

Navios Maritime Holdings Inc.
Form 20-F
March 28, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

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

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring shell company report

For the transition period from to

Commission file number

001-33311

Navios Maritime Holdings Inc.

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(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's Name into English)

Republic of Marshall Islands

(Jurisdiction of incorporation or organization)

85

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

Title of each class	Name of each exchange on which registered
Common Stock, par value \$.0001 per share	New York Stock Exchange LLC

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

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act. None

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

102,409,364 as of December 31, 2011

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934. Yes No

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

U.S. GAAP

International Financial Reporting Standards as issued

Other

by the International Accounting Standards Board

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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FORWARD-LOOKING STATEMENTS

This Annual Report should be read in conjunction with the consolidated financial statements and accompanying notes included in this report.

Navios Maritime Holdings Inc. desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with this safe harbor legislation. This document and any other written or oral statements made by us or on our behalf may include forward-looking statements, which reflect our current views with respect to future events and financial performance. The words may, could, should, would, expect, plan, anticipate, intend, forecast, believe, estimate, predict, continue and similar expressions identify forward-looking statements.

Please note in this Annual Report, we, us, our, the Company and Navios Holdings all refer to Navios Maritime Holdings Inc. and its subsidiaries.

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

In addition to these important factors and matters discussed elsewhere herein, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the strength of world economies, fluctuations in currencies and interest rates, general market conditions, including fluctuations in charter hire rates and vessel values, changes in demand in the drybulk shipping industry, changes in the Company's operating expenses, including bunker prices, drydocking and insurance costs, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents or political events, and other important factors described from time to time in the reports filed by the Company with the Securities and Exchange Commission, or the SEC.

We undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict all of these factors. Further, we cannot assess the impact of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward-looking statement.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not Applicable.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

Item 3. Key Information

A. Selected Financial Data

Navios Holdings' selected historical financial information and operating results for the years ended December 31, 2011, 2010, 2009, 2008 and 2007 are derived from the audited consolidated financial statements of Navios Holdings. The consolidated statement of operations data for the years ended December 31, 2011, 2010 and 2009 and the consolidated balance sheet data as of December 31, 2011 and 2010 have been derived from our audited consolidated financial statements included elsewhere in this Annual Report. The consolidated statement of operations data for the years ended December 31, 2008 and 2007, and the balance sheet data as of December 31, 2009, 2008 and 2007, have been derived from our audited financial statements which are not included in this document. The selected consolidated financial data should be read in conjunction with Item 5. Operating and Financial Review and Prospects, the consolidated financial statements, related notes and other financial information included elsewhere in this Annual Report.

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	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
(Expressed in thousands of U.S. dollars except share and per share data)					
Statement of Income Data					
Revenue	\$ 689,355	\$ 679,918	\$ 598,676	\$ 1,246,062	\$ 758,420
Time charter, voyage and logistics business expenses	(273,312)	(285,742)	(316,473)	(1,034,365)	(557,573)
Direct vessel expenses	(117,269)	(97,925)	(68,819)	(58,495)	(27,892)
General and administrative expenses	(52,852)	(58,604)	(43,897)	(37,047)	(23,058)
Depreciation and amortization	(107,395)	(101,793)	(73,885)	(57,062)	(31,900)
Provision for losses on accounts receivable	(239)	(4,660)	(2,237)	(2,668)	
Interest income from investments in finance leases		877	1,330	2,185	3,507
Interest income	4,120	3,642	1,699	7,753	10,819
Interest expense and finance cost, net	(107,181)	(106,022)	(63,618)	(49,128)	(51,089)
(Loss)/gain on derivatives	(165)	4,064	375	8,092	25,100
Gain on sale of assets/partial sale of subsidiary	38,822	55,432	20,785	27,817	167,511
(Loss)/gain on change in control	(35,325)	17,742			
Loss on bond extinguishment	(21,199)				
Other income	1,660	9,472	6,749	948	445
Other expense	(12,990)	(11,303)	(20,508)	(7,386)	(767)
Income before equity in net earnings of affiliated companies	\$ 6,030	\$ 105,098	\$ 40,177	\$ 46,706	\$ 273,523
Equity in net earnings of affiliated companies	35,246	40,585	29,222	17,431	1,929
Income before taxes	\$ 41,276	\$ 145,683	\$ 69,399	\$ 64,137	\$ 275,452
Income tax benefit/(expense)	56	(414)	1,565	56,113	(4,451)
Net income	\$ 41,332	\$ 145,269	\$ 70,964	\$ 120,250	\$ 271,001
Less: Net (income)/loss attributable to the noncontrolling interest	(506)	488	(3,030)	(1,723)	
Preferred stock dividends of subsidiary	(27)				
Preferred stock dividends attributable to the noncontrolling interest	12				
Net income attributable to Navios Holdings common stockholders	\$ 40,811	\$ 145,757	\$ 67,934	\$ 118,527	\$ 271,001
Less:					
Incremental fair value of securities offered to induce warrants exercise					(4,195)
Income available to Navios Holdings common stockholders	\$ 40,811	\$ 145,757	\$ 67,934	\$ 118,527	\$ 266,806
Weighted average number of shares, basic	100,926,448	100,518,880	99,924,587	104,343,083	92,820,943
Basic net earnings per share attributable to Navios Holdings common stockholders	0.39	1.43	0.67	1.14	2.87
Weighted average number of shares, diluted	110,323,652	116,182,356	105,194,659	107,344,748	99,429,533

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Diluted net earnings per share attributable to Navios Holdings common stockholders	0.37	1.26	0.66	1.10	2.68
Balance Sheet Data (at period end)					
Current assets, including cash	370,974	349,965	427,680	505,409	848,245
Total assets	2,913,824	3,676,767	2,935,182	2,253,624	1,971,004
Current liabilities, including current portion of long-term debt	252,003	201,603	196,080	271,532	450,491
Total long-term debt, including current portion	1,453,557	2,075,910	1,622,706	887,715	614,049
Navios Holdings stockholders equity	1,059,106	1,059,583	925,480	805,820	769,204

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	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
(Expressed in thousands of U.S. dollars except per share data)					
Other Financial Data					
Net cash provided by/(used in) operating activities	\$ 106,643	\$ 188,641	\$ 216,451	\$ (28,388)	\$ 128,075
Net cash used in investing activities	(175,264)	(135,920)	(802,538)	(452,637)	(16,451)
Net cash provided by/(used in) financing activities	32,307	(19,244)	626,396	187,082	216,285
Book value per common share	10.34	10.43	9.17	8.02	7.23
Cash dividends per common share	0.25	0.24	0.27	0.38	0.24
Cash dividends per preferred share	200.0	345.52	52.35		
Cash paid for common stock dividend declared	25,542	24,107	27,154	28,588	26,023
Cash paid for preferred stock dividend declared	1,696	2,930	429		
Adjusted EBITDA (1)	\$ 260,826	\$ 356,126	\$ 206,801	\$ 165,478	\$ 349,875

- (1) EBITDA represents net income plus interest and finance costs plus depreciation and amortization and income taxes. Adjusted EBITDA in this document represents EBITDA before stock based compensation. Navios Holdings believes that Adjusted EBITDA is a basis upon which liquidity can be assessed and represents 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 believes that Adjusted EBITDA is used (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 the 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. 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. Furthermore, our calculation of Adjusted EBITDA may not be comparable to that reported by other companies due to differences in methods of calculation.

The following table reconciles net cash from operating activities, as reflected in the consolidated statements of cash flows, to Adjusted EBITDA:

Adjusted EBITDA Reconciliation from Cash from Operations

	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
(Expressed in thousands of U.S. dollars except per share data)					
Net cash provided by/(used in) operating activities	\$ 106,643	\$ 188,641	\$ 216,451	\$ (28,388)	\$ 128,075
Net increase/(decrease) in operating assets	77,023	(7,051)	(30,399)	(87,797)	177,755
Net (increase)/decrease in operating liabilities	(23,633)	20,578	(56,498)	226,145	(176,510)
Payments for drydock and special survey costs	12,769	9,337	3,522	3,653	2,426
Net interest cost	97,481	90,628	55,237	39,298	38,414
Provision for losses on accounts receivable	(239)	(4,660)	(2,237)	(2,668)	
Gain on sale of assets/partial sale of subsidiary	38,822	55,432	20,785	27,817	167,511
Unrealized (loss)/gain on FFA derivatives, warrants and interest rate swaps and expenses related to bond extinguishment	(5,285)	(12,882)	9,311	(15,376)	10,953
(Losses)/ earnings in affiliates and joint ventures, net of	(6,909)	(307)	1,355	4,517	1,251

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dividends received					
Unrealized losses on available for sale securities			(13,778)		
Compensation income			6,082		
(Loss)/gain on change in control	(35,325)	17,742			
Repurchase of convertible bond		3,799			
Transaction expenses		(5,619)			
Noncontrolling interest	(521)	488	(3,030)	(1,723)	
Adjusted EBITDA	\$ 260,826	\$ 356,126	\$ 206,801	\$ 165,478	\$ 349,875

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B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Some of the following risks relate principally to the industry in which we operate and our business in general. Other risks relate principally to the securities market and ownership of our common stock. You should carefully consider each of the following risks together with the other information incorporated into this Annual Report when evaluating the Company's business and its prospect. The risks and uncertainties described below are not the only ones the Company faces. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair the Company's business operations. If any of the following risks relating to our business and operations actually occur, our business, financial condition and results of operations could be materially and adversely affected and in that case, the trading price of our common stock could decline, and you could lose all or part of your investment.

Risks Associated with the Shipping Industry and Our Drybulk Operations

The cyclical nature of the international drybulk shipping industry may lead to decreases in charter rates and lower vessel values, which could adversely affect our results of operations and financial condition.

The shipping business, including the dry cargo market, is cyclical in varying degrees, experiencing severe fluctuations in charter rates, profitability and, consequently, vessel values. For example, during the period from January 4, 2010 to December 31, 2011, the Baltic Exchange's Panamax time charter average daily rates experienced a low of \$10,372 and a high of \$37,099. Additionally, during the period from January 4, 2010 to December 31, 2011, the Baltic Exchange's Capesize time charter average daily rates experienced a low of \$4,567 and a high of \$59,324 and the Baltic Exchange Dry Index experienced a low of 1,043 points and a high of 4,209 points. Navios Holdings anticipates that the future demand for its drybulk carriers and drybulk charter rates will be dependent upon demand for imported commodities, economic growth in the emerging markets, including the Asia Pacific region, India, Brazil and Russia, and in the rest of the world, seasonal and regional changes in demand and changes to the capacity of the world fleet. Recent adverse economic, political, social or other developments have decreased demand and prospects for growth in the shipping industry and thereby could reduce revenue significantly. A decline in demand for commodities transported in drybulk carriers or an increase in supply of drybulk vessels could cause a further decline in charter rates, which could materially adversely affect our results of operations and financial condition. If we sell a vessel at a time when the market value of our vessels has fallen, the sale may be at less than the vessel's carrying amount, resulting in a loss.

The demand for vessels has generally been influenced by, among other factors:

global and regional economic conditions;

developments in international trade;

changes in seaborne and other transportation patterns, such as port congestion and canal closures;

weather and crop yields;

armed conflicts, acts of piracy and terrorist activities;

political developments; and

embargoes and strikes.

The supply of vessel capacity has generally been influenced by, among other factors:

the number of vessels that are in or out of service;

the scrapping rate of older vessels;

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port and canal traffic and congestion;

the number of newbuilding deliveries; and

vessel casualties.

Disruptions in world financial markets and the resulting governmental action in the Europe, United States and in other parts of the world could have a material adverse impact on our ability to obtain financing required to acquire vessels or new businesses. Furthermore, such a disruption would adversely affect our results of operations, financial condition and cash flows.

Concerns relating to the European sovereign debt crisis have recently intensified. While Greece, Portugal and Ireland have been the most affected countries thus far, with each agreeing to a rescue package with the European Union and the International Monetary Fund, there are fears that other European countries may be further affected by increasing public debt burdens and weakening economic growth prospects. On January 13, 2012, Standard and Poor's Rating Services downgraded the long-term ratings for nine Eurozone nations, including France, Italy and Spain. On February 13, 2012, Moody's Investors Service (Moody's) downgraded the sovereign debt ratings of Italy, Malta, Portugal, Slovakia, Slovenia and Spain, while initiating negative outlooks on the United Kingdom, France and Austria. Additionally, on March 2, 2012, Moody's downgraded Greece's sovereign debt rating to C from Ca. Such downgrades could negatively affect those countries' ability to access the public debt markets at reasonable rates or at all, materially affecting the financial conditions of banks in those countries, including those with which we maintain cash deposits and equivalents, or on which we rely on to finance our vessel and new business acquisitions. Cash deposits and cash equivalents in excess of amounts covered by government-provided insurance are exposed to loss in the event of non-performance by financial institutions. We maintain cash deposits and equivalents in excess of government-provided insurance limits at banks in Greece and other European nations, which may expose us to a loss of cash deposits or cash equivalents.

Furthermore, the United States and other parts of the world are exhibiting volatile economic trends and were recently in a recession. Despite signs of recovery, the outlook for the world economy remains uncertain. For example, the credit markets worldwide and in the U.S. have experienced significant contraction, de-leveraging and reduced liquidity, and the U.S. federal government, state governments and foreign governments have implemented and are considering a broad variety of governmental action and/or new regulation of the financial markets. Securities and futures markets and the credit markets are subject to comprehensive statutes, regulations and other requirements. The SEC, other regulators, self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies, and may effect changes in law or interpretations of existing laws. Recently, a number of financial institutions have experienced serious financial difficulties and, in some cases, have entered bankruptcy proceedings or are in regulatory enforcement actions. These issues, along with the repricing of credit risk and the difficulties currently experienced by financial institutions have made, and will likely continue to make, it difficult to obtain financing. As a result of the disruptions in the credit markets, many lenders have increased margins on lending rates, enacted tighter lending standards, required more restrictive terms (including higher collateral ratios for advances, shorter maturities and smaller loan amounts), or have refused to refinance existing debt at all. Additionally, certain banks that have historically been significant lenders to the shipping industry have reduced or ceased lending activities in the shipping industry. New banking regulations, including larger capital requirements and the resulting policies adopted by lenders, could reduce lending activities. We may experience difficulties obtaining financing commitments, including commitments to refinance our existing debt as payments come due under our credit facilities, in the future if lenders are unwilling to extend financing to us or unable to meet their funding obligations due to their own liquidity, capital or solvency issues. Due to the fact that we would possibly cover all or a portion of the cost of any new vessel acquisition with debt financing, such uncertainty, combined with restrictions imposed by our current debt, could hamper our ability to finance vessels or new business acquisitions.

In addition, the economic uncertainty worldwide has markedly reduced demand for shipping services and has decreased charter rates, which may adversely affect our results of operations and financial condition. Currently, the economies of China, Japan, other Asian Pacific countries and India are the main driving force behind the development in seaborne transportation. Reduced demand from such economies has driven decreased rates and vessel values.

We could face risks attendant to changes in economic environments, changes in interest rates, and instability in certain securities markets, among other factors. Major market disruptions and the uncertainty in market conditions and the regulatory climate in the U.S., Europe and worldwide could adversely affect our business or impair our ability to borrow amounts under any future financial arrangements. The current market conditions may last longer than we anticipate. These recent and developing economic and governmental factors could have a material adverse effect on our results of operations, financial condition or cash flows.

Our growth depends on continued growth in demand for drybulk commodities and the shipping of drybulk cargoes.

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Our growth strategy focuses on expansion in the drybulk shipping sector. Accordingly, our growth depends on continued growth in worldwide and regional demand for drybulk commodities and the shipping of drybulk cargoes, which could be negatively affected by a number of factors, such as declines in prices for drybulk commodities, or general political and economic conditions.

Reduced demand for drybulk commodities and the shipping of drybulk cargoes would have a material adverse effect on our future growth and could harm our business, results of operations and financial condition. In particular, Asian Pacific economies and India have been

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the main driving force behind the current increase in seaborne drybulk trade and the demand for drybulk carriers. A negative change in economic conditions in any Asian Pacific country, but particularly in China, Japan or India, may have a material adverse effect on our business, financial condition and results of operations, as well as our future prospects, by reducing demand and resultant charter rates.

When our contracts expire, we may not be able to successfully replace them.

The process for concluding contracts and longer term time charters generally involves a lengthy and intensive screening and vetting process and the submission of competitive bids. In addition to the quality and suitability of the vessel, medium and longer term shipping contracts tend to be awarded based upon a variety of other factors relating to the vessel operator, including:

environmental, health and safety record;

compliance with regulatory industry standards;

reputation for customer service, technical and operating expertise;

shipping experience and quality of ship operations, including cost-effectiveness;

quality, experience and technical capability of crews;

the ability to finance vessels at competitive rates and overall financial stability;

relationships with shipyards and the ability to obtain suitable berths;

construction management experience, including the ability to procure on-time delivery of new vessels according to customer specifications;

willingness to accept operational risks pursuant to the charter, such as allowing termination of the charter for force majeure events; and

competitiveness of the bid in terms of overall price.

As a result of these factors, when our contracts including our long-term charters expire, we cannot assure you that we will be able to replace them promptly or at all or at rates sufficient to allow us to operate our business profitably, to meet our obligations, including payment of debt service to our lenders, or to pay dividends. Our ability to renew the charter contracts on our vessels on the expiration or termination of our current charters, or, on vessels that we may acquire in the future, the charter rates payable under any replacement charter contracts, will depend upon, among other things, economic conditions in the sectors in which our vessels operate at that time and the financial sector, changes in the supply and demand for vessel capacity and changes in the supply and demand for the transportation of commodities as described above.

However, if we are successful in employing our vessels under longer-term time charters, our vessels will not be available for trading in the spot market during an upturn in the market cycle, when spot trading may be more profitable. If we cannot successfully employ our vessels in profitable charter contracts, our results of operations and operating cash flow could be materially adversely affected.

We may employ vessels on the spot market and thus expose ourselves to risk of losses based on short-term decreases in shipping rates.

We periodically employ some of our vessels on a spot basis. The spot charter market is highly competitive and freight rates within this market are highly volatile, while longer-term charter contracts provide income at pre-determined rates over more extended periods of time. We cannot assure you that we will be successful in keeping our vessels fully employed in these short-term markets, or that future spot rates will be sufficient to enable such vessels to be operated profitably. A significant decrease in spot market rates or our inability to fully employ our vessels by taking advantage of the spot market would result in a reduction of the incremental revenue received from spot chartering and adversely affect results of operations, including our profitability and cash flows, with the result that our ability to pay debt service and dividends could be impaired.

Additionally, if the spot market rates or short-term time charter rates become significantly lower than the time charter equivalent rates that some of our charterers are obligated to pay us under our existing charters, the charterers may have incentive to default under that charter or attempt to renegotiate the charter. If our charterers fail to pay their obligations, we would have to attempt to re-charter our vessels at lower charter rates, which would affect our ability to comply with our loan covenants and operate our vessels profitably. If we are not able to comply with our loan covenants and our lenders choose to accelerate our indebtedness and foreclose their liens, we could be required to sell vessels in our fleet and our ability to continue to conduct our business would be impaired.

We are subject to certain credit risks with respect to our counterparties on contracts, and the failure of such counterparties to meet their obligations could cause us to suffer losses on such contracts and thereby decrease revenues.

We charter-out our vessels to other parties who pay us a daily rate of hire. We also enter into contracts of affreightment (COAs) pursuant to which we agree to carry cargoes, typically for industrial customers, who export or import drybulk cargoes. Additionally, we enter

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into Forward Freight Agreements (FFAs), parts of which are traded over-the-counter. We also enter into spot market voyage contracts, where we are paid a rate per ton to carry a specified cargo on a specified route. The FFAs and these contracts and arrangements subject us to counterparty credit risks at various levels. If the counterparties fail to meet their obligations, we could suffer losses on such contracts which could materially adversely affect our financial condition and results of operations. In addition, if a charterer defaults on a time charter, we may only be able to enter into new contracts at lower rates. It is also possible that we would be unable to secure a charter at all. If we re-charter the vessel at lower rates or not at all, our financial condition and results of operations could be materially adversely affected.

We have insured our charter-out contracts through a AA rated governmental agency of a European Union member state, which provides that if the charterer goes into payment default, the insurer will reimburse us for the charter payments under the terms of the policy (subject to applicable deductibles and other customary limitations for such insurance).

In January 2011, Korea Line Corporation (KLC) filed for receivership, which is a reorganization under South Korean bankruptcy law. Navios Holdings has reviewed the matter in concert with the credit default insurers, as five vessels of its core fleet are chartered out to KLC. The contracts for these vessels have been temporarily suspended and the vessels have been rechartered to third parties for variable charter periods. Upon completion of the suspension period, the contracts with the original charterers will resume at amended terms. The obligations of the insurer are reduced by an amount equal to the mitigation charter hire revenues earned under the contracts with third parties and/or the original charters or the applicable deductibles for any idle periods. The Company has filed claims for all unpaid amounts by KLC in respect of the employment of the five vessels in the KLC corporate rehabilitation proceedings. On November 24 2011, Navios Holdings received and will retain in total 11,413 shares of KLC for three of its vessels, as partial compensation for the claims filed in the Korean court.

Trading and complementary hedging activities in freight, tonnage and FFAs subject us to trading risks, and we may suffer trading losses which could adversely affect our financial condition and results of operations.

Due to drybulk shipping market volatility, success in this shipping industry requires constant adjustment of the balance between chartering-out vessels for long periods of time and trading them on a spot basis. A long-term contract to charter a vessel might lock us into a profitable or unprofitable situation depending on the direction of freight rates over the term of the contract. We seek to manage and mitigate that risk through trading and complementary hedging activities in freight, tonnage and FFAs. We are exposed to market risk in relation to our FFAs and could suffer substantial losses from these activities in the event that our expectations are incorrect. We trade 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. There can be no assurance that we will be able at all times to successfully protect ourselves from volatility in the shipping market. We may not successfully mitigate our risks, leaving us exposed to unprofitable contracts, and may suffer trading losses resulting from these hedging activities.

In our hedging and trading activities, we focus on short-term trading opportunities in which there are adequate liquidity in order to limit the risk we are taking. There can be no assurance we will be successful in limiting our risk, that significant price spikes will not result in significant losses, even on short-term trades, that liquidity will be available for our positions, or that all trades will be done within our risk management policies. Any such risk could be significant. In addition, the performance of our trading activities can significantly increase the variability of our operating performance in any given period and could materially adversely affect our financial condition. The FFA market has experienced significant volatility in the past few years and, accordingly, recognition of the changes in the fair value of FFAs has caused, and could in the future cause, significant volatility in earnings.

We are subject to certain operating risks, including vessel breakdowns or accidents, that could result in a loss of revenue from the chartered-in vessels and which in turn could have an adverse effect on our results of operations or financial condition.

Our exposure to operating risks of vessel breakdown and accidents mainly arises in the context of our owned vessels. The rest of our core fleet is chartered-in under time charters and, as a result, most operating risks relating to these time chartered vessels remain with their owners. If we pay hire on a chartered-in vessel at a lower rate than the rate of hire it receives from a sub-charterer to whom we have chartered out the vessel, a breakdown or loss of the vessel due to an operating risk suffered by the owner will, in all likelihood, result in our loss of the positive spread between the two rates of hire. Although we maintain insurance policies (subject to deductibles and exclusions) to cover us against the loss of such spread through the sinking or other loss of a chartered-in vessel, we cannot assure you that we will be covered under all circumstances or that such policies will be available in the future on commercially reasonable terms. Breakdowns or accidents involving our vessels and losses relating to chartered vessels which are not covered by insurance would result in a loss of revenue from the affected vessels adversely affecting our financial condition and results of operations.

The operation of ocean-going vessels entails the possibility of marine disasters including damage or destruction of the vessel due to accident, the loss of a vessel due to piracy or terrorism, damage or destruction of cargo and similar events that may cause a loss of revenue from affected vessels and damage our business reputation, which may in turn lead to loss of business.

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The operation of ocean-going vessels entails certain inherent risks that may materially adversely affect our business and reputation, including:

the damage or destruction of vessels due to marine disaster such as a collision;

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the loss of a vessel due to piracy and terrorism;

cargo and property losses or damage as a result of the foregoing or drastic causes such as human error, mechanical failure and bad weather;

environmental accidents as a result of the foregoing; and

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

Any of these circumstances or events could substantially increase our costs. For example, the costs of replacing a vessel or cleaning up environmental damage could substantially lower our revenues by taking vessels out of operation permanently or for periods of time. Furthermore, the involvement of our vessels in a disaster or delays in delivery, damage or the loss of cargo may harm our reputation as a safe and reliable vessel operator and cause us to lose business.

The operation of vessels, such as dry bulk carriers, has certain unique risks. With a dry bulk carrier, the cargo itself and its interaction with the vessel can be an operational risk. By their nature, dry bulk cargoes are often heavy, dense, easily shift, and react badly to water exposure. In addition, dry bulk carriers are often subjected to battering treatment during unloading operations with grabs, jackhammers (to pry encrusted cargoes out of the hold) and small bulldozers. This treatment may cause damage to the vessel. Vessels damaged due to treatment during unloading procedures may be more susceptible to breach at sea. Hull breaches in dry bulk carriers may lead to the flooding of the vessels' holds. If a dry bulk carrier suffers flooding in its forward holds, the bulk cargo may become so dense and waterlogged that its pressure may buckle the vessel's bulkheads leading to the loss of a vessel.

The total loss or damage of any of our vessels or cargoes could harm our reputation as a safe and reliable vessel owner and operator. If we are unable to adequately maintain or safeguard our vessels, we may be unable to prevent any such damage, costs, or loss that could negatively impact our business, financial condition, results of operations, cash flows and ability to pay dividends.

Some of these inherent risks could result in significant damage, such as marine disaster or environmental incidents, and any resulting legal proceedings may be complex, lengthy, costly and, if decided against us, any of these proceedings or other proceedings involving similar claims or claims for substantial damages may harm our reputation and have a material adverse effect on our business, results of operations, cash flow and financial position. In addition, the legal systems and law enforcement mechanisms in certain countries in which we operate may expose us to risk and uncertainty. Further, we may be required to devote substantial time and cost defending these proceedings, which could divert the attention of management from our business.

Any of these factors may have a material adverse effect on our business, financial conditions and results of operations.

We are subject to various laws, regulations and conventions, including environmental and safety laws that could require significant expenditures both to maintain compliance with such laws and to pay for any uninsured environmental liabilities including any resulting from a spill or other environmental incident.

The shipping business and vessel operation are materially affected by government regulation in the form of international conventions, national, state and local laws, and regulations in force in the jurisdictions in which vessels operate, as well as in the country or countries of their registration. Governmental regulations, safety or other equipment standards, as well as compliance with standards imposed by maritime self-regulatory organizations and customer requirements or competition, may require us to make capital and other expenditures. Because such conventions, laws and regulations are often revised, we cannot predict the ultimate cost of complying with such conventions, laws and regulations, or the impact thereof on the fair market price or useful life of our vessels. In order to satisfy any such requirements, we may be required to take any of our vessels out of service for extended periods of time, with corresponding losses of revenues. In the future, market conditions may not justify these expenditures or enable us to operate our vessels, particularly older vessels, profitably during the remainder of their economic lives. This could lead to significant asset write downs. In addition, violations of environmental and safety regulations can result in substantial penalties and, in certain instances, seizure or detention of our vessels.

Additional conventions, laws and regulations may be adopted that could limit our ability to do business, require capital expenditures or otherwise increase our cost of doing business, which may materially adversely affect our operations, as well as the shipping industry generally. For example, in various jurisdictions legislation has been enacted, or is under consideration, that would impose more stringent

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requirements on air pollution and water discharges from our vessels. For example, the International Maritime Organization (IMO) periodically proposes and adopts amendments to revise the International Convention for the Prevention of Pollution from Ships (MARPOL), such as the revision to Annex VI which came into force on July 1, 2010. The revised Annex VI implements a phased reduction of the sulfur content of fuel and allows for stricter sulfur limits in designated emission control areas (ECAs). Thus far, ECAs have been formally adopted for the Baltic Sea and the North Sea including the English Channel. It is expected that waters off the North American coast will be established as an ECA from August 1, 2012, and the United States Caribbean Sea ECA will come into force on January 1, 2013, with an effective date of January 1, 2014. These ECAs will limit SOx, NOx and particulate matter emissions. In addition, the IMO, the U.S. and states within the U.S. have proposed or implemented requirements relating to the management of ballast water to prevent the harmful effects of foreign invasive species.

The operation of vessels is also affected by the requirements set forth in the International Safety Management (ISM) Code. The ISM Code requires shipowners and bareboat charterers to develop and maintain an extensive Safety Management System that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe vessel operation and describing procedures for dealing with emergencies. Further to this, the IMO is introducing the first ever mandatory measures for an international greenhouse gas reduction regime for a global industry sector. The measures will come into effect on January 1, 2013 and apply to all ships of 400 gross tonnage and above. These measures set a ship energy efficiency management plan (SEEMP) which is akin to a safety management plan, which the industry will have to comply with. The failure of a shipowner or bareboat charterer to comply with the ISM Code and IMO measures may subject such party to increased liability, may decrease available insurance coverage for the affected vessels, and may result in a denial of access to, or detention in, certain ports.

Our fleet of drybulk vessels, and the fleet of our subsidiaries that include drybulk and tanker vessels, are subject to several international conventions imposing and limiting pollution liability from vessels. The U.S. however, is not a party to these liability conventions and is instead subject to the oil liability provisions of the Oil Pollution Act (OPA), discussed below.

An owner of a tanker vessel carrying a cargo of persistent oil as defined by the International Convention for Civil Liability for Oil Pollution Damage (the CLC) is subject under the convention to strict liability for any pollution damage caused in a contracting state by an escape or discharge from cargo or bunker tanks. This liability is subject to a financial limit calculated by reference to the tonnage of the ship, and the right to limit liability may be lost if the spill is caused by the shipowner s intentional or reckless conduct. Liability may also be incurred under the CLC for a bunker spill from the vessel even when she is not carrying such cargo, but is in ballast.

When a tanker is carrying clean oil products that do not constitute persistent oil that would be covered under the CLC, liability for any pollution damage will generally fall outside the CLC and will depend on other international conventions or domestic laws in the jurisdiction where the spillage occurs. The same principle applies to any pollution from the vessel in a jurisdiction which is not a party to the CLC. The CLC applies in over 100 jurisdictions around the world, but it does not apply in the United States, where the corresponding liability laws such as the OPA are particularly stringent.

For vessel operations not covered by the CLC, including those operated under our fleet, at present, international liability for oil pollution is governed by the International Convention on Civil Liability for Bunker Oil Pollution Damage (the Bunker Convention). In 2001, the IMO adopted the Bunker Convention, which imposes strict liability on shipowners for pollution damage and response costs incurred in contracting states caused by discharges, or threatened discharges, of bunker oil from all classes of ships not covered by the CLC. The Bunker Convention also requires registered owners of ships over a certain size to maintain insurance to cover their liability for pollution damage in an amount equal to the limits of liability under the applicable national or international limitation regime, including liability limits calculated in accordance with the Convention on Limitation of Liability for Maritime Claims of 1976, as amended (the 1976 Convention), discussed in more detail in the following paragraph. The Bunker Convention became effective in contracting states on November 21, 2008 and as of February 29, 2012 was in effect in 64 states. In non-contracting states, liability for such bunker oil pollution typically is determined by the national or other domestic laws in the jurisdiction where the spillage occurs.

The CLC and Bunker Convention also provide vessel owners a right to limit their liability. The CLC includes its own liability limits and the Bunker Convention incorporates the 1976 Convention referenced above. The 1976 Convention is the most widely applicable international regime limiting maritime pollution liability. Rights to limit liability under the 1976 Convention are forfeited when a spill is caused by a shipowner s intentional or reckless conduct. Certain jurisdictions have ratified the IMO s Protocol of 1996 to the 1976 Convention, referred to herein as the Protocol of 1996. The Protocol of 1996 provides for substantially higher liability limits in those jurisdictions than the limits set forth in the 1976 Convention. Finally, some jurisdictions, such as the United States, are not a party to either the 1976 Convention or the Protocol of 1996, and, therefore, a shipowner s rights to limit liability for maritime pollution in such jurisdictions may be uncertain.

Environmental legislation in the United States merits particular mention as it is in many respects more onerous than international laws, representing a high-water mark of regulation with which ship owners and operators must comply, and of liability likely to be incurred in the event of non-compliance or an incident causing pollution. Such regulation may become even stricter if laws are changed as a result of the April

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2010 Deepwater Horizon oil spill in the Gulf of Mexico. In the United States, the OPA establishes an extensive regulatory and liability regime for the protection and cleanup of the environment from cargo and bunker oil spills from vessels, including tankers. The OPA covers all owners and operators whose vessels trade in the United States, its territories and possessions or whose vessels operate in United States

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waters, which includes the United States territorial sea and its 200 nautical mile exclusive economic zone. Under the OPA, vessel owners, operators and bareboat charterers are responsible parties and are jointly, severally and strictly liable (unless the spill results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from discharges or substantial threats of discharges, of oil from their vessels. In response to the 2010 Deepwater Horizon oil incident in the Gulf of Mexico, the U.S. House of Representatives passed and the U.S. Senate considered but did not pass a bill to strengthen certain requirements of the OPA; similar legislation may be introduced in future sessions of Congress.

In addition to potential liability under the OPA, vessel owners may in some instances incur liability on an even more stringent basis under state law in the particular state where the spillage occurred. For example, regulations in California prohibit the discharge of oil, require an oil contingency plan be filed with the state, require that the ship owner contract with an oil response organization and require a valid certificate of financial responsibility, all prior to the vessel entering state waters.

Outside of the United States, other national laws generally provide for the owner to bear strict liability for pollution, subject to a right to limit liability under applicable national or international regimes for limitation of liability. The most widely applicable international regime limiting maritime pollution liability is the 1976 Convention referred to above. Rights to limit liability under the 1976 Convention are forfeited when a spill is caused by a shipowner's intentional or reckless conduct. Certain states have ratified the IMO's 1996 Protocol to the 1976 Convention. The Protocol provides for substantially higher liability limits to apply in those jurisdictions than the limits set forth in the 1976 Convention. Finally, some jurisdictions are not a party to either the 1976 Convention or the 1996 LLMC Protocol, and, therefore, a shipowner's rights to limit liability for maritime pollution in such jurisdictions may be uncertain.

In the last decade, the EU has become increasingly active in the field of regulation of maritime safety and protection of the environment. In some areas of regulation, the EU has introduced new laws without attempting to procure a corresponding amendment to international law. Notably, the EU adopted in 2005 a directive, as amended in 2009, on ship-source pollution, imposing criminal sanctions for pollution not only where pollution is caused by intent or recklessness (which would be an offense under MARPOL), but also where it is caused by serious negligence. The concept of serious negligence may be interpreted in practice to be little more than ordinary negligence. The directive could therefore result in criminal liability being incurred in circumstances where it would not be incurred under international law. Criminal liability for a pollution incident could not only result in us incurring substantial penalties or fines, but may also, in some jurisdictions, facilitate civil liability claims for greater compensation than would otherwise have been payable.

We maintain insurance coverage for each owned vessel in our fleet against pollution liability risks in the amount of \$1.0 billion per event. The insured risks include penalties and fines as well as civil liabilities and expenses resulting from accidental pollution. However, this insurance coverage is subject to exclusions, deductibles and other terms and conditions. If any liabilities or expenses fall within an exclusion from coverage, or if damages from a catastrophic incident exceed the liability of \$1.0 billion per event, our cash flow, profitability and financial position would be adversely impacted.

Climate change and government laws and regulations related to climate change could negatively impact our financial condition.

Regarding climate change in particular, we are and will be, directly and indirectly, subject to the effects of climate change and may, directly or indirectly, be affected by government laws and regulations related to climate change. A number of countries have adopted or are considering the adoption of, regulatory frameworks to reduce greenhouse gas emissions. In the U.S., the United States Environmental Protection Agency (U.S. EPA) has declared greenhouse gases to be dangerous pollutants and has issued greenhouse gas reporting requirements for emissions sources in certain industries (which do not include the shipping industry). The U.S. EPA is also considering petitions to regulate greenhouse gas emissions from marine vessels.

In addition, while the emissions of greenhouse gases from international shipping are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change (UNFCCC), which requires adopting countries to implement national programs to reduce greenhouse gas emissions, the IMO intends to develop limits on greenhouse gases from international shipping. It has responded to the global focus on climate change and greenhouse gas emissions by developing specific technical and operational efficiency measures and a work plan for market-based mechanisms in 2011. These include the mandatory measures of the SEEMP, outlined above, and an energy efficiency design index (EEDI) for new ships. The IMO is also considering its position on market-based measures through an expert working group, which will report back to its Marine Environment Protection Committee (MEPC) later this year. Among the numerous proposals being considered by the working group are the following: a port state levy based on the amount of fuel consumed by the vessel on its voyage to the port in question; a global emissions trading scheme which would allocate emissions allowances and set an emissions cap; and an international fund establishing a global emissions reduction target for international shipping, to be set either by the UNFCCC or the IMO. In December 2011, UN climate change talks took place in Durban and concluded with an agreement referred to as the Durban Platform for Enhanced Action. The Durban Conference did not result in any proposals specifically addressing the shipping industry's role in climate change but the progress that has been made by the IMO in this area was widely acknowledged throughout the negotiating bodies of the UNFCCC process.

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The European Union announced in April 2007 that it planned to expand the European Union emissions trading scheme by adding vessels, and a proposal from the European Commission was expected if no global regime for reduction of seaborne emissions had been agreed to by the end of 2011. That deadline has now expired and it remains to be seen what position the EU will take in this regard in 2012.

We cannot predict with any degree of certainty what effect, if any, possible climate change and government laws and regulations related to climate change will have on our operations, whether directly or indirectly. While we believe that it is difficult to assess the timing and effect of climate change and pending legislation and regulation related to climate change on our business, we believe that climate change, including the possible increase in severe weather events resulting from climate change, and government laws and regulations related to climate change may affect, directly or indirectly, (i) the cost of the vessels we may acquire in the future, (ii) our ability to continue to operate as we have in the past, (iii) the cost of operating our vessels, and (iv) insurance premiums, deductibles and the availability of coverage. As a result, our financial condition could be negatively impacted by significant climate change and related governmental regulation, and that impact could be material.

We are subject to vessel security regulations and will incur costs to comply with recently adopted regulations and may be subject to costs to comply with similar regulations which may be adopted in the future in response to terrorism.

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

on-board installation of automatic information systems (AIS) to enhance vessel-to-vessel and vessel-to-shore communications;

on-board installation of ship security alert systems;

the development of vessel security plans; and

compliance with flag state security certification requirements.

Furthermore, additional security measures could be required in the future which could have a significant financial impact on us. The U.S. Coast Guard regulations, intended to be aligned with international maritime security standards, exempt non-U.S. vessels from MTSA vessel security measures, provided such vessels had on board, by July 1, 2004, a valid International Ship Security Certificate (ISSC) that attests to the vessel's compliance with SOLAS security requirements and the ISPS Code. We have implemented and will continue implement the various security measures addressed by the MTSA, SOLAS and the ISPS Code and take measures for the vessels to attain compliance with all applicable security requirements within the prescribed time periods. Although management does not believe these additional requirements will have a material financial impact on our operations, there can be no assurance that there will not be an interruption in operations to bring vessels into compliance with the applicable requirements and any such interruption could cause a decrease in charter revenues.

The cost of vessel security measures has also been affected by the escalation in recent years in the frequency and seriousness of acts of piracy against ships, notably off the coast of Somalia, including the Gulf of Aden and Arabian Sea area. Attacks of this kind have commonly resulted in vessels and their crews being detained for several months, and being released only on payment of large ransoms. Substantial loss of revenue and other costs may be incurred as a result of such detention. Although we insure against these losses to the extent practicable, the risk remains of uninsured losses which could significantly affect our business. Costs are incurred in taking additional security measures in accordance with Best Management Practices to Deter Piracy, notably those contained in the BMP3 industry standard. A number of flag states have signed the 2009 New York Declaration, which expresses commitment to Best Management Practices in relation to piracy and calls for compliance with them as an essential part of compliance with the ISPS Code.

Acts of piracy on ocean-going vessels have increased in frequency and magnitude, which could adversely affect our business.

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The shipping industry has historically been affected by acts of piracy in regions such as the South China Sea and the Gulf of Aden. In 2009, acts of piracy saw a steep rise, particularly off the coast of Somalia in the Gulf of Aden. A recent and significant example of the heightened level of piracy came in February 2011 when the M/V Irene SL, a crude oil tanker which was not affiliated with us, was captured by pirates in the Arabian Sea while carrying crude oil estimated to be worth approximately \$200 million. In December 2009, the Navios Apollon, a vessel owned by our affiliate, Navios Maritime Partners L.P., was seized by pirates 800 miles off the coast of Somalia while transporting fertilizer from Tampa, Florida to Rozi, India and was released on February 27, 2010. If these piracy attacks result in regions (in which our vessels are deployed) being characterized by insurers as war risk zones or Joint War Committee (JWC) war and strikes listed areas, premiums payable for such insurance coverage could increase significantly and such insurance coverage may be more difficult to obtain. Crew costs, including those due to employing onboard security guards, could increase in such circumstances. In addition, while we believe the charterer remains liable for charter payments when a vessel is seized by pirates, the charterer may dispute this and withhold charter hire until the vessel is released. A charterer may also claim that a vessel seized by pirates was not on-hire for a certain number of days and it is therefore entitled to cancel the charter party, a claim that we would dispute. We may not be adequately insured to cover losses.

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from these incidents, which could have a material adverse effect on us. In addition, detention hijacking as a result of an act of piracy against our vessels, or an increase in cost, or unavailability of insurance for our vessels, could have a material adverse impact on our business, financial condition, results of operations and cash flows. Acts of piracy on ocean-going vessels have increased in frequency, which could adversely affect our business and operations.

Our operations expose us to global political risks, such as wars and political instability that may interfere with the operation of our vessels causing a decrease in revenues from such vessels.

We are an international company and conduct our operations primarily outside the United States. Changing economic, political and governmental conditions in the countries where we are engaged in business or where our vessels are registered will affect us. In the past, political conflicts, particularly in the Persian Gulf, resulted in attacks on vessels, mining of waterways and other efforts to disrupt shipping in the area. For example, in October 2002, the vessel Limburg, which was not affiliated with us, was attacked by terrorists in Yemen. Acts of terrorism and piracy have also affected vessels trading in regions such as the South China Sea. Following the terrorist attack in New York City on September 11, 2001, and the military response of the United States, the likelihood of future acts of terrorism may increase, and our vessels may face higher risks of being attacked in the Middle East region and interruption of operations causing a decrease in revenues. In addition, continuing conflicts and recent developments in North Africa and the Middle East and future hostilities or other political instability in regions where our vessels trade could affect our trade patterns and adversely affect our operations by causing delays in shipping on certain routes or making shipping impossible on such routes, thereby causing a decrease in revenues.

In addition, a government could requisition title or seize our vessels during a war or national emergency. Requisition of title occurs when a government takes a vessel and becomes the owner. A government could also requisition our vessels for hire, which would result in the government's taking control of a vessel and effectively becoming the charterer at a dictated charter rate. Requisition of one or more of our vessels would have a substantial negative effect on us as we would potentially lose all revenues and earnings from the requisitioned vessels and permanently lose the vessels. Such losses might be partially offset if the requisitioning government compensated us for the requisition.

A failure to pass inspection by classification societies could result in one or more vessels being unemployable unless and until they pass inspection, resulting in a loss of revenues from such vessels for that period and a corresponding decrease in operating cash flows.

The hull and machinery of every commercial vessel must be classed by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and with SOLAS. Our owned fleet is currently enrolled with Nippon Kaiji Kiokai, Bureau Veritas, Lloyd's Register and American Bureau of Shipping.

A vessel must undergo an annual survey, an intermediate survey and a special survey. In lieu of a special survey, a vessel's machinery may be on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period.

Our vessels are on special survey cycles for hull inspection and continuous survey cycles for machinery inspection. Every vessel is also required to be drydocked every two to three years for inspection of the underwater parts of such vessel.

If any vessel fails any annual survey, intermediate survey or special survey, the vessel may be unable to trade between ports and, therefore, would be unemployable, potentially causing a negative impact on our revenues due to the loss of revenues from such vessel until she is able to trade again.

Rising crew costs may adversely affect our profits.

Crew costs are a significant expense for us. Recently, the limited supply of and increased demand for well-qualified crew, due to the increase in the size of the global shipping fleet, has created upward pressure on crewing costs, which we generally bear under our period, time and spot charters. Increases in crew costs may adversely affect our profitability.

The shipping industry has inherent operational risks that may not be adequately covered by our insurance.

The operation of ocean-going vessels in international trade is inherently risky. Although we carry insurance for our fleet covering risks commonly insured against by vessel owners and operators, such as hull and machinery insurance, war risks insurance and protection and indemnity insurance (which include environmental damage and pollution insurance), all risks may not be adequately insured against, and any particular claim may not be paid. We do not currently maintain off-hire insurance, which would cover the loss of revenue during extended vessel off-hire periods, such as those that occur during an unscheduled drydocking due to damage to the vessel from accidents. Accordingly, any

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extended vessel off-hire, due to an accident or otherwise, could have a material adverse effect on our business. Any claims covered by insurance would be subject to deductibles, and since it is possible that a large number of claims may be brought, the aggregate amount of these deductibles could be material.

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We may be unable to procure adequate insurance coverage at commercially reasonable rates in the future. For example, more stringent environmental regulations have led in the past to increased costs for, and in the future may result in the lack of availability of, insurance against risks of environmental damage or pollution. A catastrophic oil spill or marine disaster could exceed our insurance coverage, which could harm our business, financial condition and operating results. Changes in the insurance markets attributable to terrorist attacks may also make certain types of insurance more difficult for us to obtain. In addition, the insurance that may be available to us in the future may be significantly more expensive than our existing coverage.

Even if our insurance coverage is adequate to cover our losses, we may not be able to timely obtain a replacement vessel in the event of a loss. Furthermore, in the future, we may not be able to obtain adequate insurance coverage at reasonable rates for our fleet. Our insurance policies also contain deductibles, limitations and exclusions which can result in significant increased overall costs to us.

Because we obtain some of our insurance through protection and indemnity associations, we may also be subject to calls, or premiums, in amounts based not only on our own claim records, but also on the claim records of all other members of the protection and indemnity associations.

We may be subject to calls, or premiums, in amounts based not only on our claim records but also on the claim records of all other members of the protection and indemnity associations through which we receive insurance coverage for tort liability, including pollution-related liability. Our payment of these calls could result in significant expenses to us, which could have a material adverse effect on our business, results of operations and financial condition.

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

Crew members, suppliers of goods and services to a vessel, shippers of cargo, and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages against such vessel. In many jurisdictions, a maritime lien holder may enforce its lien by arresting a vessel through foreclosure proceedings. The arrest or attachment of one or more of our vessels could interrupt our cash flow and require us to pay large sums of funds to have the arrest lifted. We are not currently aware of the existence of any such maritime lien on our vessels.

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

The risks and costs associated with vessels increase as the vessels age.

The costs to operate and maintain a vessel in operation increase with the age of the vessel. The average age of the vessels in our fleet is 5.4 years, and most drybulk vessels have an expected life of approximately 25 years. In some instances, charterers prefer newer vessels that are more fuel efficient than older vessels. Cargo insurance rates also increase with the age of a vessel, making older vessels less desirable to charterers as well. Governmental regulations, safety or other equipment standards related to the age of the vessels may require expenditures for alterations or the addition of new equipment to our vessels and may restrict the type of activities in which these vessels may engage. We cannot assure you that, as our vessels age, market conditions will justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives. If we sell vessels, we may have to sell them at a loss, and if charterers no longer charter-out vessels due to their age, our earnings could be materially adversely affected.

If we fail to manage our planned growth properly, we may not be able to expand our fleet successfully, which may adversely affect our overall financial position.

We have grown our fleet and business significantly since August 2005. We intend to continue to expand our fleet in the future. Our growth will depend on:

locating and acquiring suitable vessels;

identifying reputable shipyards with available capacity and contracting with them for the construction of new vessels;

integrating any acquired vessels successfully with our existing operations;

enhancing our customer base;

managing our expansion; and

obtaining required financing, which could include debt, equity or combinations thereof.

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Additionally, the marine transportation and logistics industries are capital intensive, traditionally using substantial amounts of indebtedness to finance vessel acquisitions, capital expenditures and working capital needs. If we finance the purchase of our vessels through the issuance of debt securities, it could result in:

default and foreclosure on our assets if our operating cash flow after a business combination or asset acquisition were insufficient to pay our debt obligations;

acceleration of our obligations to repay the indebtedness even if we have made all principal and interest payments when due if the debt security contained covenants that required the maintenance of certain financial ratios or reserves and any such covenant was breached without a waiver or renegotiation of that covenant;

our immediate payment of all principal and accrued interest, if any, if the debt security was payable on demand; and

our inability to obtain additional financing, if necessary, if the debt security contained covenants restricting our ability to obtain additional financing while such security was outstanding.

In addition, our business plan and strategy is predicated on buying vessels in a distressed market at what we believe is near the low end of the cycle in what has typically been a cyclical industry. However, there is no assurance that shipping rates and vessels asset values will not sink lower, or that there will be an upswing in shipping costs or vessel asset values in the near-term or at all, in which case our business plan and strategy may not succeed in the near-term or at all. Growing any business by acquisition presents numerous risks such as undisclosed liabilities and obligations, difficulty experienced in obtaining additional qualified personnel and managing relationships with customers and suppliers and integrating newly acquired operations into existing infrastructures. We may not be successful in growing and may incur significant expenses and losses.

Although we have long-standing relationships with certain Japanese shipowners that provide us access to competitive contracts, we cannot assure you that we will always be able to maintain such relationships or that such contracts will continue to be available in the future.

We have long-standing relationships with certain Japanese shipowners that give us access to time charters at favorable rates and that, in some cases, include options to purchase the vessels at favorable prices relative to the current market. We cannot assure you that we will have such relationships indefinitely. In addition, there is no assurance that Japanese shipowners will generally make contracts available on the same or substantially similar terms in the future.

The smuggling of drugs or other contraband onto our vessels may lead to governmental claims against us.

We expect that our vessels will call in ports in South America and other areas where smugglers attempt to hide drugs and other contraband on vessels, with or without the knowledge of crew members. To the extent our vessels are found with contraband, whether inside or attached to the hull of our vessel and whether with or without the knowledge of any of our crew, we may face governmental or other regulatory claims which could have an adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

Our vessels may be subject to unbudgeted periods of off-hire, which could materially adversely affect our business, financial condition and results of operations.

Under the terms of the charter agreements under which our vessels operate, or are expected to operate in the case of a newbuilding, when a vessel is off-hire, or not available for service or otherwise deficient in its condition or performance, the charterer generally is not required to pay the hire rate, and we will be responsible for all costs (including the cost of bunker fuel) unless the charterer is responsible for the circumstances giving rise to the lack of availability. A vessel generally will be deemed to be off-hire if there is an occurrence preventing the full working of the vessel due to, among other things:

operational deficiencies;

the removal of a vessel from the water for repairs, maintenance or inspection, which is referred to as drydocking;

equipment breakdowns;

delays due to accidents or deviations from course;

occurrence of hostilities in the vessel's flag state or in the event of piracy;

crew strikes, labor boycotts, certain vessel detentions or similar problems; or

our failure to maintain the vessel in compliance with its specifications, contractual standards and applicable country of registry and international regulations or to provide the required crew.

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Our international activities increase the compliance risks associated with economic and trade sanctions imposed by the United States, the European Union and other jurisdictions.

Our international operations could expose us to trade and economic sanctions or other restrictions imposed by the United States or other governments or organizations, including the United Nations, the European Union and its member countries. Under economic and trading sanctions laws, governments may seek to impose modifications to business practices, and modifications to compliance programs, which may increase compliance costs, and may subject us to fines, penalties and other sanctions.

In recent months, the scope of sanctions imposed against the government of Iran and persons engaging in certain activities or doing certain business with and relating to Iran has been expanded by a number of jurisdictions, including the United States, the European Union and Canada. In particular, the United States has enacted new legislation which imposed new sanctions that specifically restrict shipping refined petroleum into Iran (the tankers of our affiliate, Navios Maritime Acquisition Corporation have called on ports in Iran but do not engage in the activities specifically identified by these sanctions). There has also been an increased focus on economic and trade sanctions enforcement that has led recently to a significant number of penalties being imposed against shipping companies.

We are monitoring developments in the United States, the European Union and other jurisdictions that maintain sanctions programs, including developments in implementation and enforcement of such sanctions programs. Expansion of sanctions programs, embargoes and other restrictions in the future (including additional designations of countries subject to sanctions), or modifications in how existing sanctions are interpreted or enforced, could prevent the tankers of our affiliate from calling on ports in sanctioned countries or could limit their cargoes. If any of the risks described above materialize, it could have a material adverse impact on our business and results of operations.

Our Chairman and Chief Executive Officer holds approximately 24% of our common stock and will be able to exert considerable influence over our actions; her failure to own a significant amount of our common stock or to be our Chief Executive Officer would constitute a default under our secured credit facilities.

Ms. Angeliki Frangou owns approximately 24% of the outstanding shares of our common stock, and has filed a Schedule 13D indicating that she intends, subject to market conditions, to purchase in total \$20.0 million of our common stock (as of March 26, 2012, she had purchased approximately \$10.0 million in value of our common stock). As the Chairman, Chief Executive Officer and a significant stockholder, she has the power to exert considerable influence over our actions and the outcome of matters on which our stockholders are entitled to vote including the election of directors and other significant corporate actions. The interests of Ms. Frangou may be different from your interests. Furthermore, if Ms. Frangou ceases to hold a minimum of 20% of our common stock, does not remain actively involved in the business, or ceases to be our Chief Executive Officer, then we will be in default under our secured credit facilities.

The loss of key members of our senior management team could disrupt the management of our business.

We believe that our success depends on the continued contributions of the members of our senior management team, including Ms. Angeliki Frangou, our Chairman, Chief Executive Officer and principal stockholder. The loss of the services of Ms. Frangou or one of our other executive officers or senior management members could impair our ability to identify and secure new charter contracts, to maintain good customer relations and to otherwise manage our business, which could have a material adverse effect on our financial performance and our ability to compete.

Certain of our directors, officers, and principal stockholders are affiliated with entities engaged in business activities similar to those conducted by us which may compete directly with us, causing such persons to have conflicts of interest.

Some of our directors, officers and principal stockholders have affiliations with entities that have similar business activities to those conducted by us. Certain of our directors are also directors of other shipping companies and they may enter similar businesses in the future. These other affiliations and business activities may give rise to certain conflicts of interest in the course of such individuals' affiliation with us. Although we do not prevent our directors, officers and principal stockholders from having such affiliations, we use our best efforts to cause such individuals to comply with all applicable laws and regulations in addressing such conflicts of interest. Our officers and employee directors devote their full time and attention to our ongoing operations, and our non-employee directors devote such time as is necessary and required to satisfy their duties as directors of a public company.

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Because we generate all of our revenues in U.S. dollars but incur a portion of our expenses in other currencies, exchange rate fluctuations could cause us to suffer exchange rate losses, thereby increasing expenses and reducing income.

We engage in worldwide commerce with a variety of entities. Although our operations may expose us to certain levels of foreign currency risk, our transactions are predominantly U.S. dollar-denominated at the present. Additionally, our South American subsidiaries transact a nominal amount of their operations in Uruguayan pesos, Paraguayan Guaranies, Argentinean pesos and Brazilian Reales, whereas our wholly owned vessel subsidiaries and the vessel management subsidiary transact a nominal amount of their operations in Euros; however, all of the subsidiaries primary cash flows are U.S. dollar-denominated. In 2011, approximately 28.9% of our expenses were incurred in currencies other than U.S. dollars. Transactions in currencies other than the functional currency are translated at the exchange rate in effect at the date of each transaction. Expenses incurred in foreign currencies against which the U.S. dollar falls in value can increase, thereby decreasing our income. For example, during the year ended December 31, 2011, the value of the U.S. dollar increased by approximately 3.2% as compared to the Euro. A greater percentage of our transactions and expenses in the future may be denominated in currencies other than U.S. dollar. As part of our overall risk management policy, we attempt to hedge these risks in exchange rate fluctuations from time to time. We may not always be successful in such hedging activities and, as a result, our operating results could suffer as a result of non-hedged losses incurred as a result of exchange rate fluctuations.

We are incorporated in the Republic of the Marshall Islands, which does not have a well-developed body of corporate law.

Our corporate affairs are governed by our amended and restated articles of incorporation and by-laws and by the Marshall Islands Business Corporations Act (BCA). The provisions of the BCA are intended to resemble provisions of the corporation laws of a number of states in the United States. However, there have been few judicial cases in the Republic of the Marshall Islands interpreting the BCA. The rights and fiduciary responsibilities of directors under the law of the Republic of the Marshall Islands are not as clearly established as the rights and fiduciary responsibilities of directors under statutes or judicial precedent in existence in certain U.S. jurisdictions. Stockholder rights may differ as well. The BCA does specifically incorporate the non-statutory law, or judicial case law, of the State of Delaware and other states with substantially similar legislative provisions. Accordingly, you may have more difficulty protecting your interests in the face of actions by management, directors or controlling stockholders than you would in the case of a corporation incorporated in the State of Delaware or other U.S. jurisdictions.

We, and certain of our officers and directors, may be difficult to serve with process as we are incorporated in the Republic of the Marshall Islands and such persons may reside outside of the United States.

We are a corporation organized under the laws of the Republic of the Marshall Islands. Several of our directors and officers are residents of Greece or other non-U.S. jurisdictions. Substantial portions of the assets of these persons are located in Greece or other non-U.S. jurisdictions. Thus, it may not be possible for investors to affect service of process upon us, or our non-U.S. directors or officers, or to enforce any judgment obtained against these persons in U.S. courts. Also, it may not be possible to enforce U.S. securities laws or judgments obtained in U.S. courts against these persons in a non-U.S. jurisdiction.

Being a foreign private issuer exempts us from certain SEC requirements.

We are a foreign private issuer within the meaning of rules promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). As such, we are exempt from certain provisions applicable to United States public companies including:

the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q or current reports on Form 8-K;

the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act;

the provisions of Regulation FD aimed at preventing issuers from making selective disclosures of material information; and

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the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and establishing insider liability for profits realized from any short-swing trading transaction (i.e., a purchase and sale, or sale and purchase, of the issuer's equity securities within less than six months).

Because of these exemptions, investors are not afforded the same protections or information generally available to investors holding shares in public companies organized in the United States.

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Risks Relating to Our Debt

We have substantial debt, which could adversely affect our financial health and our ability to obtain financing in the future, react to changes in our business and make payments under the notes.

As of December 31, 2011, we had \$1,453.6 million in aggregate principal amount of debt outstanding of which \$570.0 million was unsecured. We also have up to \$67.0 million available to us to be used for the partial funding of our newbuilding vessels and for general corporate purposes under our existing credit facilities. We may increase the amount of our indebtedness in the future, which would further exacerbate the risks listed below.

Our substantial debt could have important consequences to holders of our common stock. Because of our substantial debt:

our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, vessel or other acquisitions or general corporate purposes and our ability to satisfy our obligations with respect to our debt may be impaired in the future;

a substantial portion of our cash flow from operations must be dedicated to the payment of principal and interest on our indebtedness, thereby reducing the funds available to us for other purposes;

we will be exposed to the risk of increased interest rates because our borrowings under our senior secured credit facility will be at variable rates of interest;

it may be more difficult for us to satisfy our obligations to our lenders, resulting in possible defaults on and acceleration of such indebtedness;

we may be more vulnerable to general adverse economic and industry conditions;

we may be at a competitive disadvantage compared to our competitors with less debt or comparable debt at more favorable interest rates and, as a result, we may not be better positioned to withstand economic downturns;

our ability to refinance indebtedness may be limited or the associated costs may increase; and

our flexibility to adjust to changing market conditions and ability to withstand competitive pressures could be limited, or we may be prevented from carrying out capital expenditures that are necessary or important to our growth strategy and efforts to improve operating margins or our business.

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

We and our subsidiaries may be able to incur substantial additional indebtedness in the future as the terms of the indenture governing our 8.125% Senior Notes due 2019 (the 2019 Notes) and the indenture governing our 8.875% first priority ship mortgage notes due 2017 (the Ship Mortgage Notes) do not fully prohibit us or our subsidiaries from doing so. The terms of the indenture governing 9-1/4% Senior Notes due 2019 (the Logistics Senior Notes) of Navios South American Logistics (Navios Logistics) and the agreements governing the terms of the other indebtedness of Navios Logistics also permit Navios Logistics to incur substantial additional indebtedness in accordance with the terms of such agreements. If new debt is added to our current debt levels, the related risks that we now face would increase and we may not be able to meet all of our debt obligations.

The agreements and instruments governing our debt contain restrictions and limitations that could significantly impact our ability to operate our business.

Our secured credit facilities and our indentures impose certain operating and financial restrictions on us. These restrictions limit our ability to:

incur or guarantee additional indebtedness;

create liens on our assets;

make new investments;

engage in mergers and acquisitions;

pay dividends or redeem capital stock;

make capital expenditures;

engage in certain FFA trading activities;

change the flag, class or commercial and technical management of our vessels;

enter into long-term charter arrangements without the consent of the lender; and

sell any of our vessels.

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The agreements governing the terms of Navios Logistics' indebtedness impose similar restrictions upon Navios Logistics.

Therefore, we and Navios Logistics will need to seek permission from our respective lenders in order to engage in some corporate and commercial actions that believe would be in the best interest of our respective business, and a denial of permission may make it difficult for us or Navios Logistics to successfully execute our business strategy or effectively compete with companies that are not similarly restricted. The interests of our and Navios Logistics' lenders may be different from our respective interests or those of our holders of common stock, and we cannot guarantee that we or Navios Logistics will be able to obtain the permission of lenders when needed. This may prevent us or Navios Logistics from taking actions that are in best interests of us, Navios Logistics or our stockholders. Any future debt agreements may include similar or more restrictive restrictions.

Our ability to generate the significant amount of cash needed to pay interest and principal and otherwise service our debt and our ability to refinance all or a portion of our indebtedness or obtain additional financing depend on multiple factors, many of which may be beyond our control.

The ability of us and Navios Logistics to make scheduled payments on or to refinance our respective debt obligations will depend on our respective financial and operating performance, which, in turn, will be subject to prevailing economic and competitive conditions and to the financial and business factors, many of which may be beyond the control of us and Navios Logistics.

The principal and interest on such debt will be paid in cash. The payments under our and Navios Logistics' debt will limit funds otherwise available for our respective working capital, capital expenditures, vessel acquisitions and other purposes. As a result of these obligations, the current liabilities us or Navios Logistics may exceed our respective current assets. We or Navios Logistics may need to take on additional debt as we expand our respective fleets or other operations, which could increase our respective ratio of debt to equity. The need to service our respective debt may limit funds available for other purposes, and our or Navios Logistics' inability to service debt in the future could lead to acceleration of such debt, the foreclosure on assets such as owned vessels or otherwise negatively affect us.

We may be unable to raise funds necessary to finance the change of control repurchase offer required by the indentures governing our outstanding notes and our secured credit facilities.

The indenture governing the 2019 Notes, the indenture governing the Ship Mortgage Notes, the indenture governing the Logistics Senior Notes and our and Navios Logistics' secured credit facilities contain certain change of control provisions. If we or Navios Logistics experience specified changes of control under our respective notes, we or Navios Logistics, as the case may be, will be required to make an offer to repurchase all of our respective outstanding notes (unless otherwise redeemed) at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the repurchase date. The occurrence of specified events that would constitute a change of control will constitute a default under our and Navios Logistics' secured credit facilities. In the event of a change of control under these debt agreements, we cannot assure you that we would have sufficient assets to satisfy all of our obligations under these debt agreements, including but not limited to, repaying all indebtedness outstanding under the applicable secured credit facilities or repurchasing the applicable notes.

An increase in interest rates would increase the cost of servicing our debt and could reduce our profitability.

A portion of the debt under our secured credit facilities, including the secured credit facilities of Navios Logistics, bears interest at variable rates. We may also incur indebtedness in the future with variable interest rates. As a result, an increase in market interest rates would increase the cost of servicing our debt and could materially reduce our profitability and cash flows. The impact of such an increase would be more significant for us than it would be for some other companies because of our substantial debt. See also Item 11 – Quantitative and Qualitative Disclosures about Market Risk .

If the recent volatility in LIBOR continues, it could affect our profitability, earnings and cash flow.

LIBOR has recently been volatile, with the spread between LIBOR and the prime lending rate widening significantly at times. These conditions are the result of the recent disruptions in the international credit markets. Because the interest rates borne by our outstanding indebtedness, including certain indebtedness of Navios Logistics, fluctuate with changes in LIBOR, if this volatility were to continue, it would affect the amount of interest payable on our debt, which in turn, could have an adverse effect on our profitability, earnings and cash flow.

Furthermore, interest in most loan agreements in our industry has been based on published LIBOR rates. Recently, however, lenders have insisted on provisions that entitle the lenders, in their discretion, to replace published LIBOR as the base for the interest calculation with their cost-of-funds rate. Such provisions could significantly increase our lending costs, which would have an adverse effect on our profitability, earnings and cash flow.

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The market values of our vessels, which have declined from historically high levels, may fluctuate significantly, which could cause us to breach covenants in our credit facilities and result in the foreclosure of our mortgaged vessels.

Factors that influence vessel values include:

number of newbuilding deliveries;

number of vessels scrapped or otherwise removed from the total fleet;

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

changes in global drybulk commodity supply;

types and sizes of vessels;

development of and increase in use of other modes of transportation;

cost of vessel acquisitions;

cost of newbuilding vessels;

governmental or other regulations;

prevailing level of charter rates; and

general economic and market conditions affecting the shipping industry.

If the market values of our owned vessels decrease, we may breach covenants contained in our secured credit facilities. If we breach such covenants and are unable to remedy any relevant breach, our lenders could accelerate our debt and foreclose on the collateral, including our vessels. Any loss of vessels would significantly decrease our ability to generate positive cash flow from operations and, therefore, service our debt. In addition, if the book value of a vessel is impaired due to unfavorable market conditions, or a vessel is sold at a price below its book value, we would incur a loss. Navios Logistics may be subject to similar ramifications under its credit facilities if the market values of its owned vessels decrease.

In addition, as vessels grow older, they generally decline in value. We will review our vessels for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. We review certain indicators of potential impairment, such as undiscounted projected operating cash flows expected from the future operation of the vessels, which can be volatile for vessels employed on short-term charters or in the spot market. Any impairment charges incurred as a result of declines in charter rates would negatively affect our financial condition and results of operations. In addition, if we sell any vessel at a time when vessel prices have fallen and before we have recorded an impairment adjustment to our financial statements, the sale may be at less than the vessel's carrying amount on our financial statements, resulting in a loss and a reduction in earnings.

We may require additional financing to acquire vessels or business or to exercise vessel purchase options, and such financing may not be available.

In the future, we may be required to make substantial cash outlays to exercise options or to acquire vessels or business and will need additional financing to cover all or a portion of the purchase prices. We intend to cover the cost of such items with new debt collateralized by the vessels to be acquired, if applicable, but there can be no assurance that we will generate sufficient cash or that debt financing will be available. Moreover, the covenants in our senior secured credit facility, the indentures or other debt, may make it more difficult to obtain such financing by imposing restrictions on what we can offer as collateral.

We have substantial equity investments in three public companies, two of which are not consolidated in our financial results, and our investment in such companies is subject to the risks related to their respective businesses.

As of December 31, 2011, we had a 63.8% ownership interest in Navios South American Logistics Inc. (Navios Logistics), and, as a result, Navios Logistics is a consolidated subsidiary. As such, the income and losses relating to Navios Logistics and the indebtedness and other liabilities of Navios Logistics are shown in our consolidated financial statements.

We also have substantial equity investments in two companies that are accounted for under the equity method Navios Maritime Acquisition Corporation (Navios Acquisition) and Navios Maritime Partners L.P. (Navios Partners). As of December 31, 2011, we held 45.24% of the voting stock and 53.96% of the economic interest of Navios Acquisition and 27.10% of the equity interest in Navios Partners (including a 2% interest in the general partner of Navios Partners). As of such date, our investments in these two affiliated companies amounted to \$116.9 million.

In addition to the value of our investment, we receive dividend payments relating to our investments. As a result of our investment, in fiscal year 2011, we received \$5.2 million and \$25.6 million in dividends from Navios Acquisition and Navios Partners, respectively. Furthermore, we receive management and general and administrative fees from Navios Acquisition and Navios Partners, which amounted to \$37.2 million and \$27.0 million, respectively, in fiscal year 2011.

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Our ownership interest in Navios Logistics, Navios Acquisition and Navios Partners, the reflection of such companies (or the investment relating thereto) on our balance sheets and any income generated from or related to such companies are subject to a variety of risks, including risks relating to the respective business of Navios Logistics, Navios Acquisition and Navios Partners as disclosed in their respective public filings with the SEC. The occurrence of any such risks may negatively affect our financial condition.

We evaluate our investments in Navios Acquisition and Navios Partners 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 the carrying value, (2) the financial condition and near-term prospects of Navios Partners and Navios Acquisition, and (3) our intent and our ability to retain our investment in Navios Partners and Navios Acquisition for a period of time sufficient to allow for any anticipated recovery in fair value. During 2011 and 2010, we did not recognize any impairment loss in earnings.

If the fair value of these investments declines below their carrying value and our OTTI analysis indicates such write down to be necessary, the potential future impairment charges may have a material adverse impact on our results of operations in the period recognized.

Unrealized losses of available for sale securities may negatively affect our results of operations in the future.

As part of the consideration received from the sale of the Navios Hope to Navios Partners in July 2008, the Company received 3,131,415 common units of Navios Partners (14.4% of the then-outstanding units of Navios Partners).

On March 18, 2010, Navios Holdings sold the Navios Aurora II, a 2009 South Korean-built Capesize vessel, to Navios Partners for \$110.0 million. Out of the \$110.0 million purchase price, \$90.0 million was paid in cash and the remaining amount was paid through the issuance of 1,174,219 common units of Navios Partners.

On November 15, 2010, Navios Holdings sold to Navios Partners the vessels Navios Melodia and Navios Fulvia, two 2010-built Capesize vessels, for a total consideration of \$177.0 million of which \$162.0 million was paid in cash and the remaining amount was paid through the issuance of 788,370 common units of Navios Partners.

On May 19, 2011, Navios Holdings sold the Navios Luz, a 2010-built Capesize vessel, and the Navios Orbiter, a 2004-built Panamax vessel, to Navios Partners for a total consideration of \$130.0 million, of which \$120.0 million was paid in cash and \$10.0 million was paid through the issuance of 507,916 common units of Navios Partners.

In January 2011, KLC filed for receivership, which is a reorganization under South Korean bankruptcy law. Navios Holdings reviewed the matter in concert with the credit default insurers, as five vessels of its core fleet are chartered out to KLC. The Company has filed claims for all unpaid amounts by KLC in respect of the employment of the five vessels in the KLC corporate rehabilitation proceedings. On November 24 2011, Navios Holdings received and will retain in total 11,413 shares of KLC for three of its vessels, as partial compensation for the claims filed under the Korean court.

All above common units that the Company received from the sale of the vessels to Navios Partners and the shares received from KLC were accounted for under guidance for available-for-sale securities (the AFS Securities). Accordingly, unrealized gains and losses on these securities are reflected directly in equity unless an unrealized loss is considered other-than-temporary, in which case it is transferred to the statements of income. The Company has no other types of available for sale securities.

As of December 31, 2011 and 2010, the carrying amounts of the AFS Securities were \$82.9 million and \$99.1 million, respectively, and the unrealized holding gains related to these AFS Securities included in Accumulated Other Comprehensive Income/ (Loss) were \$6.2 million, \$32.6 million and \$15.2 million, respectively, as of December 31, 2011, 2010 and 2009. On June 30, 2009, the Company recognized in earnings realized losses amounting to \$13.8 million following the common units market value being less than their acquisition price for a consecutive period of 12 months. Therefore, this decline was considered as other-than-temporary impairment (OTTI). Management evaluates securities for 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 Navios Partners, and (3) the intent and ability of the Company to retain its investment in Navios Partners for a period of time sufficient to allow for any anticipated recovery in fair value. During 2011 and 2010, the Company did not recognize any realized losses in earnings.

As of December 31, 2011, market valuation of these securities had increased. If the fair value of these AFS Securities declines below their original carrying value and our OTTI analysis indicates such write down to be necessary, the potential future impairment charges may have a material adverse impact on our results of operations in the period recognized.

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Risks Relating to Navios Logistics

Navios Logistics' dry port business has seasonal components linked to the grain harvests in the region. At times throughout the year, the capacity of its dry port, including the loading and unloading operations, as well as the space in silos is exceeded, which could materially adversely affect its operations and revenues.

A significant portion of Navios Logistics' dry port business is derived from handling and storage of soybeans and other agricultural products produced in the Hidrovia, mainly during the season between April and September. This seasonal effect could, in turn, increase the inflow and outflow of barges and vessels in its dry port and cause the space in its silos to be exceeded, which in turn would affect its timely operations or its ability to satisfy the increased demand. Inability to provide services in a timely manner may have a negative impact on its clients' satisfaction and result in loss of existing contracts or inability to obtain new contracts.

Navios Logistics depends on a few significant customers for a large part of its revenues and the loss of one or more of these customers could materially and adversely affect its revenues.

In each of Navios Logistics' businesses, a significant part of its revenues is derived from a small number of customers. For the year ended December 31, 2011, Navios Logistics' three largest customers, Petrobras, Petropar and Esso, accounted for 18.1%, 10.2% and 10% of its revenues, respectively, and Navios Logistics' five largest customers accounted for approximately 55.1% of its revenues. Other than Navios Logistics' three largest customers, no other customer accounted for more than 10% of its revenues during the year ended December 31, 2011. During the year ended December 31, 2010, one customer, Petrobras, accounted for 17.5% of Navios Logistics' revenues, and its five largest customers accounted for approximately 50% of its revenues. In 2009, one customer accounted for 10.2% of its revenues and its five largest customers, in aggregate, accounted for 45.1% of its revenues. In addition, some of Navios Logistics' customers, including many of its most significant customers, operate their own vessels and/or barges. These customers may decide to cease or reduce the use of its services for various reasons, including employment of their own vessels. The loss of any of its significant customers could materially adversely affect its results of operations.

If one or more of Navios Logistics' customers does not perform under one or more contracts with it and Navios Logistics is not able to find a replacement contract, or if a customer exercises certain rights to terminate the contract, Navios Logistics could suffer a loss of revenues that could materially adversely affect its business, financial condition and results of operations.

Navios Logistics could lose a customer or the benefits of a contract if, among other things:

the customer fails to make payments because of its financial inability, disagreements with Navios Logistics or otherwise;

the customer terminates the contract because Navios Logistics fails to meet their contracted storage needs;

the customer terminates the contract because Navios Logistics fails to deliver the vessel within a fixed period of time, the vessel is lost or damaged beyond repair, there are serious deficiencies in the vessel or prolonged off-hire, or a default occurs under the contract; or

the customer terminates the contract because the vessel has been subject to seizure for more than a specified number of days.

Navios Logistics' business can be affected by adverse weather conditions, effects of climate change and other factors beyond its control, that can affect production of the goods it transports and stores as well as the navigability of the river system on which it operates.

A significant portion of Navios Logistics' business is derived from the transportation, handling and storage of soybeans and other agricultural products produced in the Hidrovia region. Any drought or other adverse weather conditions, such as floods, could result in a decline in production of these products, which would likely result in a reduction in demand for its services. This would, in turn, negatively impact its results of operations and financial condition. Furthermore, Navios Logistics' fleet operates in the Parana and Paraguay Rivers, and any changes adversely affecting navigability of either of these rivers, such as changes in the depth of the water or the width of the navigable channel, could, in the short-term, reduce or limit its ability to effectively transport cargo on the rivers. For example, Navios Logistics was adversely affected by

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the decline in soybean production associated with the drought experienced mainly in the first quarter of 2009 throughout the main soybean growing areas of the Hidrovia. Low water levels, which began during the fourth quarter of 2008 and extended into 2009, also affected the volume carried. The possible effects of climate change, such as floods, droughts or increased storm activity, could similarly affect the demand for its services or its operations.

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

Table of Contents**Navios Logistics may be unable to obtain financing for its growth or to fund its future capital expenditures, which could materially adversely affect its results of operations and financial condition.**

In 2010, apart from the delivery in February of the Sara H, a 9,000 dwt product tanker with a purchase price of \$18.0 million, Navios Logistics also began the construction of a new grain cleaning and drying facility at its port in Nueva Palmira with a static capacity of 7,000 metric tons, which has been operational since May 16, 2011. The total cost of this investment was \$3.9 million, of which \$3.0 million was paid during 2010 and the rest was paid during the first half of 2011. In 2010, Navios Logistics acquired two 29 acre parcels of land located south of the Nueva Palmira Free Zone as part of a project to develop a new transshipment facility for mineral ores and liquid bulks, paying a total cost of \$1.0 million. In addition, during the second, third and fourth quarter of 2011, Navios Logistics used a portion of the proceeds from the offering on April 12, 2011 of \$200.0 million in senior unsecured notes due on April 15, 2019 at a fixed rate of 9.25% (the Logistics Senior Notes) to acquire three pushboats, 66 barges and one floating drydock for a total cost of approximately \$60.0 million, including transportation and other related costs.

In order to follow its current strategy for growth, Navios Logistics will need to fund future asset or business acquisitions, increase working capital levels and increase capital expenditures. For example, Navios Logistics has started the construction of a ninth silo with approximately 100,000 metric tons capacity and plans to construct an additional vessel loading conveyor belt at its dry port facility and two new storage tanks with a total capacity of 7,100 cubic meters at its wet port facility. Additionally, in its liquid port in Paraguay, Navios Logistics added 3,000 cubic meters of storage capacity in December 2011 reaching a total capacity of 38,560 and Navios Logistics is currently constructing two additional storage tanks with a combined capacity of 7,100 cubic meters which are expected to be completed in the first half of 2012 and will increase the total storage capacity of the liquid port to 45,660 cubic meters.

In the future, Navios Logistics will also need to make capital expenditures required to maintain its current ports, fleet and infrastructure. Cash generated from its earnings may not be sufficient to fund all of these activities. In addition, the terms of any joint venture arrangements Navios Logistics may enter into in the future may limit the ability of the joint venture to distribute cash to it, and other joint venture partners may need to consent to the actions taken by the joint venture. Accordingly, Navios Logistics may need to raise capital through borrowings or the sale of debt or equity securities. Navios Logistics' ability to obtain bank financing or to access the capital markets for future offerings may be limited by its financial condition at the time of any such financing or offering, as well as by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond its control. If Navios Logistics fails to obtain the funds necessary for capital expenditures required to maintain its ports, fleet and/or infrastructure, Navios Logistics may be forced to take vessels out of service or curtail operations, which could materially harm its revenues and profitability. If Navios Logistics fails to obtain the funds that might be necessary to acquire new vessels, or increase its working capital or capital expenditures, it might not be able to grow its business and its earnings could suffer. Furthermore, despite covenants under the indenture governing the Logistics Senior Notes and the agreements governing its other indebtedness, Navios Logistics will be permitted to incur additional indebtedness which would limit cash available for working capital and to service its indebtedness.

The failure of Petrobras to successfully implement its business plan for 2011 to 2015 could adversely affect Navios Logistics' business.

During 2011, Petrobras announced its business plan for 2011 to 2015, which includes a projected capital expenditure budget of \$224.7 billion between 2011 and 2015 and provides for an increase in drilling rigs, and in connection therewith forecasts a growth in the demand for supply and specialty vessels from 287 in December 2010 to 479 by 2015. In addition, Petrobras has entered into an assignment agreement with the Brazilian federal government (the Assignment Agreement) to conduct operations in specified pre-salt areas (areas of rock accumulations which are found under the salt layer of the Brazilian coastline and have the potential for the generation of oil), which will require additional capital expenditures by Petrobras to explore and develop the areas covered by the Assignment Agreement. The Assignment Agreement as well as other agreements and Brazilian regulations require that Petrobras acquire a minimum level of goods and services from Brazilian providers. In addition, Brazilian law provides a preference for the utilization of Brazilian-flagged vessels in its cabotage trade. Petrobras group was Navios Logistics' largest customer for 2010. In May 2011, Navios Logistics also signed 15-year charter contracts with Petrobras for six Panamax vessels, which are subject to its option to cancel the contracts if Navios Logistics is unable to secure acceptable financing for the construction of the vessels. Any failure of Navios Logistics to capitalize on its relationship with Petrobras could have a material adverse effect on its results of operations.

Spare parts or other key equipment needed for the operation of Navios Logistics' ports and fleet may not be available off-the-shelf and it may face substantial delays, which could result in loss of revenues while waiting for those spare parts to be produced and delivered to Navios Logistics.

Navios Logistics' ports and fleet may need spare parts to be provided in order to replace old or damaged parts in the normal course of their operations.

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Navios Logistics owns and operates an up-river port terminal in San Antonio, Paraguay that it believes is well-positioned to become a hub for industrial development based upon the depth of the river in the area and the convergence between land and river transportation. If the port does not become a hub for industrial development, its future prospects could be materially and adversely affected.

Navios Logistics owns and operates an up-river port terminal with tank storage for refined petroleum products, oil and gas in San Antonio, Paraguay. Navios Logistics believes that the port's location south of the city of Asuncion, the depth of the river in the area and the convergence between land and river transportation make this port well-positioned to become a hub for industrial development. However, if the location is not deemed to be advantageous, or the use of the river or its convergence with the land is not fully utilized for transportation, then the port would not become a hub for industrial development, and its future prospects could be materially and adversely affected.

The risks and costs associated with ports and vessels increase as the port equipment and vessels age.

The costs to operate and maintain a port or a vessel increase with the age of the port equipment or vessel. Governmental regulations, safety or other equipment standards related to the age of the port equipment or vessels may require expenditures for alterations or the addition of new equipment to Navios Logistics' port equipment or vessels and may restrict the type of activities in which these ports or vessels may engage. Given the increased activity in the maritime industry and the industry that supplies it, the manufacturers of key equipment for its vessels (such as engine makers, propulsion systems makers, control systems makers and others) may not have the needed spare parts available immediately (or off-the-shelf) and may have to produce them when required. If this was the case, Navios Logistics' ports or vessels may be unable to operate while waiting for such spare parts to be produced, delivered, installed and tested, resulting in substantial loss of revenues for Navios Logistics. The average age of Navios Logistics' six product tanker vessels is two years. In some cases, charterers prefer newer vessels that are more fuel efficient than older vessels. Cargo insurance rates also increase with the age of a vessel, making older vessels less desirable to charterers as well. Navios Logistics cannot assure you that, as its operational port equipment and vessels age, market conditions will justify those expenditures or enable Navios Logistics to operate its ports and vessels profitably during the remainder of their useful lives. If Navios Logistics sells such assets, it may have to sell them at a loss, and if clients no longer use its ports or charter-out its vessels due to their age, its results of operations could be materially adversely affected.

As Navios Logistics expands its business, it may have difficulty managing its growth, including the need to improve its operations and financial systems, staff and crew. If Navios Logistics cannot improve these systems or recruit suitable employees, it may not be able to effectively control its operations.

Navios Logistics intends to grow its port terminal, barge and cabotage businesses, either through land acquisition and expansion of its port facilities, through purchases of additional vessels, through chartered-in vessels or acquisitions of other logistics and related or complementary businesses. The expansion and acquisition of new land or addition of vessels to its fleet will impose significant additional responsibilities on its management and staff, and may require Navios Logistics to increase the number of its personnel. Navios Logistics will also have to increase its customer base to provide continued activity for the new businesses.

In addition, approval of governmental, regulatory and other authorities may be needed to implement any acquisitions or expansions. For example, Navios Logistics has purchased land near the Nueva Palmira Free Zone area in Uruguay with the intention of expanding its port facilities and add a new port terminal for minerals and liquid cargo. In order to complete this project, however, Navios Logistics must receive required authorization from several authorities. If these authorities deny Navios Logistics request for authorization, it will not be able to proceed with this project.

Growing any business by acquisition presents numerous risks. Acquisitions expose Navios Logistics to the risk of successor liability relating to actions involving an acquired company, its management or contingent liabilities incurred before the acquisition. The due diligence Navios Logistics conducts in connection with an acquisition, and any contractual guarantees or indemnities that it receives from the sellers of acquired companies or assets may not be sufficient to protect it from, or compensate it for, actual liabilities. Any material liability associated with an acquisition could adversely affect its reputation and results of operations and reduce the benefits of the acquisition. Other risks presented include difficulty in obtaining additional qualified personnel, managing relationships with customers and suppliers and integrating newly acquired assets or operations into existing infrastructures.

Management is unable to predict whether or when any prospective acquisition will occur, or the likelihood of a certain transaction being completed on favorable terms and conditions. Navios Logistics' ability to expand its business through acquisitions depends on many factors, including its ability to identify acquisitions or access capital markets at an acceptable cost and negotiate favorable transaction terms. Navios Logistics cannot give any assurance that it will be successful in executing its growth plans or that it will not incur significant expenses and losses in connection therewith or that its acquisitions will perform as expected, which could materially adversely affect its results of operations and financial condition. Furthermore, because the volume of cargo Navios Logistics ships is at or near the capacity of its existing barges during the

typical peak harvest season, its ability to increase volumes shipped is limited by its ability to acquire or charter-in additional barges.

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With respect to Navios Logistics' existing infrastructure, its initial operating and financial systems may not be adequate as Navios Logistics implements its plan to expand, and its attempts to improve these systems may be ineffective. If Navios Logistics is unable to operate its financial and operations systems effectively or to recruit suitable employees as it expands its operations, it may be unable to effectively control and manage the substantially larger operation. Although it is impossible to predict what errors might occur as the result of inadequate controls, it is generally harder to manage a larger operation than a smaller one and, accordingly, more likely that errors will occur as operations grow. Additional management infrastructure and systems will be required in connection with such growth to attempt to avoid such errors.

Rising crew costs, fuel prices and other cost increases may adversely affect Navios Logistics' profits.

At December 31, 2011, Navios Logistics employed 431 land-based employees and approximately 707 seafarers as crew on its vessels. Crew costs are a significant expense for Navios Logistics. Recently, the limited supply of and increased demand for well-qualified crew, due to the increase in the size of the global shipping fleet, has created upward pressure on crewing costs, which Navios Logistics generally bears under its time and spot contracts. Additionally, labor union activity in the Hidrovia may create pressure for Navios Logistics to pay higher crew salaries and wages. In addition, fuel is one of the largest operating expenses in its barge and cabotage businesses, where the revenue is contracted mainly by ton per cargo shipped. The prices for and availability of fuel may be subject to rapid change or curtailment, respectively, due to, among other things, new laws or regulations, interruptions in production by suppliers, imposition of restrictions on energy supply by government, worldwide price levels and market conditions. Currently, most of Navios Logistics' contracts provide for the adjustment of freight rates based on changes in the fuel prices. Navios Logistics may be unable to include similar provisions in these contracts when they are renewed or in future contracts with new customers. To the extent its contracts do not pass-through changes in fuel prices to its clients, Navios Logistics will be forced to bear the cost of fuel price increases. Navios Logistics may hedge in the futures market all or part of its exposure to fuel price variations. Navios Logistics cannot assure you that it will be successful in hedging its exposure. In the event of a default by its contractual counterparties or other circumstance affecting their performance under a contract, Navios Logistics may be subject to exposure under, and may incur losses in connection with, its hedging instruments, if any. In certain jurisdictions, the price of fuel is affected by high local taxes and may become more expensive than prevailing international prices. Navios Logistics may not be able to pass onto its customers the additional cost of such taxes and may suffer losses as a consequence of such inability. Such increases in crew and fuel costs may materially adversely affect Navios Logistics' results of operations.

Navios Logistics' industry is highly competitive, and it may not be able to compete successfully for services with new companies with greater resources.

Navios Logistics provides services through its ports and employs its fleet in highly competitive markets. The river and sea coastal logistics market is international in scope and Navios Logistics competes with many different companies, including other port or vessel owners and major oil companies. With respect to loading, storage and ancillary services, the market is divided between transits and exports, depending on the cargo origin. In the case of transits, there are other companies operating in the river system that are able to offer services similar to Navios Logistics. With respect to exports, its competitors are Montevideo Port in Montevideo and Ontur and TGU in Nueva Palmira. The main competitor of its liquid port terminal in Paraguay is Petropar, a Paraguayan state-owned entity. Other competitors include Copetrol and Petrobras, which are also customers of Navios Logistics' port.

Navios Logistics faces competition in its barge and cabotage businesses with transportation of oil and refined petroleum products from other independent ship owners and from vessel operators. The charter markets in which its vessels compete are highly competitive. Key competitors include Ultrapetrol Bahamas Ltd. and Fluviomar. In addition, some of its customers, including ADM, Cargill, Louis Dreyfus and Vale, have some of their own dedicated barge capacity, which they can use to transport cargo in lieu of hiring a third party. Navios Logistics also competes indirectly with other forms of land-based transportation such as truck and rail. These companies and other smaller entities are regular competitors of Navios Logistics in its primary tanker trading areas. Competition is primarily based on prevailing market contract rates, vessel location and vessel manager know-how, reputation and credibility.

Navios Logistics' competitors may be able to offer their customers lower prices, higher quality service and greater name recognition than it does. Accordingly, it may be unable to retain its current customers or to attract new customers.

If Navios Logistics fails to fulfill the oil majors' vetting processes, it could materially adversely affect the employment of its tanker vessels in the spot and period markets, and consequently its results of operations.

While numerous factors are considered and evaluated prior to a commercial decision, the oil majors, through their association, OCIMF, have developed and are implementing two basic tools: (a) the Ship Inspection Report Program (SIRE) and (b) the Tanker Management and Self Assessment (TMSA) program. The former is a ship inspection based upon a thorough Vessel Inspection Questionnaire and performed by OCIMF-accredited inspectors, resulting in a report being logged on SIRE. The report is an important element of the ship evaluation undertaken by any oil major when a commercial need exists.

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Based upon commercial needs, there are three levels of assessment used by the oil majors: (a) terminal use, which will clear a vessel to call at one of the oil major's terminals, (b) voyage charter, which will clear the vessel for a single voyage and (c) term charter, which will clear the vessel for use for an extended period of time. While for terminal use and voyage charter relationships, a ship inspection and the operator's TMSA will be sufficient for the evaluation to be undertaken, a term charter relationship also requires a thorough office audit. An operator's request for such an audit is by no means a guarantee one will be performed; it will take a long record of proven excellent safety and environmental protection on the operator's part as well as high commercial interest on the part of the oil major to have an office audit performed. If Navios Logistics fails to clear the vetting processes of the oil majors, it could have a material adverse effect on the employment of its vessels, and, consequently, on its results of operations.

Navios Logistics may employ its fleet on the spot market and thus expose itself to risk of losses based on short-term decreases in shipping rates.

Navios Logistics periodically employs some of its fleet on a spot basis. As of December 31, 2011, 63% of its cabotage fleet and 73% of its barge fleet on a dwt tons basis was employed under time charter or COA contracts. The remaining percentage of its barge and cabotage fleet was employed in the spot market. The spot charter market can be competitive and freight rates within this market may be volatile with the timing and amount of fluctuations in spot rates being difficult to determine. Longer-term contracts provide income at pre-determined rates over more extended periods of time. The cycles in its target markets have not yet been clearly determined but Navios Logistics expects them to exhibit significant volatility as the South American markets mature. Navios Logistics cannot assure you that it will be successful in keeping its fleet fully employed in these short-term markets, or that future spot rates will be sufficient to enable such fleet to be operated profitably. A significant decrease in spot market rates or its inability to fully employ its fleet by taking advantage of the spot market would result in a reduction of the incremental revenue received from spot chartering and could materially adversely affect its results of operations, and operating cash flow.

Navios Logistics does not carry any strike insurance. As a result, if Navios Logistics were to become subject to a labor strike, it may incur uninsured losses, which could have a material adverse effect on its results of operations.

Navios Logistics does not currently maintain any strike insurance. As a result, if the crew of its vessels were to initiate a labor strike, Navios Logistics could incur uninsured liabilities and losses as a result. There can be no guarantee that Navios Logistics will be able to obtain additional insurance coverage in the future, and even if Navios Logistics is able to obtain additional coverage, it may not carry sufficient insurance coverage to satisfy potential claims. Should uninsured losses occur, it could have a material adverse effect on its results of operations.

Certain of Navios Logistics' directors, officers, and principal stockholders are affiliated with entities engaged in business activities similar to those conducted by Navios Logistics which may compete directly with it, causing such persons to have conflicts of interest.

Some of Navios Logistics' directors, officers and principal stockholders have affiliations with entities that have similar business activities to those conducted by Navios Logistics. Navios Logistics' controlling stockholder, Navios Holdings, is a global, vertically integrated seaborne shipping and logistics company which operates numerous businesses focused on the transport and transshipment of drybulk commodities including iron ore, coal and grain. In addition, certain of Navios Logistics' directors are also directors of shipping companies and they may enter similar businesses in the future. These other affiliations and business activities may give rise to certain conflicts of interest in the course of such individuals' affiliation with Navios Logistics. Although Navios Logistics does not prevent its directors, officers and principal stockholders from having such affiliations, Navios Logistics uses its best efforts to cause such individuals to comply with all applicable laws and regulations in addressing such conflicts of interest. Navios Logistics' officers and employee directors devote their full time and attention to its ongoing operations, and its non-employee directors devote such time as is necessary and required to satisfy their duties as directors of a company.

Navios Logistics' success depends upon its management team and other employees, and if it is unable to attract and retain key management personnel and other employees, its results of operations may be negatively impacted.

Navios Logistics' success depends to a significant extent upon the abilities and efforts of its management team and its ability to retain them. In particular, many members of its senior management team, including its Chairman, its Chief Executive Officer, its Chief Financial Officer, its Chief Operating Officers and its Chief Commercial Officer, have extensive experience in the logistics and shipping industries. If Navios Logistics was to lose its services for any reason, it is not clear whether any available replacements would be able to manage its operations as effectively. The loss of any of the members of its management team could impair Navios Logistics' ability to identify and secure vessel contracts, to maintain good customer relations and to otherwise manage its business, which could have a material adverse effect on its financial performance and its ability to compete. Navios Logistics does not maintain key man insurance on any of its officers. Further, the efficient and safe operation of its fleet and ports requires skilled and experienced crew members and employees. Difficulty in hiring and retaining such crew members and employees could adversely affect its results of operations.

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One of Navios Logistics subsidiaries, Hidronave S.A., is a joint venture and Navios Logistics is party to a joint venture agreement that contains a non-compete provision which could affect its ability to engage in certain business opportunities or expand its operations.

Navios Logistics is party to a joint venture agreement that contains a non-compete provision. This provision restricts Navios Logistics, along with its joint venture partners, from engaging in certain businesses in specified locations which could be in competition with any part of the business of the joint venture. As a result of this non-compete provision, Navios Logistics could be prevented from engaging in certain business opportunities that it would otherwise undertake.

There can be no assurance that the non-compete provision in its joint venture agreement will be adequate to deter its joint venture partners from competing with its joint venture or other businesses. In addition, litigation to enforce its rights under a non-compete provision could result in substantial cost and divert its management's time and effort.

Prior to the consummation of the exchange offer for the Logistics Senior Notes, Navios Logistics was not subject to the reporting requirements of the Exchange Act, and its accounting and other management systems and resources may not be adequately prepared to meet the financial reporting and other requirements to which it will be subject going forward. If Navios Logistics is unable to achieve and maintain effective internal controls, its business, financial position and results of operations could be materially adversely affected.

Navios Logistics is now directly subject to certain laws and regulations, public reporting requirements, and certain corporate governance provisions of the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act), and certain securities laws and regulations of the SEC. For example, Navios Logistics is now required to design, evaluate and maintain a system of internal control over financial reporting in compliance with the requirements of Section 404 of the Sarbanes-Oxley Act and related rules and regulations of the SEC and the Public Company Accounting Oversight Board, which will require annual management assessments of the effectiveness of Navios Logistics' internal control over financial reporting. Its internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. These reporting and other obligations place significant demands on Navios Logistics' management and administrative and operational resources, including accounting resources. Complying with these statutes, regulations and requirements will increase its general and administrative costs as a result of higher expenses associated with audit work, regulatory requirements and the establishment and maintenance of heightened corporate governance practices. Navios Logistics estimates such additional costs could range from approximately \$0.8 million to \$1.0 million on an annualized basis. The incurrence of such additional expense could have a negative effect on its business, results of operations or financial condition.

To comply with these requirements, it is anticipated that Navios Logistics will need to upgrade its systems, including information technology, implement additional financial and management controls, reporting systems and procedures and hire additional legal, accounting and finance staff. If Navios Logistics is unable to upgrade its financial and management controls, reporting systems, information technology and procedures in a timely and effective fashion, its ability to comply with its financial reporting requirements and other rules that apply to reporting companies could be impaired and it may be subject to regulatory sanctions or investigations. In addition, if Navios Logistics is unable to conclude that its internal control over financial reporting is effective (or if the auditors are unable to express an opinion on the effectiveness of its internal controls), it could lose investor confidence in the accuracy and completeness of its financial reports.

Risks Relating to Argentina

Argentine government actions concerning the economy, including decisions with respect to inflation, interest rates, price controls, foreign exchange controls, wages and taxes, restrictions on production, imports and exports, have had and could continue to have a material adverse effect on Navios Logistics. Navios Logistics cannot provide any assurance that future economic, social and political developments in Argentina, over which it has no control, will not impair its business, financial condition or results of operations, the guarantors or the market price of the senior notes.

The continuing rise in inflation may have material adverse effects on the Argentine economy.

After several years of price stability under the convertibility regime, which established a fixed exchange rate of one U.S. dollar per one Argentine peso, the formal devaluation of the Argentine peso in January 2002 created pressures on the domestic prices system that generated high inflation in 2002, before substantially stabilizing in 2003. In 2004, the inflation rate (as measured by changes in the consumer price index, or CPI) reached 6.1% and in 2005 reached 12.3% according to data published by the *Instituto Nacional de Estadísticas y Censos*, or INDEC. The rate of inflation, according to data published by INDEC, decreased to 9.8% in 2006, in part due to several actions implemented by the Argentine government to control inflation and monitor prices for most relevant goods and services, which included price support arrangements agreed to by the Argentine government and private sector companies in several industries and markets. In 2007, 2008, 2009, 2010 and 2011, the

inflation rate year-on-year, according to INDEC data, was 8.5%, 7.2%, 7.7%, 10.9% and 9.5%, respectively.

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A return to a high inflation economy could undermine Argentina's cost competitiveness abroad if not offset by an Argentine peso devaluation, while also negatively affecting the economy's activity and employment levels. Uncertainty about future inflation may contribute to slow the economic activity level by reducing the economy's growth. Argentine inflation rate volatility makes it impossible to estimate with reasonable certainty the extent to which activity levels and results of operations of Navios Logistics' Argentine subsidiaries could be affected by inflation in the future.

The Argentine Central Bank has imposed restrictions on the transfer of funds outside of Argentina and other exchange controls in the past and may do so in the future, which could prevent Navios Logistics' Argentine subsidiaries from transferring funds for the payment of the senior notes or the related guarantees.

In 2001 and the first half of 2002, Argentina experienced a massive withdrawal of deposits from the Argentine financial system in a short period of time, as depositors lost confidence in the Argentine government's ability to repay its foreign debt, its domestic debt and to maintain the convertibility regime. This precipitated a liquidity crisis within the Argentine financial system, which prompted the Argentine government to impose exchange controls and restrictions on the ability of depositors to withdraw their deposits.

Furthermore, in 2001 and 2002 and until February 7, 2003, the Argentine Central Bank restricted Argentine individuals and corporations from transferring U.S. dollars abroad without its prior approval. In 2003 and 2004, the government reduced some of these restrictions, including those requiring the Argentine Central Bank's prior authorization for the transfer of funds abroad in order to pay principal and interest on debt obligations. Nevertheless, significant government controls and restrictions remain in place. Increasingly during 2008 and into 2009, the Argentine government has been imposing new restrictions on foreign exchange outflows, including through certain transactions on securities traded locally. Additionally, the Argentine federal tax authority has recently imposed new restrictions and limitations on the purchase of foreign currency. The existing controls and restrictions, and any additional restrictions of this kind that may be imposed in the future, could impair Navios Logistics' ability to transfer funds generated by its Argentine operations in U.S. dollars outside Argentina to Navios Logistics for the payment of Navios Logistics' indebtedness. In addition, the above restrictions and requirements, and any other restrictions or requirements that may be imposed in the future, expose Navios Logistics to the risk of losses arising from fluctuations in the exchange rate of the Argentine peso.

The Argentine government has made certain changes to its tax rules that affect Navios Logistics' operations in Argentina and could further increase the fiscal burden on its operations in Argentina in the future.

Since 1992, the Argentine government has not permitted the application of an inflation adjustment on the value of fixed assets for tax purposes. Since the substantial devaluation of the Argentine peso in 2002, the amounts that the Argentine tax authorities permit Navios Logistics to deduct as depreciation for its past investments in plant, property and equipment have been substantially reduced, resulting in a higher effective income tax charge. If the Argentine government continues to increase the tax burden on Navios Logistics' operations in Argentina, its results of operations and financial condition could be materially and adversely affected.

Risks Relating to Uruguayan Free Zone Regulation

Certain of Navios Logistics' subsidiaries in Uruguay are operating as direct free trade zone users under an agreement with the Free Zone Division of the Uruguayan General Directorate of Commerce allowing them to operate in isolated public and private areas within national borders and to enjoy tax exemptions and other benefits, such as a generic exemption on present and future national taxes including the Industrial and Commercial Income Tax, Value-Added Tax, Wealth Tax, Foreign Exchange Tax, and Tax on Bank Assets. Other benefits that Navios Logistics' subsidiaries enjoy are simplified corporate law provisions, the ability to negotiate preferential public utility rates with government agencies and government guarantees of maintenance of such benefits and tax exemptions. Free trade zone users are also exempt from tariffs on the import and export of goods and services between the free trade zone and countries outside of Uruguay. However, Navios Logistics' subsidiaries may lose all the tax benefits granted to them if they breach or fail to comply with the free trade zone contracts or framework, including exceeding the 25% limit on non-Uruguayan employees or engaging in industrial, commercial or service activities outside of a free trade zone in Uruguay. In this case, Navios Logistics' subsidiaries may continue with their operations from the free zone, but under a different tax regime.

Other Risks Relating to the Countries in which Navios Logistics Operates

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

Navios Logistics is an international company and conducts all of its operations outside of the United States, and expects to continue doing so for the foreseeable future. These operations are performed in countries that are historically less developed and stable than the United States, such as Argentina, Brazil, Bolivia, Paraguay and Uruguay.

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Some of the other risks Navios Logistics is generally exposed to through its operations in emerging markets include among others:

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

recessions in economies of countries in which Navios Logistics has business operations;

frequent government interventions into the country's economy, including changes to monetary, fiscal and credit policy;

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

the modification of its status or the rules and regulations relating to the international tax-free trade zone in which Navios Logistics operates its dry port;

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

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

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

difficulties and costs of staffing and managing its foreign operations;

compliance with anti-bribery laws; and

acts of terrorism.

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

Navios Logistics' business in emerging markets requires it to respond to rapid changes in market conditions in these countries. Navios Logistics' overall success in international markets depends, in part, upon its ability to succeed in different legal, regulatory, economic, social and political conditions. Navios Logistics may not continue to succeed in developing and implementing policies and strategies that will be effective in each location where it does business. Furthermore, the occurrence of any of the foregoing factors may have a material adverse effect on its business and results of operations.

With respect to Argentina, the Argentine economy has experienced significant volatility in recent decades. Although general economic conditions in Argentina have recovered significantly during recent years, there is uncertainty as to whether this growth is sustainable. The global economic crisis of 2008 led to a sudden economic decline, accompanied by political and social unrest, inflationary and Argentine Peso depreciation pressures and lack of consumer and investor confidence. Future government policies to pre-empt, or in response to, social unrest may include expropriation, nationalization, forced renegotiation or modification of existing contracts, suspension of the enforcement of creditors

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rights, new taxation policies, and changes in laws and policies affecting foreign trade. Such policies could destabilize the country and adversely and materially affect the Argentine economy, and thereby Navios Logistics' business, results of operations and financial condition.

Argentina has very limited access to foreign financing resulting from a default, several restructurings, and a series of payment suspensions over the past decade. Due to the lack of access to the international capital markets, the Argentine government continues to use the Argentine Central Bank's foreign-currency reserves for the payment of Argentina's current debt, the reduction of which may weaken Argentina's ability to overcome economic deterioration in the future. Without access to international private financing, Argentina may not be able to finance its obligations, and financing from multilateral financial institutions may be limited or not available. This could also inhibit the ability of the Argentine Central Bank to adopt measures to curb inflation and could materially adversely affect Argentina's economic growth and public finances.

With respect to Brazil, the Brazilian economy has experienced significant volatility in recent decades, characterized by periods of low or negative growth, high and variable levels of inflation and currency devaluation. Historically, Brazil's political situation has influenced the performance of the Brazilian economy, and political crises have affected the confidence of investors and the general public. Future developments in policies of the Brazilian government and/or the uncertainty of whether and when such policies and regulations may be implemented, all of which are beyond Navios Logistics' control, could have a material adverse effect on it. Additionally, the Brazilian government frequently implements changes to the Brazilian tax regime, including changes in prevailing tax rates and the imposition of temporary taxes, which may affect Navios Logistics.

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The governments of Argentina, Bolivia, Brazil, Paraguay and Uruguay have entered into a treaty that commits each of them to participate in a regional initiative to integrate the region's economies. There is no guarantee that such an initiative will be successful or that each of the governments involved in the initiative will follow through on its intentions to participate and if such regional initiative is unsuccessful, it could have a material adverse impact on Navios Logistics' results of operations.

The governments of Argentina, Bolivia, Brazil, Paraguay and Uruguay have entered into a treaty that commits each of them to participate in a regional initiative to integrate the region's economies, a central component of which is water transportation in the Hidrovia. Although Navios Logistics believes that this regional initiative of expanding navigation on the Hidrovia river system will result in significant economic benefits, there is no guarantee that such an initiative will ultimately be successful, that each country will follow through on its intention to participate, or that the benefits of this initiative will match its expectations of continuing growth in the Hidrovia or reducing transportation costs. If the regional initiative is unsuccessful, its results of operations could be materially and adversely affected.

Changes in rules and regulations with respect to cabotage or their interpretation in the markets in which Navios Logistics operates could have a material adverse effect on its results of operations.

In the markets in which Navios Logistics currently operates, in cabotage or regional trades, it is subject to restrictive rules and regulations on a region by region basis. Navios Logistics' operations currently benefit from these rules and regulations or their interpretation. For instance, preferential treatment is extended in Argentine cabotage for Argentine flagged vessels or foreign flagged vessels operated by local established operators with sufficient Argentine tonnage under one to three years' licenses, including Navios Logistics' Argentine cabotage vessels. Changes in cabotage rules and regulations or in their interpretation may have an adverse effect on Navios Logistics' current or future cabotage operations, either by becoming more restrictive (which could result in limitations to the utilization of some of its vessels in those trades) or less restrictive (which could result in increased competition in these markets).

Because Navios Logistics generates the majority of its revenues in U.S. dollars but incurs a significant portion of its expenses in other currencies, exchange rate fluctuations could cause Navios Logistics to suffer exchange rate losses, thereby increasing expenses and reducing income.

Navios Logistics engages in regional commerce with a variety of entities. Although Navios Logistics' operations expose it to certain levels of foreign currency risk, its revenues are predominantly U.S. dollar-denominated at the present. Additionally, Navios Logistics' South American subsidiaries transact certain operations in Uruguayan pesos, Paraguayan guarannies, Argentinean pesos and Brazilian reals; however, all of the subsidiaries' primary cash flows are U.S. dollar-denominated. Currencies in Argentina and Brazil have fluctuated significantly against the U.S. dollar in the past. As of December 31, 2011 and 2010, approximately 48.5% and 50.4%, respectively, of Navios Logistics' expenses were incurred in currencies other than the U.S. dollar. Transactions in currencies other than the functional currency are translated at the exchange rate in effect at the date of each transaction. Expenses incurred in foreign currencies against which the U.S. dollar falls in value can increase, thereby decreasing Navios Logistics' income. A greater percentage of its transactions and expenses in the future may be denominated in currencies other than the U.S. dollar. As part of its overall risk management policy, Navios Logistics may attempt to hedge these risks in exchange rate fluctuations from time to time but cannot guarantee it will be successful in these hedging activities. Future fluctuations in the value of local currencies relative to the U.S. dollar in the countries in which Navios Logistics operates may occur, and if such fluctuations were to occur in one or a combination of the countries in which Navios Logistics operates, its results of operations or financial condition could be materially adversely affected.

Tax Risks

We may earn United States source income that is subject to tax, thereby adversely affecting our results of operations and cash flows.

Under the U.S. Internal Revenue Code of 1986, or the Code, 50% of gross income attributable to shipping transportation that begins or ends, but that does not both begin and end, in the United States is characterized as U.S. source shipping income. Such income generally will be subject to a 4% U.S. federal income tax without allowance for deduction, unless we qualify for an exemption from such tax under section 883 of the Code. Based on our current plans, we expect that our income from sources within the United States will be international shipping income that qualifies for exemption from United States federal income taxation under section 883 of the Code, and that we will have no other income that will be taxed in the United States. Our ability to qualify for the exemption at any given time will depend upon circumstances related to the ownership of our common stock at such time and thus are beyond our control. Accordingly, we can give no assurance that we would qualify for the exemption under Section 883 with respect to any such income we earn. If Navios Holdings' vessel-owning subsidiaries were not entitled to the benefit of section 883 of the Code, they would be subject to United States taxation on a portion of their income. As a result, depending on the trading patterns of our vessels, we could become liable for tax, and our net income and cash flow could be adversely affected.

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We may be taxed as a United States corporation.

The purchase by International Shipping Enterprises Inc. (ISE), our predecessor, of all of the outstanding shares of common stock of Navios Holdings, and the subsequent downstream merger of ISE with and into Navios Holdings took place on August 25, 2005. Navios Holdings is incorporated under the laws of the Republic of the Marshall Islands. ISE received an opinion from its counsel for the merger transaction that, while there is no direct authority that governs the tax treatment of the transaction, it was more likely than not that Navios Holdings would be taxed by the United States as a foreign corporation. Accordingly, we take the position that we will be taxed as a foreign corporation by the United States. If Navios Holdings is taxed as a U.S. corporation in the future, its taxes will be significantly higher than they are currently.

A change in tax laws, treaties or regulations, or their interpretation, of any country in which we operate our business could result in a high tax rate on our worldwide earnings, which could result in a significant negative impact on our earnings and cash flows from operations.

We are an international company that conducts business throughout the world. Tax laws and regulations are highly complex and subject to interpretation. Consequently, we are subject to changing tax laws, treaties and regulations in and between countries in which we operate. Our income tax expense is based upon our interpretation of tax laws in effect in various countries at the time that the expense was incurred. A change in these tax laws, treaties or regulations, or in the interpretation thereof, or in the valuation of our deferred tax assets, could result in a materially higher tax expense or a higher effective tax rate on our worldwide earnings, and such change could be significant to our financial results. If any tax authority successfully challenges our operational structure, intercompany pricing policies or the taxable presence of our key subsidiaries in certain countries, or if the terms of certain income tax treaties are interpreted in a manner that is adverse to our structure, or if we lose a material tax dispute in any country, our effective tax rate on our worldwide earnings from our operations could increase substantially and our earnings and cash flows from these operations could be materially adversely affected.

We and our subsidiaries may be subject to taxation in the jurisdictions in which we and our subsidiaries conduct business. Such taxation would result in decreased earnings available to our stockholders.

Investors are encouraged to consult their own tax advisors concerning the overall tax consequences of the ownership of our common stock arising in an investor's particular situation under U.S. federal, state, local and foreign law.

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

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

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

There is substantial legal authority supporting this position consisting of case law and U.S. Internal Revenue Service, or IRS, pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, it should be noted that there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes. Accordingly, no assurance can be given that the IRS or a court of law will accept this position, and there is a risk that the IRS or a court of law could determine that we are a PFIC. Moreover, no assurance can be given that we would not constitute a PFIC for any future taxable year if the nature and extent of our operations changed.

If the IRS were to find that we are or have been a PFIC for any taxable year, our U.S. stockholders would face adverse U.S. federal income tax consequences and certain information reporting requirements. Under the PFIC rules, unless those stockholders make an election available under the Code (which election could itself have adverse consequences for such stockholders), such stockholders would be liable to pay U.S. federal

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income tax at the then prevailing income tax rates on ordinary income plus interest upon excess distributions and upon any gain from the disposition of their shares of common stock, as if the excess distribution or gain had been recognized ratably over the stockholder's holding period of the common stock. See [Federal Income Tax Consequences](#) [U.S. Federal Income Tax Considerations](#) [U.S. Federal Income Taxation of U.S. Holders](#) [Tax Treatment of Common Stock](#) for a more comprehensive discussion of the U.S. federal income tax consequences to U.S. stockholders if we are treated as a PFIC.

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The preferential tax rates applicable to qualified dividend income are temporary, and the enactment of proposed legislation could affect whether dividends paid by us constitute qualified dividend income eligible for the preferential rate.

Certain of our distributions may be treated as qualified dividend income eligible for preferential rates of U.S. federal income tax to non-corporate U.S. stockholders. In the absence of legislation extending the term for these preferential tax rates, all dividends received by such U.S. taxpayers in tax years beginning on January 1, 2013 or later will be taxed at graduated tax rates applicable to ordinary income.

In addition, legislation has been previously proposed in the U.S. Congress that would, if enacted, deny the preferential rate of U.S. federal income tax currently imposed on qualified dividend income with respect to dividends received from a non-U.S. corporation if the non-U.S. corporation is created or organized under the laws of a jurisdiction that does not have a comprehensive income tax system. Because the Marshall Islands imposes only limited taxes on entities organized under its laws, it is likely that if this legislation were enacted, the preferential tax rates of federal income tax may no longer be applicable to distributions received from us. As of the date of this annual report, it is not possible to predict with certainty whether this proposed legislation will be enacted.

Item 4. Information on the Company

A. History and Development of the Company

The legal and commercial name of the Company is Navios Maritime Holdings Inc. The Company's office and principal place of business is located at 85 Akti Miaouli Street, Piraeus, Greece 185 38, and its telephone number is (011) +30-210-4595000. The Company is a corporation incorporated under the BCA and the laws of the Republic of the Marshall Islands. Trust Company of the Marshall Islands, Inc. serves as the Company's agent for service of process, and the Company's registered address and telephone number, as well as address and telephone number of its agent for service of process, is Trust Company Complex, Ajeltake Island P.O. Box 1405, Majuro, Marshall Islands MH96960.

On August 25, 2005, pursuant to a Stock Purchase Agreement dated February 28, 2005, as amended, by and among ISE, 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 continued to be Navios Maritime Holdings Inc. The Company publicly files its reports with the SEC under the rules of Foreign Private Issuers.

The Company operates a fleet of owned Capesize, Panamax and Ultra Handymax vessels and a fleet of time chartered Capesize, Panamax, Ultra Handymax and Handysize vessels that are employed to provide worldwide transportation of bulk commodities. Navios Holdings is a global, vertically integrated seaborne shipping and logistics company focused on the transport and transshipment of drybulk commodities including iron ore, coal and grain. For over 50 years, Navios Holdings has had in-house technical ship management expertise that has worked with producers of raw materials, agricultural traders and exporters, industrial end-users, ship owners and charterers.

Navios Partners

Navios Partners is engaged in the seaborne transportation services of a wide range of drybulk commodities including iron ore, coal, grain and fertilizer, chartering its vessels under medium to long-term charters.

On August 7, 2007, Navios Holdings formed Navios Partners under the laws of Marshall Islands. Navios GP L.L.C., or the 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.

In connection with the initial public offering, or IPO, of Navios Partners, on November 16, 2007, Navios Holdings sold the interests of five of its wholly owned subsidiaries, each of which owned a Panamax drybulk carrier, as well as interests of three of its wholly owned subsidiaries that operated and had options to purchase three additional vessels in exchange for: (a) all of the net proceeds from the sale of an aggregate of 10,500,000 common units in the IPO and to a corporation owned by Navios Partners' Chairman and CEO for a total amount of \$193.3 million, plus; (b) \$160.0 million of the \$165.0 million of borrowings under Navios Partners' revolving credit facility; (c) 7,621,843 subordinated units issued to Navios Holdings; and (d) a 2% general partner interest and all incentive distribution rights in Navios Partners to the General Partner.

On or prior to the closing of the IPO, Navios Holdings entered into certain agreements with Navios Partners: (a) a management agreement with Navios Partners pursuant to which Navios ShipManagement Inc., or the Manager, a wholly owned subsidiary of Navios Holdings, provides Navios Partners with commercial and technical management services; (b) an administrative services agreement with the Manager pursuant to

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which the Manager provides Navios Partners administrative services; and (c) an omnibus agreement with Navios Partners, governing, among other things, when Navios Partners and Navios Holdings may compete against each other as well as rights of first offer on certain drybulk carriers.

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Since the formation of Navios Partners, Navios Holdings sold in total nine vessels to Navios Partners (the Navios Hope, the Navios Apollon, the Navios Hyperion, the Navios Aurora II, the Navios Fulvia, the Navios Melodia, the Navios Pollux, the Navios Luz and the Navios Orbiter) and also sold the rights of Navios Sagittarius to Navios Partners. All vessels were sold in exchange of cash and 5,601,920 common units of Navios Partners in total. As of December 31, 2011, 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 (plus 360,400 over-allotment units in October 2009); (c) 4,000,000 common units in November 2009; (d) 3,500,000 common units (plus 525,000 over-allotment units) in February 2010; (e) 4,500,000 common units (plus 675,000 over-allotment units) in May 2010; (f) 5,500,000 common units (plus 825,000 over-allotment units) in October 2010; (g) 4,000,000 common units (plus 600,000 over-allotment units) in April 2011 and including a 2% GP interest, which are accounted for under the equity method, Navios Holdings' interest in Navios Partners was 27.1%.

Navios Logistics

Navios Logistics is one of the largest logistics companies in the Hidrovia region of South America, serving the storage and marine transportation needs of its customers through two port storage and transfer facilities, one for grain commodities and the other for refined petroleum products, and a diverse fleet consisting of vessels, barges and pushboats.

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 contingent consideration) of its outstanding stock. Navios Logistics acquired all ownership interests in the Horamar Group (Horamar) in exchange for: (a) \$112.2 million in cash, of which \$5.0 million was kept in escrow and 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 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, \$2.5 million 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. On June 17, 2010, \$2.5 million in cash and the 504 shares remaining in escrow were released from escrow to the former shareholders of Horamar upon the achievement of the EBITDA target threshold. As of December 31, 2011, Navios Holdings owned 63.8% of Navios Logistics.

Navios Acquisition

Navios Acquisition is an owner and operator of tanker vessels focusing in the transportation of petroleum products (clean and dirty) and bulk liquid chemicals.

On July 1, 2008, Navios Holdings completed the initial public offering, or IPO, of its former subsidiary, Navios Acquisition. At the time of the IPO, Navios Acquisition was a blank check company. In the offering, Navios Acquisition sold 25,300,000 units for an aggregate purchase price of \$253.0 million. Each unit consisted of one share of Navios Acquisition's common stock and one warrant. 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. 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 May 25, 2010, after its special meeting of stockholders, Navios Acquisition announced the approval of (a) the acquisition from Navios Holdings of 13 vessels (11 product tankers and two chemical tankers plus options to purchase two additional product tankers) (the Initial Acquisition) for an aggregate purchase price of \$457.7 million, of which \$128.7 million was to be paid from existing cash and the \$329.0 million balance was to be paid with existing and new debt financing pursuant to the terms and conditions of the Acquisition Agreement by and between Navios Acquisition and Navios Holdings (the Acquisition Agreement) and (b) certain amendments to Navios Acquisition's amended and restated articles of incorporation.

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, governing, among other things, competition and rights of first offer on certain types of vessels and businesses.

Navios Holdings purchased 6,337,551 shares of Navios Acquisition's common stock for \$63.2 million in open market purchases. On May 28, 2010, certain shareholders of Navios Acquisition redeemed 10,021,399 shares pursuant to redemption rights granted in the IPO upon de-SPAC-ing and Navios Holdings' ownership of Navios Acquisition increased to 57.3%. As of May 28, 2010, following these transactions, Navios Holdings owned 12,372,551 shares of the outstanding common stock of Navios Acquisition. On that date, Navios Holdings acquired control over Navios Acquisition, and consequently concluded a business combination had occurred and consolidated the results of Navios

Acquisition from that date until March 30, 2011.

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On September 2, 2010, Navios Acquisition completed its warrant exercise program (the "Warrant Program"). Under the Warrant Program, holders of Navios Acquisition's publicly traded awards ("Public Warrants") had the opportunity to exercise the public warrants on enhanced terms through August 27, 2010. Navios Holdings exercised in cash 13,635,000 private warrants and paid \$77.0 million. Navios Holdings currently holds no other warrants of Navios Acquisition.

On November 19, 2010, Navios Acquisition completed the public offering of 6,500,000 shares of common stock at \$5.50 per share, raising gross proceeds of approximately \$35.7 million. The net proceeds of this offering, including the underwriting discount of \$1.8 million and excluding offering costs of \$0.6 million were approximately \$34.0 million. Following this transaction, as of December 31, 2010, Navios Holdings owned 26,007,551 shares or 53.7% of the outstanding common stock of Navios Acquisition.

On March 30, 2011, Navios Holdings exchanged 7,676,000 shares of Navios Acquisition common stock it held for 1,000 shares of non-voting Series C preferred stock of Navios Acquisition pursuant to an Exchange Agreement between Navios Acquisition and Navios Holdings ("Navios Acquisition Share Exchange"). The fair value of the exchange was \$30.5 million. Immediately after the Navios Acquisition Share Exchange, Navios Holdings had 45% of the voting power and 53.7% of the economic interest in Navios Acquisition, since the preferred stock is considered, in substance, common stock for accounting purposes.

On March 30, 2011, based on the equity method, Navios Holdings recorded an investment in Navios Acquisition of \$103.3 million, which represents the fair value of the common stock and Series C preferred stock that were held by Navios Holdings on such date. On March 30, 2011, the Company calculated a loss on change in control of \$35.3 million, which is equal to the fair value of the Company's investment in Navios Acquisition of \$103.3 million less the Company's 53.7% interest in Navios Acquisition's net assets on March 30, 2011.

On November 4, 2011, following the return of 217,159 shares to Navios Acquisition and the subsequent cancellation of such shares, Navios Holdings' ownership of the outstanding voting stock of Navios Acquisition increased to 45.24% and its economic interest in Navios Acquisition increased to 53.96%. As of December 31, 2011, Navios Holdings' ownership of the outstanding voting stock of Navios Acquisition was 45.24% and its economic interest in Navios Acquisition was 53.96%.

B. Business overview

Introduction

Navios Holdings is a global, vertically integrated seaborne shipping and logistics company focused on the transport and transshipment of drybulk commodities including iron ore, coal and grain. For over 50 years, Navios Holdings has had an in-house ship management expertise that has worked with producers of raw materials, agricultural traders and exporters, industrial end-users, ship owners, and charterers. Navios Holdings' current core fleet (excluding those of Navios Partners, Navios Logistics and Navios Acquisition), the average age of which is approximately 5.4 years, consists of a total of 57 vessels, aggregating approximately 5.8 million dwt. Navios Holdings owns 11 Capesize vessels (169,000-181,000 dwt), 14 modern Ultra Handymax vessels (50,000-59,000 dwt), five Panamax vessels (75,000-83,000 dwt) and one Handysize vessel. It also time charters-in and operates a fleet of six Ultra Handymax, one Handysize, 11 Panamax, and eight Capesize vessels under long-term time charters, 16 of which are currently in operation, with the remaining 10 scheduled for delivery on various dates through November 2013. Navios Holdings has options to acquire 15 of the 26 time chartered-in vessels (on four of which Navios Holdings holds an initial 50% purchase option).

Navios Holdings also offers commercial and technical management services to Navios Partners' and Navios Acquisition's fleets. Navios Partners' fleet is comprised of 11 Panamax vessels, six Capesize vessels and one Ultra-Handymax vessel. On October 27, 2009, the fixed fee period was extended for two years and the daily fees were amended to \$4,500 per owned Ultra Handymax vessel, \$4,400 per owned Panamax vessel and \$5,500 per owned Capesize vessel. In October 2011, the fixed fee period was further extended until December 31, 2017 and the daily fees were amended to \$4,650 per owned Ultra Handymax vessel, \$4,550 per owned Panamax vessel and \$5,650 per owned Capesize vessel through December 31, 2013. From January 2014 to December 2017, Navios Partners will reimburse Navios Holdings for all of the actual operating costs and expenses in connection with the management of Navios Partners' fleet. Navios Acquisition's fleet is comprised of 29 tankers, of which 15 are currently in operation, and Navios Holdings will receive a daily fee of \$6,000 per owned MR2 product tanker and chemical tanker vessel, \$7,000 per owned LR1 product tanker vessel and \$10,000 per owned VLCC vessel for the first two years with the fixed daily fees adjusted for the remainder of the term based on then-current market fees. For Navios Acquisition, the management fees have been eliminated through the consolidation of Navios Acquisition until March 30, 2011, when Navios Acquisition was deconsolidated.

Navios Logistics is one of the largest logistics companies in the Hidrovia region of South America, serving the storage and marine transportation needs of its customers through its port terminal, river barge and coastal cabotage operations.

Navios Holdings strategy and business model focuses on:

Operation of a high quality, modern fleet. Navios Holdings owns and charters in a modern, high quality fleet, having an average age of approximately 5.4 years that provides numerous operational advantages including more efficient cargo operations, lower insurance and vessel maintenance costs, higher levels of fleet productivity, and an efficient operating cost structure.

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Pursue an appropriate balance between vessel ownership and a long-term chartered-in fleet. Navios Holdings controls, through a combination of vessel ownership and long-term time chartered vessels, approximately 5.8 million dwt in tonnage, making Navios Holdings one of the largest independent drybulk operators in the world. Navios Holdings' ability, through its long-standing relationships with various shipyards and trading houses, to charter-in vessels at favorable rates allows it to control additional shipping capacity without the capital expenditures required by new vessel acquisition. In addition, having purchase options on 15 of the 26 time chartered vessels (including those to be delivered) permits Navios Holdings to determine when is the most commercially opportune time to own or charter-in vessels. Navios Holdings intends to monitor developments in the sales and purchase market to maintain the appropriate balance between owned and long-term time chartered vessels.

Capitalize on Navios Holdings' established reputation. Navios Holdings believes its reputation and commercial relationships enable it to obtain favorable long-term time charters, enter into the freight market and increase its short-term tonnage capacity to complement the capacity of its core fleet, as well as to obtain access to cargo freight opportunities through COA arrangements not readily available to other industry participants. This reputation has also enabled Navios Holdings to obtain favorable vessel acquisition terms as reflected in the purchase options contained in some of its long-term charters.

Utilize industry expertise to take advantage of market volatility. The drybulk shipping market is cyclical and volatile. Navios Holdings uses its experience in the industry, sensitivity to trends, and knowledge and expertise as to risk management and FFAs to hedge against, and in some cases, to generate profit from, such volatility.

Maintain high fleet utilization rates. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the days its vessels are off-hire. At 98.7% as of December 31, 2011, Navios Holdings believes that it has one of the highest fleet utilization rates in the industry.

Maintain customer focus and reputation for service and safety. Navios Holdings is recognized by its customers for the high quality of its service and safety record. Navios Holdings' high standards for performance, reliability, and safety provide Navios Holdings with an advantageous competitive profile.

Enhance vessel utilization and profitability through a mix of spot charters, time charters, and COAs and strategic backhaul and triangulation methods. Specifically, this strategy is implemented as follows:

The operation of voyage charters or spot fixtures for the carriage of a single cargo from load port to discharge port;

The operation of time charters, whereby the vessel is hired out for a predetermined period but without any specification as to voyages to be performed, with the ship owner being responsible for operating costs and the charterer for voyage costs; and

The use of COAs, under which Navios Holdings contracts to carry a given quantity of cargo between certain load and discharge ports within a stipulated time frame, but does not specify in advance which vessels will be used to perform the voyages.

In addition, Navios Holdings attempts, through selecting COAs on what would normally be backhaul or ballast legs, to enhance vessel utilization and, hence, profitability. In such cases, 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 reduces ballast time as a percentage of the round voyage. This strategy is referred to as triangulation.

Navios Holdings is one of relatively few major owners and operators of this type in the drybulk market, and has vast experience in this area. In recent years, it has further raised the commercial sophistication of its business model by using market intelligence derived from its risk management operations and, specifically, its freight derivatives hedging desk, to make more informed decisions regarding the management of its fleet.

Competitive Advantages

Controlling approximately 5.8 million dwt (excluding Navios Logistics and Navios Acquisition) in drybulk tonnage, Navios Holdings is one of the largest independent drybulk operators in the world. Management believes that Navios Holdings occupies a competitive position within the industry in that its reputation in the global drybulk markets permits it to enter into at any time, and take on spot, medium or long-term freight commitments, depending on its view of future market trends. In addition, many of the long-term charter deals that form the core of Navios Holdings' fleet were brought to the attention of Navios Holdings prior to ever being quoted in the open market. Even in the open market, Navios Holdings' solid reputation allows it to take in large amounts of tonnage on a short, medium, or long-term basis on very short notice. This ability is possessed by relatively few ship owners and operators, and is a direct consequence of Navios Holdings' market reputation for reliability in the performance of its obligations in each of its roles as a ship owner, COA operator, and charterer. Navios Holdings, therefore, has much greater flexibility than a traditional ship owner or charterer to quickly go long or short relative to the drybulk markets.

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Navios Holdings' long involvement and reputation for reliability in the Asian Pacific region have also allowed it to develop privileged relationships with many of the largest trading houses in Japan, such as Marubeni Corporation and Mitsui & Co. Through these institutional relationships, Navios Holdings has obtained relatively low-cost, long-term charter-in deals, with options to extend time charters and options to purchase the majority of the vessels. Through its established reputation and relationships, Navios Holdings has had access to opportunities not readily available to most other industry participants who lack Navios Holdings' brand recognition, credibility, and track record.

In addition to its long-standing reputation and flexible business model, management believes that Navios Holdings is well-positioned in the drybulk market on the basis of the following factors:

A high-quality, modern fleet of vessels that provides a variety of operational advantages, such as lower insurance premiums, higher levels of productivity, and efficient operating cost structures, as well as a competitive advantage over owners of older fleets, especially in the time charter market, where age and quality of a vessel are of significant importance in competing for business;

A core fleet which has been chartered-in (some through 2024, assuming minimum available charter extension periods are exercised) on attractive terms that allow Navios Holdings to charter-out the vessels at an attractive spread during strong markets and to weather down cycles in the market while maintaining low operating expenses;

Strong cash flows from creditworthy counterparties;

Strong commercial relationships with both freight customers and Japanese trading houses and ship owners, providing Navios Holdings with access to future attractive long-term time charters on newbuildings with valuable purchase options;

Strong in-house technical management team who oversee every step of technical management, from the construction of the vessels in Japan or Korea to subsequent shipping operations throughout the life of a vessel, including the superintendence of maintenance, repairs and drydocking, providing efficiency and transparency in Navios Holdings' owned fleet operations; and

Visibility into worldwide commodity flows through its physical shipping operations and port terminal operations in South America. Management intends to maintain and build on these qualitative advantages, while at the same time continuing to benefit from Navios Holdings' reputation.

Shipping Operations (excluding Navios Acquisition)

Navios Holdings' Fleet. Navios Holdings controls a core fleet of 31 owned vessels and 26 chartered-in vessels (15 of which have purchase options). The average age of the operating fleet is 5.4 years.

Owned Fleet. Navios Holdings owns and operates a fleet comprised of 14 modern Ultra Handymax vessels, 11 Capesize vessels, three Panamax vessels and one Handysize vessel, whose technical specifications and youth distinguish them in the market, where, approximately 18% of the drybulk world fleet is composed of older than 20 years. Additionally, Navios Holdings owns two Panamax vessels currently under construction, which are scheduled for delivery in the first and second quarter of 2012.

Table of Contents**Owned Vessels**

Vessel Name	Vessel Type	Year Built	Deadweight (in metric tons)
Navios Serenity	Handysize	2011	34,718
Navios Ionian	Ultra Handymax	2000	52,067
Navios Celestial	Ultra Handymax	2009	58,063
Navios Vector	Ultra Handymax	2002	50,296
Navios Horizon	Ultra Handymax	2001	50,346
Navios Herakles	Ultra Handymax	2001	52,061
Navios Achilles	Ultra Handymax	2001	52,063
Navios Meridian	Ultra Handymax	2002	50,316
Navios Mercator	Ultra Handymax	2002	53,553
Navios Arc	Ultra Handymax	2003	53,514
Navios Hios	Ultra Handymax	2003	55,180
Navios Kypros	Ultra Handymax	2003	55,222
Navios Ulysses	Ultra Handymax	2007	55,728
Navios Vega	Ultra Handymax	2009	58,792
Navios Astra	Ultra Handymax	2006	53,468
Navios Magellan	Panamax	2000	74,333
Navios Star	Panamax	2002	76,662
Navios Asteriks	Panamax	2005	76,801
Navios Bonavis	Capesize	2009	180,022
Navios Happiness	Capesize	2009	180,022
Navios Lumen	Capesize	2009	180,661
Navios Stellar	Capesize	2009	169,001
Navios Phoenix	Capesize	2009	180,242
Navios Antares	Capesize	2010	169,059
Navios Buena Ventura	Capesize	2010	179,259
Navios Etoile	Capesize	2010	179,234
Navios Bonheur	Capesize	2010	179,259
Navios Azimuth	Capesize	2011	179,165
Navios Altamira	Capesize	2011	179,169

Owned vessels to be delivered

Vessels	Type	Date	DWT
Navios Centaurus	Panamax	03/2012	81,600
Navios Avior	Panamax	05/2012	81,600

Options to Acquire Vessels

Vessels	Type	Delivery Date	DWT
Navios TBN	Panamax	H2/2013	82,000
Navios TBN	Panamax	H2/2013	82,000
Navios TBN	Panamax	H1/2014	82,000
Navios TBN	Panamax	H1/2014	82,000

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Long-Term Fleet. In addition to the 31 owned vessels, Navios Holdings controls a fleet of eight Capesize, 11 Panamax, six Ultra Handymax, and one Handysize vessels under long-term time charters, having an average age of approximately 4.8 years. Of the 26 chartered-in vessels, 16 are currently in operation and 10 are scheduled for delivery at various times through December 2013, as set forth in the following table:

Long-term Chartered-in Fleet in Operation

Vessel Name	Vessel Type	Year Built	Deadweight (in metric tons)	Purchase Option(1)
Navios Primavera	Ultra Handymax	2007	53,464	Yes
Navios Armonia	Ultra Handymax	2008	55,100	No
Navios Apollon	Ultra Handymax	2000	52,073	No
Navios Orion	Panamax	2005	76,602	No
Navios Titan	Panamax	2005	82,936	No
Navios Altair	Panamax	2006	83,001	No
Navios Esperanza	Panamax	2007	75,356	No
Navios Marco Polo	Panamax	2011	80,647	Yes
Navios Koyo	Capesize	2011	181,415	Yes
Torm Antwerp	Panamax	2008	75,250	Yes
Golden Heiwa	Panamax	2007	76,662	No
Beaufiks	Capesize	2004	180,310	Yes
Rubena N	Capesize	2006	203,233	No
SC Lotta	Capesize	2009	169,056	No
Phoenix Beauty	Capesize	2010	169,150	No
King Ore	Capesize	2010	176,800	No

Long-term Chartered-in Fleet to be Delivered

Vessels	Vessel Type	Delivery Date	Purchase Option	Deadweight (in metric tons)
Navios Lyra	Handysize	09/2012	Yes (2)	34,718
Navios Obeliks	Capesize	07/2012	Yes	180,000
Navios TBN	Capesize	12/2013	Yes	180,000
Navios Oriana	Ultra Handymax	05/2012	Yes	61,000
Navios TBN	Ultra Handymax	05/2013	Yes	61,000
Navios TBN	Ultra Handymax	10/2013	Yes	61,000
Navios TBN	Panamax	01/2013	Yes	82,100
Navios TBN	Panamax	07/2013	Yes (2)	80,500
Navios TBN	Panamax	09/2013	Yes (2)	80,500
Navios TBN	Panamax	11/2013	Yes (2)	80,500

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

(2) The initial 50% purchase option on each vessel is held by Navios Holdings.

Many of Navios Holdings' current long-term chartered-in vessels are chartered from ship owners with whom Navios Holdings has long-standing relationships. Navios Holdings pays these ship owners daily rates of hire for such vessels, and then charters out these vessels to other parties, who pay Navios Holdings a daily rate of hire. Navios Holdings also enters into COAs pursuant to which Navios Holdings has agreed to carry cargoes, typically for industrial customers, who export or import drybulk cargoes. Further, Navios Holdings enters into spot market voyage contracts, where Navios Holdings is paid a rate per ton to carry a specified cargo from point A to point B.

Short-Term Fleet: Navios Holdings' short-term fleet is comprised of Capesize, Panamax and Ultra Handymax vessels chartered-in for duration of less than 12 months. The number of short-term vessels varies from time to time.

Exercise of Vessel Purchase Options

As of December 31, 2011, Navios Holdings executed purchase options comprising of six Ultra Handymax, six Panamax and one Capesize vessels. The Navios Meridian, Navios Mercator, Navios Arc, Navios Galaxy I, Navios Magellan, Navios Horizon, Navios Star, Navios Hyperion, Navios Orbiter, Navios Hope, Navios Fantastiks, Navios Vector and Navios Astra were delivered at various dates from November 30, 2005 until February 21, 2011. The rights to the Navios Fantastiks were sold to Navios Partners on November 15, 2007, while the Navios Hope was sold to Navios Partners on July 1, 2008. Navios Holdings currently has options to acquire five of the 16 chartered-in vessels currently in operation and all of the 10 long-term chartered-in vessels on order (on four of the ten purchase options Navios Holdings holds a 50% initial purchase option).

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Commercial Ship Management: Commercial management of Navios Holdings' fleet involves identifying and negotiating charter party employment for the vessels. In addition to its internal commercial ship management capabilities, Navios Holdings uses the services of a related party, Acropolis Chartering & Shipping Inc., based in Piraeus, as well as numerous third-party charter brokers, to solicit, research, and propose charters for its vessels. Charter brokers research and negotiate with different charterers, and propose charters to Navios Holdings for cargoes suitable for carriage by Navios Holdings' vessels. Navios Holdings then evaluates the employment opportunities available for each type of vessel and arranges cargo and country exclusions, bunkers, loading and discharging conditions, and demurrage.

Technical Ship Management: The technical management of Navios Holdings' owned vessels is conducted out of its Piraeus, Greece office. Navios Holdings provides, through its subsidiaries, Navios ShipManagement Inc. and Navios Tankers Management Inc., technical ship management and maintenance services to its owned vessels and has also provided such services to Navios Partners' and Navios Acquisition's vessels under the terms of the management agreements between the parties. Based in Piraeus, Greece, this operation is run by experienced professionals who oversee every step of technical management, from the construction of the vessels in Japan and Korea to subsequent shipping operations throughout the life of a vessel, including the superintendence of maintenance, repairs and drydocking.

Operation of the fleet: The operations departments, which are located in Greece and Belgium, supervise the post-fixture business of the vessels in Navios Holdings' fleet (i.e., once the vessel is chartered and being employed) by monitoring their daily positions to ensure that the terms and conditions of the charters are being fulfilled.

Financial Risk Management: Navios Holdings actively engages in assessing financial risks associated with fluctuating future freight rates, daily time charter hire rates, fuel prices, credit risks, interest rates and foreign exchange rates. Financial risk management is carried out under policies approved and guidelines established by the Company's executive management.

Freight Rate Risk. Navios Holdings uses FFAs to manage and mitigate its risk to its freight market exposures in shipping capacity and freight commitments and respond to fluctuations in the drybulk shipping market by augmenting its overall long or short position. These FFAs settle monthly in cash on the basis of publicly quoted indices, not physical delivery. These instruments typically cover periods from one month to one year, and are based on time charter rates or freight rates on specific quoted routes. Navios Holdings enters into these FFAs through over-the-counter transactions and over NOS ASA, a Norwegian clearing house, and LCH, the London Clearing House. Navios Holdings' FFA trading personnel work closely with the chartering group to ensure that the most up-to-date information is incorporated into the company's commercial ship management strategy and policies. See Risk Factors - Risks Associated with the Shipping Industry and Our Operations - Trading and complementary hedging activities in freight, tonnage and FFAs subject us to trading risks, and we may suffer trading losses which could adversely affect our financial condition and results of operations - for additional detail on the financial implications, and risks of our use of FFAs.

Credit Risk. Navios Holdings closely monitors its credit exposure to charterers and FFAs counterparties. Navios Holdings has established policies designed to ensure that contracts are entered into with counterparties that have appropriate credit history. Counterparties and cash transactions are limited to high credit quality collateralized corporations and financial institutions. Most importantly, Navios Holdings has strict guidelines and policies that are designed to limit the amount of credit exposure. We have insured our charter-out contracts through a AA rated governmental agency of a European Union member state, which provides that if the charterer goes into payment default, the insurer will reimburse us for the charter payments under the terms of the policy (subject to applicable deductibles and other customary limitations for such insurance).

Interest Rate Risk. Navios Holdings uses from time to time interest rate swap agreements to reduce exposure to fluctuations in interest rates. These instruments allow Navios Holdings to raise long-term borrowings at floating rates and swap them into fixed rates. Although these instruments are intended to minimize the anticipated financing costs and maximize gains for Navios Holdings that may be set off against interest expense, they may also result in losses, which would increase financing costs. Currently, Navios Holdings holds no interest rate swap contracts. See Note 12 to the audited consolidated financial statements of Navios Holdings for the year ended December 31, 2011, included elsewhere in this document. See also item 11 - Quantitative and Qualitative Disclosure about Market Risks - Interest Rate Risk.

Foreign Exchange Risk. Although Navios Holdings' revenues are U.S. dollar-based, 19.4% of its expenses, related to its Navios Logistics segment, are in Uruguayan pesos, Argentinean pesos, Paraguayan Guaranies and Brazilian Reales and 6.5% of its expenses related to

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operation of its Piraeus and Belgian office, are in Euros. Navios Holdings monitors its Euro, Argentinean Peso, Uruguayan Peso, Paraguayan Guarani and Brazilian Real exposure against long-term currency forecasts and enters into foreign currency contracts when considered appropriate.

Customers

Drybulk Vessel Operations

The international drybulk shipping industry is highly fragmented and, as a result, there are numerous charterers. Navios Holdings' assessment of a charterer's financial condition and reliability is an important factor in negotiating employment of its vessels. Navios Holdings generally charters its vessels to major trading houses (including commodities traders), major producers and government-owned entities. Navios Holdings customers under charter parties, COAs, and its counterparties under FFAs, include national, regional and international companies, such as Oldendorff Carriers GmbH & Co, Cargill International SA, COSCO Bulk Carriers Ltd., Hanjin Shipping Corporation,

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Mitsui O.S.K. Lines Ltd., GIIC, Sabic, C. Transport, Global Maritime Investments and Mansel Ltd. . For the years ended December 31, 2011 and 2010, none of the customers accounted for more than 10% of the Company's revenue. For the year ended December 31, 2009, one customer accounted for 13.2% of the Company's revenue.

Logistics Business Operations

Navios Logistics is one of the largest logistics companies in the Hidrovia region of South America, focusing on the Hidrovia region river system, the main navigable river system in the region, and on cabotage trades along the eastern coast of South America. Navios Logistics serves the storage and marine transportation needs of its customers through its port terminal, river barge and coastal cabotage operations. Navios Logistics is focused on providing its customers integrated transportation, storage and related services through its port facilities, its large, versatile fleet of dry and liquid cargo barges and its product tankers. Navios Logistics serves the needs of a number of growing South American industries, including mineral and grain commodity providers as well as users of refined petroleum products.

Navios Logistics has a diverse customer base including global petroleum, agricultural and mining companies. Its customers include affiliates of Archer Daniels Midland Company (ADM), Bunge Limited (Bunge), Cargill, Incorporated (Cargill), Exxon Mobil Corporation (Esso), Glencore International AG (Glencore), Louis Dreyfus SAS (Louis Dreyfus), Petroleo Brasileiro S.A. (Petrobras), Petropar SA (Petropar) (the national oil company of Paraguay), Repsol YPF S.A. (Repsol), Royal Dutch Shell plc (Shell), and Vale S.A. (Vale).

Concentrations of credit risk with respect to accounts receivables are limited due to Navios Logistics' large number of customers, who are established international operators and have an appropriate credit history. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in our trade receivables. For the year ended December 31, 2011, three customers, Petrobras, Petropar and Esso, accounted for 18.1%, 10.2% and 10% of Navios Logistics' revenues, respectively. For the year ended December 31, 2010, one customer, Petrobras accounted for 17.5% of Navios Logistics' revenues. No other customer accounted for more than 10% of our revenues during the year ended December 31, 2010. For the year ended December 31, 2009, one customer accounted for 10.2% of our revenues.

Tanker Vessel Operations

Navios Acquisition owns a large fleet of modern crude oil, refined petroleum product and chemical tankers providing worldwide marine transportation services. Navios Acquisition's strategy is to charter its vessels to international oil companies, refiners and large vessel operators under long, medium and short-term charters. Navios Acquisition is committed to providing quality transportation services and developing and maintaining long-term relationships with its customers. Navios Acquisition provides seaborne shipping services under charters with customers that Navios Acquisition believes are creditworthy. Currently, Navios Acquisition's major customers are: Shell, Dalian Ocean Shipping Company (Dosco), Sinochem, Formosa, Petrochemical Corporation and SK Shipping Company Limited. For the year ended December 31, 2010, five customers accounted for 42.5%, 18.6%, 12.9%, 12.9% and 10.9% of the Navios Acquisition's revenue. There were no customers in the corresponding 2009 period as the company was in the development stage.

Oil Company Tanker Vetting Process

Traditionally there have been relatively few charterers in the oil transportation business and that part of the industry has been undergoing consolidation. The so called "oil majors", such as Exxon Mobil, BP p.l.c., Royal Dutch Shell plc, Chevron, ConocoPhillips and Total S.A., together with a few smaller companies, represent a significant percentage of the production, trading and, especially, seaborne transportation of crude oil and refined petroleum products worldwide. Concerns about the environment have led oil majors to develop and implement a strict due diligence process, known as vetting, when selecting vessels and considering their managers. Vetting has evolved into a sophisticated and comprehensive assessment of both the vessel and the vessel manager. While numerous factors are considered and evaluated prior to a commercial decision, the oil majors, through their association, Oil Companies International Marine Forum (OCIMF), have developed two basic tools: the Ship Inspection Report program, which is known as SIRE and the Tanker Management and Self Assessment program, which is known as TMSA. Based upon commercial risk, there are three levels of assessment used by oil majors:

terminal use, which clears a vessel to call at one of the oil major's terminals;

voyage charter, which clears the vessel for a single voyage; and

period charter, which clears the vessel for use for an extended period of time. The depth and complexity of each of these levels of assessment varies. The charter agreements for tanker vessels require that the applicable vessel have a valid SIRE report (less than six months old) in the OCIMF website as recommended by OCIMF. In addition, under the terms of the charter agreements, the charterers require that tanker vessels and their technical managers be vetted and approved to transport crude oil by multiple oil majors.

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Competition

The drybulk shipping markets are extensive, diversified, competitive and highly fragmented, divided among approximately 1,650 independent drybulk carrier owners. The world's active drybulk fleet consists of approximately 9,000 vessels, aggregating approximately 613 million dwt as of December 31, 2011. As a general principle, the smaller the cargo carrying capacity of a drybulk carrier, the more fragmented is its market, both with regard to charterers and vessel owner/operators. Even among the larger drybulk owners and operators, whose vessels are mainly in the larger sizes, only five companies are known to have fleets of 100 vessels or more: the two largest Chinese shipping companies, China Ocean Shipping and China Shipping Group and the three largest Japanese shipping companies, Mitsui O.S.K. Lines, Kawasaki Kisen and Nippon Yusen Kaisha. There are about 45 owners known to have fleets of between 20 and 100 vessels. However, vessel ownership is not the only determinant of fleet control. Many owners of bulk carriers charter their vessels out for extended periods, not just to end users (owners of cargo), but also to other owner/operators and to tonnage pools. Such operators may, at any given time, control a fleet many times the size of their owned tonnage. Navios Holdings is one such operator; others include Cargill, Pacific Basin Shipping, Bocimar, Zodiac Maritime, Louis Dreyfus/Cetrappa, Cobelfret and Torvald Klaveness.

It is likely that we will face substantial competition for long-term charter business from a number of experienced companies. Many of these competitors will have significantly greater financial resources than we do. It is also likely that we will face increased numbers of competitors entering into our transportation sectors, including in the drybulk sector. Many of these competitors have strong reputations and extensive resources and experience. Increased competition may cause greater price competition, especially for long-term charters.

Navios Acquisition

The market for international seaborne crude oil and refined petroleum products transportation services is fragmented and highly competitive. Such transportation services generally are provided by two main types of operators: major oil company captive fleets (both private and state-owned) and independent ship owner fleets. In addition, several owners and operators pool their vessels together on an ongoing basis, and such pools are available to customers to the same extent as independently owned and operated fleets. Many major oil companies and other oil trading companies also operate their own vessels and use such vessels not only to transport their own crude oil and refined petroleum products but also to transport crude oil for third party charterers in direct competition with independent owners and operators in the tanker charter market. Competition for charters is intense and is based upon price, location, size, age, condition and acceptability of the vessel and its manager. Due in part to the fragmented tanker market, competitors with greater resources could enter the tanker market and operate larger fleets through acquisitions or consolidations and may be willing or able to accept lower prices than Navios Acquisition, which could result in achieving lower revenues from its vessels.

Navios Logistics

Navios Logistics is one of the largest logistics providers in the Hidrovia region of South America. Navios Logistics believes its ownership of river ports, including its port terminal in Uruguay that provides access to the ocean, allows it to offer a logistics solution superior to its competitors that also operate barges and pushboats. Navios Logistics also competes based on reliability, efficiency and price.

With respect to loading, storage and ancillary services, the market is divided between transits and exports, depending on the cargo origin. In the case of transits there are other companies operating in the river system that are able to offer services similar to Navios Logistics. However, most of these companies are proprietary service providers that are focused on servicing their own cargo. Unlike these companies, Navios Logistics is an independent service provider in the market for transits. With respect to exports, its competitors are Montevideo Port in Montevideo and Ontur in Nueva Palmira, neither of which has storage, and TGU in Nueva Palmira. The main competitor of its liquid port terminal in Paraguay is Petropar, a Paraguayan state-owned entity. Other competitors include Copetrol and Petrobras, which are also customers of Navios Logistics' port.

Navios Logistics faces competition in its barge and cabotage businesses with transportation of oil and refined petroleum products from other independent ship owners and from vessel operators who primarily charter vessels to meet their cargo carrying needs. The charter markets in which Navios Logistics' vessels compete are highly competitive. Key competitors include Ultrapetrol Bahamas Ltd. and Fluviomar. In addition, some of Navios Logistics' customers, including ADM, Cargill, Louis Dreyfus and Vale, have some of their own dedicated barge capacity, which they can use to transport cargo in lieu of hiring a third party. Navios Logistics also competes indirectly with other forms of land-based transportation such as truck and rail. Competition is primarily based on prevailing market contract rates, vessel location and vessel manager know-how, reputation and credibility. These companies and other smaller entities are regular competitors of Navios Logistics in its primary tanker trading areas.

Navios Logistics believes that its ability to combine its ports in Uruguay and Paraguay with its versatile fleet of barges, pushboats and tankers to offer integrated, end-to-end logistics solutions for both its dry and liquid customers seeking to transport mineral and grain commodities and

liquid cargoes through the Hidrovia region has allowed Navios Logistics to differentiate its business and offer superior services compared to its competitors.

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Intellectual Property

We consider NAVIOS to be our proprietary trademark, service mark and trade name. We hold several U.S. trademark registrations for our proprietary logos and the domain name registration for our website.

Governmental and Other Regulations

Sources of applicable rules and standards: Shipping is one of the world's most heavily regulated industries, and, in addition, it is subject to many industry standards. Government regulation significantly affects the ownership and operation of vessels. These regulations consist mainly of rules and standards established by international conventions, but they also include national, state, and local laws and regulations in force in jurisdictions where vessels may operate or are registered, and which are commonly more stringent than international rules and standards. This is the case particularly in the United States and, increasingly, in Europe.

A variety of governmental and private entities subject vessels to both scheduled and unscheduled inspections. These entities include local port authorities (the U.S. Coast Guard, harbor masters or equivalent entities), classification societies, flag state administration (country vessel of registry), and charterers, particularly terminal operators. Certain of these entities require vessel owners to obtain permits, licenses, and certificates for the operation of their vessels. Failure to maintain necessary permits or approvals could require a vessel owner to incur substantial costs or temporarily suspend operation of one or more of its vessels.

Heightened levels of environmental and quality concerns among insurance underwriters, regulators, and charterers continue to lead to greater inspection and safety requirements on all vessels and may accelerate the scrapping of older vessels throughout the industry. Increasing environmental concerns have created a demand for vessels that conform to stricter environmental standards. Vessel owners are required to maintain operating standards for all vessels that will emphasize operational safety, quality maintenance, continuous training of officers and crews and compliance with U.S. and international regulations.

International environmental regulations: The International Maritime Organization (IMO) has adopted a number of international conventions concerned with ship safety and with preventing, reducing or controlling pollution from ships. These fall into two main categories, consisting firstly of those concerned generally with ship safety standards, and secondly of those specifically concerned with measures to prevent pollution.

Ship safety regulation: In the former category, the primary international instrument is the Safety of Life at Sea Convention of 1974, as amended (SOLAS), together with the regulations and codes of practice that form part of its regime. Much of SOLAS is not directly concerned with preventing pollution, but some of its safety provisions are intended to prevent pollution as well as promote safety of life and preservation of property. These regulations have been and continue to be regularly amended as new and higher safety standards are introduced with which we are required to comply.

An amendment of SOLAS introduced the International Safety Management (ISM) Code, which has been effective since July 1998. Under the ISM Code, the party with operational control of a vessel is required to develop an extensive safety management system that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and describing procedures for responding to emergencies. The ISM Code requires that vessel operators obtain a safety management certificate for each vessel they operate. This certificate evidences compliance by a vessel's management with code requirements for a safety management system. No vessel can obtain a certificate unless its manager has been awarded a document of compliance, issued by the flag state for the vessel, under the ISM Code. Noncompliance with the ISM Code and other IMO regulations, such as the mandatory ship energy efficiency management plan (SEEMP) which is akin to a safety management plan and comes into effect on January 1, 2013, may subject a ship owner to increased liability, may lead to decreases in available insurance coverage for affected vessels, and may result in the denial of access to, or detention in, some ports. For example, the United States Coast Guard and European Union authorities have indicated that vessels not in compliance with the ISM Code will be prohibited from trading in ports in the United States and European Union.

Another amendment of SOLAS, made after the terrorist attacks in the United States on September 11, 2001, introduced special measures to enhance maritime security, including the International Ship and Port Facilities Security Code (ISPS Code).

Our owned fleet maintains ISM and ISPS certifications for safety and security of operations. In addition, Navios ShipManagement voluntarily implements and maintains certifications pursuant to the International Organization for Standardization (ISO), for its office and ships covering both quality of services and environmental protection (ISO 9001 and ISO 14001, respectively).

International regulations to prevent pollution from ships: In the second main category of international regulation, the primary instrument is the International Convention for the Prevention of Pollution from Ships (MARPOL), which imposes environmental standards on the shipping

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industry set out in Annexes I-VI of MARPOL. These contain regulations for the prevention of pollution by oil (Annex I), by noxious liquid substances in bulk (Annex II), by harmful substances in packaged forms within the scope of the International Maritime Dangerous Goods Code (Annex III), by sewage (Annex IV), by garbage (Annex V), and by air emissions (Annex VI).

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These regulations have been and continue to be regularly amended as new and higher standards of pollution prevention are introduced with which we are required to comply.

For example, MARPOL Annex VI, together with the NOx Technical Code established thereunder, sets limits on sulphur oxide and nitrogen oxide emissions from ship exhausts and prohibits deliberate emissions of ozone depleting substances, such as chlorofluorocarbons. It also includes a global cap on the sulphur content of fuel oil and allows for special areas to be established with more stringent controls on sulphur emissions. Originally adopted in September 1997, Annex VI came into force in May 2005 and was amended in October 2008 (as was the NOx Technical Code) to provide for progressively more stringent limits on such emissions from 2010 onwards. The revised Annex VI provides, in particular, for a reduction of the global sulfur cap, initially to 3.5% (from the previous cap of 4.5%), with an effective date of January 1, 2011, then progressively reducing the cap to 0.50%, with an effective date of January 1, 2020, subject to a feasibility review to be completed no later than 2018; and the establishment of new tiers of stringent nitrogen oxide emissions standards for marine engines, depending on their date of installation. We anticipate incurring costs in complying with these more stringent standards.

The revised Annex VI further allows for designation, in response to proposals from member parties, of Emission Control Areas (ECAs) that impose accelerated and/or more stringent requirements for control of sulfur oxide, particulate matter, and nitrogen oxide emissions. Such ECAs have been formally adopted for the Baltic Sea and the North Sea including the English Channel. It is expected that waters off the North American coast will be established as an ECA, where NOx, SOx and particulate matter emissions will be regulated, from August 1, 2012, and the United States Caribbean Sea ECA will come into force on January 1, 2013, with an effective date of January 1, 2014. For the currently-designated ECAs, much lower sulfur limits on fuel oil content are being phased in (1% starting July 2010 and 0.1% starting January 1, 2015), as well as nitrogen oxide after-treatment requirements that will become applicable to the Baltic and North Sea ECAs in 2016. These more stringent fuel standards, when fully in effect, are expected to require measures such as fuel switching, vessel modification adding distillate fuel storage capacity, or addition of exhaust gas cleaning scrubbers, to achieve compliance, and may require installation and operation of further control equipment at significant increased cost.

International ballast water requirements: In addition to MARPOL, other more specialized international instruments have been adopted to prevent different types of pollution or environmental harm from ships. In February 2004, the IMO adopted an International Convention for the Control and Management of Ships' Ballast Water and Sediments (the BWM Convention). The BWM Convention's implementing regulations require a ballast water management plan and a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits. The BWM Convention will not enter into force until 12 months after it has been adopted by 30 states, the combined merchant fleets of which represent not less than 35% of the gross tonnage of the world's merchant shipping. To date, there has not been sufficient adoption of this standard by governments that are members of the Convention for it to take force. However, as of February 29, 2012, the Convention has been ratified by 33 states representing 26.5% of the global merchant shipping fleet's tonnage, and its entry into force with attendant compliance costs may therefore be anticipated in the foreseeable future.

European environmental regulations: European regulations in the maritime sector are in general based on international law. However, since the *Erika* incident in 1999, the European Community has become increasingly active in the field of regulation of maritime safety and protection of the environment. It has been the driving force behind a number of amendments of MARPOL (including, for example, changes to accelerate the timetable for the phase-out of single hull tankers, and to prohibit the carriage in such tankers of heavy grades of oil), and if dissatisfied either with the extent of such amendments or with the timetable for their introduction, it has been prepared to legislate on a unilateral basis. In some instances where it has done so, international regulations have subsequently been amended to the same level of stringency as that introduced in Europe, but the risk is well established that EU regulations may from time to time impose burdens and costs on ship owners and operators which are additional to those involved in complying with international rules and standards.

In some areas of regulation the EU has introduced new laws without attempting to procure a corresponding amendment of international law. Notably, it adopted in 2005 a directive on ship-source pollution, imposing criminal sanctions for pollution not only where this is caused by intent or recklessness (which would be an offense under MARPOL), but also where it is caused by serious negligence. The directive could therefore result in criminal liability being incurred in circumstances where it would not be incurred under international law. Experience has shown that in the emotive atmosphere often associated with pollution incidents, retributive attitudes towards ship interests have found expression in negligence being alleged by prosecutors and found by courts on grounds which the international maritime community has found hard to understand. Moreover, there is skepticism that the notion of serious negligence is likely to prove any narrower in practice than ordinary negligence. Criminal liability for a pollution incident could not only result in us incurring substantial penalties or fines but may also, in some jurisdictions, facilitate civil liability claims for greater compensation than would otherwise have been payable.

Greenhouse gas emissions: In February 2005, the Kyoto Protocol to the United Nations Framework Convention on Climate Change entered into force. Pursuant to the Kyoto Protocol, adopting countries are required to implement national programs to reduce emissions of certain gases, generally referred to as greenhouse gases, which are suspected of contributing to global warming. Currently, the greenhouse gas emissions from international shipping do not come under the Kyoto Protocol.

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In December 2011, UN climate change talks took place in Durban and concluded with an agreement referred to as the Durban Platform for Enhanced Action. In preparation for the Durban Conference, the International Chamber of Shipping (ICS) produced a briefing document, confirming the shipping industry's commitment to cut shipping emissions by 20% by 2020, with significant further reductions thereafter. The ICS called on the participants in the Durban Conference to give the IMO a clear mandate to deliver emissions reductions through market-based measures, for example a shipping industry environmental compensation fund. Notwithstanding the ICS request for global regulation of the shipping industry, the Durban Conference did not result in any proposals specifically addressing the shipping industry's role in climate change. The European Union announced in April 2007 that it planned to expand the European Union emissions trading scheme by adding vessels, and a proposal from the European Commission was expected if no global regime for reduction of seaborne emissions had been agreed to by the end of 2011. That deadline has now expired and it remains to be seen what position the EU takes in this regard in 2012. In the United States, in 2007 the California Attorney General and a coalition of environmental groups petitioned the U.S. Environmental Protection Agency (EPA) in October 2007 to regulate greenhouse gas emissions from ocean-going ships under the Clean Air Act, and in 2010 another coalition of environmental groups filed suit to require the EPA to do the same. Any passage of climate control legislation or other regulatory initiatives by the IMO, European Union, or individual countries where we operate, including the U.S. that restrict emissions of greenhouse gases from vessels could require us to make significant financial expenditures we cannot predict with certainty at this time.

International laws governing civil liability for pollution: Several international conventions impose and limit pollution liability relating to both our drybulk vessels, and the tanker vessels held by our subsidiary, Navios Logistics. The U.S., however, is not a party to these liability conventions and is instead subject to the oil liability provisions of OPA discussed below.

An owner of a tanker vessel carrying a cargo of persistent oil as defined by the Civil Liability Convention 1992 (CLC), is subject under that convention to strict liability for any pollution damage caused in a contracting state by an escape or discharge from her cargo or from her bunker tanks. This liability is subject to a financial limit calculated by reference to the tonnage of the ship, and the right to limit liability may be lost if the spill is caused by the shipowner's intentional or reckless conduct. Liability may also be incurred under the CLC for a bunker spill from the vessel even when she is not carrying such a cargo, but is in ballast. The CLC applies in over 100 states around the world, but it does not apply in the United States of America, where the corresponding liability laws such as the OPA are particularly stringent.

When a tanker is carrying clean oil products which do not constitute persistent oil covered under the CLC, liability for any pollution damage will generally fall outside the CLC and will depend on other international conventions or domestic laws in the jurisdiction where the spillage occurs. The same principle applies to any pollution from the vessel in a jurisdiction which is not a party to the CLC.

Vessels not covered by the CLC, including drybulk tankers, are subject to the International Convention on Civil Liability for Bunker Oil Pollution Damage (the Bunker Convention). The Bunker Convention was adopted by the IMO in 2001 and imposes strict liability on ship owners for pollution damage in jurisdictional waters of ratifying states caused by discharges of bunker oil. The Bunker Convention defines bunker oil as any hydrocarbon mineral oil, including lubricating oil, used or intended to be used for the operation or propulsion of the ship, and any residues of such oil. The Bunker Convention also requires registered owners of ships over a certain size to maintain insurance for pollution damage in an amount equal to the limits of liability under the applicable national or international limitation regime, including liability limits calculated in accordance with the Convention on Limitation of Liability for Maritime Claims of 1976, as amended, (the 1976 Convention), discussed below. The Bunker Convention entered into force on November 21, 2008 and as of February 29, 2012 it was in effect in 64 states. In other jurisdictions liability for spills or releases of oil from ships' bunkers continues to be determined by the national or other domestic laws in the jurisdiction where the events or damages occur.

The most widely applicable international regime limiting maritime pollution liability is the 1976 Convention mentioned above. Rights to limit liability under the 1976 Convention are forfeited where a spill is caused by a shipowner's intentional or reckless conduct. Some states have ratified the 1996 LLMC Protocol to the 1976 Convention, which provides for liability limits substantially higher than those set forth in the 1976 Convention to apply in such states. Finally, some jurisdictions are not a party to either the 1976 Convention or the 1996 LLMC Protocol, and, therefore, shipowner's rights to limit liability for maritime pollution in such jurisdictions may be uncertain.

United States environmental regulations and laws governing civil liability for pollution: Environmental legislation in the United States merits particular mention as it is in many respects more onerous than international laws, representing a high-water mark of regulation with which ship owners and operators must comply, and of liability likely to be incurred in the event of non-compliance or an incident causing pollution.

U.S. federal legislation, including notably the OPA establishes an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills, including bunker oil spills from drybulk vessels as well as cargo or bunker oil spills from tankers. The OPA covers all owners and operators whose vessels trade in the United States, its territories and possessions or whose vessels operate in United States waters, which includes the United States territorial sea and its 200 nautical mile exclusive economic

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zone. Under the OPA, vessel owners, operators and bareboat charterers are responsible parties and are jointly, severally and strictly liable (unless the spill results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from discharges or substantial threats of discharges, of oil from their vessels. In addition to potential liability under the OPA as the relevant federal legislation, vessel owners may in some instances incur liability on an even more stringent basis under state law in the particular state where the spillage occurred.

Title VII of the Coast Guard and Maritime Transportation Act of 2004 (the CGMTA), amended the OPA to require the owner or operator of any non-tank vessel of 400 gross tons or more, that carries oil of any kind as a fuel for main propulsion, including bunkers, to prepare and submit a response plan for each vessel. The vessel response plans must include detailed information on actions to be taken by vessel personnel to prevent or mitigate any discharge or substantial threat of such a discharge of ore from the vessel due to operational activities or casualties. The OPA had currently limited liability of responsible parties to the greater of \$1,000 per gross ton or \$0.9 million per containership that is over 300 gross tons (subject to periodic adjustment for inflation). These amounts are periodically adjusted.

These limits of liability do not apply if an incident was directly caused by violation of applicable United States federal safety, construction or operating regulations or by a responsible party's gross negligence or wilful misconduct, or if the responsible party fails or refuses to report the incident or to cooperate and assist in connection with oil removal activities. In addition to potential liability under the OPA as the relevant federal legislation, vessel owners may in some instances incur liability on an even more stringent basis under state law in the particular state where the spillage occurred. The OPA specifically permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, and some states' environmental laws impose unlimited liability for oil spills.

In addition, the Comprehensive Environmental Response, Compensation, and Liability Act (the CERCLA), which applies to the discharge of hazardous substances (other than oil) whether on land or at sea, contains a similar liability regime and provides for cleanup, removal and natural resource damages. Liability under CERCLA is limited to the greater of \$300 per gross ton or \$0.5 million for vessels not carrying hazardous substances as cargo or residue. For vessels carrying hazardous substances as cargo or residue, the limit of liability is \$300 per gross ton or \$5.0 million, whichever is greater. Under both these provisions liability is unlimited if the incident is caused by gross negligence, wilful misconduct, or a violation of certain regulations.

We currently maintain, for each of our owned vessels, insurance coverage against pollution liability risks in the amount of \$1.0 billion per incident. The insured risks include penalties and fines as well as civil liabilities and expenses resulting from accidental pollution. However, this insurance coverage is subject to exclusions, deductibles and other terms and conditions. If any liabilities or expenses fall within an exclusion from coverage, or if damages from a catastrophic incident exceed the \$1.0 billion limitation of coverage per incident, our cash flow, profitability and financial position could be adversely impacted.

The OPA requires owners and operators of all vessels over 300 gross tons, even those that do not carry petroleum or hazardous substances as cargo, to establish and maintain with the U.S. Coast Guard evidence of financial responsibility sufficient to meet their potential liabilities under the OPA. The U.S. Coast Guard has implemented regulations requiring evidence of financial responsibility in the amount of \$1,300 per gross ton, which includes the OPA limitation on liability of \$1,000 per gross ton. Under the regulations, vessel owners and operators may evidence their financial responsibility by showing proof of insurance, surety bond, self-insurance or guaranty. These limits are periodically revised.

In response to the Deepwater Horizon incident in the Gulf of Mexico, in 2010 the U.S. Congress proposed, but did not formally adopt legislation that would amend OPA to mandate stronger safety standards and increased liability and financial responsibility for offshore drilling operations. The bill did not seek to change the OPA liability limits applicable to vessels. While Congressional activity on this topic is expected to continue to focus on offshore facilities rather than on vessels generally, it cannot be known with certainty what form any such new legislative initiatives may take.

Under the OPA, an owner or operator of a fleet of vessels is required only to demonstrate evidence of financial responsibility in an amount sufficient to cover the vessel in the fleet having the greatest maximum liability under the OPA. Under the self-insurance provisions, the ship owner or operator must have a net worth and working capital, measured in assets located in the United States against liabilities located anywhere in the world, that exceeds the applicable amount of financial responsibility. We have complied with the U.S. Coast Guard regulations by providing a certificate of responsibility from third party entities that are acceptable to the U.S. Coast Guard evidencing sufficient self-insurance.

The U.S. Coast Guard's regulations concerning certificates of financial responsibility provide, in accordance with the OPA, that claimants may bring suit directly against an insurer or guarantor that furnishes certificates of financial responsibility. In the event that such insurer or guarantor is sued directly, it is prohibited from asserting any contractual defense that it may have had against the responsible party and is limited to asserting those defenses available to the responsible party and the defense that the incident was caused by the willful misconduct of the responsible party. Certain organizations, which had typically provided certificates of financial responsibility under pre-OPA laws, including the major protection and indemnity organizations, have declined to furnish evidence of

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insurance for vessel owners and operators if they are subject to direct actions or required to waive insurance policy defenses. This requirement may have the effect of limiting the availability of the type of coverage required by the Coast Guard and could increase our costs of obtaining this insurance as well as the costs of our competitors that also require such coverage.

The United States Clean Water Act (CWA) prohibits the discharge of oil or hazardous substances in U.S. navigable waters and imposes strict liability in the form of penalties for unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under CERCLA. The EPA regulates the discharge of ballast water and other substances incidental to the normal operation of vessels in U.S. waters using a Vessel General Permit, or VGP, system pursuant to the CWA, in order to combat the risk of harmful organisms that can travel in ballast water carried from foreign ports. Compliance with the conditions of the VGP is required for commercial vessels 79 feet in length or longer (other than commercial fishing vessels.) In November 2011, the EPA issued a revised draft VGP that is expected to go into effect in 2013. This new VGP will impose a numeric standard to control the release of non-indigenous invasive species in ballast water discharges. In addition, through the CWA certification provisions that allow states to place additional conditions on use of the VGP within state waters, a number of states have proposed or implemented a variety of stricter ballast water requirements including, in some states, specific treatment standards. Compliance with new U.S. federal and state requirements could require the installation of equipment on our vessels to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial cost, and/or otherwise restrict our vessels from entering U.S. waters.

The Federal Clean Air Act (CAA), requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. Our vessels are subject to CAA vapor control and recovery standards (VCS) for cleaning fuel tanks and conducting other operations in regulated port areas, and to CAA emissions standards for so-called Category 3 marine diesel engines operating in U.S. waters. In April 2010, EPA adopted regulations implementing the provision of MARPOL Annex VI regarding emissions from Category 3 marine diesel engines. Under these regulations, both U.S. and foreign-flagged ships must comply with the applicable engine and fuel standards of MARPOL Annex VI, including the stricter North America Emission Control Area (ECA) standards which take effect in August 2012, when they enter U.S. ports or operate in most internal U.S. waters including the Great Lakes. MARPOL Annex VI requirements are discussed in greater detail above under International regulations to prevent pollution from ships. We may incur costs to install control equipment on our vessels to comply with the new standards.

Also under the CAA, the U.S. Coast Guard has since 1990 regulated the safety of VCSs that are required under EPA and state rules. Our vessels operating in regulated port areas have installed VCSs that are compliant with EPA, state and U.S. Coast Guard requirements. In October 2010, the U.S. Coast Guard proposed a rule that would make its VCS requirements more compatible with new EPA and state regulations, reflect changes in VCS technology, and codify existing U.S. Coast Guard guidelines. It appears unlikely that the updated U.S. Coast Guard rule when finalized will impose a material increase in costs.

We intend to comply with all applicable U.S. state and federal regulations in the ports where our vessels call.

Security Regulations: Since the terrorist attacks of September 11, 2001, there have been a variety of initiatives intended to enhance vessel security. On November 25, 2002, the Marine Transportation Security Act of 2002 (the MTSA) came into effect. To implement certain portions of the MTSA, in July 2003, the United States Coast Guard issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. Similarly, in December 2002, amendments to SOLAS created a new chapter of the convention dealing specifically with maritime security. The new chapter went into effect on July 1, 2004, and imposes various detailed security obligations on vessels and port authorities, most of which are contained in the ISPS Code. Among the various requirements are:

on-board installation of automatic information systems to enhance vessel-to-vessel and vessel-to-shore communications;

on-board installation of ship security alert systems;

the development of vessel security plans; and

compliance with flag state security certification requirements.

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The U.S. Coast Guard regulations, intended to be aligned with international maritime security standards, exempt non-U.S. vessels from MTSA vessel security measures, provided such vessels had on board, by July 1, 2004, a valid International Ship Security Certificate that attests to the vessel's compliance with SOLAS security requirements and the ISPS Code. The vessels in our fleet have on board valid International Ship Security Certificates and, therefore, are exempt from obtaining U.S. Coast Guard approved MTSA security plans.

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

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The classification society also undertakes, on request, other surveys and checks that are required by regulations and requirements of the flag state. These surveys are subject to agreements made in each individual case or to the regulations of the country concerned. For maintenance of the class, regular and extraordinary surveys of hull, machinery (including the electrical plant) and any special equipment classed are required to be performed as follows:

Annual Surveys: For seagoing ships, annual surveys are conducted for the hull and the machinery (including the electrical plant) and, where applicable, for special equipment classed, at intervals of 12 months from the date of commencement of the class period indicated in the certificate.

Intermediate Surveys: Extended annual surveys are referred to as intermediate surveys and typically are conducted two and a half years after commissioning and each class renewal. Intermediate surveys may be carried out on the occasion of the second or third annual survey.

Class Renewal Surveys: Class renewal surveys, also known as special surveys, are carried out for the ship's hull, machinery (including the electrical plant), and for any special equipment classed, at the intervals indicated by the character of classification for the hull. At the special survey, the vessel is thoroughly examined, including audio-gauging, to determine the thickness of its steel structure. Should the thickness be found to be less than class requirements, the classification society would prescribe steel renewals. The classification society may grant a one-year grace period for completion of the special survey. Substantial amounts of money may have to be spent for steel renewals to pass a special survey if the vessel experiences excessive wear and tear. In lieu of the special survey every four or five years, depending on whether a grace period was granted, a ship owner has the option of arranging with the classification society for the vessel's integrated hull or machinery to be on a continuous survey cycle, in which every part of the vessel would be surveyed within a five-year cycle.

Risk of Loss and Liability Insurance

General: The operation of any cargo vessel includes risks such as mechanical failure, physical damage, collision, property loss, cargo loss or damage, business interruption due to political circumstances in foreign countries, hostilities, and labor strikes. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. The OPA, which imposes virtually unlimited liability upon owners, operators and demise charterers of any vessel trading in the United States exclusive economic zone for certain oil pollution accidents in the United States, has made liability insurance more expensive for ship owners and operators trading in the U.S. market. While we believe that our present insurance coverage is adequate, not all risks can be insured, and there can be no guarantee that any specific claim will be paid, or that we will always be able to obtain adequate insurance coverage at reasonable rates.

Hull and Machinery and War Risk Insurances: We have marine hull and machinery and war risk insurance, which include coverage of the risk of actual or constructive total loss, for all of our owned vessels. Each of the owned vessels is covered up to at least fair market value, with a deductible of \$0.1 million per Panamax, \$0.2 million per Capesize and \$0.08 million per Ultra Handymax vessel for the hull and machinery insurance. There are no deductibles for the war risk insurance. We have also arranged increased value insurance for most of the owned vessels. Under the increased value insurance, in case of total loss of the vessel, we will be able to recover the sum insured under the increased value policy in addition to the sum insured under the hull and machinery policy. Increased value insurance also covers excess liabilities that are not recoverable in full by the hull and machinery policies by reason of under-insurance.

Protection and Indemnity Insurance: Protection and indemnity insurance is provided by mutual protection and indemnity associations, or P&I Associations, which cover Navios Holdings' third-party liabilities in connection with the operation of its ships. This includes third-party liability and other related expenses of injury or death of crew, passengers and other third parties, loss or damage to cargo, claims arising from collisions with other vessels, damage to other third-party property, pollution arising from oil or other substances, and salvage, towing and other related costs, including wreck removal. Protection and indemnity insurance is a form of mutual indemnity insurance, extended by protection and indemnity mutual associations.

Our protection and indemnity insurance coverage for oil pollution is limited to \$1.0 billion per event. The 13 P&I Associations that comprise the International Group insure approximately 95% of the world's commercial tonnage and have entered into a pooling agreement to reinsure each association's liabilities. Each vessel that we acquire will be entered with P&I Associations of the International Group. Under the International Group reinsurance program, each P&I club in the International Group is responsible for the first \$8.0 million of every claim. In every claim the

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amount in excess of \$8.0 million and up to \$60.0 million is shared by the clubs under a pooling agreement. Any claim in excess of \$60.0 million is reinsured by the International Group under the General Excess of Loss Reinsurance Contract. This policy currently provides an additional \$2.0 billion of coverage for non-oil pollution claims. Further to this, overspill protection has been placed by the International Group for claims up to \$1 billion in excess of \$2.06 billion, or \$3.06 billion in total. For passengers and crew claims, the overall limit is \$3.0 billion for any one event relating to any one vessel with a sub-limit of \$2.0 billion for passengers.

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As a member of a P&I Association that is a member of the International Group, we will be subject to calls payable to the associations based on its claim records as well as the claim records of all other members of the individual associations, and members of the pool of P&I Associations comprising the International Group. The P&I Associations' policy year commences on February 20th. Calls are levied by means of Estimated Total Premiums (ETP) and the amount of the final installment of the ETP varies according to the actual total premium ultimately required by the club for a particular policy year. Members have a liability to pay supplementary calls which might be levied by the board of directors of the club if the ETP is insufficient to cover amounts paid out by the club.

Uninsured Risks: Not all risks are insured and not all risks are insurable. The principal insurable risks which nonetheless remain uninsured across our fleet are loss of hire and strikes, except in cases of loss of hire due to war or a piracy event. Specifically, Navios Holdings does not insure these risks because the costs are regarded as disproportionate. These insurances provide, subject to a deductible, a limited indemnity for hire that would not be receivable by the shipowner for reasons set forth in the policy. Should a vessel on time charter, where the vessel is paid a fixed hire day by day, suffer a serious mechanical breakdown, the daily hire will no longer be payable by the charterer. The purpose of the loss of hire insurance is to secure the loss of hire during such periods. In the case of strikes insurance, if a vessel is being paid a fixed sum to perform a voyage and the ship becomes strike bound at a loading or discharging port, the insurance covers the loss of earnings during such periods. However, in some cases when a vessel is transiting high risk war and/or piracy areas, Navios Holdings purchases war loss of hire insurance to cover up to 270 days of detention/loss of time.

Credit Risk Insurance: Our charter-out contracts have been insured through a AA rated governmental agency of a European Union member state, which provides that if the charterer goes into payment default, the insurer will reimburse us for the charter payments under the terms of the policy (subject to applicable deductibles and other customary limitations for such insurance).

Risk Management

Risk management in the shipping industry involves balancing a number of factors in a cyclical and potentially volatile environment. Fundamentally, the challenge is to appropriately allocate capital to competing opportunities of owning or chartering vessels. In part, this requires a view of the overall health of the market, as well as an understanding of capital costs and returns. Thus, stated simply, one may charter-in part of a fleet as opposed to owning the entire fleet to maximize risk management and economic results. This is coupled with the challenge posed by the complex logistics of ensuring that the vessels controlled by Navios Holdings are fully employed.

Navios Holdings seeks to manage risk through a number of strategies, including vessel control strategies (chartering and ownership), freight carriage and FFA trading. Navios Holdings' vessel control strategies include seeking the appropriate mix of owned vessels, long- and short-term chartered-in vessels, coupled with purchase options, when available, and spot charters. Navios Holdings also enters into COAs, which gives Navios Holdings, subject to certain limitations, the flexibility to determine the means of getting a particular cargo to its destination. Navios Holdings' FFA trading strategies include taking economic hedges to manage and mitigate risk on vessels that are on-hire or coming off-hire to protect against the risk of movement in freight market rates.

Legal Proceedings

Navios Holdings is not involved in any legal proceedings that it believes will have a significant effect on its business, financial position, results of operations and liquidity.

On November 30, 2006, we received notification that one of our FFA trading counterparties filed for bankruptcy in Canada. Our exposure to such counterparty was estimated to be approximately \$7.7 million. While the recovery we may obtain in any liquidation proceeding cannot be presently estimated, based on management's current expectations and assumptions, we provided for \$5.4 million in our 2006 financial statements, \$0.5 million additional provision in our 2008 financial statements and \$0.3 million in our 2009 financial statements. On or prior to December 31, 2011, we had recovered an amount of \$1.6 million. The remaining balance as at December 31, 2011 was \$0.2 million. No further information has developed since then which would change our expectations and assumptions either to increase or decrease the provision. However, we do not believe that this will have a material impact on our liquidity, or on our ability to make payments of principal and interest or otherwise service our debt.

In January 2011, Korea Line Corporation (KLC) filed for receivership, which is a reorganization under South Korean bankruptcy law. Navios Holdings has reviewed the matter in concert with the credit default insurers, as five vessels of its core fleet are chartered out to KLC. The contracts for these vessels have been temporarily suspended and the vessels have been rechartered to third parties for variable charter periods. Upon completion of the suspension period, the contracts with the original charterers will resume at amended terms. The obligations of the insurer are reduced by an amount equal to the mitigation charter hire revenues earned under the contracts with third parties and/or the original charters or the applicable deductibles for any idle periods. The Company has filed claims for all unpaid amounts by KLC in respect of the

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employment of the five vessels in the KLC corporate rehabilitation proceedings.

On November 24 2011, Navios Holdings received and will retain in total 11,413 shares of KLC for three of its vessels, as compensation for the claims filed under the Korean court.

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From time to time, Navios Holdings may be subject to legal proceedings and claims in the ordinary course of business. It is expected that these claims would be covered by insurance if they involved liabilities such as those that arise from a collision, other marine casualty, damage to cargoes, oil pollution, death or personal injuries to crew, subject to customary deductibles. Those claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources.

Crewing and Shore Employees

Navios Holdings crews its vessels primarily with Greek, Ukrainian, Georgian officers and Filipino, Georgian, Bulgarian, Polish and Ukrainian seamen. Navios Holdings' fleet manager is responsible for selecting its Greek officers, who are hired by Navios Holdings' vessel-owning subsidiaries. Other nationalities are referred to Navios Holdings' fleet manager by local crewing agencies. Navios Holdings is also responsible for travel and payroll of the crew. The crewing agencies handle each seaman's training. Navios Holdings requires that all of its seamen have the qualifications and licenses required to comply with international regulations and shipping conventions.

Navios Logistics crews its fleet with Argentinean, Brazilian and Paraguayan officers and seamen. Navios Logistics' fleet managers are responsible for selecting the crew.

As of December 31, 2011, with respect to shore-side employees, Navios Holdings and its subsidiaries employ 118 employees in its Piraeus, Greece office, 13 employees in its New York, New York office and 9 employees in its Antwerp, Belgium office. Navios Logistics employs 41 employees in its Asuncion, Paraguay offices, with 99 employees at the port facility in San Antonio, Paraguay, 138 employees in the Buenos Aires, Argentina office, eight employees in its Montevideo, Uruguay office, with an additional 130 employees at the port facility in Nueva Palmira, Uruguay, and 15 employees at Hidronave S.A.'s Corumba, Brazil office.

Facilities

Navios Holdings and its affiliates currently lease the following properties:

Navios ShipManagement Inc. and Navios Corporation lease approximately 3,882.3 square meters of space at 85 Akti Miaouli, Piraeus, Greece, pursuant to lease agreements that expire in 2017 and 2019.

On July 1, 2010, Kleimar N.V. entered into a contract for the lease of approximately 632 square meters for its offices, pursuant to a lease that expires in 2019.

Navios Corporation leases approximately 16,703 square feet of space at 825 Third Avenue, New York, pursuant to a lease that expires in 2019. Navios Holdings sublets a portion of the 34th floor in the building and located at 825 Third Avenue, New York, which premises comprise a portion of the premises under the main lease, to a third party pursuant a sub-lease that expires in 2019.

Navios Tankers Management Inc. leases approximately 253.75 square meters of space at 85 Akti Miaouli, Piraeus, Greece, pursuant to a lease agreement signed on October 29, 2010 and expiring in 2019.

Navios Logistics and its subsidiaries currently lease the following premises:

CNSA, as a free zone direct user at the Nueva Palmira Free Zone, holds the right to occupy the land on which it operates its port and transfer facility, located at Zona Franca, Nueva Palmira, Uruguay. CNSA was authorized to operate as a free zone user on November 29, 1955 by a resolution of the Executive, which on September 27, 1956 approved a lease agreement, as required by applicable law at the time. On December 4, 1995, CNSA rights as a direct user were renewed in a single free zone user agreement, which was subsequently amended in many occasions incorporating new plots of land until its final version dated November 27, 2009. The agreement currently in force permits CNSA to install and operate a transfer station to handle and store goods, and to build and operate a plant to receive, prepare and dry grain on land in the Nueva Palmira Free Zone. The agreement expires on December 31,

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2025, with a 20-year extension at our request. CNSA pays an annual fee of \$0.2 million, payable in eight consecutive months beginning in January of each year and increasing yearly in proportion to the variation in the U.S. Consumer Price Index corresponding to the previous year. There is also a transshipment fee of \$0.20 per ton transshipped. CNSA has certain obligations with respect to improving the land subject to the agreement, and the agreement is terminable by the Free Zone Division if CNSA breaches the terms of the agreement, or labor laws and social security contributions, and if CNSA commits illegal acts or acts expressly forbidden by the agreement.

CNSA also leases approximately 205 square meters of space at Paraguay 2141, Montevideo, Uruguay, pursuant to a lease that expires in November 2020.

Navegacion Guarani S.A. leases approximately 640 square meters of space at Jejuí 324 corner Chile Edificio Grupo General, Asuncion, Paraguay, pursuant to a lease that expires in November 2012.

Mercopar S.A. leases approximately 220 square meters of space at Ygatimy 459 casi 14 de Mayo, Asuncion, Paraguay, pursuant to a lease that expires in July 2012.

Compania Naviera Horamar S.A. leases approximately 409 square meters at Cepeda 429 Street, San Nicolás, Buenos Aires, Argentina, pursuant to a lease agreement that expires in November 2014.

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Hidronave S.A. leases approximately 195 square meters at Av. General Rondon 1473 Street, Corumba, Brazil, pursuant to a lease agreement that expires in March 2012.

Hidronave S.A. leases approximately 650 square meters next to the river Paraguay at Lodario, Barrio Ponto, Mato Grosso 801, Brazil, pursuant to a lease agreement that expires in April 2012 with an option to extend for 24 additional months.

Navegacion Guarani S.A. leases approximately 482 square meters of land and a small warehouse next to the river Paraguay in the San Miguel district of Asuncion over the way to the Club Mbigua, pursuant to a lease agreement that expires in June 2013.

Compania Naviera Horamar S.A. leases a piece of land called La Misteriosa in an Island in the Province of Entre Rios, Argentina, Department of Islands of Ibicuy and Paranacito, pursuant to a lease agreement that expires in May 2016. CNSA owns premises in Montevideo, Uruguay. This space is approximately 112 square meters and is located at Juan Carlos Gomez 1445, Oficina 701, Montevideo 1100, Uruguay.

Petrolera San Antonio S.A. owns the premises from which it operates in Avenida San Antonio, Paraguay. This space is approximately 146,744 square meters and is located between Avenida San Antonio and Virgen de Caacupé, San Antonio, Paraguay.

Compania Naviera Horamar S.A. owns two storehouses located at 880 Calle California, Ciudad Autonoma de Buenos Aires, Argentina and at 791/795 Calle General Daniel Cerri, Ciudad Autonoma de Buenos Aires, Argentina of approximately 259 and 825 square meters, respectively.

Compania Naviera Horamar S.A. owns the premises from which it operates in Buenos Aires, Argentina. This space is approximately 1,208 square meters and is located in 846 Avenida Santa Fe, Ciudad Autonoma.

Petrovia Internacional S.A. owns two plots of land in Nueva Palmira, Uruguay, of approximately 29 acres each and one of 23 acres.

C. Organizational structure

Navios Holdings maintains offices in Piraeus, Greece, New York, New York and Antwerp, Belgium. Navios Holdings corporate structure is functionally organized: commercial ship management and risk management are conducted through Navios Corporation and its wholly owned subsidiaries, while the operation and technical management of Navios Holdings owned vessels are conducted through wholly owned subsidiaries of Navios Maritime Holdings Inc. Navios Logistics maintains offices in Buenos Aires, Argentina, Asuncion, Paraguay, Montevideo, Uruguay and Corumba, Brazil. Navios Logistics conducts the commercial and technical management of its vessels, barges and pushboats through its wholly owned subsidiaries. Navios Logistics also owns the Nueva Palmira port and transfer facility indirectly through its Uruguayan subsidiary, CNSA, and the San Antonio port facility through its Paraguayan subsidiary, Petrolera San Antonio S.A.

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As of December 31, 2011, Navios Holdings owned (a) 63.8% of Navios Logistics following the acquisition of Horamar, the partial sale of CNSA in January 2008 and the release of the remaining shares that were held in escrow. All of Navios Holdings' subsidiaries are wholly owned, except for Navios Logistics and its subsidiaries. Navios Acquisition was a consolidated subsidiary from May 28, 2010 until its deconsolidation on March 30, 2011. On and after March 30, 2011, Navios Acquisition has not been consolidated and has been accounted for under the equity method of accounting based on Navios Holdings' economic interest in Navios Acquisition, since the preferred stock is considered in substance common stock for accounting purposes. As of December 31, 2011, Navios Holdings' ownership of the outstanding voting stock of Navios Acquisition was 45.24% and its economic interest in Navios Acquisition was 53.96%. The chart below sets forth Navios Holdings' corporate structure as of December 31, 2011 (all corporations are domiciled in the Republic of the Marshall Islands except for Acropolis, Shikhar Ventures S.A., Faith Marine Ltd. and Sizzling Ventures Inc., which are Liberian corporations, Hestia Shipping Ltd. and Nav Holdings Limited, which are Maltese corporations, Kleimar, which is a Belgian corporation, Bulkinvest S.A., which is a Luxembourg corporation, White Narcissus Marine S.A., which is a Panamanian corporation, Navios Maritime Finance (US) Inc. and Navios Maritime Finance II (US) Inc., which are Delaware corporations, Navios Logistics' subsidiaries, which are incorporated in Uruguay, Argentina, Paraguay, Brazil, Marshall Islands and Panama and Navios Acquisition's subsidiaries, which are incorporated in Cayman Islands, Hong Kong, British Virgin Is., Marshall Islands and Delaware:

Subsidiaries included in the consolidation:

Company Name	Nature / Vessel Name	Effective Ownership Interest	Country of Incorporation	Statement of operations					
				2011		2010		2009	
Navios Maritime Holdings Inc.	Holding Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
Navios Corporation	Sub-Holding Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
Navios International Inc.	Operating Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
Navimax Corporation	Operating Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
Navios Handybulk Inc.	Operating Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
Hestia Shipping Ltd.	Operating Company	100%	Malta	1/1	12/31	1/1	12/31	1/1	12/31
Anemos Maritime Holdings Inc.	Sub-Holding Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
Navios ShipManagement Inc.	Management Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
NAV Holdings Limited	Sub-Holding Company	100%	Malta	1/1	12/31	1/1	12/31	1/1	12/31
Kleimar N.V.	Operating Company/Vessel Owning Company	100%	Belgium	1/1	12/31	1/1	12/31	1/1	12/31
Kleimar Ltd.	Operating Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
Bulkinvest S.A.	Operating Company	100%	Luxembourg	1/1	12/31	1/1	12/31	1/1	12/31
Primavera Shipping Corporation	Operating Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
Ginger Services Co.	Operating Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
Aquis Marine Corp.	Sub-Holding Company	100%	Marshall Is.	1/1	12/31	3/23	12/31		
Navios Tankers Management Inc.	Management Company	100%	Marshall Is.	1/1	12/31	3/24	12/31		
Astra Maritime Corporation	Operating Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
Achilles Shipping Corporation	Operating Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
Apollon Shipping Corporation	Operating Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
Herakles Shipping Corporation	Operating Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
Hios Shipping Corporation	Operating Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
Ionian Shipping Corporation	Operating Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
Kyros Shipping Corporation	Operating Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
Meridian Shipping Enterprises Inc.	Vessel Owning Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
Mercator Shipping Corporation	Vessel Owning Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
Arc Shipping Corporation	Vessel Owning Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
Horizon Shipping Enterprises Corporation	Vessel Owning Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
Magellan Shipping Corporation	Vessel Owning Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
Aegean Shipping Corporation	Operating Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
Star Maritime Enterprises Corporation	Vessel Owning Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
Corsair Shipping Ltd.	Vessel Owning Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
Rowboat Marine Inc.	Vessel Owning Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
Hyperion Enterprises Inc.	Vessel Owning Company	100%	Marshall Is.			1/1	1/7	1/1	12/31
Beaufiks Shipping Corporation	Vessel Owning Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
Sagittarius Shipping Corporation	Vessel Owning Company	100%	Marshall Is.					1/1	6/10

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Nostos Shipmanagement Corp.	Vessel Owning Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
Aegean Sea Maritime Holdings Inc.	Sub-Holding Company	100%	Marshall Is.			3/18	5/27		
Amorgos Shipping Corporation	Vessel Owning Company	100%	Marshall Is.			3/18	5/27		
Andros Shipping Corporation	Vessel Owning Company	100%	Marshall Is.			3/18	5/27		
Antiparos Shipping Corporation	Vessel Owning Company	100%	Marshall Is.			3/18	5/27		

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Company Name	Nature / Vessel Name	Effective Ownership Interest	Country of Incorporation	Statement of operations					
				2011		2010		2009	
Ikaria Shipping Corporation	Vessel Owning Company	100%	Marshall Is.			3/18	5/27		
Kos Shipping Corporation	Vessel Owning Company	100%	Marshall Is.			3/18	5/27		
Mytilene Shipping Corporation	Vessel Owning Company	100%	Marshall Is.			3/18	5/27		
Skiathos Shipping Corporation	Vessel Owning Company	100%	Marshall Is.			3/18	5/27		
Syros Shipping Corporation	Vessel Owning Company	100%	Marshall Is.			3/18	5/27		
Skopelos Shipping Corporation	Vessel Owning Company	100%	Cayman Is.			3/18	5/27		
Sifnos Shipping Corporation	Vessel Owning Company	100%	Marshall Is.			3/18	5/27		
Ios Shipping Corporation	Vessel Owning Company	100%	Cayman Is.			3/18	5/27		
Thera Shipping Corporation	Vessel Owning Company	100%	Marshall Is.			3/18	5/27		
Crete Shipping Corporation	Vessel Owning Company	100%	Marshall Is.			3/18	5/27		
Rhodes Shipping Corporation	Vessel Owning Company	100%	Marshall Is.			3/18	5/27		
Tinos Shipping Corporation	Vessel Owning Company	100%	Marshall Is.			3/18	5/27		
Portorosa Marine Corp.	Vessel Owning Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
Shikhar Ventures S.A.	Vessel Owning Company	100%	Liberia	1/1	12/31	1/1	12/31	1/1	12/31
Sizzling Ventures Inc.	Operating Company	100%	Liberia	1/1	12/31	1/1	12/31	1/1	12/31
Rheia Associates Co.	Operating Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
Taharqa Spirit Corp.	Operating Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
Rumer Holding Ltd.	Vessel Owning Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
Chilali Corp.	Vessel Owning Company	100%	Marshall Is.			1/1	3/17	1/1	12/31
Pharos Navigation S.A.	Vessel Owning Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
Pueblo Holdings Ltd.	Vessel Owning Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
Surf Maritime Co.	Vessel Owning Company	100%	Marshall Is.			1/1	5/19	1/1	12/31
Quena Shipmanagement Inc.	Operating Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
Orbiter Shipping Corp.	Vessel Owning Company	100%	Marshall Is.	1/1	5/18	1/1	12/31	1/1	12/31
Aramis Navigation Inc.	Vessel Owning Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	12/14	12/31
White Narcissus Marine S.A.	Vessel Owning Company	100%	Panama	1/1	12/31	1/1	12/31	1/1	12/31
Navios GP L.L.C.	Operating Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
Pandora Marine Inc.	Vessel Owning Company	100%	Marshall Is.			1/1	11/14	6/11-12/31	
Floral Marine Ltd.	Vessel Owning Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	6/11	12/31
Red Rose Shipping Corp.	Vessel Owning Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	6/11-12/31	
Customized Development S.A.	Vessel Owning Company	100%	Liberia			1/1	11/14	6/22-12/31	
Highbird Management Inc.	Vessel Owning Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	7/14	12/31
Ducale Marine Inc.	Vessel Owning Company	100%	Marshall Is.	1/1	12/31	1/1	12/31	6/22-12/31	
Kohylia Shipmanagement S.A.	Vessel Owning Company	100%	Marshall Is.	1/1	5/18	1/1	12/31	7/14	12/31
Vector Shipping Corporation	Vessel Owning Company	100%	Marshall Is.	1/1	12/31	2/16	12/31		
Faith Marine Ltd.	Vessel Owning Company	100%	Liberia	1/1	12/31	5/19	12/31		
Navios Maritime Finance (US) Inc.	Operating Company	100%	Delaware	1/1	12/31	1/1	12/31	10/20-12/31	
Navios Maritime Finance II (US) Inc.	Operating Company	100%	Delaware	1/12	12/31				
Solange Shipping Ltd. ⁽¹⁾	Vessel Owning Company	100%	Marshall Is.	5/16	12/31				
Tulsi Shipmanagement Co. ⁽²⁾	Vessel Owning Company	100%	Marshall Is.	4/20	12/31				
Cinthara Shipping Ltd. ⁽²⁾	Vessel Owning Company	100%	Marshall Is.	4/28	12/31				
Rawlin Services Co. ⁽²⁾	Vessel Owning Company	100%	Marshall Is.	5/3	12/31				
Mauve International S.A. ⁽²⁾	Vessel Owning Company	100%	Marshall Is.	5/16	12/31				
Mandora Shipping Ltd. ⁽¹⁾	Vessel Owning Company	100%	Marshall Is.	10/17	12/31				

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Company Name	Nature / Vessel Name	Effective Ownership Interest	Country of Incorporation	Statement of operations			
				2011	2010	2009	
Navios Maritime Acquisition Corporation and Subsidiaries ⁽⁵⁾:							
Navios Maritime Acquisition Corporation	Sub-Holding Company	53.7%	Marshall Is.	1/1	3/30	5/28	12/31
Aegean Sea Maritime Holdings Inc.	Sub-Holding Company	53.7%	Marshall Is.	1/1	3/30	5/28	12/31
Amorgos Shipping Corporation	Vessel Owning Company	53.7%	Marshall Is.	1/1	3/30	5/28	12/31
Andros Shipping Corporation	Vessel Owning Company	53.7%	Marshall Is.	1/1	3/30	5/28	12/31
Antiparos Shipping Corporation	Vessel Owning Company	53.7%	Marshall Is.	1/1	3/30	5/28	12/31
Ikaria Shipping Corporation	Vessel Owning Company	53.7%	Marshall Is.	1/1	3/30	5/28	12/31
Kos Shipping Corporation	Vessel Owning Company	53.7%	Marshall Is.	1/1	3/30	5/28	12/31
Mytilene Shipping Corporation	Vessel Owning Company	53.7%	Marshall Is.	1/1	3/30	5/28	12/31
Skiathos Shipping Corporation	Vessel Owning Company	53.7%	Marshall Is.	1/1	3/30	5/28	12/31
Syros Shipping Corporation	Vessel Owning Company	53.7%	Marshall Is.	1/1	3/30	5/28	12/31
Skopelos Shipping Corporation	Vessel Owning Company	53.7%	Cayman Is.	1/1	3/30	5/28	12/31
Sifnos Shipping Corporation	Vessel Owning Company	53.7%	Marshall Is.	1/1	3/30	5/28	12/31
Ios Shipping Corporation	Vessel Owning Company	53.7%	Cayman Is.	1/1	3/30	5/28	12/31
Thera Shipping Corporation	Vessel Owning Company	53.7%	Marshall Is.	1/1	3/30	5/28	12/31
Shinyo Dream Limited	Vessel Owning Company	53.7%	Hong Kong	1/1	3/30	9/10	12/31
Shinyo Kannika Limited	Vessel Owning Company	53.7%	Hong Kong	1/1	3/30	9/10	12/31
Shinyo Kieran Limited	Vessel Owning Company	53.7%	British Virgin Is.	1/1	3/30	9/10	12/31
Shinyo Loyalty Limited	Vessel Owning Company	53.7%	Hong Kong	1/1	3/30	9/10	12/31
Shinyo Navigator Limited	Vessel Owning Company	53.7%	Hong Kong	1/1	3/30	9/10	12/31
Shinyo Ocean Limited	Vessel Owning Company	53.7%	Hong Kong	1/1	3/30	9/10	12/31
Shinyo Saowalak Limited	Vessel Owning Company	53.7%	British Virgin Is.	1/1	3/30	9/10	12/31
Crete Shipping Corporation	Vessel Owning Company	53.7%	Marshall Is.	1/1	3/30	5/28	12/31
Rhodes Shipping Corporation	Vessel Owning Company	53.7%	Marshall Is.	1/1	3/30	5/28	12/31
Tinos Shipping Corporation	Vessel Owning Company	53.7%	Marshall Is.	1/1	3/30	5/28	12/31
Folegandros Shipping Corporation	Vessel Owning Company	53.7%	Marshall Is.	1/1	3/30	10/26	12/31
Navios Acquisition Finance (US) Inc.	Operating Company	53.7%	Delaware	1/1	3/30	10/05	12/31
Serifos Shipping Corporation	Vessel Owning Company	53.7%	Marshall Is.	1/1	3/30	10/26	12/31

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Company Name	Nature / Vessel Name	Effective Ownership Interest	Country of Incorporation	Statement of operations					
				2011	2010	2009			
Navios South American Logistics and Subsidiaries:									
Navios South American Logistics Inc.	Sub-Holding Company	63.8%	Marshall Is.	1/1	12/31	1/1	12/31	1/1	12/31
Corporacion Navios S.A.	Operating Company	63.8%	Uruguay	1/1	12/31	1/1	12/31	1/1	12/31
Nauticler S.A.	Sub-Holding Company	63.8%	Uruguay	1/1	12/31	1/1	12/31	1/1	12/31
Compania Naviera Horamar S.A.	Vessel Operating Management Company	63.8%	Argentina	1/1	12/31	1/1	12/31	1/1	12/31
Compania de Transporte Fluvial International S.A.	Sub-Holding Company	63.8%	Uruguay	1/1	12/31	1/1	12/31	1/1	12/31
Ponte Rio S.A.	Operating Company	63.8%	Uruguay	1/1	12/31	1/1	12/31	1/1	12/31
Thalassa Energy S.A.	Barge Owning Company	39.9%	Argentina	1/1	7/24	1/1	12/31	1/1	12/31
		63.8%		7/25	12/31				
HS Tankers Inc.	Tanker Owning Company	32.5%	Panama	1/1	7/24	1/1	12/31	1/1	12/31
		63.8%		7/25	12/31				
HS Navigation Inc.	Tanker Owning Company	32.5%	Panama	1/1	7/24	1/1	12/31	1/1	12/31
		63.8%		7/25	12/31				
HS Shipping Ltd. Inc.	Tanker Owning Company	39.9%	Panama	1/1	7/24	1/1	12/31	1/1	12/31
		63.8%		7/25	12/31				
HS South Inc.	Tanker Owning Company	39.9%	Panama	1/1	7/24	1/1	12/31	1/1	12/31
		63.8%		7/25	12/31				
Mercopar Internacional S.A. ⁽³⁾	Sub-Holding Company	63.8%	Uruguay					1/1	12/10
Nagusa Internacional S.A. ⁽³⁾	Sub-Holding Company	63.8%	Uruguay					1/1	12/10
Hidrovia OSR Internacional S.A. ⁽³⁾	Sub-Holding Company	63.8%	Uruguay					1/1	12/10
Petrovia Internacional S.A.	Land-Owning Company	63.8%	Uruguay	1/1	12/31	1/1	12/31	1/1	12/31
Mercopar S.A.	Operating/Barge Owning Company	63.8%	Paraguay	1/1	12/31	1/1	12/31	1/1	12/31
Navegacion Guarani S.A.	Operating Barge and Pushboat Owning Company	63.8%	Paraguay	1/1	12/31	1/1	12/31	1/1	12/31
Hidrovia OSR S.A.	Oil Spill Response & Salvage Services/ Tanker Owning Company	63.8%	Paraguay	1/1	12/31	1/1	12/31	1/1	12/31
Petrovia S.A. ⁽⁴⁾	Shipping Company	63.8%	Paraguay					1/1	1/21
Mercofluvial S.A.	Operating Barge and Pushboat Owning Company	63.8%	Paraguay	1/1	12/31	1/1	12/31	1/1	12/31
Petrolera San Antonio S.A.	Port Facility Operating Company	63.8%	Paraguay	1/1	12/31	1/1	12/31	1/1	12/31
Flota Mercante Paraguaya S.A. ⁽⁴⁾	Shipping Company	63.8%	Paraguay					1/1	2/13
Compania de Transporte Fluvial S.A. ⁽⁴⁾	Shipping Company	63.8%	Paraguay					1/1	2/13
Hidrogas S.A. ⁽⁴⁾	Shipping Company	63.8%	Paraguay					1/1	1/21
Stability Oceanways S.A.	Barge and Pushboat Owning Operating Company	63.8%	Panama	1/1	12/31	1/1	12/31	1/1	12/31
Hidronave South American Logistics S.A.	Pushboat Owning Company	32.5%	Brazil	1/1	12/31	1/1	12/31	1/11	12/31
Navarra Shipping Corporation	Tanker-Owning Company	63.8%	Marshall Is.	1/1	12/31	4/1	12/31		
Pelayo Shipping Corporation	Tanker-Owning Company	63.8%	Marshall Is.	1/1	12/31	4/1	12/31		
Varena Maritime Services S.A.	Barge and Pushboat Owning Operating Company	63.8%	Panama	4/14	12/31				
Navios Logistics Finance (US) Inc.	Operating Company	100%	Delaware	1/16	12/31				

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- (1) Each company has the rights over a shipbuilding contract of a bulk carrier vessel.
- (2) Each company has the option over a shipbuilding contract of a bulk carrier vessel.
- (3) These companies were sold on December 10, 2009 to independent third parties.
- (4) During 2009, these companies were merged into other existing Paraguayan shipping companies within the Navios Logistics group.
- (5) As of March 30, 2011, following the Navios Acquisition Share Exchange, Navios Holdings' ownership of the voting stock of Navios Acquisition decreased to 45% and Navios Holdings no longer controls a majority of the voting power of Navios Acquisition. As a result, from March 30, 2011, Navios Acquisition has not been consolidated and has been accounted for under the equity method of accounting based on Navios Holdings' economic interest in Navios Acquisition, since the preferred stock is considered in substance common stock for accounting purposes. On November 4, 2011, following the return of 217,159 shares to Navios Acquisition and the subsequent cancellation of such shares, Navios Holdings' ownership of the outstanding voting stock of Navios Acquisition increased to 45.24% and its economic interest in Navios Acquisition increased to 53.96%.

Affiliates included in the financial statements accounted for under the equity method:

In the consolidated financial statements of Navios Holdings, the following entities are included as affiliates and are accounted for under the equity method, for such periods during which such entities were affiliates of Navios Holdings: (i) Navios Partners and its subsidiaries (ownership interest as of December 31, 2011 was 17.22%, which did not include the ownership of 5,601,920 common units received in relation to the sale of several vessels to Navios Partners because these are considered available-for-sale securities), (ii) Navios Acquisition and its subsidiaries (ownership interest as of December 31, 2011 was 53.96%) and (iii) Acropolis Chartering and Shipping Inc. (ownership interest as of December 31, 2011 was 50%).

D. Property, plants and equipment

Our only material property is the owned vessels, tanker vessels, barges and pushboats and the port terminal facilities in Paraguay and Uruguay. See Item 4.B Business Overview above.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

The following is a discussion of Navios Holdings' financial condition and results of operations for each of the fiscal years ended December 31, 2011, 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, including the notes to those financial statements, for the years mentioned above which are included in this document.

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 our view, could cause actual results to differ materially from the forward-looking statements contained in this report are those discussed under Risk Factors and Forward-Looking Statement.

Overview

Navios Holdings is a global, vertically integrated seaborne shipping and logistics company focused on the transport and transshipment of drybulk commodities, including iron ore, coal and grain. We technically and commercially manage our owned fleet, Navios Acquisitions' 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 ship management of the owned fleet, Navios Partners' and Navios Acquisitions' 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 ISE, 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.

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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. Kleimar is the owner and operator of Capesize, Panamax and Handymax vessels used in the transportation of cargoes and has an extensive COA business.

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On August 7, 2007, Navios Holdings formed Navios Partners under the laws of Marshall Islands. Navios G.P. L.L.C. (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. Navios Partners is an affiliate and not consolidated under Navios Holdings.

Navios Logistics

Navios Logistics is one of the largest logistics companies in the Hidrovia region of South America, serving the storage and marine transportation needs of its customers through two port storage and transfer facilities, one for grain commodities and the other for refined petroleum products and a diverse fleet, consisting of vessels, barges and pushboats.

On January 1, 2008, pursuant to a share purchase agreement, Navios Holdings contributed (i) \$112.2 million in cash; and (ii) the authorized capital stock of its wholly owned subsidiary Corporation Navios Sociedad Anonima (CNSA) in exchange for the issuance and delivery of 12,765 shares of Navios Logistics, representing 63.8% (or 67.2% excluding contingent consideration) of its outstanding stock. Navios Logistics acquired all ownership interests in Horamar in exchange for (i) \$112.2 million in cash, of which \$5.0 million was kept in escrow, 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% (or 32.8% excluding contingent consideration) of Navios Logistics outstanding stock, of which 1,007 shares were held 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 to the former shareholders of Horamar upon the achievement of the EBITDA target threshold. Navios Holdings currently owns 63.8% of Navios Logistics.

Navios Acquisition

Navios Acquisition is an owner and operator of tanker vessels focusing in the transportation of petroleum products (clean and dirty) and bulk liquid chemicals.

On July 1, 2008, Navios Holdings completed the IPO of its former subsidiary, Navios Acquisition. At the time of the IPO, Navios Acquisition was a blank check company. In the offering, Navios Acquisition sold 25,300,000 units for an aggregate purchase price of \$253.0 million. Simultaneously with the completion of the IPO, the Company purchased private placement warrants of Navios Acquisition for an aggregate purchase price of \$7.6 million (Private Placement Warrants). Prior to the IPO, Navios Holdings had purchased 8,625,000 units (Sponsor Units) for a total consideration of \$25,000, 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 consisted 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 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 plus options to purchase two additional product tankers) for an aggregate purchase price of \$457.7 million, of which \$128.7 million was paid from existing cash and the \$329.0 million balance was paid with existing and new 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 equity payments made prior to the stockholders meeting under the purchase contracts for the vessels, plus all associated payments previously made by Navios Holdings which amounted to \$76.5 million.

Navios Holdings purchased 6,337,551 shares of Navios Acquisition s common stock for \$63.2 million in open market purchases. Moreover, on May 28, 2010, certain shareholders of Navios Acquisition redeemed 10,021,399 shares pursuant to redemption rights granted in the IPO upon de- SPAC -ing.

As of May 28, 2010, following these transactions, Navios Holdings owned 12,372,551 shares, or 57.3%, of the outstanding common stock of Navios Acquisition. On that date, Navios Holdings acquired control over Navios Acquisition, and consequently concluded a business combination had occurred and consolidated the results of Navios Acquisition from that date until March 30, 2011.

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Upon obtaining control of Navios Acquisition, the investment in shares of common stock 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 a gain of \$5.9 million recorded in the statement of income under Gain on derivatives, respectively. 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, which amounted to \$60.5 million. Goodwill amounting to \$13.1 million was recognized representing the residual between the sum of Navios Holdings' investment amounting to \$95.2 million and the recognition of noncontrolling interest of \$60.5 million less the fair value of Navios Acquisition's net assets amounting to \$142.6 million on May 28, 2010.

On September 2, 2010, Navios Acquisition completed its warrant exercise program (the Warrant Program). Under the Warrant Program, holders of its publicly traded awards (Public Warrants) had the opportunity to exercise the Public Warrants on enhanced terms through August 27, 2010. Under the Warrant Program, 19,262,006 Public Warrants (76.13% of the Public Warrants then-outstanding) were exercised, of which 19,246,056 Public Warrants were exercised cashlessly and 15,950 Public Warrants were exercised by payment of the \$5.65 cash exercise price. As a result of the successful completion of the Warrant Program, Navios Holdings and Angeliki Frangou exercised 13,835,000 warrants that had been issued privately to them and other insiders (Private Warrants). Following these transactions (a) \$78.3 million of gross cash proceeds were raised from the exercise of the Public Warrants and Private Warrants, and (b) 18,412,053 new shares of common stock were issued.

On March 30, 2011, Navios Holdings exchanged 7,676,000 shares of Navios Acquisition's common stock it held for non-voting Series C preferred stock of Navios Acquisition (the Navios Acquisition Share Exchange) pursuant to an Exchange Agreement entered into on March 30, 2011 between Navios Acquisition and Navios Holdings. The fair value of the exchange was \$30.5 million. Immediately after the Navios Acquisition Share Exchange, Navios Holdings' ownership of the outstanding voting stock of Navios Acquisition decreased to 45% and Navios Holdings ceased to control a majority of the voting power of Navios Acquisition. From that date onwards, Navios Acquisition has been considered an affiliate entity of Navios Holdings and not a controlled subsidiary of the Company, and the investment in Navios Acquisition has been accounted for under the equity method due to the Company's significant influence over Navios Acquisition based on Navios Holdings' economic interest in Navios Acquisition, since the preferred stock is considered to be, in-substance, common stock for accounting purposes.

On March 30, 2011, based on the equity method, the Company recorded an investment in Navios Acquisition of \$103.3 million, which represents the fair value of the common stock and Series C preferred stock that were held by Navios Holdings on such date. On March 30, 2011, the Company calculated a loss on change in control of \$35.3 million, which is equal to the fair value of the Company's investment in Navios Acquisition of \$103.3 million less the Company's 53.7% interest in Navios Acquisition's net assets on March 30, 2011.

On November 4, 2011, following the return of 217,159 shares to Navios Acquisition and the subsequent cancellation of such shares, Navios Holdings' ownership of the outstanding voting stock of Navios Acquisition increased to 45.24% and its economic interest in Navios Acquisition increased to 53.96%.

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) for periods up to 12 years at inception to various shipping industry counterparties considered by Navios Holdings to have appropriate credit profiles. By doing this, Navios Holdings aims to lock in, subject to credit and operating risks, favorable forward revenue and cash flows which it believes will cushion it against unfavorable market conditions. In addition, Navios Holdings trades additional vessels taken in on shorter term charters of less than 12 months duration as well as voyage charters or COAs and forward freight agreements (FFAs).

In 2008 and 2009, this policy had the effect of generating Time Charter Equivalents (TCE) that, while high by the average historical levels of the drybulk 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 2010 and in 2011, this chartering policy had the effect of generating TCE that 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 \$10,606 per day for the year ended December 31, 2011. 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 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.

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Navios Holdings believes that a decrease in global commodity demand from its current level, and the delivery of drybulk carrier new buildings into the world fleet, could 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 favorable rates, will continue to help mitigate the impact of the declines 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 currently in the money. In reaction to a decline in freight rates, available ship financing has also been negatively impacted.

Navios Holdings currently owns 63.8% of Navios Logistics. Navios Logistics owns and operates vessels, barges and pushboats 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: (i) South American grain production and export, in particular Argentinean, Brazilian, Paraguayan, Uruguayan and Bolivian production and export; (ii) South American iron ore production and export, mainly from Brazil; and (iii) sales (and logistic services) of petroleum products in the Argentine and Paraguayan markets. 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 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.

As of December 31, 2011, Navios Holdings' ownership of the outstanding voting stock of Navios Acquisition was 45.24% and its economic interest in Navios Acquisition was 53.96%. Navios Acquisition owns a large fleet of modern crude oil, refined petroleum product and chemical tankers providing worldwide marine transportation services. Navios Acquisition strategy is to charter its vessels to international oil companies, refiners and large vessel operators under long, medium and short-term charters. Navios Acquisition is committed to providing quality transportation services and developing and maintaining long-term relationships with its customers. Navios Acquisition believes that the Navios brand will allow it to take advantage of increasing global environmental concerns that have created a demand in the petroleum products/crude oil seaborne transportation industry for vessels and operators that are able to conform to the stringent environmental standards currently being imposed throughout the world.

Fleet Development

The following is the current core fleet employment profile (excluding Navios Logistics and Navios Acquisition), including the newbuilds to be delivered. The current core fleet consists of 57 vessels totaling 5.8 million deadweight tons. The employment profile of the fleet as of March 26, 2012 is reflected in the tables below. The 45 vessels in current operation aggregate approximately 4.8 million deadweight tons and have an average age of 5.4 years. Navios Holdings has currently fixed 83.7%, 42.6% and 24.9% the 2012, 2013 and 2014 available days, respectively, of its fleet (excluding vessels, which are utilized to fulfill COAs), representing contracted fees (net of commissions), based on contracted charter rates from our current charter agreement of \$270.8 million, \$181.0 million and \$122.6 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 COAs) is \$22,860, \$29,115 and \$31,631 for 2012, 2013 and 2014, respectively. The average daily charter-in rate for the active long-term charter-in vessels (excluding vessels, which are utilized to fulfill COAs) for 2012 is \$12,783.

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Vessels	Type	Built	DWT	Charter-out Rate ⁽¹⁾	Profit Share ⁽⁵⁾	Expiration Date ⁽²⁾
Navios Serenity	Handysize	2011	34,718	10,616	No	07/28/2012
Navios Ionian	Ultra Handymax	2000	52,067	13,726	No	09/17/2012
Navios Celestial	Ultra Handymax	2009	58,063	12,350	No	04/18/2012
Navios Vector	Ultra Handymax	2002	50,296	10,830	No	05/28/2012
Navios Horizon	Ultra Handymax	2001	50,346	9,025	No	04/17/2012
Navios Herakles	Ultra Handymax	2001	52,061	11,400	No	04/03/2013
Navios Achilles	Ultra Handymax	2001	52,063	25,521 ⁽⁷⁾	65%/\$20,000 after March 2012	11/17/2013
Navios Meridian	Ultra Handymax	2002	50,316	8,531	No	04/03/2012
Navios Mercator	Ultra Handymax	2002	53,553	29,783 ⁽⁷⁾	65%/\$20,000 after March 2012	01/12/2015
Navios Arc	Ultra Handymax	2003	53,514	9,975	No	07/10/2012
Navios Hios	Ultra Handymax	2003	55,180	10,925	No	03/15/2013
Navios Kypros	Ultra Handymax	2003	55,222	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	15,751	No	05/23/2013
Navios Astra	Ultra Handymax	2006	53,468	12,825	No	11/18/2012
Navios Magellan	Panamax	2000	74,333	7,600	No	04/17/2012
				10,925		04/12/2013
Navios Star	Panamax	2002	76,662	16,958	No	12/04/2012
Navios Asteriks	Panamax	2005	76,801			
Navios Bonavis	Capesize	2009	180,022	47,400	No	06/29/2014
Navios Happiness	Capesize	2009	180,022	52,345 ⁽⁷⁾	50%/\$32,000 after March 2012	05/24/2014
Navios Lumen	Capesize	2009	180,661	39,830 ⁽⁶⁾	Yes	12/10/2012
				43,193 ⁽⁶⁾	Yes	12/10/2013
				42,690 ⁽⁶⁾	Yes	12/10/2016
				39,305 ⁽⁶⁾	Yes	12/10/2017
Navios Stellar	Capesize	2009	169,001	36,974 ⁽⁹⁾	No	12/22/2016
Navios Phoenix	Capesize	2009	180,242	17,005	No	11/25/2012 ⁽⁸⁾
Navios Antares	Capesize	2010	169,059	37,590 ⁽⁹⁾	No	01/19/2015
				45,875 ⁽⁹⁾	No	01/19/2018
Navios Buena Ventura	Capesize	2010	179,259	29,356	50%/\$38,500	10/28/2020
Navios Etoile	Capesize	2010	179,234	29,356	50% in excess of \$38,500	12/02/2020
Navios Bonheur	Capesize	2010	179,259	27,888 ⁽⁷⁾	50%/\$32,000 after March 2012	12/16/2013
				25,025 ⁽⁷⁾		07/17/2022
Navios Altamira	Capesize	2011	179,165	24,674	No	01/18/2021
Navios Azimuth	Capesize	2011	179,169	26,469 ⁽⁷⁾	50%/\$34,500 after March 2012	09/14/2022

Owned Vessels to be Delivered

Vessels	Type	Date	DWT	Charter-out Rate ⁽¹⁾⁽¹⁰⁾
Navios Centaurus	Panamax	03/2012	81,600	12,825
Navios Avior	Panamax	05/2012	81,600	12,716

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Vessels	Type	Delivery Date	DWT
Navios TBN	Panamax	H2/2013	82,000
Navios TBN	Panamax	H2/2013	82,000
Navios TBN	Panamax	H1/2014	82,000
Navios TBN	Panamax	H1/2014	82,000

Long-term Chartered-in Vessels

Vessels	Type	Built	DWT	Purchase Option ⁽³⁾	Charter-out Rate ⁽¹⁾	Expiration Date ⁽²⁾
Navios Primavera	Ultra Handymax	2007	53,464	Yes	13,300	10/07/2012
Navios Armonia	Ultra Handymax	2008	55,100	No	11,875	10/21/2012
Navios Apollon	Ultra Handymax	2000	52,073	No	(11)	04/06/2012
Navios Orion	Panamax	2005	76,602	No	49,400	12/14/2012
Navios Titan	Panamax	2005	82,936	No	19,000	11/09/2012
Navios Altair	Panamax	2006	83,001	No	13,063	09/05/2012
Navios Esperanza	Panamax	2007	75,356	No	14,513	02/19/2013
Navios Marco Polo	Panamax	2011	80,647	Yes	11,875	01/09/2013
Navios Koyo	Capesize	2011	181,415	Yes	17,005	01/30/2013
Torm Antwerp	Panamax	2008	75,250	Yes		
Golden Heiwa	Panamax	2007	76,662	No		
Beaufiks	Capesize	2004	180,310	Yes		
Rubena N	Capesize	2006	203,233	No		
SC Lotta	Capesize	2009	169,056	No		
Phoenix Beauty	Capesize	2010	169,150	No		
King Ore	Capesize	2010	176,800	No		

Chartered-in Vessels to be Delivered

Vessels	Type	Delivery Date	Purchase Option	DWT
Navios Lyra	Handysize	09/2012	Yes ⁽⁴⁾	34,718
Navios Obeliks	Capesize	07/2012	Yes	180,000
Navios TBN	Capesize	12/2013	Yes	180,000
Navios Oriana	Ultra Handymax	05/2012	Yes	61,000
Navios TBN	Ultra Handymax	05/2013	Yes	61,000
Navios TBN	Ultra Handymax	10/2013	Yes	61,000
Navios TBN	Panamax	01/2013	Yes	82,100
Navios TBN	Panamax	07/2013	Yes ⁽⁴⁾	80,500
Navios TBN	Panamax	09/2013	Yes ⁽⁴⁾	80,500
Navios TBN	Panamax	11/2013	Yes ⁽⁴⁾	80,500

(1) Daily rate net of commissions.

(2) Expected redelivery basis midpoint of full redelivery period.

(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) Profit share based on applicable Baltic TC Average exceeding \$/day rates listed.

(6)

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Year eight optional (option to Navios Holdings) included in the table above. Profit sharing is 100% to Navios Holdings until net daily rate of \$44,850 and becomes 50/50 thereafter.

- (7) Amount represents daily net rate of insurance proceeds following the default of the original charterer. The contracts for these vessels have been temporarily suspended and the vessels have been re-chartered to third parties for variable charter periods. Upon completion of the suspension period, the contracts with the original charterers will resume at amended terms. The obligations of our insurers are reduced by an amount equal to the mitigation charter hire revenues earned under the contracts with third parties and/or the original charterer or the applicable deductibles for any idle periods. The Company has filed claims for all unpaid amounts by the original charterer in respect of the employment of the vessels in the corporate rehabilitation proceedings.
- (8) Subject to COA of \$45,500 per day for the remaining period until first quarter of 2015.
- (9) Amount represents daily rate of insurance proceeds following the default of the original charterer. These vessels have been rechartered to third parties for variable charter periods. Obligations of the insurer are reduced by an amount equal to the mitigation charter hire revenues earned under these contracts and the applicable deductibles under the insurance policy.
- (10) The charter period is two years from delivery of each vessel.
- (11) Currently performing repositioning voyage.

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Recent Developments

On March 20, 2012, Marfin Popular Bank Co. Ltd. and Nauticler S.A., a subsidiary of Navios Holdings, finalized the documentation of the \$40.0 million revolving credit facility for working and investment capital purposes. The loan bears interest at a rate based on a margin of 300 basis points. The loan is initially repayable 12 months after drawdown with extension options available.

On March 23, 2012, Navios Holdings entered into a facility agreement with DVB BANK SE for an amount of up to \$42.0 million in two tranches in order to finance the acquisition of Navios Serenity and to refinance the Navios Astra loan facility. These two tranches bear interest at a rate of LIBOR plus 285 basis points and 360 basis points, each. The loan will be repayable in 32 quarterly instalments of \$0.6 million, with a final balloon payment of \$21.2 million on the last repayment date. On March 26, 2012, the amount drawn under this facility was \$26.0 million.

On March 26, 2012, Navios Holdings took delivery of the Navios Serenity, a 34,718 dwt Handysize vessel and former long-term chartered-in vessel in operation. The Navios Serenity's acquisition price was \$26.0 million.

Dividend Policy

On February 20, 2012, the Board of Directors declared a quarterly cash dividend for the fourth quarter of 2011 of \$0.06 per share of common stock. This dividend is payable on April 12, 2012 to stockholders of record on March 22, 2012. 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 and Forfeitures of Common Stock: During the year ended December 31, 2011, 8,869 shares of restricted common stock were forfeited upon termination of employment. In addition, on March 1, March 2, March 7, 2011 and June 23, 2011, 18,281, 29,250, 68,047 and 15,000 shares, respectively, were issued following the exercise of the options for cash at an exercise price of \$3.18 per share.

On December 5, 2011, pursuant to the stock plan approved by the Board of Directors, Navios Holdings issued to its employees 784,273 shares of restricted common stock, 29,000 restricted stock units and 1,344,353 stock options.

During the year ended December 31, 2011, 15,264 restricted stock units, that were issued to the Company's employees in 2009 and 2010 vested and 1,997 restricted shares of common stock were surrendered.

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 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 the Company's credit facilities and indenture. In October 2011, Navios Holdings repurchased 73,651 shares for a total cost of \$0.2 million. There were no shares repurchased during the year ended December 31, 2010 and 331,900 shares were repurchased under this program during the year ended December 31, 2009 for a total consideration of \$0.7 million.

Following the issuances, repurchases and cancellations of the shares described above, as of December 31, 2011, Navios Holdings had 102,409,364 shares of common stock and 8,479 shares of preferred stock outstanding.

Navios Partners

The Board of Directors of Navios Partners declared a cash distribution for the fourth quarter of 2011 of \$0.44 per unit. On February 14, 2012, Navios Holdings received an amount of \$6.7 million, representing the cash distribution from Navios Partners for the fourth quarter of 2011.

Dividends received during the year ended December 31, 2011, 2010 and 2009 were \$25.6 million, \$21.2 million and \$18.1 million, respectively.

Navios Acquisition

On January 5, 2012, Navios Holdings received an amount of \$1.3 million, equal to a dividend of \$0.05 per common share, representing the cash distribution from Navios Acquisition for the third quarter of 2011.

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On February 13, 2012, the Board of Directors of Navios Acquisition declared a quarterly cash dividend in respect of the fourth quarter of 2011 of \$0.05 per common share payable on April 5, 2012 to stockholders of record as of March 22, 2012.

Dividends received during the year ended December 31, 2011, 2010 and 2009 were \$5.2 million, \$0 and \$0, respectively.

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A. Operating Results

Factors Affecting Navios Holdings Results of Operations:

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 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.

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 in order to adjust to anticipated changes in market rates. Navios Holdings aims to achieve an appropriate balance between owned vessels and long and short-term chartered-in vessels and controls under its Core Fleet approximately 5.8 million dwt in drybulk tonnage. Navios Holdings options to extend the charter duration of vessels it has under long-term time charter (durations of over 12 months) and its purchase options on chartered vessels permit 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: TCE rates are defined as voyage and time charter revenues 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 drybulk shipping industry.

Time charters are available for varying periods, ranging from a single trip (spot charter) to a long-term period which may be many years. Under a time charter, owners assume no risk for finding business, obtaining and paying for fuel or other expenses related to the voyage, such as port entry fees. 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.

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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 an 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 Core Fleet is 5.7 years. However 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, COAs, and 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.

Navios Holdings enters into drybulk 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 drybulk 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 December 31, 2011, 2010 and 2009, none of our FFAs qualified for hedge accounting treatment. Drybulk FFAs traded by the Company that do not qualify for hedge accounting are shown at fair value in the balance sheet and changes in fair value are recorded 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 drybulk 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.

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. The reportable segments reflect the internal organization of the Company and are strategic businesses that offer different products and services. The Company currently has two reportable segments from which it derives its revenues, Drybulk Vessel Operations and Logistics Business, and previously had a Tanker Vessel Operations segment until the deconsolidation of Navios Acquisition on March 30, 2011. The Drybulk Vessel Operations business consists of the transportation and handling of bulk cargoes through the ownership, operation, and trading of vessels, freight, and FFAs. For Navios Holdings' reporting purposes, Navios Logistics is considered as one reportable segment, the Logistics Business segment. The Logistics Business segment consists of our port terminal business, barge business and cabotage business in the Hidrovia region of South America. Also, following the formation of Navios Acquisition and until March 30, 2011 when Navios Acquisition's deconsolidation took place, the Company included an additional reportable segment, the Tanker Vessel Operations business, which consisted of transportation and handling of liquid cargoes through the ownership, operation, and trading of tanker vessels. Navios Holdings measures segment performance based on net income.

For further segment information, please see Note 20 to the Consolidated Financial Statements included elsewhere in this Annual Report.

Table of Contents**Period over Period Comparisons****For the year ended December 31, 2011 compared to the year ended December 31, 2010**

The following table presents consolidated revenue and expense information for each of the years ended December 31, 2011 and 2010 and was derived from the audited consolidated revenue and expense accounts of Navios Holdings for each of the years ended December 31, 2011 and 2010.

(In thousands of U.S. dollars)	Year Ended December 31, 2011	Year Ended December 31, 2010
Revenue	\$ 689,355	\$ 679,918
Time charter, voyage and logistics business expenses	(273,312)	(285,742)
Direct vessel expenses	(117,269)	(97,925)
General and administrative expenses	(52,852)	(58,604)
Depreciation and amortization	(107,395)	(101,793)
Provision for losses on accounts receivable	(239)	(4,660)
Interest income from investments in finance leases		877
Interest income	4,120	3,642
Interest expense and finance cost, net	(107,181)	(106,022)
(Loss)/ gain on derivatives	(165)	4,064
Gain on sale of assets	38,822	55,432
(Loss)/gain on change in control	(35,325)	17,742
Loss on bond extinguishment	(21,199)	
Other income	1,660	9,472
Other expense	(12,990)	(11,303)
Income before equity in net earnings of affiliated companies	\$ 6,030	\$ 105,098
Equity in net earnings of affiliated companies	35,246	40,585
Income before taxes	\$ 41,276	\$ 145,683
Income tax benefit/(expense)	56	(414)
Net income	\$ 41,332	\$ 145,269
Less: Net (income)/loss attributable to the noncontrolling interest	(506)	488
Preferred stock dividends of subsidiary	(27)	
Preferred stock dividends attributable to the noncontrolling interest	12	
Net income attributable to Navios Holdings common stockholders	\$ 40,811	\$ 145,757

Set forth below are selected historical and statistical data for Navios Holdings (excluding Navios Acquisition and Navios Logistics) for each of the years ended December 31, 2011 and 2010 that the Company believes may be useful in better understanding the Company's financial position and results of operations.

	Year ended December 31,	
	2011	2010
FLEET DATA		
Available days	16,423	15,918
Operating days	16,201	15,841
Fleet utilization	98.7%	99.5%
Equivalent vessels	45	44

AVERAGE DAILY RESULTS

Time Charter Equivalents	\$ 23,064	\$ 25,527
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During the year ended December 31, 2011, there were 505 more available days as compared to 2010, due to an increase of 1,534 available days of the owned fleet following the delivery of newbuilding vessels at various times from the first quarter of 2010 until the first quarter of 2011. This increase was partially offset by a decrease of 1,029 days in short-term and long-term chartered in fleet available days. 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 year ended December 31, 2011 was \$23,064 per day, which was \$2,463 per day lower than the rate achieved in 2010. This was due primarily to the decline in the freight market during 2011 as compared to the same period in 2010.

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Revenue: Revenue from drybulk vessel operations for the year ended December 31, 2011 was \$429.5 million, as compared to \$458.4 million for the year ended December 31, 2010. The decrease in drybulk revenue was mainly attributable to: (i) a decrease in short-term charter-in and long-term chartered-in fleet available days by 275 days and 754 days, respectively, and (ii) a decrease in TCE per day by 9.7% to \$23,064 per day during the year ended December 31, 2011, as compared to \$25,527 per day during the year ended December 31, 2010. This decrease was partially offset by an increase in available days for owned vessels by 17.7% to 10,214 days during the year ended December 31, 2011 from 8,680 days during the year ended December 31, 2010.

Revenue from the logistics business was \$234.7 million for the year ended December 31, 2011, as compared to \$188.0 million for the year ended December 31, 2010. This increase was mainly attributable to: (i) the new vessels, the San San H (formerly known as Jiujiang) and the Stavroula, which commenced operations in October 2010 and March 2011, respectively; (ii) an increase in the volumes of iron ore transported; and (iii) an increase in the price of products sold. This overall increase was partially mitigated by a slight decrease in storage services in the liquid port terminal.

Following the Navios Acquisition Share Exchange, and the deconsolidation of Navios Acquisition on March 30, 2011, there was no revenue from tanker vessel operations from that date onwards. Revenue from tanker vessel operations for the year ended December 31, 2011 was \$25.1 million. Following the delivery of a chemical tanker, the Nave Polaris, on January 27, 2011, Navios Acquisition had 874 available days and a TCE rate of \$29,558. During the year ended December 31, 2010, revenue from tanker vessel operations was \$33.5 million. Following the VLCC Acquisition and the acquisitions of the Colin Jacob in June 2010, the Ariadne Jacob in July 2010 and the Nave Cosmos in October 2010, Navios Acquisition had 1,104 available days at a TCE of \$30,087 for the year ended December 31, 2010.

Time Charter, Voyage and Logistics Business Expenses: Time charter, voyage and logistics business expenses decreased by \$12.4 million or 4.3% to \$273.3 million for the year ended December 31, 2011, as compared to \$285.7 million for the year ended December 31, 2010.

The time charter and voyage expenses from drybulk operations decreased by \$38.4 million or 18.9% to \$164.5 million for the year ended December 31, 2011, as compared to \$202.9 million for the year ended December 31, 2010. This was primarily due to a decrease in the short-term and long-term chartered-in fleet activity (as discussed above).

Of the total amounts for the years ended December 31, 2011 and 2010, \$108.4 million and \$82.4 million, respectively, related to Navios Logistics. The increase in Navios Logistics was mainly due to (a) an increase in volume of iron ore transported; (b) an increase in the operating costs of the Navios Logistics port facilities in Uruguay and Paraguay; and (c) an increase in the price of products purchased.

Time charter and voyage expenses from tanker vessel operations for both the years ended December 31, 2011 and 2010 were \$0.4 million.

Direct Vessel Expenses: Direct vessel expenses increased by \$19.4 million or 19.8% to \$117.3 million for the year ended December 31, 2011, as compared to \$97.9 million for the year ended December 31, 2010. Direct vessel expenses include crew costs, provisions, deck and engine stores, lubricating oils, insurance premiums and costs for maintenance and repairs.

The direct vessel expenses from drybulk operations increased by \$8.2 million or 21.9% to \$45.6 million for the year ended December 31, 2011, as compared to \$37.4 million for the year ended December 31, 2010. The increase resulted primarily from an increase in available days for owned vessels by 17.7% to 10,214 days during the year ended December 31, 2011 from 8,680 days during the year ended December 31, 2010.

Of the total amounts for the years ended December 31, 2011 and 2010, \$64.1 million and \$50.8 million, respectively, related to Navios Logistics. The increase in Navios Logistics was mainly due to (a) additional operating expenses generated by the new vessels, the Stavroula and the San San H (formerly known as the Jiujiang), which commenced operations in October 2010 and March 2011, respectively; and (b) an increase in crew costs and repairs and maintenance costs related to the barge business.

Direct vessel expenses from tanker vessel operations was \$7.6 million for the year ended December 31, 2011, as compared to \$9.7 million for the year ended December 31, 2010. This decrease was mainly due to the decrease in available days for owned vessels by 230 days to 874 days during the year ended December 31, 2011 from 1,104 days for the year ended December 31, 2010, which was the result of the deconsolidation of Navios Acquisition on March 30, 2011.

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

(in thousands of U.S. dollars)	Year ended December 31, 2011	Year ended December 31, 2010
Payroll and related costs ⁽¹⁾	\$ 22,906	\$ 17,826
Professional, legal and audit fees ⁽¹⁾	5,958	5,679
Navios Logistics ⁽²⁾	13,662	12,210
Navios Acquisition	1,026	9,461
Other ⁽¹⁾	513	2,664
Sub-total	44,065	47,840
Credit risk insurance	8,787	10,764
General and administrative expenses	\$ 52,852	\$ 58,604

(1) Excludes the logistics and tanker vessel businesses.

(2) Excludes \$0.4 million administrative management services provided by Navios Holdings as per the administrative agreement with Navios Logistics.

The decrease in general and administrative expenses by \$5.7 million or 9.7% to \$52.9 million for the year ended December 31, 2011, as compared to \$58.6 million for the year ended December 31, 2010, was mainly attributable to (a) a \$8.4 million decrease in general and administrative expenses due to deconsolidation of Navios Acquisition; (b) a \$2.2 million decrease in other general and administrative expenses; and (c) a \$2.0 million decrease in credit risk insurance fees. The overall decrease was partially offset by (a) a \$5.1 million increase in payroll and other related costs consisting of a \$3.3 million increase in payroll costs and a \$1.8 million increase in stock plan expenses; (b) a \$0.3 million increase in professional, legal and audit fees; and (c) a \$1.5 million increase in general and administrative expenses attributable to the logistics business mainly due to an increase in salaries as a result of the increased number of employees, increased wages and the impact of foreign exchange rates.

Depreciation and Amortization: For the year ended December 31, 2011, depreciation and amortization increased by \$5.6 million or 5.5% to \$107.4 million, as compared to \$101.8 million for the year ended December 31, 2010. The increase was primarily due to (a) an increase in depreciation of drybulk vessels by \$8.6 million due to the increase in the number of the owned fleet vessels; and (b) an increase of \$0.5 million attributable to the logistics business, mainly due to the additional depreciation of the cabotage business generated by the new vessels, the Stavroula and the San San H, which were delivered in July and June 2010, respectively. This increase was partially offset by (a) a \$1.9 million decrease due to deconsolidation of Navios Acquisition; and (b) a decrease of \$1.6 million in amortization of favorable and unfavorable leases.

Provision for Losses on Accounts Receivable: For the year ended December 31, 2011, Navios Holdings provided \$0.2 million for losses relating to receivables from FFA trading counterparties and receivables from vessel operations in comparison to a \$4.7 million provision that the Company recorded during 2010. For the year ended December 31, 2011 and 2010, the provision for losses on accounts receivable related to logistics business was \$0.5 million and \$0.7 million, respectively.

Interest Income from Investments in Finance Lease: The Company did not have any interest income from investments in finance leases for the year ended December 31, 2011, as compared to \$0.9 million of income for the year ended December 31, 2010. The decrease was mainly due to the sale of the Vanessa, a 2002 built Handysize product tanker vessel, on August 5, 2010. The Vanessa was one of the vessels acquired through the acquisition of Kleimar N.V. (Kleimar) on February 2, 2007, which had been leased out under a lease that 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.

Interest Expense and Finance Cost, Net: Interest expense and finance cost, for the year ended December 31, 2011 increased by \$1.2 million or 1.1% to \$107.2 million, as compared to \$106.0 million in the same period of 2010. This increase was due to a \$12.5 million increase in interest expense and finance cost attributable to Navios Logistics, following the issuance of \$200.0 million of Logistics Senior Notes in April 2011. This increase was partially offset by (a) a \$7.0 million decrease in interest expense and finance cost attributable to Navios Acquisition as a result of

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its deconsolidation; and (b) a \$4.3 million decrease in interest expense and finance cost of Navios Holdings mainly as a result of a decrease in amortization of financing costs.

Interest income increased by \$0.5 million to \$4.1 million for the year ended December 31, 2011, as compared to \$3.6 million for the same period of 2010. This increase was mainly attributable to the increase in time deposits of the logistics business.

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(Loss)/ Gain on Derivatives: The loss from derivatives for the year ended December 31, 2011 was \$0.2 million, all of which resulted from FFA derivatives trading. The gain from derivatives for the year ended December 31, 2010 was \$4.1 million, which resulted from (a) a \$1.8 loss from FFA derivatives trading; and (b) a \$5.9 million gain from the Navios Acquisition warrants. During 2010, prior to the consolidation of Navios Acquisition, Navios Holdings valued the Navios Acquisition warrants at fair value and changes in fair value were recorded in (Loss)/ gain on derivatives. All warrants were exercised during 2010, pursuant to the Navios Acquisition Warrant Program.

The FFA 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.

	Baltic Exchange's Panamax Time Charter Average Index
December 24, 2010	\$ 14,711 ^(a)
May 20, 2010	\$ 37,099 ^(b)
December 31, 2010	\$ 14,711 ^(*)
February 2, 2011	\$ 10,372 ^(c)
March 11, 2011	\$ 17,115 ^(d)
December 31, 2011	\$ 13,139 ^(*)

(a) Low for fiscal year 2010

(b) High for fiscal year 2010

(c) Low for fiscal year 2011

(d) High for fiscal year 2011

(*) End of year rate

Gain on Sale of Assets: The gain on sale of assets for the year ended December 31, 2011 was \$38.8 million, which resulted from the sale of the Navios Luz and the Navios Orbiter to Navios Partners on May 19, 2011 for a total consideration of \$130.0 million, of which \$120.0 million was paid in cash and \$10.0 million was paid in newly issued common units of Navios Partners. The gain on sale of assets for the year ended December 31, 2010 was \$55.4 million which was a result of: (a) a gain of \$23.8 million from the sale of the Navios Hyperion on January 8, 2010 to Navios Partners; (b) a gain of \$0.5 million from the sale of the Navios Aurora II to Navios Partners on March 18, 2010; (c) a gain of \$1.8 million from the sale of the Navios Pollux to Navios Partners on May 21, 2010; and (d) a gain of \$22.1 million and \$7.2 million from the sale of the Navios Fulvia and the Navios Melodia, respectively, to Navios Partners.

(Loss)/ Gain on Change in Control: On March 30, 2011, Navios Holdings completed the Navios Acquisition Share Exchange whereby Navios Holdings exchanged 7,676,000 shares of Navios Acquisition's common stock it held for non-voting Series C preferred stock of Navios Acquisition pursuant to an Exchange Agreement entered into on March 30, 2011 between Navios Acquisition and Navios Holdings. On March 30, 2011, based on the equity method, the Company recorded an investment in Navios Acquisition of \$103.3 million, which represents the fair value of the common stock and Series C preferred stock that were held by Navios Holdings on such date. On March 30, 2011, the Company accounted a loss on change in control of \$35.3 million, which is equal to the fair value of the Company's investment in Navios Acquisition of \$103.3 million less the Company's portion of Navios Acquisition's net assets on March 30, 2011.

The gain on change in control for the year ended December 31, 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 (the number of shares not controlled by the Company) was recognized at fair value (the public share price as of May 28, 2010 of \$6.56) amounting to \$60.5 million.

Loss on Bond Extinguishment: In December 2006, the Company issued \$300.0 million in senior notes at a fixed rate of 9.5% due on December 15, 2014 (the 2014 Notes). On January 28, 2011, Navios Holdings completed the sale of \$350.0 million of 8.125% Senior Notes due 2019 (the 2019 Notes). The net proceeds from the sale of the 2019 Notes were used to redeem all of the 2014 Notes and pay related transaction fees and expenses and for general corporate purposes. As a result of such transaction, we recorded expenses from bond extinguishment of \$21.2 million.

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Net Other Income and Expense: Net other expense increased by \$9.5 million to \$11.3 million for the year ended December 31, 2011, as compared to \$1.8 million for the year ended December 31, 2010. This increase was mainly due to (a) a \$1.0 million increase in other expenses, net of Navios Logistics mainly due to higher taxes other-than-income taxes and exchange rate differences; (b) a

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\$0.4 million decrease in other income, net of Navios Acquisition; (c) a \$5.1 million decrease in miscellaneous income relating to voyages; (d) a \$0.8 million increase in other expenses; and (e) a \$3.8 million decrease as a result of a \$3.8 million gain recognized from the purchase of the 2% convertible senior promissory note for an aggregate price of \$29.1 million on November 3, 2010. This increase was partially offset by a \$1.6 million decrease in miscellaneous voyage expenses.

Equity in Net Earnings of Affiliated Companies: Equity in net earnings of affiliated companies decreased by \$5.4 million or 13.3% to \$35.2 million for the year ended December 31, 2011, as compared to \$40.6 million for the same period in 2010. This decrease was mainly due to a \$6.7 million decrease in the amortization of deferred gain mitigated by a \$1.3 million increase in investment income resulting from (i) a \$1.6 million net increase in contribution relating to Navios Partners; (ii) a \$0.1 negative contribution under the equity method relating to Navios Acquisition; and (iii) a \$0.2 million decrease in contribution relating to Acropolis.

The Company recognizes the gain from the sale of vessels to Navios Partners immediately in earnings only to the extent of the interest in Navios Partners owned by third parties and defers recognition of the gain to the extent of its own ownership interest in Navios Partners (the deferred gain) (see also Related Party Transactions). Subsequently, the deferred gain is amortized to income over the remaining useful life of the vessel. The recognition of the deferred gain is accelerated in the event that (i) the vessel is subsequently sold or otherwise disposed of by Navios Partners or (ii) the Company's ownership interest in Navios Partners is reduced.

Income Tax Benefit/ (Expense): Income tax decreased by \$0.5 million to a \$0.1 million benefit for the year ended December 31, 2011, as compared to a \$0.4 million expense for the year ended December 31, 2010. The main reason was the decrease in the net income before taxes of Navios Logistics for the year ended December 31, 2011, as compared to 2010.

Net (Income)/ Loss Attributable to the Noncontrolling Interest: Net income attributable to the noncontrolling interest increased by \$1.0 million to \$0.5 million of income for the year ended December 31, 2011, as compared to a loss of \$0.5 million for the same period in 2010. This increase was due to a \$4.2 million decrease in loss attributable to the noncontrolling interest in Navios Acquisition as a result of the deconsolidation of Navios Acquisition on March 30, 2011. This increase was partially offset by a decrease of \$3.2 million in income attributable to the noncontrolling interest in Navios Logistics mainly due to the acquisition of the noncontrolling interests of its joint ventures on July 25, 2011 and the fact that Navios Logistics' net income for the year ended December 31, 2011 decreased compared to the corresponding period in 2010.

For the year ended December 31, 2010 compared to the year ended December 31, 2009

The following table presents consolidated revenue and expense information for each of the years ended December 31, 2010 and 2009 and was derived from the audited consolidated revenue and expense accounts of Navios Holdings for each of the years ended December 31, 2010 and 2009.

(In thousands of U.S. dollars)	Year Ended December 31, 2010	Year Ended December 31, 2009
Revenue	\$ 679,918	\$ 598,676
Time charter, voyage and logistics business expenses	(285,742)	(316,473)
Direct vessel expenses	(97,925)	(68,819)
General and administrative expenses	(58,604)	(43,897)
Depreciation and amortization	(101,793)	(73,885)
Provision for losses on accounts receivable	(4,660)	(2,237)
Interest income from investments in finance leases	877	1,330
Interest income	3,642	1,699
Interest expense and finance cost, net	(106,022)	(63,618)
Gain on derivatives	4,064	375
Gain on sale of assets	55,432	20,785
Gain on change in control	17,742	
Other income	9,472	6,749
Other expense	(11,303)	(20,508)
Income before equity in net earnings of affiliated companies	\$ 105,098	\$ 40,177
Equity in net earnings of affiliated companies	40,585	29,222

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Income before taxes	\$ 145,683	\$ 69,399
Income tax (expense)/benefit	(414)	1,565
Net income	\$ 145,269	\$ 70,964
Less: Net loss/(income) attributable to the noncontrolling interest	488	(3,030)
Net income attributable to Navios Holdings common stockholders	\$ 145,757	\$ 67,934

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Set forth below are selected historical and statistical data for Navios Holdings (excluding Navios Acquisition and Navios Logistics) for each of the years ended December 31, 2010 and 2009 that the Company believes may be useful in better understanding the Company's financial position and results of operations.

	Year ended December 31,	
	2010	2009
FLEET DATA		
Available days	15,918	15,588
Operating days	15,841	15,479
Fleet utilization	99.5%	99.3%
Equivalent vessels	44	43
AVERAGE DAILY RESULTS		
Time Charter Equivalents	\$ 25,527	\$ 25,821

During the year ended December 31, 2010, there were 330 more available days as compared to 2009 due to an increase of 1,962 available days of our owned fleet following the delivery of newbuilding vessels at various times since the third quarter of 2009. This increase was partially offset by a decrease of 1,632 days in short-term and long-term chartered in fleet available days. 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 year ended December 31, 2010 was \$25,527 per day, which was \$294 per day lower than the rate achieved in 2009. This was due primarily to the decline in the freight market during 2010 compared to the same period in 2009.

Revenue: Revenue from drybulk vessel operations for the year ended December 31, 2010 was \$458.4 million, as compared to \$459.8 million for the same period during 2009. The decrease in revenue was mainly attributable to the decrease in TCE per day by 1.1% to \$25,527 in 2010 from \$25,821 in 2009 and a decrease in short-term and long-term chartered-in fleet available days of 458 days and 1,174 days, respectively. This decrease was mitigated by an increase in available days of the owned fleet of 29.2% to 8,680 days from 6,718 days following the delivery of the owned vessels at various times since December 2009.

Revenue from tanker vessel operations for the year ended December 31, 2010 was \$33.6 million. Following the acquisition of the vessel Nave Cosmos on October 27, 2010, Navios Acquisition had 1,104 available days at a TCE of \$30,087 for the year ended December 31, 2010. There was no revenue in the corresponding period of 2009.

Revenue from the logistics business operations was \$188.0 million for the year ended December 31, 2010, as compared to \$138.9 million during the same period of 2009. This increase was attributable mainly to: (a) the acquisition of the Makenita H and the Sara H in June 2009 and February 2010, respectively; (b) an increase in volumes in the dry port terminal and (c) an increase in storage capacity by 80,000 metric tons due to construction of a new silo at Navios Logistics' port facilities in Uruguay, which became operational in August 2009. The increased capacity became available in August 2009 and, accordingly, 2009 does not reflect the additional capacity for the full year.

Time Charter, Voyage and Logistics Business Expenses: Time charter, voyage and logistics business expenses decreased by \$30.8 million or 9.7% to \$285.7 million for the year ended December 31, 2010, as compared to \$316.5 million for the year ended December 31, 2009. This decrease was primarily due to the decrease in the short-term chartered in fleet activity (as discussed above) which was partially offset by an increase of \$25.8 million in logistics business expenses. This increase in logistics business was due to: (a) an increase in the dry ports' activities and to the additional cost of operations of the new silo constructed at Navios Logistics' port facilities in Uruguay; (b) an increase in the cabotage business mainly due to the operations of the vessels, the Makenita H and the Sara H, which were delivered in June 2009 and February 2010, respectively; and (c) an increase in the Paraguayan liquid port's volume.

Time charter and voyage expenses from tanker vessel operations for the year ended December 31, 2010 were \$0.4 million. Time charter and voyage expenses comprise all expenses related to each particular voyage, including time charter hire paid and bunkers, port charges, canal tolls, cargo handling, agency fees and brokerage commissions. Also included in time charter and voyage expenses are charterers' liability insurances, provision for losses on time charters in progress at year-end, direct port terminal expenses and other miscellaneous expenses. Time charter and voyage expenses are recognized as incurred.

Direct Vessel Expenses: Direct vessel expenses increased by \$29.1 million or 42.3% to \$97.9 million for the year ended December 31, 2010, as compared to \$68.8 million for the year ended December 31, 2009. Direct vessel expenses include crew costs, provisions, deck and engine stores, lubricating oils, insurance premiums and costs for maintenance and repairs. Of the total amounts for the years ended December 31, 2010 and

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2009, \$50.8 million and \$37.3 million, respectively, related to Navios Logistics. This increase was mainly due to (a) additional operating expenses generated from the acquisitions of the Makenita H and the Sara H; and (b) an increase in crew costs and spares.

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The drybulk direct vessel expenses increased by \$5.8 million or 18.4% to \$37.3 million for the year ended December 31, 2010, as compared to \$31.5 million for the year ended December 31, 2009. The increase resulted primarily from the increase in ownership days from 6,718 days during 2009 to 8,680 days during 2010 following the delivery of the owned vessels at various times since December 2009.

Direct vessel expenses from tanker vessel operations was \$9.8 million for the year ended December 31, 2010, as compared to \$0 for the year ended December 31, 2009. Pursuant to a Management Agreement dated May 28, 2010, a subsidiary of Navios Holdings, for five years from the closing of Navios Acquisition's initial vessel acquisition, provides commercial and technical management services to Navios Acquisition's vessels for a daily fee of \$6,000 per owned MR2 product tanker and chemical tanker vessel, \$7,000 per owned LR1 product tanker vessel and \$10,000 per VLCC 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 fees and costs.

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

(in thousands of U.S. dollars)	Year ended December 31, 2010	Year ended December 31, 2009
Payroll and related costs ⁽¹⁾	\$ 17,826	\$ 15,333
Professional, legal and audit fees ⁽¹⁾	5,679	5,389
Navios Logistics	12,210	9,116
Navios Acquisition	9,461	
Other ⁽¹⁾	2,664	3,252
Sub-total	47,840	33,090
Credit risk insurance ⁽¹⁾	10,764	10,807
General and administrative expenses	\$ 58,604	\$ 43,897

(1) Excludes the logistics and tanker vessel businesses.

General and administrative expenses increased by \$14.7 million or 33.5% to \$58.6 million, for the year ended December 31, 2010, from \$43.9 million for the same period of 2009. The increase was attributable mainly to: (a) a \$2.5 million increase in payroll and other related costs; (b) a \$3.0 million increase in general and administrative expenses relating to the logistics business attributable mainly to an increase in salaries, professional fees and other administrative costs; (c) a \$9.5 million increase in general and administrative expenses attributable to Navios Acquisition consisting of certain expenses relating to the VLCC Acquisition amounting to \$8.0 million out of which \$2.4 million relate to transaction costs, \$5.6 million relate to the valuation of 3,000 shares of preferred stock issued to an independent third party holder consultancy and advisory fees and the balance of \$1.5 million of general and administrative expenses related to legal and professional fees including audit fees; and (d) a \$0.3 million increase in professional, legal and audit fees. The overall increase of \$15.3 million was offset by a \$0.6 million decrease in other general and administrative expenses.

Depreciation and Amortization: For the year ended December 31, 2010, depreciation and amortization increased by \$27.9 million or 37.8% to \$101.8 million, as compared to \$73.9 million for the same period of 2009. The increase was primarily due to: (a) a \$22.1 million increase in depreciation of vessels due to the increase in the owned fleet in comparison to the same period of 2009; (b) a \$0.6 million increase in depreciation and amortization from the logistics business mainly due to (i) the acquisition of the new vessels and the new silo constructed at our port facilities in Uruguay and (ii) an increase in amortization expense which was mainly attributable to the amortization in full in 2009 of the unfavorable contracts (intangible liabilities). This increase in depreciation and amortization from the logistics business was partially offset by a decrease in depreciation due to fact that some assets reached the end of their total useful lives in 2009; and (c) a \$10.1 million increase relating to Navios Acquisition of which \$9.1 million related to depreciation of vessels and \$1.0 million related to the amortization of intangible assets and liabilities associated with the acquisition of the VLCC vessels, which was partially offset by a \$4.9 million decrease in amortization of favorable and unfavorable leases.

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Provision for Losses on Accounts Receivable: For the year ended December 31, 2010, Navios Holdings had provisions of \$4.7 million for losses relating to receivables from FFA trading counterparties and receivables from vessel operations in comparison to a \$2.2 million provision that the Company had performed during 2009. For the year ended December 31, 2010 and 2009, provisions for losses on accounts receivable related to logistics business were \$0.7 million and \$1.4 million, respectively.

Interest Income from Investments in Finance Lease: Interest income from investments in finance lease decreased by \$0.4 million or 30.8% to \$0.9 million, for the year ended December 31, 2010, as compared to \$1.3 million for the year ended December 31, 2009. The decrease was mainly due to the sale of the Vanessa, a 2002 built Handysize product tanker vessel, on August 5, 2010. The Vanessa was one of the vessels acquired through the acquisition of Kleimar on February 2, 2007, and had been leased out under a lease that 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.

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Interest Expense and Finance Cost, Net: Interest expense and finance cost for the year ended December 31, 2010 increased by \$42.4 million or 66.7% to \$106.0 million, for the year ended December 31, 2010, as compared to \$63.6 million in the same period of 2009. This increase was mainly due to: (a) an increase in interest expense and finance cost following the issuance of \$400.0 million of Ship Mortgage Notes; (b) an increase in the average outstanding loan balance of Navios Acquisition amounting to \$185.7 million for the year ended December 31, 2010; and (c) an increase of \$0.3 million in interest expense and finance cost due to the increase in outstanding loan balances of Navios Logistics for the year ended December 31, 2010 compared to the same period in 2009, which was mainly attributable to new loans obtained for the acquisition of the product tankers Makenita H and Sara H. This increase was partially offset by (a) a decrease (excluding Navios Logistics and Navios Acquisition) of the average outstanding loan balance from \$555.1 million for the year ended December 31, 2009 to \$369.8 million in the same period of 2010 (excluding the drawdown relating to facilities for the construction of the Capesize vessels) and (b) a decrease in average LIBOR rate (excluding Navios Logistics and Navios Acquisition) to 0.36% from 1.45%. Interest income increased by \$1.9 million to \$3.6 million for the year ended December 31, 2010, as compared to \$1.7 million for the same period of 2009. This increase was mainly attributable to the increase in time deposits and increase in interest rates.

Net Other Income and Expense: Net other expense decreased by \$12.0 million or 87% to \$1.8 million for the year ended December 31, 2010 from \$13.8 million for the same period in 2009. This decrease was mainly due to: (a) a \$3.8 million gain recognized from the purchase of the 2% convertible senior promissory note for an aggregate price of \$29.1 million on November 3, 2010; (b) a \$5.1 million increase in miscellaneous income relating to voyages; (c) \$13.8 million of unrealized mark-to-market losses on common units of Navios Partners accounted for as available-for-sale investments which were written-down to their market value during the year ended December 31, 2009; (d) a \$0.7 million decrease in various net other expenses; and (e) a \$0.4 million increase in net other income of Navios Acquisition. This increase was partially offset by: (a) a \$6.1 million decrease in other income 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 year ended December 31, 2009; (b) a \$4.0 million increase in net other expense of Navios Logistics mainly due to exchange rate differences and taxes other-than-income taxes; and (c) a \$1.7 million increase in miscellaneous voyage expenses.

Gain on Derivatives: Income from derivatives increased by \$3.7 million, or 925%, to \$4.1 million, during the year ended December 31, 2010, as compared to \$0.4 million for the year ended December 31, 2009. This increase was mainly due to: (a) a \$3.4 million increase in the gain from FFA derivatives; and (b) a \$0.3 million increase on the gain from interest rate swaps. 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.

	Baltic Exchange's Panamax Time Charter Average Index
January 19, 2009	\$ 3,917 ^(a)
November 19, 2009	\$ 35,819 ^(b)
December 31, 2009	\$ 28,620 ^(*)
December 24, 2010	\$ 14,711 ^(c)
May 20, 2010	\$ 37,099 ^(d)
December 31, 2010	\$ 14,711 ^(*)

(a) Low for fiscal year 2009

(b) High for fiscal year 2009

(c) Low for fiscal year 2010

(d) High for fiscal year 2010

(*) End of year rate

Gain on Sale of Assets: The gain on sale of assets for the year ended December 31, 2010 was \$55.4 million which was a result of: (a) a gain of \$23.8 million from the sale of the Navios Hyperion on January 8, 2010 to Navios Partners; (b) a gain of \$0.5 million from the sale of the Navios Aurora II to Navios Partners on March 18, 2010; (c) a gain of \$1.8 million from the sale of the Navios Pollux to Navios Partners on May 21, 2010; and (d) a gain of \$22.1 million and \$7.2 million from the sale of the Navios Fulvia and the Navios Melodia, respectively, to Navios Partners. The gain on sale of assets for the year ended December 31, 2009 was \$20.8 million, of which \$16.8 million resulted from the sale of

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the Navios Sagittarius and \$4.0 million resulted from the sale of Navios Apollon to Navios Partners on June 10, 2009 and on October 29, 2009, respectively.

Gain on Change in Control: The gain on change in control for the year ended December 31, 2010 of \$17.7 million was 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 which resulted in a gain of \$17.7 million.

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Equity in Net Earnings of Affiliated Companies: Equity in net earnings of affiliated companies increased by \$11.4 million to \$40.6 million for the year ended December 31, 2010, as compared to \$29.2 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 year ended December 31, 2010 under Equity in net earnings of affiliated companies following Navios Partners' public equity offerings during the last quarter of 2009 and during 2010. The deferred gain recognized in equity in earnings in connection with the public offerings of Navios Partners' common units relates to gains that initially arose from the sale of vessels by the Company to Navios Partners. The Company recognizes the gain in earnings immediately only to the extent of the interest in Navios Partners owned by third parties and defers recognition of the gain to the extent of its own ownership interest in Navios Partners (the deferred gain) (see also Related Party Transactions section). Subsequently, the deferred gain is amortized to income over the remaining useful life of the vessel. The recognition of the deferred gain is accelerated in the event that (i) the vessel is subsequently sold or otherwise disposed of by Navios Partners or (ii) the Company's ownership interest in Navios Partners is reduced.

Income Tax (Expense)/Benefit: Income tax (expense)/benefit decreased by \$2.0 million to a \$0.4 million expense for the year ended December 31, 2010, as compared to a \$1.6 million benefit for the same period in 2009. The main reason was the \$1.9 million increase in income taxes relating to Navios Logistics consisting of income tax charges with respect to undistributed retained earnings in Paraguay following the variations year over year in such retained earnings.

Net Loss/(Income) Attributable to the Noncontrolling Interest: Net loss/(income) attributable to the noncontrolling interest decreased by \$3.5 million for the year ended December 31, 2010 to a \$0.5 million loss from \$3.0 million of income for the same period in 2009. This decrease was attributable to (a) a \$4.4 million decrease in the noncontrolling interest relating to Navios Acquisition; and (b) a \$0.9 million increase in noncontrolling interest relating to Navios Logistics.

Non-Guarantor Subsidiaries

Both of our non-guarantor subsidiaries, Navios Logistics (after deducting the noncontrolling interest) and Navios Acquisition (until its deconsolidation on March 30, 2011), accounted for approximately \$259.8 million, or 37.7%, of our total revenue, a loss of \$36.9 million as compared to our net income of \$40.8 million and approximately \$18.7 million, or 7.2%, of Adjusted EBITDA, in each case for the year ended December 31, 2011. Our non-guarantor subsidiaries, Navios Logistics and Navios Acquisition (after deducting the noncontrolling interest), accounted for approximately \$221.5 million, or 32.6%, of our total revenue, a loss of \$3.4 million, or 2.3%, of our net income and approximately \$49.2 million, or 13.8%, of Adjusted EBITDA, in each case, for the year ended December 31, 2010, and \$138.9 million, or 23.2%, of our total revenue, \$3.5 million, or 5.2%, of our net income and approximately \$27.8 million, or 13.4%, of Adjusted EBITDA, in each case for the year ended December 31, 2009.

B. Liquidity and Capital Resources

Navios Holdings has historically financed its capital requirements with cash flows from operations, equity contributions from stockholders and credit facilities. Main uses of funds have been capital expenditures for the acquisition of new vessels, new construction and upgrades at the port terminals, expenditures incurred in connection with ensuring that the owned vessels comply with international and regulatory standards, repayments of credit facilities 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 for up to \$25.0 million of Navios Holdings' common stock. Share repurchases are made pursuant to a program adopted under Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. 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 the Company's credit facilities and indenture. In October 2011, Navios Holdings repurchased 73,651 shares for a total cost of \$0.2 million. There were no shares repurchased during the year ended December 31, 2010 and 331,900 shares were repurchased during the year ended December 31, 2009 under this program for a total consideration \$0.7 million. Since the initiation of the program, 981,131 shares have been repurchased for a total consideration of \$2.0 million. The following table presents cash flow information for each of the years ended December 31, 2011, 2010 and 2009.

(in thousands of U.S. dollars)	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
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Net cash provided by operating activities	\$ 106,643	\$ 188,641	\$ 216,451
Net cash used in investing activities	(175,264)	(135,920)	(802,538)
Net cash provided by/(used in) financing activities	32,307	(19,244)	626,396
(Decrease)/increase in cash and cash equivalents	(36,314)	33,477	40,309
Cash and cash equivalents, beginning of year	207,410	173,933	133,624
Cash and cash equivalents, end of year	\$ 171,096	\$ 207,410	\$ 173,933

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Net cash from operating activities decreased by \$82.0 million to \$106.6 million for the year ended December 31, 2011, as compared to \$188.6 million for the year ended December 31, 2010. In determining net cash from operating activities, net income is adjusted for the gain on sale of assets and effects of certain non-cash items including depreciation and amortization, deferred taxes and unrealized gains and losses on derivatives which may be analyzed in detail as follows:

(in thousands of U.S. dollars)	Year Ended December 31, 2011	Year Ended December 31, 2010
Net income	\$ 41,332	\$ 145,269
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	107,395	101,793
Amortization and write-off of deferred financing costs	5,580	11,752
Amortization of deferred drydock and special survey costs	5,364	3,306
Provision for losses on accounts receivable	239	4,660
Unrealized (gain)/loss on FFA derivatives	(289)	19,903
Unrealized gain on warrants		(5,888)
Unrealized gain on interest rate swaps		(1,133)
Share based compensation and consultancy fees	4,252	8,095
Gain on sale of assets	(38,822)	(55,432)
Gain on repurchase of convertible bond		(3,799)
Loss on bond extinguishment	5,573	
Loss/(gain) on change in control	35,325	(17,742)
Income tax (benefit)/expense	(56)	414
Losses in affiliates and joint ventures, net of dividends received	6,909	307
Net income adjusted for non-cash items	\$ 172,802	\$ 211,505

Restricted cash, including current and non-current portion, decreased by \$47.2 million from \$53.6 million at December 31, 2010 to \$6.4 million at December 31, 2011. The primary reason for this decrease was: (a) a \$33.8 million decrease as a result of the deconsolidation of Navios Acquisition; (b) a \$0.6 million decrease in restricted cash of Navios Logistics; (c) a \$12.5 million decrease of cash reserves in the pledged account with the agent bank under the loan facility with HSH Nordbank and Commerzbank AG; and (d) a \$0.6 million decrease in other restricted cash accounts. This decrease was partially offset by a \$0.3 million increase in cash reserves relating to loan facilities with Emporiki Bank of Greece.

Accounts receivable, net, increased by \$31.0 million from \$70.4 million at December 31, 2010 to \$101.4 million at December 31, 2011. The increase was primarily due to: (a) a \$14.9 million increase in accounts receivable of Navios Logistics mainly due to the increase in operations as a result of the new fleet acquired, the increase in sales of products and the decrease in the allowance for doubtful receivables; and (b) an increase of \$26.9 million in accounts receivable from charterers and receivables reserves. This increase was partially offset by: (a) a \$2.9 million decrease in the receivable amount from FFA trading partners; (b) a \$3.4 million decrease in other receivables; and (c) a \$4.5 million decrease as a result of the Navios Acquisition deconsolidation.

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Amounts due from affiliate companies increased by \$46.8 million from \$2.6 million for the year ended December 31, 2010 to \$49.4 million for the year ended December 31, 2011. The increase was due to: (a) a \$45.5 million increase in management and administrative fees, other expenses and reimbursement for drydocking costs receivable from Navios Acquisition and Navios Partners, and (b) a \$1.3 million increase in dividends receivable from Navios Acquisition.

The net fair value of open FFA trades, as included in the balance sheet at December 31, 2011, amounted to an asset of \$1.3 million whereas the net fair value of open FFA trades, as included in the balance sheet at December 31, 2010, amounted to an asset of \$1.5 million and a liability of \$0.2 million, reflecting the marked-to-market values at the end of the respective years.

The net fair value for derivative accounts decreased during the year ended December 31, 2011 by \$0.1 million due to \$0.4 million of payments relating to FFA trades, partially offset by a \$0.3 million gain in the unrealized component of NOS ASA and LCH portfolios, directly affecting the cash flow statement.

Prepaid expenses and other current assets increased by \$8.0 million from \$33.4 million at December 31, 2010 to \$41.4 million at December 31, 2011. The main reason for the increase was: (a) a \$4.4 million increase in accounts receivable claims; (b) a \$3.4 million increase in inventories; and (c) a \$1.6 million increase in other assets. This increase was partially offset by: (a) a \$0.9 million decrease in prepaid expenses; (b) a \$0.1 million decrease in prepaid expenses and other current assets of Navios Logistics; and (c) a \$0.4 million decrease in prepaid expenses and other current assets of Navios Acquisition as a result of its deconsolidation.

Other long term assets increased by \$8.5 million from \$10.4 million at December 31, 2010 to \$18.9 million at December 31, 2011. The main reason for the increase was: (a) a \$6.7 million increase in long-term receivables from charterers; and (b) a \$3.8 million increase in long-term prepaid hires for chartered in vessels. This increase was partially offset by a \$2.0 million decrease in other long-term assets of Navios Logistics.

Accounts payable increased by \$2.6 million from \$49.5 million at December 31, 2010 to \$52.1 million at December 31, 2011. The primary reasons for the increase were: (a) a \$0.6 million increase in accounts payable of Navios Logistics mainly attributable to the increase in operations; (b) a \$3.0 million increase in accounts payable to head owners; (c) a \$1.4 million increase in accounts payable to suppliers and repairers; (d) a \$1.0 million increase in accounts payable to insurers; (e) a \$0.2 million increase in legal, audit and consulting payables; and (f) a \$2.2 million increase in other accounts payable. This increase was partially offset by a decrease of (a) \$1.8 million decrease in accounts payable to bunkers and lubricants suppliers; (b) \$0.6 million decrease in accounts payable to FFA trading counterparties; and (c) \$3.4 million decrease as a result of the Navios Acquisition deconsolidation.

Accrued expenses increased by \$1.5 million to \$63.9 million at December 31, 2011 from \$62.4 million at December 31, 2010. The primary reasons for the increase were: (a) an increase of \$6.1 million in accrued expenses of Navios Logistics mainly due to the increase in interest, payroll and taxes; (b) an increase of \$9.9 million in accrued interest; (c) an increase of \$1.6 million in accrued estimated losses on uncompleted voyages and vessels time chartered to others; and (d) a \$0.3 million increase in accrued expenses relating to audit fees and related services. This increase was partially offset by: (a) a \$9.2 million decrease in accrued expenses of Navios Acquisition as a result of its deconsolidation; (b) a \$1.5 million decrease in accrued expenses relating to payroll; (c) a \$1.9 million decrease in accrued expenses relating to direct vessel expenses and voyage expenses; (d) a \$0.5 million decrease in accrued expenses relating to professional fees; and (e) a \$3.3 million decrease in other accrued expenses.

Deferred income and cash received in advance increased by \$10.9 million to \$28.6 million at December 31, 2011 from \$17.7 million at December 31, 2010. Deferred income primarily reflects freight and charter-out amounts collected on voyages that have not been completed and the current portion of the deferred gain from the sale of the Navios Aurora, the Navios Sagittarius, the Navios Hyperion, the Navios Melodia, the Navios Fulvia, the Navios Orbiter and the Navios Luz to Navios Partners to be amortized over the next year amounting to \$10.9 million. The primary reasons for the increase of the deferred income and cash received in advance were: (a) a \$2.6 million increase in gain from the sale of assets; (b) a \$6.5 increase in deferred freight; and (c) a \$4.5 million increase in deferred income of Navios Logistics. This increase was partially offset by \$2.7 million decrease as a result of the deconsolidation of Navios Acquisition.

Other long term liabilities and deferred income increased by \$2.2 million to \$38.2 million at December 31, 2011 from \$36.0 million at December 31, 2010. The primary reasons for the increase were (a) a \$3.3 million increase in other long term payables; and (b) a \$1.1 million increase in the non-current portion of deferred income. This increase was partially offset by: (a) a \$2.0 million decrease in other long-term liabilities of Navios Logistics; and (b) a \$0.2 million decrease in the non-current portion of deferred gain from the sale of vessels to Navios Partners.

Cash used in investing activities for the year ended December 31, 2011 as compared to the year ended December 31, 2010:

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Cash used in investing activities increased by \$39.4 million to \$175.3 million for the year ended December 31, 2011, as compared to \$135.9 million for the same period in 2010.

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Cash used in investing activities was the result of: (a) a \$72.4 million decrease due to the Navios Acquisition deconsolidation; (b) \$3.0 million of deposits for acquisitions of tanker vessels under construction; (c) \$33.6 million due to additional drawdowns during 2011 from Navios Acquisition under its loan facility with the Company; (d) \$63.8 million of deposits for the acquisition of two newbuilding bulk carriers scheduled to be delivered during the first the second quarter of 2012; (e) \$51.6 million paid for the acquisition of the vessels Navios Azimuth, Navios Altamira and Navios Astra, and \$4.5 million paid for the delivery of the Nave Polaris on January 27, 2011; (f) \$2.1 million in payments relating to the acquisition of General Partner units following offerings by Navios Partners; and (g) the purchase of other fixed assets amounting to \$71.1 million mainly relating to Navios Logistics for (i) the construction of the new drying and conditioning facility and a new silo in Nueva Palmira; (ii) the acquisition and transportation of three pushboats, 66 barges and a floating dry dock; and (iii) fixed asset improvements and the purchase of other fixed assets. The above was partially offset by (a) \$120.0 million of proceeds from the sale of the Navios Luz and the Navios Orbiter to Navios Partners on May 19, 2011; (b) a \$0.8 million decrease in restricted cash, and (c) \$6.0 million of loan repayments received from Navios Acquisition.

Cash used in investing activities was \$135.9 million for the year ended December 31, 2010. This was the result of: (a) the deposits for acquisitions of Capesize vessels under construction amounting to \$253.5 million and \$89.7 million for deposits for acquisitions of tanker vessels under construction; (b) \$132.9 million paid for the acquisition of the vessels Navios Antares, Navios Vector, Navios Buena Ventura, Navios Bonheur, Navios Luz and Navios Etoile, and \$89.9 million paid for the acquisition of the vessels Colin Jacob, Ariadne Jacob and Nave Cosmos, including any additional expenses incurred from each vessel's purchase; (c) \$102.0 million paid net of cash assumed for the VLCC Acquisition; (d) the purchase of other fixed assets amounting to \$16.8 million mainly relating to Navios Logistics for (i) the acquisition of two 29 acre parcels of land south of the Nueva Palmira Free Zone; (ii) payments for the construction of the new drying and conditioning facility in Nueva Palmira; and (iii) the purchase of other fixed assets, barges and pushboats; and (e) \$6.2 million in payments relating to the acquisition of General Partner units following offerings by Navios Partners. The above was partially offset by: (a) \$67.7 million decrease in Navios Holdings' restricted cash; (b) proceeds of \$63.0 million, \$90.0 million, \$110.0 million, \$72.1 million, and \$89.9 million from the sale of the Navios Hyperion, the Navios Aurora II, the Navios Pollux, the Navios Melodia and the Navios Fulvia, respectively, to Navios Partners and \$18.3 million from the sale of the Vanessa; (c) net proceeds of \$40.8 million from the transfer of assets and liabilities of Navios Holdings to Navios Acquisition; (d) \$0.2 million received in connection with the finance lease receivable; and (e) net proceeds of \$3.1 million for the purchase by Navios Holdings of 6,337,551 shares of Navios Acquisition's common stock amounting to \$63.2 million less cash assumed on the initial consolidation date of \$66.3 million.

Cash provided by financing activities for the year ended December 31, 2011 as compared to cash used in financing activities for the year ended December 31, 2010:

Cash provided by financing activities was \$32.3 million for the year ended December 31, 2011, as compared to cash used in financing activities of \$19.2 million for the same period of 2010.

Cash provided by financing activities for the year ended December 31, 2011 was the result of (a) \$83.5 million of loan proceeds (net of relating finance fees \$2.8 million) in connection with (i) \$80.5 million of Navios Holdings' loan proceeds for financing the acquisition of the Navios Azimuth, the Navios Altamira, the Navios Astra, the Navios Avior and the Navios Centaurus (net of relating finance fees of \$2.4 million); and (ii) \$3.0 million of Navios Acquisition's loan proceeds (net of relating finance fees of \$0.4 million); (b) \$0.4 million of proceeds from the exercise of options to purchase common stock; (c) \$341.0 million of net proceeds from the sale of the 2019 Notes; and (d) \$193.2 million of net proceeds from the sale of the Logistics Senior Notes. This was partially offset by: (a) the repayment of \$300.0 million of the 2014 Notes with the proceeds of the sale of the 2019 Notes; (b) \$248.5 million of installment payments made in connection with Navios Holdings' outstanding indebtedness (including Navios Acquisition and Navios Logistics); (c) \$1.0 million relating to payments for capital lease obligations; (d) \$27.2 million of dividends paid to the Company's shareholders; (e) \$8.6 million paid by Navios Logistics for the acquisition of the noncontrolling interests in its joint ventures Thalassa Energy S.A., HS Tankers Inc., HS Navigation Inc., HS Shipping Ltd Inc. and HS South Shipping Inc.; (f) a \$0.3 million increase in restricted cash relating to loan repayments; and (g) \$0.2 million paid for the repurchase of 73,651 shares of the Company's common stock pursuant to the share repurchase program approved in November 2008.

Cash used in financing activities for the year ended December 31, 2010 was the result of: (a) \$27.0 million of dividends paid during the year ended December 31, 2010; (b) \$804.4 million of installments paid in connection with our outstanding indebtedness; (c) a \$2.1 million net outflow relating to the Warrant Program; (d) \$29.1 million paid for the purchase of the 2% convertible bond that took place on November 16, 2010; (e) \$0.5 million of distributions to noncontrolling shareholders relating to the logistics business; (f) \$49.0 million paid for the purchase of 13,132 of certain series of mandatorily convertible preferred stock; and (g) \$1.8 million of fees related to the issuance of preferred shares. The decrease of \$913.9 million in cash provided by financing activities was partially offset by: (a) \$443.2 million of Navios Holdings' loan proceeds (net of relating finance fees of \$23.4 million) in connection with (i) \$178.2 million of loan proceeds related to Navios Acquisition, (ii) \$0.3 million of loan proceeds relating to the logistics business; and (iii) \$288.1 million of loan proceeds relating to all other facilities of Navios Holdings; (b) \$400.0 million of proceeds from Navios Acquisition's 8.625% first priority ship mortgage notes due 2017; (c) a \$17.7 million decrease in restricted cash relating to loan repayments; (d) \$0.4 million proceeds from issuance of common shares; and (e) \$33.4 million net proceeds from the offering 6,500,000 shares of Navios Acquisition that was completed on November 19, 2010.

Table of Contents**Cash provided by operating activities for the year ended December 31, 2010 as compared to the cash provided by operating activities for the year ended December 31, 2009:**

Net cash from operating activities decreased by \$34.0 million to \$182.5 million for the year ended December 31, 2010, as compared to \$216.5 million for the year ended December 31, 2009. In determining net cash from operating activities, net income is adjusted for the gain on sale of assets and effects of certain non-cash items including depreciation and amortization, deferred taxes and unrealized gains and losses on derivatives which may be analyzed in detail as follows:

(in thousands of U.S. dollars)	Year Ended December 31, 2010	Year Ended December 31, 2009
Net income	\$ 145,269	\$ 70,964
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	101,793	73,885
Amortization and write-off of deferred financing cost	11,752	6,682
Amortization of deferred drydock and special survey costs	3,306	2,441
Provision for losses on accounts receivable	4,660	2,237
Unrealized loss/(gain) on FFA derivatives	19,903	(1,674)
Unrealized gain on warrants	(5,888)	(5,863)
Unrealized gain on interest rate swaps	(1,133)	(1,774)
Share based compensation and consultancy fees	8,095	2,187
Gain on sale of assets/partial sale of subsidiary	(55,432)	(20,785)
Gain on repurchase of convertible bond	(3,799)	
Gain on change in control	(17,742)	
Income tax expense/(benefit)	414	(1,565)
Losses/(earnings) in affiliates and joint ventures, net of dividends received	307	(1,355)
Compensation income		(6,082)
Unrealized loss on available for sale securities		13,778
Net income adjusted for non-cash items	211,505	133,076

The net fair value of open FFA trades as included in the balance sheet at December 31, 2010 was lower than in the same period of 2009 and amounted to a liability of \$0.1 million and an asset of \$18.7 million, respectively, reflecting the marked-to-market values at the end of the respective years.

The liability for derivative accounts decreased \$8.8 million from \$10.2 million at December 31, 2009 to \$1.4 million at December 31, 2010 due to the movement in the unrealized component of the NOS ASA and LCH portfolios, which directly affected the cash flow statement. This decrease in liability was offset by the payments relating to interest rate swaps of \$1.2 million.

Restricted cash decreased by \$53.6 million from \$107.2 million at December 31, 2009 to \$53.6 million (including long-term restricted cash) at December 31, 2010. The primary reason for this decrease was: (a) a \$90.9 million decrease in the amount prepaid upon the issuance of the Ship Mortgage Notes and held in a pledged account with HSH Nordbank and Commerzbank AG, which was released to the Company following the nominations of substitute vessels which forms part of financing activities; (b) a decrease in deposits made to NOS ASA and LCH in 2010 with respect to FFAs trading by \$0.2 million and \$1.1 million, respectively, due to the decrease in the number of trades with NOS ASA and LCH during 2010 as compared with the same period in 2009; (c) a \$1.1 million decrease in restricted cash of Navios Logistics; and (d) a \$1.0 million decrease in other pledged accounts. This decrease was partially offset by: (a) \$33.8 million of restricted cash relating to Navios Acquisition; (b) a \$4.5 million increase relating to the amendment of the facility with HSH Nordbank and Commerzbank AG in March 2009, pursuant to which Navios Holdings was obliged to accumulate cash reserves of \$14.0 million into a pledged account with the agent bank (\$5.0 million in January 2009 and \$1.1 million on each loan repayment date during 2009 and 2010, starting from January 2009); and (c) a \$2.5 million increase in cash reserves relating to a loan facility with Emporiki Bank of Greece.

Accounts receivable, net, decreased by \$8.1 million from \$78.5 million at December 31, 2009 to \$70.4 million at December 31, 2010. The decrease was primarily due to: (a) a \$5.3 million decrease in the receivable amount from FFA trading partners from \$16.0 million at December 31, 2009 to \$10.7 million at December 31, 2010; (b) a decrease of \$7.0 million in accounts receivables reserves and other charterers receivables; and (c) a \$1.8 million decrease in other receivables. This decrease was partially offset by: (a) a \$1.5 million increase in accounts

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receivable of Navios Logistics; and (b) \$4.5 million of accounts receivable of Navios Acquisition. Both Navios Logistics and Navios Acquisition's increases were mainly related to receivables from charterers.

Prepaid expenses and other current assets increased by \$5.7 million from \$27.7 million at December 31, 2009 to \$33.4 million at December 31, 2010. The main reason for the increase was: (a) a \$3.0 million increase in inventories; (b) a \$4.0 million increase in prepaid voyage and operating costs; (c) a \$0.4 million increase in prepaid taxes; and (d) \$0.4 million prepaid expenses and other current assets of Navios Acquisition (including prepaid expenses and other current assets obtained as a result of the VLCC Acquisition of \$3.5 million). This increase was partially offset by: (a) a \$0.8 million decrease in accounts receivable claims; (b) a \$0.3 million decrease in advances to agents; and (c) a \$1.0 decrease in other assets.

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Amounts due from affiliate companies increased by \$0.6 million from \$2.0 million for the year ended December 31, 2009 to \$2.6 million for the year ended December 31, 2010. The increase was due to: (a) a \$0.2 million increase in administrative fees; and (b) a \$0.9 million increase in other receivables. This increase was partially offset by a \$0.4 million decrease in receivables from management fees.

Accounts payable decreased by \$12.5 million from \$62.0 million at December 31, 2009 to \$49.5 million at December 31, 2010. The primary reasons for the decrease were: (a) a \$4.6 million decrease in the amount due to FFA trading counterparties; (b) a \$15.4 million decrease in accounts payable to head owners; (c) a \$2.4 million decrease in accounts payable to port agents; (d) a \$0.7 million decrease in accounts payable to bunker and lubricant suppliers; and (e) a \$2.7 million decrease in other accounts payable. This decrease was offset by an increase of (a) \$1.1 million in accounts payable to insurers; (b) \$4.6 million in accounts payable relating to the logistics business mainly attributable to the increase in operations; (c) a \$2.1 million increase in legal, audit and consulting payables; (d) a \$2.0 million increase in other suppliers; and (e) \$3.5 million of accounts payable of Navios Acquisition, which had no operations in 2009, and consisted of \$2.6 million of legal and professional fees and \$0.9 million of brokers' fees and amounts owed to other creditors.

Accrued expenses increased by \$14.4 million to \$62.4 million at December 31, 2010 from \$48.0 million at December 31, 2009. The primary reasons for the increase were: (a) an increase of \$5.6 million in accrued expenses relating to direct vessel expenses; (b) an increase of \$1.1 million in consultancy and legal fees; (c) a \$2.1 million increase in accrued expenses relating t