Navios Maritime Holdings Inc.
Form 6-K
November 28, 2014
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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER**

**PURSUANT TO RULE 13a-16 OR 15d-16 OF THE**

**SECURITIES EXCHANGE ACT OF 1934**

**Dated: November 28, 2014**

**Commission File No. 001-33311**

**NAVIOS MARITIME HOLDINGS INC.**

**7 Avenue de Grande Bretagne, Office 11B2**

**Monte Carlo, MC 98000 Monaco**

**(Address of Principal Executive Offices)**

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

Form 20-F x Form 40-F ¨

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

Yes ¨ No x

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

Yes ¨ No x

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The information contained in this Report is incorporated by reference into the Registration Statement on Form F-3, File No. 333-189231, the Registration Statement on Form S-8, File No. 333-147186, and the related prospectuses.

**Operating and Financial Review and Prospects**

The following is a discussion of the financial condition and results of operations of Navios Maritime Holdings Inc. ( Navios Holdings or the Company ) for the three and nine month periods ended September 30, 2014 and 2013. Navios Holdings financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the United States of America ( U.S. GAAP ). You should read this section together with the consolidated financial statements and the accompanying notes included in Navios Holdings 2013 annual report on Form 20-F filed with the Securities and Exchange Commission ( SEC ) and the condensed consolidated financial statements and the accompanying notes included elsewhere in this Form 6-K.

This report contains forward-looking statements within the meaning of the Private Securities Reform Act of 1995. All statements herein other than statements of historical fact, including statements regarding business and industry prospects or future results of operations or financial position, should be considered forward-looking. These forward looking statements are based on Navios Holdings current expectations and observations. Included among the factors that, in management s view, could cause actual results to differ materially from the forward-looking statements contained in this report are changes in any of the following: (i) charter demand and/or charter rates; (ii) production or demand for the types of drybulk products that are transported by Navios Holdings vessels; (iii) operating costs including, but not limited to, changes in crew salaries, insurance, provisions, repairs, maintenance and overhead expenses; or (iv) changes in interest rates. Other factors that could cause our actual results to differ from our current expectations and observations include, but are not limited to, those discussed under Part I, Item 3D Risk Factors in Navios Holdings 2013 annual report on Form 20-F. All forward-looking statements made in this report speak only as of the date of this document. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

**Recent Developments**

***Fleet Update***

On November 24, 2014, Navios Holdings acquired a 2012-built 179,515 dwt South Korean Capesize vessel, the Navios Ray, for a purchase price of $51.4 million. Navios Holdings entered into a facility with Alpha Bank A.E. for an amount of $31.0 million in order to finance part of the vessel s acquisition cost. The loan bears interest at a rate of LIBOR plus 300 basis points and is repayable in 32 quarterly installments of $0.4 million, with a final balloon payment of $16.6 million on the last repayment date.

***Navios South American Logistics Inc. ( Navios Logistics )***

On August 22, 2014, Navios Logistics entered into an agreement for the acquisition of a second-hand bunker vessel, for a purchase price of $4.2 million. The vessel was delivered on September 5, 2014 and is set to service a three-year time charter contract at $16,525 net per day, in the cabotage business, adjusted for crew cost and foreign exchange differences.

***Dividend Policy***

On November 19, 2014, the Board of Directors declared a quarterly cash dividend for the third quarter of 2014 of $0.06 per share of common stock. The dividend is payable on December 18, 2014 to stockholders of record as of

December 11, 2014. The declaration and payment of any further dividends remains subject to the discretion of the Board, and will depend on, among other things, Navios Holdings cash requirements after taking into account market opportunities, restrictions under its credit agreements, indentures and other debt obligations and such other factors as the Board may deem advisable.

***Dividends from Affiliates***

In November 2014, Navios Holdings received $7.5 million from Navios Maritime Partners L.P. ( Navios Partners ) representing the cash distribution for the third quarter of 2014.

In October 2014, Navios Holdings received $3.6 million from Navios Maritime Acquisition Corporation ( Navios Acquisition ) representing the cash dividend for the second quarter of 2014.

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***Conversion of Preferred Stock***

During the nine month period ended September 30, 2014, 1,410 shares of convertible preferred stock were automatically converted into 1,410,000 shares of common stock. The conversion resulted from their original terms, which provided that five years after the issuance date of the shares of the convertible preferred stock, 30% of the then-outstanding shares of preferred stock shall automatically convert into shares of common stock at a conversion price equal to $10.00 per common stock.

Navios Holdings had outstanding as of September 30, 2014 and December 31, 2013, 105,833,906 and 104,261,029 shares of common stock, respectively, and 75,069 (20,000 Series G Cumulative Redeemable Perpetual Preferred Stock issued in January 2014 (the Series G ), 48,000 Series H Cumulative Redeemable Perpetual Preferred Stock issued in July 2014 (the Series H ) and 7,069 shares of convertible preferred stock) and 8,479 shares of convertible preferred stock, respectively.

## Overview

## General

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. Navios Holdings technically and commercially manages its owned fleet, Navios Acquisition s fleet, Navios Partners fleet and Navios Europe Inc. s ( Navios Europe ) fleet, and commercially manages its chartered-in fleet. Navios Holdings has in-house ship management expertise that allows it to oversee every step of ship management, including the shipping operations throughout the life of the vessels and the superintendence of maintenance, repairs and drydocking.

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

*Navios Logistics*

Navios Logistics, a consolidated subsidiary of Navios Holdings, 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. Navios Holdings currently owns 63.8% of Navios Logistics.

*Affiliates (not consolidated under Navios Holdings)*

Navios Partners (NYSE:NMM) is an international owner and operator of dry cargo vessels and is engaged in 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. Currently, Navios Holdings owns a 20.0% interest in Navios Partners, including a 2.0% general partner interest.

Navios Acquisition (NYSE: NNA), an affiliate (former subsidiary) of the Company, is an owner and operator of tanker vessels focusing in the transportation of petroleum products (clean and dirty) and bulk liquid chemicals.

Currently, Navios Holdings ownership of the outstanding voting stock of Navios Acquisition is 43.1% and its economic interest in Navios Acquisition is 46.4%.

Navios Europe is engaged in the marine transportation industry through the ownership of five tankers and five container vessels. Currently, Navios Holdings holds a 47.5% interest in Navios Europe. As of November 2014, Navios Holdings, Navios Acquisition and Navios Partners have effective voting interest of 50%, 50% and 0%, respectively.

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## Fleet

The following is the current core fleet employment profile (excluding Navios Logistics), including the newbuilds to be delivered. The current core fleet consists of 64 vessels totaling 6.4 million dwt. The employment profile of the fleet as of November 25, 2014 is reflected in the tables below. The 55 vessels in current operation aggregate approximately 5.5 million dwt and have an average age of 7.5 years. Navios Holdings has currently fixed 97.9% and 19.3% including index-linked charters of available days for 2014 and 2015, respectively, of its fleet (excluding vessels which are utilized to fulfill Contracts of Affreightment ( COAs )), representing contracted fees (net of commissions), based on contracted charter rates from our current charter agreements of $205.1 million and $28.8 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 $12,150 and $18,533 for 2014 and 2015, respectively. The average daily charter-in rate for the active long-term charter-in vessels (excluding vessels which are utilized to fulfill COAs) for 2014 is $13,389.

***Owned Fleet.*** Navios Holdings owns a fleet comprised of 14 Ultra Handymax vessels, 13 Capesize vessels, 12 Panamax vessels and one Handysize vessel, which have an average age of approximately 8.0 years. Of the 40 owned vessels, 38 are currently in operation and two newbuilding owned vessels are expected to be delivered in the third and fourth quarter of 2015.

| Vessels | Type | Built | DWT | Charter-out Rate[1] | Profit Share | Expiration Date[2] |
|---|---|---|---|---|---|---|
| Navios Serenity | Handysize | 2011 | 34,690 | 7,600 | No | 12/06/2014 |
| Navios Ionian | Ultra Handymax | 2000 | 52,067 | 8,550 | No | 12/02/2014 |
| Navios Celestial | Ultra Handymax | 2009 | 58,063 | 9,364 | 70% in excess of $8,000 basis Supramax Index Routes +8% | 11/27/2014<br>07/16/2015 |
| Navios Vector | Ultra Handymax | 2002 | 50,296 | 10,206 | 50% in excess of $9,000 basis Supramax Index Routes | 11/30/2014<br>03/20/2015 |
| Navios Horizon | Ultra Handymax | 2001 | 50,346 | 11,970 | No | 01/24/2015 |
| Navios Herakles | Ultra Handymax | 2001 | 52,061 | 9,025 | No | 04/19/2015 |
| Navios Achilles | Ultra Handymax | 2001 | 52,063 | 6,888 | No | 12/07/2014 |
| Navios Meridian | Ultra Handymax | 2002 | 50,316 | 8,550 | No | 12/20/2014 |
| Navios Mercator | Ultra Handymax | 2002 | 53,553 | 9,928 | No | 12/06/2014 |
| Navios Arc | Ultra Handymax | 2003 | 53,514 | 11,400 | No | 01/16/2015 |
| Navios Hios | Ultra Handymax | 2003 | 55,180 | 10,199 | 100% in excess of $8,500 basis Supramax Index Routes | 11/30/2014<br>08/07/2015 |
| Navios Kypros | Ultra Handymax | 2003 | 55,222 | 10,925 | No | 12/25/2014 |
| Navios Ulysses | Ultra Handymax | 2007 | 55,728 | 9,500 | No | 12/30/2014 |
| Navios Vega | Ultra Handymax | 2009 | 58,792 | 9,427 | 100% in excess of $9,500 basis | 12/10/2014<br>03/22/2015 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | Supramax Index Routes +5% | |
| Navios Astra | Ultra Handymax | 2006 | 53,468 | 7,933 | No | 12/22/2014 |
| Navios Magellan | Panamax | 2000 | 74,333 | 6,182 | Weighted average basis | 12/03/2014 |
| | | | | | Panamax Index Routes +2% | 05/22/2015 |
| Navios Star | Panamax | 2002 | 76,662 | 9,500 | No | 01/25/2015 |

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|---|---|---|---|---|---|---|
| Navios Asteriks | Panamax | 2005 | 76,801 | 9,500 | | 12/11/2014 |
| Navios Centaurus | Panamax | 2012 | 81,472 | 11,590 | No | 03/09/2015 |
| Navios Avior | Panamax | 2012 | 81,355 | 7,152 | Weighted average basis Panamax Index Routes +14% | 12/07/2014 04/25/2015 |
| Navios Galileo | Panamax | 2006 | 76,596 | 8,550 | No | 12/14/2014 |
| Navios Northern Star | Panamax | 2005 | 75,395 | 8,566 | No | 01/03/2015 |
| Navios Amitie | Panamax | 2005 | 75,395 | 11,210 | No | 12/17/2014 |
| Navios Taurus | Panamax | 2005 | 76,596 | 6,658 | Weighted average basis Panamax Index Routes +7% | 12/04/2014 05/22/2015 |
| N Amalthia | Panamax | 2006 | 75,318 | 12,113 | No | 12/07/2014 |
| N Bonanza | Panamax | 2006 | 76,596 | 13,538 | No | 01/12/2015 |
| Navios Bonavis | Capesize | 2009 | 180,022 | 15,240 | 105% in excess of $14,000 basis Baltic Capesize Index 4TC Index Routes | 11/30/2014 06/10/2015 |
| Navios Happiness | Capesize | 2009 | 180,022 | 14,488 | No | 11/03/2015 |
| Navios Lumen | Capesize | 2009 | 180,661 | 15,142(6) | 105% in excess of $15,000 basis Baltic Capesize Index 4TC Index Routes | 12/05/2014 05/08/2015 |
| Navios Stellar | Capesize | 2009 | 169,001 | 19,000 | No | 11/29/2014 |
| Navios Phoenix | Capesize | 2009 | 180,242 | 25,175 | No | 12/31/2014(5) |
| Navios Antares | Capesize | 2010 | 169,059 | 16,645 | $10,000 +54% of the basis Baltic Capesize Index average 4TC Index Routes | 12/05/2014 02/16/2015 |
| Navios Etoile | Capesize | 2010 | 179,234 | 29,356 | 50% in excess of $38,500 | 12/02/2020 |
| Navios Bonheur | Capesize | 2010 | 179,259 | 16,169 | 105% in excess of $15,000 basis<br><br>Baltic Capesize Index 4TC Index Routes | 12/06/2014 03/13/2015 |
| Navios Altamira | Capesize | 2011 | 179,165 | 22,325 | No | 01/17/2016 |
| Navios Azimuth | Capesize | 2011 | 179,169 | 20,900 | No | 02/03/2015 |
| Navios Gem | Capesize | 2014 | 181,336 | 20,000 | No | 01/05/2015 |
| Navios Ray | Capesize | 2012 | 179,515 | | No | |

**Owned Fleet to be Delivered**

| Vessels | Vessel Type | Delivery Date | Deadweight (in metric tons) |
|---|---|---|---|
| Navios Sphera | Panamax | Q3 2015 | 84,000 |
| Navios TBN | Capesize | Q4 2015 | 180,600 |

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***Long-Term Fleet.*** In addition to the 40 owned vessels, Navios Holdings controls a fleet of six Capesize, eleven Panamax, six Ultra Handymax, and one Handysize vessels under long-term charter-in contracts, which have an average age of approximately 6.5 years. Of the 24 chartered-in vessels, 17 are currently in operation and seven are scheduled for delivery at various times through November 2016, as set forth in the following table:

**Long-term Chartered-in Vessels**

| Vessels | Type | Built | DWT | Purchase Option[3] | Charter-out Rate[1] | Expiration Date[2] |
|---|---|---|---|---|---|---|
| Navios Lyra | Handysize | 2012 | 34,718 | Yes[4] | 11,484 | 01/20/2015 |
| Navios Primavera | Ultra Handymax | 2007 | 53,464 | Yes | 9,500 | 12/22/2014 |
| Navios Armonia | Ultra Handymax | 2008 | 55,100 | No | 9,263 | 04/22/2015 |
| Navios Apollon | Ultra Handymax | 2000 | 52,073 | No | 6,175 | 12/12/2014 |
| Navios Oriana | Ultra Handymax | 2012 | 61,442 | Yes | 10,450 | 11/22/2014 |
| Navios Mercury | Ultra Handymax | 2013 | 61,393 | Yes | 9,553[7] | 11/17/2014 |
| | | | | | [7] | 07/20/2015 |
| Navios Libra II | Panamax | 1995 | 70,136 | No | 9,168 | 11/27/2014 |
| Navios Altair | Panamax | 2006 | 83,001 | No | 9,025 | 01/15/2015 |
| Navios Esperanza | Panamax | 2007 | 75,356 | No | 8,218 | 03/15/2015 |
| Navios Marco Polo | Panamax | 2011 | 80,647 | Yes | 7,026[8] | 11/12/2014 |
| | | | | | [8] | 06/14/2015 |
| Navios Southern Star | Panamax | 2013 | 82,224 | Yes | 10,138[9] | 11/15/2014 |
| | | | | | [9] | 03/01/2015 |
| Navios Koyo | Capesize | 2011 | 181,415 | Yes | 15,229[10] | 11/19/2014 |
| | | | | | [10] | 05/19/2015 |
| Golden Heiwa | Panamax | 2007 | 76,662 | No | | |
| Beaufiks | Capesize | 2004 | 180,310 | Yes | | |
| Rubena N | Capesize | 2006 | 203,233 | No | | |
| King Ore | Capesize | 2010 | 176,800 | No | | |
| Navios Obeliks | Capesize | 2012 | 181,415 | Yes | | |

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

| Vessels | Type | Delivery Date | Purchase Option | DWT |
|---|---|---|---|---|
| Navios Venus | Ultra Handymax | 02/2015 | Yes | 61,000 |
| Navios Amber | Panamax | 05/2015 | Yes | 80,000 |
| Navios TBN | Panamax | 07/2015 | Yes | 82,000 |
| Navios TBN | Panamax | 11/2016 | Yes | 84,000 |
| Navios TBN | Panamax | 11/2016 | Yes | 81,000 |
| Navios TBN | Panamax | 11/2016 | Yes | 81,000 |

| | | | | |
|---|---|---|---|---|
| Navios Felix | Capesize | 04/2016 | Yes | 180,000 |

(1) Daily rate net of commissions. These rates do not include insurance proceeds received upfront in November 2012 and March 2014.
(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 the vessel.
(5) Subject to COA of $45,500 per day for the remaining period until first quarter of 2015.
(6) Amount represents daily rate of mitigation proceeds following the restructuring of the original charter.
(7) Based on weighted average Supramax Index Routes +12%.
(8) Based on average Panamax Index 4TC Routes +15%.
(9) Based on weighted average Panamax Index routes +17%.
(10) 110% in excess of $15,000 basis Baltic Capesize Index 4TC.

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

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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 durations of less than 12 months. The number of short-term vessels varies from time to time. These vessels are not included in the core fleet of the Company.

**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 Navios Holdings has taken into its fleet under charters having a duration of more than 12 months) for periods of up to 10 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 2013 and through September 30, 2014, this chartering policy had the effect of generating Time Charter Equivalents ( 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 charters or COAs) was $13,485 per day for the nine month period ended September 30, 2014. The average long-term charter-in hire rate per vessel per day was included in the amount of long-term hire included elsewhere in this document and was computed by (a) multiplying (i) the daily charter-in rate for each vessel by (ii) the number of days each vessel is in operation for the year; (b) summing those individual multiplications; and (c) dividing such total by the total number of charter-in 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 exercisable in the future at favorable prices relative to the then-current market.

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, Navios Holdings believes that the operating cost advantage of its owned vessels and long-term chartered fleet, which overall 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. In reaction to a decline in freight rates, available ship financing has also been negatively impacted.

Navios Logistics owns and operates vessels, barges and pushboats located mainly in Argentina, the largest independent 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 of Navios Logistics could be adversely affected.

**Factors Affecting Navios Holdings Results of Operations**

*Navios Holdings believes the principal factors that will affect its future results of operations are the economic, regulatory, political and governmental conditions that affect the shipping industry generally and that affect conditions in countries and markets in which its vessels engage in business. Please read Risk Factors included in Navios Holdings 2013 annual report on Form 20-F filed with the Securities and Exchange Commission for a discussion of certain risks inherent in its business.*

Navios Holdings actively manages the risk in its operations by: (i) operating the vessels in its fleet in accordance with all applicable international standards of safety and technical ship management; (ii) enhancing vessel utilization and profitability through an appropriate mix of long-term charters complemented by spot charters (time charters for short-term employment) and 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.

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

*Market Exposure:* Navios Holdings manages the size and composition of its fleet by seeking a mix between 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 approximately 6.4 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 rates:* 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. 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 are defined as the available days of the fleet divided by the number of the calendar days in the period.

**Voyage and Time Charter**

Revenues are driven primarily by the number and type 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 and 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 fleet is 8.0 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 Forward Freight Agreements (FFAs)**

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

Navios Holdings may enter 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. By entering into these contracts, the Company has assumed the risks relating to the possible inability of counterparties to meet the terms of their contracts.

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 LCH, the London clearing house. FFAs are settled in cash monthly based on publicly quoted indices. No over-the-counter trades have been executed since 2012. LCH calls for both base and margin collaterals, which are funded by Navios Holdings, and which in turn substantially eliminate counterparty risk. Certain portions of these collateral funds may be restricted at any given time as determined by 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 LCH are determined from the 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 each type of charters, management does not identify expenses, profitability or other financial information on a charter-by-charter or type of charter basis. 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: Drybulk Vessel Operations and Logistics Business. The Drybulk Vessel Operations consists of the transportation and handling of bulk cargoes through the ownership, operation, and trading of vessels, freight, and FFAs. The Logistics Business segment consists of port terminal business, barge business and cabotage business in the Hidrovia region of South America. Navios Holdings measures segment performance based on net income attributable to Navios Holdings common stockholders.

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**Period over Period Comparisons**

**For the Three Month Period Ended September 30, 2014 Compared to the Three Month Period Ended September 30, 2013**

The following table presents consolidated revenue and expense information for the three month periods ended September 30, 2014 and 2013, respectively. This information was derived from the unaudited condensed consolidated revenue and expense accounts of Navios Holdings for the respective periods.

| (in thousands of U.S. dollars) | Three Month Period Ended September 30, 2014 (unaudited) | Three Month Period Ended September 30, 2013 (unaudited) |
|---|---|---|
| Revenue | $ 152,592 | $ 122,284 |
| Time charter, voyage and logistics business expenses | (72,506) | (55,455) |
| Direct vessel expenses | (35,785) | (31,392) |
| General and administrative expenses | (7,784) | (9,137) |
| Depreciation and amortization | (26,798) | (24,410) |
| Interest expense and finance cost, net | (27,940) | (27,415) |
| Other expense, net | (2,392) | (806) |
| **Loss before equity in net earnings of affiliated companies** | **$ (20,613)** | **$ (26,331)** |
| Equity in net earnings of affiliated companies | 5,094 | 11,530 |
| **Loss before taxes** | **$ (15,519)** | **$ (14,801)** |
| Income tax benefit | 35 | 1,407 |
| **Net Loss** | **$ (15,484)** | **$ (13,394)** |
| Less: Net (income)/loss attributable to the noncontrolling interest | (1,111) | 346 |
| **Net loss attributable to Navios Holdings common stockholders** | **$ (16,595)** | **$ (13,048)** |

Set forth below are selected historical and statistical data for the drybulk vessel operations segment for each of the three month periods ended September 30, 2014 and 2013 that the Company believes may be useful in better understanding the Company s financial position and results of operations.

| | Three Month Period Ended September 30, | |
|---|---|---|
| | **2014** | **2013** |

| | (unaudited) | (unaudited) |
|---|---|---|
| **FLEET DATA** | | |
| Available days | 5,449 | 5,077 |
| Operating days | 5,443 | 5,056 |
| Fleet utilization | 99.9% | 99.6% |
| Equivalent vessels | 59 | 55 |
| **AVERAGE DAILY RESULTS** | | |
| Time Charter Equivalents | $ 11,550 | $ 12,085 |

During the three month period ended September 30, 2014, there were 372 more available days, as compared to the same period of 2013, due to (i) an increase in available days for owned vessels by 541 days, mainly due to the delivery of the Navios Taurus, Navios Galileo, Navios Amitie, Navios Northern Star and N Amalthia in the second half of 2013 and the N Bonanza and Navios Gem in the first half of 2014. This increase was partially offset by a decrease in charter-in fleet available days by 169 days.

The average TCE rate for the three month period ended September 30, 2014 was $11,550 per day, $535 per day lower than the rate achieved in the same period of 2013. This was due primarily to the decrease in the freight market during the third quarter of 2014 as compared to the same period in 2013.

***Revenue:*** Revenue from drybulk vessel operations for the three months ended September 30, 2014 was $73.5 million as compared to $72.5 million for the same period during 2013. The increase in drybulk revenue was mainly attributable to an increase in available days as described above, which was partially offset by a decrease in the TCE per day by 4.4% to $11,550 per day in the third quarter of 2014.

Revenue from the logistics business was $79.1 million for the three months ended September 30, 2014 as compared to $49.8 million for the same period of 2013. This increase was mainly attributable to (i) a $19.4 million increase in the Paraguayan liquid port s volume and the higher rates charged for products sold; (ii) a $6.4 million increase in the barge business mainly following the commencement of operations of three new dry cargo convoys under time charter contracts during the second quarter of 2014; (iii) a $2.8 million increase in the cabotage business due to an increase in the fleet s operating days and higher time-charter rates; and (iv) a $0.7 million increase in the port terminal business.

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***Time Charter, Voyage and Logistics Business Expenses:*** Time charter, voyage and logistics business expenses increased by $17.0 million, or 30.7%, to $72.5 million for the three month period ended September 30, 2014, as compared to $55.5 million for the three month period ended September 30, 2013.

The time charter and voyage expenses from drybulk vessel operations decreased by $4.0 million, or 9.3%, to $39.1 million for the three month period ended September 30, 2014, as compared to $43.1 million for the three month period ended September 30, 2013. This was primarily due to a decrease in charter-in available days (as discussed above).

Of the total expenses for the three month periods ended September 30, 2014 and 2013, $33.4 million and $12.4 million, respectively, were related to Navios Logistics. The increase in time charter, voyage and logistics business expenses related to Navios Logistics was mainly due to an increase in the Paraguayan liquid port s volume of products sold.

***Direct Vessel Expenses:*** Direct vessel expenses increased by $4.4 million, or 14.0%, to $35.8 million for the three month period ended September 30, 2014, as compared to $31.4 million for the three month period ended September 30, 2013. 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 vessel operations increased by $3.8 million, or 41.9%, to $13.0 million for the three month period ended September 30, 2014, as compared to $9.2 million for the three month period ended September 30, 2013. This increase was mainly attributable to the increased number of vessels in Navios Holdings fleet since the third quarter of 2013.

Of the total expenses for the three month periods ended September 30, 2014 and 2013, $22.8 million and $22.2 million, respectively, related to Navios Logistics. The increase in direct vessel expenses related to Navios Logistics was mainly due to the commencement of operations of three new dry cargo convoys under time charter contracts during the second quarter of 2014 and an increase in the amortization of deferred drydock and special survey costs.

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

| **(in thousands of U.S. dollars)** | **Three Month Period Ended September 30, 2014 (unaudited)** | **Three Month Period Ended September 30, 2013 (unaudited)** |
|---|---|---|
| Drybulk Vessel Operations | $ 4,006 | $ 5,185 |
| Logistics Business | 3,778 | 3,668 |
| **Sub-total** | **7,784** | **8,853** |
| Credit risk insurance | | 284 |
| **General and administrative expenses** | **$ 7,784** | **$ 9,137** |

The decrease in general and administrative expenses by $1.3 million, or 14.8%, to $7.8 million for the three month period ended September 30, 2014, as compared to $9.1 million for the three month period ended September 30, 2013, was mainly attributable to (i) a $0.7 million decrease in payroll and other related costs; (ii) a $0.3 million decrease in credit risk insurance fees following the termination of the credit default insurance policy on March 25, 2014; and (iii) a $0.4 million decrease in other administrative expenses mainly due to a decrease in office expenses and utilities. The overall decrease was partially offset by a $0.1 million increase in general and administrative expenses attributable to the logistics business.

***Depreciation and Amortization:*** For the three month period ended September 30, 2014, depreciation and amortization increased by $2.4 million to $26.8 million as compared to $24.4 million for the three month period ended September 30, 2013. The increase was primarily due to (i) an increase in depreciation and amortization of drybulk vessels by $1.5 million following the new vessel deliveries since the third quarter of 2013; and (ii) an increase in depreciation and amortization of the logistics business by $0.9 million, mainly due to (a) the construction of the new conveyor belt which was completed in the fourth quarter of 2013; and (b) the delivery of three new convoys in the first half of 2014.

***Interest Expense and Finance Cost, Net:*** Interest expense and finance cost, net for the three month period ended September 30, 2014 increased by $0.4 million, or 1.9%, to $27.9 million, as compared to $27.5 million in the same period of 2013. The increase was mainly due to the additional interest expense generated by the 2022 Logistics Senior Notes (as defined herein) issued in April 2014; and (ii) the additional interest expense generated by the 2022 Notes (as defined herein) issued in November 2013.

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***Other Expense, Net:*** Other expense, net increased by $1.6 million, or 196.9%, to $2.4 million for the three month period ended September 30, 2014, as compared to $0.8 million for the same period in 2013. This increase was due to (i) a $0.6 million increase in other expense, net of drybulk vessel operations; and (ii) a $1.0 million increase in other expenses, net of the logistics business.

The increase in other expense, net of drybulk vessels operations was mainly due to $1.9 million of less income for 2014 relating to early repayment from Korea Line Corporation (KLC) in 2013 as partial compensation for the claims filed with the Korean court for all unpaid amounts by KLC, which was partially mitigated by (i) a $0.6 million increase in gains from foreign exchange differences in 2014; and (ii) a $0.7 million decrease in miscellaneous other expenses in 2014.

The increase in other expense, net of the logistics business was mainly due to an increase in taxes other-than-income taxes and provisions for losses on accounts receivable.

***Equity in Net Earnings of Affiliated Companies:*** Equity in net earnings of affiliated companies decreased by $6.4 million, or 55.8%, to $5.1 million for the three month period ended September 30, 2014, as compared to $11.5 million for the same period in 2013. This decrease was mainly due to (i) a $4.9 million decrease in investment income; and (ii) a $1.5 million decrease in amortization of deferred gain from the sale of vessels to Navios Partners (as more fully described below). The $4.9 million decrease in investment income was mainly due to a $8.5 million decrease in investment income from Navios Partners, which was partially mitigated by (i) a $3.4 million increase in investment income from Navios Acquisition; and (ii) a $0.2 million increase in investment income from Navios Europe.

Navios Holdings ownership in both Navios Partners and Navios Acquisition decreased following Navios Partners and Navios Acquisitions equity offerings in February of 2014. The Company determined, under the equity method, that the issuance of shares by those entities qualified as a sale of shares by the investee.

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 (see also Related Party Transactions).

***Income Tax Benefit:*** Income tax benefit decreased by $1.4 million as compared to $1.4 million for the same period in 2013. The total change in income taxes was mainly attributable to Navios Logistics decrease in income tax benefit mainly attributable to the better performance of the segment.

***Net (Income)/Loss Attributable to the Noncontrolling Interest:*** Net income attributable to the noncontrolling interest increased by $1.5 million to a $1.1 million income for the three month period ended September 30, 2014, as compared to $0.4 million loss for the same period in 2013. This increase was mainly attributable to the logistics business net income for the three month period ended September 30, 2014, as compared to the net loss for the same period in 2013.

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**For the Nine Month Period Ended September 30, 2014 Compared to the Nine Month Period Ended September 30, 2013**

The following table presents consolidated revenue and expense information for the nine month periods ended September 30, 2014 and 2013. This information was derived from the unaudited consolidated revenue and expense accounts of Navios Holdings for the respective periods.

| (in thousands of U.S. dollars) | Nine Month Period Ended September 30, 2014 (unaudited) | Nine Month Period Ended September 30, 2013 (unaudited) |
|---|---|---|
| Revenue | $ 420,191 | $ 381,693 |
| Time charter, voyage and logistics business expenses | (187,198) | (191,095) |
| Direct vessel expenses | (97,953) | (85,531) |
| General and administrative expenses | (28,382) | (27,972) |
| Depreciation and amortization | (78,300) | (72,966) |
| Interest expense and finance cost, net | (84,507) | (80,145) |
| Gain on sale of assets | | 18 |
| Loss on bond extinguishment | (27,281) | |
| Other (expense)/income, net | (7,807) | 5,668 |
| **Loss before equity in net earnings of affiliated companies** | **(91,237)** | **(70,330)** |
| Equity in net earnings of affiliated companies | 34,591 | 29,780 |
| **Loss before taxes** | **(56,646)** | **(40,550)** |
| Income tax (expense)/benefit | (1,101) | 4,979 |
| **Net loss** | **(57,747)** | **(35,571)** |
| Less: Net loss/(income) attributable to the noncontrolling interest | 6,525 | (3,513) |
| **Net loss attributable to Navios Holdings common stockholders** | **$ (51,222)** | **$ (39,084)** |

Set forth below are selected historical and statistical data for the drybulk vessel operations segment for each of the nine month periods ended September 30, 2014 and 2013 that the Company believes may be useful in better understanding the Company s financial position and results of operations.

| | Nine Month Period Ended September 30, | |
|---|---|---|
| | **2014** | **2013** |

| | (unaudited) | (unaudited) |
|---|---|---|
| **FLEET DATA** | | |
| Available days | 16,006 | 13,975 |
| Operating days | 15,972 | 13,702 |
| Fleet utilization | 99.8% | 98.1% |
| Equivalent vessels | 59 | 51 |
| **AVERAGE DAILY RESULTS** | | |
| Time Charter Equivalents | $ 12,084 | $ 11,543 |

During the nine month period ended September 30, 2014, there were 2,031 more available days as compared to the same period of 2013, due to (i) an increase in available days for owned vessels by 1,626 days mainly due to the delivery of the Navios Taurus, Navios Galileo, Navios Amitie, Navios Northern Star and N Amalthia in the second half of 2013 and the N Bonanza and Navios Gem in the first half of 2014; and (ii) an increase in charter-in fleet available days by 405 days.

The average TCE rate for the nine month period ended September 30, 2014 was $12,084 per day, $541 per day higher than the rate achieved in the same period of 2013. This was due primarily to the increase in the freight market during the nine month period ended September 30, 2014 as compared to the same period in 2013.

***Revenue:*** Revenue from drybulk vessel operations for the nine months ended September 30, 2014 was $225.5 million as compared to $195.2 million for the same period during 2013. The increase in drybulk revenue was mainly attributable to (i) an increase in the TCE per day by 4.7% to $12,084 per day in the nine month period ended September 30, 2014; and (ii) an increase in available days as described above.

Revenue from the logistics business was $194.7 million for the nine months ended September 30, 2014 as compared to $186.5 million for the same period of 2013. This increase was mainly attributable to (i) a $8.3 million increase in the barge business mainly following the commencement of operations of three new dry cargo convoys under time charter contracts during the second quarter of 2014; and (ii) a $5.0 million increase in the cabotage business mainly attributable to an increase in the cabotage fleet s operating days and higher time-charter rates. Total increase was partially mitigated by a $5.1 million decrease in the port terminal business mainly attributable to the decrease in the Paraguayan liquid port s volume of products sold.

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***Time Charter, Voyage and Logistics Business Expenses:*** Time charter, voyage and logistics business expenses decreased by $3.9 million, or 2.0%, to $187.2 million for the nine month period ended September 30, 2014, as compared to $191.1 million for the nine month period ended September 30, 2013.

The time charter and voyage expenses from drybulk operations decreased by $2.7 million, or 2.2%, to $116.5 million for the nine month period ended September 30, 2014, as compared to $119.2 million for the nine month period ended September 30, 2013. This was primarily due to a decrease in voyage charter expenses mainly due to lower bunker expenses, which was partially mitigated by higher loss voyages in the current period.

Of the total expenses for the nine month periods ended September 30, 2014 and 2013, $70.7 million and $71.9 million, respectively, were related to Navios Logistics. The decrease in time charter, voyage and logistics business expenses was mainly due to a decrease in the volume of products sold in the liquid port in Paraguay, which was partially mitigated by (i) an increase in the barge business mainly attributable to higher fuel expenses due to an increase in the number of voyages under COA contracts and an increase in time charter expense due to the short term charter-in of 36 barges delivered during the second and third quarters of 2014; and (ii) an increase in volumes transported in dry port facility in Uruguay.

***Direct Vessel Expenses:*** Direct vessel expenses increased by $12.4 million, or 14.5%, to $97.9 million for the nine month period ended September 30, 2014, as compared to $85.5 million for the same period in 2013. 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 vessel operations increased by $11.2 million, or 39.9%, to $39.5 million for the nine month period ended September 30, 2014, as compared to $28.3 million for the nine month period ended September 30, 2013. This increase was mainly attributable to the increased number of vessels in Navios Holdings fleet since the third quarter of 2013.

Of the total expenses for the nine month periods ended September 30, 2014 and 2013, $58.4 million and $57.2 million, respectively, were related to Navios Logistics. The increase in direct vessel expenses related to Navios Logistics was mainly attributable to (i) an increase in the amortization of deferred drydock and special survey costs; and (ii) the commencement of operations of three new dry cargo convoys under time charter contracts during the second quarter of 2014.

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

| **(in thousands of U.S. dollars)** | **Nine Month Period Ended September 30, 2014 (unaudited)** | **Nine Month Period Ended September 30, 2013 (unaudited)** |
|---|---|---|
| Drybulk Vessel Operations | $ 16,956 | $ 16,835 |
| Logistics Business | 10,537 | 10,279 |
| **Sub-total** | **27,493** | **27,114** |
| Credit risk insurance | 889 | 858 |

| | | | | |
|---|---|---|---|---|
| **General and administrative expenses** | **$** | **28,382** | **$** | **27,972** |

The increase in general and administrative expenses by $0.4 million, or 1.5%, to $28.4 million for the nine month period ended September 30, 2014, as compared to $28.0 million for the nine month period ended September 30, 2013, was mainly attributable to (i) a $0.3 million increase in payroll and other related costs; (ii) a $0.2 million increase in other administrative expenses; and (iii) a $0.3 million increase attributable to the logistics business. The overall increase was partially offset by a $0.4 million decrease in professional, legal and audit fees.

***Depreciation and Amortization:*** For the nine month period ended September 30, 2014, depreciation and amortization increased by $5.3 million, or 7.3%, to $78.3 million, as compared to $73.0 million for the same period in 2013. The increase was primarily due to (i) an increase in depreciation and amortization of drybulk vessels by $4.2 million following the new vessel deliveries during the second half of 2013 and the first half of 2014; and (ii) an increase in depreciation and amortization of the logistics business by $1.1 million, mainly due to delivery of three new convoys in the first half of 2014 and the construction of the new conveyor belt completed in the fourth quarter of 2013.

***Interest Expense and Finance Cost, Net:*** Interest expense and finance cost, net for the nine month period ended September 30, 2014 increased by $4.4 million, or 5.4%, to $84.5 million, as compared to $80.1 million in the same period of 2013. This increase was mainly due to (i) a $2.4 million increase in interest expense and finance cost, net of the logistics business, mainly attributable to (a) the additional interest expense generated by the Additional 2019 Logistics Senior Notes issued in March

2013; (b) the Tender Offer and the redemption of the 2019 Logistics Senior Notes in April 2014 (as both defined herein); and (c) the additional interest expense generated by the 2022 Logistics Senior Notes (as defined herein) issued in April 2014; and (ii) a $2.0 million increase in interest expense and finance cost, net of drybulk vessel operations mainly attributable to (a) the additional interest expense generated by the 2022 Notes (as defined herein) issued in November 2013; and (b) a decrease in interest income from time deposits and loans to affiliate companies.

***Loss on Bond Extinguishment:*** On April 22, 2014, Navios Logistics completed the sale of $375.0 million in aggregate principal amount of 7.25% senior notes due on May 1, 2022 (the 2022 Logistics Senior Notes ). From the net proceeds of the offering, Navios Logistics repaid in full the $290.0 million of the 2019 Logistics Senior Notes (as defined herein). The effect of this early repayment resulted in the recognition of a $27.3 million loss in the statement of comprehensive loss, which comprises a $7.9 million loss relating to the accelerated amortization of unamortized deferred finance costs, a $3.1 million gain relating to the accelerated amortization of unamortized 2019 Logistics Senior Notes premium and a $22.5 million loss relating to cash payments for tender premium fees and expenses.

***Other (Expense)/Income, Net:*** Other (expense)/income, net increased by $13.4 million, or 237.7%, to $7.8 million expense for the nine month period ended September 30, 2014, as compared to $5.6 million income for the same period in 2013. This increase was due to a $14.2 million increase in other expense, net of drybulk vessel operations partially mitigated by a $0.8 million decrease in other expenses, net of the logistics business.

The increase in other expense, net of drybulk vessels operations is mainly due to (i) a $11.5 million expense relating to the reclassification to earnings of available-for-sale securities for an other-than-temporary impairment; and (ii) a $15.0 million of less income for 2014 relating to the fair value valuation of KLC shares, including an early repayment from KLC of $1.9 million, which were received during the same period in 2013 as partial compensation for the claims filed with the Korean court for all unpaid amounts by KLC. This increase in other expenses, net was partially mitigated by (i) $7.2 million of income relating to the sale of a defaulted counterparty claim to an unrelated third party; (ii) $3.6 million of income from the termination of the credit default insurance policy on March 25, 2014; and (iii) a $1.5 million decrease in other expenses during the nine month period ended September 30, 2014 mainly attributable to foreign exchange differences, loss on derivatives and miscellaneous other expenses.

The decrease in other expenses, net of the logistics business was mainly due to settlement of claims and the decreased expenses from foreign exchange differences as a result of a favorable fluctuation of the U.S. dollar exchange rate against the local currencies in the countries where Navios Logistics conducts its port terminal business operations.

***Equity in Net Earnings of Affiliated Companies:*** Equity in net earnings of affiliated companies increased by $4.8 million, or 16.2%, to $34.6 million for the nine month period ended September 30, 2014, as compared to $29.8 million for the same period in 2013. This increase was mainly due to a $6.6 million increase in investment income which was partially offset by a $1.8 million decrease in amortization of deferred gain from the sale of vessels to Navios Partners (as more fully described below). The $6.6 million increase in investment income consisted of (i) $7.5 million relating to Navios Acquisition ($11.9 million of gains as a result of the issuance of shares following Navios Acquisition s offering in February 2014, which qualified as a sale of shares, and a $4.4 million increase in equity losses); and (ii) a $0.8 million increase in investment income from Navios Europe and Acropolis (as defined herein). Total increase was partially mitigated by a $1.7 million decrease in investment income from Navios Partners ($2.8 million decrease in gains, as a result of the issuance of shares following Navios Partners offering in February 2014, which qualified as a sale of shares, and a $1.1 million increase in equity income).

Navios Holdings ownership in both Navios Partners and Navios Acquisition decreased following Navios Partners and Navios Acquisition s equity offerings in February of 2014. The Company determined, under the equity method, that the issuance of shares by those entities qualified as a sale of shares by the investee.

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 (see also Related Party Transactions ).

***Income Tax (Expense)/Benefit:*** Income tax expense for the nine month period ended September 30, 2014 increased by $6.1 million, or 122.1%, to $1.1 million for the nine month period ended September 30, 2014, as compared to a $5.0 million benefit for the same period in 2013. The total change in income taxes was attributable to Navios Logistics mainly due to the merging of certain subsidiaries in Paraguay in the first quarter of 2013 and the better operational performance of Navios Logistics during the nine month period ended September 30, 2014.

***Net Loss/(Income) Attributable to the Noncontrolling Interest:*** Net loss attributable to noncontrolling interest increased by $10.0 million to $6.5 million loss for the nine month period ended September 30, 2014, as compared to $3.5 million income for the same period in 2013. This increase was mainly attributable to the logistics business net loss for the nine month period ended September 30, 2014 compared to net income for the same period in 2013.

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### *Liquidity and Capital Resources*

Navios Holdings has historically financed its capital requirements with cash flows from operations, equity contributions from stockholders, issuance of debt and bank 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 drybulk vessel operations and the logistics businesses, including working capital requirements. See Working Capital Position and Long-Term Debt Obligations and Credit Arrangements for further discussion of Navios Holdings working capital position.

The following table presents cash flow information derived from the unaudited consolidated statements of cash flows of Navios Holdings for the nine month periods ended September 30, 2014 and 2013.

| **(in thousands of U.S. dollars)** | **Nine Month Period Ended September 30, 2014 (unaudited)** | **Nine Month Period Ended September 30, 2013 (unaudited)** |
|---|---|---|
| Net cash provided by operating activities | $ 33,775 | $ 79,055 |
| Net cash used in investing activities | (165,908) | (217,103) |
| Net cash provided by financing activities | 234,394 | 94,343 |
| **Increase/(decrease) in cash and cash equivalents** | **102,261** | **(43,705)** |
| Cash and cash equivalents, beginning of period | 187,831 | 257,868 |
| **Cash and cash equivalents, end of period** | **$ 290,092** | **$ 214,163** |

**Cash provided by operating activities for the nine month period ended September 30, 2014 as compared to the nine month period ended September 30, 2013:**

Net cash provided by operating activities decreased by $45.3 million to $33.8 million for the nine month period ended September 30, 2014, as compared to $79.1 million for the nine month period ended September 30, 2013. In determining net cash provided by operating activities, net loss is adjusted for the effects of certain non-cash items as discussed below.

The aggregate adjustments to reconcile net loss to net cash provided by operating activities was a $104.0 million gain for the nine month period ended September 30, 2014, which consisted mainly of the following adjustments: $78.3 million of depreciation and amortization, $9.0 million of amortization of deferred drydock and special survey costs, $2.7 million of amortization of deferred finance fees, $3.0 million relating to share-based compensation, $0.9 million provision for losses on accounts receivable, $11.5 million reclassification to earnings of available-for-sale securities for an other-than-temporary impairment, $4.8 million of expenses related to Navios Logistics bond extinguishment, and $1.1 million movement in income taxes. These adjustments were partially offset by a $7.3 million movement in earnings in affiliates, net of dividends received.

The net cash outflow resulting from the change in operating assets and liabilities of $12.5 million for the nine month period ended September 30, 2014 resulted from a $8.6 million increase in prepaid expenses and other assets, a $22.2 million increase in amounts due from affiliates, a $7.7 million payment for drydock and special survey costs, a $1.5 million decrease in deferred income, and a $5.4 million decrease in other long term liabilities. These were partially offset by a $4.3 million decrease in accounts receivable, a $5.6 million increase in accrued expenses and a $23.0 million increase in accounts payable.

The aggregate adjustments to reconcile net loss to net cash provided by operating activities was a $82.2 million gain for the nine month period ended September 30, 2013, which consisted mainly of the following adjustments: $73.0 million of depreciation and amortization, $6.7 million of amortization of deferred drydock and special survey costs, $4.1 million of amortization of deferred finance fees, $2.1 million relating to share-based compensation, $0.1 million of unrealized losses on FFAs with LCH, a $0.9 million movement in earnings in affiliates net of dividends received, and $0.3 million of provision for losses on accounts receivable. These adjustments were partially offset by a $5.0 million decrease in income taxes.

The positive change in operating assets and liabilities of $32.4 million for the nine month period ended September 30, 2013 resulted from a $65.2 million decrease in amounts due from affiliates, a $10.0 million decrease in accounts receivable, a $0.2 million decrease in restricted cash, a $1.2 million decrease in derivative accounts and a $10.1 million increase in accrued expenses. These were partially offset by a $12.9 million increase in prepaid expenses and other current assets, a $13.4 million increase in other long-term assets, $10.3 million in payments for drydock and special surveys costs, a $11.3 million decrease in accounts payable, a $6.3 million decrease in deferred income, and a $0.1 million decrease in other long-term liabilities.

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**Cash used in investing activities for the nine month period ended September 30, 2014 as compared to the nine month period ended September 30, 2013:**

Cash used in investing activities was $165.9 million for the nine month period ended September 30, 2014, as compared to $217.1 million for the same period in 2013.

Cash used in investing activities for the nine months ended September 30, 2014 was the result of (i) $2.2 million used to purchase general partner units in Navios G.P. LLC, the general partner of Navios Partners ( General Partner ) following a Navios Partners common equity offering; (ii) $17.6 million in payments relating to deposits for the acquisition of two bulk carrier vessels scheduled for delivery in the third and fourth quarter of 2015; (iii) $3.1 million movement relating to Navios Acquisition s long term receivable; (iv) a $3.2 million loan to Navios Europe; (v) $72.0 million in payments for the acquisition of the N Bonanza and the Navios Gem in January and in June 2014, respectively; (vi) $0.2 million of payments in other fixed assets and (vii) $78.5 million of payments relating to amounts paid by Navios Logistics as follows: (a) $4.4 million for the construction of three new pushboats; (b) $3.6 million for the acquisition and transport of three pushboats delivered in the first quarter of 2014; (c) $46.3 million for the construction and transport of new dry barges; (d) $16.0 million for the expansion of the dry port in Uruguay; (e) $4.3 million in payments for the acquisition of a second-hand bunker vessel in the third quarter of 2014; (f) $0.9 million in payments for the construction of a new conveyor belt in Nueva Palmira; and (g) $3.0 million for the purchase of other fixed assets. The above were partially offset by $10.9 million in dividends received from Navios Acquisition.

Cash used in investing activities for the nine months ended September 30, 2013 was the result of: (i) $163.2 million in payments relating to (a) $3.2 million used to purchase general partner units following a Navios Partners common equity offering; and (b) $160.0 million relating to the acquisition of Navios Acquisition shares as part of its February, May and September 2013 equity offerings; (ii) $2.1 million relating to the acquisition of port terminal operating rights; (iii) $67.8 million in payments relating to the acquisition of four Panamax vessels, comprised of the Navios Galileo, the Navios Taurus, the Navios Amitie and the Navios Northern Star, during the third quarter of 2013; and (iv) $44.8 million of payments in other fixed assets mainly relating to amounts paid by Navios Logistics for (a) the construction of a new conveyor belt in Nueva Palmira; (b) the construction of two new tank barges; and (c) the purchase of other fixed assets. The above was partially offset by (i) a $35.0 million loan repayment from Navios Acquisition; (ii) a $19.3 million movement relating to Navios Acquisition s long-term receivable; and (iii) $6.5 million in dividends received from Navios Acquisition.

**Cash provided by financing activities for the nine month period ended September 30, 2014 as compared to the nine month period ended September 30, 2013:**

Cash provided by financing activities was $234.4 million for the nine month period ended September 30, 2014, compared to $94.3 million for the same period of 2013.

Cash provided by financing activities for the nine months ended September 30, 2014 was the result of (i) $163.9 million in net proceeds following the sale of the Series G on January 28, 2014 and Series H on July 8, 2014; (ii) $3.5 million contribution of noncontrolling shareholders for the acquisition of the N Bonanza; (iii) $0.6 million in proceeds from the exercise of options to purchase common stock; (iv) $40.4 million of loan proceeds (net of $0.9 million finance fees) for financing the acquisition of the N Bonanza and the Navios Gem; (v) $365.7 million of proceeds from the issuance of the 2022 Logistics Senior Notes in April 2014 (net of $9.3 million finance fees); and (vi) $0.2 million decrease in restricted cash relating to loan repayments. This was partially offset by: (i) $15.8 million of installments paid in connection with the Company s outstanding indebtedness; (ii) $290.0 million repayment of the 2019 Logistics Senior Notes (as defined herein); (iii) $22.2 million of dividends paid to the Company s stockholders; (iv) $10.9

million relating to payments for the acquisition of the noncontrolling interest in Navios Asia; and (v) $1.0 million relating to payments for capital lease obligations.

Cash provided by financing activities for the nine month period ended September 30, 2013 was the result of (i) $90.3 million of proceeds (net of $3.1 million finance fees) from the Additional 2019 Logistics Senior Notes issued in March 2013; (ii) a $18.8 million movement in restricted cash relating to loan repayments; (iii) $39.4 million loan proceeds for financing the acquisition of four Panamax vessels, comprised of the Navios Galileo, the Navios Taurus, the Navios Amitie and the Navios Northern Star (net of relating finance fees of $0.6 million) during the third quarter of 2013; and (iv) $0.4 million of proceeds from the exercise of options to purchase common stock. This was partially offset by: (i) $33.1 million of installments paid in connection with Company s outstanding indebtedness; (ii) $0.9 million relating to payments for capital lease obligations; (iii) $0.8 million for the acquisition of noncontrolling interest relating to Navios Logistics; and (iv) $19.8 million of dividends paid to the Company s stockholders.

**Adjusted EBITDA:** EBITDA represents net income/(loss) 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

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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 therefore, 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, among others, 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.

**Adjusted EBITDA Reconciliation to Cash from Operations**

| | **Three Months Ended** | |
|---|---|---|
| **(in thousands of U.S. dollars)** | **September 30, 2014 (unaudited)** | **September 30, 2013 (unaudited)** |
| Net cash (used in)/provided by operating activities | $ (6,717) | $ 41,182 |
| Net decrease in operating assets | (2,841) | (27,026) |
| Net decrease/(increase) in operating liabilities | 26,189 | (3,154) |
| Net interest cost | 27,940 | 27,415 |
| Deferred finance charges | (943) | (1,192) |
| Provision for losses on accounts receivable | (377) | (255) |
| Equity in affiliates, net of dividends received | (2,693) | 1,236 |
| Payments for drydock and special survey | 2,967 | 2,018 |
| Noncontrolling interest | (1,111) | 346 |
| **Adjusted EBITDA** | **$ 42,414** | **$ 40,570** |

| | **Nine Months Ended** | |
|---|---|---|
| **(in thousands of U.S. dollars)** | **September 30, 2014 (unaudited)** | **September 30, 2013 (unaudited)** |
| Net cash provided by operating activities | $ 33,775 | $ 79,055 |
| Net increase/(decrease) in operating assets | 26,506 | (49,109) |
| Net (increase)/decrease in operating liabilities | (21,739) | 6,424 |
| Net interest cost | 84,507 | 80,145 |
| Deferred finance charges | (2,679) | (4,124) |
| Expenses related to Navios Logistics bond extinguishment | (4,786) | |
| Provision for losses on accounts receivable | (866) | (300) |
| Unrealized losses on FFA derivatives | | (69) |
| Equity in affiliates, net of dividends received | 7,291 | (970) |

| | | |
|---|---|---|
| Payments for drydock and special survey | 7,694 | 10,287 |
| Gain on sale of assets | | 18 |
| Noncontrolling interest | 6,525 | (3,513) |
| Reclassification to earnings of available-for-sale securities | (11,553) | |
| **Adjusted EBITDA** | **$ 124,675** | **$ 117,844** |

Adjusted EBITDA for the three months ended September 30, 2014 was $42.4 million as compared to $40.6 million for the same period of 2013. The $1.8 million increase in Adjusted EBITDA was primarily due to (i) a $30.3 million increase in revenue; and (ii) a $1.6 million decrease in general and administrative expenses (excluding share-based compensation expenses). This overall increase of $31.9 million was mitigated by (i) a $17.0 million increase in time charter, voyage and logistics business expenses; (ii) a $6.4 million decrease in equity in net earnings from affiliated companies; (iii) a $3.6 million increase in direct vessel expenses (excluding the amortization of deferred drydock and special survey costs); (iv) a $1.6 million increase in other expenses, net; and (v) a $1.5 million increase in income attributable to the noncontrolling interest.

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Adjusted EBITDA for the nine months ended September 30, 2014 was $124.7 million as compared to $117.8 million for the same period of 2013. The $6.9 million increase in Adjusted EBITDA was primarily due to (i) a $38.5 million increase in revenue; (ii) a $3.9 million decrease in time charter, voyage and logistics business expenses; (iii) a $4.8 million increase in equity in net earnings from affiliated companies; (iv) a $0.5 million decrease in general and administrative expenses (excluding share-based compensation expenses); and (v) a $10.0 million increase in loss attributable to the noncontrolling interest. This overall increase of $57.7 million was mitigated by (i) a $10.1 million increase in direct vessel expenses (excluding the amortization of deferred drydock and special survey costs); (ii) a $13.4 million increase in other expenses, net; and (iii) a $27.3 million loss on bond extinguishment.

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

*Secured Credit Facilities*

On December 20, 2013, Navios Asia entered into a facility with Crédit Agricole Corporate and Investment Bank for an amount of up to $22.5 million in two equal tranches in order to finance the acquisition of the N Amalthia, which was delivered in October 2013, and the N Bonanza, which was delivered in January 2014. The two tranches bear interest at a rate of LIBOR plus 300 basis points. During the first quarter of 2014, Navios Asia had drawn the second tranche of $11.3 million in order to finance the acquisition of the N Bonanza, which is repayable in ten equal semi-annual installments of $0.6 million, with a final balloon payment of $5.6 million on the last repayment date.

On June 27, 2014, Navios Holdings refinanced its existing facility with DVB Bank SE, Crédit Agricole Corporate and Investment Bank and Norddeutsche Landesbank Girozentrale, entering into a new tranche for an amount of $30.0 million in order to finance the acquisition of the Navios Gem, which was delivered in June 2014. The loan bears interest at a rate of LIBOR plus 275 basis points. As of September 30, 2014, the Company had drawn the entire available amount under the new tranche facility, which is repayable in 24 quarterly installments of $0.4 million, with a final balloon payment of $18.8 million on the last repayment date.

As of September 30, 2014, the Company had secured credit facilities with various banks with a total outstanding balance of $243.1 million. The purpose of the facilities was to finance the construction or acquisition of vessels or refinance existing indebtedness. All of the facilities are denominated in U.S. Dollars and bear interest based on LIBOR plus spread ranging from 2.25% to 3.60% per annum. The facilities are repayable in either semi-annual or quarterly installments, followed by balloon payments with maturities, ranging from September 2018 to May 2022. See also the maturity table included below.

The facilities are secured by first priority mortgages on certain of Navios Holdings vessels and other collateral.

The credit facilities contain a number of restrictive covenants that limit Navios Holdings and/or certain of its subsidiaries from, among other things: incurring or guaranteeing indebtedness; entering into affiliate transactions; charging, pledging or encumbering the vessels securing such facilities; changing the flag, class, management or ownership of certain Navios Holdings vessels; changing the commercial and technical management of certain Navios Holdings vessels; selling or changing the ownership of certain Navios Holdings vessels; and subordinating the obligations under the credit facilities to any general and administrative costs relating to the vessels. The credit facilities also require the vessels to comply with the ISM Code and ISPS Code and to maintain valid safety management certificates and documents of compliance at all times. Additionally, the credit facilities require compliance with the covenants contained in the indentures governing the 2019 Notes and the 2022 Notes (each as defined herein). Among other events, it will be an event of default under the credit facilities if the financial covenants are not complied with or if Angeliki Frangou and her affiliates, together, own less than 20% of the outstanding share capital of Navios Holdings.

As of September 30, 2014, the Company was in compliance with all of the covenants under each of its credit facilities.

*Senior Notes*

On January 28, 2011, the Company and its wholly owned subsidiary, Navios Maritime Finance II (US) Inc. (together with the Company, the 2019 Co-Issuers ) 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 any and all of Navios Holdings then-outstanding 9.5% Senior Notes due 2014 and pay related transaction fees and expenses and for general corporate purposes.

The 2019 Notes are fully and unconditionally guaranteed, jointly and severally and on an unsecured senior basis, by all of the Company s subsidiaries, other than Navios Maritime Finance II (US) Inc., Navios Maritime Finance (US) Inc., Navios Logistics and its subsidiaries and Navios GP LLC. The subsidiary guarantees are full and unconditional , as those terms are used in Regulation S-X Rule 3-10, except that the indenture provides for an individual subsidiary s guarantee to be automatically

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released in certain customary circumstances, such as when a subsidiary is sold or all of the assets of the subsidiary are sold, the capital stock is sold, when the subsidiary is designated as an unrestricted subsidiary for purposes of the indenture, upon liquidation or dissolution of the subsidiary or upon legal or covenant defeasance or satisfaction and discharge of the 2019 Notes. The 2019 Co-Issuers have the option to redeem the 2019 Notes in whole or in part, at any time (i) before February 15, 2015, at a redemption price equal to 100% of the principal amount, plus a make whole premium, plus accrued and unpaid interest, if any, and (ii) on or after February 15, 2015, at a fixed price of 104.063% of the principal amount, which price declines ratably until it reaches par in 2017, plus accrued and unpaid interest, if any. In addition, upon the occurrence of certain change of control events, the holders of the 2019 Notes will have the right to require the 2019 Co-Issuers to repurchase some or all of the 2019 Notes at 101% of their face amount, plus accrued and unpaid interest to the repurchase date.

The 2019 Notes contain covenants which, among other things, limit the incurrence of additional indebtedness, issuance of certain preferred stock, the payment of dividends, redemption or repurchase of capital stock or making restricted payments and investments, creation of certain liens, transfer or sale of assets, entering in transactions with affiliates, merging or consolidating or selling all or substantially all of the 2019 Co-Issuers properties and assets and creation or designation of restricted subsidiaries. The 2019 Co-Issuers were in compliance with the covenants as of September 30, 2014.

*Ship Mortgage Notes*

In November 2009, the Company and its wholly-owned subsidiary, Navios Maritime Finance (US) Inc. (together, the Mortgage Notes Co-Issuers ) issued $400.0 million of first priority ship mortgage notes due on November 1, 2017 at a fixed rate of 8.875% (the 2017 Notes ). In July 2012, the Mortgage Notes Co-Issuers issued an additional $88.0 million of the 2017 Notes at par value. On November 29, 2013, Navios Holdings completed the sale of $650.0 million of its 7.375% First Priority Ship Mortgage Notes due 2022 (the 2022 Notes ). The net proceeds of the offering of the 2022 Notes have been used: (i) to repay in full the 2017 Notes; and (ii) to repay in full indebtedness of $123.3 million relating to six vessels added as collateral under the 2022 Notes. The remainder has been used for general corporate purposes.

The 2022 Notes are senior obligations of Navios Holdings and Navios Maritime Finance II (US) Inc. (the 2022 Co-Issuers ) and are secured by first priority ship mortgages on 23 drybulk vessels owned by certain subsidiary guarantors and certain other associated property and contract rights. The 2022 Notes are unregistered and fully and unconditionally guaranteed, jointly and severally by all of the Company s direct and indirect subsidiaries that guarantee the 2019 Notes and Navios Maritime Finance II (US) Inc. The guarantees of the Company s subsidiaries that own mortgage vessels are senior secured guarantees and the guarantees of the Company s subsidiaries that do not own mortgage vessels are senior unsecured guarantees. In addition, the 2022 Co-Issuers have the option to redeem the 2022 Notes in whole or in part, at any time (i) before January 15, 2017, at a redemption price equal to 100% of the principal amount plus a make whole price which is based on a formula calculated using a discount rate of treasury bonds plus 50 basis points, and (ii) on or after January 15, 2017, at a fixed price of 105.531%, which price declines ratably until it reaches par in 2020.

Furthermore, upon occurrence of certain change of control events, the holders of the 2022 Notes may require the 2022 Co-Issuers to repurchase some or all of the notes at 101% of their face amount. The 2022 Notes contain covenants, which among other things, limit the incurrence of additional indebtedness, issuance of certain preferred stock, the payment of dividends, redemption or repurchase of capital stock or making restricted payments and investments, creation of certain