used in for the six month period ended June 30, 2009:**

Cash used in investing activities decreased by \$90.5 million to \$129.4 million for the six month period ended June 30, 2010, from \$219.9 million for the same period in 2009.

Cash used in investing activities was the result of (a) the deposits for acquisitions of Capesize vessels under construction amounting to \$293.1 million and \$1.5 million for acquisitions of tanker vessels under construction of Navios Acquisition, (b) \$67.3 million movement in Navios Holdings cash which is kept in a pledged account and may be released to the Company subject to nominations of substitute vessels agreed to by the bank, (c) the amounts paid for the acquisition of Navios Vector amounting to \$30.5 million including any additional expenses incurred from vessel's purchase and \$39.3 million paid relating to the acquisition of Colin Jacob from Navios Acquisition, (d) the purchase from Navios Holdings of 6,337,551 shares of Navios Acquisition common stock for \$63.2 million in open

market purchases and (e) the purchase of other fixed assets amounting to \$5.0 million mainly relating to Navios Logistics. The above was offset by (a) proceeds of \$63.0 million, \$90.0 million, \$110.0 million from the sale of the Navios Hyperion, the Navios Aurora II and the Navios Pollux, respectively, to Navios Partners, (b) net proceeds of \$40.8 million from transfer of assets and liabilities Navios Holdings to Navios Acquisition in exchange of a cash consideration, which was released from Navios Acquisition trust account, (c) \$0.3 million received in connection with the capital lease receivable and (d) proceeds of \$66.4 million, which represent assumed cash of Navios Acquisition as of the de-spacing.

Cash used in investing activities was \$219.9 for the six month period ended June 30, 2009 and was the result of: (a) the payment of \$25.6 million cash portion for the acquisition of the Navios Vega in February 2009 and \$95.5 million cash portion for the acquisition of one Capesize vessel, (b) the deposits for acquisitions of Capesize vessels under construction amounting to \$105.7 million, and (c) the purchase of other fixed assets amounting to \$28.0 million mainly relating to the construction of the

**Table of Contents**

new silo of Navios Logistics and the acquisition of the tanker vessel Makenita H. The above was offset by \$0.3 million received in connection with the capital lease receivable and by \$34.6 million consideration received for the sale of the rights of the Navios Sagittarius to Navios Partners.

**Cash provided by financing activities for the six month period ended June 30, 2010 as compared to the six month period ended June 30, 2009:**

Cash provided by financing activities decreased by \$57.9 million to \$126.2 million for the six month period ended June 30, 2010, compared to \$184.1 million for the same period of 2009.

Cash provided by financing activities was the result of (a) 205.0 million of Navios Holdings' loan proceeds (net of relating finance fees of \$1.0 million) in connection with the drawdown of (i) \$9.3 million from the loan facility with Marfin Egnatia Bank, (ii) \$14.8 million drawdown from Emporiki Bank to finance the purchase of Navios Antares, (iii) \$27.0 million drawdown from Commerzbank for the construction of two Capesize vessels, (iv) \$21.6 million drawdown from the loan facility with revolver facility with HSH Nordbank and Commerzbank A.G. (v) \$0.3 million loan proceeds relating to the logistics business and (vi) \$133.0 million assumed loans of Navios Acquisition as of the de-spacing, (b) \$23.8 million of Navios Acquisition loan proceeds (net of relating finance fees of \$2.2 million for all new loans signed for tanker vessels) in connection with the drawdown of \$26.0 million for the acquisition of Colin Jacob, and (c) \$0.3 million proceeds from issuance of common shares. The decrease of cash provided by financing activities was offset by (a) \$13.5 million of dividends paid in the six months ended June 30, 2010, (b) \$86.7 million of installments paid in connection with the Navios Holdings' outstanding indebtedness, (c) \$0.5 million of contributions to non-controlling shareholders relating to the logistics business and (d) \$2.2 million increase in restricted cash required under the amendment in one of its facility agreements.

Cash provided by financing activities was \$184.1 million for the six month period ended June 30, 2009. This was the result of \$214.1 million of loan proceeds (net of relating finance fees of \$5.2 million) in connection with an \$18.0 million drawdown from the loan facility with DNB NOR BANK ASA for the construction of one Capesize vessel, a \$31.3 million drawdown from Emporiki bank for the construction of two Capesize vessels, a \$60.0 million drawdown from Commerzbank for the acquisition of the Navios Bonavis (formerly Navios TBN I) and a \$110.0 million drawdown from the Marfin Egnatia Bank loan facility. The cash provided by financing activities was offset by: (a) the acquisition of treasury stock amounting to \$0.7 million, (b) the \$6.9 million installments paid in connection with Navios Holdings' outstanding indebtedness, (c) the \$7.3 million increase in restricted cash required under the amendment in one of its facility agreements and (d) \$15.1 million of dividends paid in the six months ended June 30, 2009 in connection with the third quarter and fourth quarter of 2008.

**Adjusted EBITDA:** EBITDA represents net income before interest, taxes, depreciation, and amortization. Adjusted EBITDA in this document represents EBITDA before stock based compensation. Navios Holdings uses Adjusted EBITDA because Navios Holdings believes that Adjusted EBITDA is a basis upon which liquidity can be assessed and presents useful information to investors regarding Navios Holdings' ability to service and/or incur indebtedness, pay capital expenditures, meet working capital requirements and pay dividends. Navios Holdings also uses Adjusted EBITDA: (i) by prospective and current lessors as well as potential lenders to evaluate potential transactions; and (ii) to evaluate and price potential acquisition candidates.

Adjusted EBITDA has limitations as an analytical tool, and should not be considered in isolation or as a substitute for analysis of Navios Holdings' results as reported under U.S. GAAP. Some of these limitations are: (i) Adjusted EBITDA does not reflect changes in, or cash requirements for, working capital needs; and (ii) although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such capital expenditures. Because of these limitations, Adjusted EBITDA should not be considered as a principal indicator of Navios Holdings' performance. Our calculation of Adjusted EBITDA may not be comparable to that reported by other companies due to differences in methods of calculation.

Because of these limitations, EBITDA should not be considered as a principal indicator of Navios Holdings' performance.

**Table of Contents****Adjusted EBITDA Reconciliation to Cash from Operations**

	<b>Three Months Ended</b>	
	<b>June</b>	<b>June 30,</b>
	<b>30,</b>	<b>2009</b>
<b>(Expressed in thousands of U.S. dollars)</b>	<b>2010</b>	<b>(unaudited)</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Net cash provided by operating activities	\$ 27,331	\$ 63,729
Net increase/(decrease) increase in operating assets	7,794	(3,008)
Net decrease/(increase) in operating liabilities	12,300	(24,925)
Net interest cost	20,982	14,737
Deferred finance charges	(1,496)	(1,419)
Provision for losses on accounts receivable	(1,372)	(1,041)
Unrealized gain/(loss) on FFA derivatives, warrants and interest rate swaps	1,933	(207)
Gain on change in control	17,742	
Earnings in affiliates and joint ventures, net of dividends received	531	(2,201)
Payments for dry-dock and special survey	5,066	244
Noncontrolling interest	(1,571)	(1,610)
Non-cash compensation received		6,082
Available-for-sale investments reclassification to earnings		(13,778)
Gain on sale of assets/partial sale of subsidiary	1,751	16,790
<b>Adjusted EBITDA</b>	<b>\$ 90,991</b>	<b>\$ 53,393</b>

	<b>Six Months Ended</b>	
	<b>June 30,</b>	<b>June 30,</b>
	<b>2010</b>	<b>2009</b>
<b>(Expressed in thousands of U.S. dollars)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Net cash provided by operating activities	\$ 51,363	\$ 113,716
Net increase/(decrease) in operating assets	18,613	(26,644)
Net decrease/(increase) in operating liabilities	17,238	(19,839)
Net interest cost	42,391	29,102
Deferred finance charges	(3,110)	(2,128)
Provision for losses on accounts receivable	(5,438)	(1,041)
Unrealized loss on FFA derivatives, warrants and interest rate swaps	(3,597)	(3,820)
Gain on fair value of investment	17,742	
Earnings in affiliates and joint ventures, net of dividends received	1,625	(2,522)
Payments for dry-dock and special survey	6,729	1,831
Noncontrolling interest	(649)	(1,978)
Non-cash compensation received		6,082
Available-for-sale investments reclassification to earnings		(13,778)
Gain on sale of assets/partial sale of subsidiary	26,134	16,790
<b>Adjusted EBITDA</b>	<b>\$ 169,041</b>	<b>\$ 95,771</b>

Adjusted EBITDA for the three months ended June 30, 2010 and 2009 was \$91.0 million and \$53.4 million, respectively. The \$37.6 million increase in Adjusted EBITDA was primarily due to (a) an increase in revenue of \$23.2 million to \$165.4 million in the second quarter of 2010 from \$142.2 million in the same period of 2009, (b) an

increase of \$5.2 million in gains from derivatives from \$0.6 million in the second quarter of 2009 to \$5.9 million in the same period of 2010, (c) an increase of \$6.8 million in net other income/expense to \$3.0 million in the second quarter of 2010 from \$9.8 million in the same period in 2009, (d) \$17.7 million gain on fair value of Navios Acquisition investment and (e) an increase in equity in net earnings from affiliated companies of \$2.8 million to \$8.2 million in the second quarter of 2010 from \$5.4 million in the same period of 2009. The overall variance of \$55.7 million was offset by (a) an increase in time charter, voyage and logistic business expenses of \$0.8 million from \$82.9 million in the second quarter of 2009 to 83.7 million in the same period of 2010, (b) an increase in direct vessel expenses (excluding the amortization of deferred dry dock and special survey costs) of \$1.6 million to \$8.9 million in the second quarter of 2010 from \$7.3 million in the same period of 2009 and (c) an increase in general and administrative expenses of \$0.7 million (excluding share based compensation expenses) to \$10.8 million in the second quarter of 2010 from \$10.1 million in the same period of 2009 and (d) a decrease in gain on sale of assets of \$15.0 million to \$1.8 million in the second quarter of 2010 to \$16.8 million in the same period of 2009.

Adjusted EBITDA for the six months ended June 30, 2010 and 2009 was \$169.0 million and \$95.8 million, respectively. The \$73.2 million increase in Adjusted EBITDA was primarily due to (a) an increase in revenue of \$30.4 million to \$319.8 million in the first half of 2010 from \$289.4 million in the same period of 2009, (b) a decrease in time charter, voyage and



**Table of Contents**

logistic business expenses of \$3.8 million to \$170.9 million for the six months ended June 30, 2010 from \$174.7 million in the same period of 2009, (c) an increase in gains from derivatives of \$3.4 million to \$4.0 million in the first half of 2010 from \$0.6 million in the same period of 2009, (d) an increase in net other income/expense by \$4.2 million to \$6.8 million in the first half of 2010 from \$11.0 million in the same period of 2009, (e) gain on fair value of investment of Navios Acquisition by \$17.7 million, (f) an increase in gain on sale of assets by \$9.3 million to \$26.1 million in the first half of 2010 from \$16.8 million in the same period of 2009, (g) a decrease in non-controlling interest of \$1.3 million to \$0.6 million in the first half of 2010 from \$2.0 million in the same period of 2009 and (h) an increase in equity in net earnings from affiliated companies of \$9.3 million to \$19.8 million in the first half of 2010 from \$10.5 million in the same period of 2009. The overall variance of \$79.4 million was offset by (a) an increase in direct vessel expenses (excluding the amortization of deferred dry dock and special survey costs) of \$3.8 million to \$17.7 million in the first half of 2010 from \$13.9 million in the same period of 2009 and (b) an increase in general and administrative expenses of \$2.4 million (excluding share based compensation expenses) to \$22.3 million in the first half of 2010 from \$19.9 million in the same period of 2009.

**Long-term Debt Obligations and Credit Arrangements**

**Senior Notes:** In December 2006, the Company issued \$300.0 million senior notes at a 9.5% fixed rate due on December 15, 2014. The senior notes are fully and unconditionally guaranteed, jointly and severally and on an unsecured senior basis, by all of Company's subsidiaries, other than a subsidiary of Kleimar, Navios Logistics and its subsidiaries and the general partner of Navios Partners. In addition, the Company has the option to redeem the notes in whole or in part, at any time (1) before December 15, 2010, at a redemption price equal to 100% of the principal amount plus a make whole price which is based on a formula calculated using a discount rate of treasury bonds plus 50 bps, and (2) on or after December 15, 2010, at a fixed price of 104.75%, which price declines ratably until it reaches par in 2012. Furthermore, upon occurrence of certain change of control events, the holders of the notes may require the Company to repurchase some or all of the notes at 101% of their face amount. Under a registration rights agreement the Company and the guarantors filed a registration statement no later than June 25, 2007 which became effective on July 5, 2007, enabling the holders of notes to exchange the privately placed notes with publicly registered notes with identical terms. The senior notes contain covenants which, among other things, limit the incurrence of additional indebtedness, issuance of certain preferred stock, the payment of dividends, redemption or repurchase of capital stock or making restricted payments and investments, creation of certain liens, transfer or sale of assets, entering in transactions with affiliates, merging or consolidating or selling all or substantially all of Company's properties and assets and creation or designation of restricted subsidiaries. Pursuant to the covenant regarding asset sales, the Company has to repay the senior notes at par plus interest with the proceeds of certain asset sales if the proceeds from such asset sales are not reinvested in the business within a specified period or used to pay secured debt.

**Ship Mortgage Notes:** In November 2009, the Company issued \$400.0 million first priority ship mortgage notes due on November 1, 2017 at an 8.875% fixed rate. The ship mortgage notes are senior obligations of Navios Holdings and are secured by first priority ship mortgages on 15 vessels owned by certain subsidiary guarantors and other related collateral securities. The ship mortgage notes are fully and unconditionally guaranteed, jointly and severally by all of our direct and indirect subsidiaries that guarantee the 9.5% senior notes. The guarantees of our subsidiaries that own mortgage vessels are senior secured guarantees and the guarantees of our subsidiaries that do not own mortgage vessels are senior unsecured guarantees. Concurrently with the issuance of the ship mortgage notes, Navios Holdings has deposited \$105.0 million from the proceeds of the issuance into an escrow account. In December 2009, this amount was released to partially finance the acquisition of two designated Capesize vessels. At any time before November 1, 2012, Navios Holdings may redeem up to 35% of the aggregate principal amount of the ship mortgage notes with the net proceeds of a public equity offering at 108.875% of the principal amount of the ship mortgage notes, plus accrued and unpaid interest, if any, so long as at least 65% of the originally issued aggregate principal amount of the ship mortgage notes remains outstanding after such redemption. In addition, the Company has the option to redeem the ship mortgage notes in whole or in part, at any time (1) before November 1, 2013, at a redemption price equal to 100% of the principal amount plus a make whole price which is based on a formula calculated using a discount rate of treasury bonds plus 50 bps, and (2) on or after November 1, 2013, at a fixed price of 104.438%, which price declines ratably until it reaches par in 2015. Furthermore, upon occurrence of certain

change of control events, the holders of the ship mortgage notes may require the Company to repurchase some or all of the notes at 101% of their face amount. Under a registration rights agreement, the Company and the guarantors have agreed to file a registration statement no later than five business days following the first year anniversary of the issuance of the ship mortgage notes enabling the holders of ship mortgage notes to exchange the privately placed notes with publicly registered notes with identical terms. The ship mortgage notes contain covenants which, among other things, limit the incurrence of additional indebtedness, issuance of certain preferred stock, the payment of dividends, redemption or repurchase of capital stock or making restricted payments and investments, creation of certain liens, transfer or sale of assets, entering into certain transactions with affiliates, merging or consolidating or selling all or substantially all of Company's properties and assets and creation or designation of restricted subsidiaries.

**Loan Facilities:**

The majority of our senior secured credit facilities include maintenance covenants, including loan-to-value ratio

**Table of Contents**

covenants, based on either charter-adjusted valuations, or charter-free valuations. As of June 30, 2010, we were in compliance with all of the covenants under each of our senior secured credit facilities.

*HSH/Commerzbank Facility:* In February 2007, Navios Holdings entered into a secured loan facility with HSH Nordbank and Commerzbank AG maturing on October 31, 2014. The facility composed of a \$280.0 million term loan facility and a \$120.0 million reducing revolving facility. In April 2008, the Company entered into an agreement for the amendment of the facility due to a prepayment of \$10.0 million. After such amendment the term loan facility was repayable in 19 quarterly payments of \$2.6 million, seven quarterly payments of \$5.7 million and a balloon payment of \$166.4 million. In March 2009, Navios Holdings further amended its facility agreement, effective as of November 15, 2008, as follows: (a) to reduce the Security Value Maintenance ratio ( SVM ) (ratio of the charter-free valuations of the mortgaged vessels over the outstanding loan amount) from 125% to 100%; (b) to obligate Navios Holdings to accumulate cash reserves into a pledged account with the agent bank of \$14.0 million (\$5.0 million in March 2009 and \$1.1 million on each loan repayment date during 2009 and 2010, starting from January 2009); and (c) to set the margin at 200 bps. The amendment was effective until January 31, 2010.

Following the sale of the Navios Apollon on October 29, 2009, Navios Holdings prepaid \$13.5 million of the loan facility and permanently reduced its revolving credit facility by \$4.8 million.

Following the issuance of the Ship Mortgage Notes in November 2009, the securities on 10 vessels previously secured by the loan and the revolving facility were fully released in connection with the partial prepayment of the facility with approximately \$197.6 million, of which \$195.0 million was funded from the issuance of the Ship Mortgage Notes and the remaining \$2.6 million from the Company's cash. The Company permanently reduced the revolving facility by an amount of \$26.7 million and the term loan facility by \$80,059. Following the loan amendment in April 2010, an amount of \$117.5 million was kept in a pledged account and may be released to the Company to finance substitute vessels agreed by the bank. As of June 30, 2010, following the release of \$18.0 million restricted cash for financing Navios Vector acquisition, the outstanding amount kept in the pledged account was \$99.5 million.

In April 2010, the available amount of \$21.6 million under the revolving facility was drawn and as of June 30, 2010 the total amount drawn was \$45.4 million. In April 2010, Navios Holdings further amended its facility agreement with HSH/Commerzbank as follows: (a) the bank to release certain pledge deposits amounting to \$117.5 million and accept additional securities of substitute vessels; and (b) to set margin ranging from 115 bps to 175 bps depending on the specified security value. As of June 30, 2010 the outstanding amount under the revolving facility was \$42.0 million.

The loan facility requires compliance with financial covenants including specified Security Value Maintenance and minimum liquidity. As of June 30, 2010, the outstanding amount under this facility was \$143.6 million.

It is an event of default under the credit facility if such covenants are not complied with or if Angeliki Frangou, the Company's Chairman and Chief Executive Officer, beneficially owns less than 20% of the issued stock.

The revolving credit facility is available for future acquisitions and general corporate and working capital purposes.

*Emporiki Facility:* In December 2007, Navios Holdings entered into a facility agreement with Emporiki Bank of Greece of up to \$154.0 million in order to partially finance the construction of two Capesize bulk carriers. In July 2009, following an amendment of the above mentioned agreement, the amount of the facility has been changed to up to \$130.0 million.

On March 18, 2010, following the sale of Navios Aurora II to Navios Partners, Navios Holdings repaid \$64.4 million. Following the delivery of Navios Antares on January 2010, an additional amount of \$14.8 million was drawn and the outstanding amount of the facility \$64.4 million. The amended facility is repayable, in 10 semi-annual installments of \$3.0 million and 10 semi-annual installments of \$2.0 million with a final balloon payment of \$14.9 million on the last payment date. The interest rate of the amended facility is based on a margin of 175 bps. The loan facility requires compliance with the covenants contained in the senior notes. As of June 30, 2010 the outstanding amount under this facility was \$64.4 million.

*DNB Facility:* In June 2008, Navios Holdings entered into a facility agreement with DNB NOR BANK ASA of up to \$133.0 million in order to partially finance the construction of two Capesize bulk carriers. In June 2009, following an amendment of the above-mentioned agreement, one of the two tranches amounting to \$66.5 million was

cancelled following the cancellation of construction of one of the two Capesize bulk carriers. As of June 31, 2010, the total available amount of \$66.5 million was drawn. The amended facility is repayable six months following the delivery of the Capesize vessel in 11 semi-annual installments of \$2.9 million, with a final payment of \$34.6 million on the last payment date. The interest rate of the amended facility is based on a margin of 225 bps as defined in the new agreement.

*Marfin Revolving Facility:* In December 2008, Navios Holdings entered into a \$90.0 million revolving credit facility with Marfin Egnatia Bank for general corporate purposes. The loan was repayable in one installment in December 2010 and bears

**Table of Contents**

interest based on a margin of 275 bps. The facility contained customary covenants and required compliance with certain of the covenants contained in the indenture governing the existing senior notes. Following the issuance of the ship mortgage notes in November 2009, the ship mortgage previously secured by this revolving facility was fully released in connection with the partial repayment of the facility with approximately \$83.4 million and the remaining balance amount of \$6.6 million was fully repaid in December 2009.

*Dekabank Facility:* In February 2009 (amended in May 2009), Navios Holdings entered into a facility of up to \$120.0 million with Dekabank Deutsche Girozentrale to finance the acquisition of two Capesize vessels. The loan is repayable upon delivery of the Capesize vessels in 20 semi-annual installments and bears an interest rate based on a margin of 190 bps. The loan facility requires compliance with the covenants contained in the senior notes. The loan also requires compliance with certain financial covenants. As of December 31, 2009, both Capesize vessels, the Navios Happiness and the Navios Pollux had been delivered and the full amount was drawn. As of June 30, 2010, \$112.0 million was outstanding under this facility. Following an amendment to this facility in connection with the sale of Navios Pollux to Navios Partners in May 2010, an amount of \$58.6 million was kept in a pledged account pending the delivery of a substitute vessel as collateral to this facility.

*Convertible Debt:* In February 2009, Navios Holdings issued a \$33.5 million convertible debt at a fixed rate of 2% exercisable at a price of \$11.00 per share, exercisable until February 2012, in order to partially finance the acquisition of the Navios Vega. Interest is payable semi-annually. Unless previously converted, the amount is payable in February 2012. The Company has the option to redeem the debt in whole or in part in multiples of a thousand dollars, at any time after February 2010 at a redemption price equal to 100% of the principal amount to be redeemed. The convertible debt was recorded at fair market value on issuance at a discounted face value of 94.5%. The fair market value was determined using a binomial stock price tree model that considered both the debt and conversion features. The model used takes into account the credit spread of the Company, the volatility of its stock, as well as the price of its stock at the issuance date.

*Marfin Facility:* In March 2009, Navios Holdings entered into a loan facility with Marfin Egnatia Bank of up to \$110.0 million to be used to finance the pre-delivery installments for the construction of newbuilding and for general corporate purposes. Originally, \$57.2 million of the facility was repayable upon delivery of two Capesize vessels during 2009 and the remaining amounts due in one installment in February 2011. Following the refinancing of this facility in October 2009, as a result of which one subsidiary that is a guarantor of the ship mortgage notes issued in November 2009 was replaced as borrower with another, the facility was extended to October 2011. It bears interest at a rate based on a margin of 275 bps. As of June 30, 2010, an additional amount of \$9.4 million was drawn and \$43.4 million was outstanding under this facility.

*Commerzbank Facility:* In June 2009, Navios Holdings entered into a new facility agreement of up to \$240.0 million (divided into four tranches of \$60.0 million) with Commerzbank AG in order to partially finance the acquisition of a Capesize vessel and the construction of three Capesize vessels. The principal amount for the three Capesize vessels under construction is available for partial drawdown according to the terms of the payment of the shipbuilding contracts. Each tranche of the facility is repayable starting three months after the delivery of each Capesize vessel in 40 quarterly installments of \$0.9 million with a final payment of \$24.7 million on the last payment date. It bears interest at a rate based on a margin of 225 bps. As of June 30, 2010, the outstanding amount was \$199.3 million. The loan facility requires compliance with the covenants contained in the senior notes. The loan also requires compliance with certain financial covenants.

*Unsecured Bond:* In July 2009, Navios Holdings issued a \$20.0 million unsecured bond due in July 2012 as a partial payment for the acquisition price of a Capesize vessel. Interest will accrue on the principal amount of the unsecured bond at the rate of 6% per annum. All accrued interest (which will not be compounded) will be first due and payable in July 2012, which is the maturity date. The unsecured bond may be prepaid by Navios Holdings at any time without prepayment penalty.

*Emporiki Facility:* In August 2009, Navios Holdings entered into a loan agreement with Emporiki Bank of Greece of up to \$75.0 million (divided into two tranches of \$37.5 million) to partially finance the acquisition costs of two Capesize vessels. Each tranche of the facility is repayable in 20 semi-annual installments of \$1.4 million with a final payment of \$10.0 million on the last payment date. The repayment of each tranche starts six months after the

delivery date of the respective Capesize vessel. It bears interest at a rate of LIBOR plus 175 bps. As of June 30, 2010, \$61.7 million was drawn under this facility. The loan facility requires compliance with certain covenants contained in the senior notes. After the delivery of the vessels the loan also requires compliance with certain financial covenants.

*DVB Facility:* On August 4, 2005, Kleimar entered into a \$21.0 million loan facility with DVB Bank for the purchase of a vessel. The loan was assumed upon acquisition of Kleimar and is repayable in 20 quarterly installments of \$0.3 million each with a final balloon payment of \$15.4 million in August 2010. The loan is secured by a mortgage on a vessel together with assignment of earnings and insurances. As of June 30, 2010, \$15.7 million was outstanding under this facility.

*Navios Acquisition loans:*

*Deutsche Schiffsbank AG, Alpha Bank A.E., and Credit Agricole Corporate and Investment Bank:* On April 7, 2010, Navios Acquisition entered into a loan agreement with Deutsche Schiffsbank AG, Alpha Bank A.E., and Credit Agricole Corporate and Investment Bank of up to \$150.0 million (divided in six equal tranches of \$25.0 million each) to partially finance

**Table of Contents**

the construction of two chemical tankers and four product tankers. Each tranche of the facility is repayable in 12 equal semi-annual installments of \$0.8 million each with a final balloon payment of \$16.0 million to be repaid on the last repayment date. The repayment of each tranche starts six months after the delivery date of the respective vessel which that tranche finances. It bears interest at a rate of LIBOR plus 250 bps. As of June 30, 2010, \$96.8 million was drawn under this facility. The loan also requires compliance with certain financial covenants.

*Fortis Bank and DVB Bank S.E.:* On April 8, 2010, Navios Acquisition entered into a new facility agreement of up to \$75.0 million (divided in three equal tranches of \$25.0 million each) for the purpose of part-financing the purchase price of three product tankers. Each of the tranche is repayable in 12 equal semi-annual installments of \$0.8 million each with a final balloon payment of \$16.0 million to be repaid on the last repayment date. The repayment date of each tranche starts six months after the delivery date of the respective vessel which that tranche finances. It bears interest at a rate of LIBOR plus 250 bps. As of June 30, 2010, \$36.2 million was drawn under this facility. The loan also requires compliance with certain financial covenants.

*DVB Facility:* On May 28, 2010, Navios Acquisition entered into a loan agreement with DVB Bank S.E. and Fortis Bank (Nederland) N.V. of up to \$52.0 million (divided into two tranches of \$26.0 million each) to partially finance the acquisition costs of two product tanker vessels. Each tranche of the facility is repayable in 24 equal quarterly installments of \$0.5 million each with a final balloon payment of \$15.2 million to be repaid on the last repayment date. The repayment of each tranche starts three months after the delivery date of the respective Product Tanker vessel. It bears interest at a rate of LIBOR plus 275 bps. As of June 30, 2010, \$26.0 million was drawn under this facility. The loan also requires compliance with certain financial covenants.

*Navios Logistics loans:*

On March 31, 2008, Nauticler S.A. entered into a \$70.0 million loan facility for the purpose of providing Nauticler S.A. with investment capital to be used in connection with one or more investment projects. The loan was initially repayable in one installment by March 2011 and was bearing interest at LIBOR plus a margin of 175 bps. In March 2009, Navios Logistics transferred its loan facility of \$70.0 million to Marfin Popular Bank Public Co. Ltd. The loan provided for an additional one year extension and an increase in margin to 275 bps. On March 23, 2010, the loan was extended for one additional year, providing an increase in margin to 300 bps. The loan is repayable in one payment in March 2012. As of June 30, 2010, the amount outstanding under this facility was \$70.0 million.

In connection with the acquisition of Horamar, the Company assumed a \$9.5 million loan facility that was entered into by HS Shipping Ltd. Inc. in 2006, in order to finance the building of a 8,974 dwt double-hulled tanker (the Malva H). Since the vessel's delivery, the interest rate has been LIBOR plus 150 bps. The loan is repaid in installments that shall not be less than 90% of the amount of the last hire payment due to be paid to HS Shipping Ltd. Inc. The repayment date shall not extend beyond December 31, 2011. The loan can be pre-paid before such date, with two days written notice. Borrowings under the loan are subject to certain financial covenants and restrictions on dividend payments and other related items. As of June 30, 2010, the amount outstanding under this facility was \$6.8 million.

In connection with the acquisition of Horamar, the Company assumed a \$2.3 million loan facility that was entered into by Thalassa Energy S.A. in October 2007, in order to finance the purchase of two self-propelled barges (Formosa and San Lorenzo). The loan bears interest at LIBOR plus 150 bps. The loan will be repaid by five equal installments of \$0.5 million, two of which were made in November 2008 and June 2009, a third was made in January 2010 and the remaining two will be repaid in August 2010 and March 2011. Borrowings under the loan are subject to certain financial covenants and restrictions on dividend payments and other related items. The loan is secured by a first priority mortgage over the two self-propelled barges (Formosa and San Lorenzo). As of June 30, 2010, the amount outstanding under this facility was \$0.9 million.

On September 4, 2009, HS Navigation Inc. entered into a loan facility for an amount of up to \$18.7 million that bears interest at LIBOR plus 225 bps in order to finance the acquisition cost of the Estefania H. The loan will be repaid by installments that shall not be less than 90% of the amount of the last hire payment due to be paid to HS Navigation Inc. The repayment date shall not extend beyond May 15, 2016. As of June 30, 2010, the amount outstanding under this facility was \$15.8 million. Borrowings under the loan are subject to certain financial covenants and restrictions on dividend payments and other related items.

On December 15, 2009, HS Tankers Inc. entered into a loan facility in order to finance the acquisition cost of the Makenita H for an amount of \$24.0 million which bears interest at LIBOR plus 225 bps. The loan will be repaid by installments. The amount of each installment (a) shall not be less than 90% of the amount of the last hire payment due to be paid to HS Tankers Inc. prior to the repayment date and (b) \$0.3 million, inclusive of any interest accrued in relation to the loan at that time. The repayment date shall not extend beyond March 24, 2016. As of June 30, 2010, the amount outstanding under this facility was \$22.2 million. Borrowings under the loan are subject to certain financial covenants and restrictions on dividend payments and other related items.

In connection with the acquisition of Hidronave S.A. in October 29, 2009, the Company assumed a \$0.8 million loan facility that was entered into by Hidronave S.A. in 2001, in order to finance the building of a pushboat (the Nazira). As of



**Table of Contents**

June 30, 2010, the outstanding loan balance was \$0.8 million. The loan facility bears interest at a fixed rate of 600 bps. The loan is repaid by installments of \$6,000 each and the final repayment date can not extend beyond August 10, 2021. Borrowings under the loan are subject to certain financial covenants and restrictions on dividend payments and other related items.

In June 2010, Navios Logistics agreed to enter into a long-term bareboat agreement for a new product tanker the Jiujiang, with a capacity of 16,871 dwt. The Jiujiang was delivered in June 2010, is chartered-in for a two-year period, and Navios Logistics has the obligation to purchase this vessel immediately upon the expiration of this charter period. Navios Logistics has recognized a capital lease obligation for this vessel amounting to \$17.0 million. As of June 30, 2010, the amount outstanding under this lease obligation was \$16.3 million.

	<b>June 30, 2010</b>
	<b>Amounts in millions of U.S. dollars</b>
<b>Long-Term Debt Obligations:</b>	
<b>Year</b>	
2010	85,243
2011	204,989
2012	75,724
2013	62,714
2014	455,933
2015	93,898
2016 and thereafter	795,996
Total	\$ 1,774,497

**Contractual Obligations:**

	<b>June 30, 2010</b>				
	<b>Payment due by period</b>				
	<b>(Amounts in millions of U.S. dollars)</b>				
	<b>Total</b>	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>More than 5 years</b>
<b>Contractual Obligations</b>					
Long-term debt <sup>(1)(2)(6)</sup>	\$1,774.5	\$ 85.2	\$ 280.7	\$518.6	\$890.0
Operating Lease Obligations (Time Charters)	1,053.9	90.3	198.7	208.3	556.6
Operating lease obligations push boats and barges	3.3	2.2	1.1		
Capital lease obligations	16.3	0.6	15.7		
Vessel deposits <sup>(3)</sup>	194.2	194.2			
Tanker deposits <sup>(4)</sup>	246.8	102.5	144.3		
Rent Obligations <sup>(5)</sup>	\$ 13.0	\$ 1.7	\$ 2.9	\$ 2.9	\$ 5.5

(1) The amount identified does not include interest costs associated with

the outstanding credit facilities, which are based on LIBOR or applicable interest rate swap rates, plus the costs of complying with any applicable regulatory requirements and a margin ranging from 1.5% to 3.0% per annum.

- (2) The long-term debt contractual obligations includes in the amount shown for more than five years future principal payments of the drawn portion of credit facilities associated with the financing of the construction of Capesize vessels scheduled to be delivered on various dates through March 2011.
- (3) Future remaining contractual deposits for the eight Navios Holdings owned Capesize vessels to be delivered in various dates through 2013.

- (4) Future remaining contractual deposits for the Navios Acquisition tanker vessels to be delivered in various dates through March 2011.
- (5) In October 2006, the Company signed an agreement with a third party to sublease approximately 2,000 square feet of its Norwalk office. Navios Corporation also leases approximately 11,923 square feet of space at 825 3rd Avenue, New York pursuant to a lease that expires on April 29, 2019. Kleimar has leased approximately 387 square meters for its offices. Navios Logistics has several lease agreements for its offices. The table above incorporates only the lease obligation of the offices indicated in this footnote



**Table of Contents**

- (6) The amount does not include interest costs discount associated with the senior notes, the ship mortgage note and the convertible debt.

***Working Capital Position***

On June 30, 2009, Navios Holdings' current assets totaled \$546.5 million, while current liabilities totaled \$211.0 million, resulting in a positive working capital position of \$335.5 million. Navios Holdings' cash forecast indicates that it will generate sufficient cash during 2010 and 2011 to make the required principal and interest payments on its indebtedness, provide for the normal working capital requirements of the business and remain in a positive cash position during 2010 and 2011.

While projections indicate that existing cash balances and operating cash flows will be sufficient to service the existing indebtedness, Navios Holdings continues to review its cash flows with a view toward increasing working capital.

***Capital Expenditures***

The Company took delivery during 2009 and the first half of 2010 of nine Capesize vessels (the Navios Bonavis, the Navios Happiness, the Navios Pollux, the Navios Aurora II, the Navios Lumen, the Navios Phoenix, the Navios Stellar, the Navios Celestial, the Navios Antares and the Navios Vector). Navios has another 8 Capesize vessels on order which are scheduled for delivery until March 2011. The remaining capital obligations at June 30, 2010 amounted to approximately \$194.2 million.

On May 25, 2010, after its special meeting of stockholders, Navios Acquisition announced the approval of (a) the acquisition of 13 vessels (11 product tankers and two chemical tankers) for an aggregate purchase price of \$457.7 million, of which \$123.4 million was to be from existing cash and the \$334.3 million balance from debt financing pursuant to the terms and conditions of the Acquisition Agreement by and between Navios Acquisition and Navios Holdings and (b) certain amendments to Navios Acquisition's amended and restated articles of incorporation. Their delivery is expected at various times through the end of 2012.

On June 29, 2010 and July 2, 2010, Navios Acquisition took delivery of the Colin Jacob and Ariadne Jacob, respectively, two LR1 product tankers, as part of the acquisition of the 13 vessels, for \$43.7 million and \$43.5 million, respectively.

Total consideration of the remaining vessels to be delivered to Navios Acquisition is approximately \$414.2 million. As of June 30, 2010, Navios Acquisition paid an amount of \$172.1 million, which has been included in Deposit for vessels acquisitions.

On July 19, 2010, Navios Acquisition announced that it had signed a Securities Purchase Agreement that contemplates the acquisition of a fleet of seven very large crude carrier (VLCC) tankers for an aggregate purchase price of \$587.0 million. Navios Acquisition intends to finance the acquisition as follows: \$453.0 million with new debt financing, \$123.0 million with cash and \$11.0 million through the future issuance of Navios Acquisition shares. The final purchase price is subject to customary working capital adjustments, and the consummation of the transaction is subject to a number of conditions, including third-party consents. The transaction is anticipated to close in September 2010.

***Dividend Policy***

Currently, Navios Holdings intends to retain most of its available earnings generated by operations for the development and growth of its business. In addition, the terms and provisions of the Company's current secured credit facilities and the indenture governing its senior notes limit its ability to pay dividends in excess of certain amounts or

if certain covenants are not met. However, subject to the terms of its credit facilities, the Board of Directors may from time to time consider the payment of dividends and on August 17, 2010, the Board of Directors declared a quarterly cash dividend with respect to the second quarter of 2010 of \$0.06 per share of common stock payable on October 6, 2010 to stockholders on record as of September 22, 2010. The declaration and payment of any dividend remains subject to the discretion of the Board, and will depend on, among other things, Navios Holdings' cash requirements as measured by market opportunities, debt obligations, restrictions by credit agreements and market conditions.

***Concentration of Credit Risk***

Concentrations of credit risk with respect to accounts receivables are limited due to Navios Holdings' large number of customers, who are internationally dispersed and have a variety of end markets in which they sell. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in Navios Holdings

**Table of Contents**

trade receivables. For the six month period ended June 30, 2010, no customer accounted for revenue higher than 10% of the Company's revenue and for the year ended December 31, 2009, one customer accounted for 13.2% of the Company's revenue.

***Off-Balance Sheet Arrangements***

Charter hire payments to third parties for chartered-in vessels are treated as operating leases for accounting purposes. Navios Holdings is also committed to making rental payments under operating leases for its office premises. With the exception of payments made during the six months ended June 30, 2010, future minimum rental payments under Navios Holdings' non-cancelable operating leases are analyzed in the contractual obligations above. As of June 30, 2010, Navios Holdings was contingently liable for letters of guarantee and letters of credit amounting to \$1.4 million issued by various banks in favor of various organizations of which \$1.4 million are collateralized by cash deposits which are included as a component of restricted cash. Navios Holdings issued no guarantees to third parties at June 30, 2010 and 2009.

As of June 30, 2010, the Company's subsidiaries in South America were contingently liable for various claims and penalties towards the local tax authorities amounting to \$6.5 million. The respective provision for such contingencies is included in "Other long-term liabilities". According to the acquisition agreement, if such cases materialize against the Company, the amounts involved will be reimbursed by the previous shareholders, and, as such, the Company has recognized a respective receivable (included in "Other long-term assets") against such liability. The contingencies are expected to be resolved in the next five years. In the opinion of management, the ultimate disposition of these matters will not adversely affect the Company's financial position, results of operations or liquidity. In August 2009, Navios Logistics issued a performance guarantee of up to \$4.0 million plus interest and costs in favor of a customer of its subsidiary, Petrolera San Antonio S.A., covering sales of gas oil contracted between the parties.

***Related Party Transactions***

**Office rent:** On January 2, 2006, Navios Corporation and Navios ShipManagement Inc., two wholly owned subsidiaries of Navios Holdings, entered into two lease agreements with Goldland Ktimatiki-Ikodomiki-Touristiki and Xenodohiaki Anonimos Eteria, a Greek corporation which is partially owned by relatives of Angeliki Frangou, Navios Holdings' Chairman and Chief Executive Officer. The lease agreements provide for the leasing of two facilities located in Piraeus, Greece, of approximately 2,034.3 square meters and houses the operations of most of the Company's subsidiaries. The total annual lease payments are 0.5 million (approximately \$0.6 million) and the lease agreements expire in 2017. These payments are subject to annual adjustments starting from the third year, which are based on the inflation rate prevailing in Greece as reported by the Greece at the end of each year.

On October 31, 2007, Navios ShipManagement Inc., a wholly owned subsidiary of Navios Holdings, entered into a lease agreement with Emerald Ktimatiki-Ikodomiki-Touristiki and Xenodohiaki Anonimos Eteria, a Greek corporation that is partially owned by relatives of Angeliki Frangou, Navios Holdings' Chairman and Chief Executive Officer. The lease agreement provides for the leasing of one facility in Piraeus, Greece, of approximately 1,367.5 square meters and houses part of the operations of the Company. The total annual lease payments are 0.4 million (approximately \$0.5 million) and the lease agreement expires in 2019. These payments are subject to annual adjustments starting from the third year, which are based on the inflation rate prevailing in Greece as reported by the Greek State at the end of each year.

**Purchase of services:** The Company utilizes Acropolis Chartering and Shipping Inc. ("Acropolis") a brokerage firm for freight and shipping charters as a broker. Navios Holdings has a 50% interest in Acropolis. Although Navios Holdings owns 50% of the stock, the two shareholders have agreed that the earnings and amounts declared by way of dividends will be allocated 35% to the Company with the balance to the other shareholder. Commissions paid to Acropolis for each of three month periods ended June 30, 2010 and 2009, were below \$0.1 million for both periods, respectively and for the six months periods ended June 30, 2010 and 2009, were below \$0.1 million and \$0.1 million, respectively. The Company owns 50% of the common stock of Acropolis. During the period ended June 30, 2010 and the year ended December 31, 2009, the Company received dividends of \$0.6 million and \$0.9 million, respectively. Included in the trade accounts payable at June 30, 2010 and December 31, 2009 is an amount of \$0.2 million and \$0.1 million, respectively, which is due to Acropolis.

**Management fees:** Pursuant to a management agreement dated November 16, 2007, Navios Holdings provides commercial and technical management services to Navios Partners' vessels for a daily fee of \$4,000 per owned Panamax vessel and \$5,000 per owned Capesize vessel. This daily fee covers all of the vessels' operating expenses, including the cost of drydock and special surveys. The daily rates are fixed for a period of two years whereas the initial term of the agreement is five years commencing from November 16, 2007. Total management fees for the three month periods ended June 30, 2010 and 2009 amounted to \$4.8 million and \$2.6 million, respectively and for the six month periods ended June 30, 2010 and 2009, \$8.9 million and \$5.3 million, respectively. In October 2009, the fixed fee period was extended for two years and the daily fees are \$4,500 per owned Ultra Handymax vessel, \$4,400 per owned Panamax vessel and \$5,500 per owned Capesize vessel.

Pursuant to a management agreement dated May 28, 2010, Navios Holdings provides for five years from the closing of the vessels acquisition, commercial and technical management services to Navios Acquisition' vessels for a daily fee of \$6,000



**Table of Contents**

per owned MR2 product tanker and chemical tanker vessel and \$7,000 per owned LR1 product tanker vessel for the first two years with the fixed daily fees adjusted for the remainder of the term based on then-current market fees. This daily fee covers all of the vessels' operating expenses, other than certain extraordinary fees and costs. During the remaining three years of the term of the Management Agreement, Navios Acquisition expects Navios Acquisition will reimburse Navios Holdings for all of the actual operating costs and expenses it incurs in connection with the management of its fleet. Actual operating costs and expenses will be determined in a manner consistent with how the initial \$6,000 and \$7,000 fixed fees were determined. Drydocking expenses will be fixed under this agreement for up to \$300,000 per vessel. Total management fees for the three month periods ended June 30, 2010 and 2009 amounted to below \$0.1 million for both periods, respectively and for the six month periods ended June 30, 2010 and 2009, amounted below \$0.1 million for both periods, respectively.

**General & administrative expenses:** Pursuant to the administrative services agreement dated November 16, 2007, Navios Holdings provides administrative services to Navios Partners which include: bookkeeping, audit and accounting services, legal and insurance services, administrative and clerical services, banking and financial services, advisory services, client and investor relations and other. Navios Holdings is reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. Total general and administrative fees charged for the three month periods ended June 30, 2010 and 2009 amounted to \$0.7 million and \$0.6 million, respectively, and for the six month period ended June 30, 2010 and 2009, \$1.3 million and \$1.0 million, respectively.

On May 28, 2010, Navios Acquisition entered into an administrative services agreement, expiring May 28, 2015, with Navios Holdings, pursuant to which Navios Holdings provides certain administrative management services to Navios Acquisition which include: bookkeeping, audit and accounting services, legal and insurance services, administrative and clerical services, banking and financial services, advisory services, client and investor relations and other. Navios Holdings is reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. No general and administrative fees were charged for the three and six month periods ended June 30, 2010 and 2009.

**Balance due from affiliate:** Balance due from affiliate as of June 30, 2010 amounts to \$11.9 million (2009: \$6.5 million), which includes the current amounts of \$11.9 million due from Navios Partners (2009: \$6.4 million). The balance consists mainly of management fees, administrative fees and other expenses.

**Omnibus agreements:** Navios Holdings entered into an omnibus agreement with Navios Partners (the Partners Omnibus Agreement) in connection with the closing of Navios Partners' IPO governing, among other things, when Navios Holdings and Navios Partners may compete against each other as well as rights of first offer on certain dry bulk carriers. Pursuant to the Partners Omnibus Agreement, Navios Partners generally agreed not to acquire or own Panamax or Capesize dry bulk carriers under time charters of three or more years without the consent of an independent committee of Navios Partners. In addition, Navios Holdings agreed to offer to Navios Partners the opportunity to purchase vessels from Navios Holdings when such vessels are fixed under time charters of three or more years. The Partners Omnibus Agreement was amended in June 2009 to release Navios Holdings for two years from restrictions on acquiring Capesize and Panamax vessels from third parties.

Navios Acquisition entered into an omnibus agreement (the Acquisition Omnibus Agreement) with Navios Holdings and Navios Partners in connection with the closing of Navios Acquisition's vessel acquisition, among the other things, Navios Holdings and Navios Partners agreed not to acquire, charter-in or own liquid shipment vessels, except for container vessels and vessels that are primarily employed in operations in South America without the consent of an independent committee of Navios Acquisition. In addition, Navios Acquisition, under the Acquisition Omnibus Agreement, agreed to cause its subsidiaries not to acquire, own, operate or charter drybulk carriers under specific exceptions. Under the Acquisition Omnibus Agreement, Navios Acquisition and its subsidiaries grant to Navios Holdings and Navios Partners, a right of first offer on any proposed sale, transfer or other disposition of any of its drybulk carriers and related charters owned or acquired by Navios Acquisition. Likewise, Navios Holdings and Navios Partners agreed to grant a similar right of first offer to Navios Acquisition for any liquid shipment vessels it might own. These rights of first offer will not apply to a (a) sale, transfer or other disposition of vessels between any affiliated subsidiaries, or pursuant to the terms of any charter or other agreement with a counterparty, or (b) merger with or into, or sale of substantially all of the assets to, an unaffiliated third party.

**Sale of Navios Apollon:** On October 29, 2009, Navios Holdings sold the Navios Apollon to Navios Partners. The sale price of \$32.0 million was received entirely in cash. The book value assigned to the vessel was \$25.1 million, resulting in gain from her sale of \$6.9 million, of which, \$4.0 million had been recognized at the time of sale in the statements of income under Gain on sale of assets and the remaining \$2.9 million representing profit of Navios Holdings 41.8% interest in Navios Partners has been deferred under Long-term liabilities and deferred income and is being amortized over the remaining life of the vessel or until it is sold. Following Navios Partners public equity offering of 4,000,000 common units in November 2009, 3,500,000 common units in February 2010, and 4,500,000 common units in May 2010, and the completion of the exercis of the overallotment option previously granted to the underwriters, Navios Holdings interest in Navios Partners decreased to 37%, then to 33.2% and finally to 31.3%, recognizing an additional \$0.3 million, \$0.2 million and \$0.1 million, respectively, of the deferred gain which has been recognized in the statements of income under Equity in net earnings of affiliated companies . As of June 30, 2010, the unamortized portion of the gain was \$1.3 million.

**Table of Contents**

**Sale of rights of Navios Sagittarius:** On June 10, 2009, Navios Holdings sold to Navios Partners the rights to the Navios Sagittarius, a 2006 Japanese-built Panamax vessel with a capacity of 75,756 dwt, for a cash consideration of \$34.6 million. The book value assigned to the vessel was \$4.3 million, resulting in a gain from her sale of \$30.3 million, of which \$16.8 million had been recognized at the time of sale in the statements of income under Gain on sale of assets and the remaining \$13.5 million representing profit of Navios Holdings 44.6% interest in Navios Partners has been deferred under Long-term liabilities and deferred income and is being recognized to income based on the remaining term of the vessel's contract rights or until the vessel's rights are sold. Following Navios Partners public equity offering of 2,800,000 common units in September 2009, Navios Holdings' interest in Navios Partners decreased to 42.3% and to 41.8% in October 2009 after the exercise of the over-allotment option and \$0.7 million of the deferred gain has been recognized in the statements of income of 2009 under Equity in net earnings of affiliated companies. In November 2009, following Navios Partners' public equity offering of 4,000,000 common units, Navios Holdings' interest in Navios Partners decreased to 37.0% and \$1.5 million of the deferred gain has been also recognized in the statements of income of 2009 under Equity in net earnings of affiliated companies. Following Navios Partners' public equity offering of 3,500,000 common units in February 2010 and 4,500,000 common units in May 2010, and the completion of the exercise of the over-allotment option previously granted to the underwriters, Navios Holdings' interest in Navios Partners decreased to 33.2%, and then to 31.3%, recognizing an additional \$1.1 million and \$0.5 million, respectively, of the deferred gain which has been recognized in the statements of income under Equity in net earnings of affiliated companies. As of June 30, 2010, the unamortized portion of the gain was \$8.3 million.

**Navios Bonavis:** On June 9, 2009, Navios Holdings relieved Navios Partners from its obligation to purchase the Capesize vessel Navios Bonavis for \$130.0 million and with the delivery of the Navios Bonavis to Navios Holdings, Navios Partners was granted a 12-month option to purchase the vessel for \$125.0 million. In return, Navios Partners issued to Navios Holdings 1,000,000 subordinated Series A units. Navios Holdings recognized in its results a non-cash compensation income amounting to \$6.1 million. The 1,000,000 subordinated Series A units are included in Investments in affiliates.

**Sale of Navios Hope:** On July 1, 2008, the Navios Hope was sold to Navios Partners in accordance with the terms of the Partners Omnibus Agreement. The sale price consisted of \$35.0 million in cash and \$44.9 million in common units (3,131,415 common units) of Navios Partners. The investment in the 3,131,415 common units is classified as Investments in available for sale securities. The gain from the sale of the Navios Hope was \$51.5 million of which \$24.9 million was recognized at the time of sale in the statements of income under Gain on sale of assets. The remaining \$26.6 million which represents profit to the extent of Navios Holdings' ownership interest in Navios Partners had been deferred under Long-term liabilities and deferred income and amortized over the remaining life of the vessel or until it is sold. Following Navios Partners' public equity offerings of (a) 3,500,000 common units in May 2009; (b) 2,800,000 common units in September 2009 and the completion of the exercise of the over-allotment option previously granted to the underwriters in connection with this offering in October 2009; and (c) 4,000,000 common units in November 2009, Navios Holdings' interest in Navios Partners decreased to 44.6% in May 2009, to 42.3% in September 2009, to 41.8% in October 2009 after the exercise of the over-allotment option and further to 37.0% in November 2009. As a result of this decrease, \$3.5 million, \$1.1 million and \$2.6 million, respectively, of the deferred gain has been recognized in the statements of income of 2009 under Equity in net earnings of affiliated companies. Following Navios Partners' public equity offering of 3,500,000 common units in February 2010 and 4,500,000 common units in May 2010, and the completion of the exercise of the over-allotment option previously granted to the underwriters, Navios Holdings' interest in Navios Partners decreased to 33.2%, and then to 31.3%, recognizing an additional \$1.8 million and \$0.9 million, respectively, of the deferred gain in the statements of income under Equity in net earnings of affiliated companies. As of June 30, 2010, the unamortized portion of the gain was \$13.9 million.

**Sale of Navios Hyperion:** On January 8, 2010, Navios Holdings sold the Navios Hyperion, a 2004-built Panamax vessel to Navios Partners for \$63.0 million in cash. The book value assigned to the vessel was \$25.2 million, resulting in gain from her sale of \$37.8 million, of which, \$23.8 million had been recognized at the time of sale in the statements of income under Gain on sale of assets and the remaining \$14.0 million representing profit of Navios

Holdings' 37.0% interest in Navios Partners has been deferred under Long-term liabilities and deferred income and is being amortized over its remaining useful life or until it is sold. Following Navios Partners' public equity offering of 3,500,000 common units in February 2010 and 4,500,000 common units in May 2010, and the completion of the exercise of the overallotment option previously granted to the underwriters, Navios Holdings' interest in Navios Partners decreased to 33.2%, and then to 31.3%, recognizing an additional \$1.4 million and \$0.7 million, respectively, of the deferred gain has been recognized in the statements of income under Equity in net earnings of affiliated companies. As of June 30, 2010, the unamortized portion of the gain was \$10.5 million.

**Sale of Navios Aurora II:** On March 18, 2010, Navios Holdings sold the Navios Aurora II, a 2009 South Korean-built Capesize vessel with a capacity of 169,031 dwt to Navios Partners for \$110.0 million. Out of \$110.0 million purchase price, \$90.0 million is paid in cash and the remaining amount was paid through the receipt of 1,174,219 common units of Navios Partners. The book value assigned to the vessel was \$109,508, resulting in gain from her sale of \$0.8 million, of which \$0.5 million had been recognized at the time of sale in the statements of income under Gain on sale of assets and the remaining \$0.3 million representing profit of Navios Holdings' 33.2% interest in Navios Partners has been deferred under Long-term liabilities and deferred income and is being amortized over its remaining useful life or until it is sold. As of June 30, 2010, the deferred gain had been fully amortized.

**Table of Contents**

**Sale of Navios Pollux:** On May 21, 2010, Navios Holdings sold the Navios Pollux, a 2009 South Korean-built Capesize vessel with a capacity of 180,727 dwt to Navios Partners for \$110.0 million. The book value assigned to the vessel was \$107.5 million, resulting in gain from her sale of \$2.5 million, of which \$1.8 million had been recognized at the time of sale in the statements of income under *Gain on sale of assets* and the remaining \$0.8 million representing profit of Navios Holdings 31.3% interest in Navios Partners has been deferred under *Long-term liabilities and deferred income* and is being amortized over its remaining useful life or until it is sold. As of June 30, 2010, the unamortized portion of the gain was \$0.6 million.

**Purchase of shares in Navios Acquisition:** Navios Holdings has purchased 6,337,551 shares of Navios Acquisition common stock for \$63.2 million in open market purchases. As of May 28, 2010, following these purchases, Navios Holdings owned 12,372,551 shares, or 57.3%, of the outstanding common stock of Navios Acquisition. Navios Holdings recognized the effect of \$17.7 million, which represents the fair value of the 12,372,551 shares ownership in Navios Acquisition in the statements of income under *Other income/expense, net*. At that date, Navios Holdings acquired control over Navios Acquisition, which was consolidated in the financial statements of Navios Holdings from the date Navios Holdings acquired control of Navios Acquisition.

**Quantitative and Qualitative Disclosures about Market Risks**

Navios Holdings is exposed to certain risks related to interest rate, foreign currency and charter rate risks. To manage these risks, Navios Holdings uses interest rate swaps (for interest rate risk) and FFAs (for charter rate risk).

**Interest Rate Risk:**

**Debt Instruments** On June 30, 2010 and December 31, 2009, Navios Holdings had a total of \$1,774.5 million and \$1,630.9 million, respectively, in long-term indebtedness. The debt is dollar denominated and bears interest at a floating rate, except for the senior notes, the ship mortgage notes, convertible debt, unsecured bond and certain Navios Logistics loans discussed *Liquidity and Capital Resources* that bears interest at fixed rate.

For a detailed discussion on Navios Holdings debt instruments refer to section *Long-term Debt Obligations and Credit Arrangements* included elsewhere in this document.

The interest on the loan facilities is at a floating rate and, therefore changes in interest rates would have effect on their value. The interest rate on the senior notes and the ship mortgage notes is fixed and, therefore, changes in interest rates do not affect their value which as of June 30, 2010 was \$692.3 million. Amounts drawn under the facilities and the ship mortgage notes are secured by the assets of Navios Holdings and its subsidiaries. A change in the LIBOR rate of 100 basis points would change interest expense for 2010 by \$4.0 million.

**Interest Rate Swaps** Navios Holdings has entered into interest rate swap contracts to hedge its exposure to variability in its floating rate long-term debt. Under the terms of the interest rate swaps Navios Holdings and the banks agreed to exchange, at specified intervals, the difference between a paying fixed rate and floating rate interest amount calculated by reference to the agreed principal amounts and maturities. The interest rate swaps allow Navios Holdings to convert long-term borrowings issued at floating rates into equivalent fixed rates.

At June 30, 2010, Navios Holdings had the following swaps outstanding:

- a) One swap with the Royal Bank of Scotland and one swap with Alpha Bank with a total notional principal amount of \$20.4 million. The swaps were entered into at various points in 2001 and mature in 2010. Navios Holdings estimates that it would have to pay \$0.3 million to terminate these agreements as of June 30, 2010. As a result of the swaps, Navios Holdings net exposure is based on total floating rate debt less the notional principal of floating to fixed interest rate swaps. A 100 basis points change in interest rates would have increased or decreased interest expense by \$0.03 million as of June 30, 2010, so long as the relevant LIBOR did not exceed the caps described below. The swaps are set by reference to the difference between the three month LIBOR (which is the base rate under Navios Holdings long-term borrowings) and the yield on the U.S. ten year treasury bond. The swaps effectively fix interest rates at 5.55% to 5.65%. However, each of the foregoing swaps is subject to a cap of 7.5%; to the extent the relevant LIBOR exceeds the cap, Navios Holdings would remain exposed.

b)

One swap with Dexia Bank Belgium with a notional amount of \$21.0 million. The swap was entered into at August 2005 and matures in 2010. Navios Holdings estimates that it would have to pay \$0.2 million to terminate these agreements as of June 30, 2010. The swap exchange LIBOR with fixed rate 4.525%.

**Table of Contents****Foreign Currency Risk**

*Foreign Currency:* In general, the shipping industry is a U.S. dollar dominated industry. Revenue is set mainly in U.S. dollars, and approximately 77.2% of Navios Holdings' expenses is also incurred in U.S. dollars. Certain of our expenses are paid in foreign currencies and a one percent change in the exchange rates of the various currencies at June 30, 2010 would increase or decrease net income by approximately \$0.7 million.

**FFAs Derivative Risk:**

*Forward Freight Agreements (FFAs)* Navios Holdings enters into FFAs as economic hedges relating to identifiable ship and/or cargo positions and as economic hedges of transactions that Navios Holdings expects to carry out in the normal course of its shipping business. By using FFAs, Navios Holdings manages the financial risk associated with fluctuating market conditions. The effectiveness of a hedging relationship is assessed at its inception and then throughout the period of its designation as a hedge. If an FFA qualifies for hedge accounting, any gain or loss on the FFA, as accumulated in Accumulated Other Comprehensive Income/(Loss), is first recognized when measuring the profit or loss of related transaction. For FFAs that qualify for hedge accounting, the changes in fair values of the effective portion representing unrealized gains or losses are recorded in Accumulated Other Comprehensive Income/(Loss) in the stockholders' equity while the unrealized gains or losses of the FFAs not qualifying for hedge accounting together with the ineffective portion of those qualifying for hedge accounting are recorded in the statement of income under Gain/(Loss) on Forward Freight Agreements. The gains/(losses) included in Accumulated Other Comprehensive Income/(Loss) will be reclassified to earnings under Revenue in the statement of income in the same period or periods during which the hedged forecasted transaction affects earnings. The reclassification to earnings commenced in the third quarter of 2006 and extended until December 31, 2008, depending on the period or periods during which the hedged forecasted transactions affected earnings. For the three and six month periods ended June 30, 2010 and for the year ended December 31, 2009, no losses/gain for both periods were included in Accumulated Other Comprehensive Income/ (Loss), and none were reclassified to earnings.

At June 30, 2010 and December 31, 2009, none of the mark to market positions of the open dry bulk FFA contract, qualified for hedge accounting treatment. Dry bulk FFAs traded by the Company that do not qualify for hedge accounting are shown at fair value through the statement of operations.

Navios Holdings is exposed to market risk in relation to its FFAs and could suffer substantial losses from these activities in the event expectations are incorrect. Navios Holdings trades FFAs with an objective of both economically hedging the risk on the fleet, specific vessels or freight commitments and taking advantage of short term fluctuations in market prices. As there were only two positions deemed to be open as of June 30, 2010, a ten percent change in underlying freight market indices would only have an effect below \$0.1 million on net income per year.

**Critical Accounting Policies**

The Navios Holdings' interim consolidated financial statements have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires Navios Holdings to make estimates in the application of its accounting policies based on the best assumptions, judgments and opinions of management. Following is a discussion of the accounting policies that involve a higher degree of judgment and the methods of their application that affect the reported amount of assets and liabilities, revenues and expenses and related disclosure of contingent assets and liabilities at the date of its financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are those that reflect significant judgments or uncertainties, and potentially result in materially different results under different assumptions and conditions. Navios Holdings has described below what it believes are its most critical accounting policies that involve a high degree of judgment and the methods of their application. For a description of all of Navios Holdings' significant accounting policies, see Note 2 to the Consolidated Financial Statements, included in Navios Holdings' 2009 annual report on Form 20-F file with the Securities and Exchange Commission.

*Use of estimates:* The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. On an on-going basis, management evaluates the estimates and judgments, including those related to uncompleted voyages, future drydock dates, the carrying value of investments in

affiliates, the selection of useful lives for tangible assets, expected future cash flows from long-lived assets to support impairment tests, provisions necessary for accounts receivables, provisions for legal disputes, pension benefits, and contingencies. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates under different assumptions and/or conditions.

***Accounting for derivative financial instruments and hedge activities:*** The Company enters into dry bulk shipping FFAs as economic hedges relating to identifiable ship and or cargo positions and as economic hedges of transactions the Company expects to carry out in the normal course of its shipping business. By utilizing certain derivative instruments, including



**Table of Contents**

dry bulk shipping FFAs, the Company manages the financial risk associated with fluctuating market conditions. In entering into these contracts, the Company has assumed the risk that might arise from the possible inability of counterparties to meet the terms of their contracts.

The Company also trades dry bulk shipping FFAs which are cleared through NOS ASA, a Norwegian clearing house and LCH the London clearing house. NOS ASA and LCH call for both base and margin collaterals, which are funded by Navios Holdings, and which in turn substantially eliminate counterparty risk. Certain portions of these collateral funds may be restricted at any given time as determined by NOS ASA and LCH.

At the end of each calendar quarter, the fair value of dry bulk shipping FFAs traded over-the-counter are determined from an index published in London, United Kingdom and the fair value of those FFAs traded with NOS ASA and LCH are determined from the NOS ASA and LCH valuations accordingly.

Pursuant to the accounting for derivative financial instruments, the Company records all of its derivative financial instruments and hedges as economic hedges except for those qualifying for hedge accounting. Gains or losses of instruments qualifying for hedge accounting as cash flow hedges are reflected under Accumulated Other Comprehensive Income/(Loss) in stockholders' equity, while those instruments that do not meet the criteria for hedge accounting are reflected in the statement of operations. For FFAs that qualify for hedge accounting the changes in fair values of the effective portion representing unrealized gain or losses are recorded under Accumulated Other Comprehensive Income/(Loss) in the stockholders' equity while the unrealized gains or losses of the FFAs not qualifying for hedge accounting together with the ineffective portion of those qualifying for hedge accounting, are recorded in the statement of operations under Gain/(Loss) on Derivatives. The gains/(losses) included in Accumulated Other Comprehensive Income/(Loss) are being reclassified to earnings under Revenue in the statement of operations in the same period or periods during which the hedged forecasted transaction affects earnings. The reclassification to earnings commenced in the third quarter of 2006 and extended until December 31, 2008, depending on the period or periods during which the hedged forecasted transactions affected earnings. All of the amount included in Accumulated Other Comprehensive Income/(Loss) had been reclassified to earnings as of December 31, 2008. For the three and six month periods ended June 30, 2010, no losses/gain for both periods were included in Accumulated Other Comprehensive Income/ (Loss), and nothing were reclassified to earnings.

The Company classifies cash flows related to derivative financial instruments within cash provided by operating activities in the consolidated statement of cash flows.

**Stock-based compensation:** On October 18, 2007 and December 16, 2008, the Compensation Committee of the Board of Directors authorized the issuance of shares of restricted stock, restricted stock units and stock options in accordance with the Company's stock option plan for its employees, officers and directors. The Company awarded shares of restricted stock and restricted stock units to its employees, officers and directors and stock options to its officers and directors, based on service conditions only, which vest over two years and three years, respectively. On December 17, 2009, the Company authorized the issuance of shares of restricted stock, restricted stock units and stock options in accordance with the Company's stock option plan for its employees, officers and directors. Restricted stock and restricted stock units awarded on December 17, 2009 to its employees, officers and directors, vest over three years.

The fair value of stock option grants is determined with reference to option pricing models, principally adjusted Black-Scholes models. The fair value of restricted stock and restricted stock units grants is determined by reference to the quoted stock price on the date of grant. Compensation expense, net of estimated forfeitures, is recognized based on a graded expense model over the vesting period.

**Impairment of long-lived assets:** Vessels, other fixed assets and other long lived assets held and used by Navios Holdings are reviewed periodically for potential impairment whenever events or changes in circumstances indicate that the carrying amount of a particular asset may not be fully recoverable. In accordance with Impairment of Long Lived Assets, Navios Holdings' management evaluates the carrying amounts and periods over which long-lived assets are depreciated to determine if events or changes in circumstances have occurred that would require modification to their carrying values or useful lives. In evaluating useful lives and carrying values of long-lived assets, certain indicators of potential impairment, are reviewed such as undiscounted projected operating cash flows, vessel sales and purchases, business plans and overall market conditions. Undiscounted projected net operating cash flows are

determined for each vessel and compared to the vessel carrying value. In the event that impairment occurred, the fair value of the related asset is determined and a charge is recorded to operations calculated by comparing the asset's carrying value to the estimated fair market value. Fair market value is estimated primarily through the use of third-party valuations performed on an individual vessel basis.

Although management believes the underlying indicators supporting this assessment are reasonable, if charter rate trends and the length of the current market downturn, vary significantly from our forecasts, management may be required to perform impairment analysis in the future that could expose Navios Holdings to material impairment charges in the future.

No impairment loss was recognized for any of the periods presented.

**Table of Contents**

***Vessels, Port Terminal, Tanker Vessels, Barges, Push boats and Other Fixed Assets, net:*** Vessels, port terminal, tanker vessels, barges, push boats and other fixed assets acquired as parts of a business combination would be recorded at fair value on the date of acquisition. Vessels acquired as asset acquisitions would be stated at historical cost, which consists of the contract price, any material expenses incurred upon acquisition (improvements and delivery expenses). Subsequent expenditures for major improvements and upgrading are capitalized, provided they appreciably extend the life, increase the earning capacity or improve the efficiency or safety of the vessels. The cost and related accumulated depreciation of assets retired or sold are removed from the accounts at the time of sale or retirement and any gain or loss is included in the accompanying consolidated statements of operations.

Expenditures for routine maintenance and repairs are expensed as incurred.

Depreciation is computed using the straight line method over the useful life of the vessels, after considering the estimated residual value. Management estimates the useful life of the Company's vessels to be 25 years from the vessel's original construction. However, when regulations place limitations over the ability of a vessel to trade on a worldwide basis, its useful life is re-estimated to end at the date such regulations become effective.

***Deferred Drydock and Special Survey Costs:*** The Company's vessels, barges and push boats are subject to regularly scheduled drydocking and special surveys which are carried out every 30, 60, and 84 months for vessels and barges and push boats, respectively, to coincide with the renewal of the related certificates issued by the Classification Societies, unless a further extension is obtained in rare cases and under certain conditions. The costs of drydocking and special surveys is deferred and amortized over the above periods or to the next drydocking or special survey date if such has been determined. Unamortized drydocking or special survey costs of vessels, barges and push boats sold are written off to income in the year the vessel, barge or push boat is sold. This cost is determined by reference to the estimated economic benefits to be derived until the next drydocking or special survey.

***Goodwill and Other Intangibles:*** As required by the accounting for goodwill and other intangible assets, goodwill acquired in a business combination initiated after June 30, 2001 is not to be amortized. Similarly, intangible assets with indefinite lives are not amortized. The Company accounts for intangible assets associated with a favorable operating lease containing an in-the-money purchase option as one intangible asset, a portion of which is amortized and a portion of which is not amortized. The amortizable portion relates to the favorable portion of the operating lease and the non-amortizable portion relates to the purchase option that is in-the-money at the date of the business combination. The amortizable portion is amortized over the original lease term. If the purchase option is exercised early, the favorable lease intangible asset will not be fully amortized as of the date the option is exercised. This unamortized amount is included as an adjustment to the carrying value of the vessel along with the carrying value of the option and the option exercise. The guidance requires that goodwill be tested for impairment at least annually and written down with a charge to operations if the carrying amount exceeds the estimated fair value.

The Company evaluates impairment of goodwill using a two-step process. First, the aggregate fair value of the reporting unit is compared to its carrying amount, including goodwill. The Company determines the fair value based on a combination of discounted cash flow analysis and an industry market multiple.

If the fair value exceeds the carrying amount, no impairment exists. If the carrying amount of the reporting unit exceeds the fair value, then the Company must perform the second step in order to determine the implied fair value of the reporting unit's goodwill and compare it with its carrying amount. The implied fair value is determined by allocating the fair value of the reporting unit to all the assets and liabilities of that unit, as if the unit had been acquired in a business combination and the fair value of the unit was the purchase price. If the carrying amount of the goodwill exceeds the implied fair value, then goodwill impairment is recognized by writing the goodwill down to the implied fair value.

No impairment loss was recognized for any of the periods presented.

The fair value of the trade name was determined based on the relief from royalty method which values the trade name based on the estimated amount that a company would have to pay in an arms length transaction in order to use that trade name. The asset is being amortized under the straight line method over 32 years. The fair value of customer relationships was determined based on the excess earnings method, which relies upon the future cash flow generating ability of the asset. The asset is amortized under the straight line method over 20 years. Other intangibles that are being amortized, such as the amortizable portion of favorable leases, port terminal operating rights, backlog assets and

liabilities, would be considered impaired if their fair market value could not be recovered from the future undiscounted cash flows associated with the asset. Vessel purchase options, which are included in favorable lease terms, are not amortized and would be considered impaired if the carrying value of an option, when added to the option price of the vessel, exceeded the fair value of the vessel.

***Investment in available for sale securities:*** The Company classifies its existing marketable equity securities as available-for-sale in accordance with guidance on Accounting for Certain Investments in Debt and Equity Securities. These securities are carried at fair value, with unrealized gains and losses excluded from earnings and reported directly in stockholders' equity as a component of other comprehensive income (loss) unless an unrealized loss is considered other-than-temporary, in which case it is transferred to the statement of income.

**Table of Contents**

Management evaluates securities for other than temporary impairment ( OTTI ) on a quarterly basis. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the investee, and (3) the intent and ability of the Company to retain its investment in the investee for a period of time sufficient to allow for any anticipated recovery in fair value.

For the six month period ended June 30, 2010 and for the year ended December 31, 2009, the Company's unrealized holding gains on available-for-sale securities were \$18.4 million and \$15.2 million, respectively.

**Recent Accounting Pronouncements***Fair Value Disclosures*

In January 2010, the Financial Accounting Standards Board ( FASB ) issued amended standards requiring additional fair value disclosures. The amended standards require disclosures of transfers in and out of Levels 1 and 2 of the fair value hierarchy, as well as requiring gross basis disclosures for purchases, sales, issuances and settlements within the Level 3 reconciliation. Additionally, the update clarifies the requirement to determine the level of disaggregation for fair value measurement disclosures and to disclose valuation techniques and inputs used for both recurring and nonrecurring fair value measurements in either Level 2 or Level 3. Navios Holdings adopted the new guidance in the first quarter of fiscal year 2010, except for the disclosures related to purchases, sales, issuance and settlements, which will be effective for Navios Holdings beginning in the first quarter of fiscal year 2011. The adoption of the new standards did not have and is not expected to have a significant impact on Navios Holdings consolidated financial statements.

*Measuring Liabilities at Fair Value*

In August 2009, the FASB released new guidance concerning measuring liabilities at fair value. The new guidance provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using certain valuation techniques. Additionally, it clarifies that a reporting entity is not required to adjust the fair value of a liability for the existence of a restriction that prevents the transfer of the liability. This new guidance is effective for the first reporting period after its issuance, however earlier application is permitted. The application of this new guidance did not have a significant impact on Navios Holdings consolidated financial statements.

*Determining the Primary Beneficiary of a Variable Interest Entity*

In June 2009, the FASB issued new guidance concerning the determination of the primary beneficiary of a variable interest entity ( VIE ). This new guidance amends current U.S. GAAP by: requiring ongoing reassessments of whether an enterprise is the primary beneficiary of a VIE; amending the quantitative approach previously required for determining the primary beneficiary of the VIE; modifying the guidance used to determine whether an equity is a VIE; adding an additional reconsideration event (e.g. troubled debt restructurings) for determining whether an entity is a VIE; and requiring enhanced disclosures regarding an entity's involvement with a VIE.

This new guidance was effective for Navios Holdings beginning in its first quarter of fiscal year 2010 and its adoption did not have any significant effect on its financial position, results of operations, or cash flows. Navios Holdings will continue to consider the impacts of this new guidance on an on-going basis.

*Transfers of Financial Assets*

In June 2009, the FASB issued new guidance concerning the transfer of financial assets. This guidance amends the criteria for a transfer of a financial asset to be accounted for as a sale, creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale, changes the initial measurement of a transferor's interest in transferred financial assets, eliminates the qualifying special-purpose entity concept and provides for new disclosures. This new guidance was effective for Navios Holdings for transfers of financial assets beginning in its first quarter of fiscal year 2010 and its adoption did not have any significant effect on its financial position, results of operations, or cash flows.

*Subsequent Events*

In February 2010, the FASB issued amended guidance on subsequent events. Securities and Exchange Commission filers are no longer required to disclose the date through which subsequent events have been evaluated in originally issued and revised financial statements. This guidance was effective immediately and Navios Holdings adopted these new requirements in the first quarter of fiscal 2010.



**NAVIOS MARITIME HOLDINGS INC.**

**Index**

	<b>Page</b>
<u>CONDENSED CONSOLIDATED BALANCE SHEETS AS AT JUNE 30, 2010 (UNAUDITED) AND DECEMBER 31, 2009</u>	F-2
<u>UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2010 AND 2009</u>	F-3
<u>UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2010 AND 2009</u>	F-4
<u>UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2010 AND 2009</u>	F-5
<u>CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)</u>	F-6

F-1

---

**Table of Contents**

**NAVIOS MARITIME HOLDINGS INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of U.S. dollars)

	Note	June 30, 2010 (unaudited)	December 31, 2009
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	\$ 222,052	\$ 173,933
Restricted cash		186,191	107,158
Accounts receivable, net		73,896	78,504
Short-term derivative asset	8	21,121	38,382
Due from affiliate companies		11,921	1,973
Prepaid expenses and other current assets		31,290	27,730
<b>Total current assets</b>		<b>546,471</b>	<b>427,680</b>
Deposits for vessel acquisitions	5	531,881	344,515
Vessels, port terminal and other fixed assets, net	5	1,532,042	1,577,741
Long-term derivative assets	8		8,181
Restricted cash		29,492	
Other long-term assets		71,097	69,222
Investments in affiliates		14,476	13,042
Investments in available for sale securities		67,857	46,314
Intangible assets other than goodwill	6	284,032	300,571
Goodwill	3	174,430	147,916
<b>Total non-current assets</b>		<b>2,705,307</b>	<b>2,507,502</b>
<b>Total assets</b>		<b>\$ 3,251,778</b>	<b>\$ 2,935,182</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable		\$ 44,623	\$ 61,990
Dividends payable		6,058	6,052
Accrued expenses		52,419	48,030
Deferred income and cash received in advance	11	16,274	9,529
Short-term derivative liability	8	5,771	10,675
Capital lease obligations		620	
Current portion of long-term debt	7	85,243	59,804
<b>Total current liabilities</b>		<b>211,008</b>	<b>196,080</b>
Senior and ship mortgage notes, net of discount	7	693,408	693,049
Long-term debt, net of current portion	7	988,255	869,853
Capital lease obligations, net of current portion		15,707	
Unfavorable lease terms	6	55,233	59,203



Edgar Filing: Navios Maritime Partners L.P. - Form 6-K

Long-term derivative liability	8	13	
Long-term liabilities and deferred income	11	55,039	33,470
Deferred tax liability		21,118	22,777
<b>Total non-current liabilities</b>		<b>1,828,773</b>	<b>1,678,352</b>
<b>Total liabilities</b>		<b>2,039,781</b>	<b>1,874,432</b>
<b>Commitments and contingencies</b>	10		
<b>Stockholders equity</b>			
Preferred stock \$0.0001 par value, authorized 1,000,000 shares, 10,281 and 8,201 issued and outstanding as of June 30, 2010 and December 31, 2009, respectively			
Common stock \$0.0001 par value, authorized 250,000,000 shares, issued and outstanding 100,973,729 and 100,874,199 as of June 30, 2010 and December 31, 2009, respectively	9	10	10
Additional paid-in capital	9	547,410	533,729
Accumulated other comprehensive income		16,373	15,156
Retained earnings		441,327	376,585
<b>Total Navios Holdings stockholders equity</b>		<b>1,005,120</b>	<b>925,480</b>
Noncontrolling interest		206,877	135,270
<b>Total equity</b>		<b>1,211,997</b>	<b>1,060,750</b>
<b>Total liabilities and equity</b>		<b>\$ 3,251,778</b>	<b>\$ 2,935,182</b>

See condensed notes to consolidated financial statements

F-2

Table of Contents

**NAVIOS MARITIME HOLDINGS INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(Expressed in thousands of U.S. dollars except per share data)

	Note	Three Month Period ended June 30, 2010 (unaudited)	Three Month Period ended June 30, 2009 (unaudited)	Six Month Period ended June 30, 2010 (unaudited)	Six Month Period ended June 30, 2009 (unaudited)
Revenue	12	\$ 165,445	\$ 142,208	\$ 319,814	\$ 289,376
Time charter, voyage and logistic business expenses		(83,704)	(82,883)	(170,941)	(174,682)
Direct vessel expenses		(9,635)	(7,915)	(18,943)	(15,085)
General and administrative expenses		(11,351)	(10,561)	(23,544)	(20,992)
Depreciation and amortization	5,6	(22,366)	(16,377)	(47,307)	(31,917)
Interest income/expense and finance cost, net	7	(20,982)	(14,737)	(42,391)	(29,102)
Gain on derivatives	8	5,880	645	4,042	619
Gain on sale of assets	3	1,751	16,790	26,134	16,790
Gain on change in control		17,742		17,742	
Other (income)/expense, net		(3,005)	(9,784)	(6,804)	(10,992)
<b>Income before equity in net earnings of affiliate companies</b>		<b>39,775</b>	<b>17,386</b>	<b>57,802</b>	<b>24,015</b>
Equity in net earnings of affiliated companies	14	8,172	5,399	19,756	10,499
<b>Income before taxes</b>		<b>\$ 47,947</b>	<b>\$ 22,785</b>	<b>\$ 77,558</b>	<b>\$ 34,514</b>
Income taxes		133	962	901	1,594
<b>Net income</b>		<b>48,080</b>	<b>23,747</b>	<b>78,459</b>	<b>36,108</b>
Less: Net income attributable to the noncontrolling interest	3	(1,571)	(1,610)	(649)	(1,978)
<b>Net income attributable to Navios Holdings common stockholders</b>		<b>\$ 46,509</b>	<b>\$ 22,137</b>	<b>\$ 77,810</b>	<b>\$ 34,130</b>
<b>Basic net income per share attributable to Navios Holdings common stockholders</b>		<b>\$ 0.46</b>	<b>\$ 0.22</b>	<b>\$ 0.76</b>	<b>\$ 0.34</b>
<b>Weighted average number of shares, basic</b>	13	<b>100,470,187</b>	<b>99,839,013</b>	<b>100,447,992</b>	<b>99,947,002</b>
<b>Diluted net income per share attributable to Navios</b>		<b>\$ 0.40</b>	<b>\$ 0.21</b>	<b>\$ 0.68</b>	<b>\$ 0.33</b>

**Holdings common  
stockholders**

<b>Weighted average number of shares, diluted</b>	13	<b>114,550,664</b>	<b>105,281,778</b>	<b>114,313,472</b>	<b>103,562,826</b>
---	----	--------------------	--------------------	--------------------	--------------------

See condensed notes to consolidated financial statements.

F-3

---

**Table of Contents**

**NAVIOS MARITIME HOLDINGS INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in thousands of U.S. dollars)

	Note	Six Month Period ended June 30, 2010 (unaudited)	Six Month Period ended June 30, 2009 (unaudited)
<b>OPERATING ACTIVITIES:</b>			
Net income		\$ 78,459	\$ 36,108
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>			
Non cash adjustments		15,484	32,956
(Increase)/decrease in operating assets		(18,613)	26,644
(Decrease)/increase in operating liabilities		(17,238)	19,839
Payments for drydock and special survey costs		(6,729)	(1,831)
<b>Net cash provided by operating activities</b>		<b>51,363</b>	<b>113,716</b>
<b>INVESTING ACTIVITIES:</b>			
Consolidation of subsidiary, net of cash assumed	3	3,125	
Restricted cash for asset acquisitions		(67,250)	
Acquisition of vessels	5	(69,808)	(121,109)
Deposits for vessel acquisitions	5	(294,582)	(105,657)
Receipts from finance lease		293	268
Proceeds from sale of assets	5	303,832	34,600
Purchase of property and equipment	5	(5,008)	(28,002)
<b>Net cash used in investing activities</b>		<b>(129,398)</b>	<b>(219,900)</b>
<b>FINANCING ACTIVITIES:</b>			
Proceeds from long-term loan, net of deferred finance fees	7	228,798	214,104
Repayment of long-term debt and payment of principal	7	(86,717)	(6,948)
Dividends paid		(13,482)	(15,129)
Issuance of common shares		275	
Acquisition of treasury stock	9		(717)
Increase in restricted cash		(2,250)	(7,250)
Contributions to noncontrolling shareholders		(470)	
<b>Net cash provided by financing activities</b>		<b>126,154</b>	<b>184,060</b>
<b>Increase in cash and cash equivalents</b>		<b>48,119</b>	<b>77,876</b>
<b>Cash and cash equivalents, beginning of period</b>		<b>173,933</b>	<b>133,624</b>
<b>Cash and cash equivalents, end of period</b>		<b>\$ 222,052</b>	<b>\$ 211,500</b>

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW  
INFORMATION**

Cash paid for interest	\$	44,955	\$	25,472
Cash paid for income taxes	\$	480	\$	1,191

**Non-cash investing and financing activities**

For issuance of convertible debt in connection with the acquisition of vessels see Note 5.	\$		\$	31,893
For issuance of preferred stock in connection with the acquisition of vessels see Note 5 and 9.	\$	12,201	\$	7,177
Equity in net earnings of affiliated companies	\$	19,756	\$	10,499

**Non-cash investing and financing activities**

See Note 7 for debt assumed in connection with acquisitions of businesses.

See Note 14 for investments in available for sale securities.

See condensed notes to consolidated financial statements.

F-4

---

Table of Contents

**NAVIOS MARITIME HOLDINGS INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in thousands of U.S. dollars except share data)

	Number of Preferred Shares	Number of Preferred Stock Shares	Number of Common Stock Shares	Additional Common Paid-in Capital	Accumulated		Total Stockholders' Equity	Noncontrolling Interest	Total Equity	
					Retained Earnings	Other Comprehensive Income/(Loss)				
<b>Balance December 31, 2008</b>			<b>100,488,784</b>	<b>10</b>	<b>494,719</b>	<b>333,669</b>	<b>(22,578)</b>	<b>805,820</b>	<b>128,959</b>	<b>934,779</b>
Net income						34,130		34,130	1,978	36,108
Other comprehensive income/(loss):										
Unrealized holding gains on investments in available-for-sale securities							8,800	8,800		8,800
Reclassification to earnings							13,778	13,778		13,778
Total comprehensive income								56,708	1,978	58,686
Acquisition of treasury shares (Note 10)			(331,900)		(717)			(717)		(717)
Issuance of preferred stock (Note 10)	1,870				7,177			7,177		7,177
Stock-based compensation expenses			48,300		1,069			1,069		1,069
Dividends declared/ paid						(12,045)		(12,045)		(12,045)
<b>Balance June 30, 2009 (unaudited)</b>	<b>1,870</b>	<b>\$</b>	<b>100,205,184</b>	<b>\$ 10</b>	<b>\$ 502,248</b>	<b>\$ 355,754</b>	<b>\$</b>	<b>\$ 858,012</b>	<b>\$ 130,937</b>	<b>\$ 988,949</b>
<b>Balance December 31, 2009</b>	<b>8,201</b>		<b>100,874,199</b>	<b>10</b>	<b>533,729</b>	<b>376,585</b>	<b>15,156</b>	<b>925,480</b>	<b>135,270</b>	<b>1,060,750</b>
Net income						77,810		77,810	649	78,459
Other comprehensive										

income/(loss):									
Unrealized holding gains on investments in available-for-sale securities				1,217		1,217			1,217
Total comprehensive income						79,027	649		79,676
Noncontrolling interest of Navios Acquisition (Note 3)							60,556		60,556
Release of Escrow of Navios Logistics (Note 3)							10,869		10,869
Contribution to noncontrolling shareholders of Navios Logistics							(467)		(467)
Issuance of preferred stock (Note 10)	2,080			12,197		12,197			12,197
Stock-based compensation expenses		99,530		1,484		1,484			1,484
Dividends declared/ paid				(13,068)		(13,068)			(13,068)
<b>Balance June 30, 2010 (unaudited)</b>	<b>10,281</b>	<b>\$ 100,973,729</b>	<b>\$ 10</b>	<b>\$ 547,410</b>	<b>\$ 441,327</b>	<b>\$ 16,373</b>	<b>\$ 1,005,120</b>	<b>\$ 206,877</b>	<b>\$ 1,211,997</b>

See condensed notes to consolidated financial statements.

F-5

**Table of Contents**

**NAVIOS MARITIME HOLDINGS INC.  
UNAUDITED CONDENSED NOTES TO THE  
CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars except share data)

**NOTE 1 DESCRIPTION OF BUSINESS**

On August 25, 2005, pursuant to a Stock Purchase Agreement dated February 28, 2005, as amended, by and among International Shipping Enterprises, Inc. ( ISE ), Navios Maritime Holdings Inc. ( Navios Holdings or the Company ) and all the shareholders of Navios Holdings, ISE acquired Navios Holdings through the purchase of all of the outstanding shares of common stock of Navios Holdings. As a result of this acquisition, Navios Holdings became a wholly owned subsidiary of ISE. In addition, on August 25, 2005, simultaneously with the acquisition of Navios Holdings, ISE effected a reincorporation from the State of Delaware to the Republic of the Marshall Islands through a downstream merger with and into its newly acquired wholly owned subsidiary, whose name was and continues to be Navios Maritime Holdings Inc.

*Navios Logistics*

On January 1, 2008, pursuant to a share purchase agreement, Navios Holdings contributed (i) \$112,200 in cash and (ii) the authorized capital stock of its wholly owned subsidiary Corporacion Navios Sociedad Anonima ( CNSA ) in exchange for the issuance and delivery of 12,765 shares of Navios South American Logistics Inc. ( Navios Logistics ), representing 63.8% (67.2% excluding contingent consideration) of its outstanding stock. Navios Logistics acquired all ownership interests in the Horamar Group ( Horamar ) in exchange for (i) \$112,200 in cash, of which \$5,000 was kept in escrow and payable upon the attainment of certain EBITDA targets during specified periods through December 2008 (the EBITDA Adjustment ) and (ii) the issuance of 7,235 shares of Navios Logistics representing 36.2% (32.8% excluding contingent consideration) of Navios Logistics outstanding stock, of which 1,007 shares were kept in escrow pending attainment of certain EBITDA targets. In November 2008, \$2,500 in cash and 503 shares were released from escrow when Horamar achieved the interim EBITDA target. As a result, Navios Holdings owned 65.5% (excluding 504 shares that remained in escrow as of such November 2008 date) of Navios Logistics.

Horamar was a privately held Argentina-based group that specializes in the transportation and storage of liquid cargoes and the transportation of dry bulk cargoes in South America. The cash contribution for the acquisition of Horamar was financed entirely by existing cash. Through the acquisition of Horamar, Navios Holdings formed Navios Logistics, an end-to-end logistics business through the combination of its existing port operations in Uruguay with the barge and upriver port businesses that specializes in the transportation and storage of liquid cargoes and the transportation of dry bulk cargoes in South America.

On March 20, 2009, August 19, 2009, and December 30, 2009, the agreement pursuant to which Navios Logistics acquired CNSA and Horamar was amended to postpone until June 30, 2010 the date for determining whether the EBITDA target was achieved. On June 17, 2010, \$2,500 in cash and the 504 shares remaining in escrow were released from escrow upon the achievement of the EBITDA target threshold. Following the release of the remaining shares that were held in escrow, Navios Holdings currently owns 63.8% of Navios Logistics (see Note 3).

*Navios Acquisition*

On July 1, 2008, the Company completed the initial public offering, or an IPO, of units in its subsidiary, Navios Maritime Acquisition Corporation ( Navios Acquisition ) (NYSE: NNA), a blank check company. In the offering, Navios Acquisition sold 25,300,000 units for an aggregate purchase price of \$253,000. Simultaneously with the completion of the IPO, the Company purchased private placement warrants of Navios Acquisition for an aggregate purchase price of \$7,600 ( Private Placement Warrants ). Prior to the IPO, Navios Holdings had purchased 8,625,000 units ( Sponsor Units ) for a total consideration of \$25, of which an aggregate of 290,000 units were transferred to the Company s officers and directors and an aggregate of 2,300,000 Sponsor Units were returned to Navios Acquisition and cancelled upon receipt. Each unit consists of one share of Navios Acquisition s common stock and one warrant ( Sponsor Warrants, together with the Private Placement Warrants, the Navios Acquisition Warrants ). Navios Acquisition at the time was not a controlled subsidiary of the Company but was accounted for under the equity method due to the Company s significant influence over Navios Acquisition.



On April 8, 2010, pursuant to the terms and conditions of the Acquisition Agreement by and between Navios Acquisition and Navios Holdings, Navios Acquisition agreed to acquire 13 vessels (11 product tankers and two chemical tankers)

F-6

---

**Table of Contents**

**NAVIOS MARITIME HOLDINGS INC.  
UNAUDITED CONDENSED NOTES TO THE  
CONSOLIDATED FINANCIAL STATEMENTS**

**(Expressed in thousands of U.S. dollars except share data)**

plus options to purchase two additional product tankers, for an aggregate purchase price of \$457,659. Each vessel will be commercially and technically managed under a management agreement with a subsidiary of Navios Holdings.

On May 25, 2010, after its special meeting of stockholders, Navios Acquisition announced the approval of (a) the acquisition of 13 vessels (11 product tankers and two chemical tankers) for an aggregate purchase price of \$457,659, of which \$123,359 was to be from existing cash and the \$334,300 balance from debt financing pursuant to the terms and conditions of the Acquisition Agreement by and between Navios Acquisition and Navios Holdings and (b) certain amendments to Navios Acquisition's amended and restated articles of incorporation.

Following the consummation of the transactions described in the Acquisition Agreement, Navios Holdings was released from all debt and equity commitments for the above vessels and Navios Acquisition reimbursed Navios Holdings equity payments made prior to the stockholders' meeting under the purchase contracts for the vessels, plus all associated payments previously made by Navios Holdings amounting to \$76,485.

As of May 28, 2010, following the purchase of 6,337,551 shares of Navios Acquisition's common stock for \$63,230 in open market purchases, Navios Holdings owned 12,372,551 shares, or 57.3%, of the outstanding common stock of Navios Acquisition. At that point, Navios Holdings acquired control over Navios Acquisition and consolidated the results of Navios Acquisition from that date onwards.

Upon obtaining control of Navios Acquisition, the investment in common shares and the investment in warrants were remeasured to fair value resulting in a gain of \$17,742 recorded in the statements of income under "Gain on change in control" and noncontrolling interest was recognized at fair value, being the number of shares not controlled by the Company at the public share price as of May 28, 2010 of \$6.56, amounting to \$60,556. Goodwill amounting to \$13,143 was recognized representing the residual of Navios' investment amounting to \$95,232, the recognition of noncontrolling interest of \$60,556 less the fair value of Navios Acquisition's net assets amounting to \$142,645 on May 28, 2010. For the assets and liabilities of Navios Acquisition at fair value as of May 28, 2010 (see Note 3).

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**(a) Basis of presentation:** The accompanying interim condensed consolidated financial statements are unaudited, but, in the opinion of management, reflect all adjustments for a fair presentation of Navios Holdings' consolidated financial position, statements of income and cash flows for the periods presented. Adjustments consist of normal, recurring entries. The results of operations for the interim periods are not necessarily indicative of results for the full year. The footnotes are condensed as permitted by the requirements for interim financial statements and accordingly, do not include information and disclosures required under United States generally accepted accounting principles (GAAP) for complete financial statements. These interim financial statements should be read in conjunction with the Company's consolidated financial statements and notes included in Navios Holdings' 2009 annual report filed on Form 20-F with the Securities and Exchange Commission (SEC). Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

**(b) Principles of consolidation:** The accompanying interim consolidated financial statements include the accounts of Navios Holdings, a Marshall Islands corporation, and its majority owned subsidiaries. All significant intercompany balances and transactions have been eliminated in the consolidated statements.

**Subsidiaries:** Subsidiaries are those entities in which the Company has an interest of more than one half of the voting rights and/or otherwise has power to govern the financial and operating policies. The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition. The excess of the cost of acquisition over the fair value of the net tangible and intangible assets acquired and liabilities assumed is recorded as goodwill.

**Investments in Affiliates and Joint Ventures:** Affiliates are entities over which the Company generally has between 20% and 50% of the voting rights, or over which the Company has significant influence, but which it does

not exercise control. Joint ventures are entities over which the Company exercises joint control. Investments in these entities are accounted for by the equity method of accounting. Under this method the Company records an investment in the stock of an affiliate or joint venture at cost, and adjusts the carrying amount for its share of the earnings or losses of the affiliate or joint venture subsequent to the date of investment and reports the recognized earnings or losses in income. Dividends received from an affiliate or joint venture; reduce the carrying amount of the investment. When the Company's share of losses in an affiliate or joint venture equals or exceeds its interest in the affiliate, the Company does not recognize further losses, unless the Company has incurred obligations or made payments on behalf of the affiliate or the joint venture.

F-7

---

**Table of Contents**

**NAVIOS MARITIME HOLDINGS INC.  
UNAUDITED CONDENSED NOTES TO THE  
CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars except share data)

**Subsidiaries included in the consolidation:**

Company Name	Nature / Vessel Name	Effective Ownership Interest	Country of Incorporation	Statement of operations			
				2010		2009	
Navios Maritime Holdings Inc.	Holding Company	100%	Marshall Is.	1/1	6/30	1/1	6/30
Navios Corporation	Sub-Holding Company	100%	Marshall Is.	1/1	6/30	1/1	6/30
Navios International Inc.	Operating Company	100%	Marshall Is.	1/1	6/30	1/1	6/30
Navimax Corporation	Operating Company	100%	Marshall Is.	1/1	6/30	1/1	6/30
Navios Handybulk Inc.	Operating Company	100%	Marshall Is.	1/1	6/30	1/1	6/30
Hestia Shipping Ltd.	Operating Company	100%	Malta	1/1	6/30	1/1	6/30
Anemos Maritime Holdings Inc.	Sub-Holding Company	100 %	Marshall Is.	1/1	6/30	1/1	6/30
Navios ShipManagement Inc.	Management Company	100%	Marshall Is.	1/1	6/30	1/1	6/30
NAV Holdings Limited	Sub-Holding Company	100%	Malta	1/1	6/30	1/1	6/30
Kleimar N.V.	Operating Company/Vessel Owning Company	100%	Belgium	1/1	6/30	1/1	6/30
Kleimar Ltd.	Operating Company	100%	Marshall Is.	1/1	6/30	1/1	6/30
Bulkinvest S.A.	Operating Company	100%	Luxembourg	1/1	6/30	1/1	6/30
Primavera Shipping Corporation	Operating Company	100%	Marshall Is.	1/1	6/30	1/1	6/30
Ginger Services Co.	Operating Company	100%	Marshall Is.	1/1	6/30	1/1	6/30
Aquis Marine Corp.	Sub-Holding Company	100%	Marshall Is.	3/23	6/30		
Navios Tankers Management Inc.	Management Company	100%	Marshall Is.	3/24	6/30		

**Table of Contents**

**NAVIOS MARITIME HOLDINGS INC.**  
**UNAUDITED CONDENSED NOTES TO THE**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in thousands of U.S. dollars except share data)

Company Name	Nature / Vessel Name	Effective Ownership Interest	Country of Incorporation	Statement of operations			
				2010		2009	
Astra Maritime Corporation	Operating Company	100%	Marshall Is.	1/1	6/30	1/1	6/30
Achilles Shipping Corporation	Operating Company	100%	Marshall Is.	1/1	6/30	1/1	6/30
Apollon Shipping Corporation	Operating Company	100%	Marshall Is.	1/1	6/30	1/1	6/30
Herakles Shipping Corporation	Operating Company	100%	Marshall Is.	1/1	6/30	1/1	6/30
Hios Shipping Corporation	Operating Company	100%	Marshall Is.	1/1	6/30	1/1	6/30
Ionian Shipping Corporation	Operating Company	100%	Marshall Is.	1/1	6/30	1/1	6/30
Kypros Shipping Corporation	Operating Company	100%	Marshall Is.	1/1	6/30	1/1	6/30
Meridian Shipping Enterprises Inc.	Vessel Owing Company	100%	Marshall Is.	1/1	6/30	1/1	6/30
Mercator Shipping Corporation	Vessel Owing Company	100%	Marshall Is.	1/1	6/30	1/1	6/30
Arc Shipping Corporation	Vessel Owing Company	100%	Marshall Is.	1/1	6/30	1/1	6/30
Horizon Shipping Enterprises Corporation	Vessel Owing Company	100%	Marshall Is.	1/1	6/30	1/1	6/30
Magellan Shipping Corporation	Vessel Owing Company	100%	Marshall Is.	1/1	6/30	1/1	6/30
Aegean Shipping Corporation	Operating Company	100%	Marshall Is.	1/1	6/30	1/1	6/30
Star Maritime Enterprises Corporation	Vessel Owing Company	100%	Marshall Is.	1/1	6/30	1/1	6/30
Corsair Shipping Ltd.	Vessel Owing Company	100%	Marshall Is.	1/1	6/30	1/1	6/30
Rowboat Marine Inc.	Vessel Owing Company	100%	Marshall Is.	1/1	6/30	1/1	6/30
Hyperion Enterprises Inc.	Vessel Owing Company	100%	Marshall Is.	1/1	1/7	1/1	6/30
Beaufiks Shipping Corporation	Vessel Owing Company	100%	Marshall Is.	1/1	6/30	1/1	6/30
	Vessel Owing Company	100%	Marshall Is.			1/1	6/30

Sagittarius Shipping  
Corporation

Nostos Shipmanagement Corp.	Vessel Owning Company	100%	Marshall Is.	1/1	6/30	1/1	6/30
Aegean Sea Maritime Holdings Inc.	Sub-Holding Company	100%	Marshall Is.	3/18	5/27		
Amorgos Shipping Corporation (4)	Vessel Owning Company	100%	Marshall Is.	3/18	5/27		

F-9

---

**Table of Contents**

**NAVIOS MARITIME HOLDINGS INC.**  
**UNAUDITED CONDENSED NOTES TO THE**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in thousands of U.S. dollars except share data)**

<b>Company Name</b>	<b>Nature / Vessel Name</b>	<b>Effective Ownership Interest</b>	<b>Country of Incorporation</b>	<b>Statement of operations</b>	
				<b>2010</b>	<b>2009</b>
Andros Shipping Corporation (4)	Vessel Owning Company	100%	Marshall Is.	3/18	5/27
Antiparos Shipping Corporation (4)	Vessel Owning Company	100%	Marshall Is.	3/18	5/27
Ikaria Shipping Corporation (4)	Vessel Owning Company	100%	Marshall Is.	3/18	5/27
Kos Shipping Corporation (4)	Vessel Owning Company	100%	Marshall Is.	3/18	5/27
Mytilene Shipping Corporation (4)	Vessel Owning Company	100%	Marshall Is.	3/18	5/27
Skiathos Shipping Corporation (4)	Vessel Owning Company	100%	Marshall Is.	3/18	5/27
Syros Shipping Corporation (4)	Vessel Owning Company	100%	Marshall Is.	3/18	5/27
Skopelos Shipping Corporation (4)	Vessel Owning Company	100%	Cayman Is.	3/18	5/27
Sifnos Shipping Corporation (4)	Vessel Owning Company	100%	Marshall Is.	3/18	5/27
Ios Shipping Corporation (4)	Vessel Owning Company	100%	Cayman Is.	3/18	5/27
Serifos Shipping Corporation (4)	Vessel Owning Company	100%	Marshall Is.	3/30	5/27
Thera Shipping Corporation (4)	Vessel Owning Company	100%	Marshall Is.	3/18	5/27

F-10

**Table of Contents**

**NAVIOS MARITIME HOLDINGS INC.**  
**UNAUDITED CONDENSED NOTES TO THE**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in thousands of U.S. dollars except share data)

Company Name	Nature / Vessel Name	Effective Ownership Interest	Country of Incorporation	Statement of operations			
				2010		2009	
Portorosa Marine Corporation	Vessel Owning Company	100%	Marshall Is.	1/1	6/30	1/1	6/30
Shikhar Ventures S.A	Vessel Owning Company	100%	Liberia	1/1	6/30	1/1	6/30
Sizzling Ventures Inc.	Operating company	100%	Liberia	1/1	6/30	1/1	6/30
Rheia Associates Co.	Operating company	100%	Marshall Is.	1/1	6/30	1/1	6/30
Taharqa Spirit Corp.	Operating company	100%	Marshall Is.	1/1	6/30	1/1	6/30
Rumer Holding Ltd.	Vessel Owning Company	100%	Marshall Is.	1/1	6/30	1/1	6/30
Chilali Corp.	Vessel Owning Company	100%	Marshall Is.	1/1	3/17	1/1	6/30
Pharos Navigation S.A.	Vessel Owning Company	100%	Marshall Is.	1/1	6/30	1/1	6/30
Pueblo Holdings Ltd.	Vessel Owning Company	100%	Marshall Is.	1/1	6/30	1/1	6/30
Surf Maritime Co.	Vessel Owning Company	100%	Marshall Is.	1/1	5/19	1/1	6/30
Quena Shipmanagement Inc.	Operating Company	100%	Marshall Is.	1/1	6/30	1/1	6/30
Orbiter Shipping Corp.	Vessel Owning Company	100%	Marshall Is.	1/1	6/30	1/1	6/30
Aramis Navigation <sup>(1)</sup>	Vessel Owning Company	100%	Marshall Is.	1/1	6/30		
White Narcissus Marine S.A.	Vessel Owning Company	100%	Panama	1/1	6/30	1/1	6/30
Navios G.P. L.L.C.	Operating Company	100%	Marshall Is.	1/1	6/30	1/1	6/30
Pandora Marine Inc. <sup>(1)</sup>	Vessel Owning Company	100%	Marshall Is.	1/1	6/30	6/11	6/30
Floral Marine Ltd. <sup>(1)</sup>	Vessel Owning Company	100%	Marshall Is.	1/1	6/30	6/11	6/30
Red Rose Shipping Corp. <sup>(1)</sup>	Vessel Owning Company	100%	Marshall Is.	1/1	6/30	6/11	6/30
Customized Development S.A. <sup>(1)</sup>	Vessel Owning Company	100%	Liberia	1/1	6/30	6/22	6/30
Highbird Management Inc.	Vessel Owning Company	100%	Marshall Is.	1/1	6/30		



Edgar Filing: Navios Maritime Partners L.P. - Form 6-K

Ducale Marine Inc. <sup>(1)</sup>	Vessel Owning Company	100%	Marshall Is.	1/1	6/30
Kohylia Shipmanagement S.A. (1)	Vessel Owning Company	100%	Marshall Is.	1/1	6/30
Navios Maritime Finance (US) Inc.	Operating Company	100%	Delaware	1/1	6/30
Vector Shipping Corporation	Vessel Owning Company	100%	Marshall Is.	2/16	6/30
Faith Marine Ltd.	Vessel Owning Company	100%	Liberia	5/19	6/30

F-11

---

**Table of Contents**

**NAVIOS MARITIME HOLDINGS INC.  
UNAUDITED CONDENSED NOTES TO THE  
CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in thousands of U.S. dollars except share data)**

<b>Company Name</b>	<b>Nature / Vessel Name</b>	<b>Effective Ownership Interest</b>	<b>Country of Incorporation</b>	<b>Statement of operations</b>	
				<b>2010</b>	<b>2009</b>
<b>Navios Maritime Acquisition Corporation and Subsidiaries:</b>					
Navios Maritime Acquisition Corporation	Sub-Holding Company	57.3%	Marshall Is.	5/28	6/30
Aegean Sea Maritime Holdings Inc.	Sub-Holding Company	57.3%	Marshall Is.	5/28	6/30
Amorgos Shipping Corporation (4)					